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INFORMATION NOTE



WAEMU
ZONE

Presentation of Sovereign issuers of West African Monetary Union (WAMU)

Décembre 2019



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SUMMARY

ACRONYMS	4
EXECUCUTIVE SUMMARY	5
MAIN MACROECONOMIC INDICATORS	7
1 GENERAL PRESENTATION OF THE UNION	8
1.1 Background	8
1.2 WAEMU's objectives	9
1.3 Administrative Organisation	10
1.4 WAEMU's common policies	14
1.5 Population within WAEMU area	22
1.6 Employment in the WAEMU area	23
2 RECENT SITUATION OF THE REAL SECTOR AND OUTLOOK	5
2.1 Evolution of WAEMU gross domestic product	25
2.2 Compliance with WAEMU's convergence criteria	28
2.3 Monetary situation	28
2.4 Banking system and financial markets	29
2.5 inflation rate	37
2.6 Exchange rates	37
2.7 Foreign reserves	38
3 FOREIGN TRADE AND BALANCE OF PAYMENTS	40
3.1 Balance of payments	40
3.2 International trade	42
3.3 Regional trade	50
3.4 Foreign direct investment	52
4 CREDIT QUALITY	53
4.1 business climate	53
4.2 financial ratings	56
5 PUBLIC FINANCE	57
5.1 Budget : expenditure and income	57
6 RISK FACTORS	60
6.1 Macroeconomic risks	60
6.2 Security risks	60
7 DEBT SITUATION	61
7.1 General description of the public debt	61
7.2 Viability and sustainability	63
8 APPENDICIES	65
9 GLOSSARY	66

ACRONYMS

AGOA	:	African Growth Opportunities Act (American law on growth and development opportunities in Africa)
EPA (i)	:	Economic Partnership Agreement (Interim)
AUT	:	Agence UMOA-Titres
DSA	:	Debt Sustainability Analysis
BCEAO	:	Central Bank of West African States
WADB	:	West African Development Bank
BRVM	:	Regional Securities Exchange
Construction	:	Buildings and Public Works
CIF	:	Cost, Insurance, Freight
CTC	:	Council of Territorial Communities
RCFPSM	:	Regional Council for Public Savings and Markets
CC/SB	:	Central Custodian/Settlement Bank
CPIA	:	Country Policy and Institutional Assessment
FCFA/FAFC	:	Franc of the African Financial Community
IMF	:	International Monetary Fund
FOB	:	Free on board (which literally means "no charge on board")
GATT	:	General Agreement on Tariffs and Trade
MDRI	:	Multilateral Debt Relief Initiative
FDI	:	Foreign Direct Investment
HCPI	:	Harmonized Consumer Prices Index
NSO	:	National Statistical Office
CPI	:	Consumer Price Index
IPI	:	Industrial Production Index
NPI	:	Non-profit institution
RFM	:	Regional Financial Market
NCD	:	Non-Communicable Disease
SDG	:	Sustainable Development Goals
WTO	:	World Trade Organization
MDGs	:	Millennium Development Goals
WHO	:	World Health Organization
PACSCS	:	Convergence, Stability, Growth and Solidarity Pact
REP	:	Regional Economic Program
GDP	:	Gross Domestic Product
RIP	:	Regional Indicative Program
LDCs	:	Least Developed Countries
NRDP	:	National Rice Development Program
NHDP	:	National Health Development Plan
NAIP	:	National Agricultural Investment Program
UNDP	:	United Nations Development Program
PPP	:	Public-Private Partnership
HIPCs	:	Heavily indebted poor countries
PSD - CMU	:	Strategic Plan for the Development of Universal Health Coverage
MTDS	:	Medium-Term Debt Management Strategy
SFD	:	Decentralized Financial Systems
MIC	:	Management and Intermediation Companies
TLS	:	Trade Liberalization Scheme
TSS	:	Treasury Securities Specialists
CET	:	Common External Tariff
ICT	:	Information and Communication Technologies
EU	:	European Union
WAEMU	:	West African Economic and Monetary Union
WAMU	:	West African Monetary Union



EXECUTIVE SUMMARY

Since 2012, the Union's economies have been growing vigorously, in a regional context marked in recent years by the persistence of security risks due to the terrorist threat and uncertainties surrounding the global economic outlook. In this context, States shall continue to adopt measures to accelerate the implementation of the necessary reforms to strengthen macroeconomic stability and improve the business climate, in order to attract more private investors, in particular in the agribusiness and manufacturing industries.

The real GDP growth rate is expected to be around 6.6% in 2018 and 2017 after an estimated 6.4% growth in 2016 and an average growth of 6.3% in 2015. GDP growth is projected at 6.9% in 2019. The investment rate, estimated at 24.1% of GDP in 2015, has returned to its former level after a slight decrease over the 2016-2017 period to around 22.8% before settling at around 24.2% in 2018 and is expected to reach 25.0% in 2019. The overall budget deficit has continuously increased from 2012 to 2016: from 2.8% of GDP in 2012, it is estimated at 3.9% in 2015 and 4.4% in 2016. However, a deficit reduction is expected from 2017 onwards to (4.3% of GDP) and is expected to reach 3.9% of GDP in 2018, then 3.1% in 2019.

Inflation stood at 1% in 2015 and is expected to remain below 2% over the 2016-2019 period.

The current account deficit, which is structurally in deficit, is expected to maintain its historical trend. It stood at 5.7% of GDP in 2015; 5.3% in 2016; 6.6% in 2017 and 6.4% in 2018. It is expected to remain at 6.5% in 2019 due to the deterioration in the terms of trade.

From 22.6% of GDP in 2012, the external debt of WAEMU countries declined to 14.4% of GDP in 2013 after debt relief for a number of Union member states under debt reduction initiatives, before gradually increasing to 24.9% of GDP in 2015; 26.1% in 2016 and 27.5% in 2018.

Sovereign market debt on the regional market has grown rapidly to reach 10,085.1 billion in 2018, or about 14.5% of the Union's GDP.

MAIN MACROECONOMIC INDICATORS

Amount in billions of FCFA unless otherwise indicated

WAEMU	2012	2013	2014	2015 Estimates	2016 Estimates	2017 Estimates	2018 Estimates	2019 Projections
REAL SECTOR								
Nominal GDP (in billions of CFA francs)	45 298.9	48 313.4	52 031.2	56 298.3	59 913.7	64 201.6	69 567.2	75 504.8
Real GDP growth rate (in %)	6.2	5.9	6.6	6.3	6.4	6.6	6.6	6.8
Investment rate (in %)	23.6	25.7	23.8	24.1	22.8	23	24.2	25.0
PRICE								
Average annual inflation rate (in %)	2.4	1.5	-0.1	1	0.3	0.8	1	1.1
PUBLIC FINANCES (in billions of CFA francs)								
Total revenue and donations	8 735.8	9 608.9	10 135.9	11 272.8	11 947.2	13 138.6	14 308.2	15 985.0
Total expenditure	10 020.3	11 048.2	11 717.2	13 472.1	14 571.8	15 899.8	17 003.3	18 291.9
Overall budget balance, with donations	-1 284.5	-1 439.3	-1 581.3	-2 199.3	-2 624.6	-2 761.2	-2 695.1	-2 306.9
As a % of GDP	-2.8	-3	-3	-3.9	-4.4	-4.3	-3.9	-3.1
FOREIGN PUBLIC DEBT (in billions of CFA francs)								
Foreign debt	10 238.00	9 390.10	11 346.60	14 003.00	15 658.60	17 656.40	-	-
As a % of GDP	22.6	19.4	21.8	24.9	26.1	27.5		
EXTERNAL SECTOR (in billions of CFA Francs)								
Exports	12 798.4	12 701.3	13 340.5	13 996.8	13 956.4	15 029.9	15 819.3	16 420.5
Imports	13 367.6	14 104.1	14 370.2	15 229.1	14 983.1	16 612.3	17 831.9	18 871.3
Trade balance	-569.2	-1 402.8	-1 029.7	-1 232.3	-1 026.7	-1 582.3	-2 012.6	-2 450.8
Current balance, including donations	-2 174.7	-3 031.5	-2 547.2	-3 200.7	-3 202.0	-4 209.6	-4 470.2	-4 913.2
As a % of GDP	-4.8	-6.3	-4.9	-5.7	-5.3	-6.6	-6.4	-6.5
CURRENCY (in billions of CFAF)								
Net external assets	5 569.3	4 731.7	4 747.4	4 753.6	3 696.8	4 172.5	5 375.1	5 691.6
Domestic receivables	13 055.3	15 497.6	18 115.0	21 196.4	24 715.7	27 438.0	30 023.8	31 278.2
As a % of GDP	28.8	32.1	34.8	37.7	41.3	42.7	43.2	41.4
Receivables from other sectors	10 761.2	12 370.9	14 216.0	16 717.1	18 328.5	20 161.2	22 063.0	23 984.9
As a % of GDP	23.8	25.6	27.3	29.7	30.6	31.4	31.7	3.8
Money stock (M2)	14 270.9	15 845.2	17 870.2	20 531.1	22 717.3	24 649.8	27 715.1	29 907.8
Foreign exchange reserves	7 088.3	6 623.0	7 065.9	7 522.7	6 529.4	7 184.2	8 561.0	-

Source : BCEAO

BRIEF OVERVIEW OF THE COUNTRY

WAEMU includes **8** countries



Benin | Burkina | Cote d'Ivoire | Guinea-Bissau | Mali | Niger | Senegal | Togo



Population :

80 340 000 inhabitants

(source : UEMOA)

Area :

3 509 600 km²

Currency : CFAF



Headquarter of the WAEMU commission
Ouagadougou

Nominal GDP in 2018 :

69 219.4 billion of CFAF

PIB per capita in 2018 :

534.7 thousands of CFAF

(source : BCEAO)

Autonomous specialized bodies

- ▶ BCEAO | Central Bank of West African States
- ▶ BOAD | West African Development Bank
- ▶ Banking Commission
- ▶ CREPMF | Regional Council for Savings and Financial Markets



1- GENERAL PRESENTATION OF THE UNION

1.1 Background

Consisting of eight (8) States, including five (5) coastal States and three (3) Sahelian States bound by the use of a common currency, the FCFA, the WAEMU area is a cultural space where traditions common to its Member States: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo are expressed.

The Union covers an area of 3.506.126 km² and had a population of about 120.2 million in 2017. By way of comparison, sub-Saharan Africa covers an area of about 23.000.000.000 km² for a population of more than one billion people in 2017.

From an essentially monetary union (WAEMU Treaty), the cooperation agreements between the West African countries have led to the establishment of a union covering all economic aspects aimed at strengthening regional integration. In response to the economic crisis of the 1990s, WAEMU member countries have shown their willingness to deepen their economic integration as a complement to monetary union.

Indeed, it had become clear that monetary regulation mechanisms needed to be supplemented by economic reforms to strengthen the coherence and stability of the macroeconomic framework as well as economic reforms to ensure the cohesion of the Union and lay the foundations for sustainable economic growth.

Thus, the Governor of BCEAO received a mandate from the WAEMU's Heads of State to reflect on economic integration and prepare a treaty to that end. The Treaty establishing the West African Economic and Monetary Union (WAEMU) was signed on 10 January 1994 in Dakar, two (2) days before the devaluation of the CFA Franc. By this Treaty, Member States have committed to achieve full economic integration, covering all sectors of their economies, in order to promote their economic and social development.

Created on 10 January 1994 in Dakar, the West African Economic and Monetary Union (WAEMU) is a unique territorial, economic, political and social space, whose main objective is to build a harmonized and integrated economic space in West Afri-

ca, within which a complete freedom of movement of persons, capital, goods, services and production factors is ensured.

WAEMU also guarantees the effective enjoyment of the right to practice liberal professions and to reside in any part of the Community territory.

The West African Monetary Union is characterized by the recognition by the signatory states of the same monetary unit, the Franc of the African Financial Community (FCFA), whose issue is entrusted to a common issuing institution, the Central Bank of West African States (BCEAO).

The two (2) treaties, namely that of WAMU and WAEMU, coexist and cover the same geographical reality since they have the same Member States. The WAEMU Treaty complements the WAMU Treaty with an economic integration component. The two treaties are intended to merge in due course at the initiative of the Conference of Heads of State.

1.2 WAEMU's objectives

WAEMU aims to become a harmonized and integrated economic space, oriented towards the promotion of the economic and social development of its Member States and within which populations and economic actors could fully exercise their rights as citizens with regard to the free movement and establishment of goods and capital. To this end, the following five (5) objectives have been defined in the Treaty:

1. Strengthening the competitiveness of Member States' economic and financial activities as part of an open and competitive market and a streamlined and harmonized legal environment;
2. Ensuring the convergence of Member States' economic performance and policies through the establishment of a multilateral surveillance mechanism;
3. Creating a common market between Member States based on the free movement of persons,

goods, services, capital and the right of establishment for individuals exercising an independent or salaried activity, as well as a common external tariff and a common commercial policy;

4. Establishing the coordination of national sectoral policies, through the implementation of joint actions and possibly common policies, in particular in the fields of human resources, spatial planning, transport and telecommunications, the environment, agriculture, energy, industry and mining;

5. Harmonizing, to the extent possible, the proper functioning of the common market, the laws of the Member States and in particular the tax system.

In order to achieve these objectives, WAEMU has set up a set of bodies under the supreme authority of the Conference of Heads of State.

1.3 Administrative organization

WAEMU's institutional organization is structured around governing bodies, supervisory bodies, advisory bodies and specialized bodies.

1.3.1 Governing bodies

The three (3) governing bodies are organized hierarchically as follows:

o The Conference of Heads of State: it is the supreme authority of the Union. It defines the broad guidelines of the Union's policy and decides on any questions that could not be resolved by unanimous agreement of the Council of Ministers. It also decides on the possible accession of new members and takes note of the withdrawal or exclusion of participating States.

o The Council of Ministers: the Council of Ministers ensures the implementation of the general guidelines defined by the Conference of Heads of State and Government. It adopts the Union's budget. The deliberations of the Council are prepared by the Committee of Experts, composed of representatives of the Member States.

o The WAEMU Commission: it is the executive body of the Union. It is headquartered in Ouagadougou, Burkina Faso. It is composed of eight (08) members, called Commissioners, nationals of the Member States. They are appointed by the Conference of Heads of State and Government, one member per State. Its mandate includes the following

- The transmission to the Conference of Heads of State and the Council of Ministers of recommendations and opinions deemed useful for the preservation and development of the Union and its members;

- The implementation of the Union's budget;

- The possible seizure to the Court of Justice in the event of failure by Member States to fulfil their obligations under Community law.

1.3.2 Supervisory bodies

There are three (3) supervisory bodies; they oversee the action of the Union's bodies, arbitrate conflicts and ensure compliance with Community law:

o The Court of Justice: it ensures the uniform interpretation and application of Community law. It judges, inter alia, States' breaches of their "Community obligations" and arbitrates conflicts between Member States or between the Union and its agents. The Court of Justice is based in Burkina Faso.

o The Court of Auditors: it audits the accounts of the Union's bodies and the reliability of the budgetary data required for multilateral surveillance.

o The Inter-Parliamentary Committee: it plays an advisory and facilitating role in debates on integration. It receives the Commission's annual report and expresses itself in the form of reports or resolutions. This committee sits in Bamako and foreshadows the Union's parliament, which will be responsible for the democratic control of the Union's bodies.

1.3.3 Advisory Bodies

The advisory bodies shall ensure that non-state actors, the private sector and the public are taken into account in the conduct of the activities of Community bodies. There are three (3) advisory bodies, namely:

o **The Regional Consular Chamber:** a privileged forum for dialogue between WAEMU and the main economic operators. It is responsible for involving the private sector in the WAEMU integration process. At its own initiative or that of the Commission, it gives opinions on all matters relating to the achievement of the Union's objectives (trade, tax, customs and social legislation, trade negotiations involving the Union, the establishment and operation of stock or trade exchanges, economic observatories, economic and monetary policy). Its headquarters are

in Lomé, Togo.

○ **Council for Labor and Social Dialogue (CLSD):** its objective is to ensure the effective involvement of all non-state actors in the WAEMU integration process. It shall give opinions, on its own initiative or on that of the Member States, to the Council of Ministers, the Commission, the representatives of employers and workers, on the possible social consequences of any Community proposal.

○ **Council of Local and Regional Authorities (CLRA):** its objective is to promote better involvement of local and regional authorities in the integration process in order to meet the challenges of globalization, promote a multi-level governance system and take people's concerns into account in the development of community policies and programs.

1.3.4 Autonomous specialized bodies

There are two specialized autonomous bodies are in charge of managing monetary issues and financing development within the framework of the monetary union and regional integration objectives:

○ **The Central Bank of West African States (BCEAO):** it has the exclusive privilege of issuing monetary signs on the Un territory of the States of the Union. Its head office is in Dakar, Senegal. The central bank is also in charge of organizing and supervising banking activity. It assists States, particularly in negotiations with international financial and monetary institutions (IMF and others).

○ **The West African Development Bank (WADB):** its objective is to promote the balanced development of Member States and foster sub-regional integration. The WADB is responsible for financing the development of Member States, including infrastructure projects to support development, improve conditions and means of production and establish new activities. Its headquarters are in Lomé, Togo.

1.3.5 Other institutions

Other Community institutions have been set up to deal with important areas at Union level. These include, in particular:

○ **The Banking Commission:** it was created with the aim of "contributing to the uniform and more effective supervision of banking activity and the integration of the banking area into WAMU". The Banking commission exercises the following powers:

- Issuance and withdrawal of authorization of credit institutions;
- Control of credit institutions and decentralized financial systems;
- Administrative and disciplinary measures against reporting institutions or responsible managers;
- Appointment of provisional administrators or liquidators of credit institutions.

○ **The Regional Council for Savings and Financial Markets (CREPMF):** it is the financial market regulatory authority of WAEMU. The CREPMF prerogatives are to ensure:

- The protection of savings invested in transferable securities and any other investment vehicle giving rise to a public offering;
- investors are informed;
- The proper functioning of the regional financial market.

In order to fulfil its missions, CREPMF:

- Regulates the WAMU financial market by developing and updating market Monitors transactions
- Enables central market structures and approved commercial intermediaries (SGL, Collective Investment Schemes, Stock Exchange Investment Advisors) and controls their activities;
- Regulations;
- Authorizes all financial fundraising and initial public offering transactions;
- Sanctions non-compliance with market rules.

○ **Agence UMOA-Titres (AUT)** created by BCEAO on 15 March 2013, the objective of the AUT is to assist WAMU Member States in the issuance and management of public debt securities and to work for the development of the regional public securities market. The main tasks of the AUT are as follows:

- Assisting National Treasuries in the development and implementation of their market issuance strategies and coordinate the issuance programs of WAMU Member States;
- Structuring joint issues by several Member States for the financing of Community projects;

- Ensuring the operational management of emissions on the regional market and their material organization;
- Assisting the national treasuries in their interventions on the international market, by organizing at their request the issuance of securities (foreign currency bonds) on their behalf and monitoring the related deadlines;
- Promoting public debt securities to investors;
- In consultation with the relevant institutions of the Union (BCEAO, CREPMF), taking all measures to improve the functioning and deepen the regional financial market;
- Assisting National Treasuries in the development of a risk management framework for the management of public debt securities;
- providing National Treasuries with a service to invest their cash surpluses.

In order to contribute to the development of the market and to modernize the government securities issues environment, the AUT has undertaken to:

- Establish and promote the system of Treasury issues specialists;
- Boost the secondary market for government securities by setting up the necessary market infrastructures (information and transaction systems, yield curve, financial rating of issuing States, etc.) and broadening the investor base;

1.4 WAEMU's Common policies

In order to promote harmonious economic and social development within the Union and to ensure the necessary balances for the proper functioning of the monetary union, common policies are implemented at Community level. These common policies concern currency and exchange; multilateral surveillance and economic convergence; the common market (including the customs union) and sectoral policies.

1.4.1 Monetary Policy

A. Institutional arrangements

WAMU Member States have common monetary and exchange rate policies. The CFA franc or African Financial Community franc is WAMU's monetary unit.

This currency was pegged to the French franc by a fixed parity until 1 January 1999, the date of the introduction of the euro. The CFA franc has since been pegged to the euro at a fixed parity.

The conduct of monetary policy is exclusively ensured by BCEAO, the Member States having renounced this sovereign power, which has been entrusted to the Central Bank, responsible for issuing the CFA franc and ensuring its stability.

B. Description of BCEAO

Article 41 of the WAEMU Treaty refers to the Central Bank of the West African State (BCEAO) as an autonomous specialized institution of the Union. Completely independent, BCEAO contributes to the achievement of the treaty's objectives.

Members of the Board

The eight (8) WAEMU Member States are members of BCEAO. There are: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

The bodies

The Central Bank's bodies are: the Governor, the Monetary Policy Committee, the Board of Directors, the Audit Committee, the National Credit Councils, with one Council in each of the WAMU Member States.

How does it work ?

The Central Bank, its bodies, any member of its bodies or staff may not seek or receive directives or instructions from Community institutions or bodies, from the governments of WAEMU Member States, from any other body person. The Community institutions and bodies and the governments of the WAEMU Member States undertake to respect this principle.

The main objective of the Central Bank's monetary policy is to ensure price stability. Without prejudice to this objective, the Central Bank shall support the economic policies of the West African Economic and Monetary Union (WAEMU) with a view to healthy and sustainable growth.

¹ At the time of the devaluation of the CFA franc in 1994; the fixed rate was increased to 100 CFA francs for 1 French franc.

² Decision of The Council of the EU of 23 November 1998 on exchange rate issues relating to the CFA franc and the Comorian franc (98/683/CE).

³ The same parity applies to the CFA franc (financial cooperation in central Africa), the currency of the member countries of the central economy and monetary community (CEMAC) whose structure is similar to that of WAEMU EUR 1 = CFAF 655.957

Roles

The Central Bank has the following fundamental missions:

- define and implement monetary policy within WAEMU,
- ensure the stability of the WAEMU banking and financial system,
- promote the proper functioning and ensure the supervision and security of payment systems in WAMU,
- implement WAEMU's exchange rate policy under the conditions laid down by the Council of Ministers,
- Manage the official foreign exchange reserves of WAEMU Member States.

The Central Bank may, with due regard for monetary balance, carry out specific missions or projects that contribute to improving the monetary policy environment, diversifying and strengthening WAEMU's financial system and technical and professional capacities in the banking and financial sector.

The main objective of the Central Bank's monetary policy is to ensure price stability. As such, it defines the monetary policy that maintain the external coverage rate of the currency at a satisfactory level, and to support the economic activity of member countries without inflationary pressure.

BCEAO oversees the monetary policy of each member country by setting annual money supply and credit targets. Statutory advances to Member States' national treasuries were suspended in 2001 and abolished from 2010.

For the conduct of the common monetary policy, BCEAO relies on market mechanisms and indirect liquidity regulation instruments, in particular the steering of interest rates and the minimum reserves system.

C. Monetary policy

BCEAO enjoys the exclusive privilege of issuing money in all Member States of the West African Mon-

etary Union. It issues monetary signs, banknotes and coins, which have legal tender status and discharge power in all the Member States of the Union. The creation, issue and cancellation of monetary signs shall be decided by the Council of Ministers.

The Central Bank's management of the monetary policy of the Member States of the Union consists in adjusting the overall liquidity of the economy in line with developments in the economic situation, in order to ensure price stability on the one hand; and to promote economic growth on the other hand.

The current money and credit management framework is based on market mechanisms and indirect liquidity regulation instruments, including interest rates and the minimum reserve system.

The operation of BCEAO is based on:

-Open market operations: seven-day and twenty-eight-day refinancing (respectively weekly and monthly for banks subject to minimum reserves) at variable rates; the minimum bid rate considered by BCEAO as its prime rate (currently 2.5%). The planned auctions are generally calibrated according to BCEAO forecast of liquidity needs over the maturity of the transactions;

- Permanent lending facility: 1-7- or 90-360-day refinancing against government securities and credit requests with maturities ranging from 5-20 years, at the banks' request (marginal lending window). These facility's rates are 200 basis points higher than the prime rate. As of June 2017, the use of the lending facility was capped at twice the counterparty's equity. The minimum interest rate for submission to open market operations (call for tenders) and the interest rate applicable to the marginal lending facility (pension rate), the levels of which are set by the Monetary Policy Committee, are 2.50% and 4.50% respectively, and constitute BCEAO's two main prime rates.

D. Monetary system

The Franc zone is characterized by four (4) founding principles. These principles were set out in the Monetary Cooperation Agreement between the Member States of the Bank of central African states and France dating back to 23 November 1972, as well as in the Cooperation Agreement between the Member States of the West African Monetary Union

⁴ The Monetary Policy Committee of BCEAO, at its first meeting held on 14 September 2010 in Dakar, defined the operational objective of price stability as an annual inflation rate in the Union within a margin of \pm one percentage point (1%) around 2%, within a period of twenty-four (24) months.

and France dating back to 4 December 1973.
The 4 main principles of the Franc zone are :

- **A guarantee from the French Treasury for the unlimited convertibility of the Central Bank currency:** the currencies issued by the issuing institutions of the franc zone have an unlimited convertibility guaranteed by the French Treasury. To ensure the free convertibility of each of the sub-areas, an operating account is opened with the French Treasury by each Central Bank in the area and on which the Central Banks have an unlimited drawing right in the event of the exhaustion of their foreign exchange reserves

- **A fixed parity with the euro , 1 Euro being equivalent to 655.957 CFA francs:** the parity of the zone's currency with the euro is fixed and defined for each sub-area. The currencies of the zone inter-convertible, at fixed parities, without limitation of amounts. The changeover to the euro resulted in a simple substitution of the French franc anchorage by the euro anchorage, at equivalent parity, i.e. 655.957 CFA F = 1 euro (the parity being identical for the West and Central Africa sub-areas).

- **Free and unlimited transfer of reserves:** transfers are, in principle, free within the Area.

- **Centralization of reserves:** States centralize their foreign exchange reserves in their Central Banks, while in return for the unlimited convertibility guaranteed by France, the Central Banks of the franc zone are required to deposit a portion of their net foreign assets (foreign exchange reserves) with the French Treasury in the account opened in the name of each central bank. For BCEAO, since the September 2005 reform, it has had to deposit 50% of its external assets in this operating account.

1.4.2 Foreign exchange Policy and regulation

Within the framework of the monetary agreements of the Franc zone between the WAEMU countries on the one hand, and with France on the other hand, it was agreed to pool the foreign exchange reserves derived from export earnings in a pool managed by BCEAO. In return for the unlimited convertibility of the CFA franc, part of these foreign exchange reserves (50%) is centralized in the operating account opened in the French Treasury's books.

With regard to external financial relations, Regulation

No. 09/2010/CM/UEMOA on the external financial relations of the WAEMU Member States of 1 October 2010 contains the following provisions:

- Foreign exchange transactions in euros between BCEAO and commercial banks established within the Union are carried out at a fixed rate, as is any foreign exchange transaction carried out by an economic operator. In addition, the purchase and sale prices of other currencies are based on the euro exchange rates on the foreign exchange market;

- All foreign exchange transactions, capital movements and settlements of any kind towards foreign countries (excluding WAEMU) must be carried out through BCEAO or intermediaries approved by the Ministry of Finance;

- Payments (except for gold transactions, the issuance, advertising and offering of financial instruments) and capital transfers within WAEMU are free;

- The main modalities of common foreign exchange regulation vis-à-vis third countries (excluding WAEMU) are as follows:

- transfers of funds to cover transactions related to current transactions are completely free on presentation of supporting documents,

- Obligation to repatriate export revenues and transfer them to BCEAO or an authorized intermediary within one hundred and twenty (120) days of the shipment of the goods,

- Capital inflows from any country are free,

- capital outflows to third countries, other than the repayment of debts and trade and industrial loans, the transfer of proceeds from the liquidation of investments or the sale of foreign securities by non-residents, the required regulations on foreign exchange derivatives , are the subject of a request for exchange authorization, submitted to the Minister of Finance upon presentation of supporting documents.

- Import and export transactions must be domiciled with an approved intermediary.

1.4.3 Economic policy

The smooth functioning of the economic and monetary union requires effective coordination of the economic policies implemented in the Member States with a view to ensuring, on the one hand, stability of the macroeconomic framework through budgetary policies consistent with the common monetary po-

policy conducted by the central bank and, on the other hand, harmonious economic development through the implementation of common sectoral policies. Considering that their economic policies are a matter of common interest, the WAEMU Member States intend to ensure the coordination of their economic policies with a view to achieving the Union's objectives.

A. The Multilateral Surveillance System and convergence criteria

The multilateral surveillance exercise is based on the convergence criteria defined by the Additional Act No. 01/2015/CCEG/UEMOA of 19 January 2015 on the Convergence, Stability, Growth and Solidarity Pact (PACSCS) between WAEMU Member States, which supplemented the multilateral surveillance of economic policies.

The Pact is defined as a formal commitment by Member States to strengthen the surveillance of their macroeconomic policies, in particular fiscal policies, by defining clear procedures for the adoption, implementation and evaluation of multiannual convergence, stability, growth and solidarity programs and a sanctions mechanism.

The convergence pact is an instrument to strengthen the multilateral surveillance system. In particular, it aims at strengthening the convergence of Member States' economies, strengthen macroeconomic stability, accelerate economic growth and deepen solidarity among Member States.

Member States are required to submit to the Council of Ministers, five-year convergence, stability, growth and solidarity programs designed to meet the convergence criteria defined in the Pact in the medium term.

The PACSCS provides for two categories of criteria:

- A first category composed of three (3) so-called primary criteria (with a key criterion relating to the budget balance), non-compliance leads to the explicit formulation of directives by the Council of Ministers with regard to the State concerned, the preparation and implementation of an amended program. Failure to comply with the key criterion is likely to trigger the sanctions mechanism.
- A second category comprising two (2) so-called secondary criteria which are indicative benchmarks that are closely monitored because of their

decisive role in achieving the objective of economic sustainability. Failure to comply with them does not result in sanctions or recommendations by WAEMU governing bodies. However, compliance plays an important role in the macroeconomic stability of the Union and they can be used to formulate of recommendations for the fulfilment of the primary criteria. The convergence criteria are as follows:

- **The primary criteria:**

- o Ratio of the overall budget balance, including donations, to nominal GDP (key criterion): it must be greater than or equal to -3% from 2019;
- o Average annual inflation rate: it must be a maximum of 3% per year;
- o Ratio of total outstanding debt (domestic and external) to nominal GDP: it must not exceed 70% from 2019.

- **Secondary criteria:**

- o Ratio of payroll to tax revenue: it must not exceed 35% from 2019 onwards;
- o Tax burden rate: it must be greater than or equal to 20% from 2019

B. The common market and sectoral policies

In order to strengthen regional economic integration, the WAEMU Member States agreed, within the framework of the founding treaty of the Union, to establish a common market.

This common market is based on the free movement of persons, goods, services, capital and the right for establishment of individuals exercising an independent or salaried activity, as well as on a common external tariff and a common commercial policy.

In order to make the objective of the common market a reality, the Union shall pursue the progressive achievement of the following objectives:

- The elimination of customs duties, quantitative restrictions on entry and exit, charges having equivalent effect and any other measures likely to affect transactions between Member States;
- The implementation of a Common External Tariff (TEC);
- The establishment of common competition rules applicable to public and private companies as well as to public aid;
- The effective application of the principles of freedom of movement of persons, establishment and

⁵ The instruments must be backed by commercial and financial transactions of a nature specified in a BCEAO Instruction

⁶ See Article 7 of Regulation No. 09/2010/CM/UEMOA on the external financial relations of the WAEMU Member States.

provision of services as well as the principle of freedom of capital movement which is essential for the development of the regional financial market;

- Harmonization and mutual recognition of technical standards and procedures for the approval and certification of the control of their observation.

C. Sectoral policies

The sectoral policies provided for in the Treaty reflect one of the Union's objectives, which is to ensure the conditions for balanced and sustainable development in the Member States.

Community policies focus on agriculture, spatial planning, crafts, education, livestock, energy, environment and water, public finance, industry, the common market, mining and oil, fisheries, socio-cultural matters, information and communication technologies (ICT), tourism and transport.

In addition to drawing up Community directives and texts to guide activity and promote development in these various fields, the Union pursues the objectives set within the framework of sectoral policies through its Regional Economic Program (REP).

Elaborated in 2004, the REP aims to strengthen the regional integration process and support economic growth through the implementation of structuring and integrating projects in all EU Member States. It is a five-year program, updated annually.

During the first phase (2006-2010), sixty-three (63) integration projects for approximately CFAF 3,470 billion were carried out. REP II, which covered the period 2010-2016, consists of 102 integrating projects with a total cost of CFAF 6.002 billion .

1.5 WAEMU's Population

From about 96 million inhabitants in 2010, WAEMU's total population reached 120 million in 2017. Population growth is in the order of 3%. Demographic dynamics also concern the spatial distribution of the population, which indicates increasing urbanization, although it varies from one country to another.

Table 2 : Total WAEMU population and population by country

	Data	Period
Total WAEMU population (in millions)	120	2017
	112	2015
	96	2010
Population by Country in 2017		
Benin		11 175 692
Burkina Faso		19 193 382
Cote d'Ivoire		24 294 750
Guinea-Bissau		1 861 283
Mali		18 541 980
Niger		21 477 348
Senegal		15 850 567
Togo		7 797 694

Source : World Bank

Table 3 : Profile and distribution of the WAEMU population

	Data	Period
Total WAEMU population (in millions)	120	2017
	112	2015
	96	2010
Average annual growth rate	3.1%	[2010-2015]
Proportion of men and women	49.7% - 50.3%	2010
Urbanization rate by country		
Benin	44.9%	2011
Burkina Faso	23.3%	2007
Cote d'Ivoire	51.2%	2016
Guinea-Bissau	42.6%	2016
Mali	22.7%	2009
Niger	16.3%	2016
Senegal	47.4%	2011
Togo	37.7%	2010

Source : UN census data

1.6 Employment in WAEMU

A. Labour Force

According to the International Labor Office, the labor force is made up of the population of working age who are without work, who are available to work and

who are actively seeking employment. In WAEMU, the active population of men is larger than that of women. It is also more important in rural areas than in urban areas. In most countries, it represents more than a third of the total population.

Table 4 : Labor force situation in WAEMU Member States

Labor force (in thousands)					
	Total population	Share of active population in total The population*	Men and women	Urban-Rural	Years
Benin	3 052	33.7%	1 472 - 1 579	1 294 - 1 758	2011
Burkina Faso	5 932	33.2%	3 001 - 2 790	1 465 - 4 467	2014
Cote d'Ivoire	8 710	36.4%	5 167 - 3 543	4 289 - 4 422	2016
Guinea-Bissau	-	-	-	-	-
Mali	5 533	30.2%	3 150 - 2 383	1 372 - 4 161	2016
Niger	6 139	39.0%	3 325 - 2 814	856 - 5 283	2011
Senegal	3 666	25.5%	2 184 - 1 481	1 867 - 1 798	2015
Togo	2 902	41.6%	1 448 - 1 454	1 196 - 1 706	2015

Source : ILOSTAT, (*) calculation using total population data from UN Census data

B. Unemployment rate

The unemployment rate is the number of unemployed people expressed as a percentage of the labor force. Unemployed persons within the meaning of the ILO are those aged 15 years and over, unemployed, available for a new job and actively seeking employment.

The table below shows that the unemployment rate is low in the various WAEMU Member States. However, it should be noted that a significant proportion of employment is informal and that unemployment data should be put into perspective with regard to underemployment, which is high

Table 5 : Unemployment situation in WAEMU Member States

Unemployment rate (in %)				
	Total	Men and women	Urban - Rural	Years
Benin	2.7	2.4 - 2.9	4.3 - 1.5	2011
Burkina Faso	6.5	3.9 - 9.3	7 - 6.3	2014
Cote d'Ivoire	2.6	2.1 - 3.4	4.5 - 0.8	2016
Guinea-Bissau	-	-	-	-
Mali	1.4	1.4 - 1.3	4.2 - 0.4	2016
Niger	-	0.4 - 0.2	2 -	2011
Senegal	6.8	6.4 - 7.3	10.1 - 3,3	2015
Togo	2.2	2.7 - 1.7	4.8 - 0.4	2015

Source : ILOSTAT

2 RECENT SITUATION IN THE REAL SECTOR AND OUTLOOK

2.1 Evolution of WAEMU's gross domestic product

Since 2012, WAEMU has recorded an annual economic growth rate of at least 6%, after the slowdown observed in 2011: barely 1% compared to 4.3% in 2010. The combined effects of an unstable global environment following the sovereign debt crisis in Europe, the post-electoral crisis in Côte d'Ivoire and the poor 2011/2012 agricultural season largely ex-

plain the economic situation in 2011.

Since 2011, economic activity has increased and maintained a dynamic growth trajectory driven mainly by domestic demand and the tertiary sector despite the challenges, particularly security challenges facing the region.

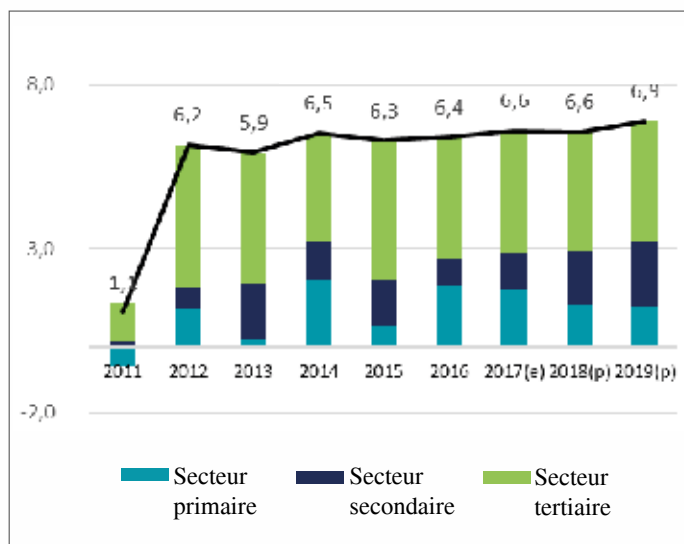
Table 6 : Evolution of nominal GDP and real growth in WAEMU

[WAEMU]	2012	2013	2014	2015	2016	2017 (e)	2018 (p)	2019 (p)
Nominal GDP (in billions of CFA francs)	45 317.1	48 336.3	52 078.7	56 293.5	59 910.1	64 215.9	69 579.0	75 603.2
Weight in the GDP (as a % of GDP)								
Sectoral weights								
Primary sector	25.5	24.6	24.7	25.3	25.7	25.5	25.0	24.7
Secondary sector	22.3	22.1	22.7	21.9	21.3	21.2	21.9	22.1
Tertiary sector	52.1	53.3	52.6	52.8	53.0	53.3	53.2	53.2
Demand factors								
Final consumption	18.7	19.0	22.7	24.0	29.1	27.5	27.4	28.0
Investment	23.6	25.6	24.1	24.1	22.6	23.2	24.2	25.3
Exports	28.2	26.3	25.6	24.9	23.3	23.4	22.7	21.7
Imports	29.5	29.2	27.6	27.1	25.0	25.9	25.6	25.0
Real GDP growth rate (in %)	6.2	5.9	6.5	6.3	6.4	6.6	6.6	6.9
Sectoral contribution to GDP growth (in percentage points)								
Primary sector	1.2	0.2	2.0	0.6	1.9	1.8	1.3	1.3
Secondary sector	0.6	1.7	1.2	1.4	0.8	1.1	1.6	2.0
Tertiary sector	4.4	4.0	3.3	4.3	3.7	3.7	3.7	3.7
Contribution of demand factors to GDP growth (in percentage points)								
Final consumption	5.5	3.4	5.2	5.4	5.7	4.2	4.6	5.1
Investment	3.9	5.7	0.9	3.8	2.3	1.3	2.2	2.7
Foreign trade	-3.2	-3.2	0.5	-2.9	-1.4	1.1	-0.2	-1.0

Source : BCEAO ; (e) : estimate ; (p) outlook

Economic activity in the WAEMU region was dynamic in 2018. The GDP growth rate stood at 6.6% in 2017 and 2018, slightly higher than in 2016 (6.4%). The growth rate in the region is higher than the average for sub-Saharan African countries (2.8% in 2017 and projected at 3.4% in 2018 according to the IMF). All countries in the region are on dynamic growth paths due to the gradual improvement in the international economic situation, massive public investment plans implemented and the increase in agricultural production in most countries. For the same reasons, real growth prospects in 2019 remain robust with an expected growth rate of 6.9%.

Figure 1 . Real economic growth rates and sectoral contributions



Source : BCEAO data

At the sectoral level

The primary sector, dominated by the agricultural sector dependent on climatic variations, represents more than a quarter of the total added value of WAEMU (more than 25.0% of GDP in 2017 and 2018). Agricultural production increased due to satisfactory rainfall and the continued implementation of projects aimed at developing agricultural activities. In 2017, food production increased by 6.1%. Cocoa production increased by 21.3%, mainly due to the good performance of production in Côte d'Ivoire (the world's leading producer).

Other speculations also recorded an increase in pro-

duction, particularly seed cotton: +9.7%; groundnuts: +6.7%, cashew nuts: +3.7%. The good performance of agricultural compensated for the decline in mining extraction.

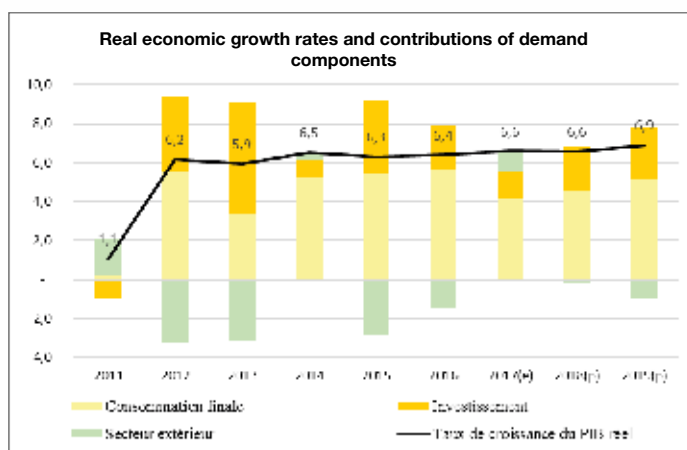
The secondary sector's contribution to GDP growth increased by 1.1 percentage points in 2017 and by 1.6 percentage points in 2018; it is expected to reach 2 percentage points in 2019 with renewed activity in the manufacturing industry and construction, which benefit from the sustained pace of public and private investment in infrastructure and the increase in electricity supply. In 2017, industrial production increased by 3.1% in the WAEMU, this increase was observed in most countries.

The tertiary sector remains the main driver of growth with a contribution of 3.7 points in 2018, due to the good performance of commercial activities and services, particularly transport, telecommunications and financial services.

On the demand side

The strength of economic activity in the Union is mainly based on domestic consumption. It is supported by strong public investment, strong food-crop production and low inflation in recent years. The contribution of foreign trade to growth is mostly negative or very low, due to imports being larger than exports. The contribution of exports was 3.3 points in 2016 and is estimated at 2.4 points in 2018 and 2.0 points in 2019.

Figure 2 . Real economic growth and contributions of demand components



Source : BCEAO data

2.2 Compliance with WAEMU convergence criteria

Under multilateral surveillance, the non-compliance by almost all States with the internal stability criteria should continue. This situation could eventually have a negative impact on the criteria of inflation and external debt sustainability, which are met by almost

all WAEMU countries. However, compliance with the criterion relating to the payroll ratio should improve as a result of the budgetary policies adopted by the Union Member States to consolidate public financial management and control payroll.

Table 7 : Number of States not complying with the convergence criteria

	Standard	2015*	2016	2017	2018	2019(p)
Primary						
Overall budget balance (including donations)/Nominal GDP	≥-3%	5	8	5	6	1
Average Annual inflation rate	≤3%	0	0	0	1	0
Outstanding domestic and foreign public debt/nominal GD	≤70%	0	1	1	1	0
Secondary						
Payroll/tax revenues	≤35%	5	5	5	5	5
Tax burden rate	≥20%	7	7	7	7	7

Source: WAEMU Commission, (*) I the number of convergence criteria was reduced from 8 to 5 in 2015 and the tax burden rate floor increased from 17 to 20%.

2.3 Monetary situation

The money supply increased at a sustained rate of around 11% per year over the period 2013-2018, through moderate to low inflation. Monetary policy was relatively accommodative over the period, in order to support the Union's particularly strong economic growth since 2012.

The money supply growth over the period 2013-2018 is mainly due to the increase in domestic credit, both

in terms of net credit to the State (+17.1% on average per year) and credit to the economy (+16.5% on average per year). In contrast, net foreign assets stagnated or declined (in 2016 due to shocks on cocoa prices), except in 2018 when they increased by 28.8% compared to 2017 due to euro bond issues in Côte d'Ivoire and Senegal.

Table 8 : Evolution of the consolidated monetary situation of WAEMU monetary institutions

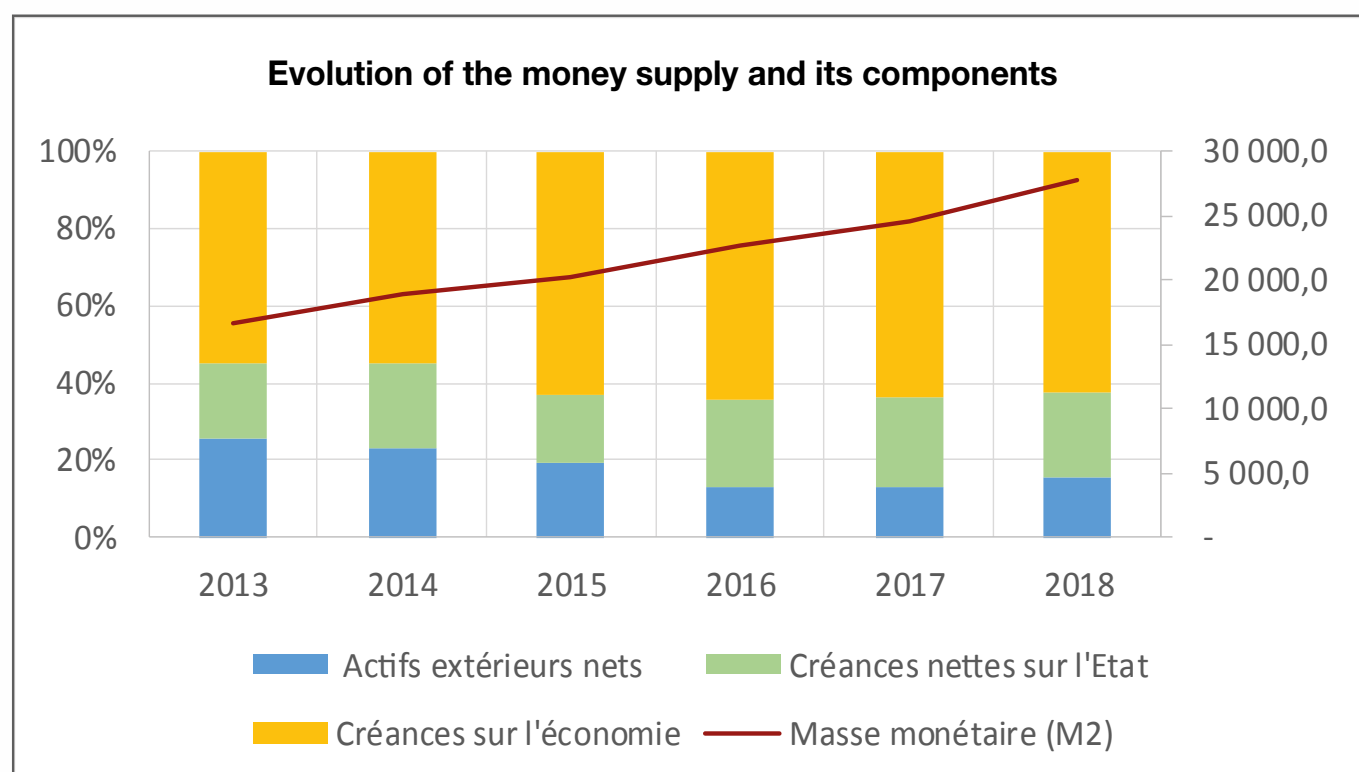
(in billions of CFA francs)	2013	2014	2015	2016	2017(e)	2018(e)
Net external assets	4 830.2	4 840.6	4 751.3	3 696.8	4 172.5	5 375.1
Domestic credit	13 883.0	16 407.9	19 615.6	24 715.7	27 438.0	30 023.8
Net credit to the State	3 614.2	4 715.6	4 305.8	6 387.2	7 276.8	7 960.8
credit to the economy	10 268.8	11 692.3	15 309.8	18 328.5	20 161.2	22 063.0
Money supply (M2)	16 568.1	18 958.3	20 242.6	22 717.3	24 649.8	27 715.1

Source : BCEAO

In terms of contribution to the money supply, the contribution of credit to the State has stagnated due to measures taken to consolidate public finances and reduce budget deficits. In addition, a decline in

the contribution to the money supply increase of net foreign assets was observed over the period despite a slight increase between 2017 and 2018 (see graph below).

Figure 3 : Evolution of the money supply and its components



Source : BCEAO

2.4 Banking system and financial markets

2.4.1 The banking environment

As at 31 December 2017, the WAMU banking system had 144 approved institutions, comprising 126

banks and 18 financial institutions of a banking nature. The number of ABMs and ATMs (Automatic Banking Machine / Automatic Teller Machines) stood at 2.584 and 3.217 respectively in 2017, compared with 2.542 and 3.010 in 2016

Table 9 : Evolution in CFAF billion of the assets of the Union's commercial banks

(in billions of CFA francs)	2015	2016	2017	2018
Assets / Liabilities	20 399.1	25 290.7	27 483.2	30 258.7

Source : BCEAO

According to the WAEMU's Monetary Policy Report of December 2018, commercial bank assets increased by a factor of 1.5 between 2015 and 2018, reflecting an increase in bank employment. The quality of the portfolio of the Union banks and financial institutions of a banking nature improved with regard to the gross deterioration rate, which stood at 12.4% in December 2018 compared with 14.0% at the end of December 2017. While the net deterioration rate of the banks' portfolio, taking into account the provisioning effort, stood at 4.7% at the end of 2018 compared with 5.6% at the end of December 2017.

2.4.2 Microfinance

The number of Decentralized Financial Systems (DFS) in WAMU is approximately 601 at the end of December 2018. People's access to financial services provided by microfinance institutions increased by 14.6%, with 14.290.490.490 beneficiaries over the period compared to 12.472.154 a year earlier. The number of service points is estimated at 4,390 in December 2018, an increase of 5.1% compared to the end of December 2017.

An examination of the intermediation indicators of the Union's DFSs shows an improvement in financial inclusion, despite a gross rate of portfolio deterioration that rose to 7.2% in December 2018 from 6.1% in December 2017, for a generally accepted standard of 3% in the sector.

In 2018, the number of deposits collected amounted to CFAF 1.301.4 billion compared to CFAF 1.149.4 billion in 2017, an increase of 13.2%. The average amount of savings per client was CFAF 91.069 at the end of December 2018 compared to CFAF 92.158 at the end of December 2017.

For all of WAMU's DFSs, savings collected represented 5.3% of all deposits held by the Union credit institutions, compared with 5.1% a year earlier.

2.4.3 The WAEMU Financial market

The WAEMU financial market is structured around the debt securities market (public and private bonds) and the equity market. The regional government securities market has two (2) components: the auction market and the syndication market.

The market for government securities by auction is organized and regulated by BCEAO through the Agence UMOA Titres while those for government securities by syndication, private bonds and shares are regulated by the Regional Council for Public Savings and Financial Markets (CREPMF) and organized by the Regional Stock Exchange (BRVM) and the Central Custodian/Regulatory Bank (CC/SB).

- **Organization of the market by syndication**

The WAEMU regional financial market is characterized by a mixed organization. Indeed, it consists of a public division consisting of the Regional Council for Public Savings and Financial Markets (CREPMF) and a private division which includes, on the one hand, the central structures of the Regional Stock Exchange (BRVM) and the Central Custodian / Settlement Bank (CC/SB) and, on the other hand, the commercial players.

CREMPF is the regional financial market regulator (FMR) of WAEMU. Its missions are among others to:

- ensure the authorization and control of public offering procedures;
- empower market management structures and approve commercial stakeholders;
- certify the tariffs of commercial stakeholders;
- regulate the functioning of the market;
- monitor the regularity of stock market transactions.

The BRMV is organized into a central base in Abidjan (Côte d'Ivoire) and represented in each Member State by a National Stock Exchange Bureau (NSEB). The main responsibilities of the BRVM are:

- authorizing stock market participants to exercise their activity;

⁷ Automated Securities and Liquidity Management System of the West African Monetary Union

- managing the market, in particular the centralization of purchase or sale orders, coastal management, the dissemination of market information, and the promotion and dissemination of financial literacy within WAEMU;
- managing unsettled transactions.

The Central Custodian/Settlement Bank (CC/SB) is a financial institution whose role is to:

- empower applicants to act as account keepers;
- ensure the settlement of negotiations and the management of the financial service of securities;
- maintain the current accounts of securities opened by the Management and Brokerage Companies (MBC) in its books;
 - ensure the custody and cashless circulation of securities;
- make cash payments, in its capacity as a settlement bank, on the balances of stock market transactions.

As part of the organization of syndicated issues, the States entrust the process of placing the securities to an underwriting syndicate, whose members are made up of MBCs approved by CREPMF. In addition, the issuer chooses a lead manager from among the syndicate members, in charge of specific tasks in the issuance process.

Since its creation, the main products on the regional financial market have been equities and bonds. In recent years, several new products such as mortgage refinancing and securitization (Sukuk Credit Securitization Pool) have been introduced.

Securities issued by syndication are traded in the secondary market on the BRVM's electronic trading platform.

- **Organization of the market by auction**

The auction market is a segment of the government securities market, on which WAEMU Member States issue Treasury bills and bonds following an auction procedure to finance their budgets.

Unlike the syndicated market, the auction market is driven by the following players:

- The Central Bank of West African States (BCEAO), which is the regulator of this market. As such, it

lays down the applicable provisions, intervenes in the organization of government securities auctions, manages the function of Central Custodian / Settlement Bank, the clearing, settlement of transactions between participants with an account in its books, through its electronic platform SAGETIL-WAMU;

- The States, which are the issuers of public debt securities on the Union money market, under the responsibility of the Minister in charge of Finance;
- the Agence UMOA Titres , a regional structure in charge of issuing and managing public debt securities, materially organizes issues and, as such, provides assistance to Member States in mobilizing resources on capital markets and managing their debt;
- Investors who are credit institutions, MBCs and regional financial institutions with a settlement account in the books of the Central Bank;
- Treasury Securities Specialists (TSSs), which are credit institutions and MBCs that have obtained the approval of the Ministers of Finance of WAEMU Member States to act in this capacity and thus benefit from the status of privileged partners of one or more Member States' Treasury on transactions in public debt securities issued on the regional market. Securities issued by auction are traded on the secondary market in accordance with the OTC procedure.

The capital market

Organized by the BRVM, the private capital market consists of public and private equity and bonds.

BRVM: Presentation and roles

The Regional Stock Exchange (BRVM) is a specialized financial institution created on December 18, 1996, in accordance with a decision of the Council of Ministers of the West African Economic and Monetary Union (WAEMU) taken in December 1993.

The BRVM is a public limited company with a community public service mission. This Stock Exchange is common to all 8 West African countries. BRVM/CC/SB started its activities on 16 September 1998 in Abidjan. Its main missions are as follows:

- o the organization of the stock market;
- o the publication of stock exchange transactions;
- o the dissemination of information on the Stock Exchange;
- o market promotion and development.

⁸ Automated Securities and Liquidity Management System of the West African Monetary Union

⁹ All other investors wishing to participate must go through the approved participants

¹⁰ The operationalization of SVTs in WAEMU began on 1 March 2016.

Evolution of the bond and equity market in the BRVM market

From 2016 to 2018, the WAEMU stock market (BRVM) experienced successive falls of -3.87% in 2016, -16.81% in 2017 and -29.14% in 2018. This underperformance shows that the WAEMU market did not fully resist the general downward trend that has affected the world's financial markets. The 2018 fall in the BRVM is particularly marked. The preferred stocks in 2015, oriented towards the food-processing and Beverage industries as well as the Agribusiness, Consumer, Automotive and Equipment Manufacturer and Banking sectors, fell.

The drop in prices on the BRVM in 2018 could be explained, on the one hand, by the profit-taking of several large investors who had made significant capital gains on their investment, and on the other hand, by the readjustment (rectification) after four (4) years of intensive market growth (2012 to 2015) and by the misunderstanding of the different market splits. New investors are speculating and most listed companies have not reacted to the fall in their capitalization.

During the 2018 financial year, the BRVM Composite Index rose from 243.06 on 29/12/2017 to 172.24 on 31/12/2018. The stock-market capitalization of the equity market increased from CFAF 6.836.23 billion at the end of 2017 to CFAF 4.844.51 billion at the end of 2018. BRVM also reached the CFAF 236 billion (CFAF 236.22 billion) mark in 2018. 117.303.543 shares were traded for a value of CFAF 174.449.217.023. The stock-market capitalization of shares amounted to CFAF 4,844.51 billion in December 2018 compared to 6,836.23 billion CFAF in December 2017, a drop of 29.14%.

Concerning the bond segment, 6.359.442 bonds were traded for a value of CFAF 61.767.647.783 in 2018. The market capitalization of bonds amounted to CFAF 3.444.22 billion at 31 December 2018, compared with CFAF 2.969.53 billion the previous year, an increase of 15.5%. This improvement was driven by the desire of WAEMU member states to use the regional financial market to support their respective economies.

Table 10 : Evolution of the BRVM financial market

	2012	2013	2014	2015	2016	2017	2018
BRVM Index 10	184.0	246.3	267.5	290.4	262.0	219.7	154.4
BRVM composite index	166.6	232.0	258.1	303.9	292.2	243.06	172.2
Composite market capitalization (shares and bonds) in CFAF billion	4 863.2	6 706.2	7 458.7	9 078.9	10 215.5	9 805.76	8 288.73
Equity Market	4 031.4	5 633.5	6 319.7	7 499.7	7 706.3	6 836.2	4 844.5
Bond Market	831.8	1 072.8	1 139.0	1 579.2	2 509.3	2 969.5	3 444.2
Number of listed companies	38	37	38	39	43	45	45

Source: BRVM

The regional market for public securities

In order to meet their financing needs, the Member States of the Union use two government securities investment methods : either by auction or syndication. In WAEMU, government securities auctions are conducted at multiple prices or rates, while syndications are conducted at fixed prices.

• Evolution of government securities issues

In 2018, the total amount of gross issuance on the regional public debt market amounted to 3.277.6 billion, for an initial forecast of 3.919.0 billion, compared to 3.700.1 billion in 2017. This decline is explained by the reduced presence of certain countries on the said market. As a result, net issuance amounted to 342.9 billion \$, compared with 1008.4

Table 11 : Gross issuance on the regional government securities financial market

(in billions of CFA francs)	2016	2017	2018
Bills	1 541.0	1 578.2	1 489.4
Bonds	2 871.0	2 121.9	1 788.2
Auction	1 969.7	1 165.2	943.9
Syndication	901.3	956.8	844.3
Total	4 412.0	3 700.1	3 277.6

Source : Agence UMOA-Titres

billion \$ a year earlier.

The majority of resource mobilizations on the regional financial market in 2018 were made in the Treasury bond segment, with a percentage of 54.6% compared with 57.3% in 2017 and 65.1% in 2016.

The total volume of issues by auction on the bond segment in 2018 amounted to 943.9 billion, down by 221.3 billion compared to 2017. Three- and five-year maturities were the most popular with mobilized amounts equivalent to 698.3 billion\$ and 194.2 billion\$ respectively, representing 94.6% of the total amount of bond issued by auction.

The volume of syndicated bond issues reached 844.3 billion \$ in 2018, down 112.5 billion\$ from 2017. States' preference was given to 7- and 8-year maturities, over which amounts of 487.6 billion and 294.9 billion respectively were mobilized, representing 92.7% of the total volume of syndicated bond issues . For all bond issues by auction in 2018, the

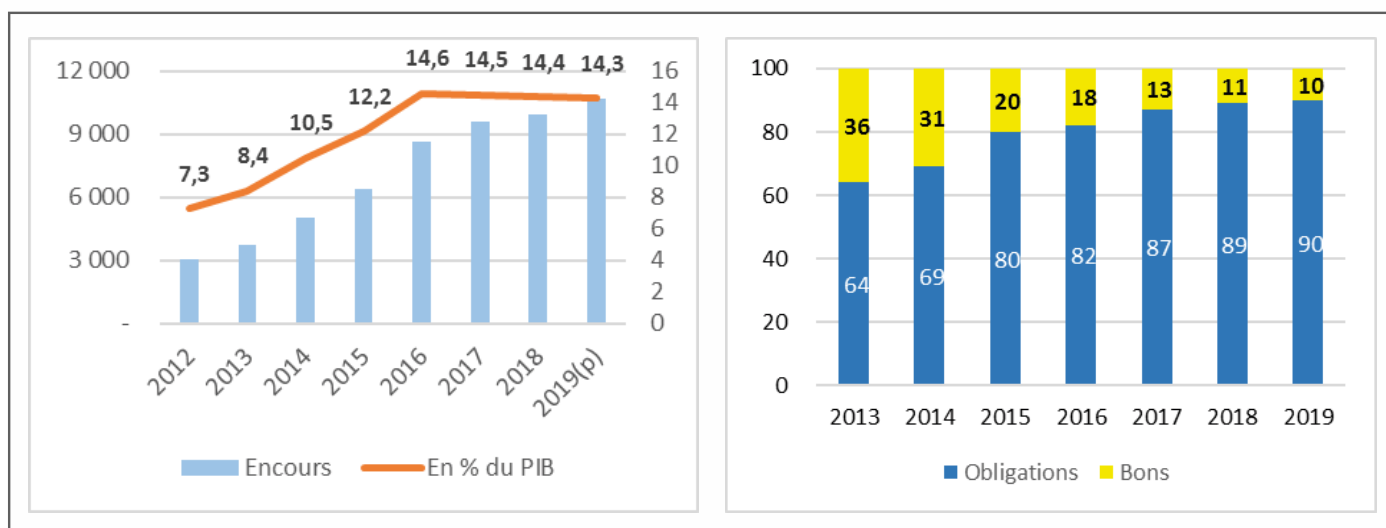
average rate of return was 6.29% compared to 6.61% a year earlier.

In the Treasury bill segment, seventy-one (71) issues were made in 2018, for a total amount of 1,489.4 billion\$, compared with an initial forecast of 1,204.0 billion\$. The 12-month maturity was the most requested, with forty-six (46) issues with a total value of 937.4 billion, or 62.9% of the total value of the bills.

- **Evolution of the outstanding debt on the regional market**

The overall outstanding of government securities increased to reach 9.972.7 billion or 14.4% of GDP at the end of December 2018, compared with 9.629.8 billion or 14.5% of GDP a year earlier. The structure of this outstanding amount is still dominated by bonds, which represent 89% of the total

Figure 4. Evolution of the outstanding debt on the regional market and its composition



Source : BCEAO, Agence UMOA-Titres

On the basis of the issuance programs collected from the Union Member States, the total amount of resources to be mobilized on the regional market would amount to 3.413.0 billion in 2019, an increase of 4.1% compared to the 2018 figures.

Maturities would fall to 2.631.4 billion\$ and net issuance would be positive at 781.6 billion\$, bringing the outstanding of government securities outstanding to 10.719.2 billion\$ at the end of December 2019, or 14.3% of GDP.

2.4.4 Debt Subscription Mechanisms

Any investor based in or outside the WAEMU region may invest in government securities issued by auction or syndication. Orders are placed through authorized market participants: investment syndicate or any MBC operating in the Union's territory as part of syndicated issues, and credit institutions established in the Union or MBCs with an account in the books of the Central Bank regarding issues by auction. Transactions on the BRVM share market are carried out through stock exchange intermediaries,

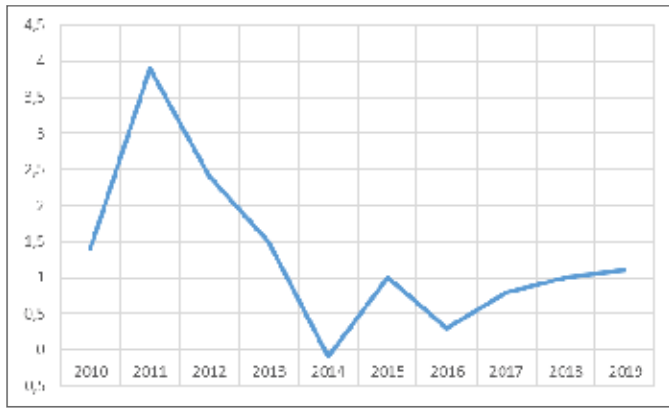
including MBCs.

2.5 Inflation rate

Inflation movements in the Union are linked to changes in food production, oil price fluctuations and terms of trade. Thus, over the period 2011-2014, inflation in the Union has been on a downward trend thanks to a good performance of food production, better supply to markets, a decline in local cereal prices combined with a decline in crude oil prices and an improvement in the terms of trade.

The increase in the inflation rate observed in 2015 can be attributed to the general increase in food prices, partly accentuated by unfavorable expectations of the results of the 2015-2016 cereal seasons in the Sahelian countries. As this situation was reversed in 2016, the inflation rate declined to an annual average of 0.3%. The 2017 inflation hike to 0.8% is attributable to the rise in local food prices. As a result of the rise in crude oil prices in 2018 and their impact on fuel pump prices, the inflation rate is expected to be 1%; and is expected to reach 1.1% in 2019.

Figure 5. The Evolution of the inflation rate in the WAEMU region



Source : BCEAO

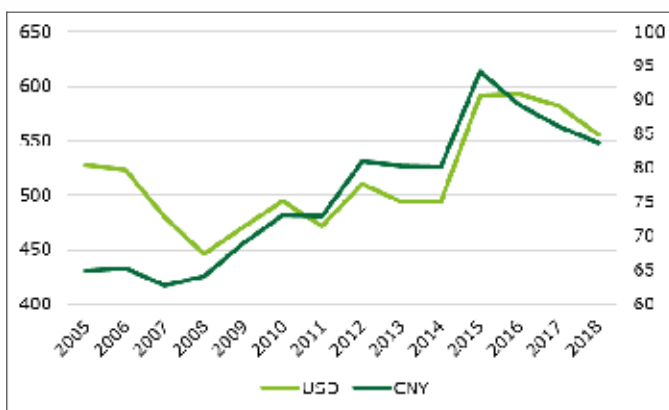
2.6 Exchange rates

The graph below shows the evolution of the exchange rates (quantity of CFA franc per unit of foreign currency) of the CFA franc against the US dollar (USD) and the Chinese yuan (CNY).

It appears that the changes in the exchange rate of the CFA franc against the US dollar and the Chinese currency are similar.

The CFA Franc depreciated against these two currencies over the period 2008-2015, peaking in 2015, before appreciating since then. These periods correspond to periods of depreciation and appreciation of the euro against the dollar.

Figure 6. Evolution of the Exchange rates



Source : BCEAO

2.7 Foreign reserves

The reserves of the eight (8) WAEMU member states are centralized at BCEAO level.

After a decrease in foreign exchange reserves in 2016 due to the decline in the mobilization of external resources by governments, the decline in private capital inflows and the increase in banks' external commitments, foreign exchange reserves improved by 10% in 2017, standing at CFAF 7.184.2 billion. They are expected to increase in 2018 to CFAF 7.613.0 billion, mainly due to the repatriation by Côte d'Ivoire and Senegal of the proceeds of Eurobonds issued on international markets in 2017 and 2018.

Thus, the level of the Union's foreign exchange reserves in 2017 ensures a coverage rate for monetary issuance of 73.4% compared with 68.2% in 2016; and has stabilize the decline in the monthly coverage of the imports of goods and services at its 2016 level, i.e., 4.2 months.

According to data from the Monetary Policy Report at the end of June 2019, estimates for 2018 show an improvement in the coverage rate of monetary issuance to 77.1% and an increase in the coverage of reserves in months of imports of goods and services to 4.7%.

Table 12 : Foreign exchange reserves of WAEMU monetary institutions

(in billions of CFA francs)	2012	2013	2014	2015	2016	2017
Reserve assets	7 088.3	6 623.0	7 065.9	7 522.7	6 529.4	7 184.2
Monetary gold	1 002.0	708.4	760.5	780.1	840.3	811.2
Foreign currencies	17.9	36.4	12.2	20.5	17.1	14.6
Deposits and securities included in official reserves	5 436.5	5 159.6	5 648.3	5 975.6	5 113.3	5 699.1
Reserve position in the IMF	24.5	23.7	25.4	27.2	206.5	192.4
Special drawing rights	607.4	694.9	619.6	719.2	352.2	466.9

Source : BCEAO



3 FOREIGN TRADE AND BALANCE OF PAYMENTS

3.1 Balance of payments

In 2017, WAEMU's economic and financial transactions with the rest of the world resulted in a positive overall balance of CFAF 304.1 billion, unlike the years 2015 and 2016, which recorded deficits of CFAF 946.8 billion and CFAF 189.8 billion respectively. This significant improvement resulted from an increase in net inflows in the capital and financial accounts, partly offset by the widening in the current account deficit.

The structural current account deficit is expected to reach 6.6% of GDP in 2017, up 1.3 percentage points from 2016, in line with the widening deficit in the balance of goods and services and the primary income account. The trade deficit widened due to imports (+11.2%) growing faster than exports (+7.7%).

The increase in imports is attributable in particular to the rise in oil prices, coupled with the rise in demand, as well as to the continued momentum in the acquisition of capital goods and intermediaries.

As for the increase in exports, it is driven by the increase in sales of oil (+7.1%), cotton (+40.8%) and gold (+9.7%), it is mitigated by the drop in cocoa revenues, following the fall in prices of around 30%. As for the capital account, its surplus increased by 9.3% compared to the previous year, mainly due to the increase in project donations. Including capital transactions, the financing requirement stood at 3,011.6 billion \$ in 2017, up 43% from the previous year. 111.5% of this requirement was covered by net capital inflows from the financial account.

The strong increase in net inflows to the financial account in 2017 was mainly due to portfolio investment flows, mainly due to Eurobond issues by Côte d'Ivoire, Senegal and the West African Development Bank (WADB) for a net amount of 1.682.0 billion. The consolidation of the financial account was also supported by the increase in foreign direct investment (+22.9%) and net public borrowing (+11.1%).

Table 13. WAEMU balance of payments statistics

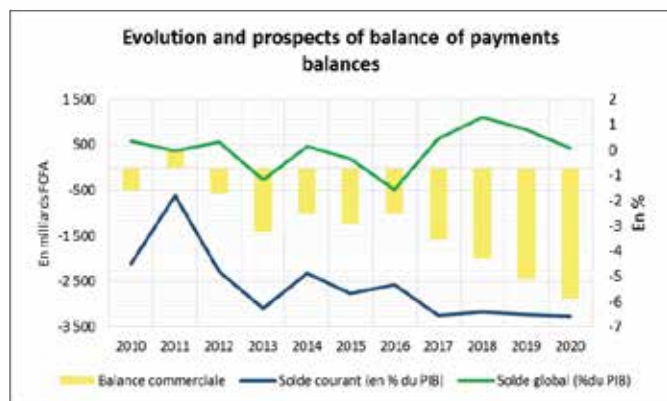
WAEMU (Billions of CFA francs)	2012	2013	2014	2015	2016	2017 (est.)
Current Account	-2 174.7	-3 031.5	-2 547.1	-3 200.7	-3 202.0	-4 209.6
Balance of goods and services¹	-2 872.6	-4 347.7	-4 015.8	-4 488.2	-4 335.3	-5 145.1
Exports of FOB goods:	12 798.4	12 701.3	13 340.5	13 996.8	13 956.4	15 029.9
of which Oil	2328	1 846.1	1 679.8	1 421.2	1 120.5	1 200.0
of which Gold	2 840.3	2 318.1	2 290.5	2 535.9	2 952.5	3 236.7
including Cocoa	1 727.7	1 939	2 302.9	3 045.4	2 748.6	2 907.8
of which Cotton	585.7	679.6	743.8	734.7	628.2	884.8
of which Rubber	412.8	376.7	302.7	298.8	329.5	489.7
of which Uranium	338.7	302.7	240.5	240.8	177.7	169.6
of which phosphoric acid	162	95.6	67.0	84.1	124.1	119.4
of which cashew nuts	269.7	275.283	514.8	650.6	728.4	942.7
imports of CIF goods	16 195.3	16 810.0	16 879.3	17 879.2	17 512.2	19 468.4
of which Food products	2 916.4	2 942.3	3 193.8	3 297.5	3 413.9	3 818.3
of which Other consumer goods	2 023.6	1 989.3	2 267.9	2 407.7	2 535.8	3 045.7
of which Petroleum products	4 355	4 030.0	3 851.9	3 312.6	2 875.8	3 487.0
of which Intermediate goods	2 613.5	3 003.9	2 941.8	3 309.7	3 178.6	3 474.0
of which Capital goods	3 154.4	3 394.8	3 541.3	4 127.9	3 947.8	4 415.9
of which Other imports	1 132.2	1 449.7	1 082.7	1 423.8	1 560.3	1 227.5
Other imports - Of which intra-WAEMU	2 111.7	2 073.85	2 230.6	2 236.1	2 245.8	2 340.5
Primary income balance	-1 014.7	-1 028.4	-1 067.2	-1 237.3	-1 462.7	-1 762.7
Secondary income balance	1 712.6	2 344.6	2 535.9	2 524.8	2 596.0	2 698.2
Capital account	4 921.4	1 189.3	1 168.7	1 158.1	1 095.8	1 198.0
Acquisition/sale of non-financial assets	32.7	10.1	9.4	-6.8	-6.4	1.8
Capital transfers	4 888.6	1 179.2	1 159.3	1 164.9	1 102.2	1 196.2
Financial account	2 844.2	-1 957.2	-1 972.1	-2 676.4	-2 420.8	-3 358.3
Direct investment	-1 002.0	-1 271.0	-1 023.6	-1 068.1	-884.9	-1087.1
Portfolio investment	-266.3	-59.1	-734.2	-1 111.1	-1 168.1	-1 859.7
Financial derivatives	0.0	0.0	0.0	0.3	0.0	-3.0
Other investments	4 112.6	-627.1	-214.3	-497.5	-367.9	-408.6
Net errors and omissions	-39.8	28.7	-40.8	-71.7	-59.9	-7.8
Overall balance	-137.351	143.7	553.0	562.1	254.7	338.9
Statistical adjustment	279.5	-711.8	-478.5	-752.0	-1201.5	-34.8

Source : BCEAO

¹Exports and imports excluding intra-UEMOA trade

The current account deficit in the balance of payments is expected to decline slightly in 2018 to 6.4% of GDP from 6.6% in 2017. It is expected to remain around 6.5% over the 2019-2020 period in line with a widening trade balance due to the high level of investment spending in the Union. The overall balance, while positive, is also expected to decline over the period, reflecting a lower accumulation of foreign exchange reserves.

Figure 7. Evolution of the characteristic balances of the WAEMU balance of payments



Source : BCEAO

3.2 International Trade

3.2.1 Trade Policy

West African countries are engaged in numerous trade negotiations at regional (integration process), bilateral (Interim Economic Partnership Agreement - IEPA) and multilateral (World Trade organization - WTO and regional EPA) levels.

Good coordination between the various regional and international negotiations (CET; EPA; WTO, AGOA, etc.) is essential to achieve the trade performance objectives of WAEMU Member States.

National and regional trade policies in West Africa depend on different spaces. Indeed, the regional negotiating space is structured around the following elements:

- the finalization of the Common External Tariff (CET) at ECOWAS level, and therefore on the establishment of a Customs Union;
- a bilateral negotiating space, in particular between the West African region and the EU, for the EPA;
- a multilateral negotiating space, which refers to WTO rules, of which all West African States are members (with the exception of Liberia, which

has observer status)). It should be noted that each country negotiates individually and that WAEMU and ECOWAS only have ad hoc observer status in the WTO Trade and Development Committee.

With regard specifically to WAEMU, it has a common commercial policy based in particular on:

- A common market established on 1 July 1996 for local and unprocessed (raw) products (Union products of animal, mineral and plant origin) and traditional crafts, and until 1 January 2000 for approved industrial products. This common market was extended to all ECOWAS countries in 2004;
- A Customs Union established on 1 January 2000, based on a CET applicable to all WAEMU member countries, which includes four product categories, taxed from 0 to 20%, in force until 1 January 2015, the date on which the WAEMU CET was replaced by the ECOWAS CET, which provides for the enlargement of the Customs Union to include the 15 ECOWAS countries.

- Common rules of origin and competition, harmonization of the VAT and excise duties, harmonization and mutual recognition of standards, safeguard and common protection measures (digressive protection tax (DPT), export short-term tax (EST), reference values and anti-dumping duty).

WAEMU also has a regional trade promotion program, a "Regional Strategy for the Implementation of the WAEMU Aid for Trade Program" and a "Logical Framework for the Implementation of the WAEMU Aid for Trade Program"

The overall objective of the Aid for Trade strategy is to help Member States increase their exports of goods. The logical framework provides the basis for a program involving international donors, as well as national and regional financial institutions. It identifies five specific objectives corresponding to the categories of Aid for Trade:

- Ensure ownership and control of trade policies and regulations by Member State and Commission experts;
- Develop intra-regional and international trade of Member States;
- Strengthen trade-related infrastructure in the sub-region;
- Diversify and increase the production capacities of Member States;
- Make necessary adjustments and take into account others trade related needs.

Needs and priorities were identified on the basis of the Regional Economic Program (REP), which constitutes the reference framework for the WAEMU integration process, as well as existing capacity building programs in the different States.

- **Common external tariff**

The rules in force at ECOWAS borders in terms of customs policy are those laid down by the ECOWAS Common External Tariff (CET). The applicable rules of origin are defined by the Trade Liberalization Scheme (TLS).

The CET aims to harmonize tariffs and taxes with a view to deepening economic integration through the establishment of a Customs Union, the establishment of a platform to build the common trade policy and regional trade negotiations such as the EPA; stimulate regional production and investment capacity, and consolidate the regional market.

TEC is organized around:

- (i) A Tariff and Statistical Nomenclature (TSN), i.e. a common customs nomenclature based on the Harmonized Commodity Description and Coding System (HS) of the World Customs Organization (WCO) adopted by the Community;
- (ii) A table of duties and taxes applicable to imported products which includes: customs duty (CD), statistical charge (SC) and ECOWAS Community levy (ECOWAS CL);
- (iii) Trade defense measures or additional protection measures, if any, which may generate duties which may influence the final price of products imported into the Community from third countries;
- (iv) The statistical royalty rate set at 1% applicable equally to all imported products, whether exempt or not;
- (v) The tax base for the application of the common external tariff is ad valorem.

The CET's customs duty structure is presented in the following table:

Category	Description	Rate
0	Essential social goods	0 %
1	Basic raw materials and capital goods	5 %
2	Intermediate products	10 %
3	Final consumption goods	20 %
4	Specific goods for economic development	35 %

The CET was established in accordance with the requirements of the World Customs Organisation (WCO) Harmonized System and the World Trade Organization (WTO) requirements on Regional Trade Agreements (Article 24 of the GATT).

- **Specific rules applicable to the foreign trade in goods of ECOWAS countries**

Several trade regimes are in place within ECOWAS. The following table shows the existing regimes according to trading partners.

PARTNERS	SPECIFIC REGIMES
European Union (EU)	IEPA, GSP, GSP+, TSA
ECOWAS	CET, TLS
Rest of AFRICA	Bilateral agreements
USA	AGOA
ASIA	Bilateral agreements
Other industrialized countries	Generalized System of Preferences (GSP)
Rest of the world	Bilateral agreements, GSP

Pending the application of the EPA, different tariff regimes apply depending on the status of countries in trade between the ECOWAS and the EU:

- **Côte d'Ivoire and Ghana** ratified interim EPAs in 2016. The Cote d'Ivoire EPA has been in provisional application since 4 September 2016 and the Ghana EPA has been in force since 15 December 2016. These interim EPAs guarantee these two countries full access to the European market and provide for the eventual liberalization of 80% of tariff lines by Côte d'Ivoire and Ghana over a period of 15 years;
- Under the GSP, **Nigeria** benefits from a reduction in European customs duties on about 1/3 of tariff lines and a total exemption from customs duties on 1/3 of additional tariff lines
- **Cabo Verde** benefits from the GSP+ which grants an exemption from European customs duties on approximately 2/3 of the tariff lines;
- **The twelve other countries** (including the seven WAEMU countries outside Côte d'Ivoire), because of their LDC status, benefit from the Everything But Arms GSP, which gives them access to the European market for all their exports to the EU without duty or quota.

3.2.2 International trade in value and by destination

Total exports from WAEMU countries increased between 2012 and 2017, from CFAF 11.201 billion to CFAF 14.542 billion in 2017. The Union's main export partner in 2017 is Europe (CFAF 6 413 billion), followed by the rest of Africa (CFAF 3 795 billion), Asia (CFAF 2 981 billion) and finally America (CFAF 1 149 billion). In 2012, the rest of Africa was WAEMU's main export partner, with Europe coming in second place.

Total imports from WAEMU countries increased between 2012 and 2017, from CFAF 14.830 billion in 2012 to CFAF 17.511 billion in 2017. Their main import partner in 2017 is Europe (CFAF 7.442 billion), followed by Asia (CFAF 6.496 billion). The rest of Africa and America lag far behind, with imports from these regions amounting to CFAF 2.206 billion and CFAF 1.156 billion respectively in 2017. In 2012, Europe was already WAEMU's main import partner, but Africa was ahead of Asia.

¹² Exports in FOB value; Imports in cif value, including intra-UEMOA trade

Table 14 : Evolution of UEMOA trade by country/partner zone

	2012	2013	2014	2015	2016	2017
TOTAL EXPORT ¹³ (in CFAF billion)	11 201.27	13 366.51	12 740.58	13 936.26	13 707.14	14 541.83
EUROPE	3 862.70	4 093.96	4 124.10	5 351.31	5 976.31	6 412.95
Euro zone	2 746.61	3 200.44	2 983.77	3 622.85		
France	841.30	969.85	877.63	897.79		
Germany	453.15	432.20	303.65	458.78		
Italy	206.15	175.55	247.94	250.51		
The Netherlands	566.75	686.27	776.98	939.64		
The United Kingdom	202.66	181.35	216.00	235.04		
AFRICA	4 578.58	5 777.58	4 859.82	4 965.75	3 865.41	3 795.42
ECOWAS (excluding WAEMU)	1 398.68	2 030.44	1 104.06	1 001.57		
CEMAC	240.26	336.46	415.80	233.79		
South Africa	910.43	997.23	1 223.56	1 070.30		
AMERICA	912.21	1 484.44	1 048.57	1 020.80	1 123.99	1 148.80
United States	491.23	1 079.14	726.47	760.18		
Canada	241.59	220.08	183.84	94.94		
Brazil	116.12	60.61	70.67	77.06		
ASIE	1 647.85	1 812.66	2 450.01	2 409.48	2 590.65	2 981.07
China	356.00	392.00	340.44	351.83		
Japan	52.25	15.01	8.82	19.83		
India	474.73	405.08	683.31	706.68		
TOTAL IMPORT (in CFAF billion)	14 830.48	16 509.61	15 420.08	17 160.42	16 276.52	17 510.71
EUROPE	5 599.33	5 792.63	5 719.71	6 596.86	6 591.99	7 442.05
Euro zone	3 885.51	4 516.44	4 501.92	5 339.45		
France	1 870.87	1 879.99	2 011.43	2 461.35		
Germany	354.42	406.68	452.44	484.34		
Italy	251.39	246.11	281.88	448.35		
Pays-Bas	413.99	899.64	667.94	591.41		
United Kingdom	568.64	313.25	300.47	317.51		
AFRICA	4 461.80	4 974.43	4 667.95	4 275.24	2 067.12	2 206.35
ECOWAS (excluding WAEMU)	2 081.26	2 155.18	1 554.89	1 241.01		
South Africa	258.19	253.40	78.34	67.94		
Marocco	140.16	201.67	1 479.83	1 225.17		
AMERICA	1 504.93	2 448.72	606.44	675.64	1 350.95	1 155.71
United States	589.56	1 119.56	66.94	74.36		
Brazil	233.02	227.63	4 493.84	5 688.74		

¹³ Exportations en valeur FOB ; Importations en valeur CAF, y inclus échanges intra-UEMOA

Source : BCEAO

3.2.3 International trade in value and by product

The region's exports include cocoa products, cotton, cashew nuts, and chemicals. They have increased over the 2012-2017 period. In contrast, exports of

rubber and petroleum products declined in value. Imports of food, intermediate and capital goods increased over the period 2012-2017, and imports of energy commodities decreased.

Table 15 : Evolution of WAEMU trade by product

	2012	2013	2014	2015	2016	2017
TOTAL EXPORT ¹⁴ (in billion of CFA francs)	11 201.27	13 366.51	12 740.58	13 936.26	13 707.14	14 541.83
Cocoa products	1 892.15	2 237.17	1 615.29	3 310.20	2 741.43	2 762.95
Cotton products	473.44	518.50	475.43	539.91	685.36	872.51
Cashew nuts	270.55	282.37	457.63	604.13		
Rubber	452.89	415.70	168.42	318.93	274.14	436.25
Gold	1 512.02	1 478.92	1 386.93	1 968.33		
Petroleum products	2 417.92	2 229.05	1 174.64	1 516.25	1 096.57	1 308.76
Chemical products	508.73	442.01	343.75	484.57	548.29	581.67
TOTAL IMPORT (in billion of CFA francs)	14 830.48	16 509.61	15 420.08	17 160.42	16 276.52	17 510.72
Food products	3 068.84	3 141.34	2 570.62	3 407.17	3 743.60	4 377.68
Energy products	4 412.58	4 555.14	2 862.18	3 512.84	2 929.77	3 502.14
Intermediate goods	2 814.92	2 952.99	6 757.70	3 356.78	3 418.07	3 502.14
Capital goods	3 338.43	5 231.71	2 965.05	5 391.20	4 557.43	4 552.79

¹⁴Exportations en valeur FOB; Importations en valeur CAF, y inclus échanges intra-UEMOA

Source : BCEAO

3.3 Regional trade

3.3.1 Regional trade policy

Regional trade policy in the making is governed by the provisions set by ECOWAS, most of which take over from those of WAEMU and extend them to all ECOWAS Member States through adjustments.

This policy aims to promote the harmonious integration of the region into the world economy, taking into account the political choices and priorities of States in their efforts to ensure sustainable development and reduce poverty.

The process of developing this common trade policy consists first of all in defining its constituent elements: the free trade area, the CET, accompanying measures (rules of origin, investment and competition legislation, safeguard measures, harmonization of customs procedures), as well as the various actions aimed at developing ECOWAS' trade relations with the rest of the world.

While there is currently no common ECOWAS trade policy as such, in the sense of a Community text adopted by the Heads of State and Government, a number of measures have already been implemented, which will serve as a basis for the common trade policy:

- the trade liberalization scheme (TLS);
- the introduction of a Community levy (CL) of 0.5%;
- the TRIE Convention;
- the harmonization of the rules of origin with those of WAEMU;
- harmonization of standards with WAEMU;
- the adoption of a competition law;
- the harmonization of indirect domestic tax legislation;
- the adoption of the ECOWAS's CET.

The ECOWAS Trade Liberalization Scheme (ETLS) is the main operational tool for promoting the West African region as a Free Trade Area. ETLS pursues the Community objective of creating a common market with "the liberalization of trade through the abolition of customs duties on imports and exports and the removal of non-tariff barriers among Member States (Article 3 of the ECOWAS Treaty).

The ECOWAS Trade Liberalization Scheme covers three (3) product groups: unprocessed products, handicrafts and industrial products.

With the inclusion of industrial products, it has proven essential to define products "originating" in the ETLS region:

- (i) fully processed goods; products in which all the raw materials comes from the region;
- (ii) goods that are not fully processed but whose production requires the use of materials that will be classified under a different tariff subheading than the product;
- (iii) goods that are not fully processed but whose production requires the use of materials that have undergone an added value of at least 30% of the ex-factory price of the finished products.

It should be noted, however, that goods processed in free zones or under special economic regimes leading to the suspension or partial or total exemption from import duties cannot benefit from the quality of the originating product.

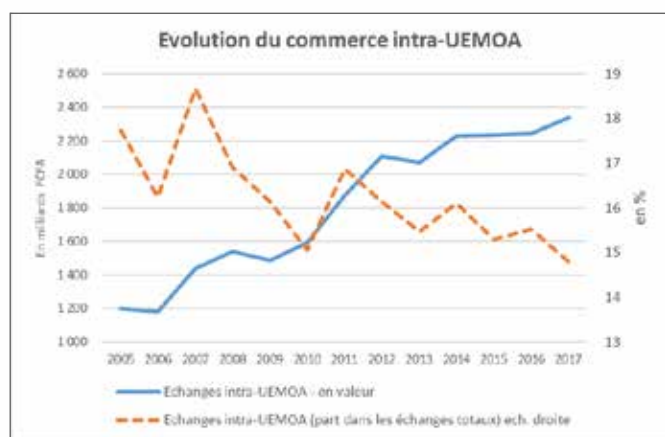
In order to contribute to trade facilitation and private sector promotion, the ECOWAS is implementing actions to strengthen information systems and promote regional trade (ECOBIZ Global Market Information System; West African Investment Promotion Agencies (APIAO); e-commerce through the ECOBIZ platform, Community Information Centre (CIC), ALI-SA system (transit computerization and interconnection of ECOWAS customs IT systems)).

These results mark significant developments towards the implementation of a Community trade policy.

3.3.2 Evolution of intra-regional trade

According to available BCEAO data, total intra-WAEMU trade for 2017 is estimated at 2.340.5 billion, compared with 2.245.8 billion in 2016, an increase of 4.2%. The share of intra-WAEMU trade in total trade is currently around 15%. The Intra-WAEMU trade remains dominated by petroleum products (around 30% of intra-WAEMU trade). This is because "landlocked" countries such as Mali and Burkina Faso are dependent on coastal countries for their imports, including Niger, which has oil and a refinery. These products are followed by food preparations (milk, broths, etc.), unprocessed and local products (cereals, vegetables, live animals) and edible oils.

Figure 8. : Evolution of intra-WAEMU trade



Source : BCEAO

3.4 Foreign Direct Investment

3.4.1 FDI by country of origin and sector

Net inflows of foreign direct investment (FDI) are estimated at 1.087.1 billion\$ in 2017, compared to 884.9 billion\$ in 2016 and \$1,068.1 billion in 2015. This represents an increase of 22.9% in 2017 compared to 2016.

In terms of sectoral distribution, available data show that in 2016; more than half of the FDI flows recorded in the Union (59.5%) are destined for the extractive industries sector. This sector is followed by financial intermediation (11.8%), manufacturing industries (9.7%), telecommunications (8.7%) and trade (5.9%).

Data indicate that capital comes mainly from the euro area, which accounts for about 28.3% of flows, followed by Africa (9.8%) and Asia (6.1%). European countries outside the euro zone are also present, mainly in gold exploration and mining activities. These are mainly groups from Denmark, the United Kingdom and Switzerland.

Cote d'Ivoire (30.2%), Burkina Faso (22.8%), Niger (16.5%), Mali (15.1%) and Senegal (13.5%) accounted for about 98.1% of the gross FDI flows received by the Union in 2016.

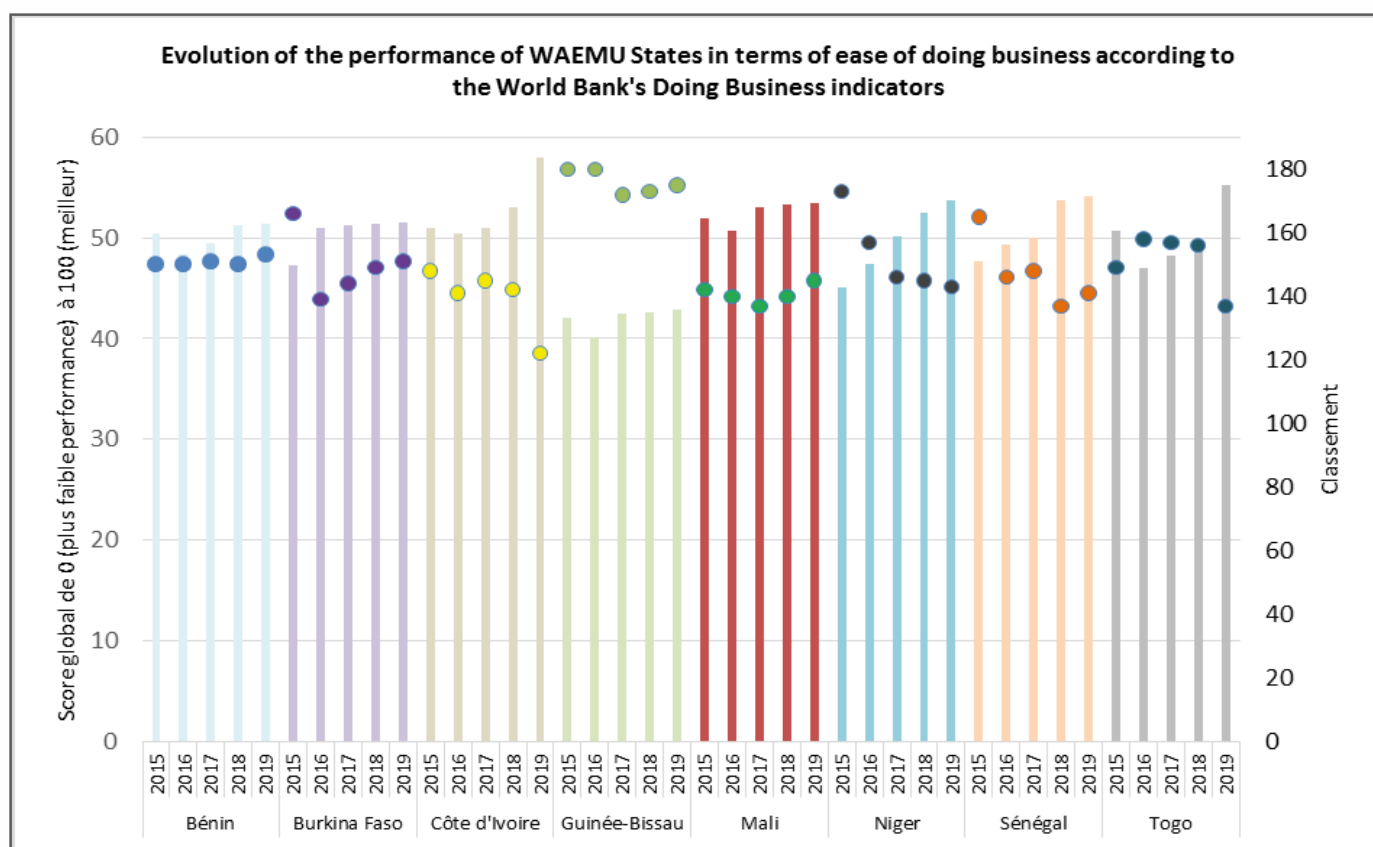
4- CREDIT QUALITY

4.1 Business climate

Over the past five years, the business climate performance of WAEMU countries has improved overall, as shown by the positive evolution of overall scores as shown in the graph below. However, these developments are still not reflected in the international rankings. The efforts of the countries of the region

are still below the progress made in other countries of the world: Côte d'Ivoire, the region's top-ranked state at Doing business 2019, ranks 122nd out of 190.

Figure 9: Evolution of the business climate according to the World Bank's Doing business indicators



Source : data from <http://français.doingbusiness.org/fr/custom-query>; (ranking = point cloud; overall score = histogram)

Overall governance as measured by the Mo Ibrahim Index has improved in most of the Union countries. Their performance remains above the African average. But their ranking is concentrated in the inter-quartile rank. The highest rated country in the region

ranked in 10th position. However, significant progress has been observed in all the Union countries, particularly in the areas of Participation and Human Rights, and Human Development.

Table 16 : Evolution of the Mo Ibrahim index on global governance at the level of WAEMU States

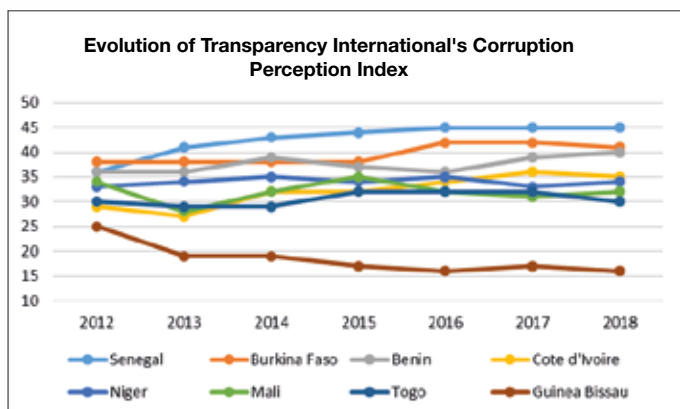
Etats	rank/54	2017 Score /100	2008-2017 trend	Trend on the themes
Benin	13 ^e	58.7	-0.1	- Sécurité et Etat de droit (-5.3) - Participation et Droits humains (+4,0) - Développement économique durable (-2.1) - Développement humain (+3.0)
Burkina Faso	16 ^e	57.1	+4.8	- Sécurité et Etat de droit (-2.5) - Participation et Droits humains (+8.9) - Développement économique durable (-0.6) - Développement humain (+13.4)
Côte d'Ivoire	22 ^e	4.5	+12.7	- Sécurité et Etat de droit (+15.4) - Participation et Droits humains (+15.9) - Développement économique durable (+8.0) - Développement humain (+11.4)
Guinea-Bissau	42 ^e	40.2	+0.9	- Sécurité et Etat de droit (-4.5) - Participation et Droits humains (+3.4) - Développement économique durable (+1.0) - Développement humain (+3.6)
Mali	28 ^e	50,1	-4.0	- Sécurité et Etat de droit (-11.1) - Participation et Droits humains (-10.5) - Développement économique durable (+0.9) - Développement humain (+4.5)
Niger	24 ^e	51.2	+5.6	- Sécurité et Etat de droit (-0.3) - Participation et Droits humains (+8.4) - Développement économique durable (+6.3) - Développement humain (+8.0)
Senegal	10 ^e	63.3	+5.9	- Sécurité et Etat de droit (+2.7) - Participation et Droits humains (+5.3) - Développement économique durable (+4.2) - Développement humain (+11.7)
Togo	30 ^e	49.1	+5.2	- Sécurité et Etat de droit (-1.4) - Participation et Droits humains (+5.6) - Développement économique durable (+7.3) - Développement humain (+9.4)
Human Development				
ECOWAS		54.3	+3.2	- Sécurité et Etat de droit (+0.1) - Participation et Droits humains (+5.0) - Développement économique durable (+1.9) - Développement humain (+5.9)
African average		49.9	+1.0	- Sécurité et Etat de droit (-2.5) - Participation et Droits humains (+2.9) - Développement économique durable (+0.1) - Développement humain (+3.5)

Source : <http://mo.ibrahim.foundation/2018-iiag-key-findings-fr/>

On a scale from 0 (highest level of corruption) to 100 (no corruption), all the Union countries score below 50. Progress over the past five years has remained moderate, leading in most cases to an increase of less than 5 percentage points. The Member States

of the Union should therefore pursue their efforts to fight corruption with greater determination.

Figure 10: Evolution of the Transparency International Index on corruption at the level of WAEMU States



Source : <https://www.transparency.org/cpi2018>

Out of 180 countries, almost all of the Union Member States are ranked in the second half of the table. They fell (except Mali and Benin) in the ranking between 2017 and 2018. The country with the highest ranking in the Union (Senegal) ranks 67th.

Table 17 : Evolution of rankings out of 180 countries

	Classement 2018	Changement 2017-18
Senegal	67	↓ 1
Burkina Faso	78	↓ 4
Benin	85	→ 0
Cote d'Ivoire	105	↓ 2
Niger	114	↓ 2
Mali	120	↑ -2
Togo	129	↓ 12
Guinea Bissau	172	↓ 1

Source : <https://www.transparency.org/cpi2018>

4.2 Financial ratings

The positive evolution of the Union countries' credit ratings is based on several factors, the first of which is the level of economic growth in the region over the past several years. Institutional reforms, as well as those undertaken to reduce fiscal and external imbalances and strengthen the effectiveness of public policies, have contributed positively to the financial ratings of the Union Member States.

On the other hand, the low level of the average per capita income and the still high level of impoverishment of the population, the low diversification of economies, the significant political and security risks in some countries and the level of debt, largely explain why credit risk is considered high by international rating agencies (countries in the speculative category).

Table 18 : History of international financial ratings of WAEMU Member States

	Agency	Rating	Perspective	Date
Benin	S&P	B+	stable	5-juil.-18
	S&P	B	stable	20-févr.-12
	Fitch	B	stable	15-sept.-04
Burkina Faso	S&P	B	stable	26-mai-17
	S&P	B-	positive	27-mai-16
	S&P	B-	stable	5-déc.-14
	S&P	B	negative watch	3-nov.-14
	S&P	B	stable	6-août-08
	S&P	B	positive	6-juil.-06
	S&P	B	stable	5-mars-04
Cote d'Ivoire	Fitch	B+	stable	18-déc.-15
	Moody's	Ba3	stable	5-nov.-15
	Fitch	B	positive	11-juil.-14
	Moody's	B1	positive	8-juil.-14
Mali	Moody's	B3	stable	26-févr.-19
Senegal	S&P	B+	positive	15-juin-18
	Moody's	Ba3	stable	13-avr.-17
	Moody's	B1	positive	7-nov.-14
	S&P	B+	stable	5-juil.-13
	Moody's	B1	stable	9-mars-11
	S&P	B+	negative	27-mai-10
	S&P	B+	stable	26-mai-09
	S&P	B+	negative	27-juil.-16
	S&P	B+	stable	18-déc.-00

Source : <https://tradingeconomics.com/rating>; sites web: S&P, Fitch, Moody's

5.1 budget: expenditure and income

The development policies implemented in most of the Union Member States contain large-scale public investment programs aimed at reducing the infrastructure deficit in the region in order to support rapid and sustainable economic growth.

This situation has led to a widening of the regional budget deficit measured by the overall balance (including donations). Over the 2012-2017 period, the budget deficit increased from just over 3% of GDP in 2012 to 4.6% in 2017.

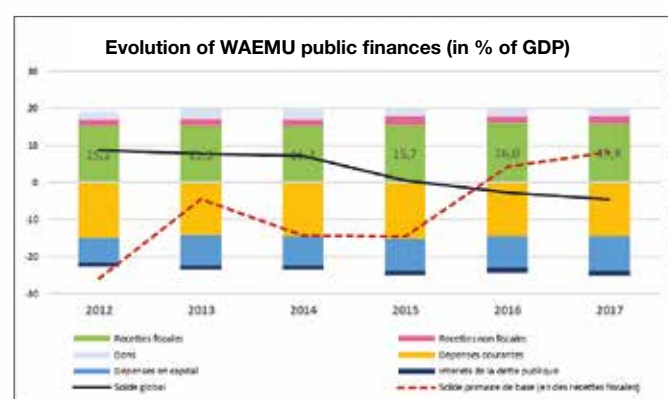
Total revenues have stabilized at around 20% of GDP while expenditure is at around 25%. Tax revenues stand at around 16% of GDP, below the Union minimum of 20% to be achieved from 2019. However, the coverage rate of current expenditure by tax revenue remains above 100%.

Capital expenditures are up sharply. From 6.8% of GDP in 2012, they reached 9.4% of GDP in 2017, in line with the policies to strengthen public investment in the region. As a result of the financing of these investments by debt, particularly external debt, public debt interests have increased from 6.1% of domestic revenue in 2012 to 8.4% in 2017.

However, national fiscal policies focus on a medium-term objective of consolidating public finances. They provide for a gradual consolidation of public finances and a gradual reduction of deficits, once the initial investment effort has begun. This includes the implementation of a prudent fiscal policy and an increase in domestic revenues, including tax revenues. This is reflected in the evolution of the basic primary deficit, which rose from 7.4% of tax revenues in 2012 to 2.9% in 2015, illustrating the fiscal consolidation

efforts made by the Union governments. Actions to improve the efficiency of public spending, including public investment, are also in process.

Figure 11. Evolution of WAEMU public finances (in % of GDP)



Source : BCEAO

5.1.1 Detailed presentation of expenditure and revenue

Total revenues of WAMU countries increased between 2009 and 2017, from CFAF 7,051 billion to CFAF 13,433 billion. Tax revenues account for the largest share (10,440 billion\$). Total expenditures also increased, from 7,838.9 billion\$ to 16494.6 billion\$. The overall balance, estimated at -832.4 billion in 2009, reached -3,037 billion in 2017.

Table 19 : Expenditure and revenue

Billions of CFA francs	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total revenue and donations	7 051.2	7 108.2	7 317.9	8 735.8	9 785.2	10 388.1	11 603.0	12 145.6	13 443.5
Current revenues	5 758.3	6 220.0	6 364.0	7 793.7	8 448.5	9 050.2	10 292.3	10 886.2	11 939.0
Tax revenues	5 191.4	5 527.9	5 707.8	6 869.7	7 389.7	7 912.1	8 839.9	9 711.8	10 440.1
Non-tax revenues	494.2	613.4	521.0	783.5	911.9	922.5	1 227.6	1 048.7	1 337.5
Capital revenues	72.7	78.7	135.3	140.6	147.0	215.6	224.8	125.6	161.4
Total donations	1 292.9	888.2	953.8	942.0	1 336.7	1 338.0	1 310.7	1 259.5	1 504.4
Total expenditure	7 838.9	8 032.7	8 654.5	9 987.5	11 218.6	12 001.8	13 768.7	14 816.6	16 494.6
Current expenditures	4 971.5	5 228.2	5 835.4	6 770.9	6 868.6	7 510.2	8 507.4	8 712.7	9 473.0
Interest on the public debt	319.1	334.7	419.9	467.8	449.4	497.3	656.4	842.2	990.2
Interest on domestic public debt	96.1	127.5	181.1	208.1	238.4	282.0	297.9	441.6	560.2
Interest on external public debt	222.9	207.3	238.9	259.7	210.6	212.6	363.4	400.6	429.9
Capital expenditures	2 593.2	2 495.2	2 694.6	3 098.2	4 034.8	4 254.5	4 905.4	5 261.3	6 206.8
Capital expenditures on internal funding	1 407.2	1 404.3	1 620.8	2 002.2	2 368.5	2 506.0	2 965.9	3 349.5	3 758.2
Overall balance	-832.4	-985.0	-1 428.5	-1 284.5	-1 429.1	-1 590.8	-2 204.8	-2 659.9	-3 036.9

Source : BCEAO

6.1 Macroeconomic risks

WAEMU Member States, exporters of commodities and mostly net importers of petroleum products, continue to face the uncertainties of the global economy. Indeed, a decline in regional integration, a marked slowdown in emerging countries' growth and the structural weakness of global growth could lead to a decline in external aid and financing, workers' remittances and exports, and consequently undermine WAEMU's macroeconomic stability.

A further appreciation of the US dollar in the short term could reveal a number of positive shocks (i.e., increase export revenues), but the negative effects on the regional economy could be more significant. Because it would also increase the sovereign debt burden of countries whose exposure to the dollar is not hedged, as well as the overall cost of imports. A

tightening of international financial conditions would also affect the availability and cost of external financing for the region.

6.2 Security risks

The terrorist risk in the region, with the actions of jihadist groups in the Sahel, remains real in the WAEMU region. Beyond the immediate loss of human lives that these actions could cause, security problems would further strain national budgets, reduce external financing, and likely lead to serious delays in the implementation of major investment projects.

7- DEBT SITUATION

7.1 General description of the public debt

7.1.1 Overall picture

The total outstanding debt of WAEMU countries is estimated at around 48% of the Union GDP in 2017, the same level as in 2016, but up by 3 points compared to 2015 and 11 points compared to 2012. This increase is due to the increase in external debt and domestic debt, which reached 29.8% and 18.4% of the Union GDP respectively in 2017, compared with 25% and 12% in 2012. However, given the dynamism of growth, debt ratios are expected to stabilize between 2016-2017; despite the increase in the debt stock.

In line with the debt dynamics, the debt servicing settled is constantly increasing. It increased from 5.3% of domestic budgetary revenues in 2012 to 9.3% in 2015.

External public debt is worth more than one and a half times the domestic debt. It is composed mainly of multilateral debt, which is more concessional in nature.

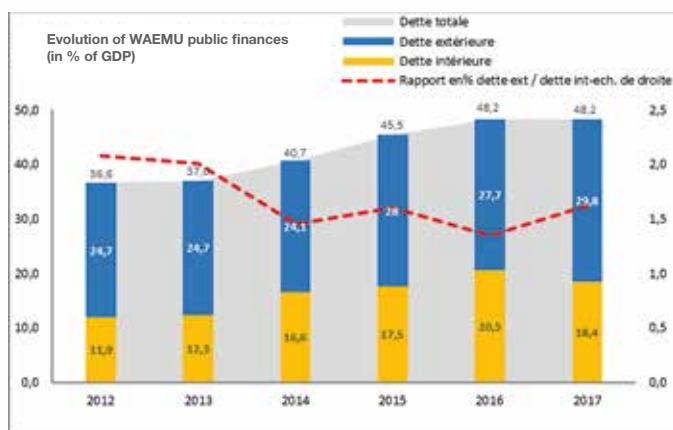
Debt sustainability analyses conducted by the IMF and the World Bank in 2017 conclude with a sovereign risk ranging from low (1 country, Senegal) to moderate (7 countries) for WAEMU countries. However, these analyses draw attention to the persistence of vulnerabilities related to the widening current and fiscal deficits. They also highlight the limited budgetary margin for flexibility and the need to mobilize both domestic savings and tax revenues more effectively; as well as the need to strengthen the effectiveness of public spending.

Table 20 : Overall picture

WAEMU public debt (as a % of GDP)						
	2012	2013	2014	2015	2016	2017
Total public debt	36.6	37.0	40.7	45.5	48.2	48.2
External public debt	24.7	24.7	24.1	28.0	27.7	29.8
Domestic public debt	11.9	12.3	16.6	17.5	20.5	18.4
Details of WAEMU's external debt (in billions of CFAF)						
heading	2012	2013	2014	2015	2016	2017
External debt stock	10 231.0	9 390.0	11 258.4	13 913.6	15 658.6	17 656.4
- Bilateral foreign public debt	3 303.1	2 054.9	2 364.4	2 822.7	3 314.7	3 755.5
- Multilateral public debt	5 296.8	5 720.4	6 310.9	7 590.3	8 611.0	9 285.8
<i>Of which :</i>						
<i>Debt to the World Bank</i>	2 090.0	2 351.5	2 622.6	3 333.9	3 816.2	4 170.5
<i>Use of IMF credits</i>	705.6	766.4	870.2	946.3	987.9	1 072.7
- Trade/private debts	1 631.1	1 614.7	2 583.2	3 500.7	3 732.9	4 615.1
Debt servicing settled	409.6	483.0	512.4	712.7	842.7	1 107.5
Principal of debt servicing settled	254.4	274.5	272.0	403.9	464.8	703.6
Interest on debt servicing settled	155.2	208.5	240.4	308.8	377.9	403.9

Source : BCEAO

Figure 12. Evolution of WAEMU's public debt (in % of GDP)



Source: IMF Article IV WAEMU, May 2018

7.1.2 Evolution of outstanding market debt

The stock of total market debt (local and international markets - Eurobonds) almost doubled between 2015 and 2018. It reached CFAF 15,647 billion in 2017, rising from about 13.9% of the Union GDP in 2015 to 22.5% of the Union GDP in 2018. At the end of 2018, the outstanding market debt of the Union Member States contracted on the regional market represented 64.5% of the total market debt. Although this share remains significant, there has been a decline in favor of the international market due to the favorable conditions that have enabled some of the Union Member States, namely Côte d'Ivoire and Senegal, to issue Eurobonds

Table 21 : Summary table of changes in the outstanding market debt

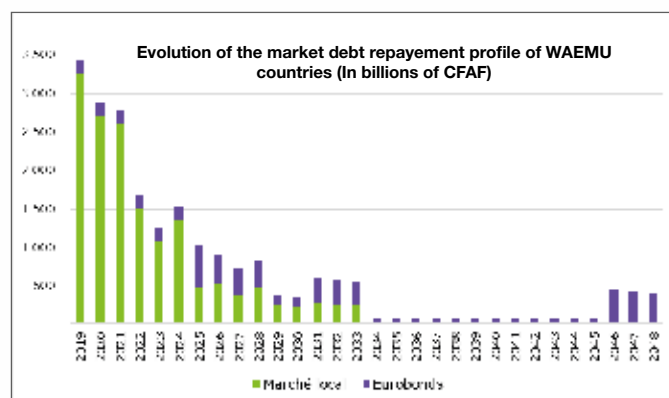
	2015		2017		2018	
	In Billions of CFAF	In % of the total	In Billions of CFAF	In % of the total	In Billions of CFAF	In % of the total
Short-term (< 1 year)	514.0	6.6	662.4	5.2	1 296.8	8.3
Medium term (1 to 5 years)	3 498.7	44.6	4 009.5	31.2	3 670.9	23.5
Long term (> 5 years)	3 825.7	48.8	8 158.8	63.6	10 679.6	68.3
Of which Eurobond (EB)	1 449.8	18.5	3 232.3	25.2	5 562.2	35.5
Total excluding EB	6 388.5	81.5	9 598.3	74.8	10 085.1	64.5
Total	7 838.3	100.0	12 830.6	100.0	15 647.3	100.0

Source : Agence UMOA-Titres

7.1.3 Temporal profile of the market debt

On the local market, data at the end of 2018 indicate that almost all public debt matures within a 5-year time horizon. The local market remains a short- to medium-term market, hence the efforts of regional authorities to increase maturities.

Figure 13: Evolution of the market debt repayment profile of WAEMU countries (in billions of CFAF)



Source : Data from the Agence UMOA Titres

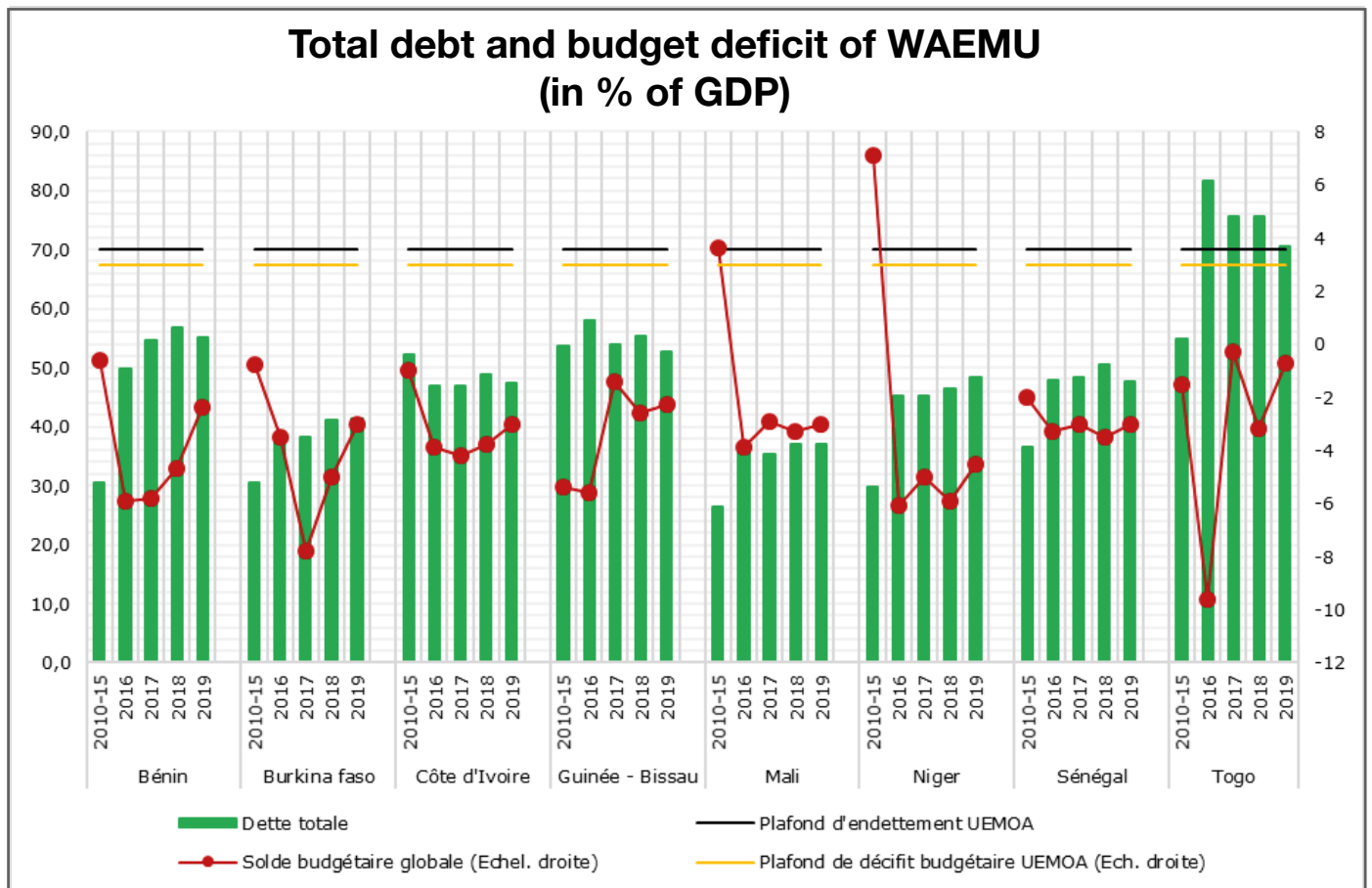
15 Two WAEMU countries: Ivory Coast and Senegal have been presented on the the eurobond market since

7.2 Viability and sustainability

Regarding debt viability, the latest IMF and World Bank analyses place WAEMU countries in the categories of countries at risk of moderate to low external debt. In addition, almost all the Union Member States have a debt-to-GDP ratio well below the Community ceiling of 70% (see figure below). How-

ever, it appears that the debt ratio has increased in all countries. Budget deficits remain above the 3% ceiling. However, the widening has stabilized and is decreasing over time in most countries.

Figure 14 : Total debt and budget deficit of WAEMU (in % of GDP)



Sources: regional economic outlook, IMF, Oct. 2018

Auction (for public securities): Auction of securities issued by the Central Government. In the WAE-MU region, it is organized by BCEAO and only banks and other regional financial institutions with accounts with BCEAO can participate. Other entities can only subscribe to auctions through WAEMU banks.

Depreciation or Maturity: the period between the disbursement of a loan and its final repayment, consisting of the grace period and the repayment period.

Public Offering: an invitation to tender on the financial market for public securities through an SGI. It is open to all investors.

Net External Assets (NEAs): net external assets or liabilities of monetary institutions (central banks and banks). It comprises all the items in the balance sheets of the central bank and the banks relating to their external operations. It is calculated by deducting from gross foreign assets all foreign liabilities, including medium- and long-term liabilities.

State financing requirement: overall amount needed to cover the primary budget deficit and debt-related interest and depreciation charges.

Treasury bills: short-term public securities with a maturity of between 7 days and 2 years, issued by a WAEMU Member State.

Paris Club: an informal group of creditor countries (usually OECD countries) that meet in Paris to negotiate debt restructuring agreements with debtor countries with debt service problems.

Bilateral creditors: governments, central banks, export credit agencies and agencies that lend to a debtor government on an intergovernmental basis.

Multilateral creditors: international institutions that lend funds on concessional and/or non-concessional terms, such as the IMF, World Bank and regional

development banks.

Credit to the economy (CE): all loans granted to the economy by banks (refinanced or not), financial institutions (partly financed by the Central Bank) and the Treasury (through the acceptance of customs drafts). Domestic credit=Credit to the economy + Government Net position (see GNP)

Disbursement: payment of all or part of the amount contracted under a loan.

Budget deficit: Difference between total revenue, total expenditure and net lending.

Current account deficit: current account deficit balance of the balance of payments.

Primary deficit: negative difference between revenue and expenditure, excluding interest payments.

External public debt: central government loans from non-residents.

Domestic public debt: central government loans from residents.

Non-concessional debt: debt issued on market conditions

Economic data:

-Achievements: economic data for past years, calculated based on comprehensive economic information collected on the economic activity by national administrations. They should correspond more or less to the data in the final accounts for year N-3;

-Estimates: correspond to the semi-final or provisional accounts, drawn up based on the economic information for a given year. They are generally non-exhaustive and/or not fully validated;

-Projections or economic forecasts: correspond to economic data calculated based on assumptions made about the future development of the economic activity. These projections may partially cover certain

accounts for which only provisional and/or partial data are available.

Donation element: difference between the nominal value (NV) and the present value (PV) of the debt servicing expressed as a percentage of the nominal value of the loan $((NV-PV)/NV)$.

Concessional borrowing: Loans and credits that have a long amortization period and/or below-market interest rates, such that they have a grant element of at least 35%.

Eurobond: dollar-denominated bond on the London financial market.

Inflation: generalized increase in consumer prices. This results in a loss in the purchasing power of the currency.

Multilateral Debt Relief Initiative (MDRI): initiative launched in June 2005 to accelerate progress towards the Millennium Development Goals (MDGs).

HIPC Initiative: framework adopted by the World Bank and the IMF in 1996 to address the external debt problems of Heavily Indebted Poor Countries (HIPC), which aims to provide comprehensive debt relief sufficient to achieve debt sustainability.

Money supply (MS): all claims held by the rest of the economy on monetary institutions.

It comprises monetary (currency in circulation + overnight deposits) and quasi-monetary (savings accounts and fixed-term deposits) balances.

Treasury bond: medium - and long-term government securities issued through auctions or public offerings.

Conditional liabilities: debt incurred by other public entities except for central government (local authorities and the quasi-public sector).

Government Net Position (GNP): net claims or net liabilities of the Treasury vis-à-vis the rest of the economy.

The government's net position is made up of the difference between the Treasury's debt and its

claims on the Central Bank, banks and individuals and companies.

By convention, a credit GNP is preceded by a minus sign (-) and a debit GNP is preceded by a plus sign (+).

Tax burden: the ratio of tax revenue to GDP

Refinancing risk: risk associated with the renewal of maturing debt. It may relate to the cost of refinancing or the impossibility of obtaining the desired amounts.

Interest rate risk: Interest rate risk refers to the vulnerability of the debt portfolio and the cost of the Government's debt to high market interest rates, to the point where maturing fixed-rate and floating-rate debt are revalued.

Foreign exchange risks: Risks associated with fluctuations in exchange rates.

Debt service: Any payment required to be made on the principal, interest and fees on a loan.

Primary balance: (see primary deficit)

Basic primary balance: total revenue excluding grants - current expenditure + interest on public debt - capital expenditure on own resources.

Stock of Public Debt: amount at a given date of disbursements of debts that have not yet been repaid.

Exchange rate: price of one currency in terms of another.

Debt ratio: ratio of the stock of public debt to GDP.
Investment rate of a country's economy: a ratio that indicates the gross fixed capital formation of all economic agents (governments, businesses, households) expressed as a percentage of the GDP. For a country, GFCF is the sum of hardware and software investments made during one year in that country.

The terms of trade: expresses for a country the ratio between the price of exports and the price of imports. They are usually calculated from price indexes and indicate a change from a reference year $(T = [\text{export price index}/\text{import price index}] \times 100)$.

The terms of trade improve over time ($T > 100$) if an economy exports a smaller quantity of goods to purchase the same quantity of imported goods (in other words, the same quantities exported buy more imported goods): export revenues improve in this case. In contrast, the terms of trade deteriorate.

This price ratio thus translates the evolution of the purchasing power of exports into imports, for a given volume of trade (the structure of trade is fixed): it reflects the price competitiveness of a country (independently of the quantity effect).



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