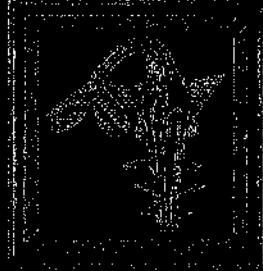


CENTRAL BANK  
OF WEST AFRICAN STATES  
BOARD



HISTORY  
OF THE WEST AFRICAN  
MONETARY UNION

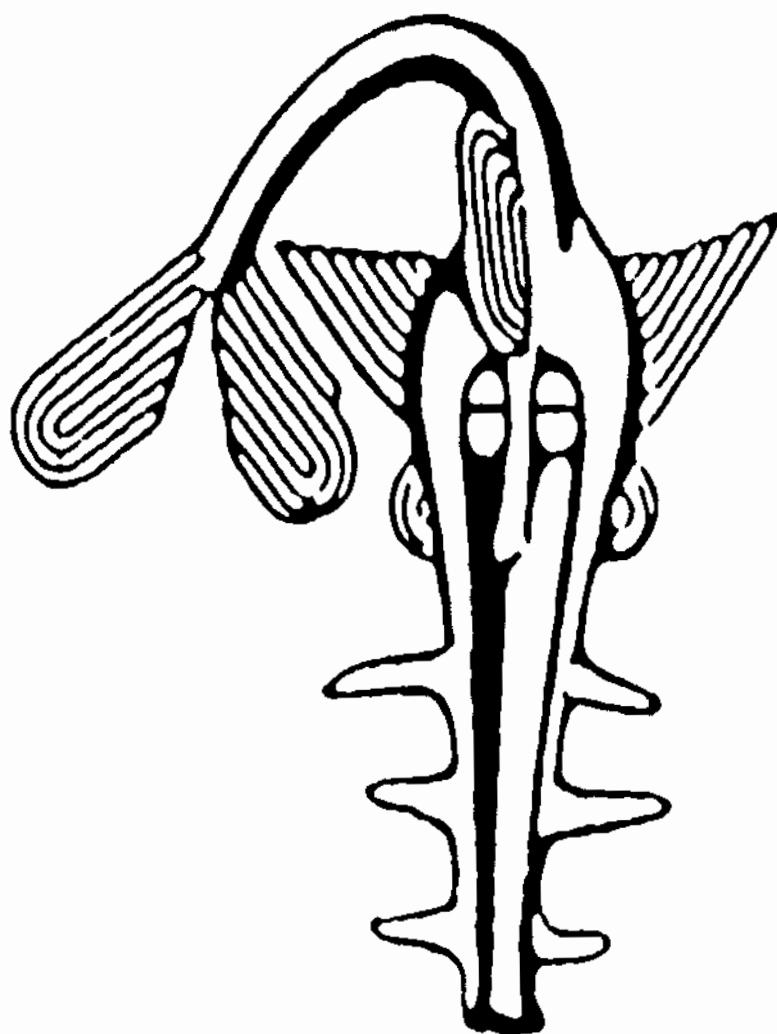


GEORGE ISRAEL  
PUBLISHER





**HISTORY OF THE WEST AFRICAN  
MONETARY UNION**



**VOLUME III  
ASSESSMENT AND PROSPECTS**



**CENTRAL BANK OF WEST AFRICAN  
STATES (BCEAO)**

**HISTORY  
OF THE  
WEST AFRICAN  
MONETARY UNION**

**GEORGES ISRAEL - PUBLISHER  
PARIS**

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The assessment covers three periods corresponding to the main economic developments as well as the major institutional and doctrinal changes the Union experienced during the last thirty-four years (1963-1997) and which had a significant impact on the monetary and economic performance of the issuing area.

The first period runs from 1963 to 1974. It was characterized by a good economic performance, a very tight control over the issuing house by the French management and an orthodox monetary policy that gave the highest priority to the defense of the domestic and external value of the currency.

The second period covers the years 1975 to 1989. It began with the first post-independence reforms (1973-1975), was followed by the transfer of the issuing house's headquarters to Africa (1978) and ended just before the second reform that was initiated in the course of 1989.

This period was marked, as regards monetary policy, by a redefinition of objectives: the currency at the service of development, promotion and mobilization of savings, monetary stability. It was also characterized by the complete Africanisation of the issuing house management, the sudden rise and then fall in commodity prices, a serious crisis that affected the economies and the banking system of the Union, as well as the implementation of structural adjustment programs by all Member States in relation with the Bretton Woods institutions.

The third period begins in 1989 and continues throughout the 1990s<sup>1</sup>. The monetary and credit policy reforms as well as modifications in rules of intervention marked the return to orthodoxy, by asserting the need to reduce the role of central bank money in the financing of economies, preference being given instead to domestic savings.

The CFA Franc devaluation in 1994 was the most significant event of this period and was comparable to an institutional change because the maintenance of a fixed parity between the CFA Franc and the French Franc seemed intangible, although, legally, the 1973 texts provided for the possibility to adjust this parity.

The recourse to quantitative methods has been given preference in this assessment exercise, as an experience of more than three decades made it possible to accumulate a mass of statistical data. In addition, value judgements, which are inevitable, must be based on information that is as objective as possible.

However, one should not lose sight of the problem relating to the quality of the statistics used. While information on monetary aggregates could be considered to be of good quality, this is not always true as far as the real sector is concerned.

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<sup>1</sup> Since all the figures for the year 1997 are not available, they will be taken into account only where they exist.

Indeed, since the beginning of the 1980s, the statistics of African countries, including those of WAMU, deteriorated drastically. Economic analyses based on long time series were increasingly difficult to carry out owing to breaks in the series, continuous retrospective corrections and the obvious lack of reliability of certain returns. Nevertheless, the statistics could still provide enough orders of magnitude to highlight the main trends that marked the 1960-1997 period.

Regarding the criteria for assessing WAMU's experience, the members of the Historical Committee selected the results of monetary management (Chap. 10) and economic performances of its member States (Chap. 11) and compared them with those of other countries, notably African countries that do not belong to the Franc Area. Additional criteria included the assessment of the issuing area's characteristics in comparison with the criteria generally advanced by the optimal monetary zone theory as well as the results of the project for a currency-based integration of this area (Chap. 12).

Chapter 13 then briefly reviews the contribution of BCEAO successive leaders to the organization, functioning and consolidation of the Institution and the Union.

After this, Chapter 14 is devoted to future prospects.



# CHAPTER *10*

## RESULTS OF MONETARY MANAGEMENT



For each of the three periods, the results of monetary management are examined on the basis of two criteria : the monetary quality of the currency produced by BCEAO, and the development and efficiency of financial intermediation. The reason being that the two functions of a banking system are to ensure the management of payment media and intermediation between agents with financing capacity and agents with financing requirements (Volume II, Chapter 9).

As regards the quality of the currency, the essential mission of a central bank is to see to the stability of the purchasing power of the currency it produces - its domestic value and sometimes its external value<sup>2</sup>.

It is on this condition that the currency gains the confidence of users and fulfils the three traditional functions of being a unit of account, a payment medium and a store of value in the issuing area.

Thus, the credit control regulations adopted on 28 September 1962 by BCEAO Board of Directors provided that the Central Bank must "*see to the maintenance of monetary stability and a minimum of cover of its issuance by foreign assets*" (Volume II, Chapter 6).

In addition, Article 12 of the 1973 Treaty establishing WAMU stipulates that "*the Council of Ministers of the Union lays down the monetary and credit policy of the Union in order to ensure the protection of the common currency...*"

As for financial intermediation, economic analysis has, for a long time, highlighted its crucial role in the development process.

This Chapter comprises four sections. Section I assesses the degree of stability of the internal and external value of the Union's currency while the following sections evaluate the development and efficiency of financial intermediation in the zone. Section II analyses the characteristics of the financial system and Section III examines the evolution and mobilization of financial savings. Section IV examines the share of the banking system in the financing of the economies.

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<sup>2</sup> Even if there exists a relationship between the quality of monetary policy and the external value of a currency, the Central Bank and the Government are both responsible for the management of the exchange rate.

## Section I - The monetary quality of the WAMU Franc

Among the various criteria selected for the assessment of the monetary quality of a currency, enumerated in the Preliminary Chapter of Volume I, we shall retain two - its circulation area on the one hand, and the stability of its value - i.e. its purchasing power - on the other.

### I - Its circulation area

The acceptance of a currency in an increasingly large area, by a growing number of users, enhances its monetary quality.

In 1962, BCEAO issuing area covered an area of 3.256 million-sq. km. with a population of 18.6 million inhabitants. At the end of 1997, the area covered 3.506-million sq. km. and included 66.2 million inhabitants.

These developments result both from Mauritania's withdrawal in 1973, Mali's adhesion in 1984, and that of Guinea-Bissau in 1997 as well as the natural growth of the population that tripled in the Member States, a phenomenon that was observed in most African countries.

Regardless of these geographical and demographic aspects, the CFA Franc's circulation area goes beyond its issuing zone. Indeed, its convertibility made it a regional currency in West Africa, much in demand by non-residents. It played the role of a store of value and a payment medium in regional and even international transactions, through the agency of the French Franc.

### II - The stability of its value or its purchasing power

The purchasing power of a currency is measured by the quantity of goods and services that a unit of the currency makes it possible to acquire in its issuing area or abroad.

Linked to the stability of its value, it is *inversely proportional* to the inflation rate in the issuing area and *proportional* to the exchange rate vis-à-vis other countries.

*A high domestic purchasing power corresponds to a low rate of inflation while a low domestic purchasing power corresponds to a high rate of inflation. A low external purchasing power corresponds to a low exchange rate, and a high external purchasing power corresponds to a high exchange rate.*

In this respect, the examination of the period of analysis reveals a high stability of the domestic value of the WAMU's CFA Franc as well as a stability of its external value against the French Franc, the currency to which it is pegged, until the 1994 devaluation.

#### A - A marked stability of its domestic value

##### a - Moderate inflation

The observation of price trends shows that over the 1963-1974 period, inflation averaged 4.7% in all WAMU member countries (Table 10.1). The rise in oil prices in 1974 and commodity prices during the years 1975-1977 induced a 14.4% increase in domestic prices between 1975 and 1979.



**Table 10.1 : Average Inflation Rates in % (relative variation in the consumer price index : base 100 in 1987)**

Periods	Benin *	Burkina	Côte d'Ivoire	Mali*	Mauritania	Niger	Senegal	Togo	WAMU **	France	Ghana	Nigeria
1961-1974 <sup>(a)</sup>	3.52	3.68	4.82		N/A	4.94	6.40	4.89	4.70	5.23	10,49	5.77
1975-1989	6.30	7.60	9.68	8.13		7.26	8.42	7.36	8.76	8.26	54,17	22.41
1975-1979	11.73	12.72	16.11	11.67		14.65	11.43	12.02	14.40	10.12	65,98	21.08
1980-1985	5.91	8.65	7.14	10.01		8.30	11.40	7.86	8.48	10.22	60,29	18.12
1986-1989	0.12	-0.38	5.44	0.86		-3.53	0.17	0.80	2.11	3.01	30,24	30.50
1990-1993	1.89	0.06	1.81	2.42		-3.57	-0.53	0.45	0.64	2.77	22,58	30.53
1994-1997 <sup>(b)</sup>	10.70	9.79	10.51	11.20		12.01	10.50	14.30	10.90	1.64	39.07	64.92

Notes : (a) The 1964-1974 period for Niger, 1967-1974 for Togo, 1968-1974 for Senegal and 1965-1974 for Ghana.

(b) The 1994-1995 period for Nigeria.

\* Inflation rates are calculated on the basis of the GDP deflator for Benin and Mali.

\*\* The average inflation rate excludes Mali over the 1961-1984 period.

Source : Calculations based on BCEAO data, World Bank, World Tables 1994, I.F.S June 1998, OECD. 98.

In the 1980s, WAMU member countries implemented structural adjustment policies that led to depreciation in the real exchange rate of their common currency without resort to nominal devaluation. By reducing overall demand, in particular by means of public investment, they obtained a substantial drop in the prices of non-tradable goods, inflation going down to less than 5.5% despite a noticeable depreciation of the CFA Franc against the US Dollar between 1980 and 1985.

Then, inflation in the Union was below 1% during the first four years of the following decade, before the 1994 devaluation caused a significant rise in prices throughout this year. But as from the following year, inflation again fell below 10%.

According to Dornbusch and Fisher (1993), inflation is moderate when it is below 15%. Central banks circles do not share this point of view, considering that a two-digit inflation is excessive. However, if we refer to the inflation rate, we may note (Cf. Table A 10.1 in the Appendix)<sup>3</sup> that the erosion of the purchasing power seldom exceeded this threshold over the 1963-1997 period. In fact, Benin's inflation rate rose above 15% only over three years. For all other countries, this threshold was crossed four times.

A comparison of WAMU member countries' inflation rates with those of industrial or developing countries clearly highlights the high degree of stability of the CFA Franc's domestic value (Table 10.2).

<sup>3</sup> The tables numbered A10.1, A10.2, etc... are given in the statistical Appendix.

**Table 10.2 : Inflation rate in some industrial and developing countries**

**Industrial countries**

Periods	Belgium	Canada	France	Germany	Italy	Japan	UK	USA
1965-1974	5.09	4.79	5.74	4.00	5.76	8.01	6.93	4.78
1975-1989	5.81	7.30	8.27	3.32	12.85	4.17	10.18	6.38
1975-1979	7.62	8.86	10.14	4.14	15.78	7.46	15.66	8.04
1980-1985	6.98	7.93	10.22	4.15	15.32	3.58	9.03	6.85
1986-1989	1.80	4.40	3.00	1.05	5.48	0.93	5.05	3.60
1990-1993	2.98	3.43	2.78	3.58	5.60	2.35	5.18	3.90
1994-1996	2.00	1.33	1.83	2.10	4.40	0.23	2.77	2.77

**Developing countries**

*Africa*

Periods	Burundi	Kenya	Nigeria	Somalia
1965-1974 <sup>(1)</sup>	4.73	4.95	7.12	4.11
1975-1989 <sup>(2)</sup>	10.78	12.51	22.41	36.87
1975-1979	17.96	14.04	21.08	15.70
1980-1985	7.82	13.48	18.12	48.63
1986-1989 <sup>(3)</sup>	6.25	9.13	30.50	48.63
1990-1993	7.55	27.68	30.55	
1994-1996	20.20	12.87	53.03	

(1) : Period 1966-1974 for Burundi

(2) : Period 1975-1988 for Somalia

(3) : Period 1986-1988 for Somalia

*Asia*

Periods	India	Indonesia	Malaysia	Pakistan	Singapore	Thailand
1965-1974	9.72	178.82	3.94	8.80	5.89	5.78
1975-1989	7.10	11.37	3.80	8.35	2.70	6.21
1975-1979	3.04	14.88	4.10	10.52	2.52	6.96
1980-1985	9.70	11.12	5.02	7.97	4.15	7.45
1986-1989	8.28	7.38	1.60	6.20	0.75	3.40
1990-1993	10.28	8.48	3.83	9.95	2.83	4.83
1994-1996	9.80	8.60	4.17	11.73	2.07	5.60

*Latin America*

Periods	Bolivia	Brazil	Chile	Colombia	Mexico	Peru	Venezuela *
1965-1974	13.71	28.16	112.09	12.19	6.78	10.57	3.12
1975-1989	925.48	226.83	64.37	23.55	52.41	335.52	18.35
1975-1979	10.14	41.22	150.38	23.74	19.14	43.94	9.02
1980-1985	2251.57	142.03	23.77	23.07	56.37	97.28	12.75
1986-1989	80.53	586.05	17.78	24.03	88.05	1057.35	38.40
1990-1993	14.78	1633.95	18.98	27.28	18.40	2003.33	36.10
1994-1996	10.17	923.70	9.00	21.67	25.47	15.43	73.53

\* : Excluding the year 1967

Source : Calculations based on International Financial Statistics data, IMF, 1997.

It appears that during the 1980s, no nonfranc African country recorded an inflation rate as low as that of the Union's average (5.5%).

In Asia, only a handful of countries (Malaysia, Singapore and Thailand) showed a better performance.

In Latin America, plagued by hyperinflation, no country had an inflation rate lower than 15%. At the beginning of the 1990s, the situation barely improved in this sub-continent despite the stabilization and reform policies adopted by Central Banks. However, Bolivia and Chile were able to bring their average rate of inflation back below this level between 1994 and 1996.

Among the OECD Member States, also in the 1980s, only Belgium, Germany and Japan had an inflation rate that was lower than that of the Union, whose inflation rate was lower than that of France.

Nevertheless, in the Union, there were inflation differentials between Member States despite the implementation of a common monetary policy.

Indeed, an examination of Table 10.1 shows that during the 1960-1974 period, the prices increased by 3.5% and 3.7% respectively in Benin and Burkina. On the other hand, the increase was 4.8% in Côte d'Ivoire and 4.9% in Niger and Togo, while Senegal recorded the highest rate of inflation (6.4%).

The years 1975-1989 were characterized by an increased variability and higher levels of inflation rates. The most significant variations were observed in Benin, Burkina (6.3 and 7.6%) and Côte d'Ivoire (9.7%). Mali and Senegal, which recorded 8.1% and 8.4% respectively, were in the upper part of the ladder.

The 1990-1993 deflation was high in all the countries but its magnitude differed. In Niger, prices dropped in absolute value (-3.5%), while in Burkina, they rose by only 0.06% and in Mali by 2.4%.

Prices did not react in an identical manner in these countries following the change in the CFA Franc's parity in January 1994. Togo, Niger, Mali and Benin recorded the most significant increases, in that order : 37.90% ; 36.04% and 34.50% for the latter two against rates of 32.29%, 25.93% and 25.18%, for Senegal, Côte d'Ivoire and Burkina respectively.

This short-term variability of WAMU member States' inflation rates can be explained, regardless of the seasonal phenomena of "bridging the gap"<sup>4</sup>, by the fact that most countries depended on the export of commodities which constituted the main source of resources for the State budgets.

Under these conditions, changes in the prices had two effects (B. Boccara, S. Devarajan, 1993). The first was of a budgetary nature - the rise in prices induced an increase in public expenditure that continued after the reversal of the economic situation caused by the fall in prices.

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<sup>4</sup> The period between two harvests.

The second effect was of a monetary nature. Owing to the pooling of exchange reserves, maintenance of a fixed exchange rate and freedom of transfers within the Franc Area, it was difficult to freeze an inflow of currencies, which translated in an increase in the money supply.

The rise in the overall demand following the increase in public expenditure and in the incomes of producers and intermediaries induced a hike in the prices of non-tradable goods and thus an upsurge in general domestic price levels.

As countries of the Union do not export the same commodities (Table 10.39), their economic situations and inflation rates were both different.

In addition, a convergence of inflation rates supposes greater mobility of production factors between the countries : labor, capital flows and their corollary - the convergence of real interest rates - in the absence of premiums specific to each Member State (B. Boccara, S. Devarajan, 1993).

However, the mobility of all these factors remained limited in the area. Consequently, money supplies evolved in a relatively independent manner.

This situation changed with the more significant role played by the Union's money market as from 1996 and the organization of a regional financial market and a regional stock exchange.

Nevertheless, on an average, price levels increased at a moderate speed.

So what were the factors that accounted for the low inflation in the Union ?

#### b - The explanatory factors

The moderate price increase in the Union was the result of a prudent monetary policy characterized by seigniorage restrictions and a moderate growth in the money supply within the framework of institutional arrangements guaranteeing BCEAO's independence vis-à-vis the Member States.

#### 1 - Seigniorage restrictions

Keynes affirms in the *General Theory* that "a government can live for a long time... by printing paper money. That is to say, that by doing so, it can secure control over the real resources - resources that are as real as those derived from taxes. The method is reprehensible, but its efficiency, up to a certain point, must be acknowledged... as long as the public continues to use the currency issued in its totality, the government will continue to collect resources through inflation... What one collects by printing notes is identical to what one would take from the public by levying a tax on beer or an income tax" (quoted by P. R. Agénor, P J Montiel, 1996).

Keynes' assertion shows that it is crucial to highlight the relation between public deficits, monetary growth and inflation to understand the phenomenon of inflation.

Indeed, to finance a budget deficit, the Government has three possibilities : resort to advances made by the Central Bank, issue and invest securities with the public (nationals or foreigners) or convert its foreign assets<sup>5</sup> into national currency.

The third solution quickly reaches its limits since a country's foreign exchange reserves are always limited. As for the second, the public buys securities only if the State honors its commitments regularly and if inflation is low.

The issue of currency is the solution to which the Government can always resort, because it generally has a monopoly in the matter - a kingly privilege - from which it draws advantages or seigniorage (cf. Preliminary Chapter).

Thus, the income from seigniorage, in the broad sense, corresponds to the amount of resources that a government grants itself while issuing central bank money (Tahir Andrabi, 1997)<sup>6</sup>.

In so far as this form of money creation is mostly a source of inflation and, consequently, affects the real value of assets, seigniorage can be regarded as a tax on cash reserves held by private agents.

#### Box 10.1

#### Seigniorage and inflation tax

By taking  $b_t$  as the real monetary base in the period  $t$  and  $IPC_t$  as the general level of consumer prices, the seigniorage income ( $RS_t$ ) can be defined as :

$$RS_t = \hat{b}_t + I \hat{P} C_t * b_t$$

This formula defines the total seigniorage (or implicit tax) as the sum of the increase in the real stock of central bank money ( $\hat{b}_t$ ) and the variation in the stock of central bank money that would arise with constant nominal outstanding amounts due to inflation, i.e.  $I \hat{P} C_t * b_t$ . The latter represents the inflation tax.

$$Itax = I \hat{P} C_t * b_t$$

Thus :

$$RS_t = Itax + \hat{b}_t$$

<sup>5</sup> Sachs (Jeffrey D.), Felipe Larrain B., "Macroeconomics In The Global Economy", Prentice Hall, Englewood Cliffs, New Jersey, USA, 1993.

<sup>6</sup> Tahir Andrabi, "Seigniorage, Taxation, and Weak Government", Journal of Money, Credit, and Banking, Vol. 29, No 1, February, 1997.

**Table 10.3 : Presents a comparative study of seigniorage income or inflation tax in the countries of the Union and in other developing and industrial countries.**

**Table 10.3 : Seigniorage and inflation tax in WAMU member States (1971-1995) and in other countries ( 1980-1989)**

	Seigniorage/GDP (%)					Seigniorage/Fiscal revenue (%)					Inflation Tax/GDP (%)				
	1971	1976	1980	1990	1994	1970	1976	1980	1990	1994	1970	1976	1980	1990	1994
	1975	1979	1989*	1993	1996	1975	1979	1989*	1993	1996	1975	1979	1989*	1993	1996
WAMU															
Benin	0.52	0.68	0.97	2.81	-2.62	4.53	5.39	8.25	26.90	-16.49	0.41	0.57	0.25	0.36	2.20
Burkina	0.70	0.76	1.31	1.38	0.25	6.58	6.09	11.76	9.95	1.82	0.38	0.63	0.34	0.01	1.37
Côte d'Ivoire	1.14	2.09	0.51	0.13	1.76	4.54	5.74	0.67	0.82	9.28	0.84	1.64	0.64	0.16	1.16
Mali			1.31	1.66	-1.64			9.46	10.61	-12.96			0.80	0.43	0.84
Niger	0.45	1.15	0.86	-0.04	-1.45	5.65	10.58	8.24	-0.86	-22.74	0.24	0.74	0.13	-0.48	1.93
Senegal	0.82	1.26	1.07	-0.66	1.26	4.55	7.08	6.18	-4.00	8.40	0.87	0.53	0.59	-0.06	1.91
Togo	1.59	2.27	2.29	-2.31	0.67	8.50	8.58	8.54	-21.24	4.81	0.76	1.15	0.82	0.12	3.08
Other African countries															
Cameroon			0.6					3.0					1.2		
Kenya			1.0					4.6					1.8		
Morocco			1.9					5.8					2.6		
Nigeria			1.7					6.9					3.4		
Asia															
Pakistan			2.3					13.4					2.2		
Philippines			1.4					10.0					1.2		
Latin America															
Bolivia			5.0					111.6					91.5		
Brazil			3.8					11.0					14.2		
Industrial countries			1.6												
Italy			0.2					5.9					4.0		
Canada								1.1					0.8		
United States			0.4					1.9					0.9		

• The 1980-1991 period for non WAMU countries, data drawn from P-R AGENOR and P J. MONTIEL (1996) Development Macroeconomics, Princeton University Press.

The sign - means that the Government has a creditor position with the Central Bank.

Source : Calculations based on BCEAO data, "Notes d'Information et Statistiques" (Information Notes and Statistics) ; IMF, International Financial Statistics.

It stands out from the data that compared to government receipts, seigniorage income became negligible in industrial countries, except for Italy, until the beginning of the 1990s.

The situation in the countries of the Union was similar to that of this group of countries. One of their characteristics was the existence of negative seigniorage income during the years 1990-1993 for Niger, Senegal and Togo. This situation reflected a creditor position of national Treasuries with BCEAO.

After the devaluation, in 1994 and 1995, the ratio of seigniorage income to budgetary revenue was -16% for Benin, -13% for Mali and -23% for Niger, as the Treasuries of these countries had significant deposits with BCEAO.

Other developing countries, on the other hand, drew substantial income from seigniorage : 13.4% of fiscal revenue in Pakistan in 1980-1989, 11% in Brazil during the same period, 111.6% in Bolivia, etc.

Except for the years 1994-1995, the countries of the Union imposed an inflation tax, which, in GDP terms, was lower than that of most industrial countries. This explains their good performance as regards inflation ; in particular, the price level was closer to the level recorded in France, which itself was close to the average of OECD countries.

Thus, the moderate use of seigniorage helped control growth of money supply in the Union.

## 2 - A moderate growth of money supply

### 1) Observation

During the first fifteen years that followed independence, monetary policy was marked by the presence of a French management. Without being particularly restrictive – we shall see that credit ceilings were not entirely used by banks and national Treasuries – this monetary policy had a moderating effect on monetary growth.

**Table 10.4: Money supply trends in WAMU countries**

(in billions of CFA Francs)

Countries	1960-1974*	1975-1979	1976-1989	1980-1989	1990-1993	1994-1997
Benin	11.01	36.33	79.16	96.29	157.26	268.13
%	(15.18)	(6.57)	(9.84)	(11.14)	(13.73)	(21.05)
Burkina	10.01	38.97	82.49	99.90	165.30	304.58
%	(12.68)	(17.69)	(14.32)	(12.98)	(3.99)	(22.43)
Côte d'Ivoire						
%	100.43	505.50	719.06	804.48	838.28	1434.26
	(17.74)	(25.30)	(10.54)	(4.63)	(-1.25)	(25.64)
Mali			90.67	107.97	153.83	290
%			(11.51)	(9.44)	(4.88)	(26.48)
Mauritania	5.42					
%	(20.97)					
Niger	10.60	46.40	88.51	105.36	124.39	122
%	(12.66)	(30.71)	(14.92)	(8.61)	(-3.45)	(6.03)
Senegal	41.18	141.14	246.55	288.71	361.07	527.34
%	(7.93)	(17.49)	(11.34)	(8.88)	(-2.00)	(20.96)
Togo	11.84	55.19	109.12	130.69	142.98	186.73
%	(18.83)	(24.98)	(13.51)	(8.92)	(-5.49)	(28.21)
WAMU	169.41	823.53	1381.51	1604.70	1943.10	3133.04
%	(13.60)	(22.21)	(11.79)	(7.62)	(-0.6)	(22.78)

NB : Average money supply growth rates are given in parentheses.

\* This was the 1965-73 period for Mauritania.

Sources : - BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics)

- World Bank, World Tables 1995,

- International Financial Statistics, IMF, 1995.

For the whole Union, the money supply growth rate averaged 13.6% per year between 1960 and 1974 (Table 10.4). This rate further increased to 22.2% in the second half of the 1970s.

With the 1980s economic crisis and the dissolution of almost one-quarter of the banks, the money supply growth rate slowed down to 7.6% per annum. In the first few years of the 1990s, it became negative (-0.6%).

With the devaluation, money supply increased by 23% over the period 1994-1997.

**Table 10.5 : Money supply trends in France, Ghana and Nigeria**

(billions of local currency)

Countries	1960-1974	1975-1979	1976-1989	1980-1989	1990-1993	1994-1996
France	453.28	1543.67	2827.48	3340.99	4248.75	4938.50
%	(14.54)	(14.82)	(11.48)	(10.14)	(1.87)	(8.82)
Ghana	0.47	4.01	51.44	70.41	451.93	1164.00
%	(16.15)	(45.42)	(45.17)	(45.07)	(28.77)	(43.05)
Nigeria	0.97	8.16	19.76	24.40	88.18	
%	(21.16)	(29.59)	(20.34)	(16.64)	(43.96)	

NB : Average money supply growth rates are in parentheses.

Sources : Calculations based on data from :

- BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics).

- World Bank ; World Tables 1996.



For each period until the beginning of the 1990s, money supply increased in the Union at a pace close to that recorded in France (Table 10.5), in 1960-1974 : respectively 13.6% and 14.5% ; 11.8% and 11.5% in 1976-1989.

This converging trend of the two money supplies explains the stability of the CFA Franc's value. Indeed, since its currency is pegged to the French Franc by a fixed parity, WAMU has, in the conduct of its monetary policy, proceeded as if it had adopted a "reactive function" which consisted of maintaining the growth of its money supply very close to that of the country to whose currency its own is pegged.

The rates differed at the beginning of the 1990s, as WAMU a recorded negative growth before a 23% increase in its money supply following the strong devaluation of its currency.

Comparatively, in Ghana, money supply increased by an annual average of 16%, between 1960 and 1974 ; then, by 45% between 1975 and 1989. Nigeria experienced an increase that was halfway between that of WAMU and Ghana - an average of 37% until 1975 ; 25% in the 1970s ; 16% in the following decade.

In the Union, the evolution per country was full of contrasts.

Senegal recorded the lowest monetary growth, Togo the highest. However, in relative terms, it was the evolution of the money supply in Côte d'Ivoire which was decisive for the whole Union. In 1963, Côte d'Ivoire and Senegal had equivalent money supplies (31.32 and 30.38 billion F.CFA respectively) ; in 1973, the share of the first country in the total money supply of the Union was 60% and that of the second 15%.

The strong agriculture-based growth of Côte d'Ivoire's economy accounted for the rapid increase in its money supply. Its relatively faster monetarization also contributed to it (the ratio between non-monetary GDP and monetary GDP was down from 22% in 1960 to 13% in 1974 : Bhatia, 1985). Generally, money supply growth was higher in forest countries (Côte d'Ivoire, Benin, Togo) than in the Sahelian countries (Burkina, Niger, Senegal).

In the 1970s, money supply in Côte d'Ivoire increased at the average annual rate of 25% following the upsurge in world prices and the increase in the production of coffee and cocoa. Then Côte d'Ivoire experienced a long period of economic crisis, as from the early 1980s, which was reflected in the low growth of money supply (an annual average of 4.6%). It turned negative over the 1990-1993 period.

As for Togo, its money supply, which was low at the time of independence (3.47 billion in 1963), expanded significantly until the end of the 1970s. Following the fall in phosphate, coffee and cotton prices, money creation slowed down considerably. As in the other countries, money supply decreased at the beginning of the 1990s before the devaluation.

In Benin, it increased by an annual average of 15% in the years 1960-1974. This rate dropped to 11% in the 1980s then rose again to 14% in the early 1990s before going up to 22% after the devaluation.

Lastly, Burkina started with a relatively low level of money supply (5.19 billion CFA Francs in 1963), before achieving a regular annual growth of 8% in the 1960s ; it accelerated, going up to 18% per annum in the second half of the 1970s, then after a slight slowdown in the 1980s (13%) and in the early 1990s (11%), it went up to 22% after the devaluation.

On the whole, the moderate growth in money supply was the outcome of the monetary policy implemented by BCEAO.

**Table 10.6 : Trends in the money supply/GDP ratio in WAMU, France, Ghana and Nigeria**  
(%)

	1960-1974(a)	1975-1979	1980-1989	1990-1993(b)	1994-1997(c)
Benin	10.65	18.81	22.30	28.36	26
Burkina	9.20	16.53	18.75	21.65	24
Côte d'Ivoire	24.00	31.30	28.60	31.32	29
Mali*			22.01	21.67	23
Mauritania	11.34				
Niger	5.38	12.24	16.31	19.27	13
Senegal	16.34	26.56	27.11	22.92	22
Togo	14.78	28.88	39.52	32.96	27
<b>WAMU</b>	<b>13.39</b>	<b>22.38</b>	<b>26.00</b>	<b>26.42</b>	<b>25</b>
France	59.57	74.19	73.82	75.00	70
Ghana	20.61	25.63	14.84	15.27	18.68
Nigeria	11.26	22.17	29.37	23.25	28

Notes : (a) It was the 1968-73 period for Mauritania and 1962-74 for other WAMU countries.

(b) It was the 1990-92 period for Nigeria

(c) It was the year 1994 for Ghana.

Sources : BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics) ; World Bank, World Tables, 1994, IMF, International Financial Statistics, 1995.

## 2) Monetary policy efficiency

### Recall of the money creation and monetary control theory

As we have seen, according to monetary theory, there exists in the money market, like in other markets, a demand expressed by users (companies, individuals, etc.) and a supply offered by the banking system - central banks for central bank or fiduciary money and deposit banks for representative money.

The monetarist school stresses the stability of demand for currency and the exogenous character of supply - which may therefore lead to errors or abuse by the banking system.

\* Mali : 1960-1974 (16.11 %) ; 1975-1979 (18.45 %)

The quantity of currency or money supply, at a given time, constituted by the sum of central bank money and bank money, is the consequence of the behavior of the public, banks, Ministry of Finance, Central Bank and the rest of the world.

Indeed, in so far as users use both bank money and central bank money, the constraint of convertibility that is imposed on deposit banks limits their potential to create bank money by granting credit. They can only operate if the Central Bank agrees to supply them with central bank money, primarily through refinancing.

Hence, there is a functional relationship between central bank money issued by the Central Bank and bank money created by deposit banks and, consequently, between central bank money and money supply.

The bank money created by deposit banks, when they grant credit to their customers, is equal to a multiple of the central bank money that is provided to them, thus increasing money supply by that same amount. The concept of credit multiplier - or to be more exact, money multiplier - to which economic analysis refers, reflects this phenomenon.

In the formulation of its monetary policy, it is important for a Central Bank to be attentive to the way in which these mechanisms operate in its area of issue, since the objective pursued is to control money supply by adapting the supply of money to demand so as to ensure price stability, the equilibrium of balance of payments, etc.

To achieve this goal, the Central Bank acts directly or indirectly on the sources of money-creation.

Assuming a simple position of a Central Bank and of the deposit banks in its area of issue, we can analyze the *modus operandi* as follows :

Assets	Position of the Central Bank	Liabilities
Foreign assets		Banknotes and coins in circulation
Claims on banks		Banks deposits or reserves
Credit to the Treasury		Treasury Deposits
		Miscellaneous

Assets	Position of deposit banks	Liabilities
Central Bank (deposits or reserves)		Customers' deposits
Foreign assets		Credit from the Central Bank
Credit to the economy		Miscellaneous

The money supply  $M$  is the sum of banknotes and coins in circulation and customers' deposits with deposit banks.

The monetary base  $B$  is constituted by the sum of banknotes and coins in circulation and the deposits of banks at the Central Bank or reserves.

Therefore, it constitutes the major part of the Central Bank's liabilities and has as its counterpart, on the assets side – foreign assets, claims on banks and credit to the Treasury.

The money multiplier  $m$  is the ratio of money supply to the monetary base  $\frac{M}{B}$

$$\frac{M}{B} = m$$

Hence,  $M = mB$ , a formula that expresses the relationship between money supply, the monetary base and the money multiplier.

Thus, it appears that any change in the money supply is determined both by the monetary base and the credit multiplier.

*A lesson can be drawn from this analysis as regards monetary policy : to control money supply, monetary authorities may act on the multiplier  $m$  by modifying the required reserve ratio or on the monetary base  $B$  by controlling its counterparts: foreign assets, credit granted by the banks, assistance to the Treasury.*

The choice is guided by the relative impact of each of these factors on the money supply.

According to Pascal Salin (1991)<sup>7</sup>, manipulating the monetary base can only help carry out a long – term expansionary or restrictive monetary policy. Manipulating the required reserve ratio can only permit to make the quantity of currency fluctuate around a value that is basically determined by the level of the monetary base.

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<sup>7</sup> Salin P, *Macroéconomie (Macroeconomics)*, PUF, Paris, 1991, p 289.

### Sources of money supply variation

Let  $M$  be the money supply (sum of fiduciary currency held by the public,  $C$ , and bank deposits  $DB$ ),  $B$  the monetary base constituted by fiduciary currency and bank reserves with BCEAO,  $c$  the relationship between fiduciary currency and money supply<sup>8</sup> and  $r$  the relationship between the banks' reserves at the Central Bank and clients' deposits with banks. Money supply is linked to the monetary base through the following formula :

$$M = \frac{1}{c + r(1-c)} * B \quad \text{or } M = m * B \quad (1)$$

$m$  being the money multiplier

Variations in money supply - through intervals of discrete time - are approximated by the following relationship (Frost, 1977) :

$$\Delta M_t = \Delta k_t \cdot B_t + \Delta b_t \cdot m_{t-1} + \Delta m_t \cdot b_t + \Delta m_t \cdot B_t \quad (2)$$

$\Delta$  before a variable indicates its variation.

The last term is close to zero for smaller variations - in fact, it represents the interaction of  $m$  and  $B$  variations.

The monetary base can also be written with reference to its sources : net foreign assets (AEN), credit to Treasuries (CT) and variations in refinancing.

Hence

$$\Delta B_t = \Delta AEN_t + \Delta CT_t + \Delta C_t$$

The sources of variation in central bank money thus appear clearly.

The sources of variation in the multiplier can be obtained by totally differentiating  $m$  from  $c$  and  $r$  :

$$\Delta m = \Delta m_c + \Delta m_r$$

with

$$\Delta m_c = \frac{1-r}{[c + 1(1-c)]^2} * \Delta c$$

$$\Delta m_r = \frac{1-c}{[c + 1(1-c)]^2} * \Delta r$$

The interaction affecting the variations in the product  $\frac{\Delta m}{\Delta c} * \frac{\Delta m}{\Delta r}$  has been ignored, assuming that its value is close to zero.

In this respect, what was the key factor that determined the evolution of money supply in WAMU and how did BCEAO conduct the monetary policy ?

<sup>8</sup> Or preferential rate for notes.

- BCEAO as an exemplification
- Factors determining the variations in WAMU money supply

Until 1975, money supply variations were primarily due to fluctuations in the monetary base (Bhatia, 1985). For the whole Union, changes in the multiplier accounted on average for only 12% of money supply variations.

It was in Niger that the multiplier's share was the lowest (6%). In Côte d'Ivoire, despite the extent of variation in the money supply, fluctuations in the multiplier accounted for only a small part (14%). Togo (22%), Senegal (20%), Burkina (22%) and especially Benin (26%) were above average in the Union.

During the second half of the 1970s, money supply variations remained significant, fluctuating between 17% in 1978 and 36% the preceding year (Table A10.2). On an average, they increased by 25% with only 1% that could be attributed to the multiplier (Table 10.7). As during the previous period, the monetary base was the principal source of these variations.

It was only in 1977 that of the 36% variation in money supply, the credit multiplier accounted for 11%. In other years, its role remained very low or even negative. This general trend characterized the situation in each country.

A lower growth of the money supply (7.6% on average, Table 10.4) and a negative impact of the multiplier characterized the 1980s. Four out of ten years recorded a growth of more than 10% in the money supply (Table A10.2), while other years experienced a lower growth and even a decline over two years. Once more, the monetary base constituted the principal source of variation with a 12% rise, whereas the impact of the multiplier remained limited and even negative.

In Benin, Burkina and Niger, which recorded the most important money supply fluctuations (9.5%, 13% and 11% respectively), the multiplier's impact was low in absolute and negative value.

In countries like Senegal and Togo, the money supply went up only slightly in spite of a relatively significant increase in central bank money. In Côte d'Ivoire, money supply increase was almost entirely due to the monetary base.

**Table 10.7 : Period-wise impact of multiplier and monetary base variations on money supply variations - (%) 1975-1997.**

Periods	WAMU			Benin			Burkina			Côte d'Ivoire		
	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$
1975-1979	24.9	1.1	23.8	21.4	6.3	14.1	23.3	7.4	16.1	27.6	1.4	25.9
1980-1989	7.4	-3.3	12.0	9.5	-2.7	18.5	13.3	-3.0	18.6	4.3	0.0	6.5
1990-1993	32.3	26.0	3.3	13.7	-5.6	23.4	23.2	7.8	10.9	31.7	30.1	1.8
1994-1997	22.7	17.7	4.4	21.0	59.0	-21.96	22.4	19.9	2.3	25.6	9.0	20.3
Periods	Mali			Niger			Senegal			Togo		
	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$
1975-1979				24.5	-1.6	27.2	21.5	0.9	21.7	21.7	-2.9	26.8
1980-1989	3.9	-4.8	9.4	11.0	-2.2	14.0	8.1	-3.8	13.4	8.3	-4.8	16.1
1990-1993	32.5	13.3	10.5	32.2	33.9	-0.1	43.4	45.6	-4.9	64.2	71.9	-8.3
1994-1997	26.4	41.4	-7.4	6.0	20.7	-9.9	20.9	10.0	15.3	28.2	22.1	5.4

$\Delta M$  = Variation in money supply

$\Delta m$  = Variation in money multiplier

$\Delta B$  = Variation in monetary base

Source : Calculations based on BCEAO data, "Notes d'Information et Statistiques", (Information Notes and Statistics), various issues.

Variations in the monetary base were thus decisive in the evolution of money supply in WAMU.

Indeed, the low degree of monetarization of WAMU member States economies during the first two decades that followed their independence and the limited role of financial institutions, explain the relative importance of central bank money variations in the framework of money supply variations, financial assets holdings being mainly constituted by cash reserves (Table A10.2).

The analysis of the various elements of the multiplier variations reveals the predominance of the ratio of fiduciary currency to money supply (Table 10.8).

**Table 10.8 : Period-wise impact of variations in the fiduciary currency/money supply ratio and the reserves/bank deposits ratio on monetary multiplier variations – (%) 1975-1997.**

Periods	WAMU			Benin			Burkina			Côte d'Ivoire		
	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$
1975-1979	0.03	0.06	-0.02	0.18	0.17	0.05	0.16	0.18	0.04	0.04	0.08	-0.02
1980-1989	-0.10	-0.02	-0.05	-0.15	0.06	-0.02	-0.09	-0.03	-0.01	-0.03	-0.01	0.03
1990-1993	-0.06	0.37	-0.01	-0.12	0.08	-0.23	-0.10	0.15	-0.08	-0.08	1.05	0.01
1994-1997	0.38	0.10	0.32	1.20	0.73	0.89	0.34	0.12	0.25	0.23	0.24	0.04
Periods	Mali			Niger			Senegal			Togo		
	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$
1975-1979				-0.05	-0.03	0.01	0.02	0.07	-0.03	-0.14	0.01	-0.05
1980-1989	0.24	-0.18	-0.12	-0.05	0.04	-0.06	-0.12	-0.02	-0.07	-0.12	-0.01	-0.03
1990-1993	-0.06	0.02	-0.03	-0.05	0.12	0.02	0.10	0.60	0.15	0.07	0.31	0.05
1994-1997	0.53	0.07	0.62	0.32	-0.02	0.38	0.24	0.14	0.00	0.42	-0.83	0.87

$\Delta m$  = Variation in monetary multiplier

$\Delta m_c$  = Variation in fiduciary currency/money supply ratio

$\Delta m_r$  = Variation in reserves/bank deposits ratio

Source : Calculations based on BCEAO data, "Notes d'Information et Statistiques" (Information Notes and Statistics), various issues.

Over the 1964-1974 period and for the whole Union, the ratio of fiduciary currency to money supply increased by 123% (Bathia, 1985) while the reserves ratio dropped by 12%. Thus, while the first had an expansionary effect on money supply, the second had a rather negative and much narrower impact. Member States recorded the same trend and in Niger in particular, the first ratio increased by a cumulative 202% while the second dropped by 56%. Only Côte d'Ivoire recorded a slight rise in the reserves ratio (6%).

Fiduciary currency thus played a major but regularly decreasing role in money supply (more than half until 1968). As for the reserves, they represented a very small proportion of bank money. Although they showed an upward trend, this ratio did not exceed 7% until 1974.

The rather flexible crop credit refinancing conditions, in particular, until the 1989 reforms, may explain this situation.

Substantial variations in the ratio of fiduciary currency to money supply were related to export trends. Since each country was dependent on the export of agricultural or mining products, producers' income, which increased with good climatic conditions and favorable world prices, were essentially held as cash in hand.

Thus, in prosperous years, the ratio was high. On the other hand, it declined when income dropped.

The crisis that affected the States of the Union from 1980 onwards was the direct consequence of the fall in exports whose value in foreign currencies was hitherto the principal source of money creation. Gradually, domestic credit assumed an increasingly significant role as a source of money creation. At the same time, bank reserves decreased



substantially and banks became increasingly dependent on refinancing by the Central Bank. However, the latter's credit to banks increasingly reduced owing notably to external payments situation.

Indeed, the ratio of foreign assets to sight liabilities kept declining from 1980 onwards, forcing the Central Bank to reduce its refinancing.

As for the national Treasuries, the worsening of budget deficits in a context of foreign aid scarcity also made them increasingly dependent on monetary financing.

Fluctuations in money supply were primarily due to fluctuations in BCEAO's monetary liabilities. The latter, in turn, were contingent upon changes in net foreign assets, credit to governments and refinancing.

Table A10.3 shows the relative importance of each of these sources. Over the 1960-1974 period, advances made to national Treasuries accounted for a tiny share (less than 4%) of monetary base variations.

During the second half of the 1970s, the principal sources of creation of central bank money were affected by significant fluctuations.

Indeed, the reversal of the economic situation had constrained most States to change their behavior vis-à-vis the central bank and further resort to statutory loans. Foreign assets decreased by almost 20%. However, BCEAO pursued a rather expansionary policy, by increasing credit to banks. Thus, the monetary base regularly went up.

In the 1980s, except for the 1984-1986 period, money creation dropped drastically owing to an appreciable reduction in foreign assets. The net position of governments, after rising strongly until 1984, decreased noticeably while refinancing clearly dropped.

Between 1993 and 1994, the monetary base increased by almost 20% (Table A.10.3). This expansion was due to a significant recovery in net foreign assets, a considerable increase in the net position of governments and the disengagement of banks vis-à-vis the central bank.

The multiplier having gone up from 1.9 to 2.4, WAMU money supply recorded a 39% growth in 1994. Since devaluation was 100%, this relatively moderate increase in money supply explains how most countries recorded a 30% inflation rate in 1994.

In 1995, there was a limited rise of approximately 9% in the monetary base due to the recovery of net foreign assets, the disengagement of national Treasuries from the central bank and a slight increase in credit to financial institutions. The multiplier rose slightly and money supply finally went up by 14%.

Money supply expansion remained low in 1996 and 1997 in spite of a rapid increase in net foreign assets - 7% per year.

Thus, it appears that the monetary policy implemented after the CFA franc devaluation moderated money creation and favored a fast return to price stability.

In practice, in the conduct of monetary policy, the Central Bank based its analyses on projections made at the beginning of the financial year.

In what way were these projections adequate ?

- BCEAO's monetary forecast

Generally speaking, the more correct such forecasts turn out to be, the more they prove the capacity of monetary authorities to anticipate future developments and achieve the targets they set to themselves. Consequently, private economic actors would refer to them to base their own decisions. The credibility of monetary policy would thus become enhanced.

Until 1975, as we have seen, projections were focused on the credit granted by the Central Bank to banks and national Treasuries - overall rediscount ceilings. The other elements, in particular central bank money and money supply were both implicit.

Table A10.4 gives the monetary aggregates projections along with performance since 1963.

Between 1960 and 1974, recourse to ceilings was, undoubtedly, limited because of the conditions imposed for the granting of individual limits.

During the second half of the 1970s, performances remained below objectives, except in 1977 when they exceeded them by 7%. Since banks and national Treasuries had enough resources to meet their cash requirements, the conditions for access to central bank resources did not offer any constraints.

This also explains why measures aimed at broadening the participation of national actors in economic activity and at directing credit towards priority sectors did not yield all the results expected.

Lastly, since the ratio of foreign assets to sight liabilities had remained above 20%, one could conclude that the monetary policy was conducted in an environment that was still favorable for the countries in the zone, with the upturn of raw materials prices after the first oil crisis (1973).

Following the reversal in the economic situation, during the years 1979-1980, money supply projections, which were in keeping with the dynamics of past years, were considerably below performances.

During the first half of the 1980s, money supply increased faster than annual objectives. In the second half, money supply grew at the same rate as that stipulated in projections, leading to a coefficient of performance close to unity.

During the 1990s and before the devaluation, the levels reached by money supply were close to the objectives fixed. The insufficiency of foreign assets exerted an increasingly strong constraint on money creation. The volume of credit available became

definitely insufficient compared with requirements. Following the change in parity, projections were less accurate and money supply increased by 25% in 1995.

This growth in the money supply was the outcome of that of its counterparts.

As regards the credit provided to Treasuries, until 1979, realizations were far below ceilings except for a few years. The good cash position of most member States accounts for the fact that they did not have much recourse to monetary financing of budget deficits.

In the 1980s, national Treasuries borrowed from the central bank up to the statutorily authorized limits.

Between 1990 and 1993, BCEAO's credit to national Treasuries remained within the limits projected at the beginning of the financial year only with great difficulty, since the States could not have access to foreign sources as the latter had subordinated the resumption of their aid to the CFA Franc devaluation.

With the change in parity and the inflow of significant resources, certain national Treasuries took moderate recourse to BCEAO's advances. Some even repaid the totality of their debt - Benin and Mali.

As regards the credit granted to banks, the evolution of the ratio of realizations to objectives shows that apart from the years 1977 and 1978, they remained within the ceilings fixed at the beginning of the financial year.

This indicates that over the 1975-1995 period, the control of the credit to the economy was efficient. This trend contrasted with that of the 1960-1974 period, marked by the low use of credit limits.

Concerning foreign assets, projections were on the whole less precise. The relationship between performance and projections changed very erratically from year to year. However, it should be noted that from 1986 onwards, performances systematically exceeded objectives, except for the years 1990 and 1991.

On the whole, the projections relating to monetary aggregates trends yielded only average results. Therefore, the Central Bank had to refine its instruments. Since the monetary projection model used was basically an accounting model, further studies should be undertaken for a better understanding of the monetary behavior of economic actors, based, in particular, on the development of a macro-financial model<sup>9</sup>.

Limiting seigniorage and ensuring a moderate monetary growth was possible only thanks to the institutional system governing BCEAO.

### 3 - An institutional system guaranteeing the central bank's independence

The positive results obtained by WAMU as regards inflation are explained *in fine* by the arrangements that made the Central Bank independent vis-à-vis each Member State.

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<sup>9</sup> This work is still in progress - several models elaborated at the end of 1997 and in 1998 have been tested in various departments.

Indeed, a lot of water had passed under the bridge before the conclusion was drawn that the independence of the Central Bank in managing monetary policy was necessary for a sustainable maintenance of price stability.

For a long time, the debate on monetary policy was focused on the opposition between the rules defined *a priori* and discretionary decisions.

The Chicago school developed this problematic in its efforts to study the causes of inflation and the solutions for fighting it. It recommended, with remarkable regularity, the implementation of rules defined in advance. Thus, Simons (1936), after stressing the fact that the origin of inflation was always monetary, recommended a 100% gold-coverage rate of issued notes, and Friedman (1969) defended the implementation of a rule based on a constant growth rate of money supply.

This traditional advocacy against discretionary policies has a major weakness. Indeed, it is difficult to see what could prevent authorities, acting in a discretionary manner, from subjecting themselves to a monetary policy rule under "normal" circumstances, while reserving the possibility of changing the rule if events deemed "exceptional" were to take place. The adoption of discretionary policies would then lead to all the advantages of fixed rules - for example, they could be used as a reference point for economic actors' projections and thus exert an "indicative effect" on their anticipations - and those of flexibility.

Kyland and Prescott (1977), followed by Barro and Gordon (1983), completely reversed this value judgement in favor of discretionary rules by introducing the concept of temporal inconsistency. On the one hand, a temporally coherent policy consisted of choosing a rule - a plan or a program - in each period, which would make it possible to achieve the goals pursued and, on the other hand, of adhering to this rule in time, without falling into the temptation of deviating from it. The surprising conclusion was that this period to period optimization was associated with an inflationary bias.

By using rational expectations and a Lucas supply function (1972) as a framework for analysis, these authors show that it is advisable for monetary authorities to announce that they would be pursuing a zero inflation goal even if actual inflation did take place. Since economic actors were rational, they would not believe in the initial announcement and would thus anticipate a positive rate of inflation. The Central Bank would be forced to validate these expectations. Hence, the inflationary character of discretionary monetary policies.

What these studies show, in substance, is that a declared rule would not be credible or coherent over time especially when authorities merely announce it without supporting it by mechanisms that would make it irrevocable. Credibility cannot be obtained by the mere announcement of a rule.

A plethora of proposals were made in the 1980s and 1990s for solving this problem of temporal inconsistency (Person and Tabelli, 1995). The most striking solution was institutional in nature and consisted of entrusting the control of the monetary policy to an independent Central Bank (P. Kouamé, 1984 ; Rogoff, 1985 ; Walsh, 1992).

P. Kouamé showed that a statement of principle was not enough to guarantee the independence of a Central Bank and protect it in the application of its statutes from the pressures of national authorities in a developing country. He affirmed that the formula of a multinational Central Bank established by a Treaty and whose operations were governed by rules that were binding for Member States, enjoyed independence vis-à-vis each of them as far as the application of the texts established by mutual agreement was concerned.

Thus, recent monetary literature provides solid theoretical justification for the choice made nearly forty years ago by the Member States of the Union to create a common Central Bank with the status of an international institution following long and impassioned discussions.

Indeed, this put a brake on each member government's temptation to mobilize additional resources by levying a tax in the form of an instantaneous increase in general price levels. WAMU countries adopted institutional arrangements and one of their principal objectives was to limit the capacity of each member to resort to this mode of financing of budget deficits.

**Table 10.9 : Financing of budget deficits by ECOWAS Central Banks**

(in % of previous year tax revenues)

Country	Present statutory limit	Terms of maturity
Benin	20% of previous year tax revenues	No deadline
Burkina	20% of previous year tax revenues	No deadline
Cape-Verde	5% of previous year tax revenues	End of financial year
Côte d'Ivoire	20% of previous year tax revenues	No deadline
The Gambia	50% of previous year tax revenues	6 months after end of financial year
Ghana	10% of previous year tax revenues	3 months after end of financial year
Guinea	20% of previous year tax revenues	No deadline
Guinea-Bissau	20% of previous year tax revenues.	No deadline
Liberia	20% of previous year tax revenues	No deadline
Mali	No specific statutory limit	No deadline
Mauritania	20% of previous year tax revenues	No deadline
Niger	12.5% of current year revenues	End of financial year
Nigeria	20% of previous year tax revenues	No deadline
Senegal	20% of previous year tax revenues	End of financial year
Sierra Leone	20% of previous year tax revenues	No deadline
Togo		

Source : "Agence Monétaire de l'Afrique de l'Ouest" (West African Monetary Agency), 1997.

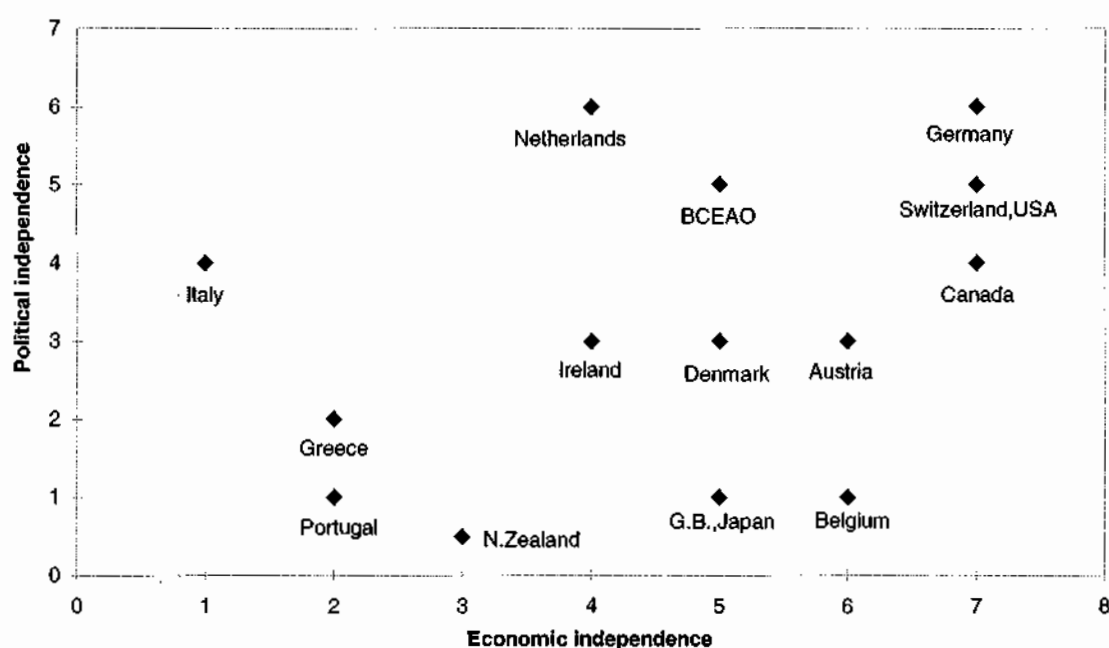
Thanks to its autonomy vis-à-vis each Member State, the multilateral central bank is in a better position than a national central bank to ensure compliance with statutory provisions relating to the monetary financing of budget deficits.

Indeed, in practically all the statutes of central banks of other developing countries, including nonfranc countries, the assistance they can grant to national Treasuries is subjected to statutory ceilings.

In West Africa, this ceiling did not exceed BCEAO's ceiling. Table 10.9 shows that while in WAMU, the current statutory limit was 20% of the previous year tax revenues, it was 5% in Cape Verde, 10% in Ghana, 12.5% in Nigeria and 20% in Guinea and Sierra Leone. In addition, whereas BCEAO did not fix a deadline for reimbursement of its loans, other countries limited the loan maturity to six months or the end of the current financial year.

However, in case of budgetary difficulties, a national central bank would not almost have any means of resisting pressure from the State and, thus, maintain monetary financing within statutory limits. Consequently, all countries that fixed a statutory limit lower than that of BCEAO recorded inflation higher than that of the countries of the Union.

**Graph 10.1 : Independence of central banks : OECD and BCEAO**



Source : Medhora (1996)

R. Medhora (1996) applied the model elaborated by Grilli *et al.* (1991) to BCEAO in order to assess the degree of independence of central banks in OECD countries (Graphic 10.1). By reference to two criteria - political and economic - reflecting the central bank's power to choose monetary policy objectives on the one hand, and instruments of intervention on the other hand.

The factors involved in the definition of each criterion were allocated a point making it possible to build an index (Cf. Box 10.3).

Medhora drew the conclusion that "BCEAO enjoys an enviable degree of independence and thus a certain credibility... BCEAO is above the average OECD central banks as it is protected from the pressures of budgetary authorities and also from government borrowings by statutory limits" (p. 258).

#### Box 10.3

##### **Criteria of independence of central banks**

###### Political independence

1. The government does not appoint the Central Bank Governor.
2. The Governor's term lasts more than five years.
3. The government does not appoint all the Board members of the Central Bank.
4. The term of the Board lasts more than five years.
5. The government's participation in the Board is not compulsory.
6. Monetary policy measures are not necessarily approved by the government before their application.
7. The Central Bank's statutes make it compulsory for it to guarantee price stability.
8. Legal provisions have been provided to protect the Central Bank in any dispute with the Government.

Medhora allocated a point to each of the first three criteria, half a point to the fourth, zero for criteria 5, 6 and 8 and one point to criterion 7, i.e. a total of four and a half points.

###### Economic independence

1. The government does not have automatic access to the Central Bank's direct credit facilities.
2. The government obtains direct credit facilities at the market interest rate.
3. The direct credit facilities are temporary.
4. The direct credit facilities are subjected to a fixed ceiling.
5. The Central Bank is not assigned any role in the primary market of public securities.
6. The Central Bank determines the discount rate.
7. The banking system supervision is not entrusted to the Central Bank - in which case two points are granted - or is not limited to the Central Bank.

Medhora granted a point to each of the criteria 2, 3, 4, 6 and 7, zero for criteria 1 and 5, i.e. a total of seven points.

Since the evolution of the external value or external purchasing power of a currency constituted the other element used for estimating its monetary quality, what about the CFA Franc in WAMU ?

B - External value maintained unchanged for a long time

A currency fulfils its various functions in its area of issue all the more easily when it can be exchanged at any time against other currencies. This external convertibility is ensured by the availability of exchange reserves (gold, foreign exchange) making it possible to meet various demands for conversion. Consequently, the rate of exchange fixed by authorities is all the more difficult to maintain if the reserves are insufficient in comparison with the requirements.

Admittedly, one could resort to borrowing or rationing of foreign currencies. These solutions have long-term limitations and cannot prevent the deterioration of the external purchasing power of the national currency.

To assess the extent to which WAMU could maintain the external value of its currency, four indicators were used : the ratio of foreign assets to sight liabilities, the evolution of the balance of the operations account with the French Treasury, the evolution of the ratio of exchange reserves to monthly imports and the adjustment of the parity.

a - Evolution of the ratio of foreign assets to sight liabilities or cover rate of issue by foreign assets

According to BCEAO statutes, net foreign assets should not be lower than 20% of sight liabilities for three consecutive months. If necessary, measures must be taken immediately so that the minimum cover of issue is restored. Was this rule complied with ?

Table 10.10 shows that during the 1960s, the cover rate reached 66%, a level that was three times higher than the statutory minimum of 20%.

The ratio regularly dropped in the 1970s going down to 53% in the 1970-1974 period and 38% in 1975-1980.

**Table 10.10 : BCEAO Net Foreign assets (NFA)/Sight Liabilities (SL) Ratio**

Periods	Net foreign assets (NFA), in billions of F.CFA	Sight liabilities (SL), in billions of F.CFA	NFA/SL (%)
1960-1970			66
1970-1974	78.44	157.97	52.94
1975-1979	130.72	354.16	38.00
1980-1989	97.61	875.41	10.64
1990-1993	180.20	1125.70	15.93
1994-1997	1388.21	1493.00	92.56
31 December 1997	1889.11	1844.10	102.44

Source : BCEAO, Notes d'Information et Statistiques (Information Notes and Statistics), various issues.

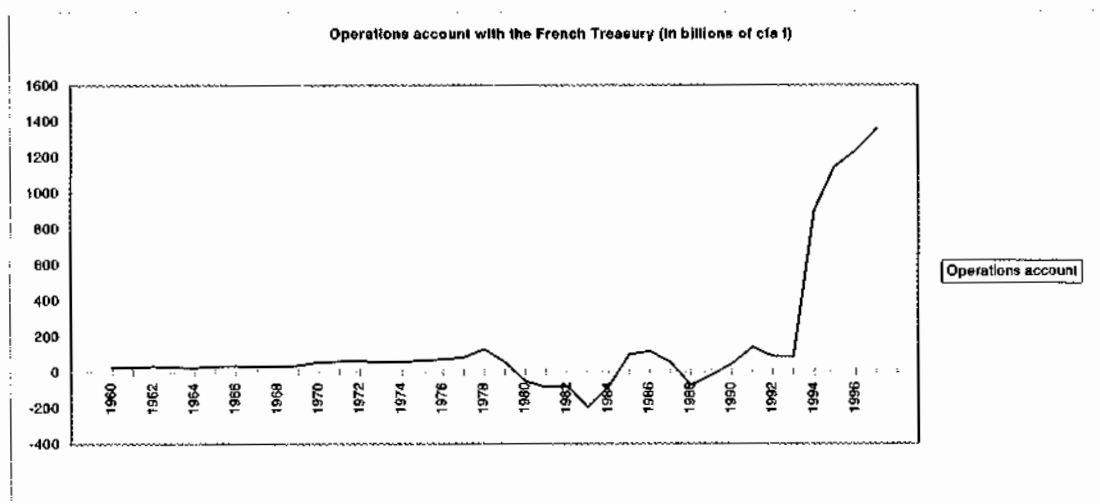


On the whole, during the first fifteen years after independence, thanks to the steadiness of raw material prices and the good quality of its monetary policy, BCEAO succeeded in defending the external value of its currency. In this respect, its performances were comparable to those of BAO, since the “Institut d’Emission de l’Afrique Occidentale Française et du Togo” (Issuing house of French West Africa and Togo) had not been subjected to the respect of such a ratio.

On the other hand, during the 1980s, the ratio of net foreign assets to monetary sight liabilities remained below its statutory level, as it was less than 11%. In spite of the measures taken, the ratio could not be brought back to its statutory minimum before 1994. The fall in raw material prices greatly contributed to the reduction of foreign assets. After the devaluation, the ratio clearly improved, reaching 92% in 1994-1997 and more than 100% in 1997, thus assuring the WAMU CFA Franc a cover rate of issue never reached before.

b - Evolution of the operations account

**Graph 10.2 : Evolution of the operations account with the French Treasury (in billions of CFA F)**



Source : BCEAO

The evolution of the cover rate is reflected in that of BCEAO’s operations account with the French Treasury (Graphic 10.2, Table A10.17). Until the end of the 1970s, the operations account remained largely in credit - 31 billion F.CFA on an average between 1960 and 1969 ; 58 billion between 1970 to 1975 ; and 83 billion between 1976 to 1979 (Table A.10.17).

It was in the 1980s that BCEAO borrowed from the French Treasury, thus rendering operational the French guarantee of the CFA Franc. On an average, this debt rose to 32 billion CFA Francs between 1980 and 1989 (Table A.10.17).

In the third period, 1990-1997, the operations account showed again a creditor position with an average of 88 billion in 1990-1993. Its balance exceeded 1000 billion after the 1994 devaluation, to reach the level of 1354 billion at the end of 1997.

c - Cover of imports by exchange reserves

In the 1960-1969 period, the foreign assets accumulated by most countries ensured them at least two weeks of imports, with the highest cover rate of 6 and 5.7 weeks respectively for Burkina and Togo.

The situation improved in the second period of the 1970s, except for Senegal whose cover rate declined appreciably.

In the 1980s, BCEAO exchange reserves covered the equivalent of less than 6 weeks of imports (Table 10.11). This average conceals differences between one Member State and another. But, it was the pooling of foreign assets that truly reflected solidarity among the countries of the Union. Each Member State could now import, at any point of time, quantities of goods and services higher than those that its own exchange reserves would have enabled it to obtain. Only Togo had an exceptional 9 weeks of imports over four years in 1990-1993.

Devaluation resulted in an inflow of foreign assets. The cover rate clearly went up in Senegal and Côte d'Ivoire, where it had been the lowest in previous periods.

**Table 10.11 : Reserves (excluding gold)/Imports Ratio**  
(in weeks of imports)

Periods	Benin	Burkina	Côte d'Ivoire	Mali *	Mauritania	Niger	Senegal	Togo
1960-1969**	2.38	6.09	2.97		11.54	0.93	1.92	5.69
1970-1975	2.97	8.23	2.01			6.28	0.92	5.22
1976-1979	0.78	3.39	1.25			5.63	0.40	2.42
1980-1989	0.27	5.58	0.07	0.99		4.58	0.11	7.59
1990-1993	5.50	8.27	0.03	6.19		7.50	0.11	8.97
1994-1995	5.02	7.98	1.68	5.76		6.53	3.07	4.58

Sources : BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics), various issues ; IMF, International Financial Statistics, Yearbooks 1995, 1996.

- \*Mali : 1960-1969 (0.29) ; 1970-1975 (0.39) ; 1976-1979 (0.41)
- \*\*The 1965-69 period for Mauritania

In conclusion, until the end of the 1970s, BCEAO was able to maintain the external value of its currency thanks to the steadiness of raw material prices and the application of a relatively prudent monetary policy. The exchange reserves ensured an adequate cover of money issue in the Union. In the 1980s, this cover worsened considerably and BCEAO had to resort to advances from the French Treasury to meet increasing demands for conversion of CFA Franc into foreign currencies.

The 1994 devaluation allowed a recovery in the external position. This raised the question of whether the CFA franc's external value had not been kept at too high a level compared to a level that would have enhanced the competitiveness of Member States' products.

#### d - The 1994 devaluation

The permanent controversy on the relevance of the parity between the CFA Franc and the French Franc became more intense with the devaluation of the French currency in 1969 (A. Diagne, 1982, 1992).

Thus, at the end of the 1960s and at the beginning of the 1970s, a certain section of African public opinion believed that the CFA Franc was undervalued. The constant creditor position of African Central Banks with the French Treasury was the principal argument. An opposite point of view endeavored to show the negative consequences that would result from a revaluation of the CFA Franc (P. Desneuf, 1977 ; J Bourdin, 1980).

With the appearance of debit balances in BCEAO and BEAC operations accounts with the French Treasury, from 1980 onwards, the stress was now on the overvalued CFA Franc.

In fact, this point of view was defended throughout the 1970s by the Bretton Woods Institutions, which, however, still had marginal influence on the way the economic and monetary policy of the Union's countries was conducted. Overvaluation, in spite of many symptoms, was accepted with difficulty in Africa and France.

Generally, the controversy on the parity of the CFA Franc compared to the French Franc related, in substance, to the role assigned to the exchange rate in WAMU and the level of overvaluation of the common currency.

##### 1. The role of the CFA Franc exchange rate

From a theoretical point of view, the rate of exchange plays a triple role in developing countries (Azam, 1996 ; Corden, 1993 ; Bruno and Fisher, 1990 ; Bruno, 1991).

First of all, one can consider the rate of exchange as an instrument of economic policy used to *modify relative prices* - in particular the real effective exchange rate - as well as the allocation of resources between sectors of tradable goods and those of non-tradable goods and, consequently, the *amount outstanding in the current balance*.

This exchange rate concept, called "the approach by real targets" by Corden (1993), that was very influential during the two last decades, was the theoretical basis of the structural adjustment programs adopted during the 1980s and 1990s by all the States of the Union. These programs primarily aimed at obtaining the depreciation of the real exchange rate through the application of a series of measures meant for restoring the competitiveness of economies and correct external and internal imbalances.

Secondly, the exchange rate can be regarded as a nominal anchorage point playing a significant role in the fight against inflation (Bruno and Fisher, 1990 ; Bruno, 1991). These two authors showed that if economic actors form their expectations in a rational manner, for a given level of budget deficit, the price level and rate of inflation are unspecified unless some anchoring is imposed on the economy.

Under these conditions, budgetary policies alone are powerless to overcome inflation - some reference is required. Several variables can be used as an anchor for the economy. There is a choice between fixing the nominal exchange rate, control of money supply, maintenance of a certain growth rate for nominal wages if the socio-political conditions allow it, control of producer prices of the major export products, etc.

It may be considered that the countries of the Union wanted their exchange rate to serve as a point of reference for the economy and used internal adjustment measures to deal with the rise of the real exchange rate until 1994. They succeeded in fighting inflation but were confronted with another problem - the credibility of their currency's parity with the currency to which their currency is pegged.

The deceleration of economic growth in the 1980s and beginning of 1990s, persistent budgetary difficulties, massive outflow of capital that led to the suspension of the repurchase of CFA banknotes on 2 August 1993<sup>10</sup>, raised doubts about the long-term maintenance of CFA Franc parity with the French Franc.

Thirdly, the exchange rate could be a means for mobilizing significant additional tax revenue and thus solving the budget deficit problem faced by a country (Azam, 1996). Indeed, when a significant share of the budgetary revenue is based on imports, devaluation automatically raises the actual value of customs duties collected if the increase in prices is lower than the rate applied.

Thus, changing the CFA Franc parity had become inevitable in the early 1990s because of acute liquidity difficulties faced by the States that could no longer finance their budget deficits following the suspension of budgetary assistance by foreign partners.

As indicated by Tables A10.5 to A10.11, the devaluation made it possible to appreciably increase government revenues. The Central Bank's overdrafts to national Treasuries dropped by almost half for most Member States and were even reabsorbed in the case of some others such as Benin and Mali. Thus, devaluation was a means of mobilizing significant budgetary resources.

On the whole, it may be considered that the exchange rate simultaneously fulfilled at least two of these functions, at one point or another, which did not fail to generate contradictions. Therefore, throughout the 1980s and in the early 1990s, Member States tried to obtain a depreciation of their real exchange rate - reforms of various sectors to reduce production costs, modification of the labor code to introduce more flexibility, reduction of nominal wages and reduction in customs duties - while making the parity of their currency play an anchoring role in order to fight inflation.

The 1994 devaluation may be regarded as the abandonment of the preceding strategy, in favor of another strategy consisting of seeking both an increase in the seigniorage income and gains in competitiveness. The role that one wished to assign to the exchange rate, viewed as a pivot price, was not, however, clarified.

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<sup>10</sup> Decision by the WAMU Council of Ministers at its extraordinary meeting on 28 July 1993.

## 2) The level of overvaluation of the CFA Franc

Table 10.12 gives the level of overvaluation or undervaluation of the CFA Franc in the various countries of the Union before the devaluation and soon afterwards by the application of the elasticity method (see box 10.3).

Table A10.12 shows elasticities - supply and demand prices for foreign exchange that were used to calculate the equilibrium exchange rate in each country.

Table 10.12 indicates the level of overvaluation of the exchange rate for each Member State until 1993 with variable degrees. Benin and Niger experienced a low overvaluation with even a downward trend (1993).

**Table 10.12 : CFA Franc overvaluation rate (\*) in WAMU countries**

(in %)

Year	Benin	Burkina	Côte d'Ivoire	Mali	Mauritania	Niger	Senegal	Togo
1968	5.95	20.52	40.63		N/A	0.78	27.40	21.47
1969	5.18	18.04	41.03		N/A	2.73	27.12	25.62
1970	12.26	21.83	38.91		N/A	6.89	32.29	18.57
1971	14.05	19.43	35.19		N/A	13.30	31.56	15.46
1972	11.64	20.99	36.94		N/A	13.90	36.07	11.22
1973	9.90	21.62	34.46		N/A	17.41	27.61	13.15
1974	13.09	21.90	40.59			11.09	33.39	55.81
1975	6.26	16.69	33.27			12.89	32.22	3.75
1976	2.17	17.12	37.33			13.29	32.04	12.46
1977	7.03	12.40	39.40			4.75	34.29	4.74
1978	2.22	16.44	32.57			2.25	26.82	-2.15
1979	6.91	18.28	28.54			8.84	26.81	1.17
1980	8.96	20.00	26.85			5.81	24.09	13.47
1981	10.02	20.12	25.18			8.21	25.91	23.62
1982	-18.72	16.02	30.10			4.41	28.80	24.56
1983	-2.59	17.61	29.76			11.52	29.05	23.67
1984	6.23	-2.35	41.18	18.83		16.71	30.63	23.63
1985	12.05	17.28	41.89	19.70		10.44	27.74	18.50
1986	10.72	22.13	39.35	14.84		10.83	28.90	9.13
1987	12.82	19.28	31.95	15.01		9.17	17.57	11.79
1988	11.90	19.37	28.94	15.58		9.22	27.78	13.54
1989	21.59	27.30	31.60	15.56		-0.95	30.13	15.78
1990	15.51	17.38	30.92	15.17		3.60	30.78	14.73
1991	13.87	15.79	31.60	19.78		3.85	30.11	11.05
1992	12.26	17.75	32.43	15.00		4.99	29.48	9.05
1993	13.50	15.30	32.22	16.42		6.71	27.35	-0.45
1994	-23	-15	-22	-29		-21	-20	-19

(\*) : The minus sign indicates an undervaluation of the CFA Franc

N/A : not available

Sources : - BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics), various issues.

- IMF, International Financial Statistics, various issues.

In the 1970-1974 period, the rate of overvaluation varied between 7% and 17.5% in Niger ; it dropped drastically in the 1980s before going back to its level from 1985 onwards. Benin followed the same evolution, but the level of overvaluation decreased until 1994. Togo experienced a relatively high overvaluation between 1968 and 1971 and again between 1981 and 1985. Senegal and Côte d'Ivoire systematically recorded a strong overvaluation.

At the end of 1960s, the figure was 40% for Côte d'Ivoire and 30% for Senegal. Similar average rates existed just before the devaluation. Burkina and Mali were in an intermediate position, since overvaluation was around 15%.

This diversity of situations made it difficult to choose a suitable rate for the modification of the parity. In view of differentiated levels of overvaluation, the rate of devaluation was fixed so as to ensure all countries gains in competitiveness.

### Measuring the overvaluation of CFA Franc exchange rate by the elasticity method

The overvaluation or undervaluation of the exchange rate of a currency can be measured using several methods. Apart from the purchasing power parity whose origins date back at least to Cassel (H. L. Officer, 1976)<sup>11</sup>, we can quote Devarajan's 1 2 3 model, the approach through fundamentals (S. Edwards, 1980)<sup>12</sup> and the approach through elasticities<sup>13</sup>.

The characteristic of all these methods is the determination of an equilibrium exchange rate (TCE - "taux de change d'équilibre"), or optimal rate, that constitutes a standard - a reference to which the current exchange rate is compared. The variation between the two rates measures the extent of overvaluation or undervaluation. The elasticity approach is used here. It determines a "TCE" by adjusting the official exchange rate :

- Unsustainable external imbalances (deficits or surpluses) and distortions in foreign trade (customs duties or subsidy, price control, quantitative restrictions on imports and currencies),
- Estimated elasticities of supply and demand for foreign exchange as against the real exchange rate.

The following formula summarizes this method :

$$TCE_t = TCO_t \left( 1 + \frac{DIC_t + ADJ_t}{e_s \cdot C_t + e_D \cdot D_t} \right)$$

$$ADJ = \frac{dm}{(1 + dm)} \cdot D_t \cdot e_D - \frac{dx}{(1 - dx)} \cdot C_t \cdot e_s$$

with :

- |                |   |   |
|----------------|---|---|
| t              | = | Year  |
| TCE            | = | Equilibrium exchange rate   |
| TCO            | = | Official exchange rate  |
| DIC            | = | Unsustainable part of the current balance deficit assessed at the official exchange rate  |
| ADJ            | = | An additional adjustment term reflecting excess demand or supply of foreign exchange under a free-trade regime at the equilibrium exchange rate |
| C              | = | Foreign exchange supply   |
| D              | = | Foreign exchange demand   |
| dm             | = | Average customs duties imposed on imports   |
| dx             | = | Average rate of export subsidies  |
| e <sub>D</sub> | = | price-elasticity of foreign exchange demand   |
| e <sub>s</sub> | = | price-elasticity of foreign exchange supply   |

<sup>11</sup> H. Laurence Officer (1976), "The purchasing power parity theory of exchange rates : a review article", IMF Staff Papers.

<sup>12</sup> S. Edwards (1989)".

In all countries, nominal devaluation proved to be more efficient than domestic adjustment to obtain a significant depreciation of the real effective exchange rate. Table 10.12 shows that one year after the devaluation, gains in competitiveness were a maximum of 23% in Benin, 15% in Burkina and at least 19% in other countries.

The maintenance of these gains and their improvement would primarily depend on the capacity of the countries to successfully implement suitable policies to reduce production costs considerably and improve productivity.

*On the whole, the results of monetary management in WAMU were good as far as the stability of the domestic value of the currency was concerned and not so good as regards the external value, whose overvaluation had greatly eaten into the region's competitiveness in so far as production costs remained high.*

What about the development of financial intermediation ? This shall be dealt with in the next four sections.

## **Section II - Characteristics of the financial system**

The more financial intermediaries and markets are created and expanded, the greater the proposed and required diversification and adaptation of products to meet the needs of various categories of savers, and the greater the volume of voluntary savings mobilized for financing economic activity.

In this respect, a significant intermediate objective of BCEAO's monetary policy, in particular since the 1989 reform, was to encourage the promotion and mobilization of savings as a source of financing economies and, thus, reduce the share of central bank money in the credits to the economy (Volume II, Chap. 4).

The analysis of the characteristics of WAMU's financial infrastructure reveals that there is a prevalence of commercial banks, an increase in foreign investors and private nationals shareholding, poor financial deepening and a concentration of banking activities.

### **I - Predominance of commercial banks**

A clear domination of commercial banks and a low-level development of non-banking financial institutions characterized the financial system in WAMU member countries.

Indeed, the weight of commercial banks in the authorized capital of the entire financial system constantly increased. From 53% in 1960-1974, it went up to 78% in the 1980s and 85% in the first half of the 1990s (Table 10.13).

This growth was due to the progressive dwindling of development banks from 31% in the first period to 16% in the 1980s, while commercial banks were being established and the States was disengaging from the financial sector.

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<sup>13</sup> Doris Jansen (1988), "Trade, exchange rate and agricultural pricing policy in Zambia", World Bank Comparative Studies, Washington D.C.



In 1990-1993, the share of development banks was only 10%. This decrease did not benefit financial institutions whose share followed the same trend, going down from 15,7% in the 1960s and 1970s to 4,6% at the beginning of the 1990s.

However, the overall development masked a diversity of national situations. The share of development banks in the capital of the banking system dominated in the 1960-1974 period in Burkina (64%) and Niger (53%). This situation continued in the 1980s in Mali. On the other hand, in the other countries, the share fluctuated between 39% (Senegal), 25% (Côte d'Ivoire) and 33% (Togo) during the same period.

**Table 10.13 : Distribution of authorized capital of financial institutions between Commercial Banks, Development Banks and Financial institutions (% of total capital)**

Periods	WAMU			Benin			Burkina		
	Com. Bk.(1)	Dev. Bk. (2)	Finan. Inst.(3)	Com. Bk.	Dev. Bk.	Finan. Inst.	Com. Bk.	Dev. Bk.	Finan. Inst.
1960-1974	52.90	31.41	15.69	64.00	32.83	3.17	35.17	63.60	2.77
1975-1979	69.01	15.37	15.62	60.33	39.67	0.00	56.29	41.30	2.40
1980-1989	78.19	15.80	6.01	63.45	36.55	0.00	73.12	24.00	2.88
1990-1993	85.22	10.20	4.58	100.00	0.00	0.00	79.95	15.79	4.26

Periods	Côte d'Ivoire			Mali			Mauritania		
	Com. Bk.	Dev. Bk.	Finan. Inst.	Com. Bk.	Dev. Bk.	Finan. Inst.	Com. Bk.	Dev. Bk.	Finan. Inst.
1960-1974	47.65	24.68	27.67				78.25	21.75	
1975-1979	66.49	10.54	22.97						
1980-1989	83.43	8.99	7.58	49.87	50.13	0			
1990-1993	87.36	4.37	8.28	53.51	46.49	0			

Periods	Niger			Senegal			Togo		
	Com. Bk.	Dev. Bk.	Finan. Inst.	Com. Bk.	Dev. Bk.	Finan. Inst.	Com. Bk.	Dev. Bk.	Finan. Inst.
1960-1974	45.49	52.54	1.97	58.49	38.87	2.64	63.19	32.88	3.93
1975-1979	53.67	44.94	1.39	72.54	22.96	4.50	82.79	13.00	4.21
1980-1989	56.26	42.07	1.67	80.52	9.70	9.78	87.55	11.32	1.13
1990-1993	89.38	10.62	0.00	92.08	2.37	5.55	78.99	20.80	0.21

(1) Commercial Banks, (2) Development Banks, (3) Financial institutions.

\* The distinction between commercial banks and development banks disappeared from BCEAO texts after 1975, but in reality, it continued to exist given the specific missions that development banks were regularly asked to fulfil.

Sources : Calculations based on BCEAO data, Bank Yearbooks and Balance Sheets of WAMU Banks and Financial institutions, various issues.

As for financial institutions, their number is limited in the Union, except in Côte d'Ivoire where their presence was more significant, especially during the 1960s and 1970s (27.6% and 23% respectively). Moreover, many of them are under the control of commercial banks.

The predominance of the banking sector in the financial system was not specific to the countries of the Union. In Ghana for example, 85% of the assets of the financial system were held by the banks.

Kenya was one of the rare exceptions in Sub-Saharan Africa, where only 42% of the financial system's assets belonged to banks (Popiel, 1993). However, a significant part of Kenya's non-banking financial institutions were created by banks themselves to escape the Central Bank's regulations relating to credit limits and reserve requirements. Generally, the activity of the non-banking institutions was mainly directed towards consumer and equipment credit.

## II - Increase in foreign investors and private nationals shareholding

### A – At the level of the Union

WAMU banking system's capital more than doubled between the 1960-1974 period and 1994, up from 57 billion - excluding Mali - to 128 billion Francs (Table 10.14). The major changes in economic policy were reflected in the evolution of the structure of the authorized capital of financial intermediaries. In the 1970s, the upsurge in raw materials prices provided the authorities with the resources necessary for the implementation of interventionist policies.

**Table 10.14 : Evolution of the authorized capital of WAMU Banks**  
(in billions of CFA F)

Country	1960-1974*	1975-1979	1976-1989	1980-1989	1990-1993	1994-1996
Benin	13.31	2.40	3.08	3.30	4.67	6.16
Burkina	13.22	2.87	7.53	9.08	12.75	13.79
Côte d'Ivoire	5.88	26.70	40.19	44.71	39.01	39.53
Mali	N/A.	N/A.	N/A.	7.79	11.67	14.55
Mauritania	1					
Niger	2.41	7.80	10.45	11.33	12.35	15.83
Senegal	4.28	14.06	19.82	21.75	20.31	22.32
Togo	13.29	8.18	8.55	8.67	13.46	15.51
WAMU	57.35	61.99	92.87	103.17	114.24	127.70

N/A : not available.

\* It was the 1964-72 period for Mauritania.

Source : BCEAO, Bank Yearbooks, and various issues.

The banking crisis and the reforms that were implemented led to the disappearance or retrocession of banks under the control of public authorities to the private and mostly foreign sector. In the Union as a whole, Governments controlled only 23% of the banking capital in 1994.

It stands out from Table 10.15, that French participation accounted for 16% of the WAMU banking capital in 1994. This proportion, which was 88% in the 1960-1975 period, fell to 37% in the 1970s in favor primarily of the Governments, and to 20% in the 1980s. Currently, the banking capital of the Union is diversified, with 52% in the hands of public authorities and private nationals. As for BCEAO, it took a symbolic share varying between 2 and 3% in development banks, as authorized by its statutes.

#### B - At the level of the States

Taken individually, all countries experienced the same changes in the authorized capital of their financial institutions.

In Senegal, the major rise in world groundnut and phosphate prices was accompanied by a very significant increase in the banking capital, which rose from 4.3 billion Francs in 1960-1975 to 14 billion in 1976-1979. This increase continued in the 1980s during which the capital reached 21,8 billion. Banking reorganization in this country only led to a slight reduction in the banking capital in the early 1990s, when it was down to 20.3 billion before going up to 22.3 billion in 1994.

Benin underwent the most significant fall in the banking capital. It decreased from 13.3 to 2.4 billion CFA Francs between 1960-1975 and 1976-1979. In the 1980s, it was slightly up to 3 billion then to 4.6 billion between 1990 and 1993. Lastly, banking capital went up to 6.2 billion in the years 1994-1996.

Like Benin, Burkina and Togo recorded a decapitalization of their banking structure during the 1976-1979 period. From 13.2 billion in the years 1960-1975, the banks' authorized capital fell to 2.9 and 8.2 billion respectively in the second half of the 1970s.

The changes in the authorized capital of banks were accompanied by a modification in its composition. A typical characteristic could be seen in Benin. Until 1975, the State held an insignificant share of the banks' capital (2%). But in 1976, its control had gone up to 98% with the nationalization<sup>14</sup> of this sector. At the beginning of the 1990s, with the dissolution of almost all existing banks and the establishment of new financial institutions, the State only held 2% of the banks' authorized capital. This retrocession of banking institutions to the private sector was done mainly in favor of foreign investors, with local shareholders holding only 16% of the capital in 1994 (see Table 10.15).

In the years 1980-1990, the States of the Union adopted reforms aimed at reducing the weight of the public sector in economic activities in favor of private initiative. The banking sector was no exception. In most countries, the State now holds a minority share in the authorized capital of banks.

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<sup>14</sup> Officially called "taking over".

In Burkina, the State's share in the banks' authorized capital graduated from an insignificant level (less than 1%) until 1975, to 71% during the 1975-1979 period. The beginning of the 1990s was marked by a significant fall in this share - down to 49%. The Burkina Faso national private sector began to penetrate this sector with 20% of the banks' capital.

In Togo, the State ended up controlling more than half of the banking capital. Its share went up from only 2% in the 1960-1975 period to 25%, and then 43% respectively in the years 1976-1979 and 1980-1989 to reach 55% in 1994.

In Côte d'Ivoire, public authorities controlled 42% of the authorized capital of banking institutions during the 1960-1975 period. But this proportion constantly dropped until it reached 26% in 1990-1993.

In Niger, the State regularly increased its share, which rose from 21% in 1960-1975 to 36% in 1980-1989. Thereafter, it slightly dropped to 31% in 1994. In Senegal, the State controlled up to 33% of the banking capital during the 1980s. Owing to the reorganization carried out in 1987-1989, it now holds less than 20%. Private Senegalese interests control the same percentage.

Table 10.15 : Composition of WAMU banks authorized capital (%)

	WAMU					BENIN					BURKINA				COTE D'IVOIRE					MALI					
	1960	1976	1980	1990	1994	1960	1976	1980	1990	1994	1976	1980	1990	1994	1960	1976	1980	1990	1994	1960	1976	1980	1990	1994	
	1975	1979	1989	1993	1996	1975	1979	1989	1993	1996	1979	1989	1993	1996	1975	1979	1989	1993	1996	1975	1979	1989	1993	1996	
State	8	38	38	29	23	2	98	96	1	2	1	71	72	49	49	42	39	28	26	4	-	-	51	27	24
Private nationals	0	5	12	14	29	0	2	1	17	16	0	3	4	11	20	2	7	15	17	65	-	-	19	26	27
BCEAO	0	2	3	3	2	0	0	0	0	0	0	4	5	9	5	2	1	3	0	1	-	-	4	9	9
France	89	38	21	16	16	97	0	0	6	18	98	16	12	9	11	43	25	23	24	26	-	-	14	9	9
Switzerland	0	4	3	4	4	0	0	3	23	16	0	2	3	4	4	1	6	5	6	3	-	-	-	-	-
USA	1	3	3	2	1	-	-	-	-	-	0	0	0	0	0	5	7	6	4	0	-	-	-	-	-
Germany	0	2	2	1	1	0	0	0	0	0	0	4	1	0	0	2	2	2	2	0	-	-	1	3	5
Nigeria	0	0	0	1	1	0	0	0	23	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libya	0	1	1	5	6	-	-	-	-	-	0	0	0	6	7	-	-	-	-	-	-	-	4	7	4
Tunisia	0	0	0	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Morocco	0	0	0	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	4	3
Italy	0	1	1	1	0	0	0	0	0	0	-	-	-	-	-	0	2	2	2	0	-	-	-	-	-
Others	2	6	16	24	17	0	0	0	30	30	1	0	3	12	4	3	11	16	19	1	-	-	6	15	19
	MAURITANIA					NIGER					SENEGAL				TOGO										
	1960	1976	1980	1990	1994	1960	1976	1980	1990	1994	1960	1976	1980	1990	1994	1960	1976	1980	1990	1994					
	1975	1979	1989	1993	1996	1975	1979	1989	1993	1996	1975	1979	1989	1993	1996	1975	1979	1989	1993	1996					
State	3					21	25	36	29	31	29	32	33	17	19	2	25	42	43	55					
Private nationals	0					2	1	10	11	13	2	8	19	27	20	0	0	2	5	5					
BCEAO	0					3	3	4	3	2	1	2	3	2	2	0	1	4	6	7					
France	97					72	65	33	8	12	61	45	21	27	26	98	61	15	12	3					
Switzerland	0					0	0	0	0	12	1	3	4	5	1	0	2	1	3	3					
USA	0					-	-	-	-	-	2	2	3	4	4	0	0	2	1	0					
Germany	0					0	1	1	0	0	2	1	1	1	1	0	2	4	3	0					
Nigeria	0					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Libya	0					0	2	3	16	22	-	-	-	-	-	0	5	8	14	15					
Tunisia	0					2	1	1	4	0	-	-	-	-	-	-	-	-	-	-					
Morocco	0					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Italy	0					-	-	-	-	-	2	1	1	1	1	-	-	-	-	-					
Others	0					0	2	12	29	8	0	6	15	16	26	0	4	22	13	12					

Source : Calculations based on BCEAO data, Banks' Yearbooks, several issues

### III – Poor financial deepening

Relatively few financial institutions were created in the countries of the Union, notably in urban areas. Hence, very few economic actors could benefit from their services. In addition, financial markets that could complement financial intermediation were practically non-existent.

The financial system inherited from the colonial period in 1960 was quite rudimentary. In 1964, there were only 31 banks in all member countries of the Union, including Mauritania (Table A10.13). Out of this total, 7 were located in Côte d'Ivoire and 5 in Senegal. The other countries had on an average 3 banks each. With each bank having about 5 branches, the extension of banking services - the number of financial institutions per hundred thousand inhabitants - was very low.

Between 1976 and 1979, the number of banks rose to 44 representing an increase by 41%. At the same time, the number of branches went up from 44 to 202 in four years. The stability of raw material prices and the high domestic demand resulting from this stability were responsible for the development of the banking system. The development was faster in Côte d'Ivoire where 9 banks were created between 1976 and 1979. Nevertheless, it was slower in Senegal where only three new banks appeared between 1976 and 1979. Nevertheless, the number of branches almost doubled.

The same progress was observed in Togo where the number of branches rose significantly from 12 to 50. However, despite these developments, the extension of banking services remained limited in the Union.

There is also a marked disparity between different member countries. While Côte d'Ivoire had 26.8 branches per million inhabitants and Togo 24.4, Burkina and Niger had only 3.7 and 4.4 branches respectively. Countries like Senegal and Togo had on an average about ten branches per million inhabitants.

The 1980-1989 period was significant due to the setting up of a large number of banks. The total number of banking institutions rose to 66 from just 44 between 1976 and 1979. The number of branches went up to 516, representing an increase of 66%. Despite this increase, the number of branches remained just 12.8 per million inhabitants.

The bank crisis in the late 1980s and the subsequent restructuring of the banking sector led to a fall in the number of banking institutions. Their number came down to 59 and then to 54 respectively during the years 1990-1993 and 1994-1995. The number of branches per million inhabitants came back to 7.6 during the early 1990s. During the years 1994-1995, this ratio fell down to 7.30.

Owing to the small number of financial institutions in the Union, the percentage of bank account-holders among the total population was very low. In the whole Union, their proportion varied between a minimum of 1.2% in 1991 and a maximum of 2.5% in the following year, but in 1995, it was down again to 1.3% (Table 10.16).

Côte d'Ivoire had the largest banking coverage with more than 5% of the population holding bank accounts between 1991 and 1994.

During the 1990s, Togo and Senegal respectively held the second and third place with 2.5 to 3.7% of the total population in Togo and between 2.5 and 3.2% in Senegal holding bank accounts. In Mali, an average of less than 2% of the population had access to banks. As for Benin, the figure never reached 1.5%. In Burkina, it fluctuated between 1.5 and 1.8% in 1992-1993. Finally, Niger had the lowest rate of financial development with less than 0.3% of the population holding bank accounts.

**Table 10.16 : Number of Bank Account-holders in Proportion to the Total Population (%).**

Year	Benin	Burkina	Côte d'Ivoire*	Mali	Niger	Senegal	Togo	WAMU
1991		N/A	4.59	0.98	N/A	0.16	N/A	1.21
1992	0.80	1.76	5.44	1.88	0.19	2.64	3.69	2.54
1993	1.16	1.52	5.24	2.14	0.34	2.66	2.84	2.49
1994	1.35	1.22	5.12	1.94	0.23	3.18	3.05	2.48
1995	1.40	N/A	1.86	1.80	N/A	2.55	2.53	1.35

\* : The 1995 data for Côte d'Ivoire relate to only nine banks out of a total of fifteen.  
N/A : Not Available

Source : Calculated on the basis of BCEAO data.

In conclusion, it may be said that the formal banking sector was not well developed in the countries of the Union although the latter's monetary stability should have encouraged savings. Branches were systematically set up in urban areas, most of these in capital cities. Further, the concentration of deposits with a small number of bank accounts indicated the weakness of banking habits among the people.

#### IV - Concentration of Banking Activities

The development of the banking sector did not lead to a greater competition among banks. In almost all the countries of the Union, not more than four banks represented more than 60% of the registered capital.

Table 10.17 shows the total share of deposits and loans of the major banks in the Union. In 1975, just one bank received 95% of deposits in Niger, 71% in Togo, 68% in Côte d'Ivoire and 64% in Burkina.

The concentration was less noticeable in Senegal since each of the two largest banks accounted for almost one-third of the deposits. However, the top five accounted for 96%.

With the exception of Benin where two banks granted all loans in 1975, the concentration of the loans offer was less high than in the case of deposits. Nevertheless, in all other countries, more than 90% of loans were granted by five banks at the most. Only in Côte d'Ivoire did the top five banks account for just 82% of loans.

In 1989, emerged a more balanced distribution of deposits among the top five banks in the Union, with the exception of Benin and Burkina where the two major banking institutions respectively received 71% and 89%. On the contrary, except for Côte d'Ivoire, the supply of credit became restricted to a smaller number of banks as compared to 1975.

Two years after the devaluation, deposits and loans were shared more equitably among the top five banks. With the exception of Burkina (53%) and Benin (38%), no bank received more than a third of the deposits in any country of the Union.

As for loans, in Benin and Niger only one bank granted more than 40% of the total. In the other countries, 70% of loans were granted by the three top banks.

Lack of adequate competition in the banking sector was evident in the whole sub-Saharan region. In Ghana and Uganda and also in Madagascar, just one commercial bank held more than 50% of the total assets (Popiel, 1993).



**Table 10.17 : The Total Share of Deposits and Loans of the Top Five Banks in WAMU**

Country	Position of the Bank	Total share of deposits (in %)				Total share of loans (in %)			
		1975	1980	1989	1995	1975	1980	1989	1995
Benin	1	77.150	77.360	70.960	38.110	85.880	71.310	80.140	43.230
	2	100.000	90.330	86.730	73.504	100.000	91.320	98.330	72.050
	3		100.000	96.340	86.016		100.000	99.400	90.510
	4			100.000	96.115			100.000	97.280
Burkina Faso	1	64.710	36.860	88.870	53.030	50.930	30.320	28.890	37.660
	2	78.340	68.830	95.780	87.440	76.940	59.770	57.300	68.730
	3	87.560	94.670	97.840	92.800	91.240	88.020	76.820	84.850
	4	94.130	99.530	98.970	97.920	98.070	97.740	85.270	92.430
Côte d'Ivoire	1	68.075	30.397	31.673	32.294	24.198	26.498	32.087	35.369
	2	77.676	55.356	54.563	57.041	40.666	46.174	50.915	59.833
	3	83.787	73.610	69.163	73.132	55.512	60.789	65.239	74.495
	4	87.812	85.718	80.040	85.921	69.360	72.938	77.400	85.374
	5	91.137	88.747	86.462	89.001	81.984	81.922	86.546	89.816
Mali*	1		54.480	45.710	28.600		73.310	58.980	26.210
	2		82.200	66.290	49.600	-	88.430	72.640	48.130
	3		96.450	85.760	69.540		97.920	84.720	66.490
	4		98.460	94.980	85.000		99.120	94.090	83.970
Niger	1	95.400	56.610	45.600	35.250	62.890	53.110	68.570	45.710
	2	99.170	76.010	74.980	69.470	84.130	81.030	82.640	74.760
	3	99.720	86.360	85.100	91.970	89.580	90.360	87.640	90.060
	4	100.000	94.030	91.120	96.560	94.730	94.320	92.290	97.650
	5		99.130	94.530	100.000	98.030	97.600	95.410	100.000
Senegal	1	32.680	25.550	23.760	29.860	21.470	34.140	32.830	31.380
	2	60.880	46.770	42.780	50.640	41.370	49.970	51.090	53.380
	3	81.640	67.070	57.940	71.020	60.510	65.590	62.890	71.060
	4	89.410	85.770	64.580	80.830	79.470	78.830	71.440	82.390
	5	95.940	91.670	70.290	89.200	95.550	91.080	79.160	90.260
Togo	1	71.280	41.430	28.590	30.780	36.600	33.021	24.050	31.220
	2	80.300	63.460	54.100	58.370	55.600	54.276	44.710	54.420
	3	87.240	72.700	69.820	70.630	74.250	66.839	63.720	71.900
	4	93.200	81.760	80.730	82.560	87.800	79.206	75.710	83.980
	5	96.550	87.360	86.090	92.180	93.010	91.380	83.530	92.280

(\*) In the case of Mali, the data in the 1980 column are for 1984.

Source : BCEAO, Update of Banks and Financial Institutions in WAMU, and various issues.

It would appear that banking laws within the Union accentuated this oligopolistic situation. Learning a lesson from the banking crisis during the 1980s, WAMU authorities improved conditions for setting up and running banks on the premise that credit institutions developing in an environment where the grant of loans is a highly risky business should have fairly substantial funds at their disposal to be considered stable and solvent.

It was therefore necessary to enforce more stringent conditions as regards the granting of approvals, minimum capital requirements, capital stock, acquisition of holdings and management standards.

Since entry into the banking field became more difficult, competition remained limited with a small number of banks continuing to decide about operating conditions in an environment of financial liberalization.

As a matter of fact, the introduction of a law relating to co-operative savings and credit banks in 1993 and the creation of a regional financial market to bring potential financiers and investors face to face were intended to introduce an element of competition in the financial sector. Co-operative savings and credit banks required a smaller registered capital than ordinary banks while they served a clientele that did not have easy access to the banking system.

This being the case, it is advisable to assess the role of the banking system in the mobilization of savings.

### **Section III – The Financial System and Mobilization of Savings**

Financial development should go hand in hand with the development of savings in an area where, to begin with, the use of currency in trade was quite limited. With the gradual monetarization of the economy, the share of fiduciary currency in money supply decreased in favor of credit given by banking and non-banking institutions, leading to the growth of financial savings.

What was the situation within WAMU ?

#### **I – The Facts**

In the structure of the banking system liabilities, a great importance has always been granted to monetary liabilities, or fiduciary currency, which can be *used directly as a payment medium* and bank money, or sight deposits, which could also be settled by check or by transfer order.

Among the mass of liabilities in the banking system, monetary liabilities are characterized by their liquidity.

Other liabilities such as time deposits, savings accounts and cash vouchers could not be used directly in transactions ; to do so, they had to be converted into cash. These were quasi-monetary obligations that the depositors had to give up temporarily. They were, therefore, more stable and constituted savings. The further their date of maturity, the greater the value of these savings.

The analysis of the structure of liabilities in the WAMU banking system reveals a preponderance of monetary liabilities or money supply or even liquid assets from the depositors' viewpoint and a moderate increase in financial savings.

#### **A - Preponderance of Monetary Liabilities**

If the share of banknotes and coins, i.e. fiduciary currency, decreases even though it is high, the proportion of sight deposits remains high.

a – Strong but declining preference for fiduciary currency

The importance of fiduciary currency or central bank money pointed out in Section I is supported here by indicators which show how it grew over the years in the Union as a whole and also in each member country.

In fact, the share of banknotes and coins in the money supply, which was 50% in the years 1960-1974, fell to 28% during the years 1975-1979 corresponding to the expansion of the banking system in the countries of the Union (Table A10.14).

This ratio rose again in the 1980s and even more in the 1990s after the dissolution of almost one-quarter of the banks.

The fiduciary currency/GDP ratio confirmed (Table 10.19) that the preference for fiduciary currency had generally gone down in all member countries but not at the same rate. Further, this decline was accompanied by much instability.

In the Union as a whole, fiduciary currency increased by 9.62% during the years 1960-1974. This rate almost doubled during the second half of the 1970s and then came down to 6% during the 1980s. During the years 1990-1993, it was hardly 1% (Table 10.18).

This instability was also seen in credit circulation in Ghana and Nigeria (Table 10.18). In fact, the fluctuation was more pronounced in these countries.

Thus, during the 1960-1974 period, the growth rate in Ghana and Nigeria was respectively 13.3% and 17%.

**Table 10.18 : Fiduciary Currency in WAMU Countries and in  
France, Ghana and Nigeria**  
(in billions of local currency).

Country	1960-74**	1975-79	1980-89	1990-93*	1994-97
Benin	4.47	10.12	24.99	41.20	69.60
%	(8.60)	(15.91)	(15.14)	(-3.34)	(56.07)
Burkina	5.62	14.61	35.54	66.09	131.63
%	(10.55)	(13.87)	(12.50)	(10.29)	(21.52)
Côte d'Ivoire	40.43	150.55	265.26	263.42	472.26
%	(13.47)	(21.32)	(3.18)	(1.90)	(21.18)
Mali *			53.16	58.19	113.35
%			(4.08)	(5.48)	(19.62)
Mauritania	2				
%	(13.08)				
Niger	5.24	18.82	35.69	41.65	52.05
%	(10.93)	(31.02)	(4.96)	(4.39)	(-2.01)
Senegal	16.85	40.59	85.17	98.25	145.83
%	(5.22)	(10.37)	(10.10)	(-2.04)	(13.81)
Togo	4.58	18.12	39.33	25.36	59.55
%	(12.66)	(22.08)	(5.21)	(-6.72)	(91.37)
<b>WAMU</b>	<b>72.39</b>	<b>252.82</b>	<b>521.49</b>	<b>594.15</b>	<b>1044.28</b>
%	<b>(9.62)</b>	<b>(19.03)</b>	<b>(6.44)</b>	<b>(1.29)</b>	<b>(20.44)</b>
France	208.46	561.45	1236.88	1635.6	
%	(10.49)	(15.03)	(8.11)	(-0.10)	
Ghana	0.30	2.73	55.63	316.05	
%	(13.26)	(47.94)	(45.05)	(26.46)	
Nigeria	0.51	4.57	14.14	20.81	
%	(17.10)	(32.69)	(16.93)	(35.28)	

( ) : the average growth rate of fiduciary currency in per cent

\* Nigeria : 1990-1991

\*\* Mauritania : 1965-73

Source : Calculations based on data from - BCEAO "Notes d'Information et Statistiques" (Information Notes and Statistics) ;

- World Bank, World Tables 1995.

- International Financial Statistics, IF, 1995

- Mali : 1960-1974 (8.77, 12.26 %) ; 1975-1979 (29.69, 19.61)

It rose to 48% in Ghana and to 32% in Nigeria during the second half of the 1970s and then it declined in the 1980s to respectively 45% and 17%. However, in the early 1990s, there was a considerable decline in Ghana (17%) and a marked increase in Nigeria (35%).

**Table 10.19 : Trends in Fiduciary Currency/GDP Ratio in WAMU Countries  
and in France, Nigeria and Ghana (%)**

Country	1960-74**	1975-79	1975-89	1980-89	1990-93	1994-97
Benin	4.95	5.01	5.61	5.86	7.53	6.69
Burkina	5.62	6.35	6.62	6.73	8.64	10.53
Côte d'Ivoire	10.45	9.42	9.46	9.48	9.84	9.40
Mali *			11.22	11.15	8.19	9.04
Mauritania	4.04					
Niger	2.86	5.24	5.46	5.55	6.47	5.40
Senegal	7.04	8.06	8.07	8.07	6.23	6.09
Togo	6.42	10.12	11.88	12.59	5.75	8.75
<b>WAMU</b>	<b>6.99</b>	<b>7.36</b>	<b>8.45</b>	<b>8.54</b>	<b>8.08</b>	<b>8.24</b>
France	11.07	6.20	5.01	4.53	3.74	
Nigeria	4.47	5.49	6.55	6.97	6.44	
Ghana	8.25	10.00	7.75	6.85	4.79	

Source : Calculations based on data from : - BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics) ;  
- World Bank, World Tables 1995 ;  
- International Financial Statistics, IMF, 1995.

\* Mali : 1960-1974 (10 %) ; 1975-1979 (11.40 %)

\*\* Mauritania : 1968-73

The preference for fiduciary currency was also apparent in the fiduciary currency/GDP ratio that indicated the proportion of fiduciary currency in transactions.

In the Union as a whole, this ratio rose until the end of the 1980s.

From 6.99% during 1960-1974, it crossed 7% in the latter half of the 1970s. It rose slightly during the 1980s to stabilize at 8%.

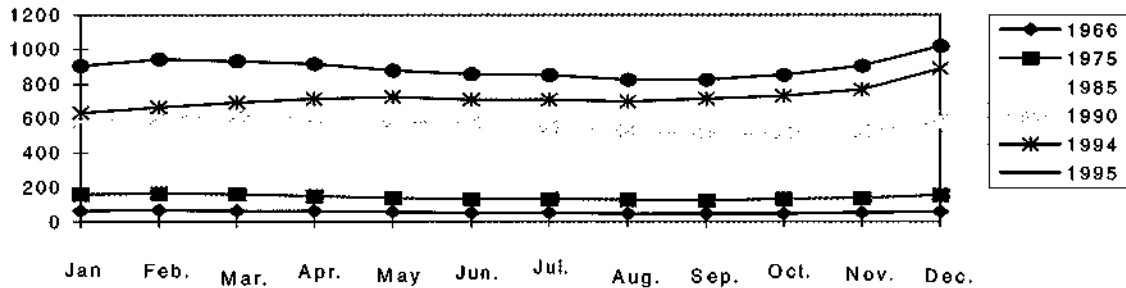
This trend was in sharp contrast to the one observed in Nigeria, Ghana and France. While the ratio was not so high in these three countries, except for Ghana during the years 1960-1974, it showed a tendency to decline. This trend was stronger and more regular in France where the ratio came down from 11% in 1960-1974 to 3,7% in 1990-1993 due to increased payments by check, transfer and credit cards. During the same period, the ratio decreased by almost half in Ghana.

The convertibility of the CFA Franc, in a sub-regional environment characterized by the inconvertibility of most national currencies, which led to a marked rise in its demand by economic agents in non WAMU countries, partially explains the increase in the ratio.

Moreover, as we shall see later, banknotes outflows were, until their repurchase was suspended in 1993, one of the channels for capital flight.

Further, the rapid development of the informal sector in the member countries of the Union, which resorted the least possible to the banking system for the settlement of domestic and international transactions, had increased the demand for banknotes. Graph 10.3 shows the rise in demand for banknotes in the late 1980s and early 1990s.

**Graph 10.3 : Monthly growth of fiduciary currency in WAMU**  
(in billions of CFAF)



Source : BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics), various issues.

Finally, with the fall in the number of banks, the relative importance of representative money decreased in favor of currency circulation.

#### b - Predominance of sight deposits

The relative importance of sight deposits fluctuated showing a downward trend. From 39% between 1960 and 1974, it decreased gradually between 1975 and 1989 (38%) and then rapidly between 1990 and 1993 (30%) before climbing up again in the years 1994-1997 (33%) after the change in parity.

**Table 10.20 : Sight Deposits/Money Supply Ratio within WAMU (in %)**

Periods	Benin	Burkina	Côte d'Ivoire	Mali *	Mauritania	Niger	Senegal	Togo	WAMU
1965-1974**	42	31	37		44	35	47	43	40
1975-1989	48	37	37	34		40	41	34	38
1975-1979	50	41	42			44	49	42	44
1980-1985	51	37	36	35		42	39	32	38
1986-1989	42	33	31	35		32	34	27	32
1990-1993	45	26	29	32		27	29	27	30
1994-1997	41	28	34	36		29	34	30	33

\* Mali : from 1984 onwards ; 0.27 in 1965-1974

\*\* Mauritania only during 1965-73

#### B – Slow Growth of Financial Savings

Quasi-monetary liabilities (e.g. time deposits, savings accounts, etc.) grew steadily but remained insufficient as compared to investment requirements.

Their volume in relation to money supply was 14% between 1960 and 1974, 38% from 1990 to 1993 and 33% between 1994 and 1997 (Table 10.21).

**Table 10.21 : Trends in Sight Deposit/Money Supply Ratio within WAMU  
(in %), 1960-1997**

Country	1960-1974**	1975-1979	1980-1989	1990-1993	1994 -1997
Benin	11	18	23	26	32
Burkina	6	18	26	33	24
Côte d'Ivoire	22	26	33	40	34
Mali *			11	30	25
Mauritania	11				
Niger	11	14	26	38	27
Senegal	11	20	32	42	38
Togo	20	23	37	56	37
WAMU	14	20	30	38	33

Sources : Calculated on the basis of data from :

- BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics) ;
- World Bank, World Tables 1995 ;
- International Financial Statistics, IMF, 1995

\* Mali : 3% in 1960-1974 ; 4% in 1975-1979

\*\* Mauritania : only during 1965-73

All said and done, the creation of new banking institutions in the 1970s and early 1980s did not result in a greater mobilization of savings, whose formation was linked to other factors.

## II – Explanatory Factors

Apart from the effects of raw materials fluctuations and prices on income formation and therefore on savings, two factors seemed to influence domestic savings, viz., the policies governing interest rates and returns on deposits, and capital flight.

A – Policy Governing Interest Rates

Table 10.22 – Trends in Real Interest Rates during 1970-1997.

Year	Benin		Burkina		Côte d'Ivoire		Mali	
	Real rate for loans	Real rate for deposits	Real rate for loans	Real rate for deposits	Real rate for loans	Real rate for deposits	Real rate for loans	Real rate for deposits
1970		-2		1		-6		-3
1971		1		1		4		-3
1972		-2		6		3		-5
1973		1		-2		-5		-1
1974		-10		-3		-12		-1
1975		-9		-13		-6		-13
1976		-8		14		-6		-5
1977	7	1	-18	-24	-15	-21	5	-1
1978	0	-6	4	-2	-1	-7	1	-5
1979	-1	-7	-3	-9	-5	-11	2	-4
1980	4	-4	2	-6	-0.2	-8	5	-3
1981	6	-2	7	-1	6	-3	7	-2
1982	0	-8	4	-4	9	0.4	11	3
1983	10	3	6	-1	9	2	5	-2
1984	13	6	10	2	10	3	-11	-18
1985	19	12	8	0.3	13	5	11	4
1986	17	10	16	9	7	-1	20	12
1987	10	2	16	8	7	-2	3	-5
1988	14	6	10	1	7	-2	13	5
1989	14	5	15	7	14	5	16	7
1990	15	6	17	8	17	8	13	4
1991	14	5	14	5	14	5	14	5
1992	14	5	19	10	13	4	15	6
1993		4.84		5.9		3.64		3.43
1994		-29.09		-19.77		-20.52		-29.09
1995		0.42		-1.18		-3.58		-5.18
1996		1.44		-3.66		-0.06		1.04



Year	Mauritania		Niger		Senegal		Togo	
	Real rate for loans	Real rate for deposits	Real rate for loans	Real rate for deposits	Real rate for loans	Real rate for deposits	Real rate for loans	Real rate for deposits
1970	N/A.	N/A.		2		0.2		-1
1971	N/A.	N/A.		-1		-1		-3
1972	N/A.	N/A.		-7		-3		-5
1973	N/A.	N/A.		-6		-6		2
1974				2		-11		-7
1975				-3		-26		-12
1976				-18		5		-6
1977			-11	-17	1	-5	-10	-16
1978			2	-4	9	3	12	6
1979			5	-1	2	-4	4	-2
1980			4	-4	6	-3	2	-6
1981			-8	-17	9	0.3	-5	-13
1982			4	-4	-1	-10	5	-3
1983			17	10	3	-4	5	-2
1984			6	-1	3	-4	18	11
1985			15	8	2	-6	16	9
1986			17	9	7	-0.1	9	2
1987			20	12	18	9	13	5
1988			15	7	15	7	15	5
1989			18	9	15	6	17	7
1990			17	8	16	7	15	6
1991			24	15	18	9	16	7
1992			21	12	17	8	16	6
1993				7.67		7.04		7.46
1994				-30.63		-26.88		-32.49
1995				-1.98		-1.98		-2.88
1996				-0.26		0.94		-1.26

Source : IMF, International Financial Statistics, and various issues.

The policy of relatively low and stable interest rates adopted by BCEAO until 1980 is illustrated in Table 10.22. The central bank fixed its discount rate as well as the interest rates and commissions charged by commercial banks for different categories of loans and deposits.

Generally speaking, several arguments were advanced by the supporters of a low interest rate policy.

It was claimed that interest is a burden that ought to be reduced especially in the case of infant industries. However, when the State is a borrower, the debt servicing charges add to its budgetary expenditure, hence the necessity to reduce interest rates.

It was also believed that the interest rate level did not affect the marginal propensity to save in most developing countries. Finally, it was observed that the demand for credit in the private sector was largely inelastic in relation to the interest rate because it involved crop credit, which was determined by the quantity of harvest, world prices and producer prices.

In the early 1980s, the economic crisis triggered off a deflationary trend. Prices increased slightly, while nominal interest rates were raised progressively to curb the massive capital flight. Thus, real interest rates became strongly positive.

According to McKinnon (1973) and Shaw (1973), the financial system in most developing countries was "repressed" in the sense that its expansion was restricted by a series of interventions of public authorities aimed at fixing interest rates at low and often negative levels as compared to what the banks could offer.

It would be interesting to find out if the low-interest rate policy led to "financial repression" within WAMU.

As a matter of fact, in most member countries, the real lending rate was negative during the 1963-1973 period (Bathia, 1985). Only Benin and Togo recorded positive real rates.

During the 1975-1989 period, the real deposit rates evolved in a more erratic manner. The strong inflationary trend during the second half of the 1970s led to a considerable decline in real return on private savings in a situation where nominal interest rates remained stable. Following the latter's increase in 1980, the steady deceleration of inflation as the CFA Franc appreciated vis-à-vis the US Dollar and the economic crisis worsened, the real rates turned positive.

This trend became more marked during the years 1990-1993 when, to oppose the substantial capital flight in anticipation of devaluation, BCEAO began to intervene more frequently to control the money market. Further, the 1989 reforms and the liberalization of rates, in a context characterized by a scarcity of resources, led to a substantial rise. Table 10.22 shows that during the years 1990-1993, real interest rates were positive in all countries of the Union.

With the inflation that followed the 1994 devaluation, real interest rates became negative, but this did not prevent the increase of deposits, notably because of the return of speculative capital to take advantage of the gains derived from devaluation.

The above was intended to provide an answer to the question relating to "financial repression", but it is important to know if, and to what extent, financial savings responded to the real interest rate in the countries of the Union.

On the basis of data relating to WAMU countries, P. Leite and D. Makonnen (1986) analyzed the factors that influenced financial savings in each WAMU country during the 1967-1980 period, which represented a total of 80 observations regarding each variable ; then, they tested several explanatory models of gross private savings.

The first model based on Keynesian principles postulated that savings were determined by available income and the real interest rate, all variables relating to the same year. The second model added to these determining factors the gross private savings of the previous year. Its theoretical basis was Friedman's principle of permanent income (1957) or Modigliani's cycle of life (1954).

As compared to the second model, the third model introduced the principle of variation in available income to take into account the effects of the latter's fluctuations on savings (hypothesis of dynamic adjustment advanced by Houthakker and Taylor [1966]).

Finally, to take into account the effect of income distribution on private savings, the authors added to these three models the share of exports in the GDP on the hypothesis that these effects were due to differences in the propensity to save of the exports sector and other sectors of the economy.

On the basis of all these models, the authors concluded that real interest rates were positively linked with savings. The effect of interest rates was very positive in the second model, but was lower and statistically insignificant in the third.

The introduction, in the model, of the share of exports in the GDP considerably improved the statistical significance of the results of the estimated equations.

Overall, the authors concluded that the level and fluctuations of available income as well as the level of savings during the earlier period were the main factors determining the quantum of private savings in the countries of the Union. These savings also tended to increase when the share of exports in the GDP rose.

Bathia (1985) examined the argument according to which, even if the real interest rate was positive, it was not high enough to encourage savings. To verify this assertion, he also compared the regression of the total savings/GDP ratio in each country to the real interest rate. However, he did not detect any interest sensitivity of savings.

Finally, he tested the argument saying that if the total quantum of savings is not responsive to the interest rate, financial savings were sensitive to it. At the WAMU level, savings mainly consisted of private sector deposits with banks.

However, the results of these tests too did not lead to any satisfactory conclusion regarding the effect of interest rates on the level of bank deposits.

The conclusion that may be drawn from the preceding paragraphs is that the interest sensitivity of financial savings varied from country to country within the Union and also for different categories of financial savings.

Given these conditions and domestic inflation, it was not possible to affirm that the policy favoring relatively low interest rates was responsible for financial repression.

A long-term analysis was carried out to ensure that these conclusions were still valid. Table 10.23 gives the results of this analysis. It indicates that the GDP had a strong positive influence on financial savings. A 1% increase in GDP brought about a 1.13% increase in financial savings in WAMU as a whole.

Only in Côte d'Ivoire was the elasticity relatively low (0.51), although it remained significant. In other countries, financial savings showed a very high sensitivity to GDP and the elasticity varied from 1.05 (Senegal) to 1.89 (Niger). The situation in Togo was similar to that in Niger with an elasticity of 1.6. Finally, Benin and Burkina were relatively close to the average of the whole Union with an elasticity of 1.33 and 1.4 respectively.

This difference in sensitivity was not seen concerning the real deposit rate. In the Union as a whole, the latter's elasticity in relation to financial savings was very low (0.07), and was not statistically important. In Burkina, Mali, Niger and Togo, it was practically nil. In Benin, Côte d'Ivoire and Senegal, it was statistically significant but its value was low, viz. 0.11, 0.22 and 0.12 respectively. These results thus confirm those obtained by earlier studies.

**Table 10.23 : Factors Explaining Deposits (Dependent Variable)**

	WAMU	Benin	Burkina	Côte d'Ivoire	Mali	Niger	Senegal	Togo
Log GDP	1.13* (13.46)	1.33* (16.17)	1.40* (19.01)	0.51* (4.58)	1.45* (14.17)	1.89* (15.26)	1.05* (12.48)	1.60* (-22.55)
Log ARI	0.07 (1.84)	0.11* (3.01)	0.07 (1.91)	0.22* (3.28)	0.02 (0.50)	0.02 (0.60)	0.12* (3.24)	0.01 (0.33)
Constant	-3.45* (-6.32)	-4.58* (-14.06)	-5.17* (-16.97)	0.65 (1.00)	-5.25* (-12.34)	-8.16* (-13.86)	-3.00* (-7.08)	-4.92* (-17.46)
R <sup>2</sup>	0.95	0.97	0.97	0.79	0.95	0.96	0.95	0.98
F-Statistical		426.20*	457.82*	39.66*	235.10*	268.36*	225.53*	575.36*
N	24	24	24	24	24	24	24	24

( ) Student's t test.

\* significant up to 5%.

R<sup>2</sup> : determination coefficient ; N : number of observations.

The low sensitivity of savings to the deposit rate led to the exploration of the other explanatory factor, viz. external investments.

#### B – A Large Share of Savings invested Outside the Union

##### a –Importance of capital flight

There are several methods of measuring capital flight (see Box 10.5). The so-called assets method defines this phenomenon as the *stock of capital held outside the country by residents, excluding banking institutions*. The annual variation of residents' foreign exchange deposits with foreign banks enables to determine the importance of capital flight.

This approach can be considered as more direct as compared to others.

It is difficult to make a reliable assessment of the amount of assets held abroad by residents. However, since 1983, the IMF has been publishing information about deposits payable in foreign exchange in banks in OECD countries.

*Currency substitution* is a phenomenon involving the circulation of one or more foreign currencies in an issuing area as a means of measuring value, units of account and payment media, which developed in some African countries having inconvertible currencies. When inflation is particularly high and subject to a great deal of variation, a substantial part of domestic transactions and contracts is payable in foreign currency.

WAMU countries did not experience this situation because of the quality of their currency. In spite of this, the economic actors operating in the zone continued to hold assets in the form of cash reserves or deposits with banks in developed countries.

Table A10.15 shows the average amount of these deposits in the case of WAMU countries as well as other developing countries during the 1981-1994 period. In the case of WAMU countries, the amounts were US\$ 0.86 billion in 1983, 2.74 billion in 1990 and 2.58 billion in 1994.

As compared to the average total deposits of all African countries taken together, which were US\$ 20.5 billion during the 1981-1990 period, WAMU countries were well above this average. In fact, their total GDP was lower than 10% of the GDP for the whole of Africa while their share of deposits abroad was higher than this figure. As the exchange rate of their currencies went up, these deposits grew considerably in contrast to the decline of their GDP and their exports.

For example, Côte d'Ivoire's GDP went down by 40% between 1984 and 1993 while the external deposits of its citizens rose from US\$ 0.45 billion to 1.48 billion between 1983 and 1990.

In relative terms, WAMU member countries external deposits represented 237% and 239% of their foreign exchange reserves respectively in 1983 and 1990. This placed them well above the average for Africa during the pre-devaluation period. These foreign deposits were equal respectively to 38% and 41% of their exports in 1983 and 1991. Almost the same percentages were seen in relation to imports. They correspond to the average figures for developing countries.

During the 1980s, when there were several signs of an overvaluation of the CFA Franc (e.g., appreciation of the real exchange rate, increase in current balance deficit, stagnation or even decline of exports, increased competition from imports in domestic markets, etc.), residents in the issuing area, who expected a devaluation or the introduction of new measures to control capital movement, started transferring their savings abroad.

In the case of WAMU member countries, a variant form of the so-called asset method is provided by the observation of the repurchase of CFA banknotes held by foreign central banks. Table 10.24 shows the increase in the repurchase of banknotes by BCEAO.

As a result, the outflow of banknotes soared as the devaluation of the CFA Franc seemed increasingly unavoidable. The decision to suspend the repurchase of banknotes was taken when BCEAO's foreign exchange reserves reached their lowest level.

Graph 10.4 and Table A10.15 show this correlation. The acceleration in capital flight was accompanied by a rapid depletion of foreign exchange reserves.

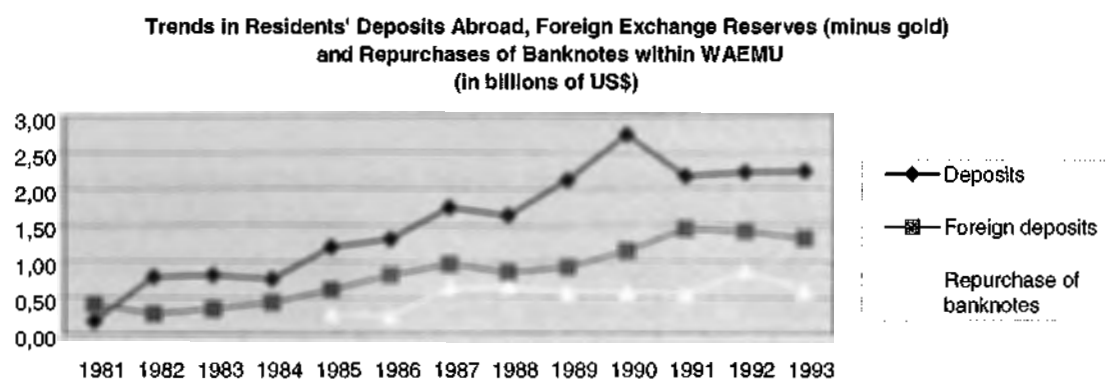
**Table 10.24 : Repurchase of Banknotes by BCEAO from the “Banque de France”  
between 1 January and 31 December 1985-1993**  
(in billions of CFA francs)

	Switzerland	Austria	France	Great Britain	Others	Total Repurchase
1985	60.04	9.61	25.72	15.59	13.42	124.38
1986	30.46	5.66	16.22	16.45	15.66	84.45
1987	73.81	13.83	26.96	36.37	38.04	189.01
1988	9.73	1.37	142.28	13	26.95	193.33
1989	20.81	2.97	114.97	8.42	35.01	182.18
1990	67.37	4.18	49.42	14.45	17.79	153.21
1991	59.19	0.76	46.92	18.81	27.88	153.56
1992	99.83	0.50	67.36	37.15	26.22	231.06
1993*	49	1.28	48.88	37.96	31.30	168.42

\* : January to June

Source : BCEAO.

**Graph 10.4 : Trends in Residents’ Deposits Abroad, Foreign Exchange Reserves (minus gold) and Repurchase of banknotes within WAMU (in billions of US\$)**



Sources : BCEAO ; IMF, International Financial Statistics.

As explained in Box 10.5, the assets method is partial as it does not take into account all the different forms of capital flight.

The residual method, which is most commonly used, compares the inflow of capital and its use on an annual basis, the difference constituting annual capital flight. To be more precise :

Capital flight = variations in the outstanding external debt + flow of net direct investments into the country – current account deficit - variations in foreign exchange reserves + deposits of domestic banks with their correspondents abroad.

### Measuring Capital Flight

Several methods have been suggested for measuring the quantum of capital leaving a country. The first method called the residual method (World Bank, 1985 ; Erbe, 1985) is based on the idea that the amount of private capital leaving a country in the course of one year constitutes capital flight. It is measured by calculating the difference between the sources of capital inflows (variation of external debt + net inflow of direct investments) and its use (current account balance + variations in foreign exchange reserves). Sometimes, the variation in foreign exchange assets held by local banks in foreign banking systems is added to this difference (Morgan Guaranty, 1986).

One of the major drawbacks of the residual method – like other methods – is that it does not take into account under-invoicing of exports and over-invoicing of imports. Some analysts do calculate them and add them to their estimates.

The second method makes a distinction between the legal and illegal outflow of capital (Dooley, 1986). Only the latter category is termed as capital flight.

Errors and omissions as well as the difference between the annual variation in the outstanding debt calculated by the World Bank and the debt flow in the balance of payments figures calculated by the IMF for the same year are added to the amount of capital outflow calculated according to the first method. From the total thus obtained, the amount of the legal capital outflow is subtracted. The latter is calculated on the basis of interest received by the country during the year under consideration according to the following formula : legal capital outflow =  $(1 + \text{interest rate representative of the money rate of return on assets on international financial markets}) \times \text{interest received from the rest of the world as recorded in the balance of payment statistics}$ .

The relevance of the distinction between legal and illegal capital outflows may be questioned because the negative impact of future economic growth is the same in both cases (MHL, 1996).

A third method called the "hot money method" is also used to measure the capital flight (Cuddington, 1986 ; Dooley, 1986). This is based on the outflow of capital due to changes in conditions in international and domestic financial markets : errors and omissions are added to short-term capital outflows. In fact, the supporters of this method believe that they consist mainly of unrecorded short-term capital outflows. The failure to take into account long-term capital outflows is a major drawback of this method because their negative effects are identical to those of short-term outflows.

The fourth method called the "assets method" considers as capital flight the deposits held by the residents of a country with foreign banks. IMF takes stock of these deposits every month. This method, though direct, leaves out without justification non-monetary assets such as real estate.

Table 10.25 gives an estimate of capital flight from the seven WAMU member countries as well as Ghana and Nigeria.

The residual method employed has not been adjusted to take into account exports under-invoicing and imports over-invoicing (J. N. Bagwati, A. Krueger, C. Wibulswasdi, 1974). Similarly, the estimates have not been adjusted to take into account the statistical differences in the outstanding foreign debts vis-à-vis the World Bank and IMF.

There was a substantial capital flight from the countries of the Union, particularly in the 1980s, except for Benin and Togo.

In 1993, the amount of assets accumulated abroad expressed as a percentage of the GDP (Table 10.26) was 39% in Côte d'Ivoire, 76% in Mali and 17% in Togo. Senegal had the lowest percentage (2%), followed by Burkina (8%), Niger (9%) and Benin (11%). As compared to Ghana, the countries of the Union recorded substantial capital outflows. On the contrary, this problem was not so serious during the years 1976-1991 when for a group of five African countries (Côte d'Ivoire, Nigeria, Tanzania, Uganda and Zaire), the ratio was 73% in 1990 (MHL, 1996).

In 1990, the average for sub-Saharan Africa was 37%, 17% for Latin America, 29%, 4% and 3% respectively for the Middle East, South Asia and East Asia (P. Collier, J.W. Gunning, 1997, p3).

The coexistence of growing capital outflows and a greater dependence on external financing was a striking feature of the Union. In this respect, J.P. Daloz's analysis of the situation in Côte d'Ivoire is applicable *mutatis mutandis* to all WAMU countries : "everything happens as if the available funds were used in the short-term in foreign financial markets. In return, these markets bring about a 'transformation' in these funds and re - lend them as medium and long-term credit to Côte d'Ivoire. This country has thus succeeded in remedying the inadequate efficiency of its financial markets, which are still too narrow and not diverse enough, by taking recourse to world markets." (quoted by H. Gérardin, 1994, Volume 2, p.113).

What then are the factors that determine this capital flight ?



**Table 10.25 : Estimate of Capital flight from WAMU, Ghana and Nigeria**

(in billions of local currency)

Year	Benin		Burkina		Côte d'Ivoire		Mali		Niger		Senegal		Togo		Ghana		Nigeria	
	Flight	Total	Flight	Total	Flight	Total	Flight	Total	Flight	Total	Flight	Total	Flight	Total	Flight	Total	Flight	Total
1972	0.83	0.83	-2.69	-2.69	35.54	35.54			-3.74	-3.74	-0.01	-0.01	4.12	4.12	-0.73	-0.73	193.25	193.25
1973	5.41	6.24	0.25	-2.45	108.83	144.37			-5.44	-9.17	0.11	0.10	4.69	8.81	-0.48	-1.21	173.95	367.20
1974	10.31	16.55	0.15	-2.29	89.41	233.79			16.48	7.31	0.09	0.19	-37.25	-28.44	1.46	0.25	-2284.64	-1917.44
1975	17.41	33.96	17.29	14.99	147.20	380.99			2.83	10.14	0.10	0.28	25.64	-2.80	-0.38	-0.13	140.80	-1776.64
1976	21.83	55.79	14.59	29.58	196.66	577.65			5.05	15.19	0.13	0.41	19.06	16.26	0.69	0.55	83.75	-1692.89
1977	29.89	85.67	44.76	74.34	212.98	790.63			31.33	46.52	0.20	0.61	75.31	91.57	2.02	2.57	1007.82	-685.07
1978	33.71	119.39	38.05	112.39	385.61	1176.24			144.37	190.89	0.32	0.93	143.07	234.63	0.27	2.84	1885.36	1200.29
1979	45.25	164.64	10.85	123.25	529.55	1705.79			34.78	225.67	0.27	1.20	108.67	343.31	-0.83	2.01	-861.95	338.35
1980	13.52	178.15	16.03	139.27	994.46	2700.25			117.42	343.09	0.35	1.56	30.12	373.43	0.86	2.88	-1665.59	-1327.24
1981	56.28	234.43	26.63	165.90	1022.43	3722.68			140.90	483.99	0.52	2.08	31.09	404.52	4.80	7.68	4337.47	3010.23
1982	224.76	459.19	56.31	222.21	1089.48	4812.16			140.51	624.50	0.40	2.48	70.48	475.00	1.99	9.67	4023.62	7033.85
1983	101.95	561.14	47.43	269.64	792.00	5604.17			60.37	684.87	0.44	2.93	43.48	518.47	4.08	13.75	4751.18	11785.03
1984	50.58	611.72	15.74	285.38	419.20	6023.36	37.94	48.93	36.39	721.25	0.42	3.35	-37.38	481.09	3.26	17.01	810.61	12595.64
1985	67.35	679.07	60.75	346.12	570.20	6593.56	41.95	90.88	127.00	848.25	0.83	4.17	45.07	526.16	2.68	19.69	-364.75	12230.88
1986	-15.91	663.16	-18.07	328.05	-554.67	6038.89	90.62	181.50	-54.23	794.02	3.80	7.97	-15.05	511.10	-0.04	19.65	-373.09	11857.79
1987	38.81	701.97	26.38	354.44	447.17	6486.06	173.75	355.25	26.54	820.56	11.70	19.68	34.11	545.21	3.71	23.37	1334.51	13192.30
1988	-2.63	699.34	19.16	373.59	350.80	6836.87	107.78	463.03	39.04	859.59	2.63	22.31	59.09	604.31	-1.12	22.25	419.86	13612.16
1989	65.00	764.34	-27.78	345.81	1051.24	7888.10	166.96	629.99	24.34	883.94	7.81	30.12	2.36	606.66	2.76	25.01	784.11	14396.27
1990	-60.57	703.77	28.92	374.74	382.99	8271.09	237.72	867.71	19.22	903.16	6.97	37.09	-5.52	601.14	1.75	26.76	-2490.70	11905.57
1991	12.24	716.00	55.50	430.24	868.14	9139.23	107.32	975.03	-36.70	866.45	7.22	44.31	41.02	642.16	2.91	29.67	-26.06	11879.51
1992	-15.04	700.97	37.45	467.68	208.46	9347.69	205.61	1180.64	-7.43	859.02	32.21	76.52	34.85	677.01	2.38	32.05	-877.43	11002.08
1993	68.59	769.55	61.89	529.57	1018.12	10365.81	573.21	1753.85	58.43	917.45	27.14	103.66	63.68	740.70	6.42	38.46	1316.85	12318.92

Source : World Bank, World Table; IMF; International Financial Statistics

**Table 10.26 : Capital flight/GDP Ratio**  
(in per cent)

Year	Benin	Burkina	Côte d'Ivoire	Mali	Niger	Senegal	Togo	Ghana	Nigeria
1972	0.80	-2.40	7.63		-2.00	-0.003	4.86	-25.95	1751.30
1973	4.81	0.21	19.47		-2.58	0.04	5.18	-13.70	1419.84
1974	7.72	0.11	12.10		6.67	0.03	-27.61	31.30	-11653.95
1975	12.00	11.15	17.64		1.26	0.02	19.38	-7.19	613.63
1976	13.08	8.12	17.65		1.99	0.03	12.88	10.51	292.71
1977	16.22	20.93	13.84		9.87	0.04	39.43	18.06	3000.81
1978	16.08	14.86	21.63		36.06	0.06	76.92	1.28	5229.41
1979	17.93	3.79	27.23		7.75	0.05	57.29	-2.93	-2008.63
1980	4.55	5.11	46.26		21.90	0.06	12.55	2.02	-3272.48
1981	16.04	7.17	44.62		23.89	0.08	11.89	6.61	8546.57
1982	53.95	12.69	43.81		21.77	0.05	26.10	2.30	7744.74
1983	24.43	10.11	30.39		8.91	0.05	14.90	2.22	8314.40
1984	11.01	3.21	14.54	8.19	5.70	0.04	-11.91	1.21	1274.36
1985	14.34	10.89	18.18	8.83	19.63	0.07	13.16	0.78	-504.11
1986	-3.44	-3.01	-17.10	17.16	-8.23	0.29	-4.10	-0.01	-510.63
1987	8.26	4.34	14.34	29.42	3.95	0.85	9.09	0.50	1225.61
1988	-0.54	2.87	11.44	18.26	5.76	0.18	14.39	-0.11	289.07
1989	13.56	-4.00	35.19	25.54	3.51	0.53	0.55	0.20	348.81
1990	-12.06	4.12	14.21	35.24	2.85	0.45	-1.24	0.09	-955.62
1991	2.29	7.15	32.27	15.96	-5.59	0.47	9.01	0.11	-8.04
1992	-2.62	4.81	7.78	27.89	-1.20	2.00	7.80	0.08	-159.59
1993	11.40	7.77	38.55	76.04	9.29	1.71	16.76	0.16	188.90

Source : Calculated on the basis of World Bank data, World Tables, 1994.

b - The causes

To find the factors responsible for this phenomenon, the following explanatory variables have been taken into account (MHL, 1996) :

VDETPIB = increase in public debt and debt guaranteed by government/ GDP.

DONPIB = annual grant flows/GDP.

VTCEFR = real effective exchange rate.

DIFFINT = variation in the CFA Franc exchange rate adjusted to take into account the difference between the discount rate of the US Federal Reserve and that of BCEAO.

TXINF = domestic inflation rate.

TXPIB = GDP growth rate.

The choice of these explanatory variables is supported by a number of hypotheses.

Thus, in the case of DETPIB, it is assumed that when the government external borrowing increases, *capital outflows accelerate*.

In fact, inflows of borrowed capital lead to increased debt service charges in the subsequent years. Of course, as far as WAMU is concerned, no member country can unilaterally resort to an inflation tax unlike countries having a national monetary system. However, residents may fear that the government will raise taxes to meet its obligations. As a matter of fact, direct taxes and levies, and especially financial income tax were regularly increased in most countries of the Union whenever the budgetary deficit went up, generally due to a rapid increase in debt service charges.

The increase of capital inflows may stimulate national economic growth because it is possible to finance a larger volume of investments with the savings of non-residents (MHL, 1996).

Also, the variable DONPIB expressing the ratio between the amount of aid received and the GDP during the same year is taken into account to assess the impact, on capital flight, of capital inflows, that are not a source of debt. However, its sign is *a priori* unspecified. This type of flow is likely to be substantial when returns on private investments are low or when the national environment does not encourage private initiative. In such a case, its increase is likely to stimulate capital flight. On the contrary, a larger flow of subsidies may accompany structural reforms and stabilization efforts intended to curb capital flight.

Further, when there is an overvaluation of the CFA F exchange rate as compared to its equilibrium level, *a devaluation is likely to occur sooner or later*. To protect themselves against losses resulting from this expected devaluation, those who own capital are bound to transfer their assets abroad. Thus, the greater the overvaluation, the more important the capital flight.

The variable VTCEFR measures overvaluation by taking into account the difference between the equilibrium effective exchange rate and the current nominal exchange rate. The elasticity method is used to determine the equilibrium exchange rate (see Box 10.3).

Another variable that is systematically taken into consideration in specialized literature to explain capital flight is the difference between the rate of return on assets held within the country and assets held abroad. Any increase in this difference encourages WAMU residents to deposit their money in foreign banks. DIFFINT measures the variation of the exchange rate of the CFA Franc as compared to the US dollar corrected according to the difference in interests rates between the countries of the Union and the USA.

Generally speaking, it is supposed that inflation is responsible for capital flight. The continuous rise in prices brings down the real value of national assets. One way to avoid this impoverishment is to convert wealth into assets abroad, but this encourages capital flight.

Severe inflation is also a warning sign of depreciation of the national currency in the near future. This leads to a substitution of the national currency by convertible currency. The effect of inflation on capital flight is taken into account by the variable TXINF.

Finally, the last factor taken into account when determining the importance of capital flight is the economic situation. A climate of strong economic growth is bound to attract capital and reduce its outflow from the country. Inversely, economic stagnation or recession indicates that there are fewer lucrative investment opportunities. The TXPIB or GDP growth rate indicates the effect of the level of economic activity on capital flight.

To determine the relative importance of each of these factors while explaining capital flight (FC) from the countries of the Union, four equations have been proposed :

$$FC = b_1 + b_2 * DETPIB + b_3 * VTCEFR + b_4 * DIFFINT + \varepsilon_1 \quad (1)$$

$$FC = b_1 + b_2 * DETPIB + b_3 * VTCEFR + b_4 * DIFFINT + b_5 * DONPIB + \varepsilon_2 \quad (2)$$

$$FC = b_1 + b_2 * DETPIB + b_3 * VTCEFR + b_4 * DIFFINT + b_5 * TXINF + \varepsilon_3 \quad (3)$$

$$FC = b_1 + b_2 * DETPIB + b_3 * VTCEFR + b_4 * DIFFINT + b_5 * TXPIB + \varepsilon_4 \quad (4)$$

Each of these equations contains the three variables that are most commonly quoted to explain capital flight, viz external debt, the extent of overvaluation of the national currency and the difference in returns on financial assets. Other determining factors are introduced successively to assess their relative impact.

Each of these four variables characterizing the pattern of capital flight from WAMU has been evaluated by using the procedure described by Zellner *et al.* (1962). Thanks to this procedure, it is possible to understand simultaneously those aspects of capital flight that are peculiar to each country and those that are common to all of them (e.g. belonging to the same monetary union, and each member country maintaining the same type of relations with France which plays a crucial role in the functioning of the Franc Area).

Each equation has been simultaneously evaluated for seven of the eight member countries, viz. Benin, Burkina, Côte d'Ivoire, Mali, Niger, Senegal and Togo. Thus, in each equation, variations peculiar to each country are linked with one another so as to reflect the correlation between the terms of error.

Table 10.27 shows the results of the econometric analysis.

The variables considered in the first equation (*external debt/GDP ratio, real effective exchange rate and differences in the rate of inflation*) might explain the relative significance of capital flight from all countries except Burkina where the coefficient of correlation  $R^2$  is close to zero.

In the case of Senegal, these variables can only be responsible for 30% of capital outflows. In other countries, they can explain capital flight to a larger extent.

Except for Benin and Burkina, the real effective exchange rate is the most significant variable.

The external debt/GDP ratio has no statistical significance except in Mali and Togo which have, nevertheless, very low coefficients (respectively 0.28 and 0.2).

The inflation differential is statistically significant in the case of Benin, Côte d'Ivoire and Niger.

The introduction of the grant/GDP variable (equation 2) hardly brings about any improvement. The coefficient of correlation  $R^2$ , improves only by a maximum 0.05 (in the case of Benin). The coefficient of this new variable is not statistically significant for any of the countries.

On the contrary, by taking into account the domestic inflation variable, it is possible to bring about a significant improvement in the model's explanatory capacity (equation 3), particularly in the case of Burkina whose coefficient of correlation  $R^2$  rises from 0.07 to 0.31. The determination coefficient rises by almost 10% in Benin's case. On the other hand, there is practically no change in the other countries.

Finally, taking into account the GDP growth rate variable reduces the model's explanatory capacity by 9% in the case of Benin and 21% in the case of Burkina as compared to equation 3. In other countries, this extra variable does not provide any further information. In addition, its coefficient has no statistical significance for any country.

All in all, it may be said that the variables explaining capital flight from WAMU are the same as those that have been commonly identified in other developing countries. *The increase of the real exchange rate has turned out to be the most important factor.*

**Table 10.27 : Evaluation of Factors Determining capital flight from WAMU Countries by the Zellner Method**

Equation 1 :  $FC = b_1 + b_2 \cdot \text{detpib} + b_3 \cdot \text{tcefr} + b_4 \cdot \text{diffint}$

	Benin	Burkina	Côte d'Ivoire	Mali	Niger	Senegal	Togo
Constant	0.142 (0.454)	-0.003 (-0.014)	0.296 (-1.953)	-1.646 (-3.807)	-0.434 (-2.072)	-0.025 (-1.955)	-2.544 (-4.905)
Detpib	-0.009 (-0.159)	0.001 (0.029)	-0.014 (-0.453)	0.284 (5.073)	0.037 (0.849)	0.002 (0.885)	0.190 (3.473)
Tcefr	0.014 (-0.068)	0.059 (0.270)	0.448 (3.196)	1.155 (3.512)	0.410 (2.567)	0.024 (1.974)	2.023 (4.983)
Diffint	0.620 (3.404)	0.146 (1.155)	1.012 (6.217)	0.405 (1.447)	0.446 (3.222)	0.005 (0.479)	0.397 (1.515)
Ser	0.108	0.063	0.095	0.127	0.088	0.004	0.156
R <sup>2</sup>	0.40	0.07	0.64	0.59	0.42	0.30	0.56

( ) : Student's t test

FC = capital flight

DETPIB = external debt/GDP

VTCFR = variable of real effective exchange rate

DIFFINT = differential interest rate

DONPIB = grant/GDP

TXINF = inflation rate

TXPIB = GDP growth rate

TCEFR = real effective exchange rate

Equation 2 :  $FC = b_1 + b_2 \cdot \text{detpib} + b_3 \cdot \text{tcefr} + b_4 \cdot \text{diffint} + b_5 \cdot \text{donpib}$

	Benin	Burkina	Côte d'Ivoire	Mali	Niger	Senegal	Togo
Constant	-0.06 (-0.022)	-0.001 (-0.006)	-0.296 (-1.959)	-1.641 (-3.834)	-0.448 (-2.175)	-0.025 (-2.146)	-2.675 (-5.249)
Detpib	0.038 (0.575)	0.002 (0.041)	-0.014 (-0.453)	0.284 (5.144)	0.036 (0.865)	0.002 (0.852)	0.189 (3.729)
Tcefr	0.099 (0.842)	0.069 (0.327)	0.448 (3.205)	1.152 (3.544)	0.418 (2.690)	0.024 (2.145)	2.121 (5.340)
Diffint	0.620 (3.852)	0.156 (1.281)	1.012 (6.234)	0.403 (1.461)	0.449 (3.376)	0.006 (0.563)	0.440 (1.768)
Donpib	-1.084 (-1.267)	-0.189 (-1.018)	-0.007 (-0.036)	-0.021 (-0.129)	0.070 (0.299)	0.011 (0.597)	0.322 (0.763)
Ser	0.106	0.064	0.098	0.130	0.090	0.004	0.157
R <sup>2</sup>	0.45	0.10	0.64	0.59	0.43	0.32	0.57

Equation 3 :  $FC = b_1 + b_2 \cdot \text{detpib} + b_3 \cdot \text{tcefr} + b_4 \cdot \text{diffint} + b_5 \cdot \text{txinf}$

	<b>Benin</b>	<b>Burkina</b>	<b>Côte d'Ivoire</b>	<b>Mali</b>	<b>Niger</b>	<b>Senegal</b>	<b>Togo</b>
Constant	0.211 (0.798)	-0.047 (-0.255)	0.295 (-1.955)	-1.646 (-3.807)	-0.434 (-2.108)	-0.024 (-1.955)	-2.514 (-5.246)
Detpib	0.017 (0.325)	0.039 (0.854)	-0.014 (-0.467)	0.284 (5.073)	0.036 (0.839)	0.002 (0.911)	0.185 (3.629)
Tcefr	-0.105 (-0.576)	0.061 (0.369)	0.448 (3.211)	1.155 (3.512)	0.412 (2.616)	0.024 (1.995)	2.009 (5.365)
Diffint	0.523 (3.248)	0.081 (0.822)	1.013 (6.254)	0.405 (1.447)	0.447 (3.281)	0.005 (0.484)	0.428 (1.754)
Txinf	0.477 (1.862)	0.393 (2.593)	-0.005 (-0.243)	0.00006 (-0.002)	-0.008 (-0.255)	-0.001 (-0.190)	-0.083 (-0.868)
Ser	0.102	0.056	0.098	0.130	0.091	0.005	0.158
R <sup>2</sup>	0.49	0.31	0.64	0.59	0.43	0.30	0.57

Equation 4 :  $FC = b_1 + b_2 \cdot \text{detpib} + b_3 \cdot \text{tcefr} + b_4 \cdot \text{diffint} + b_5 \cdot \text{txpib}$

	<b>Benin</b>	<b>Burkina</b>	<b>Côte d'Ivoire</b>	<b>Mali</b>	<b>Niger</b>	<b>Senegal</b>	<b>Togo</b>
Constant	0.142 (0.458)	-0.68 (-0.322)	-0.282 (-1.921)	-1.646 (-3.807)	-0.401 (-2.094)	-0.024 (-2.028)	-2.534 (-5.002)
Detpib	-0.008 (-0.142)	0.026 (0.513)	-0.017 (-0.593)	0.284 (5.073)	0.044 (1.105)	0.002 (0.931)	0.188 (3.510)
Tcefr	-0.016 (-0.078)	0.092 (0.491)	0.443 (3.316)	1.155 (3.512)	0.373 (2.509)	0.024 (2.075)	2.018 (5.093)
Diffint	0.616 (3.391)	0.119 (1.095)	1.018 (6.559)	0.405 (1.447)	0.426 (3.373)	0.005 (0.505)	0.403 (1.574)
Txpib	0.014 (0.287)	0.717 (1.841)	-0.035 (-0.581)	0.00002 (0.002)	0.101 (1.019)	-0.001 (-0.484)	-0.019 (-0.410)
Ser	0.111	0.060	0.097	0.130	0.088	0.005	0.160
R <sup>2</sup>	0.40	0.19	0.65	0.59	0.46	0.31	0.56

Other factors account for, but to a lesser extent, the low level of domestic savings. The low per capita income was one of the reasons why many households spent almost all their income on necessities. Another reason was the high population growth, leading to a very high rate of dependence among the youth. Of course, from a theoretical point of view, it is not possible to link population growth with the performance of savings. But in a situation where income is going down and the number of young persons dependent on one working member is going up, the latter's capacity to save is bound to decline. Finally, the high level of solidarity within the African family acted as an impediment to financial savings since money saved was spent on consumption instead of being used for capital formation which would enable a member of the family to engage in a gainful activity.

To conclude, there was substantial capital flight from WAMU member countries. This prevented adequate capital formation. For various reasons, economic agents preferred to invest their assets abroad. The real effective exchange rate seemed to be a determining factor.

The following section analyses how collected savings helped finance the Union's economies.

#### **Section IV - Financing the Economy through Banks**

To study the contribution of the Union's banking system to the financing of its economies, it is necessary to analyze the trends in the credit to the economy, its structure and quality.

##### **I – Trends in the credit to the economy**

There is a correlation between credit growth and economic development (Tables 10.28, 10.40).

During the years 1966-1974, credits of all kinds rose by 17.13% in all WAMU countries (Table 10.28). Mauritania recorded the highest rate (30.05%) ; followed by Benin (24.05%), Togo (23.6%) and Côte d'Ivoire (20.94%).



**Table 10.28 : Growth Rate of Credit to the economy**  
(in per cent)

Average	Benin	Burkina	Côte d'Ivoire	Mali *	Mauritania	Niger	Senegal	Togo	WAMU
1966-1974**	24.05	20.15	20.94		30.05	14.51	13.17	23.60	17.13
1975-1979	19.21	28.68	29.30			30.03	21.59	24.60	26.39
1980-1989	6.96	9.81	3.88	3.19		2.27	6.95	5.89	5.24
1990-1993	-9.69	-10.14	-5.45	3.11		-7.84	-0.83	1.52	-4.35
1994-1997	3.80	19.46	7.12	22.45		-13.10	0.90	10.82	6.63

Source : BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics), various issues.  
IMF, International Financial Statistics

\* Mali : 25.71% in 1966-1974 & 11.50% in 1975-1979

\*\* Mauritania : period between 1966-1971

Niger and Senegal recorded the lowest rates (14.5 and 13%), due to the low growth of their economies.

During the second period from 1975-1979, the growth rate of the credit to the economy was about 26% for the whole Union. Niger, Côte d'Ivoire and Burkina recorded a higher growth (30%, 29% and 29%). In the other countries, growth ranged between 19% (Benin) and 22% (Senegal).

The reversal of this trend during the 1980s brought about a near stagnation, with the amount of credit to the economy going down to 5% for the whole Union. In Côte d'Ivoire, Mali and Niger where the slowdown of economic activity, as compared to the 1970s, was most noticeable, there was very little increase in credit.

During the period 1990-1993, credit declined by 4.3% as compared to the average for the previous decade.

The low growth of credit to the economy may also be explained by the low level of investment (Table 10.42). The Investment/GDP ratio remained quite low, which led to a fall in the demand for middle and long-term credit. The second reason was the low level of financial savings as seen in the previous section. Further, with the disappearance of almost one-quarter of the banks during the 1980s, the banking system's capacity to provide credit decreased in the Union. Finally, since the banks' margin was fixed by BCEAO till 1989, some banks were disinclined to look for new depositors or borrowers.

After the devaluation, the flow of resources towards the banks did not immediately lead to a substantial increase in the credit to the economy. This increased by 2% during the years 1994-1995, which meant a severe decrease in real terms because the cumulative inflation for the two years following devaluation exceeded 40%.

The demand as well as the supply of bank credit was responsible for this phenomenon. The improvement of the cash position of companies operating in the sector of tradable goods, after the devaluation and the rise in commodity world prices, enabled them to finance themselves. Similarly, the return of capital after devaluation and repayment by the governments of a part of their outstanding internal debt greatly reduced companies' requirements in terms of credit.

Supply was low because most potential clients, especially those setting themselves up in the informal sector, were not in a position to provide security and also because of the large amount of outstanding debt in the bad debt reserve.

Besides, the operation of securitization (cf. Volume II) enabled banks to invest their resources without any risk.

Finally, commercial banks and institutional investors subscribed to a part of the public loans and Treasury bonds issued by some countries like Mali and Burkina.

## II – Structure of Credit to the Economy

### A – Distribution of Credit to the Economy according to Terms and Beneficiaries

In the whole Union, the share of short-term credit has always been predominant in the average distribution of loans : 76% from 1960 to 1975, 73% from 1976 to 1979, 68% from 1980 to 1989, 59% from 1990 to 1993, 61% from 1994 to 1996 and 65% in 1997.

This may be explained by the importance given to crop credit by the banking sector and the rigid structure of economies dominated by the primary and tertiary sectors, these being the characteristics of an economy based on trading.

Structure of GDP within WAMU (in %)

Sectors \ Year	1961	1970	1980	1997
Primary	34	30	30	30
Secondary	18	22	21	23
Tertiary	48	48	49	47

Source : BCEAO

As for beneficiaries, a growing share of short-term loans was granted to private companies (Table 10.29). From an average of 65% during the years 1960-1975, this rose to 76% in 1980-1989 and 85% in 1994-1996.

Indeed, after the structural reforms, the importance of the public sector lessened in economic activity.

Thus, the share of medium and long-term loans given to public sector enterprises rose from 44% during the years 1960-1975 to 46% in 1976-1979 and then came down to 30% in 1994-1996.

The changes that occurred in each country varied widely. Short-term loans to public sector enterprises in Benin and Côte d'Ivoire declined considerably, falling between 1960-1975 and 1994-1996 from 40 to 2% in the former and from 26 to 6% in the latter. In Mali, the decline took place over a shorter period. Their share fell from 35% during the years 1980-1989 to 12% in 1994-1996. In Togo, they decreased from 63% to 48% during the same period. In Niger, on the contrary, they remained very high : 63% to 70% after having peaked at 78% in 1976-1979. The same was true in Senegal, with a growth from 48% to 73%. In Burkina, they declined by about half, from 31% to 16%.

As for medium and long-term loans to public sector enterprises, only the enterprises in Niger and Togo saw their relative share increase, respectively, from 88% in 1960-1975 to 98% in 1994-1996 and from 47% to 83% during the same period.

Table 10.29 : Structure of the credit to the economy and its Distribution according to the Term of the Bank Loans Given to enterprises

Country	WAMU					Benin					Burkina					Côte d'Ivoire					Mali									
	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996					
Year																														
Short-term credit (% credit to the eco.) <sup>a</sup>	76	73	68	59	61	87	81	65	65	75	48	58	62	61	70	73	72	69	66	63						65	43	63		
Medium and long-term credit (% credit to the eco.)	24	27	32	41	39	13	19	35	35	25	52	42	38	39	30	27	28	31	34	37						35	57	37		
Short-term credit to private enterprises (% of total short-term credit) <sup>b</sup>	65	67	76	81	85	60	39	46	67	98	69	69	60	64	84	74	74	89	90	94						65	78	88		
Short-term credit to public sector enterprises (% of total short-term credit)	35	33	24	19	15	40	61	54	33	2	31	31	40	36	16	26	26	11	10	6						35	22	12		
Long and medium-term credit to private enterprises (% of total long and medium-term credit) <sup>d</sup>	56	54	57	60	70	29	32	41	75	84	51	49	50	54	66	55	52	58	57	75						87	83	87		
Long and medium-term credit to public sector enterprises (% of total long and medium-term credit)	44	46	43	40	30	71	68	59	25	16	49	51	50	46	34	45	48	42	43	25						13	17	13		

Country	Mauritania					Niger					Senegal					Togo									
	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996	1960 1975	1976 1979	1980 1989	1990 1993	1994 1996					
Year																									
Short-term credit (% of credit to the eco.) <sup>a</sup>	N/A					86	72	68	28	59			80	64	49	54	74	77	70	56	59				
Medium and long-term credit (% of credit to the eco.)	N/A					14	28	32	72	41	85	20	36	51	46	26	23	30	44	41					
Short-term credit to private enterprises (% of total short-term credit) <sup>b</sup>	N/A					63	78	70	73	70	15	49	63	74	73	63	63	63	56	48					
Short-term credit to public sector enterprises (% of total short-term credit)	N/A					37	22	30	27	30	48	51	37	26	27	37	37	37	44	52					
Long and medium-term credit to private enterprises (% of total long and medium-term credit) <sup>d</sup>	N/A					88	78	66	81	98	52	68	58	50	55	47	47	74	80	83					
Long and medium-term credit to public sector enterprises (% of total long and medium-term credit)	N/A					12	22	34	19	2	34	32	42	50	45	53	53	26	20	17					

a- Credit to the economy ; b- Total short-term credit ; c- Long and medium-term credit ; d- Total long and medium-term credit.

Source : Calculated on the basis of BCEAO data, "Notes d'Information et Statistiques" (Information Notes and Statistics), various issues

## B - Distribution of Credit according to the Branch of Activity

Until 1989, when it was given up, the selective credit policy was intended to direct credit towards specific sectors. Statistical data show that in spite of fixing norms, there was no reversal of this trend. The share of agriculture, forestry and fisheries in short-term credit stabilized at about 5% in the Union (Table 10.30).

The major part of the credit went to tertiary activities like wholesale trade, public transport, etc.

As the distribution of bank credit according to the branch of activity shows, the proportion of short-term credit allotted to the manufacturing industry peaked at 19% in the Union and then declined during the subsequent years to stabilize at 15%. The trends in each member country reflects the trends valid for the whole Union. Benin was the only country where short-term credit, amounting to 20% of the total in 1985 and 25% in 1990, was given to the primary sector.

As for the distribution of medium-term credit, one-quarter was allotted to the manufacturing industry, the main part going to wholesale trade and other tertiary activities. The same was true of long-term credit (Tables 10.31 et 10.32).

The dynamism of various sectors played a key role in maintaining and strengthening these trends peculiar to an economy based on trading.

Table 10.30 : Distribution of Short-term Bank Credit according to the Branch of Activity

(in %)

Branch of activity	Benin						Burkina						Côte d'Ivoire						Mali					
	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*
Agric., Forest., Fish.	20	25	1	1	1	1	2	6	3	8	8	5	4	4	4	3	3	0.03	0.10	0.20	0.03	0.12	0.19	0.39
Extract. Industries	0	0	0	2	1	1	6	1	0	0	0	0	0	0	1	2	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Manufg. Industries	20	17	11	14	9	9	23	15	20	20	11	11	18	19	14	15	19	0.18	0.26	0.06	0.19	0.15	0.14	0.09
Elec., Gas, Water	0	0	0	0	0	0	0	0	0	0	0	0	6	3	0	1	1	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Building, Publ. Works	1	4	7	8	7	9	9	11	14	12	15	14	6	4	3	3	2	0.02	0.03	0.02	0.04	0.04	0.04	0.03
Wholesale Trade, etc.	44	45	39	45	55	57	49	54	30	31	24	38	51	56	60	64	59	0.57	0.44	0.49	0.51	0.52	0.48	0.36
Public Transport	4	3	2	3	2	2	2	3	2	2	1	2	6	6	4	5	5	0.04	0.05	0.04	0.04	0.04	0.05	0.03
Insur., Real Estate Business	1	1	1	1	1	1	0	0	1	1	1	1	5	4	3	3	4	0.03	0.02	0.02	0.01	0.01	0.01	0.02
Public utilities	9	6	40	26	24	20	10	9	31	26	39	30	3	3	9	4	7	0.11	0.11	0.16	0.17	0.12	0.09	0.08
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Branch of activity	Niger						Senegal						Togo						WAEMU					
	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*
Agric., Forest., Fish.	5	4	2	2	2	2	5	6	5	5	4	4	1	0	1	1	0	00	0.05	0.06	0.04	0.04	0.05	0.06
Extract. Industries	2	1	6	5	3	8	1	0	0	0	1	0	10	30	45	32	30	0.26	0.01	0.02	0.03	0.03	0.02	0.02
Manufg. Industries	13	13	10	13	13	12	23	17	18	21	22	20	10	8	13	12	13	0.13	0.19	0.17	0.15	0.16	0.18	0.17
Elec., Gas, Water	1	0	0	0	0	0	1	1	2	0	1	2	0	1	1	3	1	0.00	0.04	0.02	0.01	0.01	0.01	0.01
Building, Publ. Works	13	13	12	12	12	11	8	8	6	6	7	7	11	4	2	2	2	0.02	0.07	0.06	0.05	0.04	0.05	0.05
Wholesale Trade, etc.	54	58	54	47	47	46	43	41	41	37	40	40	57	49	34	44	41	0.47	0.49	0.52	0.52	0.55	0.50	0.49
Public Transport	10	8	6	6	6	05	4	6	6	8	6	6	6	3	2	3	7	0.06	0.06	0.06	0.05	0.05	0.05	0.04
Insur., Real Estate Business	0	0	0	1	0	0	9	9	9	10	7	7	1	3	0	1	0	0.01	0.05	0.05	0.04	0.04	0.04	0.03
Public utilities	3	4	10	13	16	15	7	11	13	13	13	13	3	2	2	3	4	0.04	0.05	0.06	0.12	0.08	0.11	0.13
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

**Table 10.31 : Distribution of Medium-term Bank Credit according to the Branch of Activity**

(in %)

Branch of activity	Benin						Burkina						Côte d'Ivoire						Mali					
	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*
Agric., Forest., Fish.	2	2	0	1	0	1	2	6	2	7	4	3	5	4	1	1	0	0	6	3	7	13	41	52
Extract. Industries	0	1	11	3	2	2	4	1	4	1	0	0	6	0	0	1	3	3	0	0		0	0	0
Manufg. Industries	43	34	31	28	23	27	4	15	23	26	17	19	34	25	24	25	29	28	39	19	13	25	16	10
Elec., Gas, Water	0	0	0	0	0	0	1	0	0	0	0	0	12	16	19	16	11	11	0	0	0	01	03	6
Building, Publ. Works	5	3	3	7	2	2	1	11	6	4	3	1	02	1	0	0	1	0	1	0	0	0	0	1
Wholesale Trade, etc.	20	39	27	33	28	31	5	54	29	23	21	14	11	22	48	47	43	46	16	58	42	32	19	16
Public Transport	5	3	1	1	3	2	2	3	2	17	22	33	09	16	2	3	5	5	2	6	15	19	7	4
Insur., Real Estate Business	5	4	3	5	2	3	7	0	1	2	4	9	10	6	2	3	4	3	0	1	4	3	2	2
Public utilities	19	13	22	22	39	32	5	9	32	20	30	20	10	10	4	4	3	4	5	13	18	8	13	9
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Branch of activity	Niger						Senegal						Togo						WAEMU					
	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*
Agric., Forest., Fish.	2	5	2	2	2	1	3	6	7	6	6	6	4	3	1	1	1							
Extract. Industries	8	0	23	18	12	6	0	0	0	0	1	0	17	20	13	35	27	0.24	0.04	0.03	0.02	0.04	0.04	0.04
Manufg. Industries	30	13	3	4	4	7	30	18	20	21	25	24	12	13	19	19	19	0.25	0.26	0.23	0.23	0.24	0.25	0.24
Elec., Gas, Water	20	2	1	1	1	1	2	0	0	2	5	6	4	3	1	1	2	0.00	0.07	0.07	0.11	0.09	0.06	0.06
Building, Publ. Works	7	23	1	4	5	4	8	12	10	10	8	9	3	4	3	3	2	0.02	0.03	0.04	0.03	0.03	0.03	0.03
Wholesale Trade, etc.	18	31	21	15	13	18	16	20	25	27	27	25	26	36	37	24	24	0.22	0.12	0.27	0.40	0.37	0.32	0.32
Public Transport	7	4	11	14	17	15	7	4	7	6	5	4	2	5	6	4	11	0.13	0.06	0.09	0.04	0.05	0.07	0.07
Insur., Real Estate Business	0	1	1	1	1	0	13	15	11	9	8	8	4	1	3	2	2	0.01	0.26	0.06	0.04	0.04	0.04	0.04
Public utilities	8	21	37	41	46	47	21	26	21	19	16	18	29	15	17	12	12	0.12	0.13	0.17	0.12	0.11	0.13	0.12
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1	1	1	1	1	1	1

Table 10.32 : Distribution of Long-term Bank Credit according to the Branch of Activity

Branch of activity	Benin						Burkina						Côte d'Ivoire						Mali					
	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*
Agric., Forest., Fish.	30	27	0	0	0	0	0	6	0	0	0	7	4	0	01	00	0	0	1	2	2	4	6	
Extract. Industries	0	0	0	0	0	0	0	04	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	
Manufg. Industries	29	1	2	2	2	2	72	23	7	5	0	16	2	3	6	1	1	42	37	36	42	41	35	
Elec., Gas, Water	0	0	0	0	0	0	01	0	0	0	0	8	9	45	53	7	8	0	0	0	0	0	0	
Building, Publ. Works	0	1	1	14	1	1	0	3	0	0	0	4	3	3	2	0	0	0	3	4	4	4	8	
Wholesale Trade, etc.	0	55	95	83	89	88	0	32	0	0	0	2	2	0	3	18	0	5	36	36	37	35	22	
Public Transport	38	11	0	0	0	0	9	3	8	0	32	0	20	28	20	0	0	4	4	2	02	2	3	
Insur., Real Estate Business	0	0	0	0	0	0	5	2	73	79	51	81	41	50	19	14	1	1	0	3	3	3	7	
Public utilities	4	4	1	1	8	9	12	26	11	16	17	17	2	3	8	6	91	90	49	14	17	10	18	
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	

Branch of activity	Niger						Senegal						Togo						WAEMU					
	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*	1985	1990	1994	1995	1996	1997*
Agric., Forest., Fish.	0	1	0	0	0	0	0	0	0	0	0	0	5	3	3	3	3	3	3	2	0	1	0	0
Extract. Industries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	00	0	0	0	0	0	0
Manufg. Industries	0	0	0	0	0	0	1	0	2	3	2	3	11	9	8	8	4	6	10	11	10	11	6	3
Elec., Gas, Water	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	2	7	9	4	5	
Building, Publ. Works	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	
Wholesale Trade, etc.	0	0	2	0	0	0	98	96	93	92	92	90	0	11	1	5	2	3	53	56	62	63	32	31
Public Transport	53	47	0	0	0	0	0	0	1	1	1	1	0	0	1	1	1	1	9	7	4	1	1	0
Insur., Real Estate Business	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	15	13	6	6	2	2	
Public utilities	46	52	98	100	100	100	2	4	4	5	5	6	84	77	87	84	91	88	5	8	9	8	55	58
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1	1	1	1	1	1	1

Source : BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics), various issues.



### C –Trends in Bad Debt

Data about bad debts is available from 1976 onwards. Table 10.33 shows that during the period 1980-1989, the ratio of bad debts to the credit to the economy was very high in three countries viz. Benin (12.11%), Mali (12.63%) and Niger (13.14%) while in the four other countries, it did not exceed 6%.

**Table 10.33 : Ratio of Bad Debts to Credit to the economy**

(in per cent)

Period	Benin	Burkina	Côte d'Ivoire	Mali	Niger	Senegal	Togo	WAMU
1976-1979		2.0	1.0		3.1	4.6	2.1	1.8
1980-1989	12.1	5.4	2.2	12.6	13.1	4.7	5.7	4.3
1990-1993	16.7	10.2	8.1	20.2	49.3	9.5	9.1	11.2
1994-1997	5.8	5.9	4.2	11.8	50.4	7.2	9.5	6.8

Sources : BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics).

During the years following the 1989 reform, the ratio increased in all the countries of the Union and particularly in Benin, Mali and Niger.

After 1989, the high level of the ratio of bad debt to credit to the economy was linked with stabilization operations. Many of the debts were reclassified as frozen or bad debts and the increase of the bad-debt reserve affected the profitability of banks.

The issue on 1 July 1994 of negotiable government bonds guaranteed by the central bank and representing consolidated risky debts had repercussions on monetary statistics. That is why "credit to the economy" was reduced to the limit of the consolidated debts carried earlier by the banks" (Monetary Committee, 1995).

### III – The Share of Refinancing

The provision of funds by the country's central bank for financing economic development was an important indicator of the quality of currency management. In this respect, limits were fixed to BCEAO 's interventions (cf. Volume II). However, the doctrine of the central bank changed over the years in this regard.

The first period from 1963 to 1974 was characterized by a tendency towards conservativeness in currency management. It was believed that banks should finance their loans through deposits since refinancing by the Central bank of non-seasonal credits was limited to 35% and subjected to a rediscount agreement in the form of an individual limit for short-term loans and permission to rediscount for medium-term loans (cf. Volume II).

Refinancing, which amounted on an average to less than 25% (Table 10.34) during this period, did not prevent the steady growth of these economies during the decade (cf. Volume II).

**Table 10.34 : BCEAO Refinancing**

Period	Credit to Credit Institutions (in billions of CFA Francs) (1)	Credit to the economy (in billions of CFA Francs) (2)	Credit to Credit Institutions/Credit to the Economy (%) (1)/(2)
1963-1974	47.00	176.11	26.7
1975-1979	233.38	886.12	26.3
1980-1989	694.13	1907.53	36.4
1990-1993	833.28	1897.45	43.9
1994-1997	157.55	1940.39	8.1

Source : BCEAO

During the years 1975-1989, the doctrine changed and "currency at the service of development" became the new policy of currency management and the new credit policy of the Central Bank was seen as being too restrictive (cf. Volume II).

However, the instruments introduced in the monetary policy for controlling liquidity ended up by suppressing the growth of money supply. Nevertheless, as shown by Table 10.34, the share of refinancing in the credit to the economy increased during this period – from 26% in 1976-79 to 36% in 1980-1989.

All member countries went through a crisis in the early 1980s.

With the drying up of their resources, banks had to resort more often to refinancing from the Central Bank.

The 1989 reform gave a more conservative orientation to money management by reducing the share of central bank money in the financing of the economy (cf. Volume II). However, the pressure continued on the issuance of currency and when the banking system and the national treasuries were affected by a severe crisis, refinancing amounted to 44% during 1990-1993 and assistance to national Treasuries increased.

The inflow of resources after devaluation restored the banks' liquidity and refinancing became marginal. Credit to the economy amounted to 8% in 1994-1997 and bank deposits exceeded the credit given by banks to Benin, Burkina and Mali.

**Table 10.35 : Ratio of Deposits to Credit granted by banks**

Period	Benin	Burkina	Côte d'Ivoire	Mali	Mauritania	Niger	Senegal	Togo	WAMU
1965-1974*	0.66	1.27	0.68		0.69	0.49	0.52	1.57	0.63
1975-1989	0.61	0.75	0.50			0.70	0.44	0.97	0.53
1975-1979	0.68	0.60	0.64			0.92	0.51	0.72	0.63
1980-1985	0.60	0.68	0.41			0.51	0.40	1.00	0.45
1986-1989	0.54	1.04	0.45	0.60		0.70	0.42	1.24	0.52
1990-1993	1.56	1.12	0.44	1.03		0.85	0.51	1.19	0.59
1994-1997	1.86	1.41	0.62	1.22		0.80	0.68	0.77	0.73

Sources : Calculated on the basis of data from : - BCEAO ; "Notes d'Information et Statistiques" (Information Notes and Statistics)

IMF, International Financial Statistics

\*Mauritania : Period between 1966-1973

The role of financial intermediary played by banks also constituted a commercial activity.

Thus, as commercial enterprises, banks ensured that they were run profitably, which was necessary for their continued existence.

The next section analyses the trends in WAMU banking system's operational results.

## **Section V – The Operational Results Recorded by the Banking System**

The profits recorded by primary banks and also by the Central Bank are reviewed in this section.

### **I – Profits of Primary Banks**

Two indicators have been taken into account, viz. the profit margin and the cost of intermediation.

#### **A – The Profit Margin**

The difference between interest received and interest paid constituted the interest margin and the added value of banking activity could be obtained by adding other profits to it.

The result could be obtained by the deduction of overheads.

Table 10.36 shows the changes in the profit margin of banks within the Union during the 1988-1994 period.

The banks' average cost of resources increased during the period under review going up from 4.6% in 1988 to 5.2% in 1993 before falling to 4.1% in 1994 after the devaluation.

On the one hand, these changes were linked to the raising of the Central Bank's intervention rate under its adjustment policy and its struggle against capital flight when users were expecting a devaluation of the CFA Franc. On the other hand, they were linked to the rise of interest on credit intended to stimulate savings.

During the general liquidity crisis and the difficulties experienced by the banking system, cheaper resources, mainly in the form of call deposits, could not bring down this rise in the cost of resources.

At the same time, the average return on credit increased from 8.3% in 1988 to a maximum of 10.6% in 1990 before fluctuating between 9.2% and 10.4%.

The bank margin, which varied between 3.2% in 1988 and 4.7% in 1994, could not cover the overheads and the major bad-debt reserve funds. This led to losses between 1988 and 1993, which, together with the drying up of the cash position, aggravated the bank crisis.

After the devaluation in 1994, the banks showed a profit once again.

**Determining the Profits of Banking Operations**

- 1 - Profitability margin = average return on all types of loans – average interest on borrowed capital.
- 2 - Commercial profit = profit margin + other profits.
- 3 - Added value = Market output – intermediate consumption.
- 4 - Gross operating results = added value - (expenditure on personnel + allocations for net depreciation, recovery of depreciation and reserves and other expenses).
- 5 - Net operating results = gross operating results – taxes on profits.
- 6 - Profitability index = net profit/equity capital.
- 7 - Economic profitability index of assets =  $(1 - \text{rate of tax on profits}) (\text{profit} + \text{average interest on borrowed capital} \times \text{borrowed capital}) / (\text{borrowed capital} + \text{equity capital})$ .

**Table 10.36 : Profitability Margin of Banks within WAMU (average outstanding bills in billions of CFA Francs – rate and profitability margin in per cent).**

Items	1988	1989	1990	1991	1992	1993	1994
1. Refinancing by BCEAO	488.2410	511.3247	534.6673	444.3275	306.9947	320.1000	299.8200
2. Equity Capital	228.0370	237.4464	262.0404	288.6680	215.1285	245.6151	238.1690
3. Creditor accounts	1548.9963	1583.7233	1635.8035	1771.7030	1508.5145	1776.4311	-1670.1720
4. Correspondents' resources	232.3155	203.1442	179.2953	134.0800	126.7680	116.8811	160.2640
<b>5. Total resources (1+2+3+4)</b>	<b>2497.5900</b>	<b>2535.6386</b>	<b>2611.8065</b>	<b>2638.7785</b>	<b>2157.4057</b>	<b>2459.0273</b>	<b>2368.4250</b>
6. Borrowed capital (5-2)	2269.5530	2298.1922	2349.7661	2350.1105	1942.2772	2213.4122	2130.2560
7. Agio on BCEAO refinancing	34.1760	39.6722	49.0222	42.6738	28.5859	27.4788	11.5563
8. Agio on creditor accounts	64.6340	68.5096	76.4849	79.8011	70.6902	91.4964	75.7384
9. Agio on correspondents' resources	16.4743	14.2812	13.7823	11.1425	9.9020	9.8362	9.1531
<b>10. Total commission paid (7+8+9)</b>	<b>115.2852</b>	<b>122.4630</b>	<b>139.2894</b>	<b>133.6174</b>	<b>109.1781</b>	<b>128.8114</b>	<b>96.4478</b>
11. Average rate of refinancing (7/1)	7.0%	7.8%	9.2%	9.6%	9.3%	8.6%	3.9%
12. Average rate on creditor accounts (8/3)	4.2%	4.3%	4.7%	4.5%	7.8%	8.4%	5.7%
13. Average rate on borrowed capital (10/6)	5.1%	5.3%	5.9%	5.7%	5.6%	5.8%	4.5%
<b>14. Average rate of total resources (10/5)</b>	<b>4.6%</b>	<b>4.8%</b>	<b>5.3%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.2%</b>	<b>4.1%</b>
<b>15. Total clients' credits outstanding</b>	<b>1844.9969</b>	<b>1712.3448</b>	<b>1776.5082</b>	<b>1733.6045</b>	<b>1648.2461</b>	<b>1771.6416</b>	<b>1683.4430</b>
16. Agio received on loans granted to clients	173.4350	187.2836	185.8545	168.5426	147.1575	171.0242	170.3046
17. Average rate on loans granted to clients (16/15)	9.4%	10.9%	10.5%	9.7%	8.9%	9.7%	10.1%
18. Clients' margin (17-12)	5.2%	6.6%	5.8%	5.2%	4.2%	4.5%	5.6%
<b>19. Total agios received</b>	<b>202.3361</b>	<b>217.7629</b>	<b>238.1985</b>	<b>222.1692</b>	<b>192.1192</b>	<b>222.1192</b>	<b>197.8916</b>
20. Outstanding loans of all types	2437.4701	2241.9293	2254.6823	2201.0876	2098.1362	2137.2065	2135.7960
21. Average returns on loans of all types (19/20)	8.3%	9.7%	10.6%	10.1%	9.2%	10.4%	9.3%
<b>22. Overall margin (21-13)</b>	<b>3.2%</b>	<b>4.4%</b>	<b>4.6%</b>	<b>4.4%</b>	<b>3.6%</b>	<b>4.6%</b>	<b>4.7%</b>

Source : BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics), various issues.

## B – Cost of Financial Intermediation

This is another indicator of the performance of the banking system, measuring the ratio between the gross operating income or margin and average total assets.

It mainly includes running costs, other net expenditure (net reserves for bad debts and allocations for depreciation), taxes on gross profits and net profits.

The lower the costs of debt service charges paid by clients, the lesser the interests on credit to the economy and more satisfactory the performance of the banking system.

**Table 10.37 : Cost of Intermediation in WAMU**

(percentage of total assets) 1988-1994

Country	Running expenses	Other net expenses	Taxes on gross profits	Net profits	Costs of intermediation
Benin	1.28	2.03	0.05	-1.71	1.65
Burkina	3.10	4.75	0.33	-3.35	4.84
Côte d'Ivoire	1.46	1.15	0.03	0.03	2.68
Mali	3.04	1.56	0.20	0.58	5.38
Niger	1.67	1.35	0.12	0.82	3.96
Senegal	2.40	0.81	0.30	0.53	4.11
Togo	3.40	1.36	0.34	0.18	5.30

Source : Calculated on the basis of BCEAO data, "Notes d'Information et Statistiques" (Information Note and Statistics).

**Table 10.38 : Increase in Cost of Intermediation in WAMU**

(percentage of total assets)

Year	Running expenses	Other net expenses	Taxes on gross profits	Net profits	Cost of intermediation
1988	3	1	0.1	-0.1	4
1989	3	1	0.2	-0.3	4
1990	3	2	0.2	-0.2	5
1992	2	1	0.1	-0.4	3
1993	3	1	0.1	-0.1	4
1994	3	2	0.4	0.1	5.5

Source : Calculated on the basis of BCEAO data, "Notes d'Information et Statistiques" (Information Notes and Statistics).

Table 10.37 shows the changes in the costs of intermediation in relation to total assets during the 1988-1994 period. On the whole, they remained quite low. These low costs are explained to a large extent by the negative net profits. The year 1994 recorded the highest costs (5.5%).

Banks in the issuing area did not charge their clients the same amount. Intermediation was highest in Burkina, Côte d'Ivoire and Togo. Benin and Niger charged the least. All the countries of the Union recorded an increase in the cost of intermediation after the devaluation.

## II – Profits Recorded by BCEAO

To succeed in its mission, the Central Bank had to acquire issuing material in the form of banknotes and coins, collect and process economic and monetary information and had at its disposal the following facilities :

- Personnel
- Business premises
- Office equipment
- Supplies
- External service providers.

All these things required investment and entailed expenses that had to be covered by its own resources (operational products) as in a commercial organization and not by budgetary allocations from the State as in a government department.

Operational products were derived mainly from *interest on assets held in foreign exchange*<sup>15</sup>, and *interest* deducted from assistance provided to banks and treasuries and also from incidental benefits such as commissions on transfers.

Generally speaking, earlier developments show that a Central Bank's profits are not guaranteed, particularly in a developing country, because their base, i.e. foreign assets or credit to banks and treasuries as well as the external and internal interest rates applied to them, fluctuates according to the economic situation and the requirements of monetary policy.

Further, and again because of the exigencies of monetary policy, the Central Bank could be asked to pay for certain bank and Treasury deposits in its books, or pay interest on bonds it had issued to reduce the liquidity of banks.

These financial responsibilities put a severe strain on its profit account.

In addition, since its statutes did not permit it to issue currency to cover its expenditure, it was obliged to control it and balance its income and expenditure.

The Central Bank was thus subjected to the same operational constraints as a commercial organization although it performed a public service.

When there was a surplus, its statutes provided that it should be used primarily for strengthening the Bank's equity capital and financial structure and particularly for covering fixed assets and shares.

Every month, the Bank prepared a monthly report on its assets that was published in the Official Gazette of the States ("Journal Officiel des Etats"), and at the end of the financial year, it prepared a Profit Account and a Balance Sheet.

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<sup>15</sup> Only assets in the operations account according to the terms of the 1962 Treaty ; the operations account and assets in other currencies since the 1973 reforms.

At the closing of the first financial year of the new bank on 30 September 1963, the Profit Account was presented as follows (in millions of FF.) :

**Profit and Loss Accounts**  
**As of 30 September 1963**

<b>Expenditure</b>	<b>Amount</b>	<b>Profits</b>	<b>Amount</b>
Maintenance of currency circulation	413.9	Interest, commissions and misc. profits	1724.1
Overheads & fund for misc. Expenses	622.9		
Allocations for depreciation	120.6		
Profit	566.7		
	1,724.1		1,724.1

The expenditure for maintaining currency circulation corresponded to the cost price of banknotes and coins issued (373.7 million) as well as incidental expenses incurred by the issue department (land, sea and air transport charges, insurance, equipment, misc.).

Overheads included staff wages and salaries paid directly by the Central Bank or reimbursed by it to the "Banque de l'Afrique Occidentale", according to the terms of the convention on the hiring of services (cf. Volume I).



**Balance-sheet as of 30 September 1963**  
(in millions of CFA Francs)

Assets		Liabilities	
<b>Liquid assets outside the issuing area (foreign assets)</b>		<b>Sight liabilities</b>	
. Banknotes of the Franc Area	101.5	. <i>Banknotes and coins in circulation</i>	42285.0
. Correspondents in France	1.6	. <i>Current accounts credits</i>	1408.6
French Treasury (1)	22354.0	- Foreign banks & institutions	145.0
International Monetary Fund	1727.9	- West African banks & institutions	430.2
<b>Liquid assets within the issuing area</b>		- West African Treasuries	707.9
<b>Credit to banks</b>	34.5	- Other West African current & deposit accounts	125.5
<b>Discounted bills</b>	17750.6	. <i>Transfers to be executed</i>	125.6
<b>Bills discounted</b>	578.0	<b>Capital</b>	2800.0
<b>National Treasuries, current account overdrafts</b>	3038.0	<b>Special Deposits by National Treasuries</b>	5815.0
<b>Bonds belonging to individuals &amp; other fixed assets (net)</b>	1873.7	<b>Profit</b>	566.7
<b>National Treasuries, investments made on their behalf</b>	5815.0		
<b>Suspense account &amp; misc.</b>	904.2	<b>Suspense account &amp; misc.</b>	1177.3
	54179.1		54179.1

The appended statements show the changes in BCEAO profit account from 1963 to 1997 and its balance sheet as of 31 December 1997. The total in the balance sheet increased by a factor of 69 during this period and the fiduciary circulation by a factor of 39.

### Changes in the Profit and Loss Account

(in millions of CFA Francs)

Expenditure	30/09/63	30/09/76	30/09/81	30/09/91	31/12/95	31/12/96	31/12/97
Financial expenditure							
• Agios repaid to banks, Treasuries & other public institutions		2108.1	15582.1	40557.8	17965.0	15616.9	16317.1
• Interest paid to the IMF		874.1	6218.6	5263.1	8641.6	4201.1	6672.5
Maintenance of circulation	413.9	2448.9	2582.0	4743.2	9642.8	11512.8	15606.5
Operating expenses and misc. Expenditure							
Allocations for depreciation and Reserves	622.9	3673.4	9799.8	27381.7	54704.4	98080.0	52467.0
Profits during the financial year	120.6	190,1	812.8	3726.1	10015.7	7331.8	29955.7
	566.7	6071.8	43354.2	70885.3	18954.3	14346.5	32204.7
Revenues	1724.1	15366.4	78350.0	152557.0	119924.0	151089.1	153223.5
Interest on foreign assets	878.0	5455.5	400.4	8685.8	96391.9	69910.3	122915.0
Revenues of credit operations	812.6	9488.8	48658.0	82984.2	22201.8	17705.7	12820.4
Misc. Revenues	33.5	413.5	29193.8	60798.3	1023.3	6044.8	12744.4
Extraordinary Profits		8.6	97.8	89.3	307.0	57428.3	3743.7

Source : BCEAO, Progress Report.

**Balance-Sheet as of 31 December 1997**

(in millions of CFA Francs)

Assets		Liabilities	
<b>Foreign assets</b>		<b>Sight liabilities</b>	
Assets in gold	165 343	Banknotes & coins in circulation	1 229 931
International Monetary Fund	24 448	Foreign Banks & institutions	77 362
Assets in foreign currency	1 695 205	Banks & institutions common to WAMU	86,198
Claims on other banks	159 761	Banks registered in member countries	101 305
Claims on financial institutions	14 903	Financial instit. reg. in member countries	1 175
Claims on National Treasuries	580 220	National Treasuries and others	312 353
Operations on behalf of National Treasuries	777 479	Other deposit accounts	15 579
Equity interests (net)	117 876	Transfers to be executed	5,442
Other fixed assets (net)	134 056	Liabilities in foreign currency	9 299
Suspense accounts & misc.	105 668	International Monetary Fund	834 787
		Capital & Reserves	819 984
		Reserves against risks	19 565
		Profit pending appropriation	32 205
		Suspense accounts & misc.	159 824
	3 774 959		3 774 959

While concluding this Chapter, it may be said that in terms of money management, WAMU's performance was satisfactory to the extent that it was able to control inflation and thus maintain the internal purchasing power of BCEAO's CFA Franc. However, it was more debatable as regards the external value of its currency. The efforts to maintain a rigid parity over a long period in spite of its overvaluation had an adverse effect on the development of member countries until a drastic 100% cut was effected in their external purchasing power against the FF, thereby causing a rise in domestic prices and a fall in the internal purchasing power. Its performance was mixed in the fields of development and financial intermediation.

But what about its economic performance ? This is the subject of the next Chapter.





# CHAPTER *11*

## ECONOMIC PERFORMANCE



The implementation of a common economic policy and attempts at creating an economic community over nearly forty years (Volume II) should have consequently favored trade within the zone, accelerated economic growth and the harmonious development of the countries of the Union.

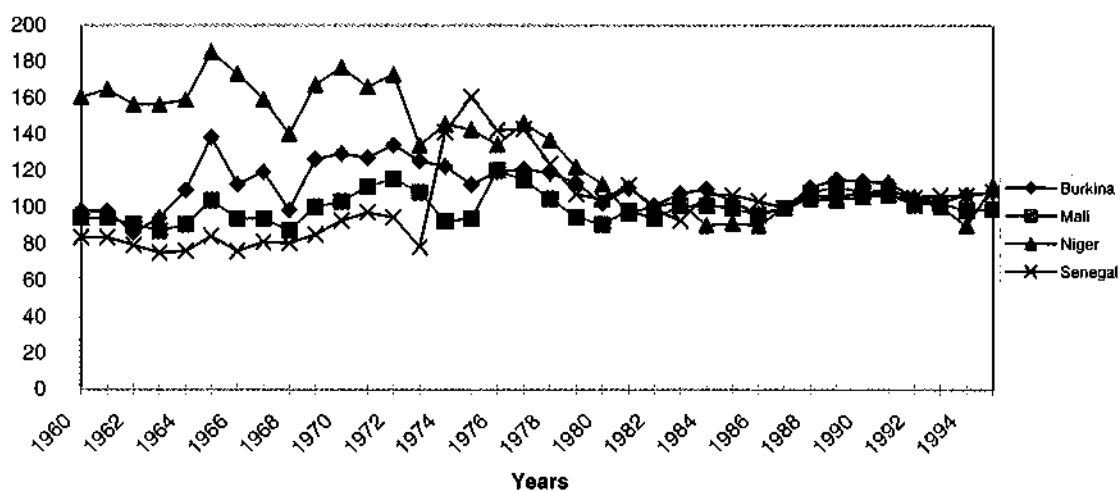
The aim of this chapter is to verify these hypotheses by comparing the economic performances of the countries of the Union with those of the other countries of West Africa, Sub-Saharan Africa and other developing countries.

The growth rate of the economy, investment rate, savings, foreign debt, budget deficit and current balances are the main indicators retained for this purpose.

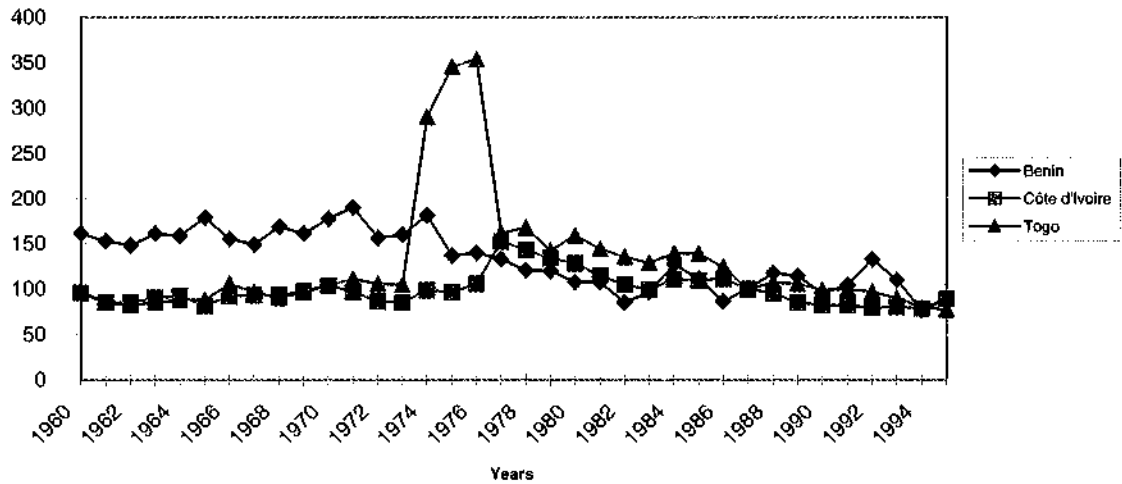
### Section I - Economic growth

The countries of the Union have been exporting a limited number of commodities : cotton was the essential product for Burkina, Benin and Mali ; coffee and cocoa for Côte d'Ivoire ; groundnuts and phosphate for Senegal ; uranium for Niger (Table 11.1). Such a situation made them very vulnerable to external disturbance, since the markets for these products were very volatile.

**Graph 11.1 : Evolution of the terms of trade index of Burkina, Mali, Niger and Senegal (base 100 =1987)**



**Graph 11.2 : Evolution of the terms of trade index of Benin, Côte d'Ivoire and Togo. (Base 100 = 1987)**



Graphs 11.1 and 11.2 show the evolution of the terms of trade for these different countries. Terms of trade variations were more pronounced for the forested countries than for Sahelian countries. Nevertheless, except for some periods like the years 1974-1977, the general trend was a decline in terms of trade. In addition to this, erratic rainfall in the Sahelian countries seriously affected agricultural production. These external and internal disturbances, the economic policies adopted and membership of a monetary area, have had an impact on the economic growth of each of these countries.



### Terms of trade

The terms of trade of a country A can be obtained by dividing its export prices by its import prices. Thus, we have (TE = terms of trade) :

$$TE = \frac{\text{Export price}}{\text{Import price}}$$

The expression "factorial terms of trade" is also used to compare the quantities of a factor – work, for example – incorporated in products A and B that are traded.

As a general rule, an increase in the terms of trade signifies that international trade is evolving in a way that is favorable to the national economy, whereas a decline can be analyzed as an unfavorable situation. This becomes obvious when we prefer to pay our imports low and bill our exports high.

However, the evolution of the terms of trade can conceal more subtle information that could lead to an erroneous interpretation if it is based on the principles mentioned above. In fact, terms of trade can decline due to at least two major factors :

- A reduction in production costs following productivity gains or other factors can justify a decline in export prices, which become more competitive from the point of view of the price criterion.

- An increase in supply leads to a decline in export prices because of the interplay of supply and demand.

In the same way, the terms of trade can increase when these events take place in other countries. In this case, we would not really be able to say that international trade is evolving in favor of the national economy.

The terms of trade thus provide very precious information, but should be used with a great deal of precaution.

**Table 11.1 : Share of the three main products exported by the countries of the Franc Area**

(In percentage)

COUNTRY	Periods		Products
	1975-1977	1988-1990	
BENIN	56.6	81.2	Cotton, fuel and cotton-seeds
BURKINA	69.2	99	Cotton, livestock, skins and leather
CAMEROON	69.1	62.4	Fuel, coffee, cocoa and derivatives
CENTRAL AFRICAN REPUBLIC	69.9	55.6	Coffee, wood and livestock
COMOROS	64.5	74.2	Vanilla, spices and olives
CONGO	86.3	98.8	Fuel, wood and sugar
COTE D'IVOIRE	75.7	54.6	Cocoa and derivatives, fuel and coffee
GABON	91.0	93.9	Fuel, manganese and wood
EQUATORIAL GUINEA	94.6	60.0	Wood, cocoa and derivatives, coffee
MALI		86.5	Cotton, livestock and groundnut oil
NIGER	94.7	96.3	Uranium, livestock and onions
SENEGAL	59.5	92.7	Fishery products, groundnut oil and fuel
CHAD	96.9	83.2	Cotton, livestock and groundnut oil
TOGO	87.5	82.3	Phosphates, cotton and coffee

Source : UNCTAD - Yearbook of commodities.

Tables 11.2 and 11.3 show that during the years 1960-1974, the average GDP growth rate was at 5.3% for all countries of the Union, against 3.8% for the other ECOWAS member countries.

For all countries in Sub-Saharan Africa, the growth rate of the GDP per capita was 0.5% (Elbadawi, Gura and Uwujaren, 1992) lower than that of the Union, which, taking into account an average population growth rate of 2.6% during this period, was 2.7%.

**Table 11.2 : GDP growth rate (%) of WAMU countries.**

Periods	Benin	Burkina	Côte d'Ivoire	Mali *	Mauritania	Niger	Senegal	Togo	WAMU
1960-1974**	2.99	2.86	10.33		6.51	0.94	2.28	6.90	5.30
1975-1989	3.69	4.04	0.66	1.35		0.96	2.43	2.11	2.42
1975-1979	3.36	5.06	8.53			7.74	1.07	3.60	6.20
1980-1985	3.67	3.96	-0.26	-3.54		-4.22	3.10	-0.55	2.26
1986-1989	0.24	3.54	-1.59	3.60		0.04	3.04	3.75	0.74
1990-1993	3.68	2.68	-0.57	2.03		-1.40	0.23	-5.75	-0.06
1994-1997	5.00	4.18	5.65	5.00		3.35	4.70	8.98	5.18

Source : BCEAO; IMF, International Financial Statistics, Yearbook 1995

\*Mali : 1960-1974 (2.77 %)

\*\* 1969-73 period for Mauritania

**Table 11.3 : GDP growth rate (%) of ECOWAS countries/excluding WAMU**

Periods	Cape Verde	The Gambia	Ghana	Guinea	Guinea-Bissau	Liberia	Mauritania	Nigeria	Sierra Leone	ECOWAS/excluding WAMU
1960-1974 <sup>(1)</sup>	-3.64	5.80	2.54	-	3.52	4.81	3.80	4.00	4.07	3.84
1975-1989 <sup>(2)</sup>	8.58	3.28	1.41	-	2.48	-0.41	5.70	0.51	1.40	0.97
1975-1979	5.31	4.24	2.31	-	2.44	4.02	2.70	3.10	-0.11	2.99
1980-1985	6.81	4.08	-0.50	-	5.10	-1.65	0.90	-2.02	0.66	-1.67
1986-1989 <sup>(3)</sup>	5.24	4.37	4.95	4.04	6.09	-1.01	2.80	5.00	3.22	3.65
1990-1993	3.95	2.11	4.36	3.34	2.84	-	1.80	3.07	0.22	3.21
1994-1996	4.50	1.60	4.80	4.40	4.66	-	4.30	4.50	-0.80	-
1997	3.00	5.40	3.00	-	-	-	5.10	3.90	-	-

(1) 1970-74 period for Cape Verde, Guinea-Bissau.

(2) 1975-87 period for Liberia.

(3) 1986-87 period for Liberia.

Source : World Bank, World Tables, and various issues.

In the course of the next fifteen years, 1975-1989, the performances of the countries of the Union declined slightly. The actual GDP per capita increased by 2.4% against 2.1% for the other ECOWAS countries. The economies of the Union therefore witnessed a more rapid growth, but the gap reduced considerably, hardly reaching a half-point.

The two groups of countries fell into a crisis at the same time, following a decline in the price of the commodities which were the main exports of West African countries ; this crisis was further aggravated by domestic policies.

This reduction in the growth gap meant that the countries of the Union did not react well to the crisis. The other African countries implemented structural adjustment programs that contributed to the depreciation of their actual exchange rate. In particular, most of them adopted an auction system for selling foreign exchange.

On the other hand, in WAMU countries, the creation of a common foreign exchange reserve, easing foreign payment constraints individually for each country, could explain the delay incurred in applying certain adjustment measures.

Compared to the average in Sub-Saharan Africa, WAMU countries also registered higher economic growth. In fact, during the years 1973-1981, Sub-Saharan African countries had an average GDP growth of 2.7%. This rate fell to 2% in 1982-1989 (S. Devarajan, J. de Melo, 1991). On the other hand, when compared to a group of 44 low income countries including non-African countries, WAMU countries showed less satisfactory growth results, whatever the period taken into account.

In 1990-1993, they registered zero growth while the other ECOWAS countries continued with their GDP growth (3.2%). The 1994 devaluation revived economic activity in the countries of the Union. Here the growth rate reached 5.15% from 1994 to 1997. The overvaluation of the CFA Franc thus proved costly for these countries.

Concerning changes in the investment rate, the countries of the Union devoted a lesser share of their income during the period 1960-1974 to capital formation compared to the other ECOWAS countries. The investment rate was 14% for the whole Union, while it was 15% on average for the other ECOWAS countries.

During the years 1975-1989, the situation was reversed ; the rate reached 18.7% in the Union against 17.9% in the other ECOWAS countries (tables 11.4 and 11.5).

**Table 11.4 : Investment rate (in % of GDP) in WAMU countries**

Periods	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali *	Mauritania	Niger	Senegal	Togo	WAMU
1960-1974**	11.72	13.14	21.12			27.05	9.71	14.33	15.37	14.23
1975-1989	15.82	20.75	19.64		17.82	-	17.29	13.55	29.47	18.74
1975-1979	17.76	22.52	26.10			-	19.41	16.71	37.68	23.01
1980-1985	16.25	18.72	19.65		16.89	-	17.74	11.96	25.68	18.12
1986-1989	12.75	21.59	11.54		21.38	-	13.98	11.98	24.90	14.34
1990-1993	14.18	21.35	9.84		22.35	-	7.11	13.72	18.49	13.70
1994-1996	19.28	22.50	14.07		25.30	-	9.92	15.43	13.33	14.82
1997	18.40	28.40	14.40	21.70	23.00	-	10.80	18.90	15.20	17.50

\* Mali : 1960-1974 (17.30 %)

\*\* Period 1970-73 for Mauritania

**Table 11.5 : Investment rate in ECOWAS countries, other than WAMU countries  
(In % of GDP)**

Periods	Cape Verde	Ghana	Guinea	Guinea-Bissau	Mauritania	Liberia	Nigeria	Sierra Leone	ECOWAS EXCLUDING WAMU
1960-1974	24.22	14.75		23.61	19.00	24.79	14.63	13.46	15.07
1975-1989	46.37	8.40	16.36	26.91	31.70	21.37	19.20	12.91	17.91
1975-1979	43.46	8.92		18.99	34.50	31.62	26.93	12.98	24.55
1980-1985	54.59	5.63		30.80	32.80	14.77	16.46	14.28	15.20
1986-1989	37.68	11.89	16.36	30.96	26.00	9.68	13.65	10.75	13.68
1990-1993	36.13	14.65	16.63	26.83	20.50	-	15.46	11.71	15.52
1994-1996	36.60	16.30	16.69	19.74	18.20	-	10.07	9.07	11.35
1997	34.20	17.70	16.00	-	19.00	-	15.30	-	-

Source : World Bank, World Tables, and various issues.  
IMF, International Financial Statistics 1995.

Devarajan and de Melo (1991), while comparing the first and second halves of the 1980s, showed that the countries of the Union invested a higher share of their GDP and registered a lower economic growth rate than those of comparable group of countries (Sub-Saharan African countries, low income countries and raw material producing countries). Such a result would indicate a marginal decrease in capital efficiency in the countries of the Union, reflecting a lack of sufficient structural reforms, according to the two authors.

Tables 11.3 and 11.5 actually show that between the first and second half of the 1980s, the other ECOWAS countries were subjected to a decrease in their investment rate whereas their growth rate increased. On the other hand, the two rates decreased at the same time in the Union.

The beginning of the 1990s was marked by a sharp decline in investment in the Union as well as in the rest of ECOWAS. The devaluation revived the gross formation of fixed capital in the Union whereas it declined in the rest of ECOWAS.

**Table 11.6 : Savings rate in WAMU countries**  
(in % of GDP)

Periods	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali *	Mauritania	Niger	Senegal	Togo	WAMU
1960-1974	3.87	0.37	27.26		5.26		4.33	10.05	22.66	13.67
1975-1989	0.82	-2.96	22.24		-0.67		9.64	3.74	20.72	12.77
1975-1979	0.76	-2.29	27.69		0.78		9.98	8.23	25.75	16.72
1980-1985	-0.56	-6.59	21.20		-4.04		8.52	-1.41	20.24	10.77
1986-1989	2.96	1.66	16.98		2.57		10.89	5.85	15.14	10.83
1990-1993	4.57	3.15	15.16		5.77		3.64	7.84	9.31	9.31
1994-1996	13.51	10.43	22.29		6.18		3.02	6.91	7.02	13.10
1997	10.10	12.10	24.70	2.90	12.50		3.30	13.30	3.50	16.20

Source : BCEAO

\* Mali : 1960-1974 (5.26 %)

**Table 11.7 : Savings rate in ECOWAS countries excluding WAMU**  
(In % of GDP)

Periods	Cape Verde	The Gambia	Ghana	Guinea	Guinea-Bissau	Liberia	Nigeria	Sierra Leone	ECOWAS EXCLUDING WAMU
1960-1974	-23.80	-	11.48	-	-7.70	34.05	11.18	11.01	4.00
1975-1989	-31.05	5.40	8.57	-	-6.37	29.94	25.67	4.07	3.10
1975-1979	-31.05	3.33	8.57	-	-6.37	29.94	25.67	4.07	3.10
1980-1985	-8.15	5.40	5.04	-	-2.77	16.22	16.74	5.16	1.88
1986-1989	-3.79	8.20	6.56	16.36	-6.17	18.43	15.93	8.80	2.27
1990-1993	-2.92	8.60	3.77	12.53	-7.62	-	22.59	8.98	1.23
1994-1996	-9.30	1.80	3.49	9.32	1.90	-	10.96	3.12	1.06
1997	-4.30	3.70	7.30	14.20	-	-	21.90	-	-

Source : World Bank, World Tables, and various issues.

## Section II - Foreign debt

The Debt to GDP ratio is another indicator of economic performance. In order to finance investments, the countries of the Union had to first rely on domestic savings. Table 11.6 shows that these were lower than investment for all the periods, while it was the reverse for the other ECOWAS countries.

**Table 11.8 : Debt ratio of WAMU countries**  
(in % of GDP)

Periods	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali *	Mauritania	Niger	Senegal	Togo	WAMU
1971-1974	12.82	5.95	34.75	-	-	N.A.	7.40	17.15	15.50	25.12
1975-1989	49.14	27.73	102.12	-	79.57		50.34	65.69	93.45	82.11
1975-1979	21.90	16.62	45.32	-	-		20.68	31.58	61.84	36.90
1980-1985	55.55	30.55	124.23	-	89.35		57.12	81.52	117.00	87.10
1986-1989	73.58	37.40	139.95	-	108.58		77.25	84.58	97.65	100.70
1990-1993	69.15	36.25	214.52	-	101.38		73.70	66.62	86.48	122.50
1994-1996	69.70	94.00	172.10	245.90	107.80		75.90	88.90	130.20	119.30
1997	60.00	53.40	136.70	337.40	122.60		67.10	75.70	90.10	144.90

Source : BCEAO

**Table 11.9 : Debt ratio of ECOWAS excluding WAMU**  
(in % of GDP)

Periods	Cape Verde	The Gambia	Ghana	Guinea	Guinea-Bissau	Liberia	Mauritania	Nigeria	Sierra-Leone	ECOWAS EXCLUDING WAMU
1972-1974		11.13	27.43			35.10	-	8.13	17.93	-
1975-1989	45.02	80.57	39.66	102.17	118.65	76.97	152.00	29.75	55.76	-
1975-1979	15.24	17.58	29.14		19.74	32.00	90.30	5.80	32.30	-
1980-1985	48.22	93.00	37.07		111.02	82.47	163.20	16.40	46.32	-
1986-1989	77.45	140.65	56.70	102.17	253.75	140.93	212.40	79.70	99.25	-
1990-1993	53.38	115.55	63.10	94.90	270.10	-	212.60	115.90	165.80	-
1994-1996	51.70	114.70	111.90	88.70	-	-	225.20	40.30	153.50	-
1997	-	-	-	-	-	-	-	-	-	-

Source : World Bank, World Tables, and various issues.

While the outstanding foreign debt represented 25% of the Gross Domestic Product of the Union in the first period, this ratio more than tripled during the second period, before reaching 122.5% in the beginning of the 1990s. The other ECOWAS countries borrowed less till the end of the 1980s. Thereafter, they quickly caught up with the Union countries, in the early 1990s.

It can be considered that the unlimited convertibility of the CFA Franc facilitated the foreign debt of the countries of the Union, creditors being less skeptical about the reimbursement of their credit. Besides, the fact that the limitation of monetary financing of the Treasury's requirements was relatively respected explained the greater recourse to

foreign borrowing. The rapid increase in the outstanding amount, coupled with the accumulation of outstanding payments subsequently reduced the capacity of the countries of the Union countries to mobilize foreign resources.

### Section III - Budget deficit

An examination of the growth and changes in the ratio of budget deficit to GDP in the States of the Union and other ECOWAS countries showed that the great monetary discipline the former displayed was not matched by an equally good budget discipline.

The budget deficit that represented 1.3% of the GDP for the whole Union in the course of 1960-1974 increased (7.7%) in the second period (Table 11.10).

With the continued economic crisis and in spite of the implementation of successive adjustment programs, the deficits increased to reach nearly 9% of GDP in the course of 1990-1993 before decreasing slightly to around 8% between 1994 and 1996.

**Table 11.10 : Budget deficits/GDP of WAMU countries**

(in %)

Periods	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Mauritania	Niger	Senegal	Togo	WAMU
1970-1974	0.02	0.29	-0.50		-0.59	N.A.	-0.02	-0.51	-0.58	-1.30
1975-1989	-9.13	-8.55	-6.11		-6.31		-6.80	-4.04	-5.96	-7.69
1975-1979	-5.64	0.21	-2.82		-1.19		-2.33	-1.73	-4.87	-4.85
1980-1985	-11.12	-13.42	-6.41		-7.90		-8.75	-5.60	-5.94	-9.32
1986-1989	-10.52	-12.20	-9.76		-10.31		-9.47	-4.59	-7.35	-8.81
1990-1993	-7.17	-8.59	-11.80		-10.81		-8.09	-2.92	-9.34	-8.88
1994-1995	-13.05	-15.97	-8.42		-18.47		-12.43	-6.87	-15.95	-7.89
1997	-4.20	-7.50	-2.80	-30.70	-3.50		-4.90	-1.50	-3.40	-4.40

Source : BCEAO

\* Mali : 1970-1974 (-0.59%)

#### Section IV – Current transactions balance

The balance of payment retraces transactions between a country and the outside world during a specific period - a month, trimester, semester or year (Cf. Volume II). Its overall balance, when it is in excess, shows the net amount of foreign exchange obtained at the end of transactions, which help increase foreign exchange reserves or reduce the foreign exchange reserve deficit. A deficit balance reflects opposite movements.

The growth and change in the balance of payments, particularly in its current transactions balance component, is therefore a determining factor of the convertibility of the national currency as we have underlined earlier.

In this regard, WAMU's balance of trade (Exports – Imports), in deficit in the early 1980s, showed a surplus from 1984 to 1990, then a deficit from 1991 to 1993, before once again reaching a surplus since the 1994 devaluation.

The current transactions balance (balance of trade + balance of services + unrequited transfers) was structurally in deficit, showing the structural weakness of the Union's economies, which exported unprocessed raw material at fluctuating exchange rates and imported foodstuff<sup>16</sup>, petroleum, manufactured products and services. The 592.8 billion F.CFA deficit in 1980 was estimated to be 308.7 billion in 1995 and 242 billion in 1997.

This deficit was not always covered by capital inflows. Thus, the overall balance of transactions - the balance of payments - registered a deficit from 1980 to 1983, showed a surplus in 1984 and 1985, once again presented a deficit from 1986 to 1988, then a surplus from 1989 to 1991, a deficit in 1993 and a surplus since 1994.

In comparison, Nigeria's current account balance was in surplus by 5.2 billion US dollars (equivalent to 2,600 billion F.CFA) in 1980 and deficit by 510 million US dollars (260 billion F.CFA) in 1995.

Its gross international foreign exchange reserves at the same time changed from 10.6 billion US dollars (5320 billion F.CFA) in 1980 to 1.7 billion US dollars (850 billion F.CFA).

The current transaction balance of Ghana changed from a surplus of 30 million US dollars (15 billion F.CFA) in 1980 to a deficit of 414 million US dollars (207 billion F.CFA) in 1995 with 330 million US dollars (165 billion F.CFA) and 804 million US dollars (402 billion F.CFA) of foreign exchange reserves, respectively.

Sources : BCEAO for WAMU, World Bank, Report on World Development 1997, p. 266 for Nigeria and Ghana

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<sup>16</sup> Food product imports went up in 1994 to 517.6 billion F.CFA (135 billion - rice), i.e. 21% of total imports. They were estimated at 816 billion in 1997 (166 billion rice), i.e. 24% of total imports.



Table 11.11 : Evolution of WAMU balance of payments from 1980 to 1997

(in millions of CFA F)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 *	1995 *	1996*	1997*
Exports	1059714	1238981	1308790	1406568	1912742	1987671	1784234	1571913	1456634	1558669	1535150	1512869	1467648	1351804	2878736	3298432	3605200	4130900
Imports	-1199946	-1423694	-1523246	-1533550	-1598524	-1772496	-1574554	-1483598	-1452062	-1501319	-1468720	-1564921	-1480367	-1445957	-2485774	-3118344	-3151500	-3559400
Bal. of trade	-140232	-184713	-214456	-126982	314218	215175	209680	88315	4572	57350	66430	-52052	-12719	-94153	392962	180088	456700	571500
Bal. of services	-497327	-502120	-588333	-600420	-621565	-706918	-724605	-707057	-728185	-733911	-777712	-727700	-686019	-585906	-956492	-1146707	-1307500	-1337600
Of which																		
. Freight and insurance	-41578	-55079	-84735	-71711	-100331	-143859	-115190,3	-104779	-56286	-105194	-125548	-139943	-122849	-216389	-396093	-552314		
. Income from invest.	-144523	-191371,6	-235451	-293291	-330515	-424705	-346244	-387005	-400777	-419906	-395718	-385308	-336034	-279546	-528910	-633984		
. Other services	132746	112479	127513	101643	90034	79917	189246	153412	131572	150028	196954	137873	126954	133234	-75538	-47958		
Unrequited Transfers	44782	115872	157556	192980	226495	356360	306236	272768	292677	413698	349358	443486	416609	364530	1014446	807742	576800	523800
. Public	149691	196258	241071	260680	297927	381030	355574	331319	364826	458706	405211	486703	465405	379662	1047864	847344	653300	629600
. Private	-104909	-80386	-83515	-67700	-71432	-24670	-49338	-58551	-72149	-45008	-55853	-43217	-48796	-15132	-33418	-39602	-76500	-105800
Current Balance	-592777	-637704	-717569	-625605	-196621	-244510	-329651	-460200	-550992	-375125	-463528	-433140	-367943	-394708	298581	-308706	-274000	-242400
L.T. Non monet. cap.	308587	329298	419276	289568	199336	223	63360	71760	20627	-49313	100236	50535	-6610	#REF!	378736	283619		
. Public	200223	214483	364883	177698	143000	-9021	78791	81656	-27078	-131902	32265	15718	51711	#REF!	266883	71815		
. Private	108364	114815	54393	111870	56336	9244	-15431	-9896	47705	82589	67971	34817	-58321	22304	111853	211804		
Basic balance	-284190	-308398	-298293	-336037	2715	-244287	-266291	-388440	-530365	-424438	-363292	-382605	-374553	-487482	668617	-21287		
S.T. Non monet. cap.	-4451	51154	81681	-44988	10932	-5190	43164	-36484	-20768	19928	3195	40935	-41408	-71632	63229	-100009		
. Public	-5825	6409	-911	4903	-2966	-2242	3202	-3824	4080	-8152	129	-313	-407	-888	-1804	-405		
. Private	1374	44745	82592	-49891	13898	-2948	39962	-32660	-24848	28080	3066	41248	-41001	-70744	65033	-99604		
Except. Financing	76406	115773	81267	131276	255325	302685	216605	358509	453490	503712	441256	478499	454466	513637	250561	382337	325700	272500
. Rescheduling	17987	46158	33336	70200	230934	271378	198664	181878	332797	318448	220006	270065	158978	63106	864629	362640	361700	182000
. Outstanding Variat.	58419	69615	47931	61076	24391	31307	17941	176631	120693	195984	218750	250501	296588	440303	-687638	25818	-29000	94100
. Others	0	0	0	0	0	0	0	0	0	-10720	-20500	-42067	0	-676	54348	10379	-7000	-3600
Net Errors. and omissions (a)	-22220	12968	-1005	21710	-7509	-4766	-15001	-11058	-12804	-1408	1925	695	-5192	4110	-31521	-26233	-22000	-8800
Overall BALANCE(b)	-234455	-128503	-136350	-228039	260888	48442	-21523	-77473	-110447	97794	83084	137524	33313	-41367	950886	234808	100500	145700

Source : BCEAO

Notes : \* Estimates; (a) Including SDR allocations (b) Including Balance of non monetary capital for the years 1996 and 1997

The evaluation of the area's economic performances thus reveals the weaknesses of the system : external debt burden, high levels of budgetary deficit and lack of coordination between the common monetary policy and budget policies, as well as the structural deficit of current accounts.

These setbacks led to question on the one hand, the optimal or non-optimal character of the monetary area constituting WAMU and, on the other hand, the relevance of its currency-based project for integration.

This will be discussed in the following chapter.



## CHAPTER *12*

WAMU,  
THE OPTIMAL MONETARY AREA  
AND CURRENCY BASED INTEGRATION



## Section I - WAMU and the optimal monetary zone theory

As a monetary zone, we have to evaluate on one hand whether WAMU is an optimal union or not, based on traditional criteria and, on the other hand, according to monetary management criteria.

### I - Traditional criteria<sup>17</sup>

#### A - Where the problem stands

The fixed parity system instituted by the Bretton Woods Agreements organized a monetary zone that grouped the signatory nations of the agreements (Cf. Volume I, Preliminary Chapter).

At the theoretical level, there was a controversy on the optimal exchange rate between the supporters of fixed exchange rates and advocates of flexibility.

Those who advocated flexibility drew attention to the asymmetrical relations between countries in a fixed exchange rate system and the loss of autonomy of National Authorities in carrying out internal economic policy targets like full employment, fight against inflation, etc.

Hence, they argued in favor of exchange rate flexibility that ensured the monetary autonomy of every nation.

On the other hand, the supporters of the fixed parity insisted that in reality there was neither homogeneity between different regions within the same nation, nor between individuals of the same region and that the lack of homogeneity was even *more marked* between nations that were unequal in their dimensions, populations, wealth, geographical location, history, etc.

Ultimately, they pointed out, the concern for monetary autonomy should, under these conditions, lead to the institution, in the same country, of regional currencies linked by a flexible exchange rate or even of individual currencies.

Such an arrangement, they emphasized, would be absurd, as it would be like a barter system.

Generally speaking, this controversy stems from the problematic of monetary integration, which the prevailing theories equated with a fixed exchange rate system between the concerned countries' currencies, and with a flexible rate between these countries and foreign countries.

R. A. Mundel (1961)<sup>18</sup> brought this abstract debate to a more concrete level by introducing the concept of an optimal monetary zone defined in relation to economic policy objectives - effectiveness in case of an imbalance and adjustment measures in economies linked by a fixed exchange rate.

Thus, an existing or nascent monetary zone is considered as being optimal if the implementation of exchange rate adjustment measures provides meaningful results for the entire zone.

To do this, several conditions have to be fulfilled, ensuring, *in fine*, the economic and financial integration of the zone - the perfect mobility of production factors between

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<sup>17</sup> Patrice Kouamé, thesis quoted pp. 331-336.

<sup>18</sup> Mundell (R. A.), "A Theory of Optimal Currency Areas" in American Economic Review, September 1961.

the concerned countries (Mundell) ; the diversification of economies in such a way that fluctuations of foreign demand could be offset or did not become generalized (Kenen 1969) ; the openness of economies, in which case, since foreign trade would represent a high percentage of national income and flexible exchange rates would be quite ineffective in stabilizing foreign fluctuation - indeed, at the most, they would most likely increase domestic price volatility since these prices are necessarily determined by external prices (Mckinnon 1969) ; financial integration of countries, that is to say a high capital flow between them (Ingram 1959, Whitman 1967) ; goods produced by countries could be substituted, thereby facilitating adjustment.

How did WAMU's characteristics appear in the light of these criteria ?

#### B – Application to WAMU

The mobility of production factors, especially that of labor, is limited within the Union, even if it does exist to a certain degree from Burkina to Côte d'Ivoire.

Similarly, manpower mobility between European Union countries remains weak in spite of the free flow of other factors.

#### Box 12.1

### **GAINS ASSOCIATED WITH THE ADOPTION OF A SINGLE CURRENCY**

It is well known that monetary integration offers both advantages and disadvantages to member countries. In more realistic terms, taking recourse to a single currency paves the way for comparing international prices, without having to incur expenses for gathering information on present and future exchange rates or about the various constraints and regulations. In the same way, the member countries do away with exchange transactions that constitute unproductive expenditure for the society as a whole. Finally, exchange rate uncertainty is eliminated as well as the accompanying costs of conversion from one currency to another. The main result of all these expected positive effects ought to be an increase in production of goods and services at a faster pace than in the case where every country had to issue and manage its individual currency. In fact, resource allocation improves and production costs come down thanks to economies of scale. In addition, consumer well-being increases.

The wider the area in which the currency is used, the more these advantages increase (Mundell, 1961).

Another gain derived from participation in a monetary union is "the advantage of tying one's hands" (Giavazzi and Pagano, 1988). When inflation is the result of the interplay between operators who determine the salaries and fiscal authorities and if the objectives of low inflation proclaimed by the latter are not consistent in time, a country riddled with high inflation would gain in discipline and credibility by affiliating itself to the exchange rate of a low inflation currency.

On the other hand, recourse to a single currency by a group of countries can entail certain costs that have been highlighted - loss of independence in exchange rate adjustment and loss of independence in monetary policy matters. These two points are elaborated in the presentation of the criteria for an optimal monetary zone.

As regards the openness of economies  $[(Imports + Exports)/GDP]$ , it seems that external trade accounts for more than 60% of the Union's GDP. This ratio even reached 78% between 1980 and 1985 (Table 12.1)

**Table 12.1 : Rate of openness of WAMU countries**  
(in %)

Periods	Benin	Burkina Faso	Côte d'Ivoire	Mali*	Niger	Senegal	Togo	WAMU
1970-1974	18.96	13.16	21.50		9.18	21.47	21.67	
1975-1989	53.44	43.06	62.69	38.99	41.52	55.82	78.87	74.17
1975-1979	33.72	36.29	39.88	18.81	26.96	37.08	48.32	74.84
1980-1985	62.16	45.66	72.39	46.26	52.09	65.81	94.65	78.56
1986-1989	65.02	47.63	76.64	53.32	43.87	64.25	93.39	66.77
1990-1993	60.21	49.77	73.85	55.41	31.75	61.38	79.78	63.58

Source : BCEAO

Mali : 1970-1974 (12.70%)

However, this is not the appropriate indicator to measure whether WAMU is optimal or not. On the one hand, these countries export products that are barely processed, for which they have to contend with international market prices. Their imports are dominated by some essential goods (oil, rice, etc.). On the other hand, the relative extent of intra-WAMU trade is a better measure for the degree of market integration of member countries (Table 12.2).

**Table 12.2 : Direction of WAMU countries' external trade in 1989**  
(Exports of X to Y + Imports of X from Y)/(Total exports X + total imports X)  
in %

Y	X	Benin	Burkina Faso	Côte d'Ivoire	Mali	Niger	Senegal	Togo	WAMU
Benin		-	0.17	0.39	-	1.22	0.21	1.83	0.47
Burkina Faso		0.24	-	1.75	0.12	0.61	-	1.08	1.10
Côte d'Ivoire		4.94	14.14	-	23.30	6.89	3.94	1.75	3.68
Mali		0.07	0.38	1.63	-	0.35	1.75	0.07	1.24
Niger		0.69	0.25	0.64	0.04	-	0.13	0.50	0.43
Senegal		0.76	0.94	1.32	8.29	0.23	-	0.83	1.34
Togo		3.13	3.51	0.54	0.29	0.91	0.34	-	0.70
WAMU		9.80	19.20	5.90	32.00	9.00	6.20	4.20	8.50
Other		10.20	2.60	11.30	2.10	-	4.60	4.00	7.60
ECOWAS* countries of which Nigeria		5.30	1.20	7.70	1.80	3.50	3.50	2.00	5.40
ECOWAS*		20.10	21.80	17.20	34.20		10.70	8.20	16.10
Other African countries*		1.90	2.40	2.30	2.50		5.50	2.90	2.80
Africa		21.90	24.30	19.50	36.70	14.20	16.20	11.20	19.70
France		13.20	28.90	20.10	16.30	55.20	33.00	22.40	25.10
EEC		36.50	48.60	58.50	38.50	-	53.60	55.60	51.10
Europe		40.70	50.90	63.60	42.90	-	55.90	60.10	55.10
United States		11.80	3.60	5.60	2.20	2.10	4.70	3.80	5.00
America		12.60	5.30	7.00	4.80	-	7.20	10.20	6.80
Asia		23.50	18.90	7.50	15.70	-	15.60	15.00	10.80

(\*) Niger was not included in the aggregate results

Sources : - BCEAO, "Notes d'Information et Statistiques" (Information Notes and Statistics), No. 457 March 1996.

IMF, Direction of Trade Statistics Yearbook, 1991.

IMF, International Financial Statistics, Yearbook 1995.

Although the landlocked countries (Mali, Burkina Faso and Niger) traded more with other member countries, especially Côte d'Ivoire and Senegal, on the whole, intra-community trade accounted for a very small part of the total external trade of the Union (8.5%). Of course, strong non-formal trade did exist between these countries, which is not reflected in the official statistics, but the Union's economies remained more integrated with the European Union.

On the whole, in the light of traditional criteria, it cannot be concluded that WAMU is an optimal monetary zone.

However, the more recent theories underline the debatable characteristics of these criteria, which explains why the number of criteria in the list has been increased by various analysts. They rather lay emphasis on monetary management.

## II - Monetary management criteria

Economists of the monetarists' school of thought developed these criteria in the 1980s. According to them, an optimal monetary zone is one where currency production is optimal as a result of the laws that govern it (Pascal Salin cf. Volume I).

From this point of view and taking into account the results highlighted in Chapter 10, we can consider that WAMU is an optimal monetary zone.

What are the results of the efforts aimed at promoting a currency based integration ?

## **Section II - The project for a currency based integration and the degree of economic convergence**

The convergence concept consists of two distinct notions : macroeconomic convergence translates the rapprochement between performance and economic policies (growth, inflation, fiscal balance, public debt burden), whereas real convergence implies reduction in development differences in a group of countries. The term used is catching up - the increasing homogeneity of per capita income levels.

### I - Macroeconomic convergence

The Maastricht Treaty drew up a list of criteria to be fulfilled as a prerequisite for European monetary integration (Artis, 1992 ; Healey and Levine, 1993).

ECOWAS has also established indicators in its Monetary Co-operation Program to evaluate the degree of rapprochement between the macroeconomic policies that have been implemented (Cf. Volume II).

The following criteria were selected (Table 6.54) :

- I - Reduction of exchange rate variability (10%),
- II - Reduction of rate of inflation (1 to 9%),
- III - Reduction budget deficit/GDP ratio (5%),



IV - Ceiling for financing budget deficit through the Central Bank (10%).

**Table 12.3 : Convergence Criteria : Summary Performances**

Convergence indicators	Number of countries meeting the criteria in 1996	No. of countries not meeting the criteria in 1996	Deadline for meeting criteria	Remarks
A - Exchange rate system convergence i - Exchange rate variability in a range from 0 to 10% ii - Complete liberalization of current account	10 - WAEMU, Cape Verde, The Gambia, Guinea  13 - WAEMU Group, The Gambia, Ghana, Guinea, Mauritania, Nigeria, Sierra Leone	1 - Ghana	1998	Nigeria should adopt a single exchange rate system by 1998
B - Reduction of inflation rate to a single digit	12 - WAEMU, Cape Verde, The Gambia, Guinea, Mauritania, Sierra Leone	3 - Ghana, Nigeria, Guinea-Bissau	1998	Cape Verde, Mauritania and Nigeria have not yet adhered to Article VIII of the IMF statutes pertaining to current account convertibility
C - Budget deficit /GDP ratio (5% in 1998 - 3% 2000)	8 - WAEMU, Mauritania	5 - Cape Verde, Gambia, Guinea, Guinea-Bissau, Sierra Leone	1998	
D - Budgetary deficit financing by the Central Bank (10% of tax revenue of the previous fiscal year)	4 - Benin, The Gambia, Mali and Mauritania	11 - Burkina Faso, Cape Verde, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Niger, Nigeria, Senegal, Sierra Leone, Togo	1998	Ghana and Nigeria met the criteria for 1995 but the figures for 1996 are not available

Source : Agence Monétaire de l'Afrique de l'Ouest, (West Africa Monetary Agency) ECOWAS Secretariat, 1997.

Table 12.3 shows the performances of each ECOWAS member country in relation to the various indicators.

One can see from the table that a relatively stable exchange rate prevails in West Africa. This was facilitated by the huge devaluation of the CFA Franc in 1994 and the adoption by non WAMU countries of a mechanism based on the market to determine the exchange rate.

Most of the countries met with the criteria of maintaining a single digit inflation rate. Only WAMU countries and Mauritania satisfied the requirements of the 5% budgetary deficit /GDP ratio based on their own statutory rules. Four countries fulfilled the criterion pertaining to budget deficit financing by the Central Bank.

On the whole, WAMU countries fulfilled the convergence criteria specified by ECOWAS except the one pertaining to budget deficit financing.

Respecting these criteria alone would not suffice to ensure the convergence of ECOWAS economies. Other criteria have to be taken into account - reconciling the accumulated arrears in the clearing system, effective liberalization of trade within ECOWAS especially with the reduction of tariff and non tariff barriers, implementation and operation of a mechanism for effective supervision and co-ordination of member countries macroeconomic policies, etc.

## II - Real convergence

The underlying hypothesis of this concept is that economic integration, while favoring the opening up of borders, should allow less developed countries to catch up with more developed countries, as the former should be able to register a faster growth.

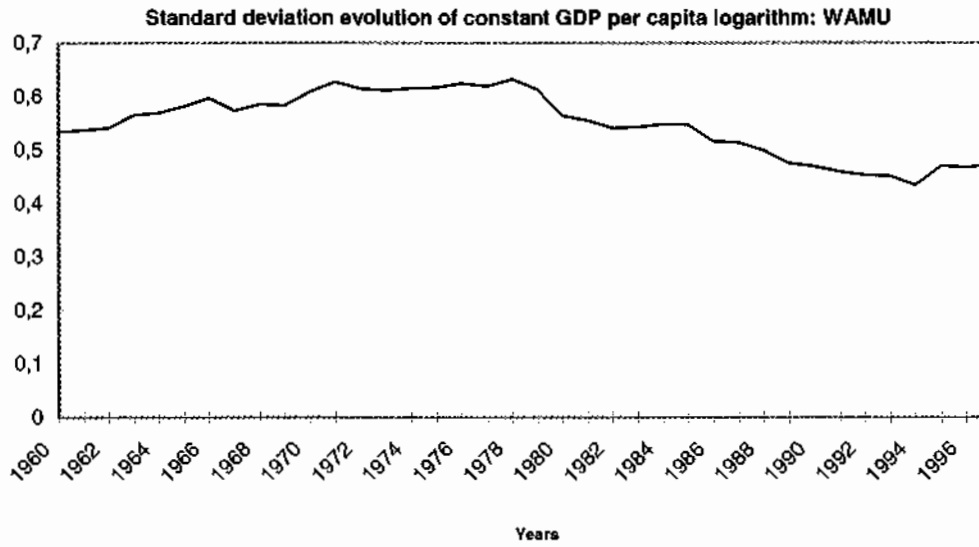
Measuring the degree of convergence of a group of economies gives rise to many technical problems. Moreover, there is hardly ever a consensus on the best method. The two most frequently used approaches were applied to WAMU countries and the rest of ECOWAS.

The first and simpler approach is called sigma-convergence : *countries are closer when their per capita revenue dispersion relative to the average decreases with time*. If these countries - very different in the beginning - converge, the standard revenue deviation per capita shrinks.

Graph 12.1 shows the real GDP standard deviation evolution per capita in WAMU. It shows that until 1979, the economies evolved in a divergent manner. Differences in growth rates widened. The 1980s and 1990s crises induced a downward leveling. Thus, Côte d'Ivoire, which accounted for half of the Union's GDP, suffered a regression of nearly 40% of its own GDP whereas other countries managed to maintain a slightly negative GDP per capita.

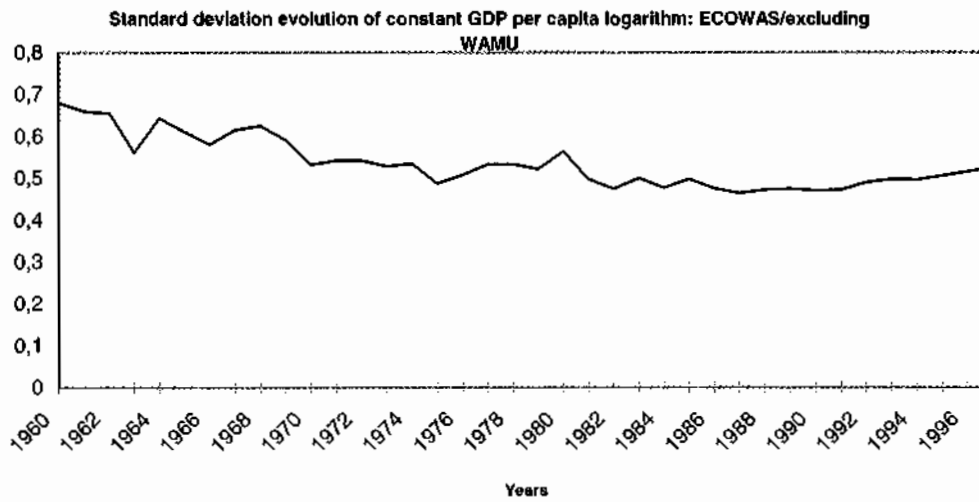
A comparison with all ECOWAS countries shows the opposite situation (Chart 12.2). From 1960 to 1982, GDP differences per capita progressively shrunk. On the other hand, from 1983 to 1994 the standard deviation remained static and even increased slightly. Consequently, WAMU constitutes a group that is more integrated than the whole of ECOWAS but the degree of convergence within the Union is relatively weak.

**Chart 12.1 : Evolution of standard deviation, constant per capita GDP  
logarithm : WAMU**



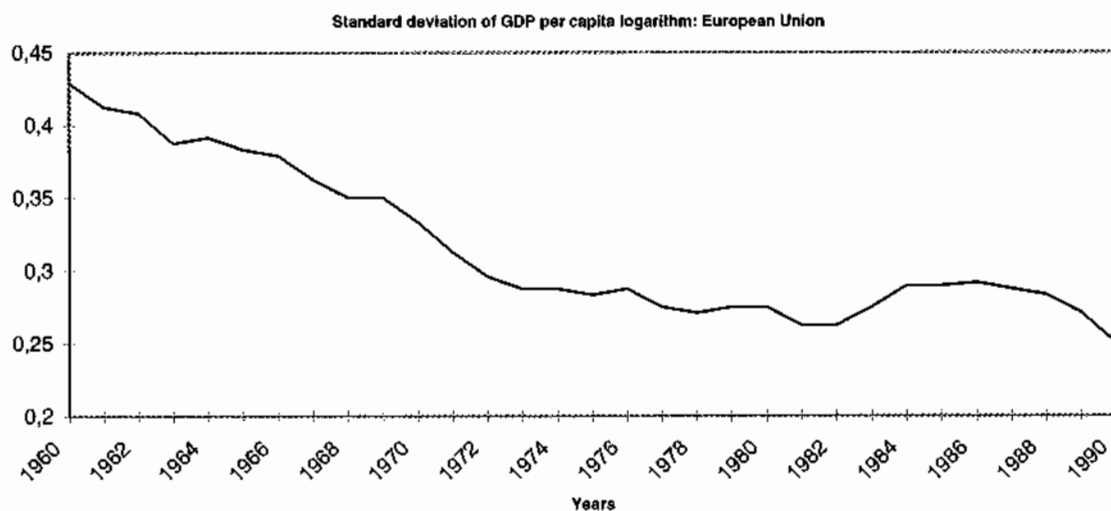
Sources : BCEAO, IMF International Financial Statistics

**Graph 12.2 : Evolution of standard deviation, constant per capita GDP  
logarithm :ECOWAS/excluding WAMU**



Sources : BCEAO, IMF International Financial Statistics.

**Graph 12.3 – Evolution of standard deviation, constant per capita GDP logarithm : European Union**



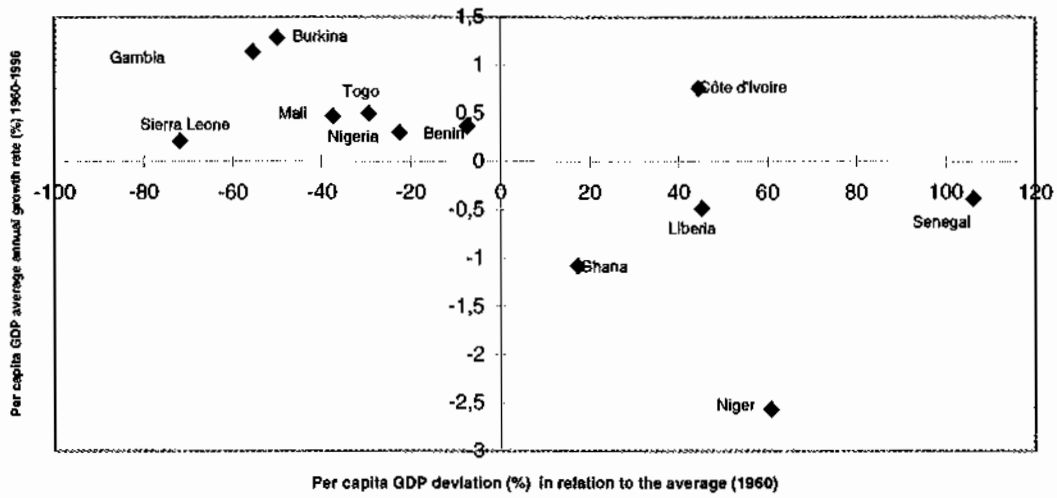
Source : IMF International Financial Statistics

By contrast, Graph 12.3 shows the degree of evolution in the convergence of European Union economies. There is a very significant trend towards matching standards of living, the *curve showing a highly tapering slope*.

The most common convergence measurement is  $\beta$ -convergence (See box 12.2). This reflects the fact that countries with a per capita income below average in the beginning ultimately experience a higher average growth rate.

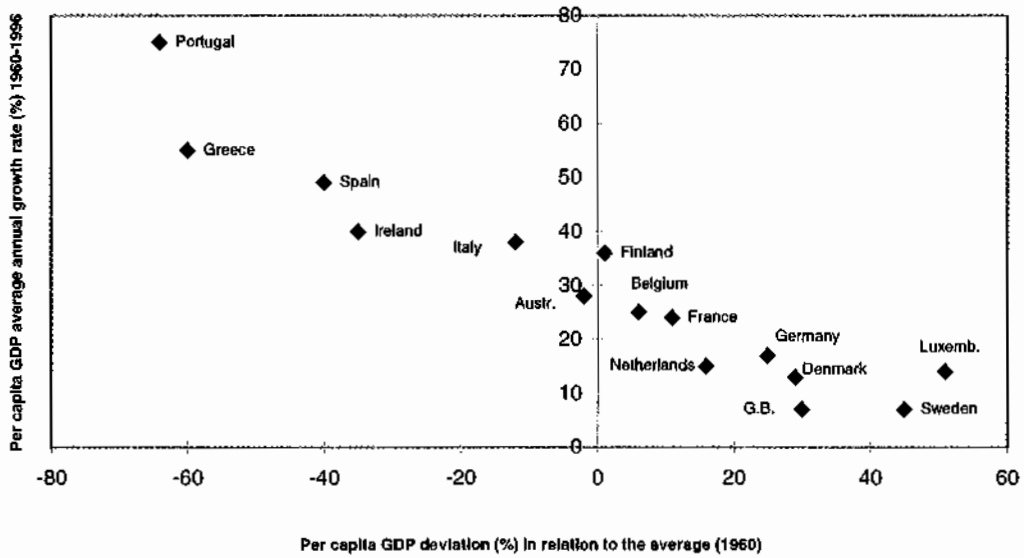
The  $\beta$ -convergence phenomenon can also be observed by representing the per capita GDP in 1960 for each country of the Union on the same graph, with, on the ordinate, the average growth rate for the 1960-1996 period (Graph 12.4). A negative slope of the curve indicates that the data prove the hypothesis on convergence - countries whose per capita income was below the average in 1960 enjoyed higher growth rates later.

**Graph 12.4 - Per capita GDP deviation in relation to the 1960 average :  
WAMU and ECOWAS.**



Source : IMF International Financial Statistics

**Graph 12.5 - Per capita GDP deviation with relation to the 1960 average :  
The European Economic Union**



\* PIBPT : Per capita GDP

Source : IMF International Financial Statistics

In 1960, Burkina had the lowest GDP per capita - 60% below WAMU average. The country's per capita GDP later grew at an average rate of 1.3% in real terms per year over the thirty-six years after independence. At the other end, Senegal, with a per capita GDP which was more than twice the Union's average in 1960, saw a continuous fall in its per capita GDP during 1960-1996 (minus 0.5% per year).

WAMU countries thus demonstrate quite a clear convergence trend, Côte d'Ivoire being the only exception to the rule. With a per capita GDP higher than other countries, except Senegal, it started by consolidating its lead during 1960-96. Table A.12.1 shows the  $\beta$  value assessment.

The dependent variable is the difference between the real per capita GDP logarithm of the country in the year  $t$  and the real per capita GDP logarithm of this country in 1960 (DIFCONG). The independent variable is the per capita GDP of  $i$  in 1960 (CONG). The  $\beta$  value is indeed negative.

#### Box 12.2

##### The $\beta$ - convergence criterion

The most common convergence measurement is  $\beta$ -convergence (Barro R. and Sala-I-Martin X., 1996). This occurs when, in an instantaneous regression on growth rates (average of the period under consideration) of the initial per capita GDP levels, the beta-coefficient of these initial levels is negative. The underlying hypothesis is that every region has a stationary growth path. A negative beta means that countries with a per capita GDP below the average in the beginning of the period will later experience a higher average growth rate.

Using the "least square" method, application of this criterion amounts to solving the following equation.

$$g_i (y_i^t - y_i^0) = a + \beta y_i^0 + e_i$$

where  $i$  is the logarithm of the real per capita GDP at time  $t$  of the country  $i$ ,  $y_i^0$  being the logarithm of the per capita GDP of the country  $i$  at the beginning of the period,  $g_i$  being the growth rate for the period under consideration,  $e_i$  a disturbance term. Structurally  $\text{cov}(e_i, y_i^0) = 0$ .

If the other ECOWAS countries are included, we obtain a group that presents a more convergent profile with a negative  $\beta$  that is higher in absolute value than that of the countries of the Union (Table A 12.2).

On the whole, the Union countries have seen their economies become more harmonized during 1960-1996. However, as a group, they do not show a higher degree of convergence than ECOWAS.

The conclusion that can be drawn from the preceding paragraphs is that monetary integration by itself is not a sufficient condition for economic integration. This requires the implementation of determined policies in other sectors.

This analysis justifies the WAEMU Treaty, which constitutes an advanced legal framework for organizing the Union's area, if concrete measures are effectively undertaken. This treaty illustrates the momentum given to the Union at every stage of its history by the BCEAO management.

The following chapter recounts the most salient structural reforms introduced by management.







## CHAPTER *13*

ACHIEVEMENTS OF BCEAO  
SUCCESSIVE HEADS



Since 1962, BCEAO has had one Managing Director and three Governors, the third incumbents' term of office being currently in progress. Each one of them worked to leave his mark on the Institution depending upon the problems faced and the way things evolved.

### **Section I – Robert Julienne**

He successively held the posts of Managing Director of the “Institut d'Emission de l'AOF et du Togo” (Issuing House of AOF and Togo) from 1955 to 1959, then the post of the Director General of BCEAO under the Community's regime as from April 1959.

After independence and the signing of the Treaty of 12 May 1962 which established WAMU, he was appointed Director General of the new BCEAO from 1962 to 1974.

During the delicate period following the beginning of independence, he worked for the issuing area's survival by transforming it into a monetary union between independent States, thus preserving past assets.

From that moment on, he had the difficult task of fighting the predominant ideas of the era in the nascent States. Against all odds, he had to convince them that monetary discipline, far from being contradictory to legitimate development policy, was in fact one of its winning cards.

It was to him that BCEAO owed the establishment of the first operational structure and standard procedures for implementing operations and running services, bearing the stamp of a great discipline : especially the organization of teller services and operational procedures to be applied, accounting regulations, credit regulation, cash control and accountancy, and branch inspection by the Headquarters.

He opened the first BCEAO officers training center : the “Centre d'Application Technique et Professionnel” - CATEP in Abidjan.



Robert Julienne

## Section II - Abdoulaye Fadiga

BCEAO's first African Governor after the 1973 reforms, he held office from 1974 to 1988.

One of his achievements was the transfer of BCEAO's Headquarters from Paris to Africa, in Dakar, to the premises he designed and built.

He then proceeded with reorganizing the institution to make it more suitable for its mission and environment ; he then implemented fiscal and credit policy guidelines and budget management within the bank.

The Bank owed him the total Africanization of its employees, the creation of the "Centre Ouest Africain d'Etudes Bancaires" – COFEB – (West African Center for Banking Studies), which had a bigger role than the CATEP, since it was responsible for the training of the executives of not only BCEAO but also of banks and financial institutions.

The statutes governing executive staff, the Executive Staff Pension Scheme , the principles governing non executive staff , the supplementary pension for this category of staff, were the major components of the personnel management policy he implemented.

During his tenure, WAMU was enlarged to Mali as its seventh member.

Within a far-reaching building program, he renovated all BCEAO's principal agencies and established several auxiliary branches.

Governor Fadiga died in office on 11 October 1988.

He was honored with the following distinctions : Commander of the National Order and "Officier du Mérite Agricole de Côte d'Ivoire", Officer of the French Legion of Honor, Commander of the Order of Mono of the Togolese Republic, Commander of Cruzeiro del Sul of Brazil and Grand Officer of the Order of Malta.

As a sign of gratitude for the services he had rendered, the Senegalese Authorities named after him the avenue where BCEAO Headquarters is established in Dakar.



Abdoulaye Fadiga

### **Section III – Alassane Dramane Ouattara**

He was the Governor from 1988 to 1990 at the height of the economic crisis in the issuance area and the banking system.

His basic contribution was the fiscal and credit policy reform as well as the 1989 intervention rules for bringing into line the fiscal policy and the structural adjustment measures implemented by the States of the Union ; the Banking Commission vested with bank supervision at the Community level was created at his initiative.

He initiated the debate on economic integration within WAMU countries following the Heads of State Conference agreement.



*Alassane Dramane Ouattara*

#### **Section IV - Charles Konan Banny**

Interim Governor between 1991 and 1994, then Governor since 1994, he had the onerous task of conducting the fiscal policy after devaluation so as to check inflation.

He contributed to the opening of new prospects for the issue area by concluding the Treaty establishing the West African Economic and Monetary Union (WAEMU), the very day the change of parity decision was taken, and initiated the establishment of its first organs.

In the community dynamics and the spirit of the 1989 reform, he renovated and enhanced the Central Bank's intervention instruments by abandoning interventionist measures in favor of market mechanisms : securitization of consolidated funds, enhancing of the money market, regional financial market, regional stock exchange.

He implemented a significant work of standardization of accounting practices at the community level : Banking Chart of Accounts, West African Accounting Process (SYSCOA) ; he also initiated the reforms aimed at establishing a payment incidents center and modernizing payment systems and media.

To deal with management renewal and take into account the new duties of the Bank, he proceeded with a reorganization of the Central Bank which notably laid emphasis on internal and external audit by professionals.

During his tenure, Guinea-Bissau became the eighth member of WAMU.

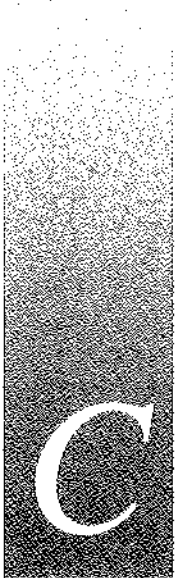
The Historical Committee, in charge of writing the Bank's history, was commissioned at his initiative.





Charles Konan Banny





CHAPTER *14*

PROSPECTS OF WAMU



For the sake of objectivity and also to leave the debate open in a field with multifaceted dimensions subjected to innumerable controversies, the members of the Historical Committee decided not to impose a choice on the reader and chose only to present elements of information and an appraisal of the alternatives available to the States of the Monetary Union in the future, since change is in the nature of things and inherent to everything that exists : living beings, groups, institutions, civilizations, etc.

## Section I - Appraisal

The provisions required for organizing a monetary union in general, the case of WAMU and the results of this experiment, and its environmental evolution are highlighted here.

### I – Principles for the Organization of a Monetary System

At least four provisions were required for the organization of a monetary system : currency denomination, exchange arrangements, the degree of the currency's convertibility, an institutional model in the case of an integrated monetary system, operations concerning the issue of currency.

#### A – Choice of currency denomination

There was no absolute criterion that was in existence. The chosen denomination could be *symbolic* – syli<sup>19</sup> - or based on the people's monetary *tradition* - Ouguyia, Dalasi - <sup>20</sup> or linked to *history* - CFA Franc, Liberian dollar, etc.

#### B – Choice of exchange arrangements

##### a – Currency definition

The Preliminary Chapter in Volume I demonstrated how currency is an instrument of organization not only for a given community but also for the relationship between different communities.

With this intention, the international monetary system allowed the establishment of links between currencies of different communities for facilitating movement of goods - trading -, people and capital.

In the gold standard system, this link was gold taken as the standard denominator. The currency's definition in relation to gold, fixed its gold content, its equivalent in gold, and its parity with gold.

Thus, before 1928, 1 French Franc was 0.32 258 gram or 322.58 milligrams of gold ; the law of 1928 reduced its gold weight to 65.5 milligrams, or a devaluation of 80%.

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<sup>19</sup> Elephant in the Soussou language.

<sup>20</sup> The Gambian currency.

With the gold standard exchange rate, only the US Dollar was defined vis-à-vis gold at 35 dollars = 1 ounce of gold that is 31.10348 grams of gold.

In the recent international monetary system, the gold standard was no longer followed since the 1976 reforms of the IMF statutes.

A country or a group of countries having a common currency, could define its currency in relation to the currency of another IMF member country or in relation to a basket of currencies or SDRs or any other composition.

The currency's exchange rate was fixed with reference to the currency or the basket of currencies it was related to.

#### b – Exchange rate policy

In legal terms, the definition of currency and fixing of its exchange rate, could arise from an independent decision of a country or a group of countries, or from an agreement or monetary arrangement with the country or countries of reference.

In either case, the issuing country either opted for a fixed or flexible exchange rate, i.e. letting it float or adjusting it if required.

Generally, when the exchange rate is based on an independent decision, even for a fixed parity, it is easier for the issuing country to adjust the exchange rate, if required, than in the case of an agreement.

To sum up, notwithstanding the politico-cultural criteria linked with history that could intervene, the choice of exchange arrangements basically depended on the goals set by the economic policy and especially the thrust of commercial transactions.

#### C – The option to make concerning the degree of convertibility

Currency convertibility is the legal possibility given to its users to tender it in transactions outside its issuing area, that is to extend its function beyond the issuing countries' or area's frontiers.

The field of transactions covered by the currency determines its degree of convertibility.

An inconvertible currency is a currency which cannot be used outside its issuing zone.

Convertibility, along with the specification of operations concerning the issue of currency, is one of the essential elements of a currency's quality and one of the most binding options in the monetary system's organization.

The weight of this constraint is proportionate to the exchange rate that links the country of issue to its partner countries.

*Both in the large and narrow sense of a monetary area* (cf. Volume I, Preliminary Chapter), the center country does not have any convertibility problems with its satellite units as its currency is in circulation throughout the area or used as a standard for the area's different currency units.

On the other hand, *satellite units* must constitute assets in the pilot currency to ensure the local currency's convertibility unless there are specific arrangements within the area – like the operations account - facilitating the currencies' interconvertibility.

*Outside the monetary zone*, it is necessary for the issuing country to have holdings in foreign currencies to ensure its currency's convertibility. This implies that it can accumulate foreign currencies (currency reserve) through trade and movement of capital with the outside world.

It was this necessity that Jean Denizet highlighted in his report (cf. Volume II Chap.1).

#### D – Choice of an organization model in the case of an integrated monetary system

The characteristics of different models were specified in the first chapter. It suffices to recall that *the hierarchical system or the monetary zone is asymmetrical but stable ; the egalitarian system – monetary union or monetary co-operation – is fragile ; an independent Central Bank is also a stable system.*

#### E – Defining and regulating the operations concerning the issue of currency

This concerns the fixing of currency production modalities in the issuing area. The quality of currency issued and the economic stability of the area depend upon the stringency of regulations.

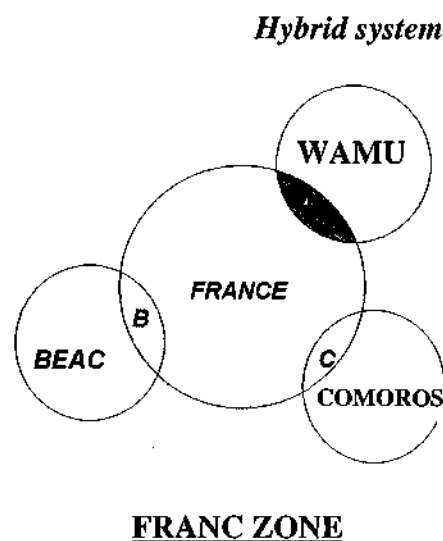
### II – The case of WAMU

By highlighting these provisions in WAMU's organization, it was possible to identify the various options available and the conditions under which the concerned points could be modified.

A – The monetary organization model was a hybrid one in the sense that it was an egalitarian system for the African Member States (monetary union) but was included in the hierarchical system for the Franc Area where France was the center country.

Thus, France participated in the Central Bank's management through the presence of two directors in the Board and one representative in every National Credit Committee ; it appointed a supervisor vested with the powers to oversee the implementation of the operation accounts provisions.

A diagram as shown below can represent this organization model :



Source : Patrice Kouamé, 1998.

Intersection A represents the totality of the provisions linked to the Franc area membership.

B - Thus, the denomination of the CFA Franc currency, was based on the pilot currency, the French Franc.

C - It was defined with reference to the French Franc to which it was linked by a fixed parity under the co-operation agreement with France.

Moreover, France had to be *consulted* on any modification of the CFA Franc exchange rate.

D - The CFA franc was convertible. France collaborated with WAMU member States to ensure this convertibility in the framework of the convention on an operations account.

According to this convention, BCEAO opened an account in the French Treasury's books in which it deposited at least 65% of its holdings in foreign currency apart from the sum required for its current cash position and certain other operations (cf. Volume II Chap.3).

In case its holdings were depleted, the Bank could obtain an advance from the Treasury after siphoning off the holdings of WAMU enterprises and banks held elsewhere and recourse to the IMF.

E - The definition of operations concerning the issue of currency was very stringent in the statutes. In particular, assistance to national Treasuries was limited to 20% of the national fiscal revenue, and a minimum cover rate of 20% of BCEAO's sight liabilities by its gross external holdings was imposed. The currency and credit policy guidelines, as well as intervention rules, provided the guarantee for the internal and external purchasing power of the WAMU's CFA Franc by a suitable monetary policy.



As we have seen, the end result of this experiment is positive as far as internal monetary management is concerned, but remains questionable as regards external monetary management, and gives mitigated results in the case of economic management and integration of economies (cf. Section I).

What then can be the future options ?

## Section II - Options for the future

The profound changes that have taken place in WAMU States environment shall be the factors that determine the future of this issuing area.

### I – Changes in the environment

#### A – At the geo-political level

The foreign policy of the Franc Area's center country, that is France, was in consonance with changes in international relations.

Thus, the Franc Area, built by the Colonial Empire in the nineteenth century, became, in a world of confrontations and conflicts, a protected economic and monetary zone vis-à-vis the outside world during the Second World War and the Cold War.

Since then, it is trudging towards a more open world, based upon liberalization of international payments (IMF), followed by economic relations (WTO<sup>21</sup> after GATT). We can further add to this, the promotion of regional co-operation especially with the founding of the European Union and the advent of a single currency – the Euro – on 1 January 1999, which shall contribute to the extinction of the French Franc in 2002, the North American trade agreements between the United States, Canada and Mexico, the Asia-Pacific pole built around Japan, Hong Kong, Taiwan, South Korea and Singapore, the search for an economic community with ECOWAS in West Africa, with CEMAC<sup>22</sup> in Central Africa and with the SADC<sup>23</sup> in southern Africa.

#### B – Orientations in Trade

In the move to open up, WAMU countries have diversified their foreign trade.

In fact, in 1962, WAMU exports to what is today the European Union, were 77% of the total exports ; their proportion decreased to 51% in the early 90s, in 1991 in particular.

There was also a downswing in the share of imports of this group of nations from 75% in 1962 to 49% in 1991.

Following this trend, there was a substantial regression in trade with France. Out of 77% of sales to the countries mentioned above, France's share was a little above 62% ; in 1991, it was only 19% out of 51%, the share of other European countries being much larger.

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<sup>21</sup> World Trade Organization.

<sup>22</sup> «Coopération Economique et Monétaire de l'Afrique Centrale», (Central African Monetary and Economic Community).

<sup>23</sup> South African Development Community.

As for imports from France, they fell from 61% of the European total (75%) in 1962 to 28% in 1991, the share of other European countries rose from 13.7% to 20.5%.

Geographical direction of trade was towards the West African region, in the ECOWAS countries.

In 1991, the share of exports to the countries in this group was 21.5% against 9.7% in 1962. Similarly, the share of imports from ECOWAS countries rose from 4.8% in 1962 to 22% in 1991.

Besides, trade with Asian countries, which was very low just after independence of WAMU countries, has developed substantially.

From 0.8% in 1962, the export share to these countries was above 10% in 1991 (10,6%) ; the import share rose from 6% to 12.8% during the same period.

In brief, at the time of independence, France occupied a dominant position in trade with WAMU countries, both internationally as well as within the countries that form the European Union today.

Trade was progressively diversified and oriented in two directions : towards other countries in the European Union, France's share having regressed substantially ; to other ECOWAS member countries as well as Asian countries, as the share of the European Union fell.

However, the latter remains the largest trade partner with an average 50% of total trade.

The movement of trade trend indicates objectively in which direction WAMU countries should orient their foreign exchange system.

As this is not the only criterion, other considerations intervene in this option : history, habits, cultural relations, regional monetary partnership policy, etc.

#### C – The CFA Franc's convertibility guarantee

The guarantee given by France to the CFA Franc's convertibility is no longer unlimited but complementary to the States' efforts and conditional since the 1973 reform. France "offers its help".

The CFA Franc's first line of defense is constituted by the foreign exchange reserves of the States of the Union thanks to their exports outside WAMU and capital inflow.

The second line consists of the resources the States can mobilize from the IMF of which they are members, in case they face difficulties with their balance of payments.

The third line is their gold stock held by BCEAO.

Other means, like taking an advance from the operations account can be resorted to only after all other avenues are exhausted. It has to be noted, however, that in practice, these provisions were not applied very rigidly.

#### D – The leading role played by the IMF in the conduct of economic policy

The IMF's supervisory mission that was already incorporated in the original statutes was reinforced as time went by especially after the major crises in the 70s and 80s, which led to the reform of the statutes.

Since then, especially developing and emerging nations are beset with numerous problems : debt crisis, banking crisis, stock market crashes, etc.

Thus, to co-ordinate the different sources of assistance, a doctrine imposed itself gradually according to which a program with the Bretton Woods Institutions became the condition for mobilizing other multilateral and at times bilateral aid.

We have seen how in the early 1990s, these Institutions made the CFA Franc devaluation a prerequisite for the continuation of any funding and for all practical purposes, for the re-establishment of relations with the international community.

#### E – The necessity to introduce more flexibility in economic management

From the crisis in the early 1970s that led to the falling apart of the 1944 Bretton Woods monetary order based on the fixed parity of currencies, several lessons were learnt concerning exchange arrangements and economic management.

We have seen how the notion of market techniques, inspired by the liberal theory, has since overtaken the administered and interventionist methods.

The floating of a currency, whose exchange rate is determined henceforth by the supply and demand on the exchange market, appears as a rational way of managing the economy.

Failing which, in the medium-term, one should adjust the exchange rate at the right moment, quietly and imperceptibly, when changes in the rate are likely to threaten the competitiveness of the economy.

Nevertheless, this exercise should be supported by a non-inflationary monetary policy favoring the nominal exchange rate stability and thus inspiring confidence to users.

## II - The alternatives

### A - Maintaining the status quo

In this choice, the mechanism described in the above paragraph B remains the same even after the creation of the Euro and the elimination of the French Franc, the convention on an operations account that is at the heart of the system being implemented, on the French side, by the French Public Treasury.

The only change brought about would be the substitution of the French Franc by the Euro and the CFA Franc's institutional affiliation to the Euro at a fixed parity. *Modalities of this affiliation will have to be specified with regard to the texts that govern the European Union.*

B - Constitution of a WAMU autonomous monetary zone

a – Choice of a reference currency for defining the autonomous currency

This decision will confer on the States in the Union the freedom to define their currency in relation to another currency or a basket of currencies – the SDR or any other composition ; to maintain the present denomination - CFA Franc – or *change* it.

In any case, as pointed out in the preceding paragraph b, the reference currency should take into account the trends in trade and financial movements between WAMU and foreign countries.

With 50% of the issuing area's external trade, the European Union is WAMU's largest economic partner. Moreover, its currency – the Euro – is objectively identified as the reference currency for defining and fixing the exchange rate of WAMU currency.

The latter is, however, autonomous in the sense that its definition in relation to the European Union's currency – the Euro – does not arise from a type of monetary arrangement described in paragraph B but from a deliberate economic choice.

b – Choice of a basket of currencies to define the issuing area's currency

If countries would rather opt for a basket of currencies other than SDRs, the composition of this basket should necessarily confer the lead role to the Euro, the currency of the largest trade and financial partner of the issuing zone.

c – Currency convertibility

Autonomy signifies that the Central Bank has the freedom to manage foreign exchange holdings. It also signifies that the States should physically and psychologically guarantee the currency convertibility themselves.

However, the analysis of current account transactions' balance in the long-term shows it is structurally in deficit ; this deficit in economic analysis terms corresponds to the deficit in public funds.

The issuing area's economic policy objectives, under these conditions, should aim at improving the current account transactions' balance by increasing exports, intensifying intra-zone trade, stimulating internal production, especially food production and at balancing public funds.

The aim of the monetary policy should be to ensure the stability of the internal and external purchasing power of the area's currency.

Besides, replenishment of the Central Bank's gold stock is necessary to ensure its currency's third line of defense.

Overdraft facilities agreements that could be signed with public and / or private financial institutions may provide additional money but in no case can they constitute the basic safety net for the system whose credibility will be linked to economic policies and monetary policies of the area and their results.

d – Choice of a monetary organization model

In its present day format, WAMU when confined to African States is an egalitarian system. The disadvantages of this format have already been highlighted (Volume I, Chap. 1).

Now, collective discipline has to be maintained and reinforced along with the area's autonomy. To ensure this, several non mutually exclusive solutions exist : implementing the multilateral supervision instrument of macroeconomic policies as stipulated in the WAEMU Treaty ; reinforcing the independence and powers of the Central Bank for the implementation of its regulations, supervision and co-ordination of the States' macroeconomic policies as well as the common currency exchange rate management ; enforcement of majority rule in certain cases instead of seeking unanimity.

On the whole, the autonomous monetary zone should be an optimal monetary zone, in the sense that the currency produced should be a quality currency following the prevalent institutional regulations and arrangements.

In fact, the quality of the currency produced cannot be inferior to the currency used by the public in the present system in terms of purchasing power and convertibility.

### Conditions for WAMU nations' monetary emancipation

1 – To reason in terms of emancipation or independence on economic questions, can seem at best pretentious, at worst anachronistic and unrealistic in a world that is moving more and more towards interdependence and globalization.

In fact, a certain mechanistic vision of the economy's functioning and beyond that, the international market, often associates these terms with the notion of a rigid and static framework that one has to conform to rather than a dynamic constraint.

The interdependence and globalization phenomena, like any other economic phenomenon, do not exist independently of human beings ; they are incidental to the multiple decisions and diverse actions initiated by perceptive and rational players, acting to the best of their interests on the global scene.

Consequently, the state of interdependence and globalization at a given time, conveys the power struggle and conflicts of interest between the actors at that time.

And it is because these actors, when they think they are in an unfavorable position, can develop legitimate strategies to put themselves in a more favorable position, that no situation is permanent, and the world is in a perpetual change and evolution. In other words, there is no contradiction between interdependence and autonomy of decision. However, any decision entails a cost that should be borne and a challenge to be taken with regard to the future because there is no guarantee for expected results.

2 – The question of monetary dependency of WAMU nations is linked, notwithstanding its history, to the fragility of their economic structure and risks of deflation and recession due to their export revenue fluctuations.

Thus, the operations account mechanism allows countries, in case of need, to continue to ensure their imports.

Economically speaking, it is an exemplary arrangement between a group of countries from the South and a country from the North.

In fact, this provision linked to a fixed parity system between the CFA Franc and the French Franc does contain perverse effects in the long run as it procures a purchasing power often used for consumption of foreign goods to the detriment of local produce ; it favors capital flight and rigidity in economic management.

Under these conditions, this monetary arrangement presents a lot of disadvantages to the present status of the economies.

3 – However, several conditions have to be satisfied for the success of a monetary autonomy :

a) Implementation of economic policies aiming at economic equilibrium in the area, especially the cover for current needs such as self sufficiency in food production—production of rice and other cereals, animal produce, fish, clothing, etc.

b) Support for these policies by an exchange rate policy favoring domestic production.

c) Reduction of unproductive expenditure in the economy – size of the Administration, extravagant expenditure, etc.

d) Reinforcement of the Central Bank's credibility and its independence especially by :

- Implementing its financial autonomy by allowing it to constitute its own reserves to deal with the States' needs if required– buying gold produced in the area so as to attain a critical threshold, the money necessary to manage several years of import expenses ;
- Enlargement of its power in the exchange rate management ;
- A quid pro quo adaptation of its management structures.

### C – Creating an ECOWAS monetary zone

Independent of the assertive nature of this monetary co - operation program at the regional level, trends in WAMU's external trade show that the other ECOWAS countries participate in a significant way in spite of the diversity and the low degree of convertibility of most of their currencies.

The “Chambre de Compensation de l'Afrique de l'Ouest” (West African Clearing House) which ought to correct this situation has not met with great success, due to the environment characterized by the development of the informal sector, the economic crisis in the 1980s and the maintaining of foreign exchange control and trade barriers.

A single currency for all the countries of the region can contribute not only in improving the monetary policies, a condition that is necessary to implement efficient macroeconomic policies in the region but also to promote trade.

Instituting a fixed and irrevocable parity between the nations' currencies, convertible with each other without any limit, can also promote unity in the monetary zone. However, this solution is not irreversible and therefore less secure than the previous measure.

Anyhow, two systems can be considered.

#### a - Organization of a dependent regional monetary zone

A dependent regional monetary zone based on the present WAMU format, whether it is a pure and simple extension of WAMU to other nations in the region or a regional monetary organization on this model, appears difficult to implement today, since it is imperative that a partner from a developed country or a group of developed countries, like the European Union, consent to establish an operations accounts type convention with the regional central bank ensuring issue for all the nations in the region, or with the central national banks in the case an account in national currencies has to be maintained.

#### b - Organization of an autonomous regional monetary area

The second system is similar to the format described in paragraph B ; its viability will depend on the economic policies and institutional provisions that shall be implemented to ensure the production of a currency in the region whose quality would be more or less equal to that of better-off currencies in the area, in other words to build an optimal monetary zone.

The people of this region could not aspire for less.

#### Box 14.2

##### **Development, a prerequisite for African Autonomy**

To break the fetters of economic dependence on the industrialized world, Africa should resolve to implement the Lagos Plan of Action, insisted Mr. Robert Browne, former Director of the African Development Fund (ADF), at present administrative head of support staff of the sub-committee on international development and finance organizations of the United States' House of Representatives.

"The cornerstone of the Lagos Plan of Action is the following truth: if Africa wants to enjoy economic autonomy, it has to make concerted efforts to break its fetters of dependence, it should stop extracting from its soil products that the African themselves do not want, but peddle a little bit all over the world, in order to obtain the necessary revenue to buy what they want and need", declared Mr. Browne.

Thus, the Lagos Plan of Action was in the eyes of the administrative head, an intellectual breakthrough vis-à-vis the old comparative advantage theory, which encouraged the Africans to produce goods at competitive prices and send them to the developed world in order to buy other goods they needed.

Mr. Browne made these observations in two televised broadcasts of the United States information agency WORLDNET in a satellite linked teleconference with interlocutors from Monrovia and Lagos (3 May) and Abidjan and Brazzaville (9 May).

"Failure to develop concerted measures aiming to give special weight to local production, i.e. producing goods needed by African themselves, rather than producing what is required by the West and then buy what they need, the African nations will be in perpetual slavery to the outside world. Therefore, I think that the Lagos Plan is a step in the right direction", said Mr. Browne.

He explained that agricultural products for which Africans held a comparative advantage are mostly food produced in most of the developing world. "In the majority of cases, the comparative advantages enjoyed by African nations for a given product is largely due to the fact that this production was imposed upon them by colonial powers", he added.

Whether it is coffee, cocoa or copper, in an export oriented economic development strategy, supply will soon outstrip demand because a large number of producers aim at exporting their produce to ensure their economic development. Thus, this situation would lead to a fall in the concerned products' prices, and consequently, with nil or quasi nil income for countries that try to increase their production at any cost for economic development and debt repayment, declared Mr. Browne.



"In my opinion, the long-term wise solution for Africans, is that they dedicate further their resources and energy to produce goods for themselves rather than for selling them abroad with the fond hope of benefiting from an income sufficient to procure what they need", declared Mr. Browne once more.

He was also in favor of the integration of African States in larger economic associations, in order to increase their economic power and he especially quoted the Economic Community of West African States (ECOWAS), South African Development Community (SADC) and the customs zone created in Eastern Africa as arrangements that have proved their usefulness.

Questioned on the merits of debt rescheduling on the economic front and above all the results of the Zaire experience, as a solution for the debt crisis, M. Browne answered : "I have quoted this example in an article to show that debt rescheduling by the Paris Club, a practice often resorted to by the African nations, does in no way represent a viable solution in the long term".

Indeed, rescheduling only postponed a short-term problem (that is immediate payments), and transformed it into a long-term problem, without producing, however, in general, a decrease in the interest rate, the expert pointed out. A rescheduling by the Paris Club amounted, for the indebted nations, to "meeting its payment obligations not by making a payment, but by increasing the amount due". Thus, rescheduling only increased the long term payments and in the specific case of Zaire, at the time when the country had at last finished repaying the original debt, it still owed a sum considerably higher than the original borrowing, due to rescheduling, which accumulated other obligations, namely debt servicing.

Mr. Browne accepted that rescheduling conditions had become "somewhat flexible" by extending the depreciation period following the "strong protests raised in the last few years".

He also explained the apparently rigid rescheduling conditions imposed by the International Monetary Fund (IMF) by the fact that this organization was not conceived with long-term debts in mind : "The IMF was meant to assist countries to meet immediate liquidity shortage (...), therefore its loans are for a short-term only (...). I think this is the reason for the great number of problems IMF faced in Africa".

Besides it was for this reason that the IMF created an "Enhanced Structural Adjustment Facility" (ESAF) that granted loans repayable in ten years with a five year grace period at preferential interest rates.

"It seems to me that this is a mechanism to pull the IMF out of a tight spot in an indirect way, by allowing African nations to repay their debts over a much longer period as otherwise there was the risk that they would repay nothing at all", said Mr. Browne. However, the implementation of the ESAF also allowed the IMF to answer its critics, who accused it of being only worried about recovering its loans with scant regard to the social consequences in indebted countries.

"Mozambique was the first case where debtors allowed a substantial reduction in the interest rate that came down from the standard market rate in force to a rate of one and a half percent, which gives hope that perhaps the country would be able to repay its debt at this low interest rate", Mr. Browne pointed out.

Answering a question from Lagos, he represented that in many ways "what we call the third world crisis is in fact a global debt crisis, "Thus, it is absolutely in the interests of the United States to find a solution to this crisis, for two reasons :

- Firstly, the United States see potential markets for American goods in developing countries. About 40 percent of the United States external trade in recent years was with developing countries. As a result of the debt crisis, the capacity of the third world to "import American goods declined sharply and this is reflected in our economic situation characterized by heavy payment deficits, partly due to our inability to sell to the third world as we used to before".

Secondly, most of the developing nation debts are owed to industrialized nations. The United States, having themselves become the most indebted nation in the world, take a special interest in the repayment of these debts because they need to repay their own debts. "If you are owed a great sum of money and the person who owes you is not capable of repaying the debt you are in as much trouble as the borrower, if not more", Mr. Browne declared.

On the question of debt cancellation as a partial solution to the problem, Mr. Browne pointed out that whereas the Reagan Administration was always against this policy, not everyone agreed with the administration in the Congress. Commercial banks, which are third world's largest creditors were not interested in initiating the dialogue on this subject as they would directly stand to lose by it" declared Mr. Browne.

But Mr. Browne did add that when one talked about the third world debt to the United States, "one talked mainly about Latin America's debts". It was this debt that was weighing down the American economy heavily.

"It is basically a trade debt, a debt owed to private banks, particularly banks in the financial center of New York. The African debt, although substantial, seen from African economies' point of view, is much smaller than Latin America's and it is not owed only to commercial banks. Consequently, there is less pressure in canceling the African debt than in canceling the Latin American debt".

According to Mr. Browne, there seemed to be another cause of worry on this subject : while it is easier for Governments to write off loans than for commercial banks, doing this for one region would create a precedent. And the worry was that they would also be forced to extend this favor to Latin America.

The picture drawn by Mr. Browne seemed quite bleak, which led a participant from Abidjan to ask what were the chances Africa had to overcome the debt crisis. To this, Mr. Browne answered that Africa had no other alternative but to hope for its development. The situation can be rather gloomy at the moment, but I think in the long term it need not be as desperate".

Worldnet Dialogue devoted to the debt crisis.

Mr. Robert Browne expresses point of view of the US Congress.

US Information Note – 3 June 1988.



# CONCLUSION



The developments contained in the various parts of the book, are sufficiently detailed to enable the reader, at this stage, to form his own judgment on the past and make up his mind about the future.

It suffices, as regards the technical aspect of the monetary union pattern integrated into the franc zone, to recall that the results of monetary management are good in the field of inflation before and after the devaluation; the foreign currency backing of the currency has been relatively well ensured, except that the rigidity of the system did not permit to adjust in time and in a moderate manner to the appropriate exchange rate as required by the overvaluation of the currency; this delay had adverse effects on the economies of the issue area : loss of important market shares, high adjustment costs, persistence of “trade economy”, a particularly high devaluation rate standing at 50% in relation to the French franc, the peg currency.

Thus, the economic performances of the zone were mitigated compared to the other countries of the region or other regions.

Beyond its technical aspect, the status of a currency is the reflection of the political and economic situation prevailing in its zone of issue.

In this respect, it stands out that the monetary history of WAMU is in keeping with the dynamics of its general history, which is marked by severe tests and numerous internal and external challenges.

At the end of them, is freedom; common aspiration of individuals and of all peoples, it is never gained for good since the environment changes constantly like the tests it has to face.

Therefore the future remains open and it will be necessary to work for its construction.

It is by giving itself the means to overcome consciously and methodically obstacles that the region and Africa as a whole will take in hand their destiny.

Hence, the monetary system is only a part of the global problem. It is closely linked to the evolution of real economy, its progress and its balance : foreign trade, public finance, etc. Thus, all policies aimed at ensuring a better economic equilibrium (production-consumption, imports-exports, expenditures-revenues) are directed at strengthening monetary quality and the autonomy of the currency produced and therefore the freedom of choice of populations.

In effect, as Jean Denizet wrote in his report on Togo in 1959 : “ There is a close link between the value of the currency<sup>24</sup> used in a country and the foreign trade of the latter. This link goes from the foreign trade to the currency and not the other way round. Mastering the money issue of its country without mastering foreign trade does not make any sense. This is the very case of nominal independence and de facto subjection.

On the contrary, when a State has control over its foreign trade and domestic finances, it has control over its currency. Therefore, the effigies which circulate in the country are of little importance”.

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<sup>24</sup> More specifically its external value, its convertibility.





## POSTSCRIPT

### I - CEREMONY FOR THE PRESENTATION TO BCEAO OF THE MANUSCRIPT BY THE MEMBERS OF THE HISTORICAL COMMITTEE

Dakar, 13 May 1998





## **I . CEREMONY FOR THE PRESENTATION TO BCEAO OF THE MANUSCRIPT BY THE MEMBERS OF THE HISTORICAL COMMITTEE**

Speeches delivered by Messrs :

- **Charles Konan BANNY**(unabridged)  
Governor of BCEAO
- **Daniel CABOU**"  
President of the Historical Committee
- **Patrice KOUAME**(excerpts)  
in charge of the Secretariat of the Historical Committee
- **Iba Der THIAM**"  
Associate member of the Historical Committee

## **II. SOLEMN CEREMONY FOR THE LAUNCHING IN DAKAR, SENEGAL**

Speeches delivered by Messrs :

- **Charles Konan BANNY**(unabridged)  
Governor of BCEAO
- **Patrice KOUAME**(excerpts)  
in charge of the Secretariat of the Historical Committee
- **Georges ISRAEL**"  
Publisher

## **III. SOLEMN CEREMONY FOR THE LAUNCHING IN PARIS, FRANCE**

Speeches delivered by Messrs :

- **Raymond FORNI**(unabridged)  
President of the French National Assembly
- **Charles Konan BANNY**"  
Governor of BCEAO
- **Georges ISRAEL**(excerpts)  
Publisher
- **Iba Der THIAM**  
Associate member of the Historical Committee"





**SPEECH DELIVERED BY  
Mr. CHARLES KONAN BANNY  
GOVERNOR OF BCEAO**



I would like to address specifically today

*the Deputy Governors of BCEAO,  
the Special Councillor to the Prime Minister,  
the distinguished Members of the Historical Committee,  
the Secretaries General,  
the Directors,  
Ladies and Gentlemen*

*I am really proud to receive today the result of the persistent and fruitful efforts of the Historical Committee I set up on 12 November 1994, with a view to undertaking the reconstruction of our Monetary Union's historical heritage, after important reorganization and rationalization works in the Central Bank's archives, in order to preserve our collective memory.*

*In doing this, my aim was to ensure that never again should 'a library burn', with the retirement or death of the elders who kept track of our monetary civilization.*

*Indeed by setting up the Historical Committee, I wanted to reconstruct the history of our common currency, on the basis of an African reading of our long journey – during which several generations handed on the task to the next one, thus giving a consecration to the essential moments in our Monetary Union's fundamental transformations.*

*But I also had another aim : to revisit our past in order to understand the present and to take up the challenges of the future, at the dawn of the third millennium, with its multifarious hopes and expectations, but also anxieties.*

*True, our history has been the subject matter of several, generally foreign, publications, written by more or less informed writers. But we are compelled to note that most often, these works answer to various autobiographical, commercial, or even partisan preoccupations. Moreover, they frequently lack a prospective vision.*

*Distinguished Members of the Historical Committee,*

*In particular, I followed with full attention the presentations made by our Dean, Mr. Daniel CABOU, Special Councillor to the Prime Minister of the Republic of Senegal, and my own Special Advisor Patrice KOUAME, as respectively, President and Secretary of the Committee.*

*The constitution of your working party was not left to chance. Indeed, I wanted an interdisciplinary team with retrospective but also anticipative analytical capabilities to achieve an original work that faithfully depicts the features of our monetary history, as well as the fruitful debates underlying them. Fulfilling this ambition thus required a judicious choice of the men who were to be the architects and builders of this task. Therefore, we had to call on actors and authentic witnesses, who also had to be visionaries.*

*The sheer abundance of archives and documents to be explored, the importance of the political, economic and social changes which had taken place, as well as the new trends in economic thought during the period compelled us to call upon the freedom of thought of researchers, historians, politicians and economists.*

*My expectations have indeed been fulfilled, when one considers the qualitative and quantitative importance of the information contained in the book, entitled "History of the West African Monetary Union, from the Origins to 1997", you officially present today.*

*In this respect, I am happy to express my satisfaction and my gratitude to these famous authors, at the risk of scorning their modesty.*

*To give some guidelines to these considerations, I wanted to establish an association between one of my closest assistants,*

*Mr. Patrice KOUAME, and a few academics, among those who are renowned for the quality of their work, Messrs. Daniel CISSE, Iba Der THIAM, Abdoulaye DIAGNE and Saliou MBAYE.*

*I also wanted this work to be full of flesh, which is indeed a subject matter for historians, and to retrace the fervour and spirit of self-sacrifice of all those who worked behind the scenes, as enlightened decision-makers, conscientious executives who, stone by stone, built the common edifice.*

*I therefore gave the chairmanship of your Committee to one of our elders, Mr. Daniel CABOU, former Secretary General of the Central Bank, but above all, one of the first Africans in charge of this Institution, and asked for the participation of Mr. Moussa KONE, national Director of BCEAO for Burkina, and former Secretary of Board Meetings at BCEAO during important periods, as well as of Mr. Guy POGNON, former national Director of BCEAO for Benin and former Central Director of the Inspectorate.*

*Dear Friends,*

*You have brilliantly succeeded, individually and collectively, in reaching the objective we wanted to attain, and to which you gave your moral commitment by agreeing to become members of the Historical Committee.*

*This result of forty-three months of exacting research and consultation work represents, without doubt, a historical reference book which will have great repercussions. You have succeeded in combining quality and rigorousness in your scientific approach with a rare talent in writing, which makes it easy to read for even a wide public. I would also like to highlight your sharp sense of impartiality, which should ensure a protection against malevolent criticism. Let me also thank you for it.*

*History is to Man what the tree is to the leaf, and to the Nation what the root is to the tree. Without History, Man would wander around like a leaf at the mercy of the winds and of time. Without History, the peoples would be devoid of a foundation from which to brave sustainably the numerous aggression from their environment.*

*The work you have achieved will be, I am sure of it, a source of inspiration for generations, not only of Central Bankers, but also for bankers at large, economists, historians, sociologists and politicians, to name but a few. Its enriching dimension will go well beyond the limits of our Monetary Union.*

*In this respect, your historical testimony is aimed firstly to all nationals of our Monetary Union, but also to all authentic Africans.*

*In this room I see, gathered today, three generations of officials and actors of our common Central Bank : the first among them, now few in numbers, belong to the generation that initiated basic reforms, and most of them are not here now, being dead or retired, having done their duty. These men have, through their personality, their solidarity, their perseverance in their effort and their rigorousness in their work, left an indelible trace in the History of our Institutions. The second generation, which embodied the strengthening of Africanization, brought a coherent contribution to the edifice by adapting the Union to the various changes which occurred in the environment and in our economies. In its turn, it will now hand on the task to the third generation, which will have to face the challenges of the third millennium, as characterised by globalisation and the revolution in information technology.*

*To this young generation, this "History of the West African Monetary Union, from the origins to 1997" will teach that our currency and our common Institutions are a historical fact that neither adverse circumstances nor centrifugal forces could shake.*

*This fact is underscored by the strength and endurance of the institutional and regulatory framework of our Union, whose stability and viability rest upon organized solidarity and the educated consciousness of collective discipline.*

*These fundamental values are a historical heritage which must be fully transmitted from one generation to the next, together with those of competence, efficiency, rigor and team spirit.*

*This is why, at a time when a string of strategic consultations on the future of our Central Bank has just been completed, I would like these principles to remain at the heart of our commitment and our activity, so as to build, day after day, a strong and winning WAEMU among Nations, thanks to the strengthening of the virtues rooted in its History.*



*Ladies and Gentlemen,*

*To conclude, I cannot fail to notice that, by chance, the Historical Committee was set up in November 1994, or twenty-one years after the signing of the Treaty establishing the WAMU Reform, in November 1973. Likewise, the Strategic Consultations Seminar on the future of the Central Bank was held thirty-six years after the signing, in May 1962, of the Treaty establishing WAMU.*

*Whether a pure coincidence or a sign of History, I do not know ! As to me, I see in it an invitation to remain faithful to our History, to take advantage of our cultural values to reinforce our common currency and to consolidate our Economic and Monetary Union.*

*Thank you.*





SPEECH BY  
Mr. DANIEL CABOU



*Mr. Governor,  
And Dear Friends,*

*The present day celebration between us represents, I think, a privileged moment in the life of our Institution, both symbolically and through the perspectives it opens.*

*On 29 July 1994, by Decision N° 70-07-94, you took the initiative of creating the BCEAO Historical Committee, with a precise aim, and the engagement to obtain positive results.*

*We now present, Mr. Governor, the result of our work, a book in three volumes, divided into fourteen Chapters, entitled "History of the West African Monetary Union : from the Origins to 1997"*

*Mission accomplished ? We shall not say so. But we shall tell you that during nearly four years, the Historical Committee has analysed the common monetary link that had been forced on us from outside, almost a century and a half ago, in a specific historical context, the abolition of slavery, a link which, originally, was only a hesitating answer to the temporary needs of slave owners, maybe from Gorée Island, now facing us, a link which was changed into a coherent system, continually ameliorated and adapted through many episodes, a link which has now become a powerful economic integration factor, on the eve of the third millennium.*

*What a voyage !*

*A complex voyage indeed, full of pitfalls, made by the present-day WAMU member countries, in a companionship fraught with multifarious change – a fascinating and rich voyage, from which may be drawn many lessons, and which deserved to be reconstructed, one sequence after another, through historical circumstances and actors who made decisions, or witnessed them.*

*This undertaking will magnify, as it well should, the work of all those who were pioneers of this exhilarating epic, and the builders of our West African Monetary Union.*

*We had to render unto Caesar the things which were Caesar's.*

*Thoughts given, efforts made, difficulties overcome, trials and errors, and results once obtained now reappear from the shadow of forgetfulness, and reconstruct, stone after stone, a past wherein each element yields the precise origin and grounds for the way we do things today, for our procedures and the rules followed in our work, for the principles and values upon which the institutional, legislative and statutory edifice of our Banks has been patiently built.*

*Mr. Governor, and Dear Friends,*

*To choose to give birth to something, whatever it is, is always an act of faith in the future. To do it in the field of History sublimates the deed and makes it a symbol, because the light of History is a permanent guide in a maze sometimes devoid of landmarks or vital leads.*

*Now that the EURO is about to come into effect, now that the lanterns lighted for the Conference of Ministers of Finance of the Franc area, held in Libreville, have only just been snuffed out, now that public opinion in Africa questions about the fate of the CFA franc on the eve of the common European currency, the elaboration of a monetary History of West Africa, recounting, with initial reference to Antiquity, the long development of the West African currency during almost 150 years, undoubtedly comes at a timely moment, both to give us, in a diachronic as well as a synchronic perspective, the means to better understand what has already been accomplished, but also, perhaps, the ways of possible future actions.*

*You wanted it, Mr. Governor, and now it is done.*

*Mr. Governor,*

*All members of the Historical Committee only had one ambition : to reconstruct the past of the Monetary Union, step by step, to bring back to memory some of our forerunners, to throw light upon the respective parts they played in the building of the common edifice, to recall essential measures, speeches or decisions, to give an account of past trials, dreads and expectations – all this with the utmost scientific and moral integrity.*

*Let us have a pious thought for those builders who are no longer with us now, as a testimony to our gratitude for their work, sometimes at the cost of their lives.*

*The man who built this tower, Abdoulaye Fadiga, is a symbol of such achievements.*

*Mr. Governor,*

*It so happened that the Historical Committee started its last meeting on 27 April 1998, on the 150<sup>th</sup> anniversary of the Abolition of Slavery.*

*Was it only a coincidence ?*

*This, to us, is a sign. A sign not to forget the 'holocaust', a sign to forgive, always a sign to go further in the quest of liberty for our populations.*

*Mr. Governor,*

*I wish it to be your pleasure to let me now present the multidisciplinary team who participated in the writing of this book.*

*The Historical Committee has chosen as its Secretary Mr. Patrice Kouamé, who prepared the Foreword, the Introduction, the preliminary chapter on the intellectual and historical framework of the currency, organization and monetary policy, the various sections on the issuance and credit policy, the exchange policy, the Chapter on WAMU and the economic crisis ; Saliou Mbaye was responsible for the section about public financial services ; Daniel Cissé, Iba Der Thiam and Saliou Mbaye wrote the whole part concerning General History : the political situation, administrative organization, the organization and evolution of the economic situation generally.*

*Emmanuel Nana, Director of the Governor's Office, cooperated with the Committee by writing the chapter on the West African Development Bank.*

*Abdoulaye Diagne was in charge of the chapter about the balance sheet, treated with the remarkable assistance of Bruno Powo Fosso, for the collection and treatment of statistics.*

*Little by little, the Committee had to reread, criticize and ameliorate the drafts thus prepared ; it has had notably an in-depth debate about perspectives, made its choices before entrusting Patrice Kouamé with writing the final version.*

*Guy S. André Pognon, Iba Der Thiam, Saliou Mbaye and Moussa Koné took great pains, like myself, to reread the manuscript in order to ensure the book's coherence.*

*Théodore Gbokro-Bowy has generously shared his skills as an archivist with the Committee.*

*Mrs. Rose Marie Ndiaye was made responsible for writing accounts of all working sessions, Mrs Adama Diao Sy, with great dedication, and with the help of Miss. Caroline Audibert, for typing and corrections.*

*The members of the Historical Committee were kind enough to choose me as President for this work. I have tried to take on the task, and I have learnt a lot.*

*In their name, and in my own, may I express my deep gratitude for having chosen us to accomplish this task.*





**SPEECH DELIVERED BY  
Mr. PATRICE KOUAME**



I would like to address specifically today

*The Governor of BCEAO,  
The Deputy Governors,  
The Secretary General,  
The Secretary General of the Banking Commission,  
The Deputy Secretary General of BCEAO,  
The Advisor to the Governor,  
The Heads of Departments,  
The Director General of CESAG,  
The National Directors, the Heads of Central Departments,  
the Main Branch Managers,  
Ladies and Gentlemen,  
Mr. President, Honourable Members of the Historical Committee,*

*A lover of History in my spare time, may I tell you that, back in Dakar in April 1994, I had it on my mind to matriculate in History at the University!*

*Wise men say that where the mind goes, the body follows. This, Mr. Governor, might explain why you have taken me as an associate in your plan to write a History of the Central Bank of West African States.*

*However, with the first discussions among the Historical Committee, I became aware of the magnitude of the task that lay before me, as an orthodox accountant, in order to acquire the historian's fine analytic perception.*

*During four years, together with our renowned colleagues, the historians, we have accumulated a wealth of knowledge.*

*Participating in such a large scale reference work has been one of the most exciting moments in my career.*

*The central conclusion to be drawn is that, like other parts of the continent, Black Africa never lived in isolation at any time in its history.*

*It has fostered relationships, notably commercial ones, with the other parts of the world : Europe, Asia, America.*

*But if elsewhere this kind of relationship between peoples has often proved fruitful for trade and the diffusion of knowledge and economic growth, West Africa, reduced to the part of a supplier of gold, slaves and raw materials against cheap goods, a few luxury products and firearms, progressively lost its substance, its population, its natural resources ; it became politically weakened before breaking up altogether.*

*Greek authors mention the first contacts between Africa and the Ancient world around the Mediterranean : Greece, Rome, Carthage.*

*The main partners were Egypt, Nubia, Axum – forerunner of present-day Ethiopia.*

*In the foreground was Carthage, a city founded in 814 B.C. by the Phoenicians, and commercially active with West Africa, notably in the form of barter.*

*The second wave of contacts between West Africa and other nations dates back to the VII<sup>th</sup> century A.D. when, with the death of prophet Muhammad in 632 A.D., the Arabs left the Arabian peninsula and expanded over Africa and the rest of the world in order to spread the word of Islam.*

*A weakened West Africa then became exposed to a third wave of contacts, from the XV<sup>th</sup> century onwards, with the oncoming of Europeans on its coasts.*

*A triangular trade was from then on organized between the three continents – Europe, America and Africa, the slave trade being the key element in a system which was to prosper until the XIX<sup>th</sup> century.*

*Africa as a whole lost 3-100 million inhabitants, of which 20-25 million slaves who, in effect, reached the American continent alive.*

*In order to ease transactions, but also to show French presence, in 1820, the écu, a silver 5 franc coin, was introduced into Senegal and its dependencies.*

*Little by little, local and foreign rival currencies circulating in the region were eliminated by administrative and fiscal measures. With the assertion of the Franc as legal tender, the franc area, the region having the franc as a currency, was born.*

*In 1838 Bouët-Willaumez, entrusted with an exploratory assignment, opened new trading posts on the coast and elaborated a policy of expansion.*

*In 1848, taking advantage of the revolution which put an end to the reign of Louis-Philippe, slavery was abolished by the provisional Government on 27 April 1848, in France and in French possessions.*

*After many episodes, the Banks of Guyane and of Senegal were established by two different decrees, dated 21 December 1853.*

*As for the monetary organization and the exchange system, the creation of colonial banks of issue converted the franc area into an area having monetary plurality, with therefore an exchange problem between francs issued in the Colonies and the metropolitan Franc.*

*Faidherbe, appointed Governor of Senegal in 1854, devoted his whole energy to the implementation of the expansionary policy as outlined by Bouët-Willametz.*

*As to the financial organization, the Bank of Senegal, created among the circumstances and territorial limits we already know, could not cater to the needs of this immense territory.*

*It was dissolved in due time, and replaced by the Bank of West Africa, which took over its net assets, making up the necessary total with subscriptions in cash.*

*BAO, a private undertaking, was created by decree on 29 June 1901, as an issuing, loan and discount Bank, with issuing privilege in French West Africa (AOF) and French Equatorial Africa (AEF) for 20 years.*

*The exchange system remained the same : BAO guaranteed the convertibility of its currency in metropolitan francs and defended its currency reserves with a flexible exchange rate, manipulations of the exchange rate and the implementation of an exchange commission on transfers from Africa to France.*

*On the public finance side, the decree of 30 December 1912 organized a homogeneous reserve between the metropolitan Treasury and the local Treasuries in the Colonies.*

*In September 1939, France went to war against Germany. Quickly invaded and occupied, it signed an armistice with Germany on 22 June and with Italy on 24 June.*

*General de Gaulle, speaking from London, appealed to the French and to the Empire to carry on the war. He was recognized by the British Government as 'Leader of the Free French'. In France, Marshall Pétain was styled 'Legitimate Leader of France'.*

*AEF and Cameroon joined de Gaulle, whereas AOF authorities remained faithful to Vichy France.*

*In the economic field, with war breaking out, a war economy was established, characterized, on the one hand, by a whole array of measures : exchange control, control over currencies, capital movement, foreign trade, embargo on gold, wage freeze – and on the other hand by the inflationary financing of home expenditures.*

*This Second War, by its sheer importance, showed the limits of relationships between human communities as founded exclusively on power struggle and intolerance. It therefore had unexpected consequences on colonial policy.*

*At the very end of the war, France started to undertake an institutional and economic reform programme.*

*An Order dated 22 August 1945 organized the representation of the Colonies. Elections were held in October 1945 to set up a Constituent National Assembly, which had to draft the Constitution of the Fourth Republic.*

*Thirty-three Members of Parliament sat for the Colonies of Black Africa and Madagascar.*

*By an Act of Parliament dated 11 April 1946, Mr. Houphouët-Boigny, a member for Côte d'Ivoire, obtained the abolition of forced labour ; by an Act dated 7 May 1946, known as the Lamine Guèye Act, all men and women within the French Republic became citizens.*

*The new constitution set up the 'Union française' (French Union) comprising the mother country, overseas Territories, associated Territories and associated States.*

*It reorganized groups of Territories and Territories.*

*On the economic side, inflation, linked with the war economy, made it necessary to proceed to a monetary reordering and to an adjustment of the Franc area.*

*Thus, simultaneously with the devaluation of the Franc, on 26 December 1945, colonial Francs were institutionalised : CFA Franc, CFP Franc.*

*The BAO's expiring issuing privilege was not renewed ; a public Agency, the AOF and Togo Issuing Institute, was created by decree on 20 January 1955.*

*Under pressure from current events, the Framework Law was adopted in 1956 to give the Territories a greater degree of self-government. These are represented at the Board of Directors of the Issuing Institute.*

*I shall stop here, Mr Governor, so as not to give away the whole content of the work, whose Volume II covers the key period between 1958-1960, and all the developments that led to the creation of WAMU, the various reforms, the economic crisis and the policies which were implemented.*

*Volume III contains an assessment of this unique experience and explores some tracks for the future.*

*Here, Mr. Governor, is an outline of the work with which you entrusted us.*

*We hope it may contribute to greater awareness in our region, to allow it to take up the challenges it will have to meet.*



**SPEECH DELIVERED BY  
Mr. IBA DER THIAM**





I would like to address specifically today

*The Governor of BCEAO,  
The Secretary General,  
The National Directors,  
The Central Department Directors,  
Ladies and Gentlemen,*

*The Greatness of a people always depends on its capacity to remember its past. Memory as a duty is the source of power and a precondition for success.*

*Egypt would without doubt never have been renowned for its civilization, several thousand years old, if the Royal Annals, regularly kept at least since the 1<sup>st</sup> Dynasty, and probably before that time, had not allowed one to go back to pre-historic times, for they contain the names of many Kings of Lower Egypt who had reigned during a period situated before Menes' accession to the throne.*

*What would the fate of Greece have been, if oratory History, as inaugurated by logographers in the VI<sup>th</sup> century, Ionians such as Homer and Thucydides, had not played a part in society and known an exceptional epistemological development, with the deepening of political consciousness due to democracy ? Participating in political life, exercising the attributes of his liberty, the citizen felt more strongly than before the possibility of making his own history. He will always want to know the past he has inherited from his forebears.*

*We all know, Mr. Governor, that the key to the Roman people's greatness lay before all in the inborn respect for its past, generating a passionate love of its country. This in turn created a gift for historical works. Very soon the Romans were noted for patiently collecting materials. They established a calendar of lawful days. They drew a list of magistrateships. They took an interest in the succession of pontiffs. They noted in their commentary the political and religious high deeds of the city.*

*Under the Republic, Cato the Elder (234-143) became famous by formalizing and systematizing these various materials.*

*Caesar himself became his own historian and recounted in 7 books his campaign of the Gauls, and in 3 volumes his part in the Civil War against the Senate and Pompey.*

*Nearer to us, the glory of the Songhai empire owed much to the patronage of Askyia Mohamed.*

*It is on this foundation that Sonrai Humanism budded, before blossoming like a bougainvillea under the rainy season sun.*

*With Mahmoud Kati (1468-1554) and his Tarikh el Fettach, and, in the XVII<sup>th</sup> century, Abderramane Saadi's Tarikh es Sudan, the science of History became enriched with jewels of all kinds and with variegated teachings, to speak like Mr Sékééné Mody Cissoko.*

*In this light your project, Mr. Governor, was not a generous utopia, but a luminous anticipation.*

*Because you love Africa and you want to serve it with all your strength, you did not want to belong to the category of intellectuals who live as chimerical misanthropists, unable to tread the circle of human tasks and social necessities, and you also took this daring initiative, without any precedent on such a scale, in the more than century-old history of African financial or monetary Institutions.*

*This, Mr. Governor, must be said high and loud.*

*The monetary question has been too long classified on the dusty shelves of old memories, but it is at the heart of all essential transformations that marked out human History. As a result, Africans had become foreign, or at least indifferent, to this theme (although the recent economic changes on a global scale had just underlined its strategic dimension). Few people wanted to decipher the mysteries of its origins and its evolution. In a world of immediateness, characterized by the revolution brought about by computers and information science, on the one hand, and the globalisation of trade, on the other hand, it remains essential to be able to distinguish between games and stakes.*

*By coming within the scope of this vision, you uphold the tradition of the Mansa in Mali and the Askia from Gao. Like them, you are, if I may say without flattery, a humanist with an astounding fecundity.*

*I will go further.*

*By taking the decision to set up an Inter-African Historical Committee, headed by Mr. Daniel Cabou, with his legendary wisdom and ever smiling courtesy, you have laid the cornerstone which will make you, willingly or not, one of the first and foremost figures of our sub-region's monetary History, a figure that will remain more than a name.*

*Just like Athens, under the sons of Pisistratus, became the School of Greece, your mandate, Mr. Governor, will turn BCEAO into a model for Africa.*

*In a field where, until then, only isolated and limited studies had been carried out, you understood, as a wise visionary, that the time had come to undertake the implementation of a global policy.*

*You entrusted us with this delicate and important task : to fill a gap, and to review a trial.*

*From the start, we had to ask ourselves, in the most rigorous manner, how to tackle the problem, and we never ceased to feel somewhat perplexed and uncertain.*

*1) To write a regional history, without taboo, and without being angelical, within the framework of an indisputable scientific protocol, rigorous in its approach, its methods, its sources, the reference works consulted, its theses and conclusions. In sum, to build a durable monument.*

*2) This indeed was a formidable task !*

*Would the means at our disposal survive the initial vision ? Would not a grain of dust, maliciously thrown upon our project, jeopardize it, considering how sensitive these matters are, and the wealth of interests and passions they carry along ? Indeed, how often did the inertia of divisive influences put a check on the most ardent enthusiasms ? Each time, the weft started to disintegrate, hardly more than an outline.*

*Only a political will, through a wealth of practical and sustained initiatives, could overcome the fear and mistrust that beset me during the first few days.*

*I felt much easier after a few weeks.*

*But soon new challenges appeared :*

*Considering the wealth, the exhaustiveness, and sometimes the novelty of the available documentation, and the amount of interesting questions to be met, a choice was inevitable, and necessarily painful.*

*Once these preliminary questions solved, a second challenge was put to us.*

*The History of the West African Monetary Union cannot be understood without starting from the regional mosaic that was A.O.F., a crucible which amalgamated the domestic evolution of territories and the decisions of central power sources, from 1895 to our days.*

*Beyond this hurdle, we had to clarify two points in our method.*

*The first one : we might always focus on the wrong phenomenon.*

*The second one : we might quarrel over words.*

*Lastly, taking as a fact that aesthetic quality resides, before all, in balancing masses, we directed our attention towards illustrations and style.*

*Mr. Governor, the events that stood out for me, in all the moments we shared, were undoubtedly the complex and unceasing display of wits by bankers, economists, and historians.*

*A complementary was born. Transfers were made, of which the work benefited. The virtues of multidisciplinary have enriched the book and made it more easily understandable. It also stands out on this count.*

*Mr. Governor, I must conclude.*

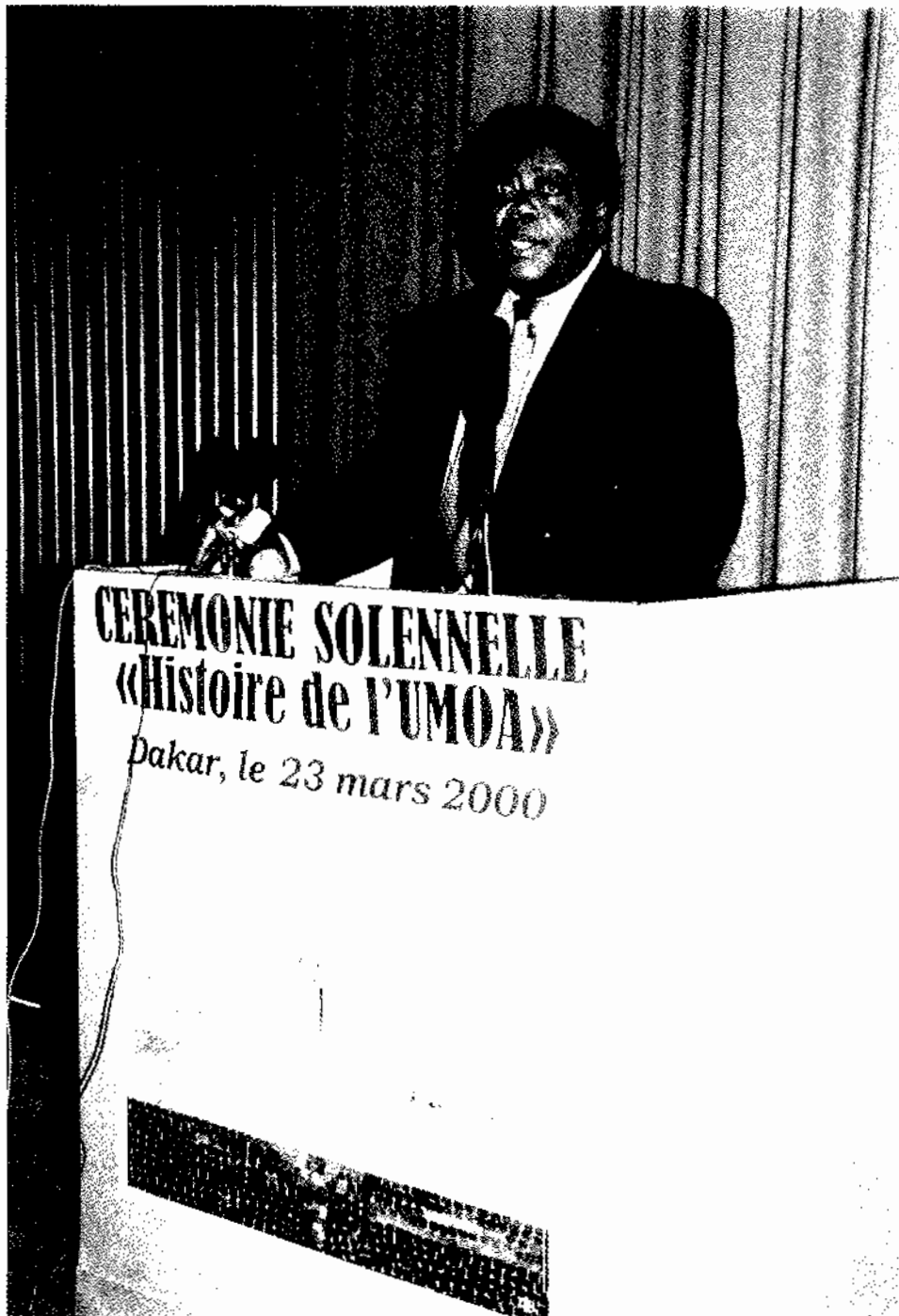
*We have delivered a message. Let it float afar. It is now getting late.*



**II – OFFICIAL CEREMONY FOR THE LAUNCHING OF  
THE WORK ON THE ‘HISTORY OF WAMU’**

Dakar, 23 March 2000





SPEECH BY GOVERNOR  
CHARLES KONAN BANNY





I would like to address today

*The Deputy Governors,  
The Directors,  
The Members of the Historical Committee,  
Ladies and Gentlemen, Dear Colleagues,*

*For the second time, we are all assembled, from Dakar to Zinder, by way of Niamey, Abidjan, Bouaké, Korhogo, Man, Cotonou, Parakou, Lomé, Kara, Ouagadougou, Bobo-Dioulasso, Bamako, Mopti, and back to Senegal following the southern route, to Ziguinchor, from whence we shall very soon go to Bissau.*

*Let me therefore give you my brotherly salute. Last time, we were together to celebrate the future. Having just snuffed the lights, we see this marvellous future already become the past of our Bank. In effect, today, computers are part and parcel of our Institution. In this case, they allow us to bring together more closely the men and women of the WAEMU space and beyond, through the noble undertaking of economic progress and fight against poverty.*

*The ceremony of today, contrary to the one I was speaking about, is dedicated to the past, to our common past. This is about the official presentation of the book on the History of West African Monetary Union, thus opening the way for starting the circulation of the work as prepared by the Publisher.*

*Thus, the future and the past will have succeeded one another, in this room, during a very short present time.*

*Before devoting the substance of my speech today to the eminent members of the Historical Committee, I would like, in the name of all, to thank our Publisher, Georges ISRAEL, first for his kind words concerning myself, but before all, for wonderfully and efficiently taking up the wager of delivering to the Central Bank a product of such high artistic quality. In doing this, Mr. ISRAEL, you enabled us to take advantage of your rich experience as a publisher of art and history books.*

*By giving this work a remarkable appearance, you wanted to reflect, in the form, the richness of its contents. You wanted, at your own level, this work to remain forever worthy of Africa – of everlasting, but also reviving Africa. Let me thank you for it.*

*I would now like to address the eminent members of the Historical Committee, who, for many years, searched and dissected the Archives of our Union, those of the Central Bank, but also of the States, the research Centers, in order to assemble all the necessary relevant information and data about our history, to produce this exceptional work, with its global scope.*

*Gentlemen,*

*Here are, immortalized, forever engraved in our collective memory, whole pieces of what united us on the way to progress through African solidarity.*

*This was only made possible by you, and thanks to your scholarship and your devotion to the cause of African unity. Let me thank you for it, in the name of the past, present and future generations.*

*Some time ago, during the ceremony which marked your presentation of the result of your collective work, I said, among other things, that :*

*"History is to Man what the tree is to the leaf, and to the Nation what the root is to the tree. Without History, Man would wander around like a leaf at the mercy of the winds and of time. Without History, the peoples would be devoid of a foundation from which to brave sustainably the numerous aggressions from their environment. Be it written or oral, History is a part of us".*

*This key idea, which is to be seen all around this room, also seems to me a vivid symbol of your action. There is no future without memory, said Pope John-Paul II recently. For us Africans, the duty to remember is even more than a necessity.*

*Distinguished Members of the Historical Committee,*

*Allow me to tell you once again how much I appreciated the dedication of your multidisciplinary team I would now like to present to this audience.*

*You were eight Members and Associates, in the beginning, and only seven are here with us today.*

*I would therefore pay homage to a Colleague, a Brother who, alas, is no longer with us, although he still lives in our thoughts. I mean the late Moussa KONE, who left the world on 27 February 2000, or less than a month ago. He was during his life a veritable library, and he bequeathed some of it to us by intensely participating in the Committee's work.*

*In remembrance of him, and of our dear Colleagues, particularly of those who died recently, I ask you to keep a minute's silence.*

*Thank you.*

*I shall now present the other Members of the Historical Committee.*

*Let me first turn to you, Mr. Daniel CABOU, our renowned elder brother, as a privileged witness and actor of this collective achievement. You were Deputy General Manager of BCEAO, then a French Institution, and later General Secretary of BCEAO, which had changed, after our countries became independent, into an international Agency regulated by public law enforceable in the member States, and President of the Historical Committee. Once again, you displayed your qualities as a leader and your sense of excellence. Please receive our warm thanks and our hearty congratulations.*

*Mr. Patrice KOUAME, you were an active member of the Central Bank's management during the Africanization movement of the 70s, being Central Director of Financial Operations, then Special Advisor to the Governor and Controller General, after having notably belonged to several Cabinets in the Government of Côte d'Ivoire. You have efficiently held the post of Secretary of the Historical Committee, including the constraints inherent in the task, which we all easily understand.*

*Mr. Guy POGNON, you were among those whom we proudly call the pioneers of the Central Bank. You were National Director for Benin, then Central Director of the Inspectorate.*

*As to the Associate Members, they are all renowned academics who put their expertise at the disposal of this collective achievement, thus conferring on it an unquestionable scientific excellence.*

*You will recognize :*

*Professor Daniel CISSE, Professor emeritus at the Faculty of Economics and Management of Abidjan University ;*

*Professor Iba Der THIAM, member of Parliament, holder of a Ph. D and an "Agrégation in" History, Professor at Cheikh Anta DIOP Dakar University, former Cabinet Minister ;*

*Professor Abdoulaye DIAGNE, Associate Professor of Economics at Cheikh Anta DIOP Dakar University ;*

*And, finally, Mr Saliou MBAYE, now away from Dakar, Archivist-Paleographer, holder of a Ph. D in History, Junior Lecturer at Cheikh Anta DIOP Dakar University, Head of the National Archives of Senegal.*

*To all these eminent scholars, I would like to express my deep gratitude. They have made it possible, through their intellectual contribution, to publish this book, which will undoubtedly remain, in the annals of Africa's economic History, an outstanding reference work.*

*Distinguished Members of the Historical Committee,  
Ladies and Gentlemen,  
Dear Colleagues,*

*The life of institutions cannot be separated from that of men. That of the Central Bank should be no exception. Indeed it owes its great History to the valorous men who served it, to these men imbued with a sense of duty, of self-sacrifice, of loyalty and solidarity, all these values having shaped our Institution. This tradition has perpetuated and will perpetuate itself from generation to generation.*

*In this respect, let me pay a resounding homage to all those Staff Members of the Central Bank, those of today, but also those of yesterday, for their invaluable contribution to the reinforcement of the authority the Central Bank now enjoys.*

*To conclude, I would like to accomplish a noble gesture by giving to each of the Members of the Historical Committee a signed copy of the "luxury" version of this book on the History of UMOA, the dedication being originally engraved on the cloth-bound page of the first volume with a bookbinder's brass.*

*It is therefore with an immense pleasure that I give you these presents.*

*I shall start with the President of the Historical Committee, Mr. Daniel CABOU, ... (presentation of the work by the Governor) ;*

*Mr. Patrice KOUAME, ... (presentation of the work by the Governor) ;*

*Mr. Guy POGNON, ... (presentation of the work by the Governor) .*

*The copy that should have been given to the late Moussa KONE will be later presented to the members of his family...*

*Such is life.*

*I turn now to Mr. Daniel CISSE, ... (presentation of the work by the Governor) ;*

*Mr. Iba Der THIAM, ... (presentation of the work by the Governor) ;*

*Mr. Abdoulaye DIAGNE, ... (presentation of the work by the Governor).*

*Dear Members of the Historical Committee,*

*My last word will be to wish this work the success it deserves.*

*Thank you.*





SPEECH DELIVERED BY  
Mr. PATRICE KOUAME,  
PERMANENT SECRETARY OF  
THE HISTORICAL COMMITTEE





*Mr. Governor,*

*When you asked us to write the History of our Monetary Union, the subject seemed simple enough at first sight, considering the amount of already existing reference works. But very quickly we realized that we had to stray from the beaten track and bring an original touch to our work.*

*Starting from the idea that the currency is too serious a matter to be left to specialists alone, we chose to illustrate, in the simplest possible way, through the case of WAMU States, a more general theme : that of the structuring and unifying part played by the monetary institution in the organization of society and space as lived in by humankind.*

*This vital lead allowed us to set our work in the field of a general questioning of the past and future of societies forming the West African sub-continent.*

*By thus going back in time and casting ourselves in the future, we were able to underline the monetary forces behind the evolution of our region.*

*Indeed, before colonial times, currency in its various forms, played essentially its part as an instrument of exchange in this area. During colonial times, it came to play another : that of a tool for integrating the Colonies' economy with that of the mother country.*

*With the advent of independence, our currency additionally became an instrument for cooperation and economic integration in the whole area. In the future, it seems appropriate that it should become the cornerstone of a wider regional cooperation policy.*

*But the main significance of the book lies in the fact that this monetarist vision of social facts is framed in a global historical analysis reconstructing the texture of events that stood out in the region from Antiquity to our days.*

*This approach is the result of the fruitful cooperation between historians, economists and central bankers.*

*Naturally, bearing the specialists in mind, we devoted enough room to the description and analysis of the institutional framework for the production of the currency during the various periods.*

*Writing a book is not enough. It must be published. Many a parchment is left to decay under the dust of library shelves, or forever forgotten in an obscure drawer.*

*The great merit of BCEAO Governor, Charles Konan BANNY, was to see his project to completion. And, if only for this book, generations of readers on all continents will be thankful to him.*

*It would be superfluous to say more. We did so on the presentation of the manuscript, and our words are written in letters of gold in the postscript of the book. We only want to thank him heartily in the name of the Historical Committee and of all those who took part in the completion of this exciting achievement.*

*We would also like to thank the Publisher, Mr. Georges ISRAEL, whose professional skills and exceptional standard of quality make it an immortal work.*

*Thanks to all for having invited us as partners to this ceremony.*



SPEECH DELIVERED BY  
Mr. GEORGES ISRAEL,  
PUBLISHER OF THE BOOK



*I shall add, if you will allow me, a small personal note, which is almost autobiographical, to this speech. You said in your Preface, Mr. Governor, that your aim, through the completion of this work, was to revisit the past in order to understand the present and to take up the challenge of the future'. This way of seeing things seems particularly relevant to me.*

*Indeed, being of Jewish descent, belonging to the 'People of the Book', I am even more inclined to understand the memorial work represented by this book.*

*I believe, Mr. Governor, that Africa and the Jewish people share a common History. Hostile forces tried to uproot us, to eliminate us, to reduce us to nothingness. But my people, through 5,000 years of History, lived and survived thanks to memory, and to the Book.*

*African History has often been recounted by others. Now, with this work, your History finally takes on your own accents.*

*By doing this, Mr. Governor, you are giving Africa a major instrument.*





*P*

RESENTATION

OF THE BOOK TO THE HEADS  
OF THE MEMBER STATES OF BCEAO  
BY GOVERNOR  
CHARLES KONAN BANNY



Togo – Lome :  
Governor Charles KONAN BANNY and President EYADEMA



Burkina Faso – Ouagadougou :  
Governor Charles KONAN BANNY and President Blaise COMPAORE





Senegal – Dakar :  
President Abdoulaye WADE and Governor Charles KONAN BANNY



Benin – Cotonou  
Governor Charles KONAN BANNY and President KEREKOU



Mali – Bamako :  
Governor Charles KONAN BANNY and President Alpha KONARE



Mali – Bamako :  
Governor Charles KONAN BANNY and President Alpha KONARE



**III. THE SOLEMN CEREMONY FOR THE LAUNCHING IN FRANCE  
OF HISTORY OF WAMU AT FRENCH NATIONAL ASSEMBLY**

**Paris, 20 June 2000**





**SPEECH DELIVERED BY  
Mr. RAYMOND FORNI  
PRESIDENT OF THE  
FRENCH NATIONAL ASSEMBLY**



Mr. Raymond Forni, President of the French National Assembly

I would like to address specifically today

*The Members of the French Cabinet,  
The Governor of the Bank,  
The Director General of FAO,  
The Members of the National Assembly,  
The foreign Ambassadors,  
Ladies and Gentlemen,*

*'What books deserve to be written, apart from Memoirs? asked André MALRAUX, in The Conquerors. Without memory, the past is doomed to nothingness ; in the best of cases, it remains undecipherable. Now, it is precisely to celebrate a work of memory that we are gathered today, and I am particularly happy, in the name of the whole National Assembly, to greet you on the occasion of the release of a book on the History of the West African Monetary Union.*

*This collective work is the product of research undertaken for several years. It represents for the whole African continent a particularly important event, for three essential reasons.*

*First of all, it stands out to correct an injustice – I am tempted to say one more – towards Africa as a whole on the part of historians, and more generally of social sciences.*

*One of the signs of the political exclusion from which it still suffers has long been a lack of interest, on the part of social and historical sciences, for this continent ; thus, the present work comes in a very timely manner to fill part of the gap accumulated in this field, and to establish the antiquity and original character of the Monetary Union between the different States of West Africa. It thus follows in the wake of the General History of Africa published by UNESCO in 1999. It allows one to take stock of the voluntarist doctrine underlying African leaders' actions in the monetary field, and clearly shows the factors in favour of economic, but also political unity in West Africa.*

*In the second place, it is a book written by actors and direct witnesses of the regional integration process, as well as by historians, economists and politicians.*

*Their very variety offers readers a faithful reflection of the way Africans themselves conceive this monetary integration. This desire to let us discover this Monetary Union 'from the inside' is one of the most original characteristics of this work, and contributes, beyond its scholarly qualities, to give it the importance of historical evidence.*

*As Henri-Irénée Marrou, the great French historian, said, history is a spiritual undertaking involving the historian's whole personality.*

*The commitment of the eight Members of the Historical Committee in this extraordinary undertaking, the writing of a book of such a scope, has been total. Let them be thanked for this work of memory accomplished to serve the union of West African peoples. A Union which is not only monetary, but also human and intellectual.*

*The third and last reason why this work seems to me absolutely remarkable is that it is a celebration of the relevance of regional economic integration.*

*This is, in Africa as in Europe, a fundamental choice which has already generated a promising evolution. As a proof, I will mention the good economic results obtained since 1994 by the member States of the West African Economic and Monetary Union. With a growth rate above average, at 5%, during the last five years, an inflation rate below 3% and public and current deficits under greater control, the member States of the Union enjoy an improved and solid economic situation.*

*Thanks to the Franc area, they also benefit from the existence of a stable common currency with a fixed exchange rate with the euro, the reference currency, and a factor generating stability amid more and more volatile financial markets.*



*This newly found economic growth is all the more to be valued as the sub-region is still beset by tensions and crises. These illustrate the necessity for the Union member States, to implement reforms, both in the areas of good governance and the rule of law.*

*You will certainly understand that, in this place where the heart of French democracy has been beating for so many years, I insist on the passionate duty to conciliate economic development with the respect of fundamental liberties, which are, in effect, the two dimensions of human and social progress.*

*Ladies and Gentlemen, these words are not uttered simply to comply with the circumstances. I believe very deeply that regional economic, but also political integration is a promising route, in Africa as elsewhere in the world. Among the uncertainties, and sometimes the feeling of helplessness which results from the maladjustment of traditional State political and social structures in the face of the new shapes of a world which has become a 'global village', regional integration, without opposing the multilateral approach, may be the appropriate means to prevent the dangers incurred by the destabilization of States and the relegation of whole groups of peoples.*

*In this global world, regional solidarities, founded on shared cultures, economic interests and development, are an opportunity for the peoples. Deeply committed to the building of European unity, knowing the benefits to be derived from it, France is happy to see the determination of African leaders to continue along this road.*

*Ladies and gentlemen, by gathering you today on the occasion of the publication of this work, I want to tell you how much hope the French National Assembly places on the current regionalization process under way on the African continent, how much it commits us, in our cooperation with these countries, to look for solutions that are suited to the economic, human and social stakes. This process is a matter for the African States themselves. But it is up to France, in the name of her historical links with Africa, to support and encourage it.*

*Indeed, regional economic solidarities are not an end in themselves. We must go further and aim at a certain political form, respecting everyone's cultural specificities. Such a political union would be, for West Africa, the best way to reduce tensions.*

*History gives us many examples of the use of currency as a tool for political construction. The dollar became a common currency as soon as the Thirteen Colonies of the British Crown founded the United States. The mark was an instrument of German unity. And the building of the European Monetary Union is clearly but a step before many others.*

*West Africa became involved in this mechanism with the centralized management of its currency by a Central Bank. The coming into force, on 1<sup>st</sup> January 2000, of a customs union, is to reinforce the process that was initiated almost forty years ago.*

*The progress of regional integration is part of the necessary regulation of globalisation. We must work together in this direction in order that globalisation may benefit all, and that the XXI<sup>st</sup> century may be that of African development. This hope, present at each page of the work we celebrate today, is also that of the National Assembly.*

*I thank you, and I leave the floor to Mr. Charles Konan BANNY, Governor of the Central Bank of West African States, who was the first to conceive this book, and without whose help, it would never have been completed. May I add that without his determined initiative, and that of his predecessors at the head of the Central Bank, the economic and monetary union of West Africa would not have set an example as it has for the whole African continent.*

*It is now Mr. Charles Konan BANNY's turn to speak.*



**SPEECH DELIVERED BY  
MR. CHARLES KONAN BANNY,  
GOVERNOR OF BCEAO**



I would like to address specifically today

*The President of the National Assembly,  
The Members of the French Cabinet,  
Their Excellencies, the foreign Ambassadors,  
The Members of the National Assembly,  
The General Directors of International Institutions and Banks,  
The Mayors and Aldermen,  
Ladies and Gentlemen, Honourable guests,  
Mr. President,*

*I appreciate the privilege to be with you today, in these prestigious rooms of the French National Assembly, on the occasion of the ceremony for the launching in Paris of our work on the History of the West African Monetary Union.*

*This solemn moment, the quality and the great diversity of our guests, as well as the strong symbolic charge of this place, considering its rich past, but also the prominent part played by your venerable institution in the political life of this great Country, which once was ours, lead me to think that no place could have been better suited to the ceremony for which we are gathered today.*

*I must therefore, Mr President, express once again all my gratitude for this great honour you have bestowed on me, and beyond myself, to the Central Bank of West African States, the common Central Bank of the eight member States of the West African Monetary Union. May I enumerate them once again : Benin, Burkina, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. May I express my vivid thanks to you for having agreed to welcome us in this very place, this imposing building, so loaded with History and symbols.*

*Mr. President, by doing this, you have honoured our Institution, the Central Bank of West African States, but also the whole of Africa. An Africa which, noiselessly, that is to say without fuss, far from clichés and preconceived ideas, works tirelessly to create a better future for itself. This strong Africa wants prosperity within liberty.*

*By doing this, Mr. President, you show your concern for initiatives that contribute to strengthening the centuries-old historical links between France and African countries, because this book seeks, however modestly, to bear witness to these links, but also to celebrate the French-speaking peoples and their common culture.*

*Lastly, Mr. President, I would like to thank you for your kind words, not only towards myself, but also for your faith in an Africa which strives to stand on its feet again as a winner, thanks to self-sacrifice and work. Our approach seeks to fit in this perspective, that of a continued struggle, upon which this historical reference work is based.*

*Ladies and Gentlemen of the Cabinet,  
Your Excellencies,  
Ladies and Gentlemen, members of this Parliament,  
Honourable Guests, Ladies and Gentlemen,*

*Why a book on the History of the West African Monetary Union ?*

*We wanted to answer to the call of duty towards our past. This duty is even more compelling today than yesterday. Indeed, the West African Monetary Union represents in our time the experience of a common monetary sovereignty, as shared between independent States of West Africa. It is the symbol of a common destiny, of an effective and dynamic solidarity between sovereign States, to benefit the welfare of their population.*

*This Union was born about 40 years ago, but its cornerstone, the Central Bank, a living reality, is much older, starting in the 19<sup>th</sup> century, about 150 years ago, and more precisely in 1853, when the privilege of issue was conferred upon the Bank of Senegal, then a private French bank, established in Saint-Louis.*

*It is because we wanted to avoid seeing whole parts of our History, and major epics in the economic and monetary life of our countries, lost in the mists of time, to avoid seeing all this past and its most suggestive remnants wasted away, that the Central Bank of West African States has chosen to embark on this historical venture, to satisfy this duty towards our past.*

*In this respect, let us recall what Pope John Paul II recently said : "There is no future without memory". For us, Africans, this duty is even more than a necessity.*

*This basic idea appears to me in this case as a vivid symbol of the Central Bank's activity, which, through this book, will without doubt leave present and future generations with a historical framework which might usefully become a source of inspiration to allow the West African Monetary Union to accomplish qualitative leaps forward.*

*In other respects, this book aims to be both a source for deeply rooting ourselves in our cultural values, and a symbol of opening onto the modern world, with its fruitful contributions.*

*This bridge between past and future is indeed a strong image of an Africa which is open to the outside world. An Africa in quest of progress, freedom, democracy and the rights of Man.*

*It is after all this eternal Africa, relying on its ancestral values, but resolutely open to the world, that we invite you to discover through this historical work.*

*In order to write this book, I set up, five (5) years ago, a multidisciplinary group, called the Historical Committee, composed of pioneers of the Central Bank, living witnesses of its History, to whom were associated eminent African academics and historians, who embody as many living libraries. As to its contents, let me say, in a few words, that it covers historical events that shaped the History of West Africa generally, and that of the West African Monetary Union in particular, from the origins to our days, and that it yields extremely useful information on the building of the monetary system of the countries which have made up WAMU since colonial times.*

*The work also stresses the theoretical and institutional logic behind all these evolutions since the colonial Issuing House and the laying out of the Franc area, until the policies implemented during the crisis in the 80s. Various considerations also concern possible perspectives and alternatives for WAMU countries in the future. It comprises three (3) volumes, or about 1,500 pages : the first volume encompasses the origins of the Union until the eve of independence ; the second volume closes the colonial period, with the 1958 referendum establishing a Community between France and the African Territories, and ends in the 90s ; and finally the third volume relates to the assessment and perspectives of the Union.*

*Mr. President,  
Ladies and Gentlemen Members of the Cabinet,  
Your Excellencies,  
Ladies and Gentlemen Members of this House,  
Honourable guests, Ladies and Gentlemen,*

*To gain a better knowledge of the past in order to better control the future, such is the ambition of this work on the History of WAMU, a History told by Africans themselves about Africa. This approach, which at first sight would seem self-evident, is also one of its characteristics.*

*May this work allow the world to know our Continent better, in order, finally, to throw new light on it, paying homage to these men and women who, in the silence surrounding their daily tasks, build an Africa that wants to be proud and worthy of the hopes of its children.*

*Thank you.*







SPEECH DELIVERED BY  
Mr. GEORGES ISRAEL,  
PUBLISHER OF THE BOOK,



*Mr. President,  
Mr. Governor,  
Ladies and Gentlemen Members of the Cabinet,  
Ladies and Gentlemen Members of the National Assembly,  
Your Excellencies,  
Ladies and Gentlemen,  
Dear Friends,*

*Taking the floor tonight is for me a great, a moving moment, that of the presentation of this History of the West African Monetary Union I now publish as required by the Central Bank of West African States.*

*To be entrusted with carrying out this work was already an honour. But what was in the beginning an ordinary publisher's work has turned, little by little, into a work of historical scope, considering how much it reflects the political, economic and social life of the member States of the Central Bank, as well as their evolution and future prospects. I feel therefore, from now on, not only honoured, but also proud to have been the publisher of this book.*

*It could not have been written without the participation of a Historical Committee of a very high standard, made up of persons who are the living memory of your Institution. They have enriched the work by applying their scholarship to highly specialised subjects requiring scrupulousness and precision.*

*You certainly remember the often quoted phrase by a famous writer, Amadou Hampaté Bâ, who said that, in Africa, "every old person who dies is a library that burns". This is precisely why you wanted the last actors of this Union to participate in the preparation of this work.*

*Africa is a living and unique culture. Africans are acutely aware of who they are and where they come from – an essential relationship between the past and the future.*

*May this work help to safeguard the collective memory of Africa as a whole. This Africa we all love so deeply.*

*I thank you once more, Mr. President, for having welcomed us in this House, and having allowed us to celebrate this great event.*



SPEECH DELIVERED BY  
Mr. IBA DER THIAM,



*For some years now, the foundations of the Africanist scholars' knowledge have been shaken by a deep epistemological crisis, which questions the basic tenets upon which it had built its whole collection of symbols. Its line of thought, torn between ethnocentric prejudices, methodological inhibitions, explanatory routines, turned yellow like leaves in an old book, now offers nothing more than a kaleidoscope of ill-linked events, without precise semantic orientation.*

*In such a context, the History of the West African Monetary Union forces us to ask the following question : is it just another book about Africa ? The answer is : yes, and no !*

*Yes ! Because our project undoubtedly belongs to a well-established historical tradition.*

*No ! Because, beyond the reconstruction, sequence after sequence, of the 150 year-old "long walk" in building a specific monetary identity, both in coordination and solidarity, through innumerable episodes and pitfalls, this book finds its place, on the one hand, in a well considered pedagogical protocol of information, training and awareness arousing, and on the other hand, in a string of strategic considerations on the future of BCEAO and WAMU, in the face of a changing Africa. Throughout the continent, people wonder about the future, and want to build it without too much trial and error, in a world which is becoming global and unified, in the field of ideas, concepts, symbols, values and references, in a word, on the basis of new paradigms.*

*The question is therefore, not only to fulfil the duties of memory, but also to give answers to urgent needs. Mr. President, WAMU's present image, in truth, did not suddenly appear as a lightning in the night. Indeed, if there be a fruit we shall never cull, it is the one that was never sown. WAMU is born out of an answer brought to a precise need in a given context, before becoming, through successive accretions, an idea, then a project, which later turned into struggles and expressions of political will, and in the end an accepted and*

*irreplaceable fact, a common heritage, a powerful drive towards economic and social progress, and a strong factor for ensuring stability and growth.*

*Our future being nowhere written, because it is up to us to invent it, let us remember this thought by Paul Ricoeur, teaching that 'before having a self, other than oneself, we must have a self'.*

*In such a light, the saga of countries sharing a common use of the Franc is undoubtedly interesting. It can even be said that for us, members of the Historical Committee, this historical retrospective comes in due time, to bring, to some questions that haunt many of us, some elements of answer, but also good grounds for hope.*

*At a time when Africa is still trying to find its own way, in order to take in hand its own destiny, so as to 'repossess itself', as Federico MAYOR so aptly said, I will borrow a first teaching to Columella, a Latin writer of the 1st century, who told his disciples that 'to act, you must first have the necessary knowledge, then the will, and finally the power'.*

*The act of knowledge bearing on the ends must, then, precede and control the organization of the means. The History of WAMU will prove, to all who still doubted it, that integration has always been, in all parts of the world, a long and complex process, and that it has not progressed everywhere by following a single pattern.*

*It is often forgotten that the European idea was not born by chance after any ordinary event. It was expressed, for the first time, in the Middle Ages, around the necessity of peace keeping, before, in the XVIII<sup>th</sup> century, Abbot Saint-Pierre, in 1713, and Emmanuel KANT, took it over in order to develop it.*

*In turn, Augustin THIERRY, Auguste COMTE, Ernest RENAN, took their part in the debate, widening its conceptual field and specifying its content, during the whole XIX<sup>th</sup> century.*

*This evolution continued, during the first half of the XX<sup>th</sup> century, on the initiative of Count de COUDENHOVE-KALERGI, Edouard HERRIOT, Aristide BRIAND, Winston CHURCHILL, General MARSHALL, Georges BIDAULT, Paul-Henri SPAAK, Robert SCHUMAN and Jean MONNET.*

*The Common Market of Coal and Steel, the European Defense Community, the Treaty of Rome and other institutions crowned their efforts.*

*Although the notion of economic and monetary Union was retained, it was not before the Summit held in the Hague in 1969 that the main steps were set. The Werner Report then determined its content and preconditions, and the Basle Agreements in 1972, after President NIXON's decision to put an end, in August 1971, to the system that had been established in Bretton Woods since 1944, set up the European Currency Snake to bring closer Community currencies' exchange rates.*



*This important initiative was followed, in 1975, by the creation of a European unit of account : the ecu. Thus, when the Euro was established as the common currency of 15 European States, an idea which was born about five centuries ago became reality.*

*Isn't this a fine example of integration through trade, at first, and later crowned, at the end of the process, by monetary integration ?*

*For its part, French-speaking West Africa took a totally different path, by making its currency, the CFA Franc, a means and an instrument for integration, and by later associating, little by little, the concerned States around it.*

*In this case, integration progressed, it may be said, from the top, and starting with the currency. The second teaching takes us back to Henri Bergson, a philosopher who tells us, wisely, that the part played by the individual, whether propitious or harmful, is always decisive in the fulfilment of any human work.*

*In this respect, the History of WAMU is also the conjunction of a great idea with a great destiny, which is yours, Mr Governor.*

*Your personal action, everyone admits it strongly, has made regional and sub-regional cooperation much easier. Under your leadership, both WAMU and BCEAO have been 'bucked up'. By constantly adjusting your deeds to your words, as a man of measure and balance, lucid and open, careful and rigorous, resourceful and visionary, you did not hesitate, following your ideal and your temperament, to explore new routes. Guinea-Bissau joined the common Central Bank in 1996. It thus freed that part of Africa which was not specifically French-speaking, from the curse of memory. What is more, you have opened important windows of opportunities to other States in the region, with the announcement of the creation of a second monetary area, within ECOWAS, an essential transition towards a common currency by 2004.*

*Because of all this, and many things more, you are already seen, by informed Africans, and for ever, as a follower of the founding fathers of Pan-Africanism. One thinks of VOLNEY, Marcus GARVEY, Booker T. WASHINGTON, DUBOIS, Eric WILLIAM, Peter ABRAHAMS, Lunion GOTHON, Lamine SENGHOR, Thiémoko GARAN KOUYATE, Kodjo TOULAVO, André MATSWA, Banda FARAMA, Cheikh ANTA DIOP, Haïlé SELASSIE, Kwame NKRUMAH, Julius NYERERE, Léopold SEDAR SENGHOR, Ahmed Sékou TOURE and Félix HOUPHOUET BOIGNY.*

*WAMU and BCEAO, Mr. Governor, are already the focus of influence, initiative and impetus. They will be more so once they have widened Conventions already agreed upon, and shared convergence, to a far greater field of relationships.*



Mr. Charles Konan Banny, Governor of the BCEAO  
Mr. Raymond Forni, President of the French National Assembly



Mr. Pierre Joxe, Mr. Raymond Forni,  
Mr. Hervé Bourges, Mr. Amadou Toumani Touré



Mr. Pierre Joxe, member of the Constitutional Court  
former minister of Defense and Interior



Mr. Dominique Strauss Kahn, MP  
former minister of Finance



Mr. Edmond Alphonché, former Minister of Finance  
staff members from BCEAO Mrs. Anne Brandy, Vice-Mayor Paris 11<sup>e</sup>



Mr. Charles Konan Banny, Governor of the BCEAO  
Mr. Hervé Bourges, former President of  
the Higher Council of Audio-visual



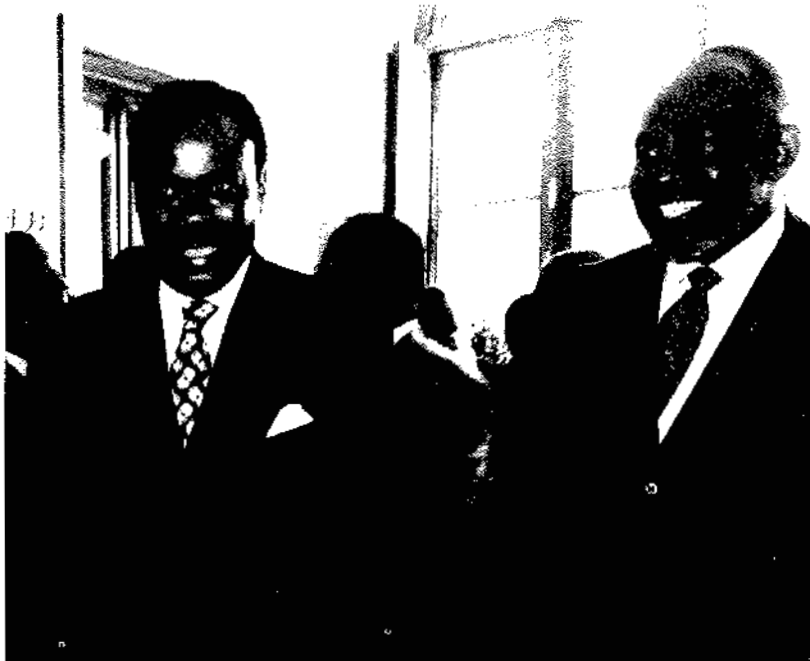
Mr. Yayi Boni, President of BOAD  
Mrs. Corinne Lepage, former minister for environment  
Mr. Charles Konan Banny, Governor of the BCEAO  
Mrs. Anne Brandy, Vice-Mayor Paris 11<sup>e</sup>  
Mrs. Martine Grymberg, Council of State  
Mr. Laurent Chambaz, International Lawyer



Mr. Charles Konan Banny, Governor of the BCEAO  
Mr. Amadou Toumani Touré, Former President of Mali  
Mr. Georges Israël, Publisher



Mr. Jacques Oudot, Mayor of Sevrans,  
Mr. Guy Tessier and Jean-Pierre Marché, members of Parliament  
Mr. Bernard Gahnassia, vice-president of Adelmard and  
Mr. Cordier, Architect



Mr. Edem Kodjo, former Secretary General of OAU,  
former minister of Finance Togo  
Mr. Sheik Modibo Diarra, Technical Manager, Mars exploration Directorate, NASA  
Chairman of the Pathfinder Foundation for Education and Development



Mr. Pierre Joxe, Mr. Jacques Oudot  
Mr. Claude Bourdain, Mayor of Beaugency



The Governor and Mr. Raphaël de Cuttoli,  
former member of the staff of minister  
André Malraux



Charles Konan Banny and  
Mrs. Jacqueline Sarre



Mrs. Michelle Israël, Presidente of  
HADASSAH of France  
Mr. Yoel Guilatt, plenipotentiary  
minister State of Israel



Mr. Abdoulaye Bio-Tchané,  
Minister of Finance - Benin



Mr. Jacques Revah,  
Plenipotentiary minister state of Israel





Charles Konan Banny and Pierre Goudiabi-Atepa,  
architect and special adviser to the President of Senegal



Mr. Babacar Ndiaye,  
former President of the African Bank of Development  
Mr. Pape saw Thiam,  
former General Manager, Air Afrique



Mr. François Bakou, Chairman of OCTIDE group  
and Mr. Babacar Ndiaye



Mr. Jacques Diouf, General Manager of FAO – Roma  
Mr. Seyni Loum, Lawyer



Mr. Jean Konan Banny, former Minister of Defense Côte d'Ivoire and administrator of the Yamoussoukro district. Monseigneur Djro Simeon, Bishop of Yamoussoukro. Mrs. and Mr. Konan Banny



Mr. Bassati Touré, administrator of the World Bank, Washington, DC  
Mr. Edem Kodjo and Mr. Guy Tessier  
Mr. Daniel Cabou, President of Historical Committee



Charles Konan Banny and Jacques Oudot, Mayor of Sevrans



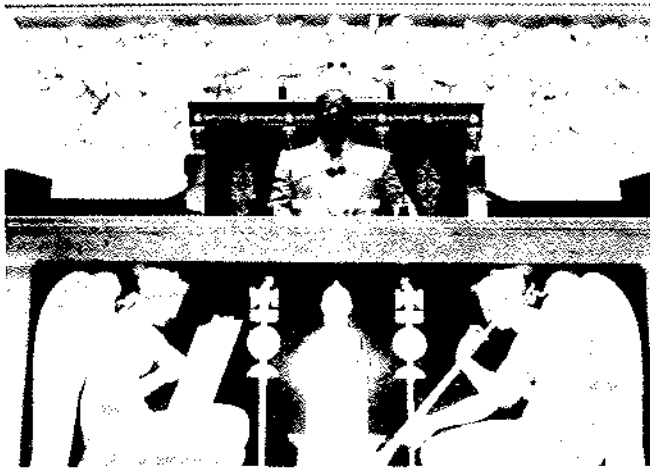
Around the Governor, members of the Historical Committee



Handing over of the book to Jacques Oudot



Staff members from all BCEAO agencies with Governor BANNY



Various pictures of Charles Konan Banny's visit to the French National Assembly,  
June 2000





**STATISTICAL ANNEXES**

Table A 10.1 : Inflation Rate in WAMU Countries (%).

Year	Benin	Burkina	Côte d'Ivoire	Mali	Mauritania	Nigeria	Senegal	Togo	WAMU
1961	1.04	18.56	11.69		n/a				11.04
1962	3.78	1.68	-1.32		n/a				0.34
1963	2.55	5.57	0.89		n/a				2.12
1964	-0.36	1.85	0.62		n/a	1.00			0.78
1965	2.06	-0.73	1.32		n/a	4.37			2.08
1966	1.14	2.36	5.55		n/a	10.57			6.17
1967	0.14	-4.33	2.30		n/a	0.43		-2.32	0.55
1968	3.27	-0.29	5.30		n/a	-2.92	0.06	0.30	1.68
1969	3.45	9.66	4.50		n/a	10.65	4.02	6.02	5.88
1970	5.05	1.77	9.41		n/a	1.12	2.81	4.48	5.46
1971	1.53	2.06	-1.53		n/a	4.19	3.88	6.49	1.43
1972	5.47	-2.92	0.34		n/a	9.75	6.15	7.73	3.52
1973	4.57	7.60	11.07		n/a	11.79	11.29	3.62	10.03
1974	15.60	8.72	17.38			3.40	16.60	12.83	14.43
1975	14.50	18.76	11.44			9.12	31.65	18.01	16.46
1976	13.76	-8.40	12.08			23.53	1.08	11.64	9.52
1977	5.31	29.99	27.39			23.25	11.34	22.46	22.52
1978	11.97	8.27	13.01			10.09	3.42	0.44	9.98
1979	13.09	14.99	16.61			7.27	9.65	7.54	13.55
1980	10.54	12.20	14.66			10.31	8.73	12.31	12.45
1981	8.21	7.56	8.83			22.91	5.91	19.72	10.56
1982	15.53	12.06	7.34			11.64	17.38	11.13	10.94
1983	4.52	8.34	5.88			-2.49	11.62	9.36	6.33
1984	1.58	4.85	4.29	25.33		8.36	11.78	-3.53	7.10
1985	-4.95	6.91	1.85	3.30		-0.92	13.00	-1.81	3.51
1986	-3.55	-2.61	6.84	-6.33		-3.21	6.19	4.12	3.08
1987	3.36	-2.68	6.94	10.47		-6.71	-4.14	0.05	2.43
1988	-0.72	4.06	7.00	0.20		-1.39	-1.83	-0.15	2.74
1989	1.39	-0.29	0.98	-0.90		-2.81	0.45	-0.84	0.17
1990	1.38	-0.83	-0.81	2.73		-0.81	0.33	1.02	-0.02
1991	1.72	2.50	1.70	2.21		-7.80	-1.75	0.39	0.11
1992	2.86	-1.99	3.53	1.70		-4.48	-0.11	1.39	1.20
1993	1.61	0.55	2.81	3.02		-1.22	-0.59	-1.01	1.28
1994	34.50	25.18	25.93	34.50		36.04	32.29	37.90	30.09
1995	3.10	4.70	7.10	8.70		5.50	5.50	6.40	6.25
1996	1.90	7.00	3.40	2.30		3.60	2.40	4.60	3.43
1997	3.30	2.30	5.60	-0.70		2.90	1.80	8.30	3.80

Notes : Inflation rates were calculated using the GNP implicit price deflator for Benin and Mali.



**Table A. 10. 2 : Impact of Variations in the Multiplier and Monetary Base on Variations in Money Supply**  
(in %)

Year	WAMU			Benin			Burkina			Côte d'Ivoire			Mali			Niger			Senegal			Togo		
	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$	$\Delta M$	$\Delta m$	$\Delta B$
1975	20.19	-10.51	34.31	43.58	24.90	14.95	24.25	-2.60	27.57	21.87	-11.36	34.79				25.87	-0.59	26.62	18.83	-11.22	33.85	-6.70	-34.60	42.66
1976	31.61	0.77	30.60	24.17	1.01	22.93	34.43	7.85	24.65	33.62	2.50	30.36				19.35	-13.52	38.01	35.17	-4.03	40.85	20.50	6.25	13.42
1977	36.26	11.17	22.56	9.08	-4.35	14.04	13.21	4.44	8.40	49.84	14.87	30.45				19.46	-4.37	24.92	17.72	13.93	3.33	36.96	1.28	35.23
1978	17.13	6.14	10.36	1.19	5.41	-4.00	26.71	32.28	-4.21	15.22	3.76	11.05				36.68	15.88	17.94	11.51	8.87	2.42	42.37	5.76	34.62
1979	19.41	-1.70	21.48	29.04	4.96	22.94	18.13	-4.92	24.25	17.74	-2.38	20.61				21.25	-5.76	28.66	24.43	-2.88	28.12	15.67	6.80	8.31
1980	3.64	-6.44	10.78	20.49	-5.50	27.50	9.55	-8.04	19.13	2.26	-3.51	5.98				32.81	-1.31	34.57	0.40	-7.77	8.86	-12.92	-21.59	11.06
1981	2.44	-14.07	19.22	27.61	-16.37	52.60	26.01	-3.62	30.74	-8.07	-18.64	13.00				35.53	7.22	26.41	0.31	-8.42	9.54	28.98	-9.37	42.31
1982	11.36	1.28	9.95	9.52	-17.37	32.54	5.88	3.20	2.60	7.62	15.20	-6.58				14.80	-5.01	-10.31	29.76	-2.84	33.55	33.47	-20.28	67.43
1983	6.72	8.87	-1.98	30.44	52.92	-14.70	7.85	-14.74	26.49	6.68	12.49	-5.17				-7.13	-0.03	-7.10	12.90	-0.01	12.90	-12.15	0.15	-12.28
1984	18.40	-8.28	29.09	2.02	12.12	-9.01	11.30	-24.92	48.24	9.43	-7.07	17.75				23.61	-0.69	24.47	1.86	14.67	-11.17	17.82	-8.68	29.02
1985	12.93	-10.29	25.88	4.24	4.84	-0.57	13.44	-3.02	16.97	16.75	-14.55	36.63	8.67	-3.67	12.82	14.07	-19.86	42.33	6.11	-1.23	7.43	16.17	-11.31	30.97
1986	19.58	-9.50	32.13	4.39	-8.87	14.55	29.03	-0.20	29.29	19.37	-13.52	38.03	6.06	-5.69	12.46	11.13	6.08	4.76	19.44	-16.66	43.31	23.41	9.87	12.33
1987	-1.75	-3.77	2.10	-11.30	7.50	-17.48	11.15	-5.92	18.15	-2.44	-4.05	1.68	-3.98	-0.80	-3.21	-5.46	-7.54	2.26	-0.22	-5.37	5.44	-1.01	2.03	-2.98
1988	1.79	7.66	-5.46	1.08	-15.83	20.09	15.74	5.59	9.61	0.30	16.30	-13.76	8.26	-2.67	11.23	15.16	-5.54	21.92	0.50	1.08	-0.58	-11.91	17.92	-25.30
1989	-0.88	0.63	-1.50	6.47	-40.71	79.58	3.66	21.51	-14.69	-8.08	17.49	-21.76	0.95	-11.30	13.81	5.82	4.56	1.20	10.30	-11.57	24.73	1.12	-7.31	9.09
1990	-65.21	-67.67	7.59	28.63	-19.47	59.73	-55.87	-56.41	1.33	-67.12	-69.08	6.32	-61.63	-96.22	914.02	-70.92	-71.77	3.01	-71.58	-70.51	-3.62	-75.81	-78.24	11.14
1991	196.11	168.99	10.08	12.85	-9.40	24.56	134.94	94.39	20.86	196.69	188.22	2.94	180.34	2029.98	-86.84	200.71	206.08	-1.75	254.36	231.07	7.03	367.05	342.79	5.48
1992	1.16	1.10	0.06	16.42	-5.05	22.60	5.92	-0.17	6.10	-1.19	11.22	-11.16	2.97	3.14	-0.17	-0.96	-3.23	2.35	3.59	-3.32	7.15	-18.00	-0.11	-17.92
1993	-2.62	1.69	-4.24	-3.10	11.27	-12.92	7.85	-6.51	15.37	-1.37	-9.60	9.11	8.37	-0.71	9.15	0.07	4.59	-4.32	-12.58	25.48	-30.33	16.19	23.50	-32.14
1994	39.31	16.44	19.64	47.90	45.88	1.39	28.81	29.87	-0.82	46.21	-6.43	56.32	37.79	74.30	-20.95	6.72	40.44	-24.00	37.79	-7.62	49.16	44.10	40.67	2.44
1995	6.24	19.06	-10.77	-5.81	72.21	-45.31	16.06	10.09	5.43	5.01	24.48	-15.64	15.18	8.61	6.05	5.33	1.14	4.14	4.14	27.71	-18.45	12.31	3.65	8.35

Source : Calculations based on BCEAO data (Information Notes and Statistics.)

$\Delta M$  = Variation in monetary supply

$\Delta B$  = Variation in monetary base

$\Delta m$  = Variation of the multiplier

**Table A.10. 3 : Impact of Variations in Gross Foreign Assets, Credits Granted to Governments and Other Assets in the Money Supply**  
(in %)

Year	WAMU					Benin					Mali				
	B	GFA	GNP	CBFI	OI(N)	B	GFA	GNP	CBFI	OI(N)	B	GFA	GNP	CBFI	OI(N)
1975	34.31	-35.46	22.34	47.69	-0.26	14.95	-41.26	9.51	46.73	-0.02	27.57	-48.33	62.58	13.06	0.25
1976	30.60	13.04	10.88	6.75	-0.08	22.93	-13.38	-13.51	49.86	-0.04	24.65	17.07	-24.36	32.10	-0.23
1977	22.56	35.10	-26.69	13.97	0.19	14.04	-16.34	16.70	13.65	0.03	8.40	3.73	3.21	1.49	0.02
1978	10.36	-18.47	-3.42	32.51	-0.26	-4.00	-14.59	0.37	11.11	0.14	-4.21	-71.13	40.24	27.40	-0.72
1979	21.48	-14.44	15.88	20.15	-0.11	22.94	-40.49	47.15	16.77	-0.48	24.25	17.74	-9.34	15.70	0.15
1980	10.78	-62.93	31.96	41.63	0.12	27.50	-42.81	-40.11	11130	0.30	19.13	-20.11	36.27	2.56	0.41
1981	19.22	-40.64	40.08	21.09	-1.31	52.60	75.67	-13.25	-10.38	0.55	30.74	41.85	4.17	-14.63	-0.65
1982	9.95	-23.16	17.16	15.28	0.67	32.54	-30.93	31.29	32.80	-0.62	2.60	-16.46	18.57	0.29	0.20
1983	-1.98	-54.45	29.35	23.00	0.12	-14.70	-46.39	18.07	16.70	-3.08	26.49	13.07	2.66	10.53	0.24
1984	29.09	-8.99	31.34	-14.03	20.77	-9.01	-29.84	11.50	1.37	7.95	48.24	64.40	-11.96	-4.70	0.50
1985	25.88	17.75	4.85	-4.13	7.42	-0.57	-0.23	-2.82	-1.57	4.05	16.97	20.65	0.96	-7.64	3.1
1986	32.13	31.50	1.95	19.82	-21.14	14.55	-5.46	0.54	22.50	-3.03	29.29	21.06	5.32	3.81	-0.89
1987	2.10	2.21	-4.87	9.18	-4.42	-17.48	-32.18	3.21	15.43	-3.95	18.15	14.93	4.02	0.89	-1.69
1988	-5.46	-9.91	2.06	4.59	-2.20	20.09	-34.60	-3.68	16.49	-3.12	9.61	12.73	0.75	-4.04	0.17
1989	-1.50	10.30	-4.05	-8.33	0.58	79.58	118.96	-1.89	-40.93	3.44	-14.69	-16.17	0.99	0.12	0.37
1990	7.59	9.11	-1.18	7.21	-7.56	59.73	45.42	18.04	-2.09	-1.64	1.33	2.82	-0.13	-0.48	-0.87
1991	10.08	12.67	-0.76	0.03	-1.86	24.56	35.15	-10.23	-0.54	0.18	20.86	12.08	2.49	5.81	0.48
1992	0.06	-0.43	0.41	1.98	-1.90	22.60	18.53	4.27	0.00	-0.20	6.10	6.02	0.52	-0.31	-0.12
1993	-4.24	0.90	1.75	-4.06	-2.83	-12.92	-3.17	-9.22	0.00	-0.53	15.37	14.57	1.22	-0.06	-0.35
1994	19.64	50.55	25.66	-65.14	8.58	1.39	31.90	3.59	-46.86	12.76	-0.82	-8.74	6.20	-7.86	9.58
1995	-10.77	13.88	-10.44	-5.50	-8.71	-45.31	-40.13	-1.43	0.00	-3.74	5.43	16.79	-7.41	-0.03	3.92

Year	Côte d'Ivoire					Mali				
	B	GFA	GNP	CBFI	OI(N)	B	GFA	GNP	CBFI	OI(N)
1975	37.49	-48.26	31.25	54.74	-0.24					
1976	30.36	21.90	12.93	-4.50	0.03					
1977	30.45	62.62	-55.83	23.55	0.11					
1978	11.05	-10.07	-15.71	36.93	-0.10					
1979	20.61	-16.95	28.38	9.09	0.09					
1980	5.98	-97.14	45.08	58.14	-0.09					
1981	13.00	-69.85	59.97	22.85	0.03					
1982	-6.58	-13.95	-5.46	12.93	-0.10					
1983	-5.17	-89.94	56.33	28.37	0.07					
1984	17.75	-12.22	32.04	-17.54	15.47					
1985	36.63	42.94	-3.73	-12.75	10.16	12.82	-13.28	9.76	12.75	3.59
1986	38.03	28.09	-4.36	31.24	-16.93	12.46	-7.10	1.09	24.42	-5.95
1987	1.68	-5.05	-10.82	21.30	-3.75	-3.21	9.54	-3.08	-7.34	-2.32
1988	-13.76	-18.71	4.97	-0.26	0.23	11.23	25.69	-7.69	-2.31	-5.09
1989	-21.76	-1.57	-9.73	-13.11	2.65	13.81	30.61	-4.33	-7.49	-4.39
1990	6.32	-15.69	-3.20	25.57	-0.36	914.02	16.56	-11.01	0.00	-4.14
1991	2.94	3.83	-2.38	-1.05	2.54	-86.84	31.34	6.28	0.00	-6.01
1992	11.16	-16.51	1.43	3.92	0.01	-0.17	1.59	-0.11	0.00	-0.17
1993	9.11	8.48	10.74	-9.43	-0.68	9.15	9.40	3.14	0.00	-3.40
1994	56.32	126.56	43.08	-129.19	15.87	-20.95	-20.81	5.76	-16.62	10.72
1995	-15.64	19.38	-17.32	-11.93	-5.77	6.05	11.65	2.42	0.00	-8.02

Year	Niger					Senegal					Togo				
	B	GFA	GNP	CBFI	OI(N)	B	GFA	GNP	CBFI	OI(N)	B	GFA	GNP	CBFI	OI(N)
1975	26.62	-2.82	-24.55	56.18	-2.19	33.85	-31.76	10.47	55.15	0.00	42.66	27.53	5.30	9.84	-0.01
1976	38.01	89.35	-7.39	-43.53	-0.41	40.85	-10.79	23.94	27.95	-0.24	13.42	-35.17	27.68	20.90	0.01
1977	24.92	48.84	-27.75	2.53	1.30	3.33	-6.42	11.30	-1.72	0.16	35.23	1.72	23.09	10.42	0.00
1978	17.94	-49.59	23.23	44.21	0.09	2.42	-26.58	-3.37	32.40	-0.02	34.62	3.45	25.20	7.86	-1.89
1979	28.66	12.05	-14.04	30.90	-0.25	28.12	-33.13	-7.36	70.29	-1.69	8.31	3.69	4.40	-1.16	1.38
1980	34.57	22.82	12.67	-1.16	0.25	8.86	-35.34	26.59	16.75	0.86	11.06	-8.34	6.29	13.39	-0.28
1981	26.41	18.84	2.02	10.44	-4.89	9.54	-82.44	37.69	57.26	-2.98	42.31	35.92	15.92	-5.66	-3.86
1982	-10.31	-53.28	14.75	25.31	2.92	33.55	-91.60	93.57	30.05	1.54	67.43	59.74	10.91	-5.27	2.04
1983	-7.10	-28.91	4.53	16.78	0.50	12.90	-40.42	11.63	40.64	1.06	-12.28	-15.75	4.20	-1.08	0.36
1984	24.47	42.47	11.23	-35.75	6.52	-11.17	-29.90	37.72	-30.67	11.68	29.02	27.05	-3.74	0.96	4.75
1985	42.33	19.27	25.23	-7.17	5.00	7.43	-21.60	9.91	7.35	11.77	30.97	17.74	12.69	-3.11	3.66
1986	4.76	-4.33	0.82	13.54	-5.27	43.31	41.24	13.36	11.55	-22.85	12.33	3.67	9.80	3.36	-4.50
1987	2.26	12.41	-5.88	6.49	-10.77	5.44	8.93	1.82	-3.41	-1.89	-2.98	0.52	-0.94	-0.30	-2.26
1988	21.92	14.38	0.87	-2.07	8.74	-0.58	-27.82	1.61	28.79	-3.16	-25.30	-24.10	-0.86	-1.18	0.85
1989	1.20	-9.97	12.61	-4.15	2.70	24.73	23.64	2.59	-5.83	4.32	9.09	14.62	9.50	1.22	2.75
1990	3.01	1.78	4.41	1.66	-4.85	-3.62	11.77	-5.02	-3.73	-6.64	11.14	10.88	5.41	-1.52	-3.63
1991	-1.75	-2.90	-0.41	-0.03	1.59	7.03	2.13	0.83	-2.45	6.53	5.48	2.28	1.14	2.87	1.46
1992	2.35	4.19	-1.81	-0.08	0.04	7.15	3.34	0.07	5.39	-1.66	-17.92	-14.30	-3.09	-0.02	-0.51
1993	-4.32	-6.13	2.06	-0.07	-0.18	-30.33	-18.01	-3.80	-9.19	0.67	-32.14	332.76	0.33	-0.08	0.38
1994	-24.00	-10.55	2.55	-32.49	16.48	49.16	22.09	78.26	-126.98	75.80	2.44	-42.87	10.39	0.96	33.96
1995	4.14	-9.22	12.53	5.39	-4.55	-18.45	28.28	-33.48	-3.37	-9.88	8.35	-5.65	32.78	-12.04	-6.74

GNP = Government's Net Position

GFA = Gross Foreign Assets

CBFI = Credit to Banks and Financial Institutions

OI(N) = Other Items (Net)

B = Monetary base

**Table A.10 4 : BCEAO Monetary Projections and Realizations**  
(in billions of CFA Francs)

Year	Monetary Aggregate				BCEAO Credit			
	Gross Assets Abroad		Credits to Economy		Credit to Treasuries		Credit to Credit Institutions	
	Objective	Achievement	Objective	Achievement	Ceiling	Achievement	Ceiling	Achievement
1962								
1963		33.3		88.6	6.0	1.1	36.4	28.0
1964		31.7		103.2	6.3	0.4	39.9	37.3
1965					6.0	0.4	40.1	32.2
1966		41.6		102.1	6.3	2.4	41.1	30.6
1967		36.1		106.5	6.2	3.4	32.6	27.0
1968		40.4		127.8	5.0		37.3	
1969		47.9		147.6	6.2		43.4	38.8
1970		68.6		169.5	6.2	0.5	69.2	41.9
1971		67.2		193.0	6.6	1.5	70.1	45.7
1972		44.7		228.0	6.8	5.8	90.6	48.5
1973		32.8		268.6	8.0	5.8	129.5	48.5
1974		62.2		402.3	8.6	1.3	214.9	138.5
1975	48.9	19.9	493.1	500.9		3.7	168.3	149.1
1976	68.3	26.2	598.7	640.2	11.9	15.6	175.6	165.0
1977	38.6	23.0	681.7	912.2	35.7	17.0	171.0	228.1
1978	58.3	-4.1	895.7	1099.4	36.9	18.5	238.7	289.0
1979	21.4	-139.6	1178.2	1277.9	70.4	58.7	291.2	335.7
1980	-101.8	-362.1	1473.2	1455.2	80.4	114.6	364.4	443.0
1981	-399.1	-515.5	1626.7	1598.5	126.2	113.5	460.1	580.0
1982	-774.0	-650.7	1831.0	1722.9	157.4	146.0	668.0	667.2
1983	-807.8	-879.8	1925.1	1843.5	179.7	166.0	728.3	742.5
1984	-880.1	-715.3	1977.1	1969.9	196.2	182.8	735.7	693.4
1985	-894.8	-673.0	2054.5	2001.4	208.4	196.2	754.8	680.8
1986	-480.7	-573.8	2041.8	2056.9	227.1	223.8	664.3	713.0
1987	-367.7	-597.0	2134.0	2150.8	242.0	243.2	626.5	805.1
1988	-351.5	-710.0	2144.6	2167.7	252.7	267.1	590.4	846.4
1989	-445.6	-582.6	2125.3	2108.5	269.9	269.6	643.2	769.9
1990	-498.7	-438.9	2102.6	2026.8	258.0	268.5	599.6	834.4
1991	-385.7	-296.9	2016.3	1961.4	239.3	279.8	677.7	831.0
1992	-222.1	-243.4	1902.8	1837.6	250.0	313.1	757.3	851.6
1993	74.5	-225.0	1818.9	1764.0	249.2	361.8	703.0	809.2
1994	-180.1	430.5	1831.0	1606.5	688.1	528.1	786.2	157.2
1995	-40.0	693.2	1835.2	1860.5	644.4	391.1	304.5	163.7
1996	1175.7	869.7	1917.1	2043.7	675.8	333.6	149.0	162.0
1997	1210.4	1087.8	2246.1	2251.3	410.9	344.9	326.0	174.4

Source : BCEAO

Table A.10. 5 : BCEAO Credit to Benin

End of December	The Central Bank's Credit to the Member States (in %)									Other Credit
	Customs duty bills  (Art.12)	Government securities discount  (Art. 15)	Current account overdraft  (Art. 14)	Current postal account	Government bonds	Total  (Art. 16)	IMF Credit			
							Funds	Others	Total	
1970	0.00	0.00	97.11	0.07	0.00	97.19	0.00	2.81	2.81	0.00
1975	0.00	0.00	99.95	0.05	0.00	100.00	0.00	0.00	0.00	0.00
1980	0.00	6.39	0.00	0.02	0.00	6.41	93.59	0.00	93.59	0.00
1985	0.00	34.53	44.73	0.01	0.00	79.27	20.73	0.00	20.73	0.00
1986	0.00	23.94	62.77	0.00	0.00	86.71	13.29	0.00	13.29	0.00
1987	0.00	19.23	71.46	0.00	0.00	90.70	9.30	0.00	9.30	0.00
1988	0.00	12.44	82.78	0.01	0.00	95.22	4.77	0.00	4.77	0.00
1989	0.00	5.81	79.99	0.00	0.00	85.80	1.95	12.24	14.20	0.00
1990	0.00	2.48	89.08	0.00	0.00	91.56	0.05	8.39	8.44	0.00
1991	0.00	1.02	77.67	0.00	0.00	78.69	0.00	21.31	21.31	0.00
1992	0.00	0.00	78.12	0.00	0.00	78.12	0.00	21.88	21.88	0.00
1993	0.00	0.00	46.28	0.00	0.00	46.28	0.00	53.72	53.72	0.00
1994	0.00	0.00	6.09	0.00	0.00	6.09	0.00	93.91	93.91	0.00
1995	0.00	0.00	21.14	0.00	0.00	21.14	0.00	78.86	78.86	0.00
1996	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00
1997	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00

Source : BCEAO

**Table A. 10. 6 : BCEAO Credit to Burkina**

End December	The Central Bank's Credit to Member States (in %)									Other Credit
	Customs duty bills (Art.12)	Government securities discount (Art.15)	Current account overdraft (Art.14)	Current postal account	Government bonds	Total (Art.16)	IMF Credit			
							Funds	Others	Total	
1970	0.00	0.00	0.00	0.24	0.00	0.24	0.00	99.76	99.76	0.00
1975	0.00	0.00	0.00	100.00	0.00	100.00	0.00	0.00	0.00	0.00
1980	0.00	31.24	0.00	0.02	0.00	31.26	68.74	0.00	68.74	0.00
1985	5.72	3.01	71.27	0.00	0.00	80.00	20.00	0.00	20.00	0.00
1986	4.45	0.87	79.56	0.00	0.00	80.43	15.11	0.00	15.44	0.00
1987	9.64	0.00	83.43	0.00	0.00	83.43	6.92	0.00	6.92	0.00
1988	5.87	0.00	91.19	0.00	0.00	91.19	2.99	0.00	2.99	0.00
1989	4.22	0.00	95.10	0.00	0.00	95.10	0.67	0.00	0.67	0.00
1990	4.15	0.00	95.77	0.00	0.00	95.77	0.08	0.00	0.08	0.00
1991	1.05	0.00	87.65	0.00	0.00	87.65	0.00	11.30	11.30	0.00
1992	0.79	0.00	88.42	0.00	0.00	88.42	0.00	10.80	10.80	0.00
1993	0.59	0.00	77.28	0.00	0.00	77.28	0.00	22.13	22.13	0.00
1994	0.83	0.00	51.59	0.00	37.13	51.59	0.00	43.90	43.90	0.00
1995	0.25	0.00	40.57	0.00	0.00	40.57	0.00	59.18	59.18	0.00
1996	0.00	0.00	36.47	0.00	0.00	36.47	0.00	63.53	63.53	0.00
1997	0.00	0.00	34.03	0.00	0.00	34.03	0.00	65.97	65.97	0.00

Source : BCEAO

**Table A.10. 7 : BCEAO Credit to Côte d'Ivoire**

End December	The Central Bank's Credit to Member States (in %)									Other Credit
	Customs duty bills (Art. 12)	Government securities discount (Art. 15)	Current account overdraft (Art. 14)	Current postal account	Government bonds	Total (Art. 16)	IMF Credit			
							Funds	Others	Total	
1970	0.00	0.00	0.00	100.00	0.00	100.00	0.00	0.00	0.00	0.00
1975	0.00	0.00	0.00	100.00	0.00	100.00	0.00	0.00	0.00	0.00
1980	1.88	32.66	50.37	0.00	0.00	84.91	15.09	0.00	15.09	0.00
1985	0.00	7.33	25.47	0.00	0.00	32.79	3.30	63.90	67.21	0.00
1986	0.00	5.43	31.04	0.00	0.00	36.47	2.45	61.08	63.53	0.00
1987	1.34	4.05	36.91	0.00	0.00	40.96	1.82	55.88	57.70	0.00
1988	0.00	1.43	45.17	0.00	0.00	46.60	0.89	52.51	53.40	0.00
1989	0.00	0.00	55.31	0.00	0.00	55.31	0.37	44.32	44.69	0.00
1990	0.00	0.00	54.00	0.00	0.00	54.00	0.02	45.98	46.00	0.00
1991	0.00	0.00	59.80	0.00	0.00	59.80	0.00	40.20	40.20	0.00
1992	0.00	0.00	69.50	0.00	0.00	69.50	0.00	30.50	30.50	0.00
1993	0.00	0.00	78.31	0.00	0.00	78.31	0.00	21.69	21.69	0.00
1994	0.00	0.00	39.59	0.00	29.50	39.59	0.00	30.91	30.91	0.00
1995	0.00	0.00	36.99	0.00	10.12	36.99	0.00	52.88	52.88	0.00
1996	0.00	0.00	33.93	0.00	6.70	40.63	0.00	59.37	59.37	0.00
1997	0.00	0.00	40.45	0.00	2.74	43.19	0.00	56.81	59.37	0.00

Source : BCEAO

Table A.10. 8 : BCEAO Credit to Mali

End December	The Central Bank's Credit to Member States (in %)									Other Credit
	Customs duty bills	Government securities discount	Current account overdraft	Current postal account	Government bonds	Total	IMF Credit			
	(Art.12)	(Art. 15)	(Art. 14)			(Art. 16)	Funds	Others	Total	
1985	0.00	0.00	19.52	0.00	0.00	19.52	14.42	66.06	80.48	0.00
1986	0.00	0.00	29.47	0.00	0.00	29.47	9.56	60.97	70.53	0.00
1987	0.00	0.00	45.47	0.00	0.00	45.47	5.92	48.60	54.52	0.00
1988	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1989	0.00	0.00	58.04	0.00	0.00	58.04	0.73	41.22	41.96	0.00
1990	0.00	0.00	42.50	0.00	0.00	42.50	0.09	57.41	57.50	0.00
1991	0.00	0.00	51.67	0.00	0.00	5.30	0.00	48.33	48.33	0.00
1992	0.00	0.00	50.35	0.00	0.00	50.35	0.00	49.65	49.65	0.00
1993	0.00	0.00	51.59	0.00	0.00	51.59	0.00	48.41	48.41	0.00
1994	0.00	0.00	31.42	0.00	0.00	31.42	0.00	68.58	68.58	0.00
1995	0.00	0.00	0.00	0.00	7.14	0.00	0.00	92.86	92.86	0.00
1996	0.00	0.00	0.00	0.00	7.49	7.49	0.00	92.51	92.51	0.00
1997	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00

Source : BCEAO

Table A.10. 9 : BCEAO Credit to Niger

End December	The Central Bank's Credit to Member States (in %)									Other Credit
	Customs duty bills	Government securities discount	Current account overdraft	Current postal account	Government bonds	Total	IMF Credit			
	(Art.12)	(Art. 15)	(Art. 14)			(Art. 16)	Funds	Others	Total	
1970	0.00	0.00	0.00	7.27	0.00	7.27	0.00	92.73	92.73	0.00
1975	0.00	0.00	0.00	100.00	0.00	100.00	0.00	0.00	0.00	0.00
1980	0.00	68.27	0.00	0.01	0.00	68.28	31.72	0.00	31.72	0.00
1985	0.00	31.29	0.00	0.00	0.00	31.29	7.43	61.29	68.71	0.00
1986	0.00	25.13	0.00	0.00	0.00	25.13	4.59	70.28	74.87	0.00
1987	0.00	25.47	0.00	0.00	0.00	25.47	3.16	71.37	74.53	0.00
1988	0.00	32.61	0.00	0.00	0.00	32.61	2.16	65.23	67.39	0.00
1989	0.00	31.61	0.00	0.00	0.00	31.61	1.08	67.30	68.38	0.00
1990	0.00	29.19	0.00	0.00	0.00	29.19	0.00	70.76	70.76	0.04
1991	0.00	23.81	13.92	0.00	0.00	37.73	0.00	62.27	62.27	0.00
1992	0.00	19.74	23.40	0.00	0.00	43.14	0.00	56.86	56.86	0.00
1993	0.00	14.43	40.29	0.00	0.00	54.72	0.00	45.28	45.28	0.00
1994	0.00	7.27	35.88	0.00	11.91	43.27	0.00	44.82	44.82	0.00
1995	0.00	4.13	46.19	0.00	14.52	50.32	0.00	35.17	35.17	0.00
1996	0.00	2.40	53.41	0.00	4.85	60.66	0.00	39.34	39.34	0.00
1997	0.00	1.03	46.47	0.00	0.00	47.50	0.00	52.50	52.50	0.00

Source : BCEAO

**Table A.10. 10 : BCEAO Credit to Senegal**

End December	The Central Bank's Credit to Member States (in %)									Other Credit
	Customs duty bills	Government securities discount	Current account overdraft	Current postal account	Government bonds	Total	IMF Credit			
	(Art.12)	(Art. 15)	(Art. 14)			(Art. 16)	Funds	Others	Total	
1970	0.00	0.00	0.00	100.00	0.00	100.00	0.00	0.00	0.00	0.00
1975	99.78	0.00	0.00	0.22	0.00	100.00	0.00	0.00	0.00	0.00
1980	0.00	0.00	43.15	0.00	0.00	43.15	24.96	31.89	56.85	0.00
1985	0.00	0.00	21.01	0.00	0.00	21.01	4.24	54.51	58.75	20.24
1986	0.00	0.00	18.94	0.00	0.00	18.94	2.40	43.94	46.34	15.77
1987	0.00	0.00	19.30	0.00	0.00	19.30	1.44	44.78	46.22	15.19
1988	0.84	0.00	17.04	0.00	0.00	17.04	0.54	37.53	38.07	12.71
1989	0.97	0.00	19.81	0.00	0.00	19.81	0.15	44.63	44.78	14.78
1990	0.97	0.00	20.37	0.00	0.00	20.37	0.02	42.74	42.76	15.55
1991	0.85	0.00	19.92	0.00	0.00	19.92	0.00	43.83	43.83	15.49
1992	0.87	0.00	24.09	0.00	0.00	24.09	0.00	36.09	36.09	14.85
1993	0.63	0.00	25.77	0.00	0.00	25.77	0.00	32.83	32.83	15.00
1994	0.40	0.00	17.87	0.00	22.99	17.87	0.00	30.97	30.97	9.90
1995	0.55	0.00	14.05	0.00	19.84	14.05	0.00	41.38	41.38	10.14
1996	0.00	0.00	26.13	0.00	0.66	26.79	0.00	59.28	59.28	13.93
1997	0.00	0.00	22.74	0.00	0.00	22.74	0.00	57.20	57.20	20.06

Source : BCEAO

**Table A 10. 11 : BCEAO Credit to Togo**

End December	The Central Bank's Credit to Member States (in %)									Other Credit
	Customs duty bills	Government securities discount	Current account overdraft	Current postal account	Government bonds	Total	IMF Credit			
	(Art.12)	(Art. 15)	(Art. 14)			(Art. 16)	Funds	Others	Total	
1970	0.00	0.00	0.00	0.95	0.00	0.95	0.00	99.05	99.05	0.00
1975	0.00	0.00	99.98	0.02	0.00	100.00	0.00	0.00	0.00	0.00
1980	0.00	0.00	63.78	0.01	0.00	63.78	0.00	36.22	36.22	0.00
1985	0.00	0.00	32.20	0.00	0.00	32.20	7.28	60.52	67.80	0.00
1986	0.00	0.00	32.95	0.00	0.00	32.95	4.70	62.36	67.05	0.00
1987	3.65	0.00	36.58	0.00	0.00	36.58	3.13	56.63	59.76	0.00
1988	4.00	0.00	39.15	0.00	0.00	39.15	1.42	55.44	56.85	0.00
1989	0.00	0.00	41.00	0.00	0.00	41.00	0.35	58.64	58.99	0.00
1990	2.39	0.00	40.05	0.00	0.00	40.05	0.04	57.52	57.56	0.00
1991	2.53	0.00	42.36	0.00	0.00	42.36	0.00	54.95	54.95	0.00
1992	1.00	0.00	44.83	0.00	0.00	44.83	0.00	54.17	54.17	0.00
1993	0.00	0.00	52.31	0.00	0.00	52.31	0.00	47.69	47.69	0.00
1994	0.00	0.00	48.20	0.00	0.00	48.20	0.00	51.80	51.80	0.00
1995	0.00	0.00	40.21	0.00	4.64	40.21	0.00	55.15	55.15	0.00
1996	0.00	0.00	47.40	0.00	1.14	48.54	0.00	51.46	51.46	0.00
1997	0.00	0.00	24.11	0.00	0.00	24.11	0.00	75.89	75.89	0.00

Source : BCEAO.



**Table A 10. 12 : Price Elasticity of Supply and Demand for Currency and Average Rate for Customs Duties on Imports into the Union.**

Country	Benin	Burkina	Côte d'Ivoire	Mali	Niger	Senegal	Togo
Price elasticity : currency supply	0.77	0.68	0.60	0.40	0.51	0.68	0.41
Price elasticity : currency demand	0.99	1.20	1.00	1.00	1.50	1.00	1.20
Average rate of customs duties on imports	0.20	0.23	0.37	0.27	0.16	0.34	0.17

Source : Elasticity has been estimated. The average customs duties were taken from an audit conducted by the Coopération française in the WAMU countries (document to be quoted).

**Table A 10. 13 : Change in Number of Banks and Agencies within the Union**

Year	WAMU			Benin			Burkina			Côte d'Ivoire			Mali		
	NB	NA	NA/H	NB	NA	NA/H	NB	NA	NA/H	NB	NA	NA/H	NB	NA	NA/H
1964-75	30.50	111		4.00	7.50		3.00	5.00		7.00	44.0				
1976-79	44.00	385	12.77	3.00	33.00	10.05	4.00	24.67	3.72	16.00	202.3	26.84			
1980-89	62.11	516	12.84	2.78	42.22	10.78	6.00	50.78	6.45	19.78	239.2	25.33	6.00	33.4	4.30
1990-93	59.00	421	7.59	4.25	14.00	2.81	8.25	71.25	7.65	15.00	183.0	14.76	6.75	42.2	4.44
1994-95	54.00	446	7.30	5.00	17.00	3.17	6.00	66.00	6.42	15.00	162.5	11.61	7.00	94.0	9.80
Year	Mauritania			Niger			Senegal			Togo					
	NB	NA	NA/H	NB	NA	NA/H	NB	NA	NA/H	NB	NA	NA/H	NB	NA	NA/H
1964-75	n/a	n/a	n/a	3.50	10.5		5.00	27.00		5.00	11.50				
1976-79				5.00	22.3	4.40	8.00	53.00	10.20	8.00	49.67	20.40			
1980-89				7.89	29.2	4.59	12.67	60.00	9.52	9.67	75.67	25.68			
1990-93				6.50	13.5	1.67	9.75	56.25	7.37	8.50	41.00	11.00			
1994-95				5.00	12.0	1.30	9.00	54.50	6.47	7.00	39.50	9.65			

NB = Number of banks ; NA = Number of agencies ;  
NA/H = Number of agencies per million inhabitants.

Sources : Author's calculations based on BCEAO data, Bank and World Bank Directories, World Tables 1995.

**Table A 10. 14 : Change in Foreign Reserves (minus gold) in the WAMU Countries (in billions of \$US)**

Year	WAMU	Benin	Burkina	Côte d'Ivoire	Mali	Mauritania	Niger	Senegal	Togo
1970	0.25	0.020	0.04	0.120		0.003	0.02	0.020	0.04
1971	0.27	0.020	0.04	0.090		0.010	0.03	0.020	0.04
1972	0.29	0.030	0.05	0.090		0.010	0.04	0.040	0.04
1973	0.32	0.030	0.06	0.090		0.040	0.05	0.010	0.04
1974	0.29	0.030	0.08	0.070			0.05	0.010	0.05
1975	0.32	0.020	0.08	0.100			0.05	0.030	0.04
1976	0.34	0.020	0.07	0.080			0.08	0.030	0.07
1977	0.44	0.020	0.06	0.180			0.10	0.030	0.05
1978	0.72	0.020	0.04	0.450			0.13	0.020	0.07
1979	0.44	0.010	0.06	0.150			0.13	0.020	0.07
1980	0.31	0.010	0.07	0.020			0.13	0.010	0.08
1981	0.41	0.060	0.07	0.020			0.11	0.010	0.15
1982	0.28	0.005	0.06	0.000			0.03	0.010	0.17
1983	0.35	0.004	0.09	0.020			0.05	0.010	0.17
1984	0.44	0.002	0.11	0.010	0.027		0.09	0.004	0.20
1985	0.61	0.004	0.14	0.000	0.023		0.14	0.010	0.30
1986	0.81	0.004	0.23	0.020	0.012		0.19	0.010	0.34
1987	0.96	0.004	0.32	0.010	0.016		0.25	0.010	0.35
1988	0.85	0.004	0.32	0.010	0.036		0.23	0.010	0.23
1989	0.92	0.003	0.27	0.010	0.116		0.21	0.020	0.29
1990	1.15	0.060	0.30	0.004	0.191		0.22	0.010	0.35
1991	1.45	0.190	0.35	0.010	0.319		0.20	0.010	0.36
1992	1.41	0.250	0.34	0.010	0.308		0.22	0.010	0.27
1993	1.31	0.240	0.38	0.002	0.332		0.19	0.003	0.16
1994	1.30	0.260	0.24	0.200	0.220		0.11	0.180	0.09
1995	1.89	0.200	0.35	0.530	0.320		0.09	0.270	0.13
1996	2.14	0.270	0.35	0.620	0.440		0.08	0.300	0.09
1997	2.25	0.260	0.35	0.640	0.430		0.06	0.400	0.12

Source : I.M.F., International Financial Statistics.

**Table A.10. 15 : Currency Deposits made by Residents with Foreign Banks (in billions of \$US)**

	Total amount of deposits			Deposits/Reserves (%)			Deposits/Exports (%)			Deposits/Imports (%)		
	1983	1990	1994	1983	1990	1994	1983	1990	1994	1983	1990	1994
WAMU Countries												
Benin	0.05	0.07	0.10	1,351.35	107.86	38.73	27.40	17.42	24.70	13.20	12.43	20.97
Burkina	0.02	0.06	0.10	23.53	19.97	42.16	13.28	18.65	44.44	4.39	7.12	22.32
Côte d'Ivoire	0.45	1.48	1.41	2,284.26	37,000.00	690.16	18.06	41.27	42.59	17.14	44.01	55.66
Mali		0.11	0.07		57.74	31.62		26.32	18.11		13.29	9.39
Niger	0.04	0.13	0.07	75.19	58.51	63.46	10.65	34.90	26.88	8.24	23.87	17.75
Senegal	0.16	0.62	0.62	1,311.48	5,636.36	345.21	16.88	42.06	44.95	12.22	35.45	45.22
Togo	0.09	0.27	0.21	52.08	76.44	222.46	26.16	49.50	89.10	21.98	36.48	72.34
WAMU	0.86	2.74	2.58	237.05	239.03	197.64	18.29	38.49	41.60	14.16	31.75	41.22
DC*		269.70			121.30			42.00			42.70	
Africa		20.50			204.80			31.80			31.50	
Asia		39.40			40.60			14.40			13.80	
Europe		5.70			53.80			8.30			7.50	
Middle East		70.80			121.50			50.30			62.40	
Western Hemisphere		133.40			3,859.00			129.80			153.30	

DC : Developing Countries

Sources : Author's calculations based on the IMF, International Financial Statistics, P. R. Agenor et PJ Montiel, 1996

**Table A.10.16 : Breakdown of the Government's Net Position in the Union**

*Benin*

(in billions of CFA Francs)

	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
<b>CLAIMS ON</b>														
The Central Bank	5.47	4.58	3.67	2.13	4.38	9.02	9.53	16.67	11.61	17.43	19.15	15.12	37.03	31.11
Banks	19.17	10.32	10.94	11.44	22.25	31.59	26.95	29.54	19.70	25.60	35.02	33.99	35.92	42.64
<b>TOTAL CLAIMS</b>	<b>24.64</b>	<b>14.90</b>	<b>14.61</b>	<b>13.57</b>	<b>26.63</b>	<b>40.61</b>	<b>36.48</b>	<b>46.21</b>	<b>31.31</b>	<b>43.03</b>	<b>54.17</b>	<b>49.11</b>	<b>72.95</b>	<b>73.75</b>
<b>DEBTS VIS-A-VIS</b>														
IMF Central Banks.			2.14	1.44	0.81	2.98	2.58	6.29	6.29	12.45	26.60	33.06	42.63	55.08
Central Banks excluding IMF	6.45	13.73	13.98	14.05	16.07	18.01	28.04	23.22	22.45	10.73	1.73	8.86	0.00	0.00
All Central Banks	6.45	13.73	16.13	15.49	16.88	20.99	30.63	29.50	28.74	23.18	28.33	41.92	42.63	55.08
Banks	3.00	6.68	6.42	10.01	15.96	17.10	16.21	8.66	8.38	7.79	46.42	43.45	49.45	37.35
<b>TOTAL DEBTS</b>	<b>9.45</b>	<b>20.40</b>	<b>22.55</b>	<b>25.50</b>	<b>32.83</b>	<b>38.09</b>	<b>46.84</b>	<b>38.16</b>	<b>37.11</b>	<b>30.97</b>	<b>74.75</b>	<b>85.37</b>	<b>92.07</b>	<b>92.43</b>
GNP/ Central Banks excluding IMF	0.99	9.14	10.31	11.92	11.70	8.99	18.51	6.54	10.84	-6.70	-17.42	-6.26	-37.03	-31.11
GNP /All Central Banks	0.99	9.14	12.45	13.36	12.50	11.97	21.09	12.83	17.12	5.75	9.18	26.80	5.60	23.97
GNP/Banks	-16.17	-3.64	-4.52	-1.44	-6.29	-14.49	-10.74	-20.88	-11.32	-17.82	11.40	9.46	13.52	-5.29
GNP /Total	-15.18	5.51	7.93	11.93	6.21	-2.52	10.35	-8.05	5.80	-12.06	20.58	36.26	19.12	18.68
<b>CLAIMS/DEBTS (%)</b>														
Central Banks excluding IMF	84.71	33.38	26.28	15.15	27.24	50.09	34.00	71.82	51.73	162.45	1,110.13	170.66		
All Central Banks	84.71	33.38	22.79	13.74	25.94	42.98	31.13	56.51	40.41	75.19	67.60	36.07	86.86	56.49
Banks	638.89	154.50	170.39	114.36	139.44	184.71	166.22	341.24	235.12	328.80	75.45	78.22	72.65	114.17
Total	260.60	73.02	64.82	53.22	81.09	106.62	77.89	121.10	84.37	138.95	72.47	57.52	79.23	79.79
<b>Domestic credit</b>	<b>69.80</b>	<b>150.90</b>	<b>140.50</b>	<b>136.70</b>	<b>144.10</b>	<b>100.90</b>	<b>112.40</b>	<b>78.20</b>	<b>75.20</b>	<b>55.70</b>	<b>95.80</b>	<b>117.70</b>	<b>121.50</b>	<b>90.40</b>
<b>GNP/CEN.BAN.excluding IMF + GNP/Banks (A)</b>	<b>-15.18</b>	<b>5.51</b>	<b>5.79</b>	<b>10.49</b>	<b>5.40</b>	<b>-5.50</b>	<b>7.77</b>	<b>-14.34</b>	<b>-0.49</b>	<b>-24.52</b>	<b>-6.03</b>	<b>3.20</b>	<b>-23.51</b>	<b>-36.40</b>
<b>Ratio (A)/ domestic credit</b>	<b>-21.75%</b>	<b>3.65%</b>	<b>4.12%</b>	<b>7.67%</b>	<b>3.75%</b>	<b>-5.45%</b>	<b>6.91%</b>	<b>-18.35%</b>	<b>-0.65%</b>	<b>-44.05%</b>	<b>-6.29%</b>	<b>2.72%</b>	<b>-19.34%</b>	<b>-40.28%</b>

*Burkina*

(in billions of CFA Francs)

	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
<b>CLAIMS ON</b>														
The Central Bank	3.52	5.24	2.61	4.03	4.02	4.10	5.33	5.53	6.02	8.43	19.46	37.37	38.05	29.47
Banks	15.02	33.73	41.35	54.16	59.52	69.90	77.94	53.20	53.11	48.72	60.66	62.90	61.72	59.32
<b>TOTAL CLAIMS</b>	<b>18.54</b>	<b>38.98</b>	<b>43.96</b>	<b>58.19</b>	<b>63.54</b>	<b>74.00</b>	<b>83.27</b>	<b>58.73</b>	<b>59.13</b>	<b>57.15</b>	<b>80.12</b>	<b>100.26</b>	<b>99.78</b>	<b>88.80</b>
<b>DEBTS VIS-A-VIS</b>														
IMF Central Banks.			1.84	1.15	0.51	0.12	0.01	2.44	2.44	5.82	19.69	32.95	37.66	52.85
Central Banks excluding IMF	5.08	11.92	10.36	15.43	16.70	18.11	19.33	19.16	20.16	20.47	25.16	22.73	21.61	27.26
All Central Banks	5.08	11.92	12.21	16.57	17.21	18.23	19.35	21.60	22.60	26.29	44.84	55.68	59.27	80.11
Banks	9.40	14.12	15.54	14.65	15.30	23.80	28.52	23.74	25.82	25.92	50.53	45.14	46.80	49.44
<b>TOTAL DEBTS</b>	<b>14.48</b>	<b>26.04</b>	<b>27.75</b>	<b>31.22</b>	<b>32.52</b>	<b>42.03</b>	<b>47.87</b>	<b>45.33</b>	<b>48.42</b>	<b>52.21</b>	<b>95.37</b>	<b>100.82</b>	<b>106.07</b>	<b>129.54</b>
GNP/ Central Banks excluding IMF	1.56	6.67	7.75	11.40	12.68	14.01	14.01	13.63	14.14	12.05	5.70	-14.64	-16.44	-2.22
GNP /All Central Banks	1.56	6.67	9.60	12.54	13.19	14.13	14.02	16.07	16.58	17.86	25.39	18.31	21.22	50.63
GNP/Banks	-5.62	-19.61	-25.81	-39.50	-44.21	-46.10	-49.42	-29.47	-27.30	-22.80	-10.13	-17.75	-14.92	-9.89
GNP /Total	-4.06	-12.94	-16.21	-26.96	-31.02	-31.97	-35.40	-13.40	-10.71	-4.94	15.26	0.56	6.30	40.75
<b>CLAIMS/DEBTS (%)</b>														
Central Banks excluding IMF	69.37	43.99	25.21	26.12	24.08	22.64	27.55	28.86	29.84	41.16	77.34	164.40	176.06	108.13
All Central Banks	69.37	43.99	21.40	24.32	23.36	22.49	27.53	25.60	26.62	32.05	43.39	67.11	64.20	36.79
Banks	159.73	238.91	266.09	369.63	388.92	293.69	273.28	224.12	205.75	187.98	120.05	139.32	131.88	120.00
Total	128.03	149.70	158.43	186.34	195.40	176.07	173.95	129.55	122.13	109.46	84.00	99.45	94.07	68.55
<b>Domestic credit</b>	<b>57.70</b>	<b>77.80</b>	<b>78.40</b>	<b>72.50</b>	<b>81.30</b>	<b>101.60</b>	<b>103.20</b>	<b>93.10</b>	<b>79.00</b>	<b>74.10</b>	<b>77.00</b>	<b>81.50</b>	<b>122.30</b>	<b>206.50</b>
<b>GNP/CEN.BAN.excluding IMF + GNP/Banks (A)</b>	<b>-4.06</b>	<b>-12.94</b>	<b>-18.06</b>	<b>-28.11</b>	<b>-31.53</b>	<b>-32.09</b>	<b>-35.42</b>	<b>-15.84</b>	<b>-13.15</b>	<b>-10.76</b>	<b>-4.43</b>	<b>-32.39</b>	<b>-31.36</b>	<b>-12.10</b>
<b>Ratio (A)/ domestic credit</b>	<b>-7.03%</b>	<b>-16.63%</b>	<b>-23.03%</b>	<b>-38.79%</b>	<b>-38.81%</b>	<b>-31.58%</b>	<b>-34.32%</b>	<b>-17.02%</b>	<b>-16.65%</b>	<b>-14.53%</b>	<b>-5.76%</b>	<b>-39.76%</b>	<b>-25.64%</b>	<b>-5.86%</b>

*Côte d'Ivoire*  
(in billions of CFA Francs)

	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
<b>CLAIMS ON</b>														
The Central Bank	3.50	24.97	27.00	32.95	1.93	3.06	16.73	18.47	8.22	13.14	45.77	43.00	49.55	27.83
Banks	155.67	135.12	130.85	172.43	120.81	95.41	107.69	94.76	92.46	110.25	202.18	202.10	266.00	300.93
<b>TOTAL CLAIMS</b>	159.17	160.09	157.85	205.38	122.74	98.47	124.42	113.24	100.67	123.38	247.94	245.09	315.55	328.76
<b>DEBTS VIS-A-VIS</b>														
IMF Central Banks.			208.15	167.09	149.04	109.75	115.16	98.50	72.93	59.24	133.92	202.32	261.07	255.21
Central Banks excluding IMF	91.87	118.19	119.48	122.49	130.07	135.83	135.18	146.54	166.20	213.92	299.29	180.25	178.68	194.08
All Central Banks	91.87	327.43	327.62	289.59	279.11	245.58	250.34	245.04	239.13	273.16	433.21	382.57	439.75	449.29
Banks	12.64	54.47	75.90	100.05	108.11	82.79	77.85	84.51	229.25	226.37	331.28	372.62	415.77	419.53
<b>TOTAL DEBTS</b>	104.50	381.90	403.52	389.64	387.22	328.37	328.19	329.55	468.38	499.53	764.49	755.19	855.52	868.82
GNP/ Central Banks excluding IMF	88.36	93.22	92.48	89.54	128.14	132.77	118.45	128.07	157.98	200.78	253.52	137.25	129.13	166.25
GNP /All Central Banks	88.36	302.46	300.62	256.64	277.19	242.52	233.61	226.56	230.91	260.02	387.44	339.57	390.20	421.46
GNP/Banks	-143.03	-80.65	-54.95	-72.38	-12.70	-12.62	-29.84	-10.25	136.79	116.13	129.11	170.53	149.77	118.60
GNP /Total	-54.67	221.81	245.67	184.26	264.48	229.90	203.77	216.31	367.70	376.15	516.55	510.10	539.98	540.06
<b>CLAIMS/DEBTS (%)</b>														
Central Banks excluding IMF	3.81	21.13	22.60	26.90	1.48	2.25	12.38	12.61	4.94	6.14	15.29	23.85	27.73	14.34
All Central Banks	3.81	7.63	8.24	11.38	0.69	1.25	6.68	7.54	3.44	4.81	10.56	11.24	11.27	6.20
Banks	1,231.97	248.07	172.41	172.34	111.75	115.24	138.33	112.13	40.33	48.70	61.03	54.24	63.98	71.73
Total	152.32	41.92	39.12	52.71	31.70	29.99	37.91	34.36	21.49	24.70	32.43	32.45	36.88	37.84
<b>Domestic credit</b>	844.9	1,320.5	1,360.5	1,384.1	1,456.5	1,374.3	1,307.1	1,303.3	1,334.6	1,289.3	1,372.4	1540.1	1,593.1	1,722.9
<b>GNP/CEN.BAN.excluding IMF + GNP/Banks (A)</b>	-54.67	12.57	37.52	17.16	115.44	120.15	88.62	117.81	294.78	316.90	382.63	307.78	278.91	284.85
<b>Ratio (A)/domestic credit</b>	-6.47%	0.95%	2.76%	1.24%	7.93%	8.74%	6.78%	9.04%	22.09%	24.58 %	27.88%	19.99%	17.51%	16.53%

*Mali*  
(in billions of CFA Francs)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
<b>CLAIMS ON</b>													
The Central Bank	3.71	0.55	0.98	12.29	6.09	8.90	3.06	5.95	5.54	14.97	25.16	63.01	70.64
Banks	10.83	10.20	11.44	17.13	21.65	27.53	32.86	37.85	34.46	41.91	52.28	73.57	72.70
<b>TOTAL CLAIMS</b>	<b>14.54</b>	<b>10.75</b>	<b>12.42</b>	<b>29.42</b>	<b>27.74</b>	<b>36.43</b>	<b>35.92</b>	<b>43.79</b>	<b>40.00</b>	<b>56.88</b>	<b>77.44</b>	<b>136.59</b>	<b>143.34</b>
<b>DEBTS VIS-A-VIS</b>													
IMF Central Banks.	33.84	34.45	25.51	23.34	17.67	19.58	16.68	18.49	19.84	40.25	60.47	73.94	99.83
Central Banks excluding IMF	17.39	14.39	21.28	28.76	24.45	14.47	17.83	18.75	21.14	18.45	4.65	3.05	0.00
All Central Banks	51.22	48.84	46.79	52.10	42.12	34.05	34.51	37.25	40.97	58.70	65.12	76.99	99.83
Banks	6.94	6.52	6.41	7.73	10.32	8.13	2.57	3.38	3.44	28.02	19.38	23.97	21.12
<b>TOTAL DEBTS</b>	<b>58.16</b>	<b>55.36</b>	<b>53.20</b>	<b>59.82</b>	<b>52.44</b>	<b>42.18</b>	<b>37.07</b>	<b>40.63</b>	<b>44.41</b>	<b>86.72</b>	<b>84.50</b>	<b>100.96</b>	<b>120.95</b>
GNP/ Central Banks excluding IMF	13.68	13.85	20.29	16.47	18.36	5.57	14.77	12.81	15.60	3.47	-20.51	-59.96	-70.64
GNP /All Central Banks	47.51	48.29	45.81	39.80	36.04	25.15	31.45	31.30	35.44	43.73	39.96	13.98	29.19
GNP/Banks	-3.89	-3.68	-5.03	-9.40	-11.34	-19.40	-30.30	-34.46	-31.03	-13.88	-32.90	-49.60	-51.58
GNP /Total	43.62	44.61	40.78	30.40	24.70	5.75	1.15	-3.17	4.41	29.84	7.06	-35.62	-22.40
<b>CLAIMS/DEBTS (%)</b>													
Central Banks excluding IMF	21.34	3.79	4.61	42.75	24.89	61.49	17.15	31.72	26.20	81.17	541.08	2,066.02	
All Central Banks	7.24	1.12	2.10	23.60	14.45	26.14	8.86	15.97	13.51	25.51	38.64	81.85	70.76
Banks	156.14	156.46	178.47	221.69	209.91	338.74	1,280.74	1,119.55	1,002.91	149.53	269.73	306.90	344.24
Total	25.00	19.41	23.35	49.18	52.90	86.37	96.89	107.79	90.07	65.59	91.65	135.28	118.52
<b>domestic credit</b>	<b>127.20</b>	<b>144.40</b>	<b>136.40</b>	<b>100.60</b>	<b>109.00</b>	<b>90.20</b>	<b>87.50</b>	<b>89.30</b>	<b>99.70</b>	<b>122.50</b>	<b>138.90</b>	<b>137.60</b>	<b>178.00</b>
GNP/ CEN. BAN.excluding IMF + GNP/Banks (A)	9.78	10.17	15.26	7.06	7.03	-13.83	-15.52	-21.66	-15.43	-10.41	-53.41	-109.56	-122.23
Ratio (A)/ domestic credit	7.69%	7.04%	11.19%	7.02%	6.44%	-15.34%	-17.74%	-24.25%	-15.47%	-8.50%	-38.47%	-79.64%	-68.66%

*Niger*

(in billions of CFA Francs)

	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
CLAIMS ON														
The Central Bank	10.72	16.50	28.36	31.74	21.08	11.67	3.79	3.23	3.02	3.32	15.57	8.26	8.10	8.45
Banks	19.36	19.18	22.43	20.02	23.55	20.86	21.52	27.42	24.09	21.54	21.04	19.28	20.57	3.94
<b>TOTAL CLAIMS</b>	<b>30.08</b>	<b>35.68</b>	<b>50.79</b>	<b>51.76</b>	<b>44.63</b>	<b>32.53</b>	<b>25.31</b>	<b>30.65</b>	<b>27.11</b>	<b>24.86</b>	<b>36.60</b>	<b>27.54</b>	<b>28.67</b>	<b>12.40</b>
DEBTS VIS-A-VIS														
IMF Central Banks.			35.74	35.31	25.12	25.90	23.75	20.32	17.61	14.93	21.18	18.48	22.49	35.52
Central Banks excluding IMF	10.61	15.04	11.99	12.07	12.16	11.97	9.79	12.32	13.36	18.05	26.08	34.06	34.69	32.15
All Central Banks	10.61	38.86	47.73	47.37	37.28	37.88	33.54	32.64	30.97	32.98	47.26	52.54	57.19	67.67
Banks	11.66	23.33	22.17	21.17	19.54	18.89	17.97	20.69	17.50	4.81	15.47	14.57	16.71	19.21
<b>TOTAL DEBTS</b>	<b>22.59</b>	<b>62.19</b>	<b>69.90</b>	<b>68.54</b>	<b>56.82</b>	<b>56.77</b>	<b>51.51</b>	<b>53.34</b>	<b>48.47</b>	<b>37.79</b>	<b>62.73</b>	<b>67.11</b>	<b>73.90</b>	<b>86.88</b>
GNP/ Central Banks excluding IMF	-0.11	-1.45	-16.36	-19.68	-8.93	0.31	6.01	9.09	10.34	14.72	10.51	25.80	26.60	23.69
GNP /All Central Banks	-0.11	22.36	19.37	15.63	16.20	26.21	29.75	29.41	27.94	29.66	31.69	44.27	49.09	59.22
GNP/Banks	-7.70	4.16	-0.27	1.15	-4.01	-1.97	-3.56	-6.72	-6.59	-16.73	-5.57	-4.71	-3.86	15.27
GNP /Total	-7.49	26.52	19.11	16.78	12.19	24.24	26.20	22.69	21.36	12.92	26.12	39.57	45.23	74.48
CLAIMS/DEBTS (%)														
Central Banks excluding IMF	101.06	109.67	236.43	263.08	173.42	97.44	38.67	26.22	22.63	18.41	59.71	24.26	23.34	26.30
All Central Banks	101.06	42.46	59.41	67.01	56.56	30.81	11.29	9.89	9.76	10.08	32.94	15.73	14.16	12.49
Banks	166.07	82.18	101.20	94.58	120.52	110.42	119.80	132.49	137.63	448.19	136.00	132.29	123.08	20.53
Total	133.16	57.36	72.66	75.52	78.55	57.30	49.14	57.46	55.94	65.80	58.35	41.04	38.80	14.27
<b>domestic credit</b>	<b>84.20</b>	<b>127.90</b>	<b>133.80</b>	<b>119.60</b>	<b>119.90</b>	<b>114.40</b>	<b>109.20</b>	<b>98.00</b>	<b>93.90</b>	<b>77.90</b>	<b>98.10</b>	<b>81.60</b>	<b>88.60</b>	<b>110.10</b>
<b>GNP/ CEN.BAN.excluding IMF + GNP/Banks (A)</b>	<b>-7.81</b>	<b>2.70</b>	<b>-16.63</b>	<b>-18.53</b>	<b>-12.94</b>	<b>-1.66</b>	<b>2.45</b>	<b>2.36</b>	<b>3.75</b>	<b>-2.01</b>	<b>4.94</b>	<b>21.09</b>	<b>22.74</b>	<b>38.96</b>
<b>Ratio (A)/ domestic credit</b>	<b>-9.28%</b>	<b>2.11%</b>	<b>-12.43%</b>	<b>-15.49%</b>	<b>-10.79%</b>	<b>-1.45%</b>	<b>2.24%</b>	<b>2.41%</b>	<b>4.00%</b>	<b>-2.58%</b>	<b>5.04%</b>	<b>25.86%</b>	<b>25.67%</b>	<b>35.40%</b>

*Senegal*  
(in billions of CFA Francs)

	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
<b>CLAIMS ON</b>														
The Central Bank	12.86	6.05	5.98	9.27	9.90	7.58	5.81	6.02	4.03	5.72	13.80	19.21	26.84	141.62
Banks	15.01	19.74	25.91	34.28	38.70	62.26	69.90	83.61	103.19	120.35	141.58	138.51	164.76	112.45
<b>TOTAL CLAIMS</b>	<b>27.87</b>	<b>25.78</b>	<b>31.90</b>	<b>43.56</b>	<b>48.60</b>	<b>69.84</b>	<b>75.72</b>	<b>89.63</b>	<b>107.23</b>	<b>126.06</b>	<b>155.37</b>	<b>157.72</b>	<b>191.60</b>	<b>254.07</b>
<b>DEBT VIS-A-VIS</b>														
IMF Central Banks.			94.06	97.43	95.85	96.96	88.00	90.55	77.78	70.04	100.15	130.64	136.19	167.98
Central Banks excluding IMF	27.61	71.94	70.47	72.68	77.02	77.00	75.94	74.91	85.82	88.34	165.40	140.73	93.54	125.72
All Central Banks	36.80	158.15	164.53	170.11	172.87	173.96	163.94	165.46	163.60	158.39	265.55	271.37	229.74	293.70
Banks	19.75	18.33	20.90	19.46	29.71	25.14	19.44	35.76	26.25	31.60	66.60	65.84	122.82	113.64
<b>TOTAL DEBTS</b>	<b>28.67</b>	<b>176.48</b>	<b>185.42</b>	<b>189.56</b>	<b>202.57</b>	<b>199.09</b>	<b>183.38</b>	<b>201.22</b>	<b>189.85</b>	<b>189.99</b>	<b>332.15</b>	<b>337.20</b>	<b>352.56</b>	<b>407.34</b>
GNP/ Central Banks excluding IMF	14.75	65.90	64.48	63.41	67.12	69.42	70.12	68.89	81.79	82.63	151.61	121.53	66.70	-15.91
GNP /All Central Banks	23.94	152.10	158.55	160.83	162.97	166.38	158.13	159.44	159.57	152.67	251.75	252.16	202.90	152.08
GNP/Banks	4.74	-1.41	-5.02	-14.83	-9.00	-37.12	-50.47	-47.85	-76.95	-88.74	-74.98	-72.68	-41.94	1.19
GNP /Total	0.80	150.70	153.53	146.01	153.97	129.26	107.66	111.60	82.62	63.93	176.77	179.49	160.96	153.27
<b>CLAIMS/DEBTS (%)</b>														
Central Banks excluding IMF	46.59	8.40	8.49	12.76	12.85	9.84	7.66	8.04	4.70	6.47	8.34	13.65	28.69	112.65
All Central Banks	34.96	3.82	3.64	5.45	5.73	4.36	3.55	3.64	2.46	3.61	5.20	7.08	11.68	48.22
Banks	76.00	107.67	124.02	176.21	130.28	247.69	359.63	233.80	393.17	380.80	212.59	210.39	134.15	98.95
Total	97.20	14.61	17.20	22.98	23.99	35.08	41.29	44.54	56.48	66.35	46.78	46.77	54.35	62.37
<b>domestic credit</b>	<b>301.70</b>	<b>554.20</b>	<b>533.10</b>	<b>557.50</b>	<b>595.00</b>	<b>574.80</b>	<b>523.70</b>	<b>510.70</b>	<b>505.20</b>	<b>492.70</b>	<b>526.00</b>	<b>538.10</b>	<b>575.50</b>	<b>584.90</b>
GNP/ CEN. BAN.excluding IMF + GNP/Banks (A)	19.49	64.49	59.47	48.58	58.12	32.30	19.66	21.04	4.84	-6.12	76.63	48.85	24.76	-14.72
Ratio (A)/ domestic credit	6.46%	11.64%	11.16%	8.71%	9.77%	5.62%	3.75%	4.12%	0.96%	-1.24%	14.57%	9.08%	4.30%	-2.52%



*Togo*  
(in billions of CFA Francs)

	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
DEBTS CLAIMS ON														
The Central Bank	0.67	10.83	2.51	0.50	1.26	6.60	3.78	2.56	6.47	6.57	9.62	8.06	8.36	10.35
Banks	12.97	36.83	34.24	40.83	38.74	52.77	48.57	50.24	54.72	44.54	39.72	38.24	33.54	30.53
<b>TOTAL CLAIMS</b>	<b>13.65</b>	<b>47.66</b>	<b>36.75</b>	<b>41.33</b>	<b>39.99</b>	<b>59.37</b>	<b>52.34</b>	<b>52.80</b>	<b>61.18</b>	<b>51.10</b>	<b>49.34</b>	<b>46.30</b>	<b>41.89</b>	<b>40.88</b>
DEBTS VIS-A-VIS														
IMF Central Banks.			30.73	25.52	24.15	23.39	24.12	21.70	21.67	19.27	25.81	39.18	36.13	50.10
Central Banks excluding IMF	12.80	16.08	15.10	17.19	18.33	16.26	17.78	17.79	18.33	21.13	24.02	31.87	34.07	15.92
All Central Banks	12.80	40.72	45.83	42.71	42.47	39.64	41.90	39.50	40.00	40.40	49.82	71.05	70.20	66.02
Banks	5.38	2.01	1.77	1.82	2.05	2.71	2.56	2.36	2.98	2.93	13.15	13.92	17.65	19.12
<b>TOTAL DEBTS</b>	<b>18.18</b>	<b>42.73</b>	<b>47.60</b>	<b>44.53</b>	<b>44.52</b>	<b>42.35</b>	<b>44.45</b>	<b>41.85</b>	<b>42.99</b>	<b>43.32</b>	<b>62.97</b>	<b>84.97</b>	<b>87.58</b>	<b>85.14</b>
GNP/ Central Banks excluding IMF	12.13	5.25	12.59	16.68	17.07	9.65	14.00	15.23	11.87	14.57	14.40	23.81	25.72	5.57
GNP /All Central Banks	12.13	29.89	43.32	42.21	41.21	33.04	38.12	36.93	33.53	33.83	40.21	62.99	61.85	55.67
GNP/Banks	-7.60	-34.82	-32.47	-39.01	-36.69	-50.06	-46.01	-47.88	-51.73	-41.61	-26.57	-24.32	-15.88	-11.41
GNP /Total	4.53	-4.93	10.85	3.20	4.53	-17.02	-7.89	-10.94	-18.20	-7.78	13.64	38.67	45.69	44.26
CLAIMS/DEBTS (%)														
Central Banks excluding IMF	5.25	67.37	16.65	2.92	6.87	40.63	21.24	14.40	35.28	31.07	40.04	25.29	24.53	65.00
All Central Banks	5.25	26.60	5.49	1.18	2.96	16.66	9.01	6.49	16.17	16.25	19.30	11.34	11.90	15.67
Banks	241.28	1,831.53	1,939.11	2,244.86	1,890.65	1,949.59	1,899.78	2,129.95	1,833.44	1,522.64	302.00	274.66	189.99	159.67
Total	75.08	111.54	77.21	92.81	89.83	140.20	117.75	126.15	142.33	117.95	78.35	54.49	47.83	48.01
<b>domestic credit</b>	<b>71.50</b>	<b>67.80</b>	<b>101.00</b>	<b>101.80</b>	<b>106.80</b>	<b>83.10</b>	<b>94.60</b>	<b>103.80</b>	<b>95.40</b>	<b>97.00</b>	<b>117.50</b>	<b>170.20</b>	<b>187.10</b>	<b>200.00</b>
GNP/ CEN.BAN.excluding IMF + GNP/Banks (A)	4.53	-29.57	-19.88	-22.33	-19.62	-40.41	-32.01	-32.65	-39.87	-27.04	-12.17	-0.51	9.83	-5.84
Ratio (A)/ domestic credit	6.33%	-43.62%	-19.68%	-21.92%	-18.37%	-48.66%	-33.85%	-31.46%	-41.80%	-27.89%	-10.36%	-0.30%	5.25%	-2.92%

**Table A.10.17 : Annual situation of the BCEAO Operations Account  
with the French Treasury  
(in billions of CFA Francs)**

<b>Year</b>	<b>Operations Account</b>
1960	27.95
1961	26.24
1962	32.44
1963	27.89
1964	25.35
1965	32.65
1966	36.11
1967	33.81
1968	33.85
1969	36.76
1970	57.79
1971	58.42
1972	63.05
1973	52.81
1974	54.36
1975	65.25
1976	70.94
1977	80.18
1978	127.35
1979	54.63
1980	-52.66
1981	-85.82
1982	-77.16
1983	-195.35
1984	-84.15
1985	97.52
1986	115.54
1987	55.12
1988	-73.02
1989	-20.52
1990	44.13
1991	137.86
1992	86.00
1993	86.79
1994	900.05
1995	1,142.42
1996	1,231.12
1997	1,354.48
<b>Average</b>	
1960-69	31.31
1970-75	58.61
1976-79	83.28
1980-89	-32.05
1990-93	88.70
1994-97	1,157.02

Source : BCEAO

**Table A10.18 : Change in the Effective Nominal Exchange Rate and the Effective Real Exchange Rate**

(base 100 = 1987)

Year	Benin		Burkina		Côte d'Ivoire		Mali		Mauritania		Niger		Senegal		Togo	
	ENER	ERCR	ENER	ERCR	ENER	ERCR	ENER	ERCR	ENER	ERCR	ENER	ERCR	ENER	ERCR	ENER	ERCR
1970	101.73	120.58	95.71	123.20	93.77	110.15			n/a	n/a	123.35	117.01	112.34	92.67	94.69	119.29
1971	100.65	143.88	95.15	122.22	93.37	104.17			n/a	n/a	122.20	115.05	111.97	92.28	94.11	121.68
1972	103.86	149.28	98.78	117.71	97.81	103.59			n/a	n/a	123.73	122.89	114.82	96.34	97.99	129.91
1973	107.82	145.52	101.46	115.32	101.83	105.99			n/a	n/a	128.39	128.87	120.07	100.36	101.32	124.82
1974	102.05	129.40	97.96	98.41	96.79	95.78					121.80	104.26	114.80	90.92	96.50	109.16
1975	109.12	147.95	103.09	117.85	105.20	109.03					129.17	112.72	123.73	121.72	103.91	130.03
1976	105.53	145.03	100.05	94.64	101.15	105.39					124.29	121.26	119.83	109.04	100.42	126.08
1977	102.20	134.08	98.04	107.52	98.36	117.39					121.39	134.60	117.74	109.59	97.34	133.71
1978	104.22	142.07	100.73	110.95	102.58	127.49					122.21	138.62	119.36	107.41	99.79	127.35
1979	107.32	147.23	104.15	115.40	108.43	137.19					122.37	134.23	120.40	106.29	103.37	131.92
1980	106.01	144.23	103.89	115.12	108.27	138.67					120.61	132.52	120.69	103.68	103.45	125.45
1981	98.60	127.74	96.90	103.14	97.28	120.28					112.84	136.22	111.89	91.08	95.42	114.90
1982	92.32	126.42	92.24	100.51	89.89	109.05					106.09	132.14	105.53	93.38	89.09	115.70
1983	92.34	116.67	93.38	98.38	91.18	103.47					100.74	111.18	100.66	91.87	90.51	114.77
1984	95.76	106.83	96.92	95.43	95.24	99.60	97.61	93.04			97.41	102.28	97.39	89.68	95.55	103.58
1985	100.00	100.00	100.09	100.00	100.00	100.00	100.05	100.00			100.05	100.00	100.09	100.00	99.95	100.00
1986	121.01	115.01	112.83	107.92	120.57	126.41	115.09	113.17			123.06	120.00	117.51	125.64	116.33	118.38
1987	144.82	137.25	124.39	112.53	139.52	140.56	128.19	128.68			150.07	133.62	132.86	133.78	130.87	129.17
1988	148.24	125.48	125.65	109.81	142.04	140.68	129.40	120.88			152.40	118.83	132.37	120.32	131.68	119.79
1989	159.68	124.96	128.66	104.12	146.52	134.46	133.74	117.84			164.41	110.63	135.60	113.73	135.46	112.94
1990	173.56	133.40	138.01	108.64	163.43	142.75	145.06	123.96			177.97	116.46	147.93	122.02	148.84	120.79
1991	177.95	133.03	138.45	110.33	164.36	140.72	147.78	124.18			182.40	106.95	149.57	118.23	149.54	118.05
1992	201.16	141.32	146.80	113.74	178.49	146.97	160.54	129.02			208.97	113.73	164.02	124.04	161.43	122.81
1993	212.39	139.21	149.77	120.12	183.02	146.32	165.24	125.09			215.82	104.63	167.44	112.17	166.31	118.22
1994	134.20	107.24	112.46	102.29	117.53	113.89	115.04	100.63			146.48	82.60	111.31	89.87	106.52	95.48
1995	138.82	111.60	115.79	96.86	122.97	140.13	118.67	86.79			149.18	84.20	113.82	100.34	110.24	110.06
1996	141.01	110.38	117.79	100.69	122.97	135.76	118.67	88.63			149.06	84.06	113.73	99.13	112.78	107.33

**Table A. 10.19 : Intervention Rate of Issuing Institutions –  
The “Banque de France” and BCEAO (1962-1997)**

		Banque de France		BCEAO			
		Discount rate	Money market rate Day by day (2)	Preferential discount rate	Normal discount rate	TES Discount Rate	Money market rate Day by day
1962	12-31	3.5	3.5	3.0	3.5		
1968	10-10	5.0	7.1				
1973	1-29	7.5	7.2		5.5		
1974	5-2	11.0	12.9	-1.0			
1975	7-1	9.5	7.3	5.5	8.0		7.10
1976	1-2	8.0	6.4				7.10
1979	10-1	9.5	11.0				8.00
1980	4-14		12.4	8.0	10.5		10.60
1982	4-7		16.8	10.0	12.5		15.60
	12-3		12.9				13.80
1983	4-5		12.6	8.0	10.5		11.30
1986	3-24		8.5	7.0	9.5		9.50
	3-26		8.5				9.00
	9-22		7.1	6.0	8.5		8.00
	11-27		7.3				9.20
1988	1-27		7.8				9.00
	10-15		7.6				8.70
	12-23		8.2	7.5	9.5		9.00
1989	3-30		8.4	9.0	10.0		10.00
	7-23		9.0				10.20
	10-2		9.8	cancelled	Cancelled	10.5	10.00
	11-27		10.0			11.0	10.60
1990	10-16		9.7				11.00
1991	4-15		9.3				11.00
	12		10.1				10.70
1992	8-20		10.0			13.0	12.70
	11-9		9.5			12.5	12.00
1993	1		12.0				
	4-26		9.6				11.20
	12-20		6.6			10.5 (3)	7.50
1994	1-14		6.5				7.90
	1-18		6.5			14.5	
	6-20		5.4				
	6-27		5.4			12.0	
	7-4					12.0	7.50
	7-11					12.0	9.50
	7-18					12.0	6.75
	7-25					12.0	6.50
	8-1					11.0	8.50
	8-8					11.0	6.00
	8-15					11.0	5.85
	8-22					11.0	7.75
	8-29					10.0	5.75
	9-19					10.0	5.60
	9-26					10.0	5.50
	10-20					10.0	5.50
	1-25					9.0	5.50
	5-2					9.0	5.75
	5-15					9.0	5.50
1995	June					8.5	5.50
	12-11					8.5	5.75
	12-18					8.5	6.00
1995	December					7.5	6.00
1996	January					7.5	5.50

Source : BCEAO.

**Table A.10. 20 : Structure of Refinancing to the Economy According to Mobilization Procedures in WAMU (1976-1996)**

On 12.31	1976	1978	1980	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
REDISCOUNTING	72.90	81.00	76.80	73.90	71.60	46.10	34.00	36.20	32.00	31.50					2.72	0	6.29	23.1
REPURCHASE																		
ADVANCE																		
GUARANTEES																		
MONEY	4.00	6.70	2.90	3.30	6.90	18.00	33.20	31.40	29.70	19.50	31.20	32.80	40.50	26.0	23.73	18.70	32.68	13.59
MARKET																		
OTHER	23.10	12.30	16.60	21.20	18.10	29.60	22.00	19.30	19.90	26.00	31.00	17.00	0.00	1.500	18.30	76.72	61.03	63.31
ADVANCES																		
DEBIT			3.70	1.60	3.40	6.30	10.80	13.10	9.00	7.50	3.70	6.50	2.10		55.24	4.58	-	-
BALANCES (1)																		
CONSOLIDATIONS									9.40	15.10	34.10	43.70	57.40	72.50				
SECURITIZATION (2)																		

Billions of CFA Francs

REFINANCING																		
Total economy	170.00	286.00	446.00	669.00	744.00	695.00	681.00	713.00	805.00	846.00	770.00	835.00	834.00	854.00	809.20	157.20	163.70	161.90
Including																		
Crop credits	67.00	105.00	161.00	217.00	217.00	167.00	189.00	236.00	279.00	328.00	190.00	112.00	97.00	110.00	49.40	9.70	23.60	-
Consolidations									75.00	128.00	263.00	357.00	448.00	919.00				

\* Beginning in 1994, government securities were displaced from bank refinancing and attributed to the Central Bank's credit to the States in proportion to the amount outstanding in the issuing institution's portfolio. This change explains the variation between the 1993 and 1994 figures.

Source : Géraldin (1994), BCEAO.

Table A.10. 21 : The Money Market in the BCEAO Refinancing  
(1975-1996)

As of 12-31		All refinancing A	Money market B	B/A (1)	
				End of period	Annual average
				in %	in %
Billions of CFA Francs					
BENIN	1981	20.00	0.00	2.00	2.60
	1990	51.00	0.00	0.00	9.90
	1991	50.00	0.00	0.00	
	1992	50.00	0.00	0.00	
	1993	50.00	0.00	0.00	
	1994	0.00	0.00	0.00	
	1995	0.00	0.00	0.00	
BURKINA	1996	2.00	2.00	100.00	
	1981	9.00			6.50
	1990	6.00	3.00	52.40	60.60
	1991	10.00	1.30	13.00	26.10
	1992	9.90	0.40	4.04	
	1993	9.90	0.40	4.04	
	1994	0.40	0.40	100.00	
COTE D'IVOIRE	1995	2.80	0.30	10.71	
	1996	4.40	0.40	9.09	
	1981	371.00	1.00	0.40	1.80
	1990	534.00	261.00	49.00	41.10
	1991	531.00	327.50	61.68	55.20
	1992	542.80	208.60	38.43	
	1993	517.13	181.90	35.16	
MALI	1994	135.10	14.60	10.81	
	1995	153.10	46.90	30.63	
	1996	140.20	19.10	13.62	
	1984	13.00	4.00	28.00	31.50
	1990	24.00	0.00	0.00	
	1991	24.00	0.00	0.00	
	1992	24.00	0.00	0.00	
NIGER	1993	24.00	0.00	0.00	
	1994	0.00	0.00		
	1995	0.00	0.00		
	1996	0.00	0.00		
	1981	23.00	4.00	17.00	23.00
	1990	27.00	1.00	4.60	24.80
	1991	27.00	1.20	4.40	4.60
SENEGAL	1992	27.00	1.20	4.40	
	1993	27.00	1.10	4.07	
	1994	0.00	0.00		
	1995	4.80	4.80	100.00	
	1996	4.60	0.00	0.00	
	1981	148.00	13.00	8.50	6.30
	1990	186.00	6.00	3.40	30.60
TOGO	1991	182.00	4.10	2.25	2.30
	1992	189.60	8.80	4.64	
	1993	172.90	8.30	4.80	
	1994	12.10	12.10	100.00	
	1995	0.70	0.70	100.00	
	1996	3.10	0.50	16.13	
	WAMU	1981	8.00	0.00	4.20
1990		6.00	2.00	25.00	25.00
1991		9.00	0.50	5.56	18.80
1992		8.00	0.50	6.25	
1993		8.00	0.40	5.00	
1994		8.50	1.20	14.12	
1995		2.30	0.80	34.78	
WAMU	1996	7.70	0.00	0.00	
	1975	147.00	4.00	2.60	2.20 (2)
	1976	170.00	4.00	2.30	5.10
	1980	447.00	13.00	2.90	4.20
	1981	578.00	19.00	3.20	3.70
	1983	744.00	52.00	7.00	5.10
	1984	694.00	125.00	18.00	12.90
	1985	705.00	227.00	32.20	30.70
	1990	834.00	274.00	32.80	34.80
	1991	834.00	338.00	40.50	36.10
	1992	854.00	222.00	26.00	
	1993	810.70	192.10	23.70	
	1994	158.80	29.40	18.51	
1995	163.70	53.50	32.68		
1996	161.90	22.00	13.59		

Source : BCEAO

**Table A.10. 22 : Capital Flight to Ghana and Nigeria**  
(in billions of local currency)

Year	Ghana		Nigeria	
	Flight	Cumulative	Flight	Cumulative
1972	-0.73	-0.73	193.25	193.25
1973	-0.48	-1.21	173.95	367.20
1974	1.46	0.25	-2,284.64	-1,917.44
1975	-0.38	-0.13	140.80	-1,776.64
1976	0.69	0.55	83.75	-1,692.89
1977	2.02	2.57	1,007.82	-685.07
1978	0.27	2.84	1,885.36	1,200.29
1979	-0.83	2.01	-861.95	338.35
1980	0.86	2.88	-1,665.59	-1,327.24
1981	4.80	7.68	4,337.47	3,010.23
1982	1.99	9.67	4,023.62	7,033.85
1983	4.08	13.75	4,751.18	11,785.03
1984	3.26	17.01	810.61	12,595.64
1985	2.68	19.69	-364.75	12,230.88
1986	-0.04	19.65	-373.09	11,857.79
1987	3.71	23.37	1,334.51	13,192.30
1988	-1.12	22.25	419.86	13,612.16
1989	2.76	25.01	784.11	14,396.27
1990	1.75	26.76	-2,490.70	11,905.57
1991	2.91	29.67	-26.06	11,879.51
1992	2.38	32.05	-877.43	11,002.08
1993	6.42	38.46	1,316.85	12,318.92

Sources : Calculations based on data from the World Bank ; World Tables ; IMF, International Financial Statistics.

**Table A10. 23 : Capital Flight in the WAMU**  
(in billions of CFA Francs)

Year	Benin		Burkina		Côte d'Ivoire		Mali		Niger		Senegal		Togo	
	Flight	Cumul.	Flight	Cumul.	Flight	Cumul.	Flight	Cumul.	Flight	Cumul.	Flight	Cumul.	Flight	Cumul.
1972	0.83	0.83	-2.69	-2.69	35.54	35.54			-3.74	-3.74	-0.01	-0.01	4.12	4.12
1973	5.41	6.24	0.25	-2.45	108.83	144.37			-5.44	-9.17	0.11	0.10	4.69	8.81
1974	10.31	16.55	0.15	-2.29	89.41	233.79			16.48	7.31	0.09	0.19	-37.25	-28.44
1975	17.41	33.96	17.29	14.99	147.20	380.99			2.83	10.14	0.10	0.28	25.64	-2.80
1976	21.83	55.79	14.59	29.58	196.66	577.65			5.05	15.19	0.13	0.41	19.06	16.26
1977	29.89	85.67	44.76	74.34	212.98	790.63			31.33	46.52	0.20	0.61	75.31	91.57
1978	33.71	119.39	38.05	112.39	385.61	1,176.24			144.37	190.89	0.32	0.93	143.07	234.63
1979	45.25	164.64	10.85	123.25	529.55	1,705.79			34.78	225.67	0.27	1.20	108.67	343.31
1980	13.52	178.15	16.03	139.27	994.46	2,700.25			117.42	343.09	0.35	1.56	30.12	373.43
1981	56.28	234.43	26.63	165.90	1022.43	3,722.68			140.90	483.99	0.52	2.08	31.09	404.52
1982	224.76	459.19	56.31	222.21	1089.48	4,812.16			140.51	624.50	0.40	2.48	70.48	475.00
1983	101.95	561.14	47.43	269.64	792.00	5,604.17			60.37	684.87	0.44	2.93	43.48	518.47
1984	50.58	611.72	15.74	285.38	419.20	6,023.36	37.94	48.93	36.39	721.25	0.42	3.35	-37.38	481.09
1985	67.35	679.07	60.75	346.12	570.20	6,593.56	41.95	90.88	127.00	848.25	0.83	4.17	45.07	526.16
1986	-15.91	663.16	-18.07	328.05	-554.67	6,038.89	90.62	181.50	-54.23	794.02	3.80	7.97	-15.05	511.10
1987	38.81	701.97	26.38	354.44	447.17	6,486.06	173.75	355.25	26.54	820.56	11.70	19.68	34.11	545.21
1988	-2.63	699.34	19.16	373.59	350.80	6,836.87	107.78	463.03	39.04	859.59	2.63	22.31	59.09	604.31
1989	65.00	764.34	-27.78	345.81	1,051.24	7,888.10	166.96	629.99	24.34	883.94	7.81	30.12	2.36	606.66
1990	-60.57	703.77	28.92	374.74	382.99	8,271.09	237.72	867.71	19.22	903.16	6.97	37.09	-5.52	601.14
1991	12.24	716.00	55.50	430.24	868.14	9,139.23	107.32	975.03	-36.70	866.45	7.22	44.31	41.02	642.16
1992	-15.04	700.97	37.45	467.68	208.46	9,347.69	205.61	1,180.64	-7.43	859.02	32.21	76.52	34.85	677.01
1993	68.59	769.55	61.89	529.57	1,018.12	10,365.81	573.21	1,753.85	58.43	917.45	27.14	103.66	63.68	740.70

Sources : Calculations based on data from the World Bank ; World Tables ; IMF, International Financial Statistics.

**Table A.10. 24 : Elements from Market Intermediation Costs in WAMU**  
**Countries in 1988, 1989 and 1990**  
(in percentage of total assets)

<b>Year/ Country</b>	<b>Operating costs</b>	<b>Other net costs</b>	<b>Taxes on gross profits</b>	<b>Gross profits</b>	<b>Cost of financial intermediation</b>
<b>1988</b>					
Benin	1.72	1.00	0.00	-1.44	1.28
Burkina	3.15	0.88	0.45	0.71	5.19
Côte d'Ivoire	2.76	1.83	0.13	-0.46	4.25
Mali	3.30	-6.03	0.20	4.61	2.07
Niger	1.83	1.04	0.22	-0.59	2.50
Senegal	2.04	0.88	0.20	0.00	3.12
Togo	3.72	1.71	0.38	-0.40	4.87
<b>1989</b>					
Benin	1.61	0.04	0.00	0.93	2.58
Burkina	3.42	3.86	0.32	-2.52	5.07
Côte d'Ivoire	3.00	1.54	0.14	-0.21	4.47
Mali	2.67	1.31	0.08	0.20	4.26
Niger	1.86	1.05	0.08	-0.66	2.33
Senegal	1.96	1.08	0.27	0.16	3.48
Togo	3.60	1.54	0.29	-0.40	5.02
<b>1990</b>					
Benin	1.28	2.03	0.05	-1.71	1.65
Burkina	3.10	4.75	0.33	-3.35	4.84
Côte d'Ivoire	1.46	1.15	0.03	0.03	2.68
Mali	3.04	1.56	0.20	0.58	5.38
Niger	1.67	1.35	0.12	0.82	3.96
Senegal	2.40	0.81	0.30	0.53	4.11
Togo	3.40	1.36	0.34	0.18	5.30

Source : BCEAO.



**Table A.10. 25 : Changes in Fiduciary Currency/Money supply Ratio (c), and Reserves/Bank Deposits Ratio (r).**

Year	WAMU		Benin		Burkina		Côte d'Ivoire		Mali		Niger		Senegal		Togo	
	c	r	c	r	c	r	c	r	c	r	c	r	c	r	c	r
1974	0.30	3.69	0.33	6.70	0.45	5.70	0.29	3.00			0.36	6.60	0.27	3.00	0.25	5.30
1975	0.32	6.60	0.28	2.60	0.43	1.50	0.31	6.10			0.37	4.70	0.30	5.50	0.33	16.40
1976	0.29	9.38	0.28	2.40	0.40	9.80	0.28	9.30			0.40	10.80	0.27	11.00	0.35	10.30
1977	0.25	9.37	0.30	1.30	0.39	7.80	0.22	10.50			0.43	11.10	0.27	5.80	0.32	13.20
1978	0.26	5.89	0.27	3.30	0.30	3.80	0.24	5.90			0.38	6.40	0.25	4.50	0.31	11.50
1979	0.26	6.92	0.26	3.20	0.31	4.50	0.24	6.60			0.40	7.50	0.24	6.90	0.27	12.50
1980	0.29	6.59	0.28	2.10	0.35	4.60	0.28	4.20			0.37	13.80	0.25	8.90	0.34	18.60
1981	0.33	8.38	0.33	3.60	0.32	9.80	0.32	8.40			0.36	10.00	0.29	7.30	0.44	12.40
1982	0.32	8.35	0.41	3.20	0.35	3.60	0.29	4.50			0.38	10.20	0.27	11.30	0.46	33.10
1983	0.28	9.07	0.27	1.60	0.34	16.20	0.27	2.50			0.37	11.70	0.27	11.80	0.31	47.90
1984	0.28	14.75	0.23	2.20	0.30	42.50	0.26	6.50	0.43	20.60	0.29	22.20	0.25	7.80	0.25	60.80
1985	0.27	20.92	0.22	2.70	0.30	49.60	0.27	12.90	0.47	18.90	0.28	39.70	0.23	11.40	0.24	71.80
1986	0.33	16.80	0.24	2.30	0.36	27.10	0.33	11.80	0.49	18.60	0.33	22.90	0.31	11.40	0.28	48.40
1987	0.32	18.50	0.20	4.30	0.3	31.40	0.32	13.50	0.47	22.50	0.31	30.00	0.30	12.30	0.29	43.20
1988	0.30	16.50	0.24	1.60	0.32	27.70	0.32	8.10	0.44	26.80	0.32	33.90	0.28	14.40	0.16	39.50
1989	0.29	16.80	0.35	8.50	0.3	15.80	0.29	3.90	0.39	43.40	0.30	32.70	0.28	20.90	0.15	40.50
1990	0.85	18.90	0.31	31.40	0.83	13.30	0.95	3.70	0.86	48.60	0.93	38.70	0.91	19.60	0.91	41.90
1991	0.30	22.50	0.31	40.00	0.36	24.50	0.31	5.80	0.39	57.20	0.34	39.00	0.26	20.20	0.22	41.50
1992	0.29	22.40	0.29	50.60	0.37	25.30	0.30	3.40	0.39	52.80	0.33	41.90	0.28	19.80	0.16	41.10
1993	0.30	20.30	0.15	50.30	0.41	27.90	0.33	3.20	0.38	57.40	0.40	32.60	0.28	9.50	0.09	37.30
1994	0.32	8.80	0.31	4.60	0.39	10.90	0.33	6.80	0.38	14.00	0.38	9.80	0.31	7.00	0.27	9.70
1995	0.28	7.20	0.14	12.40	0.36	11.00	0.28	3.50	0.35	14.90	0.41	8.70	0.25	8.90	0.31	8.40

Source : Calculations based on BCEAO data (Information Notes and Statistics), various issues.

**Table A. 10. 26 : Impact of Variations in the Fiduciary Currency/Money Supply Ratio and the Reserves/Bank Deposits Ratio on Variations in the Money Multiplier (in percentage)**

Year	WAMU			Benin			Burkina			Côte d'Ivoire		
	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$
1975	-10.51	-4.46	-4.78	24.90	20.44	12.26	-2.60	3.64	-7.28	-11.36	-4.61	-5.22
1976	0.77	6.16	-5.78	1.01	0.67	0.67	7.85	6.38	2.45	2.50	8.93	-7.14
1977	11.17	12.61	0.00	-4.35	-6.38	2.32	4.44	2.22	2.66	14.87	21.09	-3.80
1978	6.14	-2.26	9.05	5.41	9.92	-5.11	32.28	34.43	11.19	3.76	-8.39	12.44
1979	-1.70	0.57	-2.27	4.96	4.96	0.29	-4.92	-3.94	-1.31	-2.38	-0.89	-1.79
1980	-6.44	-7.67	0.61	-5.50	-7.43	2.48	-8.04	-7.34	0.00	-3.51	-10.24	5.27
1981	-14.07	-8.18	-2.62	-16.37	-10.82	-2.34	-3.62	4.34	-8.33	-18.64	-7.64	-6.11
1982	1.28	1.28	0.00	-17.37	-15.24	0.35	3.20	-8.00	11.20	15.20	8.53	9.64
1983	8.87	11.18	-1.54	52.92	76.39	6.40	-14.74	3.02	-16.25	12.49	7.89	5.59
1984	-8.28	1.73	-9.66	12.12	15.50	-1.97	-24.92	2.62	-22.73	-7.07	2.06	-8.84
1985	-10.29	0.38	-9.53	4.84	7.39	-1.78	-3.02	0.00	-7.25	-14.55	-1.24	-10.84
1986	-9.50	-9.50	6.05	-8.87	-8.39	1.20	-0.20	0.00	0.00	-13.52	-11.69	1.46
1987	-3.77	2.36	-2.83	7.50	16.55	-7.24	-5.92	4.74	-5.92	-4.05	1.22	-2.84
1988	7.66	3.83	3.83	-15.83	-14.61	7.79	5.59	1.86	6.21	16.30	2.20	11.89
1989	0.63	3.78	-0.63	-40.71	-17.32	-7.80	21.51	-4.30	25.81	17.49	8.36	11.03
1990	-67.67	-26.44	0.00	-19.47	5.35	-28.23	-56.45	-30.24	0.50	-69.08	-22.49	0.00
1991	168.99	288.11	-16.62	-9.40	0.00	-9.99	94.39	147.34	-29.93	188.22	528.26	-12.48
1992	1.10	1.10	0.00	-5.05	1.26	-11.36	-0.17	0.00	0.00	11.22	1.09	5.79
1993	1.69	-1.13	4.51	11.27	15.50	0.70	-6.51	-5.33	-2.96	-9.60	-7.36	0.32
1994	16.44	-7.47	26.40	45.88	-50.91	93.65	29.87	6.99	32.41	-6.43	1.07	-6.43
1995	19.06	15.59	4.77	72.21	97.72	12.97	10.09	6.25	0.00	24.48	16.83	9.56

Year	Mali			Niger			Senegal			Togo		
	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$
1975				-0.59	-4.72	4.13	-11.22	-6.37	-4.55	-34.60	-10.38	10.96
1976				-13.52	-4.77	-6.76	-4.03	6.05	10.75	6.25	-3.57	10.27
1977				-4.37	-3.88	-0.49	13.93	2.79	13.93	1.28	5.97	-5.12
1978				15.88	11.07	7.70	8.87	6.42	3.67	5.76	2.88	3.29
1979				-5.76	-4.11	-1.23	-2.88	3.17	-6.34	6.80	10.58	-2.27
1980				-1.31	5.68	-8.30	-7.77	-2.88	-4.32	-21.59	-10.08	-6.84
1981				7.22	2.71	6.32	-8.42	-10.60	3.12	-9.37	-15.46	6.09
1982				-5.01	-4.59	-0.42	-2.84	4.62	-8.17	-20.28	-2.03	13.69
1983				-0.03	0.00	0.00	-0.01	0.00	0.00	0.15	0.00	0.00
1984				-0.69	10.35	-12.42	14.67	5.37	11.09	-8.68	3.10	12.40
1985	-3.67	-5.24	1.57	-19.86	1.81	-18.05	-1.23	7.07	-8.61	-11.31	0.00	-9.19
1986	-5.69	-3.41	0.00	6.08	-10.50	25.98	-16.66	-15.40	0.00	9.87	-3.80	32.65
1987	-0.80	4.80	-4.80	-7.54	3.23	-9.69	-5.37	2.30	-1.53	2.03	-2.03	6.77
1988	-2.67	3.34	-4.67	-5.54	-1.11	-4.99	1.08	5.40	-3.60	17.92	23.65	9.32
1989	-11.30	5.02	-15.07	4.56	2.85	1.71	-11.57	0.00	-9.97	-7.31	2.44	-2.44
1990	-96.22	-30.27	-1.08	-71.77	-24.11	0.00	-70.51	-26.33	0.00	-78.24	-31.42	0.00
1991	2029.98	231.30	-332.78	206.08	208.12	-2.04	231.07	459.12	-4.53	342.79	401.89	2.96
1992	3.14	0.00	3.93	-3.23	0.65	-3.23	-3.32	-3.32	0.95	-0.11	0.00	0.00
1993	-0.71	0.00	-3.55	4.59	-9.18	10.49	25.48	0.47	29.73	23.50	16.11	12.76
1994	74.30	2.53	107.23	40.44	7.29	49.06	-7.62	-10.29	4.95	40.67	-75.38	91.10
1995	8.61	5.74	-1.44	1.14	-8.55	1.71	27.71	22.82	-5.71	3.65	-10.54	2.43
Niger			Senegal			Togo						
$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$	$\Delta m_c$	$\Delta m_r$	$\Delta m$				
-0.08	0.07	-0.01	-0.21	-0.15	-0.37	-0.36	-0.38	-1.20				
-0.12	-0.17	-0.34	0.18	-0.32	-0.12	-0.08	0.23	0.14				
-0.08	-0.01	-0.09	0.08	0.40	0.40	0.14	-0.12	0.03				
0.23	0.16	0.33	0.21	0.12	0.29	0.07	0.08	0.14				
-0.10	-0.03	-0.14	0.11	-0.22	-0.10	0.28	-0.06	0.18				
0.13	-0.19	-0.03	-0.10	-0.15	-0.27	-0.28	-0.19	-0.60				
0.06	0.14	0.16	-0.34	0.10	-0.27	-0.33	0.13	-0.20				
-0.11	-0.01	-0.12	0.13	-0.23	-0.08	-0.04	-0.27	-0.40				
0.05	-0.05	0.00	0.03	-0.03	0.00	0.19	-0.25	0.00				
0.30	-0.36	-0.02	0.15	0.31	0.41	0.05	-0.20	-0.14				
0.04	-0.40	-0.44	0.23	-0.28	-0.04	0.00	-0.13	-0.16				
-0.19	0.47	0.11	-0.49	0.00	-0.53	-0.05	0.43	0.13				
0.06	-0.18	-0.14	0.06	-0.04	-0.14	-0.03	0.10	0.03				
-0.02	-0.09	-0.10	0.15	-0.10	0.03	0.33	0.13	0.25				
0.05	0.03	0.08	0.00	-0.25	-0.29	0.04	-0.04	-0.12				
-0.42	0.00	-1.25	-0.59	0.00	-1.58	-0.49	0.00	-1.22				
1.02	-0.01	1.01	3.04	-0.03	1.53	1.36	0.01	1.16				
0.01	-0.05	-0.05	-0.07	0.02	-0.07	0.13	0.01	0.00				
-0.14	0.16	0.07	0.01	0.63	0.54	0.24	0.19	0.35				
0.11	0.74	0.61	-0.27	0.13	-0.20	-1.39	1.68	0.75				
-0.15	0.03	0.02	0.56	-0.14	0.68	-0.26	0.06	0.09				

Source : Calculations based on BCEAO data.

**Table A 10. 27 : Changes in the Sight Deposits/Money Supply Ratio  
in the Countries of the Union**

Year	Benin	Burkina	Côte d'Ivoire	Mali	Mauritania	Niger	Senegal	Togo	WAMU
1965	0.37	0.23	0.37		0.33	0.33	0.40	0.41	0.37
1966	0.41	0.22	0.35		0.48	0.28	0.46	0.46	0.38
1967	0.39	0.25	0.34		0.47	0.34	0.50	0.47	0.38
1968	0.43	0.31	0.37		0.50	0.32	0.49	0.43	0.40
1969	0.43	0.30	0.37		0.44	0.36	0.49	0.43	0.40
1970	0.45	0.32	0.39		0.48	0.37	0.46	0.42	0.41
1971	0.48	0.34	0.37		0.48	0.34	0.46	0.42	0.39
1972	0.44	0.34	0.41		0.45	0.37	0.49	0.44	0.42
1973	0.36	0.40	0.40		0.38	0.41	0.44	0.33	0.40
1974	0.47	0.41	0.37			0.37	0.48	0.54	0.41
1975	0.54	0.44	0.36			0.45	0.50	0.39	0.41
1976	0.48	0.43	0.43			0.36	0.52	0.44	0.45
1977	0.50	0.41	0.46			0.44	0.51	0.41	0.47
1978	0.53	0.44	0.43			0.48	0.48	0.41	0.44
1979	0.44	0.34	0.42			0.45	0.46	0.46	0.43
1980	0.42	0.38	0.39			0.41	0.46	0.37	0.41
1981	0.40	0.35	0.37			0.41	0.39	0.28	0.37
1982	0.53	0.36	0.36			0.42	0.38	0.30	0.37
1983	0.58	0.34	0.37			0.41	0.39	0.31	0.38
1984	0.54	0.36	0.35	0.45		0.45	0.38	0.39	0.39
1985	0.57	0.39	0.33	0.39		0.44	0.34	0.29	0.36
1986	0.46	0.35	0.33	0.35		0.34	0.35	0.26	0.34
1987	0.40	0.35	0.31	0.35		0.31	0.33	0.25	0.32
1988	0.43	0.32	0.29	0.35		0.29	0.35	0.28	0.32
1989	0.38	0.31	0.29	0.34		0.32	0.34	0.28	0.31
1990	0.44	0.27	0.30	0.35		0.29	0.30	0.26	0.31
1991	0.45	0.29	0.30	0.31		0.28	0.30	0.25	0.30
1992	0.41	0.25	0.28	0.30		0.25	0.28	0.25	0.29
1993	0.50	0.22	0.27	0.31		0.24	0.30	0.31	0.29
1994	0.42	0.30	0.33	0.35		0.31	0.34	0.30	0.34
1995	0.44	0.29	0.34	0.35		0.29	0.32	0.28	0.34
1996	0.41	0.28	0.33	0.38		0.24	0.36	0.32	0.34
1997	0.37	0.26	0.31	0.37		0.30	0.34	0.31	0.32

Sources : Calculations based on data from the BCEAO, the IMF, International Financial Statistics, various issues.

**Table A.11.1 : Estimation of the Degree of  $\beta$ -convergence of WAMU**

Variable	Coefficient	Standard Error	T-Statistics	Probability
Constant	1.955465	0.466881	4 188357	0.0000
DIFCONG	-0.154499	0.040390	-3.825156	0.0002
R <sup>2</sup>	0.056794	Average dependent variable		0.171207
R <sup>2</sup> adjusted	0.052912	Standard deviation - dependent variable		
Sum of errors in the regression	0.312718	Akaike criterion		-2.316779
Sum of squares of the remainder	23.763540	Schwartz criterion		-2.288198
Log likelihood	-61.834460	F-statistic		14.63182
Durbin-Watson Stat	0.070063	Prob(F-statistic)		0.000166

Dependent variable: DIFCONG = (Growth rate of country i over the period 1960 - 1996)  
(Log real GNP per capita of country i in year t - Log real GNP per capita of country i in 1960).  
Independent variable = CONG = Log real GNP per capita of country i in 1960.

**Table A.11.2 : Estimation of the Degree of  $\beta$ -convergence of the ECOWAS**

Variable	Coefficient	Error type	T-Statistic	Probability.
C	1.146093	0.156456	7.325348	0.0000
CONV	-0.182510	0.027632	-6.605116	0.0000
R <sup>2</sup>	0.162409	Average dependent variable		0.117279
R <sup>2</sup> adjusted	0.158686	Standard deviation - dependent variable		
Sum of errors in the regression	0.222039	Akaike criterion		3.001036
Sum of squares of the remainder	11.092770	Schwartz criterion		-2.970860
Log likelihood	20.518490	F-statistic		43.627560
Durbin-Watson Stat	0.169966	Prob(F-statistic)		0.000000

Dependent variable: DIFCONV = (Growth rate of country i over the period 1960 - 1996)  
(Log real GNP per capita of country i in year t - Log real GNP per capita of country i in 1960).  
Independent variable = CONV = Log real GNP per capita of country i in 1960.



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