ACCELERATING THE IMPLEMENTATION OF THE ECOWAS TRADE LIBERALIZATION SCHEME

BY

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2 Acknowledgements

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The author is responsible for the views expressed in the report and for any errors it may contain.
## Acronyms

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<td>African Development Bank</td>
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<tr>
<td>AfT</td>
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<td>AEC</td>
<td>African Economic Community</td>
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<td>ATPC</td>
<td>African Trade Policy Center</td>
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<td>AU</td>
<td>African Union</td>
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<tr>
<td>CFTA</td>
<td>Continental Free Trade Area</td>
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<tr>
<td>CEN-SAD</td>
<td>Community of Sahel-Saharan States</td>
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<tr>
<td>CET</td>
<td>Common External Tariff</td>
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<tr>
<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
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<td>East African Community</td>
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<td>ECCAS</td>
<td>Economic Community of Central African States</td>
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<td>IGAD</td>
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4 Executive Summary

ECOWAS was established in 1975 with the broad mandate of promoting the economic integration of the Member States in all fields of economic activity. Within this mandate and having regard to the role of trade as a key engine of economic growth and development, particular attention has been focused on trade and market integration. The objective is to enable Member States to harness the benefits of a large and growing regional market.

The ETLS is the main tool targeted to the attainment of market integration in West Africa. The scheme was initially adopted in 1979 with an agreement on agricultural, artisanal, handicraft and unprocessed products and later extended in 1990 to cover processed and industrial goods. To qualify for duty-free treatment under the ETLS, a product must satisfy the rules of origin that require that it should have a local content that is equal to or greater than 60 per cent and value addition that is equal to or greater than 30 per cent. An eligible product for cross-border trade must be accompanied by a certificate of origin, issued by the designated authority in the exporting Member State, after a process of verification that good has satisfied the rules of origin.

Although ECOWAS is the oldest of the eight RECs recognized by the AU as the building blocks of Africa’s integration and the Community has a trade liberalization scheme that has been in existence for over thirty years (more than double the period set in the ECOWAS Treaty for the achievement of a Customs Union), the REC is yet to operate fully as a Free Trade Area. The ETLS has had a limited impact on the boosting of intra-regional trade, as reflected in the relatively low level of this trade.

In 2015, intra-ECOWAS exports amounted to only 10.8 per cent of the region’s total exports as compared to shares of 20.9 per cent, 12.2 per cent, and 18.8 per cent recorded for SADC, EAC, and COMESA respectively. Among the eight AU-recognized RECs, ECOWAS in 2016 ranked seventh in terms of trade integration.

While the level of intra-ECOWAS trade has relatively been low, the trade integration performance has varied among the Member States. Over the period 2011-2016, for example, the percentage share of intra-ECOWAS trade in the total trade of Togo, Senegal, Cote D’Ivoire was on average more than 20 per cent while it was less than 5 per cent in Cape Verde and Nigeria.
There are numerous challenges and constraints in the implementation of the ETLS which have limited its effectiveness and impact as a tool of market integration in West Africa. These include:

- The lack of political will on the part of Member States to surrender part of their sovereignty to implement the ETLS as evident from the poor domestication of the agreements and decisions and the great disconnect between adoption of policies at the regional level and implementation at the national level.
- Inadequacy of the awareness and sensitization of the ETLS in Member States.
- Lack of trust on the part of some Member States in the transparency of the process of determining product eligibility and issuing of certificate of origin under the ETLS.
- Underdevelopment of direct taxation resulting in the heavy dependence of Member States on import duties for government revenue and their reluctance to forgo such duties on imports from other Member States.
- Prevalence of non-tariff barriers that hinder the entry of products in-spite of their duty-free status
- Lack of complementarity and structural transformation in the economies of Member States coupled with the inadequacy of productive capacity and trade-related infrastructure and trade information.
- Absence of an effective mechanism for monitoring and evaluating the implementation of the ETLS and of a legal framework for settlement of disputes and enforcement of rights and obligations, and
- Capacity deficiencies (both institutional and technical) of the ECOWAS Commission.

The case for market integration in West Africa is as strong now if not stronger than when the scheme was first adopted. The benefits and huge potentials of a large regional market are yet to be realized. Improved design and effective implementation of the ETLS will assist Member States to achieve structural transformation of their economies, harness benefits of a large market and enable them to use trade as an engine of sustainable and inclusive growth. Also, deeper market integration in West Africa that is powered by an improved ETLS will enable ECOWAS to serve as a strong building block of African
integration and contribute to the success of major continental initiatives such as the CFTA and Agenda 2063 which are aimed at equipping Africa to adequately face the challenges of development in the 21\textsuperscript{st} Century.

A comprehensive strategy that addresses the constraints identified above is required to improve the performance of the ETLS and deepen ECOWAS market integration. All the stakeholders—Member States, ECOWAS organs including the Commission, private sector, and development partners—have a role to play in the development and implementation of the strategy. Key elements of the strategy must include, on the part of Member States, the mainstreaming of regional market integration into development planning and greater domestication of the ETLS; development and implementation of an action plan for boosting intra-ECOWAS trade; promotion of greater awareness of the ETLS among private sector operators; and development of alternate sources of government revenue (e.g. income, property and value added taxes) to lessen dependence on import duties.

The institutional and technical capacity of ECOWAS will need to be enhanced to improve the performance of the ETLS and deepen regional trade and market integration. ECOWAS should establish representative offices, whose mandate should include promotion intra-Community trade, in all Member States. Products eligibility and rules of origin procedures under the ETLS should be simplified and made more transparent to win the trust of all member states. There is urgent need for the harmonization trade policies and development of a common ECOWAS trade policy. Also necessary are the deployment electronic system to improve communication and connectivity among the customs administrations of Member States, and the development of appropriate frameworks for monitoring and evaluating the ETLS and for enforcement of rights and obligations under the scheme.

Efforts of the private sector to enhance market integration in West Africa and improve the performance of the ETLS should include the organization of regional trade fairs, greater sensitization of their members on the ETLS, promotion of the networks of their members for the establishment of regional enterprises and the development of regional value chains, and enhancement of its capacity for effective participation in the ETLS processes.
Provision of financial and technical support to ECOWAS and its Member States for the building of trade-related capacity is the main contribution that development partners can make to the deepening of trade and market integration in West Africa.
ACCELERATING THE IMPLEMENTATION OF THE ECOWAS TRADE LIBERALIZATION SCHEME

I. Introduction

1) A major aspiration of Africa, as encapsulated in Agenda 2063, is the attainment of a prosperous and integrated continent that is based on inclusive growth and sustainable development. Trade has been accepted to be a key instrument for the realization of this objective. Agenda 2063 envisages that “Africa shall be a continent where free movement of people, capital, goods and services will result in significant increases in trade and investment among African countries rising to unprecedented levels and strengthen Africa’s position in global trade”

Intra-regional trade of Africa, which is currently the lowest intra-trade among the major regions of the world is expected to grow from less than 12 per cent in 2013 to 50 per cent by 2045 and the share of Africa in global trade to rise from 2 per cent to 12 per cent over the same period.

2) The importance accorded to the growth of intra-African trade in Agenda 2063 reflects the key role of regional and continental market integration in Africa’s development strategy in the post-independence period. Integration has been perceived to be critical for overcoming the legacy of the fragmentation of Africa into small and weak national markets; and for achieving competitiveness, economies of scale, attraction of investment, and other benefits of a large integrated market. The commitment of African leaders to integration has a long history that predates the adoption of Agenda 2063 in 2015. Major initiatives that were targeted towards the objective of continental market integration include the adoption of the Lagos Plan of Action (1980), the Abuja Treaty Establishing the African Economic Community (1991), and the Continental Free Trade Area (CFTA) Agreement signed in Kigali, Rwanda in February 2018.

3) While the ultimate goal of Africa’s economic integration process, as set out in the Abuja Treaty, is the establishment of a single integrated
continental market, the critical importance of effective market integration at the level of the Regional Economic Communities (RECs) as the building blocks of continental market, is generally acknowledged. For example, the first three of the six stages of the plan for the establishment of the African Economic Community (AEC) were earmarked for the establishment and strengthening of market integration in the RECs. Also, the Road Map and Architecture for fast-tracking the establishment of the CFTA, that was adopted by the AU Summit in January 2012, provides for the consolidation of the RECs’ Free Trade Areas (FTAs) and the building of the CFTA on the acquis and progress made by the RECs in their trade liberalization and market integration.

Given that the RECs are the designated building blocks of continental integration, the success of market integration at this higher level will depend critically on the effectiveness, progress and achievement of trade liberalization and market integration at the level of the RECs. The objective of this paper is to evaluate the progress of trade liberalization within the Economic Community of West African States (ECOWAS), a key building block of the CFTA and continental market integration. The paper, which is sponsored by the Ghana Chambers of Commerce and Industry and the Federation of West Africa Chambers of Commerce and Industry, is based on desk study and information collected during field missions to the ECOWAS Commission and a sample of ECOWAS Member States.

II. The ECOWAS Trade Liberalization Scheme (ETLS): History and Key Features

ECOWAS is the oldest of the eight RECs recognized by the African Union as the building block of Africa’s trade and economic integration. Established on 28 May 1975 through the Lagos Treaty with the mandate of promoting the economic integration of the Member States in all fields of economic activity, ECOWAS currently has a membership of 15 countries, eight of which belong also to EUMAO, a French-speaking grouping. The REC covers a total area of 5.1 million sq. kilometers and has a combined population of about 350 million people. A Revised Treaty of ECOWAS was agreed in Cotonou, Benin Republic, in 1993 by the Heads of
State and Government of the Member States in order to take account of new developments and to adapt to changes on the international scene.

6) The primary objective of ECOWAS, as stated in the original Treaty of Lagos as well as in the Cotonou Revised Treaty, is to achieve market integration and take advantage of trading opportunities of a large West African market for economic growth, employment generation, poverty reduction and improved living conditions of the peoples of the region.

7) In pursuit of the objective of market integration, Article 3 of the Revised Treaty provides for the removal of trade barriers and the harmonization of trade policies for the establishment of a Free Trade Area, a Customs Union, a Common Market and eventual culmination into a Monetary and Economic Union. The 1975 Treaty had set an ambitious roadmap of 15 years for the removal of trade barriers and the establishment of a Customs Union. Within 2 years of entry into force of the Treaty, Member States were required not to impose any new duties while during the 8 years following the two years, they were to progressively reduce and ultimately eliminate import duties. They were also expected to remove all non-tariff barriers (NTBs) to intra-Community trade. At the end of the 8 years and over a period of 5 years, Member States were required to adopt a Common External Tariff (CET) to become a Customs Union.

8) The main instrument targeted toward the achievement of trade and market integration in West Africa is the ECOWAS Trade Liberalization Scheme (ETLS). Its primary aim is to harness the benefits of a large integrated West African market, including the promotion of industrialization, investment and entrepreneurial development. The ETLS was adopted in 1979 with an agreement on agricultural, artisanal, handicraft and unprocessed products originating from Member States. Products in this category are expected to move freely between Member States and not to be hindered by customs duties and NTBs.

9) The ETLS was extended to processed and industrial products in 1990. With the addition of industrial products, it became necessary to define what constitute “originating” products that qualify for duty-free treatment under the scheme. The Rules of Origin which guide the implementation of the ETLS are outlined in the ECOWAS Protocol
AP1/1/03 of 31st January 2003. To qualify as an originating product, the good must have a local content that is equal to or greater than 60 percent and a value addition that is equal to or greater than 30 per cent. Goods manufactured in free zones or special economic schemes that involve the suspension or partial or total exemption of entrance fees do not qualify for originating products status. The Rules of Origin are aimed at preventing trade deflection and ensuring that products from third-countries do not enjoy duty-free treatment within the Community. Underpinning the ETLS are other Protocols that address the free movement of persons, goods and transportation. These Protocols are expected not only to boost intra-ECOWAS trade but also to encourage regional value and supply chains and reduce prices of regionally produced goods for consumers.

In order to take account of the differences in the level of development of Member States, the implementation period for the removal of restrictions on intra-ECOWAS trade was subject to the principle of differential treatment with Member States divided into three groups. Category I Member States (Cote d’Ivoire, Ghana, Nigeria and Senegal) were expected to implement within 6 years, Category II countries (Benin, Guinea, Liberia, Sierra Leone and Togo) within 8 years while Member States in Category III (Cape Verde, Guinea Bissau, The Gambia, Burkina Faso, Mali, and Niger) could spread the implementation over a period of ten years. Given that the scheme was adopted to apply to industrial goods in 1990, customs duties and taxes on intra-ECOWAS trade were to have been completely phased out by all Member States by January 2000. As at today, such free trade area situation is yet to be attained.

To enjoy the duty-free treatment under the ETLS, a qualified product must be accompanied by a Certificate of Origin, issued by a designated authority after a process of verification, that the product has satisfied the ECOWAS rules of origin. Enterprises that wish to participate in the scheme must complete the relevant application forms in a format approved by ECOWAS. Completed forms are submitted to the ECOWAS National Unit for consideration by the ETLS Committee in the Member State of the applying enterprises. The list of enterprises and products
approved for ETLS eligibility by the Committee is remitted with supporting documents to the ECOWAS Commission for further review and final approval.

12) The list of eligible products approved by the Commission is transmitted to all Member States who are obliged under the ETLS to admit duty-free a qualified product upon the presentation of a valid certificate of origin. At present, the certificate of origin is issued by the designated authority in the country of the enterprise producing and exporting the product. The issuing authority varies from Member State to Member State. For example, in Nigeria certificates of origin are issued by the Chambers of Commerce while in some other Member States the issuing authority is the Ministry of Trade. The location of the ECOWAS National Unit also differs among Member States. In Nigeria it is in the Ministry of Foreign Affairs, in the Direction General of Industrial Development in Burkina Faso, while it is located in the Ministry of Integration in Cote d'Ivoire. Also marked by significant difference among Member States is the composition of the National Committee that considers and approves applications of enterprises for eligibility of the ETLS. In some countries, the composition is broad-based and includes representatives of the Ministries of Trade, Industry, Foreign Affairs, Customs Administration, and the Private Sector while in others, such as Senegal, it is narrow-based and excludes representatives of the private sector.

13) In addition to the Certificate of Origin, eligible exporters that want to benefit from duty-free provisions of the ETLS have to accompany their products with other documents such as the Customs Declaration Form and the Inter-State Road Transit (ISRT) Permit and a Bond Guarantee. The vehicles deployed for the inter-state transport of products must be road worthy, insured through the Brown Card scheme, and meet the axle weight and other requirements specified by ECOWAS. Other accompanying documents such as Phyto-sanitary certificates are not currently governed at the ECOWAS level.
III. Implementation of the ETLS: Progress and Impact.

14) The ETLS, as indicated in the preceding sections, is a comprehensive and long-standing trade liberalization programme designed to boost intra-ECOWAS trade and enable Member States to harness the benefits of a large integrated market. If it meets this basic objective, the ETLS should be serving as a potent instrument for the attainment of sustained economic growth, the promotion of regional supply chains and industrial development, and the enhancement of the living standards of the peoples of West Africa. The ECOWAS being a major building bloc of continental integration, an ETLS that meets its objective should also be contributing significantly to the realization of Africa’s aspiration for collective self-reliance and the reduction of the continent’s heavy reliance on external markets, and to the progress and development of Africa as envisaged in Article 3(1) of the Revised Treaty of ECOWAS.

15) Although ECOWAS is the oldest of AU-recognized RECs and its trade integration agenda and the ETLS have been in existence for a relatively long period, the impact of the efforts on the level of intra-regional trade has been quite limited. At $10.024 billion in 2015, intra-ECOWAS exports amounted to only 10.8 per cent of the region’s total exports.14 Intra-SADC, Intra-EAC and Intra-COMESA exports as a proportion of these RECs’ total exports amounted to 20.9 per cent, 12.2 per cent and 18.8 per cent respectively.15 Between 2011 and 2016, intra-ECOWAS trade as a percentage of the region’s world trade averaged just 10.9 as shown in Table 1. Also, over the period 2000-2009, while on the average 28.7 per cent and 29.3 per cent of the total exports of ECOWAS Member States were destined to the US and EU markets respectively, only 13.7 per cent was directed to the markets of African countries.16

16) The relatively poor performance of the ETLS in deepening ECOWAS market integration is also reflected in the integration index recently developed and published jointly by the United Nations Economic Commission for Africa (UNECA), the African Union (AU) and the African Development Bank (AfDB). Of the eight RECs recognized by the AU as the building blocks of African integration, ECOWAS in 2016 ranked seven in terms of trade integration, its performance being only better than that
of CEN-SAD. ECOWAS has a trade integration score of 0.442 as compared to 0.572, 0.780, 0.526, 0.505, 0.508 and 0.631 for COMESA, EAC, ECCAS, IGAD, SADC and UMA respectively. In contrast to ECOWAS low performance in trade integration, the Community has the highest integration index score among the RECs in the area of free movement of persons. Thus the Protocol on the Free Movement of Persons that was adopted in Dakar, Senegal, in May 1979 has been more effective in its stated objective than the ETLS that was adopted the same year.

17) It may be argued that the formal trade data on which the assessment of ECOWAS trade integration performance is often based does not take account of the significant amount of informal trade flows between Member States and hence do not reflect the true level of intra-Community trade. Much of the intra-ECOWAS flows of food and agricultural products, for which women and small and medium enterprises (SMEs) are the main drivers, are unrecorded as they pass through informal channels. Capturing informal cross-border trade in ECOWAS will no doubt increase the level of the Community’s intra-regional trade. This however is unlikely to improve the relative trade integration performance of ECOWAS vis a vis other RECs as informal cross-border trade is a common feature among African RECs. In ECOWAS, informal cross-border trade is partly driven by the poor design and implementation of the ETLS.

18) Although the level of intra-ECOWAS trade has generally been low, the trade integration performance has varied among the Member States. Table 1 shows the percentage share of intra-ECOWAS trade in the total trade of the Member States over the period 2011-2016. The high performers are The Gambia, Togo, Liberia, Mali, Senegal, and Cote d’Ivorie, Niger, Sierra-Leone and Benin whose intra-Community trade as a proportion of their total trade was on the average more than 20 percent during this period. At the lower end of the trade integration performance are Cape Verde, Nigeria, Ghana, Guinea, Guinea-Bissau and Burkina Faso whose trade with other Member States as a percentage of total trade on
the average amounted to 1.7 percent, 3.4 percent, 9.9 percent, 10.1 percent, 10.5 percent and 17.3 percent respectively over the review period.
Table 1: Share of Intra-Regional Trade in the External Trade of ECOWAS Member States (%), 2011-2016.

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External trade of ECOWAS: Share of intra-community trade in % of external trade of ECOWAS

| Share of intra-community trade (%) | 10 | 8.8 | 8 | 12.2 | 11.8 | 13.7 | 9.8 | 9.7 | 13.5 | 10.7 | 11.9 | 11.1 | 10.9 |

Source: ECOWAS Commission
19) The Africa Regional Integration Index Report 2016 also reveals a significant difference in the trade integration performance of ECOWAS Member States. The high performing countries whose trade integration index are higher than average include Cote d'Ivoire, Togo, Senegal while Nigeria remains a key low performer.19

20) The low trade integration performance of Nigeria has been an important factor in the low level of intra-ECOWAS trade. Although Nigeria accounts for 87 per cent and 41 per cent of intra-ECOWAS exports and imports respectively, its trade with other Member States of ECOWAS constitutes less than four percent of its total world trade. Regional hegemons are known to be in a strong position to influence the setting, the implementation and the impact of regional agendas.20 With a share of 75 per in the GDP of ECOWAS21 and more than half of the population, Nigeria is a regional hegemon and a powerful Member State of ECOWAS whose trade integration record has shaped the overall impact of the ETLS.

21) Nigeria has played a major role in the maintenance of peace and security and has influenced the creation of policy and institutional architecture that deals with violent conflict and political crisis.22 In contrast, its role in the promotion of intra-ECOWAS trade has been limited as evident from its low integration index and insignificant share of ECOWAS in its total trade. Nigeria’s trade integration performance contrasts sharply with that of South Africa, the regional hegemon in SADC. South Africa which accounts for 61 per cent of SADC’s GDP is the first of the top performing countries of the REC in terms of trade integration.23 Boosting the level of intra-ECOWAS trade through the implementation of the ETLS will require a significant improvement in the trade integration performance of Nigeria.

IV. Constraints and Challenges in the Implementation of the ETLS

22) The ETLS remains a key instrument for the deepening of ECOWAS market integration and achieving the benefits of a large integrated
regional market. The success of the scheme is also important for ECOWAS to serve as an effective building block of the CFTA and Africa’s economic integration. There are numerous challenges and constraints in the implementation of the scheme which have limited its success and impact.

23) Although ECOWAS Member States have, in their development strategies, accorded high priority to regional integration, including trade integration for which the ETLS was designed to be the key tool, the implementation of collectively agreed regional integration agenda has been marked by inadequate political will at the national level. This explains why the ETLS that was first adopted in 1975, expected to be fully operational by 1990 but postponed thrice is yet to be fully implemented. Quite often, the political will of African leaders to promote regional integration is wrongly measured by decisions and agreements that they signed at the regional and continental levels rather than by their commitment to implement such decisions and agreements at the national level. There has been poor domestication of agreements and decisions and a great disconnect between the adoption and implementation of programmes.

24) Effective implementation of the ETLS requires the elimination of tariffs on eligible products originating from Member States. The adverse fiscal implication of tariff removal on government revenue has constituted a constraint to the transparent implementation of the scheme in some countries. Although the ECOWAS Treaty provides for the establishment of a Fund for compensation for the loss of revenue arising from trade liberalization, the mechanism has not been applied effectively to address the problem. The underdevelopment of direct taxation coupled with the absence or inefficiency of the machinery for the collection of such taxes, especially in the large informal sector of the economies, has led to many countries relying heavily on indirect taxes, especially import duties, for government revenue.

25) Customs administrations are the primary agencies for the collection of import duties. In many of ECOWAS countries, the administrations are located in the Ministry of Finance and given targets of revenue to be collected from duties while the level of their funding at
times depends on their success in collecting the duties. As a result, the primary objective of many customs administrations in ECOWAS seems to be the maximization of revenue from import duties rather than the facilitation of cross-border trade through efficient and transparent implementation of the ETLS.

26) It may be argued that level of intra-Community trade is relatively small that the removal of tariff on such trade would not lead to a significant loss of revenue. For customs administrations whose objective is the maximization of revenue collected, this type of argument may not be valid.

27) As its name suggests, ECOWAS is on paper primarily an economic integration organization with focus on market integration. In spite of the importance attached to regional integration in the development strategies of Member States, very few of the countries (including those that have established Ministries of Integration) have made efforts to mainstream regional integration, especially trade integration, into their development policies and programmes. Peace and security have had more traction in ECOWAS than market integration. Reflecting the focus on peace and security, the current six regional offices of ECOWAS are located in countries that were afflicted by conflict and political crisis and targeted towards the achievement of peace and security.

28) In Member States of ECOWAS, there is absence of “champions of integration” or pressure groups that can put pressure on governments and hold them accountable to implement decisions and agreements on market integration reached at the regional level. The private sector operators that could play this role appear to be more concerned about protecting their domestic market against competition from products of other member states than taking advantage of market opening opportunities that effective implementation of the ETLS could create. Regional market integration issues rarely feature in national discourse due to low perception of the benefits.

29) The Certificate of Origin is a key document that must accompany eligible products in order to qualify for duty-free entry into Member States. There are a number of problems relating to the issue and use of this important document in the implementation of the ETLS. As indicated
earlier, it is the National Committee in the Member State of product origin that is charged with the responsibility of verifying and authenticating the eligibility of product for duty free treatment. Although the list of eligible products is sent by the Committee to the ECOWAS Commission for further verification and final approval, there is lack of the involvement of Commission staff and representatives of other Member States in the on-site (factory) verification exercise to determine whether a product meets agreed eligibility criteria. Non-involvement of other stake holders in the verification process has generated a lack of trust leading to Customs administrations of some importing countries to suspect that goods covered by Certificates of Origin might be “repackaged” third-country products that do not qualify for duty-free entry.

30) Another problem relating to the use and application of the Certificate of Origin in the ETLs is the lack of harmonization in the format of the document as printed and distributed by Member States. The implication of the use of different formats and lack of harmonization is the rising concern “over the validity of various certificates of origin and that customs on many occasions will not accept the document handed to them over fear of a fraudulent document”.

31) The implementation of the ETLS at the borders is often hindered by lack of effective and efficient communication. The eligible enterprises and products that have been registered are not keyed into an electronic system that can easily be accessed by customs officials at the borders of Member States. Verification of hard copies of documents presented at borders to determine enterprise and product eligibility is not only laborious but also prone to abuse.

32) Given that the ETLS has been in existence for a long period and was designed to be the key instrument for the achievement of market integration in West Africa, the numbers of enterprises that are applying, that have been registered, and are utilizing the scheme are quite small. For example, in Cote d’Ivoire only about 250 companies are registered for the scheme while in Ghana the number of applications received in 2016 from enterprises for participation stood at just 30. In Burkina Faso, 15 enterprises and 30 products have been registered under the scheme.
Lack of information about the ETLS is the main reason for the relatively small number of enterprises and products involved in the scheme in ECOWAS Member States. Sensitization and awareness campaigns on the ETLS have been inadequate and not widespread. For example, only 31 per cent of total respondents in a recent survey undertaken by the USAID were aware of the necessity for firms to be registered under the ETLS programme to be able to trade duty free. Efforts targeted at SMEs that predominate in informal cross-border trade are very limited. Lack of funding constitutes a major constraint to the development and implementation of outreach programmes.

The experience of ECOWAS Member States in the implementation of the ETLS shows that reduction and elimination of tariffs may be necessary but are not sufficient to boost intra-regional trade. Of critical importance is the need to complement such trade liberalization instrument with other measures: the elimination of NTBs (quotas and import bans, technical and administrative restrictions, etc.); trade finance and trade information; and the enhancement of productive capacity and trade-related infrastructure (transport and trade facilitation, border post development such as one-stop border posts, standards and quality infrastructure and customs modernization). Tariff reduction/removals within the framework of the ETLS have been largely ineffective by the absence of these complementary measures.

Quantitative restrictions still constitute an important element of trade policy of some member States of ECOWAS as evident in the case of Nigeria, the largest economy in the region. Palm oil from Togo is facing entry barrier in Senegal on the suspicion that it does not meet rules of origin criteria. Non-tariff barriers such as quantitative or seasonal barriers have been applied on trade in cotton (Ghana) and grains (Mali and Niger).

Article 3 of the Revised Treaty of ECOWAS provides for the harmonization of trade policies for the establishment of an FTA. Up to date, the Community does not have a common trade policy neither have the different trade regulations, sanitary and phyto-sanitary measures, technical standards, etc, of Member States been harmonized. Even where some degree of harmonization has been achieved such as
between the rules of origin between ECOWAS and UEMOA, the introduction of Brown Card, and vehicle axle and weight regulations, countries and their trading firms have not been fully implementing them. For example, some enterprises in the French-speaking countries have continued to present the EUMOA Certificate of Origin in ECOWAS Member States while many enterprises still utilize their national insurance policies rather than being insured through Brown Card scheme.

37) Particularly disruptive and cost-enhancing of intra-ECOWAS trade flows are poor road infrastructure, non-border inspections and road harassment and corruption along major corridors, the multiplicity of regulatory agencies at border posts, complexity of customs procedures and documentation, and the delays by customs officials in the clearance of goods. These constraints have tended to impose significant transaction costs on cross-border trade and reduce or eliminate the competitive edge which duty-free status of goods of Community origin should have over goods from third-countries.

38) The other factors limiting the impact of ETLS and the growth of intra-ECOWAS trade are the inadequacy of trade-related infrastructure, trade information and finance as well as the lack of diversification and complementarity of the economies of the Member States. For example, it seems that the limited importation of the products of other Member States of ECOWAS into the huge Nigerian market has been partly due not only to concerns that some of the products covered by certificates of origin are re-packaged products of European and Asian countries, but also to the fact “that ECOWAS countries do not have manufacturing base of any significance which Nigeria can benefit from.”

39) Also, limiting the growth of intra-ECOWAS trade is the absence of an effective mechanism for monitoring and evaluating the implementation of the ETLS and of a legal framework for the settlement of disputes and enforcement of rights and obligations under FTA agreements and protocols. The lack of the mechanisms has reduced the effectiveness of the ETLS as an instrument for boosting intra-ECOWAS trade.
Accelerating the Implementation of the ETLS: The Way Forward

The case for the market integration in West Africa is as strong now if not stronger than in 1979 when the ETLS was adopted. With globalization, the world economy has become more competitive with trade in manufactured goods and services serving as engines of growth. The countries in West Africa and indeed on the whole of the continent need to achieve the structural transformation of their economies and enhance their competitiveness to be able to end their marginalization in the global economy. As argued by the World Bank, for Africa to successfully participate in the global economy, a comprehensive approach to boosting trade and diversifying into higher value-added products and services is essential. Regional trade arrangements should be seen as stepping stones towards further integration into the global economy.

The promotion of regional trade has great potential for enhancing competitiveness and industrialization, participating in dynamic sectors of global trade for achievement of inclusive growth. This potential is yet to be maximized in West Africa as evident from the preceding analysis. It is to meet the challenges confronting Africa in a rapidly changing world that the Africa Union has recently adopted major initiatives such as Agenda 2063 and the CFTA which require the deepening of market integration in the RECs.

Deepening of market integration in West Africa requires the refinement and accelerated implementation of its main tool, the ETLS. A comprehensive strategy that addresses the constraints identified in Section IV is critical in this regard. The building of the institutional and technical capacity of the Member States, the ECOWAS Commission, and major stakeholders especially the private sector; policy reforms as well as the enhancement of trade-related infrastructure must be part of the strategy.

The implementation of the ETLS, like that of many integration initiatives in Africa, has suffered from a lack of political will that has prevented the scheme from being fully domesticated in Member States and severely limited its achievements. The commitment of leaders to integration, as reflected in the numerous agreements and initiatives
adopted at the regional and continental levels, has not been matched by actions at national level where there has tended to be resistance to surrender part of sovereignty in pursuit of regional integration initiatives. 45) Building a strong constituency for regional integration at the national level and creating greater awareness of its benefits in Member States is essential for securing the buy-in and the much-needed political commitment to schemes such as ETLS. ECOWAS has already established in six of the Member States representative offices that currently focus on peace and security issues. The mandate of the offices should be expanded to include economic integration such as the implementation of the ETLS. A representative office with such an expanded mandate should be established in each Member State of ECOWAS. 46) The private sector, civil societies and youths should be part of the constituency for deepening of regional integration in West Africa. The introduction in ECOWAS of an exchange programme like the EU-funded Erasmus Exchange Programme to promote the training of students in universities located in Member States other than their own can help to create a new cadre of leadership in West Africa that is committed to market integration. 47) Mainstreaming the ETLS into national development strategy could assist in fast-tracking the implementation and realizing its benefits. There is no Member State of ECOWAS that is too strong or too weak that it cannot benefit from the scheme if appropriate and effective measures are taken to mainstream it into national policy. Every country should have an action plan for boosting intra-community trade. An example of a move in the in the right direction is that of Ghana which in its quest to position itself as a major trading hub and industrialized nation in West Africa has tasked its Ministry of Trade and Industry to facilitate the growth of the country’s intra-regional trade and to develop an integrated mechanism to promote Ghana made products. Part of the mechanisms developed is the introduction of Business French, a policy designed to train policy makers and representatives of the business community in French in order to break the language barrier that impedes business with French speaking counterparts.
48) The heavy reliance of Member States on import duties as a major source of government revenue has been a factor in the failure or reluctance to eliminate or reduce tariffs in intra-ECOWAS trade as required by the ETLS. It has also accounted for customs administrations being perceived and used mainly as revenue collecting rather than trade facilitating agencies. If the ETLS is to serve effectively as an instrument for boosting intra-ECOWAS trade, the large informal sector of the economies has to be formalized and alternative sources of government revenue such as income and value added taxes have to be developed. Also, the framework for compensation for loss of revenue as a result of removal of duties on intra-community trade has to be improved upon and operationalized.

49) If ETLS is to succeed in its primary objective of market integration and boosting of intra-community trade, there is need for significant improvement in its implementation. Areas where action is required include increasing the awareness of the scheme, improving the composition of the national ETLS committee and simplification of rules of origin and enhancement of transparency in the determination of eligible products and the issuing of certificates of origin.

50) Due to the lack of awareness of the programme, the number of enterprises utilizing and benefitting from the ETLS is relatively small. A comprehensive programme of outreach, involving the activities of National ETLS Committee, Private sector organizations, the proposed ECOWAS representative office in Member State and the ECOWAS Commission, is required to popularize the scheme and increase the number of the participants. There is need to pay particular attention to small and medium-scale enterprises (SMEs) in the outreach programme. To enhance the participation of SMEs in the scheme, the application forms and rules of origin should be simplified and made user-friendly.

51) Private sector operators are the main users of the ETLS and hence the active involvement of their representatives in the processes of the scheme is critical for its effective implementation and success. The exclusion of private sector representatives in the National ETLS committees of some member states must be rectified.
52) A major constraint that has limited the success and impact of the ETLS is the perception in some member states that products covered by certificates of origin issued by some other members are the re-packaged goods of third countries that should not qualify for duty-free treatment within the Community. To deal with the lack of trust and ensure greater transparency in the determination of eligible products, there is need for some refinement of the process. At present, the selection of eligible products is done at the national level by a committee or designated authority of the Member State which sends its recommended list to the ECOWAS commission for vetting and approval. There is need for a mechanism that will involve the participation of the proposed representative office and/or representatives of other member states in the process of determination of product eligibility including visits to the enterprises concerned.

53) The other measures that can enhance the implementation and impact of the ETLS include the deployment of Information and Communication Technology (ICT) to improve communication and connectivity between customs administrations, the simplification and harmonization of customs procedures and documents, the introduction of one-stop border posts, the elimination of non-border inspection and road harassment by officials along major corridors, and the harmonization of standards, both technical and sanitary and phytosanitary among member states.

54) Some institutional capacity building is also required for improving performance of the ETLS as an instrument for promoting intra-community trade. Two of the areas where action is needed are frameworks for the monitoring and evaluation of the implementation of the ETLS, and for enforcement of agreement and re-dress for non-compliance with the provisions.

55) The two mechanisms that are currently performing monitoring and evaluation functions are the Joint ECOWAS-UEMOA Committee of Customs Administration which does not include representatives of private sector and the Borderless Alliance, a private sector initiative that is commendable but limited in scope and whose sustainability is doubtful.
56) A robust and effective monitoring and evaluation (M&E) mechanism that involves the participation of all stakeholders is required for optimizing implementation of the ETLS. Also required is a mechanism for dispute settlement and enforcement of obligations. The creation of a division to deal with economic and trade matters within the ECOWAS Court of Justice may be necessary.

57) The low level of intra-ECOWAS trade has been largely to the lack of complementarity of the economies of the member states and the high cost of doing trade between them. This is no doubt true. However, the inadequacy of trade information and trade promotion targeted towards the boosting of intra-community trade has been an important contributing factor. In spite of the importance attached to regional market integration by ECOWAS leaders, their preference has been to lead trade and economic delegations to Europe, Asia and the USA and not to other member states of ECOWAS.

58) The inadequacy of trade information has led to under exploitation of intra-community trading opportunities and a situation in which goods, that in some member states are competitive in terms of price and quality, being sourced from outside the community. Trade information and trade promotion should be enhanced through the establishment of an ECOWAS Trade Observatory by the ECOWAS Commission, the organization of trade fairs by the Commission and regional trade organizations, and the exchange of economic and trade visits by Member States. The establishment of regional enterprises by private sector operators could help to promote regional value chains and intra-community trade.

59) Making the ETLS to be a more effective tool for trade integration and expansion of intra-regional trade in West Africa will require a significant amount of trade-related capacity building at the national and regional levels. The allocation of resources by the Member States and the ECOWAS Commission should reflect this capacity building need. Mobilization of external support, both financial and technical, from development partners could also assist in accelerating the implementation and improving the impact of the ETLS as an instrument of market integration and economic development.
ECOWAS and its Member States should, inter alia, take advantage of the Aid for Trade (AfT) initiative of the WTO which was set up to assist developing countries to build the supply-side capacity and trade-related infrastructure they need to take advantage of trading opportunities with a view to promoting economic growth and reducing poverty. Resources could be targeted towards such ETLS requirements as productive capacity building, border post development, standards and quality of infrastructure, customs modernization, transport corridors, and private sector networking. The World Bank has also established an Assistance Strategy for promotion of Regional Integration in Africa, that could be of advantage in the implementation of the ETLS.

A recent study by the UNECA has shown that both African countries and RECs face difficulties in developing bankable projects proposals and clearly identifying needs and associated priorities that can enable them take full advantage of AfT resources. Such difficulties apply also to other external sources of funding.

To move forward on the ECOWAS agenda of market integration and the ETLS, Member States should seek the assistance of technical partners such as UNECA, particularly its African Trade Policy Centre and Africa Development Bank in mainstreaming trade into their development strategies, preparing Action Plans for boosting regional trade and developing bankable trade-related project proposals. As indicated earlier, no member state of ECOWAS is too small or weak that it cannot benefit from a large integrated regional market if taking advantage of the opportunities is mainstreamed into its development strategy.

6.1 Recommendation

The deepening of market integration in West Africa remains critical for harnessing the benefits of a large and growing regional market and for enhancing the role of trade as engine of sustainable and inclusive growth in the Member States. ECOWAS being a designated major building block of Pan-African economic integration, the enhancement of its market integration is also important for the success of key continental
initiatives such as the CFTA, AEC, and Agenda 2063, whose primary objectives are to assist Africa to meet the challenges of development in a rapidly changing global economy.

64) The main tool for trade and market integration in West Africa is the ETLS. Deepening of market integration in ECOWAS requires a comprehensive strategy that will refine the ETLS and address the various implementation constraints that limit the impact of the scheme. Such a strategy must include the building of trade-related institutional and technical capacity at national and regional levels and involve the participation of all major stakeholders: Member States, ECOWAS Commission, Private Sector, and Development Partners. Some elements of the strategy as they relate to various stakeholders are as follows.

I. Member States

65) ECOWAS is a member-states- driven organization whose success will depend largely on measures taken at the national level. To improve the performance of the ETLS and deepen West Africa market integration, Member states should:

- Show greater commitment to the domestication and implementation of regional integration initiatives including the ETLS and be willing to surrender part of their sovereignty in pursuit of regional integration agenda.
- Mainstream regional market integration and ETLS into their development strategies.
- Enhance their institutional and technical capacity for the development and implementation of action plans to harness the opportunities of ETLS and the regional market.
- Promote greater awareness and sensitization of the ETLS.
- Introduce one-stop border posts and eliminate non-tariff barriers that impede cross-border flows of goods.
- Adopt and implement policies and programmes to enhance productive capacity, structural transformation, and trade-related infrastructures of their economies.
- Strengthen the participation of private sector in ETLS and regional market integration processes.
• Develop alternate sources of government revenue (such as income tax, property tax, and value added tax) to lessen dependence on import duties.
• Political and business leaders of Member States should give trade and economic missions to other African countries as much attention as they do to missions to US, European and Asian countries.

II. ECOWAS Commission

66) The Commission is the key organ of ECOWAS that is expected to drive trade and market integration agenda of the Community. Toward improving the performance and impact of the ETLS, the Commission should:

• Enhance the mandate of its existing six representative offices to include trade and economic issues and establish representative offices in the remaining Member States.
• Undertake outreach programmes to build strong constituencies for regional integration and create greater awareness of the benefits of regional market integration in Member States. The proposed representative offices can play a role in this regard.
• Develop a more transparent and inclusive process of determining the eligibility of products and issuing of Certificates of Origin under the ETLS, that can win the trust of all Member States.
• Harmonize trade-related policies and programmes of Member States and develop an ECOWAS trade policy as envisaged in the Treaty establishing the Community.
• Simplify the ETLS application forms and rules of origin to make them more user-friendly to private sector operators, especially the SMEs.
• Develop appropriate frameworks for monitoring and evaluating the implementation of the ETLS and for the enforcement of agreements and redress for non-compliance with the provisions.
• Adopt and deploy an ICT system to improve communication and connectivity between customs administrations of Member States.
• Establish a functional ECOWAS Trade Information Platform for the collection and processing of trade information data that can be easily accessed by private sector operators in Member States.
- Provide support to regional private sector bodies in organization of ECOWAS trade fairs and other activities aimed at accelerating the implementation of the ETLS.
- Establish a student exchange programme, like the EU-funded Erasmus, to promote the training of students in higher institutions of learning located in Member States other than theirs, with a view to nurturing a new cadre of leadership that is better committed to integration.

### III. Private Sector

67) The role of the governments of Member States of ECOWAS and the ECOWAS Commission is to create the necessary environment for private sector whose primary responsibility is the movement of goods across borders. To improve the performance of the ETLS and deepen ECOWAS market integration, private sector organizations should:

- Serve as champions for regional integration and enhance their advocacy for trade and market integration.
- Strengthen their capacity for effective participation in the ETLS processes, including the activities of the national ETLS committees and the sensitization of their members on the ETLS.
- Strike a proper balance in their commitment to the pursuit of protection of national markets for their members and the deepening of regional market integration.
- Promote networks for establishment of regional enterprises and the promotion of regional value chains.
- Organize trade fairs to show case products of ECOWAS origin and promote the growth of intra-ECOWAS trade.
- Establish/strengthen ETLS private sector initiatives, such as the Borderless Alliance, for monitoring and evaluating the implementation regional market integration.
- Provide feedbacks to Member States and ECOWAS Commission on their experience with the implementation of the ETLS. In this regard, FEWACCI has an important coordinating role to play.
IV. Development Partners

68) Development partners can contribute to the deepening of market integration in ECOWAS and to accelerating the implementation of the ETLS by providing more AfT resources for trade policy reforms, and for the development and building of productive capacity and trade-related infrastructure that will enable ECOWAS and its Member States take advantage of trade opportunities of an integrated regional market. African institutions such as the AfDB and UNECA should provide technical assistance to Member States to mainstream trade into their development strategies, to prepare action plans and bankable projects for boosting intra-regional trade and deepening ECOWAS market integration.

6.2 Conclusion

69) Adoption and effective implementation by all stakeholders of the measures specified above will enable the ETLS to serve better as a tool for the promotion of market integration and sustainable development in West Africa and thereby position the region to effectively participate in the implementation of AfCFTA.

7. References/Notes

2. Ibid, P.5.
3. Ibid, P.5.
7. Ibid. Article 12.
10. Ibid. P.6.
12. Ibid.
15. Ibid.
18. Ibid.
27. Ibid. p.15.
8. Annexes

8.1. Annex I: Terms of Reference of the Study

I. Introduction
The study is being conducted within the framework of Africa’s effort to boost intra-African trade which has been given added impetus by Africa’s attempt to establish a Continental Free Trade Area to enhance socio-economic development, a cardinal objective of accelerating economic integration of the African continent. This is consistent with the 1980 Lagos Plan of Action and its Final Act of Lagos anchored on the Regional Economic Groupings as the basis of the African Economic Community. The notion of boosting intra-African trade is further heightened by African Union’s Agenda 2063 which harped on the establishment of the African Continental Free Trade Area (AfCFTA).

The negotiations for the African CFTA have just been concluded the agreement is expected to be signed soon. Yet the implementation of the ECOWAS Trade Liberalisation Scheme which is instrument for implementing a Free Trade Area in the ECOWAS region is far from satisfactory even though elements of the ETLS has been in operation since the 1990s. The successful implementation of the AfCFTA will be greatly influenced by the effective application of ETLS in the ECOWAS region as well as on that of similar trade regimes in the other Regional Economic Groupings. Consequently, this study is expected to provide an overview of the drawbacks and difficulties impeding the effective and efficient application of ETLS while focusing, among others, on the role the National Chambers of Commerce and Industry and the business community in the ECOWAS region can play to accelerate the efficient implementation of ETLS so as to enable them draw maximum benefit from the ETLS to enhance the profitability of the said business community.

II. Methodology
The Study will be in two parts, namely: Desk Study and Field Study

a. Desk Study and Interviews in home station.

- Conduct a literature review, the results of which are to be presented in a report.
- Review existing documents
- Protocols on ECOWAS Trade Liberalisation Scheme pointing out its strengths, weaknesses and drawbacks in its implementation, particularly as regards private sector response to ETLS implementation,
- Various ECOWAS Decision of Heads of State and Government and ECOWAS Council of Ministers.
- Reports of the ECOWAS Secretariat on the Implementation of the Protocol on Free Movement of Persons, Right of Residence and Establishment (Phases 1, 2 and 3).
- West African Trade Hub/USAID Reports on ETLS Gap Analysis in ECOWAS outlining the Obstacles to Free Movement of Persons, movement of goods, and implementation of ETLS transport protocols as well as movement of persons in the major transport corridors.
- Other known similar studies in West Africa.

- The aim of the Study is to propose practical measures to ensure the full implementation of the said trade regime in order to promote intra-ECOWAS Trade and Investment by ensuring the free movement of goods, persons and services.

b. Part II Field Study

- Visit the five (5) selected countries, namely Ghana, Cote d’Ivoire, Burkina Faso, Senegal and Nigeria to:
  - Consult with:
    - the National Chambers of Commerce and Industry in the countries to be visited;
    - the business community;
    - the relevant government agencies,
    - the Immigration Service - Aflao border, and the rest of the border posts on the Abidjan and Lagos transport corridor to verify to what extent the ECOWAS Protocol on Free Movement of Persons, Right of Residence and Establishment have been successfully implemented or otherwise;
iii. Output:
1. Produce a comprehensive Study Report on Accelerating the implementation of ETLS with emphasis on role of the private sector and the national chambers of commerce and industry in this regard with appropriate recommendations;

2. Prepare a power-point presentation of your findings and recommendations to the GNCCI, FEWACCI, ECOWAS and ECA/ATP;

3. Finalise the study report after comments from the workshop.

8.2 Annex II: List of Persons/Organizations interviewed during field missions

Mr. Fredrick Alipui, Managing Director, Afrinvest Consult Ltd, Accra, Ghana.

Mr. Ata Koram, Director of Projects, Afrinvest Consult Ltd, Accra, Ghana.

Mr. Mark Badu-Aboagwe, Chief Executive Officer, Ghana National Chamber of Commerce and Industry, Accra, Ghana.

Mr. Mickson, Ministry of Trade and Industry, Accra, Ghana.

Ghana Customs Administration, Accra, Ghana.

Mr. Aminou Akadiri, Executive Director, Federation of West Africa Chambers of Commerce and Industry, Abuja, Nigeria.

Dr. Gbenga Obideyi, Director of Trade, ECOWAS Commission, Abuja, Nigeria.

Mr. Salifou Tiemtope, Director of Customs, ECOWAS Commission, Abuja, Nigeria.

Mr. Felix K. Kwakye, Principal Programme Officer, Customs Procedures, ECOWAS Commission, Abuja, Nigeria.

Dr. Sacko Seydou, Programme Officer, Competition and Informal Trade, ECOWAS Commission, Abuja, Nigeria.
Ms. Aissata Koffi-Yameogo, Programme Officer, Free Trade Area, ECOWAS Commission, Abuja, Nigeria.

Dr. Sani Yandaki, Head, Nigerian Association of Chambers of Commerce, Industry, Mining and Agriculture (NACCIMA), Abuja, Nigeria.

Director of Infrastructure, Chambers of Commerce, Abidjan, Cote d’Ivoire.

Director of Administration and Finance, Chamber of Commerce, Abidjan Cote d’Ivoire.

Ministry of Integration, Abidjan, Cote d’Ivoire.

Mr. Jonas Laco, Conseiller Charge de la Facilitation, Borderless Alliance, Abidjan, Cote d’Ivoire.

Mr. Felix Sanon, Director of Business Development and Cooperation, Burkina Faso Chamber of Commerce and Industry, Ougadougou, Burkina Faso.

Director, Private Sector, Ministry of Trade, Ougadougou, Burkina Faso.

Secretary General, Chambers of Commerce and Industry, Ougadougou, Burkina Faso.

Mr. Seydou Ilboudo, Specialiste en Affaire Internationales, Ministere du Commerce, De L’Industrie et De L’artsanat, Ougadougou, Burkina Faso.

Mr. Mbaye Chimere Ndiaye, Directeur Observatoire Economique, Chamber of Commerce, Industry and Agriculture, Dakar, Senegal.

Mr. Moustapha Ngom, Coordonnateur de la Cellule de Suivi de l’Integration. Ministere De L’Economie, des Finances et du Plan, Republic of Senegal, Dakar, Senegal.