DANIDA

ATWA Stage 1 Report

Part 3 – Cross Cutting Issues - Political Economy, Poverty, Informality & Gender

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Prepared by:

SAANA CONSULTING

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List of acronyms

ADM	Archer Daniels Midland
ATWA	Accelerating Trade in West Africa
CET	Common external tariff
CILSS	*Comité Permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel*
ECOWAS	Economic Community of West African States
GVC	Global Value Chain
MDG	Millennium Development Goals
PEA	Political Economy Analysis
REC	Regional Economic Communities
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development
WATH	West Africa Trade Hub
XOF	West African CFA Franc

1. INTRODUCTION

Parts I and II of this Stage 1 Report have reviewed the regional trade and transport framework in West Africa. However, cross-cutting issues related to political economy, gender and informality will also greatly influence at a fundamental level whether Accelerating Trade in West Africa (ATWA) – as a development co-operation programme – will be seen as relevant and successful, and the extent to which it can have an impact on poverty reduction in ECOWAS.

More specifically, the significance of these cross-cutting issues to ATWA can be framed as follows:

- The complex political, economic and social factors which operate at both the regional and the national levels will largely determine whether a multi-donor funded vehicle supporting regional integration and trade facilitation is accepted in the region and the "traction" it will have in promoting reform.

- The links between trade, economic growth and poverty reduction in West Africa – including the dimensions of gender and informality – need to be considered carefully at the ATWA design stage in order to avoid neglecting important entry points to improve economic opportunities and mitigate any downside risks for poor women and men from expanding trade and investment in ECOWAS.

In recognition of these two aspects, Part III of this Stage 1 report starts by considering the political economy factors to be taken into account in scoping and design work related to ATWA. A project for corridor upgrading and development needs to be not only technically feasible and economically viable, but also socially and politically acceptable. Part III endeavours to disentangle and lay out the relevant issues as political considerations and the entrenched positions of many different interests within nations will act as powerful impediments to reform and development.

Part III also considers the extent to which efforts to liberalise trade internationally and integrate markets amongst neighbouring countries can be expected to translate to poverty reduction. These effects are well known and treated extensively in the literature, where it is recognised that increased participation in global and regional value chains holds much potential for economic growth, job creation and poverty reduction. This participation cannot happen without a certain degree of liberalisation and market integration.

Poor women and men participate in trade in different ways in West Africa, and there are also very significant flows of informal cross-border trade which are not currently captured within official statistics, but which involve significant numbers of poor people from rural communities. Despite its significance, this informal cross border trade is not presently well catered for in terms of trade facilitation measures and border facilities in West Africa.

At the same time efforts to liberalise trade and integrate markets do not, of their own, automatically reduce poverty. Complementary policies are needed to help industries and sectors take advantage of new opportunities and reduce negative effects for those that lose out from market integration. Failing to take these effects into account not only lessens the poverty reducing potential of programmes and projects aimed at supporting trade and regional integration; it also neglects the observation that much of the resistance to market opening in the ECOWAS region can be traced back to failed liberalisation efforts of the past and fears over adjustment costs and displacement of workers and industries.

The remainder of Part III of this Stage 1 report is organised in 3 sections:

- Section 2 provides a summary of the analysis and implications contained in the Political Economy Analysis (PEA) and trade and poverty chapters.
- Section 3 outlines PEA implications for the design of ATWA along five lenses: i) structural factors; ii) formal and informal rules of the game; iii) key actors at the regional level; iv) sectoral factors and finally v) external factors.
- Section 4 reviews the links between trade and poverty in West Africa, including the dimensions of gender and informality, and outlines implications for ATWA's design.

2. SUMMARY OF FINDINGS

2.1 Political Economy Analysis

2.1.1 The political landscape for regional trade and integration

At the broadest level, regional integration is affected by language, geography and economic structures. West African countries have shared, but at the same time varied, colonial histories, reflected in the respective Anglophone, Francophone and Portuguese-speaking groups. This history has influenced regional integration to some extent with, for example, UEMOA Member States sharing a common currency, the West African CFA Franc (XOF).

The different range of ecological zones of West Africa also bear a strong influence on trade patterns and migration. Northern Sahelian countries often specialise in a different range of agricultural and livestock products lush southern coastline regions. This complementarity of agricultural productions patterns has a positive impact on food security and employment in the region. Cattle from Niger for example is exported throughout the region and maize from Ghana is often dried in Burkina Faso and re-exported to Niger.

These differences create complementarities. But the varying geographical sizes and populations of West African countries also engender very different economic interests, with some countries having substantial export and domestic production capacities while others depend heavily on imports. This renders regional economic policy coordination difficult, particularly in relation to external trade policy in which large countries, notably Nigeria, Ghana and Côte d'Ivoire, tend to dominate without necessarily having the same policy priorities as each other. Regional powers such as Nigeria have entrenched interests which may inhibit reform and intra-regional cooperation, but which in other contexts may also serve to promote cooperation and the development of sub-regional alliances.

At the institutional level, several regional organisations operate in West Africa. The most prominent are ECOWAS and *Union Économiqe et Monetaire Ouest Africaine* (UEMOA), all of whose members are also in ECOWAS. Coordination between these organisations has sometimes been a challenge, although recently there are signs of improved UEMOA-ECOWAS policy harmonisation. On trade and economic matters, UEMOA legislation often lays the basis for wider action by ECOWAS, indicating a level of implicit coordination that ATWA would do well to seize on.

Regional regulations and policies are not always implemented by member states and monitoring mechanisms are underdeveloped. Several initiatives, undertaken by the United States Agency for International Development (USAID) West Africa Trade Hub (WATH), the *Comité Permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel* (CILSS), the Borderless Alliance or UEMOA have tried to provide a sense of the implementation gap at the Member State level but these remain a work in progress.

2.1.2 Thinking and working politically on ATWA

To operate effectively, ATWA would have to develop a sensitive understanding of the interaction of all these national and regional interactions and learn how to cooperate with them. From the political economy perspective, *prima facie*, working at the national level, tackling issues of non-implementation and weak trade and transport infrastructure, while strengthening the oversight role of regional institutions, seems like a sensible way forward.

At the national level ATWA will need to understand the working of national élites, government and public agency officials and private sector and civil society interests to tackle deep seated regulatory issues hampering the free movement of goods and persons. This is particularly the case of the transport sector, which involves strong commercial interests, regulatory capture and a complicated set of informal practices and social factors. Every reform proposal will have its own political and economic implications for ruling élites and affect the attitudes of national and local governments and the prospects for corridor improvement.

From a political economy perspective, ATWA should adopt an iterative and flexible approach that recognises the range of interests involved and works through engaging local stakeholders and power-brokers so as to bring together coalitions of different interests for reform. Programmes and projects should aim to alter existing incentive structures so as to increase the propensity to reform; work constructively from within existing practices to adapt them rather than seek to cast them out wholesale; at the same time, avoid current practices which are obstructive, concentrating on areas where interests coincide and compromises are possible; and await political conditions which are conducive to reform, for example following elections or other propitious developments.

The section concludes with some important political economy issues to consider in selecting the initial group of corridors/countries that work under ATWA's Strategic Objective 1 could focus on initially.

2.2 Trade, growth and poverty reduction in West Africa

2.2.1 Understanding and unpacking the linkages

Trade promotes the specialisation and enhanced division of labour, transmission of technological innovation, and competition leading to improvements in productivity and efficiency. It facilitates reallocation of resources from lower to higher productivity sectors, and promotes economies of scale. However West Africa's international trade depends heavily on exports of raw materials so more emphasis is now placed on the development of intra-regional trade, particularly in manufacturing, as a means of promoting diversification and growth. Importantly, the great majority of West Africa's intra-regional trade is informal, much of it consisting of food staples, so that actual trade volumes are grossly under-recorded.

There is a clear link between trade and economic growth, but whether trade stimulates growth or growth leads to increased trade is disputed. It is more important to concentrate on the clearer relationship between growth and poverty-reduction. Expanding export sectors leads to new jobs, and trade deals lead to structural changes that boost employment. On the other hand the benefits of growth may be unequally spread so that the poor (or women) do not benefit. The best course is a comprehensive and coherent approach which stimulates trade expansion so as to maximise economic growth gains for the poor and includes mitigating measures to help those who lose out.

Certain kinds of trade expansion (e.g. in the extractives sector in West Africa) may have very limited direct impact on wider employment and income prospects for poor people. It is therefore necessary to consider trade-related strategies that will generate forms of more inclusive, transformational trade expansion and economic growth which are more effective in reducing poverty quickly and sustainably.

Countries in the region achieved little or no economic growth from the 1980s to the mid-1990s. Since about 1995 there has been generally sustained growth except for the global recession of 2008-2009, from which countries quickly recovered. In 2005-2012 all West African countries recorded positive annual average growth rates, in six cases of more than 5 percent annually. In 1990 as many as eleven West African countries had poverty rates of excess of 50 percent of total population. By 2011 the poverty rate had been reduced in eleven countries, in several cases very significantly. Only Ghana had by then achieved, indeed exceeded, its millennium development goal (MDG) target of reducing the poverty rate to 25.23 percent by 2015, but three small states (The Gambia, Cape Verde and Senegal) were close to doing so.

Export trade costs in Sub-Saharan Africa are among the highest in the world. In more than half of all African countries the time taken to export is above the world average while export document preparation takes on average 25 percent longer and customs procedures are 30 percent more expensive. Ten African countries, including three in ECOWAS, have higher costs for intra-regional trade than for trade with the rest of the world. The situation is particularly bad in several West African countries, where a significant lowering of trade-related costs could boost trade performance, and where trade facilitation measures are particularly important.

Trade expansion is important for generating growth in income and employment from global value chains. But to achieve this, supply capacity in the economy must be adequate. Mitigation and structural adjustment measures and retraining must be available to cushion the impact on workers in uneconomic sectors who lose their jobs. The extent to which changes in trade policy contribute to growth and poverty-reduction is largely determined by the strength and appropriateness of the complementary policies which accompany changes in trade regimes. Reforms which were implemented in West Africa during the 1980s and early 1990s without the support of appropriate complementary policies led to falling growth rates and increasing poverty, which has instilled in policy makers in the region a distrust of trade reforms and led to failure of some countries to implement several desirable.

2.2.2 Towards a pro-poor agenda for ATWA

ATWA should aim at trade and growth development strategies which include the development of global and regional value chains from which African countries can benefit. Informal trade (which is currently poorly understood in spite of being the backbone of much of the commercial flows in the region) could be another avenue, which ATWA could explore to engage with the poorest segments of society.

Part III of this Stage I report discusses the possibilities for developing four broad types of value chains, namely in: (i) staple food products (rice, maize and cassava, in which value chains already exist, but have been impeded by government interventions aimed at food security and price controls); (ii) traditional export products such as cocoa and cotton (reduced government intervention in some countries has stimulated production and exports by the private sector and incorporation into the value chains of multinational traders); (iii) non-traditional products (in particular fish and fisheries products where promotion of a regional value chain through ECOWAS cooperation agreements could generate major benefits in terms of enhanced growth, employment and poverty reduction. There are also prospects for developing trade in high-value products such as fresh and processed fruit and vegetables); and (iv) manufactured products (particularly in cotton and clothing, where West African cotton growers could be integrated into global value chains with manufacturers in Asia; and in leather and leather products).

The section concludes by outlining key implications from a pro-poor perspective, including the dimensions of gender and informality, for ATWA's scoping and design work.

3. POLITICAL ECONOMY FACTORS AND ACTORS

This section provides an overview of the range of key political economy issues to be taken into account in ATWA's scoping and design work. Using a "five-lens" approach (see below) for analysing the political economy of regional integration (Byiers and Vanheukelom, 2015), it identifies considerations which are important in selecting a trade corridor or group of corridors for further analysis and possible support.

ATWA must unavoidably work among and with a wide range of actors both at the regional level and at national levels within countries. Each will have different interests and abilities to engage in, and to influence, very different types of activity ranging from infrastructure development to policy reform. Reforms necessarily create winners and losers, underlining the need for political economy analysis to help identify those groups, gauge their power to influence AWTA-related initiatives at both the design and the implementation stages.

Despite 40 years of effort in ECOWAS and commitments to increasing regional integration, there are still many obstacles in the region to the free circulation of people (such as the existence of numerous check points, arbitrary and discriminatory treatment of citizens of other countries, restrictive migration laws) and goods (failure to apply properly the ECOWAS Trade Liberalization Scheme, imposition of illegal tariff barriers and non-tariff barriers). At the root of these issues often lie political economy issues.

Assuming that governments and other actors necessarily desire more efficient corridors and transport markets can be a dangerous proposition for initiatives such as ATWA. Policy documents and statements suggesting broad support for regional integration can hide the diversity of political agents and industry participants at the national level. Some of these actors may prefer, and be able to maintain, the *status quo* if that is more favourable to their individual economic interests, even if detrimental to overall economic efficiency.

The "five lens" approach used here systematises existing knowledge around these political economy issues in terms of:

1. *Structural or foundational factors* that affect regional integration in ECOWAS through their impact on political and economic relations within and between countries in the region today;
2. Both formal and informal *rules of the game* or *institutions* that frame behaviour;
3. *Key actors* at a regional level and specifically in relation to corridors;
4. Politico-economic issues that arise around *sectoral factors* within corridors, for example with regard to infrastructure construction and maintenance in the light of policies to finance or manage these; and
5. *External factors*, for example, the impacts of technological changes such as containerisation, or concerns arising from international terrorism.

Section 3.1 below presents different insights through the respective lenses, looking both at ECOWAS and more specifically at corridor/transport-related issues. Section 3.5 proposes some basic conclusions on the potential implications of a political-economy approach in defining opportunities and risks in supporting corridors as an inclusive development approach for ATWA in West Africa.

3.1 Foundational/structural factors

Language, geographical location and economic structures have a clear impact on the shape and form of regional integration. These “foundations”, by extension, shape the context in which cross-border corridor approaches must operate. They also have an implication on the potential success of ATWA in relation to certain corridors. This subsection highlights salient features of the West African region that have a direct bearing on relations between ECOWAS and UEMOA Member States.

3.1.1 A (somewhat) common history and trade patterns shaped by complementarity of production

A prevalent aspect of the ECOWAS region is the presence of two major linguistic groups: Francophone and Anglophone. This linguistic difference goes back to the shared colonial legacy of countries like Ghana and Nigeria on one hand and Cote d’Ivoire, Burkina-Faso and Mali on the other. The shared French colonial experience in particular among many ECOWAS countries created a common historical and regulatory experience. Francophone countries for example share a common currency, the CFA Franc, overseen by a common central bank (*the Banque Centrale des États d’Afrique de l’Ouest*). This common currency still underpins UEMOA.

Long-run trade routes have shaped both formal and informal institutional structures and relations among and between different population groups in the region. The Sahel region for example is well known for its century old trade routes and merchant class, which have contributed to the cultural vibrancy found in countries like Mali. At a more local level, border areas between ECOWAS countries often split between communities sharing linguistic, ethnic or family ties, contributing to the vibrancy of informal and small-scale trading.

A major driver of trade in West Africa is the complementarity of agricultural production between different ecological zones – the Sahel, forested areas, savannah, running from North to South and splitting many countries (Ghana, Nigeria, Mali, Benin etc) from arid northern regions and lush southern coastline. This has a direct effect on agricultural production and trade: countries such as Niger are important suppliers of cattle to countries such as Nigeria and Senegal, which in turn export cereals and vegetable to their Sahelian neighbours.

It also gives rise to migration from low productivity agricultural areas to high productivity areas (e.g. from Burkina Faso to the cocoa plantation regions of Côte d’Ivoire in the 1970s). Such migration affects both the relationships of local populations to migrants within countries, and relations between countries.

3.1.2 Economic structures

These various historical experiences have had long-run impacts on economic structures in the region, with clear implications in turn for regional relations and corridor development. There are big differences of economic size and degrees of development between West African countries. These differences are likely to affect not only the trade flows between countries, but also national interests. Nigeria for example is often seen as having the tendency of “going it alone” since its larger market and more developed industrial tissue allow it to reap important economies of scale. It also favours a more inwards approach to opening to the rest of the world. Countries such as Benin, on the other hand, are extremely dependent on imports for their own consumption, and redistribution of imported goods to the rest of the region as an economic activity in and of itself. This has rendered policy coordination on external trade policy at times difficult, if not intractable.

Of the mainland countries, Nigeria, Ghana and Côte d'Ivoire are wealthiest in terms of GDP per capita, with Senegal close behind. Corridors linking their own relatively large markets with poorer hinterlands are likely to have different characteristics and groups of interests from those originating in low-income countries such as Benin and Togo. Indeed, as explained below, traffic on transit corridors are sometimes highly coveted sources of revenue for truckers operating from landlocked countries. The Benin-Nigeria portion of the coastal corridor linking Abidjan to Lagos on the other hand is often used to smuggle in goods into Nigeria, a phenomenon induced by high tariff differentials between the two countries.

Poverty rates in the region are high, with 13 ECOWAS countries classified in the low Human Development category and with 60 percent of the population estimated to live on less than one US dollar a day. The poverty problem is compounded by population growth, rapid urbanisation, massive youth unemployment and environmental degradation (Atta-Asamoah and Aning, 2011). The paradox is that many of these countries are rich in natural resources and (largely for this reason) have enjoyed high national growth rates in recent years.

Given its economic dominance in West Africa, Nigeria clearly acts as an economic driver in goods trade, but also as political hegemon, blocking or pushing particular policy objectives or regional institutional reforms. Amongst UEMOA countries, Cote d'Ivoire occupies a similar position to a lesser extent. This underlines the need to understand Nigeria's role in regional trade patterns, the domestic interests shaping its positions and potential compromise areas during regional negotiations.

3.1.3 Port and corridor locations

A key structural factor for supporting regional corridors is the way in which existing corridors are organised spatially, and the potential competition between them. West Africa hosts a large number of ports in close proximity to each other (see Figure 3) connecting through North-South corridors to domestic hinterlands and land-locked countries. The six major port cities are: Lagos in Nigeria, with two ports, Apapa and Tin Can Island; Cotonou in Benin; Lomé, Togo; Tema, Ghana; Abidjan, Côte d'Ivoire; and Dakar, Senegal.

While the south-north corridors can be thought of as transit corridors for goods flowing from the coastal ports to inland countries and vice-versa, they also serve national hinterlands beyond the corridor end-points. By contrast the Abidjan-Lagos corridor serves a more economically dense region with much short-distance transport rather than long-haul routes extending the full length of the corridor. The east-west inland routes show yet another set of characteristics. Thus different corridors have quite different characteristics that come to influence the economic and political interests surrounding them.[1]

Each coastal country is interested in capturing as much traffic for itself in the race to be that dominant port, creating competition between ports and corridors in the region. While this competition does, at times, increase pressure between countries to improve corridor performance and efficiency, the competitive effect is sometimes undermined by other factors, discussed below.

[1] Note - see JICA, 2015 for reference to the 'West Africa Growth Ring' http://www.jamm2015.go.jp/common/pdf/program/28/b/yoshizawa_e.pdf

3.1.4 Additional factors

In terms of peace and security West Africa is probably one of Africa's most fragile region. Violent conflicts in one country are sometimes fomented from neighbouring territories, affecting relations of trust between nations, and regional bargaining. Extra-regional dimensions such as the impact of global terrorism may also have to be taken into account. These national and international disputes often spill over to affect transport and transit on the regional level. They influence, for example, the risk assessments of potential public and private investors in infrastructure development, as well as the positioning of landlocked countries vis-à-vis port countries.

All of these factors underline the common problems faced by countries in the region which might benefit from a regional approach such as the development of regional corridors. But they also highlight the potential difficulties in overcoming the constraints that such problems pose for the development of individual countries, and why there may be a lack of willingness of the part of national governments to cooperate in regional approaches.

ATWA Opportunities and risks

- In geographical terms, further physical regional integration offers many opportunities for linking large hinterland countries in West Africa, which are currently very poorly connected to each other and to major cities and to ports.
- The underlying potential for competition between ports may offer opportunities for promoting greater corridor efficiency, conditional on some of the institutional factors and actors discussed below.
- The presence of Nigeria as hegemon with the potential to push for - or block - particular reforms in the region offers both risks and opportunities in regional dynamics.

3.2 Institutional factors

Operating within these structural and foundational factors, West Africa has a number of regional organisations shaping the integration process. These formal institutions establish regional priorities, strategies and regulations reflecting and shaping the actions of individual Member States. ATWA therefore takes its place within a complex network of institutional frameworks and ways of working that define many aspects of the implementation of projects. This section highlights some of the key institutional aspects that need to be taken into account.

3.2.1 Overlapping RECs and policies

The main regional organisations in West Africa are UEMOA and ECOWAS. ECOWAS was initially spearheaded by Nigeria as an effort to bring together the francophone countries constituting UEMOA with the five anglophone and two lusophone states of the region (Hulse 2014), with the primary goal of furthering economic integration. As such, all UEMOA member states are also members of ECOWAS. According to some commentators, this has led to a tendency to concentrate on ECOWAS when considering the issue of regional integration in West Africa, raising concerns among UEMOA members that within ECOWAS their interests might be neglected (Engel and Jouanjean, 2015).

Nonetheless, UEMOA remains a significant regional actor and, according to Chambers et al. (2012, p. 17): "one, which has been, arguably, more successful than ECOWAS at overcoming the coordination problems critical to integration processes". Many policies and regulations adopted by ECOWAS have been inspired from similar UEMOA regulations. The ECOWAS Common External Tariff, for example, started by taking the UEMOA CET as a template for internal negotiations amongst ECOWAS Member States.

While some observers interpret moves by UEMOA to develop its competences in the coordination of regional policy as indicating that it is moving away from, rather than towards, greater integration with ECOWAS, there have recently been at least ostensible moves by UEMOA to coordinate more closely with ECOWAS, helped for example by Côte d'Ivoire's chairmanship of ECOWAS from 2012 to 2014. The ECOWAS CET is for example jointly managed by ECOWAS and UEMOA.

In many areas both organisations are trying to work out arrangements for collaboration and collective action. There are no indications that a sole regional body is a realistic scenario for the future, most observers agree that greater collaboration and synchronisation between the two bodies is the way forward for West African integration.

Overlapping membership of Regional Economic Communities (RECs) is not unique to West Africa and is consistent with growing evidence that driven by domestic interests and/or by foreign policy objectives, countries join different RECs to achieve different objectives, whether political or economic (e.g. Gathii, 2011). Liberia, Sierra Leone and Guinea are also members of the Mano River Union, while all ECOWAS members except Cabo Verde are part of CEN-SAD, the Community of Sahel-Saharan States, which is also an African Union recognised REC. Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone founded the West African Monetary Zone in 2000 with the aim (so far unfulfilled) of introducing a single currency.

With RECs often promoting overlapping agendas, countries therefore pick and choose which aspects of which REC agenda to prioritise and implement, and there are few penalties for non-compliance. This can raise challenges for achieving full implementation of regional commitments if these are not deemed to be in line with some national interests of member states. The overlapping memberships of UEMOA, ECOWAS and other RECs, and the key political importance of UEMOA and ECOWAS, clearly mean that in order to be regarded as legitimate amongst member states any regional initiative such as ATWA will need the approval of these bodies and their active engagement.

3.2.2 Regional integration policies vs. national implementation

The above situation partially explains why commitments to policies and measures agreed by regional leaders at regional summits are often not implemented. Over and above the issue of overlapping memberships of RECs, the so-called implementation gap usually arises from a combination of factors, including the ways in which informal practices bypass or undermine the formal rules of the game. It also points to failure to put in place monitoring and/or enforcement mechanisms, an observation that underlines the intergovernmental nature of both UEMOA and ECOWAS. That means that such measures are fundamentally driven by member states, and often influenced by key countries such as Nigeria in ECOWAS and Côte d'Ivoire in UEMOA.

One example is axle load limits in UEMOA and ECOWAS. Enforcement agencies in Côte d'Ivoire and Burkina Faso merely impose a charge for excess loads. These charges are imposed primarily by security forces and are generally considered to be bribes, i.e. a payment to officials to clear the roadblock rather than a legitimate fine. However many rationalize this behaviour as facilitating the flow of traffic by allowing non-compliant trucks to continue after the imposition of a small "fine". In reality, it serves two purposes: the application of a payment that goes directly into the pocket of and enriches the enforcer; and a way of facilitating traffic by allowing non-compliant trucks to continue.

3.2.3 Institutional setups/governance for cross-border corridors

Many constraints in the transport sector in West Africa are a result of interactions between numerous formal and informal institutions and, in turn, the interactions of these with key actors who shape the sector. Each stage in the logistics and transport chain has an associated set of formal rules and regulations that interact in numerous ways with informal practices or unwritten rules of the game. The range of public agents and private actors in the "corridor supply chain" all have different functions – but also hold different beliefs and customs and ultimately respond in differing ways to political and other incentives. (Byiers and Vanheukelom, 2014a)

By way of example, there is a formal bilateral agreement between Côte d'Ivoire and Burkina Faso which stipulates that two-thirds of goods destined for Burkina Faso are reserved for Burkinabé truckers and one third for Ivorian truckers. The implementation mechanism through the so-called *tour de role* has, however, not been formalised. Here, the Burkinabé government has informally entrusted the actual allocation of freight to the largest Burkinabé truckers' association (OTRAF), which has offices in the major ports (including Abidjan) and serves trucks on a first-come first-served basis. This practice is accompanied by a powerful narrative and claims that in this way the one-third/two-thirds quota is implemented and freight is distributed in an "equitable" manner between both modern transporters and among the "informals" (or less professional truckers).

ATWA Opportunities and risks

- Informal practices are widely recognised as governing a range of regional processes, from regional decision-making to passing roadblocks. An approach to development of transport corridors must seek to understand how informal and formal institutions interact, and take this reality as a starting point, not try to disregard it as something that 'shouldn't be there'.

- Formal commitments and institutional arrangements are often weaker in practice than envisaged or propagated, hence the need to assess carefully the relevant range of formal and informal institutions that shape particular sector outcomes.

3.3 Actors and interests

ATWA intends to build on political momentum to promote greater regionalisation in West Africa. 'Political momentum' however relies on the interaction of national élites, government and public agency officials and private sector and civil society interests. Within each of these groups there is a wide range of interests, with different levels of ability to form coalitions around those interests, and different levels of political and economic power to influence policy decisions and action both within countries and at a regional level.

In particular, West African transport markets are characterised by: low entrance costs for both formal and informal transporters; considerable degrees of market control by syndicates and other types of intermediary institutions; significant incentives for corruption in the enforcement of regulations; low quality of service; and high prices charged to clients (e.g. Byiers and Vanheukelom, 2014a). The current system is a Gordian knot of actors, interests, market mechanisms, political institutions, informal practices and social factors that all combine to make reform of the transport sector a major challenge, while the productive sectors as users of transport services have not (yet) exerted the political pressure required to demand more thorough reform.

For ATWA going forward, it is important to understand the ways in which different actors engage around port activities and road and rail transport, in applying or complying with regulations and in dealing with cross-border trade. The way in which these interests shape behaviour has important implications for the success of reforms or of corridor-related projects.

3.3.1 Elites and 'national interest'

Regional relations and the willingness of individual countries to implement and prioritise programmes determined at the regional level depend on what is deemed to be in the 'national interest'. However the concept of national interest is notoriously difficult to define. One way is to consider it as the interests of governing élites. Driven by the imperative of political survival, how they define their interests will depend on the particular political context or 'political settlement' which governs how political decisions are made. Whether this settlement is democratic, openly accountable and development-orientated, or focused on short-term gains and rent-seeking, regional programmes are assumed to be implemented only when they serve what the élites identify as their interests.

To illustrate this, while in theory landlocked countries such as Burkina Faso, Mali and Niger should logically be interested in maximising access to ports and in efficient transport systems, other factors may lead national élites to prefer the *status quo* if this satisfies their political objectives. For example security concerns, or political linkages to private sector interests, may alter the level of engagement and effort put into realising regional commitments. According to Alao, 2011, the "zero-sum" approach used by West African political élites to control economic rents and natural resources does not allow for inclusive approaches to development. This in turn weakens the social contract and related notions of statehood, citizenship, democracy or governance.

In this regard, the role of regional lead countries and hegemons in driving (or undermining) regional processes is also clearly important (cf. Brenton and Hoffman, 2015), where a hegemon's 'national interest' can quickly come to dominate regional processes. In West Africa this implies a need to take into account Nigeria, and the risk that its businesses, conglomerates and associations (such as the Manufacturing Association of Nigeria) can exert disproportionate power over regional processes. Engel and Jouanjean (2015) cite the desire expressed by Nigerian interviewees to promote complete supply chains at a national, rather than regional level. Nigeria is not the only country which can block regional initiatives however: "In the past, Nigeria and other large players, such as Ghana, Cote d'Ivoire and Senegal have often taken policy actions that have hindered regional integration" (FAO and AfDB 2015).

Nonetheless national interests may also lead to the development of sub-regional alliances and allegiances that can serve to promote corridors. Since 2011, and at least until recently, Côte d'Ivoire and Burkina Faso have been re-strengthening long-standing political bonds between them, something which provides a strong political basis for *bilateral* cooperation in relation to transport corridors. Given Côte d'Ivoire's interest in capturing, through Abidjan port, an ever-greater market share of trade, this also serves both their economic interests. At the same time however, when Côte d'Ivoire experienced its civil war, Burkina Faso was obliged to switch traffic to other competing corridors.

3.3.2 Private sector interests: ports

Although geography suggests the potential for efficiency-promoting competition among the North-South corridors which serve the various interests of landlocked and coastal countries, the effect of competition on efficiency and transport costs depends very much on how the transport and logistics markets operate around corridors (e.g Tervaninthorn and Raballand, 2009).

In practice, many of the region's ports are dominated by a small number of operators. Five out of eight key port concessions in the region encompassing Côte d'Ivoire, Ghana, Togo and Benin are operated by the French company Bolloré Africa Logistics, in conjunction with APM Terminals (a subsidiary of Maersk) in Abidjan, Cotonou and Tema, serving the hinterlands of Nigeria as well as Niger and Burkina Faso.

The Bolloré group or one of its subsidiaries is reportedly present in all of the 18 ports in the region, while also operating several railway lines and dry-ports. APM Terminals are also part of plans to build a dry port at Ferkessédougou and to run the Ouagadougou container terminal, again with Bolloré Africa Logistics.[2] The awarding of a second container terminal concession to Bolloré in Abidjan port led to complaints that were passed to the UEMOA competition commission.

These points are highlighted, not to criticise these companies, but in order to stress that the business strategies and interests of major global ports and logistics players will be key in defining the impact of corridor-related reforms and investments.

3.3.3 Private sector interests: transport

In addition to port operators, key transport actors include *syndicats* (both formal and informal unions of workers), port-handling agents, shipping organisations and other related occupations. Depending on their ability to work together in coalition and to wield political (bargaining) power, these actors may adopt strategies that could harm the sector, or weaken political support among the primary reformers. Measures implemented to accompany corridor reforms should therefore create incentives for, and facilitate, compliance with reforms and for this purpose could even have to build on existing informal practices.

In West Africa, 90 percent of the trucking industry is estimated to be made up of informal truckers (Zerelli and Cook 2010). Largely owner-operators and with only one or a small number of trucks generally in rather poor condition (Nathan, 2012), such operators have incentives to minimise the number of their trips, leading to widespread overloading and with many trucks reinforced so that they can carry excessive loads (Nathan, 2012). This leads to damage to road surfaces, accidents, delays, vehicle breakdowns, and corrupt payments demanded or offered in order to avoid the enforcement of axle load regulations (Nathan 2012). These informal and in some cases illegal practices are further aggravated by formal official regional agreements on freight-sharing, cabotage restrictions, limits on back-haul loads, and queuing practices at ports, all of which provide little incentive for truckers to improve road transport efficiency (Teravaninthorn and Raballand 2009).

The interface between ports and trucks in West Africa is characterized by a large number of formal and informal intermediaries, of which syndicates and *coxeurs* are two primary examples (Byiers and Vanheukelom, 2014a).[3] These intermediaries play a role largely due to the opaque systems that create an environment of asymmetric and imperfect information, at the same time imposing considerable costs and distortions on the industry. By inserting themselves into the structure of the industry, creating a role for themselves and receiving remuneration for providing seemingly redundant services, *coxeurs* and others have become powerful players, with a significant financial base and in some cases close links to politicians This gives them the ability to mobilize support and resist reforms through boycotts and direct action.

[2] http://www.acturoutes.info/page.php?p=1&id=3130. APM terminals also run the Monrovia terminal in Liberia, Apapa in Nigeria, Onne and Douala in Cameroon, giving them a broad presence in the region as well. http://www.apmterminals.com/africa-mideast/

[3] Coxeur is the name given in West Africa for intermediaries or 'touts' who link different market operators, apparently based on the English 'to coax'.

As corridor-related reforms create winners and losers among a range of (non-state) actors in the transport value chain, it is important to be able to assess the degree to which potential losers hold bargaining power. In economic reform processes, protectionist interest groups usually hold a stronger position than those seeking a change from the status quo, since they experience directly the benefits of the status quo, may make common cause with those who share those interests, and are almost always a closer-knit and more articulate group than

ATWA Opportunities and risks

- For ATWA, better understanding of the gap between (policy) promise and practice helps to draw attention to the often less-visible but dominant political incentive structures that will ultimately define what policies are implemented and how.

- For each ATWA-related programme, selected corridor or intervention, it will be important to identify and understand the interests of the full range of stakeholders that are affected by particular reforms or policy measures, and their ability to drive, block, undermine or evade such reforms.

- The kind of analysis discussed above may also help to identify the type of compensatory measures required for those who 'lose' from the process of reform (as the history of containerisation helpfully illustrates) and may influence the selection of policy and bargaining positions on the direction of reforms.

3.4 Sectoral factors

Each type of reform or investment related to improving corridors has its own specific set of political and economic implications for ruling elites. Different levels of visibility, or 'political salience', of a reform or a project will create different incentives or disincentives for politicians and service providers to commit to implementing them. Wild et al. (2013) point in particular to the fact that road construction and rehabilitation tend to be better vote catchers than the cumbersome and less salient and appealing task of road maintenance.

3.4.1 Hardware vs. software

As Wild et al. (2013) also highlight, more visible policies or reforms may imply greater ease in attributing credit or blame, depending on information asymmetries, and therefore affect the political calculations of risk. The balance of power between policymakers and other stakeholders involved in service delivery is also important. Where services are provided by monopolists there are fewer effective incentives for improved performance. This is the case as regards policy implementation generally, but it also affects the issues surrounding corridor improvement. Byiers and Vanheukelom (2014b) highlight these points in relation to infrastructure development in the Zambian road sector, where political salience leads to prioritisation of local rural feeder roads rather than of the North-South Corridor. This is also likely to be a factor in considering the commitment of national governments to engaging in ATWA corridor reforms.

Pritchett (2012) breaks down the complexity of implementing different sector reforms according to:

- Transaction intensity – the more agents need to interact to ensure reform success, the higher the degree of difficulty in implementation;
- The degree of local discretion – to what degree are agent decisions discretionary and subjective, or transparent and verifiable?
- The degree to which reform implementation is based on known technology versus a

need for innovation; and

- The stakes attached to reform implementation (Pritchett 2012).

These categories may be of use in examining different types of corridor-related reforms, and can then help in better understanding the risks and how these relate to stakeholder interests.

To illustrate this, the transport sector depends on procedures, controls and authorisations involving substantial amounts of money and opportunities for rent seeking “especially in the weak governance environment found in many corridors in the least developed regions” (Arvis et al, 2011). There is a danger that the proposed reforms to procedures and controls may involve high levels of transactions and a high degree of discretion, with reasonably high stakes attached for corrupt officials. Such reforms are what Pritchett (2012) calls “wicked hard” problems - in contrast to the rather simple stroke-of-the-pen measures such as writing new policy measures or regulatory frameworks.

In another example, analyses of cargo dwell time have resulted in some “sub-sector” specific insights into the collusion between controlling agencies, port authorities, private terminal operators, logistics operators and large shippers. According to Raballand et al. (2012), a need to “combat collusive practices between the private sector and public authorities” is more the order of the day in terms of reducing dwell times (and hence transport costs) than “large scale investments in infrastructure.” Engel and Jouanjean (2015) cite a study by Keyser (2012) that talks of traders needing to pay 40 different fees in the course of travelling from Ghana to Nigeria, leading to the conclusion that RECs and national governments should prioritise the removal of cartels through active enforcement of competition policy in the region. However, given the potential political power of interest groups, as discussed above, this remains a highly political and sensitive undertaking.

ATWA Opportunities and risks

- Within ATWA, the political and economic factors associated with different projects and policy reforms will have to be taken seriously, with the various actors potentially having different interests in relation to any one corridor.

- If political salience is key, this will have to be taken explicitly into account in ATWA programme design. It may be used both to gain political leverage, or conversely it may in some cases prove to be a threat to implementation – underlining the importance of understanding each aspect of a proposed reform.

- Adapting ATWA to on-going policy may provide a useful, politically favourable, entry-point.

3.5 Implications for ATWA’s scoping and design work

The analysis above has described and analysed several dynamics of importance to ATWA. Amongst them, several dimensions stand out as particularly relevant in light of the corridor selection analysis in Part II of the Stage 1 report, and the diagnostic and programing work to come under ATWA stage 2 and stage 3.

Implications for corridor selection:

- Geographical factors, namely relatively complementary production patterns between north and south drive a large portion of agricultural trade flows between ECOWAS countries. This seems to indicate that focusing on at least one North-South corridor could have an impact on food security and vulnerable groups.

- While ECOWAS and UEMOA have taken important steps toward closer cooperation, there different Francophone/Anglophone traditions and histories remain important in the region. It is important that ATWA engages with both groups and both Commissions, as both undertake regulatory functions and activities in the field of trade and transport.

- Nigeria plays the role of hegemon in ECOWAS. Nigeria's policy preferences are shaped by its larger size, and its more developed and vocal industrial sector. This has, in the past, put it at odds with smaller or more liberally minded Member States. Finding common ground between Nigeria's domestic interests and its neighbours remains, at times, a challenge when it comes to trade policy. This suggests that ATWA should keep a close eye on evolving policy environment in post-election Nigeria.

- The existence of several ports serving, to a large extent, the same land-locked markets could be expected to provide a consumer-friendly competitive environment, but it is unclear whether this is currently the case do to the ownership structure of the terminals along the coastline.

- Encouraging bi- or trilateral arrangements centred on corridors where key goods are already flowing and prospects for cooperation positive might prove a viable option when it comes to transport and internal trade issues. This may later be scaled-up to a regional approach.

Implications for the diagnostic and programming work (Stage 2):

- At the sector level, and particularly in the transport sector, there is an overwhelming amount of players engaged in rent-seeking activities, guided by formal or informal "rules of the game". It will be key for ATWA to dedicate sufficient resources to understand the "game" played by various actors in different intervention fields, not least because reform efforts will ultimately depend on the buy-in of those actors.

- Development policy processes should be thought of "sailboats not railroads" - adaptive, iterative processes with a clear final end goal that may be blown off course and need adjustment, rather than a linear process of defining a goal and laying down the mechanisms to get there (Kleinfeld, 2015).[4] Engaging with policy process that already benefit from a degree of traction amongst regional organisations and national governments may be a viable option for ATWA.

4. TRADE, GROWTH AND POVERTY REDUCTION IN WEST AFRICA

This section examines the links between trade, growth and poverty reduction in West Africa. It begins with a description of the importance of international and regional trade in the region (section 4.1); and reviews the literature relating to how, and the mechanisms through which, trade enhances economic growth that, in turn, promotes poverty reduction (section 4.2). Based on the general findings on the trade-growth-poverty nexus, the linkages are further examined in the specific context of West Africa in section 4.3. In section 4.4, the focus shifts to a discussion of pro-poor trade strategies, paying special attention to value chains, and issues relating to why, how and the extent to which trade facilitation is relevant in this context are examined in section 4.5.

[4] http://carnegieendowment.org/2015/03/02/improving-development-aid-design-and-evaluation-plan-for-sailboats-not-trains/i8xa

Finally, the recognition that trade expansion and economic growth processes are often associated with adjustment costs suggests the need for the identification and discussion of relevant polices for minimizing these costs (section 4.6).

4.1 Importance of international and regional trade in West Africa

In West Africa as well as other regions of the world, trade is important for economic growth to the extent that, through specialization and enhanced division of labour, increased exposure to international trade can raise the level of incomes and consumption of an economy. More specifically, trade can influence both the level and growth rate of income through four channels.

First, international trade is associated with the transmission of technological innovation across countries. Through this channel, trade enhances the ability of domestic producers to compete with producers in other economies, since imported goods embody foreign knowledge and expertise. Second, international trade facilitates competition. When domestic producers are exposed to increased competition, they are forced to reduce their costs. This, in turn, facilitates improvements in their productivity and efficiency. Third, the exposure to international trade facilitates the re-allocation of resources from lower to higher productivity sectors in the economy and thus generates faster economic growth. Fourth, increased trade enables producers to capture the benefits of economies of scale. Since international trade provides access to a larger market, it generally offers greater scope for specialization and hence the realization of enhanced efficiency.

West African countries are generally small in terms of economic size. The limitation on their economic growth prospects imposed by their small economies is reduced, to some extent, by the preferential access of their exports to global markets. However, their heavy reliance on primary commodity exports which are generally subject to price volatility suggests that international trade may not have optimally and sufficiently enhanced their economic growth prospects.

For these and other reasons, the expansion of intra-regional trade in West Africa has been the primary motivating factor for the establishment of a number of regional integration initiatives in West Africa (UNCTAD, 2013). The other reasons are related to the perceived special advantages of intra-regional trade. In particular, this trade is expected to help build the capacity and competitiveness needed for West African producers to export globally. In addition, regional trading eases the burdens associated with exporting to more distant markets. In any case, the landlocked countries face severe difficulties in accessing global markets and may therefore be more inclined to have a larger ratio of intra-regional to total trade. Currently, however, West Africa’s intra-regional trade is low, ranging on average between 10 percent and 15 percent of total trade over the last two decades. Thus, most of the region’s exports are sent to the world’s advanced and emerging economies, from which much of imports are also sourced.

In terms of its development potential, there is an argument that intra-regional trade in West Africa may be more beneficial than international trade. Uexkull (2012) examines the effects of regional trade in West Africa on decent employment based on the recognition that (a) regional comparative advantage is quite different from global comparative advantage for most countries in West Africa; and that (b) there are significant differences in product composition between global and regional trade of West African countries. These findings suggest that regional trade contributes significantly to export diversification and has significant employment effects as well. The fact that the composition of regional trade in Africa tends to be skewed towards manufacturing is viewed by UNCTAD (2013) as an indication that regional trade has a stronger potential to promote diversification, thereby increasing the prospects for growth and development. It is important to note, however, that a significant proportion of intra-African trade consists of food and agricultural products whose production is heavily dependent on imported inputs such as seeds and fertilizers. Hence the dichotomy may not be that strong.

4.1.1 Informal trade and gender considerations

Informal trade is increasingly recognized as a significant component of intra-regional trade not only in West Africa but also across the African continent. Maur and Shepherd (2015) suggest that only an estimated 20 percent to 25 percent of the actual regional trade volume in West Africa is recorded. Afrika and Ajumbo (2012) offer estimates of informal trade in the order of 20 percent of Nigeria's GDP, and 75 percent of GDP in Benin. Similarly, Lesser and Moise-Leeman (2009) claim that, in Africa, informal cross-border trade is equivalent to 43 percent of official GDP. Finally, UNECA (2013) refers to surveys which indicate that in some African countries, informal regional trade flows represent up to 90 percent of official flows.

Apparently, much of the unrecorded informal cross-border consists of food staples. In particular, Josserand (2013) finds that between 66 and 80 percent of the informal cross-border trade is accounted for by food staples. In addition, it is estimated that intra-regional trade of food staples in West Africa would amount to between US$750 million and US$1 billion, and thus represent between 7 percent and 9 percent of the region's intra-regional trade.

Informal cross-border trade is dominated by poor households, and particularly women. Small cross-border traders trade in goods generating low levels of income, especially foodstuffs, including cereals, pulses, vegetables and fruits in small quantities, and small consumer goods. For instance, in Liberia, agricultural goods account for 69% of informal imports and exports. However the structure of the goods traded reveals that it is far from gender positive as men dominate trade in higher value products while women are mostly confined to trade in food produce and a few specific consumer goods. Females are also often at a disadvantage as regards Education compared to males. In Liberia, only 43% of female traders could read and write.[5]

Informal cross-border traders, both men and women, face serious challenges in their operations, which include poor levels of understanding of their rights and responsibilities as traders, including lack of information about ECOWAS and UEMOA regulation, customs procedures and required documentation, difficulties in obtaining passports and visas and weak cross-border traders associations resulting in refusal of entry into countries, excessive customs charges, bribe extortion and unwarranted impounding of goods. Female traders, often branded as smugglers and prostitutes by customs officials, are particularly vulnerable to higher levels of corruption and sexual harassment.

Other gender-based constraints also come into play including lack of market information, limited access to credit, and lack of reliable transport and storage facilities. Time and resource poverty limit women to travelling on foot with small loads, prevent them from reaching markets with better prices, and make them vulnerable to gender-based violence when travelling at night. Women traders are also particularly vulnerable to contracting HIV/AIDS, either through sexual harassment and gender-based violence, or by engaging in transactional sex with those who may facilitate their migration process (truck and/or taxi drivers, immigration and customs officials, police and security forces).

However women traders are not a homogeneous group: they include a large group of small-scale traders with little working capital and infrastructure and rudimentary literacy and numeracy skills; a much smaller group involved in regional and international trade with substantial capital, which can exceed $100,000; and a range of others in between (Morris and Saul, 2000; Darkwah, 2002).

5 UN Women: Fact Sheet Women African Traders

4.2 Links between trade, growth and poverty

The literature establishes close links between trade, growth and poverty, based both on theory and on the experience of many countries over time. The first component of the trade-growth-poverty nexus is often easier to understand. Since trade facilitates specialization which, in turn, tends to increase efficiency and enhance productivity, it seems reasonable to expect that enhanced trade should lead to increased economic growth. A reverse causation is however also possible: enhanced economic growth could also generate more trade. It is generally agreed that the empirical evidence which links trade to economic growth is quite strong but that the linkages across trade, growth and poverty are less clear (Higgins and Prowse, 2010).

A sequential analysis of the links offers greater clarity. Given that the first component of the nexus is well established, primary attention should focus on the second component, i.e, link between economic growth and poverty reduction. It is generally recognized that the drivers of poverty are multi-dimensional. But the basic requirement for sustained poverty reduction is economic growth. By enhancing economic growth which, in turn, facilitates poverty reduction, trade expansion can be regarded as an important factor for poverty reduction. In this context, trade plays both direct and indirect roles in alleviating poverty. By boosting economic growth, trade expansion can lead, indirectly, to poverty reduction. More directly, trade can contribute to poverty reduction through three channels (WTO and World Bank, 2015). First, the expansion of export sectors associated with increased trade can lead to poverty reduction by opening up new employment opportunities. Second, poverty reduction can be generated as expanded trade leads to structural changes in the economy which boosts the employment of low-skilled workers. Third, trade expansion may be associated with improved access to external markets for the goods produced by the poor.

The trade-growth-poverty nexus also harbours some effects which may dampen the strength of the linkages. These constitute the reason for the lack of consensus on the direction of the interaction between trade, growth and poverty. For instance, trade expansion may generate economic growth which is associated with greater inequality. In this case, the link between economic growth and poverty reduction is weakened or eliminated. There may also be situations which make it hard or even impossible for the poor to benefit sufficiently from the gains in economic growth generated by trade expansion. Hence, the greatest impact of trade-induced economic growth on poverty reduction may be achievable through a comprehensive and coherent approach which stimulates trade expansion in ways that maximize the economic growth gains for the poor and provides adjustment assistance as well as risk mitigating measures.

4.3 Economic growth and poverty reduction in West Africa

In general, West African countries achieved little or no economic growth in the period of the 1980s to the mid-1990s. Eventually, the turn-around which began around 1995 was interrupted, to some extent, by the global economic recession of 2008-2009, before recovery was achieved. This upward growth trend has been largely sustained, as Table 1 shows.

Table 1: Average growth rates in West Africa (%) 1995-2012

	1995-2000	2000-2005	2005-2012
Benin	2.2	4.2	3.8
Burkina Faso	3.8	5.6	6.6

Cape Verde	5.7	7.2	5.3
Cote d’ Ivoire	-0.7	-0.3	2.4
Gambia	1.2	3.5	3.0
Ghana	1.8	4.8	7.7
Guinea	2.2	3.0	2.7
Guinea-Bissau	2.0	2.4	3.4
Liberia	5.2	8.6	11.2
Mali	2.3	5.9	4.6
Niger	-0.7	3.1	2.8
Nigeria	0.7	5.2	6.1
Senegal	1.5	4.5	3.6
Sierra Leone	2.5	7.7	6.6
Togo	-0.2	0.8	3.4

Source: World Bank, Development Indicators

Several points are worth noting. First, the economic growth performance of West African countries generally improved over the 1995-2012 period. During the first sub-period (1995-2000), economic growth rates were negative in 3 of the 15 countries (Côte d’Ivoire, Niger, and Togo); by the second sub-period (2000-2005), only Côte d’Ivoire had a negative economic growth rate; and during the third sub-period (2005-2012) all countries recorded positive average growth rates. Second, these average growth rates broadly increased over the 1995-2012 period. Finally, during the third sub-period (2005-2012), six West African countries had average growth rates of at least 5 percent per annum.

As West African countries broadly returned to positive economic growth performance from the mid-1990s, a comparison of their poverty rates between 1990 and 1999-2011 is useful. Table 2 presents the relevant data in the context of the general yardstick by which people living on US$1.25 per day are regarded as the extreme poor.

Table 2: Poverty trends (%): The proportion of the population in extreme poverty: 1990, 1999, 2005, 2011

	1990	1999	2005	2011	Target 2015
Benin	57.61	51.43	50.0	51.61	28.81
Burkina Faso	72.26	63.87	55.0	40.80	36.13

Cape Verde	19.82	21.82	18.4	11.87	9.91
Cote d' Ivoire	18.26	28.95	20.4	37.31	9.13
Gambia	64.59	58.37	31.3	34.02	32.30
Ghana	50.46	37.66	30.0	18.02	25.23
Guinea	63.28	59.91	69.8	41.28	31.64
Guinea-Bissau	42.23	60.28	42.5	48.66	21.12
Libéria	87.31	91.65	86.1	70.01	43.66
Mali	85.65	71.89	51.4	50.83	42.83
Níger	66.34	65.52	65.9	40.81	33.17
Nigéria	57.66	70.00	62.4	60.08	28.83
Senegal	64.98	46.00	33.5	34.06	32.49
Sierra Leone	62.36	69.02	49.9	56.63	31.18
Togo	48.10	48.12	38.7	52.46	24.05

Source: World Bank.org/povcal/Net/pov

The MDG target set for the reduction of extreme poverty by 50 percent as at 2015 was based on the proportion of extreme poor in 1990. At this starting date, as many as eleven West African countries had poverty rates in excess of 50 percent of their total population. The highest poverty rates were recorded for Liberia (87.31 percent) and Mali (85.65 percent); while those in the lowest range included Côte d'Ivoire (18.26 percent) and Cape Verde (19.28 percent). In spite of the improvement in economic growth from the mid-1990s onwards, six countries including Liberia (70.01 percent), Nigeria (60.08 percent), Sierra Leone (56.63 percent), Togo (52.46 percent). Benin (51.61 percent) and Mali (50.83 percent) still had extreme poverty rates higher than half of their total populations. A comparison of their 2011 poverty rates with the 2015 target rates shows that only Ghana appears to have met its MDG target of 25.23 percent as it recorded on extreme poverty rate of 18.02 percent in 2011. In addition, Cape Verde, Gambia and Senegal were close enough in 2011 to reaching their 2015 targets and may have done so.

In an analysis of poverty in Sub-Saharan Africa as a whole, the World Bank (2013) finds that more than a decade of strong economic growth in the region has reduced the overall poverty rate from 58 percent in 1996 to 48.5 percent in 2010, although this aggregate hides a great deal of diversity. It ascribes this relatively high rate to Africa's high levels of inequality which have generally reduced the poverty-reducing power of economic growth. The analysis also raises issues regarding the types of trade-related strategies that may generate the kind of economic growth which may be more effective in reducing poverty. In this context, the role of value chain development and its impact on both growth generation and poverty reduction becomes relevant.

4.4 Why does trade facilitation matter ?

There is ample evidence showing that trade costs are high in Africa. UNECA (2013) uses this evidence to highlight several key features of Africa's trade costs as follows. Sub-Saharan Africa is one of the two regions in the world where international trade is most expensive. In particular, export trade costs exceeded the world average for 25 of 51 African countries covered; for 35 African countries the time necessary to export surpassed the corresponding world average; and import costs exceeded the world average in 27 countries out of 51. More specifically, document preparation for imports and exports takes about 25 percent more time; while customs procedures are 30 percent more expensive in the median African country than the world average. Perhaps more surprisingly, as many as ten African countries (including Cape Verde, Liberia and Nigeria in ECOWAS) display higher comprehensive trade costs with their intra-regional partners than with the rest of the world.

In the specific case of West Africa, Ollison (2014) presents evidence showing that the time taken to import or export is several multiples of the world average. In addition, countries such as Niger, Burkina Faso and Guinea take more time to export than the already high West African average; the same applies, in the case of imports, to several countries including Niger, Burkina Faso, Ghana, Côte d'Ivoire, Nigeria and Mali. In an attempt to isolate the specific hurdles to trade in West Africa, Brunelin and Portugal- Perez (2013) analyzed food commodity price variations, and found that distance appears to lead to larger price differentials than do borders.

The study reported in Njinkeu, Wilson and Fosso (2008) examined the impact of trade facilitation on intra-African trade expansion. The results suggest that more efficient port and infrastructure services have a positive impact on African trade generally, while customs and regulatory environments constitute the main obstacles to intra-African trade. Finally, Buys, Deichmann and Wheeler (2006) find that an upgrading of the African road network could expand overland trade by about US$250 billion over 15 years, including an estimated increase of intra-regional trade in West Africa worth US$ 6.224 billion over the same period.

These research results demonstrate clearly that a significant lowering of trade-related costs can boost trade performance in West Africa. The primary means to achieve this desirable result is trade facilitation. Trade facilitation measures are generally aimed at reducing trade costs through several channels. In particular, the time taken up by travel, border crossings and administrative procedures can be considerably reduced by means of improved roads, more efficient border management through the introduction of automated customs systems and streamlining of border procedures, as well as through harmonized technical, product and safety standards.

4.5 Pro-poor trade strategies

Value chain development may help West African countries to expand their trade in ways which generate economic growth that is more efficient and effective in poverty reduction. There is evidence, however, that African countries have not participated to a large extent in global value chains (GVCs) (OECD/WTO/World Bank 2014). Although it is claimed that GVCs offer an opportunity to integrate into the world economy at lower costs, the gains from GVC participation are not automatic.

Draper and Lawrence (2013) argue that, due to limited production capacity, an across-the-board import substitution to manufacture finished products is not an option for many African countries. They therefore recommend integration into multinational company value chains which typically require building capacities in a limited range of specific tasks. A different alternative is suggested by Banga et al (2015) in the form of regional value chains (RVCs) which may focus on achieving structural transformation of African economies by (a) creating more added value in traditional exports and (b) producing and exporting manufactured products. These objectives can be achieved by forming RVCs, based on regional integration and pooling of resources and capabilities.

Although global and regional value chains are not yet well established in West African, there have been attempts, including successful ones, to move in the direction of value chain development. In identifying and describing these efforts, the focus is on how and the extent to which existing and new national value chains can be developed and upgraded into appropriate RVCs and GVCs, as well as how and the extent to which they may enhance trade, increase economic growth and lead to greater results in poverty reduction.

The four broad types of value chains that are discussed below include those focusing on (i) staple food products primarily orientated towards national and regional markets, (ii) traditional export products orientated towards international markets, (iii) non-traditional products orientated to national, regional and international markets, and (iv) manufactured products for regional and international markets.

4.5.1 Staple food product value chains

Several rice, maize and cassava value chains exist in various countries across West Africa. These national value chains are orientated towards import substitution. Their essential objective is to enhance the competitiveness of local producers in the face of the highly efficient staple crop value chains in Asia. In this context, national value chain development has typically been hampered by government interventions aimed at ensuring food security, low food prices and reduced food import bills which have generally increased uncertainties for private investors (Maur and Shepherd, 2015).

4.5.2 Traditional export products value chains

Following the liberalization programmes of the 1980s and early 1990s in West Africa, there has been a considerable shift away from government intervention and state control over export crop supply chains, particularly in the case of cocoa(except for Ghana) and in the case of cotton (except in francophone West Africa). In the cases where private traders have essentially replaced governments, the result has been an increase in production and sale, improved availability of and access to input and credit, substantial increase in real producers' prices, decreased market margins and increased producers' share of the product price. In these cases, it appears that the objectives of increased economic growth and poverty reduction are likely to be met.

In the particular case of cocoa, Ghana and Côte d'Ivoire have increasingly incorporated their cocoa sectors into global value chains led by multinational companies. The major players, such as Archer Daniels Midland (ADM), Cargill, and Bairy Callebaut, have recently built modern plants near the ports of Accra and Abidjan. As a result, an increasing amount of cocoa is processed in Ghana and Côte d'Ivoire. In particular, domestic value added for cocoa is large in Côte d'Ivoire (22 percent) and Ghana (18 percent). By comparison, Nigeria has not attracted a similar foreign direct investment from cocoa traders, and domestic value added for Nigeria's cocoa is only 2 percent. In these three countries, however, the use of cocoa products from West Africa in the production of chocolate and processed foods remains in Europe and North America (Abbott, 2013).

In the case of cotton, Mali and Burkina Faso are the two largest West African cotton exporters and together account for half of regional exports. The conversion of cotton seed to cotton lint takes place in gins located near the farms. This saves on transport cost as only 40 percent of seed cotton weight becomes lint. The real processing involves the transformation of lint to yarn, thread, fabric and textiles. This is the more capital-intensive processing which is performed mostly in Asia.

4.5.3 Non-traditional products value chains

Fisheries and fish products in West Africa represent an untapped potential value chain for the regional market (Ndiaye, 2013). It is estimated that these products currently provide employment for over three million West Africans or 10 percent of the region's labour force. Its output increased from 300,000 tonnes in the early 1960s to over two million tonnes currently. The main producers are Nigeria, Senegal and Ghana which together account for 63 percent of the total output. Similarly, the three largest importers of fisheries and fish products are Nigeria, Ghana and Côte d'Ivoire which together account for 94 percent of total import value.

Based on these figures, it is suggested that the promotion of a regional value chain through appropriate ECOWAS cooperation agreements could generate a large potential of intra-ECOWAS trade in fish products which would enhance economic growth, increase employment and regional value-added, and thus lead to significant poverty reduction in the region.

In addition to this proposed regional value chain, there are several national level value chains for high value non-traditional export products already in existence. Among these are those for fresh and processed fruits and vegetables in Ghana. Their value chains are completely controlled by private companies, with large supermarket chains playing an important role. The degree of vertical integration is very high in these value chains. The exporting companies provide farmers with inputs, credit, extension and management services, in return for timely and high quality products. Farmers receive high prices which contribute to rural incomes.

4.5.4 Manufactured products value chains

Two possible value chains orientated towards the production of manufactured products for the regional and international markets have been suggested. One is the cotton-textile-clothing (CTG) value chain. This is widely seen as a key sector which contributes to economic growth, employment generation and poverty reduction in many developing countries. Its basic raw material, cotton, is produced in many West African countries where cotton is a critical crop for some, accounting for a significant proportion of the total exports of Mali (48 percent), Togo (31 percent) and Benin (16 percent). Much of the cotton produced in West Africa is exported as only 2.5 percent of production is consumed in the region.

Thus, the primary raw material for the CTG global value chain exists in West Africa; while the Africa Growth and Opportunity Act (AGOA) of the United States provides to most West African countries market access for clothing – the final product of the value chain. The "missing middle" is fabric weaving, whose most efficient production occurs in Asia. Nigeria's fabric producing plants are heavily protected and grossly inefficient. As a result, Nigeria has AGOA market access which it is unable to utilize. Based on this, a viable CTG global value chain could be structured around cotton lint exported to Asia from West Africa, fabric imported to West Africa from Asia to manufacture apparel and clothing in West Africa to the specification of buyers from the United States for exportation to the United States under the AGOA preferential market access scheme. The advantages to West Africa would include increased exports of both cotton lint and apparel and clothing as well as increased employment opportunities in the clothing industry.

Banga et al. (2015) present the second possible regional value chain, for manufactured leather products. As in the case of the CTG value chain, the proposed leather and leather products (LLPs) value chain is based on the fact that West African countries currently produce and export the required basic raw materials, while they also import significant quantities of final products. In addition, and again as in the case of the CTG value chain, the LLPs value chain can be expected to raise export competitiveness and increase domestic value addition in West Africa. The industry's labour- intensive nature means that the LLPs value chain would have the potential for generating large scale employment for low-skilled labour. This should, in turn, promote poverty reduction.

4.6 Conclusion: The Role of Policy in the Trade – Growth – Poverty Nexus

Trade expansion, which generates increased economic growth, is itself often stimulated by trade liberalization. Trade liberalization is also an important condition for generating income growth and employment from global value chains. But trade liberalization has another feature that is not typically taken into account, either partially or fully, when its desirable effects are discussed.

There is no guarantee that the desirable outcomes (such as trade expansion and economic growth) will automatically be achieved. Certain conditions must be established for these outcomes to materialize. For instance, unless an economy's supply capacity is established and developed prior to opening up to global competition, growth expectations may fail. When an economy is liberalized, workers in sectors which are uncompetitive will face unemployment as output in those sectors shrinks and some of the firms fold. This raises the need to re-allocate workers to newly growing sectors. Adjustment to structural change takes time and may be costly in terms of resources for education, training and the acquisition of new skills as well as in unemployment compensation. In the short term, trade reform could also significantly reduce government tariff revenues and thus reduce social spending at a time of increased need for such expenditure.

The extent to which trade changes contribute to growth and poverty reduction is therefore largely determined by the strength and appropriateness of the complementary policies which accompany trade changes. Most of the countries of West Africa implemented significant trade reforms during the 1980s and early 1990s without the full support of the appropriate complementary policies such as active labour market policies and investment in education, skills and training, as well as social safety nets. The result was a sharp decline in economic growth rates and rising poverty.

This experience appears to have instilled into current policy makers in West Africa a deep distrust of trade reforms, even though many of these countries continue to implement fairly comprehensive poverty reduction strategies. It may also partly explain why several desirable ECOWAS protocols on the free movement of people, goods and services are not being enthusiastically implemented at the national level. The recent decision to implement the ECOWAS common external tariff is, therefore, being watched closely.

In summary, the following points should be taken into account by ATWA as it works through its programme and intervention logic:

- Trade, economic growth and poverty reduction are undeniably entangled but the relationship is not automatic. Many of the flanking policies needed to accompany liberalisation and integration (social safety nets, education, etc) are outside of the scope of what a trade facilitation programme can realistically be expected to provide.

- This being said ATWA could help national and regional authorities to identify at the potential winners and losers from integration, and to understand the tool-box of measures than can be used to compensate losers. This can include, for example, buy-back schemes for truckers put out of business by regulatory reforms. This not only reduces negative impacts but also lessens domestic opposition to the reform.

- Focusing on some specific value chains and building supply side capacity seems like a promising route to increase ATWA's poverty reducing potential. This could also include activities such as developing skills and promoting access to finance for promising export oriented sectors.

- Informal trade is poorly understood in spite of being the backbone of much of the commercial flows in the region. This could be another avenue, which ATWA could explore to engage with the poorest segments of society.

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