United Nations
Economic Commission for Africa

ECA/SRO-WA/ICSOE/28/4
Distr.: General
25 August 2025

Original: English

Intergovernmental Committee of Senior Officials and Experts for West Africa
Twenty-eighth session
Online, 5 and 6 November 2025

Item 5 of the provisional agenda*
Recent economic and social conditions in West Africa: review of the subregional profile

Socioeconomic profile of West Africa, 2025: enhancing domestic resource mobilization

* ECA/SRO-WA/ICSOE/28/1.

A.25-00878 (E)

I. Introduction

1. Despite the increased protectionism and elevated tariffs triggered by the new commercial policy of the United States of America, the global geopolitical tensions and the high levels of uncertainty worldwide, West Africa continues to perform well in terms of economic growth. However, the subregion faces a series of security and governance challenges, which are compounded by climate change.

2. In addition, the situation in West Africa is marked by rapid population growth and a high proportion of young people, resulting in increased demand for social public services and employment opportunities. The subregion is still struggling to guarantee health and education for all, and there are high rates of informal employment, poverty and food insecurity.

3. In the context of limited fiscal space and tightening financing options, taxation provides Governments with a reliable and steady source of income, which is of utmost importance not only for economic stability but also for financing the necessary investments, especially in such critical areas as human capital and infrastructure. However, West African countries have weak domestic resource mobilization capacity. This is a challenge that needs to be addressed in order to achieve sustainable development.

4. The present report contains an analysis of the international and regional economic context of West Africa and of progress made and challenges that remain in critical social areas, namely health, education, employment, poverty, food security and gender equality, and provides an overview of strategies to strengthen domestic resource mobilization in the subregion.

II. International and regional economic context

A. Global changes in gross domestic product and inflation

5. Global growth continues to level off, underscoring the precarious growth conditions faced by countries. Global growth is projected to climb from an estimated 2.8 per cent in 2024 to a projected 2.9 per cent in 2026. While regional growth rates are steadily dropping, in Africa it is projected to increase.[1]

6. Several external and internal shocks have had an impact on economic performance in Africa. Higher interest rates and inflation in advanced economies, resulting from tariffs imposed by the United States, have increased borrowing costs for African economies. Climate-related disasters have undermined economic growth, costing more than $8.5 billion in economic losses on the continent.[2] Political instability has led to a decrease in investor confidence, while currency depreciations[3] have increased debt servicing costs.[4]

7. In Africa, economic performance varies among the subregions. Despite the above-mentioned obstacles, growth on the continent is projected to increase by 1 percentage point,

---

[1] *World Economic Situation and Prospects 2025* (United Nations publication, 2025).

[2] Economic Commission for Africa (ECA), *Economic Report on Africa 2025: Advancing the Implementation of the Agreement Establishing the African Continental Free Trade Area – Proposing Transformative Strategic Action* (Addis Ababa, 2025).

[3] The South African rand depreciated by 11 per cent against the United States dollar in 2022; in Nigeria, the naira depreciated by 55 per cent in 2023; and the Kenya shilling depreciated by 21 per cent in 2023.

[4] ECA, *Economic Report on Africa 2024: Investing in a Just and Sustainable Transition in Africa* (Addis Ababa, 2024).

from 2.9 per cent in 2024 to 3.9 per cent in 2025. Growth in East Africa is projected to be faster than in other subregions in 2026 as a result of continued domestic demand and a rebound in international tourism.[5]

8. Global inflation is expected to decline to 4.2 per cent in 2025 and further to 3.6 per cent in 2026,[6] which can be attributed to falling prices of commodities. Following a similar trend, inflation in Africa is estimated to decline from 16.1 per cent in 2024 to 12.6 per cent in 2025 and further to 9.9 per cent in 2026,[7] which could bring about economic and social benefits for the continent. Declining global inflation can lead to lower borrowing costs and interest rates, which encourages private sector lending and investment. It also strengthens social stability by boosting household purchasing power, which can help to ease inequality. While inflation is declining globally, inflation rates are heterogeneous across countries.[8]

9. There is a stark contrast in inflation rates between developed and developing countries: while the former's average inflation is projected to marginally increase from 2.7 per cent in 2024 to 2.8 per cent in 2025, the latter's average inflation is projected to significantly decline from 6.0 per cent in 2024 to 4.7 per cent in 2025.[9] Rising inflation in developed countries has a negative impact on developing countries by raising debt servicing costs through increased interest rates, weakening demand for exports from developing countries as purchasing power in developed countries declines, and causing possible imported inflation, which could offset gains made in lowering domestic inflation. While inflation in developing countries has declined overall, it has increased in some countries, driven by exchange rate volatility, conflict and climate-related shocks.

B. West African economy in 2025

1. Economic growth

10. While economic growth remains relatively stable in West Africa, the subregion continues to face challenges, including conflict within the subregion, declining external aid and heightened trade tensions relating to tariffs, all of which could have detrimental effects on the economy. The estimated average growth of gross domestic product (GDP) in West Africa is 4.2 per cent for 2025 and 2026. This is above the average rate for Africa (3.9 per cent in 2025 and 4.1 per cent in 2026), and is the second-fastest among all subregions.[10] The projected levelling off of the GDP growth rate for West Africa can be attributed to several factors, including vulnerabilities to climate change, reduced foreign direct investment owing to inflation in developed countries, limited fiscal space and growing debt servicing burdens resulting from rising interest rates from creditor countries.[11]

11. GDP growth in West Africa varies across countries, ranging from 4.0 to 6.0 per cent in the majority of countries (see figure I). Senegal is expected to grow at the fastest pace, at an estimated rate of 7.0 per cent in 2025,[12] which can be attributed to greater mining activity, the

---

[5] ECA, *Economic Report on Africa 2025*.
[6] International Monetary Fund (IMF), "World economic outlook update: global economy – tenuous resilience amid persistent uncertainty", July 2025.
[7] ECA, *Economic Report on Africa 2025*.
[8] IMF, *Regional Economic Outlook: Sub-Saharan Africa – Recovery Interrupted* (Washington, D.C., April 2025).
[9] *World Economic Situation and Prospects 2025.*
[10] West Africa trails behind East Africa, which has an estimated growth rate of 6.0 per cent for 2025 and 2026.
[11] ECA, *Economic Report on Africa 2025*.
[12] Ibid.

start of gas production and lower levels of inflation. Nigeria has the lowest estimated growth rate for 2025, at 3.5 per cent, owing to commodity price fluctuations, high debt servicing costs and exchange rate volatility, which also heightens inflationary pressures.[13]

Figure I
Heterogeneity of gross domestic product growth in West Africa

Source: Author's calculations based on *World Economic Situation and Prospects 2025* (United Nations publication, 2025).

2. Inflation dynamics

12. Most countries in West Africa are estimated to have inflation rates in the single digits, except for a few outliers. Average inflation in West Africa is estimated to decline from 24.2 per cent in 2024 to 19.2 per cent in 2025. This is above the average inflation for developing countries and for all other subregions in Africa. In 2025, Ghana, Nigeria and Sierra Leone are estimated to have double-digit inflation rates that are above the African average of 12.6 per cent. Food shortages, elevated debt levels and currency shocks are some of the main causes of inflation in West Africa. Consequences include increased inequality, reduced purchasing power, social unrest, weakened local currencies and a decrease in foreign direct investment.[14]

3. Public finance

13. In 2025, the average fiscal deficit for the subregion remains stable at 4.2 per cent of GDP. Senegal is estimated to have the highest fiscal deficit, at 7.3 per cent, but it is projected to significantly decline to 5.0 per cent in 2026. These estimates, however, surpass the Economic Community of West African States fiscal deficit target of less than 3.0 per cent for government balances, including grants. High fiscal deficits, amid low domestic resource mobilization

[13] *World Economic Situation and Prospects 2025.*
[14] Ibid.

capacity, could lead to increased debt accumulation, increased interest rates for government loans and reduced investor confidence.[15]

4. Debt and sustainability

14. Debt levels remain elevated in West Africa. The general debt-to-GDP ratio stabilized between 2023 and 2024, from 60.8 to 60.3 per cent, and is projected to have a marginal decline in 2025 to 58.5 per cent.[16] Estimates for West African countries show similar trends to that of their peers in Africa. For example, the debt-to-GDP ratio of sub-Saharan Africa was 61.0 per cent in 2024,[17] indicating that debt issues are homogeneous across the continent. General government debt as a percentage of GDP for the Gambia, Ghana, Guinea-Bissau, Senegal and Togo remain elevated and are above the sub-Saharan average. Higher borrowing costs exacerbate the problem and may lead to the crowding out of credit to the private sector.

III. Social issues

15. Beyond macroeconomic trends, the social challenges faced by West African countries shape both the pace and inclusiveness of development in the subregion. The present section provides a snapshot of progress made and challenges that remain in a number of social areas.

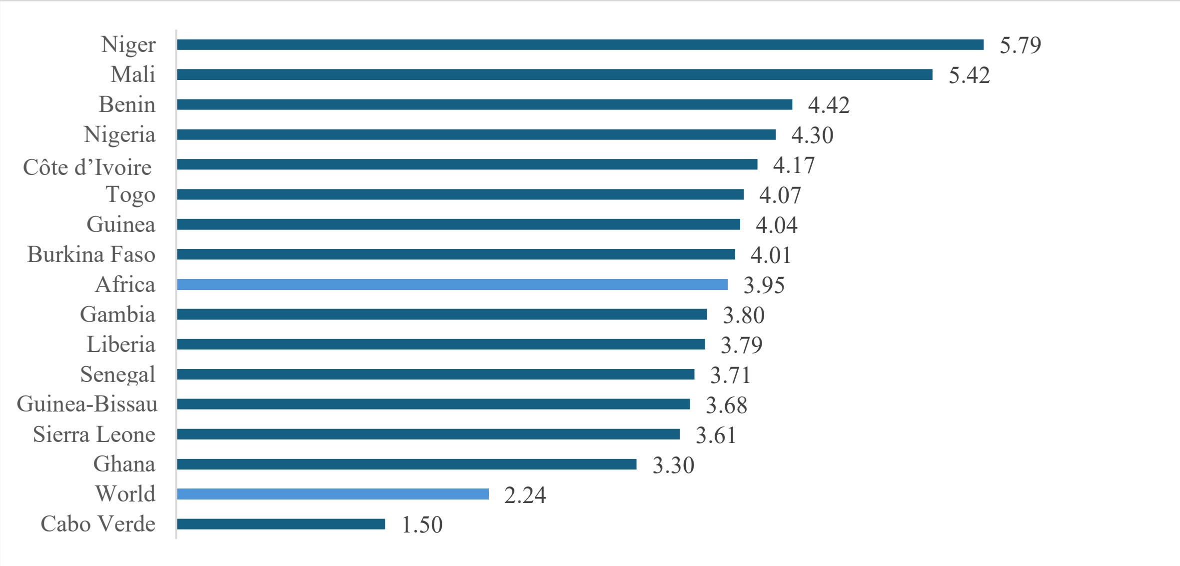
A. Population

16. A total of 61.1 per cent of the population in West Africa is under 25 years old,[18] and the majority of the countries present higher fertility rates than the African average (see figure II). Despite the challenges of meeting needs in health, education and employment, a young population provides countries with an opportunity to harness the demographic dividend, if efforts are made to invest in human capital and job creation.

---

[15] IMF, *Regional Economic Outlook: Sub-Saharan Africa*.
[16] World Bank, *Improving Governance and Delivering for People in Africa*. Africa's Pulse, No. 31 (Washington, D.C., April 2025).
[17] IMF, *Regional Economic Outlook: Sub-Saharan Africa*.
[18] Author's calculations based on United Nations, "Special aggregates: population – select age groups", World Population Prospects 2024. Available at https://population.un.org/wpp/downloads?folder=Special%20Aggregates&group=Economic%20and%20trading%20groups (accessed on 8 July 2025).

Figure II
Projected fertility rates (medium variant) in West Africa, 2025
(Live births per woman)



Source: Economic Commission for Africa, "Total fertility rate (per woman)", ECA statistical data portal (ECAStats). Available at https://ecastats.uneca.org/data/data/1233 (accessed on 8 July 2025).

B. Health

17. Good health is vital to sustainable development, as it can help to increase productivity and income, improve well-being and reduce costs in treating diseases. However, 14 countries in West Africa present high rates of under-5 mortality.[19] The majority of the causes of death can be prevented and treated at the primary healthcare level, especially through effective coverage of essential health and nutrition services. Despite the need for investment, a reduction in expenditure on health as a percentage of GDP is observed in two thirds of West African countries between 2014 and 2022.[20]

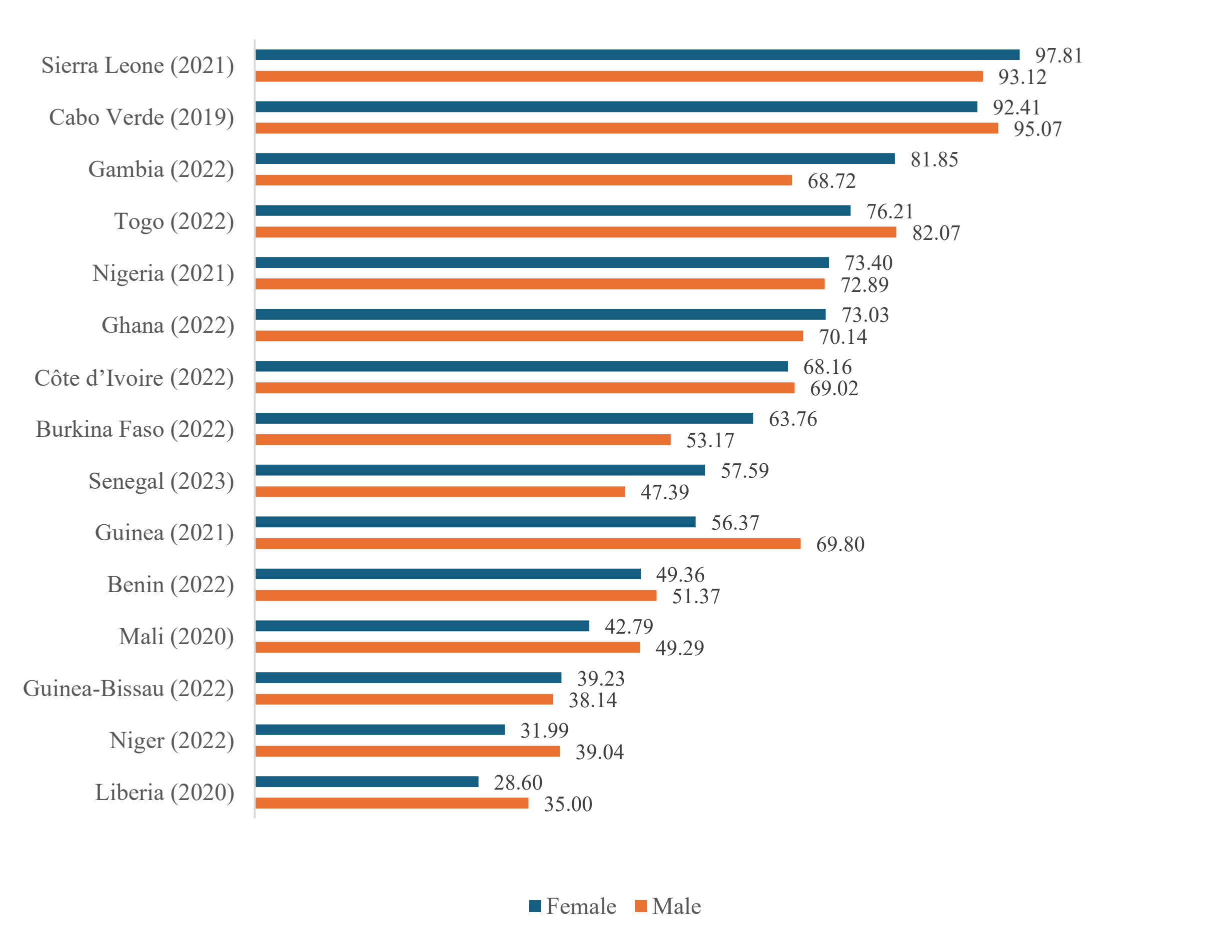
C. Education

18. Investment in education is critical to unlock countries' full potential for sustainable development. Better education leads to increased job opportunities and income. Education contributes to economic growth by fostering productivity, innovation and entrepreneurship, which can, in turn, lead to increased long-term tax contributions that can be reinvested by Governments.

[19] Cabo Verde has already reached Sustainable Development Goal target 3.2 of reducing under-5 mortality to at least as low as 25 per 1,000 live births. ECA, "Under-five mortality rate, by sex//under 5 years old//both sexes (per 1,000 live births)", ECAStats. Available at https://ecastats.uneca.org/data/data/25830 (accessed on 8 July 2025).
[20] ECA, "Expenditure on health as % of GDP – total (%)", ECAStats. Available at https://ecastats.uneca.org/data/data/1906 (accessed on 9 July 2025).

19. Although 11 countries[21] have reached the benchmark established in the Incheon Declaration and Framework for Action for the implementation of Sustainable Development Goal 4,[22] a total of 6 countries[23] recorded adult literacy rates that were below 50 per cent in 2022. In four countries, completion rates for primary education are lower than 50 per cent for both boys and girls, and in eight countries, rates are lower for girls than for boys (see figure III). Disparities within countries play a major role: location and wealth are the most significant factors driving inequality, starting at a very early age, compounded by conflict and instability, which increase school dropout rates.

Figure III
Primary education completion rates in West Africa, by sex
(Percentage of students)



Source: Economic Commission for Africa, "Primary completion rate – male (%)" and "Primary completion rate – female (%)", ECA statistical data portal (ECAStats). Available at https://ecastats.uneca.org/data/data/29860 and https://ecastats.uneca.org/data/data/29861 (accessed on 14 July 2025).

[21] Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia, Guinea-Bissau, Mali, Niger, Senegal, Sierra Leone and Togo. UNESCO Institute for Statistics, "Indicator 1.a.2: expenditure on education (% of government expenditure)", SDG4 Monitoring. Available at https://databrowser.uis.unesco.org/browser/EDUCATION/UIS-SDG4Monitoring (accessed on 10 July 2025).
[22] To allocate at least 4–6 per cent of GDP or at least 15–20 per cent of total public expenditure to education.
[23] Benin, Burkina Faso, Guinea, Mali, Niger and Sierra Leone. ECA, "Adult literacy rate – total (%)", ECAStats. Available at https://ecastats.uneca.org/data/data/4464 (accessed on 10 July 2025).

D. Employment

20. Unemployment rates among young people (aged 15–24) are higher than those of the general population in 13 countries.[24] In addition, rates of informal employment are higher for women than for men in all 15 countries.[25] There is a mismatch between the number of productive and decent jobs and population growth, leading to unemployment and an informal economy. Although unemployment rates in the majority of West African countries are lower than the African average (6.4 per cent), the estimated 2025 informal employment rates are higher: 91.6 per cent in West Africa compared with 85.2 per cent in Africa.[26] Informal employment involves limited social protection, poor-quality jobs and low productivity, resulting in a high incidence of poverty.[27] Women tend to be burdened by early marriage and childbearing, unpaid care work, household work and challenges in gaining access to formal services, property and credit.

21. The majority of West African countries[28] have a higher estimated share of young people not in employment, education or training than the African average (23.2 per cent) and the world average (20.4 per cent). In 14 countries in the subregion,[29] the majority of young people not in employment, education or training are girls. The gender gap is generally linked to cumulative deprivations, and common reasons for the low rate among young women are illness, disability, pregnancy, the presence of small children in the household or prohibition by the family.[30]

E. Poverty

22. In 9[31] out of 14 countries,[32] more than 50 per cent of the population is estimated to be suffering from multidimensional poverty, with children (aged 0–17) being the most affected.[33] This notwithstanding, in 2023, three[34] additional countries in the subregion had human development index scores that were higher than 0.550, adding up to a total of five[35] West

---

[24] Except Liberia and the Niger. ECA, "Youth unemployment rate, aged 15–24 – female (%)", "Youth unemployment rate, aged 15–24 – male (%)" and "Unemployment rate – total (%)", ECAStats. Available at https://ecastats.uneca.org/data/data/2627, https://ecastats.uneca.org/data/data/2626 and https://ecastats.uneca.org/data/data/6249 (accessed on 10 July 2025).

[25] ECA, "Proportion of informal employment, by sector and sex (ILO harmonized estimates)//no breakdown//female (%)" and "Proportion of informal employment, by sector and sex (ILO harmonized estimates)//no breakdown//male (%)", ECAStats. Available at https://ecastats.uneca.org/data/data/26669 and https://ecastats.uneca.org/data/data/26670 (accessed on 10 July 2025).

[26] International Labour Organization (ILO), "Informal employment rate by sex – ILO modelled estimates, Nov. 2024 (%) annual", ILOSTAT database. Available at https://rshiny.ilo.org/dataexplorer16/?lang=en (accessed on 10 July 2025).

[27] ILO, "Informal economy". Available at www.ilo.org/projects-and-partnerships/projects/partnership-improving-prospects-forcibly-displaced-persons-and-host/themes/informal-economy.

[28] Burkina Faso, Cabo Verde, Gambia, Ghana, Guinea, Mali, Senegal and Sierra Leone. Author's calculations based on ILO, "Share of youth not in employment, education or training (NEET) by sex – ILO modelled estimates, Aug. 2024 (%) – annual", ILOSTAT database. Available at https://rshiny.ilo.org/dataexplorer16/?lang=en (accessed on 10 July 2025).

[29] Except the Gambia.

[30] ILO, *Global Employment Trends for Youth 2024: Decent Work, Brighter Futures* (Geneva, 2024).

[31] Benin, Burkina Faso, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal and Sierra Leone.

[32] Data are not available for Cabo Verde.

[33] Oxford Poverty and Human Development Initiative and United Nations Development Programme (UNDP), "Global multidimensional poverty index 2024: poverty amid conflict", 2024.

[34] Côte d'Ivoire, Nigeria and Togo.

[35] Cabo Verde, Côte d'Ivoire, Ghana, Nigeria and Togo.

African countries in the medium human development cluster.[36] Increases in life expectancy at birth in Côte d'Ivoire, Nigeria and Togo, and in expected years of schooling in Côte d'Ivoire and Togo helped to increase these scores. In addition, Cabo Verde, Côte d'Ivoire, Ghana and Togo received higher scores than the average for sub-Saharan Africa, which was 0.568. Although all countries are still below the world average score, a comparison with the previous year demonstrates that 9[37] out of the 15 countries are progressing faster than the average for Sub-Saharan Africa. Countries should keep the momentum and continue to invest in human development.

F. Food security

23. Food insecurity is on the rise in West Africa: it is estimated that between 2022 and 2024, 258.8 million people in 13 countries[38] suffered from moderate or severe food insecurity, exacerbating undernourishment and child stunting. As a result of rising food prices in 2023 and 2024, the average cost of a healthy diet increased globally, disproportionately affecting low-income households.[39]

G. Gender equality

24. Although the proportion of seats held by women in national parliaments increased in 10 countries[40] from 2014 to 2024, only 6 countries[41] have more than 40 per cent of managerial positions occupied by women. Gender equality drives economic growth, boosts private sector performance by supporting female entrepreneurship and job creation for women and reduces income inequality, making it a crucial factor in the fight against poverty. Inequality in education and decent employment is closely linked to traditional gender roles and gender-biased laws.

IV. Enhancing domestic revenue mobilization

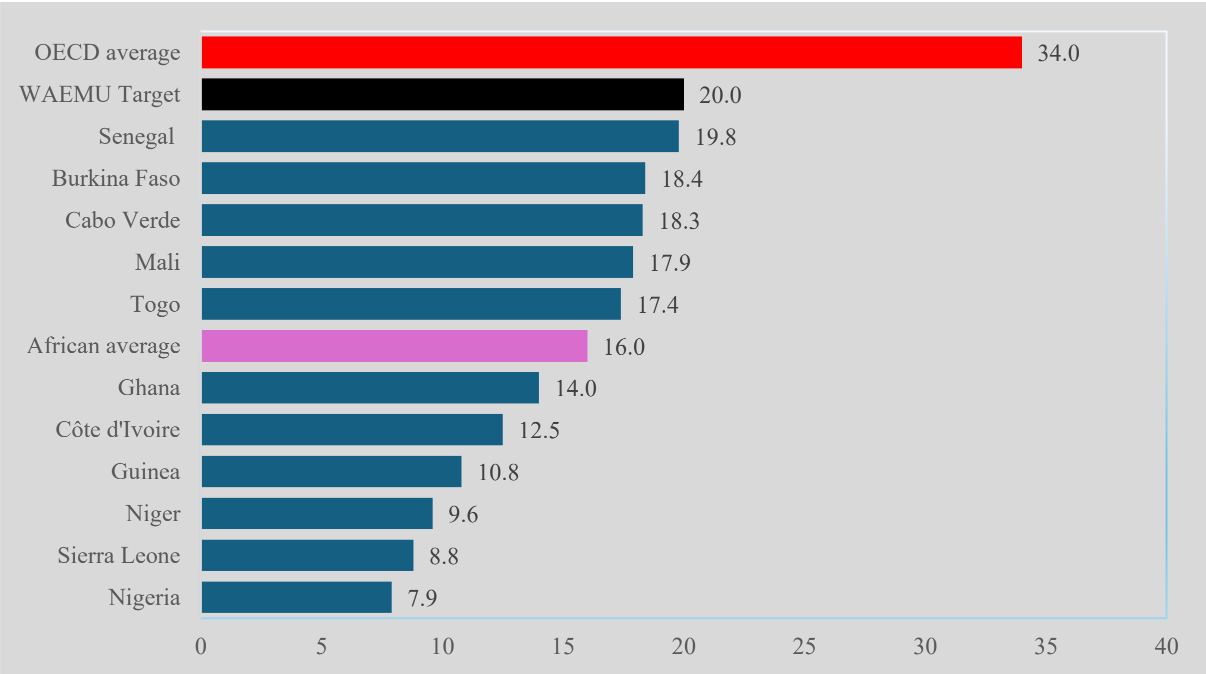
25. Tackling the social challenges described above requires increased and more sustainable revenue, making tax reform central to financing development priorities. The present section contains a summary of the progress made and gaps in domestic revenue mobilization in the subregion.

---

[36] *Human Development Report 2025: A Matter of Choice – People and Possibilities in the Age of AI* (United Nations publication, 2025).
[37] Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Niger and Togo.
[38] Data are not available for Guinea and Guinea-Bissau.
[39] Food and Agriculture Organization of the United Nations and others, *The State of Food Security and Nutrition in the World 2025: Addressing High Food Price Inflation for Food Security and Nutrition* (Rome, 2025).
[40] Benin, Cabo Verde, Côte d'Ivoire, Ghana, Guinea, Mali, Niger, Senegal, Sierra Leone and Togo. ECA, "Proportion of seats held by women in national parliaments (% of total number of seats)//female (%)", ECAStats. Available at https://ecastats.uneca.org/data/data/26564 (accessed on 10 July 2025).
[41] Burkina Faso, Cabo Verde, Liberia, Niger, Nigeria and Togo. ECA, "Proportion of women in managerial positions //female (%)", ECAStats. Available at https://ecastats.uneca.org/data/data/26567 (accessed on 10 July 2025).

A. Tax revenue as a percentage of gross domestic product

Figure IV
Tax revenue in West African countries, 2022
(Percentage of gross domestic product)



Source: Organisation for Economic Co-operation and Development, African Union Commission and African Tax Administration Forum, *Revenue Statistics in Africa 2024: Facilitation and Trust as Drivers of Voluntary Tax Compliance in Selected African Tax Administrations* (Paris, OECD Publishing, 2024).

Abbreviations: OECD, Organisation for Economic Co-operation and Development; WAEMU, West African Economic and Monetary Union.

26. The average tax-to-GDP ratio for West Africa remains critically low, at 13.8 per cent in 2022,[42] which is far below regional and global benchmarks. This level is well under the target of 20.0 per cent set by the West African Economic and Monetary Union, the African average of 16.0 per cent and the average of 34.0 per cent for Organisation for Economic Co-operation and Development (OECD) countries (see figure IV). In 2022, Senegal (19.8 per cent), Burkina Faso (18.4 per cent) and Cabo Verde (18.3 per cent) performed relatively well, exceeding the African average but still falling short of the West African Economic and Monetary Union target, which underscores the persistent lack of progress in this area. Ghana (14.0 per cent) and Côte d'Ivoire (12.5 per cent) showed moderate performance but remained below the regional average. Ghana has launched a medium-term revenue strategy (2024–2027) to improve revenue collection.[43]

27. Several West African countries have critically low tax collection capacity. As shown in figure IV, Guinea, the Niger, Nigeria and Sierra Leone recorded ratios that were between 7.9

[42] African Tax Administration Forum, *2023 African Tax Outlook* (Pretoria, June 2024).
[43] Kwabena Gyan Kwakye, Elijah Gatuanjau Kimani and David Elmaleh, *8th Ghana Economic Update: Strengthening Domestic Revenue Systems for Fiscal Sustainability* (World Bank, June 2024).

and 10.8 per cent in 2022, hampering efforts to finance development sustainably. These countries also struggle with multidimensional poverty rates that are above 50 per cent, which compounds their fiscal challenges. Nigeria (7.9 per cent) stands out as the lowest performer. The country's heavy reliance on oil revenue constrains efforts to collect taxes from other sources. Moreover, revenue-sharing mechanisms in the oil sector often rely on contractual arrangements, such as production-sharing arrangements, which generate minimal tax contributions.[44]

B. Filing compliance

28. Low filing compliance undermines revenue mobilization by leaving a large share of taxes unassessed and uncollected. Since filing tax declarations is the principal means by which a taxpayer's liability becomes due and payable, weak compliance shrinks the tax base and deprives Governments of critical funds needed for public spending. The present section examines the filing of tax declarations using country-level administrative data, which, although not fully harmonized across West Africa, offers valuable insights into common challenges and reform priorities.

29. Filing compliance in Burkina Faso and the Niger remains weak. In the Niger, poor data quality and underused digital tools make it difficult to obtain precise measures, although evidence from 2022 points to a high rate of non-compliance.[45] Data for Burkina Faso show a clearer pattern. In 2018, large firms performed well: 87.7 per cent filed their corporate income tax declarations on time and 84.3 per cent filed their value added tax returns on time. However, overall compliance among the population remained low: 50.7 per cent of liable taxpayers filed their corporate income tax returns on time and 55.6 per cent filed their value added tax returns on time. Moreover, flawed data on personal income tax highlight weak reporting systems.[46] Together, these trends confirm that poor filing compliance by small and medium-sized enterprises is the main challenge in both countries.

30. Failure to file required tax returns (non-filing) and the submission of returns with no tax due (nil-filing) are widespread challenges. In Sierra Leone, 56 per cent of personal income taxpayers do not file, while in Ghana the rate is 30 per cent. Employers in Benin and Ghana also fail to remit wage declarations, with 51 per cent of firms in Benin failing to file their value added tax declarations.[47] Nil-filing further erodes the tax base: in Nigeria, nearly all corporate returns indicate no taxable income,[48] and in Ghana, 40 per cent of personal income tax declarations show no income and the overall rate of nil-filing rose 148 per cent between 2010 and 2022.[49] Against this backdrop, tailored compliance strategies need to be implemented, including mechanisms to distinguish genuine inactivity from evasion.

---

[44] Alou Adessé Dama, Anouck Daubrée and Grégoire Rota-Graziosi, "Tax capacity in the West African Economic and Monetary Union: an assessment of tax efforts and tax gaps of WAEMU member States", Foundation for International Development Study and Research, Policy Brief, No. 272 (November 2024).

[45] Pierre Vandenberghe and others, "TADAT rapport d'évaluation de la performance: République de Niger" (Tax Administration Diagnostic Assessment Tool performance assessment report for the Niger), January 2022. Available at www.tadat.org/en/assessments/performance-assessment-reports.html.

[46] Pierre Vandenberghe and others, "TADAT rapport d'évaluation de la performance: Burkina Faso" (Tax Administration Diagnostic Assessment Tool performance assessment report for Burkina Faso), January 2018. Available at www.tadat.org/en/assessments/performance-assessment-reports.html.

[47] African Tax Administration Forum, *2023 African Tax Outlook.*

[48] Ibid.

[49] Emmanuel Amissah and others, "Revenue generation for sustainable growth in Ghana: is targeting nil-filing a worthwhile exercise?", International Growth Centre, September 2024.

C. Constraints and opportunities in tax administration

31. Poor data quality undermines tax management. For example, incomplete taxpayer records in Ghana has hampered the implementation of targeted interventions. Strengthening registration, monitoring digital payments and segmenting taxpayers could reduce rates of nil-filing and non-filing. Overcoming these obstacles requires not only enforcement but also the provision of assistance to taxpayers in order to make it easier for compliant groups to file.[50]

32. Progress towards digitalization has met with some success but remains fragmented. By 2024, 91 per cent of countries allowed e-filing, 82 per cent enabled e-payments and 82 per cent supported mobile money, but only 36 per cent mandated digital payments for all.[51] Systems often remain fragmented, inaccurate and focused on front-end services rather than internal control.[52] Better sequencing, advanced analytics and leveraging in-house expertise could enhance risk management and audits.[53]

33. Tax exemptions continue to erode revenue. Across Africa, tax expenditures range from 4 to 76 per cent of revenue.[54] In Senegal, value added tax exemptions are a major factor driving the high ratio of tax expenditure to total tax, at an average of 75 per cent between 2018 and 2022,[55] while Togo relies heavily on value added tax (41.9 per cent of total revenue in 2022) but also loses much to exemptions.[56] Rationalizing exemptions is critical to broadening the base.

34. Base erosion and profit shifting weakens fiscal capacity. Because African countries are highly dependent on corporate income tax, they are also vulnerable to base erosion and profit shifting. Nigeria, where corporate income tax made up 34.6 per cent of revenue in 2022,[57] faces heavy erosion. Côte d'Ivoire has sought to curb base erosion and profit shifting by adopting the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, but weak institutions and data capacity constrain enforcement.[58]

35. Taxation of natural resources presents both risks and opportunities. Two thirds of West African countries depend predominantly on natural resources to collect government revenue yet capture only about 40 per cent of potential rents. Multinational mining enterprises alone cost African countries an estimated $450 million to $730 million annually in lost corporate income tax.[59] Stronger fiscal regimes, transparency and renegotiated contracts are essential to maximize extractive rents without deterring investment.

---

[50] Ibid.
[51] Data collected from the African Tax Administration Forum.
[52] Mick Moore, *What is Wrong with African Tax Administration?* ICTD Working Paper, No. 111 (Brighton, Institute of Development Studies, September 2020).
[53] African Tax Administration Forum, *2023 African Tax Outlook.*
[54] PricewaterhouseCoopers, "Tax policy trends in Africa", Tax Policy Bulletin, 11 August 2025.
[55] Dama, Daubrée and Rota-Graziosi, "Tax capacity in the West African Economic and Monetary Union".
[56] IMF, *2024 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Togo*, IMF Country Report, No. 24/299 (Washington, D.C., September 2024).
[57] African Tax Administration Forum, *2023 African Tax Outlook.*
[58] El Hadji Sidy Diop, "Côte d'Ivoire: challenges faced in Côte d'Ivoire due to the introduction of base erosion and profit shifting (BEPS)", WTS Global, 8 October 2024.
[59] "The untapped economic potential of Sub-Saharan Africa's oil, gas, and mineral resources", in *Africa's Resource Future: Harnessing Natural Resources for Economic Transformation during the Low-Carbon Transition,* James Cust and Albert Zeufack, eds. (Washington, D.C., World Bank, 2023).

V. Innovative financing mechanisms for sustainable development

36. Taxation alone cannot close the subregion’s vast financing gap, underscoring the need for alternative sources of financing. Based on national case studies, the present section provides a review of the financing mechanisms that are reshaping the financial landscape of the subregion. Robust policies, transparent governance and enhanced regional cooperation are essential to ensure the successful implementation of these mechanisms.

A. Green bonds to finance the low-carbon transition

37. Green bonds are emerging as critical instruments for financing the low-carbon transition in Africa. As a mechanism for funding climate-resilient infrastructure and clean energy, green bonds can help to close the continent’s annual finance gap of $277 billion needed to implement the nationally determined contributions under the Paris Agreement. Currently, only $30 billion are mobilized annually for that purpose.[60]

38. West Africa has been at the forefront of the low-carbon transition, with Nigeria becoming the first African State to issue a sovereign green bond. The bond, totalling 10.69 billion naira (approximately $29 million), was issued in 2017[61] for solar and reforestation projects. Larger tranches are expected to follow, including a $186 million issuance planned for 2025.[62]

39. Regulatory inconsistencies, weak monitoring systems and risks of “greenwashing”, whereby companies make misleading claims about the environmental benefits of their products or services, undermine investor confidence. In order to make green bonds more pervasive in the subregion, it is essential to build harmonized frameworks, implement clear reporting standards and develop local capacity.

B. Blue bonds to harness the ocean economy

40. With over 6,000 km of coastline, West Africa has a vast ocean economy. Blue bonds offer untapped potential to harness this economy by financing sustainable fisheries, marine conservation and coastal resilience in the subregion. Cabo Verde and Guinea-Bissau, for example, are pioneering blue finance initiatives. By targeting renewable marine energy and aquaculture, they demonstrate how blue bonds can diversify economies and strengthen livelihoods·[63] However, weaknesses in governance remain a major obstacle. Poor regulatory frameworks, limited enforcement and corruption threaten environmental sustainability, in particular in fragile coastal zones. Strengthening governance and integrating blue finance into national strategies will be essential for scaling up the use of blue blonds.

---

[60] Chavi Meattle and others, *Landscape of Climate Finance in Africa*, Climate Policy Initiative (September 2022).
[61] Climate Bonds Initiative, “Nigeria first nation to issue a climate bonds certified sovereign green bond”, 18 December 2017; and Climate Bonds Initiative, “Nigeria issues climate bonds certified sovereign green bond: signals ‘more to come’ as part of Paris NDC objectives”, 19 December 2017.
[62] Ladi Patrick-Okwoli, “Explainer: what proposed N300 billion green bonds means for Nigeria’s sustainable development”, Business Day, 9 May 2025.
[63] Guinea-Bissau, Ministry of Economy, Planning and Regional Integration, “National blue economy strategy and investment plan for Guinea-Bissau: 2024–2030”, UNDP, March 2024; and Christopher Marc Lilyblad, “Decentralizing development finance through capital markets integration: the emergence of Cabo Verde’s blue sustainable finance exchange”, UNDP Development Futures Series, October 2022.

C. Remittances to leverage diaspora capital

41. Remittances have become the subregion's most reliable external flow. In 2022, they reached $34 billion – 7.6 per cent of subregional GDP – exceeding both foreign direct investment and aid.[64] Nigeria dominates in terms of volume, with $19.5 billion received in remittances in 2023, while the Gambia (with remittances comprising 23.3 per cent of GDP), Liberia (18.2 per cent of GDP), Cabo Verde (12.5 per cent of GDP) and Guinea-Bissau (10.5 per cent of GDP) rank among the top remittance recipients on the continent.[65] These flows are not only large but also critical in supporting economies across the subregion.

42. Country experiences demonstrate how remittances can support development. Initiatives in the Gambia to promote diaspora engagement have helped to harness the potential of the country's diaspora for national development.[66] In Mali, Ciwara Capital channels diaspora-led investments into the agrifood and education sectors and to support entrepreneurs.[67] About 20 per cent of remittances are intra-African, challenging the perception of these flows as external only and highlighting their potential as a source for domestic resource mobilization.[68]

43. Technological innovations are reshaping the remittance market. In Ghana, mobile platforms have improved the transparency of remittance transfers and the speed in which they are processed. However, costs remain high: sending remittances to Ghana costs an average of 7 per cent of the amount sent,[69] which is above the Sustainable Development Goal target 10.c of less than 3 per cent. These costs push many transactions into informal channels. Unlocking the full potential of remittances will require regulatory reforms to lower transfer costs, digital transformation to expand financial inclusion and the mobilization of diaspora savings to finance development.

D. Pension systems to mobilize long-term domestic capital

44. Pension funds are becoming an important source of long-term domestic capital. The contributory pension scheme of Nigeria, for example, manages assets exceeding 17 trillion naira ($11.4 billion), which are increasingly being invested in infrastructure and green projects.[70] Innovations in digital technology and micro pensions are extending coverage to the informal sector. In Ghana and Senegal, mobile-based pension platforms target informal workers, who account for over 80 per cent of the labour force on the continent and contribute 55 per cent of African GDP.[71] Broader reforms to enhance transparency, expand coverage and align efforts to improve pension systems with the priorities laid out in the 2030 Agenda for Sustainable Development and the Agreement Establishing the African Continental Free Trade Area will strengthen the role of these systems in financing inclusive growth.[72]

---

[64] United Nations, Office of the Special Adviser on Africa, "Remittances in West Africa: challenges and opportunities for economic development", policy paper, January 2024.
[65] World Bank, *Remittances Slowed in 2023, Expected to Grow Faster in 2024*, Migration and Development Brief, No. 40 (Washington, D.C., June 2024).
[66] United Nations, Office of the Special Adviser on Africa, "Remittances in West Africa".
[67] Ciwara Capital, Investisseurs & Partenaires and International Fund for Agricultural Development, *Mobilizing the Diaspora through Private Equity: The Case of Ciwara Capital*, white paper, 2024.
[68] United Nations, Office of the Special Adviser on Africa, "Remittances in West Africa".
[69] See https://remitscope.org/africa/country-profiles/.
[70] Nigeria, National Pension Commission, "Fourth quarter 2023 report". Available at www.pencom.gov.ng/wp-content/uploads/2024/04/FOURTH-QUARTER-REPORT-2023.pdf.
[71] Melis Guven, *Extending Pension Coverage to the Informal Sector in Africa*, Social Protection and Jobs Discussion Paper, No. 1933 (Washington, D.C., World Bank, July 2019).
[72] ECA, *Economic Report on Africa 2025.*

E. Faith-based finance instruments

45. Islamic bonds, known as sukuk, are faith-based instruments that diversify the investor base for infrastructure projects and attract broader demographic participation by complying with Islamic finance principles.[73] West Africa has been a continental leader in adopting sukuk. Senegal pioneered issuances in 2014 and has since issued multiple tranches, including a $525.4 million issuance in 2022.[74] Nigeria has also mobilized significant resources: between 2017 and 2023, it raised 1.092 trillion naira for infrastructure projects, including for roads, bridges and power facilities.[75] Côte d'Ivoire has followed with smaller issuances, indicating growing regional uptake. The success of these initiatives underscores the potential of aligning financial instruments with cultural and religious norms to expand development finance.

F. Innovative solutions for managing sovereign debt

46. The Sustainable Debt Coalition, launched at the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, in 2022, and coordinated by the Economic Commission for Africa, is advancing climate- and development-aligned debt management. It brings together over 20 African countries, including Cabo Verde, Ghana and Nigeria, alongside international creditors to promote reform. The Coalition aims to find solutions to the climate-debt trap, whereby heavily indebted and climate-vulnerable countries struggle to service debt while financing adaptation. Debt-for-nature swaps piloted in Cabo Verde and Senegal illustrate how innovative debt restructuring can create fiscal space while supporting environmental goals.[76]

VI. Conclusion and policy recommendations

47. Despite the fact that West Africa has a high GDP growth rate (4.2 per cent) relative to other subregions of Africa, high fiscal deficits, combined with low domestic resource mobilization capacity, pose a challenge.

48. Given the high number of young people in the subregion, West Africa can benefit from the demographic dividend by effectively investing in human capital, in particular in education and healthcare, by taking measures to combat food insecurity and by addressing the challenge of informal employment, especially among young people, and the root causes of gender inequality.

49. Tax revenue in West Africa remains critically low, with an average tax-to-GDP ratio of 13.8 per cent in 2022, constrained by weak compliance, poor data quality, exemptions and underused digital systems. Strengthening taxpayer data, investing in digitalization and rationalizing exemptions are crucial to building sustainable revenue for national development. Beyond taxation, the subregion can also bridge its financing gap by expanding climate bonds, harnessing diaspora and pension capital and adopting innovative solutions for managing debt. However, success hinges on proper governance, robust regulation and regional cooperation.

---

[73] M. Sherif and C. Erkol, "Sukuk and conventional bonds: shareholder wealth perspective", *Journal of Islamic Accounting and Business Research*, vol. 8, No. 4 (April 2017).
[74] Pie Kamau, "Senegal issues $525.4m Sukuk, attracting orders from regional and Middle Eastern investors", Africa Business Communities, 8 July 2022.
[75] Channels Television, "DMO crosses ₦1tn sukuk bond issuance", 27 March 2025.
[76] Laura Kelly, Anna Ducros and Paul Steele, "Redesigning debt swaps for a more sustainable future", International Institute for Environment and Development, March 2023.

50. In the light of the socioeconomic situation of West Africa, it is recommended that West African Governments take the following measures:

(a) With regard to social investment, Governments should:

(i) Increase investment in healthcare, especially in the fields of primary care, vaccination and nutrition for children, which will, in turn, lead to healthier lives and improved well-being and is critical for ensuring sustainable development;

(ii) Invest in programmes that are focused on increasing school completion and adult literacy rates, with a particular focus on bridging the gender gap, through free and high-quality education, teacher training and nutrition programmes to reduce malnutrition and stunting;

(iii) Reduce informal employment and promote decent jobs, especially for women and young people;

(iv) Invest in appropriate and targeted social protection mechanisms to address extreme poverty, inequality, unemployment, food insecurity and malnutrition, especially for children and young people, who are currently the most affected in West Africa;

(v) Address the root causes of the gender gap, including cultural, economic and political barriers to gender equality, through campaigns that are focused on behavioural change, programmes to promote women's participation in finance, leadership and entrepreneurial roles and training opportunities;

(b) To enhance domestic resource mobilization, Governments should:

(i) Strengthen data and compliance management by improving taxpayer registration and data systems to ensure accurate, up-to-date records and leverage reliable information to address non-filing, nil-filing, and lack of compliance by small and medium-sized enterprises;

(ii) Modernize and consolidate tax systems by mandating digital filing and payments and using advanced analytics to improve compliance monitoring;

(iii) Broaden and safeguard the tax base by rationalizing tax exemptions through regular expenditure reviews, strengthen the taxation of natural resources and curb profit shifting through regional cooperation and stronger transfer pricing regimes;

(c) To accelerate innovative financing for sustainable development, Governments should:

(i) Expand climate and sustainability finance by scaling up green and blue bonds and leveraging sukuk and other innovative instruments, supported through robust regulations and regional cooperation;

(ii) Harness domestic and diaspora capital by reducing remittance costs, expanding digital channels and reforming pension systems to channel savings into inclusive development;

(iii) Advance debt-for-nature and debt-for-climate swaps and step up the work of the Sustainable Debt Coalition to create fiscal space while supporting climate resilience.