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THE AFRICAN DEVELOPMENT BANK GROUP ROLE IN PROMOTING REGIONAL ECONOMIC INTEGRATION IN THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES

by

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B.A., Hunter College
(1980)

Submitted to the Department of
Urban Studies and Planning
in Partial Fulfillment of the
Requirements of the
Degree of

MASTER IN CITY PLANNING

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 1982

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THE AFRICAN DEVELOPMENT BANK GROUP ROLE IN PROMOTING REGIONAL ECONOMIC INTEGRATION IN THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

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Submitted to the Department of Urban Studies and Planning on April 19, 1982, in partial fulfillment of the requirements for the Degree of master of City Planning.

ABSTRACT

This study is designed to examine the regional economic integration effort in West Africa under the ECOWAS Program. Within this examination is a special focus on the African Development Bank Group role in advancing regional economic integration in West Africa. One of the basic premises of this thesis is that the ECOWAS Program requires a major investor, like the African Development Bank Group, to provide the necessary capital to make regional economic integration a successful venture in West Africa. This study considers the ability of the African Development Bank Group to meet this requisite of the ECOWAS Program.

The conclusion of the research was that the ECOWAS Program for regional economic integration in West Africa would fail, without large scale industry development in the relatively less developed states of the region and interterritorial infrastructure development to link the fifteen states of the region. The African Development Bank Group has been recognized as a leader in meeting this investment need of ECOWAS, but it is clear that without an expansion in the Bank Group's resource base or the introduction of aid agencies to co-finance with the Bank Group, the African Development Bank Group will be unable to meet the investment needs of ECOWAS. Having to rely on the African Development Bank Group to meet their investment needs, the ECOWAS Program's success will be limited by the scope of the African Development Bank Group's investment in regional development in West Africa.

Thesis Supervisor: Hassan Minor

TABLE OF CONTENTS

	Page
Abstract	2
Contents	3
Acknowledgements	4
Chapter One	6
Outline	7
Acronyms and Abbreviations	10
List of Tables	12
Appendices I - V	121
Chapter Two	159
Outline	160
List of Tables	163
Graphs I - VII	224
Appendices I - IX	231
Chapter Three	252
Outline	253
List of Graphs	255
Footnotes	287
Bibliography	296

ACKNOWLEDGEMENTS

This effort is dedicated to my mother and Valentina Desiree Barnes. Although you're no longer by my side, your spirits inspires me endlessly and makes me smile through the pain.

I would like to acknowledge the never ending love and support that my family - Stephanie, Fred and Taina - give me; there's always love at home.

Thank you John Carson, my original mentor, for showing me that even in the ghetto, you see more when you raise your head high.

Vernon Reid, thank you for being my best friend. Your sensitivity and compassion has never failed to comfort me. We are brothers - completely.

George Daly, you have made my road much smoother than it was when I used to have to clear my way on my own. Thank you for getting me this far.

I would like to offer a special thank you to Professor John Henrik Clarke. You made me proud of my African heritage. The greatest gift you gave me though was to question.

My thesis and course work at MIT would not have been completed without the help of the following people;

Willard Johnson - you brought me so close to Africa by just sitting and talking with me. Thank you for offering me your insights and direction.

Hassan Minor - you helped me to hop the hurdles and finish the race without tripping and hurting myself.

Frank Jones - without your support and guidance and friendship, it would have been a lonely, uphill battle.

Art Bernard - my roommate, who tolerated my seclusion when I had to write and hung out with me when I needed to procrastinate.

John Turner, Leona Morris, Jeanne Winbush and Yvonne Gittens - each one of you, in your own way, gave me the needed moral support, made the road smooth and made certain that I kept my nose clean.

Karen Fulbright - my jogging partner, who talked with me when the pressure and tension was getting to be too much for me to bear by myself.

MIT Minority Community - it felt good to hear y'all ask me how my thesis was coming along.

DUSP Secretaries - you guys put up with my sick sense of humor and helped me out a whole bunch. A special thank you to Carol Escrich and Jackie LeBlanc for typing my thesis and getting it through the red tape.

Look ma, no hands!

CHAPTER ONE

REGIONAL ECONOMIC INTEGRATION AND THE ECOWAS PROGRAM

OUTLINE

I. Why an Economic Union in West Africa?

A. Ideological Factors

1. Pan-Africanism

a. scope (continental union)
b. timing (political union before economic development)
c. power (centralized authority under federal system of government)

2. Regional Economic Integration in Sub-regions instead of Continent

B. Economic Factors

1. Goals and Means of Economic Integration

a. economies of scale (reduce inefficiency and duplication)
b. increase pool of savings and foreign exchange for industrial development
c. develop intermediate industries (value added benefits)
d. improve gains from "multiplier effect"
e. increase pool of professionals and technicians
f. increase pool of unskilled labor (improved capital accumulation)

C. Military Security

1. National Vulnerability to External Aggression
2. Uneven National Military Strength
3. Consolidation to Establish Security Net (maximize strength through consolidation)

II. Regional Integration Theories (how they fit into West Africa)

A. Phillip Jacob and Henry Teune - "10 Influences for Integration to be Felt"

1. Geographic Proximity
2. Homogeneity
3. Transactions (Karl Deutsch - communication theory)
4. Social Factors

a. cognitive proximity
b. shared functional interests
c. communal "character" or social "motive"

5. Political Factors

a. structural frame or system of power and decision-making
b. sovereignty - dependency status of the community
c. governmental effectiveness
d. previous integrative experiences

B. Traditional Neo-Classical Economic Theory

1. Trade Creation - Trade Diversion
2. Basic Conditions for Economic Integration

a. percentage of trade within the region (high)
b. percentage of GNP in foreign trade (low)
c. less success if large disparities exist between member states.

C. Federalist Approach

1. Focus on Declarations and Written Structure of Union
2. Main Concern is in Institutions and Institution Building
3. Regional Organizations in West Africa Leaning Toward Federal Authority

D. Ernst Haas - "Neo-Functionalist Approach and Obsolescence of Neo-Functionalist Theories"

1. Integrative Process Fueled by Inter-Regional Links (interest groups and political parties) - "Spillover"
2. Sectoral Integration Producing "Spillover"
3. Incrementalism and "Fragmented Issue Linkage"
4. Absolescence of Neo-Functionalism - Exogenous Factors Disrupt Process

E. Economic Development Theory

1. Structural Change in Development Process to Achieve Industrialization
2. Areas of Potential Benefits from Regional Integration (overcoming structural barriers)

III. Constraints on Regional Integration in West Africa

A. Political

1. Nationalism
2. Internal Political Instability
3. Absence of Pluralism to Promote Lobby Groups
4. Over-Politicalization of Regional Decisions

B. Economic

1. African Commodities are Competitive, not Complimentary
2. Competing Industrial Centres
3. Nationally Protected Industries Fear Economic Union

4. Imbalances in Development Between States
5. Foreign Aid is Usually Bilateral
6. Different Monetary Zones

C. Social

1. Differences in Language, Ethnic Identification, Religion
2. Differences in Administrative Apparatus Evolved from Colonial

IV. Forms of Economic Integration

A. Laissez-Faire (free trade and CET only) - (Mano River Union)

B. Economic Union Based on the Equitable Distribution of Benefits

1. Redistribution Funds
2. Concept of Measuring and Balancing Costs and Benefits

a. basic indicators (impact on trade flows, level and structure of production, balance of payments, revenue growth rates)
b. trade creation - trade diversion
c. spread - backwash effects
d. concept of measurement - equality/proportion of size of national income/proportion of size of national population

3. Redistributive Formula

a. single tax (taxe unique of UDEAC)
b. regional distribution tax (TCR-CEAO)

V. Chances for an ECOWAS Success Story

A. Established Regional Institutions (neo-functionalist/federalist approach)
B. Stages of Economic Union Implementation (balancing effect)
C. Aims and Objectives of ECOWAS
D. ECOWAS Commissions:

1. Industry, Agriculture and Natural Resources Commission
2. Fund for Cooperation, Compensation and Development
3. Trade, Customs, Immigration, Monetary and Payments Commission
4. Summary

VI. Gaps in the ECOWAS Program

A. Compensation Fund is Undercapitalized
B. No Control over new Industry Location
C. Limited Interstate Infrastructure to Facilitate infra-Africa trade
D. Need for Investor like the African Development Bank

Acronyms and Abbreviations

OAU	Organization of African Unity
ADB	African Development Bank
ADF	African Development Fund
NTF	Nigerian Trust Fund
ADB Group	(or Bank Group) ADB/ADF/NTF
ECA	Economic Commission for Africa
EEC	European Economic Community
CDC	Commonwealth Development Corporation
CCCE	Caisse Centrale de Cooperation Economique
FAO	Food and Agricultural Organization
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association
IDB	Inter-American Development Bank
ITU	International Telecommunications Union
SUNFED	Special United Nations Fund for Economic Development
ASDB	Asian Development Bank
ACP States	Africa, Caribbean and Pacific States signed to the Lome Convention
OCAM	Organization Comune Africaine et Mauriciene
BADEA	Arab Bank for Economic Development in Africa
Kuwait Fund	Kuwait Fund for Arab Economic Development
SIFIDA	Societe Internationale Financiere pour les Investissements et le Developpment en Afrique
Africa Re	African Insurance and Reinsurance Corporation
OMVS	Organisation pour la mise en valeur de fleuve Senegal
UMOA	Union monetarie ouest-africaine (West African Monetary Union)

BCEAO	Banque Centrale de Etats de l'Afrique de l'Ouest
CEAO	Communate economique de l'Afrique de l'Ouest (West African Economic Community)
AACB	Association of African Central Banks
UDEAC	Customs and Economic Union of Central Africa
ECOWAS	Economic Community of West African States
CIMAO	Societe des Ciments d'Afrique de l'Ouest
RAN	Regie de Chemin de fer Abidjan/Niger
CFA franc	communate financiere africaine franc
CIC	Capital Issues Committee of ECOWAS
CET	common external tariff
DM	Deustche mark
UA	African Development Bank units of account
KD	Kuwaiti dinar

Tables

I. Foreign Nationals by Country of Nationality and Country of Enumeration, circa 1975

II. Principal External Migration Streams, circa 1975

III. Employed Immigrants Aged 15 Years and Over by Country of Residence and Sex, circa 1975

IV. Intra-ECOWAS Trade 1973 (US $ 1000)

V. Population and GNP (at Market Prices 1979) of ECOWAS Countries

VI. Import Duties as Proportion of Revenues for West Africa Countries

VII. Workers' Remittances in Selected West African Countries, 1970-74

Maps

I. Heaviest Import/Export Flows within West Africa

II. Commodities Traded Between Nigeria and West African States (1975)

III. Commodities Traded Between Togo and West African States (1975)

Graphs

I. Percentage of Total Export within Africa by Country

II. Volume of Trade in Africa, by Largest West African Intra-African Exporters

Appendix

I. Direction of Trade within the ECOWAS Community 1964-1973

II. Types of Products Exported to Ghana (Togo and Nigeria) from Largest Intra-African Trading States (Jan. - Dec. 1970)

III. Direction of Exports from West African States 1964-1974

IV. Major Export by Nigeria to West African States (1st Quarter 1975)

V. Types of Products Imported by Togo from Largest West African Exporters (Jan. - Dec. 1975)

I. Why an Economic Union in West Africa?

A. Ideological Factors

The concept of continental unity in Africa has its genesis in the early days of the Pan-African Congress. Many of the original theorists of continental unity were Afro-Americans or Afro-Caribbeans; W.E.B. DuBois, George Padmore and Marcus Garvey are a few of the most prominent. They were the leaders of a pan-Africanist movement that began in the early twentieth century and culminated in the pre-independence and early post-independence era of Africa. Within Africa, the most vocal advocate for African unity was Kwame Nkrumah. He spearheaded the Pan-African movement in Africa through his efforts to establish a federal structure that would facilitate continental unity. Despite the failure of Nkrumah to achieve the kind of continent wide unity that he advocated, his vision of African unity is the most ambitious and encompassing of any of the integration programs attempted in Africa, and therefore, is instructive in understanding the current efforts at integration in Africa today.

The most dynamic element of Nkrumahism is its emphasis on the establishment of continental political union preceding economic, sectoral or sub-regional union. The Nkrumah model is based upon the formation of a continental central authority that would supercede national sovereignty, thereby, establishing a United States of Africa. This model did not include continental unity that would be associated with the European community, as in the Senghor model of African unity which was tied to association with the European Economic Community.[1] The scope of the Nkrumah model also extended beyond the sub-regional or sectoral associations that began to emerge in Africa during the

independence era. Nkrumah's opposition to these sub-groupings in Africa is indicated in the following statement;

> "...such tinkering (inter-territorial associations within customs unions, trade agreements, etc.) does not create the decisive conditions for resolute development, since it ignores the crucial requirement of continental integration as the essential pre-requisite for the most bountiful economic progress, which must be based in the widest possible extension of land and population."[2]

The continental unity that Nkrumah spoke of required the individual African nations to transfer their national sovereignty to a central authority. He cited the United States of America as a model for Africans to use in forming a continent wide union. An essential feature of this model was the formation of political union between the states prior to the integration of economies between states. Any-thing less than full political union in Africa was seen as being ineffectual in reaching for economic development and continental unity. The ordering of the process (political union before economic union) was stated by Nkrumah in the following manner;

> "For radical changes that are urgently needed in economic planning can only be brought about quickly and effectually if we are united politically."[3]

As indicated by the above statement, Nkrumah viewed the economic development of Africa being prefaced upon the political unity of the continent. The emphasis on political unity to achieve economic benefits for Africa was apparent in the Nkrumah idea of an African Common Market. Being politically united in a common marked around commodities would allow Africa to negotiate with the world, as a single bloc, on the prices of their commodities and other essential terms of trade. The goal of achieving economic benefits from political union was also applied to the development needs of

the continent.

Nkrumah believed that a central planning body was essential for the coordination of intra-African infrastructure development. He was also conscious of the possibilities of duplication by individual states, with respect to mineral exploration and industrial states, (with respect to mineral exploration and industrial development.) A central body with decision-making power would serve to avoid the inefficiency and cost of duplication that could occur under a development program operated by autonomous states. The increased development potential that could be realized by pooling the available capital of the separate African states was also a benefit to be derived from establishing a centralized, federal authority in Africa.

The continental central authority in Africa that Nkrumah advocated for was not conceptualized as merely a functional, planning body for the continent. The Nkrumah model was designed to achieve a federal government for the entire continent. The central authority under this system would be analogous to the executive and individual branches of government in the United States, with state representation conducted through an apparatus similar to the Congress. Each of the states would retain a measure of sovereignty, as proscribed under a federal system, but ultimate authority would rest in the central body. This model was far more ambitious than the Organization of African Unity, which is designed more as a concensus organization for Africa than as a federal authority. The effort to establish a federal system of government for Africa was initiated at the height of the independence movement.

The timing of this effort was important because, under the Nkrumah model of federalism in Africa, it was important that the individual states submit to a federal authority before initiating their own development plans.

It has been stated at various points that Nkrumahism emphasized the importance of political unity preceding economic development. Applying this principle to the African scene during the independence era translated to mean that newly independent African states were being asked to relinquish their national sovereignty to a central authority. Without these states submitting to federal authority, each of them would proceed with their separate national development program, which was seen as being injurious to a continental integration effort. The necessity of these states entering a continent wide political union was so important to the Nkrumah model of federalism that he described it as "an indispensable precondition" for the development of the continent.[4] This feature of the Nkrumah model, in addition to other obstacles, made the application of Nkrumahism to Africa during the early post-independence era unsuccessful.

During the early post-independence era, many African leaders were skeptical about the idea of relinquishing the newly acquired sovereignty that they achieved. The political base of these leaders was on the national level and their rise to power was often the product of a national independence movement. To concede their power and authority, so soon after gaining independence, to an amorphous continental authority appeared to be counterproductive. For many of these leaders, other forms of continental unity that

required less power transfer from the states, was a preferred course. These other, less ambitious forms of unity, were incompatible with the strong federalist model advocated by Nkrumah. Without unanimous participation in a continental union of states, under a federal system of government, the realization of a United States of Africa would not be possible.

One of the most damaging effects on the attempt at continental unity under a federal government came from the entrance of eighteen African states to the European Economic Community. This was the form of African unity that Leopold Senghor pushed for, however, it provided a select number of Associated States with commodity preferences that the other African countries did not enjoy. Continental political union would be difficult to achieve with some of the states enjoying trade preferences that the others were denied. Aside from this factor, several African leaders engaged their countries in sub-regional economic groupings.

Prominent African leaders, such as Julius Nyerere, supported continental unity, but also favored participating in sub-regional economic unions. These sub-regional groupings fragmented the effort towards continental union and served to continue the policy of balkanization in Africa; only now on a grand scale. Houphouet-Boigny of the Ivory Coast was another leader that participated in forming sub-regional groupings through his creation of the Entente Council. Other examples of these subdivisions are the Mali Federation, the trade zone states of West Africa and Central Africa and the East African Community. These sub-regional divisions, in addition to the uneasiness of African leaders in relinquishing

national power and the association of eighteen African nations to the European Economic Community posed major barriers to the movement of continental unity under a federal system of government.

The economic rationale for continental unity in Africa under a federal authority continues to be cogent. The ability of African nations to seize the opportunity to create such a system, prior to the implementation of their national development programs, was inhibited by the constraints that have been outlined. Missing the opportunity to form a continental union, African nations have proceeded under a national development policy that has created many of the economic ills that Nkrumah foresaw (competition on commodities, duplication of effort between states, insufficient capital, etc.). In an effort toaddress the economic problems that this policy of separate national development has produced, many African nations have chose to engage in regional integration schemes. None of these schemes have been as ambitious or encompassing as the Nkrumah model for continental union, but several have as their goal the eventual integration of Africa's economies. Although continental union is viewed today as a distant goal, the issues that Nkrumah uncovered in presenting his concept of Pan Africanism reveal many other economic factors that demonstrate why at least economic integration is essential for African development to be achieved.

Regional economic integration of the African sub-regions is the most ambitious level of integration that is being attempted in Africa today. The West Africa region, with fifteen separate countries, is one of the most interesting African sub-region that is attempting to integrate. The economic factors that Nkrumah

considered when he fought for continental unity are clearly present in the West African environment. Before considering each of these factors, there should be a clear separation of those elements that West African policy makers would consider as factors that would serve as means for achieving a desired outcome and those that would be categorized as goals of the integration process.

B. Economic Factors (Goals and Means of Economic Integration)

Most of the gains that Kwame Nkrumah visualized resulting from continental unity were related to the benefits of economies of scale. He viewed the fragmentation of the continent into relatively small nations as denying each state the capacity to develop. Pooling all of the resources, technology, capital, labor power, etc. of the continent was seen as a strategy to achieve industrial development in Africa.[5] The economic goal of continental unity was to modernize the continent of Africa through accelerated industrial development. The pooling of the entire continents resources and capacities was recognized by Pan-Africanist to be the means for achieving this goal, although the actual process of drawing resources may have also produced desired outcomes. This same reasoning of those that supported continental unity is the motivating force behind the West African movement toward regional unity.

The ultimate goal of each of the West African states is to achieve lasting industrial development. These states have faced varying degrees of stagnation in their national industrial development. The potential benefits of pooling their resources to achieve a higher level of industrial development has moved many states to engage in

regional economic integration. Among the economic factors that have been considered in making the decision to pool national resources in a regional development effort are;

1. economies of scale (reduce inefficiency and duplication)
2. increase pool of savings and foreign exchange for industrial development
3. develop intermediate industries (value added benefits)
4. improve gains from "multiplier effect"
5. increase pool of professionals and technicians
6. increase pool of unskilled labor.

Some of these economic factors that have been considered as tools to achieve industrial development (which is another way of saying modernization) are, actually, desired outcomes on their own. For example, the development of intermediate industries within the region will tend to curtail expensive imports and aid the development of capital goods industries, but it will also produce positive value added benefits to the region. This is a positive feature of a factor that was initially thought of as a device to achieve another goal. The other factors include positive features on their own, however, they are more tailored to produce the goal of industrial development. An example of this point is, economies of scale. Economies of scale reduce inefficiency and duplication, which is beneficial to the region, but these outcomes are more of a benefit to those that are engaged in trying to develop industry. As will be seen when examining each variable closely, they offer immediate benefits in their implementation, but they are all designed to reduce reliance on foreign support and, most importantly, achieve

industrial development in the region.

Economic Factors

There are fifteen states within the West Africa region, including Cape Verde. The population of the region is 144.3 million, with the state of Nigeria comprising 57% of the total regional population.[6] Thirteen of the remaining states have less than 5% of the total regional population, ranging from 6.4 million in Mali to .3 million in Cape Verde. Given the relatively small size of the national consumer markets that these countries have, local industry is limited in its ability to flourish and grow. To adequately meet local demand, national industry must operate at a small scale, which often means that it is being forced to operate at an inefficient level. The problems of inefficiency are exascerbated to the degree that national government needs to protect nascent local industry from foreign competition. Inefficiency of local industry is more apparent when considering the amount of duplication that occurs across national boundaries. With separate national development, each country has its own small, inefficient industries that are trying to tap a small consumer market. By removing tariffs to protect national industries and opening up local consumer markets, inefficiency could be reduced and the region would be able to realize the benefits of the economies of scale and develop larger scale industry. The ability to invest in domestic industry would also be enhanced by pooling local finances.

The financial resources necessary to support local industry on a national scale are limited for most of the countries of the West Africa region. In light of the small size of the national populations

and the low per capita incomes that these countries have, national savings are modest. Looking only at the regions gross national product, which was US $79.9 million in 1979, twelve of the fifteen West Africa countries have less than 2% of the regional GNP; Nigeria boasts 69.2% of the regional GNP.[7] The range of gross national product for these twelve states is from $1.47 million for Guinea to $.1 million for Cape Verde. Having such a low level of GNP would make it difficult to amass sufficient national savings to provide enough credit to support the development and expansion of local industry. With respect to the level of per capita income, Reginald Green referred to the problems of financing local industry in the following way;

> "...the lower the average income per person, the higher the total national product needed to support efficient manufacturing plants and especially an industry producing capital goods."[8]

Disregarding the potential availability of foreign aid to close the gap for local industrial financing, the only path that these twelve countries could follow to attain a higher level of financing to support industry would be to pool the savings of the region. This would increase the credit pool and allow for larger individual investments, thereby, again, providing for the realization of the benefits of economies of scale. Beyond the benefits of pooling their national savings, the countries could also pool their foreign exchange reserves, which would also establish an increased source of finance for industrial investment.

The regional development of industry would probably threaten the security of the small, national industries that would be unable to

compete with larger scale industry, however, it would aid in establishing more varied intermediate industries. Planning industrial development on a regional scale, as mentioned earlier, would eliminate duplication, in addition to offering an opportunity for deciding the coordination of industrial exchange. Intermediate industries could be planned for regional industries that would be supplying capital goods for the region or for export. Without economic integration for the region the area is deprived of the value added beneftis from strong intermediate industries. The absence of regional planning and investment in West Africa also deny the region the benefits of the "multiplier" effect of local investment.

Investment on a national scale produces a "multiplier" effect, which spreads the gains of an initial expenditure throughout the local population. These benefits are usually translated into new employment opportunities, higher wages, increased industrial purchases, and improved buying power of the consumer. In West Africa these gains are limited by the smallness of the national population and the modest size of initial investments. Greater benefits from the "multiplier" would be achieved within a broader consumer market, with larger initial capital outlays being made. Given the potential proliferation of intermediate industries and the increased capital investments to support their development, the "multiplier" should produce far greater gains within a regional market than in a national market.

Opening national boundaries into a regional market offers the opportunity to utilize a broader base of professionals and experts within the region. Many of the West African countries, like other third world countries, are in need of professionals and technicians to

provide essential services and operate their governments. Individually, each of the countries suffers from varying degrees of need in different professional skills. By pooling their available labor resources and coordinating their use throughout the region, the problem of inadequate technical support could be alleviated. This rationale for tapping regional labor markets also would apply to unskilled labor.

A regional pool of unskilled labor would provide industry with a greater growth potential. Industrial expansion would be more feasible with the increased labor supply to work in assembly line type positions. This increased labor could pave the way for increased output and profits, which would aid in industrial expansion. Beyond the benefits of utilizing a broad unskilled labor market is the added security of merging the military base of the fifteen national governments into a regional defense base.

C. Military Security

The small size and lack of military sophistication of most of the West Africa states make them vulnerable to external aggression. Some West Africa states, such as the Gambia, do not even possess a standing army with which to defend itself.[9] The degree of military security within the region is uneven, with countries functioning close to or at Gambia's modest level and Nigeria commanding the largest standing army in "Black Africa". The issue of national security was a prominent one in the minds of African leaders during the early days of independence. Many leaders were fearful of external penetration into their countries, as they witnessed against Patrice Lumumba in

the Congo. As time elapsed in post-independence Africa, this fear has subsided, although the possibilities of external aggression continue to be quite real. The only manner in which to effectively deal with this problem of uneven military strength, under capitalized and undermanned national armies, is to consolidate the existing military complexes of the different states into a regional authority. Short of large infusions of outside capital with which to build up their national military or security agreements with large regional powers like Nigeria, regional consolidation appears to be the only way to insure security to the territories within West Africa.

In summary, the arguements for economic integration in West Africa have not lost their cogency from the days of Kwame Nkrumah's Pan-Africanist doctrine. Nkrumah's call for a United States of Africa may no longer be viewed as a tenable option by African leaders, however, his rationale for advocating continental unity maintains its relevance to African development economics. Nkrumah's idea of central planning for infra-African infrastructure is, perhaps, the inspiration for the African Development Bank and the creation of the numerous river basin commissions that have cropped up around Africa. To be sure, the economic factors that support the move toward economic integration, such as, economics of scale, increased pool of savings and foreign exchange, enlarged consumer market, the multiplier effect and increased labor pool, are relevant to the West African scene today as much as they were during the early days of independence. Considering all of these factors, in addition to improved military security, one would question why economic integration has not already come to West Africa. The theories of regional

integration offer insight into the possible constraints to achieving economic integration in West Africa, in addition to revealing the potential areas for establishing a greater level of integration in the area.

II. Regional Integration Theories (how they fit into West Africa)

Many of the theorist on regional integration, whether it be political or economic, have developed their theories within the context of the European community; with Latin America emerging as the new center of interest. The theorist have paid scant attention to the African environment, with respect to the possibilities for effective integration there. Because of the neglect of the theorist to consider integration within the African context, caution must be exercised in imposing the available integration theories to the African environment. Each of the theoretical principles must be tested for its applicability to the African milieu, and perhaps, rethought to allow for a clearer sense of how regional integration can be achieved in Africa.

One of the more prominent theories concerned with regional integration has been the "communication" theory developed by Karl Deutsch. The essence of his theory was that integration, or rather, its potential realization could be gauged by the quantitative transactions between the respective members within the observed community. The intensity of transactions would indicate the level of cohesion between the member states. Phillip Jacob and Henry Teune developed this concept of measuring integration into a list of ten influences that can allow a regional community to realize

positive integration. The presence of these influences would assure cohesion between the member states of the union. Ernest Haas, a respected integration theorist has criticized Jacob and Teune's approach for being overly concerned with the outcome of integration, rather than the achievement of an effective integrative process.[10] Despite this potential flaw in their theory, the applicability of Jacob and Teune's theory of integration to West Africa might serve to highlight the problems and potentialities for integration in the region.

A. Jacob-Teune - 10 Influences That Can Help Produce Integration

The first of the ten variables (although sequential order does not appear to be a crucial variable) that Jacob and Teune consider in their theory of the achievement of integration is geographic proximity. The importance of this factor is based upon the belief that, in order for the movement of factors to be facilitated, national boundaries must be contiquous. Aside from the contiquity of borders, the physical distance separating communities, travel time between communities and the cost of transportation should be considered as indicators of whether the geographic proximity is close enough for integration to be achieved.[11] In the European community, where most of the borders are contiquous and intra-European transport is consistent and rapid, this variable would be evident; this variable is not easily seen in the West African environment.

Although the borders within the West Africa region are contiquous, the physical distance between countries is pronounced by the poor transportation between (and within) countries. The most rapid

means of transport in West Africa is by air, which is neither cost efficient nor practical for the movement of factors and goods. The other form of transport in West Africa that can be used for intra-territorial transit is by rail. The existing railroad infrastructure in the region does not hold much promise for enhancing the level of interaction nor in making the geographic position of the states closer. The only existing inter-territorial railroad links within the West Africa region is between Dakar, Senegal and Bamako, Mali and between Abidjan, Ivory Coast and Ouagadougou, Upper Volta.[12] Considering these factors, it would appear that the West Africa region does not possess first integrative influenced cited by Jacob and Teune. This would be so, however, if the factor flows and trade flows of the region were related to geographic proximity. In the case of West Africa, trade and factor flows fail to fully comply with the consideration of geographic proximity.

In the area of inter-regional migration within West Africa, the migration flows do not always appear between neighboring states. By looking at Table 1, it is clear that there are some distinct exceptions to Jacob and Teune's theory of factor flows that require close geographic proximity. The data on Table 1 indicates that none of Nigeria's closest neighbors receive Nigerian immigrants, although countries further removed, such as Ghana, the Ivory Coast and Sierra Leone receive a significant proportion of Nigerian immigrants. A similar situation applies to Sierra Leone, where a significant proportion of its immigrants receive them from neighboring states, however, there are enough exceptions, such as, Senegal, which sends almost 33% of its immigrant population to the Ivory Coast, to begin to

Table 1

FOREIGN NATIONALS BY COUNTRY OF NATIONALITY AND COUNTRY OF ENUMERATION, circa 1975

Country of Enumeration

Country of Nationality	Ghana	Ivory Coast	Upper Volta*	Senegal	Sierra Leone	Togo	Liberia	Gambia	Mali	Total Emigrants
Ghana	X	42,500	17,300	1,000	4,600	30,000	6,600	...	...	102,000
Ivory Coast	18,300	X	44,400	1,400	...	...	1,500	...	7,900	73,500
Upper Volta	159,300	726,200	X	13,700	800	8,000	—	...	47,700	955,700
Senegal	100	19,200	2,100	X	...	...	200	25,300	11,500	58,400
Sierra Leone	3,000	1,100	400	800	X	...	4,800	400	1,000	11,500
Togo	244,700	12,100	2,900	...	...	X	100	...	...	259,800
Liberia	4,600	3,400	700	700	11,000	...	X	300	1,000	21,700
Gambia	100	100	100	45,600	3,400	...	...	X	1,000	50,300
Mali	13,400	348,500	21,800	28,900	...	...	1,400	5,500	X	419,500
Guinea	...	105,800	...	180,200	41,000	...	25,400	17,000	24,100	396,100
Nigeria	55,500	49,600	2,000	...	7,300	...	1,700	...	...	116,100
Other	63,100	117,400	8,300	82,700	11,300	22,000	14,000	3,800	5,800	325,800
(Immigrants) Total	562,100	1,425,900	100,000	355,000	79,400	60,000	55,700	52,300	100,000	2,790,400

...Negligible — Not Applicable *Estimate only

Source: Migration in West Africa: Demographic Aspects, Zachariah & Conde

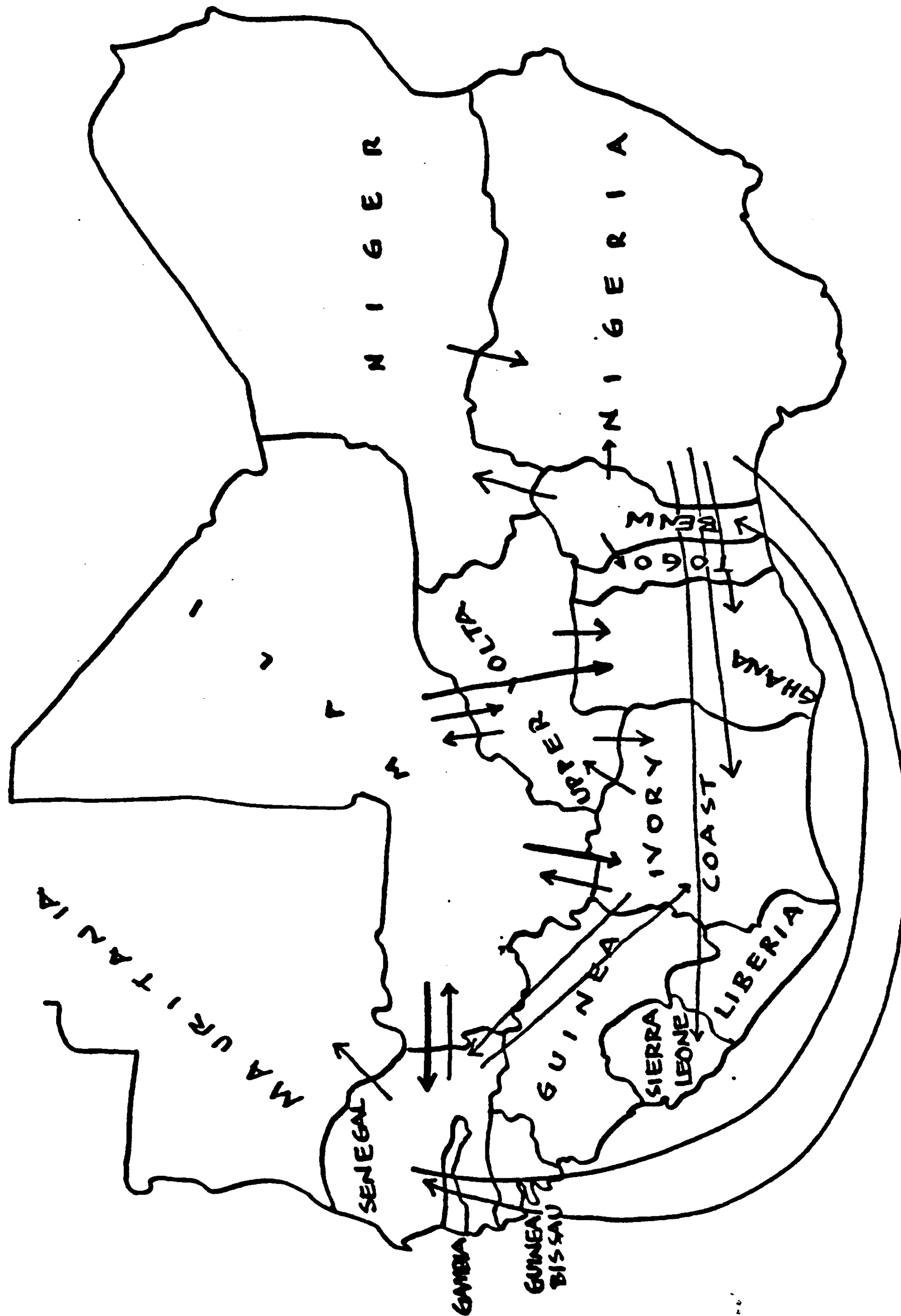
question the relevance of geographic proximity to the integrative process. Another area in which the consideration of geographic proximity is questionable in the West African context is the trade flows of the region.

Intra-African trade continues to constitute a miniscule proportion of total trade in the West Africa region. Some of the exceptions to this are states, such as Niger, Mali, Upper Volta and the Ivory Coast. Despite the modest level of intra-African trade in the region, there are several distinct trade flows that exist between West Africa states. As illustrated in Map 1, and Appendix 1 the trade flows in the region do indicate a degree of intensity between neighboring states, although there are some clear exceptions.

Nigeria demonstrates a substantial level of trade with distant West Africa states, such as Senegal, Sierra Leone and the Ivory Coast. Although most of Nigeria's exports to these regional states is confined to petroleum products, there are other trade flows in the region that link distant states. Looking again at Map 1, it is clear that there is active import and export occuring between Senegal and the Ivory Coast. In the case of Senegal, there is active export with a far off state; Benin. Given these trade links between distant states within the region, geographic proximity would appear to have limited predictive capacity for determining the climate for integration. This is not to suggest that geographic proximity is not a relevant consideration when attempting to form an economic union. The point here is that geographic proximity may not be the element that will signal success or failure for integration in the region. Regardless of the problems of gauging the predictive

MAP 1

Heaviest Import/Export Flows Within West Africa



capacity of geographic proximity in West Africa, it must be conceded that, despite the presence of contiquous borders, the region ranks low on the variable of geographic proximity as a result of its poor transport and communications infrastructure.

The second variable that Jacob and Teune consider as an important influence on integration is social homogeneity. Within this term are several measures to determine whether social homogeneity is present. Among these indicators are; wealth or income, education, class or status, religion, race, language, ethnic identification, values, and "character". The validity of some of these indicators have to be questioned on their face before considering their place within the West African context. In the European community, where Jacob and Teune's theory was first considered, the relevance of some of these indicators is not apparent. A step by step review will bear this point out.

On several of these indicators, Europe would demonstrate itself to be more homogeneous than other regions of the world. In areas, such as wealth, education, race and class, the European region tends to have countries that are fairly equal. In the other areas, such as religion, language, ethnic identification and values, the European community is far more diverse. Although there is a degree of religious tolerance in Europe, there are many well established and large religious denominations in the region. In this regard, religious affiliation would not be a strong integrative factor, unless each of the denominations called across the national borders for continental unity. The diversity in language and ethnic identification within Europe surpasses the scope of religious divisions in the region.

The values of the member states of the European community would also have to be considered more heterogeneous than homogeneous, as a result of the spread of communism and socialism within the, traditionally, capitalist West Europe. On each of these variables Europe has shown itself to be heterogeneous.

Despite these areas of social incompatibility, the European Economic Community has been successful at achieving the integration of its member state's economies. It is doubtful that the indicators described above for measuring social homogeneity will be any more reliable in gauging the integrative capacity of West Africa. The various indicators seem to be better geared to point out potential connective links that could be exploited to achieve integration, than in signalling areas of possible cleavages within the region. The Jacob and Teune social homogeneity variable is far more complexed in West Africa, than in Europe, with West Africa experiencing incomplete consistency of these indicators within national borders.

The national borders of West Africa, established during colonialism, often divided ethnic groups on either side of an international boundary. Throughout the colonial era and into the post-independence era, ethnic groups that have been split by international borders have defied the divisions and moved freely across borders.[13] Aside from this connective link between people within the region, major languages of the region, such as French, English, Hausa and even "pidgin" English have served to facilitate greater interaction between people of the West Africa area. Religion has also spanned the national borders of West Africa, with large Christian, Muslim and traditional faiths flourishing throughout the

region.[14] Despite these connective links, combined with a traditional belief in African unity, there are many internal, national imbalances within West Africa. As mentioned earlier, none of these should necessarily signal the hopelessness of regional integration. Each of these national cleavages should be accounted for, however, since they do reflect a degree of internal volatility that may be injurious to national stability. As will be seen later in the research, instability within a member state can be damaging to regional integration.

All of the states that comprise the West Africa region have prominent ethnic and religious minority groups.[15] These minority groups are often at odds with the politically dominant national faction, which has, at times, led to internal disorder. This was the case in Nigeria, during their civil war, when the Ibo minority attempted to secede from Nigeria. In the area of ethnic and religious minorities, they can serve as inter-territorial links by which to establish regional cohesion, but they can also cause internal political instability. The role that they play is not easy to predict, and therefore, it is an uncertain game to attempt to use ethnic and religious homogeneity as an evaluative indicator of integrative capacity in West Africa.

Other obvious internal imbalances within the West Africa states include large inequalities in national income distribution, literacy, rural to urban population densities and professional and skilled workers to unskilled workers. Each of these variables could be the basis for internal dissent and instability. Paradoxically, these variables could also be utilized to develop inter-territorial links with others of the same class. The volatility of these variables,

internally and inter-territorially, make predicting integrative capacity on Jacob and Teune's social homogeneity criteria in West Africa a risky proposition. Given the volatility of these variables, it is not clear how the West Africa region measures on the variable.

Measuring the number of interactions between member communities, as the third of the Jacob and Teune integrative influences, was originally developed as a theory of regional integration by Karl Deutsch. Commonly known as "communication theory" of integration, Deutsch postulated that the cohesion of an integrated community could be measured by the "quantitative densities of transactions" between member states.[16] Haas criticized this method of measurement because it failed to consider the quality of interactions and how an integrative process could be structured.[17] In the West Africa context, with little communications infrastructure connecting states in the region, there would not be many opportunities to increase the density of transactions between states. This does not, however, mean that interation between states in West Africa is non existent. Despite the suggested weaknesses of Deutsch's communication theory, West Africa does display an encouraging amount of interaction within the region.

The variables that Deutsch used to measure inter-regional transactions were telephone messages, radio broadcasts and mail deliveries. The difficulty of measuring these within West Africa is far greater than in Europe, where Deutsch was initially applying his theory. Aside from problems of measurement, given the poor communications infrastructure in West Africa, one would assume (based on Deutsch's theory) that interaction between sub-regions in West Africa was

virtually impossible. Data on West Africa migration illustrate, however, that this is not the case. The number of immigrants that move throughout the region, on a regular basis (seasonal, temporary employment), indicate that a significant level of interaction occurs in West Africa.

Table 2 illustrates the volume of emigrants that have settled in countries within West Africa. Although many of these emigrants chose to permanently settle in the country of destination, a large number return on a regular basis to their country of origin.[18] This would suggest that there is a substantial level of interaction being conducted by the people of the region. Given this data, which indicates a moderate to high influence on this variable, it would appear that on the variable of community transactions, West Africa has a foundation for establishing a degree of integration of its population.

The final seven integrative influences outlined by Jacob and Teune can be subdivided into social, attitudinal factors and political factors. The social factors include indicators, such as "cognitive knowledge", shared functional interests and communal "character" or social "motive" of community. Among the political indicators are, "the structural frame or system of power and decision-making, the sovereignty-dependency status of the community, governmental effectiveness and previous integrative experiences".[19] The social factors are tangentially related to many of the indicators discussed under the variable of social homogeneity. The distinguishing element between these two sets of variables is that the social factors considered now are concerned more with values and attitudes as they

Table 2

PRINCIPAL EXTERNAL MIGRATION STREAMS, circa 1975

Origin	Destination	Number of Emigrants	Total Emigrants
Gambia	Senegal	45,600	49,300
Ghana	Togo	100,000	
	Ivory Coast	42,500	
	Upper Volta	19,200	
	Subtotal	161,700	173,900
Guinea	Senegal	180,200	
	Ivory Coast	105,800	
	Sierra Leone	41,000	
	Liberia	25,400	
	Gambia	17,000	
	Subtotal	369,400	369,700
Ivory Coast	Upper Volta	49,100	
	Ghana	18,300	
	Subtotal	67,400	72,300
Liberia	Sierra Leone	11,000	21,300
Mali	Ivory Coast	348,500	
	Senegal	28,900	
	Upper Volta	24,000	
	Ghana	13,400	
	Subtotal	414,800	421,900
Nigeria	Ghana	55,500	
	Ivory Coast	49,600	
	Subtotal	105,100	116,400
Senegal	Gambia	25,300	
	Ivory Coast	19,200	
	Subtotal	44,500	47,300
Togo	Ghana	244,700	
	Ivory Coast	12,100	
	Subtotal	256,800	260,500
Upper Volta	Ivory Coast	726,200	
	Ghana	159,300	
	Subtotal	899,200	908,100

Source: Migration in West Africa, Zachariah & Conde

relate to the integrative process.

Cognitive proximity and shared functional interest are similar indicators that concern the degree of common interests between two or more groups. Cognitive proximity, more precisely, means the knowledge that each party has of the others commonality, measured by attitudes and images held by each party of the other.[20] Shared functional interests can be thought of as the operationalization of cognitive proximity, with the interests of each party "to devote major effort for fulfillment of a common goal".[21] In the West Africa context, there are variant levels of commonality between groups and equally variant degrees of common interests.

As mentioned under the section on social homogeneity, religion, language, and ethnic identification can all serve as factors that are regionally integrative and internally disintegrative. The knowledge of each groups commonality on these variables is established in West Africa, with language groups freely associating across borders, in addition to ethnic and religious groups. Translating the common knowledge of these sub-groups into a directed regional action is not clear. Other groups, based on class, appear to have more of a basis on which to amass regional action or to work against an integrative process.

Unlike in Europe, where there is a measure of "elite complimentary" and continental pressure groups, such as labor, business and legislators,[22] West Africa lacks integrative links between its elite, or even among its working class. National elite within West Africa tend to be somewhat skeptical of regional integration. Many of them enjoy their elite status as a consequence of tariff protected

national industries or the national bureaucratic machinery. Regional consolidation signals to many the loss of these privileges derived from national government. Links between national labor groups are also weak. The costs and benefits of regional integration are not clear to labor, despite the commonality of their condition and their common knowledge of each other's position. On the variables of cognitive knowledge and shared functional interests West Africa would not be judged as an area conducive to regional integration. The area, in fact, on these two variables, might be seen as being prone to regional disintegration. The final social indicator of Jacob and Teune would seem to hold greater promise for West Africa regional integration.

Communal "character" or social "motive" refers to the "attitudes, values and patterns of overt behavior which may be the product of cultural inheritance that makes a whole group act in a distincitve manner."[23] This variable is designed to measure the degree of receptiveness of the group to the concept of political action that would produce regional integration. In the European context this might apply to the Protestant work ethic and its compatibility with industrial capitalism or European pride as a rallying point around which to base regional unity. West Africa has similar foundations on which to base regional unity, however, this unifying "character" has not proven to be sufficient in binding the states of the region into an integrated community. One of these unifying ethics has been Leopold Senghor's concept of "negritude".

Senghor advocated that the "common cultural heritage, values and spirit of Black civilization could serve as the cement and building blocks for economic and political unification or integration of

Africa."[24] This concept had good currency in West Africa during the early independence era. Nkrumah added to Senghor's "negritude" philosophy by arguing for Pan-African unity based upon the common political, economic and cultural history of all Africans. Nkrumah and Senghor used their political positions of "negritude" and Pan-Africanism as the basis for forming the Mali Federation and the Union of African States. Both of these attempts at regional integration failed quickly, despite the rallying cry of the leaders, and the receptiveness of their constituents. For the European community, the unifying principles of European solidarity and pride may have been positive influences on the integrative process. In West Africa, the political rallying cries of African unity, racial pride and common opposition to colonialism have proven to be ineffective influences on the move toward integration. This is not to suggest that the philosophy of African unity, based upon the commonality of the African experience, is not a sound foundation through which to establish regional integration. The point here is that the use of this variable as the sole connective tie between states in West Africa is insufficient for meeting the demands of regional integration.

Among the political variables that have been outlined, the West Africa region satisfies the variable of previous integrative experience. The former French West Africa sub-region has a legacy of regional integration that extends throughout the French colonial presence in West Africa. Attempts at regional integration since independence have displayed varying degrees of success. The most rewarding regional initiatives have been those tailored for regional cooperation, such as the Entente Council. More ambitious efforts at political and

economic integration, such as the Mali Federation, have faced unsuccessful outcomes. Other forms of regionalism among the former French West Africa states that have been successful, such as the organizing of national currencies in the francozone have been under the auspices of the French government. In spite of external involvement in the sub-region, the former French West Africa region has a better established history of attempts at regional integration than former British West Africa.

The French government administered its colonies under a federal system, with the central governmental authority based in Dakar. The British governed their West Africa colonies individually, with little coordination between states. By governing their West Africa colonies separately, the British failed to establish and cultivate a tradition of cooperation between the states. Upon independence, the former British colonies continued to demonstrate scant interest in regional cooperation. During the 1970's, the former British states have shown more interest in regional cooperation and have joined in several regional groupings.[25] Considering the former French and British West Africa states experience at integration efforts in the past, including current initiatives, the West Africa region would rank high on the variable of previous integration experience as outlined by Jacob and Teune.

The structural frame of these groupings, in addition to the national political structure is another variable among the political factors that Jacob and Teune have outlined in their ten variables. The consideration of structural frame refers to the arrangement of political action and whether the system is amenable to cooperative

relationships.[26] Factors to assess within this variable are whether the political structure is pluralistic or monolith, socially stratified or mobile and whether political authority is centralized or dispersed. Each of these factors reveal a different level of influence on the integration process, depending whether it is applied in a national or regional context. For example, having political authority centralized within a nation may be beneficial to internal cohesion, but may operate as a disintegrative force on a regional scale. Ernest Haas, in citing the problems of integration in the third world, has pointed to the lack of internal pluralism as the cause of poor integrative links between lobby groups.[27] For Haas, a nationally centralized, monolithic state is counterproductive to the integrative process on a regional scale. Expanding on the Haas perspective, lobby groups that operate on a regional scale are essential to the integrative process. These lobby groups are unable to develop within a authoritarian, centralized nation state. The existence of pluralism and popular dissent within West Africa operates to varying degrees throughout the region.

In states like Nigeria, there are several political parties, however, it was not long ago that Nigeria functioned under a military government. The same degree of volatility has existed in Ghana. Another side of this story is countries, such as the Ivory Coast and Guinea, which have maintained the same leadership since independence. Perhaps, the uncertainty of the political climate or the tendency toward centralized national authority has discouraged viable lobby groups. Regardless of the political environment, though, the mutual interests of inter-regional groups with which to establish lobby

groups is not as apparent in West Africa. This situation was described under the section on shared functional interests. Given the tendency to centralized political authority on the national level, the variable of sovereignty-dependency status appears to be an influence that West Africa would have a difficult time producing. In light of the inapplicability of the sovereignty-dependency status variable to the West Africa environment, the consideration of governmental effectiveness of a regional authority seems to be premature. To better appreciate the incompatibility of these two variables to West Africa, a definition of what they measure should be given.

Sovereignty-dependency status is a scale by which to measure the degree of political authority centered within a community. As described by Jacob and Teune, "Sovereignty is synonymous with absolute integration within a community and absolute disintegration among communities."[28] It is the presence of absolute integration within a community that Kwame Nkrumah sought for Africa when he advocated for a continental central authority to govern the states of Africa. It may be recalled that Nkrumah set the political unity of the continent as a precondition to economic unity and development. The indicators of sovereignty within a community consider the political and economic union of the member states, rather than focusing on only one variable. Within the political realm, the primary measure of community sovereignty is the extent to which authority is centralized and the ability of the central authority to enforce its rules and laws. The realization of Nkrumahism in Africa would have produced a high score on this indicator, with the federal government of the continent legislating and enforcing laws for all of Africa. The reality of Africa is that nowhere on the continent

is there a continental or regional central authority that has the power to legislate or enforce laws. Not even the OAU has the level of authority necessary to supercede the national sovereignty of the individual states.[29] The ECOWAS Treaty calls for the creation of a commission to enforce certain elements of the treaty, however, it is still too early to assess the effectiveness of this regional organization.[30] On the economic side, (West Africa is less on the economic side,) West Africa is less integrated, based upon the variable of sovereignty, than it is in the political domain, although there are some interesting exceptions.

One of the measures on the economic side for assessing community sovereignty is the percentage of the tax base that is shared. There are redistributive formulas used in several West Africa regional bodies, such as the Entente Council and ECOWAS, however, these are based upon lost tariff revenues of the poorer states resulting from economic integration. At present, there is no central taxing authority in West Africa. The redistributive activity of the regional groups in the area could possibly be judged as centralized taxing, however, the taxing is not comprehensive enough throughout the region and funds are not drawn enough for this to be considered a shared tax base.

The other measures deal directly with infra-Africa trade and population flows. One of these measures specifically looks at the "percentage of population directly dependent on (employed by or in) other political communities."[31] As Table 1 had illustrated earlier, there is a sizeable West Africa population that migrants throughout the area. The table does not indicate the dependency of the migrant population on employment from the destination countries. Table 3

shows the number of immigrants that are employed in their country of residence. This data would suggest that, on this single measure of the economic factor, there is a measure of community sovereignty. On other measures, such as mutual trade within the region as compared to external trade, the West Africa region is not consistent. As indicated in Appendix 1, there are some West Africa states that conduct a large percentage of their import/export of goods within the region. This data, however, is not conclusive, since there are many more West Africa states that conduct little trade within the region. Apparently, the international migration in West Africa is the only measure on which the region displays any level of community sovereignty.

Without community sovereignty, it would be difficult to measure governmental effectiveness. Governmental effectiveness concerns the ability of the central authority to meet the needs of its constituents. The absence of any regional government authority, in West Africa, makes the consideration of this variable meaningless.

In summarizing the ten integrative influences of Jacob and Teune, with respect to its applicability to West Africa, there are several shortocmings in the theory. As pointed out be Haas, their theory over-emphasizes the achievement of an outcome without considering the process needed to establish a foundation for integration to develop. This point is particularly relevant for West Africa, where the concern is more in how to structure an effective integration process, than to test whether their existing institutions and region met a list of integrative influences. The question in West Africa is how to get to the destination; not whether they have requisite influences.

Table 3

EMPLOYED IMMIGRANTS AGED 15 YEARS AND OVER BY COUNTRY OF RESIDENCE AND SEX, circa 1975

Country	Total	Male	Female
Ivory Coast	698,800	580,900	177,900
Ghana	224,300	165,400	58,900
Senegal	157,200	116,600	40,600
Togo	49,800	33,900	15,900
Sierra Leone	43,700	35,800	7,900
Upper Volta	38,200	25,100	13,100
Liberia	35,400	28,300	7,100
Gambia	32,700	26,600	6,100
Total	1,280,100	1,012,600	267,400

Source: Migration in West Africa, Zachariah & Conde

Assuming that one were to place themselves within the Jacob and Teune theoretical framework, there are additional flaws with the theory. It is not clear how much of each variable is necessary for integration to be achieved. Is geographic proximity more important than shared functional interests of is social homogeneity crucial to the entire theory? Kwame Nkrumah stressed the variable of sovereignty-dependency, which produced little success. In short, is there any logical ordering of variables to achieve the desired outcome. Aside from this issue, there is no indication of what is the required mix of variables and whether their sequential order is relevant to the outcome. Does one achieve a predetermined level of transactions before establishing the structural frame of power and decision-making that will allow integration to occur? There is also no discussion of the political and social level at which these variables become relevant to the cohesion of the community. For example, is there a certain volume of transactions that would indicate the achievement of integration or a degree of social homogeneity that would be sufficient for integration to occur? Beyond these gaps in the theory, there are variables that are used to measure integration that do not fit well into West Africa.

As discussed earlier, West Africa conducts exchange of goods and factors despite constraints of geographical distance. This is not to say that greater interaction could not be realized with improved transport. The point here is that the constraints of geographical distance have not prevented interaction within West Africa. Other variables, such as social homogeneity and transactions have shown themselves to be more complexed and poor measures of the integration process in West

Africa. The political variables, with the exception of previous integrative experience, are not measurable in West Africa as a consequence of the absence of the necessary institutions. These variables could only evaluate existing integration efforts; not the climate for integration in West Africa. Jacob and Teune's list of integrative influences and Deutsch's communication theory of integration are not the only theories of regional integration that could be tested in West Africa. A theory that has been used in analyzing European integration is the traditional, neo-classical economic theory of integration.

B. Traditional Neo-Classical Economic Theory

Traditional neo-classical economic theory provides member states within a region an evaluative criteria for assessing the economic costs and benefits of regional economic integration. The basic evaluative measures of this theory are trade creation and trade diversion. The concept of trade creation refers back to the phenomenon of national industry displacement resulting from regional competition. To the extent that high cost, inefficient industries in member states are displaced by low cost competition from within the economic community, trade creation has occured.[32] The benefits of trade creation are felt by the consumer within the region, who pays less for goods produced in the region, and by larger industries, which enjoy the returns of increased economies of scale. The costs associated with trade diversion result from the lack of commitment of member states to purchase each others goods, in favor of low cost external imports. This most typically occurs when the costs of goods from member states exceeds the cost of external imports.[33] Measuring trade

creation and trade diversion prior to forming an economic community is difficult. How does one measure opportunity costs? How can the comparative costs of goods be determined before the establishment of new industries? This is particularly complexed in the West Africa context, where attempts at economic integration have not been fully implemented and are still new. To provide guidance for those that are concerned with whether economic integration is a pragmatic course for their country and who realize the difficulties of measuring trade creation and trade diversion, the neo-classical economic theory includes a list of basic conditions for economic integration to be successful.

The basic conditions for economic integration enumerated by the theory are similar to the Jacob and Teune approach, in that it uses indicators to determine the climate for economic integration. By using static, economic indicators, the neo-classical economic approach is limited to examining the product of current integrative action, rather than observing the process that leads to improved regional integration. Despite this gap in the theory, the neo-classical economic approach allows for an assessment of the intensity of integration between member states. The theory makes use of trade data as the basis for determining the degree of integration between member state economies, and in this regard, may be helpful to those involved in economic integration, who may be interested in knowing how their efforts are progressing. One of the basic conditions that the theory uses to gauge the intensity of regional economic integration is the percentage of trade that is conducted within the region.

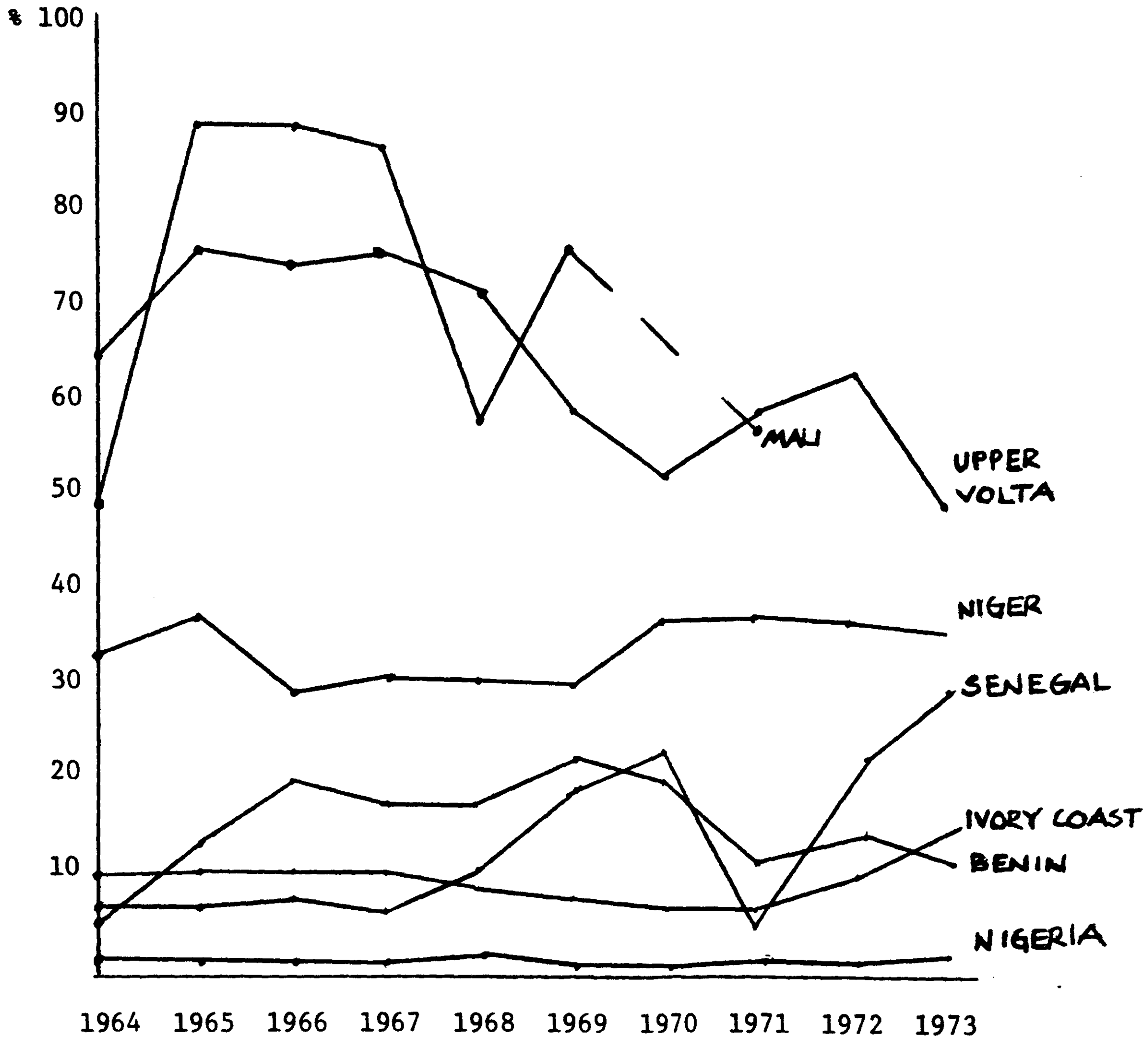
Using the percentage of trade within the West Africa region as a

measure of economic integration conveys an uneven picture of the trade patterns in West Africa. Graph 1 illustrates the percentage of total export within West Africa from 1964 to 1973, charting the states with the highest percentages. As shown on the graph, Upper Volta and Mali conduct the highest percentage of their national export within the region, with Niger a distant third. The graph fails to indicate, however, the types of commodities that these countries export to the region. The major export items of these three countries to the West African region are bovine cattle and other livestock.[34] These items could be easily displaced by external imports, and more importantly, they are disposable goods that do not add to the economic growth of the importing states. Aside from this point, the weakness of the percentage of trade indicator is heightened by the relatively low volume of trade conducted by Upper Volta, Mali and Niger.

Graph 2 shows the volume of trade in Africa by the largest West Africa exporters. As revealed by the data, in spite of Upper Volta and Niger's high percentage of intra-community exports than the Ivory Coast and (since 1971), Senegal and Nigeria. It should be added that these high volume exporters, export raw materials, in addition to essential intermediate goods, such as cement, cotton fabrics, and plywood.[35] The high volume and diversity of goods that are traded by these states within the region would appear to signal a measure of reliance by the importing states on the export of these goods. It should be noted at the same time, that the high percentage of national export to the region by Upper Volta, Mali and Niger would also indicate a degree of reliance on regional markets, which would reflect their receptiveness to regional economic integration. Looking at the high

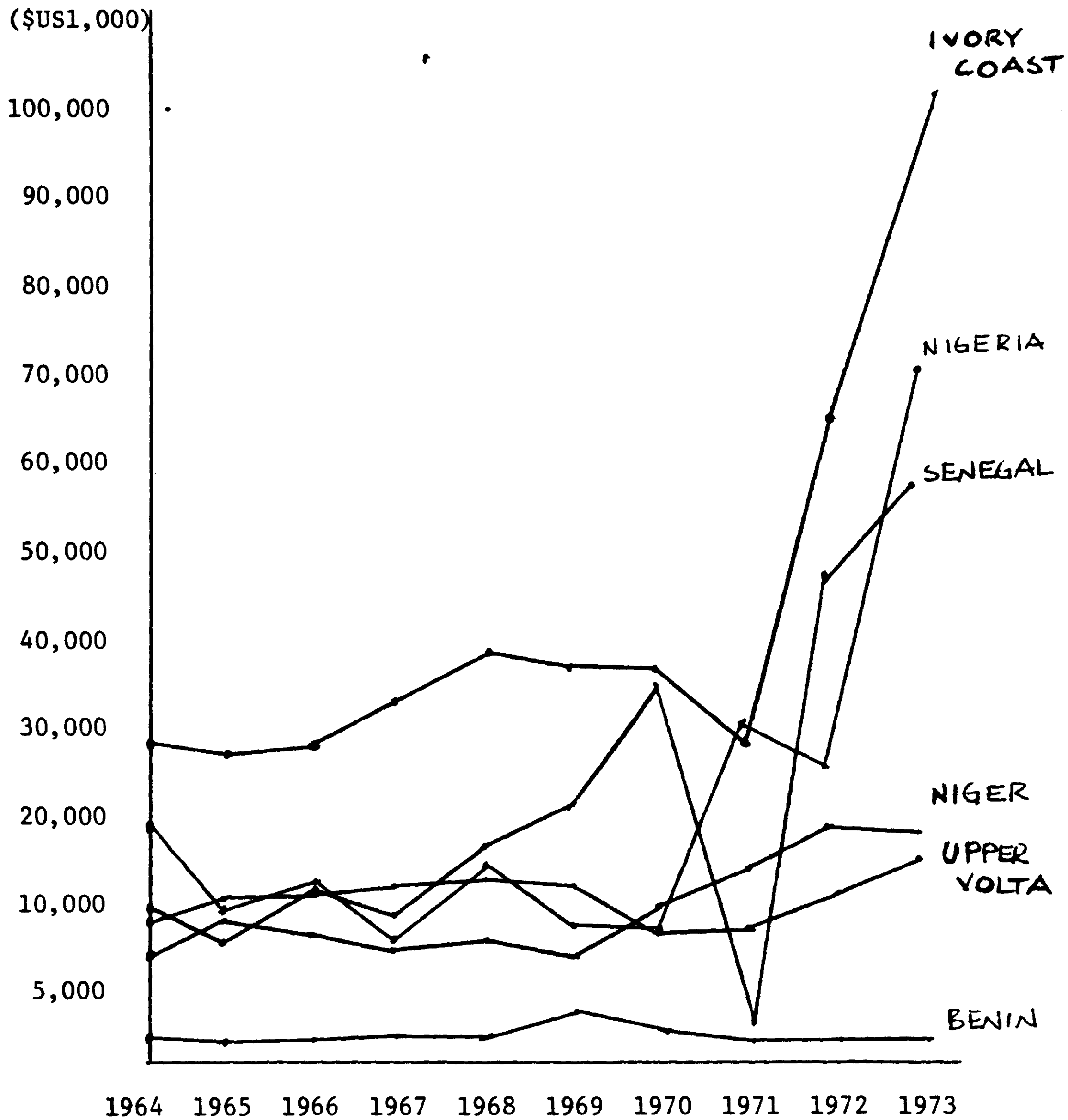
Graph I

PERCENTAGE OF TOTAL EXPORT WITHIN AFRICA BY COUNTRY



GRAPH II

VOLUME OF TRADE IN AFRICA, BY LARGEST WEST AFRICAN INTRA-AFRICAN EXPORTERS



volume exporters in the region and their primary importing states does not diminish the relevance of focusing on the percentage of national export to the region, but rather, offers a broader picture of the trade patterns within West Africa.

The West Africa states with the highest volume of intra-community imports are generally the states with the highest percentage of intra-community imports; with the exception of Nigeria and Senegal. The matrix on Table 4 shows the direction of trade between West Africa states, with the volume and percentages given at the bottom. Among the states with a high volume and percentage of West Africa imports are: Benin, Ghana, Ivory Coast, Mali, Mauritania, Niger, Sierra Leona and Upper Volta. It should be noted that the Ivory Coast and Ghana have a modest percentage of intra-regional trade, however, their numbers are considered significant in light of their, historical extra-regional reliance on imports. An interesting piece of data is the high percentage (30% and 25% respectively) and volume ($US25,319,000 and 21,775,000) of intra-regional imports for Mali and Upper Volta. Their economies appear to be the most highly integrated in the West Africa region, with 51.2% of Mali's export and 54% of Upper Volta's export in 1971 conducted within the region.[36] The degree of integration measured by the intensity of trade within the region for these economies and the other major importing and exporting states of the region can be better observed by detailing the major commodities traded between states.

The types of commodities traded within the region can reflect the degree of potential complimentarity between member state economies. Complimentarity, or rather the potential for complimentarity, is one

INTRA-ECOWAS TRADE 1973 (US $1000)

Exporters	Benin	Cape Verde	Gambia	Ghana	Guinea	Guinea Bissau	Ivory Coast	Liberia	Mali*	Mauritania	Niger	Nigeria	Senegal	Sierra Leone	Togo	Upper Volta	Total ECOWAS	World	Europe (Western)	ECOWAS %	Europe % (Western)
:ers																					
	X		5	21			3207	82			1218	489	4189		965	23	10199	111535	71407	9.1	64
/erde		X																33900	25090	0	74
a			X				4					28	148				180	32350	17428	.55	54
	1000		41	X				622	1604		677	24561	185	7	1453	618	30768	449685	226862	6.8	50
a			62		X			570				15	1048	227			1922	70741	47532	2.7	67
a Bissau						X												48978	33525	0	76
Coast	160		4	48			X	251			645	10949	16189	94	969	12564	41873	710915	480056	5.9	67
ia			9	415	98			X		58		468	549	400	37		2034	193468	87854	1.0	45
				40	303		15310	365	X		240	41	7374	92		1504	25319	82719	60535	30	73
tania							180	947		X	34	59	13874				15094	107518	69338	14	64
	697			80			44861	22			X	3238	305	2	20	181	9031	68543	43039	13	63
ia			28	1457			1329	157			13035	X	496	305	760		17567	1861676	1250233	.9	67
al	1254		148	14	40		15664	13			200	7255	X	24	711	21	25344	358946	226066	.7	63
a Leone			193	121	86			148				6715	1280	X	41		8584	157728	82503	54	52
	881			186			1361	22			98	217	874		X	353	3992	625256	365222	.6	58
Volta				52			17429		2885		687	21	548		153	X	21775	87547	54965	25	63

ource: Calculated from data in: Foreign Trade Statistics for Africa - Direction of Trade
E/CN14/STAT/SerB/25

Mali data for 1973 is not complete

*ECOWAS, Western Europe %s go over 100% as result of rounding

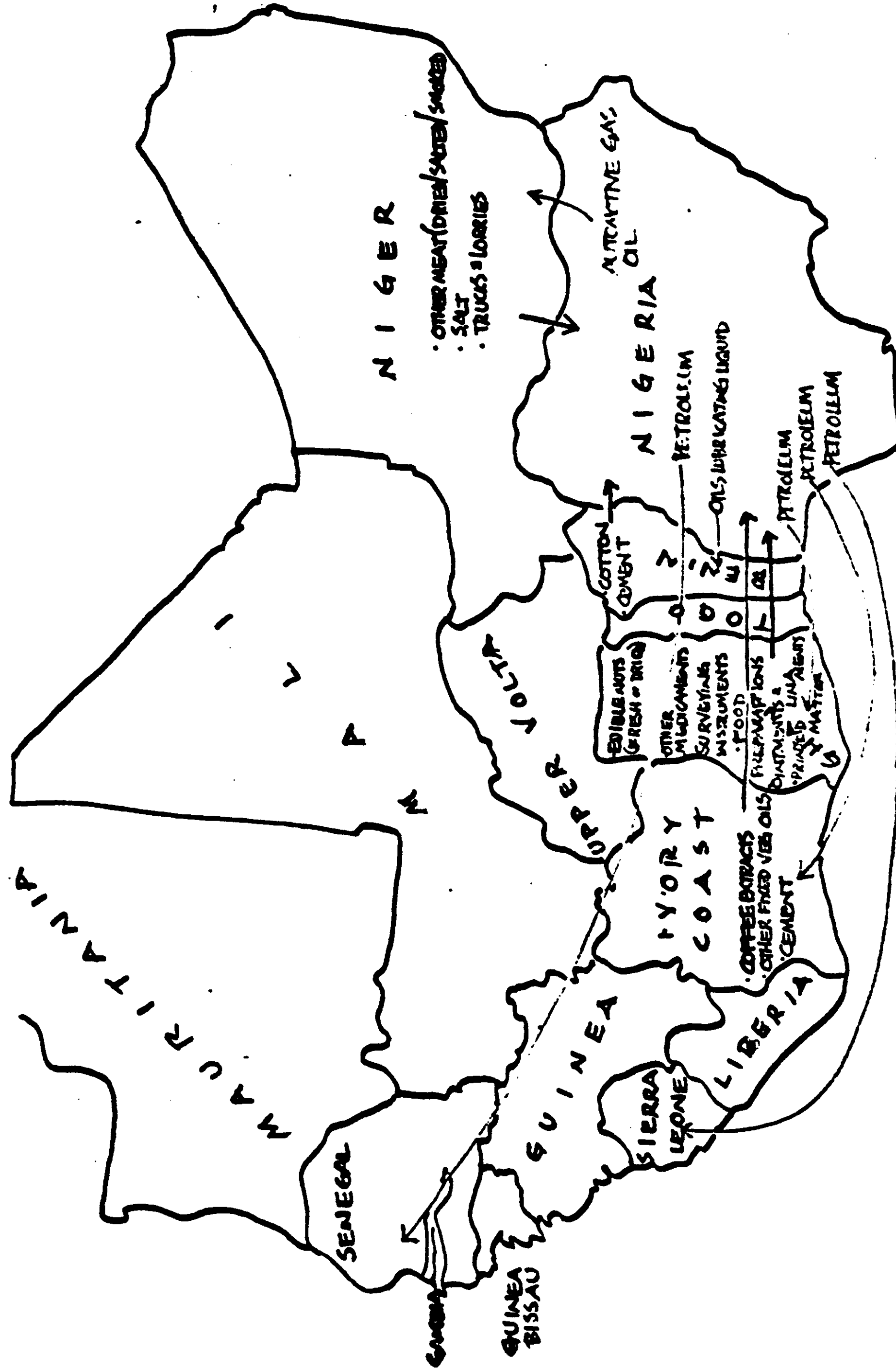
NOTE: most import/export for Cape Verde and Guinea Bissau is with Portugal, Angola and Mozambique

of the basic conditions enumerated by neo-classical economic theorist who try to assess the climate for regional economic integration. Complimentarity is important in that it reflects the extent of commodity exchange that could potentially occur between states. To be sure, potential complimentarity of economies is a broader variable than existing complimentarity between states and is also more difficult to quantify and measure. Existing trade patterns between West Africa states may offer a foundation for determining the current condition and allow for a more solid basis for conjecturing about future potentialities.

One of the more interesting trade flows in West Africa is between Nigeria and the West Africa community. Nigeria conducted more than US $64 million of export trade within West Africa in the first quarter of 1975, however US $63 million was in petroleum related products.[37] Outside of petroleum products, Nigeria does not involve itself in West Africa trade. This is not to diminish the importance of Nigerian fuel exports to the region. These exports are essential to the national industries and overall economic well being of the importing states. In this regard, Nigeria's export to the region is complimentary with the economies of the region; none of which export fuel (other than the Ivory Coast). Map 2 (see Appendix A) illustrates the trade flows between Nigeria and its major regional customers, in addition to showing its major area suppliers. As shown by the map, outside of meat, cement (and in 1975 a large order of trucks and lorries) and small food items, Nigeria does not import much from the region, nor does it export much to the region other than fuel products. This scenario does not hold true for a smaller West Africa state like Togo,

MAP 2

Commodities Traded Between Nigeria and West African States (1975)



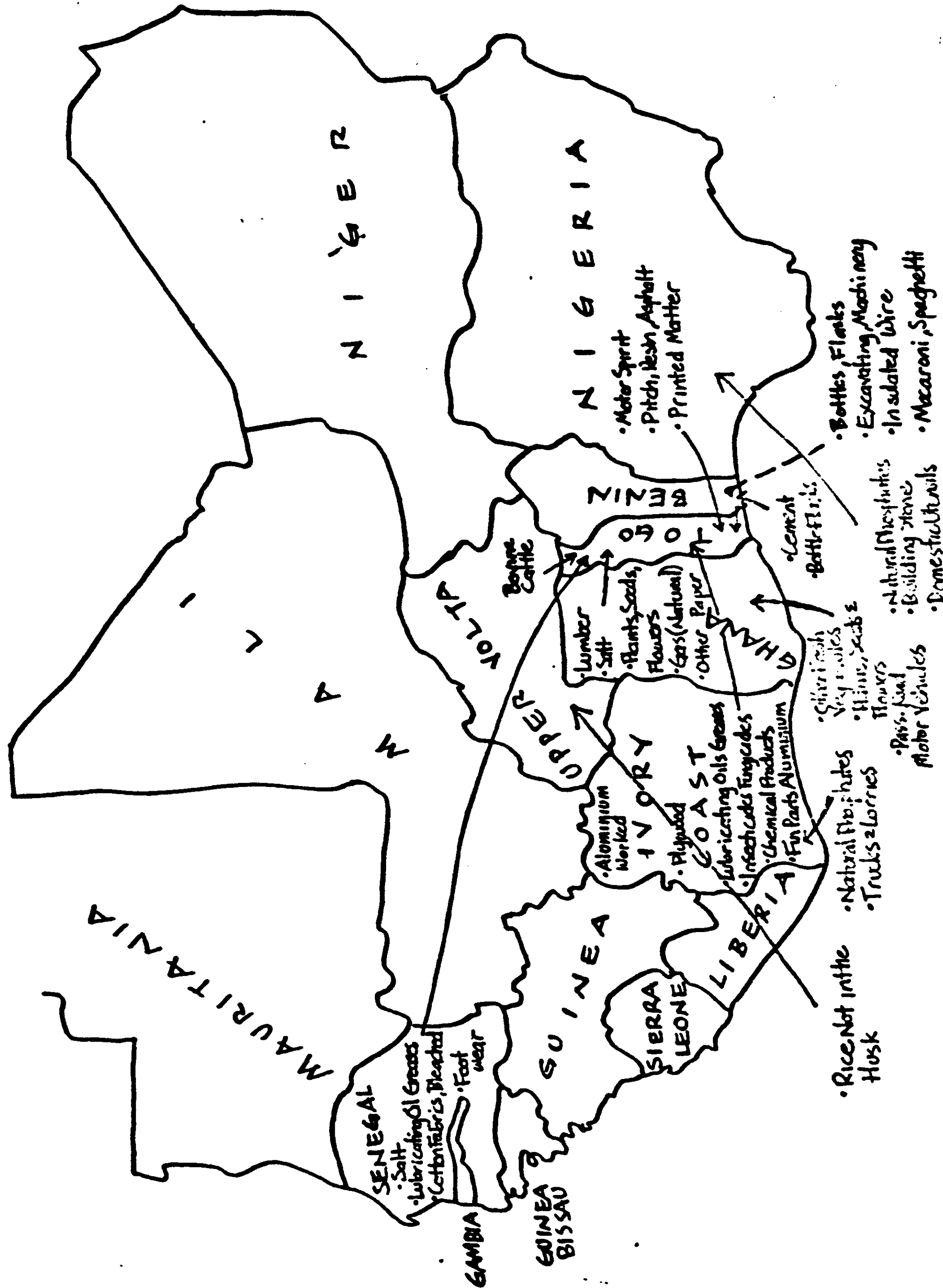
which has a more diverse composition of commodities in its West Africa trade.

Although in 1973 Togo received only .6% of its imports from the West Africa region, 1975 data shows Togo trading a wide range of goods (primary and some secondary) with West Africa states. Contrasted with the high volume trade of Nigeria, Togo displays a wider selection of complimentary goods between West Africa states than Nigeria. The scope of commodities traded between Togo and the West Africa states is displayed on Map 3 (see Appendix 5). The import flows for Togo are more heavily concentrated from the former French West Africa states than from the anglophone West Africa states. Part of the reason for this is the inclusion of Togo in the CFA franc zone and its membership in the Entente Council, both of which will be discussed later in the paper. The diversity of commodities that Togo imports and exports, whether within the CFA franc zone states or beyond, suggests the existence of a degree of complimentarity between Togo and several West Africa states. The intermediate goods that the Ivory Coast (aluminium worked, plywood, chemical products, finished parts aluminium) and Ghana (lumber and other paper) export to Togo offer a hopeful sign for enhancing the potentialities for increased interstate trading and industrial growth in Togo. The increased trade of intermediate goods is an important variable to focus on, when attempting regional economic integration, because it translates into more viable intermediate industries and a more intricate input-output matrix for the region.

The West Africa region does not have complimentarity on most of its raw material exports. Most of the countries of the region are

MAP 3

Commodities Traded Between Togo and West African States (1975)



competitive with each other on these type of exports to external markets. Given that countries, such as the Ivory Coast and Ghana will compete with each other on commodities like cocoa, the potentialities for interstate exchange would not be with these raw materials, but instead, on non-competitive commodities. As in the Togo case, these commodities could be in the field of intermediate, or even capital goods. A basic condition for the neo-classical economic theorist, who attempts to ascertain the potentialities for this type of expanded inter-regional trade is a low percentage of GNP in foreign trade.

West Africa, like most developing countries, has a high percentage of its GNP in foreign trade.[38] Even for the relatively industrialized countries of West Africa, such as Nigeria or the Ivory Coast, a high percentage of their GNP is attributable to foreign trade. As shown in Table 4, most of this foreign trade is with West Europe. On this basic condition of the neo-classical economic approach, West Africa would not be judged a region conducive to economic integration since a high percentage of GNP in foreign trade is felt to be disintegrative. On the positive side, one of the basic premises of neo-classical economic theory, with respect to economic integration, is that a larger economic union equals larger absolute benefits. If this is a valid premise, the West Africa region should offer greater benefits than the former French West Africa community and other sub-regional unions that have been attempted. The down side of this is that neo-classical theorist assume that large disparities between member states will result in an unsuccessful economic union. This would be particularly problematic for the West Africa region, where

there are tremendous disparities between states.

In the area of population and gross national product, many of the West Africa states are similar. Grave disparities exist between the West Africa states and the Ivory Coast, Ghana, and most particularly, Nigeria. These disparities are clear when looking at Table 5, which shows Nigeria possessing 57.16% of the region's population and 69.2% of its gross national product. Although there are some theorist that believe it is beneficial to have large, powerful nations serving as "prime movers"[39] in developing an economically integrated community, the neo-classical theorist may have a valid point, in the West Africa context, when they suggest that large disparities can work as a disintegrative force.

Many of the smaller West Africa nations are fearful of the power of their larger neighbors. They are concerned about the possibilities of being politically, if not economically, overpowered by the shear force of countries like Nigeria. Ironically, Nigeria has been an active force in the creation of the Economic Community of West Africa States, and is making accomodations to relax the anxieties of the smaller states in the region. Given this latest turn in West Africa affairs, perhaps the concept of "prime movers" will come to take the place of the belief that large disparities are absolutely disintegrative. Whether there will be modifications in the neo-classical approach is not known, but it is clear that there are problems with its application to West Africa.

The concept of trade creation and trade diversion provides a helpful way to look at the costs and benefits of integration. The emphasis here is on who is receiving trade and who is gaining from the

Table 5

POPULATION AND GNP (AT MARKET PRICES 1979) OF

ECOWAS COUNTRIES (1979)

Country	Population (000)	% of Total	GNP (US $ Millions)	% of Total
Benin	3,427	2.37	860	1.0
Cape Verde	306	.2	80	.1
Gambia	586	.4	150	.18
Ghana	11,327	7.84	4,540	5.68
Guinea	5,269	3.65	1,470	1.83
Guinea Bissau	779	.53	140	.17
Ivory Coast	8,076	5.59	8,560	10.7
Liberia	1,802	1.24	890	1.1
Mali	6,569	4.48	930	1.16
Mauritania	1,589	1.1	510	.63
Niger	5,155	3.57	1,410	1.76
Nigeria	82,503	57.16	55,310	69.2
Senegal	5,525	3.82	2,370	2.69
Sierra Leone	3,383	2.34	840	1.05
Togo	2,494	1.72	860	1.0
Upper Volta	5,642	3.9	1,000	1.25
Total ECOWAS	144,332	100%	79,920	100%

Source: 1980 World Bank Atlas: Population, Per Capita Product and Growth Rates

trade flows resulting from economic union. A drawback of this concept is that prior to actually entering an economic grouping it is hard to determine the scope of potential gains from trade creation or losses from trade diversion.[40] Given this constraint, the use of this measure can be restricted to the regular evaluations that economist will make of the costs and benefits while participating in an economic group.

The fundamental problem with the basic indicators (as mentioned previously) is that they are static economic indicators that fail to consider issues of process; instead focusing soley on outcome. With regards to the West Africa region, the proportion of trade conducted within the region provides an incomplete measure of economic integration. Some of the states reflect a high proportion of trade within the region, while others, often neighboring states, demonstrate very low percentages. This uneveness within the region, in addition to the complexities of trade volume as opposed to trade percentages, makes the data produced from this variable inconclusive. There are also problems with using the percentage of GNP in foreign trade as an indicator of the integrative potential of West Africa.

African leaders realize that a high percentage of their GNP is in foreign trade. Many of those that are eager to change this situation view regional economic integration as a means to alter the current structures that lock them into this condition. Being told that the existence of this problem will deny them the possible remedy places them in a circle in which they cannot escape. Neo-classical theorist fail to appreciate that to African leaders who are pushing for economic integration, the process is designed to make structural

changes in the regional economy; not to satisfy a list of preconditions that only exist in the industrialized world. This perspective will be discussed under the section on the economic development theory of regional economic integration.

C. Federalist Appraoch

A commonly referred to theory of regional integration is the federalist approach. This theory is distinguished from the three theories discussed thus far in that its foçus is completely within the political realm. Federalist stress the importance of declarations and the written structures that lead to regional union when assessing the degree of success of an integration process. Unlike the theories referred to thus far, the federalist perspective considers questions of process, as well as those of product. The theory asks whether the treaty structures between states are designed to produce a higher concentration of authority within a federal institution, or if authority is being diffused. In short, federalist are concerned with the transfer process of authority from local institutions to regional bodies. The product side of the theory is devoted to the development of institutions that will facilitate federalism and the transfer of resources from local bodies to the federal institutions. This slow transfer of authority from local states to a federal authority was observed by Haas when he studied the European Economic Community. He cited the existence of supranational trade associations, unions and political parties, in addition to a common assembly of legislators from the member states and a High Authority to arbitrate disputes as providing the federal infrastructure for a significant level of positive "spillover" to occur.[41] Haas' concept of spillover will be

discussed later, however, with respect to the federalist approach, the development of federal institutions helped to foster regional integration in Europe. The incidence of authority transfer to a federal body in West Africa is uncommon, although there has been a recent proliferation of regional institutions.

The most ardent supporter of federalism in Africa has been Kwame Nkrumah. The basic foundation of Nkrumahism is that the unification of the continent requires the formation of a central authority that would serve as the head of a federal system of government. It has been stated at various points that Nkrumah viewed the formation of the federal apparatus, with its continental institutions, as a necessary precondition for economic integration and development. Another important feature of Nkrumahism was that the newly independent African nations agree to the transfer of power and authority to a central body prior to implementing their national development programs. Federalist tend to view the process of regionalism through institution building as being a gradual movement of power from the local to the regional. Perhaps one of the weakenesses of the Nkrumah model of federalism was that it emphasized the immediate transition from the local to the regional, with respect to the division of power and authority. Other variables have been considered, when assessing to demise of the Pan-African movement (based on Nkrumahism), with each of them playing a role in narrowing the integration movement to sub-regional economic integration. Within the West Africa region this form of regional integration has included the recent establishment of several regional bodies.

The United Nations Economic Commission for Africa has been an

active force in promoting regionalism in Africa. The ECA has conducted numerous feasibility studies, sponsored many seminars and has contributed to the formation of almost 30 regional organizations in Africa.[42] Most of these regional organizations have not been structured to facilitate the transfer of national authority to a federal apparatus with which to enforce the agreements of the regional organizations. The majority of these organizations are cooperative ventures between autonomous states that have chosen to work together around a functional interest. This format is compatible with early recommendations made by the ECA on the issue of establishing an African Common Market;

> "One conclusion to be drawn is that any integration scheme in Africa must include cooperation in such strategic fields as basic industries, transport and development of natural resources, and must provide for concerted action on projects of multinational scope."[43]

This should not suggest that political federation for Africa was not endorsed by the ECA, but rather that, until the idea was judged to be feasible, ad hoc authorities (typically a joint commercial venture) and inter-governmental organizations (body that requires unanimous support and execution and implementation of decisions are left to member states) were the recommended types of regional associations.[44] It should be noted that even the Organization of African Unity, which is made up of 50 independent African nations, is limited in its powers to implement resolutions, which are passed by a two-thirds majority.[45] Considering the limitedness of Africa's regional organizations, particularly in the area of authority transfer to federal institutions, the processes necessary for regional integration in West Africa appear

to be lacking. This assumption, however, should be prefaced with an understanding that the number and powers of regional bodies in West Africa have grown considerably in the last ten years.

There are presently thirty regional organizations in West Africa. Eighteen of these thirty organizations were established after 1970.[46] Most of these organizations follow the pattern of early ECA recommendations; ad hoc authorities or inter-governmental organizations. Clearly, none of these bodies involve the type of authority transfer that federalist look for in regional integration efforts, however, there are several regional organizations that do display a measure of authority transfer.

Of the thirty regional organizations functioning in West Africa, there are four regional entities that have as their objectives, the economic integration of West Africa. Aside from these four organizations, there are four regional organs that provide functional support to the integration efforts of the Entente Council, CEAO and ECOWAS. These four are particularly interesting because they possess a degree of central authority over the regions currency and exchange operations.

The West African Monetary Union (UMOA), which covers most of former French West Africa, is operated by a Council of Ministers, consisting of two ministers from each member state.[47] The objective of UMOA is "to maintain a legal common tender in the interests of the economies of the Member States."[48] UMOA also operates Banque Centrale des Etats de l'Afrique de l'Quest (BCEAO), which issues the CFA franc in UMOA countries. This centralized authority of UMOA and BCEAO aids in the integration process of the states of the West African Economic

Community (CEAO) by maintaining a single regional currency and controlling its issuance. Following the federalist position, the shift of monetary authority from the nation state to a regional institution is the important variable to consider in gauging the integration process. It should be noted before closing on UMOA that the Council of Ministers direct and control the Banque ouest-africaine de developpement, which works toward the promotion of even development in the region and economic development. This is but another area in which UMOA power and authority is centralized, in the federalist mold, to promote regional integration.

The West African Clearinghouse, headed by the Governor's of all the West African central banks, aids the ECOWAS countries in conducting intra-regional exchange of currencies. They also try to promote the use of member state currencies for regional trade, in addition to encouraging member states to liberalize trade among themselves.[49] Admittedly, the West African Clearinghouse lacks the central power of UMOA, but it does serve to centralize the currency exchange process, which will eventually allow for multilateral currency exchange in the region. Being able to provide this service to the region will aid in the integration process and make the implementation of the ECOWAS Treaty easier, (more will be discussed about the ECOWAS Treaty in the following pages). Regional bodies, such as UMOA and its affiliates and the West African Clearinghouse offer modest levels of authority transfer by the member states, but they do signal a new shift in the region. The larger regional bodies that are specifically concerned with regional integration point to a different kind of shift in authority; monetary transfers from the state to the regional level.

The major regional groupings in West Africa, that have regional integration as their goal, have special funds that are centrally distributed to the member states. The exception to this format is the Mano River Union which operates as a "laissez-faire" customs union between Liberia, Sierra Leone and Guinea. These centrally controlled funds are subsidized through the contributions of the member states. Each regional group has its own formula for determining the contributions to be paid by the states; all the regional groupings use the funds to redistribute benefits to the poorer member states. The establishment of these funds, controlled by a central authority, displays a degree of authority transfer of finances from the states to a federal body. The Entente Council uses the Mutual Aid and Loan Guaranty Fund as its central budget authority, the West African Economic Community (CEAO) uses its Community Development Fund and the Economic Community of West African States (ECOWAS) uses its Fund for Cooperation, Compensation and Development. CEAO and ECOWAS have gone a step further in transferring authority to a federal level by establishing, respectively, a Court of Arbitration and a Tribunal of the Community, to settle disputes between member states. As will be seen later in the paper, ECOWAS has gone forward in setting up other federal authorities that have shifted power to the regional level. Following the federalist perspective, each of these initiatives indicate an increasing move toward regional integration. Applying Ernst Haas' concept of "spillover", each of the positive integrative moves contributes to the intensity of integration between the member states of the region.

D. Ernst Haas - "Neo-functionalist Approach and Obsolescence of Neo-functionalist Theories"

The federalist perspective on regional integration offers insights into the political processes that lead to regional integration. Unlike the theories discussed thus far, the federalist approach considers the structural changes that are required to achieve greater integrativeness between states. This is a theory that coincides with the perspectives of many African leaders that look for regionalism to produce structural changes in the political and economic environment of the continent. Ernst Haas' theory of incrementalism and "spillover" provides sharper focus on the federalist perspective by suggesting that a gradual move toward federalism, produced by interregional links, can be the foundation of a successful integration process. This is an idea that has enjoyed good currency in Europe, even while Haas has made modifications in his theoretical perspective on integration.

A basic premise of Haas' theory of regional integration was the understanding that integration is a process which can intensify or recede as a consequence of changing values and interests of member states. As stated by Haas when defining political integration;

> "Conceived not as a condition but as a process, the conceptualization relies on the perception of interests and values by the actors participating in the process."[50]

As conveyed in this statement, Haas views the values, ideologies and interests of member states as the moving force in the integration process. This perception is somewhat analogous to the social homogeneity variable of Jacob and Teune, or even the shared functional interest variable. The distinguishing factor between the Haas approach

and Jacob and Teune's is that Haas argues that the values, ideologies and interests of "elites", more than the masses, is the crucial variable in a successful integration process. This position is so fundamental to Haas' theory that it is included in his list of indicators of whether a political community can be established. These indicators include;

1. interest groups and political parties at the national level endorse supranational action,
2. interest groups and political parties organize beyond national level,
3. interest groups and political parties coalesce on the basis of common ideology,
4. interest groups and political parties succeed in evolving doctrine common to all of supranationalism,
5. interest groups, political parties and government show evidence of accepting rule of law of supranational court decisions, administrative directives, etc.,
6. governments negotiate with each other in good faith.[51]

When Haas speaks of interest groups and political parties, he is referring to the national elite that operate to enhance or deter the integrative process. The elite are seen as being the connective force between states. Their closeness to power and the decision-making process within their countries give them the unique ability to influence national policy. Given the organization of national elites in member states around a regional agenda, with their shared interests being satisfied, the national elite have the potential power to establish strong connective links between states and to direct national

policy more towards a regional authority. The concept of "spillover", as conceived by Haas, refers to the gradual shift to regionalism produced by the continual inter-regional links of interest groups and political parties, who push, incrementally, for increased supranational power. The "spillover" concept considers the broad array of interest groups and political parties that have the political sway to gradually accelerate the process of integration. The broadness of this base, which allows for maximum spillover effects, has been enumerated by Haas;

> "...'elites' are the leaders of all relevant political groups who habitually participate in the making of public decisions, whether as policy makers in government, as lobbyists or as spokesmen of political parties. They include the officials of trade associations, the spokesmen of organised labor, higher civil servants and active politicians."[52]

In the European community, where trade associations, unions and businessmen in coal and steel served as regional lobby groups for European unity, Haas was able to observe positive "spillover" effects from interest groups and political parties. In West Africa, the extent of positive spillover would be limited by the modest size and weakness of inter-regional lobby groups.

The recent move in West Africa toward regional integration has been led, primarily, by African leaders. The move has not been inspired by national elites that have organized on a regional scale. The national elite of West Africa, in fact, have tended to be opposed to local initiatives for broader union.[53] As stated previously, there are almost no real supranational union lobby in West Africa with which to fill the void left by the national elite. Aside from the absence of these two lobby groups in the region with which to initiate

positive spillover, the political structures of the member states of West Africa do not allow for the cultivation of regionally based political parties. Haas noted this problem in his evaluation of integration efforts in the third world when he stated that;

> "The absence of pluralism makes the formation of voluntary groups on a regional basis very difficult."[54]

This situation was referred to earlier, when discussing the fragile political environment in most West Africa states (see section under Jacob and Teune's shared functional interest variable). One of the areas in which West Africa has been able to enjoy positive spillover effects from regional cooperation has been in its numerous integration efforts in sectoral areas.

The European community realized positive spillover effects from regionally organizing nuclear development and research under Euratom and from organizing the European coal and steel industries. This form of integration brings together technicians and planners from member states in a joint endeavor that is narrow in scope. The specificity of interest and the minimal degree of conflict between states often allows for successful cooperation. Given an initial success at interstate cooperation, a sound basis for future joint action is established and a foundation for greater regional cohesion is developed.[55] Haas observed the positive spillover effects of sectoral integration when he studies European integration;

> "Sectoral integration, however, begets its own impetus toward extension to the entire economy even in the absence of specific group demands and their attendant ideologies."[56]

In the area of sectoral integration and the subsequent spillover effects, West Africa has acquired an increasing level of activity.

Of the thirty regional organizations operating in West Africa, twenty one are based on specific sectors or functional interests. There are four regional organizations based on commodities, four river basin authorities or commissions, three highway coordinating committees and several service related regional bodies that are included in the twenty one sectoral, regional organizations. In the area of heavy industry, Togo, Ghana and the Ivory Coast are cooperating on the development and operation of a cement plant under the tri-state authority of UMOA.[57] The activity of these regional bodies has been limited by the lack of capital to implement their group objectives, however, modest gains have been made in many cases and bold steps foward have been achieved on occasion.

The positive spillover effects of these sectoral groupings can be appreciated by noting that the proliferation of these groupings has accelerated since 1970. An additional indicator of the positive spillover effects of these groupings is displayed by the increasing degree of coordination between the regional bodies. This was observed in the case of UMOA, a service related body that helps facilitate the successful operation of BOAD, BCEAO and the West African Economic Community. The same phenomenon has occurred between the Association of African Central Banks, the West African Clearing-house, the African Insurance and Reinsurance Corporation, the African Development Bank and ECOWAS. Spillover has yet to be fully evidenced in West Africa from its elites participation in supranational lobby groups, but the effects of spillover are just beginning to be felt from sectoral integration groupings.

Spillover is one concept utilized by Ernst Haas as a device to

theorize about the success or failure of integration efforts by a regional community. The theory of regional integration that Haas has been associated with is neo-functionalism, or rather, incrementalism. This theory does not diverge from the concept of "spillover", but rather, looks deeper within the process of integration to explain why communities integrate. Incrementalism, with respect to regional integration, suggests that authority transfer occurs as a consequence of "deepening patterns of mutual dependence among actors" based on mutually recognized needs.[58] Based on this theory, the common needs and interests of member states bring communities together in a forum in which each party is willing to compromise. The basis of mutual accomodation is grounded on the recognition by each party that meeting their individual and collective needs is primary. Placing member states of a regional organization within a forum in which compromise is agreed to and practiced allows for "incremental accretions of authority" and results in "successive programmatic compromise decisions", which produces greater regional power.[59] This process of regional integration contrasts with the federalist approach, which views regional unity being achieved through "dramatic constitutional change and proclamations."[60] It could be argued, however, that the agreement to form a regional group is a dramatic shift in the federalist mold. This would not, however, consider the processes required to sustain and increase the intensity of the shift to regional authority. The problem with the incrementalist approach, however, is that it assumes that objectives, interests and needs of member states are unchanging and continually compatible.

The problems of turbulence and shifting agendas did not invalid

incrementalism, but instead, permitted the theory to be modified. Haas, in fact, viewed change within a regional community (integrative and disintegrative change) as a consequence of turbulence, which results from mutual confusion among actors of costs, trade-offs, and potential gains.[61] The existence of change is seen as being potentially beneficial to the integration process, to the extent that shifting agendas and needs produce compromise among actors. This was formally referred to by Haas as "fragmented issue linkage", which entails joint resolution on crisis related issues, thereby fostering greater regional unity. The likelihood of "fragmented issue linkage" causing states to reject compromise and to fall back on a policy of autarky is real. It is postulated, however, that the common need of participants and the commitment to compromise will lead to greater unity in times of crisis. This concept appears to be a variant of the adage, "adversity brings people together." In the West Africa context, there are several areas of common need and interest between states, which are sometimes not recognized by the actors because of areas of conflicting needs and interests.

Cooperation between leaders in West Africa was at its greatest level during the independence movement. The masses and their leaders perceived a common enemy and regional political parties, such as the RDA (Rassemblement Democratique Africain), were popular and enjoyed wide membership. During the early days of the post-independence era, when fears of external penetration and neo-colonialism were heightened by the downfall of Patrice Lumumba in the Congo, African nations were uniformly opposed to non-African infiltration on the continent. Although African leaders and the masses were united on

these points, there were areas of disunity that kept them at a distance from each other.

Many African leaders feared internal dissension and the possibilities of a coup de tat. Leaders, such as Sekou Toure, suspected neighboring states, like Senegal, of harboring Guinean refugees and plotting a coup in his country. Some states have come to fear and respect the large military and economic strength of Nigeria. Each of these fears and concerns have played a part in militating against the movement toward regional unity. Other constraints to unity will be discussed in the following pages, but first, let us consider the current fields of common interest between West Africa states that has allowed for incremental moves toward regional integration to be realized.

The political movement of the New International Economic Order and the organization of the Third World into the Group of 77 has had a unifying influence in West Africa. Each of the West Africa states, as members of the Group of 77, appreciates the need to restructure the international terms of trade between the North and South. These states have often joined together, as a unified block, in negotiating for improved terms of trade with the West. An example of this unity, resulting from the joint political and economic interests of the West Africa states, was the Lome Convention, which resulted in a commodity and aid agreement between the European Community and the states of Africa, the Caribbean and the Pacific.[62] Beyond the common interests of the West Africa states in their relations on the international scene, they demonstrate other areas of common interests within the West Africa region.

One of the most unifying forces in West Africa that grows from the common interest of the states is the desire to industrialize. Although many national industries are protected against regional competition by the state, the logic of regional integration as a means to develop industry is compelling. Industrialization, in fact, is often the outcome expected by the member states that agree to regional integration initiatives. This rationale for integrating economies in Africa into regional units is described by Lynn Mytelka in the following manner;

> "Integration in many developing areas of the world is, in fact, a paradigm for industrialization."[63]

In short, regional integration is viewed by these states as being a force through which structural change in the region's economies can be realized, thereby allowing for industrialization. Unified around this common desire to industrialize, many West Africa states have made the bold move toward regional integration. This move establishes the forum for states to compromise and cooperate around joint needs and interests, and thereby, follow a process of integration based upon incremental accretions of authority to a regional body.

The above scenario offers hopeful signs for the future of regional integration in West Africa. The neo-functionalist approach has, thus far, only been able to predict difficulties and failures in Third World integration efforts, by citing the fragmentation of interests among self interested actors.[64] The actors that are pinpointed as being most destructive in the Third World have been the national elite, who have a difficult time adapting to the mandates of regional integration. This same problem is very real in the West Africa context, where national elites are safe behind their protected borders. Ernst

Haas' revised perspective on neo-functionalism suggests that the regional community is vulnerable to these internal schisms, in addition to, exogenous forces that can weaken any integration effort.

In examining the European community, Haas noted the economic cost that member states would bear if they were forced to purchase goods from each other which were higher priced than United States goods (or other foreign producers). The absorption of cost, realized by the presence of lower priced goods outside the community, could be disruptive to the integrative process. Other international issues loom larger as disintegrative forces for a regional community. External factors, such as an oil crisis, rising militarism and foreign aid flows are but a few that are beyond the control of a regional community, but can have a major impact upon the integration process. Regions in the Third World, such as West Africa, are particularly vulnerable to these external disruptions, due to their present reliance on the industrialized world for markets, aid and technical assistance. Despite these potential disruptions from external forces cited by Haas, the West Africa region is more capable to sustain these impacts if regional supports exist than if each state attempts to go it alone. The need to survive and to achieve fundamental changes in their condition as underdeveloped countries is the real blow for regional integration efforts in West Africa; regardless of the poor climate for integration in the region or the presence of external disruptions.

E. Economic Development Theory

The utility of the neo-functionalist perspective on regional

integration, with respect to the West Africa region, is that it provides a direction for the integration process. The theory points to the relevant actors in the process and suggests the roles that these actors can play in making incremental moves toward integration. A weakness of the theory, it its application to West Africa, is that it requires the various interest groups within the region to come together around a common interest and/or need and compromise in formulating solutions for the region. West Africa lacks the powerful interest groups that can span their influence across the region. The interest groups that West Africa does have are bound by national interests, which do not tend to coincide across borders. The possible spillover benefits that the neo-functionalist school suggests will come from sectoral integration offer a hopeful sign for West Africa, which has become increasingly active in this area. In spite of these conflicting signals given by the neo-functionalist theory, when applied to West Africa, it does not impinge upon the real motivator for West Africa leaders, who push for regional integration; the quest to make structural changes in their economies to allow industrialization to occur.

There has been several references made to the structural changes desired by African leaders to achieve industrialization. It has been stated that they tend to view regional integration as the means by which these structural changes can be made and industrialization achieved. What are these structural changes? How can regional integration produce the changes necessary to accelerate industrial development? The economic development theory of regional integration outlines the present structural barriers to industrial development in

West Africa and explains how these barriers can be overcome by regional integration.

Economic development theory of regional integration was applied in an earlier section of this research, when discussing the economic reasons for moving toward West African economic integration. The variables that were enumerated in that section are those that are considered, by most advocates of West African integration, as the most compelling arguments for regional integration. Some of the variables, such as improved military capacity, are not within the realm of economic development and industrialization, however, most of the variables that were cited are related to the economic benefits of integration. A brief listing of these variables include:

1. improved economies of scale for industry
2. larger consumer markets
3. larger pool of capital and foreign exchange for investment
4. improved gains from "multiplier effect"
5. increase pool of professionals and technicians
6. value added benefits
7. reduce inefficiency and duplication of local industry
8. improved bargaining power with Europe on commodities
9. central planning of intra-Africa infrastructure.

The inverse of these benefits are the structural barriers that presently exist in West Africa. Operating under a policy of separate, autonomous development programs, the majority of the fifteen West Africa states confront structural barriers to economic development, and specifically, industrialization in the following areas;

1. diseconomies of scale for national industry

2. small consumer markets
3. small pool of savings, capital and foreign exchange with which to invest
4. limited "multiplier effect" from national development
5. small pool of professionals and technicians
6. fragmented input-output matrix - modest value added benefits
7. inefficiency and duplication across borders of national industry
8. weak bargaining power on commodities
9. poor coordination of intra-Africa infrastructure development.

The variables listed above are the indicators that African leaders respond to in making decisions concerning whether it is better for their country to integrate or go it alone. The other variables offered by integration theorist, such as Jacob and Teune, Deutsch, Toscano and even Haas, are not viewed as being dispositive by these decision-makers. The bottom line in West Africa is whether their integration strategy will eradicate these problems and produce the benefits they hope for, or will it leave these problems unresolved and the benefits unachieved. It is for this reason that African leaders listen to the various theories, but generally respond to the economic factors.

III. Constraints on Regional Integration in West Africa

It is puzzling that West Africa states have not moved sooner and made serious steps toward regional integration, given the cogency of the economic arguments for regional integration. There were radical attempts at regional integration in the early post-independence war of West Africa; the Mali Federation and the Union of West African

states disbanded as a result of inactivity and poor political coordination.[65] One of the few regional organizations that has survived since its beginning in 1959 is the Entente Council. This organization, however, had never professed regional integration, but instead, called for interstate cooperation on specific functional interests. Since the Entente founding and the failures of the Mali Federation and the Union of African States, many African states have approached reigonal integration with caution. This sense of caution has endured through the 1970's, when many of the regional organizations were founded. The cause for caution is partially related to the past failures of these type of organizations, but is primarily related to political, economic and social constraints in the West Africa region that make regional integration a risky undertaking.

A. Political Constraints

1. Nationalism:

For many, if not most of the West Africa states, the fight for independence was waged on a national basis. Regional links were made at various points, however, France and Britain's insistence on framenting the region during the independence movement, as a device to weaken their opposition, shifted the struggle to a fight for national sovereignty. African leaders within this setting, organized the masses on a national scale; not regional. Carrying their strugle at this level produced a growing sense of nationalism among the masses. Beyond the nationalist sentiment of the masses, these political leaders rose to power with a nationally based constituency. In light of this history and the present base of power that the leadership possesses, it is difficult for them to concede national sovereignty to a wider,

amorphous entity. This is especially true for political leaders who are uncertain of their political survivability in a regional setting.

The disintegrative influence of nationalism in West Africa conflicts with theories applied to Europe, which view nationalism as a foundation for greater regional unity.[66] The reality of the West Africa setting, even in states that acquired independence from a regional political base, is that nationalism among the individual states has served as a barrier to regional integration. This political dilemma was discussed by Isebill Gruhn in the following manner;

> "It is not surprising, in historical retrospect, that the leadership emerging out of the national movements was not keen on divesting itself of its newly acquired authority. The failure of the Mali Federation showed that even contiguous territories with the same colonial heritage found it difficult to join national interests in a single union; the forfeiture of national decision-making in favor of collective decision-making was not facilitated by the newness of the states."[67]

2. Internal Political Instability:

An extension of the problems created by nationalism and related to the political security of national leaders, is the problem of internal dissention and instability. The West Africa region has experienced numerous "coups" and even more attempted "coups". In an effort to contain internal dissention and maximize political control, national leaders often try to consolidate their power around a disciplined one-party state. For leaders with these concerns, the idea of relinquishing power to a regional organization is unthinkable. "Leaders with fragile internal support are not anxious to concede any more power than is necessary."[68] This is but one constraint on the integration process caused by internal political instability.

Another constraint results from the frequent changes of national leaders in the region.

African leaders tend to be weary of making agreements with leaders from neighbor states. Although relations may be good with a particular regime and policies compatible, a change in leadership can occur overnight. With these constant changes it is not easy to establish consistency between states on policy, nor reliability between leaders. The volatility of the internal political scene among states in West Africa "erodes regional cooperation and prevents regional planning."[69] As described by Timothy Shaw;

> "The frequency of political change advances regional conflict rather than cooperation."[70]

3. Absence of Pluralism to Promote Lobby Groups:

Referred to earlier, the political environment in most West Africa states is not conducive to the development of political pluralism within the member states. Without political pluralism it is difficult to establish special interest groups and political parties that will have inter-regional links. The likelihood of these type of lobby groups on a regional scale is scant when the apprehensiveness of national political leaders toward external intervention is considered. Beyond these basic deterents to the establishment of lobby groups is the incompatibility of interests between national elites in West Africa is their desire to protect their national interests by remaining behind national borders and resisting integration.

4. Over Politicalization of Regional Decisions:

In the European community many of the technical or low level decisions are made by technocrats or representatives of national

government. Under this arrangement the decision-making process is diffused of its political potency and judgements are made on "objective" criteria. This process tends to militate against controversy and enhances the degree of functional cooperation between member states. The West Africa community lacks this level of political detachment and technical cooperation, preferring instead to politicize minute detail.

This problem of politicizing technical, as well as minor issues, was evidenced in the Mali Federation, where "problems originating anywhere in the federal political system were forced to the top and were perceived as involving the prestige and relative standing of Mali's leaders.[71] The tendency to have political leaders supplant the responsibilities of technicians makes the durability of a regional organization dubious. It is conceivable in this scenario to have a minor decision, that casts a particular leader in a negative light, destroy the union. In short, the premature politicization of technical decisions detracts from integration efforts by "preventing incremental bargaining on relatively non-controversial shared objectives."[72]

B. Economic Constraints

1. African commodities are competitive, not complimentary

The major foreign exchange earner for West African economies continues to be agricultural exports to the industrialized world; with the singular exception of petroleum revenues for Nigeria. There is a limited range of agricultural commodities that the region exports, with most states having a competitor on several commodities within the region. Major cash crop earners are generally not monopolized by

a single state, but instead exported by two or more states. The Ivory Coast and Ghana each export cocoa as a major cash crop, while Senegal and the Gambia each export peanuts. On most export commodities, states within the region compete for external markets, with little complimentary existing on goods between states. The intensity of competition between states in West Africa has eased as a consequence of the Lome Convention, which includes a duty free access for most agricultural exports to the European Economic Community (all West Africa states are among the ACP states of the Lome Convention) and price supports for agricultural commodities to insure against price fluctuations.[73] Despite the easing of competition between states on export items, there are few complimentary goods with which to facilitate greater intra-regional exchange.

Noted exceptions to this norm are states, such as Upper Volta, Mali, Niger and Mauritania.[74] These states rely heavily on trade within the region, with almost 50% of their export directed to the region and 25% to 30% of their imports coming from regional producers.[75] The goods they exchange, however, are typically disposable commodities that do not create a significant level of value added benefits in the region. There are possibilities for establishing wider regional markets and expanding the commodity selection within a regionally integrated community, however, at this juncture, these goods are not being produced and the market is unknown. Without greater complimentarity of goods between states, the process of regional integration is slowed.

2. Competing Industrial Centres

The classic competition between industrial centres in West Africa

is between Dakar, Senegal and Abidjan, the Ivory Coast. During the colonial era, under French federalism in the West Africa sub-region, Dakar prospered as the administrative nucleus of the regional community, in addition to servicing as the trade outlet for French West Africa. Railroad infrastructure connecting Senegal to Mali gave Dakar direct access to a regional consumer market, which provided the foundation for the growth of Dakar as an industrial centre. Under this arrangement of the French West Africa community, Abidjan was unable to realize its full potential as a trade and industrial centre, although there was always a measure of competition that Dakar confronted from Abidjan.[76]

The Ivory Coast's opposition to close economic cooperation in Francophone West Africa sprang from her loss of revenue in the West African federation, in addition to the constraints on its industrial development from Dakar's established dominance.[77] The idea of continued regional association, under a federation of states, was strongly opposed by Houphouet-Boigny, the Ivorian leader, who, from the time of the "loi-cadre", moved against an economic community that included his chief competitor.[78] The continued need of national governments to protect the viability of their nascent industrial centres has created a barrier to the realization of economically integrated communities. In light of the Ivory Coast's resistance to competition with Dakar, it is questionable whether they would feel comfortable in a wider regional community that included Accra and Lagos. Perhaps, through time, as the industrial centres become more established and viable, regional integration will not be viewed as creating competition between centres, but instead, as a means by which

centres could expand. Ultimately, this industrial expansion could one day translate into linkages on intermediate goods between the formerly competing centres.

3. Nationally protected industries fear economic union

The anxieties of those that operate nationally protected industries, resulting from the possibility of economic union, has been referred to at various points thus far. These businesses are often protected from foreign competition by way of tariffs and/or quotas. These protections, combined with the small size of national consumer markets tend to product inefficiency. The inefficiency and high cost of these national industries would be fully revealed under regional competition. Considering the extent of duplication across national borders, regional integration would produce intense competition, which would inevitably drive out the small and inefficient industries. The industries that would survive regional competition would most likely be the transnational corporations; African enterprises would be cut down to a few (mostly government owned or part owned industries).

The possibilities of destroying local industry under a system of regional competition creates a measure of skepticism for West Africa states that are small and vulnerable to outside competition. The skepticism held by these states holds back the process of regional integration, even though corrective, balancing measures can often be provided in a regionally integrated community. The fear of transnational corporations driving African industries out of business in a regional market place is held by many West Africa states and also serves as a disintegrative force. The controls that have been worked

out in various regional agreements to restrict regional benefits to African industries have not subsided the concerns of many states.

4. Imbalances in development between states

The presumption that imbalances between states is not disintegrative and that the large, powerful states serve as "prime movers" in the integration process, defies many of the real concerns of the smaller states. Although Nigeria, as a large political and economic power, has been a prime mover of the Economic Community of West African States and other regional integration initiatives, there continue to be apprehensions held by the leaders of the region's smaller states. It continues to be true that "countries which start from a position of relative weakness tend to be suspicious of economic integration for fear of becoming victims of exploitation by more powerful neighbors."[79]

The imbalances between states in the area of total population and gross national product have been illustrated on Table 5. On these variables, the majority of West Africa states are dwarfed by the enormous size of Nigeria. This large disparity between Nigeria and the area states should naturally cause concern on the part of the smaller states. A more important concern than disparities in population and gross national product that is felt by the smaller states is their heavier reliance on import duties for national revenues.

There are several forms of economic integration that are used to unite a community. A common principle of all the various types is that trade is freed between states and a "common external tariff"

(CET) is erected around the community. A CET is designed to discriminate against import of foreign goods to the community and maximize exchange within. To accomplish this goal, each member state erects the same tariff wall on foreign imports. For some states the CET is higher than their original tariff rates; for others it is lower. The uniformity of the CET cuts down on the volume of imports to all states of the community. For many West Africa states, the loss of import duties is a major blow to their national revenues.

Table 6 lists the proportion of national revenues received from import duties for twelve of the fifteen West Africa states. As the data shows, there are some states, such as Upper Volta and Senegal that receive almost half of their revenues from import duties, with Benin depending on 55% of their revenues in import duties. It is difficult for these states to consider a CET policy when they are so heavily reliant on import duties. The table reveals the uneven level of dependence on import duties between the states, which may indicate one of the reasons why states with less reliance on import duties are able to assume an energetic role in regional integration schemes. To be sure, there are redistributive formulas that can be worked out to balance the loss of import duties for some states, however, this does not eliminate the hesitation of some West Africa states in moving toward regional integration.

5. Foreign aid is usually bilateral

There are few interstate transport links in the West Africa region. The infrastructure inherited from the colonial era is directed to European export, with minimal links existing between states. In the absence of transport infrastructure, in addition to inter-

Table 6

IMPORT DUTIES AS PROPORTION OF REVENUES FOR

WEST AFRICA COUNTRIES

	Year	Import Duties as % of Revenues
Benin	1971	55.0%
Gambia	1973	35.0%
Ghana	"	10.4%
Ivory Coast	"	19.4%
Liberia	"	18.9%
Mauritania	"	26.7%
Niger	"	10.5%
Nigeria	"	18.3%
Senegal	"	43.4%
Sierra Leone	"	30.9%
Togo	"	19.9%
Upper Volta	"	45.0%

Source: African Statistical Yearbook 1974, Part 2, West Africa (NY: UN 1975) and John P. Renninger, Multinational Cooperation for Development in West Africa, p. 49.

regional communication links, it is difficult to implement an economic integration program. Interstate trade is limited by poor transport routes and coordination of operations is hampered by weak communication links. In order to develop the infrastructure necessary to facilitate a higher volume of interstate trade, capital investment is required. Special focus into the role of the African Development Bank Group in providing multinational infrastructure investment will be given in the following chapter, however, at this juncture the role of foreign aid in promoting regional integration will be examined.

Foreign aid tends to be issued in Africa on a bilateral level, with funds distributed for specific projects. The regional integration process is denied the opportunity to realize much of its potential in the West Africa region as a result of insufficient foreign aid to multinational infrastructure development. Between 1972 and 1980 the breakdown of foreign aid to multinational projects in West Africa has been;

1. World Bank Group $128.5 million ($60 million of which went to a cement plant project in 1976)
2. Commonwealth Development Corporation $0
3. European Development Fund $18 million (all of which went to the cement plant project in 1976)
4. European Investment Bank $25.9 million (the cement plant project - 1976)
5. Kuwait Fund $73.6 million
6. BADEA $32.6 million
7. Caisse Centrale de Cooperation Economique (CCCE) (France) $8.78 million (cement plant project - 1976).[80]

The paucity of these funds betray the lack of commitment on the part

of foreign aid organizations to provide the necessary capital for multinational infrastructure development. As described by Reginald Green in his study of economic cooperation in Africa;

> "...refusals to provide economic assistance in support of multinational projects and decisions not to invest in regional market based industry can either prevent the formation of multinational economic groupings or limit them to purely formal existence without significant substance."[81]

6. Different monetary zones

With the ratification of all the West Africa states to the Lome Convention and European Economic Community trade preferences offered to each state, African Association with the EEC is not as injurious to interstate cooperation as it was when only select states enjoyed EEC preferences. The divisions between states that has endured and continues to be a barrier to economic integration in West Africa is the separate monetary zone associations of each of the different states. Franc zone association has tended to unite the francophone West African states (not counting Guinea and Mauritania), but has created difficulties on currency exchange with the non-franc zone countries of the region.

Issued by the Banque des etats de l'Afrique de l'ouest (BCEAO), the CFA (communaute financiere africaine) franc is the single currency for the franc zone states. The currency is fully backed by the French treasury, which provides the BCEAO with overdraft facilities.[82] Exchange between states is effected on the Paris market, where reserves are held on the richer states to offset deficits incurred by the poorer states.[83] This system allows for easy exchange to be conducted between member states, with balance of payments accounts centrally managed to permit bilateral and multilateral exchanges within the

community. One of the principle drawbacks of the franc zone for the West Africa states is the loss of sovereignty over national monetary policy and weakened control over foreign reserves. This loss of sovereignty over national policy and weakened control over foreign reserves was calculated by French policy makers when the franc zone was first established;

> "A French Minister of Finance and Economic Affairs has candidly declared that the franc zone was originally created with a clearly defensive character, conceived essentially for the profit of a metropolis which assumed, at the same time, in an authoritative and centralized fashion, all the responsibilities of a geographically heterogeneous and dispersed group."[84]

The French dominance of the monetary policy and foreign exchange earnings has sustained throughout the history of the franc zone. Dominance is maintained by the French through the West African Monetary Union (UMOA), the policy making body of the franc zone. Representation on UMOA is divided into two-thirds for African governors and one-third for the French government, but it should be noted that all policy decisions require a three-fourths majority, thereby, assuring the French veto power on UMOA.

Commonwealth association in the sterling zone does not involve the same level of foreign control as the franc zone. African sterling area states have complete control over their foreign exchange earnings, and in fact, the Commonwealth does not have a constitution nor is it organized into a centralized federation.[85] The problem that these two currency zones present, with respect to regional integration efforts, is that it is difficult to clear currencies between the franc and sterling zone. Commonwealth states are able to control their currency accounts individually, while franc zone states have their

currency regulated by a larger monetary union. The convertibility of these two currencies should make exchange between monetary zones fairly simply, however, the separation of accounts and the balancing of payments in the franc zone makes coordination difficult. One of the functions of the Association of African Central Banks and the West African Clearinghouse will be to coordinate the smooth exchange of currencies between the various states of the region and to keep accounts of balance of payments within the region. These two organizations offer hopeful signs for overcoming the constrain to regional integration of poor monetary exchange between the franc and Commonwealth zones.

C. Social Constraints

1. Differences in language, ethnic indentification, religion

The internal divisions of language, ethnic identification and religious affiliation within member states of West Africa could be exploited to establish inter-territorial links. As mentioned previously, when discussing the social homogeneity of a regional community, differences on these variables in West Africa, can be unifying forces on a regional scale, while being disintegrative on a national scale. In West Africa where there are numerous minority groups within nations, internal disintegration within separate nations can (and has occurred) occur. Minority groups that face an oppresive national regime would tend to be supportive of initiatives toward regionalism, since it would diminish the presence of nationally dominant factions. To the extent that minority groups serve this function, differences within nations are positive influences on the integration process. To the extend that differences across borders fortify

nationalism, or overemphasis language, ethnic and religious identification, these subgroups constrain the integration process.

The disintegrative potential of language differences in West Africa has recently been addressed by several West Africa states. These countries have begun bilingual education programs that will insure that future generations will be able to communicate in French and English. The volatility of the other variables makes prediction of their influence on the integration process unsure. In some instances the connective ties of ethnic groups and religious denominations across borders aid the process, while in other instances they produce clashes between groups, and thus, hinder the process. In short, the various subdivisions in West Africa will have to be viewed as "double-edged swords" that can be injurious or beneficial to regional integration.

2. Differences of administrative apparatus evolved from colonial era

The differences of administrative organization between francophone and anglophone West Africa states can produce difficulties in cooperation between member states within a community. This is an extension of the problem cited earlier between states of different monetary zones. The bureaucratic systems and accounting practices of the individual states have been inherited from the former colonial system, and therefore, conflicts between the French and British structures are highlighted when the African states attempt to integrate their operations.[86] This constraint appears to be a technical problem that could be resolved through joint consultation between bureaucrats from the francophone and anglophone states. Organizations, such as the Association of African Central Banks

and the West African Clearinghouse are already confronting this problem in the areas of monetary policy and intraregional currency exchange.

The political, economic and social constraints to regional integration in West Africa that have been enumerated have all played a role in delaying the process of integration. Some of these barriers have been addressed by African leaders, who have been careful to insert protections and special clauses to regional integration agreements, in the hope of overcoming these problems early in the process. The commitment to overcome constraints to regional integration has been based on the desire of most African leaders to realize fundamental changes in their underdeveloped economies; changes that will lead to industrialization.

Integration has been attempted at various levels, in an effort to arrive at an effective formula for achieving positive change for the region. These levels have included integration around a political agenda, as in the Organization Comune Africaine et Mauriciene, which represented the African states that first negotiated with the European Economic Community (EEC) for Associated Status to the EEC. Some integration schemes have been wholly in the area of trade and finance, as in the West African Economic Community (CEAO), which coordinates trade and, under the BCEAO, issues the CFA franc to the franc zone states. Another level of integration that is common to the West Africa region is the sectorally based regional organizations. These organizations have included the African Groundnut Council and the African Society for the Development of Millet and Sorghum Based Food. The mission of these organizations is specific and is analogous

to the multisectoral organizations, which include river basin commissions the lake commissions, and other regional authorities, such as the Liptako-Gourma Region Integrated Development Authority. Each of these levels of integration are being applied in the West Africa region. The only level of integration that is specifically trying to integrate the economies of the various states of the region into a unified economic community is the trade and finance organizations. As there are several levels of integration, there are several forms of economic integration followed by regional trade and finance organizations.

IV. Forms of Economic Integration

A. Laissez-Faire

A common market based on a laissez-faire policy by the member states involves the free movement of factors and the erection of a common external tariff. The only regional organization that follows this policy in West Africa today is the Mano River Union, which includes Liberia, Sierra Leone and Guinea. These types of regional organizations have had a poor success record in the Third World, due to the uncontrolled flow of benefits resulting from a laissez-faire policy. Freeing trade, by removing national barriers and setting a common external tariff, tends to enhance inequitable distribution if applied the same way to all member states of a union.[87] It has been noted that the West Africa region suffers from great economic disparities between states. Applying a common market based on laissez-faire economics between most states in the region would create even larger disparities. Larger benefits would inevitably go to the

more developed states because;

1. a more varied production structure enables them to more easily exploit intra-regional trading opportunities,

2. they possess more attractive sites for new industry.[88]

Perhaps more importantly than the loss in trade flows and industrial development for the weaker partner states, is the potential loss of revenue from import duties as a consequence of the common external tariff.

Partner states in a laissez-faire economic grouping could be faced with absorbing costs as a result of a common external tariff, to the extent that they are bound to purchase higher cost items within the tariff barrier (trade diversion).[89] Although this is a real cost that is not compensated for in a laissez-faire economic union, the major concern of the weaker member states is the losses realized from reduced revenues from import duties. Recalling the data from Table 6, several countries in the West Africa region are heavily dependent upon revenues from import duties for foreign exchange. The common external tariff (CET) tends to discriminate against outside imports, and therefore, curtails the volume of revenue from import duties.[90] The purpose of the CET is to increase interstate trading by alienating outsiders. This policy would tend to benefit the major suppliers of the region, which would generally be the larger states. Given this scenario, the CET would further imbalance the economies of member states by giving additional revenues to the richer countries, from their increased volume of trade, and denying the poorer countries of their prior revenues, by curtailing their volume of revenue from import duties. It is clear that this arrangement would not hold the

interest of most West Africa states. The basic flaw in this policy, with respect to its application in West Africa, is that it lacks a strategy for redistributing the gains from economic union. Without assuring benefits to all of the participant states, the union is destined to fail. Recognizing this factor, the other regional economic organizations in West Africa have a strategy for re-distributing costs and benefits throughout the union.

B. Economic Union Based on the Equitable Distribution of Benefits

The major economic unions in West Africa, such as the Entente Council, the West African Economic Community (CEAO) and the Economic Community of West African States (ECOWAS), have redistribution factors within the structure of their union. These economic unions' have the basic features of a laissez-faire economic union, i.e. free trade and factor flows and a CET, however, they also have special funds. These special funds are contributed to by the richer member states, to compensate those states that absorb costs from their participation in the union. These losses often include trade diversion costs and lower revenues from import duties. It is assumed that certain member states are benefiting at the expense of others, and therefore, should be willing and able to contribute to a redistribution fund. It should be noted, however, that in most cases the redistribution is of the type where the poor are subsidizing the poorer. An additional point to consider when trying to determine how redistribution should be structured is, how does one measure the benefits of integration and how does one decide on a formula for taxing states to contribute to the redistribution fund?

Before examining how benefactors should be taxed, let us consider

all the factors that might measure the costs and benefits of economic integration. The following list of factors include the variables that most policy makers study prior to entering an economic community:

1. impact on trade flows
2. level and structure of production
3. balance of payments
4. revenue (import duties, export commodities)
5. growth rates.[91]

It is difficult to gauge the impact that integration will have on these variables prior to formally entering into an economic community. Nations that are cautious tend to look at these variables for the slightest change, as a reference for choosing between regional community or autonomy. Aside from these basic indicators, national policy makers try to estimate the extent of trade creation or diversion that union is producing.[92]

The basic concepts of trade creation and trade diversion have been explained under the section on traditional neo-classical economic theory. As indicated previously, these two variables are not easy to measure prior to actual participation in an economic community. Once in an economic grouping, it is clear that trade diversion (member states pay higher cost for goods within tariff than they would have paid for foreign imports) can have a strong disintegrative effect. A nation that realizes the costs of trade diversion, and is not compensated, will not remain in the economic community very long.[93] Trade diversion can be measured by variation in cost between internal community prices and foreign import prices. Trade creation can similarly be measured.

Trade creation (high cost industry in each country being displaced by low cost competitors in other members of the union),[94] can be noticed by the increase in trade among members of a grouping. Trade creation leads to specialization in industry, which can provide lower costs for consumers.[95] The problem with specialization that results from trade creation is that it does not control for the concentration of industry in developed centres. To the degree that specialization is over concentrated in certain growth poles, trade creation can product "backwash" effects in a regional community.

The ideal outcome of an economic community is that each member state realizes the benefits of positive "spread". Spread refers to the increasing output and specialization of industry in the member states, which results from the larger market size of a regional community and the benefits of economies of scale. In industrialized regions, such as Europe, integration produces positive spread effects. This appears to occur because benefits are being distributed through existing industrial centres in the member states. In West Africa, where industrial centres are few and modest is size, positive spread is not achieved, but instead, "backwash" occurs.

"Backwash" refers to the tendency for investment and industrial development to concentrate in a select number of regional "growth poles", which leaves the outer areas underdeveloped. The tendency for this to occur is due to the limited infrastructure in the region and the concentration of existing infrastructure in select regions. The Economic Commission for Africa recognized this problem when first studying the potentialities for regional economic integration in West Africa;

> "Economic integration in Europe seeks to fuse existing industrial economies...in Africa, economic cooperation is not designed to integrate existing industries, but rather to build them."[96]

The imbalances that "backwash" effects produce can cause disintegration within an economic community. There are certain controls used by economic unions to alleviate the pressures from back-wash. In addition to the use of redistributive funds for investment in underdeveloped member states, they can use a combination of fiscal incentives and controls on industry. This does not correct for existing imbalances in infrastructure and industry location, but it does serve to redirect future investment and industrial expansion.

Having examined the measures of cost and benefits in an economic union, it is clear that gains and losses can be tabulated for each member state. It is already understood that a laissez-faire policy toward imbalances caused by integration is not a tenable policy option; redistribution is required to insure that, at least, no member is worse off from entering the union. The problem that arises is not whether benefits should be shared among states, but rather, how are contribution levels to be decided for the richer states to pay to a regional fund.

This problem opens the question of balance between member states. It could be argued that benefits from integration should be redistributed equally among the states. The weakness with this position is that it does not account for the relative size and wealth of the various states. In light of the flaw of this approach another formula for redistributing benefits would be to set contributions in relation to the size of a states population. Using this approach, a poor state, such as Mali, with a large population would be commited to making a

large contribution. Obviously, using just population size as a criteria for measuring contribution levels is not an effective strategy. A third balancing formula is to compute contribution levels in relation to the size of a states national income. Economic communities, such as ECOWAS, use a combination of this formula and per capita income to determine state contributions to the fund.[97] These various approaches attempt to balance benefits within a regional community. Other commonly used redistributive formulas have included a "single tax", as in the Customs and Economic Union of Central Africa, and the regional distribution tax (TCR), used by the West African Economic Community (CEAO).

Single Tax (taxe unique)

The "taxe unique" of the Customs and Economic Union of Central Africa attempts to increase regional trade, by reducing the tax burden on industry, in addition to redistributing gains, by applying differential tax rates on products (depending on the country of origin where they're produced). The terms of the "taxe unique" require the abolition of all indirect taxes on raw materials and other goods used in production, in favor of a single tax on the final product, paid at the point of consumption.[98] This taxing system provides an incentive for the development and expansion of intermediate industries, with inputs to production being free from taxation. The successful operation of this program would allow for the development of viable import substitution industries, in addition to facilitating greater trade links of manufactured goods in the region. One of the redistributive elements of the tax is that it "operated like an excise tax and proceeds were allocated according to consumption (tax was due

from the moment the goods left the factory)."[99] Under this arrangement, industry is subsidized by lower tax rates, and the purchasing state is subsidized through the distribution of tax revenues (compensating for any trade diversion). Another redistributive element of the "taxe unique" system, which aids the weaker industries of the region, is the differential tax rates on products, based on the country of origin where they were produced.

Poorer member states were allotted lower tax rates on their products than the more wealthy competitors. An example of how this taxing system worked as a balancing formula in the regions industrial trade is given by Beverly Watson;

> "Bicycles are assembled in both Cameroon and the Central African Republic. The Cameroon firm pays 15 per cent tax irrespective of where they are sold, while the other firm pays 15 per cent on its homes sales but only 11 per cent on items sold elsewhere."[100]

This taxing system directly addresses the disintegrative influence of "backwash", with respect to existing national industries thrust open to regional competition. Participation by the industries of the various member states in this tax system has been high, with over 90% of intra-UDEAC trade consisting of single tax products.[101]

Among the drawbacks of the "taxe unique" policy of the Customs and Economic Union of Central Africa is that it does not influence the location decisions of new industry. Those that invest in new industries are more concerned with fiscal incentives, such as tax holidays related to their investment, and sound infrastructure and other area amenities,[102] than they are in tax benefits realized after production is completed. The problems of "backwash" can still be produced by industry locating in the regional growth poles. The

only apparent means of addressing this problem would be to establish a regionally based, decision-making body that would allocate industries in the region. A variant of this idea would be to have a regional development bank, such as the African Development Bank, invest in infrastructure and industries in the weaker states (the role of the African Development Bank in this area of development will be discussed more fully in the following chapter). Absent this form of intervention, the imbalances caused by "backwash" will have to be endured in the economic unions of West Africa. It is not certain that the problems related to the imbalances caused by "backwash" will not ultimately, have a disintegrative effect on the economic groupings presently functioning in West Africa. Other redistributive strategies have not effectively dealt with the problem of "backwash" within their economic communities, with industrial investment by the special funds proving to be insufficient.

Regional Distribution Tax (TCR)

The regional distribution tax (TCR) that is used by the West African Economic Community is similar in its structure to the "taxe unique". As with the "taxe unique", the TCR replaces all indirect duties on products used in production originating in the community.[103] The TCR is lower than the total amount of duties payable on similar products imported from non-community importers, thereby, supporting the purchase of regional products. The TCR is also similar to the "tax uniuqe" in that rates vary according to product origin, as a device to balance benefits among the weak and strong producers. It should be noted that the TCR is supplemented by a tax refund system;

"Countries exporting industrial products are required

> to contribute to a Community Development Fund (FCD) which refunds to the countries importing Community industrial products the equivalent of two-thirds of the loss in budgetary revenue caused by the intra-Community preferences. During an initial period, the remaining one-third of the overall tax loss will be earmarked by FCD for investment in the relatively less advanced countries members of ECWA (West African Economic Community-CEAO)."[104]

This fund serves the dual function of compensating the poorer states for losses in revenue caused by community trade preferences and tackling the imbalances caused by "backwash" through their investments in relatively less developed member states.

The TCR possesses the same drawbacks as the "taxe unique", despite the investment fund. The funds that the community has at its disposal (5,000m francs CFA as initial capital, with an annual supplement of 1,500m francs CFA),[105] are not sufficient to counterbalance the tendency of new industry to locate where the economic and social climate is best; at the growth poles. Additional capital is required to effectively meet this problem (i.e. African Development Bank, World Bank, BADEA, etc.). Beyond these sources of capital, a larger economic union would offer promise in amassing additional capital for redistribution. The most ambitious attempt at economic union in West Africa has been the Economic Community of West African States.

V. Chances for an ECOWAS Success Story

The ECOWAS community includes more West African states (fifteen) than any other economic union in the region. These states include those within the franc zone and the sterling zone, socialist and capitalist oriented governments, in addition to states from the three

European language groups; French, English, Portuguese. The ECOWAS community overlaps three existing economic unions, the Entente Council and Mano River Union, CEAO. These other unions continue to function as economic unions, although, based on the provisions of the ECOWAS Treaty signed in 1976, ECOWAS supercedes all other regional agreements signed by ECOWAS members.[106] The ECOWAS community is also distinguished as an economic union in West Africa by the number of institutions that have been established to implement the integration program of the treaty.

Recalling the neo-functionalist theory of regional integration, it was postulated that the establishment of a sound integrative process was dependent upon the development of regional institutions that would bring together technicians and governmental bureaucrats from the member states. The basic premise of this perspective was that greater cohesion and interdependency between states could be achieved by bringing technicians and bureaucrats from member states together in a cooperative effort. It was further suggested that authority would begin to transfer from the local to the regional as decisions, infrastructure and manpower shifted to the regional institutions. The federalist perspective, of course, would have viewed the creation of a regional institution, with any measure of authority, as being a positive influence on the integration process. The institutions of the ECOWAS community, with their responsibilities defined and technicians available from the member states to carry them out, are a positive influence, in the neo-functionalist/federalist mold, on the integration process in West Africa. Aside from the integrative force of the ECOWAS institutions, the functions of the

separate commissions help to coordinate relations between states, and perhaps more importantly, maintain economic balance between states, in addition to enhancing economic links between states.

Before examining the specific functions of the individual ECOWAS commissions and how they work toward achieving greater regional integration in West Africa, it should be pointed out that one of the initial moves of the ECOWAS Treaty to balance costs and benefits between states was the gradual implementation of the treaty provisions. This approach allowed the member states the time they needed to adequately plan their economies for the changes that the treaty called for, in addition to permitting states a time table for gradually entering into the economic union. The deliberate, incremental move toward economic union also offers the states an opportunity to make a fuller assessment of their costs and benefits, in addition to providing ECOWAS the time to calculate compensation to the states or possible changes in the treaty provisions. A review of the ECOWAS Treaty aims and objectives and the stages of implementation should present a clearer picture of the accomodations being offered to the states entering the union:

Aims and Objectives

1. elimination of customs and similar duties between member States
2. elimination of other restrictions on trade among members
3. establishment of common customs tariff (CET) and commercial policy toward third countries
4. members undertake to remove obstacles to free movement of factors (labor, capital, services)
5. harmonization of agricultural policies and promotion of joint projects in agricultural marketing, research and agro-industry

6. joint development of transport, communications, energy and other infrastructure

7. harmonization of monetary policies

Schedule of Implementation

1. fifteen (15) years transitional period for establishment of customs union

2. customs and similar duties (with agreed exceptions) may not be increased within the next two (2) years

3. within eight (8) years after freeze of customs duties, members are to reduce and ultimately eliminate import duties against each other

4. after the eight (8) years and during the subsequent five (5) years, members will adopt a common customs nomenclature.[107]

Reviewing the aims and objectives of ECOWAS, it is clear that their goals are similar with CEAO and the Customs and Economic Union of Central Africa. ECOWAS has the same basic clauses as the other two prominent unions (elimination of trade barriers, CET, eliminate duties between states, joint infrastructure development and harmonization of agriculture and monetary policy). ECOWAS also has a redistributive formula for balancing benefits between member states. The formula used by ECOWAS, however, is different from the "taxe unique" of the Customs and Economic Union of Central Africa and the TCR of CEAO.

The formula for determining contribution levels for member states of ECOWAS entails a coefficient of the national GNP and per capita income. The actual calculation is as follows:

> The budget is derived from a coefficient calculated as one-half of the ratio of the gross national product of each member state to the total gross national product of all member states, plus one-half of the ratio of the per capita income of each member state to the total per capita income of all the member states.

The balancing effect of this formula is realized by placing less weight

on the relatively poor and more on the relatively rich. For example, the poorer states, which have large differentials in GNP and per capita income with the wealthier states (i.e. 10:1) would pay one-half of a very small number. Carrying this same logic to the wealthier states, with ratios of 2:1, 3:1, or even 1:3, they would pay one-half of a much larger number. Based on this redistribution strategy, Nigeria, with close to 60% of the regions gross national product and a moderate level of per capita income ($670 in 1979, compared to Ivory Coast's $1,060 in 1979),[108] would pay a significant proportion of the redistribution fund, while a poor state, such as Cape Verde, would probably pay almost nothing at all. Of the 1979 paid up capital of the fund, in fact, Nigeria was the major contributor.[109] The ECOWAS formula does not, however, address the issue of "backwash" or industrial output, as the "taxe unique" and TCR do. The problem of "backwash" and the related difficulties of industrial imbalance is confronted by the commissions of ECOWAS.

The Industry, Agriculture and Natural Resources Commission is responsible for developing a "uniform industrial climate" in the region and "to avoid rivalry and waste of resources."[110] This commission is also charged with making recommendations about the harmonization in exploitation of natural resources. In the field of industry, the Commission will serve as a depository of feasibility studies and similar reports on industrial projects in the territory. They will attempt to coordinate cooperation between states that have overlapping interests, and in fact will sponsor joint industrial studies and projects. The Commission's limited in its ability to cut down on duplication and, through joint industrial development,

create industrial centres that are beneficial to member states. These activities of the Commission are not viewed by the ECOWAS states as the panacea for remedying the problems of industrial concentration in the wealthy states, but they are seen as offering a central location for debating the issues of industrial location. As in the other economic unions, capital investment in setting up industry in the relatively poorer states, is recognized as the only real effective means to overcome the problems of "backwash". ECOWAS, like their counterparts, has a development fund to invest in industry in its relatively poorer states.

The Fund for Cooperation, Compensation and Development operates in much the same manner as the redistribution funds of the Entente Council, CEAO, and the Customs and Economic Union of Central Africa. The Fund receives its' budget from contributions from member states (unlike the "taxe unique", which obtains funds from industry), although it is prepared to secure monies from "income from community enterprises, receipts from outside the community and subsidies and contributions from all other sources."[111] The purpose of the Fund is to balance benefits between states, by compensating states that lose revenues, as a result of entering ECOWAS, and investing in community projects in the less developed member states. Isolating the relatively poor member states is accomplished by looking at gross national product and per capita income data for the individual states. Measuring losses is typically done by accounting for lost revenue from import duties or the absorption of costs resulting from trade diversion, although there are some data that may mis-portray the economic standing of a country.

It is commonly believed that the inter-territorial flows of workers out of Mali and Upper Volta into Ghana, Senegal and the Ivory Coast are injurious to the development potential of Mali and Upper Volta. Most typically cited, after considering the loss in labor supply, is the loss in national savings resulting from the drain of paid workers in the country. Unless the Fund took the time to look below this basic data, they would not realize the gains obtained by Mali and Upper Volta in the remittances of workers salaries back to the home country. Table 7 gives an indication of the degree of financial gain realized by Mali and Upper Volta:

Table 7: Workers' Remittances in Selected West African Countries, 1970 - 1974 (US $ millions)

Country	Amount Received	Amount Sent Out	Net Receipt
Gambia	n.a.	7.9	- 7.9
Ghana	n.a.	35.9	- 35.9
Ivory Coast	18.8	502.3	-483.5
Mali	44.6	n.a.	44.6
Senegal	32.1	111.8	- 79.7
Togo	n.a.	21.0	- 21.0
Upper Volta	137.0	26.3	110.7
Net Gain			153.3
Net Loss			-628.0
Total	232.5	705.2	-472.7

n.a. Not Available

Source: Migration in West Africa: Demographic Aspects, K.C. Zachariah and Julien Conde.

This data is not to suggest that Mali and Upper Volta are enjoying absolute benefits from uncontrolled migration, nor is it now being argued that they would do better to curtail immigration. The point here is that the Fund has a difficult task in assuming cost figures

for nations, which makes the allocation of compensation funds a difficult task. Beyond compensation to the states for lost revenue and absorbed costs from integration, the Fund can easily assertain which states are the poorer members when they try to decide where to invest in community projects. The investment in projects in the poorer member states, however, is not the only activity that the Fund uses to balance development between states.

The fund provides guarantees on foreign investment in ECOWAS states, with an emphasis being given to the relatively poorer states. By offering guarantees to foreign investors in the poorer states, the Fund is enhancing the investment potential of the poorer states. Should this increased attractiveness of investment in the poorer states translate into heavier industrial investment in these areas, the Fund would have made a significant contribution to balancing development between states and eliminating the disintegrative effects of "back-wash". It should be pointed out, before leaving this issue, that the Fund also tries to mobilize internal and external finance for members and the community. This feature provides ECOWAS with a unified voice abroad, in its attempt to secure additional capital for development. To the extent that the Fund can amass a significant level of external finance and use it to invest in industry in the poorer states, ECOWAS will be able to begin working on the problems of imbalance between states. One of the more immediate tools that ECOWAS is applying to reduce imbalances between states is being carried out by the Capital Issues Committee (CIC).

The most promising effort of the CIC in dealing with imbalances within the community in industrial development is its activity in

harmonizing interest rates within ECOWAS. With interest rates set uniformly throughout ECOWAS (and other monetary policies harmonized by the Trade, Customs, Immigration, Monetary and Payments Commission), the cost of money for investment would be equal throughout the region. This policy would have the potential for equalizing investment between states, although other investment criteria (infrastructure, labor availability, etc.) would continue to be biased to the wealthier states. Beyond this constraint, equalized interest rates would allow entrepreneurs throughout the region to seek financing for business enterprises, which would have the dual effect of increasing entrepreneual activity in the traditionally less active states and heightening investment activity on the part of lending institutions. The equalization of interest rates is an objective of CIC, however, they lack the authority to mandate uniformity from the ECOWAS member states. The extend of compliance on the part of member states will, hopefully, be enhanced by the wide representation of states on the CIC (one representative from each state).[112] Absent of state compliance of CIC recommendations, the CIC will be unable to enforce its policy for interest rates. Although this is a weakness which the CIC will be forced to confront, CIC is able to facilitate greater investment activity between states, through its work on West African stock exchanges.

One of the functions of CIC is to maximize the exchange of information about stock quotations and share issues in the member states and to establish a timetable for the removal of controls of movement of capital between states.[113] This will allow for the interlocking of capital markets and stock exchanges within West Africa,

and increase the level of investment between states in the region. One of the major attractions of this policy is that it broadens the pool of entrepreneurs that would be investing in many of the member states. This variable is similar to the one that considers the benefits of a wider community realized from tapping a wider pool of African technicians and professionals operating in the member states. An important factor to consider in this policy of ECOWAS is that once controls on the movement of capital between states are removed, the CIC requires little authority to implement the exchange of information on stock quotations and share issues. This feature of this policy makes the implementation of it by CIC less challenging than that of the equalized interest rates. Another ECOWAS commission that handles economic and fiscal policies of the ECOWAS community is the Trade, Customs, Immigration, Monetary and Payments Commission.

The long range objective of the Trade, Customs, Immigration, Monetary and Payments Commission is to harmonize the economic and fiscal policies of the community. This Commission lacks the authority to implement any harmonization policy, however, its representation does include governors and other representatives of central banks in the region, which should give their recommendations an aire of technical expertise and national detachment. Given the extended timetable for the implementation of the ECOWAS program, the harmonization of economic and fiscal policies appear to be goals to be realized in the far distant future. More immediate operations of the Commission concern its activity in the West African Clearinghouse and its regulation of the CET.

When discussing the constraints to regional integration in

West Africa, one of the variables listed was the problem of payments between monetary zones. It was pointed out how the franc zone states had their monetary policies and balance of payments accounts controlled by BCEAO, which made exchange with sterling zone states awkward. The West African Clearinghouse, which is operated by the governors and other officials of the region's central banks, serves as a go between for the franc and sterling zone states, in addition to those that maintain a non zone related currency. In this function, the West African Clearinghouse, facilitates the settlement of accounts between ECOWAS member states. The ability of this institution to perform this function is a consequence of the mixed franco-anglo participation within the organization. Information on balance of payments between states is available for all the states, thereby removing the burden from national governments, that had to struggle to piece together information when trading outside of their zone. In this respect, the West African Clearinghouse is performing a vital function in aiding the integration process of ECOWAS. The Trade, Customs, Immigration, Monetary and Payments Commission plays a vital role also by insuring that only African producers realize the benefits of the economic union.

Many of the member states of West Africa fear the potential ill effects that regional competition can produce on their national industries. Although some of the poorer states fear the competition that their industries will face from larger, wealthy African competitors, all the member states are anxious about the possibility of large transnational corporations devouring African industries, if given a regional market. To protect against this possibility, the

ECOWAS Treaty has narrowly defined the benefactors of the CET. The Trade, Customs, Immigration, Monetary and Payments Commission safeguards against the misues of the ECOWAS CET.

ECOWAS protects against the use of the CET by transnational corporation through its definition of "rules of origin" for goods subject to CET treatment. The rules on product origin are;

1. must be wholly produced by enterprises whose headquarters are located within the ECOWAS community, and

2. of whose equity at least 51% is held locally and at least one-half directors represent member states.[114]

The commission, in applying these two rules on product origin, establishes closure of the community to include only African producers. This insures that the benefits of the ECOWAS are realized by only the member states and not diverted beyond the community.

The establishment of regional institutions to carry out the ECOWAS program has been a positive influence on the integration process in West Africa. These institutions have brought together technicians and bureaucrats from the member states in a cooperative effort toward regional integration. The gradual implementation of the treaty has also had a positive effect on the integration process. The concerns and apprehensions of member states have been eased by allowing them time to restructure their economies and to make a fuller assessment of their costs and benefits. The aims and objectives of ECOWAS have followed a similar pattern of other successful economic unions in Africa (CEAO and UDEAC). The aims and objectives appear to be more attainable for ECOWAS than for the other economic unions, because of the various commissions of ECOWAS. Without a doubt, the commissions are limited in their ability to implement their policies, however, they do form

a basis for incremental accretions of authority to be made to the regional level. Despite all of these advantages of the ECOWAS program, there are fundamental gaps in ECOWAS that constrain the integration process in West Africa.

VI. Gaps in the ECOWAS Program

The problems of imbalances between states in the area of industrial development caused by "backwash" that the other economic unions have faced are not effectively dealt with by ECOWAS. The compensation fund that is used to redistribute benefits and invest in industrial development in the poorer states is undercapitalized. In 1979, the paid in capital was $32 million, which is insufficient for industrial investment in all of the poor West Africa states. The compensation fund ultimately translates into a formula for the poor to subsidize the poorer. Without additional capital with which to invest, the ECOWAS is impotent at dealing with the problems of "backwash" through investment policy.

Another approach to reducing imbalances in industrial development is to have a central authority control the location of new industry in the region. This approach is beyond the scope of ECOWAS, and has not been attempted by the other West African economic unions. Given the absence of a central body to control the location of new industry, the investments of a regional development bank, like the African Development Bank could be tailored to redirect new industry toward the lesser developed states. The African Development Bank could further advance the ECOWAS program by investing in multinational projects and interstate infrastructure (transportation, communication, etc.).

The limited interstate infrastructure in West Africa is a barrier to intra-Africa trade in the ECOWAS community. Major roads and rail links between states are not fully developed, with most infrastructure still resembling the colonial pattern of export trade. ECOWAS needs investment institutions, like the African Development Bank, to develop interstate infrastructure. The capital of the economic unions is too small to fill the gaps of industrial imbalances and poor interstate infrastructure. The African Development Bank, in addition to foreign aid from development agencies, is needed to make regional integration in West Africa a reality. The following chapter considers the role of the African Development Bank in promoting regional development in the ECOWAS Community.

APPENDIX I

E/CN14/STAT/SerA/21, 23, 25

Direction of Trade within ECOWAS Community

Senegal
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Mauritania	-	11	1,292	1,450	1,674	1,866	6,365	-	10,285	13,874
Benin	20	322	791	169	1,118	833	2,264	-	3,281	4,189
Mali	60	54	73	92	1,908	4,066	3,884	-	8,595	7,374
Ivory Coast	8	937	1,301	430	5,244	3,659	10,604	-	10,922	16,189
Upper Volta	3	-	24	19	361	260	305	-	537	548
Niger	-	167	85	589	800	800	2,407	-	230	305
Guinea	401	135	136	235	215	527	634	1,358	1,137	1,048
Sierra Leone	107	45	343	326	332	1,139	790	-	1,079	1,280
Liberia	61	60	192	268	247	376	413	-	434	549
Ghana	32	16	111	170	77	48	292	356	145	185
Togo	352	228	407	361	365	448	284	320	705	874
Nigeria	200	238	111	58	61	127	858	-	606	496
Gambia	240	63	42	94	105	149	225	57	124	148
G Bissau	-	-	-	29	-	-	-	-	-	-
AFRICA	8,370	7,887	12,054	9,408	18,952	23,096	35,400	5,660	44,282	53,876

NOTE:

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
EQ Customs Union	1,410	514	1,435	826	883	1,105	1,249	-	1,869	2,471
South Africa	971	1,383	1,576	1,012	860	136	30	-	-	-

NOTE:

Ivory Coast and Mauritania largest ECOWAS importers of Senegalese products. (Mali and Benin have acquired access to Senegalese products.

E/CN14/STAT/SerA/21, 23, 25

Direction of Trade within ECOWAS Community

Niger
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Mauritania	5	1	1	-	-	1	-	5	-	34
Senegal	705	177	45	50	67	57	41	53	38	200
Mali	121	226	205	16	21	32	45	50	686	240
Ivory Coast	114	423	668	487	472	803	1,272	948	1,188	645
Upper Volta	84	183	278	205	581	482	436	184	418	687
Benin	156	463	730	700	999	743	1,344	1,706	575	1,218
Guinea	-	-	2	-	-	-	-	-	-	-
Sierra Leone	-	-	-	-	-	-	-	-	-	-
Liberia	-	-	-	-	1	2	2	-	-	-
Ghana	373	264	555	427	365	590	840	431	348	677
Togo	55	39	107	64	145	144	486	331	190	98
Nigeria	5,122	6,425	6,066	5,262	5,623	3,898	6,256	9,817	14,942	13,035
Gambia	-	-	-	-	-	-	-	-	-	-
G Bissau	-	-	-	-	-	-	-	-	-	-
AFRICA	6,846	9,082	8,967	7,347	8,388	6,954	10,963	13,826	18,973	17,436

E/CN14/STAT/SerA/21, 23, 25

Direction of Trade within ECOWAS Community

export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Mauritania	5	112	-	26	78	276	439	-	194	180
Senegal	4,178	7,438	-	8,711	9,104	8,742	10,371	8,448	13,192	15,664
Mali	1,584	1,628	-	2,216	2,565	2,404	2,889	4,851	9,011	15,310
Upper Volta	2,564	2,123	2,154	4,507	4,651	5,562	5,320	5,243	9,344	17,429
Benin	501	591	702	987	1,092	1,941	1,729	-	2,663	3,207
Niger	702	767	1,024	1,737	1,140	1,298	1,803	1,833	4,517	4,486
Guinea	27	102	12	3	8	9	3	-	-	-
Sierra Leone	3	17	25	366	95	146	146	-	-	-
Liberia	64	356	155	232	502	496	381	-	-	-
Ghana	93	157	120	162	324	262	727	-	-	-
Togo	351	266	245	391	521	553	529	-	1,066	1,361
Nigeria	456	275	475	626	869	1,485	1,572	1,268	634	1,329
Gambia	-	-	-	-	-	-	-	3	3	4
G Bissau	-	-	-	-	-	-	-	-	-	-
AFRICA	28,324	26,629	38,427	32,576	37,581	38,866	36,999	26,998	62,102	104,239

NOTE:

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
EQ Customs Union	484	364	452	866	974	1,696	1,451	-	-	-
Cameroon	345	444	420	482	964	1,016	1,295	-	2,219	2,690

E/CN14/STAT/SerA/21, 23, 25

Direction of Trade within ECOWAS Community

Upper Volta
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Mauritania	-	-	-	2	2	-	-	-	-	-
Senegal	23	41	3	29	33	35	3	13	17	21
Mali	772	628	617	428	542	341	497	627	1,034	1,504
Ivory Coast	3,705	7,272	8,141	8,851	11,368	8,338	6,140	6,480	9,209	12,564
Benin	323	296	329	250	152	71	45	52	9	23
Niger	183	77	304	287	249	272	101	162	165	181
Guinea	-	-	-	-	-	-	-	-	-	-
Sierra Leone	-	-	-	-	-	-	-	-	-	-
Liberia	-	-	-	-	-	-	-	-	-	-
Ghana	3,371	2,628	2,423	2,435	2,156	2,250	1,804	1,712	1,100	618
Togo	-	-	-	21	35	133	192	74	209	353
Nigeria	-	-	-	17	4	47	-	-	-	-
Gambia	-	-	-	-	-	-	-	-	-	-
G Bissau	-	-	-	-	-	-	-	-	-	-
AFRICA	8,327	10,942	11,817	13,598	14,959	11,735	8,950	9,120	11,743	15,564

E/CN14/STAT/SerA/21, 23, 25

Direction of Trade Within the ECOWAS Community

Mali
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Mauritania	53	195	161	96	108	76	-	529	-	-
Senegal	1,848	2,634	2,582	2,641	1,653	823	3,150	3,150	-	-
Ivory Coast	4,307	4,779	4,704	2,279	2,707	6,794	10,641	10,641	-	-
Upper Volta	405	1,923	991	349	213	445	973	973	-	2,885
Benin	18	-	-	-	2	-	55	55	-	-
Niger	40	179	206	94	16	35	710	710	-	-
Guinea	7	4	23	14	6	85	340	340	-	-
Sierra Leone	104	-	-	-	-	3	9	9	-	-
Liberia	233	89	72	64	79	212	68	68	-	-
Ghana	833	3,842	3,108	1,272	1,027	3,633	3,079	3,079	-	1,604
Togo	248	24	-	-	-	-	-	-	-	-
Nigeria	3	-	-	-	-	-	-	-	-	-
Gambia	-	-	-	-	-	-	-	-	-	-
G Bissau	-	-	-	-	-	-	-	-	-	-
AFRICA	8,294	13,938	11,847	7,048	6,042	12,346	20,025	20.025	-	4,792

E/CN14/STAT/SerA/21, 23, 25

Direction of Trade within ECOWAS Community

Nigeria
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Mauritania	120	-	1	-	10	-	-	4	-	59
Senegal	132	108	436	34	29	20	31	2,158	4,810	7,255
Mali	2	23	3	-	5	1	4	19	18	41
Ivory Coast	897	576	1,424	393	147	54	171	6,623	10,451	10,949
Upper Volta	5	2	3	53	2	1	1	1	45	21
Niger	139	63	401	701	588	70	9	247	1,716	3,238
Guinea	8	10	11	17	3	31	8	288	-	15
Sierra Leone	792	1,018	664	731	563	1,399	2,806	4,380	5,141	6,715
Liberia	125	133	500	217	420	64	552	145	311	468
Ghana	10,543	3,692	2,229	2,094	1,296	3,763	774	11,670	7,026	24,561
Togo	222	152	255	73	65	97	72	97	539	217
Benin	116	80	217	178	153	164	69	90	1,195	489
Gambia	34	41	60	60	48	29	24	21	14	28
G Bissau	-	-	-	-	-	-	-	-	-	-
AFRICA	20,951	10,946	12,866	7,874	17,147	8,439	8,815	27,196	47,843	69,218
EQ Customs Union	558	112	1,530	1,183	884	38	89	286	13,946	509

Direction of Trade within ECOWAS Community

Benin
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Mauritania	-	1	1	-	-	-	-	-	-	-
Senegal	-	203	71	182	410	729	-	667	676	1,254
Mali	-	-	-	-	12	-	-	-	18	-
Ivory Coast	-	83	156	72	236	118	-	150	322	160
Upper Volta	5	-	1	4	1	13	-	-	24	-
Niger	6	156	140	285	141	382	-	447	679	697
Guinea	66	-	22	-	-	-	-	-	3	-
Sierra Leone	-	-	-	-	-	1	-	-	2	-
Liberia	-	-	40	3	-	-	-	-	22	-
Ghana	1	2	61	81	45	99	-	333	100	1,000
Togo	256	314	847	826	1,324	524	-	547	850	881
Nigeria	187	311	514	686	1,233	3,539	-	2,055	1,631	-
Gambia	-	-	-	-	-	-	-	-	-	-
G Bissau	-	-	-	-	-	-	-	-	-	-
AFRICA	726	1,551	2,066	2,436	3,641	6,029	-	4,536	4,799	4,681

APPENDIX II

Type of Products Exported to Ghana from Largest Intra-African Trading States

Jan-Dec 1970

	US $ 1,000
Mali	
Bovine Cattle	3,746
Sheep, Lambs and Goats	42
Meat of Bovine Animals	53
Edible Offals	5
Other Fresh Meat Offals	3
Fish, Salted, Dried, Smoked	114
Upper Volta	
Bovine Cattle	2,094
Sheep, Lambs and Goats	441
Meat of Bovine Animals	3
Niger	
Bovine Cattle	876
Sheep, Lambs and Goats	77
Meat of Bovine Animals	3
Other Fresh Meat Offals	6
Fish, Salted, Dried, Smoked	2
Serums, Vaccines	5
Nigeria	
Bovine Cattle	23
Meat of Bovine Animals	64
Meat of Swine	5
Edible Offals	6
Preparation of Cereals	4
Tomatoes	2
Sugar Confectionery	2
Coffee Extracts	1
Tea and Mate	79
Food Wastes	154
Food Preparations	2
Cork, Raw and Waste	1
Crude Potash Salts	13
Petroleum, Crude	970
Lamp Oil, White Spirit	1
Lubricating Oils, Greases	761
Groundnut Oil	71
Other Organic Chemicals	1
Inorganic Acids	1
Other Metallic Salts	14
Serums, Vaccines	2

APPENDIX III

E/CN14/STAT/SerA/21, 23, 25

Ivory Coast export (fob) (US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Africa	28,324	26,629	28,427	32,576	37,581	36,866	36,999	26,998	62,102	104,239	
Europe	202,695	192,275	208,706	230,965	298,937	328,150	327,205	316,326	391,216	618,196	
America	61,065	43,486	53,682	45,951	64,918	67,477	89,740	77,317	79,432	96,874	
Asia	5,113	9,489	14,900	9,348	16,409	13,807	9,309	8,602	14,088	27,565	
Oceania	98	251	296	203	399	268	318	0	0	320	
(unspec- countries) Miscel.	4,842	5,033	4,701	6,098	6,660	6,578	5,244	26,492	6,122	10,248	
World	302,137	277,163	310,544	325,144	424,904	453,146	468,815	455,735	552,960	857,442	

%	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Africa	9.3	9.6	9.2	10.0	8.8	8.1	7.9	6.0	11.2	12.2	
Europe	67.1	69.4	67.2	71.0	70.4	72.4	70.0	70.0	71.0	72.1	
America	20.2	15.7	17.3	14.1	15.3	15.0	19.1	17.0	14.4	11.3	
Asia	1.7	3.4	4.7	2.9	3.9	3.0	2.0	1.8	2.5	3.2	
Oceania	0	0	0	0	0	0	0	0	0	0	
Miscel.	1.6	2.0	1.5	1.8	1.6	1.5	1.1	5.8	1.1	1.2	
World	100	100	100	100	100	100	100	100	100	100	

E/CN14/STAT/SerA/21, 23, 25

Upper Volta
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	8,327	10,942	11,817	13,598	14,959	11,735	8,950	9,120	11,743	15,569
Europe	3,302	2,997	3,764	3,808	4,989	6,295	5,763	6,865	7,852	16,170
America	0	0	0	7	1	5	2	34	28	52
Asia	384	194	360	526	1,468	2,611	3,425	792	294	1,257
Oceania	0	0	0	0	0	0	0	0	0	0
Miscel.	789	0	643	3	21	0	65	64	578	1,312
World	12,802	14,133	16,584	17,942	21,438	20,646	18,205	16,875	20,495	34,360

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	65.0	77.4	71.3	76.0	70.0	57.0	49.1	54.0	57.3	45.3
Europe	26.0	21.2	22.7	21.2	23.3	30.5	31.7	40.7	38.3	47.0
America	0	0	0	0	0	0	0	0	0	0
Asia	3.0	1.4	2.2	3.0	6.8	12.6	18.8	4.7	1.4	3.7
Oceania	0	0	0	0	0	0	0	0	0	0
Miscel.	6.2	0	4.0	0	0	0	0	0	2.8	3.8
World	100	100	100	100	100	100	100	100	100	100

Niger
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	6,846	9,082	8,967	7,347	8,388	6,954	10,963	13,826	18,973	17,436
Europe	14,059	15,735	25,487	17,833	20,126	16,680	20,480	24,178	32,813	38,175
America	120	196	177	119	123	306	81	161	564	311
Asia	122	47	24	170	50	302	58	40	4	0
Oceania	0	0	2	0	0	0	0	0	0	0
Miscel.	160	260	203	87	179	0	41	402	1,957	557
World	21,307	25,320	34,860	25,556	28,868	24,242	31,623	38,607	54,311	56,479

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	32.1	36.0	26.0	29.0	29.0	28.7	35.0	36.0	35.0	31.0
Europe	66.0	62.1	73.0	70.0	70.0	69.0	65.0	63.0	60.4	68.0
America	.6	.8	.5	.4	.4	1.3	.2	.4	1.0	.5
Asia	.6	.2	0	.6	.1	1.3	.2	.1	0	0
Oceania	0	0	0	0	0	0	0	0	0	0
Miscel.	.7	1.0	.6	.3	.4	0	.1	1.0	3.6	1.0
World	100	100	100	100	100	100	100	100	100	100

Dahomey (Benin)
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	726	1,551	2,066	2,436	3,641	6,029	5,948	4,536	4,799	4,681
Europe	12,217	11,532	7,310	9,979	12,976	16,581	21,712	31,930	28,695	41,714
America	21	373	981	2,148	4,844	2,590	1,602	1,360	995	2,830
Asia	65	184	117	626	851	1,596	3,371	3,934	1,991	4,091
Oceania	0	0	0	0	0	0	1	0	0	0
Miscel.	0	0	0	0	0	0	1	178	0	0
World	13,029	13,640	10,474	15,189	22,312	26,877	32,635	41,938	36,480	53,316

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	5.5	11.3	19.7	16.0	16.3	22.4	18.2	10.8	13.1	8.7
Europe	93.7	84.5	69.7	65.6	58.1	61.6	66.5	76.1	78.6	78.2
America	.16	2.7	9.3	14.1	21.7	9.6	4.9	3.2	2.7	5.3
Asia	.49	1.3	1.1	4.1	3.8	5.9	10.3	9.3	5.4	7.6
Oceania	0	0	0	0	0	0	0	0	0	0
Miscel.	0	0	0	0	0	0	0	.4	0	0
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

E/CN14/STAT/SerA/21, 23, 25

Senegal
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	8,370	7,887	12,054	9,408	18,592	23,096	35,400	5,660	44,282	53,876
Europe	109,119	117,134	133,208	124,224	128,434	95,866	109,224	80,725	162,097	129,324
America	1,842	658	578	435	775	596	776	648	1,327	638
Asia	2,290	2,404	1,969	2,558	3,108	2,239	2,907	1,447	3,399	4,036
Oceania	843	0	552	662	116	62	0	0	17	15
Miscel.	49	380	569	0	0	1,864	12,274	36,597	4,731	6,680
World	112,513	128,463	148,930	137,287	151,383	123,696	160,581	124,977	215,853	194,569

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	6.8	6.1	8.0	6.8	12.5	18.7	22.0	4.5	20.5	27.7
Europe	89.0	91.2	89.4	90.4	84.8	77.5	68.0	64.6	75.1	66.5
America	1.5	.5	.4	.3	.5	.4	.5	.5	.6	.3
Asia	1.9	1.9	1.3	2.0	2.0	2.0	2.0	1.2	1.6	2.1
Oceania	.6	0	.4	.5	0	0	0	0	0	0
Miscel.	0	.3	.4	0	0	1.5	7.6	29.3	2.2	3.4
World	100	100	100	100	100	100	100	100	100	100

E/CN14/STAT/SerA/21, 23, 25

Guinea
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	N		3,402	3,550	4,636	214	353	5,631	6,684	7,527
Europe	O		34,050	25,760	26,510	32,234	34,927	40.744	35,452	35,510
America			14,140	6,900	5,500	5,500	7,000	2,909	2,179	7,511
Asia	D		110	372	180	518	97	505	891	1,579
Oceania	A		0	0	0	0	0	0	0	0
Miscel.	T		0	0	0	0	0	0	0	0
World	A		51,702	36,582	36,826	38,466	42,377	49,789	45,206	52,127

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	N		6.6	9.7	12.6	.5	.8	11.3	14.8	14.4
Europe	O		66.0	70.4	72.0	83.8	82.4	81.8	78.4	68.1
America			27.3	19.0	15.0	14.3	16.5	5.8	4.8	14.4
Asia	D		.2	1.0	.5	1.3	.2	1.0	2.0	3.0
Oceania	A		0	0	0	0	0	0	0	0
Miscel.	T		0	0	0	0	0	0	0	0
World	A		100	100	100	100	100	100	100	100

E/CN14/STAT/SerA/21, 23, 25

Nigeria
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	20,951	10,946	12,866	7,874	17,147	8,439	8,815	27,196	23,985	69,218
Europe	484,620	619,131	625,422	543,841	466,846	686,920	952,379	1,287,484	1,422,266	1,953,416
America	51,495	93,125	122,862	92,406	79,808	173,148	249,059	445,582	615,367	1,267,789
Asia	30,084	13,023	13,292	21,040	12,604	11,453	14,696	32,214	92,404	168,813
Oceania	1,709	1,988	2,172	1,137	1,188	1,135	2,753	580	277	271
Miscel.	954	30	448	382	641	39	360	114	1,842	2,208
World	589,813	738,243	777,062	666,680	578,234	881,132	1,227,882	1,793,170	2,179,999	3,461,715

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	3.5	1.4	1.6	1.2	2.9	.9	.7	1.5	1.1	1.9
Europe	82.1	83.8	80.4	81.5	80.7	77.9	77.5	71.8	65.2	56.4
America	8.7	12.6	15.8	13.8	13.8	19.6	20.2	24.8	28.2	36.6
Asia	5.1	1.7	1.7	3.2	2.8	1.2	1.2	1.8	4.2	4.8
Oceania	.2	.2	.2	.2	.2	.1	.2	0	0	0
Miscel.	.1	0	0	0	.1	0	0	0	0	0
World	100	100	100	100	100	100	100	100	100	100

E/EN14/STAT/SerA/21, 23, 25

Mali
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	8,294	13,938	11,847	7,048	6,042	12,346		20,025		4,792
Europe	5,341	1,701	631	1,055	3,282	3,969		11,639		
America	732	60	2	2	2	13		7		
Asia	1,998	1	1	164	1,234	802		1,788		
Oceania	0	0	0	0	0	0		1		
Miscel.	35	5	718	2	280	180		1		
World	16,590	15.705	13,199	8,271	10.763	17,310		39,113		26,297

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	50.0	88.7	89.7	85.2	56.1	71.3		51.2		18.2
Europe	32.2	10.8	4.8	12.8	30.5	23.0		30.0		
America	4.4	.3	0	0	0	0		0		
Asia	12.0	0	0	2.0	11.5	4.6		4.6		
Oceania	0	0	0	0	0	0		0		
Miscel.	.2	0	5.4	0	2.6	1.0		0		
World	100	100	100	100	100	100		100		100

Ghana
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	4,436	4,410	4,566	4,970	2,547	2,585	3,054	3,648	2,018	4,513
Europe	216,005	227,698	183,660	207,075	219,574	225,983	306,760	211,715	295,531	423,026
America	73,351	58,714	44,950	54,008	70,681	52,881	87,411	86,925	70,706	95,538
Asia	17,334	15,993	20,742	24,939	26,782	29,594	36,081	34,642	40,488	62,978
Oceania	5,790	6,027	6,269	6,380	7,801	8,870	17,598	9,553	11,508	10,883
Miscel.	744	198	592	635	971	1,403	121	93	63	68
World	317,660	313,040	260,779	298,007	328,356	321,232	451,025	346,576	420,314	597,006

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	1.4	1.4	1.7	1.6	.7	.8	.6	1.0	.5	.7
Europe	68.0	73.0	70.4	69.4	66.8	70.3	68.0	61.1	70.3	70.8
America	23.1	19.0	17.2	18.1	21.5	16.4	19.3	25.1	16.8	16.0
Asia	5.4	5.1	8.0	8.3	8.1	9.2	7.9	10.0	9.6	10.5
Oceania	2.0	2.0	2.4	2.1	2.3	2.7	3.9	2.7	2.7	1.8
Miscel.	.2	0	.2	.2	.3	.4	0	0	0	0
World	100	100	100	100	100	100	100	100	100	100

E/CN14/STAT/SerA/21, 23, 25

Mauritania
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa*	1,346	2,087	1,628	2,193	2,969	4,529	2,281	4,147	3,204	4,806
Europe	42,402	54,120	63,942	64,544	63,108	64,626	76,749	76,351	90,733	124,139
America	1,436	1,296	1,728	1,152	369	611	597	0	0	126
Asia	513	0	1,757	1,904	4,351	1,819	0	7,010	9,716	21,821
Oceania	0	0	0	0	0	0	0	0	0	82
Miscel.	203	99	175	2,256	1,051	5,549	10,483	2,936	3,366	4,111
World	45,900	57,602	69,228	72,023	71,758	77,134	90,110	90,444	107,019	159,930

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	3.0	3.6	2.4	3.0	4.1	5.9	2.5	4.6	3.0	3.0
Europe	92.4	94.0	92.4	90.0	88.0	84.0	85.2	84.4	85.0	78.0
America	3.1	2.2	2.5	1.6	.5	.8	.7	0	0	0
Asia	1.1	0	2.5	2.6	6.1	2.4	0	7.8	9.1	14.0
Oceania	0	0	0	0	0	0	0	0	0	0
Miscel.	.4	.2	.3	3.1	1.5	7.2	11.6	3.2	3.1	2.6
World	100	100	100	100	100	100	100	100	100	100

*most to Equat. Customs Union

Gambia
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	119	203	90	84	1,276	134	253	304	337	490
Europe	9,058	14,516	17,504	13,839	15,426	15,458	14,357	16,331	18,517	26,275
America	29	8	1	0	0	3	2	280	3	9
Asia	0	0	10	3	13	0	0	0	0	0
Oceania	0	0	0	0	0	0	0	0	0	0
Miscel.	22	6	18	761	473	48	103	38	159	504
World	9,228	14,733	17,623	14,687	17,188	15,643	14,715	17,038	19,058	27,443

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	1.3	1.4	.5	.6	7.4	.8	1.7	1.8	1.8	1.8
Europe	98.2	98.5	99.3	94.2	89.7	98.8	97.6	95.8	97.2	95.7
America	.3	0	0	0	0	0	0	1.6	0	0
Asia	0	0	0	0	0	0	0	.5	.2	.6
Oceania	0	0	0	0	0	0	0	0	0	0
Miscel.	.3	0	.1	5.2	2.8	.3	.7	.2	.8	1.8
World	100	100	100	100	100	100	100	100	100	100

E/CN14/STAT/SerA/21, 23, 25

Liberia
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa		960	1,985	2,453	2,735	2,522	2,774	2,732	3,817	3,555
Europe		82,269	93,753	105,130	112,757	124,814	143,182	144,035	168,128	233,041
America		50,139	52,345	49,259	45,741	55,684	51,362	51,657	52,765	67,841
Asia		1,967	2,373	1,981	7,757	12,900	16,412	25,567	19,651	19,602
Oceania		76	1	0	37	19	2	6	32	2
Miscel.		6	1	8	2	5	1	0	1	0
World		132,417	150,458	158,768	169,029	195,944	213,733	223,997	244,394	324,041

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa		.7	1.3	1.5	1.6	1.3	1.3	1.2	1.6	1.1
Europe		60.8	62.3	66.2	66.7	63.7	67.0	64.3	68.8	72.0
America		37.0	34.8	31.0	27.1	28.4	24.0	23.1	21.6	21.0
Oceania		0	0	0	0	0	0	0	0	0
Miscel.		0	0	0	0	0	0	0	0	0
World		100	100	100	100	100	100	100	100	100

E/CN14/STAT/SerA/21, 23, 25

Sierra Leone
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	414	280	343	263	400	402	371	642	1,640	1,556
Europe	82,904	79,233	68,826	59,692	88,300	94,787	85,200	81,609	95,245	111,553
America	1,445	659	5,009	1,544	2,800	5,490	6,233	6,576	7,386	11,120
Asia	7	13	0	0	0	0	0	0	1	1
Miscel.	3	172	14	1,798	3,400	25	2,341	2,796	1,830	1,270
World	85,234	80,553	74,727	63,787	95,400	104,599	99,822	98,481	114,419	132,087

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	4.8	.3	.4	.4	.4	.4	.4	.6	1.4	1.2
Europe	97.3	98.4	92.1	93.6	92.5	90.6	85.4	83.0	83.2	84.5
America	1.7	.8	6.7	2.4	2.9	5.2	6.2	6.7	6.5	8.4
Asia	.5	.2	.7	.8	.5	3.7	5.7	7.0	7.3	5.0
Oceania	0	0	0	0	0	0	0	0	0	0
Miscel.	0	.2	0	2.8	3.5	0	2.3	2.8	1.6	1.0
World	100	100	100	100	100	100	100	100	100	100

E/CN14/STAT/SerA/21, 23, 25

Togo
export (fob)
(US $ 1,000)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	1,008	971	1,417	1,752	1,994	1,614	1,699	1,769	5,326	6,577
Europe	22,975	23,220	28,695	26,514	34,421	41,294	51,254	45,429	61,403	77,142
America	3,386	365	891	294	63	80	106	160	8,781	7,174
Asia	1,300	1,181	2,102	1,819	1,728	1,709	1,589	1,686	9,201	9,705
Oceania	1,507	1,116	2,837	1,601	475	0	0	0	10	48
Miscel.	0	203	0	0	0	0	0	0	54	8
World	30,176	27,056	35,942	31,980	38,685	44,700	54,650	49,063	84,775	100,654

%

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Africa	3.3	3.6	4.0	5.5	5.2	3.6	3.1	3.6	6.3	6.5
Europe	76.1	86.0	80.0	83.0	89.0	92.4	94.0	92.5	72.4	76.6
America	11.2	1.3	2.5	.9	.2	.2	.2	.3	10.3	7.1
Asia	4.3	4.4	5.8	5.7	4.4	4.0	3.0	3.4	11.0	9.6
Oceania	5.0	4.1	7.9	5.0	1.2	0	0	0	0	0
Miscel.	0	.7	0	0	0	0	0	0	0	0
World	100	100	100	100	100	100	100	100	100	100

APPENDIX IV

Types of Products Exported to Nigeria from Largest Intra-African Traders

Benin

Product	Value
Cereals, grains, flaked, pearled or prepared in a manner	8.40
Macaroni, spaghetti, noodles, etc.	1,614.20
Tomato puree and paste	134.40
Beet and cane sugar refined	224.00
Sugar confectionery and other sugar preparations	490.00
Spices	2,660.00
Whisky	61.60
Schnapps and gins	98.00
Wine of fresh grapes, still	56.00
Beer including ale, porter and other fermented cereal beverages	11.20
Cotton	1,308,647.20
Crude animal materials	840.00
Crude vegetable materials	67.20
Other wood simply shaped or worked	84.00
Fabrics woven not elsewhere specified	182.00
Wadding wicks and textile fabrics for use in machinery or plant	67,068.40
Cement	2,104,981.20
Finished structural parts and constructions of non-ferrous metals	1,372.00
Razors and razor blades	268.80
Aluminum or enamelled iron and steel	56.00
Parts and accessories of machinery	137.20
Electric torchlight batteries	1,778.00
Bodies chassis frames and other parts of motor vehicles	126.00
Motorized cycles and mopeds complete and no	104,862.80
Bicycles and other cycles not motorized	155,573.60
Sinks, washbasins, bidets, baths and other sanitary plumbing fixtures of iron and steel	294.00
Other portable lamps, electric battery	168.00
Handbags, wallets, purses, pocketbooks and similar articles of all materials	56.00
Articles and manufactures of carving or moulding material	56.00
Personal effects	95.20
	US $ 3,752,071.40

1st Quarter 1975

Type of Products Exported from Largest Intra-African Trading States

Niger

Product	Value
Other meat dried, salted or smoked, not canned	1,551.20
Beet and cane sugar refined	42.00
Salt including salt put up for retail sale	3,169.60
Scented grease	201.60
Shampoo	820.40
Color woven cotton fabrics	131.60
Other cotton fabrics woven not including narrow or special fabrics	208.60
Printed cotton fabrics	131.60
Mats, matting, screens, envelopes for bottles, etc.	744.80
Carpets, carpeting & rugs, knotted tapestries, etc.	621.60
Other bottles	229.60
Articles of base metals, iron or steel, zinc, copper metal aluminum, magnesium, lead	28.00
Electric lamps	25.20
Trucks and lorries	30,494.80
Chairs and other seats & parts thereof	56.00
Handbags, wallets, purses, pocket books & similar articles or all materials	25.20
Other outer garments knitted or crocheted not elastic or rubberized	44.80
Shirts of all descriptions	112.00
Other headgear	56.00
Footwear with soles of leather, footwear with soles of rubber or plastic	106.40
Personal effects	3,155.60
	US $ 41,956.60

SOURCE: Nigeria Trade Summary Mar - Dec. 1975 (1st Qtr. 1975)

Types of Products Exported to Nigeria from Largest Intra-African Traders

Ivory Coast

Product	Value
Edible nuts, fresh or dried, including coconuts	3,024.00
Fruit juices, unfermented whether frozen or not	5,157.60
Fruits temporarily preserved	7,498.40
Coffee extracts, coffee essences and similar preparations containing coffee	151,146.80
Crude vegetable materials	420.00
Other fixed vegetable oils	772,273.60
Caustic potash, peroxides of potassium or sodium oxides	56,375.20
Insecticides	35,691.60
Starches, including gluten albuminoidal substances, glues	
Cement	125,050.80
Articles of base metals, iron or steel, copper, magnesium, lead, zinc, tin, aluminum	18,888.80
Parts and accessories of machinery	6,622.00
Passenger cars exceeding 1750 cc but not exceeding 2750 cc	3,150.00
Bicycles and other cycles not motorized	30,587.20
Handbags, wallets, purses, pocketbooks and similar articles of all materials	3,530.80
Personal effects	420.00
	US $ 1,227,164.40

Ghana

Item	Value
Milk and cream, dry in solid form such as blocks or powder	8,428.00
Maize, corn, unmilled	224.00
Edible nuts, fresh or dried, including coconuts	517,104.00
Spices	3,192.00
Food preparations	17,729.60
Tobacco, unmanufactured, including serap tobacco and stems	688.80
Cork, raw and waste, including natural cork in blocks and sheets	1,400.00
Ointments and linaments	12,048.40
Other medicaments	29,607.20
Products of polymerization and copolymerization, etc.	5,731.60
Plywood, including veneered panels	5,124.00
Machine made paper and paper board, simply finished in rolls or sheets	56.00
Exercise books, register albums, diaries, memorandum blocks, etc.	92.40
Bed linen, table linen, altar linen, napkins, pillow cases	56.00
Locksmith wares, including locks, padlocks, keys, etc.	8,400.00
Articles of base metals, iron or steel, copper...	3,511.20
Other machinery and appliances	5,653.00
Other radio receiving sets, domestic	120.40
Passenger cars not exceeding 1200 cc, complete whether assembled or not	2,800.00
Chairs and other seats and parts thereof	3,474.80
Surveying instruments	45,634.40
Developed Cinematographic film	173.60
Books and pamphlets	4,146.80
Other printed matter including printed pictures and photographs	15,237.60
Personal effects	2,212.00
	US $ 1,797,429.20

Major Exports by West African States to Nigeria

Niger

Item	Value
Other meat, dried, salted or smoked, not canned	1,551.20
Salt, including salt put up for retail sale	3,169.60
Shampoo	820.40
Mats, matting, screens, envelopes for bottles, etc.	774.80
Carpets, carpeting and rugs, knotted tapestries, etc.	621.60
Trucks and lorries	30,494.80
Personal effects	3,155.60
	US $ 40,588.00

NOTE: Above constitues 96.7% of Niger trade with Nigeria, 1st Qtr. 1975

Benin

Item	Value
Macaroni, spaghetti, noodles, etc.	1,614.20
Spices	2,660.00
Cotton	1,308,647.20
Wadding wicks and textile fabrics for use in machinery or plant	67,068.40
Cement	2,104,981.20
Finished structural parts and constructions of non-ferrous metals	1,372.00
Electric torch batteries	1,778.00
Motorized cycles and mopeds, complete and no	104,862.00
Bicycles and other cycles not motorized	155,573.60
	3,748,556.60

NOTE: Above constitues 99.9% of Benin trade with Nigeria, 1st Qtr 1975

Ivory Coast

Item	Value
Coffee extracts, coffee essences and similar preparations containing coffee	151,146.80
Other fixed vegetable oils	722,273.60
Caustic potash, peroxides of potassium or sodium oxides	56,375.20
Insecticides	35,691.60
Cement	125,050.80
Articles of base metals, iron or steel, copper, metal, aluminum, magnesium, lead, zinc, tin	18,888.80
Bicycles and other cycles not motorized	30,587.20
	US $ 1,190,014.00

NOTE: Above constitues 96.97% of Ivory Coast trade with Nigeria, 1st Qtr 1975

Major Exports by West African States to Nigeria

Ghana

Item	Value
Edible nuts, fresh or dried, including coconuts	1,447,891.20
Food preparations	49,642.88
Ointments and linaments	33,734.40
Surveying instruments	127,776.32
Other printed matter, including printed pictrues and photographs	42,665.28
Other medicaments	82,899.60
	US $ 1,741,944.40

NOTE: Above constitues 96.9% of Ghana trade with Nigeria, 1st Qtr 1975

Major Export by Nigeria to West African States

Sierra Leone

Item	Value
Other edible nuts	140.00
Food preparations	280.00
Other oil sees, oil nuts and oil kernels	280.00
Other materials of vegetable origin	588.00
Petroleum, crude and partly refined for further refining excluding natural gas	9,104,684.40
Animal and vegetable oils and fats, processed and waxed, of animal or vegetable origin	84.00
Pharmaceutical products, other medicaments	17,057.60
Calendars, including calendar blocks of paper	504.00
Personal effects	694.40
	9,124,312.40

NOTE: 99.78% of Sierra Leone purchases from Nigeria, 1st Qtr 1975, was petroleum.

Senegal

Item	Value
Petroleum, crude and partly refined for further refining, excluding natural gas	10,332,560.00
Personal effects	523.60
	US $ 10,333,083.60

Ivory Coast

Item	Value
Petroleum, crude and partly refined...	20,242,986.00
Organic chemicals - ethyl alcohol undernatured of at least 80% strengthe and denatured	18,071.20
Personal effects	6,440.00
Portable containers	899,640.00
	US $ 21,167,137.20

Ghana

Item	Value
Coal, anthracite and bituminous	403,760.00
Petroleum, crude and partly refined...	21,709,416.00
Automotive gas, oil	24,886.40
Oils, lubricating, liquid	65,133.60
Pharmaceutical products, other medicaments	23,472.40
Chemical products and preparations	4,200.00
Newspapers and periodicals	268.80
Personal effects	20,599.60
Portable containers	280.00
	US $ 22,251,737.00

NOTE: 97.56% of Ghana purchases from Nigeria, 1st Qtr 1975, was petroleum

Major Export by Nigeria to West African States

Niger

Item	Value
Petroleum products, aviation spirit	26,555.20
Motor spirit, other	151,914.00
Lamp oil, kerosene, illuminating oil	29,604.40
Jet fuel, aviation-turbine fuel	56,196.00
Automotive gas, oil	786,136.40
Industrial diesel fuel	177,497.60
Residual fuel medium	107,716.00
	US $ 1,335,619.60

NOTE: All Niger purchases from Nigeria, 1st Qtr 1975, are fuel products

Benin

Item	Value
Industrial diesel fuel	8,621.20
Residual fuel oil, heavy	280.00
Oils, lubricating liquid	49,117.60
Portable containers	16,800.00
	US $ 74,818.80

APPENDIX V

Foreign Trade Statistics

Trade By Commodity

E/CN14/STAT/SerB/22

Togo Jan-Dec 1975

IMPORTS

	Quantity (T)	US $ 1,000
Bovine Cattle		
Upper Volta	1,149	564
Benin	3	2
Ghana	130	61
Macaroni, Spaghetti		
Benin	116	76
Cigarettes		
Senegal	14	42
Lumber, Shaped		
Ghana	1,792	518
Building Stone		
Nigeria	295	45
Clay		
Benin	133	33
Salt		
Senegal	1,045	109
Ghana	4,684	267
Plants, Seeds, Flowers		
Ghana	225	100
Motor Spirit		
Nigeria	988	133
Lubricating Oils, Greases		
Senegal	267	125
Ivory Coast	742	368
Pitch, Resin, Asphalt		
Nigeria	2,289	385
Gas, Natural		
Ghana	280	91
Insecticides, Fungicides		
Ivory Coast	290	961
Chemical Products		
Ivory Coast	62	132

	Quantity (T)	US $ 1,000
Plywood		
Ivory Coast	112	69
Other Paper		
Ghana	65	68
Cotton Fabrics, Bleached		
Senegal	53	604
Cordage, Cables, Ropes		
Ivory Coast	22	43
Building Materials		
Ghana	107	62
Bottles, Flasks		
Benin	267	92
Aluminium Worked		
Ivory Coast	46	77
Fin Struct Parts Aluminium		
Ivory Coast	79	133
Agricultural Tractors		
Niger	13	48
Excavating Machinery		
Benin	101	158
Insulated Wire		
Benin	31	85
Trailers, Not Motor		
Ivory Coast	22	53
Footwear		
Senegal	24	166
Printed Matter		
Nigeria		101

Foreign Trade Statistics

E/CN14/STAT/SerB/22

Trade By Commodity

TOGO Jan-Dec 1975

	EXPORTS	
	Quantity (T)	US $ 1,000
Bovine Cattle		
Ghana	87	39
Rice Not in Husk		
Upper Volta	1,390	462
Other Fresh Vegetables		
Ghana	681	68
Waste Textile Fabrics		
Niger	77	36
Natural Phosphates		
Ivory Coast	6,900	480
Nigeria	3,250	220
Building Stone		
Nigeria	1,267	819
Plants, Seeds, Flowers		
Ghana	201	89
Cotton Fabrics, Bleached		
Mali	602	2,716
Cement		
Upper Volta	602	33
Benin	1,892	93
Bottles, Flasks		
Benin	294	92
Gas Cylinders		
Ghana	132	41
Domestic Utensils		
Nigeria	51	77
Pumps and Centrifuges		
Ivory Coast	4	43
Pass, Road Motor Vehicles		
Ghana	24	106
Trucks and Lorries		
Ivory Coast	49	104

CHAPTER TWO

A CASE STUDY OF THE AFRICAN DEVELOPMENT BANK GROUP

OUTLINE

A. History of the African Development Bank

1. Impetus for creating bank

    a. loss of SUNFED proposal
    b. distrust on IDA proposal by World Bank [lack of African funding/no voting power]
    c. desire (political) to break from colonial ties
    d. spirit of self-help

2. Issues on the creation of ADB--Committee of Nine
    a. membership restricted to African nations
    b. voting power of members (equality v. proportionality)
    c. additionality role of ADB (Europe cautious)
    d. multinational v. national project focus

B. Problems of Operating ADB--Initial Years
SHORT MONEY

1. reliance on only paid in K in African central bank credits (the poor funding the poor)

    a. IBRD works on mainly borrowings
    b. no access to nonAfrican loans/Eurobond mkt. [lack of credit worthin]

2. Arrears on subscriptions

    a. forced to cover operations on short money.

3. Loan ceilings

    a. short money limits scope of operatins.
    b. lack of "soft loan" window forces bias for "bankable" (making) "sure thing" projects [until activation of ADF)
    c. bias toward "credit worthy" member countries and those that could process proposals
    d. fear of committing to multinational projects:
        1. political need to spread limited money around Africa
        2. fear of losing large investment
        3. perhaps, newness of regional authorities
        4. slow processing of large loans

4. Erratic performance on disbursements

5. High ratio of administrative cost/disbursements and commitments.

6. High rate - result of "holding" money rather than using it
   - o rate
   - o Total Revenue/Dev Port

C. <u>Adjustments by ADB--Present</u>

1. Access to Eurobond market and non-member central banks

   a. move to open up K-stock
   b. increased callable/paid in ratio
   c. falling rate of arrears/paid in ratio
   d. additional African subscribers to ADB

2. Increasing revenue for dev. projects; not assets--falling rate

3. Decreasing administrative cost/disbursement (although still high)

4. Increasing level of operations (number of projects)

5. Creation and replenishment of ADF (African Deelopment Fund)

   a. provided additional resources (additionality)
   b. created "soft loan window" like IDA--to improve terms
   c. ADF staff added administrative and technical support to ADB
   d. improved dialogue with outside funders

6. Creation of NTF (Nigerian Trust Fund)

   a. additional resource from within Africa (additionality)
   b. add source of concessional financing to mix with ADB loans

D. <u>ADB Group Performance at Promoting Regional Economic Development</u>

1. Early studies on WEst AFrica multinatinal projects

2. Establishment of SIFIDA and African Reinsurance Corp. and...

3. Volume of investments in West Africa.

4. Volume of loans/credits to multinational projects in West Africa.

5. Regional organizations supported by ADB Group.

E. <u>Constraints on ADB Group in Participating in Multinational Projects in West Africa</u>

1. Not enough joint financing with larger financers IBRD/Kuwait F/CDC
   a. ADB money covers small proportion of total project cost
   b. present loan ceiling still precludes against doing many multinational projects
   c. borrowings not large enough to raise loan ceiling to level that would cover large enough portion of multinational projects (compared to IBRD).

Tables

I. Ratio of Loan Commitments to Administrative Costs, by Institution

II. Geographical Distribution of ADB Loans for Period 1967 to 1974

III. Ratio of Loans to Disbursements, by Institution 1968-1973

IV. ADB Paid Callable in Capital and Arrears/Paid Capital Record

V. ADB Borrowings, Callable/Paid in Ratio, Record of Arrears

VI. Average Size of Loans by the ADB

VII. ADB Total Revenue/Development Portfolio and Development Revenue/Dec. Portfolio

VIII. Ratio of Loans to Disbursements - IBRD and ADB

IX. ADF - Average Size of Loans

X. Multinational Projects in West Africa

Graphs

I. Volume of Borrowings, by Institution, Appendix I

II. Ratio of Administrative Cost to Disbursements, by Institution, Appendix II

III. Ratio of Administrative Cost to Commitments, by Institution, Appendix II

IV. Ratio of Disbursements to Loans, by Institution, Appendix III

V. Volume of Loans/Credits to Multinational Projects/Programs in West Africa, by Institution, Appendix IV

VI. Volume of Investments in West Africa, by Institution, Appendix VI

Appendix

I. ADB Paid In/Callable Capital and Arrers Record and Borrowing Levels

II. Ratio of Administrative Cost to Commitments and Disbursement, by Institution

III. Effectiveness at Disbursing Funds

IV. Volume of Loans/Credits to Multinational Projects/Programs in West Africa, by Institution

V. Volume of Loans/Credits to Multinational Projects/Programs in West Africa, by Institution

VI. Average Size of Loan/Credit for Projects in Africa, by Institution

VII. Volume of Loans/Credits to Multinational Projects/ Programs in West Africa Per Year and Average Size of Loans and Credits Per Year, by Institution

IX. Exchange Rates

A. History of the African Development Bank

1. Impetus for Creating the ADB

The African Development Bank was born after the defeat of the proposed Special United Nations Fund for Economic Development. With the culmination of independence movements throughout Africa, many African leaders looked to the United Nations as the agency to take the lead in financing development projects and programs in Africa. The proposed fund was appealing to African, and other third world leaders, because, as a United Nations agency, the voting power of all members would have been equal. This feature provided a greater degree of influence for the third world than they would have realized on the World Bank, where voting power is contingent upon the volume of subscriptions that are drawn. In having equal voting power with the capital exporting country counterparts, African nations would have had a significant impact on the policy and investment decisions of the proposed United Nations fund. Despite the attractiveness of the United Nations proposal, the idea for creating a special fund for economic development was abandoned when the World Bank proposed the creation of a soft loan window to the International Bank for Reconstruction and Development (IBRD).

The proposed soft loan window to IBRD was designed to provide concessionary aid to underdeveloped countries, offering loans at .75% and 40 years amortization. In spite of the low cost of financing that the soft loan window of the World Bank offered, African leaders were not enthusiastic about the World Bank proposal. Aside from being disturbed by the loss of the SUNFED proposal, African nations had not perceived a strong commitment by the World Bank in addressing the needs of Africa. This impression was supported by the low level of World Bank financing

in Africa. In 1960-61, Europe and Australia received more than twice the level of aid from the entire continent of Africa.[1] Beyond the issue of the World Bank's limited activity in Africa, African nations had to forego the chance of acquiring equal voting power with the SUNFED in favor of proportional representation, based on the volume of subscriptions drawn, at the World Bank. With the loss of the SUNFED, and the distastefulness of the World Bank proposal, African leaders began to look more toward the idea of their own development bank.

The idea of an African Development Bank was formally proposed at the All-African People's Conference in 1960 at Tunis. In moving to form a development fund for Africa, the African leaders were not acting without precedent; they had their Latin American counterparts to use for reference. It has, in fact, been pointed out by a former official of the African Development Bank that "it was no accident that the Tunis resolution was adopted just a month after the Agreement Establishing the Inter-American Development Bank entered into force.[2] It should not be suggested, however, that African countries were not responding to their own legitimate concerns in forming an African development institution. The concept of a development bank, wholly owned by African nations, that would invest in African development was consistent with the political climate of the time. At this juncture in African history, independence was being declared throughout the continent. With the coming of independence followed a strong sentiment for African unity and self-reliance. An African development bank that would invest in continent-wide development was a logical manifestation of this ethic. In an effort toward

developing the Tunis resolution, the United Nations Economic Commission for Africa, in February, 1961, took up the study of the possibility of establishing an African Development Bank.

The initial findings of the Economic Commission for Africa (ECA) were supportive of the creation of an African development bank. To further investigate the feasibility of establishing such an institution in Africa, the ECA appointed a committee, comprised of representatives from nine African nations, to canvas opinions in Africa and the international community. The responsibilities of the committee were:

a. to make all necessary governmental and other contacts relevant to the establishment of the Bank;

b. to complete comprehensive studies into the financial and administrative structure of the proposed Bank and into the nature and extent of its operations;

c. to draft a charter, for the proposed Bank; and

d. to make recommendations on its location[3]

Through their governmental contacts, the "Committee of Nine" were able to catalogue several controversial issues in the creation of the African Development Bank.

2. Issues of the Creation of the ADB - Committee of Nine

One of the most hotly debated issues among African countries concerning the structure and resource base of the African Development Bank was whether membership to the bank should be open to non-African countries. There was a significant faction that opposed the opening of the bank to non-African countries. They were most concerned about insuring that the African character of the bank not be lost as a consequence of a non-African

presence on the bank. Their fears were based on the potential of outsiders to dominate the bank by subscribing a majority share of the bank's capital stock. This concern was compounded by the bitterness that many Africans felt fresh in their mouths toward their former colonial oppressors. The idea of inviting the former colonialist, so soon after independence, to participate in an African development institution was too revolting to a major block of African leaders. Those taking the other side of the argument chose to look beyond the emotion of the issue, and instead, consider the economics of opening the capital stock of the bank to non-African countries.

Those that favored the opening of the bank to non-African countries were concerned about the difficulty of operating the bank on the capital subscriptions of only African countries. They questioned the wisdom of having poor nations fund the operations of a development bank. It would appear that the bank would only be serving as a means to redistribute the limited resources of member countries, without an infusion of outside capital. Allowing non-African countries to participate in the capital stock of the bank would provide an additional source of capital and would ease the reliance on poor African subscribers. In response to the question of outside dominance, it was argued that the bank could have been structured in such a way to insure that African nations maintain majority shares in the bank. The resolution of this controversial issue was a compromise between maintaining the African character of the bank and the securing of additional resources to Africa.

Restricting the membership of the bank to African countries was endorsed by the majority of African representatives at the Khartoum meeting to establish the African Development Bank, however, the principle of

securing additional resources was also included in the functions of the bank.

Securing additional resources typically meant obtaining funds from the capital exporting countries. Having additional funds for the bank was a goal of African countries that wanted the bank to be less reliant on African subscriptions and more involved in securing outside funds, however, there was a concern that the ADB would interrupt the flow of bilateral aid that member countries received. This concern was expressed at the Khartoum meeting in 1963 on the establishment of the ADB when a representative from Mauritania "advocated the insertion of the word "additional" because a number of countries receiving bilateral aid wished to maintain such aid without it passing through the Bank."[4] The question of additional resources coming to Africa, as a result of the African Development Bank, was an issue that the Committee of Nine investigated during their consultations with the capital-exporting countries.

The general response of the capital-exporting countries to the proposed African Development Bank was cold. They tended to be uncomfortable about committing their funds to an institution where they were denied voting rights. There was also a degree of skepticism about investing in a newly formed institution that lacked any record of its performance. On this point the African countries could not come out successful. The capital exporting countries would not contribute unless they saw a strong record of performance. How could the bank obtain a track record, if it had no funds to operate? This formulation made it clear that the African Development Bank would have to rely solely on its African subscribers,

unless the capital stock was opened up. Given the response of the capital-exporting countries, the issue of securing additional funds to Africa, by way of the African Development Bank, should have been a moot point. Restricting the membership of the bank left the African member countries as the sole source base of the ADB.

With the understanding that the bank was going to be wholly owned by African countries, the remaining controversy concerned the formula for representation on the bank. This issue highlighted the differences between the large and small countries in Africa. The small, resource poor African countries were supportive of a one flag-one vote formula that would assure each member an equal share of votes. They were looking for an arrangement that was similar to the United Nations, that would protect the rights of smaller members by assigning equal voting power to all members. Another feature of their proposal that resembled the United National structure was that they wanted capital subscription levels to be based upon the ability of each member to pay, rather than on a strict minimum level. At the Khartoum meeting on the establishment of the ADB, small countries, such as the Gambia, complained that the proposed minimum subscription level constituted 20% of the country's annual revenue and that the bank should consider some other formula for assigning subscription levels.[5] Clearly, setting subscription at levels that asked for 20% of a country's annual revenue would have precluded many smaller countries from joining the bank. The basic position of the smaller countries was, to insure fair representation that would not favor rich over poor and to enhance African unity, each member that joined the bank should have equal voting power. Several of the larger countries were not supportive of this proposal, instead, endorsing the concept of proportional representation.

The large, resource rich countries, such as Algeria and Nigeria, advocated for a formula of representation that would acknowledge the larger financial commitments of their countries. They reasoned that they would be more concerned about policy decisions than the smaller contributors as a consequence of their large commitment to the bank. Those that favored proportional representation were disturbed by the paranoia of the smaller countries that feared that their position would be dominated by the larger members. The response of Algeria to this fear by the smaller countries was expressed in the transcript of the Khartoum meeting in the following manner;

> "Although Algeria's share allocation was relatively large, it was a very poor country; the large contribution represented a sacrifice and nothing more. The Bank was a joint venture based on faith in Africa's future. It could not go far if that faith was lacking. Hence there ought to be no fear that one country or group of countries would dominate the Bank."[6]

Relying on mutual faith was not a compelling argument to the small countries. The reasoning of one-flag one-vote for all members as a means to insure African unity was cogent, however, without some measure allowing for a degree of proportional representation, there was little impetus for resource rich members to subscribe more than the minimum level of subscriptions. As a compromise resolution the following formula was agreed upon in the bank's charter:

> "Article 35 (1) Each member shall have 625 votes and, in addition, one vote for each share of the capital stock of the Bank held by that member."[7]

Under this arrangement the large contributors to the bank were able to garnish greater voting power than under a one flag-one vote system, however, their degree of power was not as strong as would have been possible under absolute proportional representation. With minimum subscriptions set at U.S. $1M and maximum subscriptions at $30M, a member with the minimum level would have 725 votes, while a member with the maximum level would have 3,625 votes; the larger subscriber would have 5 times the voting power although his subscriptions were 30 times greater.[8] This sytem of representation provided for a more equitable position betwen the large and small members, in addition to allowing for the large members to make sizeable contributions to the bank.

The tensions evidenced between the large, resource rich countries and the small, resource poor countries highlights the potentially disintegrative influence of imbalances between states within a community. The traditional neo-classical economic perspective on regional integration would view the wide disparities between poor states, such as the Gambia, and rich states, such as Nigeria, as being a prominent obstacle to regional integration, or even to a regional cooperation venture like the African Development Bank. In the case of the African Development Bank the potential for disintegration resulting from imbalances between states is heightened by the financial obligation of each member to subscribe to the bank's capital stock. With regional cooperation being based upon the financial obligation of member states, pressure is placed most heavily on the resource poor states. As seen in the previous chapter, when pressures, or rather costs, are placed too heavily on the poorer states (as in the case of lost import duties resulting from CET), disintegration of a cooperative effort or community can result. The balancing formula of

Article 35 of the African Development Bank charter helps to ease the pressures of financial obligations for the small, resource poor states, in addition to calming their fears of being dominated by the richer states. Article 35 effectively deals with the disintegrative potential of imbalances between states, while allowing for the positive force of the "prime movers" on the continent to invest in the growth of the African Development Bank.

The concept of "prime movers' in an integration effort, or a regionally based cooperative venture, such as the African Development Bank, suggests that large political and economic powers within a community are needed to lead the smaller states in a cooperative or integrative effort. The basis for this concept is that large financial investments, fueled by a strong political will are needed to develop the necessary infrastructure and institutions of a regional community. The African Development Bank, as a continental institution, would require a large capital base to function as a development bank. Based upon the concept of "prime movers" this support would come from the large subscribers in Africa. As seen by the terms of Article 35, countries, such as Algeria and Nigeria are given a level of proportional representation that rewards their large contribution, and thereby, assures the presence of "prime movers" on the bank. In short, Article 35 has eased the disintegrative potential of imbalances between states, while providing for the benefits of large capital subscriptions from the richer countries.

A final area of contention among African member countries, concerning the purpose and function of the bank dealt with the scope of the bank's operations. Countries, such as Mauritania, proposed that the bank's operations be limited to multinational projects that aided in regional development.[9] The Mauritanian postion was that national projects could

be funded by national banks and bilateral aid and that the ADB could be the lead agency on regional, interstate development. Island countries, such as Madagascar, Mauritius and the Comoros Islands, were naturally opposed to a multinational focus by the ADB, instead preferring a broader investment perspective. In an effort to include a preference for projects that advanced regional development and not preclude the possibility of doing national projects, African member countries agreed on Article 2 which states;

> "special priority will be given to projects or programmes which by their nature or scope concern several members and are designed to make their economies increasingly complementary and to bring about an orderly expansion of their foreign trade"[10]

This article provided the bank latitude in choosing national and multinational projects, although it did emphasize a preference for development that was regional by nature. It should be pointed out, however, that a national project may be designed in such a manner that it produces regional benefits. This would be especially true where the investment is made in a relatively poor state of a region, in an attempt to remedy problems resulting from "backwash." To the extent that national project investment by the bank reduces regional imbalances and makes the area economies "increasingly complementary," national projects can be classified as having a regional focus. To be sure, it is not easy to decide whether a national project is reducing regional imbalances and making the area economies "increasingly complementary," therefore a broader look at the total investments of the bank in addition to the development of area states is required to determine the regional impact of ADB investments.

When the ADB began operations in 1967, three years after the ratification of the agreement to establish the bank, it was faced with several constraints. The capital stock of the bank was limited to the subscriptions of countries that were all underdeveloped, and therefore, least able to pay their share of subscriptions. The ADB's subscriptions were divided equally into paid in shares and callable shares, with 125m units of account for paid in and callable shares; a unit of account being equivalent to US$1.[11] Dividing the subscriptions into paid in and callable shares placed the ADB in the position of operating on the limited amount of dollars provided by the paid in capital. At this juncture, the only other potential source of ready capital came from borrowings from the central banks of member countries.

To compound the problem of operating with limited resources, the ADB was being asked to focus its financing into multi-national projects and/or programs. The costs for multi-national projects tend to be higher than national projects and involve more extensive project evaluation than national projects. In addition to the limited resources and the high cost of financing multinational projects, as indicated in the annual reports of the international development institutions, no other development institution was financing multinational projects at the time. This meant that the ADB was unable to enter into a joint-financing of a multinational project, but instead, was being asked to take on the total cost of multi-national projects. Given the bank's limited resources, ambitious opertions mandate and the absence of joint-financing for multinational projects, the ADB began operations under difficult circumstances.

B. Problems of Operating the ADB - The Early Years 1967-1973

The ADB conducted its investment operations from 1967 to 1974 solely on its paid-in capital. Not until 1974 did the ADB support its operations through borrowings from the central bank's of its member countries. With such limited resources at its disposal, the bank invested only US$119.5m in its first seven (7) years of operations.[12] Operating a development bank on only the paid in capital of subscribers is not the normal pattern followed by other development banks. Many of the international leading agencies, e.g., the IBRD, IDB and the Asian Development Bank fund their operations principally from borrowed resources, holding back on disbursing their paid in capital. Being able to conduct their leading operations on borrowed money help to ease pressure on their subscribers. The ability of these institutions to secure borrowings in the market place is a consequence of the strength of their callable capital.[13] These institutions can back up their commitments with the obligation of their members to produce the called capital should the bank require it. The ADB lacked the same sense of creditworthiness in the international market as their counterparts in Asia, Latin America and the United States enjoyed because of the questionable standing of their callable capital.

The other leading institutions that have been referred to can support their credit worthiness by the strength of their members. The members of these institutions include the capital exporting countries, whose ability to produce callable capital is acknowledged in the international market. The ADB's members are comprised totally of underdeveloped countries, whose individual creditworthiness is considered the poorest in the world community. The consolidation of their resources has not improved their credit-

worthiness in the international market. The outcome of ADB's poor credit standing and its subsequent reliance on the paid in capital of member states is that the poor are forced to aid the poorer. This is analogous to the special funds used by the CEAO, the Entente Council and the ECOWAS, who depend on the relatively well to do states to make large contributions to a redistribution fund that is designed to balance gains in the region. As evidenced with the special funds, the reliance by the ADB on paid in contributions from its member states provides insufficient capital to meet the task of investing in African development. Despite the relatively large subscriptions of states like Nigeria, Algeria and Libya, the modest size of the paid in capital limits the investment capability of the bank, in addition to discouraging outside lenders. This problem is exacerbated by the poor performance of member countries in meeting their paid in capital commitments.

Judging the credit standing of a development bank by the strength of its callable capital is conducted by assessing the economic solvency of its membership. To determine the economic strength of a development bank by measuring its paid in capital requires looking at the ability of its members to meet their obligations. By 1971, the ADB's percentage of arrears to callable was 26.17%, with the assigned level of paid in capital set at 110.2m units of account.[13] Given the modest size of the paid in capital required of the member countries, the high percentage of arrears indicated the weak economic standing (or lack of commitment of the bank's members) of the member countries and the ADB. With the small size of the bank's paid-in capital and its high level of arrears on paid in capital, the possibility of the ADB operating on borrowed monies was nil. Not being

able to secure borrowings in the international market prevented the bank from carrying out one of its missions effectively; bringing additional resources to Africa. Aside from this issue, the ADB was placed in a paradoxical position; the weakness of its member countries denied it access to outside support, which placed added pressure on its members to meet their obligations to the bank. Being forced to operate on a short supply of money, the ADB had to develop policies that would make the best use of its resources, while enhancing the bank's standing to outside aid givers and lenders.

One of the ADB policies that were designed to conserve resources, as a result of their reliance on paid-in capital for project financing, was to set loan ceilings for multinational and national projects. The loan ceiling policy, as stated by the ADB in 1967 was as follows;

> "In its initial period of operations, while its resources are dependent upon the continued payment of member countries of their scheduled subscriptions to the paid up portion of the capital, the Bank will not be in a position to grant large loans. Therefore an upper limit of approximately $8 million has been sent for multinational projects and one of $3 million for national projects..."[14]

The loan ceiling constrained the bank from considering a wide range of development projects. With the ceiling, the ADB was relegated to financing small projects or small portions of large projects. This situation would place the ADB in the role of junior partner in projects in which they were co-financers. The loan ceiling also precluded them from considering many multinational projects. During the time of the 1967 loan ceiling (until 1973), the ADB made only three direct loans to multinational projects (Air Afrique, Mano River Bridge, R.A.N. [Ivory Coast, Upper Volta] and extended one (1) line of credit to a regional organization (East African Development

Bank).[15] The ADB was also in a position, due to the loan ceiling, where they had to absorb high administrative costs.

Small loans tend to incur greater administrative costs than large loans. Larger sums of money committed to a project provide more revenue to the lending agency with which to cover their administrative overhead. When a project is small, the pay back from the investment has to be stretched further to cover expenses. Because the cost of processing and implementing a loan is generally the same for large and small loans, the cost savings is realized in the volume of revenue obtained from the investment - larger loans giving greater returns. In order that the ADB would be able to operate within the limits of the loan ceiling, the bank had to absorb higher administrative costs, as a consequence of funding small projects. During the last three years of the 1967 loan ceiling, the ADB´s ratio of loan committments to administrative costs has been, in comparison with the IBRD and CDC, quite high.

TABLE 1: Ratio of Loan Commitments to Administrative Costs by Institution

	Year	(US$m) Commitments	(US$m) Administrative Cost	Administrative Cost / Commitments
ADB	1971	24.69	3.485	14.1%
	1972	27.38	3.502	12.79%
	1973	43.13	4.366	10.1%
IBRD	1971	2505	66.32	2.6%
	1972	2966	78.567	2.6%
	1973	3408	91.02	2.6%
CDC	1973	523.25	6.86	1.3%

SOURCE: Annual Reports of ADB, IBRD/IDA and CDC. Figures converted to U.S. dollars by exchange rates listed in ADB Annual Reports 1971/2/3.

To be sure, the high administrative costs of the ADB, when compared to the IBRD and CDC, are a product of the bank's slow "take off" and limited resource base as well as the smallness of their operations. The small size of the bank's operations and its limited resource base also had an impact on the bank's policies concerning project selection.

At the establishment of the bank, the project selection criteria was to include projects and/or programmes that "contribute to the economic development and social progress of its members - jointly and individually."[16] Although the term "social progress" is not entirely clear, it appears to include projects that might not be judged economically productive, but still necessary enough to warrant funding. If this is actually the spirit of the term, by the time the ADB began operations, its application to project selection decisions was not apparent. The policy of removing projects that were "social" in nature from the ADB selection of potential projects was a response to the bank's poor credit standing.

In order that the ADB might gain credibility in the international market as a sound development institution, the bank decided to try to attract outside aid and potential lenders through its lending operations. The bank was going to have a hard time convincing the international market that it was creditworthy, therefore, the only other way to gain respectability was by demonstrating wisdom in its investments by using "sounding banking criteria"[17] in its project selection. This approach appears to be a product of the response that the Committee of Nine received in their meetings with the capital exporting countries that wanted to observe the bank's performance before committing funds to its opeartions. The decision to direct loans to "bankable" projects may have been a sound strategy for

attracting additional sources of funds for the ADB, however, the policy altered the original concept of the bank's purpose.

There is no agreed upon definition of a "bankable" project, although it generally refers to projects that display good prospects for providing sufficient return to pay off the loan; in other words, profitability. In choosing to direct investments into projects that were profitable, the ADB overlooked "social" projects, e.g., housing, rural water supply, hospitals. In light of the slow pay off on these type of loans and the low rate of profitability, the ADB chose to not fund social projects. They reasoned that, due to the nature of these type of projects the bank would need "soft loan money", which could be offered on concessionary terms.[18] The ADB visualized the forming of a special fund (ADF) that would serve as a soft loan window to the ADB, much like the IDA does for the IBRD. The ADB, in limiting its project selection to "bankable" projects, narrowed its operations to national projects in fairly well to do member countries.

To insure that their projects would pay off, the ADB focussed its investments in the member countries with the most sound economies. In the first seven (7) years of the bank's operations the member countries with the relatively strongest economies (Nigeria, Ivory Coast, Algeria and Kenya) received the largest volume of loan commitments in their regions.[19] Another factor of the loan policy that biased loans in favor of the more well-to-do member countries was that the ADB required the host country of a project to invest "approximately 50% of the cost of the project" as a condition for receiving a loan.[20] This clause of the ADB loan policy eliminated several of its poorer members from considering ADB loans in their countries. The member countries with the stronger economies were also better equipped to formulate loan proposals to the bank, since they

tended to have a greater number of qualified bureaucrats than their poorer counterparts.

These policies that tended to favor the more well endowed countries may have provided the bank with a solid record of "bankable" projects that were funded, but it did not necessarily make the economies of member countries more complementary nor produce regional development. Imbalances between states that are engaged in economic union can have a disintegrative effect on the community. This phenomenon was illustrated in the case of a laissez-faire economic grouping that failed to account for growing disparities between states. In this case, the loss of import duty revenues of the smaller states and the disproportion gain from increased trade flows for the larger states created an imbalance within the region that disrupted the economic community. A variant of this problem that has been confronted by economic groupings that try to balance gains between states is the problem of "backwash." It is this problem, which weakens regional economic communities, that the ADB's first seven years of investment exacerbated by diverting funds to the richer states.

As stated in the previous chapter, when discussing the gaps in the ECOWAS program, "backwash" is the tendency of capital and development activity to be centered in regional growth poles. These growth poles are typically found in the wealthier states of the region, where there is a substantial level of infrastructure available for development. It was pointed out that this tendency of capital to concentrate in the wealthier states turns the poorer states into "back waters." The oucome of this process is that the poorer state eventually breaks from the regional community and attempts to develop its own industrial centre behind the protection of its national boundaries. The only manner in which this disin-

tegrative outcome can be avoided is to direct investments of the region into the poorer states. CEAO, the Entente Council and ECOWAS use their special funds to initiate regional investment into the poorer states. As was suggested earlier, the special funds are undercapitalized and the various economic groups of the area look toward foreign aid and the ADB to make the necessary investment to remedy the problems of "backwash."

The ADB's concentration of investments into the wealthier African states heightened the problems of "backwash." Without ADB investment, the tendency of local and foreign investors would be to focus their monies into projects within the growth poles. The ADB policy served to accelerate this process, to the detriment of the poorer states. The disintegrative effects of the first seven years of ADB investment activity was compounded by the small number of multinational projects that were funded, which may have served to mitigate against the ensuing disparities between member countries. Given this scenario, it is not surprising that areas, such as West Africa, had so few a number of regional economic groupings before the 1970's. During the early years of the ADB's operation, the only device that the bank used to advance regional development was by distributing its funds equitably throughout the subregions of Africa which does not produce complimentarity between the economies of members, nor does it create regional development; balancing industrial development to deal with the problems of "backwash does produce a degree of complementarity between the economies of member states.

TABLE 2: Geographical Distribution of ADB Loans for the Period 1967 to 1974

Region	Share	Region	Share
East Africa	26%	Central Africa	14%
North Africa	26%	Multinational	6%
West Africa	28%		

SOURCE: ADB, Annual Report, 1974.

In defense of the ADB's inactivity in funding multinational projects during the first loan ceiling period, there were only a small number of regional authorities or organizations with which to disburse loans to and to oversee the management of regional projects. By 1973, all of ADB loans to multinational projects were made to regional entities, with the Mano River Union between Liberia and Sierra Leone being inaugurated just prior to an ADB loan commitment to the Mano River Bridge.[21] In the absence of a regional entity, it is difficult to decide which country will receive the loan, who will quarantee the loan, who will manage the project, how are rights of access decided and which country will absorb the costs. A regional body serves as a conduit for loans and coordinates the arrangements between its member countries. The absence of regional bodies in West Africa, during the first loan ceiling period, give an indication of the lack of institutional support that the ADB had in financing multinational projects. Of the approximately 26 regional organizations that now exist in West Africa 18 of them were formed in 1970 or after.[22] Without the organizational support of regional organizations, it was difficult for the ADB to fund multinational projects, although it is not certain that with the presence of the organizations the ADB would have diverted money from a wide number of national projects to finance a few multinational projects.

There is greater pressure on the ADB to fund national projects in the widest number of countries rather than to fund multinational projects because the member countries are the sole contributors to the bank's operations. Each country feels that if it must pay a certain amount of subscriptions, it should receive at least a comparable amount in loans. This is one of the perverse outcomes of the ADB functioning totally on paid-in capital; money is merely redistributed among individual members. The political pressure on the bank to spread its loans among its members, rather than only on good projects, diverts the bank away from projects that are not geographically bound. The member countries, in addition to wanting something in return for their money, prefer national projects because they maintain political control over the project and realize all of its benefits. An extension of this sentiment is the apprehensiveness of national political leaders to concede any power to a regional body.

When discussing the political constraints to regional integration it was stated that national political leaders tend to be uncomfortable with conceding power to an outside authority. This sense of uneasiness is more apparent for those leaders that confront internal political instability or rule with a weak political base. For these nations, multinational projects that require interstate authorities to administer and control the project involve a degree of authority transfer that is not always viewed favorably by the national leadership. The fears of these national leaders concerning authority transfers to a regional body, with the subsequent loss of control over the project, is compounded by the volatility of national leadership within the nations of Africa.

National leaders tend to be cautious when making interstate agreements as a result of the unpredictable changes in national leadership in Africa.

Given the numerous "coups" and attempted "coups" in Africa, national leaders are aware that an agreement made between heads of state can quickly be undermined by a radical change in leadership. It is for this reason that some national leaders shy away from multinational projects that require regional authorities. The skeptics realize that the coordination between nations that is required to operate these authorities can easily be destroyed by a change in relations between member states. One way to allay this concern on the part of national leaders is to establish regional cooperation, and show the success of their operations. The ADB can be the lead agency in assisting states to form these authorities as a measure to ease the pressure for national investments. Another strategy that the ADB can use to ease pressure from member states to focus its investments into national projects would be to shift their reliance on capital away from the member states and expand its resource base by securing additional funds.

Aside from the lack of institutional support for multinational projects and the bias of member countries for national projects, the ADB was apprehensive about committing a large sum of its limited capital into a small number of projects. Should a few larger investments in multinational projects fail, the ADB would be faced with heavy losses, which would further errode its credibility as an investment institution. To add to the apprehensiveness of the ADB was the obvious absence of other development institutions in the area of regional projects. By 1972 the IBRD, and IDA by 1971, had committed, worldwide, only 1.9% of their total financing to multinational (regional) projects and/or programs.[23] Without other investors contributing to multinational projects, how could the ADB invest

in a multinational project, without assuming the weight of the total cost. To compound the problem of not having local political support and co-financing support, the processing and disbursement of ADB loans was rather slow, with the larger projects displaying the greatest delays. As far as the ADB's performance in multinational and national projections, delays in processing and disbursements of loans plaqued the bank in its early years (1967-1973).

The ADB, in the latter part of its years operating under a loan ceiling of $8m for multinational and $3m for national projects, began to improve its percentage of loans committed per year that were actually disbursed. This indicator is important in assessing an investment institutions performance in financing projects because it reflects the ability of the institution to release its money quickly and to implement projects promptly. When compared to other major lenders, the poor performance of the ADB, in its early years, is clear (see Table 3).

TABLE 3: Ratio of Disbursements to Loans, by Institution (1968-1973)

	1968	1969	1970	1971	1972	1973
ADB						
loans (US$m)	2.98	7.92	11.15	24.69	27.38	43.13
disbursements (US$m)	.4	.76	2.3	6.3	13.46	20.27
ratio	.1243	.0959	.206	.255	.491	.469
IBRD						
loons (US$m)	847	1399	1680	1921	1966	2051
disbursements (US$m)	772	762	772	915	1182	1180
ratio	.911	.545	.459	.476	.601	.575
CDC						
loans (US$m)						423.25
disbursements (US$m)						341.37
ratio						.652

SOURCE: Annual Reports of ADB and IBRD/IDA for years listed. Report and Accounts of CDC for years listed. Currency exchange based on exchange rates from ADB Annual Reports for years listed.

The difficulty the ADB experienced in disbursing its loans can be attributed to a slow start-up period during its first four (4) years of operations. Comparing the disbursement data of the ADB and the IBRD and CDC is somewhat misleading also, with the scope of the IBRD and CDC operations being on a world wide scale and the ADB restricted to Africa. This, however, should more clearly state the problem of the ADB, whose sucess at disbursing funds in Africa is not competitive with the success of the IBRD and CDC, who finance projects internationally. A related problem to that of slow disbursements, is that the ADB has had difficulty in committing its capital to actual development projects.

The ADB has been unable to commit a significant portion of its available capital to development projects. Much of the bank's capital stock has been invested in time deposits, rather than in development projects. The policy of investing uncommitted available capital in time deposits does not help the bank in improving the performance of member countries in meeting their paid in capital commitments. Member countries rightfully question the need for additional capital for operations when such a large portion of capital is being invested but not in development projects. One of the indicators of the bank's inability to commit its capital to development projects is the rate of income that it realizes from investments. Most development agencies that are able to commit their capital to projects tend to have a low rate of profit (whether it be from projects or investments); the ADB's rate is consistently high. By 1975, the ADBs profit rate had reached 37.5% while the CDC had a profit rate of only 2.1%.[24] This problem is referred to in the 1969 ADB Annual Report in the following sentence;

"It may be pointed out that the substantial increase in income of 59.7% is the result of the exceptionally high rates offered for the funds not utilized for operational purposes and placed on time deposit."[25]

The problem of not being able to commit its capital to development projects was most serious in its first four years of operation, when its cumulative number of loan projects was only 12.[26] The following three years of bank lending reflect a sharp increase in the number of projects committed by the bank, with the cumulative number of loan projects reaching 53 in 1973. Fifty-three loan projects in seven (7) years of operations is not a handsome number of investments, and in fact, appears to be an illusory indictor of progress when considered in relation to the volume of loan commitments by other lending agencies. Overall, the banks ability to commit more of its capital stock to projects during its first seven (7) years was poor.

In summarizing the performance of the ADB's first seven years of activity, the most fundamental constraint on the bank's operations was the limited resource base of the bank. The lending operations of the ADB were funded entirely from the paid in capital of its subscribers. This process of funding the bank's activities created a situation where the ADB was merely serving as a facilitator in redistributing a small amount of capital among its members. The limited size of the capital stock pressured the ADB to conserve capital, and therefore, to narrow its scope of projects to those that were "bankable" and within a loan ceiling.

The small size of the loan projects that the ADB funded in its early years produced high administrative costs. The ADB may have actually been top heavy as an agency, however, its disbursement to administrative cost ratio demonstrated a consistent decline, reflecting more efficient output by the bank, rather than an excess of staff. An additional effect of the

small loan size, made necessary by the limited size of the capital at the bank's disposal, was the diverting of a high volume of loans to the most well-to-do member countries. This diverting of bank loans worked contrary to the spirit of the ADB; to make member countries economies more complimentary and to advance regional development. A by-product of this policy was the emphasis of bank loans into national, rather than multinational, projects.

With the ADB's entire resource base coming from the paid in capital of member countries, the political pressure to do many national projects impaired the bank's ability to do more than a few multinational projects. The lack of regional bodies in which to disburse loans to and to manage multinational projects further inhibited the bank from carrying out more multinational projects. Aside from this factor, the small size of ADB contributions to multi-national projects, as specified by the loan ceiling, in addition to the absence of co-financers in these type of projects, served to constrict the banks activity in the area of multinational projects. Beyond the ADB's inability to carry out many multinational projects, the bank had a poor history of committing and disbursing its funds.

Despite the modest size of the bank's capital stock, the ADB was unable to commit significant portions of its capital to development projects. The poor performance of the ADB in committing its funds to projects sent discouraging signals to its subscribers and to potential outside lenders. The ability of the ADB to get its subscribers to pay in the required shares of capital and its success at securing additional sources of funds from outside Africa was questionable, with the bank demonstrating problems at finding projects. This problem was exacerbated by the bank's poor performance in disbursing loans to projects.

The loan commitments to disbursements ratio improved for the ADB in the latter part of its first seven years of activity. Despite its improved performance in releasing its committed funds, the ADB was not at a level comparable to the other investment institutions lending in Africa. As a consequence of this, the ADB loans were not viewed by African countries as being as reliable as those offered by the IBRD and CDC. This perception further undermined the bank's credibility. In spite of all these set backs and constraints, the ADB was able to consistently expand its lending activity.

By 1973 the ADB had more than doubled its cumulative number of loan projects from the number it attained in 1971 (1971 - 24 projects; 1973 - 53 projects). The increased level of loans committed, combined with the bank's consistent improvement in disbursing its funds, indicates that, in spite of the numerous and substantial constraints placed on the ADB's activity, the bank would be able to survive as a lending institution.

C. Adjustments by the ADB - 1974-1979

The issue of whether to open the bank's capital stock to non-African countries continued to be debated through the difficult years of the bank's start up period. The topic was too politically loaded and emotional for an objective debate about its merits to be discussed. By 1974, the question of opening the capital stock remained moot, with the bank's Board of Governors still not in favor of the proposal. It was obvious at this point, however, that one of the ADB's fundamental problems of functioning as a development bank was that it was relying on paid-in capital to cover its operations. By 1974, the bank began to supplement its operations through borrowings from the central banks of its members,

however, this did not provide additional funds to Africa. Borrowing from the central banks of member countries continued the bank in the role of re-distributor of resources around Africa. In 1975, the ADB broke from this mode when it secured a $65m loan from a syndicate of United States banks.[27]

The ability to secure outside monies to the bank was the path that the ADB wanted to follow. By having access to borrowed money on the international market, the bank could begin to expand its operations in addition to hold back on the use of its paid in capital. This feature would ease the strain on the bank's subscribers and weaken the political pressure on the bank from its member countries. It is not clear how the bank was able to instill confidence in outside lenders, although one factor may have been its improved record of clearing up subscribers arrearages.

Other institutions that are comparable to the ADB, e.g., the IBRD, IDB and ASDB, are able to secure borrowings on the international market on the strength of their callable capital. In the IBRD, the callable capital is (since 1974) nine times larger than the amount of paid in capital.[28] Maintaining such a larger callable capital in relation to the paid in capital and still be successful at borrowing large sums of money on the international market reflects the deep faith that investors have in the strength of the IBRDs subscribers. The ADB does not enjoy that degree of faith from foreign investors. The ADB's callable capital to paid in capital ratio, up until 1975 was 1:1, with the paid in amount totalling a modest figure of 193.93m (UA) [$217.69m].[29] It would not appear that the ADB could instill confidence in potential foreign investors with those figures. The data that might have given the lenders in 1975 a feeling of relative security was the bank's improved record of meeting its paid-in

capital schedule. The bank's summary statistics on arrearages by 1975 looked like the following:

TABLE 4: ADB Paid In/Callable Capital and Arrears/Paid in Capital Record

(UAm)	(A) Paid In	(B) Callable	(B/A) Ratio	(D) Arrears	(D/A) % of Paid In
1971	110.2	110.2	1:1	28.845	26.17
1972	127.2	127.2	1:1	29.493	23.18
1973				20.496	
1974	185.58	185.58	1:1	18.729	10.09
1975	193.93	193.93	1:1	22.9	11.8

SOURCE: ADB Annual Reports 1971-1975.

As the data indicates, the level of bank arrears in relation to paid in capital declined substantially between 1972 and 1974. A higher proportion of subscribers meeting the paid in capital schedules reflects a stronger commitment by the bank's member countries to keep the bank solvent and operating. Beyond the issue of the ADB's improved record on arrearages, the size of the bank's subscriptions has grown over the years. Whether the subscriptions of the bank rise from an individual member drawing more subscriptions from the bank (as Nigeria has done) or from the Board of Governors raising the subscription levels for all the members, or from the addition of new member countries, the increase in paid in capital from higher subscriptions broadens the bank's operations and tends to reassure skeptical foreign investors. As the bank continued to increase its subscription levels and cut down on its arrearages after 1975, access to foreign credit became easier, although policy changes by the bank may have enhanced the ADB's position as a borrower in foreign markets.

In 1976 the ADB decided to increase the ratio of paid in callable capital. By 1979 the ratio had grown to 3:1 (callable/paid in), with the intention of gaining greater access to foreign lenders by doing so. The reasoning of this policy decision is captured in a passage from the President of the ADB from 1977 to 1979, Kwame Konkoh Fordwor;

> "The callable capital is intended in effect to be the owner's guarantee of the bank's indebtedness. As such, its exploitation in the operations of the bank is more than an invitation to outsiders to share the owners faith in their willingness and ability to pay for the amount of debt on the evil day - which with good management, would never come - when the bank might have to close its doors because of insolvency. ...It was in this spirit that I decided - with some temerity - that this ratio was too high. If we lowered it, there would be a larger margin of callable capital on the faith of which we could borrow more. All it needed was faith on the part of the available lenders, and that would largely depend on outsiders."[30]

The ADB's access to outside credit almost doubled between 1977 and 1979. Part of this was a result of the bank's success at floating bonds in Kuwait in 1976 and the bank's first issuance of bonds in the Eurobond market. This increase in foreign borrowings by the bank, in addition to the consistent increase in the ADB's paid-in subscription levels, helped to address one of the bank's earlier problems; limited sources of capital. Entering into the bond market also allowed the bank to operate more on borrowed money than on paid in capital. In addition to easing pressure on subscribers one of the positive outcomes of the banks increased resource base was the raising of the ADB's loan ceiling from $4m in 1973 for national projects to $8m in 1979 (double the size in loans). An indication of the bank's improved resource base is illustratd in Table 5 below:

TABLE 5: ADB Borrowings, Callable Ratio/ Paid In, Record of Arrears

(UAm)	(A) Paid In	(B) Callable	(B/A) Ratio	(D) Arrears	(D/A) % of Paid In	Borrowings
1974	185.58	185.58	1:1	18.729	10.09	10.64[a]
1975	193.93	193.93	1:1	22.9	11.8	75.33[b]
1976	256.9	362.23	1.4:1	23.933	9.3	34.98[c]
1977	279.825	430.02	1.53:1	26.444	9.45	150.13[d]
1978	300.23	490.23	1.63:1	38.092	12.68	164.84
1979	300.23	900.69	3:1	29.619	9.86	281.71[e]

a - borrowings from member central banks
b - principally from syndicate banks (US$65m)
c - primarily Eurocredits and bilateral contributions
d - first issuance of bonds in foreign market (Kuwait -KD 5m)
  - first issuance of bonds to central banks other than from member countries (US $39.5m)
e - first entrance in Eurobond market (Germany-DM 300m)

The radical change in the ADB's resource base, created by its recent access to foreign borrowings, should not confuse one into thinking that the bank has solved its resource problems. The ADB borrowings are still quite modest, especially when compared to the volume of borrowings of the IBRD (see Graph I). The additional source of funds of the ADB have allowed for the bank to make progressive changes in its operations, however, to begin to meet the needs of its members more effectively, the bank has begun preliminary inquiries into the possibility of opening the capital stock of the bank.[31]

Opening the capital stock of the bank to non-African countries would increase the paid in capital of the bank through the subscriptions drawn by the non-regional members. Perhaps more importantly, the presence of capital-exporting countries in the bank's membership would enhance the credibility of the ADB's callable capital, and thereby, provide for greater

borrowing power for the bank. Having the ability to secure credit like the IBRD, IDB or ASDB would move the ADB closer to being able to state, as the IBRD has in their 1981 annual report, that the bank's "borrowings in international capital markets constitute the principal source of funds for financing its lending operations."[32] Naturally, allowing non-regional members onto the ADB would alter the composition of the bank's membership, however, with respect to the African character of the ADB, the Board of Governors had stipulated that any formula for opening the capital stock of the bank would preserve the African character of the bank in it's leadership, operations and voting power.[33] With this clause placed in the resolution to develop a formula for opening the bank's capital stock, the Board of Governors of the ADB had diffused the political emotion of bringing in non-regional members to the bank, while allowing for the benefits of additional capital subscriptions to the ADB.

The suggestion in 1978 that the ADB was moving to open its capital stock to non-regionals may have contributed to the bank's sucessful efforts at entering the Eurobond market in the following year. Once the penetration was made into the Eurobond market, the possibility of reentering it or eventually entering the Japanese bond market was good.[34] This degree of access that was newly acquired by the bank began to display positive effects on the loan operations of the ADB.

Between 1974 to 1979 the annual number of projects that the ADB was committed to increased steadily, from 25 in 1974 to 35 in 1979. The more important statistic though was the average size of loans that the ADB made to projects during this period of time. The following table indicates the increasing size of ADB loans to projects in the six (6) year period being referred to:

TABLE 6: Average Size of Loans by the ADB

Year	Number	Amount (UAm)	Average (UAm)	Average (US$m)
1974	25	73.4	2.936	3.54
1975	28	85.9	3.06	3.39
1976	25	80.45	3.218	3.575
1977	30	126.78	4.226	4.695
1978	33	157.9	4.78	6.232
1979	35	207.9	5.94	7.824

SOURCE: ADB, Annual Reports 1974-1979.

Another interesting statistic that reflects the larger development role of the ADB is the increase in the percentage of the total cost of projects that the bank is funding. The bank's share of the total cost of projects rose from 19% in 1978 to 21% in 1979, reflecting an increasing participation as co-financers in development projects. During the last six years of operations the bank has also been able to substantially lower its administrative costs, in relation to commitments and disbursements, increase the amount of capital going to development projects and improve its record on disbursement of funds.

With regards to the ADB's cost for administration, in relation to commitments and disbursements, the bank continues to maintain a much higher level of costs for operation than many of the other development institutions operating in Africa. This does not seem to be merely a product of the ADB being restricted to small projects, since BADEA and the Kuwait Fund for Arab Economic Development have also taken on small projects and emerged with lower administrative costs. It would appear that the ADB does tend to be administratively top heavy, with its staff increasing from 258 (1974) to

606 (1979).[35] Considering the dramatic increase in the size of the ADB's staff, the sharp decreases in the bank's administrative cost to loan commitments and disbursements would seem to be a result of improved efficiency and the expanded scope of the banks loan efficiency and the expanded scope of the banks loan activity. As encouraging as the decline in these cost ratios are (see Graph II and III), the high levels maintained by the ADB signal a level of inefficiency that could prove to be counterproductive for the bank.

The ADB has been able to commit an increasing percentage of its capital to development projects. An increasing amount of the ADB's total revenue is coming from development projects, as opposed to the bank's assets. By comparing the ratio of the ADB's development portfolio to its total revenue with the bank's ratio of development portfolio to development revenue it is clear that the bank is beginning to receive an increasing portion of its revenue from its projects:

TABLE 7: ADB - Total Revenue/Dev. Port and Dev. Rev./Dev. Port.

	1975	1976	1977	1978	1979
$\frac{TR}{DP}$	39.6	40.4	44.9	47.7	62.2
$\frac{DR}{DP}$	2.4	24.7	37.8	40.1	53.1

SOURCE: See Prof Johnsons data on ADB.

As indicated by the data, in 1979 85.36% of the ADBs total revenue is coming from its development activity. Another indication of the bank's increased commitment to investing its capital in projects is the bank's falling profit rate. In 1975 the ADB realized a rate of profit of 37.5%; by 1979 it fell to 12.3%.[36] With a major portion of the ADB's capital

used for development purposes, the bank is able to improve its credibility with subscribers and potential lenders to the bank. Aside from this concern, the increased number of loan commitments, and the larger size of loans by the bank, have aided the member countries in developing their economies.

Another area in which the ADB has upgraded its operations is in its disbursement of loans committed to projects. The development institution with the best disbursement record among those operating in Africa is the CDC, which is consistently between 60-70% of disbursements to loans. It should be pointed out, however, that most of the CDC's activities have been loans or equity participation in continuing projects,[37] which are characteristically different from financing new projects. The ADB's disbursement record, after an erratic beginning between 1967 and 1974, has levelled off to a point that is almost equal to that of the IBRD, with 1979 being the only clear exception. The disbursement figures for the IBRD and the ADB from 1971 to 1979 look like the following:

TABLE 8: Ratio of Loans to Disbursements

	1971	1972	1973	1974	1975	1976	1977	1978	1979
ADB (US$m)									
loans	24.69	27.38	43.13	88.51	103.64	97.05	154.0	205.72	273.95
disbursements	6.3	13.46	20.27	23.89	48.01	51.39	73.06	92.8	107.65
ratio	.255	.4915	.469	.269	.463	.5295	.474	.474	.3929
IBRD (US$m)									
loans	1921	1966	2051	3218	4320	4977	5759	6098	6989
disbursements	915	1182	1180	1533	1995	2470	2636	2787	3602
ratio	.476	.601	.575	.476	.461	.496	.457	.457	.515

SOURCE: ADB Annual Report 1979, p. 11; IBRD/IDA Annual Reports 1971-1979.

Perhaps the sudden increase in the volume of loans between 1978 to 1979 is responsible for the sudden decline in the ADB's disbursement record.

Taking this into account, the ADB has established a general consistency in its disbursements, comparable to the IBRD, which hovers around 45% of loans disbursed per year. Part of the ABD's success at improving its operations go beyond their administrative skills at commitment and disbursement of loans. One of their major sources of support in developing their institutions to its present level is the creation of its two soft loan windows; the African Development Fund and the Nigerian Trust Fund.

The Creation of the ADF

When the ADB began operations in 1967 it was unwilling to invest in projects that were in its least developed member countries. The reason for the ADB's apprehension concerning loans in its least developed member countries was stated in an ADB working paper in the following manner;

> "...that for the time being the Bank should not make any loans from its own capital resources to countries which are not good risks, that it should invest its resources in bankable projects in creditworthy countries..."[38]

The ADB's rationale for diverting loans to the more well-to-do member countries has been outlined previously. The alternative offered for the relatively poor member countries was a special fund, contributed to by non-regional coutries, that would provide long term loans on concessional terms.

Actually, the ADB was eager to erect a soft loan window for the bank, similar to the IDA with the IBRD, that would supplement ADB loans with concessionary financing. The idea of this arrangement was to allow the ADB to mix its conventional financing with soft loan money, so as to provide better terms on ADB loans and to increase the "Bank Groups" share of project financing. An underlying issue to the ADB's efforts to develop a soft loan window for mixing loans was that the ADB was unable to cover

many infrastructure portions of development projects as a result of their low profitability potential.[39] The financing of these foundation laying activities were often essential for the successful completion of commercial projects. In order that the ADB could be able to finance the infrastructure segment of larger, commercial projects, it required a soft loan window that would mix in concessionary financing. It was not until 1974 that the ADB was finally able to attract enough foreign support for the soft loan window to begin operations.

The ADF was inagurated as a development fund in 1974 with their total subscriptions equaling U.S. 80,659,050 (US$97,303,045).[40] The amount of subscriptions did not match the goal of UA130m, which the ADB set as its scale of capital subscriptions. The ADF was designed to be a multilateral fund that "would receive contributions in the form of grants and not loans."[41] As a fund that was subsidized by grants, the ADF was supported by subscriptions, in 1974, from the ADB and fourteen (14) foreign countries. Although the operating capital of the fund was leaner than the UA130m initial envisioned for the ADF, it was able to begin operations quickly in 1974.

The Board of Directors of the ADF is comprised of, mainly, foreign nationals, although the ADB maintains a 50% interest in the Fund and the President of the ADB serves as the chairman of the ADF Board of Directors. The ADF carries with it a staff that appraises, processes and implements its loans. This staff has a number of foreign nationals that provide technical assistance. Much of the work of the ADF's staff was made easy as a result of the experience of the ADB in selecting and processing projects, subsequently the ADF started making loans on concessional terms immediately

(6 study projects in its first year).[42] Approximately 80% of the ADF's loans were going to the least developed countries in Africa.[43]

The eligibility criteria for Fund loans was separated into three levels of priority. All member countries were eligible to receive fund loans, however, the highest priority was given to member countries with per capita incomes that were equal to or below US$280. The next level of eligibility was for countries with per capita income levels between US$281-$550. The final category of Fund eligibility included those countries that either renounced their rights to benefit from the Fund or whose per capita income was above US$550. The group of countries that had per capita income levels between US$281-550 were not to receive funding unless they suffered from "natural disaster or unfavorable geographic position, chronic balance of payment problems due to factors beyond the countries control, unfavorable international economic situation detrimental to the nations development process or strained economic situation due to accession to independence. The stipulation for funding under the Fund's eligibility policy could have covered almost every member country in Africa, although the Fund did try to focus it's operations in the least developed countries.

The ADB's concentration of investments in the relatively wealthy states increased regional imbalances between states by fueling the process of "backwash." The creation of the ADF, with its investment focus directed toward the relatively poorer states offered promise of counteracting the trend of backwash. This hope was supported by the 1974 investment fixture for the Fund, which showed 80% of its investments going to the least developed countries in Africa. WIth the investments of the Fund directed to the poorer states, the ADB investments were beginning to be balanced between the rich and poor countries. The balancing of investment, however,

did not fully address the imbalances caused by backwash.

The phenomenon that causes investments to be concentrated at the growth poles is primarily attributable to the area amenities, infrastructure and existing industrial activity of the growth pole area. The strategy for shifting investments away from the growth poles and toward the "backwaters" is to develop the infrastructure and amenities of the area, in addition to investing in new industries. Other strategies, such as, tax incentives, are also used to develop the poorer regions. The ADB has the authority to invest in new industries, infrastructure and other support projects, although it has tended to avoid investments in the poorer states. The Fund is designed to make the investments of the "Bank Group" in the relatively underdeveloped states, but it is limited to making investments in social projects."

Social projects include the construction of hospitals, housing, water supply, schools, roads and other types of infrastructure projects. These type of loans by the Fund aid in the fight against "backwash." to the extent that infrastructure and area amenities for industry are developed. The scope of Fund investments , as defined under social projects, allows for the necessary infrastructure and support structures for industry to be developed. The limits of the Fund though, prevent it from making investments in new industry. Without the power to invest in new industry development in the relatively poorer states, the Fund is unable to fully address the problem of industrial imbalances between rich and poor states. One of the "Bank Group" strategies for overcoming this barrier confronted by the Fund is to increase the co-financing activity between the Fund and the ADB in the area of multinational projects. Without a doubt, this does not approach the problem of national project financing of new industry in

the relatively poorer states, however, to the extent that these co-financed multinational projects are industry related and include poorer states, the Bank Group is making an impact on the problem of industrial imbalances between states (see Diama Dam Project [OMVS] 1979 and CIMAO 1976 - Table 10).

Despite the Fund's laudable goals in investing in the relatively underdeveloped states, the operations of the ADF experienced difficulties resulting from its limited available capital, in addition to other problems that were common to the ADB in its early years. The Fund issued loans for seventeen projects or studies in 1974 with an average loan size of US $2.74 m. By 1979, the ADF operations had expanded to the point that during the fiscal year the Fund issued loans to 23 projects or studies, with an average loan size of US $10.77 m.[44] This surpassed the average size of the ADB by almost US $2 m. With the Fund issuing loans at .75% and 50 years maturity (10 years maturity on studies; 20 years on lines of credit),[45] the ADF was not going to recoup its investments on the revenues from projects. Without regular replenishments to the Fund by subscribers, or absent of the inclusion of new subscribers, the Fund would exhaust its capital in a short period of time. In 1974, the ADF committed US $42 m to projects and studies; more than half of its subscribed capital. Without immediate and regular replenishments, the Fund would be insolvent by 1975. The Fund confronted problems in receiving firm commitments from its subscribers on contributing additional amounts to the Fund.

Fund contributions had to be approved by the legislature, or head of state or finance minister of the member countries. Commitments could not be made, by the representatives from the individual country to the Fund for announced replenishments. This situation caused the Fund to experience difficulties in meeting its replenishment goals. One of the factors that

aided the Fund in increasing its capital was the admission of new members and grants from donor countries. With regards to new members, by 1979 the membership to the Fund had increased to 22 with the new subscribers bringing UA136.2m.[46] Although the Fund has consistently faced problems in meeting its replenishment goals, the Fund's operational activities continued to grow.

Despite the volatility of the Funds capital stock, its loan operations increased appreciably within its six (6) years of lending activity. The following table illustrates the rapid expansion of the Funds operations between 1974 and 1979;

TABLE 9: ADF - Average Size of Loans

Year	Number	Amount (USm)	Average UAm)	Average (US$m)
1974	17	42.0	2.47	2.74
1975	23	83.68	3.638	4.04
1976	18	71.95	3.977	4.44
1977	17	127.51	7.5	8.33
1978	24	155.1	6.46	8.419
1979	23	188.2	8.18	10.778

SOURCE: ADF Annual Reports 1975-1976, ADB Annual Reports 1977-1979.

The use of the Fund as a soft loan window by the ADB was minimal in the initial years of the Fund's lending, however, within the past few years, the ADF has co-financed several projects with the ADB. Co-financing between the ADF and ADB has been most apparent in the growing number of multinational projects that the Bank Group has been taking on. The success of the ADF within the Bank Group must be tempered, however, because of the administrative problems that continue to hold back the Fund's lending operations.

As indicated by Graph II, (p.) the ADF has maintained exceptionally high administrative costs to disbursements. The administrative top heaviness, slow start up time and the, initially, small size of its loans (the ADF loan ceiling has grown to UA8m for national projects and UA12m for multinational projects)[47] are probably the causes for the Funds high administrative costs to disbursements; much like the ADB. It is encouraging to see the costs declining rapidly; however, the continued high level of the cost is not beneficial to the Fund. The strong record of the ADF on its administrative costs to commitments (Graphs II, p.) is probably attributable to the relatively high amount of units of account committed by the Fund each year. The administrative costs of the ADF, although high, are not the total point of the ADF's problems as a lending agency.

Graph IV shows the disbursement record of several development institutions operating in Africa during the last ten years. As can be seen by looking at the curves, the ADF has maintained the worst record of disbursements of its loans of all the other agencies considered. It should be noted, however, that the Fund has shown a steady improvement of its disbursements of loans, which is more commendable in light of the growing size of the Funds loan commitments. Also shown on the grpah is the Nigerian Trust Fund, which is another soft loan window of the ADB that was started in 1976.

The NTF was established by the ADB and the Federal Military Government of Nigeria with an initial capital stock of 50 million naira supplied by Nigeria. The Fund was designed to provide financing on concessionary terms, although not at the low levels provided by the ADF (NTF loans were at 4% with maturity periods up to 25 yers, including 5 years grace).[48] As a soft loan fund, preference was to be given to non-profit making,

infrastructure projects, primarily, in low income countries. The first NTF loan, however, was issued to finance the expansion and development of an airport (generally a project considered by the ADB). Considering the NTF's relatively small capital stock when compared to the ADF and ADB, it was expected that the NTF would take a minor role as a soft loan partner in the bank (in 1978, NTF accounted for only 7.5% of the Bank Group financing).[49] The NTF, however chose to make its contribution in the size of its loans, rather than in the number of loans it funded.

In relation to the number of loans committed, the NTF has funded a higher percentage of multinational projects than the ADB and the ADF.[50] Since 1976, the NTF has committed funds to three (3) multinational projects contributing a 12.64% share of total cost to the Abidjan-Accra Highway, 29.92% to the Liptako-Gourma Telecommunications project and 36.46% to the Diama Dam project. By taking such an active role in multinational projects, the NTF has provided a soft loan base for joint financing by the ADB. The NTF has also made larger financial commitments per project within the last four (4) years.

The large NTF presence in multinational project financing betrays the Nigerian role as a "prime mover" in regional integration. One of the basic requisites of any regional integration strategy applied to Africa is that major interterritorial infrastructure must be developed. The concept of "prime movers" in a regional community suggests that the necessary investments in areas such as interterritorial infrastructure must come from the large political and economic powers of the region. This perspective is contested by neo-classical economic theorists, who view economic disparities between states as being disintegrative. The basis of this viewpoint is that the small weaker states will repell the tendencies of the larger,

richer states to dominate, in addition to the disintegrative tendency of benefits to flow from the poorer states to the richer states. The posture of Nigeria in the West Africa region has defied the disintegrative tendencies cited by the neo-classical economic theorists. Through its contributions to the ECOWAS compensation fund and the investments of the NTF, Nigeria has channeled its large economic power into a positive integrative force in West Africa.

Looking at the types of projects that the NTF has funded, it is clear that htis agency is dedicated to achieving a greater balance between states in West Africa and to advancing the goals of regional integration in West Africa. The Liptako-Gourma Telecommunications project, which the NTF provided 36.46% of the funding for, establishes a communications infrastructure between three relatively underdeveloped West Africa states; Niger, Mali and Upper Volta. With communications links being established between these three states, the potential for increased transactional flows in this subregion can be realized. As cited by Jacob and Teune and Deutsch, a high volume of transactions between states can have a positive influence on the integration process. Without the communications infrastructure with which to carry transactions between states, the Liptako-Gourma region was limited in the degree of interaction between Mali, Niger and Upper Volta. Prior to the NTF investment, the communication links between these states was restricted to exchanges resulting from migratory flows. The NTF has provided another channel through which transactions within the Liptako-Gourma region may be conducted. Another project that the NTF funded, which produces a higher level of integration in West Africa by way of interterritorial links is the Abidjan-Accra Highway.

Intraregional trade is an essential feature of an economic union.

To facilitate trade linkages between states within an economic community, transport infrastructure is required. This type of infrastructure would include roads, railroads, ports and airports. At the present time, the existing transport infrastructure in Africa, and in this case, West Africa is fragmented and in poor condition. The NTF investment in the Abidjan-Accra Highway enhances the interregional trade potential between the Ivory Coast and Ghana. Beyond the benefits to regional integration resulting from the interregional trade potential, the Abidjan-Accra Highway provides a physical linkage between the people of the Ivory Coast and Ghana. In this respect, the NTF investment in the highway increases the potential for greater transactional flows between these two neighboring states. In summary, the NTF loan to the Abidjan-Accra Highway is another example of how Nigeria (as a prime mover) is advancing the integration process in West Africa. Their investment has the potential of producing positive integration effects through increased interstate trade and communications.

The contribution of the NTF in advancing regional development can also be observed in the large financial commitment that it makes to each project. The NTF averaged UA 2m per project in its opening year of operations. Between 1976 and 1979, the NTF has increased its average loan amount per project to UA 9.47m, and US $12.475m.[51] With the NTF taking an active role in financing multinational projects and providing an average of US $12.475m to projects (higher than the ADB and ADF averages), the size of concessionary credit to the larger, most costly multinational projects is being spread out further. To the extent that co-financing takes place between the NTF and ADF (as in the Diama Dam Project), relatively underdeveloped states will realize the benefits of large loans on concessionary terms. Providing such loans from the NTF

and ADF to the relatively underdeveloped states helps the economic groupings of the region in dealing with the problems of industrial imbalances between states. Considering the broader issue of multinational project funding, the presence of such a large, soft loan contributor (as the NTF) to multinational projects helps to make the ADB's participation in these projects more feasible, and in fact, more attractive. In short, the NTF presence in multinational project financing has provided the Bank Group with a soft loan window that has allowed the ADF to take a larger multinational role in the relatively underdeveloped states and the ADB in a wider range of multinational projects.

Some of the question marks concerning the NTF's operations deal with its inability to disburse it's funds quickly (see Graph IV, p.). This concern appears to be correctable within the near future. The NTF does not fund a large number of projects, therefore, its staff is closer to the individual projects. Having a small number of projects, in addition to gained experience, will end in improving the NTF's record in disbursements. As indicated by the graph, the NTF is already realizing rapid improvement. Another concern about the status of the NTF is the funding of its operations. Unlike the other investment branches of the bank group, the NTF relies on its funding from contributions from one country. Although Nigeria is fairly well endowed and apparently commited to leading the way in regional development, the NTF's source of capital is not as secure as that of the other agencies. The solvency of the NTF is contingent upon the sustained commitment of the Nigerian government. The continued solvency of the NTF would be most beneficial to the Bank Group, which has done several joint financed projects with this soft loan window, particularly in the area of multinational projects. Having a soft loan window that

enhances the ADB's activity is essential for the Bank to carry out a mandate that it had difficulty in upholding in its early years; financing regional development.

D. ADB Group Performance of Promoting Regional Development (Multinational Projects) in West Africa

The constraints on the ADB in financing multinational projects in its first seven years of investment activity have been outlined previously. In short, the Bank did not have the necessary support institutions, e.g., regional authorities, in which to disburse multinational loans to, in addition to not being able to join their multinational financing with other development agencies. Aside from these external factors that militated against the Bank's entrance into the area of multinational project financing, the ADB was operating on insufficient capital to allow for an active role for the Bank to emerge in this area. These factors, combined with the political pressure by member countries to finance national projects and spread the short money supply among the membership, prevented the ADB from actively pursuing its regional development mandate. The area that began to disrupt this mold, by establishing several regional support bodies, was West Africa.

During the early years of the Bank's activity in the area of multinational development, it concentrated its efforts in financing and providing technical support in conducting studies. Many of the early studies were in West Africa. The first of these studies involved a joint venture between the Bank and the Mutual Aid and Loan Guarantee Fund of the Entente Council (the fund operates as a device for facilitating development within the Entente states).[52] The study concerned the possibility of increas-

ing economic cooperation between the Entente countries and Ghana. The ADB and the Entente Council held several meetings to discuss the question and finally contracted the services of the I.M.F. to carry out the actual study. In comparison to the present level of financing in multinational projects in West Africa, the 1969 ADB-Entente Council study appears to be insignificant, however, it must be remembered that, at this juncture, there were no other aid agencies active in multinational projects or studies (with the possible exception of FAO or the ECA).

Before the close of 1969, the ADB had initiated two other studies for the West Africa region. One of the studies concerned the examination of the potential for tourism in West Africa, with the expectation of identifying projects and programs in this area.[53] The other study taken on by the ADB during the 1969 fiscal year was a survey of shrimp resources in West Africa. This particular study was described as being "investment oriented" in that an objective was "to identify suitable sites for setting up of shrimp processing plants in various West African countries."[54] More importantly than the ADB studies in West Africa was the Bank's early attempts at developing a network of support institutions in Africa that would work to promote economic development; on the national and regional level.

As early as 1968 the ADB was active examining the potential for developing an African Insurance and Reinsurance Corporation. The concept, as originally conceived by the Bank, was to develop and strengthen African insurance markets by supplementing and reinforcing national initiatives with "multinational action on a regional level particularly in the field of reinsurance."[55] The hope of the ADB was to tap" potential savings for development finance "by promoting the insurance industry" in Africa.[56]

With respect to regional development, the concept was to initiate "mutual cooperation among African insurers and reinsurers" and to establish a "regional Re-Insurance Corporation for Africa."[57] The African Reinsurance Corporation was established in 1976 with an authorized capital of US$15 million, two -thirds of which was available for subscription. As far as the ADB's relationship with "African-Re", the Bank holds 10% of its capital and has a seat on the nine member Board of Directors.[58] Africa-Re was only one early ADB effort at developing an institution to increase development money in Africa and advance regional development; another is S.I.F.I.D.A.

It should be noted that the early initiatives of the ADB to set up Africa-Re and S.I.F.I.D.A., as African institutions designed to advance regional development, were made in the absence of sufficient capital to finance multinational projects. Africa-Re and SIFIDA were to aid in the securing of additional resources and provide the institutional support that the ADB needed to begin to consider broader operations. The effort to establish Africa-Re took almost ten (10) years before it became a reality; SIFIDA was proposed in 1969 and began operating by 1970.

SIFIDA was designed as an institution "to ensure an adequate inflow of private capital and expertise from the capital-exporting countries Africa."[59] The idea was to establish a "multinational finance company for development in Africa,"[60] comprised of contributors from capital-exporting countries. The original members to SIFIDA (Societe Internationale Financiere pour les Investissements et le Developpement en Afrique) were the ADB, France, Italy, Canada, Japan and the United Kingdom.[61] One of the positive outcomes of the SIFIDA was that it began a flow of capital into Africa that previously did not exist, in addition to opening a

channel of communication, in Africa, between the ADB and potential outside donors. Beyond these two points, SIFIDA provided technical expertise and a source of investment that could supplement the lending operations of the ADB. The ADB developed two institutional support mechanisms to advance their investment operations by creating Africa-Re and SIFIDA.

The creation of these regional bodies by the ADB helped to advance the integration process in Africa, and thus, contributed to regional development. Following the neo-functionalist perspective on regional integration, the formation of regional institutions that bring together professionals and technicians from the member states is essential to establishing interregional linkages. Ernst Haas suggested that these regional institutions (sectorally based), which bring together professionals and technicians from the member states in a specific joint venture, will create positive integrative "spillover." The positive outcome of these regional cooperative ventures will create a process that leads to increased accretions of power to a regional authority. The ADB has initiated this process by creating these regional institutions, which are charged with specific goals and include professionals and technicians from the regional member states. The Bank Group, in fact, with its three constituent parts (ADB, ADF and NTF) is made up of regionally based institutions that are comprised of professionals and technicians throughout Africa. All of these institutions provide interregional linkages between professionals and technicians and, through their activities, are producing the kind of "spillover" effects that Haas cited in Europe as producing positive influences on the integration process. Aside from this contribution by the ADB to the integration process and regional development, it has participated in the creation of other regional agencies and regionally based unions.

The ADB has been the lead agency, on many occasions in establishing regional agencies. In West Africa, the ADB has participated in the creation of CEAO (the West African Economic Community), AADFI (Association of African Development Finance Institutions), Africa Re, SIFDA, the Mano River Union and ECOWAS (Economic Community of West African States). The federalist perspective on regionalism would view the ADB role as the creator, or rather facilitator of these regional agencies as being the most important force to regionalism in West Africa. Federalist stress the importance of declarations and written structures that lead to regional union when assessing an integration process. They view the development of regionally based institutions and authorities as being the foundation of any strategy of regional integration and development. The regional institutions and authorities are seen as the facilitators of authority transfer from the local to the federal level. Having these institutions provides the basis for initiating a transfer process of power and authority from the states to a federal authority. Based on the federalist approach, federal authority and power is essential to facilitating regional development and achieving regional integration. Other than the ECA, the ADB has been the leader in assisting in the formation of these regional bodies. To date, its most ambitious venture in forming regional bodies has been in its role in aiding in the creation of the customs union of the Mano River Union and the economic union of CEAO and ECOWAS.

One of the constraints on the ADB in its early years in the area of multinational project financing was the absence of regional bodies. These regional bodies were necessary for ADB multinational financing to occur because they would assume the responsibility of the loan, administer the project, arrange costs and obligations between states and so forth. The

ADB assisted itself in overcoming this obstacle by participating in the creation of regional bodies. One of these ventures was the Mano River Union. This grouping, in addition to carrying out a regional program between Liberia, Sierra Leone and Guinea of a customs union, administers a completed ADB project; the Mano River Bridge. Beyond their contribution in establishing an agency to administer a multinational project, the ADB has aided the integration process in the neo-functionalist and federalist mold, by creating a regional body that is operated by professionals and technicians from the three member states. This does not consider the additional benefits to regionalism of the Mano River Bridge, realized from another channel for interstate transactional flows and commerce. The benefits to West African regional development were greater in the case of the CEAO and ECOWAS.

The CEAO and ECOWAS are the only regional entities in West Africa that are commited to economic integration. They function as the regions only economic unions, with the Entente Council concerned with economic cooperation between states, rather than forming an economic union. Although CEAO and ECOWAS have not received any ADB project financing, they aid the ADB efforts toward regional development by providing the institutional support as an economic union. This institutional support can be observed in the objectives and goals of these two bodies, which provides the ADB a framework for selecting multinational projects. The ADB is commited to funding projects that advance to goals and objectives of the nation states and regional groupings. Aside from the guidelines that these regional bodies offer, they aid the integration process in the region through the activities of their programs (these activities were outlined in the preceding chapter). The CEAO and ECOWAS also advance the integration

process and regional development through the positive spillover effects of their programs, in addition to the interregional linkages between professionals and technicians in West Africa.

In the absence of multinational project financing, the ADB has made significant contributions to regional development. As referred to above, they have been active in assisting in the creation of regional institutions. Prior to the Bank's expanded operations in multinational project financing in West Africa, the ADB contributed technical assistance and its organizational support to regional development bodies, such as PANAFTEL (the ADB is on the Co-ordination Committee with ECA, OAU and ITU)[62] and the Trans-African Highway (ADB has provided planning assistance to the Trans-African Highway Co-ordinating Committee).[63] The Bank has also maintained a close liaison with the various regional bodies, particularly in West Africa where there is the highest concentration of regional agencies in Africa. With this as its foundation in regional development, the Bank Group began to step up its multinational lending in West Africa in 1976.

By 1976 the ADB had increased its paid in capital amount to US256.9m, with subscriptions now supplemented by outside borrowings. At this juncture, the ADF and NTF were in operation and Arab investors had begun to finance projects in Africa (BADEA, Kuwait Fund).[64] The Bank was also supported, at this time, by the increased presence of the IBRD/IDA in multinational project financing, providing the Bank with needed co-financing. With all of these factors coming into play, the Bank Group emerged, between 1976 and 1980 as the largest financer of multinational projects in West Africa (ADB Group US$134.89m; IBRD/IDA US$128.5m).[65]

Table 10 lists the multinational projects that have been funded in West Africa from 1973 to 1980, with a breakdown of the source of funding

from the major contributors in the region. Graph V provides a summary of the yearly funding by the major development institutions to multinational projects in West Africa. The data from Table 10 highlights the degree of joint financing between the various agencies in multinational projects in the region. As the data points out, the Bank Group has been joint partners with the IBRD/IDA on two (2) occasions (there is greater joint financing between the two bank groups on national projects, particularly between the ADF and IDA),[66] with BADEA co-financing with the ADB on three multinational projects and the Kuwait Fund once. By 1978, there is a greater level of co-financing between the various branches of the Bank Group, than there is between any other agency, including the IBRD/IDA. The branch of the Bank Group with the most pronounced presence in this area is the NTF, which may have provided sufficient soft loan co-financing in multinational projects to have permitted the Bank Group to take on more projects on their own. The pattern of Graph V indicates the larger presence of the Bank Group in multinational projects during the last few years.

Not counting the large US$60m loan from the IBRD to CIMAO (cement plant project between Ivory Coast/Ghana/Tago), the ADB Group had a higher level of investment in multinational projects in West Africa than any other agency since 1976 (1975, only BADEA had more invested). The Bank Group has committed more money and funded more multinational projects in the region than the IBRD/IDA, despite the fact that the IBRD/IDA has more than ten (10) times the amount of borrowings of the ADB on the international capital market. It should be noted that the IBRD/IDA are committed to financing projects/programs on a world wide scale and the ADB is restricted to Africa, however, with respect to volume of capital invested by the various lending institution in West Africa, the IBRD/IDA, individually, provide

more money to the regions than anyone else (see Graph VI).

Clearly, there is no other institution that is better endowed, financially and administratively, to assume a larger role in financing multinational projects in West Africa than the IBRD/IDA. In spite of the greater capacity of the IBRD/IDA to take on this task, the ADB Group remains the leader in the area of multinational project financing in West Africa. Should the IBRD/IDA choose to begin to intensify their investment in these projects, they could join their investments with ADB Group money, since the Bank Group is already taking a lead in this type of project financing.

The ADB Group has chosen to finance a diverse range of multinational projects. These projects in West Africa have been conducted within the regional development plans of the agencies and authorities in the area. With respect to regional integration and the ECOWAS program (the largest regional union in West Africa), each of the Bank Group loans has advanced the goals of regional integration and assisted in countering some of the disintegrative influences caused by industrial imbalances between the states. The following is a list of the Bank Group projects, with the regional organization and the funding total given;

1. R.A.N. (Ivory Coast/Upper Volta)

   1972(3) - finance procurement of rolling stock - ADB (US$3.619m)

   1976 - line of credit to finance 1975-80 RAN investment program ADB (US$5.5m)

2. Mano River Union (Sierra Leone/Liberia)

   1973 - Mano River Bridge - ADB (US$1.568m)

3. OMVS (Senegal/Mauritania/Mali)

   1979 - Diama Dam Project - ADG (US$15.807m) - NTF (US$15.807m)

4. CIMAO (Ghana/Togo/Ivory Coast)

   1976 - cement plant - ADB (US$8.2m)

5. Liptako-Gourma Regional Integrated Development Authority (Niger, Mali, Upper Volta)

   1978 - telecommunications project - ADB (US$13.0279m) - NTF (US$8.598m)

At this juncture, it may be helpful to return to the theoretical questions posed in the previous chapter concerning the constraints on regional integration in West Africa, in order that an appreciation of the Bank Group role in promoting regional development may be gained. Recalling the integrative influences outlined by Jacob and Teune, geographic proximity between member states of a region is an important influence on the integration process. The application of this variable to West Africa revealed mixed results. Although the borders of the region are contiguous, the transport infrastructure was seen as being too fragmented and poorly structured to allow trade and communications to be conducted between states. Migratory flows displayed a high level of interaction between peoples of the region, despite the weak transport infrastructures, however, it was agreed that major investment in transport infrastructure is required to achieve an increase in interregional communication and commerce. The investments of the special funds of the economic unions of the region were judged to be too small to make a real impact on the transport infrastructure of the region. The ADB Group has begun to meet this need of the economic unions that are attempting to achieve economic integration in West Africa by investing in the RAN and the Mano River Bridge.

The integrative benefits of the Mano River Bridge project were discussed earlier. It must be remembered that these investments, such as the Mano River Bridge, aid the integration process by strengthening regional

institutions as well as developing the necessary infrastructure for inter-regional exchange. These benefits are also evidenced by the ADB investments to the RAN. The RAN is an interstate agency between the Ivory Coast and Upper Volta. The agency coordinates the operation of the railroad connecting the Ivory Coast and Upper Volta, in addition to planning the development of the rail line. As an interstate rail line in West Africa, the RAN contributes to the process of integration and regional development in the region. The ADB Group investments in the RAN further the objectives of this agency, and thereby, assists in the integration and development of the region.

Returning to the ECOWAS program, the major constraint on the successful operation of this, and other economic unions in West Africa, is overcoming the imbalances between states in industrial activity. This problem, generally referred to as "backwash," can have a seriously disintegrative effect on an economic community. It may be recalled that ECOWAS and other economic unions have tried to balance industrial development between states by investing special funds into projects in the relatively underdeveloped states. As in the case of multinational infrastructure development, these special funds have been inadequate in effectively dealing with the problems of industrial imbalances between states. The type of investment needed to begin to confront this problem are infrastructure and special projects, in addition to industrial development within the poorer states or between states. The ADB Group has made inroads in this area in the past few years through their investments in CIMAO, Diama Dam project and the Liptako-Gourma Telecommunications project.

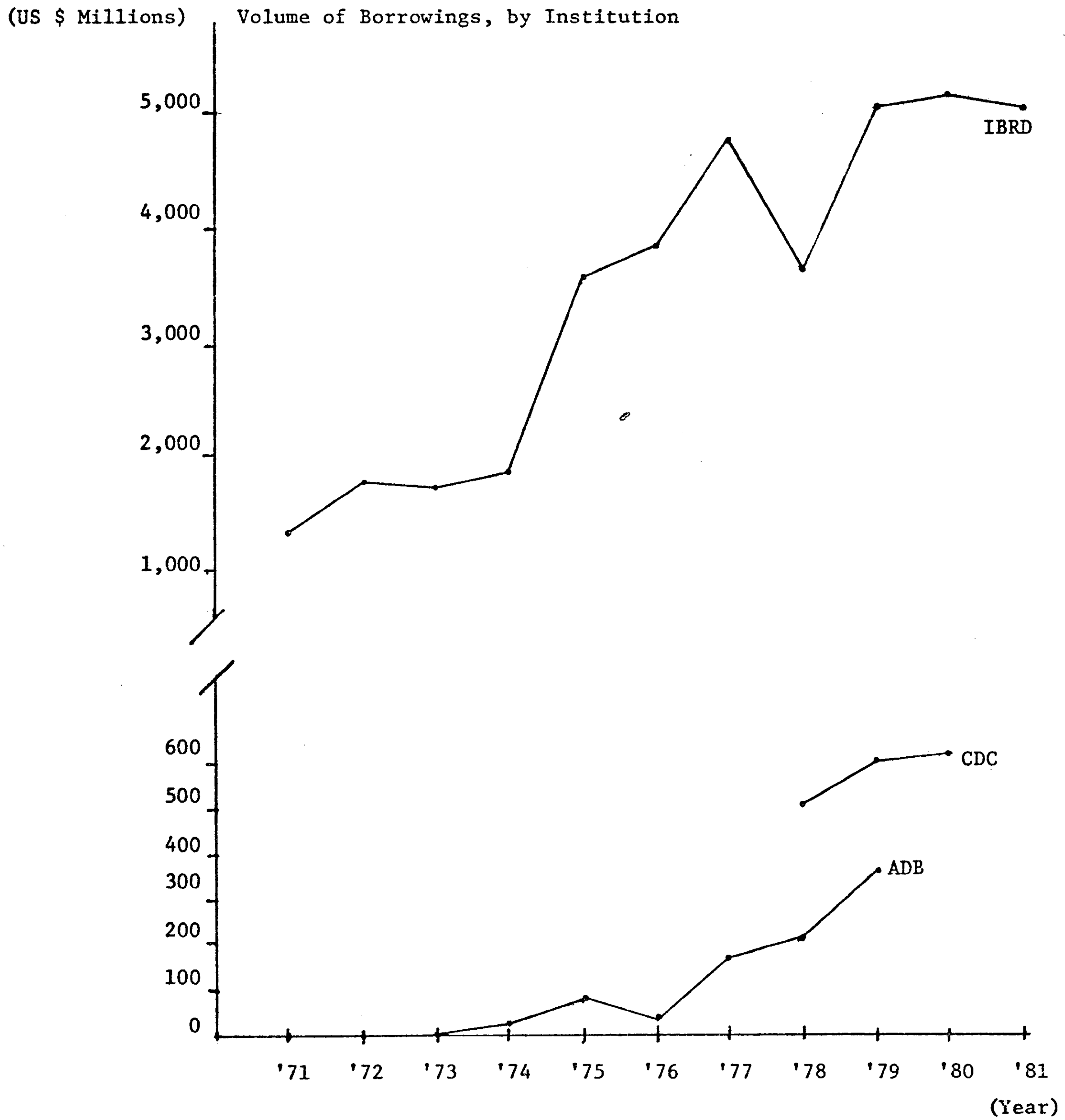
The most glaring example of the ADB Group's contribution to the regional integration effort in West Africa and the fight against the disintegrative force of industrial imbalances between states is its US \$8.2m investment in the CIMAO cement plant. CIMAO is a cooperative venture between Ghana, the Ivory Coast and Togo, with each of the states contributing to the project's development. The feature of CIMAO that specifically addressed the issue of industrial imbalance between states is that Togo, the most underdeveloped of the three nations, will be obtaining a cement plant in their country. The Ivory Coast and Ghana will be providing the limestone and the electricity to make the Togolese cement plant productive. By locating the cement plant in Togo, the CIMAO project is actively countering the tendency of industry to locate in the growth poles of Abidjan and Accra. It should be noted also that the cement plant will be supplemented by major infrastructure development in Togo (port and road construction). The scale of this project was too large for the special funds of ECOWAS to cover, but the ADB was able to contribute to the pool of financers that invested in the CIMAO cement plant. Another ADB Group effort that addressed the problem of "backwash" was the Diama Dam Project.

The Diama Dam project aids the states of Senegal, Mauritania and Mali in developing the subregions hydroelectric power capacity. This increased capacity in electrical power provides a necessary infrastructure item for industrial development in the region. The dam project, as a tri-state project, advances regional development by investing through a regional agency (OMVS) and providing benefits on a multinational scale. The Diama Dam project also counters the disintegrative force of "backwash"

by providing an infrastructure item that is essential to industrial development in a region that includes two relatively underdeveloped states; Mali and Mauritania. This project and the CIMAO project, in addition to the Liptako-Gourma Telecommunications project are positive indications of the ADB Group commitment to filling the investment gap of ECOWAS, which is unable to deal with industrial imbalances between states on its own. The most encouraging factor of this assistance is that it has come prior to the actual implementation of most of the ECOWAS program (first stage is to begin in 1980 -- West African citizenship), thereby confronting the problems of imbalance before it has a chance to undermine the ECOWAS program. The major question at this juncture, however, is can the ADB Group continue in this role of financing multinational projects in the ECOWAS community?

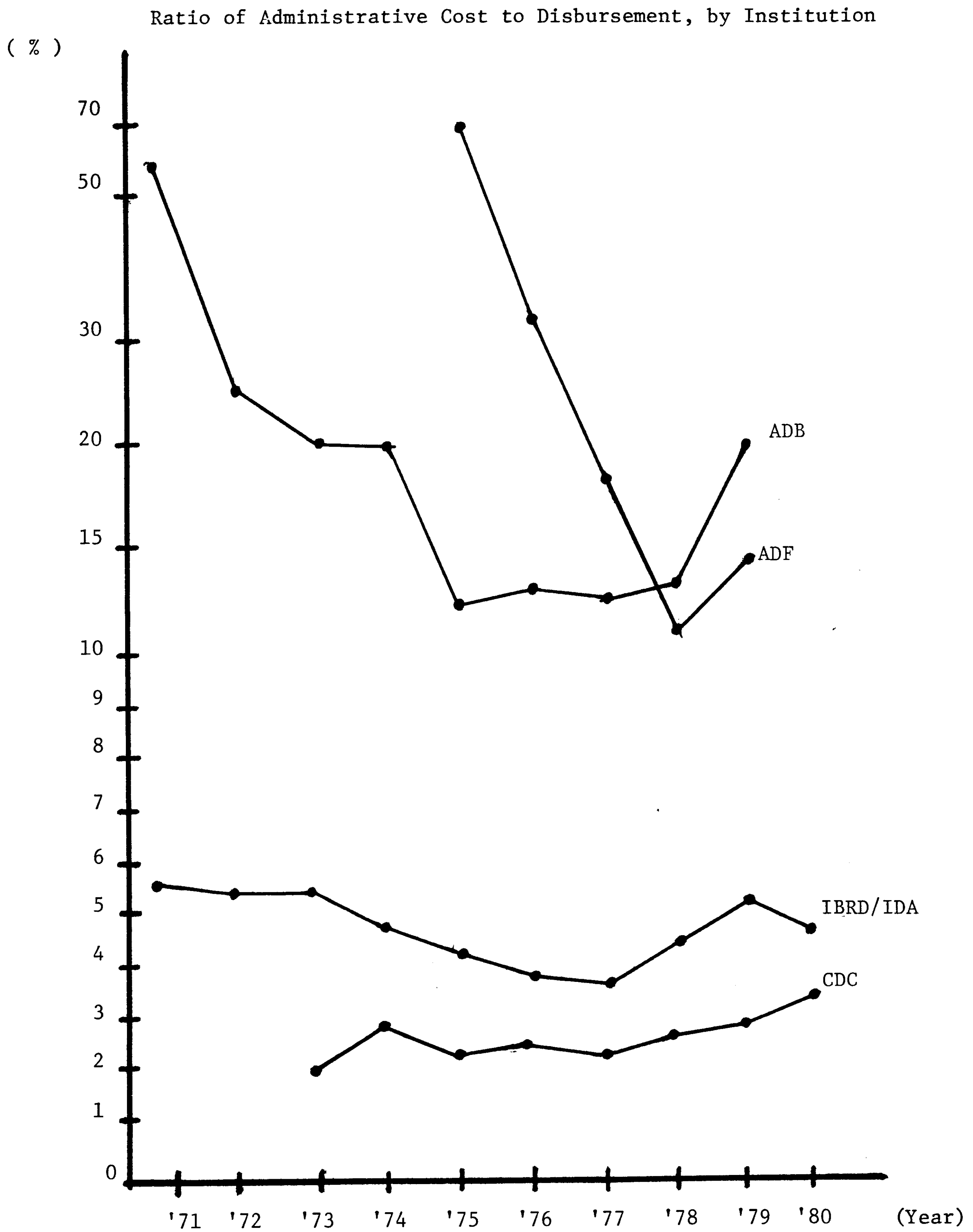
The next chapter will consider the investment needs of ECOWAS and the ability of the Bank Group to meet these needs. Within this chapter will be a discussion of the other possible funding sources for the ECOWAS program and other areas of support that the Bank Group can exploit to promote ECOWAS. The final question will be, can ECOWAS succeed with the investment support that it is presently receiving and the support that it can hope to obtain.

Graph I



see Appendix I for base data

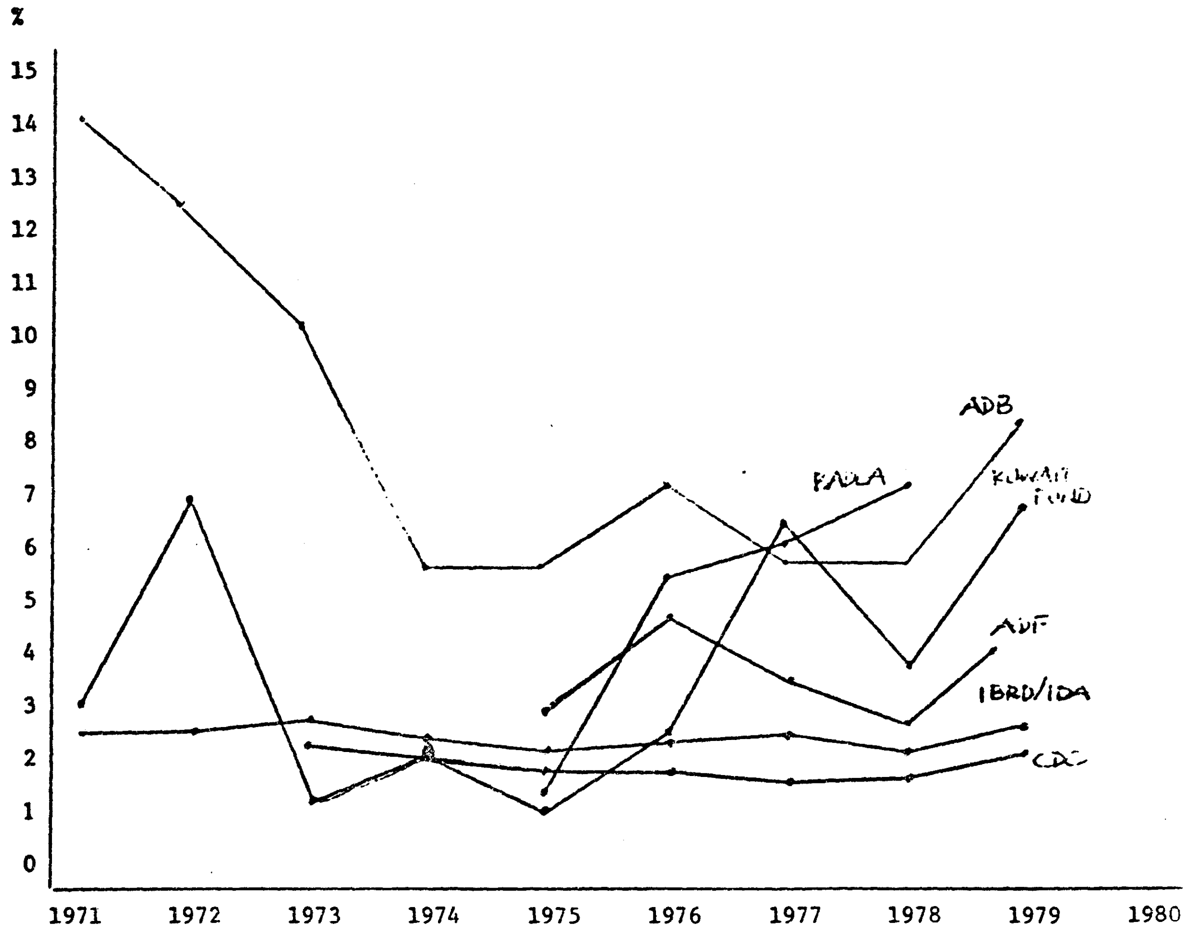
Graph II



see Appendix II for base data

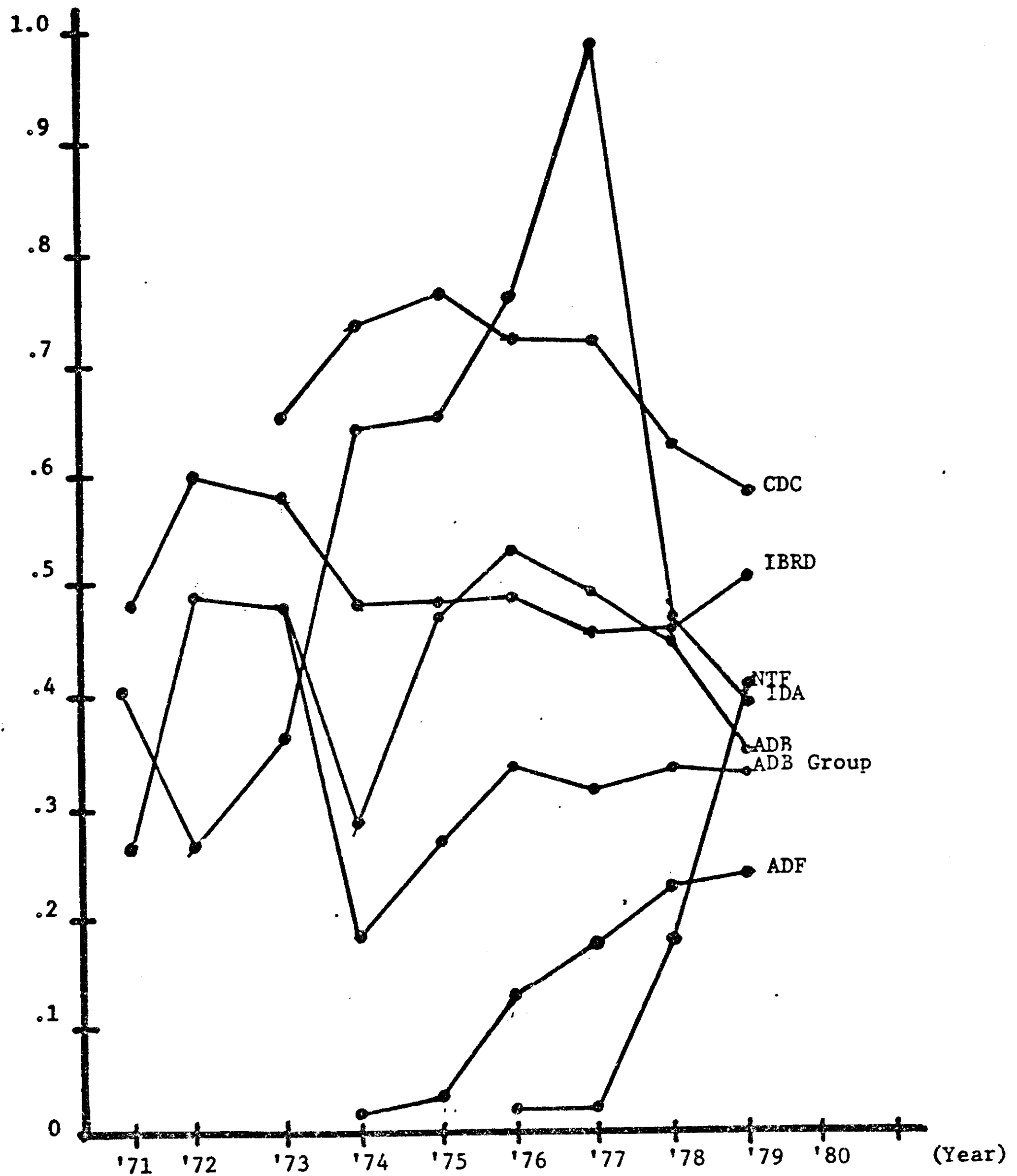
GRAPH III

Ratio of Administrative Cost to Commitments, by Institution



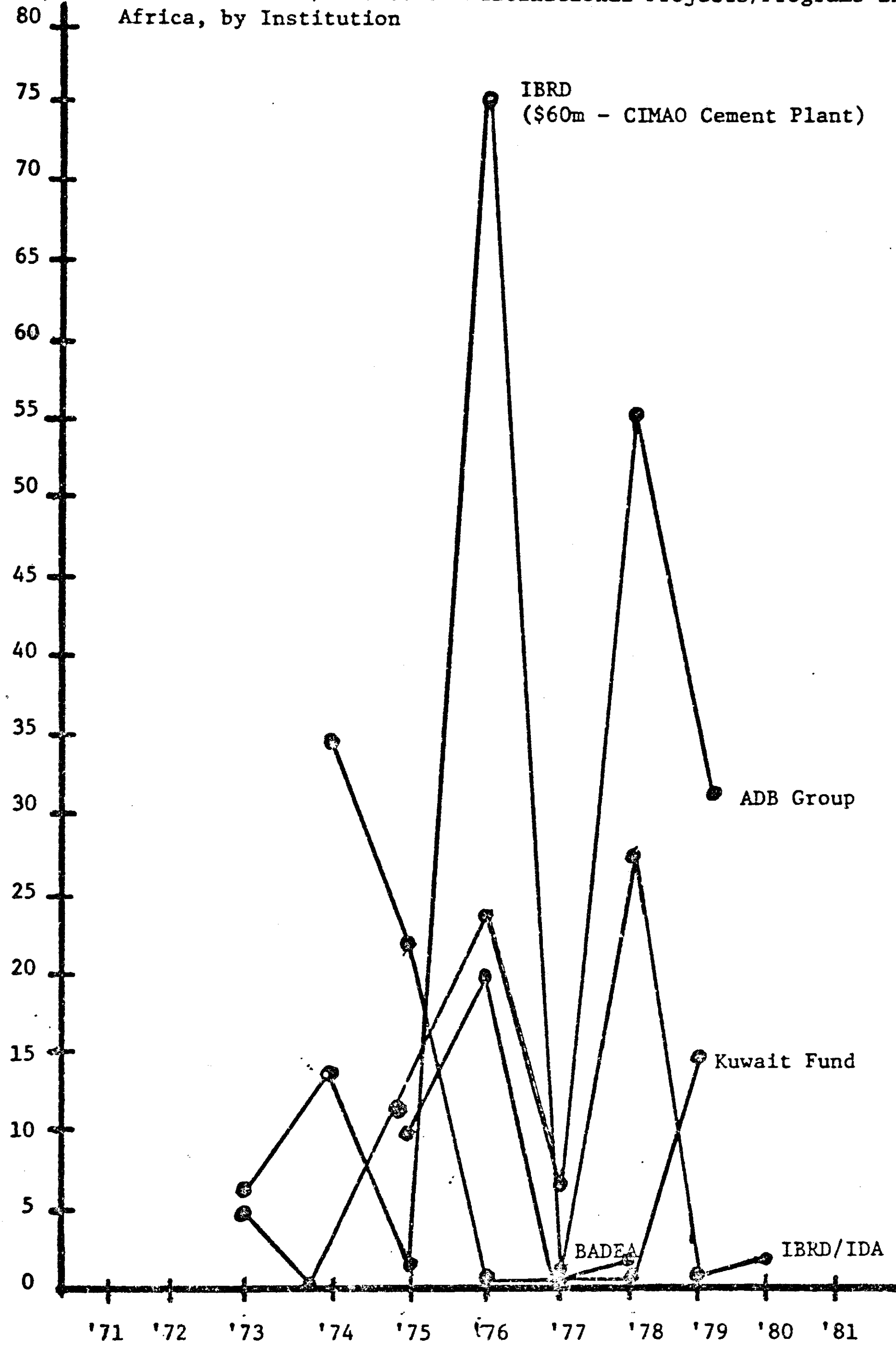
See Appendix II for base data

Graph IV

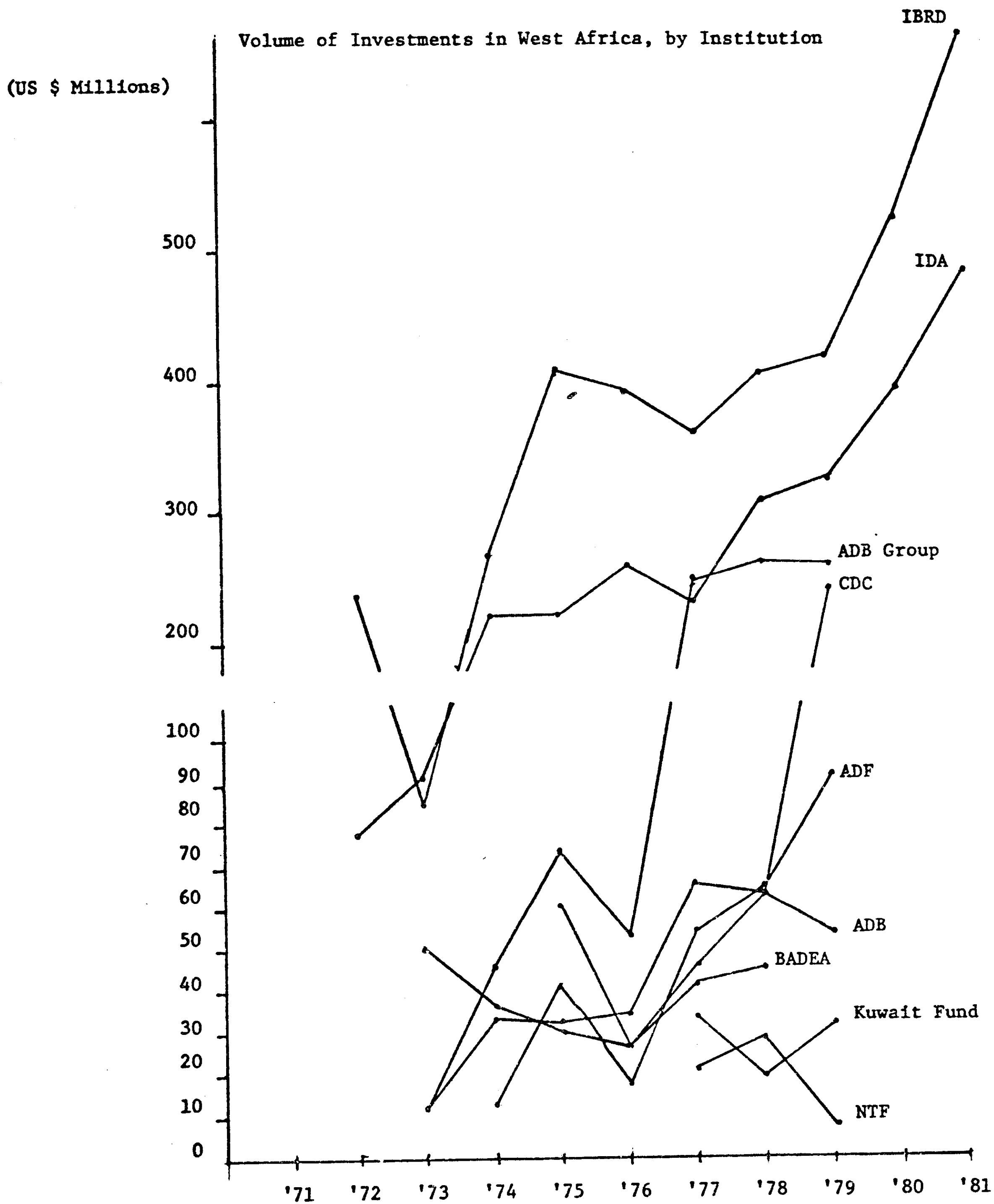


see Appendix III for base data

Graph V

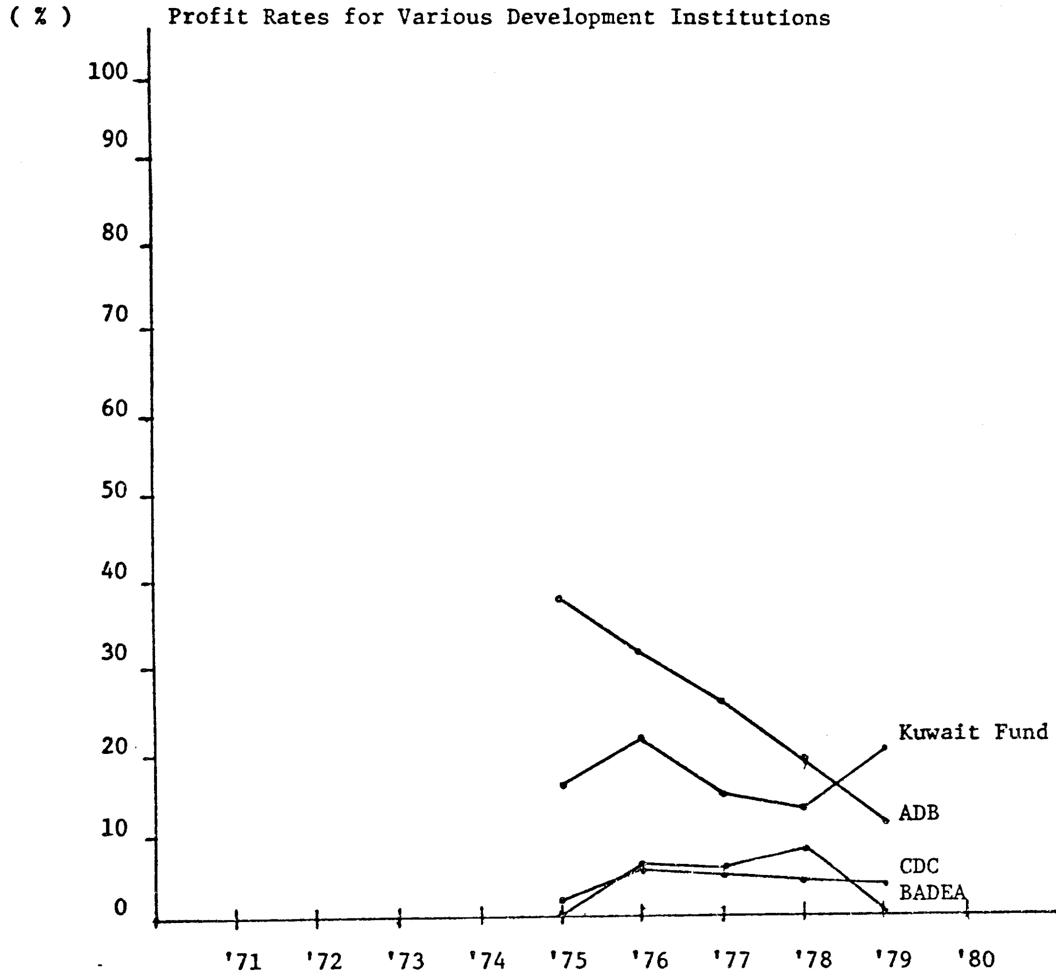


Graph VI



see Appendix VI for base data

Graph VII



APPENDIX I

ADB Paid In/Callable Capital and Arrears Record and Borrowing Levels

	(UAM)	(A)	(B)	(C)	(D)	D/A	
	ADB	Paid In	Callable	Ration (B/A)	Arrears	% of Paid In	Borrowings
	1971	110.2	110.2	1:1	28:845	26.17%	0
	1972	127.2	127.2	1:1	29.493	23.18%	0
	1973				20.496		
	1974	185.58	185.58	1:1	18.729	10.09%	10.64
	1975	193.93	193.93	1:1	22.9	11.8%	75.33
x	1976	256.9	362.23	1.4:1	23.933	9.3%	34.98
*	1977	279.825	430.02	1.53:1	26.444	9.45%	150.13
	1978	300.23	490.23	1.63:1	38.092	12.68%	164.84
+	1979	300.23	900.69	3:1	29.619	9.86%	281.75

(US$m)	(A)	(B)	(C)	(D)	D/A	
World Bank	Paid In	Callable	Ration (B/A)	Arrears	% of Paid In	Borrowings
1971						1368
1972	2660	23,945	9:1			1744
1973	2520	22,677	8.9:1			1723
1974	3040	22,703	7.46:1			1853
1975	3080	27,738	9:1			3510
1976	3086	27,774	9:1			3811
1977	3086	27,782	9:1			4721
1978	3304	29,740	9:1			3636
1979	3742	33,686	9:1			5085
1980	3995	35,963	9:1			5173
1981	3661	32,953	9:1			5069

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principally from syndicate of banks (US$65m)
x primarily Eurocredits and bilateral
* 1st issuance of bonds in foreign market (kuwait) KD 5m
1st issuance of bond to central banks other than from member countries (US$39.5m)
\+ 1st entrance into Euroland market (Germany) DM 300m

NOTE: Most ADB borrowings are on bilateral level; from Canada, Sweden and Austria

APPENDIX II

Summary Table

Ratio of Administrative Cost to Commitments and Disbursement, by Institution

(%)	BRD/IDA		BADEA		ADB		ADE	
	A/C	B/C	A/C	B/C	A/C	B/C	A/C	B/C
1971	2.6	5.7	-	-	14.1	55.3	-	-
1972	2.6	5.4	-	-	12.79	26.0	-	-
1973	2.67	5.4	-	-	10.1	21.5	-	-
1974	2.5	4.89	-	-	5.6	20.7	-	0
1975	2.07	4.04	1.4		5.6	12.1	2.9	70.36
1976	2.1	3.78	5.0		7.0	13.4	4.3	32.5
1977	2.09	3.76	5.9		5.85	12.3	3.18	17.0
1978	2.0	4.46	6.7		5.8	12.95	2.67	11.38
1979	1.97	5.17			7.9	20.2	3.59	14.4
1980	2.2	4.4						

	Kuwait F		CDC		
	A/C	B/C	A/C	B/C	(CDC)
71/72					
72/73			1.3	2.0	1973
73/74			2.2	2.99	1974
74/75			1.88	2.45	1975
75/76			1.9	2.6	1976
76/77			1.79	2.49	1977
77/78			1.68	2.7	1978
78/79			1.68	2.98	1979
79/80			1.9	3.6	1980

Ratio of Administrative Cost to Commitments Disbursements, by Institution (Yearly)

(US$m) IBRD/IDA	(A) Commitments	(B) Disbursements	(C) Administrative Cost*	Ratio A/C	B/C
1971	2505	1150	66.32	2.6%	5.7%
1972	2966	1443	78.567	2.6%	5.4%
1973	3408	1673	91.02	2.67%	5.4%
1974	4313	2244	109.937	2.5%	4.89%
1975	5896	3021	122.282	2.07%	4.04%
1976	6632	3722	140.802	2.1%	3.78%
1977	7067	3934	148.126	2.09%	3.76%
1978	8411	3849	172.027	2.0%	4.46%
1979	10011	3824	197.967	1.97%	5.17%
1980	11482	5774	254.824	2.2%	4.4%
1981					

* does not include interest on borrowings; only administrative expense
+ IBRD/IDA expenses are subsumed under IBRD ∴ commitments and disbursements data have been likewise combined . . . [IDA bills IBRD for management fees]

(US$m) BADEA	(A) Commitments	(B) Disbursements	(C) Administrative Cost*	Ratio A/C	B/C
1975	85.5		1.198	1.4%	
1976	62.0		3.111	5.0%	
1977	66.29		3.977	5.9%	
1978	72.87		4.934	6.7%	

Ratio of Administrative Cost to Commitments
Disbursements, by Institution (Yearly)

(US$m)	(A)	(B)	(C)	Ratio	
ADB	Commitments	Disbursements	Administrative Cost	A/C	B/C
1971	24.69	6.3	3.485	14.1%	55.3%
1972	27.38	13.46	3.502	12.79%	26.0%
1973	43.13	20.27	4.366	10.1%	21.5%
1974	88.51	23.89	4.963	5.6%	20.7%
1975	103.64	48.01	5.821	5.6%	12.1%
1976	97.05	51.39	6.889	7.0%	13.4%
1977	154.0	73.06	9.02	5.85%	12.3%
1978	205.72	92.8	12.025	5.8%	12.95%
1979	273.95	107.65	21.779	7.9%	20.2%

(US$m)	(A)	(B)	(C)	Ratio	
ADF	Commitments	Disbursements	Administrative Cost	A/C	B/C
1974	46.67	0	-		
1975	92.98	3.88	2.73	2.9%	70.36%
1976	79.79	10.64	3.46	4.3%	32.5%
1977	141.68	26.4	4.507	3.18%	17.0%
1978	186.07	43.71	4.977	2.67%	11.38%
1979	228.36	56.97	8.206	3.59%	14.4%

(KDm)	(A)	(B)	(C)	Ratio	
Kuwait F.	Commitments	Disbursements	Administrative Cost	A/C	B/C
71/72	18.96		.574	3.0%	
72/73	9.184		.633	6.8%	
73/74	32.3		.666	2.06%	
74/75	28.8		.608	2.1%	
75/76	161.35		1.883	1.16%	
76/77	115.8		2.537	2.19%	
77/78	57.8		3.686	6.37%	
78/79	100.7		3.541	3.5%	
79/80	73.53		4.799	6.5%	

Ratio of Administrative Cost to Commitments
Disbursements, by Institution (Yearly)

CDC	(A) Commitments	(B) Disbursements	(C) Administrative Costs	Ratio A/C	B/C
1973	180.7	117.89	2.37	1.3%	2.0%
1974	203.576	150.27	4.5	2.2	2.99%
1975	217.56	167.197	4.1	1.88	2.45%
1976	234.67	169.849	4.47	1.97	2.6%
1977	260.616	187.29	4.68	1.79	2.49%
1978	275.1	170.8	4.632	1.68	2.7%
1979	313.1	176.955	5.28	1.68	2.98%
1980	350.77	185.366	6.69	1.9%	3.6%

APPENDIX III

Effectiveness at Disbursing Funds

Disbursement/Loans

ADB Group	CDC	Saudi
ADB	Kuwati	World Bank
ADF	BADEA	IDA
NTF	Abu Dhabi	

Disbursement/Loans

	1971	1972	1973	1974	1975	1976	1977	1978	1979
ADB Group	.255	.4915	.469	.177	.264	.346	.305	.335	.331
ADB	.255	.4915	.469	.269	.463	.530	.474	.451	.393
ADF	-	-	-	0	.042	.133	.186	.235	.249
NTF	-	-	-	-	-	0	0	.170	.422
IBRD	.476	.601	.575	.476	.461	.496	.457	.457	.515
IDA	.402	.261	.363	.649	.651	.756	.992	.459	.404
CDC			.652	.738	.768	.723	.718	.621	.565
BADEA	-	-	-	-				.337	
KUWAIT F.									

Disbursement/Loans

($m)

ADB Group	1971	1972	1973	1974	1975	1976	1977	1978	1979
Loans	24.69	27.38	43.13	135.28	196.62	179.4	325.59	423.47	520.01
Disburs.	6.3	13.46	20.27	23.89	51.89	62.03	99.46	141.89	172.09
Ratio	.255	.4915	.469	.1765	.2639	.3457	.305	.335	.3309

ADB	1971	1972	1973	1974	1975	1976	1977	1978	1979
Loans	24.69	27.38	43.13	88.51	103.64	97.05	154.0	205.72	273.95
Disburs.	6.3	13.46	20.27	23.89	48.01	51.39	73.06	92.8	107.65
Ratio	.255	.491	.469	.269	.463	.5295	.474	.451	.3929

NTF	1971	1972	1973	1974	1975	1976	1977	1978	1979
Loans						2.41	29.91	31.68	17.7
Disburs.						0	0	5.38	7.47
Ratio						0	0	.1698	.422

CDC**	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Loans			180717	203576	217563	234674	260616	275102	313143	350771
Disburs.			117890	150271	167197	169849	187292	170846	176955	185366
Ratio			.652	.738	.768	.723	.718	.621	.565	.528

**Note: Disbursement figure for CDC derived from difference between loan commitments and outstanding commitment.

Disbursement/Loans

(US$m) IBRD	1971	1972	1973	1974	1975
Loans	1921	1966	2051	3218	4320
Disburs.	915	1182	1180	1533	1995
Ratio	.476	.601	.575	.476	.461

	1976	1977	1978	1979	1980
Loans	4977	5759	6098	6989	7644
Disburs.	2470	2636	2787	3602	4363
Ratio	.496	.457	.457	.515	.570

(US$m) IDA	1971	1972	1973	1974	1975
Credit Amount	584	1000	1357	1095	1576
Disburs.	235	261	493	711	1026
Ratio	.402	.261	.363	.649	.651

	1976	1977	1978	1979	1980
Credit Amount	1655	1308	2313	3022	3838
Disburs.	1252	1298	1062	1222	1411
Ratio	.756	.992	.459	.404	.367

Disbursement/Loans

(US$m) Kuwait F. (KDm)	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80
Loans	18.96	9.184	32.3	28.8	161.35	115.8	57.8	100.7	73.53
Disburs.									
Ratio									

(US$m) CDC	1968	1969	1970	1971	1972	1973
Loans						523.25
Disburs.						341.37
Ratio						.6524

APPENDIX IV

Volume of Loans/Credits to Multinational Projects/Programs in West Africa, by Institution

ADB Group	Amount (US$m)	IBRD/IDA	Amount(US$m)
1973	5.187		6.7
1974	0		14.0
1975	12.4		1.0
1976	24.3		75.6
1977	5.5		0
1978	55.8		28.2
1979	31.6		0
1980	-		3.0

ADB Group	(US$m)	BADEA	(US$m)
1974	35.48	1975	10.0
1975	22.82	1976	20.1
1976	0	1977	0
1977	0	1978	0
1978	0		
1979	15.3		

Note: BADEA began operations in 1975 ∴ do not place 0 for 1973 or 1974.

ADB Group has not produced data for 1980; BADEA has no 1979 or 1980 data.

Average Size of Loan/Credit in Africa by Institution

ADB

	Number	Amount (UAM)	Average (UAM)	Average (US$m)
1979	35	207.9	5.94	7.824
1978	33	157.9	4.78	6.232
1977	30	126.78	4.226	4.695
1976	25	80.45	3.218	3.575
1975	28	85.9	3.06	3.39
1974	25	73.4	2.936	3.54
1973	12	35.4	2.95	3.55
1972	17	25.22	1.4835	
1971	12	24.69	2.0575	

ADF

	Number	Amount (UAM)	Average (UAM)	Average (US$m)
1979	23	188.2	8.182	10.778
1978	24	155.1	6.4625	8.419
1977	17	127.51	7.5	8.333
1976	18	71.95	3.997	4.441
1975	23	83.68	3.638	4.042
1974	17	42.0	2.47	2.744

NTF

	Number	Amount (UAM)	Average (UAM)	Average (US$m)
1979	3	28.41	9.47	12.475
1978	6	24.32	4.05	5.276
1977	6	24.62	4.103	4.558

Kuwait F

	Number	Amount (KDm)	Average (KDm)	Average (US$m)
1979-80	7	10.4	1.628	5.96
1978-79	5	15.1	3.02	11.11
1977-78	4	9.0	2.25	7.348
1976-77	7	26.13	3.73	
1975-76	5	15.75	3.15	
1974-75	0	0	0	

Volume of Loans/Credits to Multinational Projects/Programs in West Africa Per Year and Average Size of Loans/Credits Per Year, by Insitution

IBRD/IDA	Number	Amount	Average
1973	1	6.7	6.7
1974	1	14.0	14.0
1975	1	1.0	1.0
1976	2	75.6	37.8
1977	0	0	0
1978	2	28.2	14.1
1979	0	0	0
1980	1	3.0	3.0

IBRD/IDA	Number	Amount	Average
1973	0	0	0
1974	0	0	0
1975	0	0	0
1976	1	60	60
1977	0	0	0
1978	1	23	23
1979	0	0	0
1980	0	0	0

IDA	Number	Amount	Average
1973	1	6.7	6.7
1974	1	14.0	14.0
1975	1	1.0	1.0
1976	1	15.6	15.6
1977	0	0	0
1978	1	5.2	5.2
1979	0	0	0
1980	1	3.0	3.0

Kuwait F	Number	Amount	Average
1974	1	35.48	35.48
1975	2	22.82	11.41
1976	0	0	0
1977	0	0	0
1978	0	0	0
1979	1	15.3	15.3

APPENDIX V

(Summary)

Volume of Loans/Credits to Multinational Projects/Programs in West Africa, by Institution

	ADC	ADF	MTF	IBRD	IDA	CDC	BACEA	Kuwait F	CIDA	CCCE	Saudi F	EDF	FIB	Total
1973	5.187				6.7									11.887
1974					14.0		10.0	3.54						17.54
1975	12.4				1.0		20.7	14.0						37.4
1976	24.3			60	15.6			.9588	11.71	8.78		18.0	25.9	185.9458
1977														
1978	39.0837		16.8055	23	5.2		1.0		29.2					114.2892
1979		15.807	15.807											31.614
1980					3.0			1.51						
TOTAL	86.4707	15.807	32.6125	83	45.5			20.0058	40.91	8.78		18.0	25.9	

Multinational Projects in West Africa

Year	Projects	ADB	ADF	MTF	IBRD	IDA	CDC	BADEA	Kuwait F	CIDA	CCCE	Saudi F	EDF	EIB	Total
1972(3)	R.A.N. (Ivory Coast/Upper Volta)	3.619													
1973	Mano River Bridge (Liberia, Sierra Leone)	1.568													
1973	Improve Bamako-Dakar railway (Mali)					6.7									9.3
1974	Senegal River Basin Programme (OMVS)								35.48						3400.0
1974	Line of Credit to Six Sabel Countries					14.0									14.0
1975	Railway-Tambao-Ouagadougou Line (Up.Volta)	12.4						10.0	14.0						71.94
1975	(OMVS) Irrigation Project in Senegal River Delta					1.0									1.25
1975(6)	Dev. Telecom System - PANAFTEL (Guinea)							.1	8.82						16.339
1976	PANAFTEL (All Africa Telecom Union)								.1						.15
1976	CIMAO - Cement Plant (Togo, Ghana, Ivory Coast)	8.2			60			10.0		11.71	8.78		18.0	25.9	284.0
1976	R.A.N. (Ivory Coast, Upper Volta)	5.5													9.81
1976	Hwy Dev. Project (Nigeria-Niger) Niger	10.6				15.6		10.6							28.7
1977	PANAFTEL (Ghana) link with Ivory Coast and Togo	5.5m													8.5
1978	R.A.N. (Ivory Coast/Upper Volta)				2.3	5.2				29.2					66.2
1978	PANAFTEL (All Africa Telecom. Union							1.0							1.0
1978	Abidjan-Accra Hwy. (Ivory Coast, Ghana)	13.0279		8.2075											64.957
1978	Power Inter-connection (Ivory Coast, Ghana)	13.0279													33.559

(US$m)

Year	Projects	ADB	ADF	NTF	IBRD	IDA	CDC	BADEA	Kuwait F	CIDA	CCCE	Saudi F	EDF	EIB	Total
1978	(Upper V./Mali/Niger) Liptako Gourma Telecom Project	13.0279		8.598											28.739
1979	Diama Dam Project (OMBS)		15.807	15.807											
1979 (80)	Hambori-Gao Project (Mali)								15.3						49.174
1980	Tech Asst. -Dev. Credit (BOAD)					3.0									3.0

APPENDIX VI

Average Size of Loan/Credit for Projects in Africa, by Institution

(US$m) IBRD

	Number	Amount	Average
1981	23	858.8	37.339
1980	20	589.7	29.485
1979	22	583.1	26.504
1978	26	465.8	17.915
1977	34	570.8	16.788
1976	28	507.8	18.135
1975	35	648.1	18.517
1974	20	370.6	18.53
1973	13	234.4	18.03
1972	9	192.3	21.36
1971	17	347.2	20.423
1970	18	281.7	15.65

(US$m) IDA

	Number	Amount	Average
1981	52	953.6	18.338
1980	48	956.9	19.935
1979	48	619.0	12.895
1978	44	603.8	13.722
1977	34	393.5	11.573
1976	37	382.9	10.348
1975	30	432.6	14.42
1974	34	319.5	9.397
1973	27	284.1	10.522
1972	34	245.3	7.214
1971	24	121.5	5.06
1970	27	161.21	6.717

(US$m) BADEA

	Number	Amount	Average
1978	15	72.87	4.858
1977	9	66.24	7.36
1976	10	61.9	6.19
1975	11	81.6	7.418

APPENDIX VII

Volume of Loans/Credits to Multinational Projects/Programs in West Africa Per Year and Average Size of Loans and Credits Per Year, by Institution

(US$m)

ADB Group	(Loans) Number	($m) Amount	($m) Average
1973	2	5.187	2.5935
1974	0	0	0
1975	1	12.4	12.4
1976	3	24.3	8.1
1977	1	5.5	5.5
1978	5	55.8	11.16
1979	2	31.6	15.8
1980	-	-	

ADB	(Loans) Number	(US$m) Amount	(US$m) Average
1973	2	5.187	2.5935
1974	0	0	0
1975	1	12.4	12.4
1976	3	24.3	8.1
1977	1	5.5	5.5
1978	3	39.08	13.0279
1979	0	0	0

ADE	(Loans) Number	(US$m) Amount	(US$m) Average
1979	1	15.807	15.807

NTE	(Loans) Number	(US$m) Amount	(US$m) Average
1978	2	16.8055	8.40275
1979	1	15.807	15.807

BADEA	(Loans) Number	(US$m) Amount	(US$m) Average
1975	1	10.0	10.0
1976	3	20.1	6.7
1977	0	0	0
1978	0	0	0

Terms of Loans/Credits in Africa by Institution

(Averages)		Interest Rate %		Maturity Period (in years)	Grace Period (in years)	Grant Elementary
(Africa)	IDA	.75		40	10	
	IBRD					
	1981	9.4195		14.1	4.68	
	1980	8.0526		14.0	4.68	
	1979	7.4928		13.09	4.68	
	1978	7.6557		14.12	4.538	
	1977	7.4166		16.027	4.7948	
	1976	7.7448		15.833	5.129	
	1975	8.1944		16.459	5.081	
	1974	7.25		16.5	4.714	
	1973	7.25		16.916	6.3	
	1972	7.25		17.125	4.88	
	1971	7.2115		17.307	4.3846	
	ADF	.75		50	10	
	NTF	4.75		5-25	3-5	
	ADB					
	1979	8.75	[7.0; 1.0 stat commis.;] [.75 commitm. charge]	17.3	4.14	
	1978	8.75	"	17.2	4.25	
	1977	8.75	"	16.1	3.6	
	1976	8.75	"	13.5	3.0	
	1975	7.75	[6.0; 1.0 stat commis;] [.75 commitm charge]	16.1	3.3	
	1974	7.75	"	14.4	3.6	
	1973	7.75	"	14.8	3.5	
	1972	7.75	"	13.7	3.05	
	1971	7.75	"	10.8	4.0	
	BADEA					
	1978	3.6		15.75	5	49
	1977	5.0		17.6	5	52.6
	1976	2.6		22.7	4.4	45.4
	1975	3.5		23.6	4.0	44.0

Terms of Loans/Credits in Africa by Institution

(Averages)	Interest Rate %	Maturity Period (in years)	Grace Period (in years)	Grant Elementary
Kuwait Fund (Total)				
1979-80	3.35	20.9	3.996	42.8
1978-79	3.208	23.13	4.16	45.7
1977-78	3.05	22.375	4.4625	47.29
1976-77	3.63	21.397	4.6055	
1975-76	3.02	25.88	5.5	
1974-75	3.214	23	4.4357	
1973-74				
1972-73				
1971-72				
Kuwait Fund (Total)				
1979-80	3.2	20.96	3.96	44
1978-79	3	24.14	4.45	48.142
1977-78	2.25	24.25	4.775	55.5
1976-77	3.5	22.142	4.9	
1975-76	2.9	26.55	5.52	
1974-75	-	-	-	-
1973-74	-	-	-	-
1972-73	-	-	-	-
1971-72	-	-	-	-

Note: Use only Kuwait F interest rates in Africa on graph.

APPENDIX IX

Exchange Rates

1UA=ISDR =	U.S. $	Sterling	Kuwaiti Dinar
1980			
1979	1.31733	.592325	.359776
1978	1.30279	.640349	.354098
1977	1.11111	.599392	
1976	1.11111	.662361	
1975	1.11111	.544422	
1974	1.20635	.479915	
1973	1.20635	.4166	
1972	1.08571	.4166	
1971	1.0	.4166	

CHAPTER THREE

THE ADB ROLE IN PROMOTING THE ECOWAS PROGRAM: WILL ECOWAS SUCCEED?

OUTLINE

A. Theories of Regional Integration in West Africa

1. Nkrumahism

   a. ideal of continental union not to be realized until distant future
   b. complete political union preceding economic development abandoned
   c. sub-regional economic integration replaces continental union movement.

2. Federalism

   a. institution building of federal apparatus gradual process to regionalism (variant to Nkrumahism)
   b. proliferation of regional institutions in West Africa promoting integration through gradual shifts in authority (including ECOWAS institutions)

3. Neo-Functionalism - Incrementalism - Spillover (Haas)

   a. sectoral groupings in West Africa producing positive spillover
   b. multinational character of regional institutions creating linkages between professionals and technicians in West Africa
   c. ECOWAS Program benefits from supports of existing regional institutions (history, expertise, coordination, sub-units of authority)

4. Communication Theory (Deutsch) and Jacob Teune
   10 Integrative Influences

   a. social and political variables difficult to gauge in West Africa
   b. structural influences (geographic proximity and transactional flows) can be measured and advance economic integration in West Africa
   c. ECOWAS Program requires investment in interterritorial infrastructure to;
      (1) improve transactional flows
      (2) expand channels for interstate commerce

5. Economic Development Theory (structural economic change in region) vs. Traditional Neo-Classical Economic Theory

   ECOWAS addressing weaknesses cited by neo-classical theorists through balancing efforts

a. ECOWAS commited to balancing community gains & costs through compensation fund (import duty losses and trade diversion costs)
b. ECOWAS needs investment capital to balance industrial development within the region
c. funding sources for investmnet need;
   (1) special funds of economic unions (insufficient)
   (2) foreign aid/grants (no commitment demonstrated to date)
   (3) "prime movers" (Nigeria cannot meet task alone - dependence on oil revenues for development finances)
   (4) ADB Group - only active investor (contribution must be increased)

B. Capability of the ADB Group in Meeting Investment Needs of ECOWAS

1. Scale of Co-Financing with Outside Lenders Must be Increased

   a. Arab co-financing could offer another soft loan window
   b. IBRD/IDA co-financing could provide ADB Group with senior partner in multinational ventures

2. Open Capital Stock of the ADB

   a. expand the bank & resource base
   b. improve borrowing capacity of the ADB in international markets
   c. allow for increase in loan ceiling

3. International Bond Market

   a. Eurobond and Japanese bond market not assured
   b. Arab bond market worth exploring

4. Increase Membership of ADF

C. ECOWAS cannot succeed without investments from funding sources in the areas of interterritorial infrastructure and industrial balance between the states of the region

Graphs

I. Average Sizes of Loans/Credits for Projects in Africa, by Institution, Appendix VI

II. Terms of Loans/Credits in Africa, by Institution (Interest Rates)

A Theories of Regional Integration in West Africa

The theories of regional integration that were discussed in the first chapter provided a foundation for analyzing the role of the ADB and ECOWAS in promoting regional integration in West Africa. The various theoretical perspectives that have been presented have displayed different degrees of insight into the regional integration movement in West Africa. Some of the theories have been helpful in understanding the integration process in West Africa and the role of support institutions, such as, the ADB and ECOWAS, in advancing this process. Other perspectives have not fit well into the West Africa milieu, or have produced uneven results and have not aided in understanding the ADB and ECOWAS role in promoting regional integration in the area. At this juncture, it may be beneficial to summarize the theories that were discussed in chapter one and consider which theories were satisfied in West Africa and how they explain the role of the ADB and ECOWAS in promoting regional integration in West Africa.

The theories that have been discussed are; Nkrumahism, Federalism, Neo-Functionalism (Incrementalism), Communication Theory, Traditional Neo-Classical Economic Theory and Economic Development Theory. Nkrumahism is a theoretical perspective that grew out of the Pan-Africanist movement and materialized as a theory of regionalism in Africa under the personality of Kwame Nkrumah. Federalism, Neo-Functionalism and Communication Theory have their genesis in the European experience, in that these theories were developed within the European context as tools for understanding the integration process in Europe and North America. Neo-Classical Economic Theory, although grounded in the European experience as well, clashes directly with the newly developed

economic development theory of regional integration. To appreciate this conflict in theory, it is helpful to present these two theories within the same discussion. The first theory to consider, with respect to regional integration in West Africa and the ADB and ECOWAS role in promoting it, is a theory that germanated within Africa and fueled the earliest attempts at regionalism in post independence Africa; Nkrumahism.

Nkrumahism

Nkrumahism, as a practical tool for implementing a program of regionalism, has not been fully endorsed nor supported in Africa. The emphasis of this theory on the establishment of a continental political union preceding economic, sectoral or sub-regional unions has been eclipsed by the proliferation of economic, sectoral and sub-regional unions in place of a continent wide political union. The urgings of Kwame Nkrumah that African states unite around their resources (particularly export commodities) outside of an association with Europe has been ignored by most African countries, who have entered into associate status with the EEC under the Lome Convention. Despite these trends in Africa that would indicate the obsolescence of Nkrumahism, elements of the theory have been subscribed to by African leaders that have engaged in sub-regional unions.

Many African leaders forsee the Nkrumah model of a continental central authority that will supercede national sovereignty as an ultimate goal for Africa to strive for, however, they preface that this is a vision of the distant future. To achieve this stage of political authority, many view the incremental, slow accretions of power to the center as the correct process, rather than the immediate shift (as

proscribed by Nkrumah) to continental authority. Given that this element of Nkrumahism has been rejected as the method for achieving continental union, sub-regionalism has emerged as the most acceptable vehicle for achieving the ultimate goal of continental unity. The rationale for engaging in sub-regional efforts is derived from many of the arguments presented by Nkrumahism.

Sub-regional communities, such as ECOWAS, have been established to remedy many of the economic ills that Kwame Nkrumah recognized would occur under a system of separate, autonomous, national development. These problems include diseconomies of scale, duplication, small national savings, investment capital and foreign exchange, decreasing commodity prices from competition, and so forth. In citing these economic problems and offering a political strategy for addressing them, Nkrumahism has aided the ECOWAS program. Nkrumahism has provided the ideological basis for West African leaders to consider their development problems and to enter the ECOWAS community as a means to rectify their present situation.

In the area of structuring a regional community, Nkrumahism has provided a model. The theory has placed heavy emphasis on the establishment of federal institutions and authorities as a device for achieving broader unity. Although Nkrumah insisted on the formation of the federal apparatus before national economic development, African leaders have modified these features of Nkrumahism by developing federal institutions within their regional integration schemes. These efforts can be better appreciated by moving slightly away from the theory of Nkrumahism and considering the more generic theory of federalism.

Federalism and Neo-Functionalism - Incrementalism

As described in the first chapter, federalists view the declarations and agreements between states that form federal institutions as being the essential element of an integration process. This theory suggests that the establishment of regionally based institutions provides the basis for authority transfer from the states to the regional scale. Neo-Functionalists, most notably Ernst Haas, have expanded upon the federalist principles by suggesting that these institutions can serve as a conduit for interregional linkages between elites (professionals and technicians). Although other apsects of their theory has not fit well into the West African milieu (lobby groups within region, elite complementarity), their extension of the federalist theory on regional institutions in the area of sectoral groupings has pointed to some hopeful signs for West African regionalism. As indicated earlier, Haas has viewed the existence of sectoral groupings as providing a basis for interregional linkages that can aid in the integration process. A closer look at the application of these theories in the ECOWAS community will show the strong fit of federalism and neo-functionalism in West Africa and their relevance to the integration efforts in this region.

The proliferation of regional institutions in West Africa promotes the objectives of regional integration. The ECOWAS program has provided the institutional supports of these regional bodies, which makes their mandate for integration obtainable. As observed by Ernst Haas, regional institutions that bring together professionals and technicians in a cooperative venture have the potential of producing positive spillover effects on an integration effort. He further suggested

that, in the absence of interregional linkages between elite groups, sectoral organizations that that are regionally based have the potential for producing positive spillover effects. The ECOWAS program, which was scheduled to begin the first stage of its operations in 1980 (West Africa citizenship), has the opportunity to realize the positive spillover effects of almost thirty regional institutions in West Africa.

One of the many institutional supports that ECOWAS has to exploit is the regional groupings that have been in existence in West Africa which have attempted economic union. These organizations provide ECOWAS with history that can reveal potential difficulties that may be confronted, in addition to policies that may advance integration. Aside from the benefits of hindsight, ECOWAS is able to structure its program around the existing framework of the other economic unions in the area. In this respect, ECOWAS has the opportunity to build upon the structural foundations of established programs, while avoiding duplication and errors. These spillover benefits are analogous to those realized by the ADF when it began operations in 1974. The Fund was able to draw upon the history, knowledge and expertise of the ADB thereby allowing the Fund to begin its investments immediately. The likelihood of conflict between the existing institutions and ECOWAS appear to be minimal, with the ECOWAS treaty stipulating the superiority of its policies over other regional agreements. This clause of the treaty allows ECOWAS to draw from the advances of other economic unions without having to concede any of its own policy initiatives. In this area, ECOWAS is able to realize the greatest benefits from positive spillover, while avoiding the potentially disintegrative

effects of conflict between organizations.

The sectoral groupings in the West Africa region provide the ECOWAS program with additional benefits from spillover. Many of the now defunct economic unions of West Africa were unable to realize the spillover effects of sectoral organizations within the region. These organizations could have provided to the economic unions of the past the technical supports of pre-investment studies, development plans, management expertise, in addition to the pooling of professionals and technicians. ECOWAS, as the largest and most recently formed economic union in West Africa, has the opportunity to realize the full benefits of the institutional supports of the sectoral organizations. It should also be noted that the ECOWAS Treaty was conceived with the technical assistance of many of these sectoral organizations, which highlights the positive spillover effects of these organizations on the ECOWAS program and the compatibility of ECOWAS with the existing regional institutions in West Africa.

The ECOWAS Program has gone a step further in extracting benefits from regional institutions in West Africa by creating several support institutions within ECOWAS. Federalists would view this initiative by ECOWAS as an important and effective step toward regional integration. They would see these institutions as providing a basis for authority transfer from the local level to the federal. These ECOWAS bodies do, in fact, suggest the presence of federal authority, however, it is too early in the ECOWAS Program to gauge the degree of transfer that will occur. The immediate benefit of these institutions to the integration process in West Africa is the positive spillover effects of bringing more area states together under a regional effort. Beyond

the benefits of positive spillover, these support institutions serve to implement the ECOWAS Program.

Each of the ECOWAS Commissions perform a duty that advances the ECOWAS Program. These Commissions are staffed by Africans from the entire West Africa region. Having a wide range of West Africans employed on these commissions promotes the integration of the region. Perhaps more importantly than the individual activities of the Commissions and the multinational character of their staff, in promoting regional integration under the ECOWAS Program, is the coordination between the ECOWAS institutions and the other regional entities in West Africa.

The West African Clearinghouse, designed to coordinate the exchange of currency between West African states, is one of ECOWAS' most important institutions. This agency is essential to the advancement of interregional trade in West Africa, in that it assures member states of the fair and smooth exchange of currency between purchasing and supplying states. This agency is supported by the Association of African Central Banks, which maintains data on the monetary situation of its member states. Other West African agencies, such as Africa Re, the ADB and UMOA interact on a regular basis to exchange information on monetary and economic conditions in the West Africa region. Each of these institutional linkages between regional organizations creates positive spillover on the integration process of the ECOWAS Program. These benefits are realized in other areas of institutional exchanges in the region; many of which are coordinated by the ADB or the ECA. Despite these positive supports for the ECOWAS Program, there are disintegrative forces that threaten the program

and regional integration in West Africa. One of these disintegrative forces is the lack of investment in interterritorial infrastructure.

Communication Theory and Jacob & Teune's 10 Integrative Influences

Before examining the lack of investment in interterritorial infrastructure, it would be helpful to restate the theoretical basis for considering interterritorial infrastructure as an element of regional integration. Aside from summarizing the theories that are relevant to this issue, it might also be helpful to separate out those theories that do not explain nor fit into the integration process in West Africa. The first of these theories to consider is the ten integrative influences cited by Jacob and Teune.

As was discussed in the first chapter, many of the integrative influences cited by Jacob and Teune were difficult to measure in West Africa. Social variables, such as social homogeneity or cognitive proximity revealed an uneven set of results that would be hard to interpret. It would be even more of a task to design an integration strategy that would positively alter these variables. In the area of political influences, variables such as sovereignty-dependency revealed a low level of integration in West Africa, despite the creation of several regional authorites in West Africa. These influences, which display a wide degree of variability in their application to West Africa, are the theoretical elements of the Jacob and Teune approach that do not answer or explain the questions of integration in West Africa. Two of their variables, transactional flows and geographic proximity, have problems in the application to West Africa, however, they point to areas that the ECOWAS Program can address in advancing regional integration.

The concept of transactional flows, as developed by Karl Deutsch, postulates that the cohesiveness of a community could be measured by the quantity of transactions between constituent parts of a region. Phillip Jacob and Henry Teune expanded upon this theory by suggesting that the geographic proximity between states could advance or hinder the level of transactions between members of a community. The intensity of transactions (trade or communications) has been used in the first chapter as a measure of interaction between states in West Africa and their degree of attachment to the regional community. The concept of geographic proximity presented the idea of transactional flows in terms of the ease of transport between states and the contiguity of borders. It has been suggested that these factors could serve to hinder or advance transactional flows between states. The West Africa region has demonstrated the level of contiguity between states that Jacob and Teune described, however, the region measured disappointingly in the areas of interstate transport and communication. The poor condition of interstate transport and communication in West Africa would be viewed by Karl Deutsch, Phillip Jacob and Henry Teune as a constraint, or rather, disintegrative influence on the integration process in the region. It should be prefaced that extensive migratory flows exist in West Africa between states, despite the poor transport and communications infrastructure in the region. The conclusion, however, was that the expansion of trade and communications between states in the region would require more sophisticated interterritorial infrastructure. The theoretical basis for this assessment is that improved transactional flows have an integrative influence in a regional community. To achieve the benefits of these improved

transactional flows, ECOWAS will have to secure greater investments in interterritorial infrastructure.

The ECOWAS Program calls for greater interstate commerce in West Africa. Given the fragmented and poor condition of the regions' transport infrastructure, it is not clear how this increased trade will be facilitated. The coordination between states that is required to regulate commerce within the region is also suspect, with scant communications infrastructure presently established in West Africa. Utilizing the traditional trade routes in the region and the migratory patterns of the various ethnic groups in the region will not be sufficient to carry out the ECOWAS attempt at increased interstate trade. In order that ECOWAS may overcome these formidable barriers to integration in West Africa, large infusions of investment must be made in the development of interterritorial infrastructure. Economic development theory points to another important area for investment in the ECOWAS program; balancing industrial development within the region.

Economic Development Theory - Traditional Neo-Classical Economic Theory

Neo-Classical Economic Theory provides a framework for measuring gains and losses of regional integration to the individual member states. The theory applies basic economic indicators of trade creation and trade diversion that pinpoint where costs and benefits are falling and who is absorbing them. This aspect of the theory is helpful to the integration process in West Africa, in that it allows for the calculation of compensation of member states. This is also a feature of the economic development theory of regional integration. The essential characteristic of the Neo-Classical Theory is not the concept of trade creation and diversion, but rather, the use of static indicators

to assess the potential for regional integration.

Among the basic conditions that the neo-classical theorists use to assess the potential for regional integration are the percentage of trade conducted in the region and the percentage of gross national product in foreign trade prior to the forming of an economic community, in addition to the degree of disparities between member states. On each of these indicators, West Africa has shown itself to be incapable of successfully engaging in regional integration. Many African leaders refute the reliability of these indicators by suggesting that, without regional integration, a good score on these indicators is not possible in Africa. This line of reasoning follows the economic development theory approach, which counters the static indicators approach of the neo-classical theorists by arguing that regional integration is a movement to achieve structural changes in the economies of the region. This change in the economic structures of the regions' economies is designed to allow for the accelerated development of industry. One of the problems that the economic development theorists cite in a regional integration effort is the tendency of these structural changes to produce imbalances in industrial development within the region.

As mentioned at various points in the research, the problems of imbalances of industrial development (backwash) have been cited as having a highly disintegrative influence on an economic community. Economic development theorists have suggested that the only way to address this problem effectively is to redirect investments into the relatively underdeveloped states. It has been shown that economic unions, such as CEAO and UDEAC have attempted to address this problem, but have been unable to invest sufficient levels of capital or design

investment incentives attractive enough to completely eradicate this problem. ECOWAS has been structured in much the same way as the other economic unions that have dealt with "backwash" and, as the others, expects to face the same problems of insufficient capital to reverse the problem. As with the case of interterritorial infrastructure development, ECOWAS requires large investments of capital in industry and infrastructure development to reverse the disintegrative effects of industrial imbalances between the states. At this juncture, the question for ECOWAS is, who will provide the needed investment?

The most immediate source of financing for industry and infrastructure development is the special funds of CEAO, Entente Council and ECOWAS. The investments of each fund would advance the ECOWAS Program for regional development and make an impact upon the problems of poor interterritorial infrastructure and "backwash," since they all operate within the ECOWAS region. The drawback of these investments, with respect to the development needs of the region, is that individually and collectively the special funds are incapable of meeting the full development task. It must be remembered that the special funds are also used to compensate member states for lost import duty revenues. Aside from this drain on the special funds, the total size of the funds is too small to consider them as a viable funding source for the region. In the case of ECOWAS, the special fund for 1979 totalled \$32 m (paid in). The paucity of this sum of money can be appreciated when one considers that one multinational investment of the ADF and NTF (Diama Dam Project - 1979) equalled \$31.6 m. Clearly, with multinational projects costing as much as the Diama Dam Project and with the special funds being depleted by compensation payments,

the special funds of ECOWAS, CEAO and the Entente Council cannot meet the task of investments in industry and interterritorial infrastructure development.

Another potential funding source for the ECOWAS Program is international lending institutions. IBRD/IDA certainly possess the largest resource base of any of the international aid agencies and could assume a leading role in interterritorial infrastructure and industry development. This agency, however, has not displayed a commitment to directing its investments in the area of multinational project financing nor industry development in West Africa. By 1980, IBRD had made only one investment in a multinational infrastructure project (US $23 m - R.A.N.) and one investment in industry (US $60 m - CIMAO). IDA has been more active than IBRD in financing multinational infrastructure projects. They have contributed to a railway improvement project between Senegal and Mali, a line of credit for six Sahelian countries, an irrigation project in the Senegal River Delta, a highway development project between Nigeria and Niger and aid to the R.A.N. These IDA investments have advanced the ECOWAS effort by contributing to the interterritorial infrastructure in West Africa, however, enthusiasm for the IDA role must be tempered. By 1971, the IDA had only committed 1.9% of its capital to multinational projects. When one considers the resource endowment of the IDA and the enormous infrastructure development need in West Africa, it is clear that the IDA is not filling the investment gap of ECOWAS.

The US $60 m investment by IBRD in the CIMAO cement plant aided the ECOWAS Program by developing industry in a relatively underdeveloped West African state. It is this type of biased investment

in industry in the poorer states that counters the tendency toward industry imbalances in an economic community. It should be noted that the IBRD was the senior partner in the multinational investment in CIMAO. As the senior partner, IBRD took the lead in making certain that this project was initiated. Praise for the IBRD must also be tempered, however, in light of its tremendous resource base and its limited activity in interterritorial infrastructure and industry development. The IBRD, in fact, would not be the lead agency in infrastructure development within or between the poorer states; IDA handles World Bank investments in the poorer states.

Given that IDA has devoted a small percentage of its investment captial to multinational infrastructure development, the only other area in which the IDA could confront the ECOWAS problem of poor interstate infrastructure and "backwash" would be through its national projects in the relatively underdeveloped states. To the extent that IDA invests in infrastructures within the poorer states that link them with other states of the region or make their local industry more attractive, IDA is assisting ECOWAS in meeting its development needs. Making this assessment is not as easy as locating the IDA investments in multinational projects. Looking only at national investments of IDA in West Africa, it is obvious that this agency is limited in the degree of help that is can provide ECOWAS in overcoming one of its most formidable obstacles; industry imbalances between states. IDA credits are confined to infrastructure and social projects, which prevents it from participating in new industry development. This fact, in addition to the IBRD's limited activity in industry development in West Africa, removes the World Bank from consideration as a funding

source for balancing industry development in West Africa. A more promising source of such funding may be the Commonwealth Development Corporation.

The Commonwealth Development Corporation has refrained from participating in multinational project financing in West Africa. ECOWAS would not be able to exploit the investment of CDC in the area of interterritorial infrastruction development, given the CDC's inactivity in this area. ECOWAS may have greater success in attracting the CDC in investing in new industry development. CDC has distinguished itself as an investment institution by its high volume of equity participating in African enterprises and investments in new industries in Africa. The businesses initiated and supported by CDC in Africa have also displayed a high rate of success. One of the basic drawbacks of the CDC, with respect to investing in balancing industry development in West Africa, is that it operates in only a select number of West African states, most of which are relatively well to do (Nigeria, Ghana, Ivory Coast, Sierra Leone and the Gambia). Aside from this factor, a large proportion of CDC investments are equity participation ventures in existing African industries. To effectively deal with industry imbalances between states, investments must be made in new industry development. Unless CDC chose to shift its investment policies in this direction, in addition to focusing investments in the relatively underdeveloped West African states, CDC will not be able to satisfy the development needs of the ECOWAS Program.

Another potential source of investment financing that ECOWAS could try to tap is Nigeria. This state is the most capable of the West African states to assume a leading role in this area. As indi-

cated in the first chapter, under table 5, Nigeria possesses 57.16% of the region's population and 69.2% of its gross national product. Applying the concept of "prime mover," which advocates that a major economic and political power from within a community should lead the path for regional integration, Nigeria is the best candidate in West Africa to assume the lead role. Nigeria has, in fact, made significant efforts toward this end through their large contribution to the ECOWAS compensation fund and the creation of the Nigeria Trust Fund within the African Development Bank Group. The NTF has, by far, been the most active investor of Nigerian finances in the area of multinational infrastructure development and supports for industrial development in the relatively underdeveloped states.

The NTF has promoted the ECOWAS Program by investing in multinational infrastructure development and, to the extent that the Diama Dam Project leads to new industry development in Mali and Mauritania, eased the problem of "backwash" within the ECOWAS region. As indicated earlier, the NTF also advances multinational development by providing the ADB with an additional soft loan window with which to match ADB multinational investments. The limits of the NTF in aiding ECOWAS in filling its investment gap are the modest size of its resource base and the volatility of Nigerian support.

Much of the Nigerian government's ability to invest in the NTF and the ECOWAS compensation fund is derived from its oil revenues. The national development plans of Nigeria are tailored to fit within the yearly projections of national oil revenues.[1] Should the level of national oil revenues drop for Nigeria, it is uncertain whether the government would be able to sustain the level of commitment that it

has made to the ECOWAS compensation fund and the NTF. Given the erratic changes in world commodity prices (including oil), the ECOWAS is not able to fully depend upon Nigeria to make the large multinational infrastructure and industry investment that is required to make the ECOWAS Program successful. This is not to suggest that Nigeria is not commited to making a contribution in this area, but rather, to stress the need for an investment institution(s) that is able to make the investment and is commited to assuming the responsibility. The ADB Group appears to be the one investment institution that is commited to taking on the task and possesses a sound resource base, when compared to the NTF and the ECOWAS Compensation Fund. The commitment of the ADB Group to multinational development in West Africa can be seen through its relatively large investments in this area since 1976 (US $134.89 m compared to IBRD/IDA US $128.5 m). The question mark surrounding the ADB Group's support of the ECOWAS Program is, can the ADB Group meet the investment needs of ECOWAS? It is not being suggested here that only one institution, such as the ADB Group, assume the entire responsibility of investing in ECOWAS. The question at this juncture is what can the ADB Group do to expand its role as the lead agency in West Africa multinational development and whether the ECOWAS will be able to succeed with this level of support.

B. Capability of the ADB Group in Meeting the Investment Needs of ECOWAS

The development needs of ECOWAS have been stated several times in the research. Before considering the capability of the ADB Group in meeting these needs, it may be helpful to restate them and give the theoretical basis for considering them in a regional integration effort.

Interstate trade and communication are seen by many integration theorists as being essential influences on an integration process. In order that this type of trade and communication may be conducted, interstate transport and communications infrastructure is required. The ECOWAS community lacks sufficient interstate infrastructure with which to conduct and expand interstate trade and communications, therefore, investment must be made in its development to allow ECOWAS to realize a successful integration process.

In the area of industrial development, economic development theorists of regional integration in the Third World argue that an economic community will tend to have industrial development occur in the established growth regions of the community. This process will lead to a concentration of activity in the growth poles and a subsequent drift away from the less developed regions, creating "backwash." "Backwash" is seen as being a highly disintegrative force within an economic community and can only be confronted by large industrial investments in the relatively underdeveloped regions. The ECOWAS compensation fund is designed to make this investment, however, it is admittedly too small to counter the process. ECOWAS requires large investments beyond its capabilities to develop new industries in the relatively underdeveloped states of West Africa to make the ECOWAS Program successful.

In the area of West Africa investments, the ADB Group has had its greatest presence in multinational infrastructure development. These investments have included the following type of interstate development projects; raliroads, a bridge, highways, power interconnection, telecommunication and a dam. Each of these projects have

promoted the ECOWAS Program by establishing new interstate infrastructure in West Africa. Although these projects have been helpful, it is not evident whether the ADB Group investments have been sufficient in remedying the infrastructure gap of ECOWAS. Beyond this question, the ADB Group has not made more than one clear industrial development loan in West Africa (CIMAO). Some of their loans, such as the Diama Dam Project, may be construed as an "anti-backwash" investment, but this does not change the fact that the ADB has failed to make investments in new industries in the relatively underdeveloped West African states.

One of the reasons for the ADB Group refraining from making investments in new industries is the high project costs of these type of investments. The total cost of the CIAMO cement plant was US $284 m, which included seven financers. Clearly this enormous investment far exceeds the loan ceiling of the ADB, ADF and the NTF. The Bank Group would probably have a difficult time taking on this kind of project, even with co-financing from its three investment institutions. The problems of project costs are compounded by the limited amount of co-financing of these projects between international aid agencies. In light of the fact that investments in new industry development in the relatively underdeveloped West African states is essential to a successful ECOWAS Program, the ADB Group will have to consider other financial supports or expansions in its resource base to effectively meet this challenge. This will also have to be the ADB Group approach to increasing its presence in multinational development projects. The following is a list of potential sources of support and resources which the ADB Group could try to exploit;

1. increase scale of co-financing with outside lenders;
2. open capital stock of the ADB;
3. increase activity in the international bond market;
4. increase membership of ADF.

Each of these need to be looked at closely to consider the degree of support that they could provide the ADB Group in promoting the ECOWAS Program.

Scale of Co-Financing with Outside Lenders Must be Increased

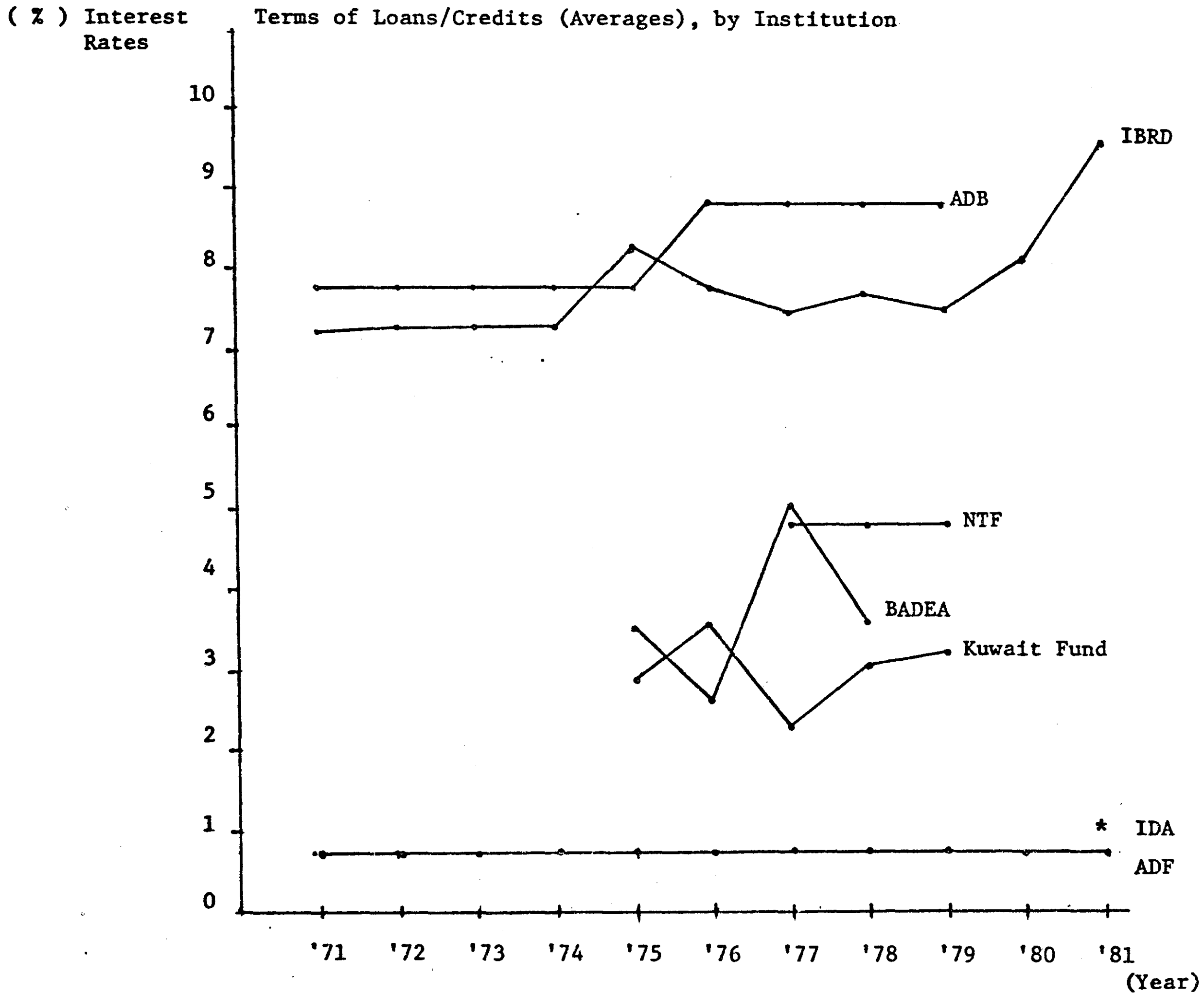
As indicated by the data in Table 10, in the previous chapter, the degree of joint financing between the Bank Group and other lenders is low. At the present time, the ADB Group's average loan size is significantly lower than the IBRD/IDA (see Graph I), with their average loan size for multinational projects not much higher (see Appendix VII, previous chapter). In the case of the Diama Dam Project for OMVS, ADF and NTF had to cover the total cost of the project; co-financing would allow the money to be spread around to cover more multinational projects or take on large industrial projects.[2] There are two potential sources for joint financing for the Bank Group that could provide additional soft loan money for infrastructure development or hard money for industrial development. Both of these sources of co-financing would aid ECOWAS in developing interstate infrastructure and industry.

Infrastructure development generally requires soft loan investment, as a result of the slow payoff and low profit return of these type of projects. The Bank Group uses its two soft loan windows, the ADF and NTF, to invest in much of its infrastructure work, particularly in the poorer states. These states are given credits at .75% (ADF) or

GRAPH I

Terms of Loans/Credits in Africa, by Institution

Interest Rates



*IDA and ADF are soft loan windows of the World Bank (IBRD) and ADB respectively...their credits are @ .75%; IDA has 40 yr. maturity and 10 yr. grace; ADF is 50 yr. and 10 yr. grace.

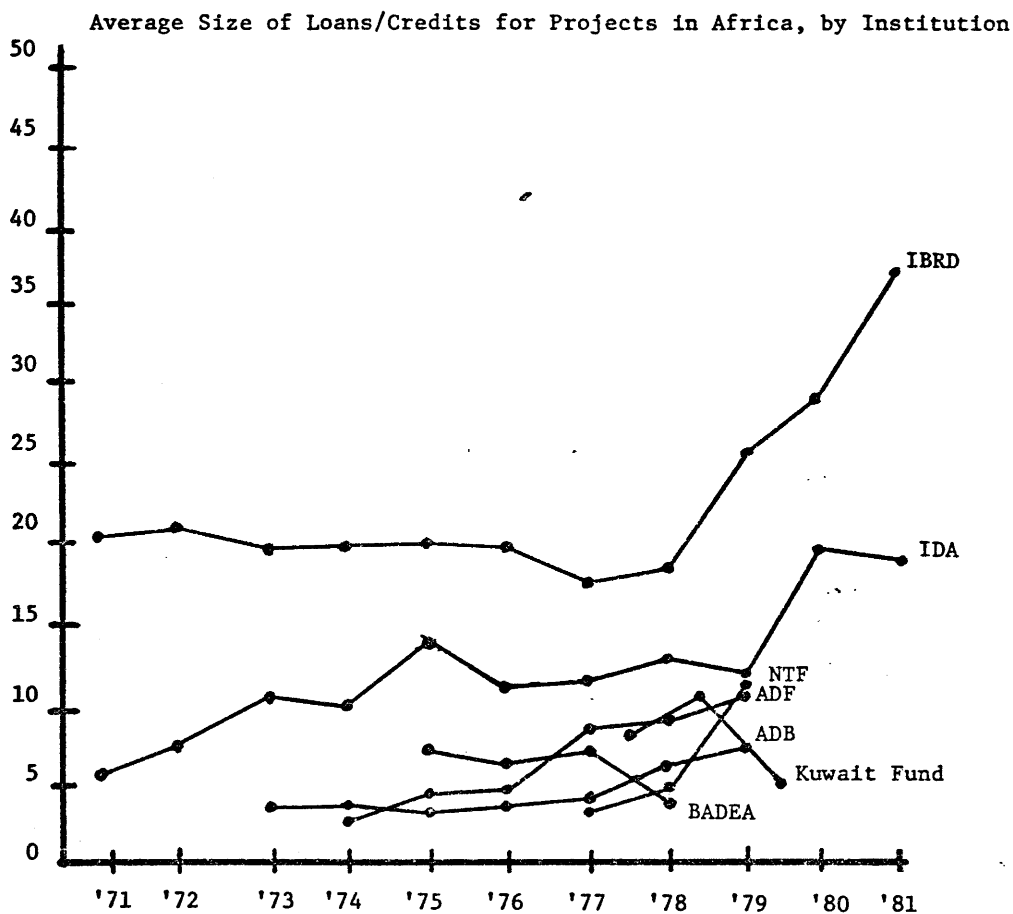
See Appendix VIII for base data.

4% (NTF) interest, which is far lower than the 8.5% interest charged by the ADB. This kind of investment by the Bank Group could be escalated if it possessed another soft loan fund with which to combine with the ADF and NTF. A potential source of soft loan credits that the Bank Group could try to tap is the Arab investment institutions; BADEA and the Kuwait Fund. The resource capacity of these agencies is strong, although their capital stock and investments are by comparison far more conservative. The attraction of these aid agencies is that they provide loans at terms comparable to, or lower than, the NTF (see Graph II). The Arab financing, combined with ADF and NTF investments, would provide the Bank Group with a larger presence in multinational infrastructure financing. This increased presence, in addition to the concessionary terms of the loans, would aid the ECOWAS Program by raising the level of interstate infrastructure development in West Africa. With regards to industry development, the Bank Group could try to increase its West Africa investments by increasing its co-financing activity with the IBRD.

As mentioned earlier, industry development requires large capital outlays. The Bank Group can only hope to be a junior partner in such an undertaking, with their loan ceiling for multinational and national projects standing at such a relatively low level. Even with joint financing between the three investment institutions of the Bank Group, there are not many new industry projects that the Bank Group could take on alone. The IBRD is the best candidate for joining the Bank Group as a senior partner in this area of investments. Despite the IBRD's inactivity in the area of new industry development in West Africa, the IBRD holds the greatest promise for carrying out the task

GRAPH II

Average Size of Loans/Credits for Projects in Africa, by Institution



see Appendix VI for base data

in light of its large average loan size (see Graph I), and its enormous resource capacity. Without the presence of a large investor to serve as a senior partner for Bank Group investments in new industries, it is not certain whether the Bank Group will be able to mobilize sufficient capital to carry out this effort on its own. Should the IBRD resist the offer to engage in this type of co-financing venture, the Bank Group would be faced to attempt a major expansion of its resource base. Assuming that the Bank Group is unable to attract the IBRD in joining in an investment effort in new industry development, how could the Bank Group expand its base to allow for increased industry investment (and multinational infrastructure development) by the Bank Group?

Before considering strategies for expanding the resource base of the Bank Group, it should be made clear that the likelihood of IBRD/IDA, BADEA or the Kuwait Fund co-financing with the Bank Group in multinational projects is nil. The absence of these agencies in multinational project financing to date has been shown. The annual reports for each of these agencies makes no reference to a shift in investment policy, from national to multinational. Beyond this point, these aid agencies tend to prefer a national focus because it provides them the ability to wield political influence with individual nations. In the case of the Arab investors, this would appear to be particularly true, where they would prefer to "reward" political allies with loans and steer other nations in their direction with the promise of aid. Clearly, this degree of influence on a national government would not be as strong if investments were made on a regional (multinational) scale. Given this scenarios, it is questionable whether the Bank Group would be able to secure IBRD/IDA, BADEA and Kuwait Fund co-

financing. In short, the point being made here is that these aid agencies are attractive sources of co-financing for the Bank Group in multinational development, but their receptiveness to joining in the task is suspect.

Open the Capital Stock of the ADB

The Board of Governors of the ADB have already approved the initiation of exploratory studies into the receptiveness of the industrialized states to participating in the Bank's capital stock. The most obvious and immediate benefits of bringing the industrialized states on to the Bank is the increased capital base of the ADB. This would allow the Bank to expand its investment operations, raise its lending ceiling and relax pressures on their African member states to meet paid in obligations. By realizing these benefits the Bank would be able to assume a fuller role in the ECOWAS Program, by increasing its proportion of project financing for multinational infrastructure and new industry development, or scattering their investments to serve as the catalyst for other area investments. Either path that the Bank should choose would aid ECOWAS, because it would raise the funding level of investments in multinational infrastructure and new industry. Perhaps more importantly than the potential for increased investment activity from a growth in the paid in capital of the Bank, would be the increased borrowing capacity of the Bank in the international market.

The addition of the industrialized nations to the ADB's capital stock would elevate the Bank's standing in the credit markets of the world. The Bank would be able to alter its callable to paid in capital ratio appreciably, with the addition of large economic powers to its membership. As was evidenced in the preceding chapter, when Kwame

Fordwar changed the ratios of the Bank's callable to paid in capital, positive results were realized by the ADB when it attempted to float bonds in the Eurobond market. Aside from the gains realized from changing its callable to paid in ratio, the ADB should receive a warmer reception in the Eurobond market, where many of their subscribers would probably come from. It could be expected that the Bank's credit rating would go up, with the addition of industrialized nations, who tend to enjoy much better credit ratings than their African counterparts. The dimensions of these gains are difficult to assess prior to the opening of the Bank's capital stock. The consistency of the international bond market is also difficult to determine, despite the formal criteria for assessing potential borrowers.

The International Bond Market

The World Bank operates principally on its borrowings in the European market. The access of the World Bank is assured by the large number of member states that support the Bank, the credit standing of the membership, and the financial commitment of the member states. It is also important to note that the World Bank borrows within states that are members of the institution. There are many factors that distinguish the World Bank from the ADB, i.e., capital base, arrearages, creditworthiness of member states, race, etc. Each of these factors or the sum of them can work against the ADB in its attempts to enter the international market for borrowings. The ADB has had two successful issuances of bonds in the West German market and one successful issuance in the Kuwaiti market. It is assumed that an upgrading of the ADB's creditworthiness and financial backing will increase its access to the Eurobond market. This access, however, is not assured to the

same degree as the World Bank.

Until the ADB opens its capital stock to non-regionals, it is not certain how many industrialized nations will choose to join the Bank. A further question is how large will the subscriptions of these industrialized states be, should they choose to join the Bank? These variables will effect the accessibility of the ADB to the Eurobond market. Another variable that will be considered is the ADB's success at meeting its current obligations. Should the ADB default or require rescheduling, it is not likely that they will have success at re-entering the European market. Aside from these tangible variables, there are factors that the ADB could not control that may deny them access to the Eurobond market. These factors include tightening credit, rising interest rates and other world economic patterns that may curtail the availability of credit in the European market. The ADB has inquired about the possibilities of entering the Japanese bond market, but the same constraints that are present in Europe will be present in Japan, or even Kuwait (ADB had floated bonds in Kuwait in 1977). Given the volatility of the international bond market, with respect to the ADB access to bonds, it is difficult to determine whether the ADB will be able to increase its resource base through this route.

Increased access to the international bond market is the direction in which the ADB would like to go. The opening of the Bank's capital stock would appear to be tailored to achieve this end. With this access, the ADB would be able to assume a much larger position in multinational and industry development. The size of the ADB borrowing capacity can only be conjectured, but it is assumed that a major presence in the Eurobond market (for example , cutting the World Bank's

distance on borrowings from ten times to five times greater than the ADB) would propell the ADB into a major investment position in the area of development that ECOWAS requires to succeed. Given the riskiness of predicting the ADB's investment potential on this variable, another source of additional funding should be considered; increase the membership of ADF.

Increase the Membership of the ADF

The ADF began as an investment institution that was supported by the ADB and non-regional nations. Being structured in this manner, the ADF has been able to tap the financial resources of many of the industrialized nations. These nations have insured that the ADF capital has come from new subscribers rather than from the regular replenishments. Expanding upon this funding pattern, the ADF could attempt to increase its resource base by attracting new subscribers to the Fund. To the extent that this policy initiative increases the Fund's resource base, the ADF would be able to increase its investment activity. This increase in ADF investments, if directed in multinational infrastructure development, would aid ECOWAS. The level of this increased assistance to the ECOWAS Program would depend upon the degree of receptiveness demonstrated by potential subscribers and the extent to which the ADF channels its money into multinational infrastructure development.

C. Conclusion

The success of the ECOWAS Program is dependent upon large investments of capital within the West Africa region. This investment effort must be tailored toward the advancement of regional development; establish multinational infrastructure in the region and balance

industrial development between states. Without this investment, the ECOWAS Program will be limited to the interaction of bureaucrats from the various regional bodies, who complain to each other about the difficulty of implementing an integration program in West Africa. The potential investors in the ECOWAS Program are many, but their commitment and capabilities to assume the task are uneven.

It has been seen at various points thus far that the special funds of the economic unions are inadequate to assume a prominent role in the development effort of the ECOWAS Program. The international aid agencies have the resource capacity that the special funds lack in meeting the problem, but they have not demonstrated a consuming interest in participating in a large multinational infrastructure and industry development effort. The IBRD/IDA could certainly serve as a lead agency in this effort, should they decide to shift their investments in this direction. The Nigerian government, unlike the international aid agencies, has displayed a strong commitment to making a financial investment in the ECOWAS Program. They are the major supporters of the ECOWAS compensation fund and have made the bold step of forming the NTF. Both of these funding sources are helpful and may provide needed co-financing in the region, however, the resource base of each of these funding bodies is dependent upon the sustained capacity of the Nigerian government to provide regular replenishments of capital. This factor makes the Nigerian investment in the development of ECOWAS region an unpredictable source of aid.

The one funding source that has demonstrated a commitment to multinational development in West Africa is the African Development Bank Group. It has been shown on Table 10 in the previous chapter, that

the ADB Group has invested more of its money into multinational development in West Africa than any other aid agency since 1976. The weakness of the ADB Group investment in West Africa is that the relatively modest size of their resource base has prevented them from taking on more multinational infrastructure development and national industry development in the poorer West African states. It is difficult to determine the amount of multinational infrastructure development that is needed to make the ECOWAS Program operational (especially prior to the implementation of the ECOWAS Program), therefore, it cannot be argued that the ADB Group is not meeting these needs of ECOWAS. In the area of national industry development in the poorer ECOWAS states, however, it is clear that the one ADB investment in the CIMAO cement plant is not enough to remedy the problem of "backwash." To make the ECOWAS Program workable it has been seen that the ADB Group, as the leading investor in the area, must increase its resource base to allow it to make more investments in new industries.

Various areas of potential support or additional capital for the ADB Group have been outlined. Each of these sources display a variant degree of hope for the ADB Group. In the area of increased co-financing, it is not clear whether the Arab institutions or the IBRD/IDA would be interested in joining the ADB Group in advancing the ECOWAS Program. Although each of these potential co-financers have the resource capacity to assist in this effort, their present inactivity and policy focus makes predicting their support a risky proposition. There are also question marks surrounding the receptiveness of the industrialized states to subscribing to the ADB's capital stock, in addition to the availability of the international bond market. As

there are questions concerning these two potential sources of capital, it is uncertain whether the ADF will be able to attract more countries to join the Fund. The ability of the Bank Group to assume a larger presence in promoting multinational infrastructure and industry development in West Africa is contingent upon its ability to expand its resource base or attract other investors.

In summary, it should be restated that without large investments in multinational infrastructure development and linking and balancing industrial development between states in West Africa, the ECOWAS Program will not be able to realize the ultimate goal of economic union in West Africa. The ADB Group has taken the lead in promoting the ECOWAS Program through its institutional supports and multinational investments, but a larger presence is required. Given that other funding sources may choose to refrain from entering the field of multinational development in West Africa, the ECOWAS Program will have to depend upon the continued support of the ADB Group. Under these conditions, the growth, development and strength of the ECOWAS Program will be directly tied to the strength of the ADB Group and its investments in West Africa.

FOOTNOTES

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