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Low Performance of Economic Growth in West African Economic and Monetary Union (WAEMU): Explanatory Factors

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Author's contribution

This whole work was carried out by author IT.

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ABSTRACT

Despite the strategies implemented by governments and donors over the past fifty years, the obstacles to the promotion of a strong and sustainable economic growth in the WAEMU remain considerable.
The objective of this paper is to describe the factors explaining the slow economic growth in the WAEMU and propose a series of measures to promote harmonious development. We emphasize the importance of competitiveness to support sectors of economic activity. The study shows the importance of diversification of products and partners to exchange (1), a mixed exchange rate regime (2), economic patriotism (3) access to finance for small and medium enterprises (4) good management of public finances (5) to promote a strong and sustainable economic growth in the WAEMU.

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1. INTRODUCTION

Since their independence in the early 60s, WAEMU countries have implemented strategies for growth and economic development. Today, it is high time to take stock of the fifty years of international sovereignty. The various components of economy must be analyzed to better understand why the WAEMU countries are not yet able to overcome underdevelopment. Economic theory teaches us that economic development necessarily involves a strong and sustainable economic growth. Economic growth is seen as a prerequisite for economic development. Each country (or economic zone) candidate for the emergence must therefore promote economic growth as a priority in economic policy.

That is why, after the devaluation of the CFA franc in January 1994 due to imbalances in macroeconomic fundamentals, the countries of the Economic and Monetary Union (WAEMU) have decided to complete the monetary union with an economic union. The objective is to strengthen the integration of member countries and enhance trade in the area. Therefore, two measures, namely, a Common External Tariff (CET) and harmonization of Value Added Tax, have emerged in the EU in 2000. Tariffs are set at a maximum of 20%, while VAT was harmonized to the extent of 18%. But still, all eight member countries of the WAEMU are classified as least developed countries in the world. Economic growth is still fragile to participate significantly in the fight against poverty. In 2010, the growth rate of the union was at about 4%, much lower than the rate of 7 to 8% required by many experts to reduce poverty by half by 2015.

Explanations of this difficult situation in the countries of the Union are numerous [1,2]. We can group the main obstacles in the following categories: inadequate macroeconomic and sectorial policies, inefficient allocation of resources, insufficient economic governance, difficult access to capital for Small and Medium Enterprises, low economic patriotism authorities and citizens problem competitiveness of products in the area.

Indeed, WAEMU countries, due to their specialization on raw materials, highly dependent on international demand. The structure of their external trade also shows a lack of diversification of the economy. Similarly, the volatility of the euro currency basis for CFA franc compared to the dollar, results in export instability and inefficiency of national initiatives. These difficulties result in high unemployment rate and the majority of the population living below the poverty line.

To promote economic growth, it is essential to continue in all countries of the Union prudent macroeconomic policies and accelerated structural reforms. It should also promote private investment, competitiveness and enterprise development, job creation, simplification of procedures and strengthening tax compliance.

The objective of this paper is to outline the factors explaining the slow growth in the WAEMU. The study appears as a series of conclusions, recommendations to promote harmonious development. It is therefore proposed to analyze the performance and challenges of the various sectors of economic activity, instead of macroeconomic management, economic patriotism, the financing of economic activity, the structure of foreign trade, foreign direct investment, inflation and exchange rate regime.

The first section is devoted to the review of the literature. The second outlines the methodology. The third section discusses the results. The fourth and final section presents the conclusion and recommendations. Table 1 summarizes the macroeconomic situation of the countries of the union.

Table 1. Evolution of some economic indicators of WAEMU countries

Country	GDP (million U.S. $, 2008) , PAP	GDP / per capita 2008 (U.S. $) , PAP	Growth rate of GDP (2000-2008)	HDI 2012
Benin	12 521	1 345	4.3	166
Burkina Faso	18 478	1 215	5.2	183
Cote d'Ivoire	34 863	1 777	0.0	168
Guinea-Bissau	905	519	1.4	176
Mali	14 649	1 152	4.6	182
Niger	9 795	665	4.4	187
Senegal	21 048	1 659	4.2	154
Togo	4 884	722	1.3	159

Sources: PNUD (2009), WDI (2009)

2. REVIEW OF LITERATURE

There is abundant literature on the determinants of economic growth. This literature can be divided into three parts: one relating to foreign trade (export and import) , which focuses on the factors of production (labor, capital) and that gives special importance to investment, public expenditure and the quality of institutions.

[2] proposes to remove barriers to growth in developing countries to put in place a legislative framework to stimulate competition. "This is to develop the regulation of product markets, to enable companies to achieve economies of scale, ease restrictions on land issues, to promote competition in areas often neglected, internal services and encourage flexibility in the labor market".

[3] analyze the factors of long-term growth in Burkina Faso. They show that the growth of Burkina Faso is largely dependent on exogenous environmental factors in relation to its economic policy. They identify internal factors (political stability, climate and demographic change) and external factors (terms of trade, external financial flows, migration and the influence of the environment of neighboring countries. [4] study the sources of growth in sub -Saharan Africa over the period 1960-2002. They conclude that this time factor accumulation has been instrumental in the growth process. [5] analyze the positive link between FDI, technology and economic growth. [6] qualifies this by showing that some cases have not necessarily IDE were useful to the host country. [7] explains the low attractiveness of FDI in SSA countries by political risk plaguing the continent.

[8] explains that public expenditures have a positive effect on economic growth. According to these authors, public spending on infrastructure contributes to the productivity of the private sector. Similarly, public expenditure on education and health improve worker productivity and thus promote economic growth. [9] also show that public expenditure determines a measured increase in growth and a gradual accumulation of capital.

[10] assesses the impact of the level and composition of public spending on growth in the WAEMU economies over the period 1965-2000. It shows that in the short term, total public expenditure has no significant impact on growth in most EU economies. It states that government spending can promote the growth of the economies of WAEMU when intended investment, but are also likely to dampen consumption when they prefer.

[11] showed that spending on public capital acted positively on the related productivity factor, while public consumption spending had no effect on growth in the WAEMU. [1] analyze the

implications of macroeconomic policies in WAEMU countries. They show that the growth rate and intra-Community trade are low and that States have accumulated deficits and are heavily indebted. For these authors the barriers facing these countries are still numerous. [12] shows that the WAEMU economies are very vulnerable. It advocates the establishment in these countries with of a mixed regime of pegged exchange on the euro and the U.S. dollar to cope with internal and external shocks.

Using probits for a group of 22 Western African economies for the period 1960–2006, [13] find that growth accelerations are most clearly associated with external shocks, economic liberalization, political stability, and closeness to the coast; decelerations occurred during short-lived regimes and when corruption indices weakened; and collapses are linked to external shocks, falling domestic credit, and proximity to the coast.

Other authors focus on institutional variables to explain the sources of growth [14]. [15] using a snapshot analysis section show that there is a positive relationship between bureaucracy, property rights, political stability and economic performance. The impact of property rights on economic growth is examined using indicators provided by country risk evaluators to potential foreign investors. Indicators include evaluations of contract enforceability and risk of expropriation. Using these variables, property rights are found to have a greater impact on investment and growth than has previously been found for proxies such as the Gastil indices of liberties, and frequencies of revolutions, coups and political assassinations.

[16] analyze the impact of public expenditure on economic growth in WAEMU countries. The study attempted to demonstrate that public expenditure in the WAEMU area tends to improve economic growth, at a low but still significant level. He shows that bad governance and the deterioration of the political risk index considerably weaken the economic growth in the WAEMU area.

3. METHODOLOGY

The methodology focuses on the identification and analysis of the different variables that might explain the weak economic growth in the WAEMU. This is following the model of Mankiw, Romer and Weil [17] and an analysis in terms of competitiveness.

Competitiveness is the ability to compete, to maintain or gain market share. It is important to distinguish the price competitiveness of the non-price or structural competitiveness [18]. In the first case, an economy is said to be competitive by increasing its relative share of export or by limiting the penetration of imports in the domestic market. In the second case, the competitiveness of a country is measured by its ability to capture foreign and domestic demand through other channels than price (know-how incorporated in products, ability to adapt to diversified demand: or relative to the tastes or income). According to “The World Competitiveness”, the main determinants of competitiveness are: policy of the macroeconomic environment, openness to the outside world, the intervention of the State, the dynamism of the financial market, physical and institutional infrastructure, management, technological and scientific research, human resources.

Price competitiveness of a country is measured by the ratio of the price index of major competitors and the price index of the country. Two main factors explain the price competitiveness namely production costs and exchange rates. For production costs, it is mainly labor costs, input prices, productivity of labor and economies of scale. Indeed, companies are often obliged to reduce their margins to remain competitive in the event of rising production costs. Similarly, an appreciation of the exchange rate also results in a loss of competitiveness of domestic products against major trading partners.

To better analyze the macroeconomic imbalances, the notion of fundamental equilibrium exchange rate is introduced. The latter makes it possible to compare the REER to its equilibrium level. The main variables that might explain the REER are the terms of trade, investment and productivity. Thus, the terms of trade are positively related to REER. It is the same for productivity, since it results in an increase in relative prices. However, the investment is expected to correlate negatively to REER because it raises imports. Measuring competitiveness therefore requires having an indication of the rate of Fundamental Equilibrium Exchange, that is to say the exchange rate that ensures the achievement of internal balance and external balance.

It allows you to see the level of undervaluation or overvaluation of a currency. The internal equilibrium describes the relative price of non-tradable goods compared with tradable ones. An increase in production must produce a rise in the relative price of non-tradable sector (Balassa effect). An increase in private consumption should also produce an increase in relative prices. The external balance describes the behavior of the external balance in terms of two factors: the terms of trade and the opening of the economy level. Increasing economic openness which results in a decrease in tariff and non tariff and therefore an increase in imports leads to a deterioration in the current account.

We can summarize the endogenous growth model Mankiw-Romer-Weil [17] updated by Aisen and Veiga as follows:

- Growth specification:

$$\Delta \ln Y_{it} = \gamma_0(\theta) + \gamma_1(\theta)\ln Y_{i0} + \gamma_2(\theta) educ_{it-j} + \gamma_3(\theta) inv_{it-k} + \gamma_4(\theta) open_{it-l} + \gamma_5(\theta) \inf la_{it-m} + \gamma_6(\theta) govcons_{it-n} + \gamma_7(\theta) governance_{it-j} + \gamma_8(\theta) M2_{it-p} + \varepsilon_{it}(\theta)$$

We have three types of explanatory variables:

- Determinants of the neoclassical growth model (education, investment)
- Economic policies (openness, inflation, government consumption)
- Institutional and governance variables (corruption, stability of government, property rights, accountability)

4. ANALYSIS

4.1 The Analysis of Foreign Trade

The situation of foreign trade of the Union is marked by a loss of competitiveness of domestic products. Low diversification of production has resulted in a highly vulnerable country to the external environment. The latter is increasingly characterized by a change in the structure of global demand, particularly at the expense of traditional agricultural products. The evolution of domestic exports reported a global total or limited to a group of similar countries is often used as an indicator of competitiveness of economies. Indeed, it allows you to see the gains or losses of market share of a country. According to this indicator of competitiveness, Mali win more market share in the WAEMU. Concerning Senegal, the share of exports in total exports of WAEMU countries has known certain stability between 1998 and 2008 with a slight decline. Cote d'Ivoire considered as the locomotive of the Union, also saw its market share decline between the two periods. Table 2 shows the evolution of goods exports in WAEMU.

Table 2. Evolution of the share of goods exports of WAEMU per country, 1997-2008

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Value (billion FCFA)													
WAEMU exports	4740	5105	6041	5724	6110	6673	7403	7197	8312	9134	10349	11089	11927
Percentage share													
Benin	5.89	5.37	5.17	5.49	4.92	4.57	5.20	6.97	6.91	6.33	6.13	4.87	4.59
Burkina Faso	3.09	3.21	2.83	3.25	4.14	3.70	4.16	4.15	3.73	4.65	7.59	10.19	10.04
Cote d'Ivoire	58.40	56.66	60.86	58.77	59.82	60.85	59.88	57.73	55.98	58.55	55.30	52.61	50.69
Guinea–Bissau	0.93	0.90	0.63	0.66	0.65	0.71	0.52	0.71	0.69	0.63	0.61	1.03	0.64
Mali	8.19	10.41	10.10	9.42	8.44	8.70	10.95	10.36	11.30	9.17	9.84	10.10	12.07
Niger	4.25	3.91	3.22	3.57	3.78	3.78	3.59	4.42	4.91	5.15	5.51	5.39	6.37
Senegal	13.82	14.40	12.31	12.76	13.05	12.47	11.26	11.15	11.88	10.84	10.36	10.82	10.36
Togo	5.44	5.13	4.89	6.07	5.20	5.22	4.45	4.51	4.59	4.67	4.67	4.99	5.25

Sources: BCEAO and author's calculations

4.2 Inventory of Investment in the Union

The investment framework in the union is governed by community standards. Company law is governed by the Uniform Act of the Organization for the Harmonization of Business Law in Africa (OHADA)[1]. WAEMU also plays an important role in improving the business environment with regulatory competition, the introduction of a regulation on anti-competitive practices and another related to procedures applicable to agreements and dominant position abuse. The WAEMU countries have also ratified the convention establishing MIGA (Multilateral Investment Guarantee Agency) in 1987. However, the WAEMU countries represent a small share of FDI to Africa (6% in 2007). Countries such as Burkina Faso, Mali and to a lesser extent Togo and Benin saw their shares rise (Table 3).

However, Cote d'Ivoire continues to suffer from socio-political instability that has plagued the country since the early 2000s. Regarding Senegal, the share its exports in the total of WAEMU country exports is very variable from one year to another. The Potential Index UNCTAD which is based on 12 economic and structural variables such as GDP, foreign trade, FDI, infrastructures, energy consumption, Research and Development, education, country risk, ranks countries of the union in the last row of a total of 141 economies.

Table 3. FDI intended for WAEMU

Year	1997	2002	2003	2004	2005	2006	2007	Performance indicator (rank out of 141 countries)
				$ (in million)				
WAEMU	732	622	473	620	783	855	1616	
				Percentage by country				
Benin	1.87	2.17	9.45	10.30	6.77	6.22	2.97	138
Burkina Faso	1.33	2.41	6.15	2.31	4.36	3.93	37.13	127
Cote d'Ivoire	56.75	34.16	34.95	45.65	39.81	37.29	26.42	128
Guinea-Bissau	1.57	0.57	0.85	0.27	1.11	2.08	0.43	…
Mali	9.52	39.18	27.95	16.29	28.56	9.75	22.28	123
Niger	2.27	0.39	2.42	3.18	3.87	5.91	1.67	133
Senegal	24.15	12.54	11.09	12.42	5.69	25.77	4.83	122
Togo	2.53	8.58	7.13	9.57	9.83	9.05	4.27	130
WAEMU/ Africa	6.70	8.64	6.25	8.05	2.66	4.39	6.04	

Sources: UNCTAD, FDI Online Database (March 2009) and World investment Report 2008.

4.3 Analysis of Inflation in WAEMU

Inflation, measured by the harmonized index of consumer prices, is generally well controlled in the WAEMU. Level rarely exceeds 3 % (Table 4). But with the soaring prices of food and energy products internationally since 2006, there has been an increase at its level. The general price level has increased significantly. This increase was due primarily to higher energy and food prices, but also to a high level of public spending (public works, salaries, elections, subsidies). Local prices are the determining factor in explaining the evolution of the overall index. Although the recent period is characterized by soaring oil prices and food prices at the international level, the prices of local products contribute more to the

[1] *This organization now includes 14 countries of the CFA Franc Zone, plus the Comoros and Guinea Conakry. It proceeds to the unification of business law in the different Member States.*

explanation of the general rise in prices. Indeed, local products have a preponderant weight in the shopping basket.

The recent food and energy crisis has resulted in a surge in consumer prices in particular as regards food and transportation. International prices of most foodstuffs (rice, palm oil, peanut oil, corn oil, soy, milk and dairy products), denominated in dollars, recorded higher than domestic prices increases. However, speculation has partly contributed to rising food prices, despite subsidies.

Table 4. Comparative evolution of inflation in WAEMU (in %)

Country/year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Benin	4.2	4.0	2.4	1.5	0.9	5.4	3.8	1.3	7.9	0.4	2.1	2.7	6.7
Burkina Faso	-0.3	4.9	2.3	2.0	-0.4	6.4	2.4	-0.3	10.7	0.9	-0.6	2.8	3.8
Cote d’Ivoire	2.5	4.3	3.1	3.3	1.4	3.9	2.5	1.9	6.3	0.5	1.7	4.9	1.3
Guinea–Bissau	8.6	3.3	3.9	-3.5	0.9	3.4	2.0	4.6	10.4	-2.8	2.2	5.1	2.1
Mali	-0.7	5.2	5.0	-1.3	-3.1	6.4	1.5	1.4	9.2	2.4	1.2	3.0	5.3
Niger	2.9	4.0	2.6	-1.6	0.2	7.8	0.0	0.1	11.3	0.5	0.9	3.0	0.5
Senegal	0.7	3.0	2.3	0.0	0.5	1.7	2.1	5.9	5.8	-2.2	1.2	3.4	1.4
Togo	1.9	3.9	3.1	-0.9	0.4	6.8	2.2	0.9	8.7	3.7	1.4	3.6	2.6
WAEMU	1.8	4.1	2.9	1.3	0.5	4.3	2.3	2.4	7.4	0.4	1.4	3.9	2.4

Source: BCEAO

4.4 Analysis of Exchange Rate Indices

Competitiveness of domestic products is largely conditioned by the evolution of the euro against the U.S. dollar. Indeed, because of the fixed parity between the CFA francs and the euro, any assessment of the first results in the latter. We are witnessing situations of undervaluation and overvaluation of the CFA Franc regardless of the economic situation of the country [19]. In 2008, no country in the WAEMU respected the Community threshold of maximum 3% retained in the multilateral surveillance.

The answer to the loss of external competitiveness of EU products must also be found on the side of structural reforms(regulatory and administrative education, health, legal, labor markets, the financial sector intermediation and governance) [20]. The recent appreciation of the REER can be explained by the increase in production costs. The effects of the devaluation of the CFA F 1994 were short-lived as regards the promotion of WAEMU exports. Three factors may explain this situation: structural barriers, the dynamics of global demand and the appreciation of the CFA franc against the U.S. dollar.

The REER of the Union was overrated before the devaluation of the CFA franc in January 1994 before the economy recovers after a certain fair competitiveness [21]. Since the early 2000s, the evolution of the REER of the Union is marked by an assessment which results in higher prices for domestic products. This assessment is due to higher production costs of domestic products and the appreciation of the euro against the U.S. dollar over the period (Table 5).

It is important to implement in the WAEMU a mixed change regime indexed on major currencies including the euro and the dollar [12].

Table 5. Real effective exchange rate of the union and its main partners

(base 100=2005)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
REER area EURO	105.3	104.2	104.8	104.4	102.1	100.4	100.0	100.1	103.9	106.2	105.1
Evolution (in %)	-0.5	-1.1	0.6	-0.4	-2.2	-1.7	-0.4	0.1	3.8	2.2	-1.1
REER area WAEMU	108.2	107.2	104.4	104.2	102.5	103.1	100.0	100.2	104.4	102.1	99.2
Evolution (in %)	0.7	-0.9	-2.7	-0.1	-1.7	0.6	-3.0	0.2	4.2	-2.2	-2.9

Source: Directorate of Forecasting and Economic Research of Senegal (DPEE)

4.5 Inefficient Allocation of Resources

For all economies, the allocation of resources is a crucial issue. It is to determine what needs must be met and what needs to sacrifice. Consequently, it is necessary to find methods such as selection. Prioritization is at the heart of the financial administration and therefore a major topic of economic theory. The question is therefore to understand the issues of resource allocation. Indeed, it is difficult to measure the economic impact of different decisions on the allocation of public resources. Also, national and international economic environment, often unstable, is likely to make more complex procedures for resource allocation.

An effort of fiscal discipline is needed to support the raises that are compatible with national potential demand constantly increasing [22]. This involves reducing the gap between the voted budgets and executed budgets.

The financing the budget deficit is also problematic because it pushes the authorities to handle instruments whose game eventually causes problems they were supposed to help solve out. Various projects and programs in the countries of the Union (document poverty reduction, accelerated growth strategy) appear as radical reforms, and are most of the time ineffective. Indeed, the fact of implementing new tools assumes that the relevant institutions have been prepared, but such is not the case in the WAEMU. The lack of credibility of the initiatives taken by the government increased pessimism about the prospects for growth and concerns when the price paid by the taxpayer for the remediation of the public sector. This requires in-depth transformations in order not to condemn any recovery program to failure.
Regarding the quality of institutions, we find that in the WAEMU institutions are plagued by serious problems of efficiency. One wonders if today the public authorities of different member states of the union institutions have their means. The government's determination to promote good governance seems so far real.

Major efforts are still needed for the different WAEMU countries. Particularly longer-term solutions must be brought to structural problems related to specialization strategies, which make WAEMU economies highly vulnerable to external shocks [23].

The effectiveness of fiscal policy is the subject of ongoing debate. In particular, the relationship between public spending and economic growth has been analyzed in several studies at the same time theoretical and empirical. The majority of these studies have found that public finances taken in their totality, are not carriers of long-term growth.

Explanations can be found on the existence of economic phenomena such as the crowding out of private investment by the public but also by poor mobilization and inefficient allocation of investment revenue effect. The quality of public services plays an important role in the economic growth process, hence the need to consider the efficiency of public services in the analysis of their effects on growth.

The study conducted by [10] on the relationship between public spending and economic growth allows to assess the impact of the amount and the composition of public spending on growth economies of WAEMU, thanks to an error correction model. Before him, other authors were interested in the relationship [24,25]. But essentially, these works have analyzed the relationship between the ratio of government expenditure to GDP and economic growth.

Proper allocation of resources enables efficiency and effectiveness of public spending. The allocation of resources should be guided by the priority actions that have a significant impact on reducing poverty. For public spending to be effective, it is necessary to identify priorities for poverty reduction and the promotion of a strong and sustainable economic growth. We must therefore increase the effectiveness of the management of public finances. It also seems necessary to define a policy or a national development strategy.

Since 2000, strategic documents of poverty exist virtually in all countries of the WAEMU. These documents are now considered the benchmarks for implementation of policies and programs to promote economic development and achieve the Millennium Development Goals.

Their originality lies in its participatory nature, that is to say, the desire to involve all potential development actors (civil society, NGOs, donors, governments ....). The boundaries of these projects and programs resident in not taking into account the resource constraints (availability of resources). Therefore, there is often a misallocation of resources at the global level and at sub-sector level, often to the detriment of the priority sectors; technical planning often unrealistic sectorial ministries and implementation of programs and projects of the chaotic State.

It is for these reasons that the authorities of WAEMU countries in their majority have implemented the MTSEF (Medium-Term Sector Expenditure Framework). The MTSEF is defined as a coherent set of objectives, programs / projects and budget allocation by objective determines the expenditure framework medium term (3-5 years) in which the Government and sectorial ministries may make rational decisions for the allocation and use of financial resources. It is therefore a trade-off in terms of objectives, programs and projects based on cost and availability of resources. The MTSEF has three objectives: improving macroeconomic management, improving the impact of public policies and finally improving the performance and impact of government programs.

The big question is: where are the priorities for economic development within the WAEMU? It can be answered without any difficulty at the level of activities at the same time with high added value and intensive in terms of labor. Indeed, a country, development candidate must solve the dual equation, fight against poverty and strong and sustainable economic growth. Critique that we make in respect of various projects and programs can be summarized into two main points. The first is related to their character which is often unrealistic. They are usually the work of international experts who have mastered the difficult characteristics of the concerned economies. The second concerns their implementation and it is often categorical breakdown of procedures without transitional period. It should also be noted the problem of absorption of public expenditure in most countries of the WAEMU. This phenomenon is often linked to low economic activity and socio-political instability.

4.6 Low Economic Patriotism

The fundamental problem of economics is the efficient allocation of limited resources face to unlimited needs. This means that economics are interested only in scarce goods and services. The fundamental principle of economic analysis is then that rationality (principle of non waste of resources) and the end of economic growth but also and especially economic development objective. It is important to understand the difference between "economic growth " and " economic development." The first is the creation of wealth during a period while the second refers to improving the quality of life of different economic agents (access to health care, education, infrastructure ...). Ways and means to achieve these goals gave rise to currents of thought among which: the neoclassical and Keynesian currents.

Neoclassical economists are on the side of entrepreneurs, thus salary appears as a cost. Thus, if we want to reduce unemployment, increase overall production and promote economic growth, we must, according to them, lower wages. For these authors, this is the offer that creates demand and not the reverse. They are for market regulation, so the state should be limited to the production of public goods and rarely intervene in the functioning of the economy.

On the opposite, the Keynesians are placed on the side of employees. They therefore consider wages as income. For them, it is necessary to increase wages if we want economic growth. Indeed, an increase in wages results in increased spending, and companies will increase their production because of the anticipation of this additional demand. Thus, the economy is entering a virtuous circle of economic growth. The main limitation of this analysis is related to the phenomenon of globalization. Indeed, the opening of economies that higher spending does not necessarily turn into increased consumption of domestic products. Consumers may prefer to import due to the increase in wages. In doing so, the policy will rather stimulate economic activity of major trading partners.

Economic patriotism plays an important role in the new development strategies [26]. The countries of Southeast Asia were "off" for several reasons, but particularly through the national patriotism. The unfortunate fact is that this is not the case in most African countries in south of the Sahara.

The analysis of gross domestic product shows that it is the service sector which mainly contributes to the creation of added value. However, this sector employs only a small part of the workforce, who works mainly in the primary sector. It is understandable, poverty in these economies because they are those that have contributed extensively to the creation of wealth that will see their living standards improve, at least at first. The primary sector employs a large part of the workforce experiencing several difficulties. It is about climatic hazards, access to agricultural inputs and production financing.

Levers to activate in order to promote economic growth and consequently the development are at two levels. The first is to make the primary sector more dynamic to become more involved in the creation of wealth and therefore economic growth. The second is to promote education for all as issued in the Millennium Development Goals.

It is therefore important to promote sustainable economic development that nationals give up economic rationality, which could justify a certain preference for foreign products and consume more products from local businesses. In other words, the more economic agents realize that the consumption of domestic products allows the development of local entrepreneurship, the more the country in question is likely to be on a path of economic growth.

Also, this "economic patriotism" promoting the dynamism of domestic economic activity, contributes to reducing the vulnerability of the considered economy. It is important to remember that developing countries in general and members of the Economic and Monetary Union of West Africa are specialized in the production of raw materials during the volatile global markets. Therefore, these countries need to diversify their production to meet external and internal shocks.

The recent global economic crisis must also encourage our leaders to develop policies to promote the consumption of local products. This crisis allows us to better understand the high exposure of our economies.

Indeed, the economic crisis has resulted in a drop in global demand. Therefore, there has been a decrease in exports. And with a lack of diversification of supply, the whole economy is affected. Our economies also depend on international transfers, particularly those of our immigrants. These will be forced to lower transfers especially in case of job loss. But everyone knows that the economic crisis has led many job losses in Europe and the United States in particular. This decrease in transfers results partly in a decrease in consumption and secondly in a slowdown of the construction sector, if we know that the majority of housing construction is undertaken by the diaspora. The economic crisis also leads to a decrease in revenues from the tourism sector, it also results in a decrease in international assistance since the assistance is indexed to the gross domestic product in question; or who talks about crisis, talks about recession and therefore lower gross domestic product. All this to explain the importance of "economic independence" that passes, we believe, necessarily through some "economic patriotism".

The WAEMU countries should focus their efforts on this direction. Indeed, subsidies to individual firms should be subject to calculation according to economic impact, particularly in terms of job creation and dynamism of domestic activity. Patriotism we defend goes to both individuals and public authorities: the first through a preference for domestic products, the latter through more subsidies to Small and Medium Enterprises and according to the expected economic impact. It is also necessary to review the functioning of public markets. Indeed, national operators are rarely eligible on the great works of the different states of the union due to insufficient experience. Therefore, since independence, multinationals are the main beneficiaries of these important projects which amount to hundreds of billions of CFA francs. No effort is made for transmission of knowledge and skills by nationals. Everything happens as if the fate of these savings is in the hands of international companies. We advocate on this point a gradual appropriation by national skills in collaboration with external partners.

4.7 Difficult Access to Finance for Small and Medium Enterprises (SMEs)

Regarding the monetary and financial sector, the efficiency of all economic agenda in the union will remain limited as long as the lending capacity of banks stays constrained by the amount of outstanding nonperforming loans. Also, it should be noted that the growth potential of SMEs is strongly correlated with the development of the financial system. The main lesson of the recent financial crisis for countries of the union is the need to increase their resilience to shocks caused by financial globalization. The latter makes compulsory monetary and fiscal discipline for all economies. It also requires the countries to develop strong and healthy economic infrastructure.

Today's Small and Medium Enterprises (SMEs) play an important role in the economic fabric of the WAEMU countries. Indeed, the activity of SMEs within the WAEMU allows access to the labor market for a good part of the population that is largely unskilled. With this in mind, the authorities of these countries have implemented a series of initiatives to promote the creation, promotion and operation. Economic models are based more on a total support to innovative initiatives especially because it is at this level that one qualifies for activities with high added value and generates employment. SMEs face nonetheless a real problem, that is to say the funding, despite the cash excess of banks [27]. Indeed, commercial banks are very reluctant in financing small and medium enterprises for at least three reasons. The first is probably the low level of professionalism of SME activities which exposes the bank to greater risk. The second reason is the nature of the activities of SMEs which is essentially much diversified. The third one, as far as it is concerned, is independent of SMEs, since banks that are active in the WAEMU have mainly a special clientele and are rarely driven by the desire to gain market share and thus to finance SMEs.

The low contribution of banks to finance the activities of SMEs now leads the latter to turn to the microfinance sector that is booming in the region. Indeed, microfinance is especially designed to meet a particular class of customers. This is mainly micro-entrepreneurs who lack sufficient material guarantee do not have access to traditional bank credit. SMEs are naturally the prospect of microfinance this logic. It is therefore essential to determine the characteristics of SMEs in the area and explore the barriers to the development of SMEs. It should also be noted that the fragmentation of national financial markets is suboptimal. That is why a better coordination is beneficial for various players in the financial system. Indeed, it results in an improvement in the supply of financial products and services in quality and quantity. Also, to promote an inclusive financial sector, it is necessary that there is a good relationship between banks and microfinance institutions. However, we must not forget the role played by public authorities, by the definition of appropriate legal frameworks and national strategies for sustainable development.

5. CONCLUSION AND RECOMMENDATIONS

Further reforms are needed to promote economic growth and put WAEMU countries out of underdevelopment. The establishment of an institutional and financial framework for the continuation or acceleration of investment and consequently economic growth is essential. Similarly, the promotion of exports, which are in decline, should guide the direction of economic policy. In addition, the control of a low overall price level is necessary to prevent depreciation (appreciation) of the real effective exchange rate and consequently a loss of competitiveness of WAEMU countries against its main trading partners. The exchange rate regime countries of the Union which is characterized by a fixed parity between the CFA franc and the euro, shows more signs of weakness. Indeed, now, the diversification of trading partners is not compatible with a fixed exchange rate regime. Thus, despite the advantages of the basis, we recommend a mixed regime of exchange rate based on euro and the dollar for the countries of West African Economic and Monetary Union. This regime will have the advantage of facing better internal and external shocks and therefore by way of supporting economic activity.

The promotion of skilled employment and value added should be among the priorities of the authorities. The labor market remains dominated by precarious and low-paid jobs. The informal sector dominates employment in the Union. Increasing productivity does not always correspond to an increase in real wages. Gains related to increases in productivity have not been shared equitably among members of society. Union pressures are also reflected in a better revenue sharing to employees. Promote intensive sectors workforce with a view to geographical distribution of growth to reduce rural exodus seems to be a challenge to be overcome by authorities of the WAEMU.

The establishment of agricultural and food policies and incentives to increase and improve the productivity and competitiveness of the agro -food sectors appears essential. The authorities should also develop national infrastructure to reduce production costs. The financing of economic activity must also be a top priority for the various authorities of the union. It will in particular cover more different financial institutions to encourage them to take more risks and therefore finance the various sectors of economic activity. At the same time, it is necessary to strengthen good governance and political stability as a prerequisite for investment. Another challenge is the production of goods that meet the needs of both consumers and international standards. Similarly, the authorities must take into account the dynamics of global demand. It is therefore essential to develop new sectors of production, diversify the economy, especially in the field of industry and services, but also in the field of food processing. The various measures recently taken by the authorities to strengthen the institutional frameworks of states and to improve procedures for investment should be strengthened to improve the business climate and improve the competitiveness of economies of West African Economic and Monetary Union.

COMPETING INTERESTS

Author has declared that no competing interests exist.

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