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# INFORMATION NOTE



WEMU  
ZONE

## Presentation of Sovereign issuers of **West African Monetary Union**

September 2020



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## ACRONYMS

<b>AGOA</b>	:	African Growth Opportunities Act (U.S. African Growth and Opportunity Development Act)
<b>EPA(i)</b>	:	Economic Partnership Agreement (Interim)
<b>AUT</b>	:	Agence UMOA-Titres (WAMU regional securities Agency)
<b>DSA</b>	:	Debt Sustainability Analysis
<b>BCEAO</b>	:	Central Bank of West African States
<b>BOAD</b>	:	West African Development Bank
<b>BRVM</b>	:	Regional Stock Exchange
<b>CPW</b>	:	Construction and Public Works
<b>CIF</b>	:	Cost, Insurance, Freight
<b>CTC</b>	:	Council of Territorial Collectivities
<b>CREPMF</b>	:	Regional Council for Public Savings and Financial Markets
<b>CC/BS</b>	:	Central Custodian/Bank of Settlement
<b>CPIA</b>	:	Country Policy and Institutional Assessment
<b>CFAF</b>	:	Common Franc of the African Financial Community
<b>IMF</b>	:	International Monetary Fund
<b>FOB</b>	:	Free on board
<b>GATT</b>	:	General Agreement on Tariffs and Trade
<b>MDRI</b>	:	Multilateral Debt Relief Initiative
<b>FDI</b>	:	Foreign Direct Investment
<b>HICP</b>	:	Harmonised Index of Consumer Prices
<b>NSO</b>	:	National Statistical Office
<b>CPI</b>	:	Consumer Price Index
<b>IPI</b>	:	Industrial Production Index
<b>NPI</b>	:	Non-Profit Institution
<b>RFM</b>	:	Regional Financial Market
<b>NCD</b>	:	Non-Communicable Disease
<b>SDGs</b>	:	Sustainable Development Goals
<b>WTO</b>	:	World Trade Organization
<b>MDGs</b>	:	Millennium Development Goals
<b>WHO</b>	:	World Health Organization
<b>CSGSP</b>	:	Convergence, Stability, Growth and Solidarity Pact
<b>REP</b>	:	Regional Economic Programme
<b>GDP</b>	:	Gross Domestic Product
<b>RIP</b>	:	Regional Indicative Programme
<b>LDC</b>	:	Least Developed Countries
<b>NRDP</b>	:	National Rice Development Programme
<b>NHDP</b>	:	National Health Development Plan
<b>NAIP</b>	:	National Agricultural Investment Programme
<b>UNDP</b>	:	United Nations Development Programme
<b>PPP</b>	:	Public-Private Partnership
<b>HIPCs</b>	:	Heavily Indebted Poor Countries
<b>PSD – CMU</b>	:	Strategic Plan for the Development of Universal Health Insurance Coverage
<b>MTDS</b>	:	Medium Term Debt Management Strategy
<b>SFD</b>	:	Decentralised Financial Systems
<b>MIC</b>	:	Management and Intermediation Companies
<b>TLS</b>	:	Trade Liberalisation Scheme
<b>STS</b>	:	Specialists in Treasury Securities
<b>CET</b>	:	Common External Tariff
<b>ICT</b>	:	Information and Communication Technologies
<b>EU</b>	:	European Union
<b>WAEMU</b>	:	West African Economic and Monetary Union
<b>WAMU</b>	:	West African Monetary Union

Since 2012, the Union's economies are recording strong growth in a regional context marked in recent years by continuing security risks due to the threat of terrorism and uncertainties surrounding the global economic outlook. In this context, countries are continuing to take measures to accelerate the implementation of the reforms needed to strengthen macroeconomic stability and improve the business climate in order to attract more private investors, particularly in the agri-food and manufacturing industries.

The real GDP growth rate was 6.1% in 2019. It is relatively stable since 2017. In 2020, the WAEMU growth rate is expected to be 2.6% due to the adverse impact of the COVID-19 pandemic on the economies of the zone. The investment rate has seen a slight increase over the last five(5) years, rising from 23.9% of GDP in 2015 to 24.8% in 2019. It is expected to decline slightly in 2020 to 23.7% of GDP.

The overall budget deficit excluding grants widened continuously from 2015 to 2017, rising from 5.2% of GDP in 2015 to 5.7% in 2017. However, a decrease of the deficit has been recorded over the last two years, with the deficit coming out at 4.3% of GDP in 2019 after 5.2% a year earlier. In contrast, the deficit is expected to reach 8.0% of GDP in 2020.

The inflation rate in the WAEMU is negative in 2019 at -0.8% against 1.2% in 2018. This result is partly due to the combined effect of a fall in food prices and a drop in demand.

The current account deficit improved slightly. It went from 5.7% of GDP in 2018 to 5.4% of GDP in 2019. From 16.2% of GDP in 2013, the external debt of WAEMU countries has increased to reach 27.4% of GDP in 2018. It was estimated by the WAEMU Commission at 30.4% of GDP in 2019.

Sovereign market debt on the regional market has grown rapidly to reach an outstanding amount of CFAF 10.893.5 billion in 2019, i.e. around 13.9% of the Union's GDP.

# MAIN MACROECONOMIC INDICATORS

## Main macroeconomic indicators

WAEMU	2013	2014	2015	2016	2017	2018	2019 (e)	2020 (p)
<b>REAL SECTOR</b>								
Nominal GDP (in billions of CFA francs)	57 962.7	62 645.0	67 105.7	70 961.9	75 760.0	81 146.7	86 842.6	90 426.2
Real GDP growth rate (%)	6.0	6.7	6.4	6.2	6.5	6.4	6.1	2.6
Investment rate (in %)	23.1	23.1	23.9	23.3	23.4	24.1	24.8	23.7
<b>PRICE</b>								
Average annual inflation rate (%)	1.5	-0.1	1.0	0.3	1.0	1.2	-0.8	1.8
<b>GOVERNMENT FINANCES (in billions of CFA francs)</b>								
Total revenues and grants	9 556.2	10 137.0	11 300.6	12 037.9	12 976.8	13 672.8	15 768.2	15 803.4
Overall Expenditures	11 063.2	11 781.9	13 499.0	14 810.6	15 897.7	16 428.9	17 899.1	20 774.3
Overall budget balance, with grants	-1 506.9	-1 644.9	-2 198.4	-2 772.8	-2 920.9	-2 756.1	-2 130.9	-4 970.8
In % du PIB	-2.6	-2.6	-3.3	-3.9	-3.9	-3.4	-2.5	-5.5
<b>EXTERNAL PUBLIC DEBT (in billions of CFAF)</b>								
External debt	9 390.0	11 258.4	13 913.6	15 678.2	17 656.4	22 219.4	-	-
In % du PIB	16.2	18.0	20.7	22.1	23.3	27.4	-	-
<b>EXTERNAL SECTOR (in billions of CFAF)</b>								
Exports	12 701.3	13 340.5	13 996.8	13 947.3	15 161.3	16 269.7	16 771.6	16 343.3
Imports	14 104.1	14 370.2	15 229.1	14 983.1	16 457.9	18 155.9	18 947.5	17 672.6
Commercial balance	-1 402.8	-1 029.7	-1 232.3	-1 035.8	-1 296.6	-1 886.2	-2 175.9	-1 329.3
Current balance, including grants	-3 031.5	-2 547.1	-3 200.7	-3 211.1	-4 054.6	-4 608.7	-4 686.5	-4 607.0
In % du PIB	-5.2	-4.1	-4.8	-4.5	-5.4	-5.7	-5.4	-5.1
<b>CURRENCY (in billions of CFAF)</b>								
Net foreign assets	4 731.7	4 747.4	4 753.6	3 696.8	4 172.5	5 375.1	7 315.2	4 731.7
Domestic credits	15 497.6	18 115.0	21 196.4	24 715.7	27 438.0	30 021.8	31 727.6	15 497.6
In % du PIB	26.7	28.9	31.6	34.8	36.2	37.0	36.5	26.7
Credits from other sectors	12 370.9	14 216.0	16 717.1	18 328.5	20 161.2	21 911.4	23 610.8	12 370.9
In % du PIB	21.3	22.7	24.9	25.8	26.6	27.0	27.2	21.3
Money supply (M2)	15 845.2	17 870.2	20 531.1	22 717.3	24 649.8	27 726.8	30 600.8	15 845.2
Foreign exchange reserves	6 623.0	7 065.9	7 522.7	6 529.4	7 184.2	8 561.0	10 357.0	6 623.0

# WAEMU AREA

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



Area

**3 506 126** km<sup>2</sup>



Population in 2019

**131 187 088** Hbts



headquarter of the  
WAEMU commission

**Ouagadougou**



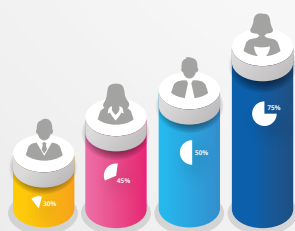
Regime

**Presidential**



Currency

**CFAF**



Nominal GDP in 2019

**86 842,6**  
billion of CFA franc  
(source : BCEAO)

Nominal GDP per capita in 2019

**670,2** thousands  
of CFA franc  
(source : BCEAO)

## Autonomous specialized bodies

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

## 1.1 Background

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

The Union covers an area of 3 506 126 km<sup>2</sup> and has a population of around 123 million in 2018.<sup>1</sup> By way of comparison, sub-Saharan Africa covers an area of about 23 000 000 km<sup>2</sup> for a population of more than 1 billion in 2017.

From an essentially monetary union (WAMU treaty), the cooperation agreements between 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, WAMU member countries expressed their willingness to deepen their economic integration as a complement to the monetary union.

Indeed, it has become clear that monetary regulation mechanisms need to be complemented by economic reforms to enhance 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.

This way, the Governor of BCEAO received a mandate from the Heads of State of WAMU to conduct a reflection on economic integration and prepare a treaty in this sense. 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, the 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 single territorial, economic, political and social space, whose main objective is to build a harmonised and integrated economic space in West Africa, within which there is total freedom of movement of persons, capital, goods, services and factors of production.

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

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

The two (2) treaties, in this case 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 by an economic integration component. The two treaties are to be merged at the appropriate time at the initiative of the Assembly of Heads of State.

## 1.2 WAEMU's objectives

The WAEMU is intended to become a harmonised and integrated economic space aimed at promoting the economic and social development of its member states and within which the populations and economic actors could fully exercise their rights as citizens in terms of 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 the economic and financial activities of the Member States as part of an open and competitive market and a streamlined and harmonised legal environment;

<sup>1</sup> World Bank



2. Ensuring convergence of the economic performance and policies of Member States through the establishment of a multilateral surveillance mechanism ;

3. Creating a common market between the 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, particularly in the fields of human resources, spatial planning, transport and telecommunications, environment, agriculture, energy, industry and mining;

5. : Harmonizing, to the extent, as far as possible, the laws of the Member States, and in particular the taxation system, with a view to ensuring the proper functioning of the common market.

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

### 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:

- **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 all issues that cannot 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.

- **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.

- **The WAEMU Commission** : it is the executive organ of the Union. It is based in Ouagadougou, Burkina Faso. It is composed of eight (08) members, called Commissioners, who are nationals of Member States. They shall be appointed by the Assembly of Heads of State and Government on the basis of one member per State. Its attributions are in particular :

- The transmission to the Conference of Heads of State and to 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 ;

- Possible referral 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 bodies, arbitrate disputes and ensure compliance with Community law :

**The Court of Justice** : it ensures the uniform interpretation of Community law and its application. It judges, inter alia, the failure of Member States to fulfil their Community obligations and arbitrates in disputes between Member States or between the Union and its agents. The Court of Justice is based in Burkina Faso.

**The Court of Auditors** : it audits the accounts of the bodies of the Union and the reliability of the budgetary data necessary for the exercise of multilateral surveillance.

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

### 1.3.3 Advisory Bodies

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

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

**Labour and Social Dialogue Council (LSDC)** : its objective is to achieve the effective involvement of all non-state actors in the WAEMU integration process. It gives opinions, on its own initiative or that of the Member States, to the Council of Ministers, the Commission, employers' and workers' representatives on the possible social consequences of any Community proposal.

**Council of Local and Regional Authorities (CLRA)**: its objective is to promote a better involvement of local and regional authorities in the integration process in order to meet the challenges of globalisation, promote a multi-level governance system and take into account the concerns of populations in the union development policies and programmes.

### 1.3.4 Autonomous specialised bodies

Two specialised autonomous bodies are in charge of managing monetary issues and development financing within the framework of the monetary union and

regional integration objectives. They are :

**The Central Bank of West African States (BCEAO)**: it has the exclusive privilege of issuing monetary signs on the territory of the States of the Union. Its headquarters are in Dakar, Senegal. The central bank is also responsible for organising 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, particularly infrastructure projects to support development, improve production conditions and means and establish new activities. Its headquarters are in Lomé, Togo.

### 1.3.5 Other institutions

Other Community institutions have been set up to take charge of important areas at the Union level. These include :

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

- Issuance and withdrawal of authorisation for credit institutions ;
- Supervision of credit institutions and decentralised financial systems ;
- Taking administrative measures and disciplinary sanctions 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 WAEMU's financial market regulatory authority. CREPMF has the following prerogatives :

- The protection of savings invested in securities and any other investment vehicle giving rise to a public offering/saving ;
- The information of investors ;
- The proper functioning of the regional financial market.
- Assisting national treasuries in their interventions on the international market, by organising, at their request, the issue of securities (foreign currency bonds) on their behalf and the monitoring of the related maturities ;
- Promoting public debt securities for investors ;

In order to fulfil its missions, the CREMPF :

- Regulates the WAMU financial market by developing and updating market regulations ;
- Authorizes all financial fund raising and listing operations ;
- Monitors transactions on the Regional Stock Exchange (BRVM) ;
- Empowers the central market structures and approved commercial intermediaries (SGL, Collective Investment Schemes, Stock Exchange Investment Advisers) and controls their activities ;
- Sanctions non-compliance with market rules.
- In consultation with the relevant institutions of the Union (BCEAO, CREPMF), taking all measures for a better functioning and a deepening of the regional financial market ;
- Assisting national treasuries in developing a framework for managing the risks inherent in the management of public debt securities;
- Offering national treasuries an investment service for their cash surpluses.

In order to contributing to the development of the market and modernising the environment for public securities issues, AUT has undertaken to :

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

**Agence UMOA-Titres (AUT):** created by BCEAO on 15 March 2013, the AUT's objective is to assist WAMU member states in the issuance and management of public debt securities and to work towards the development of the regional public securities market. The main missions of AUT are as follows:

- Assisting national treasuries in the development and implementation of their market issuance strategies and coordinate the issuance programmes of WAMU member states ;
- Structuring common issues in several Member States for the financing of community projects ;
- Ensuring the operational management of issues on the regional market and their material organisation ;

#### 1.4 WAEMU common policies

In order to promote harmonious economic and social development in the WAEMU and to ensure the balances necessary for the proper functioning of the monetary union, common policies are implemented at the community level. These common policies relate to 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 the monetary unit of WAMU. This currency was pegged to the French franc at a fixed parity until January 1 1999<sup>2</sup>, when the euro was introduced. The CFA Francs<sup>3</sup> has been pegged to the euro at a fixed parity.<sup>4</sup>

A new monetary agreement was signed in December 2019 by WAEMU member states and France to reform the CFAF. It lays the foundations for the accession of member countries to the ECO, the single currency project of ECOWAS. In order to enable WAEMU economies to prepare for the ECO, the monetary cooperation agreements linking member states of the zone to France have been profoundly revised. Three decisions were taken :

- The change of the name of the currency from CFA Franc to ECO, when the WAEMU countries join the new ECOWAS ECO zone ;
- The end of the centralisation of foreign exchange reserves at the French Treasury, the closure of the operations account and the transfer to BCEAO of the resources available in the account ;
- The withdrawal of all French representatives in the decision-making and management organs of WAMU (BCEAO Board of Directors, Banking Commission and Monetary Policy Committee).

Two key elements of monetary stability have been retained :

- Maintaining the fixed exchange rate against the euro (which ensures the current parity).
- The guarantee of unlimited convertibility of the currency by France.

In May 2020, the bill ratifying the end of the CFA franc was adopted by France in the Council of Ministers. It validates the transformation of the CFA franc, which will become the ECO, by maintaining a fixed parity with the Euro and the end of the centralisation of foreign exchange reserves of West African states with the French Treasury.

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, which is responsible for issuing the CFA franc and ensuring its stability.

### B. Description of BCEAO

WAEMU Treaty Article 41 designates the Central Bank of West African States (BCEAO) as an autonomous specialised institution of the Union. In complete independence, the BCEAO contributes to the achievement of the objectives of the Treaty.

#### Members

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

#### The bodies

The bodies of the Central Bank 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

#### Functioning

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

<sup>2</sup> At the time of the devaluation of the CFA franc in 1994, the fixed rate rose to 1 00 CFA francs for 1 French franc.

<sup>3</sup> EU Council Decision of 23 November 1998 concerning exchange rate matters relating to the CFA and Comorian francs (98/683/EC).

<sup>4</sup> The same parity applies to the CFA franc (Coopération financière en Afrique Centrale) which is the currency of the member countries of the Economic and Monetary Community of Central Africa (EMCCA), whose structure is parallel to that of the WAEMU. 1€ = 655.957 FCFA



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

## Roles

The Central Bank is entrusted with the following fundamental tasks :

- Defining and implementing monetary policy within WAEMU ;
- Ensure the stability of the WAEMU banking and financial system ;
- Promote the smooth functioning and ensure the supervision and security of payment systems in WAMU ;
- Implement WAEMU's exchange rate policy in accordance with the conditions laid down by the Council of Ministers ;
- Manage the official foreign exchange reserves of WAEMU member states.

The Central Bank may carry out, while respecting the monetary balance, specific missions or projects that contribute to improving the monetary policy environment, diversifying and strengthening the WAEMU 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. To this end, it defines the monetary policy that makes it possible to maintain the external coverage rate of the currency at a satisfactory level and to support the economic activity of the member countries without inflationary pressure<sup>5</sup>.

BCEAO oversees the monetary policy of each member country through the elaboration of mo-

ney supply and credit targets set on an annual basis. Statutory advances to the national treasuries of member states were suspended in 2001 and abolished as from 2010.

For the management of the common monetary policy, BCEAO relies on market mechanisms and indirect instruments for regulating liquidity, in particular the steering of interest rates and the system of compulsory reserves.

## C. Monetary policy

BCEAO benefits from the exclusive privilege to issue money in all member states of the West African Monetary Union. It issues monetary signs, banknotes and coins, which are legal tender and have the power of discharge in all member states of the Union. The creation, issue and cancellation of monetary signs are decided by the Council of Ministers.

The management of the monetary policy of the Member States of the Union by the Central Bank consists of adjusting the overall liquidity of the economy in accordance with the evolution of the economic situation in order to ensure price stability on the one hand and to promote economic growth on the other.

The current money and credit management system relies on market mechanisms and indirect instruments to regulate liquidity, including interest rates and the reserve requirement system.

The functioning of BCEAO is based on :

Open market operations : seven-day and twenty-eight-day refinancing (respectively every week and every month for banks subject to compulsory reserves) allocated at variable rates ; the minimum bid rate considered by BCEAO as its key rate (currently 2.00%<sup>6</sup>). Planned auctions are generally calibrated according to BCEAO's forecasts of liquidity needs over the maturity of the operations ;

Permanent lending windows : refinancing for 1 to 7 days or 90 to 360 days against government securi-

<sup>5</sup> 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%, with a horizon of twenty-four (24) months.

<sup>6</sup> BCEAO cut its main key rates by 50 basis points. Thus, the minimum interest rate for bidding in liquidity injection tender operations was reduced from 2.50% to 2.00% and the interest rate for the marginal lending window was reduced from 4.50% to 4.00%. This decision came into force on 24 June 2020.

ties and credit applications with maturities ranging from 5 to 20 years, at the request of banks (marginal lending window). The rates of these windows are above the key rate of 200 basis points. As of June 2017, recourse to the lending window has been capped at twice the counterparty's own funds.

The minimum interest rate for bidding in open market operations (tenders) and the interest rate applicable on the marginal lending window (repo rate), the levels of which are set by the Monetary Policy Committee, are 2.00% and 4.00% respectively, and constitute the two main key rates of BCEAO.

#### D. Monetary system

The Franc zone is characterised 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' issuing zone and France of 23 November 1972, as well as in the cooperation agreement between the Member States of the West African Monetary Union and France of 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** : currencies issued by issuing institutions in the Franc zone have unlimited convertibility guaranteed by the French Treasury. To ensure the free convertibility of each of the sub-areas, an operations account is opened with the French Treasury by each Central Bank of the zone and on which the Central Banks have an unlimited drawing right in case of exhaustion of their foreign currency reserves ;
- **A fixed parity with the Euro of 1 Euro for 655.957 CFAF** : the parity of the zone's currency with the Euro is fixed and defined for each subzone. The currencies of the zone are convertible between them, at fixed parities, without limitation of amounts. The changeover to the euro resulted in a simple substitution of the peg to the French franc by the peg to the euro, at an equivalent parity, i.e. 655.957 CFAF = 1 euro (the parity being identical for the West and Central African sub-areas)

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

**Centralisation of reserves:** the States centralise 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 share of their net foreign assets (foreign exchange reserves) with the French Treasury in the operations account opened in the name of each of them. Since the reform of September 2005, BCEAO has been required to deposit 50% of its foreign assets on its operations account.

As indicated above, France and the WAEMU countries agreed between the end of December 2019 and May 2020 to stop centralising foreign exchange reserves at the French Treasury, to close the operations account and to transfer the resources available in the account of BCEAO. The principles of fixed exchange rate and guarantee of unlimited convertibility of the future ECO currency by France remain unchanged.

#### 1.4.2 Foreign exchange policy and regulations

Within the framework of the monetary agreements of the Franc zone between WAEMU States on the one hand, and with France on the other, it was agreed to pool 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 centralised in the operations account opened in the books of the French Treasury.

With regard to external financial relations, Regulation No. 09/2010/CM/WAEMU relating to the external financial relations of WAEMU member states of 1 October 2010 provides for 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 are all foreign exchange transactions carried out by an economic operator. In addition, buying and selling rates for other currencies are based on the euro exchange market rates ;
- All foreign exchange transactions, capital mo-

vements and settlements of any kind towards foreign countries (outside the WAEMU) must go through BCEAO or intermediaries approved by the Ministry in charge of Finance;

- Paiments (except gold transactions, the issue, advertising and offering of financial instruments) and capital transfers within the WAEMU are free ;
- The main modalities of the common foreign exchange regulations vis-à-vis third countries (outside the WAEMU) are as follows :
  - transfers of funds to cover operations related to current transactions are completely free on presentation of supporting documents,
  - obligation to repatriate export earnings and transfer them to BCEAO or an authorized intermediary, within one hundred and twenty (120) days following the shipment of the goods,
  - capital inflows from any country are free,
  - capital outflows to third countries, other than the repayment of debts as well as the repayment of commercial and industrial credits, the transfer of proceeds from the liquidation of investments or the sale of foreign securities by non-residents, the required regulations on foreign exchange, raw material or commodity derivatives<sup>7</sup>, are subject to an application for foreign exchange authorisation, submitted to the Minister in charge of finance upon presentation of supporting documents.<sup>8</sup>
- Import and export operations must be domiciled with an approved intermediary.

### 1.4.3 Economic policy

The effective operation of 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 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, WAEMU member states intend to coordinate their economic policies with a view to achieving the objectives of the Union.

#### A. The multilateral surveillance framework and the convergence criteria

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

This pact is defined as a formal commitment by member states to strengthen the surveillance of their macroeconomic policies, particularly fiscal policies, through the definition of precise modalities for the adoption, implementation and evaluation of multiannual convergence, stability, growth and solidarity programmes, as well as a sanction mechanism.

The convergence pact is an instrument for strengthening the multilateral surveillance system. It aims in particular to strengthen the convergence of the economies of the Member States, to reinforce macroeconomic stability, to accelerate economic growth and to deepen solidarity between Member States.

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

CSGSP provides for two categories of criteria :

- A first category composed of three (3) so-called first-order criteria (with a key criterion relating to the budget balance), whose non-compliance leads to the explicit formulation of directives by the Council of Ministers with regard to the State concerned, and the elaboration and implementation of a corrective programme. Non-compliance with the key criterion is likely to trigger the sanctions mechanism.

<sup>7</sup> The instruments must be backed by commercial and financial transactions, the nature of which is specified by a BCEAO Instruction  
<sup>8</sup> See Article 7 of Regulation N° 09/2010/CM/UEMOA on the External Financial Relations of WAEMU Member States.

- A second category comprising two (2) so-called second-tier criteria which constitute indicative benchmarks that are subject to rigorous monitoring because of the decisive role they play in achieving the objective of economic sustainability. Failure to comply with these criteria shall not result in sanctions or recommendations by the WAEMU management organs. However, compliance with them plays an important role in the macroeconomic stability of the Union and they can be used in the formulation of recommendations for compliance with the primary criteria.

The convergence criteria are as follows :

- **First rank criteria :**

- Rate of the overall fiscal balance, including grants, to nominal GDP (key criterion) : must be greater than or equal to -3% from 2019 onwards ;
- Average annual inflation rate : maximum 3% per year ;
- Rate of total debt stock (domestic and external) to nominal GDP : not to exceed 70% from 2019 onwards.

- **Second rank criteria rang :**

- Rate of the wage bill to tax revenue : it must not exceed 35% from 2019 onwards ;
- Rate of tax burden : it must be greater than or equal to 20% from 2019.

## B. The common market and sectoral policies

With a view to strengthening regional economic integration, WAEMU member states agreed, within the framework of the Union's founding treaty, to set up a common market.

This common market is based on the free movement of persons, goods, services, capital and the right of establishment of persons 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 realisation of the following objectives :

- The elimination of customs duties, quantitative restrictions on entry and exit, charges having equivalent effect and all other measures likely to affect transactions between member countries ;
- The establishment of a Common External Tariff (CET) ;
- The establishment of common competition rules applicable to public and private enterprises and to public aid ;
- The effective application of the principles of free movement of persons, establishment and provision of services as well as the principle of free movement of capital which is vital for the development of the regional financial market ;
- The harmonisation and mutual recognition of technical standards as well as of procedures for the approval and certification of the monitoring of their observance.

## 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 the balanced and sustainable development of the Member States.

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

In addition to drawing up directives and Community texts to provide a framework for activity and promote development in these various fields, the Union is pursuing the objectives set in the framework of sectoral policies through its Regional Economic Programme (REP).

Drawn up 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 member countries of the Union. It is a five-year rolling programme, updated annually.

During the first phase (2006-2010), sixty-three (63) integration projects for a total of about CFA F 3.470 billion could be carried out. The PER II which covered the period 2010-2016 is made up of 102 integrator projects with a total cost of CFAF 6 002 billion.

## 1.5 Population in the WAEMU

From around 96 million inhabitants in 2010, the total population of the WAEMU reached 123 million in 2018. The average population growth is of the order of 3 % per year. Demographic dynamics also concern the spatial distribution of the population, which indicates increasing urbanisation, albeit disparate from one country to another.

**Table 1. Total WAEMU population and population by country**

	<b>Data</b>	<b>Period</b>
<b>Total population of WAEMU (in millions)</b>	123	2018
	120	2017
	112	2015
<b>Population by country in 2018</b>		
<b>Benin</b>	11 485 048	
<b>Burkina Faso</b>	19 751 535	
<b>Côte d'Ivoire</b>	25 069 229	
<b>Guinea-Bissau</b>	1 874 309	
<b>Mali</b>	19 077 690	
<b>Niger</b>	22 442 948	
<b>Senegal</b>	15 854 360	
<b>Togo</b>	7 889 094	

Source : World Bank

**Table 2. Profile and distribution of the WAEMU population**

	<b>Data</b>	<b>Period</b>
<b>Total population of WAEMU (in millions)</b>	123	2018
	120	2017
	112	2015
<b>Average annual growth rate</b>	2,99 %	[2015-2018]
<b>Proportion of men to women</b>	49.8 % - 50.1 %	2015
<b>Urbanisation rate by country</b>		
<b>Benin</b>	47.30 %	2018
<b>Burkina Faso</b>	29.36 %	2018
<b>Côte d'Ivoire</b>	50.78 %	2018
<b>Guinea-Bissau</b>	43.36 %	2018
<b>Mali</b>	42.36 %	2018
<b>Niger</b>	16.42 %	2018
<b>Senegal</b>	47.20 %	2018
<b>Togo</b>	36.12 %	2018

Source : World Bank

## 1.6 Employment in the WAEMU

### A. Labour force

According to the International Labour Office, the labour force is the working-age population that is em-

ployed, or in search of work, i.e. is unemployed. In the WAEMU, the active population of men is larger than that of women. It is also larger in rural than in urban areas. In most countries it represents more than a third of the total population.

**Table 3. Labour force status in WAEMU member states (2019)**

	<b>Labour force (in thousands)</b>			
	<b>Total population</b>	<b>Share of labour force in total population*</b>	<b>Man-woman</b>	<b>Urban-Rural</b>
<b>Benin</b>	4 833	70.86 %	2 455 - 2 377	2 151 - 2 682
<b>Burkina Faso</b>	7 468	66.43 %	4 135 - 3 332	2 035 - 5 432
<b>Côte d'Ivoire</b>	8 536	56.95 %	4 970 - 3 566	4 698 - 3 839
<b>Guinea-Bissau</b>	4 444	61.53 %	2 030 - 2 414	1 237 - 3 206
<b>Mali</b>	7 335	70.81 %	4 125 - 3 211	1 900 - 5 435
<b>Niger</b>	8 423	72.04 %	4 854 - 3 568	1 426 - 6998
<b>Senegal</b>	4 255	45.68 %	2 536 - 1 719	2 187 - 2069
<b>Togo</b>	3 700	77.50 %	1 862 - 1 883	1 569 - 2 131

Source : ILOSTAT, (\*) calculated using total population data from UN Census data.

## **B. Unemployment rate**

The unemployment rate is the number of unemployed persons expressed as a percentage of the labour force. Persons classified as unemployed in the ILO sense 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 member States of the WAEMU. It should be noted, however, that a significant proportion of employment is informal and that the unemployment data should be put into perspective with regard to underemployment, which is significant.

**Table 4. Unemployment situation in WAEMU Member States (2019)**

	<b>Unemployment rate (in %)</b>		
	<b>Total</b>	<b>Man-woman</b>	<b>Urban-Rural</b>
<b>Benin</b>	2.3	2.1 - 2.3	3.6 - 1.1
<b>Burkina Faso</b>	6.2	3.8 - 9.2	6.8 - 6
<b>Côte d'Ivoire</b>	3.3	2.9 - 3.7	5.5 - 0.6
<b>Guinea-Bissau</b>	4.3	5.4 - 3.3	9.1 - 2.4
<b>Mali</b>	7.2	6.6 - 7.9	8.5 - 6.7
<b>Niger</b>	0.4	0.5 - 0.3	2.1 - 0.1
<b>Senegal</b>	6.6	6.03 - 7.4	9.8 - 3.2
<b>Togo</b>	2.03	2.5 - 1.5	4.3 - 0.3

Source : ILOSTAT



## 2.1 Evolution of WAEMU gross domestic product

WAEMU has recorded since 2012, an annual economic growth rate of over 6.0% after a slowdown observed in 2011: barely 1% against 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 explain the economic situation in 2011.

Since 2012, economic activity has accelerated and remained on a dynamic growth trajectory driven mainly by domestic demand and the tertiary sector despite the challenges, particularly security challenges, facing the zone.

Table 5. Evolution of nominal GDP and real growth in the WAEMU

[WAEMU]	2013	2014	2015	2016	2017 (e)	2018 (e)	2019 (e)	2020 (F)
<b>Nominal GDP (in billions CFAF)</b>	57 962.7	62 645.0	67 105.7	70 961.9	75 760.0	81 146.7	86 842.6	90 426.2
	<b>Weight in GDP (in % of GDP)</b>							
	<b>Sectoral weights</b>							
Primary sector	22.1	22.2	22.7	23.6	23.3	22.9	21.6	21.6
Secondary sector	20.5	20.8	20.2	19.9	20.4	20.9	22	22.1
Tertiary sector	57.4	57.0	57.1	56.6	56.3	56.1	56.4	56.3
<b>Demand factors</b>								
Final consumption	84.4	83.3	82.7	82.7	82.8	82.3	81.6	81.3
Investment	23.1	23.1	23.9	23.3	23.4	24.1	24.8	23.7
Exports	25.6	24.8	24.0	22.8	23.1	23.2	22.4	20.5
Imports	33.1	31.2	30.6	28.8	29.3	29.7	28.8	25.5
<b>Real GDP growth rate (%)</b>	6.0	6.7	6.4	6.2	6.5	6.4	6.1	2.6
	<b>Sectoral contribution to GDP growth (in percentage points)</b>							
Primary sector	1.0	1.7	1.0	1.0	1.0	1.3	0.8	0.3
Secondary sector	1.5	1.1	1.2	0.7	1.9	1.8	1.7	0.7

Tertiary sector	3.6	3.9	4.2	4.5	3.6	3.3	3.6	1.6
	<b>Contribution of demand factors to GDP growth (in percentage points)</b>							
Final consumption	83.5	81.4	82.5	83.1	82.4	80.5	79.0	78.8
Investment	22.7	23.4	24.8	24.6	25.3	26.6	26.9	24.9
Foreign trade	-6.1	-4.8	-7.3	-7.7	-7.7	-7.1	-5.9	-3.7

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

The real GDP growth rate slows slightly from 2017, from 6.5% in 2017 to 6.4% in 2018 before reaching 6.1% in 2019. However, the WAEMU remains one of the most dynamic economic areas in Africa with a growth rate above the average for sub-Saharan African countries (2.8% in 2017 and 3.4% in 2019<sup>9</sup>).

All the countries in the region are on dynamic growth trajectories due to the gradual improvement in the international economic situation, the massive public investment plans implemented and the increase in agricultural production in most countries.

The health crisis related to the COVID-19 pandemic is expected to negatively affect economic activity in the region. The measures taken by the authorities to limit the spread of the virus have disrupted production and demand. Falling prices of key export products have further aggravated the economic situation of countries. Thus, the GDP growth rate would rise from 6.1% in 2019 to 2.6% in 2020. Growth should then resume in 2021 to reach 6.8% according to IMF forecasts.

**Figure 1. Real economic growth rates and sectoral contributions**



Source : BCEAO data

<sup>9</sup> African Development Bank (AfDB, 2020)

## At sectoral level

**The primary sector**, dominated by the agricultural sector which is dependent on climatic hazards, accounts for nearly a quarter of total value added in the WAEMU. However, the share of the primary sector in GDP has been declining since 2016 : it fell from 23.6% in 2016 to 21.6% in 2019. Agricultural production has recorded an increase due to satisfactory rainfall and the continued implementation of projects aimed at developing agricultural sectors.

For the 2018-2019 season, food production increased by 8.3%<sup>10</sup>. While the main export crops increased (cotton : +3.1%; groundnuts : +3.7%; cashew nuts : +4%; rubber : +5.8%). Cocoa production fell by 3.7%, mainly due to the Swollen Shoot disease in the orchards.

**The contribution of the secondary sector** to GDP growth declines between 2018 and 2019. It declined from 1.8 points in 2018 to 1.7 points in 2019. However, the sector remains dynamic with growth estimated at 8.0% in 2019 against 8.5% in 2018. The performance of the secondary sector is due in

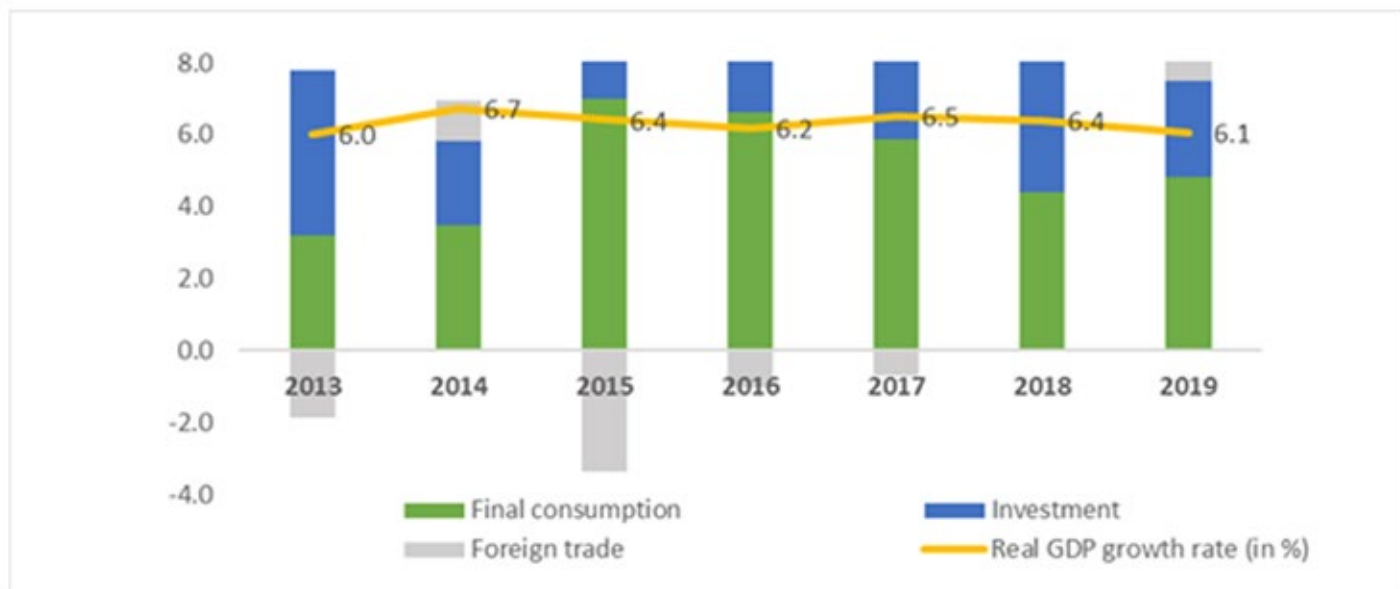
particular to the revival of activity in the manufacturing industry and construction, which benefit from the sustained pace of public and private investment in infrastructure and the increase in the supply of electrical energy. In 2018, industrial production is expected to increase by 4.3%<sup>11</sup> in the WAEMU. This increase was observed in most countries.

**The tertiary sector** remains the main driver of growth with a contribution of 3.6 points in 2019, attributable 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, healthy food production and low inflation in recent years. The contribution of external trade to growth is mostly negative or very low, due to imports exceeding exports. The contribution of exports was 1.8 points in 2018 and 2.8 points in 2019.

Figure 2. Real economic growth rates and contributions of demand components (%)



Source : BCEAO data

<sup>10</sup> BCEAO annual report 2018  
<sup>11</sup> BCEAO annual report 2018

## 2.2 Compliance with WAEMU convergence criteria

With regard to multilateral surveillance, the situation of non-compliance by almost all States with the domestic stability criteria should continue. This situation could eventually have a negative impact on the inflation and external debt sustainability criteria,

which are respected by almost all WAEMU countries. However, compliance with the criterion relating to the wage bill ratio should improve as a result of the fiscal policies adopted by the States of the Union to consolidate public finance management and control the wage bill.

**Table 6. Number of States not meeting the convergence criteria**

	Norm	2015*	2016	2017	2018	2019	2020 (p)
<b>First rank</b>							
<b>Overall fiscal balance (including grants) / nominal GDP</b>	≥-3%	5	7	4	4	3	8
<b>Average annual inflation rate</b>	≤3%	0	0	0	0	0	0
<b>Outstanding domestic and external public debt /nominal GDP</b>	≤70%	1	1	1	1	0	0
<b>Second rank</b>							
<b>Payroll/Tax revenue</b>	≤35%	5	5	5	6	5	5
<b>Rate of tax pressure</b>	≥20%	7	7	7	8	8	8

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

## 2.3 Monetary situation

The money supply grew at a sustained rate of about 12% per year over the 2013-2019 period, made possible by moderate to low inflation. Monetary policy has been relatively accommodative over the period, with a view to accompanying the Union's particularly strong economic growth since 2012.

The growth of the money supply over the period 2013-2019 is mainly due to the increase in domestic

credit, both in terms of net credit to the State (+17% on annual average) and credit to the economy (+14% on annual average).

Net foreign assets stagnated between 2013 and 2015 and then fell by 22% in 2016, due in particular to the shocks to cocoa prices. Net foreign assets have grown strongly since 2017 (+26% per annum) thanks to euro bond issues by Côte d'Ivoire and Senegal.



**Table 7. Evolution of the consolidated monetary position of WAEMU monetary institutions**

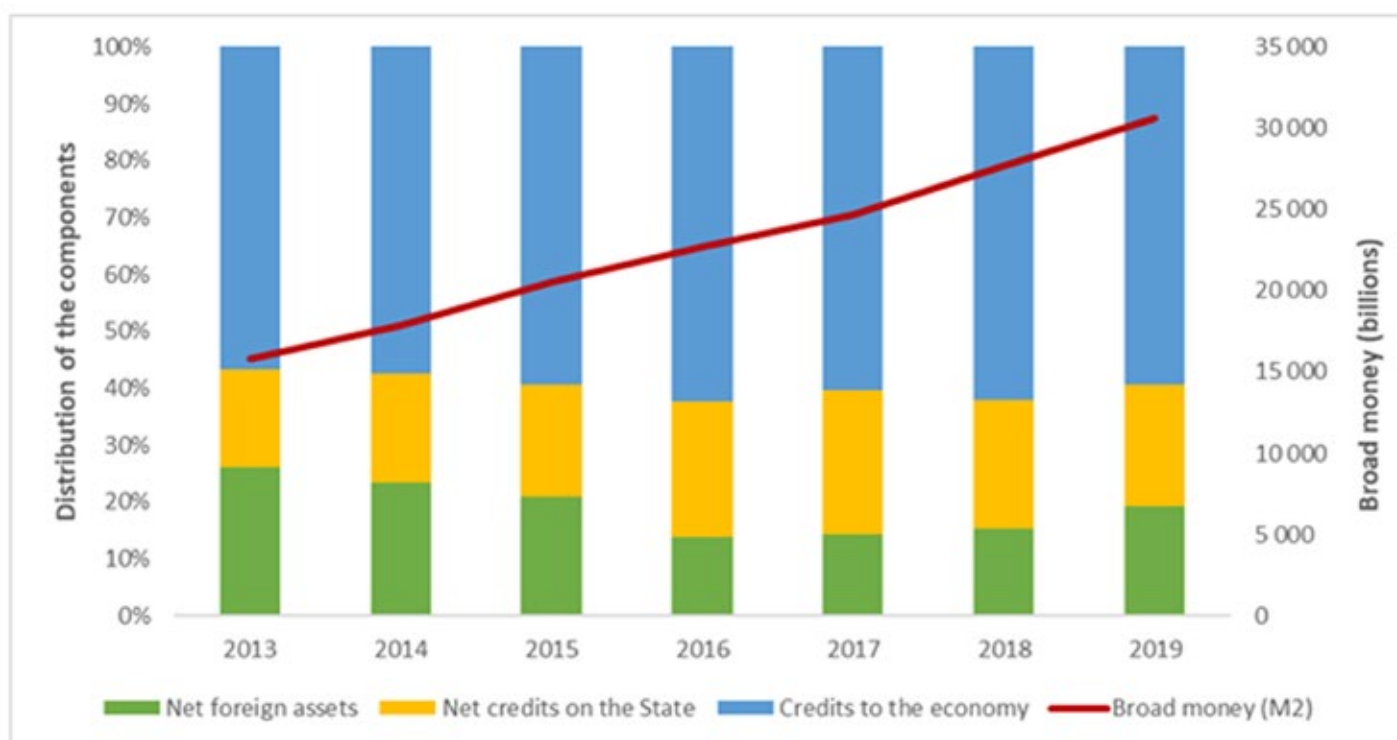
(In billions of CFAF)	2013	2014	2015	2016	2017	2018	2019
<b>Net foreign assets</b>	4 731.6	4 747.4	4 753.5	3 696.8	4 172.5	5 375.1	7 315.2
<b>Domestic credits</b>	15 497.6	18 114.9	21 196.4	24 715.7	27 438.0	30 023.8	31 727.6
<b>Net credits on the State</b>	3 126.7	3 898.9	4 479.3	6 387.2	7 276.8	7 960.8	8 116.7
<b>Credits to the economy</b>	10 268.8	11 692.5	13 508.7	16 638.0	17 484.0	21 911.4	22 454.5
<b>Broad Mooney (M2)</b>	15 845.2	17 870.1	20 531.1	22 717.3	24 649.8	27 715.1	30 600.8

Source : BCEAO

In terms of contribution to the money supply, claims on the state have stagnated due to measures taken to consolidate government finances and reduce budget deficits. In addition, a decline in the contribution

of net foreign assets to money supply growth was observed over the period despite a slight increase observed since 2017 (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

At the end of December 2019, the WAEMU banking system comprised 150 approved institutions, i.e. 130 banks and 20 financial institutions of a banking

nature<sup>12</sup>. At the end of 2018, the union had 144 licensed institutions.

The number of ATMs (Automated Teller Machines) stood at 3.698<sup>13</sup> units in 2018 compared with 3.217 units in 2017, an increase of around 15 %.

**Table 8. Evolution in billions of CFAF of the assets of the Union's commercial banks**

(In billions of CFAF)	2015	2016	2017	2018	2019
<b>Assets/Liabilities</b>	20 399.1	25 290.7	27 483.2	30 258.7	37 752.9

Source : BCEAO

According to BCEAO monetary policy report, commercial bank assets increased by a factor of 1.9 between 2015 and 2019, reflecting an increase in bank employment. The quality of the portfolio of the Union's banks and bank-like financial institutions has thus improved.

Employment reached CFAF 35.815.6 billion at the end of 2019, an increase of 9.7% compared to 2018. This evolution is the result of an increase in customer loans (+10.1%), especially medium-term loans (+22.4%).

Banking resources increased by CFAF 3.353.6 billion to reach CFAF 32.971.5 billion at the end of December 2019. This is partly due to the concomitant rise in deposits and borrowings (+11.02%) and net equity (+15.7%).

### 2.4.2 Microfinance

The number of Decentralised Financial Systems (DFS) in WAMU was about 508 at the end of December 2019<sup>14</sup>. The access of the population to financial services provided by microfinance institutions increased by 2%, with a number of beneficiaries of 14.554.167 over the period compared to 14.290.490 a year earlier. The number of service points is estimated at 4,905 in December 2019 compared to 4.390 in December 2018, an increase of 12%.

An examination of the intermediation indicators of the Union's DFCs shows an improvement in financial inclusion, despite a gross portfolio deterioration rate that rose to 6.1% in December 2019 compared with 7.1% in December 2018, compared with the generally accepted standard of 3% in the sector.

In 2019, the amount of deposits collected amounted to CFAF 1.473.7 billion against CFAF 1.243.2 billion in 2018, an increase of 19%. The average amount of savings per customer stood at CFAF 101.266 at the end of December 2019 against CFAF 89,442 at the end of December 2018.

For all WAMU's SFDs as a whole, the savings collected represented 5.4% of the total deposits held by the Union's credit institutions, compared with 5.4% for the SFDs as a whole 5.3% one 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 public securities market has two (2) components : the auction market and the syndication market.

The public securities auction market is organised and regulated by BCEAO through Agence UMOA-Titres ; while the public securities syndication mar-

<sup>12</sup> BCEAO - REPORT ON BANKING CONDITIONS IN WAEMU IN 2019.

<sup>13</sup> BCEAO-WAEMU's annual interbank electronic payment report, 2018.

<sup>14</sup> BCEAO - Situation of microfinance in WAEMU at the end of December 2019.

ket, private bonds and shares are regulated by the Regional Council for Public Savings and Financial Markets (**CREPMF**) and organised by the Regional Stock Exchange (BRVM) and the Central Custodian/Settlement Bank (CC/BS).

- **Organisation of the market by syndication**

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

**CREPMF** is the WAEMU's regional financial market regulator (FMR). Its missions are, among others, to :

- To ensure the authorisation and control of public offering procedures ;
- Authorise market management structures and approve commercial operators ;
- Approve the tariffs of commercial operators ;
- Regulating the operation of the market ;
- Ensure the supervision of the regularity of stock exchange operations.

BRVM is organised at a central site based in Abidjan (Côte d'Ivoire) and represented in each member state by a National Stock Exchange Antenna (NSEA). The main responsibilities of BRVM are :

- Authorisation of the scholarship holders to carry out their activity ;
- The management of the market, in particular ensuring the centralization of buy or sell orders, the management of the coast, the dissemination of market information, as well as the promotion and popularization of financial culture within the WAEMU;
- The management of unsettled transactions.

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

- To clear applicants for the position of account

keeper ;

- Ensuring the settlement of negotiations and the management of the financial service of securities ;
- Ensure the maintenance of current accounts for securities opened by Management and Intermediation Companies (MIC) in its books ;
- To ensure the safekeeping and the scriptural circulation of securities ;
- Proceed to the payment in cash, in its capacity as settlement bank, of the balances of stock exchange transactions.

When organising issues by syndication, the States entrust the process of placing the securities to an underwriting syndicate, whose members are MICs approved by **CREPMF**. In addition, the issuer chooses a lead manager from among the syndicate's members to carry out specific tasks in the issuance process.

Since its creation, the main products present on the regional financial market have been equities and bonds. In recent years, several new products such as mortgage refinancing and securitisation (Sukuk Debt Securitisation Fund) have been introduced. Securities issued by syndication are traded on the secondary market on BRVM's electronic trading platform.

- **Organisation of the market by auction**

The auction market is a segment of the public securities market, on which WAEMU member states issue Treasury bills and bonds following an auction procedure in order to finance their budgets.

Unlike the syndication market, the auction market is led by the following players :

- The Central Bank of West African States (BCEAO), which is the regulator of this market. As such, it enacts the applicable provisions, intervenes in the organization of auctions of public securities, acts as Central Custodian / Settlement Bank, clearing, settlement and delivery of transactions between participants with an account in its books, through its electronic platform SAGETIL-UMOA<sup>15</sup>;

<sup>15</sup> Automated Securities and Liquidity Management System of the West African Monetary Union.

- States which are the issuers of public debt securities on the Union's money market, under the responsibility of the Minister of Finance ;
- Agence UMOA-Titres, a regional structure in charge of issuing and managing public debt securities, materially organises issues and, in this capacity, provides assistance to Member States in mobilising resources on the capital markets and managing their debt ;
- Investors which are credit institutions, IMS and regional financial bodies with a settlement account in the books of the Central Bank<sup>16</sup> ;
- Specialists in Treasury Securities (STs) which are credit institutions and IMSs that have obtained the approval of the Ministers in charge of Finance of WAEMU Member States to act in this capacity and thus benefit from the status of privileged partners of one or more Treasuries of Member States on transactions on public debt securities issued on the regional market.<sup>17</sup>
- The organisation of the stock market ;
- The publication of stock exchange transactions ;
- Dissemination of information on the stock exchange ;
- The promotion and development of the market.

### Evolution of BRVM bond and equity market

Since 2016, the WAEMU stock market (BRVM) has been experiencing successive declines that accelerated until 2018 and then slowed down in 2019. It fell from -3.8% in 2016 to -16.81% in 2017 and -29.14% in 2018. However, the decline slowed to -3.4% in 2019.

This underperformance shows that the WAEMU market did not fully withstand the general downward trend that gripped the world's financial markets. The BRVM's decline in 2018 is particularly marked. The stocks preferred in 2015, oriented towards the food and beverage as well as agribusiness, consumer, automobile and equipment and banking sectors, have experienced a decline.

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

During the 2019 financial year, the BRVM Composite Index rose from 172.2 on 31/12/2018 to 159.2 on 31/12/2019. The market capitalisation of the stock market fell from CFAF 4.845 billion at the end of 2018 to CFAF 4.741 billion at the end of 2019, a drop of 2%.

The BRVM also reached the CFAF 236 billion mark in transactions in 2018 and 117.303.543 shares were exchanged for a value of CFAF 174.449.217.023.

Securities issued by auction are traded on the secondary market, following an over-the-counter procedure.

### The capital market

Organised by BRVM, the private capital market is made up of public and private shares and bonds.

### BRVM : Presentation and roles

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

BRVM is a public limited company with a community public service mission. It is common to the 8 countries of West Africa. BRVM/CC/SB started its activities on 16 September 1998 in Abidjan. Its main missions are the following :

<sup>16</sup> All other investors wishing to participate will have to go through the approved participants.  
<sup>17</sup> The operationalisation of primary dealers in the WAEMU started on 1 March 2016.

Concerning the bond compartment, 6.359.442 bonds were traded for a value of CFAF 61.767.647.783 in 2018. The market capitalisation of bonds amounted to CFAF 4.233 billion as at 31 December 2019 against

CFAF 3.444 billion the previous year, an increase of 23%. This improvement was driven by the appetite of WAEMU member states to use the regional financial market to support their respective economies.

**Table 9. Evolution of BRVM financial market**

	2013	2014	2015	2016	2017	2018	2019
<b>BRVM 10 index</b>	246	268	290	262	220	154	149
<b>BRVM composite index</b>	232	258	304	292	243	172	159
<b>Composite market capitalisation (shares and bonds) in billions of CFA francs</b>	6 706	7 459	9 079	10 216	9 806	8 289	8 973
<b>Equity Market</b>	5 634	6 320	7 500	7 706	6 836	4 845	4 741
<b>Bond Market</b>	1 073	1 139	1 579	2 509	2 970	3 444	4 233
<b>Number of listed companies</b>	37	38	39	43	45	45	46

Source : BRVM

### The regional government securities market

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

- **Evolution of government securities issues**

The total amount of gross issues on the regional public debt market amounted to CFAF 4.112.2 billion at the end of 2019 against CFAF 3.277.6 billion for the same period in 2018. The evolution of gross issues is partly due to a stronger presence of Côte d'Ivoire and Senegal on the regional financial market compared to the previous year. As for net issues, they stood at CFAF 910.8 billion over the same period against CFAF 342.8 billion in 2018.

During 2019, most of the resources mobilised on the regional financial market were raised on the Treasury bond segment (60%). The States' preference therefore remains focused on medium and long-term securities, notably due to the financing of the vast infrastructure projects underway. Securities with a maturity of 3 and 5 years were the most solicited, with amounts raised of CFAF 1.146.5 billion and 474.5 billion respectively, i.e. 91.3% of the total amount of bond issues by auction.

The total volume of issues by auction on the bond compartment stood at CFAF 1.775.0 billion in 2019 against CFAF 943.9 billion a year earlier. As for the volume of bond issues by syndication, it reached CFAF 692.0 billion in 2019, an increase of CFAF 152.3 billion compared to the same period in 2018.

For all bond issues in 2019, the average yield was 6.42% compared with 6.29% a year earlier, an increase of 13 basis points.



On the Treasury bill compartment, seventy (63) issues were carried out during 2019, for a total amount of CFAF 1.645.1 billion, against CFAF 1.489.4 billion in 2018. The 12-month maturity was the most soli-

cited, with forty-two (42) issues for a total value of CFAF 885.1 billion, i.e. 53.8% of the total value of bills.

**Table 10. Gross issuance on the regional government securities market**

<i>(in billions of CFAF)</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>T-Bills</b>	1541	1578	1489	1 645
<b>Bonds</b>	2871	2122	1788	2 467
<b>Auction</b>	1970	1165	944	1 775
<b>Syndication</b>	901	957	844	692
<b>Total</b>	<b>4412</b>	<b>3700</b>	<b>3278</b>	<b>4 112</b>

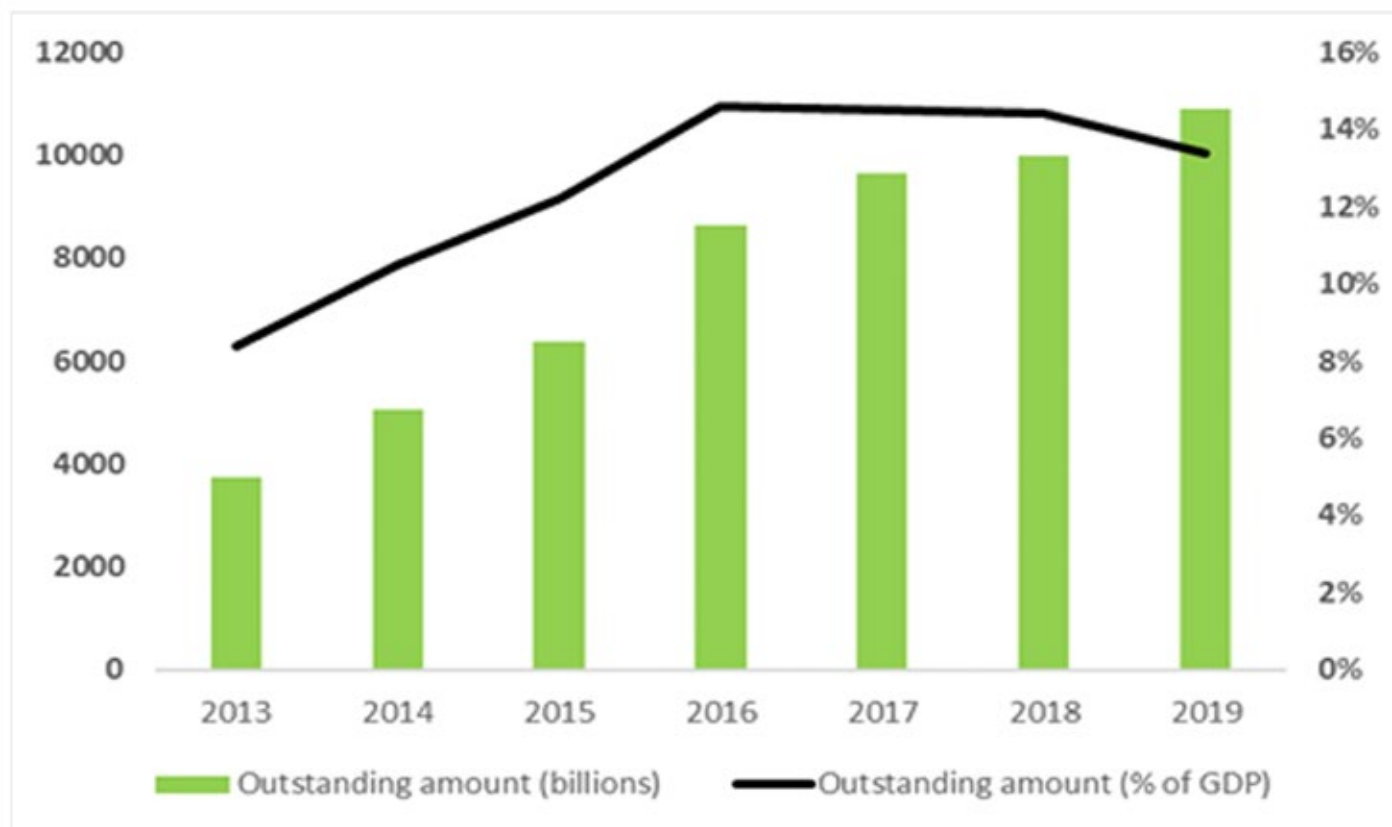
Source : WAMU Monetary Policy Report December 2019

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

stood at CFAF 10.883.5 billion at the end of December 2019, or 13.9% of GDP. The structure of this outstanding amount remains dominated by Treasury bonds which represent 91.8% of the total.

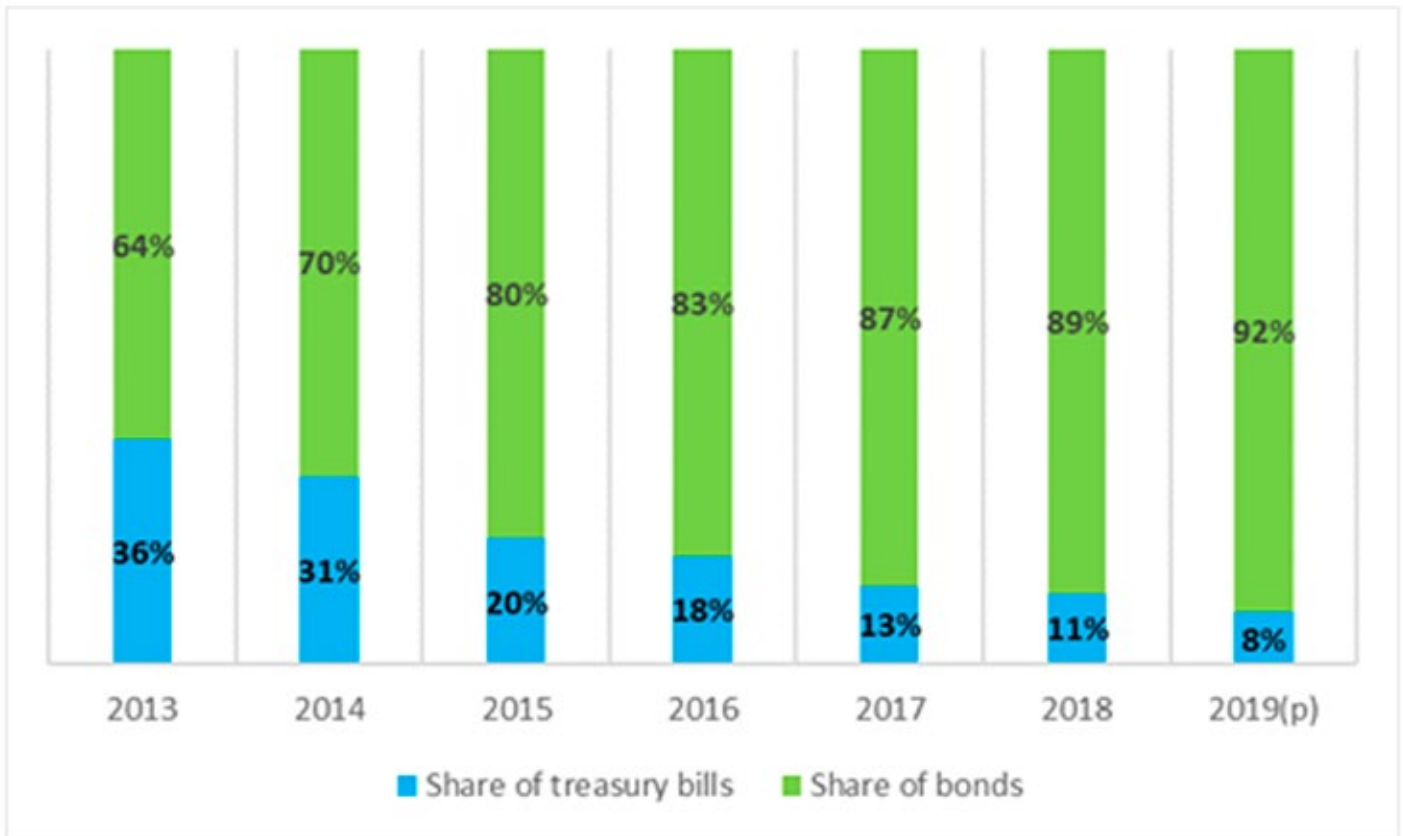
The overall outstanding amount of public securities

**Figure 4. Evolution of outstanding debt on the regional market**



Source : BCEAO, Agence UMOA-Titres

**Figure 5. Evolution of debt composition**



Source : BCEAO, Agence UMOA-Titres

On the basis of the emission programmes collected from the Member States of the Union, the total amount of resources to be mobilised on the regional market would amount to CFAF 4.361.0 billion in 2020, an increase of 6.1% compared to the achievements of 2019.

Maturities would fall to CFAF 2 631.4 billion at the end of December 2020 and net issues would be positive at CFAF 1 425.0 billion, which would bring the outstanding amount of government securities to CFAF 12 308.5 billion at the end of December 2020, i.e. 14.2% 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 authorised market participants: an underwriting syndicate or any MIC operating in the Union in the case of issues by syndication, and credit institutions based in the Union or MICs having an account in the books of the Central Bank in the case of issues by auction. Transactions on the BRVM share market are carried out through stock exchange intermediaries, in particular MIC.

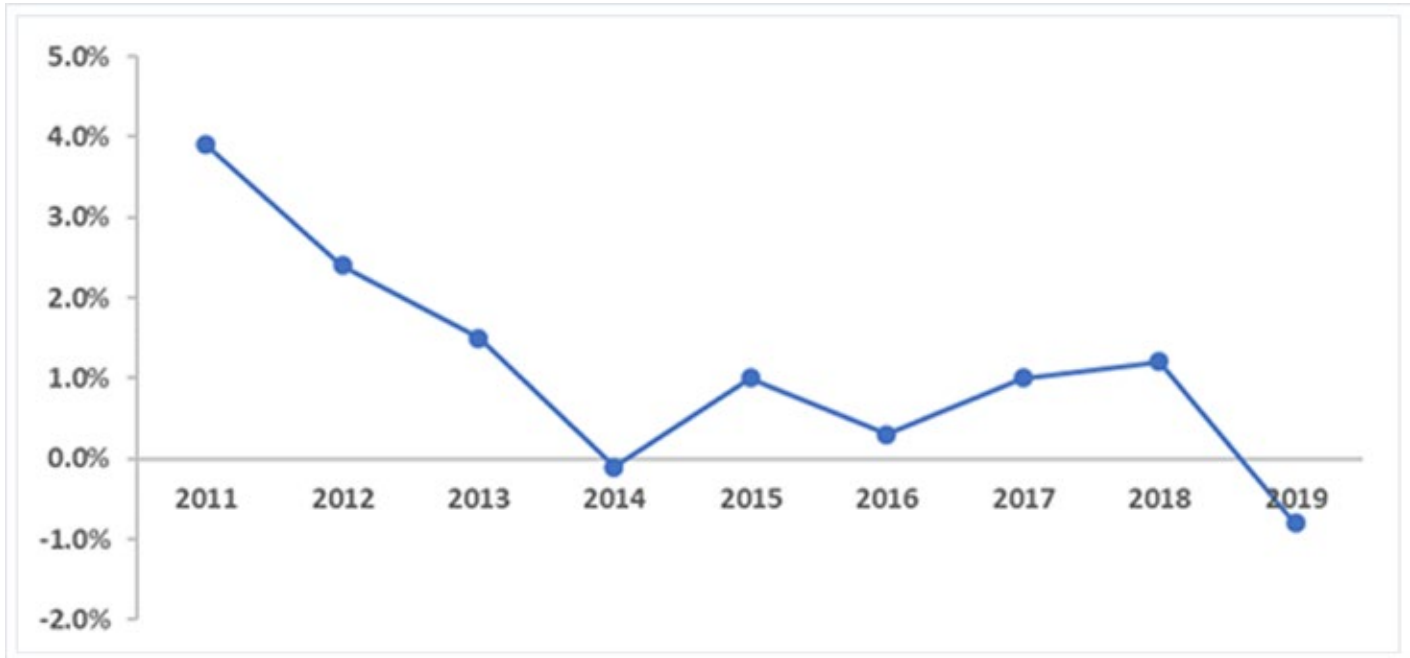
## 2.5 Inflation rate

Inflation movements in the Union are linked to changes in food production, oil price fluctuations and the terms of trade. Thus, over the period 2011-2014, inflation in the union has been on a downward trend thanks to good food production, better market supply, lower local cereal prices combined with lower crude oil prices and improved 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 unfavourable expectations for the results of the 2015-2016 cereal crop year in the Sahel countries. As this situation was reversed in 2016, the inflation rate declined to an annual average of 0.3%.

The increase in 2017 to 1.0% is due to higher local food prices. As a result of higher crude oil prices in 2018 and their pass-through to fuel pump prices, the inflation rate rose to 1.2%. In 2019, it fell to -0.8%. This decline is due in part to the combined effect of lower prices for cereal products, due to satisfactory market supplies, and lower external demand in some countries as a result of the security situation.

**Figure 6. The evolution of the inflation rate in the WAEMU**



Source : BCEAO

## 2.6 Exchange rate

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

It emerges 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, with a peak in 2015, before appreciating since then. These periods correspond to phases of depreciation and appreciation of the euro against the dollar.

**Figure 7. Evolution of the exchange rate**



Source : BCEAO

## 2.7 Foreign reserves

The reserves of the eight (8) WAEMU Member States are centralised at the level of BCEAO.

After a decrease in foreign exchange reserves in 2016 due to the decline in the mobilisation of external resources by the states, the decline in private capital inflows and the increase in the external commitments of banks, foreign exchange reserves improved by 17% per year from 2017 to reach CFAF 10 357 billion in 2019. This is partly due to the repatriation by Côte d'Ivoire and Senegal of the proceeds

of Eurobonds issued on the international markets in 2017 and 2018.

The level of the Union's foreign exchange reserves ensures a rate of coverage of monetary issues of 78.4% at the end of December 2019. The level of coverage of the stock of official reserve assets rose by 21.0%. At the end of December 2019, it covered 6.6 months of imports of goods and services, compared with 5.7 months at the same period a year earlier.

**Table 11. Situation of foreign exchange reserves of WAEMU monetary institutions**

In billions of CFAF	2013	2014	2015	2016	2017	2018	2019
<b>Reserve assets</b>	6 623	7 066	7 523	6 529	7 184	8 561	10 357
<b>Monetary gold</b>	708	761	780	840	811	884	1 121
<b>Foreign currencies</b>	36	12	21	17	15	12	13
<b>Deposits and securities included in official reserves</b>	5 160	5 648	5 976	5 113	5 699	6 817	8 218
<b>Reserve position in the IMF</b>	24	25	27	207	192	197	202
<b>Special drawing rights</b>	695	620	719	352	467	651	803

Source : BCEAO

### 3.1 Balance of payments

Since 2017, WAEMU's economic and financial transactions with the rest of the world have resulted in a positive overall balance of CFAF 304.1 billion in 2017, CFAF 1.088.2 billion in 2018 and CFAF 1.659.4 billion in 2019. A performance very different from that of the years 2015 and 2016 which recorded deficits of 946.8 billion CFAF and 189.8 billion CFAF respectively. This clear improvement results from an increase in net inflows under the capital and financial accounts, partially offset by the deterioration of the current deficit. The overall balance, although positive, should also mark a strong decline in 2020. It should fall from CFAF 1 659.4 billion in 2019 to CFAF 1 161.7 billion in 2020, a drop of 30%.

The trade deficit worsened in 2019 compared with 2018, due in particular to the fact that imports (+5%) grew faster than exports (+3%). The increase in imports in 2019 is due in particular to the dynamic ac-

quisition of capital and intermediate goods (+12% and +11% respectively). As for the increase in exports in 2019, it is driven by the rise in sales of cocoa and cotton (+11%) as well as uranium and zinc (+19% and +16% respectively). The rise in these revenues is slowed down by the sharp falls in sales of wood (-23%) and cashew nuts (-19%).

The trade deficit could improve in 2020 with a fall in imports (-7%) twice as great as that of exports (-3%). The product most affected would be oil. With regard to the capital account, its surplus increased by 24% in 2019 compared to the previous year, in line with the increase in project grants. This trend is expected to continue in 2020, with an increase of 13%.

The strong increase in net inflows to the financial account in 2019 is mainly attributable to the rise in direct investment (+5%) and public drawdowns (+5%).

*Table 12. WAEMU balance of payments statistics*

POST WORDING	2012	2013	2014	2015	2016	2017	2018	2019 (*)	2020 (**)
								Est.	Forecast.
<b>Current transactions account</b>	<b>-2 174.7</b>	<b>-3 031.5</b>	<b>-2 547.1</b>	<b>-3 200.7</b>	<b>-3 211.1</b>	<b>-4 054.6</b>	<b>-4 608.7</b>	<b>-4 686.5</b>	<b>-4 607.0</b>
<b>Balance of goods and services</b>	<b>-2 872.6</b>	<b>-4 347.7</b>	<b>-4 015.8</b>	<b>-4 488.2</b>	<b>-4 344.4</b>	<b>-4 749.8</b>	<b>-5 304.6</b>	<b>-5 677.4</b>	<b>-4 580.7</b>
<b>Exports of goods FOB including</b>	<b>12 798.4</b>	<b>12 701.3</b>	<b>13 340.5</b>	<b>13 996.8</b>	<b>13 947.3</b>	<b>15 161.3</b>	<b>16 269.7</b>	<b>16 771.6</b>	<b>16 343.3</b>
<b>Oil</b>	2 328.1	1 846.1	1 679.8	1 421.2	1 120.5	1 200.1	1 384.8	1 337.6	669.7
<b>Gold</b>	2 840.4	2 318.1	2 290.5	2 535.9	2 952.5	3 236.8	3 711.3	4 118.9	4 516.9
<b>Cocoa</b>	1 727.8	1 939.0	2 302.9	3 045.4	2 748.6	2 907.8	2 537.4	2 811.6	2 800.0
<b>Cotton</b>	585.7	679.7	743.8	734.7	628.2	882.7	1 029.2	993.5	904.8
<b>Rubber</b>	412.8	376.8	302.7	298.8	329.5	489.7	419.9	482.8	476.7
<b>Uranium</b>	338.7	302.8	240.5	240.8	177.7	169.6	117.2	139.2	124.6
<b>Phosphoric acid</b>	162.1	95.6	67.0	84.1	124.1	96.0	194.6	179.7	209.8
<b>Wood</b>	91.5	83.8	102.6	104.6	79.8	88.7	117.4	90.7	93.0



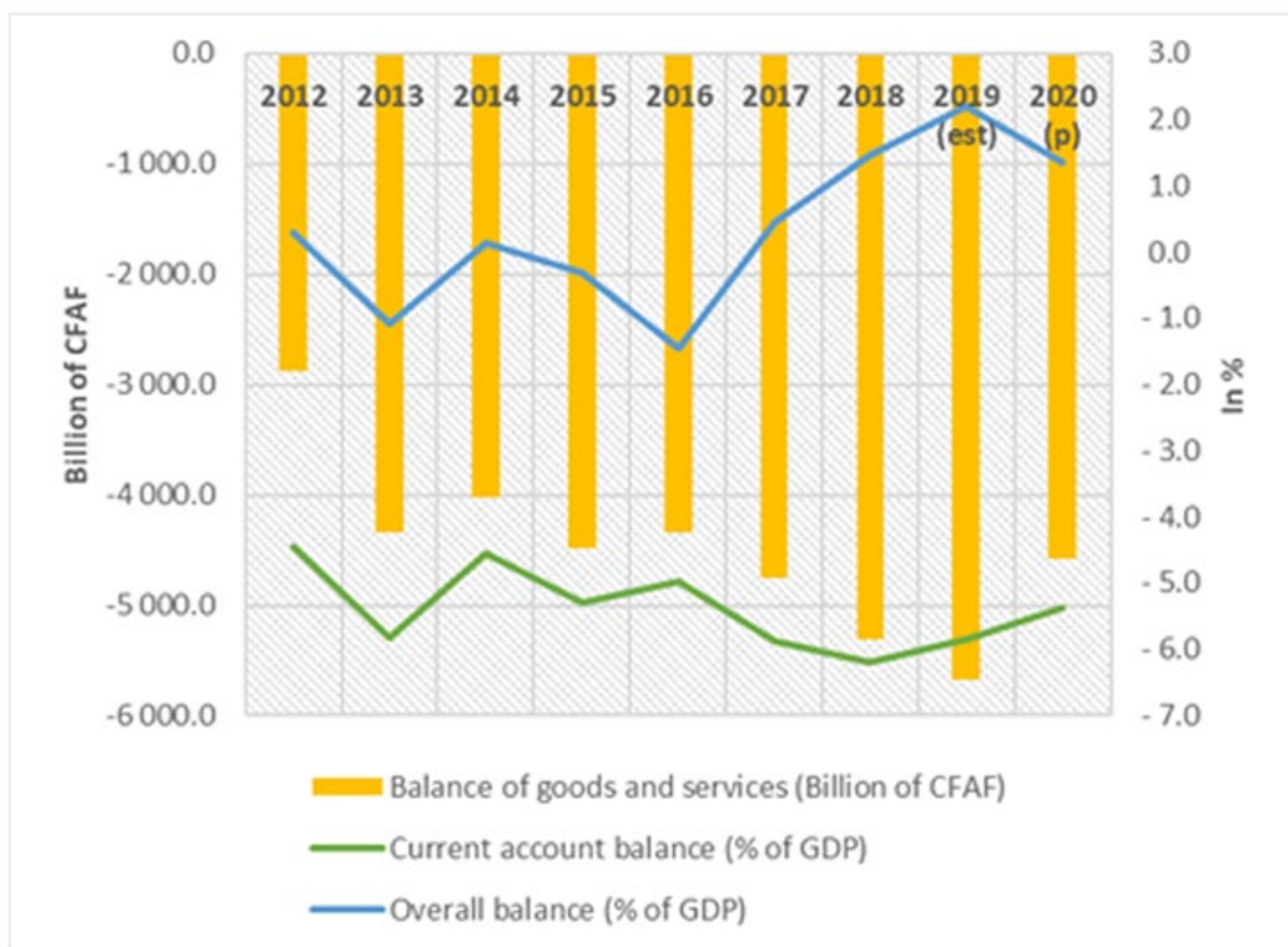
<b>Coffee</b>	87.4	95.1	65.1	72.0	72.0	77.9	83.2	80.2	86.2
<b>Zinc</b>	0.0	12.5	43.1	32.7	51.2	95.8	94.8	110.0	110.5
<b>Cashew nuts</b>	269.7	275.3	514.8	650.6	719.3	950.6	919.2	742.3	723.2
<b>Other exports</b>	3 951.4	4 670.5	5 014.0	4 768.9	4 937.6	4 958.3	5 648.7	5 685.1	5 628.0
<b>Including intra - WAEMU</b>	2 111.7	2 073.9	2 230.6	2 236.1	2 245.8	2 340.5	2 495.9	2 589.7	2 682.9
<b>Re-exports</b>	818,8	1 038,7	1 265,2	974,1	1 123,7	1 174,3	1 243,0	742,1	798,7
<b>Imports of goods CIF including :</b>	<b>-16 195.3</b>	<b>-16 810.0</b>	<b>-16 879.3</b>	<b>-17 879.2</b>	<b>-17 512.2</b>	<b>-19 187.7</b>	<b>-21 143.2</b>	<b>-22 245.6</b>	<b>-20 758.2</b>
<b>Food products</b>	-2 916.5	-2 942.3	-3 193.8	-3 297.5	-3 413.9	-3 975.9	-4 027.0	-3 991.8	-4 225.0
<b>Other daily consumer goods</b>	-2 023.6	-1 989.3	-2 267.9	-2 407.7	-2 535.8	-2 982.7	-2 961.1	-3 172.1	-3 342.4
<b>Petroleum products</b>	-4 355.0	-4 030.0	-3 851.9	-3 312.6	-2 875.8	-3 502.8	-4 334.5	-4 146.8	-2 133.1
<b>Intermediate goods</b>	-2 613.6	-3 003.9	-2 941.8	-3 309.7	-3 178.6	-3 351.1	-3 833.0	-4 284.6	-4 364.5
<b>Capital equipment</b>	-3 154.5	-3 394.8	-3 541.3	-4 127.9	-3 947.8	-3 938.5	-4 283.9	-4 737.2	-4 740.4
<b>Other imports</b>	-1 132.2	-1 449.7	-1 082.7	-1 423.8	-1 560.3	-1 436.7	-1 703.7	-1 913.1	-1 952.7
<b>Including intra-WAEMU</b>	-2 111.7	-2 073.9	-2 230.6	-2 236.1	-2 245.8	-2 340.5	-2 495.9	-2 589.7	-2 682.6
<b>Balance of services</b>	<b>-2 303.5</b>	<b>-2 944.9</b>	<b>-2 986.1</b>	<b>-3 255.9</b>	<b>-3 308.6</b>	<b>-3 453.2</b>	<b>-3 418.4</b>	<b>-3 501.5</b>	<b>-3 251.4</b>
<b>Credit</b>	<b>2 022.0</b>	<b>2 161.5</b>	<b>2 189.2</b>	<b>2 302.3</b>	<b>2 468.0</b>	<b>2 573.8</b>	<b>2 827.2</b>	<b>2 895.0</b>	<b>2 429.0</b>
<b>Including travel</b>	586.8	658.5	661.6	672.9	843.9	887.5	956.1	963.9	790.9
<b>Debit</b>	<b>-4 325.4</b>	<b>-5 106.4</b>	<b>-5 175.3</b>	<b>-5 558.2</b>	<b>-5 776.6</b>	<b>-6 027.0</b>	<b>-6 245.6</b>	<b>-6 396.5</b>	<b>-5 680.3</b>
<b>Including freight and insurance</b>	-2 315.0	-2 504.5	-2 457.8	-2 596.1	-2 529.1	-2 729.8	-2 982.3	-3 298.1	-3 051.5
<b>Balance of primary income</b>	<b>-1 014.7</b>	<b>-1 028.4</b>	<b>-1 067.2</b>	<b>-1 237.3</b>	<b>-1 462.7</b>	<b>-1 868.5</b>	<b>-1 944.3</b>	<b>-2 122.2</b>	<b>-2 217.8</b>
<b>Balance of secondary income</b>	<b>1 712.6</b>	<b>2 344.6</b>	<b>2 535.9</b>	<b>2 524.8</b>	<b>2 596.0</b>	<b>2 563.7</b>	<b>2 640.1</b>	<b>3 113.1</b>	<b>2 191.5</b>
<b>Capital account</b>	<b>4 921.4</b>	<b>1 189.3</b>	<b>1 168.7</b>	<b>1 158.1</b>	<b>1 095.8</b>	<b>1 211.1</b>	<b>1 293.1</b>	<b>1 607.5</b>	<b>1 812.6</b>
Acquisition/disposal of non-financial assets	32.8	10.1	9.4	-6.8	-6.4	-1.9	-9.8	-1.7	-1.8
Capital transfers	4 888.6	1 179.2	1 159.3	1 164.9	1 102.2	1 213.0	1 303.0	1 609.2	1 814.4
<b>Financial account</b>	<b>2 844.2</b>	<b>-1 957.2</b>	<b>-1 972.1</b>	<b>-2 676.4</b>	<b>-2 420.8</b>	<b>-3 314.3</b>	<b>-4 429.9</b>	<b>-4 834.6</b>	<b>-3 956.0</b>
Direct investment	-1 002.0	-1 271.0	-1 023.6	-1 068.1	-884.9	-1 138.4	-1 288.6	-1 359.2	-1 382.8
Portfolio investments	-266.3	-59.1	-734.2	-1 111.1	-1 168.1	-1 823.8	-1 968.1	-1 566.7	-895.2

Financial derivatives	0.0	0.0	0.0	0.3	0.0	-2.9	0.5	0.0	0.0
Other investments	4 112.6	-627.1	-214.3	-497.5	-367.9	-349.2	-1 173.7	-1 908.7	-1 678.0
<b>Net errors and omissions</b>	<b>-39.8</b>	<b>28.7</b>	<b>-40.8</b>	<b>-71.7</b>	<b>-59.9</b>	<b>24.6</b>	<b>34.6</b>	<b>7.7</b>	<b>0.0</b>
<b>Overall balance</b>	<b>-137.4</b>	<b>143.7</b>	<b>553.0</b>	<b>562.1</b>	<b>245.6</b>	<b>495.3</b>	<b>1 148.9</b>	<b>1 763.2</b>	<b>1 161.7</b>
<b>g-Ajustement statistique (2)</b>	<b>279.5</b>	<b>-711.8</b>	<b>-478.5</b>	<b>-752.0</b>	<b>-1 192.4</b>	<b>-191.2</b>	<b>-60.7</b>	<b>-103.8</b>	<b>0.0</b>
<b>h-GLOBAL BALANCE after adjustment (f+g)</b>	<b>142.1</b>	<b>-568.2</b>	<b>74.5</b>	<b>-189.8</b>	<b>-946.8</b>	<b>304.1</b>	<b>1 088.2</b>	<b>1 659.4</b>	<b>1 161.7</b>

Source : BCEAO

The balance of payments current account deficit improved slightly in 2019 to 5.8% of GDP from 6.2% in 2018<sup>18</sup>. It is expected to fall again in 2020 to 5.4% of GDP.

Figure 8. Evolution of the characteristic balances of the WAEMU balance of payments



Source : BCEAO

<sup>18</sup> This does not take into account the impact of the health crisis COVID-19

## 3.2 International trade

### 3.2.1 Commercial policy

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

Good articulation between the various negotiations at regional and international level (CET; EPAs; 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 articulated around the following elements :

- The finalisation of the Common External Tariff (CET) at ECOWAS level, and thus the constitution of a Customs Union ;
- A space for bilateral negotiations, particularly between the West African region and the union, on the EPA ;
- A multilateral negotiating space, which refers to the rules of the WTO, 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 have only ad hoc observer status in the WTO Trade and Development Commission.

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

- A common market was established on 1 July 1996 for local and unprocessed products (Union products of animal, mineral and plant products of the Union) 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 set up on 1 January 2000, based on a CET applicable to all WAEMU member countries, comprising four categories

of products, 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 enshrines the enlargement of the customs union to the 15 ECOWAS countries.

- Common rules of origin and competition, harmonisation of the VAT and excise duties, harmonisation and mutual recognition of standards, common safeguards and protection measures (degressive protection tax (DPT), cyclical export tax (CET), reference values and anti-dumping duty)

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

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 programme that involves international donors, as well as national and regional financial institutions. It identifies five specific objectives corresponding to the categories of Aid for Trade :

- Ensuring ownership and control of trade policies and regulations by experts from Member States and the Commission ;
- To develop intra-regional and international trade of the 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 other trade-related needs.

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

- **The Common External Tariff**

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

The CET aims to harmonise customs duties and taxes with a view to deepening economic integration through the establishment of a Customs Union, providing a platform for building the common trade policy and regional trade negotiations such as the EPA ; boosting regional production and investment capacity, and consolidating the regional market.

The CET is organised around an architecture including :

- (i) A Tariff and Statistical Nomenclature (TNS), i.e. a common customs nomenclature based on the Harmonised System for the Description and Coding of Goods (HS) of the World

Customs Organisation (WCO) adopted by the Community ;

- (ii) A schedule of duties and taxes applicable to imported products and which includes : customs duty (CD), statistical fee (SF) and the ECOWAS Community Levy (ECOWAS CL) ;

- (iii) Trade defence measures or additional protective measures, where appropriate, which may generate duties which may affect 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 tariff structure of the CET 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 consumer goods	20%
4	Specific goods for economic development	35%

The CET has been established in accordance with the requirements of the World Customs Organisation's (WCO) Harmonised System and those of the World Trade Organisation (WTO) relating to Regional Trade Agreements (Article 24 of the GATT).

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

Several trade regimes are in force within ECOWAS. The following table presents 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 industrialised countries	Generalised System of Preferences (GSP)
Rest of the world	Bilateral agreements, GSP

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

- **Côte d'Ivoire and Ghana** ratified interim EPAs in 2016. Côte d'Ivoire's EPA has been in provisional application since 4 September 2016 and Ghana's EPA applies since 15 December 2016. These IE-PAs guarantee both countries full access to the European market and provide for the eventual liberalisation of 80% of tariff lines by Côte d'Ivoire and Ghana over a period of 15 years.<sup>19</sup> ;
- Under the GSP, **Nigeria** benefits from a reduction of the union customs duties on about 1/3 of tariff lines and total exemption from customs duties on an additional 1/3 of tariff lines.
- **Cabo Verde** benefits from the GSP+ which grants exemption from European customs duties on about 2/3 of the tariff lines ;
- **The other 12 countries** (including the seven WAEMU countries outside Côte d'Ivoire), because of their LDC status, benefit from the E-

verything But Arms GSP, which gives them access to the European market for all their exports to the union without duties or quotas.

### 3.2.2 International trade by value and by destination

Total exports from WAEMU countries increased between 2013 and 2018, rising from CFAF 14.737 billion in 2013 to CFAF 17.595 billion in 2018. The rest of Africa has lost its place as the first partner of the WAEMU since 2013 to the benefit of Europe. The main export partner of the Union in 2018 is Europe (CFAF 7.689 billion), followed by the rest of Africa (CFAF 4,293 billion), Asia (CFAF 4.047 billion), and finally America (CFAF 1.249 billion).

Total imports from WAEMU countries increased between 2013 and 2017, rising from CFAF 18.820 billion in 2013 to CFAF 22.936 billion in 2018. Their main import partner in 2018 is Europe (9.496 billion CFAF), followed by Asia (8.188 billion CFAF). The rest of Africa and America are far behind, with imports from these regions amounting to CFAF 3.440 billion and CFAF 1.583 billion respectively in 2018. In 2012, Europe was already the WAEMU's main import partner, but Africa was ahead of Asia.

<sup>19</sup> Over 11 years (2019-2029) currently for Côte d'Ivoire.



**Table 13. Evolution of WAEMU trade by partner country/area**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>TOTAL EXPORTS<sup>20</sup> (in billion CFAF)</b>	<b>14 737</b>	<b>15 726</b>	<b>17 046</b>	<b>16 175</b>	<b>17 367</b>	<b>17 595</b>
<b>EUROPE</b>	<b>6 027</b>	<b>6 007</b>	<b>7 415</b>	<b>7 052</b>	<b>7 520</b>	<b>7 689</b>
<b>Euro zone</b>	3 979	3 649	4 347	4 028	4 046	3 924
<b>France</b>	1 149	1 069	1 023	906	1 025	1 020
<b>Germany</b>	575	393	1 193	469	504	598
<b>Italy</b>	221	315	307	307	278	282
<b>The Netherlands</b>	869	959	324	1 084	1 302	1 144
<b>The United Kingdom</b>	206	236	290	340	347	282
<b>AFRICA</b>	<b>5 069</b>	<b>5 551</b>	<b>5 199</b>	<b>4 578</b>	<b>4 776</b>	<b>4 293</b>
<b>ECOWAS (excluding WAEMU)</b>	3 434	3 208	2 608	2 556	2 813	2 516
<b>EMCCA</b>	157	519	307	97	122	141
<b>South Africa</b>	1 459	1 730	1 500	1 423	1 476	1 320
<b>AMERICA</b>	<b>1 267</b>	<b>1 227</b>	<b>955</b>	<b>1 326</b>	<b>1 355</b>	<b>1 249</b>
<b>United States</b>	766	849	955	873	973	862
<b>Canada</b>	295	236	136	226	174	211
<b>Brazil</b>	162	47	51	49	52	70
<b>ASIA</b>	<b>2 093</b>	<b>2 611</b>	<b>2 932</b>	<b>3 057</b>	<b>3 491</b>	<b>4 047</b>
<b>China</b>	442	299	307	291	278	387
<b>Japan</b>	339	629	921	857	868	1 284
<b>India</b>	44	31	34	32	35	18
<b>TOTAL IMPORTS (in billion CFAF)</b>	<b>18 820</b>	<b>19 322</b>	<b>20 937</b>	<b>19 612</b>	<b>20 836</b>	<b>22 936</b>
<b>EUROPE</b>	<b>7 660</b>	<b>7 555</b>	<b>8 563</b>	<b>7 943</b>	<b>8 855</b>	<b>9 496</b>
<b>Euro zone</b>	5 966	5 951	6 930	6 256	6 918	6 973
<b>France</b>	2 484	2 666	3 203	2 824	2 959	3 028
<b>Germany</b>	546	599	628	667	667	688
<b>Italy</b>	320	367	586	431	438	459
<b>The Netherlands</b>	1 186	889	775	745	1 104	963
<b>The United Kingdom</b>	414	406	419	294	250	298

<sup>20</sup> Exports in FOB value ; Imports in CIF value, including intra-WAEMU trade.

<b>AFRICA</b>	<b>3 651</b>	<b>3 497</b>	<b>2 973</b>	<b>2 491</b>	<b>2 625</b>	<b>3 440</b>
<b>ECOWAS (excluding WAEMU)</b>	2 842	2 067	2 282	1 824	1 750	2 202
<b>South Africa</b>	339	328	398	353	396	390
<b>Morocco</b>	132	406	63	20	42	23
<b>AMERICA</b>	<b>1 694</b>	<b>2 203</b>	<b>2 659</b>	<b>1 628</b>	<b>1 375</b>	<b>1 583</b>
<b>United States</b>	885	792	879	843	604	665
<b>Brazil</b>	301	213	272	255	333	275
<b>ASIA</b>	<b>5 589</b>	<b>5 681</b>	<b>7 391</b>	<b>7 315</b>	<b>7 730</b>	<b>8 188</b>
<b>China</b>	2 145	2 222	3 057	3 197	3 084	3 555
<b>Japan</b>	1 016	1 121	1 047	1 294	1 459	1 399
<b>India</b>	452	386	440	510	542	505

Source : BCEAO

### 3.2.3 International exchanges in value and by product

Exports from the region increased over the 2013-2018 period of about 3% per annum on average passing from CFAF 12.574 billion in 2013 to CFAF 14.890 billion in 2018. This evolution is particularly driven by the increase in exports of cashew nuts, cocoa and gold.

In the third quarter of 2019, exports from the countries of the union increased by 11% compared to the same period in 2018. This growth was driven by higher sales of gold (+30.9%), cocoa (+26.7%) and rubber (+26.1%), mainly due to the combined effect of

higher prices on international markets and increased production of these products. However, growth is slowed down by the decline in sales of cashew nuts (-7.7%), cotton (-5.8%) and oil (-4.4%) in connection with the fall in prices on the international markets.

The imports of food, intermediate and capital goods grow by about 4% per year on average over the 2013-2018 period. In the third quarter of 2019, imports grow by about 5% over the same period in 2018. This growth was driven in particular by increased purchases of capital and intermediate goods (+9.6%) and food and consumer supplies (+7.5%)<sup>21</sup>.

**Table 14. Evolution of WAEMU exchanges by product**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>TOTAL EXPORT<sup>22</sup> (in billion CFAF)</b>	<b>12 574</b>	<b>13 537</b>	<b>14 750</b>	<b>13 707</b>	<b>14 779</b>	<b>14 890</b>
<b>Cocoa products</b>	1 937	2 296	3 038	2 753	2 912	2 540
<b>Cotton products</b>	735	807	719	711	863	944

<sup>21</sup> BCEAO-report on monetary policy in the WAEMU, 2019

<sup>22</sup> Exports at FOB value ; Imports at CIF value, including intra-WAEMU trade.

<b>Cashew nuts</b>	296	522	646	720	924	965
<b>Rubber</b>	376	301	297	327	490	419
<b>Gold</b>	2 194	2 207	2 740	2 937	3 146	3 447
<b>Petroleum products</b>	2 245	2 023	1 491	1 162	1 285	1 485
<b>Chemical ducts</b>	445	453	494	551	535	614
<b>TOTAL IMPORTS (in billion CFAF)</b>	<b>16 135</b>	<b>16 643</b>	<b>18 096</b>	<b>16 277</b>	<b>17 511</b>	<b>19 785</b>
<b>Food products</b>	3 154	3 318	3 407	3 520	4 135	4 239
<b>Energy products</b>	4 319	4 238	3 513	2 792	3 350	4 508
<b>Intermediate goods</b>	2 874	2 861	3 357	3 161	3 260	3 763
<b>Capital goods</b>	3 305	3 900	5 391	4 345	4 249	4 643

Source : BCEAO

### 3.3 Regional trade

#### 3.3.1 Regional trade policy

The regional trade policy in the making is governed by the provisions laid down by ECOWAS, which for the most part adopts those of the WAEMU and extends them to all ECOWAS Member States by making adjustments.

This policy aims at fostering 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 : free trade area, CET, accompanying measures (rules of origin, investment and competition legislation, safeguard measures, harmonisation of customs procedures), as well as the various actions aimed at developing ECOWAS trade relations with

the rest of the world.

Although there is no ECOWAS common commercial policy as such, within the meaning of a Community text adopted by the Heads of State and Government, a certain number of measures have already been implemented, which will serve as a basis for the common commercial policy :

- The Trade Liberalisation Scheme (TLS) ;
- The introduction of a Community levy (CL) of 0.5%;
- The convention on the ISRT (Inter-State Road Transit) ;
- Harmonisation of rules of origin with those of the WAEMU ;
- Harmonisation of norms with the WAEMU ;
- The adoption of a law on competition ;

- Harmonisation of domestic indirect tax legislation ;
- The adoption of the ECOWAS CET.

The ECOWAS Trade Liberalisation Scheme (ETLS) is the main operational tool for promoting the West African region as a Free Trade Area. The ETLS pursues the community objective of creating a common market through "the liberalisation 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 Liberalisation Scheme covers three (3) groups of products : unprocessed products, handicraft products and industrial products.

With the inclusion of industrial products, it became necessary to define the products "originating" in the ETLS region :

- (i) Fully processed goods ; products where all raw materials are sourced 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 which are not fully processed but whose production requires the use of materials which have undergone an added value of at least 30 per cent of the ex-factory price of the finished products.

It should be noted, however, that goods processed in free zones or under special economic arrangements entailing the suspension or partial or total exemption

from import duties cannot qualify as originating products.

In order to contribute to trade facilitation and promotion of the private sector, ECOWAS implements actions to strengthen information systems and promote regional trade (ECOBIZ World Market Information System ; West African Investment Promotion Agencies (WAIPA); e-commerce through the ECOBIZ platform, Community Computer Centre (CCC), ALISA system (computerisation of transit and interconnection of ECOWAS customs computer systems).

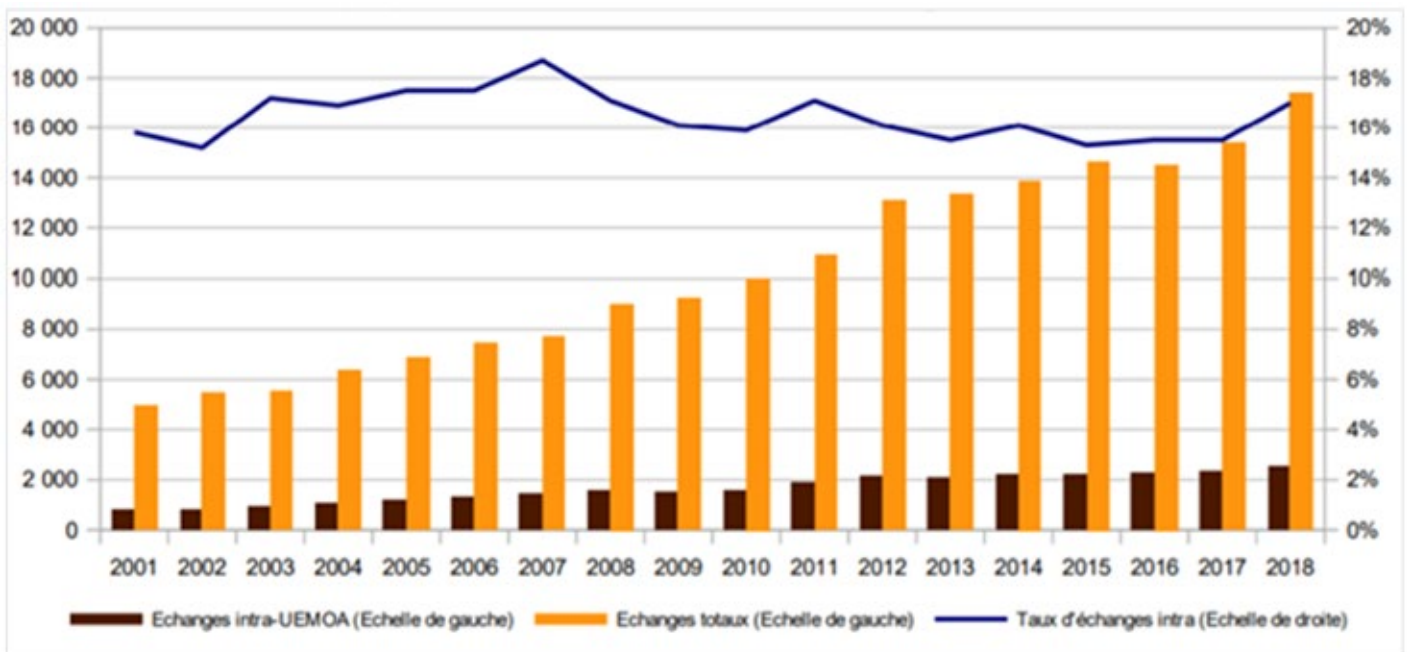
These results mark significant developments towards the establishment of a Community trade policy.

### 3.3.2 Evolution of intra-regional trade

According to available data from BCEAO, total intra-WAEMU trade for the year 2018 is estimated at CFAF 2.491 billion, against CFAF 2.341 billion in 2017, an increase of 6%. Côte d'Ivoire and Senegal are the main suppliers with respectively 35.5% and 24% of exports while Mali and Burkina Faso are the main destinations of flows with respectively 35.6% and 22.4% of supplies.

The share of intra-trade in total WAEMU trade increased from 15% in 2017 to 18% in 2018. Intra-WAEMU trade remains dominated by petroleum products (around 29% of intra-WAEMU trade). This is due to the fact that "continental" countries such as Mali and Burkina Faso are dependent on coastal countries for their imports, including Niger, which has oil and a refinery. Coastal countries thus re-export most oil products to hinterland countries. These products are followed by food preparations (milk, broths, etc.), unprocessed and local products (cereals, vegetables, live animals) and edible oils.

Figure 9. Evolution of intra-WAEMU trade



Source : BCEAO - Regional balance of payments and international investment position - 2018

### 3.4 Foreign direct investments

Net inflows of foreign direct investment (FDI) are estimated at CFAF 1 289.8 billion in 2018, against CFAF 1 138.9 billion in 2017<sup>23</sup>. This increase of 13% is carried in particular by the increase in investments in the mining, financial and telecommunications sectors as well as in airport and hotel construction works.

In terms of sectoral distribution, the available data show that in 2018, more than half of the FDI flows recorded in the Union (57.5%) will go to the extractive industries sector. This sector is followed by financial intermediation (19.4%) and manufacturing industries (7.9%).

The data indicate that capital comes mainly from the British Virgin Islands (18.4%), the United Kingdom (14.6%), France (11.9%) and China (13.2%). Non-euro zone European countries are also present, mainly in gold exploration and mining activities. These are mainly groups from Denmark, the United Kingdom and Switzerland.

Côte d'Ivoire (23%), Burkina (22.8%), Niger (17.3%), Mali (17.3%) and Senegal (31.4%) accounted for more than 85% of the gross FDI flows received by the Union.

<sup>23</sup> BCEAO - Regional balance of payments and international position - 2018





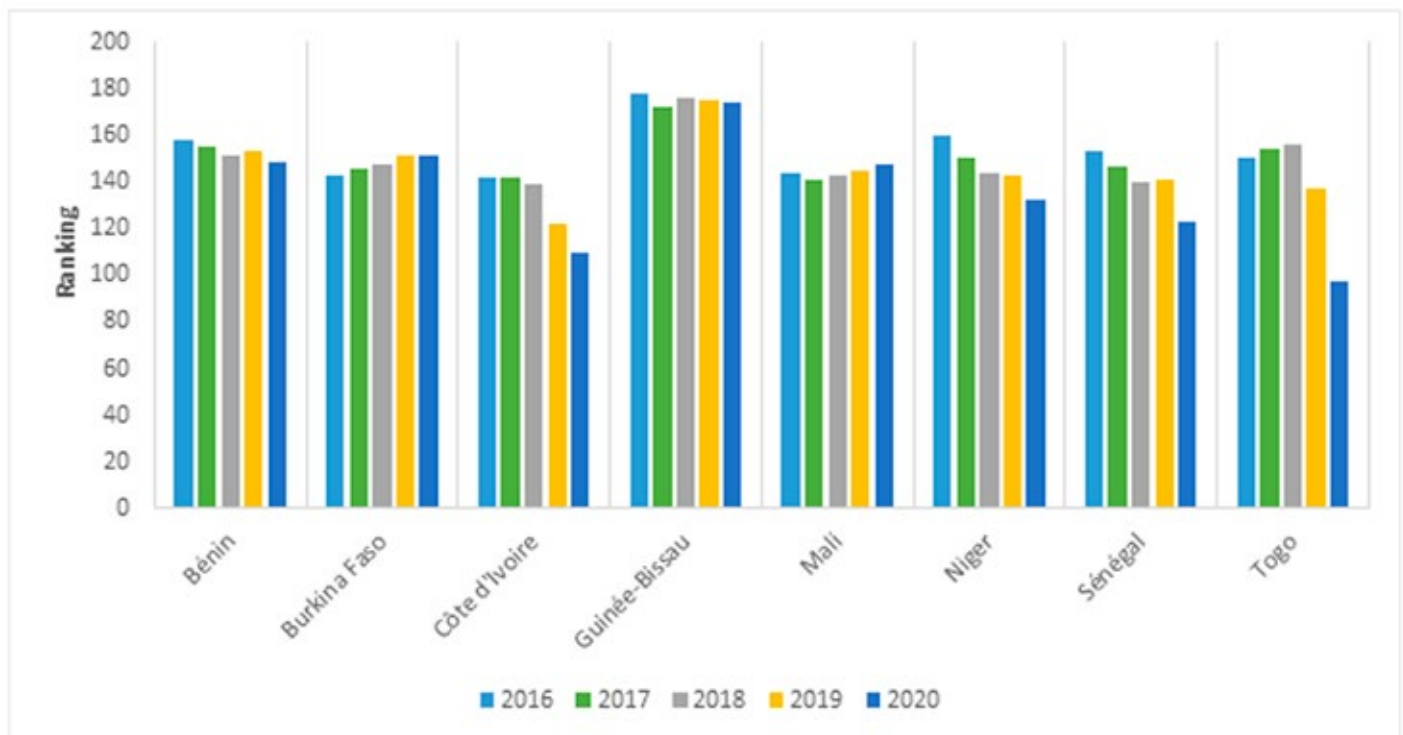
## 4 CREDIT QUALITY

### 4.1 Business climate

Over the last five years, the performance of WAE-MU states in terms of business climate has improved overall. This is evidenced 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 in the region remain out of step with the progress made in other countries in the world: Togo, the Union's top-ranked country in Doing Business 2020, is in 97th place out of 190.

**Figure 10. Evolution of the business climate according to World Bank Doing Business Indicators**



Source : data of <http://français.doingbusiness.org/fr/custom-query>

Global governance as measured by the Mo Ibrahim Index has improved in most of the Union's countries. Their performance remains above the African average. But their rankings are concentrated in the interquartile range. The highest rated country in the

region (Senegal) is in 10<sup>th</sup> place. However, notable changes have been observed in all of the Union's countries, particularly in the areas of Participation and Human Rights and Human Development.

**Table 15. Evolution of the Mo Ibrahim index on global governance at the level of WAEMU states**

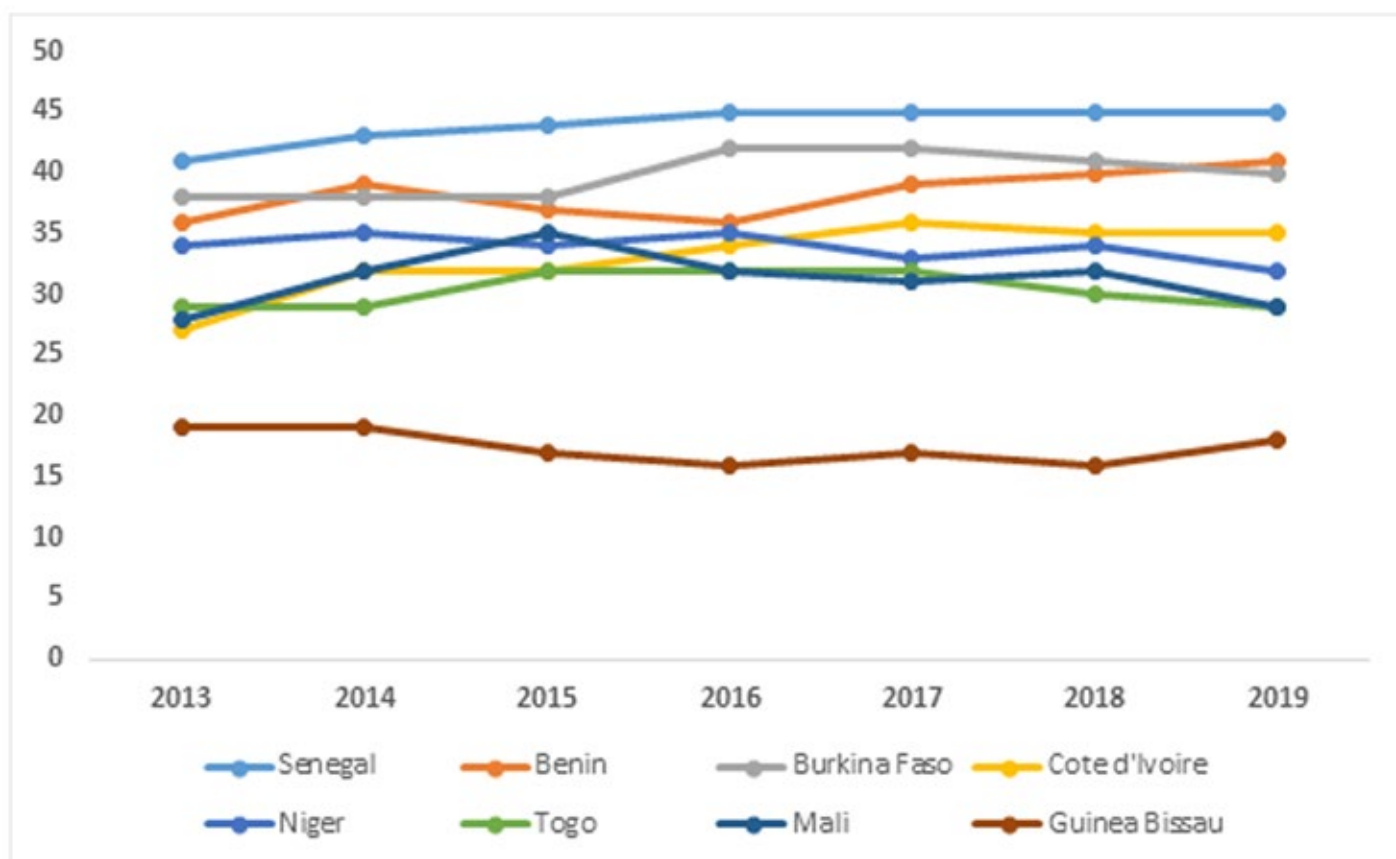
States	RANKING/54	2017 Score /100	Trend 2008 - 2017	Trend in themes
<b>Benin</b>	13 <sup>e</sup>	58.7	-0.1	- Security and rule of law (-5.3) - Participation and Human Rights (+4.0) - Sustainable economic development (-2.1) - Human development (+3.0)
<b>Burkina Faso</b>	16 <sup>e</sup>	57.1	+4.8	- Security and rule of law (-2.5) - Participation and Human Rights (+8.9) - Sustainable economic development (-0.6) - Human development (+13.4)
<b>Côte d'Ivoire</b>	22 <sup>e</sup>	4.5	+12.7	- Security and rule of law (+15.4) - Participation and Human Rights (+15.9) - Sustainable economic development (+8.0) - Human development (+11.4)
<b>Guinea-Bissau</b>	42 <sup>e</sup>	40.2	+0.9	- Security and rule of law (-4.5) - Participation and Human Rights (+3.4) - Sustainable economic development (+1.0) - Human development (+3.6)
<b>Mali</b>	28 <sup>e</sup>	50.1	-4.0	- Security and rule of law (-11.1) - Participation and Human Rights (-10.5) - Sustainable economic development (+0.9) - Human development (+4.5)
<b>Niger</b>	24 <sup>e</sup>	51.2	+5.6	- Security and rule of law (-0.3) - Participation and Human Rights (+8.4) - Sustainable economic development (+6.3) - Human development (+8.0)
<b>Senegal</b>	10 <sup>e</sup>	63.3	+5.9	- Security and rule of law (+2.7) - Participation and Human Rights (+5.3) - Sustainable economic development (+4.2) - Human development (+11.7)
<b>Togo</b>	30 <sup>e</sup>	49.1	+5.2	- Security and rule of law (-1.4) - Participation and Human Rights (+5.6) - Sustainable economic development (+7.3) - Human development (+9.4)
<b>Human development</b>				
<b>ECOWAS</b>		54.3	+3.2	- Security and rule of law (+0.1) - Participation and Human Rights (+5.0) - Sustainable economic development (+1.9) - Human development (+5.9)
<b>African average</b>		49,9	+1.0	- Security and rule of law (-2.5) - Participation and Human Rights (+2.9) - Sustainable economic development (+0.1) - Human development (+3.5)

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

On a scale from 0 (highest level of corruption) to 100 (absence of corruption), all the Union countries score below 50. Changes over the last five years have remained moderate, in most cases increasing by less

than 5 points. The Union States should therefore pursue their efforts in the fight against corruption in a more determined manner.

**Figure 11. Evolution of the Transparency International's Corruption Index at the level of WAEMU states**



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

Out of 180 countries, almost all the Union's Member States are classified in the second half of the table. Almost all of them (except Guinea Bissau, Senegal

and Benin) fell back in the ranking between 2018 and 2019. The highest ranked country in the Union (Senegal) is in 66<sup>th</sup> place.

**Table 16. Evolution of rankings over 180 countries**

States	Ranking 2019	Ranking 2018	Change 2018-2019
<b>Guinea-Bissau</b>	168	172	-4
<b>Benin</b>	80	85	-5
<b>Senegal</b>	66	67	-1
<b>Cote d'Ivoire</b>	106	105	+1

<b>Burkina Faso</b>	85	78	<b>+7</b>
<b>Togo</b>	130	129	<b>+1</b>
<b>Niger</b>	120	114	<b>+6</b>
<b>Mali</b>	130	120	<b>+10</b>

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

## 4.2 Financial ratings

The positive evolution of credit ratings of the Union's countries is based on several factors, the first of which is the level of economic growth that the region has been experiencing for several years. Institutional reforms, as well as those undertaken to reduce fiscal and external imbalances and enhance the effectiveness of public policies, have made a positive contribution to the credit ratings of the Union's countries.

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

**Table 17. History of international financial ratings of WAEMU member states**

	<b>Agency</b>	<b>Rating</b>	<b>Perspective</b>	<b>Date</b>
<b>Benin</b>	Fitch	B	Stable	Apr 09 2020
	Moody's	B2	Positive	Jun 18 2019
	Fitch	B	Positive	Mar 08 2019
	S&P	B+	Stable	Jul 05 2018
	S&P	N/A	N/A	Nov 01 2013
	S&P	B	Stable	Feb 20 2012
	Fitch	N/A	N/A	Jan 25 2012
	Fitch	B	Stable	Sep 15 2004
<b>Burkina Faso</b>	S&P	B	Stable	Mai 20 2020
	S&P	B	Stable	Nov 25 2019
	S&P	B	Stable	May 26 2017
	S&P	B-	Positive	May 27 2016
	S&P	B-	Stable	Dec 05 2014

	S&P	B	Negative Watch	Nov 03 2014
	S&P	B	Stable	Aug 06 2008
	S&P	B	Positive	Jul 06 2006
	S&P	B	Stable	Mar 05 2004
<b>Côte d'Ivoire</b>	Fitch	B+	Stable	Juin 03 2020
	Fitch	B+	Positive	Nov 12 2019
	Fitch	B+	Stable	Dec 18 2015
	Moody's	Ba3	Stable	Nov 05 2015
	Fitch	B	Positive	Jul 11 2014
	Moody's	B1	Positive	Jul 08 2014
<b>Mali</b>	Moody's	B3	Stable	Feb 26 2019
<b>Niger</b>	Moody's	B3	Stable	Aug 06 2019
<b>Senegal</b>	S&P	B+	Stable	Dec 06 2019
	S&P	B+	Positive	Jun 15 2018
	Moody's	Ba3	Stable	Apr 13 2017
	Moody's	B1	Positive	Nov 07 2014
	S&P	B+	Stable	Jul 05 2013
	Moody's	B1	Stable	Mar 09 2011
	S&P	B+	Negative	May 27 2010
	S&P	B+	Stable	May 26 2009
	S&P	B+	Negative	Jul 27 2006
	S&P	B+	Stable	Dec 18 2000
<b>Togo</b>	Moody's	B3	Stable	Jun 05 2019
	S&P	B	Stable	Jun 01 2019

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



## 5.1 Budget : expenditures and revenues

The development policies implemented in most States of the Union contain large-scale public investment programmes 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 as measured by the overall balance (including grants). Over the 2017-2018 period, the budget deficit has increased from just over 4.3% of GDP in 2017 to 3.9% in 2018.

The first three quarters of 2019 are marked by a rapid increase in budget revenue relative to expenditure (18.3% compared with 12.5% the previous year). This has led to a reduction in the overall deficit, based on commitments, including grants, which reached 2.7% of GDP in the third quarter of 2019 against 3.3% in the third quarter of 2018.

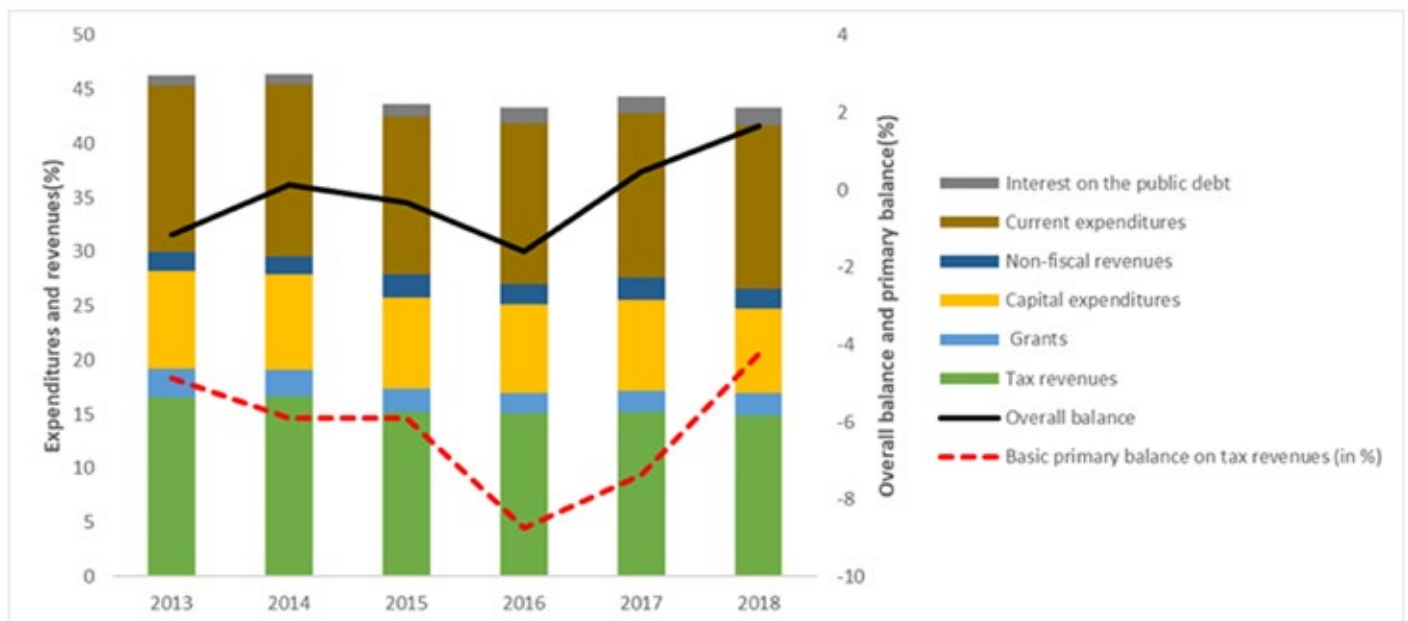
Budgetary revenues represented 18% of GDP in 2018, while expenditure accounted for 24% of GDP. The tax burden stood at 16% of GDP, below the

Community floor of 20%. In the third quarter of 2019, the tax burden rate was around 16% (still below the Community).

The rate of coverage of current expenditure by tax revenue remains above 100%. Capital expenditure remained stable between 2017 and 2018 at 8.6% of GDP.

However, national fiscal policies focus on the objective of consolidating government finances in the medium term. They provide for a gradual consolidation of government finances and a gradual reduction of deficits, once the initial investment effort has been made. This implies in particular the implementation of a prudent fiscal policy and an increase in domestic revenues, especially tax revenues. This is illustrated by the evolution of the basic primary deficit, which rose from 8.6% of tax revenues in 2016 to 4.2% in 2018, illustrating the fiscal consolidation efforts made by the union governments. Actions to improve the efficiency of public spending, particularly public investment, are also underway.

**Figure 12. Evolution of government finances in the WAEMU (in % of GDP)**



Source : BCEAO

### 5.1.1 Detailed presentation of expenditures and revenues

The total revenue of WAMU countries increased between 2010 and 2018 from CFAF 7.108 billion to CFAF 13.684 billion. Tax revenues constitute the lar-

gest share (CFAF 10.606 billion). Total expenditure also increased from CFAF 8 033 billion to CFAF 16 427 billion over the period. The overall balance, estimated at -985 billion CFAF in 2010, reached -2 726 billion CFAF in 2018.

**Table 18. Summary of public expenditures and revenues of WAEMU countries (in billions of CFA francs)**

	2011	2012	2013	2014	2015	2016	2017	2018
<b>Total revenues and donations</b>	<b>7 318</b>	<b>8 736</b>	<b>9 785</b>	<b>10 388</b>	<b>11 603</b>	<b>11 947</b>	<b>13 115</b>	<b>13 684</b>
<b>Current revenues</b>	6 364	7 794	8 449	9 050	10 292	10 727	11 739	12 204
Tax revenues	5 708	6 870	7 390	7 912	8 840	9 338	10 062	10 606
Non-tax revenues	521	783	912	922	1 228	1 088	1 341	387
Capital revenues	135	141	147	216	225	301	336	212
Total donations	954	942	1 337	1 338	1 311	1 221	1 377	1 480
<b>Total expenditures</b>	<b>8 655</b>	<b>9 988</b>	<b>11 219</b>	<b>12 002</b>	<b>13 769</b>	<b>14 583</b>	<b>15 904</b>	<b>16 427</b>
<b>Current expenditures</b>	5 835	6 771	6 869	7 510	8 507	9 206	10 078	10 723
<b>Interest on public debt</b>	420	468	449	497	656	842	990	1 149
Interest on domestic public debt	181	208	238	282	298	438	512	604
Interest on external public debt	239	260	211	213	363	399	447	546
<b>Capital expenditures</b>	2 695	3 098	4 035	4 255	4 905	4 599	5 588	5 475
Internally financed capital expenditure	1 621	2 002	2 369	2 506	2 966	3 350	3 758	3 157
<b>Overall balance</b>	<b>-1 428</b>	<b>-1 285</b>	<b>-1 439</b>	<b>-1 581</b>	<b>-2 199</b>	<b>-2 624</b>	<b>-2 782</b>	<b>-2 726</b>
<b>Basic primary balance</b>	<b>-672</b>	<b>-512</b>	<b>-339</b>	<b>-469</b>	<b>-525</b>	<b>-334</b>	<b>-302</b>	<b>-449</b>

Source : BCEAO

### 6.1 Macroeconomic risks

WAEMU member states, exporters of commodities and for the mostly net importers of petroleum products, continue to face uncertainties in the global economy. Indeed, a decline in regional integration, a pronounced slowdown in the growth of emerging countries and the structural weakness of global growth could lead to a decline in external aid and financing, workers' remittances and exports, and thus undermine the macro-financial stability of the WAEMU.

A further appreciation of the US dollar in the short term could bring about a number of the positive shocks (i.e. increasing export revenues), but the negative effects on the regional economy could be greater. This would also increase the sovereign debt burden of countries whose dollar exposure 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 risk of terrorism in the region, with the actions of jihadist groups in the Sahel, remains real in the WAEMU region. Beyond the immediate loss of life that these actions could cause, security problems

would further strain national budgets, reduce external funding, and likely lead to serious delays in the implementation of important investment projects.

### 6.3 The COVID-19 crisis

The WAEMU zone, like the rest of the world, is facing an unprecedented health crisis in the first half of 2020. In addition to the human toll, this crisis threatens to darken the region's growth prospects, which have been consolidated since 2016. Thus, the measures taken by governments to slow the progress of the epidemic have contributed to a slowdown in production and demand.

However, WAEMU growth projections show that the region is more resilient than the rest of sub-Saharan Africa. The continent will suffer a historical decline of 1.6% in GDP in 2020 (compared with 2.8% growth in the union) before reaching 4.1% growth in 2021 (6.8% in the union) according to IMF projections.

The extent of the slowdown in 2020 and the speed of recovery will depend on a number of factors, including the effectiveness of local health systems, the effectiveness of national responses to the virus and the level of effort of the international community.

## 7.1 General description of the public debt

### 7.1.1 Overall picture

The total outstanding debt of WAEMU countries was estimated at around 53% of the Union's GDP in 2018, an increase of 5 points compared to 2017 and 7.5 points compared to 2015. This increase can be explained in particular by the increase in external

debt, which rose from 27.7% in 2016 to 33.8% of the Union's GDP in 2018.

In line with the debt dynamics, the debt service settled is continuously increasing. It rose from CFAF 842.7 billion in 2016 to CFAF 1368.3 billion in 2018.

*Table 19. Overall picture*

<b>WAEMU public debt (in % of GDP)</b>						
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Total public debt	37.0	40.7	45.5	48.2	48.2	53
External public debt	24.7	24.1	28.0	27.7	29.8	33.8
Domestic public debt	12.3	16.6	17.5	20.5	18.4	19
<b>Details of WAEMU's external debt (in billions of CFAF)</b>						
<b>Heading</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Stock of external debt</b>	<b>9 390.0</b>	<b>11 258.4</b>	<b>13 913.6</b>	<b>15 658.6</b>	<b>17 656.4</b>	<b>2 219.30</b>
- Bilateral external public debt	2 054.9	2 364.4	2 822.7	3 314.7	3 755.5	4 743.50
- Multilateral public debt	5 720.4	6 310.9	7 590.3	8 611.0	9 285.8	10 284.60
Including :						
Debt to the World Bank	2 351.5	2 622.6	3 333.9	3 816.2	4 170.5	4 726.80
Use of IMF credits	766.4	870.2	946.3	987.9	1 072.7	1 276.90
- Commercial/private debts	1 614.7	2 583.2	3 500.7	3 732.9	4 615.1	
<b>Debt service settled</b>	<b>483.0</b>	<b>512.4</b>	<b>712.7</b>	<b>842.7</b>	<b>1 107.5</b>	<b>1 368.30</b>
Debt service principal settled	274.5	272.0	403.9	464.8	703.6	848.8
Debt service interest settled	208.5	240.4	308.8	377.9	403.9	519.5

Source : BCEAO

The external public debt is worth more than one and a half times the domestic debt. The majority of it is composed of multilateral debts, which are more concessional in nature.

Debt sustainability analyses conducted by the IMF and the World Bank in 2018 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 linked to widening current account and fiscal deficits. They also highlight the limited fiscal room for manoeuvre and the need to increase mobilisation of both domestic savings and tax revenues, as well as the need to improve the efficiency of public spending.

**Figure 13. Evolution of WAEMU public debt (%)**



Source : IMF Article IV WAEMU, May 2018

### 7.1.2 Evolution in outstanding market debt

The total outstanding market debt (local and international markets - eurobonds<sup>24</sup>) has practically doubled between 2015 and 2018. It reached CFAF 15.647 billion in 2017, rising from around 13.9% of the Union's GDP in 2015 to 22.5% of the Union's 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. Even if this share remains significant, there has been a decline in favour of the international market due to

the existing favourable conditions that have enabled some of the Union Member States, in this case Côte d'Ivoire and Senegal, to issue Eurobonds.

### 7.1.3 Temporal profile of the market debt

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

<sup>24</sup> Two WAEMU countries: Côte d'Ivoire and Senegal have been present on the Eurobonds market since 2014

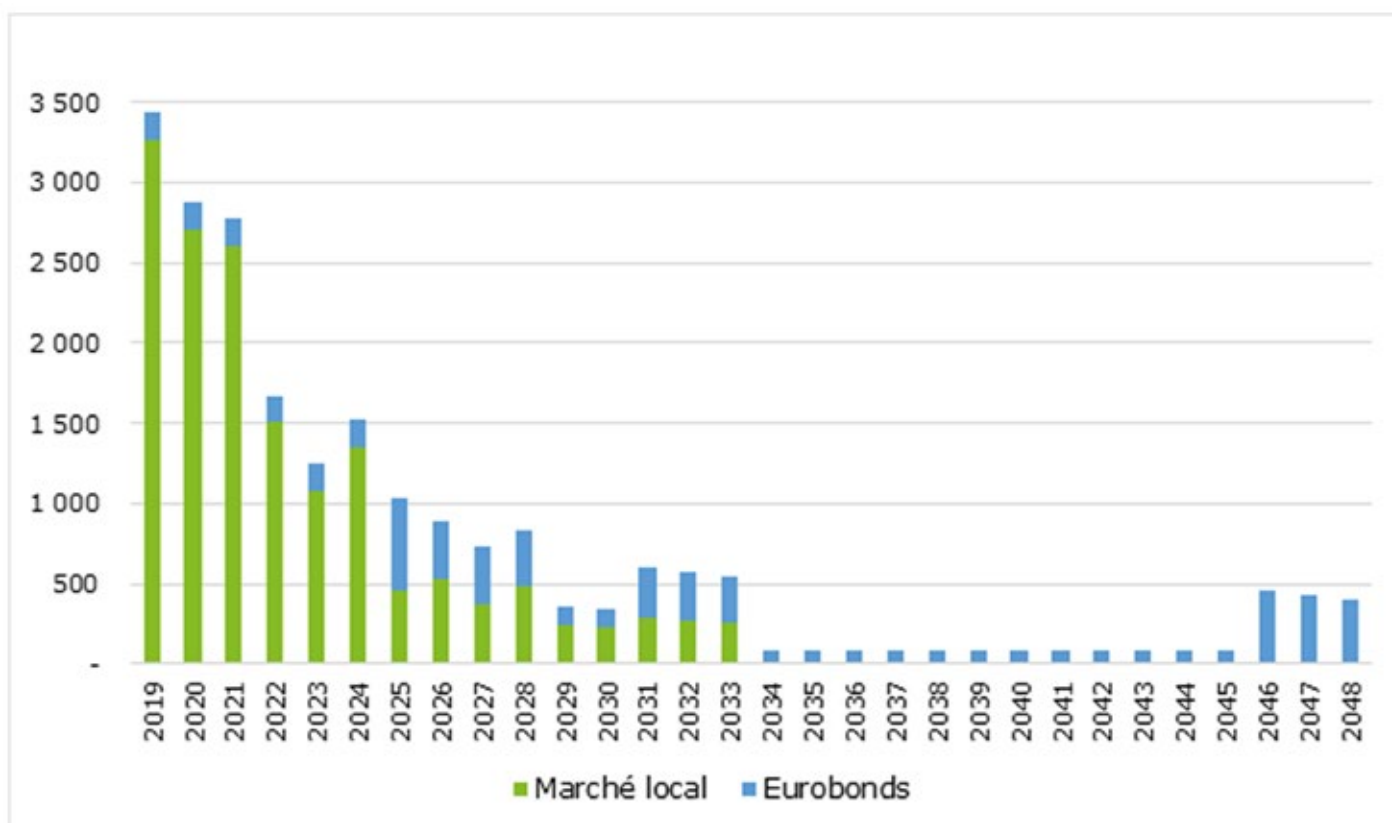


**Table 20. Evolution in outstanding market debt**

	2015		2017		2018	
	In bills of CFAF	In % of total	In bills of CFAF	In % of total	In bills of CFAF	In % of total
<b>Short term (&lt; 1 year)</b>	514.0	6.6	662.4	5.2	1 296.8	8.3
<b>Medium term (1 to 5 years)</b>	3 498.7	44.6	4 009.5	31.2	3 670.9	23.5
<b>Long term (&gt; 5 years)</b>	3 825.7	48.8	8 158.8	63.6	10 679.6	68.3
<b>Including Eurobond (EB)</b>	1 449.8	18.5	3 232.3	25.5	5 562.2	35.5
<b>Total excluding EB</b>	6 388.5	81.5	9 598.3	74.4	10 085.1	64.5
<b>Total</b>	7 838.3	100.0	12 830.6	100.0	15 647.3	100.0

Source : Agence UMOA-Titres

**Figure 14. Evolution of the redemption profile of the market debt of the WAEMU Member States (in billions of CFAF)**



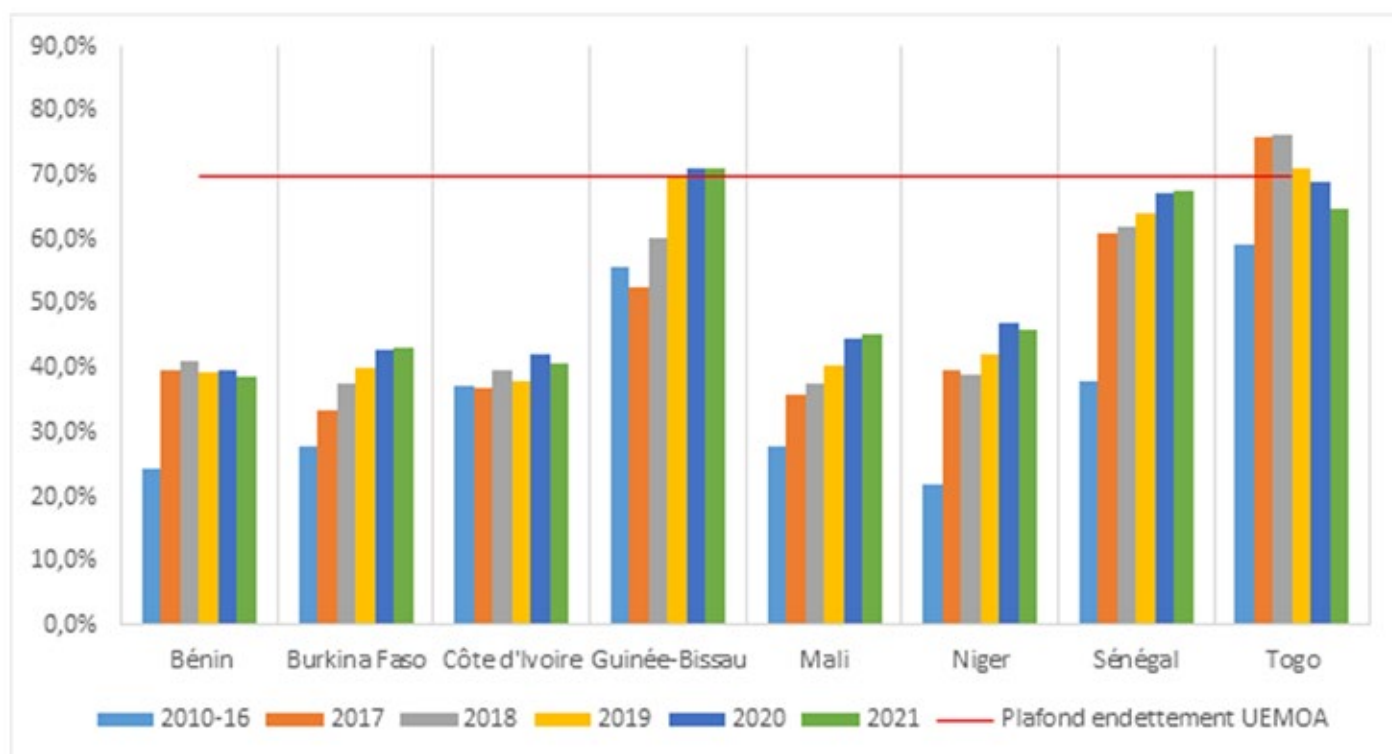
Source : Data from Agence UMOA-Titres

## 7.2 Viability and sustainability

With regard to debt sustainability, the latest IMF and World Bank analyses place WAEMU countries in the categories of countries at risk of moderate or high external debt. Moreover, almost all the Union Member States have a debt-to-GDP ratio well below the Community ceiling of 70% (see figure below).

However, it is clear that the debt ratio has risen in all countries. According to projections adjusted for the COVID-19 pandemic, most countries will manage to keep their debt below the Community threshold. Only Guinea-Bissau would exceed this threshold. Its debt would reach 70% of GDP in 2020 and 71.1% in 2021.

Figure 15. Debt of WAMU countries (as % of GDP)

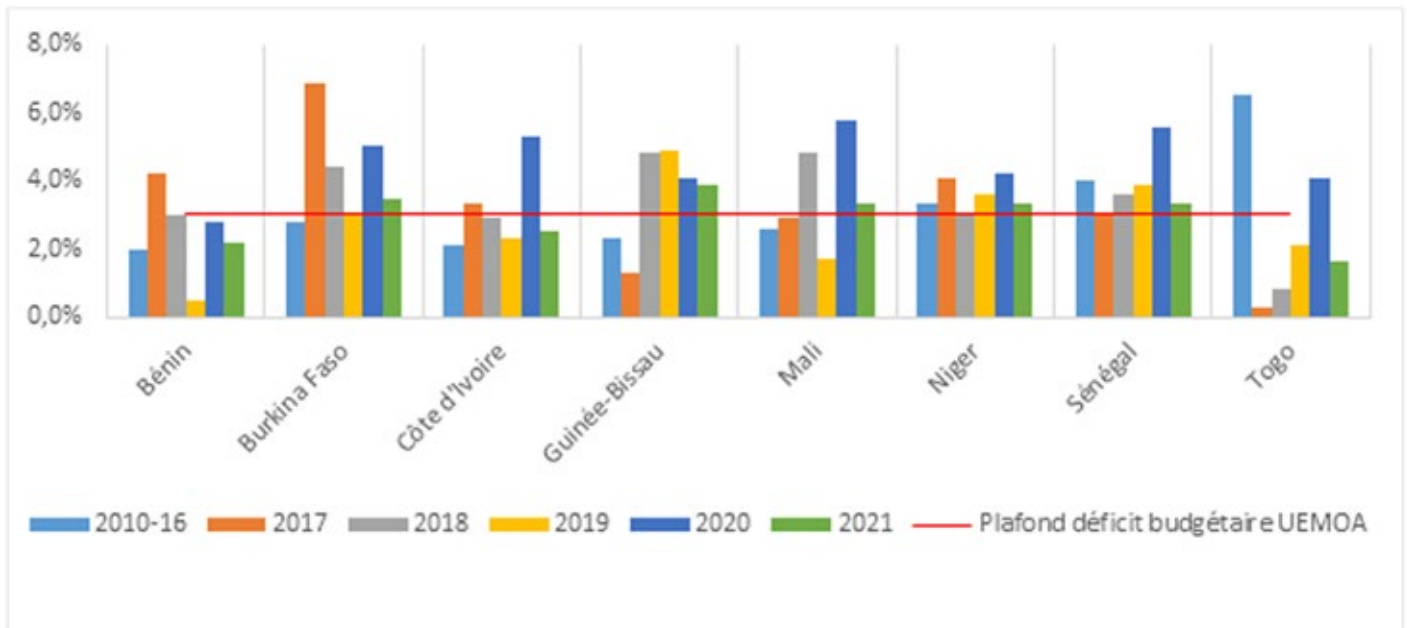


Source : IMF - Sub-Saharan Africa Economic Outlook 2020

Budget deficits remain above the 3% ceiling. While the gap with the WAEMU ceiling has been narrowing since 2013, it will widen in 2020 due in particular to

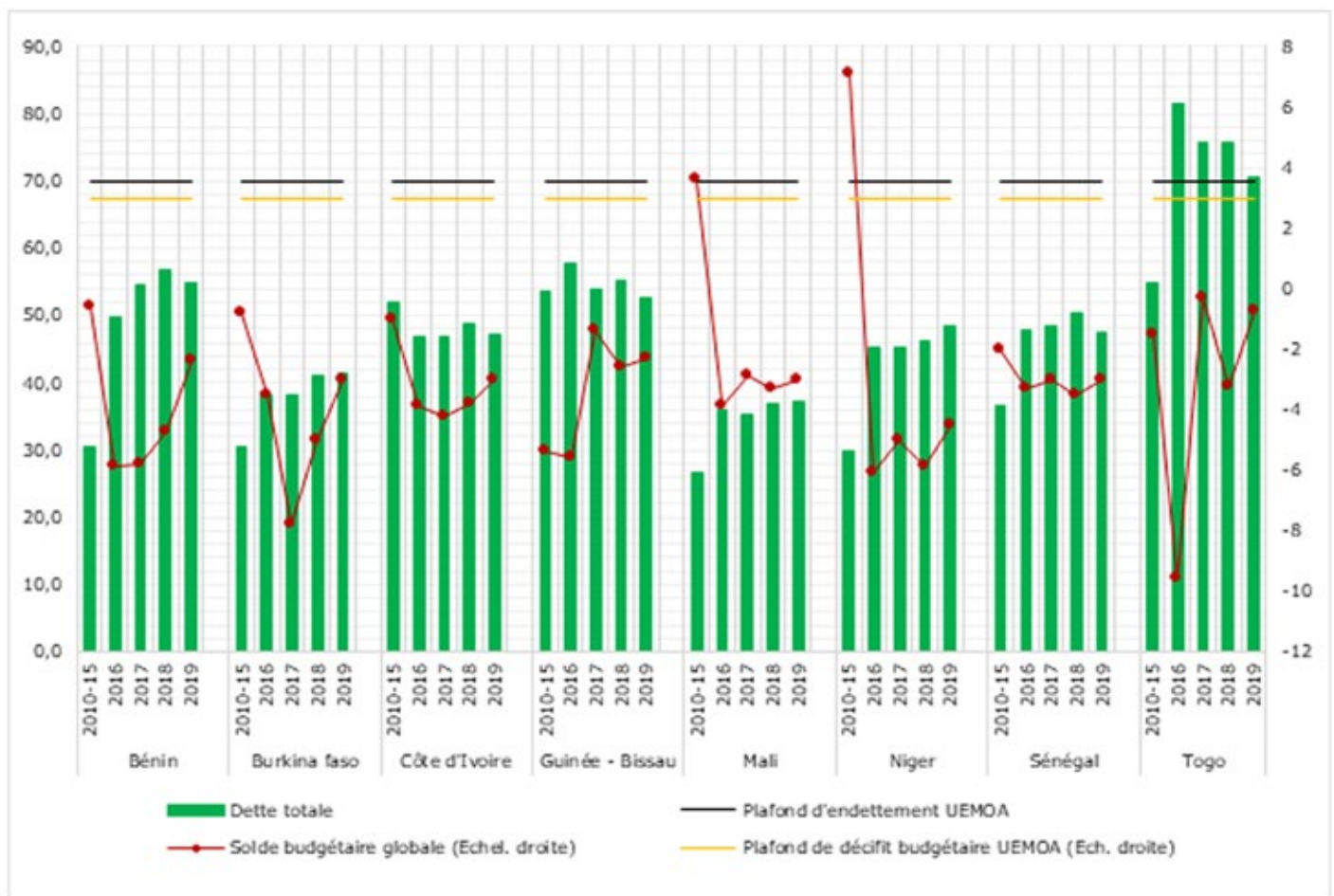
expenditure related to the fight against the spread of COVID-19. In 2021, the deficits will stabilise at around 3%.

Figure 16. Budget deficit of WAEMU countries (% of GDP)



Source : IMF - Sub-Saharan Africa Economic Outlook 2020

Figure 17. Total debt and budget deficit of the WAEMU (in % of GDP)



Sources : Regional Economic Outlook, IMF, Oct. 2018

**Auction (for government securities):** auction of securities issued by the central government, In the WAEMU zone, it is organised by the CBWAS and only banks and other regional financial institutions that have accounts with the CBWAS can participate. Other entities can only subscribe to auctions through the intermediary of WAEMU banks,

**Amortization or maturity :** period between the disbursement of a loan and its last repayment, consisting of the grace period and the repayment period,

**Public offering :** an invitation to tender on the financial market for government securities through the intermediary of an SGI. It is open to all investors,

**Net Foreign Assets (NEA):** net claims or liabilities of monetary institutions (Central Bank and banks) on the outside, This item corresponds to all the headings of the situations of the Central Bank and banks relating to their operations with the outside, It is obtained by deducting from gross external assets, all external liabilities, including medium and long-term liabilities,

**Government funding needs :** the overall amount needed to cover the primary budget deficit and the interest and amortisation charges linked to the debt,

**Treasury bills :** short-term government 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 meets in Paris to negotiate debt restructuring agreements with debtor countries with debt service problems,

**Bilateral creditors :** governments, central banks, agencies and export credit 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,

**Credits to the economy (EC) :** all the loans granted to the economy by banks (refinanced or not), financial institutions (part refinanced by the Central Bank) and by the Treasury (through the acceptance of customs drafts),

**Domestic credit :** Credit to the economy + Net Government Position (see PNG),

**Disbursement :** payment of all or part of the amount contracted under the terms of a loan,

**Budget deficit :** difference between total revenue and total expenditure and net lending,

**Current account deficit :** deficit balance of current transactions in the balance of payments,

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

**Public external debt:** central government loans to non-residents,

**Foreign public debt :** central government borrowing from non-residents,

**Non-concessional debt :** debt contracted at market conditions,

**Public debt :** sum of all central government debts (external and domestic)

**Achievements :** economic data for past years, calculated on the basis of exhaustive economic information collected on economic activity by national administrations, 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 on the basis of the economic information for a given year, they are generally not based on the exhaustive and/or not fully validated ;

**Economic projections or forecasts :** correspond to economic data calculated on the basis of assump-

tions made on the future development of economic activity. These projections may partially cover certain accounts for which only provisional and/or partial data is available,

**Grant element** : difference between the nominal value (NV) and the present value (PV) of the debt service expressed as a percentage of the nominal value of the loan  $((NV-VA)/VN)$ ,

**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%,

**Euro-bond** : dollar-denominated bond on the London financial market,

**Inflation** : Generalised increase in consumer prices, resulting in a loss of purchasing power of money,

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

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

**Money supply (MO)** : all credits held by the rest of the economy on monetary institutions. It covers cash in hand (fiduciary circulation + sight deposits) and quasi-monetary assets (savings accounts and time deposits),

**Treasury bonds** : medium- or long-term government securities issued through auctions or public offerings,

**Contingent liabilities** : debts contracted by other public entities with the exception of central government (local authorities and para-public sector),

**Net Government Position (NGP)** : 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 debts and its claims on the Central Bank, banks and individuals

and companies.

By convention, a credit PNG is preceded by a (-) sign and a debit PNG is preceded by a (+) sign,

**Tax pressure** : the rate of tax revenue to GDP.

**Refinancing risk** : risk linked to the renewal of the 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 government debt to high market interest rates, to the point where maturing fixed and floating rate debt is revalued,

**Currency risks** : risks related to exchange rate fluctuations,

**Debt service** : any payment to be made in respect of the principal, interest and commission on a loan,

**Primary balance** : (see primary deficit),

**Basic primary balance** : total revenue excluding grants - current expenditure + interest on debt

**Stock of public debt** : amount at a given date of disbursements of debts not yet repaid,

**Exchange rate** : Price of one currency in terms of another.

**Debt rate** : rate of the stock of public debt to GDP,

**Investment rate of a country's economy** : a rate that indicates the gross fixed capital formation of all economic agents (government, enterprises, households) expressed as a percentage of GDP. For a country, GFCF is the sum of hardware and software investments made during one year in that country,

**Terms of exchange** : They express for a country the difference between the price of exports and the price of imports, They are generally calculated on the basis of price indices and indicate a change in relation to a reference year ( $T = [\text{export price index} / \text{Import prices index}] \times 100$ ), 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 earnings improve in this case, In the opposite case, the terms of trade deteriorate (T).

This price rate 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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