CENTRAL BANK
OF WEST AFRICAN STATES
BCEAO

HISTORY
OF THE WEST AFRICAN
MONETARY UNION

GEORGES ISRAËL
PUBLISHER

HISTORY OF THE WEST AFRICAN MONETARY UNION

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This volume of the History of the West African Monetary Union (WAMU) starts with the end of the colonial era and witnesses the emergence of African leaders in politics. In this decisive phase, Africans took their monetary destiny into their own hands and proved their ability to ensure the harmonious conduct of their common monetary policy, at the service of all and freely accepted by all concerned states in a field that is both significant and complex. It is thanks to their strong political will that they were able to preserve the heritage bequeathed by former colonizers and make it bear fruit over the years.

Volume II, covering the period between 1958 and 1997, is divided into six chapters (from 4 to 9).

Chapter 4 ends the colonial period with the 1958 referendum that established a Community between France and African Territories. While Guinea opted for Independence, it did not create its own Central Bank immediately. The Issuing House of AOF and Togo, later transformed into the Central Bank of West African States (BCEAO), continued its activities within the territory of African States and the Federation of Mali, all Community members, and, temporarily, in Guinea. The North African countries, on the other hand, achieved political and monetary autonomy.

Chapter 5 deals with the beginning of independence of African States that were members of the Community, along with their monetary regime between 1960 and 1962.

It highlights all the activities undertaken and technical work done to transform the issuing area into a monetary union. It was during this eventful period that the monetary institutions of Guinea, the Bank of the Republic of Mali and the Central Bank of Togo were established.

Chapter 6 is devoted to the implementation of the Treaty of 2 May 1962, which instituted the West African Monetary Union and subsequent agreements.

Chapter 7 describes how the system evolved. As a matter of fact, the system underwent major changes in 1973, after ten years of operation : African States had to assume a greater responsibility in the functioning of institutions and greater consideration for their concerns with regard to regional economic integration and development, with, in particular, the creation of the West African Development Bank (BOAD).

Chapter 8 shows how shifting BCEAO headquarters from Paris to Dakar, gave a new impetus to regional monetary co-operation with, in particular, Mali and then more recently Guinea-Bissau joining WAMU, and the implementation of a monetary co-operation program at the level of the Economic Community of West African States (ECOWAS).

Chapter 9 analyses WAMU's mechanisms vis-à-vis the 1980 and 1990 crisis, as well as the various policies implemented: the monetary policy reform, adjustment of the rate of exchange, WAEMU's[1] project for economic and monetary integration as well as the co-ordination of the macroeconomic policies of countries in the issuing area.

[1] "Union Economique et Monétaire Ouest Africaine" or West African Economic and Monetary Union.

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Section I : The 1958 referendum and developments in the political status of Territories in the former AOF and Togo

The world was undergoing profound changes. In North Africa, Tunisia and Morocco had gained independence while Algeria continued to wage a national war of liberation. In West Africa, the Gold Coast became independent under the name of Ghana on 6 March 1957, while Nigeria, along with Togo and Cameroon, were moving towards independence. In French-speaking Black Africa, political parties, trade unions and youth movements expressed their reservations with respect to the Framework Law and wanted greater autonomy.

In Europe, groupings were formed, in particular with the Treaty of Rome of 25 March 1957, establishing the European Economic Community.

It was against this background of open rebellion in Algeria and of protest in Black Africa that General de Gaulle came to power on 13 May 1958.

Aware of the challenging problems affecting France, which was subject to the ministerial instability that characterized the IVth Republic, he proposed a constitution that founded the Vth Republic and the Franco-African Community.

I - The Constitution of 4 October 1958

To thwart attempts by the Generals of Algiers, who advocated a "Keep Algeria French" policy, French politicians, in particular the Gaullists Jacques Soustelle and Michel Debré, the independent Republican Duchet, the member of the "Mouvement Républicain Populaire" – MR.P (Popular Republican Movement) George Bidault, who were in favor of a Public Safety government, appealed to General de Gaulle. The latter formed his government, which was endorsed by the Assembly on 1 June 1958 by 329 votes against 224 (including members of Communist and progressive groups, 49 Socialists and 18 radicals)[2].

The Parliament then entrusted the Government with the task of drafting a new Constitution, based on five principles defined by the constitutional law of 3 June 1958 :

- Universal suffrage alone is the source of power ;
- The executive and the legislative must be separated ;
- The government must be responsible to Parliament ;
- The judiciary must be independent ;
- The constitution must make it possible to organize relationships between Metropolitan France and Overseas populations. It must be submitted to a referendum.

[2] Jorf. Parliamentary debates, 2 June 1958, P 2592. During the vote, African members of parliament were divided : while 11 pronounced themselves in favor of endorsement, (including Houphouët-Boigny, Modibo Keita, Sourou Migan Apithy), 17 abstained, including Sékou Touré, Léopold S. Senghor, Nicolas Grunitzky and Ouezzin Coulibaly. Danga Manga Bell had been "excused or was absent".

General de Gaulle then decided to ask a group of experts led by Raymond Janot, the Secretary General of the Council of State, to prepare a preliminary draft constitution. The text was presented to an inter-ministerial council consisting of four Ministers of State : Guy Mollet (SFIO) (Section française de l'Internationale Ouvrière), Félix Houphouët-Boigny (UDSR-RDA)[3], Pierre Pflimlin (MR.P), Louis Jacquinot (Independent Republican), along with the Minister of Justice, Michel Debré, and the Minister of French Overseas Territories, Bernard Cornut-Gentille.

The text of the preliminary draft was made public and submitted, in Paris, to the Advisory Committee, consisting of 39 members including Léopold Sédar Senghor and Lamine Guèye (Senegal), Gabriel Lisette (Chad)[4] and Philibert Tsiranana (Madagascar).

Within the Committee, two opposing views emerged : on the one hand, the "federalist" view, advocated by Félix Houphouët-Boigny, was defended by Lisette. They were in favor of a federation between France and the autonomous States taken individually.

The federalists advocated the complete autonomy of territories, the abolition of the AOF and AEF General Governments, inter-territorial co-operation in matters of common interest such as currency, transport and telecommunications. They did not favor the institution of federal executives in Dakar and Brazzaville - they were in favor of immediate independence but with the possibility for further development in the friendship with France.

On the other hand, Senghor and Lamine Guèye favored a confederation formed by France and the territorial groupings (AOF, AEF and Madagascar), which would remain as they were. It was to defend their ideas that the "confederalists" convened a congress of African political parties in Cotonou between 25-27 July. There, they created the "Parti du Regroupement Africain - PRA" (African Grouping Party), which decided in favor of "immediate independence and negotiation with France for establishing a multinational confederation of free and equal peoples".

On 8 August, General de Gaulle approached the Advisory Committee, to express the French government's point of view. Indeed, as far as France was concerned, any territory that rejected the constitution would be regarded as being in a state of secession and would no longer receive any French aid. On the other hand, France would constitute a "common unit" with the territories that accepted the constitution.

A week later, the Advisory Committee, torn between the "federalists" and the "confederalists", opted for the term "Community", proposed by Philibert Tsiranana, in a conciliatory move.

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[3] UDSR : "Union démocratique et socialiste de la Résistance" (Democratic and Socialist Resistance Union), an organization that stemmed from the "Mouvement de Libération Nationale – MLN" (National Liberation Movement).

[4] Sékou Touré did not participate in the Constitutional Consultative Committee's work. Houphouët-Boigny insisted on Gabriel Lisette, who was closer to him.

General de Gaulle then decided to go to Africa from 20 to 27 August[5] to convince Africans and "to check whether the idea of secession had gained ground everywhere[6] and, in particular, in Africa".

He was welcomed with enthusiasm in Abidjan, but with some reserve in Conakry, where Sékou Touré "claim(ed) our legitimate right to independence" and put colonization in the dock while raising, in particular, the fact that "the blooming of Africa's values has been hindered, not so much because of those that shaped them, but because of economic and political structures inherited from the colonial regime that are totally out of tune with its own realities and its future aspirations... The poor can only aspire to becoming rich and nothing is more natural than the desire to erase all inequalities and all injustices. This need for equality and justice is all the more dear to us because we have been subjected to blatant injustice and inequalities... We prefer poverty in freedom rather than wealth in slavery".

In Dakar, in front of "placard bearers" clamoring for "immediate independence", thus taking up the resolution adopted by the Cotonou Congress, General de Gaulle declared : "We will not compel anyone. We are only asking that a "yes" or "no" answer be given. If the answer is "no", we will draw the necessary conclusions. If the answer is "yes", we will move forward as brothers and go down the road of great destinies hand in hand".

On his return, the draft constitution was adopted by the Council of Ministers.

On 4 September 1958, at the "Place de la République", in Paris, General de Gaulle made a speech in which he elaborated on his ideas with regard to the Community.

"May a Community be formed between the French nation and those overseas territories that want it, within which each territory will become a State that will govern itself, while foreign policy, defense, currency issues, economic and financial policy, policies concerning raw materials, control over justice, higher education and telecommunications, will constitute a joint field, of which various community organs will have to take cognizance : the President, the Executive Council, the Senate and the Court of Arbitration. Thus, this vast organization will breathe new life into the human mass grouped around France. This will be done on the basis of free determination by all. Indeed, each territory will have the option of either accepting the French proposal by voting positively in the referendum, or rejecting it and, by doing so, breaking all links with it. After becoming a member of the Community, each territory will be able to assume its own destiny independently of others in the future, after mutual agreement with the common organs".

The Constitution was submitted to a referendum on 28 September 1958. It led to a favorable response in all territories except Guinea, where 95% voted against it. In Niger, the "Ayes" surely benefited from the pressing support of the administration, eager to see Djibo Bakary Fall.

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[5] General de Gaulle left Paris on 20 August. On 21 August, he reached Fort-Lamy (Chad). On 22 August, he reached Antananarivo (Madagascar) from where he left for Brazzaville on 23 August. On 24 August, he arrived in Abidjan, leaving it for Conakry on the 25. He reached Dakar on 26 August and left it on the 27.

[6] Yacono (Xavier), "Les étapes de la décolonisation" (Stages of Decolonization), p. 87.

However, most of the massive "Yes" votes were replete with "Yes, but...". Indeed, Senghor specified that this was a "Yes" to African independence in a new-found unity. "For us, the Community is only a passage and a means, in particular, one that would prepare us for independence in the manner of territories under British dependency"[7].

Guinea proclaimed its independence that was ratified by the Territorial Assembly on 2 October 1958, while the Community's constitution was published in France on 4 October 1958.

II - Guinea's Independence

Under the Framework Law, Sékou Touré, head of the majority party - "Parti Démocratique Guinéen - PDG", (Guinean Democratic Party) "Rassemblement Démocratique Africain - RDA" section - was appointed Vice-President of the Council. In fact, he represented the real power in the country, as against a Governor who had increasingly confined himself to the role of a representative of France.

The initial measures taken by the PDG were along radical lines : on 31 December 1957, the cantons, whose customary officiating Heads had been rejected by the people, had been abolished. In their place, village councils, henceforth with elected Village Chiefs or Mayors, were instituted. In former districts, which had now become administrative units, district councils composed of notables, were also elected.

As for the future of AOF (French West Africa), Sékou Touré, though being a member of the RDA, was opposed to Félix Houphouët-Boigny's ideas. In fact, he favored the idea of maintaining the territorial group and creating a federal executive that would be responsible to the AOF Greater Council. In his moral and political report at the PDG conference held on 23-26 January 1958, he clearly explained his stand : "We will fight any idea aimed at Africa's disintegration for the creation of isolated States or territorial Republics, all the more forcefully since, in our eyes, such an idea could only be the legacy of a divisive colonialism".

At the Cotonou Congress, convened at Senghor's instigation, Sékou Touré and the PDG supported the idea of "immediate independence" and launched a campaign to this end.

From then on, it was hardly surprising that General de Gaulle and Sékou Touré's viewpoints were poles apart when the General, on his explanatory African trip, had gone to Conakry, on 25 August 1958.

In front of the territorial Assembly, Sékou Touré lashed out, "We prefer poverty in freedom rather than wealth in slavery... We will not give up, we will never give up our legitimate and natural right to independence. Our hearts, our reason, in addition to our most obvious interests, make us unequivocally choose independence and freedom within this union [with France] rather than define ourselves without France and against France"[8].

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[7] Yacono (Xavier), *Les Etapes de la décolonisation* (Stages of Decolonization) p. 88.
[8] Charles (Bernard), *La République de Guinée* (The Republic of Guinea) p. 20.

General de Gaulle replied, "There is no reason... for France to be ashamed of anything that it has achieved with Africans... independence is at the disposal of Guinea, it can take it by saying "No"... Metropolitan France would not put any obstacles in its path"[9].

On 14 September, Sékou Touré, during a PDG extraordinary territorial conference had already reiterated, "We will vote 'No' to a community that is nothing but the French Union under another name, i.e. old goods under a new name ; we will vote 'No' to inequality, we will vote 'No' to irresponsibility"[10].

The dice had been cast. On 28 September, in Guinea, all parties together voted "No" with a majority of 1,136,324 votes against 56,981 "Yes". The vote was ratified on 2 October 1958 by the territorial Assembly, thus establishing Guinea's independence.

France reacted quite badly, by deciding to break all links with the new State and by seeking to isolate it vis-à-vis partners in the West. It decided to repatriate French personnel still serving in Guinea and put an end to all government aid to the new Republic. Guinea became a member of the UNO on 23 December 1958, with France abstaining.

Nevertheless, on 7 January 1959, the two countries signed agreements on monetary, technical and cultural co-operation. They provided for French to be made the official language in Guinea, with France providing the country with teachers, and also provided that Guinea would remain a member of the Franc area and that France could offer technical assistance.

The French Government was represented by :

André Malraux, Delegate Minister attached to the Presidency of the Council,

Antoine Pinay, Minister of Finance and Economic Affairs,

Jean Berthoin, Minister of National Education.

The Guinean Government was represented by :

Moussa Diakité, Minister of State attached to the Presidency of the Council,

Alioune Dramé, Minister of Finance,

Diawadou Barry, Minister of National Education.

In substance, according to the provisions of the memorandum of agreement concerning the modalities for the Republic of Guinea's entry into the Franc Area, "considering the Republic of Guinea's special status", a Guinean currency defined in relation to the French Franc, would be created ; in addition, it would get its own issuing house, whose assets would be deposited with the "Banque de France", and which would be able to obtain credit facilities from the latter within the limit of a ceiling, in case its assets were drained.

[9] Idem.

[10] Sékou Touré, Expérience guinéenne et unité africaine (Guinean experience and African unity), p. 188.

The text also stipulated the application of the major principles governing the Franc Area : freedom of transfers and exchange within the Area, reciprocal preferences and exemptions in respect of trade, co-ordination in foreign trade, pooling of foreign exchange earnings in the exchange stabilization fund, common exchange, etc.

Box 4.1

Memorandum of agreement concerning modalities for the Republic of Guinea's entry into the Franc Area

Considering the Republic of Guinea's special status,

Article One

A Guinean currency shall be created. This currency shall be defined in relation to the French Franc. Any possible change in parity between the two currencies shall be done on the basis of mutual agreement.

Article 2

A Guinean Treasury shall be established. Reciprocal operations by the French and Guinean Treasuries shall lead to periodic settlements in the currency of the creditor State.

Article 3

A Guinean Issuing House shall be created. Within the framework of a monetary policy common to all Issuing Houses, the assets of the Guinean Issuing House shall be deposited with the "Banque de France". In case of drain on these assets and within the limit of a ceiling to be determined, the "Banque de France" shall be able to grant credit facilities to the Guinean Issuing House whose statutes must necessarily provide for a limit to the amount of assistance it could provide to the Guinean Treasury.

Article 4

The Guinean Issuing House shall ensure the implementation of the Franc Area Monetary Committee's general directives concerning credit regulation in Guinea.

Article 5

The French Government and the Guinean Government are committed to respecting the principle of the freedom of transfers and trade with countries in the Franc Area.

The principle of reciprocal preferences and exemptions in commercial matters shall be upheld.

Article 6

In order to ensure essential co-ordination as regards foreign trade, export and import, estimates shall be subjected to a periodic joint examination. General programs, determined jointly, shall fix overall ceilings on imports of goods coming from third countries, per category of products and per monetary zone, taking into account Guinea's needs and a judicious use of the resources of the Franc Area.

Within the framework of these programs and within the limits that they determine, the Guinean Government shall be able to conclude trade agreements. The Guinean Government shall inform the French Government in advance about any negotiations it may initiate. The French Government shall inform the Guinean Government in advance of any commercial negotiations that may be of interest to Guinea.

The modalities for co-operation between French and Guinean departments, for the negotiation of trade agreements, shall be subject of a special convention.

Article 7

Guinea's foreign exchange earnings shall be paid into the Franc Area Exchange Stabilization Fund.

It shall meet Guinea's foreign exchange requirements as regards the commercial transactions executed within the framework of the general import schemes described above and the invisible transactions carried out within the framework of the Franc Area's exchange control.

In the event that Guinea were to benefit from foreign currency loans, the latter could be placed at its disposal according to modalities that shall be determined according to each specific case.

Article 8

The Guinean Government shall undertake to implement necessary measures for the application of the Franc Area's exchange control regulations in Guinea.

The foreign exchange department could be a department of the Guinean Issuing House. It shall fulfil its responsibilities in accordance with the conditions fixed by the Franc Area Monetary Committee whose role is to see to the application of the Franc Area exchange control regulations.

Article 9

The French Government and the Guinean Government undertake to give each other all documents that may be useful for the establishment of their overall balance of payments and, in particular, statistics relating to trade and financial settlements with other Franc Area countries and with third countries.

Article 10

The Guinean Government shall be represented in the organizations responsible for co-ordinating the Franc Area's monetary policy.

Article 11

A special agreement shall determine the modalities of intervention by France in favor of the Republic of Guinea's association with the provisions of the Treaty organizing the European Economic Community.

Article 12

At the request of the Guinean Government, the French Government shall undertake to put at the disposal of Guinea, the technicians and experts necessary for the creation, organization and, possibly, the functioning of Guinean organizations, referred to in this memorandum.

On 21 January 1959, a Guinean ambassador was accredited in Paris, to General de Gaulle's government.

In June 1959, a mission led by Roger Seydoux[11] to implement the co-operation agreements in Guinea, failed to do so and was suspended in August 1959.

[11] Roger Seydoux, Minister Plenipotentiary, Director of Cultural Affairs at the Quai-d'Orsay, visited Conakry from 5 to 24 June. He went back in July and August. He returned to Paris on 8 August 1959.

In order to deal with the freeze in relations with France, Guinea turned to the Soviet block countries, in particular Czechoslovakia, East Germany and the Soviet Union. Moreover, it opted for a union with Ghana and Mali on 23 November 1960[12]. Lastly, it received the spontaneous assistance of many "African patriots" and Europeans[13] who offered their help following the departure of French technical assistants.

Meanwhile, Community structures were being set up.

III - The Community and Member States

A - Distribution of competencies

The Community included thirteen republics: the French Republic[14], seven (7) new republics of the former AOF, four (4) of the former AEF[15] and the Malagasy Republic.

These republics, or Member States, were autonomous, administered themselves and managed their affairs freely. However, as stipulated in Article 78 of the Constitution, they relinquished "matters of common interest" : foreign policy, defense, currency, economic and financial policy and the use of strategic raw materials. They also relinquished, though to a lesser extent, control over justice, higher education, civil aviation, merchant navy and post and telecommunications.

The responsibility of directing these matters of common interest was entrusted to Ministers of the French Republic. There were seven of them (7)[16], who were appointed on 31 January 1959.

B - The Community's bodies

They were four : the Community's President, the Executive Council, the Senate and the Court of Arbitration.

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[12] Guinea, Mali and Ghana thus established the "Union des Etats Africains - UEA" (Union of African States) that considered itself an embryonic United States of Africa. They were members of the Casablanca Group. At that time, Africa was ideologically divided between the Casablanca Group and the Monrovia Group.

[13] Amongst those that spontaneously came to Guinea's aid, the following may be mentioned : Seyni Niang, Amsata Sarr, Khalilou Sall, Joseph Ki-Zerbo, Jean Suret-Canale, Abdou Moumouni and Louis Sénaïnon Behanzin.

[14] Apart from Metropolitan France, the French Republic included Algeria, French West Indies departments, French Somaliland, the Comoros Islands, New Caledonia, Polynesia, and Saint Pierre and Miquelon.

[15] The 7 new republics in the former AOF were Mauritania, Senegal, Soudan (also written 'Sudan', but not to be confused with the Republic in NE Africa – Translator's note), Upper Volta, Niger, Côte d'Ivoire and Dahomey. The 4 republics in former AEF were Gabon, Congo, Chad and the Central African Republic.

[16] The following were nominated by the decision of 31 January 1959 :
Maurice Couve de Murville : Foreign Policy ;
Antoine Pinay : Economic and Financial Policy and Currency ;
Michelet : Control of the Judiciary ;
Boulloche : Higher Education ;
Robert Buron : General organization of external and common transport ;
Bernard Cornut-Gentille : Telecommunication.

The President of the French Republic was the Community's President. Member States participated in his election. He represented the Community and was represented by a High Commissioner in each Member State. He chaired the Executive Council, opened and closed the sessions of the Community's Senate. He nominated the Ministers in charge of matters of common interest and the chairpersons of expert committees[17]. He also nominated and accredited the Ambassadors.

The President of the Community was assisted by a *secretary general* [18] who ensured the co-ordination of matters of common interest.

On 8 January 1959, General de Gaulle was elected President of the French Republic[19] and thus became President of the Community.

The Executive Council was a gathering of statesmen who deliberated on common policies. It included, under the chairmanship of the Community's President, the French Prime Minister, the Heads of Government of each Member State and the four Ministers in charge of matters of common interests.

The Executive Council deliberated on expenditure required for by the setting up and functioning of various Community bodies and divided expenses between France and Member States. It had its headquarters in Paris, but it could hold its meetings in any of the States[20].

The Executive Council chose French as the Community's official language, the "Marseillaise" as its anthem, "Liberty, Equality and Fraternity" as its motto, the Tricolor - blue, white, red with a distinctive sign composed of two hands joined together in the center of an oak and laurel wreath, as its flag.

On the occasion of the French national day on 14 July 1959, General de Gaulle presented a specimen of the flag to the Head of Government of each Member State.

The Community's Senate was not a legislative assembly but rather an institution that took executory decisions. It consisted of 196 members designated by the French Republic and 98 by Member States[21]. It examined international agreements and treaties entered into by the Community. In fact, it had very few powers and only met twice in July 1959 to establish its rules of procedure and in June 1960 to reform the constitution. It was chaired by Gaston Monnerville[22].

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[17] A decision taken on 9 February constituted the committees and defined the scope of their powers. These were the Committee on Competencies, the Committee on Economic and Financial Affairs, the Committee on Transport and Telecommunications, the Committee on the Community's relationships with international organizations and the Committee on Justice and Higher Education.

[18] Raymond Janot was the Community's first Secretary General. He was replaced by Jacques Foccart in March 1960.

[19] By a college of 82,000 personalities including 76,000 for the French Republic and 6,000 for Member States.

[20] The Executive Council held its 4th session on 7 and 8 July 1959 in Madagascar and its 6th session, in Saint-Louis, Senegal, on 11 and 12 December 1959.

[21] The States designated the following number of senators per country : Senegal : 8, RCA (Central African Republic) : 4, Congo : 3, Côte d'Ivoire : 11, Dahomey : 6, Gabon : 3, Upper Volta : 12, Islamic Republic of Mauritania : 3, Madagascar : 17, Niger : 9, Sudan : 13, Chad : 9.

[22] Gaston Monnerville (1897-1991) was a native of Guyana. Between 1947 and 1958, he was Chairman of the Council of the Republic, and later the Senate. He was twice the Secretary of State for Colonial Affairs.

The Court of Arbitration comprising 7 judges nominated for 6 years and a court clerk. It ruled on disputes between the Community's Member States "when these disputes relate to the interpretation or the application of the legal provisions imposed on the Community's Member States". In fact, the Court was disbanded even before it had dealt with a single litigation.

C - The Member States

The AOF and AEF territorial groupings were kept as they were. A High Commissioner was appointed at the head of each group, assisted by a First Councilor. He represented the Community's President in the States, looked after the President's relations with Heads of Government, followed the internal developments in the States, kept the President informed of these developments and kept a watch over the relations between Ministers in charge of matters of common interests and Heads of Government, through the Community's Secretary General. He was responsible for executing the common policy in the States.

There was no federal executive. Thus, the stand taken by the "federalists" was reinforced. On the other hand, the Greater Council continued to vote on the general budget that had shrunk in favor of State budgets. However, it became a political forum, marked by a clash between the "federalists" and "confederalists", who could be found even in the ranks of the RDA, such as Modibo Keïta and Gabriel d' Arboussier.

To thwart the perverse effects of "Balkanization", certain States regrouped. Senegal and Soudan, noting the defection of Dahomey and Upper Volta, formed the Federation of Mali as from 17 January 1959. Côte d'Ivoire, Dahomey, Upper Volta and Niger constituted the Entente Council on 30 May 1959. Chad, Central Africa and Congo, having taken note of Gabon's reservations, constituted the Union of Central African Republics (Union des Républiques d'Afrique Centrale) on 12 July 1959.

In addition, an emphasis was laid on the organization of the economic, financial and monetary policy sphere, which fell within the province of "matters of common interest" in accordance with Article 78 of the Constitution.

Section II - The economic, financial and monetary organization of the Community

As early as 12 June 1959, the Community Chairman made five decisions that constituted the economic and financial charter of the organization[23].

However, before these decisions came into force, General de Gaulle had already taken measures relating to the currency : the creation of a new Franc, the signing of the Franco-Guinean Memorandum, examined above, the transformation of the Issuing House of AOF and Togo into the Central Bank of West African States, legalizing the pegging of the CFA Franc to the French Franc.

[23] Decision relating to the currency - Decision relating to the exchange rate regime and foreign trade - Decision relating to the common economic policy - Decision relating to the preparation and execution of development programs - Decision relating to the common financial policy (JORF dated 27 June 1959, p. 6404).

I - The creation of the new Franc and the maintenance of a fixed relationship with Overseas Francs

The Ordinance no. 58-1341 of 27 December 1958 made by the President of the Council of Ministers, General de Gaulle, countersigned by the Finance and Economic Affairs Minister Antoine Pinay, instituted a new monetary unit in France, as from 1 January 1960, at the latest : 1 new Franc = 100 old Francs.

Before the very short denomination of "Franc" was adopted, the new monetary unit was referred to either as the "nouveau Franc" (new Franc) or the "franc lourd" (revalued Franc).

In relation to the "Overseas Franc" - CFA Franc, CFP Franc, etc. - the Minister in charge of currency and the common economic and financial policy of the Community specified at the Executive Council meeting on 4 and 5 May 1959, that the extension of this measure to other Community Member States was not being considered. The banknotes and coins in circulation in the concerned States would not be subject to any modification.

The parity between the Metropolitan Franc and the CFA Franc would not be changed either ; the CFA Franc would continue to be worth 2 old Metropolitan Francs or 50 CFA Francs would be worth 1 new Franc.

Indeed, the dominating point of view was that after fourteen years of experience, maintaining a "higher value" for the CFA Franc in relation to the French Franc - 1 for 2 - offered more disadvantages than advantages.

Thus, the "higher value" of the CFA Franc became a *factor of price increase* ; there was a strong temptation to sell an article whose "normal" selling price would be 180 Metropolitan Francs for 180 CFA Francs, in Africa.

It was also an *incentive to transfer* assets in CFA Francs by converting it into Metropolitan Francs, with a view to doubling their value.

Lastly, *it discouraged foreign investors*, even if one believed that it was the *general level of prices and wages* in overseas countries that provoked unfavorable reactions. However, German investors would have been astonished to learn that they would require nearly 2 Deutsche Marks to obtain one new CFA Franc.

Thus, continuing to maintain the "higher value" of the CFA Franc, in the same proportion as the French monetary unit, would have meant continuing the error.

Consequently, the solution that equated 1 CFA Franc to 2 new Francs had to be ruled out.

II - Transformation of the Issuing House of AOF and Togo into the Central Bank of West African States

The ordinance no. 59-491 of 4 April 1959 relating to the issuing system in West African States provided that the AOF and Togo Issuing House, a publicly-owned institution that was managed according to trade laws and practices and endowed with financial autonomy, would take the appellation of Central Bank of West African States, BCEAO (Article 1).

Apart from its name, this text introduced an innovation in the composition of the Board of Directors. Thereafter, the Institution would itself specify its tasks.

A - Administration of the Bank

BCEAO was managed by a Council of 16 members not including its Chairman. It was chaired by *a personality nominated by the President of the Community,* at the suggestion of the Minister in charge of Matters of Common Interest, in the field of currency, and including - according to membership with equal representation - eight representatives from the West African States and eight representatives from France :

- One representative from the Republic of Côte d'Ivoire ;
- One representative from the Republic of Dahomey ;
- One representative from the Republic of Upper Volta ;
- One representative from the Islamic Republic of Mauritania ;
- One representative from the Republic of Niger ;
- One representative from the Republic of Senegal ;
- One representative from the Sudanese Republic ;
- One representative from the Togolese Republic ;
- Two representatives of the Minister of Finance and Economic Affairs of the French Republic ;
- A director, jointly appointed by the Ministers of the French Republic in charge of Economic and Technical Co-operation with the States in the Issuing Area ;
- Two directors representing the "Banque de France", nominated by the Bank's Governor ;
- A representative of the Franc Area's Monetary Committee, designated by the Minister of Finance and Economic Affairs ;
- A representative of the Central Bank of Equatorial African States and Cameroon, nominated by the Minister of Finance and Economic Affairs ;
- The Director General of the "Caisse Centrale de Coopération Economique" (Central Economic Co-operation Fund).

In case of impediment, each member of the Board of Directors could be represented by an alternate at the Council's deliberations for the duration of the said member's term of office (Article 2).

These provisions were not confined to simply changing the corporate name ; they even changed the status of the institution. While it remained a "publicly-owned institution", it formally ceased to be a French "nationalized publicly-owned establishment" and, instead became, legally speaking, a multinational organization, as was reflected by the composition of its Board of Directors.

Eight representatives were chosen by the Governments of the West African States to provide them with the assurance that their voices would be heard and that the Council would fully exercise the powers that were vested in it.

Robert Tézenas du Montcel was appointed Chairman of the Board of Directors.

The first eight directors[24] representing the West African States and their alternates were :

Representing the Republic of Côte d'Ivoire :

Mr. Camille Alliali, First Vice-president of the Legislative Assembly

Mr. Mohamed T. Diawara, Technical Adviser to the Minister of Finance

Representing the Republic of Dahomey :

George Gavarry, Minister of Economy and Planning

François Aplogan, Minister of Finance

Representing the Republic of Upper Volta :

René Bassinga, Minister of Finance, Economic Affairs and Planning,

Mr. Sibiri Salembéré, Minister of Commerce

Representing the Islamic Republic of Mauritania :

Mr. Mohamed Moktar Marouf, Ministry of Industry, Trade and Mines,

Mr. Maurice Compagnet, Minister of Finance

Representing the Republic of Niger :

Mr. Sama Alladji, Member of the Legislative Assembly

Mr. Tanimou Ari, Member of the Legislative Assembly

Representing the Republic of Senegal :

Mr. Karim Gaye, Minister reporting to the Council Chairman, in charge of Development, Planning and General Economy

André Peytavin, Minister of Finance

Representing the Sudanese Republic :

Hamaciré N'Douré, Minister of Trade, Industry and Transport

Mr. Kouyaté Seydou Badian, Minister of Rural Economy and Planning

Representing the Togolese Republic :

Mr. Paulin Eklou

Mr. Jean Giry, Representative of the Togolese Republic in Paris.

As for the Bank's General Management, the Managing Director was Mr. Robert Julienne, till then Managing Director of the Issuing House of AOF and Togo.

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[24] Their names are in bold characters.

With the constitution of a new Board of Directors, the Bank's departments considered it necessary to clarify the status and powers of the institution as well as the limits of its activities.

B - The role of BCEAO

Dealing with the "role of the Central Bank in the West African economy", the first annual report (1959), stressed that this role consisted in providing the issuing area with *"a valid currency"*, both for *domestic trade* and *external transactions.*

With this intention, the Bank exercised three closely linked functions :

- *It ensured the circulation of cash* (notes and coins), representative of the currency ;
- *It ensured the convertibility of the currency issued* by it in a currency that was accepted for payment of external transactions ;
- *It regulated the creation of representative money* by the banking structure by granting its assistance based on the one hand on resources that it held, in particular deposits ; and on the other hand, the needs of the economy.

BCEAO was thus typical of *banks of issue entitled to issue currency against exchange and credit transactions* - transactions concerning the issue of currency - while playing a passive role in the *first category of operations* and an active role in the second.

a - A passive role of issuer of currency against exchange transactions

BCEAO's statutes, as stressed in the above-mentioned annual report, made it obligatory for the Bank to exchange French Francs remitted to it against its own currency at a rate fixed outside its purview. *In other words, it could not control the production of local currency against external fund inflows,* whatever the origin of these funds and whatever their use in the local economy.

It also had the obligation of ensuring a fixed rate exchange value in French Francs for any local Franc that might be remitted to it, whatever the reason for the requested transfer.

As we have seen, certain organizations, such as Currency Boards, were confined to this category of operations alone, which did not pose any particular problems, except those concerning the maintenance of local fiduciary circulation and the management of foreign exchange reserves.

However, the situation was very different when the issuing house was granted the power to issue currency for credit to banks, as was the case with BCEAO.

b - An active role of issuer of currency in exchange for credit operations for the banking system

The report recalled that in this type of issuing house, there was always the risk of issuance exceeding the local economy's capacity for absorption and causing, through *inflation*, a deterioration in the domestic currency and an increased request for imports from abroad. Their payments could, in turn, lead to a fall in monetary reserves up to the point where they would cease to guarantee the external convertibility of the local currency.

The report further underlined that this danger was particularly serious in non-industrial countries where any increase in the purchasing power of private individuals, private companies or public bodies, was almost immediately reflected in a fresh demand for imports of products or transfers abroad.

Under these conditions, the "creation of currency" spurred by issuing credit, could only be in expectation of an increase in export earnings or a reduction in import expenditure.

This expectation was all the more risky since it was for a longer term ; it could have been justified, were it to remain for a short-term and based on goods that could be suitably "realized".

Proper adjustment of the creation of money was all the more necessary to ensure that there was no obstacle in the way of purchasing foreign goods and more generally in the transferability of local currency. Indeed, the creation of money that did not meet actual needs of the local economy would only result in stimulating transfers abroad.

Thus, while the powers conferred on the Central Bank were very broad, the limitations within which it could exercise these powers without compromising the health of the West African economy, were very narrow.

However, the report brought out that the task was facilitated by two factors.

The first was the very extensive assistance provided by the French Treasury that took the form of both earnings in the balance of payments against expenses incurred by it in the issuing area and the unconditional guarantee it granted for the convertibility of the West African currency, even in case of drain on the Central Bank's quick foreign assets.

The second, which was even more significant for the autonomous functioning of the West African monetary system, was the contribution of resources and the compensation of risks, enabled by the sheer extent of the issuing area. Thus, the last several years alternately witnessed the "difficulties" faced by the Senegal-Nigerian groundnuts and the coffee from Côte d'Ivoire.

The report concluded that a "monetary union"[25] that covered a sixth of the surface area of the African continent and brought together a tenth of the entire African population was, as far as the new West African States were concerned, a first-rate asset in the quest for their future development.

C – Legalizing the pegging of the CFA Franc to the French Franc

Following a meeting of the Executive Council on 4 and 5 May 1959, the President of the Community took a decision on 9 June 1959 relating to the currency.

The decision stipulated that the *Franc was the common currency of Member States of the Community*. The monetary unit of each State was either the Franc, or a monetary unit linked to the Franc on the basis of a *fixed rate* that could only be modified by a decision of the Community's President in the Executive Council.

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[25] De facto.

Banknotes and coins that were legal tender in the Community's Member States were freely convertible between them. Capital flows between the Community's Member States were free.

Exchange control regulations were common to all States, while foreign exchange resources were shared between them.

The "Conseil Supérieur du Crédit" (Higher Loan Board) dealt with issues relating to credits and monetary organization. The "Comité monétaire de la zone franc" (Franc Area Monetary Committee) became a forum for meetings between State representatives.

D - Financial policy and aid policy

The States were invited to take all necessary measures to ensure "compliance with the fundamental principles concerning public accounting, budget preparation, implementation and supervision, taxation and non-discrimination between Community nationals". They had to exchange information on the situation and evolution of government finance in their State.

On 9 June 1959, a convention on customs union was signed between Côte d'Ivoire, Dahomey, Upper Volta, Mali, Mauritania, Niger and Senegal - the "Union Douanière de l'Afrique de l'Ouest - UDAO" (West African Customs Union).

It was governed by three principles : nor duty nor tax would be applicable to trade between Member States ; duties and taxes applicable to trade between the Union and other countries would be fixed by mutual agreement ; a Joint Committee was to be created to distribute amongst Member States duties and taxes levied on international trade[26].

As regards aid and co-operation, each State was invited to work out its development program. France could provide technical assistance through organizations in charge of assistance and co-operation. France nominated Robert Lecourt, Minister of State, as the "Minister in charge of assistance and co-operation between the French Republic and Member States".

The modalities of assistance were determined by an "inter-departmental committee" chaired by the Prime Minister with the Ministers in charge of assistance and co-operation, the Ministers of Finance and Economic Affairs, the Foreign Minister and Secretaries of State of finance and economic affairs as members. Decisions taken by the inter-departmental committee were taken stock of and carried out by the "Secretary General for assistance and co-operation". Assistance was provided by the "Fonds d'Aide et de Coopération - FAC" (Aid and Co-operation Fund), which replaced the FIDES on 27 March 1959.

The FAC was managed by a steering committee. France decided to create aid and co-operation missions in Member States, where they were given the responsibility of liasing between the French Government and Member States. The missions were asked to organize and follow up co-operation in the economic, financial, cultural and social fields.

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[26] Kouadio (François), *Les politiques d'intégration en Afrique* (Integration policies in Africa) MGI Edition, Abidjan, 1996, pp. 68-69.

Thus, the Community constituted a free trade zone - a large market. As regards both imports and exports, 3/4th of the trade by the overseas Member States took place within the Community.

Moreover, during the negotiations on the Treaty of Rome in 1957, Overseas countries and Territories had been associated with the Common Market. The change in their political status did not entail any modification on this point. Indeed, they could continue to benefit from the resources of this organization and constitute markets for European products.

Meanwhile, in North Africa, Tunisia and Morocco instituted autonomous monetary systems.

Section III - Implementing an autonomous monetary system in North Africa

I - Setting up the Central Bank of Tunisia

A - History and organization

Until 30 October 1958, the *Bank of Algeria and Tunisia* was responsible for the issue of banknotes in Tunisia, a product of the transformation of the former *Bank of Algeria*, which was nationalized after the war at the same time as the "Banque de France".

French law had entrusted the issue of currency to the latter within the sole territory of Algeria ; but Tunisian legislative texts - beylical decrees - had also conceded it issuing rights in Tunisia.

The Bank of Algeria and Tunisia transferred the right to issue currency in Tunisia to the "*Central Bank of Tunisia*" on 1 November 1958 and changed back to being the Bank of Algeria.

The Central Bank of Tunisia was a publicly-owned institution. Its capital amounted to 1,200,000 Dinars i.e. 1,410 million French Francs[27], entirely subscribed by the Tunisian State.

It was managed by a Board whose members were all nominated by the President of the Tunisian Republic on the basis of the posts they occupied in the economic and financial public sector, or their professional experience.

B - Issue of currency

The Tunisian Government, following the precedent set by West Africa, also entrusted the privilege of issue of metal currency to the Central Bank.

With effect from *1 November 1958*, a new monetary unit, the "*Dinar*", implicitly based on the French Franc, replaced the *Tunisian Franc*, of a value equal to the French Franc. As from 30 December 1958, it was linked to gold.

[27] Currently in force.

The Central Bank's statutes did not prescribe an obligatory coverage of a share of sight liabilities by gold or gold-linked currencies.

C - Credit operations concerning the issue of currency

The statutes strictly regulated the *discount, advance and repurchase* operations that could be practiced by the Central Bank.

Credit operations were handled almost exclusively for the *benefit of banks. Short-term* rediscount could only apply to bills bearing three signatures with a term that, in principle, did not exceed three months but could possibly be six months. However, seasonal credit could be rediscounted with two signatures and could also be renewed within a maximum limit of nine months.

Medium-term rediscount was limited in its object and its duration - five years. Moreover, the Board periodically fixed the ceiling that could not by exceeded by these transactions. Finally, they could be subjected to an unconditional guarantee by the State.

The possibility of *advances to the Treasury* by the Central Bank was provided for ; but it was strictly limited in view of inflationary risks. These overdrafts could not exceed 5% of the State's ordinary receipts recorded during the previous financial year and their total duration could not exceed 240 days, irrespective of whether or not they were consecutive days, during one calendar year.

D - Monetary autonomy

Tunisia occupied a special position, on the fringe of the Franc Area. While retaining its freedom of maneuver with regard to it, it continued its relationship with the French monetary regime. However, having chosen the path of autonomy also meant responsibilities as it could no longer rely on support in monetary matters under the same conditions as before.

a - Autonomous definition of the monetary unit

Initially, and very briefly (November, December 1958), the Tunisian Dinar, like the Tunisian Franc and other currencies in the Franc Area, was defined in relation to the French Franc.

Tunisia did not follow the Franc devaluation of 26 December 1958. As from this date, the Dinar was defined in relation to gold. Parity with the French Franc was thus no longer fixed ; it could vary, as in relation to any other foreign currency. On 26 December 1958, it was 1,175.49 French Francs for one Dinar.

b - Unpegging the Dinar from the French Franc

The parity fixed between the Dinar and the French Franc was no longer guaranteed, because there was no longer any mechanism that made it possible to ensure a limitless coverage of Tunisian transfers towards the Franc Area.

Until October 1958, these transfers were being handled by the Bank of Algeria and of Tunisia.

The assets in French Francs that the Bank of Algeria had managed to constitute thanks to Algeria's creditor balance of accounts vis-à-vis France, made it possible to carry out transfers ordered by Tunisia whose balance was rather adverse. In fact, this meant unlimited credit in French Francs.

As from 1 November 1958, the new Central Bank had to rely on its own French Franc assets deposited with the "Banque de France".

Under the terms of a convention between the two issuing houses, the "Banque de France" could, however, grant the Central Bank of Tunisia a limited amount advance, should the available assets of the latter be insufficient to meet its transfers.

In January 1959, Tunisia instituted a check on transfers to other countries in the Franc Area, since maintaining the value of the Dinar after the French Franc's devaluation had enhanced the risk of drain on the Central Bank's French Franc assets.

c - The end of privileged financial and commercial relations with France

The new situation put an end to the financial relations of the past, and thereby an end to French Treasury loans for current operations or public investments.

In addition, although this was not the direct consequence of monetary evolution, the customs union regime between France and Tunisia also came to an end.

d - Autonomous management of exchange reserves

The Franco-Tunisian financial agreement of 5 September 1959 provided the Tunisian Government with wide-ranging autonomy as far as its financial relations with other countries were concerned as well as the right to freely control its net foreign exchange earnings. On the other hand, the Exchange Stabilization Fund ceased to assist Tunisia beyond its resources, except for a very limited overdraft.

The statistical accounting of exchange transactions carried out on the order of authorized banks established in Tunisia is henceforth assured by the "Banque de France". When currency sales to Tunisia exceeded purchases, the balance constituted a "drawing right" that reflected the possibility of conversion of the Central Bank's French Franc assets into foreign currencies. If, on the contrary, purchases were higher than sales, they could only be executed up to the amount of an overdraft with a ceiling on the overdraft amount.

This facility thus marked the limit within which Tunisia could use its Franc Area currency reserves beyond its net surplus earnings in foreign currencies.

Morocco followed the same process.

II - The establishment of the Bank of Morocco

A - History and Organization

The State Bank of Morocco ensured the issue of currency until 30 June 1959.

As from 1 July 1959, it gave up the right of issue to the Bank of Morocco, a publicly-owned Sherifian institution.

Thus, Morocco also conformed to the trend observed in particular in France, Algeria, Tunisia, West Africa and Equatorial Africa, that consisted in withdrawing the issue of currency from private institutions and transferring it to publicly-owned institutions.

The Sherifian State fully subscribed to the new bank's capital of 2 billion Moroccan Francs.

The Bank of Morocco was managed by a Board that only included personalities from the public sector or those nominated by public authorities.

B - Operations

a - The issue of currency

Following the precedent set by West Africa, the State granted the Bank the right of issue of coins in addition to that of banknotes.

The new Moroccan currency created in *October 1959* was the "*Dirham*", which *was linked to gold*. The maintenance of the gold parity, independent of that of the French Franc, was based exclusively on Morocco's economic and financial situation.

The issue of currency had to be covered in the proportion of $1/9^{th}$ by gold or gold-linked currencies. The guarantee thus provided to monetary management also created the obligation of not allowing the money supply to grow merely to meet the immediate needs of the domestic economy.

b – Operations concerning the issue of currency

Rediscount operations were closer to French rules than those in force in West Africa : government or private bills terms 120 days and required three signatures ; medium-term securities also required three signatures including one by a specialized organization.

To limit inflationary risks, advances to the Treasury could not exceed 10% of the budget revenue recorded the previous financial year and their total duration could not exceed 240 days, irrespective of whether these days were consecutive, in the course of one calendar year.

C - Monetary autonomy

For practical purposes, Morocco decided to leave the Franc Area, while proposing to maintain a special relationship with it. The details of the relationship would be defined later on by Franco-Sherifian conventions. Thus, it no longer observed the general internal rules of the Franc Area.

a - Autonomy of currency definition

The Moroccan currency was no longer linked to the French Franc. Consequently, its parity in relation to the French Franc became as variable as with reference to other foreign currencies.

b - Unpegging from the French Franc

There was no longer any fixed parity between the Moroccan currency and the French Franc.

Before December 1958, the Moroccan Franc had been worth 1 French Franc. From December 1958 to October 1959, 1,000 Moroccan Francs were worth 1,175 French Francs. In October 1959, the Moroccan currency was devalued by 20.44%.

The operations account that had been opened with the former State Bank of Morocco was closed.

c - Abolition of freedom of transfers between Morocco and the Franc Area

After closing the operations account, the Bank of Morocco could execute transfers (from Morocco to France), only to the extent of its assets in France or those that could be called up in France.

Thus, an exchange control was instituted between Morocco and France. In October 1959, this system was further developed and all capital flows between Morocco and the rest of the Franc Area were, in principle, subjected to the same control regime as capital flows with the rest of the world.

Individuals of French nationality residing in Morocco were only asked to repatriate, from countries in the Franc Area, the income from exports of goods.

Travelers leaving Morocco for a country in the Franc Area no longer had the freedom to carry their own currency. They could only take out 30,000 Francs in Moroccan currency on each trip and obtain up to 50,000 Francs per year of Franc Area currencies.

Lastly, Moroccan nationals and companies were also required to declare any goods and assets they might have in the Franc Area to the Foreign Exchange Bureau, and could only use them with the agreement of the Foreign Exchange Bureau. This clause was not applicable to French nationals settled in Morocco.

d - The end of privileged financial and commercial relations with France

The Sherifian Treasury could no longer receive loans from the French Treasury, neither for its current operations, nor for public investments.

Negotiations for regulating trade were envisaged.

e - Autonomy of relationships with other countries

In this field too, Morocco stopped transferring its foreign exchange earnings to the Exchange Stabilization Fund and no longer received any foreign exchange from it either. Thus, it was now totally dependent on its own resources.

Foreign exchange sales and purchase operations were now handled locally and were centralized by the Bank of Morocco. However, it was on the Paris foreign exchange market that it carried out purchase or sale operations concerning the balances.

Moreover, the Moroccan foreign exchange control regime with regard to other countries was a legacy of the regime that existed in the past. However, persons residing in Morocco, but not of Moroccan nationality, were not obliged to declare their assets abroad.

As for West Africa, the States were organizing themselves. Ever since the ordinance of 26 July 1958, the former Vice-President of the Council had became the President of the Government's Council, thus relegating the Head of the territory to a mere role of representative of the French Republic. From then on, each State, being a republic, provided itself with a constitution[28].

Mr. Sékou Touré (page 26)

[28] The first constitution of the Republic of Soudan was voted on 23 January 1959, that of Senegal on 24 January 1959, Côte d'Ivoire on 26 January 1959, Niger on 25 January 1959, Mauritania on 22 March 1959, Upper Volta on 15 March 1959 and Dahomey on 14 February 1959.

CHAPTER 5

THE DAWN OF INDEPENDENCE
1960 - 1962
AND
THE BIRTH OF MONETARY UNITY
IN WEST AFRICA

General de Gaulle (page 26, 31)

Section I : The Community with its renewed status and the Independence of African States

Despite the efforts made by France to keep member states under its domination, they continued to aspire to independence, an aspiration foreshadowed by several signs. Madagascar, Congo and Upper Volta, while remaining within the Community, elected a President of the Republic. The Federated States of Mali set up a delegation in Paris in 1959. The States wished to take part, along with France, in important international conventions. This then was the irreversible movement towards independence.

The Chairman of the Community had, in effect, multiplied signs that might have calmed the impulse of African States towards independence. On 27 May 1959, he created four posts for Minister Counselor to inform the French Government on the important issues of interest to the Community.

The Ministers were : Houphouët-Boigny, Foreign Policy ; Gabriel Lisette, Finance, Economy and Technology ; Léopold Sédar Senghor, Education and Justice ; Philibert Tsiranana, Defense.

Nothing, however, came of this venture.

In effect, according to Paragraph 3 of Article 78 of the Constitution of 4 October 1958, "special agreements may establish other common authorities, or regulate any transfer of authority from the Community to any one of its members".

On the occasion of the 6th Session of the Executive Council, held in Saint-Louis, the leaders of the Federation of Mali, Senegal and Soudan took advantage of this clause and demanded independence while, at the same time, retaining close links with France. General de Gaulle, in his response to the speech made by Léopold Sédar Senghor, President of the Federal Assembly of Mali, in Dakar on 13 December 1959, gave his agreement, noting that the independence of Mali would have "France's support, agreement and help".

On 21 December 1959, Modibo Keïta, President of Mali, asked the Community Chairman to start negotiations for independence and announced that the delegation from Mali would be led by Léopold Sédar Senghor.

Following the example set by Mali, the Republic of Madagascar stated its desire to gain independence. Negotiations with France started on 11 February 1960 and the Convention between France and Madagascar was signed on 2 April 1960.

Mali's negotiations with France began on 18 January 1960 and, on 4 April 1960, the Franco-Malian Convention was signed. The movement towards independence had found its impetus. The Federation of Mali became independent on 20 June 1960[29] followed by Madagascar on 26 June, Dahomey on 1 August 1960, Niger on 3 August 1960, Upper Volta on 5 August 1960, Côte d'Ivoire on 7 August, and Mauritania on 28 November 1960.

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[29] After the break up of the Federation of Mali on 20 August 1960, Senegal declared its independence and announced that 4 April 1960 would, thereafter, be celebrated as Independence Day. Soudan declared independence on 2 September 1960.

Confronted with this situation, France proposed the adoption of the Constitutional Law of 4 June 1960 that brought into being the "Communities with renewed status" or "Communities bound by special conventions".

Henceforth, a State could become independent without having to leave the Community. A State that became independent by means of conventions and accords could accede to it. The Community became, in fact, a loosely knit political union. However, the States maintained very close links with France in the economic, financial, monetary and other fields.

The Community with renewed status was composed of only 7 members : France, Senegal, Madagascar, Gabon, Chad, Central Africa and Congo. Soudan, which became Mali after the break up of the Federation on 20 August, did not join the others, nor in fact did the Entente States and Mauritania.

France signed special co-operation agreements with each of the independent states. The Convention with the Federation of Mali was signed on 22 June 1960[30], according to the terms of the letters exchanged on 16 and 19 September 1960. The Republic of Senegal was subrogated to the Federation of Mali with respect to the laws and obligations resulting from these agreements. The agreements with Côte d'Ivoire, Dahomey, Niger and Upper Volta were signed on 11 July 1960 ; with Congo, the Republic of Central Africa and Chad on 12 July 1960. Gabon followed on 15 July 1960 and Mauritania on 19 June 1961.

All the agreements were identical and had a bearing on the adherence of the States to the Community ; and laid stress on consultation with France on matters of defense and foreign policy. The States also agreed that France would be given priority in the sale of strategic raw materials that each state possessed. The agreements also had a bearing upon the Departments of Justice, Higher Education, Civil Aviation, the Merchant Navy, Posts and Telegraphs, Telecommunications, Currency, Economy and Finance.

Finally, France signed an establishment convention with each of the Member States to regulate the civil status and reciprocal equality of French nationals in the States, and those of the States in France. According to the terms of this convention, France would be represented by a senior representative having the rank of Ambassador in each State. The latter accredited an Ambassador to France.

A Secretariat of State in charge of relations with the States of the Community was set up within the French Government. It was transformed, in 1961, into a Ministry of Co-operation, whereas the former Secretary General of the Community became the Secretary General of the Presidency of the Republic for the Community and African and Madagascan Affairs, before it finally adopted the title "Counselor for African Affairs".

The "Community with renewed Status" constituted the beginnings of a new relationship between France and her erstwhile colonies in Africa and Madagascar.

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[30] The agreements with the Federation of Mali were initialed on 4 April 1960. They were ratified in Mali on 6 July 1960, and in France on 18 July.

In conclusion, France, from 1958 to 1960, tried to maintain her African and Madagascan territories under her control by constituting the Franco-African Community. The experiment, however, had little hope of success as the African and Madagascan peoples wanted their independence, even if it had to be obtained by maintaining close links of friendship with France. Thus, in 1960, began a new era of co-operation, one that tried to adapt itself to changing conditions in the political, economic, social and cultural environment in the world.

Although the situation of Togo falls within the framework of the movement, it is treated separately in the next section because of its specific development.

Box 5.1

The Federation of Mali : 14 January 1959 – 20 August 1960

The movement towards independence of African States that had once belonged to France was accelerated by the declaration of independence of Ghana on 6 March 1957 and that of French Guinea in 1958 soon after the referendum of 28 September 1958.

The basis of this inexorable march towards independence had manifested itself several years ago. During this time, disputes over territorial groupings divided African leadership.

There were in fact two trends. One that was sympathetic to Félix Houphouët-Boigny, who was in favor of being directly united to France ; and one that followed Léopold Sédar Senghor who wanted the constitution of a federal executive system in Dakar.

Two months after the referendum of 28 September 1958, a conference was held in Bamako on 29 and 30 December 1958 bringing together all those in favor of federalism. Included amongst these were members from the "Parti du Regroupement Africain" (PRA), of which the "Union Progressiste du Senegal" (UPS) is an adherent along with members of the "Rassemblement Democratique Africain" (RDA) led by Modibo Keïta and Gabriel D'Arboussier.

Forty-four delegates representing four territories of former AOF were present to sign the act establishing the Federation envisaged since the PRA Conference held at Cotonou on 27 July 1958.

The Federation of four states (Senegal, Soudan, Upper Volta and Dahomey) resulted from the Conference of Bamako.

The second official instrument to be established by the Federal Constituent Assembly took place in Dakar at the conclusion of four days of work, from 14 to 17 January 1959.

The other certified instruments of the Local Constituent Assembly were submitted and registered on 14 January 1959 by Mr. Lamine Guèye, Senator, and Mayor of Dakar, who inaugurated the workings of the Federal Constituent Assembly. This body gave birth, on 17 January 1959, to the Federation of Mali, that was soon reduced to two constituents, Senegal and Soudan. The new Federation took its name, Mali, from the ancient African Empire of Mali of the 13th, 14th and 15th centuries.

Less than five days after the oath of Dakar, on 22 January 1959, the Constituent Assembly of Sudan adopted the Federal Constitution and, at the same time, the constitution of the Republic of the Soudan. On 28 January 1959, the Constituent Assembly of Upper Volta adopted the Federal Constitution and, once again, President Maurice Yaméogo reiterated his support to the Federation. On 29 January, Senegal became a member state of the Federation. In Dahomey, the constitutional document was never adopted because President Sourou Migan Apithy, then Head of Government, had withheld his agreement to it. In February, Upper Volta abstained in its turn from becoming a member as a result of the vote in the State Assembly on the Volta constitution that made no reference to the Federation of Mali that had, however, been approved on 17 January.

After assembly elections were held in each Republic, the Federal Assembly met, for the first time, in Dakar on 4 April 1959.

In the general euphoria, Léopold Sédar Senghor was unanimously elected President of the Federal Assembly, while the Presidency of the Federation fell to Modibo Keita, President of the Sudanese Government Council. Mamadou Dia, President of the Senegalese Government Council, was elected Vice-President.

The creation of the Federation led to the transfer of the authority hitherto held by the Community.

This transfer was the object of an accord signed on 4 April 1960 between France and each of the governments, with the addition of two ratification laws : on 7 June 1960 for Soudan, and on 10 June 1960 for Senegal.

The independence of the Federation of Mali was thus proclaimed on 20 June 1960, and co-operation agreements were concluded on 22 June 1960.

The Federation of Mali was now in a position to take its first steps in the international arena.

1) On the political front

The "Parti de la Fédération Africaine" (PFA) was created on 24 March 1959, bringing together all the pro-federalism parties, whether of the persuasion of the RDA or the PRA.

The PRA was the outcome of several years of effort expended in regrouping the different African political parties. The objective was to build a Federal State by stages ; or better still, to create a Negro-African Nation freely associated in a confederation with France.

It was thus that, from 1 to 3 July 1959, a Constitutive Congress of the PRA was held in Dakar. It was called to take a pledge to lead the Federation of Mali to independence, as quickly as possible, within the framework of a multinational confederation with France.

The goal before the Party was to achieve a French-speaking Negro-African Nation, of which the federal state, the Federation of Mali, was but a first step. Léopold Sédar Senghor was elected Party President and Modibo Keïta, Secretary General.

2) On the economic front

The new governments had inherited an excessively outward-oriented economy.

The first task before the Federal Government was to establish a customs union. A convention was agreed upon on the initiative of Mali on 9 June 1959 and signed by the West African States, members of the Community.

The convention allowed the free movement of goods without fiscal barriers.

Safeguarding West African solidarity and beyond that, African unity, was an act of faith for Mali. That is why the authorities in Mali had decided to remain within the Franc Area and to retain the CFA Franc as its currency. The possibilities of contact and unification with other French-speaking territories in Africa remained, in this way, intact.

It goes without saying that the right to create a national currency was recognized by Mali[31]. On the other hand, the parity between the CFA Franc and the French Franc could not be changed except after an agreement was arrived at between all the parties.

Although he had given up the idea of creating a national currency, Modibo Keïta had stirred the desire to quit the Franc Area and create the Malian Franc during his Press Conference in Monrovia[32], on 27 July 1960, while he was on a visit to Liberia.

The economic development of Mali rested essentially on the efforts made by the population itself, although foreign aid was useful, even necessary. However, it represented only a small fraction of the effort undertaken to achieve the Federation's economic independence.

Mali's ideology was centered on the three-fold African path towards economic development : planning, collective work, human investment. The latter was thus largely used and co-ordinated by the PRA throughout the Federation.

Mali, made up of two essentially agricultural countries, set itself the task[33] of liberating the population from its dependence on foodstuffs from abroad : rice and millet from the USA and Asia, a result of monoculture; making the peasant's work more profitable by enriching the soil and improving communications ; reorganizing the trade networks by stabilizing and standardizing them.

Several agreements were concluded between France and Mali from April 1960 onwards.

3) Franco-Mali Accords

On 4 April 1960, an agreement was signed to transfer the competencies, hitherto within the purview of the Community, to both the Republics of Senegal and Soudan that were grouped within the framework of the Federation of Mali. One agreement was drawn up on transitional provisions, several others on co-operation, and others on determining the position of the Federation of Mali within the Community with renewed status.

These simply worded accords were signed and came into force on 22 June 1960 after the declaration of independence in Mali.

The accords in question are the following :

- A special agreement which transferred the competencies, hitherto within the purview of the Community, to both the Republics of Senegal and Soudan that were grouped within the framework of the Federation of Mali ;

- An accord bearing upon the transitional provisions that were applicable until the entry into force of the co-operation agreements signed between the French Republic and the Federation of Mali ;

- An agreement with respect to the transitory arrangements in matters of law and justice, signed between the French Republic and the Federation of Mali ;

- A special agreement bearing on the transfer of competencies, by an exchange of letters between Michel Debré, Modibo Keïta and Mamadou Dia ;

- A special accord on the participation of the Federation of Mali in the Community ;

[31] The economic, monetary and financial problems in Mali at the time it gained independence, by the Ministers of Finance, Economic Affairs and Planning, 1960.
[32] FOLTZ, J.U.F. From West Africa to the Mali Federation.
[33] Guèye (Doudou), The Economy and Policies, in *Le Mali organe central du PFA (Mali, the central organization of the PFA)*, November 1959, No. 3, p. 14.

• An accord on co-operation on the question of foreign policy between the French Republic and the Federation of Mali ;

• An accord on co-operation on defense and other connected matters between the French Republic and the Federation of Mali ;

• An accord on co-operation on the question of raw materials and strategic products ;

• An accord on co-operation on economic, monetary and financial matters between the French Republic and the Federation of Mali ;

• An accord on co-operation on the subject of higher education between the French Republic and the Federation of Mali ;

• An accord on co-operation on matters relating to the merchant marine between the French Republic and the Federation of Mali ;

• An accord on co-operation on matters relating to civil aviation between the French Republic and the Federation of Mali ;

• A Convention on conciliation and the arbitration court ;

• A multilateral accord on the fundamental rights of nationals of member States of the Community ;

• An establishment convention between the French Republic and the Federation of Mali.

Léopold Sédar Senghor, Mamadou Dia and Modibo Keïta, were the leaders who conducted the negotiations in Paris which led, on 4 April 1960, to the independence of the two Republics of Senegal and Sudan and then to the signature of the accords cited above between Mali and France.

However, the differences that made the two countries complementary, also accentuated conflicts between them.

4) The break up of the Federation of Mali

By decreeing a state of emergency in Mali on the night of 19 and 20 August, 1960, and announcing at the same time that he was taking charge of both national defense and internal security, hitherto within the purview of the Vice-President, Mamadou Dia, Modibo Keita, Head of the Federal Government, brought out into the open a crisis that had been simmering for weeks.

The distribution of competencies had, in fact, over several months, given rise to innumerable acrimonious discussions between Senegal and Soudan. It was the same with regard to the way in which federal structures were conceived, and consequently to the State of Mali and finally to the candidature and election of the President of the Federal State.

In April 1960, delegates from both countries attended an Inter-State Conference held in Dakar. The conference, conducted behind closed doors, was extremely stormy. Two views emerged : that of a unitary State (proposed by Soudan and supported by some Senegalese) in which Senegal and Soudan would be simple provinces ; and that of African unity (proposed by Senghor, Dia and a majority of Senegalese leaders).

The supporters of African unity wanted to give the federated States total domestic autonomy, leaving very limited powers to the federal government.

The divergence of views on the Federation of Mali held by the two States that constituted it, surfaced at a time when they should have been undertaking political reforms in Mali as a result of independence, the same independence that would cause a break up between the two states. During this memorable night, President Modibo Keïta, Head of the Federal Government, tried to modify his government's stand and impose his authority on Senegal. But the latter reacted to the contrary and reversed the situation to its own advantage.

Already in May 1960, during the period of discussions on the structures of the Federation, and the distribution of command posts between Senegalese and Sudanese, a break up seemed imminent. It was entirely due to the perspicacity of Mahamane Alassane Aïdara, President of the Legislative Assembly of Soudan, that the break up was avoided the following morning.

Serious divergences of opinion continued to exist, however, and the positions became more and more antagonistic.

The most serious reasons for the division were of political and sociological nature. Senegal wanted a flexible Federal State ; the Sudanese wanted to concentrate major powers in the hands of only one man.

In addition, the Sudanese did not want Léopold Sédar Senghor elected president. He was a Christian, and the population of the Federation was more than 90 per cent Muslim. From this perspective, a large majority of the Sudanese would have accepted the presidency of Lamine Guèye. It should also be recalled that the latter was born in Medina in Soudan.

Colonel Soumaré, the Military Advisor to Modibo Keïta, wanted a 5,000 strong Federal Army, a proposal that was not acceptable to Colonel Fall of Senegal ; there was conflict, or perhaps a misunderstanding, when Modibo Keïta nominated Colonel Soumaré Chief of the Armed Forces and Mamadou Dia, in charge of Defense, refused to countersign the nomination papers. Senegal was also opposed to the Federation of Mali being in charge of the Dakar-Yoff airport.

Conflicts of an ideological order added to all the turmoil. The Sudanese had opted for a tough form of socialism while for Senegal, as Mamadou Dia defined it, the foundations of the doctrine must be "an original, authentic socialism, sending its roots deep into the earth, born of Africa and not of Europe, Asia or America". This socialism would find its source by means of a humane economy, or, as François Perroux had said, and whom Mamadou Dia was quoting, "the development of the whole man and all men".

The Political Conference, where Sudanese and Senegalese leaders met on 2 and 3 May 1960, was held in an extremely tense atmosphere. The main problem remained the election of the President of the Federal Government.

Not having the power to present the candidature of Modibo Keïta, the Sudanese tried to oppose the candidature of Senghor with that of Lamine Guèye, another Senegalese leader but a practicing Muslim and who, they believed, would be more easily "manageable". However, Lamine Guèye had not given his approval to the Bamako leaders' maneuvering.

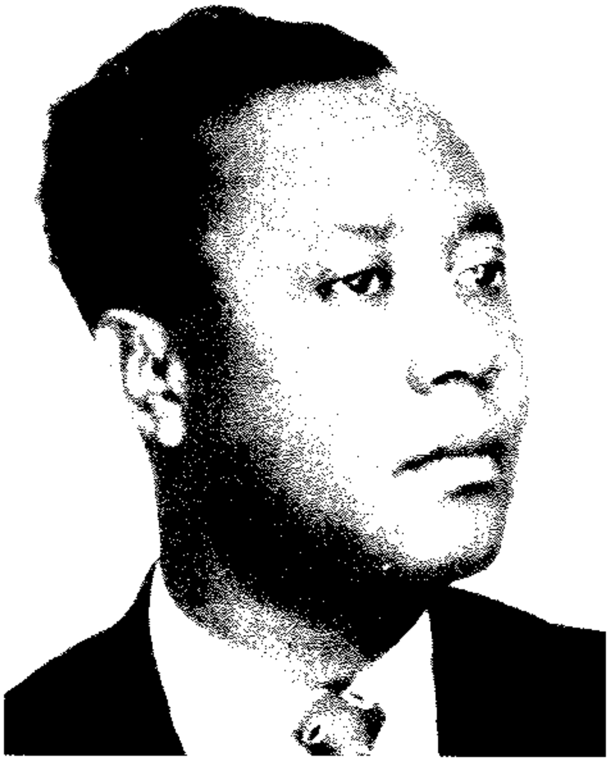
Following the declaration of a state of emergency, made by Modibo Keïta in the middle of the night of 19 and 20 August, the Senegalese Government accused him of attempting a coup d'état. It declared its own state of emergency and announced that Senegal was withdrawing from the Federation of Mali.

In the midst of all these events, Modibo Keïta and the Sudanese Ministers in the Federal Government were placed under house arrest while Colonel Soumaré, Chief of the Armed Forces of Mali, was placed under close arrest.

They were, subsequently, conducted to the Senegal-Soudan border by train.

The Federation of Mali no longer existed.

Mr. Martin Aku (page 58)



Mr. Nicolas Grunitzky (page 58)

Section II : Togo, from 1884 to 1960

A German colony, its territory placed under the mandate and then under the trusteeship of France, Togo's destiny was, all said and done, not so very different from that of the other French West African colonies, although its history had been much more influenced by conflicts between the great colonial powers.

I - Togo until 1945

The Portuguese landed in Togo in the 15th century. They were followed by Dutch, Danish and English merchants and finally by the "Compagnie française des Indes occidentales" that traded on the slave coasts in the region of Lomé in the 17th century.

In 1671, on the orders of Colbert, a French trading post was set up at Juda (Ouidah in Dahomey). Its business activities stretched to the whole of the Gulf of Benin area. In 1721, another trading post was established in Agoué, a few kilometers away, to the east of Aného.

After a long period of silence, the French presence began to be felt in Togo during the second half of the 19th century. The firm of "Regis et Cyprien Fabre" of Marseilles was established in 1865 at Porto Séguro and then at Petit Popo (Aného) in 1868 onwards. At this point, the firm signed a protectorate treaty with local chiefs.

Germany, in its turn, was also interested in the region and established trading posts in the area of Petit Popo (Aného). In fact, on 4 and 5 July 1884, Nachtingal, the representative of the German Empire, signed a protectorate treaty with King Mlapa III of Togodo[34] at Baguida.

"In memory of this diplomatic success, the Germans gave the name Togo to the whole territory they had conquered. Baguida, located 14 kilometers from Lomé, was the capital city"[35].

However, the struggle for power, and the occupation of the area, continued between the French and the Germans. Finally, France ceded Petit Popo to the Germans, and Séguro to Togo, according to the terms of the Berlin Convention of 24 December 1885[36]. In exchange, France received the German trading posts of Koba and Kobitaï in Guinea. In 1897, France and Germany entered into similar exchanges[37]. And, between 1897 and 1904 several conventions[38] were signed between Germany, France and Great Britain to demarcate the frontiers of Togo and its neighbors.

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[34] Togodo : a village located on the other bank.

[35] Attignon (Hermann), *Le Togo du Congrès de Berlin (The Togo of the Berlin Congress)*, p. 29.

[36] The protocol of the convention was signed by the Baron de Courcel, French Ambassador in Germany and Count Bismarck, Under Secretary of State at the German Ministry of Foreign Affairs.

[37] In July 1897, France ceded its right to Kri-Kri, Bafilo, Kabou, Mango, Gambaga, to Germany ; and the Germans gave up their hold over Gourma, Borgou, Djougou and Séméré.

[38] 1897 : The Franco-German Convention left the narrow band from Hilakondji to Grand Popo to Dahomey. Also in 1897, the northern frontiers were demarcated ; in 1904, the western boundaries were demarcated.

Despite some resistance from the local populations, Togo became a German territory in 1912. A Governor was designated for the territory by the German Emperor. He was answerable to the Ministry of Colonial Affairs and invested with all civil and military powers. An administrative and economic organization was set up and appeared to work well because Togo was held up as a "Musterkolonie" or "model colony".

And then in 1914, the First World War burst upon the scene. On 7 August, Togo was invaded by Anglo-French troops who came from Dahomey and the Gold Coast. On 26 August, the Germans surrendered. According to the terms of the Convention of Atakpamé, signed on 27 August 1914, Togo was divided into two zones, each commanded by a senior officer under the administrative authorities of Dahomey and the Gold Coast, respectively.

However, soon after the Treaty of Versailles of 28 June 1919 officializing Germany's surrender, a new convention was signed in London on 10 July 1919. It placed Togo (90,500 sq. km) under the mandate of the League of Nations, leaving the Western region to England (33,600 sq. km), and the Eastern region to France (56,900 sq. km) along with the wharf in Lomé[39] and the whole railway network.

The division recognized the partition of the Ewé people between French Togo and the Gold Coast. This situation was severely criticized by supporters of Ewé unity during the entire colonial period.

Togo was placed under a Type B mandate, which means that the mandatory power (in this case France or England), was constrained to make an annual[40] report on the development of the territory to the League of Nations. "It is also responsible for the peace, law and order and a good administration of the territory ; it must also ensure, by all the means within its power, the material well-being and social progress of the inhabitants".

The mandatory power, moreover, was not permitted to establish military or naval bases in the area under its control, nor could it organize a native armed force "except to maintain law and order and ensure the defense of the territory".

Whereas British Togo was governed jointly with the Gold Coast, French Togo had three successive constitutions : autonomy, "personal union", or "civil alliance", and finally, integration with French West Africa.

Administrative autonomy lasted from 1921 to 1934. During this period, Togo was governed by a *Commissioner of the Republic*[41]. Designated by the President of the Republic, he was answerable to the Minister for Colonial Affairs and invested with all political, administrative and military powers.

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[39] Lomé is the only capital city in the world to be located near a frontier.
[40] The annual reports sent by France to the League of Nations and to the UN Trusteeship Council are in the Archives in Senegal, file no.14 G7 (107).
[41] Gaston Fourn was the first Commissioner of the Republic of Togo. He was nominated on 27 April 1917.

"The Civil Alliance" with Dahomey was set up from 1934 to 1936. Following the 1929 economic crash, France's colonial administration was restructured. Upper Volta no longer existed, while Togo was governed by the Governor of Dahomey, who was represented in the territory by an administrator. In addition, several services[42], in Dahomey and in Togo, were held in joint charge by the same officials.

Integration with French West Africa, 1936 to 1945 : Under the Decree of 19 September 1936, the Governor General of French West Africa took over the functions of Commissioner of the Republic of Togo. He was represented in the territory by a senior administrator with the rank of Governor. Togo had almost the same status as the other AOF colonies. The territory was divided into districts and cantons. However, the people of Togo were not considered "French subjects" but "French protégés".

However, with the end of the Second World War, which led to widespread reforms in the French Empire, the constitution of Togo changed.

II - Togo from 1945 to 1960

Whereas France, under of the Constitution of 27 October 1946, instituted the French Union that turned its African colonies into Overseas Territories, Togo and Cameroon were termed "associated territories" *of the French Union.* On 13 December 1946, the mandate was replaced with a trusteeship agreement, of which Article 5 stipulated :

"The authority shall be entrusted with the administration of the territory through a democratic and representative machinery, with a view to conducting appropriate consultations, when the time comes, in order to allow the peoples to freely chose the political system they want and thus achieve the ends defined in Article 76 B of the Charter".

Thus, the two parts of Togo were entrusted to France and Britain who were, henceforth, expected to report on their management to the UN Trusteeship Council. But the two Togos developed very differently from each other.

A - Togo under the British

The Ewé question was constantly in the forefront of Togo's political evolution, whether under British or French control. On the one hand, there were those in favor of unifying the Ewé people under a single administration, even if this might develop into a movement towards independence. Prominent amongst those in favor of unity was the Deutsche Togo Bund, composed mainly of former German civil servants, with headquarters in Accra. It demanded the reunification of the German Togo. There were also those in favor of the reunification of Togo[43] under the French flag. Amongst these were the "Cercle des Amitiés Françaises" (Circle of French Friendships) founded in 1936 by the Africans and Europeans, and the "Comité de l'Unité Togolaise" (Committee for Togolese Unity) created in 1941.

[42] This is in respect of the Posts and Telegraphs, Agriculture, Rivers and Forests, Health, Education, Railways, Public Works Departments.

[43] Sylvanus Olympio was the Vice-President of the "Cercle des Amitiés Françaises" and Vice-President of the "Comité de l'Unité Togolaise".

On the other hand, there were those in favor of maintaining the *status quo,* who wanted the Ewé people to be integrated with, and governed by, whichever part of Togo they now belonged to. This was the case of the Convention People's Party (CPP) led by Kwame N'krumah. He wanted Britain to give the Gold Coast its independence with the integration of that part of the Ewé population under its authority in the country.

Given this situation, the UN Trusteeship Council sent three fact-finding missions to Togo and the Gold Coast between 1949 and 1955.

In 1954, Britain informed the Trusteeship Council that the Gold Coast wanted its independence, and that it was no longer possible for it to continue to administrate British Togo. Britain thus asked that the "trusteeship agreement be abrogated without being replaced, because its ends had, in the main, been attained in the territory".

On 9 May 1956, a plebiscite was suggested in British Togo[44]. The voting went in favor of integration within the Gold Coast by a total of 93,095 votes for integration against 67,492 votes for separation.

British Togo thus joined the Gold Coast that attained independence on 6 March 1957. The territory was renamed Ghana.

B - The part of Togo under the French

In 1945, Togo was placed under the trusteeship of France that reported on its administration to the UN Trusteeship Council. Two political parties were created, notably the "Comité de l'Unité Togolaise - CUT" (Committee for Togolese Unification) led by Sylvanus Olympio, and the "Parti Togolais du Progrès - PTP" (Togolese Progressive Party) led by Nicolas Grunitzky and Frédéric Brenner.

However, on the occasion of the elections for the French Constituent Assembly in 1945, Togo and Dahomey were grouped under the same electoral college. Because of this, Sourou Migan Apithy of Dahomey was sent to the "Palais Bourbon" as the representative of both States. But from 1946 onwards, Togo elected its own members of Parliament amongst whom Martin Aku from 1946 to 1951, and Nicolas Grunitzky in 1951. In 1946, Togo became, like Cameroon, an associated territory of *the French Union.*

The Togolese, however, continued their struggle against the trusteeship government. In 1951, the "Union des chefs et des populations du nord - UCPN" (Alliance of Northern Chiefs and Populations) was created, thus proving that the northern circles were willing to participate in the political life of the country. In 1952, Pédro Olympio established the "Mouvement Populaire Togolais" (MPT - Togolese People's Movement).

And in 1952, Togo set up its own Assembly elected by a single electoral college[45] composed of 30 members (Act of 6 February 1952).

[44] During the plebiscite of 9 May 1956, the two questions asked were the following :

1) Do you want British-administered Togo to be attached to an independent Gold Coast ?
2) Do you want British-administered Togo to be separated from the Gold Coast and continue to remain under trusteeship regime until such time as its political future has been finally decided ?

[45] Until 1956, Togo was with Senegal, the only country in French West Africa where elections took place at a single electoral college. Elsewhere, it was a double college : an electoral college of citizens with civil status and a college of citizens with personal status.

But despite all this, French Togo, like British Togo before it, wanted to be free of the trusteeship regime. On 22 January 1955, the PTP addressed a motion to the Government demanding autonomy and, at the same time, an end to the trusteeship regime.

But French Togo had to wait for the Act of 16 April 1955 to be granted internal autonomy. A *Government Council* was put in place along with an *Assembly* voted in by universal franchise and a single electoral college. The Assembly participated in the election of the *ministers*. The Government Council was presided over by a High Commissioner who designated four of its members from outside the Assembly, which in its turn, selected five members.

At the local level, the *district councils* and the consulting councils of canton chiefs, elected since 1951, were also entitled to vote. Other mixed *communes* (municipalities), in addition to the one in Lomé[46], were created at Anécho, Palimé, Atakpamé, Sokodé and then at Tsévié and Bassari.

On 4 July 1955, the Assembly voted a motion urging the Government "to do everything possible to put an end to the trusteeship regime" as soon as Togo's future was finally decided.

The events in British Togo after the referendum of 9 May 1955 are well known. It is also known that the framework law of 23 June 1956 authorized, in particular under Title II, Article 8, the French Government "to define by decree a status for Togo, on the advice of the Territorial Assembly and the State Council, within the Council of Ministers". The law also anticipated a referendum which would allow the people to chose between the status suggested in the previous paragraph, and the maintenance of the trusteeship regime stated in the Agreement of 13 December 1946.

The French Government then proposed a draft document on the status[47] of Togo ; it was submitted before the Territorial Assembly, where it was approved with some modifications on 14 August 1956. Thereafter, the Decree n° 56-847 on the status of Togo was passed on 24 August 1956.

The Autonomous Republic of Togo came into being on 30 August 1956. On 10 September, Nicolas Grunitzky became Prime Minister and, on 21 September, the Republic was made official by the Minister for Overseas French Colonies.

In view of what happened in British Togo, the Togolese people under French control demanded a referendum. France therefore organized a referendum on the status of Togo on 28 October 1956. The choice lay between maintaining trusteeship or accession to independence. The Togolese people rejected trusteeship by a majority : 313,532 votes as against 22,266 votes. But, the United Nations General Assembly refused to lift the trusteeship regime.

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[46] By the Decree of 6 November 1929, the High Commissioner of Togo was empowered to create mixed districts in Togo (JORF, 10 November 1925, p. 2 294).

[47] The status of Togo was established and perhaps modified by simple decree in the State Council. Thus, in 1957, the status moved towards more autonomy. In 1958, it evolved towards independence.

The French Government, however, under pressure from the population, passed the Decree n° 56-359 of 22 March 1957. This resulted, on the one hand, in clarifying the scope of the previous status ; and on the other, of transferring certain powers thus enhancing the autonomy of the autonomous Republic.

The Decree thus appointed and organized a Council of Ministers. It transferred the power to dissolve the legislative Assembly from the High Commissioner to the Prime Minister, and initiated a new division of authority between the central organisms of the French Republic and those of the Togolese Republic.

During the Session of the United Nations General Assembly held on 18 November 1957, the French delegation accepted elections in principle, conducted under the control of the United Nations, for the new Legislative Assembly of Togo. The delegation also accepted that the French Government would not use its influence in Togo in areas other than those of diplomacy, defense and monetary matters.

Under the Decree n° 58-187 of 22 February 1958, the Republic of Togo now had its own Chamber of Parliamentarians, elected for a period of 6 years by a simple majority, and a Government led by a Prime Minister, empowered by the Chamber. The Prime Minister was free to select his ministers, exercised regulatory powers and could dissolve the Chamber by a decree passed by the Council. The Chamber, in its turn, could end his tenure by a motion of defiance passed by an absolute majority vote.

The legislative and statutory powers "*in all matters*" belonged to the authorities of the Republic of Togo (Article 25), with but one reservation : the intervention of the French Republic in the three areas of foreign affairs, currency and exchange rates, and defense. Conventions agreed upon by both States regulated the application of these provisions.

The inhabitants of Togo were now Togolese citizens. They had all the rights and liberties of French citizens (with reciprocity for French citizens in Togo). They participated through their elected representatives, "*in the functioning of the central organs of the French Republic*", where they are themselves eligible, with access to all the public functions on the same conditions as French citizens.

The High Commissioner of the French Republic in Togo had a dual status. With respect to domestic institutions, he nominated the Prime Minister, and presided over the Council of Ministers (where he always had access), particularly when issues that were a matter for both Togolese and French competencies were discussed. He also managed the departments under the French Republic in Togo, that is to say, not only those of the High Commissioner himself, but also those related to domestic and border security and exchange control. Further, on the request of the Republic of Togo, the Treasury, too, was controlled by the French.

The expenses for these various "*State Departments*" were budgeted for by France (subject to a contribution from Togo's budget to the Treasury).

On 27 April 1958, "uninominal" elections (vote for one member), in one round only, were organized. The CUT won twenty seats of the forty-six that had to be filled. The UCPN took ten, the PTF nine, the Independents four and the Progressives three.

Sylvanus Olympio, the CUT leader, formed his Government.

Togo's independence was declared on 27 April 1960, in the presence of the French representative Raymond Jacquinot and, on 20 September 1960, Togo joined the United Nations.

Sylvanus Olympio

Box 5.2

Togo after 1960

The Government of Sylvanus Olympio lasted but two years because, in the beginning, there were many dissatisfied elements[48] in the country. Olympio died during a military Coup d'Etat on 13 January 1963, the first in French speaking Africa.

A military insurrection committee appealed to Nicolas Grunitzky to take charge of the country. On 21 November 1963, Togo joined the West African Monetary Union. On 9 June 1966, it joined the Entente Council, having been an observer since 1964.

Four years to the day, on 13 January 1967, Nicolas Grunitzky lost his position in another military Coup d'Etat. He was replaced by a National Committee for Reconciliation that acted as a provisional government until 14 April when Lieutenant Colonel Etienne Eyadéma was declared President of the Republic.

The French West African territories and Togo, which became independent in conditions of extreme tension, still had to take a position on their monetary system, an essential attribute of sovereignty and economic policy.

[48] During the elections held on 9 April 1960, the union composed of three political parties UDPT, Juvento, MPT, presented a single list of delegates with at its head Nicolas Grunitzky, but this list was rejected because its authors "had not collected, in time, the requisite sum of money to pay the election deposit". This situation resulted in numerous dissatisfied people, of whom some went into voluntary exile.

Section III - The choice of a monetary system by the newly independent States

The landmarks of the time were the establishment of the monetary institutions in Guinea, the creation of WAMU, the setting up of the Central Bank of Mali, and the Central Bank of Togo.

I - Establishment of new monetary institutions in Guinea

The Issuing House of AOF and Togo, that had meanwhile become the Central Bank of West African States was not party to the Franco-Guinea protocol on monetary relations of 7 January 1959. It was therefore in a *de facto* situation without a legal framework that it continued its activities in Guinea.

The ordinances enacted on 29 February 1960, and published in the Official Gazette on 1 March, put an end to this activity by creating a national currency for Guinea and the Central Bank. A Decree passed in the same conditions, created an Exchange Office.

A - The national currency

Under the provisions of the Ordinance No. 009 PRG of 29 February 1960, "an independent national currency" was created in Guinea ; it was legal tender as from 1 March 1960.

This currency, the Guinean Franc, was equal in value to 0.0036 grams of fine gold ; 1 GF = 1CFA F.

The substitution of the CFA Franc by the Guinean Franc was scheduled for between 1 to 15 March. From midnight of 2 March, the CFA Franc ceased to be legal tender in Guinea.

B - The Bank of the Republic of Guinea

The Bank of the Republic of Guinea was established by Ordinance n° 010 PRG of 29 February 1960. Its capital, constituted by the State, was to the tune of 500 million Guinean Francs.

The Bank was set up to "monitor money circulation and distribute credit".

The statutes enumerated the various operations concerning the issue of currency : credit operations, assistance to the Treasury and other State establishments.

Credit was granted in the form of discounts, rediscounts, and advances paid to individuals or legal entities of public or private law.

With regard to terms, the Bank agreed to provide short-term credits and rediscounting facilities to any specially approved bank or organization for bills representative of middle-term credit. The Bank was authorized to grant long-term credit to business firms and enterprises engaged in the implementation of a project ; and also to individuals in order to facilitate work in the social field.

It could not give credit except up to the limits of its middle and long - term availability of funds such as term deposits, borrowings, and special resources (Articles 32 and 33 of the Decree No. 182 PRG of 18 July 1960).

C - Foreign exchange office

The Decree No. 060 PRG of 29 February 1960 established a Foreign Exchange Office within the Bank of the Republic of Guinea, responsible for all those issues relevant to the application of foreign exchange legislation and regulations.

These decisions gave rise to several problems with the Franc Area countries on the one hand, and on the other, BCEAO.

D - Problems subsequent to the new monetary measures

a - Suspension of financial relations between the Franc Area countries and Guinea

On the evening of 1 March 1960, President Sékou Touré, during his press conference explained : "During the referendum, and then after the referendum, our government asked several times, but in vain, for a new basis for its participation in the Franc Area. That is why the Government of Guinea decided to create a special monetary zone".

In substance, he indicated that the door remained open to all countries wishing to deal with Guinea on an equal footing and reciprocal basis. He added that the new monetary zone had at its disposal guarantees both financial and in terms of property in the country as well as in foreign exchange earnings that would come from the export of goods.

Finally, measures were taken to offset the innumerable economic difficulties the Government of Guinea expected to face.

On 4 March, the President, addressing representatives of financial institutions, reiterated Guinea's intention to remain within the Franc Area after independence. He explained that if there had been no follow-up to the protocol, it was because it had been necessary to smooth over a contentious issue, that should never have arisen with France, an issue that was linked to the conditions in which the transfer of competencies was made.

In a communiqué dated 7 March, the French Minister of Finance and Economic Affairs announced the suspension of all financial transactions between France and Guinea :

"Because of the recent decisions taken by the Government of Guinea, and while awaiting the outcome of the new economic and financial arrangements between France and Guinea, all banking or postal transfers from or to Guinea are suspended with immediate effect.

Authorized agents also had to suspend all transactions on the foreign exchange markets related to purchase and sales orders on behalf of or on the account of any Guinean[49] resident".

The Ministers of Finance of the countries that were part of the Community met on 15 March 1960, under the Chairmanship of Minister Wilfrid Baumgartner[50], to assess the situation.

The communiqué published at the end of this meeting indicated that the Ministers had decided to cope with the difficulties created by the situation without any thought of retaliation. On the contrary, they expressed the hope that financial and economic relations between Guinea and the Franc Area States would soon be normalized.

Two sets of decisions were taken :

- First, purely monetary conservative technical measures on which the greatest secrecy was maintained. They were related, in fact, to the temporary restrictions imposed on the import and export of notes denominated in CFA Francs and issued by BCEAO.

- But the export of these banknotes outside the issuing area was banned. Nor were the banknotes permitted entry into the countries that were part of the Franc Area.

People travelling from the States of the issuing area to Franc Area countries were permitted to carry a limited 25,000 CFA F per head.

- On the other hand, a common position was adopted regarding the monetary discussions to be held with the Guinean authorities to sort out future relations, and establish payment agreements. The Ministers expressed the wish that the negotiations which, because of the monetary exchange question, were not initiated earlier, should be undertaken without delay.

b - The financial dispute between BCEAO and Guinea

On the morning of 1 March, Mr. Lansana Béavogui, Minister of Foreign Affairs, received the Director of the Central Bank's Branch Office and informed him of the decisions taken, and that the national banking services would, that same afternoon, take over the offices of the Branch. Staff residences would be occupied on 5 March.

From 2 to 8 March, two senior officers from BCEAO's headquarters, Messrs. Maestracci, Deputy Director General, and Durand, Director of Financial Operations, met with Guinean authorities.

Their mission was to explain to both the Governor of the Bank of the Republic of Guinea, and to the Head of Government, Mr. Sékou Touré, that before taking any active measures, it would have been better to have consulted with the French to work out the modalities for the transfer of the assets and liabilities of BCEAO's Branch in Conakry - a Franco-Guinea convention relative to the transfer of the issuing service - and to draw up a transfer balance as was done in the case of North and South Vietnam, Cambodia, Laos, Morocco and Libya.

[49] The Figaro of 7 March 1960.
[50] French Minister of Finance and Economic Affairs.

The two emissaries tried, in vain, to convince Guinea to regularize the situation ; President Sékou Touré had already decided not to enter into negotiations except with the French Government, and that only after notes were exchanged. He reiterated what he had said earlier when addressing the representatives of Guinea's large business firms : that the action taken against the Central Bank and its property was a retaliatory measure akin to eviction ; and that he considered Guinea itself a victim of eviction in so far as the properties of former French West Africa are concerned.

On the basis of the situation that prevailed at the Branch Office in Conakry on 29 February 1960, BCEAO's assets in Guinea were to the tune of 3.5 billion CFA Francs of which 2.2 billion Francs were in rediscounted negotiable instruments that Guinea had not recovered, plus a cash balance of 1.2 billion and a building evaluated at 97 million Francs...

At 3 p.m. on Tuesday 15 March 1960, the Board of Directors, under the chairmanship of Robert Tézenas du Montcel, met in an extraordinary session at BCEAO headquarters in Paris to assess the situation.

The Board stressed the fact that the building where the Conakry Branch was housed was privately owned and, therefore, was not a part of the properties that had once belonged to former French West Africa. The Bank also reaffirmed its agreement to the immediate resumption of discussions between the Central Bank and the Government of Guinea.

Following an exchange of letters between the Governments of France and Guinea, discussions were resumed. The French Delegation was led by Mr. Wailly, Senior Treasury Inspector, and BCEAO was represented by Michel Durand and the Director of the former Branch at Conakry.

The negotiations were soon deadlocked. The Government of Guinea had, in effect,

- demanded that all the CFA banknotes and coins exchanged by the Bank of the Republic of Guinea be repurchased by the Central Bank against, in part, foreign exchange and, in part, French Francs ;

- refused to provide - contrary to accepted norms - the portfolio of discounted bills and other assets of the Central Bank of Guinea as guarantees against fiduciary circulation ;

- refused also to undertake restitution of the CFA banknotes that were in the coffers on 29 February and which constituted a part of the cash reserve of the Conakry Branch.

During its ordinary session, held in Paris on 11 July 1960, the Board of Directors rejected these conditions as being "manifestly unacceptable" and expressed its doubts as to the outcome of the discussions.

BCEAO put in a claim for 3.5 billion Francs as being due from Guinea.

Meanwhile, this particular item became the object of heated debate between the African and French delegations during WAMU negotiations. The Africans were of the view that the French should bear the burden of the debt.

II - The painstaking establishment of WAMU

A - A reconstruction project for a West African economic area through monetary integration

a - The problem

As a result of their accession to international sovereignty, each of the States now had a right to decide upon its own monetary regime, as on the other aspects of its national life.

However, a period of economic and monetary incertitude ensued, coupled with the risk of splitting up the *de facto* monetary union that had created a link between all these countries since colonial times.

Monetary relations with Guinea, as we have just seen, had been suspended since March 1960.

The Federation of Mali was the only one to have made a co-operation agreement with France ; but its validity was called into question on several points by the Republic of Mali once the Federation was dissolved.

Senegal, which adopted these agreements, was the only State linked to France by an agreement on economic and monetary co-operation.

Following the Federation's break up, economic exchanges between Senegal and the Republic of Mali were totally suspended. Moreover, trade between Mali and all other states of the monetary union was regulated by the Government of Mali. The transfer regulations instituted in this regard, introduced several restrictions on the freedom of these regulations within the issuing area, thereby questioning one of the basic tenets of a monetary union.

Multiple exemptions, to which the States took recourse, undermined the customs union agreed upon on 9 June 1959.

Thus, the beginning of 1961 saw an inexorable fragmentation of the West African economic area.

The situation, often detrimental to the interests of long established businesses, led some amongst them, wishful of retaining their markets, to set up new establishments in the different States although this expedient was neither technically nor economically recommended.

The newly created legislation in each State provided important tax concessions as incentives to setting up these establishments. They were accorded without any co-ordination and often proved detrimental to the objectives aimed at, as well as to the consistent development of West African economy as a whole.

The damage done by such measures is well known, and a "balkanization" of the West African economy was in no one's interest. Other measures had, therefore, to be considered to prepare the ground for the economic development of the States of the region within a framework where their own solidarity could be reaffirmed, and where they could, themselves, provide the basis for renewed progress.

The safest linkages, which needed to be preserved, continued to be the de facto monetary links between the States. From this realization came the idea of safeguarding and reconstituting the economic area by maintaining this common ground.

The implementation of the idea, however, came up against concepts difficult to reconcile, such as unity, sovereignty, and external guarantees.

b - The contradiction between unity-sovereignty-external guarantees

This idea, rare for the period, was an attempt to reconcile these three concerns that were, in several respects, contradictory : maintaining the unity of a whole ; affirming the autonomy of each of its elements ; depending on the intervention of a foreign element to ensure its cohesion and viability.

The setting up of the system, and the subsequent organization of decision-making power within its framework, necessitated several alternatives, depending on which of the concerns was to be given priority.

If unity were given priority, each State would have to give up its sovereignty in favor of collective organs, and this to the detriment of its autonomy. If autonomy was seen to be the principal concern, collegial power would be weakened at the risk of introducing inconsistencies in individual behavior and making the whole dysfunctional.

Finally, being dependant on a third party for guarantees, logically entails permitting that third party a right to oversee the transactions, and eventually to veto the manner in which the system functions. This, therefore, imposed a limit on the powers of the group, and on each of its parts.

Much reflection, sketchy solutions, trial and error, the beginnings of jurisprudence drawn from the bilateral agreements between France and the Federation of Mali, led eventually to the emergence of the elements of a doctrine, and the instruments necessary to build a system.

In effect, since the monetary measures taken in 1945 and 1948, the debate on the purview of the Franc Area had never ceased ; it became in fact more emphasized as the political status of the colonies developed, particularly during the transition period of 1958-1959, and at the beginning of the independence period when African leaders were faced with having to make decisive choices for the future of the populations they represented.

B - Paths of reflection and draft solutions

From the mass of paper devoted to the subject, the sample used here seemed sufficiently representative of, on the one hand, the problems the actors of the period - thinkers and decision-makers - had to face and, on the other, the divergence of views on the necessity of conserving the existing system, even while adapting it.

Denizet, Thiam, Cabou, Leglise and Rey, are among the authors whose contribution was used here, along with the Central Bank's reports on the subject.

a - Denizet's report on Togo

1 - The subject

From 15 September to 30 October 1959, Jean Denizet was assigned, by the UN, to prepare a report entitled, "Report on Technical Assistance in the Area of Public Finance (with special emphasis on the monetary problem)" to the Government of Togo.

Its objective was to throw light on the financial and monetary issues Togo would have to resolve either "before or after achieving independence". These concerned mainly :

- making an internal effort to achieve a balance in public funds, or resorting, as in the past, to financial aid from France, the European Community, etc. to cover the annual average deficit of US $2.5 to 3 million ;

- exercising its sovereignty in matters of external trade, exchange regulations and capital movement.

These problems, which were all interconnected, boiled down to a choice between participation in a monetary union or departure from the Franc Area in favor of monetary independence.

J. Denizet then analyzed the parameters that needed to be kept in mind, and made recommendations that he judged appropriate to the situation in Togo. These parameters were: the foreign assets or exchange reserves, and the operational balance of a national central bank, estimating that it would be easy to find foreign financing for its budgetary deficit in view of its fairly weak level.

2 - An analysis of the parameters

1) Foreign assets or exchange reserves

A product of the surplus from foreign trade, and finally foreign aid, these assets represent the guarantee essential for the money issued in any country. They must, therefore, be not only of a sufficiently high level to guarantee this money and make of it an appreciable asset, but also to increase in value, at least during the first few years.

According to J. Denizet, "It is only on this condition that Togolese money will prove its soundness, will not run the risk of becoming a victim of exchange losses, and will be definitively acceptable even beyond its frontiers. The latter is an indispensable condition in the case of Togo, a country that is open on three sides to dense and uncontrollable trade".

Other than a vague estimate, BCEAO did not have any exact idea of the total value of the notes in circulation, or of the foreign assets of any of the member states within the framework of the issuing area grouping several States.

These details were not, in effect, evaluated with any precision except when a member withdrew from the group. They were then calculated on the basis of the money actually presented by the public in exchange for the new currency, according to its accountable identity or the following equations :

Assets	Balance	Liabilities
Portfolio and miscellaneous (2)		**Circulation (1)** (Banknotes and coins exchanged)
Foreign assets (3) = (1) - (2)		

or foreign assets = Banknotes and coins exchanged - Portfolios and miscellaneous.

Hence, the fiduciary circulation and assets abroad being an unknown quantity in the beginning, the assets abroad could only be determined *a posteriori*, after the exchange had been carried out. This led, however, to uncertainty about the final result of the introduction of a new currency. Everything depended on the attitude of the populations dealing with the new currency and the degree of acceptance they showed, particularly if these populations had a choice because of the country's location and shifts in exchange rates.

Exchanging banknotes in one part of the territory of an issuing area was also a gamble : despite precautions taken, no one could predict how many banknotes would be presented at the exchange counters. To illustrate the incertitude of the forecasts, Denizet cited the case of the exchange of Reichsmarks against French Francs in Sarre after the liberation.

Hence, the consequences of any reluctance to exchange would have been very serious for Togo ; and this reluctance was possible because even the unexchanged CFA banknotes continued to be legal tender in Dahomey, Upper Volta and, to all intents and purposes, in Ghana.

On the basis of the position of BCEAO's Branch Office in Lomé as of 31 December 1958, at a time when its portfolio stood at 460 million CFA F, Denizet tried to estimate the level of the foreign assets of the Central Bank of Togo as of 1 January 1959 using different hypotheses to calculate the sum of the notes that would actually be exchanged.

Assets	Opening Balance as of 1/1/1959	Liabilities
2 - Portfolio 460		1 - Circulation (banknotes exchanged)
3 – Foreign assets (1-2)		

If the fiduciary circulation before the exchange was estimated at 2,600 million at the end of 1958, the foreign assets would be to the tune of 2,140 million CFA F (2,600 - 460).

But, supposing that only two billion were presented for exchange, the foreign assets would ultimately only total 1,540 (2,000 - 460) million CFA F, that is, just 35 per cent of one year's imports and twice the trade deficit of an average year like 1957.

According to Denizet's report, "these reserves would be totally insufficient and certainly doom to failure any experiment to establish a Togolese currency. If one were to reflect on the consequences of failure in this area, the whole experiment would be a dangerous gamble".

With respect to the trend of foreign assets, it would depend on the development of foreign trade and the balance of payments. Togo's trade with its neighbors, particularly Ghana and Dahomey, was substantial. Hence, even if the new currency was accepted locally, it might not be accepted by the people of these countries.

Very large trade flows would, therefore, be interrupted, to the detriment of Togolese emigrants moving to Ghana, Togolese exporters selling food products to Ghana ; and finally even local markets were affected as it was difficult to supply them with Ghanaian products. The repercussions would not stop there. A reduction in the income of those involved would lead to a reduction in the income of their suppliers, and then to a reduction in tax revenue, etc...

"There is, therefore, a close connection between the value of the currency used in the country and its foreign trade", says Denizet.

"*This relationship goes from foreign trade to currency, and not the other way round. To control the issue of money in one's own country without being in control of its foreign trade makes little sense.* This is the classical example of a nominal independence and servitude to all intents and purposes".

"On the other hand, when a State is in control of its foreign trade and its domestic finances, it is also in control of its currency. The coinage in circulation within its borders then matters little".

Denizet concluded that, on this issue, it would be to Togo's advantage to wait for a few years until, in fact, such a time as phosphate extraction in Lake Togo was in full swing and could, barring a total collapse in coffee and cocoa prices, ensure a normally surplus balance of payment situation.

All the conditions would then be met to make a successful attempt at a monetary experiment.

2) The Central Bank's operational balance

According to Denizet, the operating costs of a small Central Bank were very high.

The printing and maintenance costs of a limited circulation were very high and would lead to the risk of the Central Bank's operating account running a deficit, which would be disastrous for the prestige of the Bank as well as the Republic of Togo's budget, as the Treasury would be forced to make up for this deficit.

Finally, the sorting and repatriation costs to be borne by Lomé for the notes that it issued through the banks of neighboring or distant territories would be very high and likely to be billed to the Central Bank of Togo.

Nor would the reverse operation counterbalance the former.

For all these reasons, setting up a new Central Bank would lead to additional costs with respect to the existing system. BCEAO, with a total circulation of 50 billion banknotes, i.e. issuing equipment worth 150 billion - triple the circulation - had a unit production cost that was lower than the Central Bank of Togo would have, with issuing equipment of about 7 billion.

Denizet concluded that "setting up a Central Bank in Togo is premature, the risks are too high as compared to the advantages, but this does not mean that the current system does not call for reforms".

3 – Negotiating facilities

The report stipulated that it was normal, in spite of everything, for an independent State to monitor currency issue within its territory. Just as it may agree to co-ordinate its economic policy with a much larger group within the framework of a well defined collaboration, it should also refuse to accept that its economic policy suffer the repercussions of a disorganized money issue decided without its collaboration.

The demand for accountability or a joint accountability for the issue should be discussed right at the beginning.

1) - The primary reform necessary was the identification of a specifically Togolese issue, *not by a special denomination that would be* too expensive and could have the same disadvantages with respect to intra-African trade as mentioned above, but by a letter or an identification number.

BCEAO would then carry out a month by month account of the banknotes issued in Togo and distributed to its branches in other territories and vice-versa.

Information thus gathered would be brought to the notice of the Republic of Togo through its representatives on BCEAO's Board of Directors. Information that was of utmost importance to its economic and monetary policy would thus be at the disposal of the Government of Togo.

The cost of the entire process would be borne by BCEAO in return for its exclusive right of issue.

2) - One important consequence of this reform would be that BCEAO could draw up a separate balance sheet for its activities in Togo, to be published separately in BCEAO's reports and accounts.

3) - BCEAO would have to establish a separate operating account for its activities in Togo and inform the Republic of Togo about it.

4) - The Government of Togo and representatives of its economy would have to be directly involved in the monetary policy laid down by BCEAO in Togo. This could be done by setting up an Issue and Credit Committee of Togo with an equal membership of both parties, which would meet every month in Lomé.

5) - Similarly, the appointment of the Lomé Branch Manager would have to be a joint decision of the Government of Togo and BCEAO's Board of Directors.

BCEAO would have to make a definite commitment to completely "Togolize" BCEAO's senior executives in Lomé, within a period to be decided upon by the two parties.

6) - The Government of Togo would have to ask BCEAO for a more active policy in order to defend the CFA Franc. Togo suffered in the past due to the passiveness of French authorities as regards the performance of the currency that it had imposed on it. It could accept the maintenance of the circulation of the CFA Franc within its territory on condition that the international parity of the latter was effectively maintained.

"Togo cannot do everything within a day of its independence. There has to be a progression and, consequently, the order of urgency has to be determined. There are serious reasons that oppose the setting of up a of fully Togolese issue as of now. But this does not mean that we cannot or should not prepare for the future," concluded the report.

b - The advocacy of the Central Bank for an integrated economic area

In different annual reports, to be circulated widely, mainly those of 1958, 1959 and 1960, the Issuing House of AOF and Togo and then BCEAO urged States to view their development in a much larger perspective for better economic efficiency.

In this context, the Issuing House (1958) wrote that "modern industry has to, perforce, be designed and developed on a large scale with higher production ; it has to necessarily cater for a large market.

This condition was rarely satisfied by the entire AOF where the number of inhabitants could compensate for the low per capita purchasing power ; it generally ceased to exist in regions dissociated from the old Federation".

While recognizing the fact that it was up to African states to themselves decide upon the economic development framework to be substituted in place of the earlier system, BCEAO pointed out that each State could without any doubt restrict it to its borders. Within this limited framework, it could obtain immediate apparent results, though they could prove costly.

It pointed out that the fragmentation of the earlier economic area was not advantageous for the State itself, apart from the consequences it would have on its former partners and the costly rivalries that were likely to ensue.

But although it may not affect businesses whose activities depended on the export of local production, it was not just a boom in export production that could transform West Africa's economy.

"This transformation also presupposes the growth and diversification of domestic trade and the production that feeds it, in order to reduce the local economy's dependence on external market situations and also to improve the working and living conditions of the people".

Further, according to the Central Bank, from this point of view, the size of the market dominated all other considerations. It was of equal interest to industrialists in Senegal or Côte d'Ivoire and to animal breeders in Niger or Sudan. It assumed an even greater importance since the purchasing power was very weak and, thenceforth, the size of the market would be a powerful factor as far as increasing the purchasing power was concerned.

"West African States were now able to consider the political as well as economic options before them and also their own possibilities. All the decision-making factors were now in their hands.

No doubt, it is a difficult choice to make, since, for its full impact to be felt on the economy, the choice has to be a clear one, without reservations, whatever may have to be given up in return for membership to a joint organization ; but nothing can be built in an environment of doubt and precariousness, in a field where all decisions are based on future prospects.

Until now, West Africa had the advantage of a "common market", with a more advanced organization than Western Europe's market, or even the one Latin America dreamt about. It also enjoys a monetary union that is indispensable for harmonized development. Hence, caution is advisable before taking an irreversible decision.

The Central Bank, on its part, has tried, with the means at its disposal, to save this union. This would enable respective Governments to decide on the economic orientations of West Africa as well as the degree of cohesion that would favor its development, fully aware of the consequences and without any pressure of circumstances".

c - Me. Doudou Thiam's thoughts on Mali and the Franc Area

With the Federation of Mali opting for a reformed Community, i.e. one governed by contractual links between independent States, the monetary system, the converging point of all economic and political problems, became an important stake in the negotiations to be held with France, in view of the transfer of shared powers.

With the press as a go between, in France as well as in Africa, business circles, political authorities and intellectuals were trying to win over the public to their arguments and to influence decision-making bodies.

Opinions expressed in the press close to the authorities in Mali, as well as in various technical studies carried out at their request, revealed that the Federation's leaders were very well aware of the magnitude of the monetary question and the consequences of the choices that they had to make.

Among various newspaper articles that were published, those published by Me. Doudou Thiam, Minister of Finance, Economy and Planning for the Federation of Mali in November 1959[51], entitled "Mali in the Franc Area", among others, revealed the state of mind of the people in charge of the monetary system in the Federation.

The article dealt with the disadvantages of the Franc Area, its advantages and the necessary changes.

1 – The disadvantages of the franc zone

Me. Doudou Thiam stated that the latest devaluations of the Franc and their brutal economic repercussions had drawn the attention of African authorities to monetary problems.

He recalled that it was through an "apparently insignificant instruction that the French Foreign Exchange Office made public the decision to devalue the Franc on 27 December 1958".

Since the decision was taken unilaterally by the French Government and without consulting the other countries of the Franc Area, it was received with different reactions.

[51] Le Mali, no.3, November 1959.

Thus, Morocco and Tunisia, which, though being sovereign States, were still part of the Franc Area showed their extreme displeasure and refused to accept the fact that such an important decision concerning their finances and their economy could be imposed on them.

As for Senegal, it protested mildly, regretting that it was not consulted about the basis on which these measures were taken. In order to soften the disastrous repercussions on its economy, the Government decided to freeze prices and maintain a strict control over sales.

These provisional steps, which had no durable effects, were taken to contain the damages. "Since", according to Me. Thiam, "an authoritarian devaluation of the Franc, decided with or without caution, will certainly disturb our fragile economies by increasing the already high prices of our import products and with the same stroke, reduce the already weak purchasing power of our people".

He continued his analysis by challenging the opinion that the operation would, in the final analysis, be beneficial to African countries, since devaluation, while cleaning up the financial situation of the Franc Area, could stimulate foreign investments.

"Because", he said, "the argument is valid mainly for countries with developed economies but not for countries where the standard of living of the people in some regions is still miserably low".

Me. Doudou Thiam recalled the characteristics of the Franc Area, by pointing out that the internal or external deficit of each member State was automatically covered by France, which alone administered, to that effect, and dealt with the foreign exchange pool.

In return for this advantage, none of the States had their own monetary (or commercial) policy. Indeed, the policy fell within the scope of the Community, whether it concerned foreign exchange fluctuations or trade agreements.

Within this rigid framework, Mali had a currency common to all the States of the ex-AOF, known as the CFA Franc, for its domestic market. This currency had a fixed parity with respect to the French Franc, serving as a surety and a standard.

An issuing house, recently renamed the Central Bank of West African States with the status of a French public institution, was guaranteed the right to issue the CFA Franc by the French Republic's Treasury, which was also responsible for ensuring its convertibility into French Francs and foreign currencies.

He also pointed out two other "notable disadvantages" of the system.

On the one hand, "total freedom, for all companies and individuals, regarding monetary transfers : for Senegal alone, these transfers – consisting mainly of postal transfers – rose in 1956 to as much as about 26 billion, in the Senegal–French Republic direction"

"Such a financial drain", he pointed out, "which is an unequivocal sign of an economy which has remained a "trading" economy, in spite of all the clever words that may be used to describe it, is extremely harmful for Senegal, which is still under-developed".

On the other hand, there was a remarkable shortage of credit : "It is known that the distribution of credit is the responsibility of the issuing house, first of all, but it systematically limited credit volumes, according to experts, in order to avoid any ill-considered creation of a new currency...".

The advantages of the system were then reviewed.

2 – The advantages of the system

Me. Thiam pointed out that these advantages explained why the States that became independent remained within the Franc Area. He quoted how France *covered* the entire *balance of payments deficit* through the Exchange Stabilization Fund. And yet, in 1958, this huge deficit stood at more than 1.5 billion CFA Francs for Senegal, Soudan and Mauritania.

He further pointed out that the Franc Area had to get a *healthy currency*, guaranteed by the French Franc, a currency that would be appreciated and sought after, particularly in neighboring foreign territories.

Finally, by belonging to this Area, the advantages of a "monetary symbiosis" with a country that was economically well-developed were assured.

After weighing the pros and cons, Doudou Thiam preferred that Mali remain within the Franc Area, but with the necessary adaptations.

3 – The option of continuing within a reformed Franc Area

Considering that, "at a time when large economic groups were the order of the day", Mali, even though independent, would not think of leaving the Franc Area, "unless specific difficulties crop up". Hence, all newly independent States of Africa had resisted the temptation of "personalizing" their monetary policy too much and changing it drastically.

For example, he quoted the case of Ghana, which was still a member of the Sterling Area, and Guinea, where the Issuing House of the ex-AOF and Togo continued to carry on its activities.

However, he envisaged an immediate and more active participation of Mali as far as the monetary policy and credit distribution were concerned, i.e. a real "co-management of the currency".

He thought that without forfeiting in advance one of the main attributes of sovereignty of a modern State, currency was one subject in which sovereign states would accept without much hesitation to a partial renovating of sovereignty.

Also, according to him, "nothing should oppose the formation of a real *monetary federation* in Paris, around a *central monetary authority* and a *Multinational Monetary Committee for the Franc Area*".

This formula should "facilitate inter-States consultations and, while enabling decisions to be taken quickly, will link African States more closely with monetary decisions, and at the same time give them means to prevent the risks inherent to any monetary manipulation".

Me. Doudou Thiam added that the example of the Sterling Area showed that *major political diversity* was perfectly compatible with *monetary unity.*

The case was the same with Tunisia and Morocco, which recalled that independent States, while continuing to remain within the Franc Area, could avail freely themselves of monetary levers, i.e. an autonomous issuing policy and foreign trade.

But for Mali, adjustments and adaptations in the existing monetary system had become necessary at the level of the issuing house and that of the central monetary organizations.

As far as the institute was concerned, Me. Doudou Thiam deemed that its organization obviously did not correspond to the new situation. It was necessary to grant it a "negotiated status" with respect to the concerned States in view of its transformation into a real "Common State Bank", each State having to subscribe a part of the capital reserved for it.

Through inter-State agreements and agreements with the "Banque de France" and national Treasuries, including that of Mali, it would be appropriate to confer it "more wide-ranging monetary powers", guaranteed by a minimum cash balance partly in gold or in gold-linked currencies.

Finally, its headquarters had to be transferred to Africa.

The question of the effective participation of African States in the management of the Monetary Committee of the Franc Area, as well as in the French Foreign Exchange Office and the Exchange Stabilizing Fund also remained to be sorted out.

These were the main organs responsible for the French monetary policy, which determined all the monetary manipulations to be carried out and which directly affected the finances and the economy of African States.

Of course, according to a decision taken by the President of the Community on 12 June 1959, African States were to be represented in the different organs, but this representation is more "symbolical" in nature and had not been implemented until then.

Me. Doudou Thiam concluded his article by pointing out that it was important for Mali and other African States to be fully involved in the management of committees and boards, by transforming them statutorily into inter-State bodies, taking monetary decisions in the name of all member States of the Franc Area and harmonizing the various national monetary policies.

"It is at this price alone", he wrote, "that we shall permanently prevent our States from yielding to the temptation of leaving the Franc Area ; and the monetary unity thus achieved on the basis of new principles, will be a symbol as well a cementing factor towards a real Franco-African economic unity".

In other words, Doudou Thiam proposed *an egalitarian monetary integration between France and the African States, rather than the hierarchical system of integration in force* (cf. preliminary chapter).

d – BCEAO's analysis of basic information pertaining to the economic and monetary problems of Mali

An elaborate note was prepared in January 1960 on similar lines by the various departments of BCEAO for perusal by leaders of the Federation of Mali, namely Modibo Keïta, Mamadou Dia and Léopold Sédar Senghor. It had recently completed a comparative study of the monetary systems of the Sterling Area, Tunisia, Morocco and West Africa. The study had been submitted to them in November 1959 at their request.

The note threw light on the structure of the Federation's economy and inferred from it the monetary system that it considered the most appropriate for it at its stage of development.

1 – Mali's Economic Structure

The characteristics of Mali's economy were presented in the form of multiple constraints: geography, under-development and external constraints.

1) Geographical constraints

The text underlined the fact that understanding Mali's economic problems called for a "constant reference to a geographical map," which made it possible to appreciate, without any long comments, how deeply entrenched this country was in West Africa.

And according to the note, "wanting to withdraw from it implies a negation of not only its geography, its history and its principal myths, but all its interests, both immediate and long-term".

2) Constraints of under-development

The document specified that Mali was an "*under-developed country*", in the sense that its population was under-educated, under-fed, under-employed and under-governed, and that its economy's productivity was low.

Its production, which was almost entirely agriculture based, was unable to meet its demand for plant and equipment – except cement – or its demand for manufactured consumer goods. Whether Mali wanted to equip itself or Malians wanted a "modern consumer product", it could only do so by purchases abroad. Hence the external constraint the Federation had to face.

3) Constraint of "external purchasing power"

The study pointed out that the situation in Mali was thus determined by its "external purchasing power", in other words, its capacity to buy from abroad, on which its development depended.

This "external purchasing power" was provided to it by the value of its exports (quantity and price) and the amount of financial aid (subsidies, loans and capital investments) that it received from abroad. In "real terms", it also depended on the conditions of use of its resources - supplies, prices, etc.

In this respect, Mali's foreign trade was not balanced; imports were higher than exports, mainly in its trade with outside countries, i.e. non franc countries :

External Trade in 1958

(In billions of CFA F)

Trade with	Exports (+)	Imports (-)	Balance (outstanding)
France, Algeria, FA[1]	25.2	32.0	- 6.8
Ex-AOF countries	10.6	3.8	+ 6.8
Foreign	5.6	12.8	- 7.2
Total	**41.4**	**48.6**	**- 7.2**

1 – Franc Area

But the document pointed out that the biggest imbalance was the difficulty that Mali faced while trying to improve the balance in its trade links with outside countries. The only product that sold well outside was groundnut oil cake, along with phosphate.

Apart from the possibility of exploiting the mineral resources yet to be discovered, there appear to be very few possibilities for Mali to increase its sales abroad. Or else, this expansion had to either be subject to the opening of foreign exchange credits, which would have to be repaid, or to the transfer of foreign exchange against Malian currency made by France or by other West African countries of the Franc Area.

The volume of Mali's trade with other countries of the Franc Area was very high (86% exports and 74% imports) - the two were *more or less balanced*. However, the predominance of this trade was the result of an artificial system of favored markets and protective barriers.

With the other West African States, the outstanding balance was positive. The "redistributing" activities of Senegal, which were formerly very high, continued their downward trend and would be further reduced, faced with the fiscal "Balkanization" of the ex-AOF.

However, Mali received almost half of the aid originating from France for infrastructures and for the functioning of the ex-AOF's public services, which was a substantial amount.

Based on this analysis, the study proposed a monetary system that would suit Mali.

2 - The consequences for the monetary system

1) The monetary system

Thus, according to the note, it was in Mali's interest to belong to a larger monetary organization that could return foreign currencies or guarantee its eventual recourse to foreign credit.

Thus, Mali had to organize its monetary system within the framework of an association with other States or other West African States.

No doubt it was easier to maintain such an association with States belonging to the Franc Area as Mali did, rather than with States belonging to a different monetary system.

The economic dependence of Mali with respect to the Franc Area could not be given up suddenly, without any repercussions on Mali's economy. The immediate remedies to which it could have recourse could just turn out to be a simple substitution for dependence.

Thus, it was in Mali's interest to progressively readjust its economic and financial relations with France. This would facilitate the continuation of the common monetary institutions linking Mali with other West African States that were less concerned about or had fewer possibilities of disassociating their economies from the French economy.

"The 'demobilization' of the Franc Area, to which the development of the French and European economy will most certainly lead, will call for a readjustment of West African monetary institutions, while maintaining the existing monetary unity but at the same time enabling newly established governments of West African States to fully exercise their powers".

2) Conditions of money issue in under-developed countries

"The basic economic dependence of an under-developed country, as far as imports are concerned", the study pointed out, *"has an inescapable consequence for its currency :* it is of some value only if it can pay for imports". In other words, *if it is adequately* covered by foreign exchange, *generated by export surpluses or by external capital contributions.*

"Overworking the note printing press" could not solve this problem. This explained the failure of all attempts to finance the development of under-developed countries through a money issue.

For such a country, issuing currency against long-term investment credits was as good as placing it in a position of stopping external payments in the short-term.

The note indicated that "India too, with its vast 'economic' area, its already developed heavy and light industries, has just undergone this experience and had to decide on a particular path, whose end was foreseeable thanks to the experiences of not only Latin America but other countries as well".

Thus, the English experts laid down strict rules in order to preserve the liquidity of the new Central Banks set up in Rhodesia, Malaysia and Ghana, and give them a stern warning that, "if these rules are not taken to be inviolable, it is better for new States to continue following the old monetary system, i.e. that of the Currency Board".

The study concluded that monetary management rules for a country were formulated on the basis of a widely approved international experience, which, if violated, could prove extremely risky. This experience also showed that in monetary matters as in others, while the union may not by itself have the required strength, it at least helped in distributing the risks and facing problems with greater courage.

Thus, the characteristics of the most appropriate monetary institutions for the new State and for its West African partners could be deduced on the basis of this international experience, the fundamental data on the economic situation of Mali, as well as its aspirations.

e - Leglise and Rey's comments on currency and foreign trade problems resulting from the political evolution of Black African States

In an article published in January 1960, Leglise et Rey[52] voiced the concerns of business circles, anxious to recall the commitments related to association with the Franc Area, at a time when negotiations were about to start between France and the Federation of Mali.

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[52] Newsmagazine of the Association for studying overseas problems, no. 144, January 1960.

In the introduction, the two authors pointed out that within the framework of the development of the Community, the currency and the foreign trade of Black African States posed certain problems that had to be of prime concern for African authorities as well as those interested in the development of these countries.

They thought that it was normal for any country on the threshold of its independence or its "international sovereignty", to think of issuing its own currency, as well as managing its foreign exchange resources.

Within the framework of the Franc Area, Tunisia and Morocco, who already had their own issuing house and a national currency, had to face this question. In 1960, Cameroon, Togo and some other States of the Community had to face a similar situation.

As regards the monetary question, the latter countries would soon have to make a choice.

But, at a time when large economic groups were the order of the day, such a choice was not easy to make : with the myriad of solutions offered, it was better to be aware of the consequences. They had to be capable of understanding the advantages and disadvantages of each solution and to figure out whether the difficulties that certain solutions posed could be overcome or not.

Such a country, belonging to a well-defined geographical group that offered a larger "economic area" to each of its constituent parts, providing an internal market favorable for the development of local industries, could, for example, opt for economic isolation or unity with its group partners.

Actually, a newly-independent State had two options before it : to have its own currency or not ; to continue to belong to an economic zone or not, aware that the unity of a monetary area depended on two basic principles : with respect to foreign countries and other monetary areas, it was manifested through the unity of foreign exchange regulations and a pooling of available foreign exchange. Within the country, it resulted from the unlimited inter-convertibility of the currencies that carried a value only in relation to a pilot currency.

Leglise and Rey further built their arguments around three ideas :

- For what they called a "country to be developed", the advantage of belonging to a monetary zone and the commitments it entailed ;

- The disadvantages of monetary isolation ;

- The various possible formulae for monetary organization with independent countries.

1 – The importance of belonging to a larger monetary zone

Taking inspiration from Bloch-Lainé's work "The Franc Area"[53], the authors noted that the need for "countries to be developed" to link their currency with a pilot currency fulfilled some almost permanent requirements :

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[53] Publication already quoted.

- A developing country could not have balanced trade links with each of the other countries. It had to offset its deficits in certain foreign currencies with its surpluses in others. This kind of compensation could only be possible within an association of trading partners.

- A developing country had fewer chances of establishing a balance in its foreign trade at all times. Its balance sheet would often, if not constantly, show a deficit. Thus, a partnership with others was absolutely vital.

- Member countries of such an association should set up a common pool of foreign exchange resources and consequently, should adopt uniform rules for obtaining and utilizing these resources. Strict discipline should be enforced depending on whether the community was more or less comfortably off or not.

- Moreover, in such a partnership each member should contribute in an equal measure to the Community and not cost it more. This would force the member, as far as possible, to buy goods that do not have to be bought from its own outside partners and also to sell them goods that they would otherwise have to buy from outside. Such a commitment was inevitably a nuisance and could prove costly. But it was the natural counterpart to the preference granted and from which the country eventually benefited.

Economic unity was, thus, one of the main characteristics of a monetary zone. As regards the Franc Area, this unity manifested itself at four levels : reciprocal customs preferences, monetary preferences as competing imports from abroad were curtailed due to foreign exchange quotas ; the policy of market support and organization for certain overseas production ; aid and co-operation, i.e. technical assistance and investments.

The authors observed that the precision of the work carried the stamp of the period the book was published (beginning 1956), a period when the Franc Area was open to the outside world only when strictly necessary.

But since the return to external convertibility of most European currencies, France had been following a free trade policy, which, with the publication of its latest measures on 24 December 1958, involved 90% of its foreign trade.

Moreover, within the framework of the Treaty of Rome, a concomitant reduction of the transition and acceleration period of the various stages which were on the agenda, would, if adopted, hasten the time when goods from the six member countries of the European Economic Community would be placed on an equal footing while entering the markets of Overseas member countries.

Figures pertaining to the problem were not the same as in 1955. *An evolution of the initial structure of the Franc Area* that was based on a very centralized concept was underway and would evolve parallel to that of the Community.

Leglise and Rey concluded that in view of the benefits of these considerations, the advantages of belonging to a monetary area appeared evident.

They however clarified that belonging to a monetary zone also implied certain commitments and rights.

2 – Commitments within a monetary zone

"Thus, if a particular State desires more freedom at any one level characterizing the economic unity defined above, it cannot do so without making sacrifices at other levels".

The terms of this unity followed from and constituted the elements of a possible comprehensive negotiation between the French Government and the newly independent State in order to arrive at a new balance between commitments and rights, on the basis of an agreement.

These commitments mainly pertained to the freedom of transfer and the common management of foreign exchange assets.

1) Convertibility of currencies and freedom of transfers

The automatic convertibility of domestic currencies, i.e. unlimited exchange of French currency with the currencies of other countries of the Franc Area, constituted one of the basic principles of the organization of this Area, recalled Leglise and Rey.

In practice, this translated into a *freedom of transfers* within the Area, in other words, there had to be no exchange controls for currency transactions within the Franc Area, whether they were commercial transactions or purely financial transfers.

But, Morocco and Tunisia had excluded themselves from this Area as they had introduced exchange controls and regulations over fund flows between them and the other countries of the Franc Area.

This rule pertaining to the free convertibility of domestic currencies was not unique to the Franc Area. It was just as much in force in the Sterling Area.

Thus, the Articles of Association of the Central Banks of Ghana and Nigeria, adopted by the Legislative Assemblies of these two countries, contained provisions pertaining to the obligation of these Banks to ensure the exchange of pounds against their currency and vice-versa, as demanded by anyone.

Those belonging to the "Sterling" Club had to follow this rule or opt out of it.

In this respect, the Finance Minister of the Gold Coast made the following declaration at the Legislative Assembly on 5 April 1955 : "The Government is fully aware of this country's dependence on foreign trade, both for its imports and exports. Consequently, it is of the opinion that the new currency should be worthy of confidence and be admitted with the same ease in our transactions as the present currency. The new currency should, as is the case at present, be exchanged at par with the Pound Sterling and should be completely guaranteed since the Government is absolutely convinced that for several years to come, this country's interests would be best served by having a direct link with the Sterling".

As far as the "real impact of private transfers from Africa to France" were concerned, the two authors, clearly referring to Doudou Thiam's article, affirm that "we owe it to ourselves to take note of the reservations expressed by various African leaders as regards the total freedom enjoyed by private companies and individuals on the question of monetary transfers. Often, private transfers in the Africa-France direction and the volume of such transfers worries them, as they interpret them as 'draining' their country's economy.

This interpretation does not correspond to the reality", clarified Leglise and Rey, who considered it necessary to argue, while examining its problems, not on the basis of transfers in one direction alone but on the outstanding "balances".

Thus, for the entire issuing area of BCEAO, private payments for the year 1958 amounted to 92,767 million CFA F from "Africa to other countries of the Franc Area" and 54,046 million in the reverse direction. Discussions should not be based on these figures but on the balance of 38,721 million CFA Francs.

Balance sheet for foreign payments

(In billions of CFA F)

Balance	1956	1957	1958
Private transfers (through banks and postal transfers)	- 24.0	- 35.8	- 38.7
CCCE[54] transfers	- 0.1	+ 1.8	+ 1.1
French budget expenditure	+ 30.9	+ 39.4	+ 49.0
Various transactions of the Treasury	- 0.2	- 2.7	- 9.0
Total	**+ 6.6**	**+ 2.7**	**+ 2,4**

On analyzing the foreign payments balance of the issuing area for the three previous financial years, they deduced that there was a regular surplus given the fact that the amount posted as "French budget expenditure" was more than the amount posted as the "balance for private transfers".

The main element making up the balance of private payments was the trade balance – the difference between the value of exports and that of imports. In 1958, it showed a deficit of 15.1 billion CFA F for the entire area and 14.9 billion for the Senegal - Sudan - Mauritania group.

[54] "Caisse Centrale de Coopération Economique" (Central agency for economic cooperation).

To get an idea about the balance of non-commercial payments (transfer of capital, revenues, salaries or profits, etc.), it is thus necessary to deduct the deficit trade balance from the balance of private payments. But in 1958, this was 23.6 billion CFA F for the entire West African area (38.7 billion – 15.1 billion) and 11 billion CFA F for the "Senegal - Sudan - Mauritania group (25.9 billion – 14.9 billion)".

"These results, which only indicate the reality, enable us to get a clearer idea concerning the problem of private transfers and reveal the pitfalls of referring to isolated figures like that of 26 billion CFA Francs. This figure was recently quoted in an article and for Senegal alone, it represents the amount of 'monetary transfers' carried out in 1956 – mainly by way of postal transfers from Senegal to the French Republic," as revealed by Leglise and Rey.

Compared to the "Gross National Product" of French West Africa, which, in 1956, was around 400 billion CFA Francs, and supposing that figures remained the same in 1958, the non commercial balance of payments for the West African area would be around 23.6 billion CFA Francs, or less than 5% of the "National product", which, according to them, was very low.

They added that in any case, for a country that received external aid for its development in terms of capital and technicians, it was perfectly normal that private transfers abroad were higher than in the reverse direction and that its trade balance showed a deficit.

They recalled the stand taken by Professor Leduc[55], who, in this respect, opposed the normal analysis of the problem of external trade of Black Africa wherein, first of all, the trade deficit was highlighted and then the fact that the balance of payments could only be balanced through French budgetary expenditure in these countries.

According to the Professor, the problem had to be viewed from the other end : the trade deficit was caused by the financial inflow from Metropolitan France ; there would have been no trade deficit if there were no external monetary influx ; a trade deficit that led to economic growth was sound.

But this inflow of funds automatically led to a monetary outflow towards the donor or lender country. It was generally believed that, taking into account the multiplier effect, 30% of the capital invested remained in the beneficiary country. Furthermore, the structures built with the concerned capital and which also remained in the country also had a productive character more or less in the long run.

Thus it could finally be said that there would have been no monetary outflow towards France if, earlier, there had been no inflow of French capital.

"Under such circumstances, the sensitivity of francophone African opinion concerning the problem of the free transferability of domestic currencies is not justified".

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55 Paper presented at the Economic Conference of the Mediterranean Franc Area and Africa held in Marseilles on 2, 3 and 4 July 1959.

Any steps taken to restrict in any way the freedom of transferability of currencies would have the following consequences :

- Immediately stop all capital aid and investments ;

- Prevent any technical assistance in terms of staff ;

- Destroy all confidence in the local currency and encourage fraud.

Recalling the convertibility mechanisms within the Franc Area, the two authors described the techniques of the operations account and the advance account.

As regards the latter account in particular, the two writers mentioned that, if the States of West Africa created their own Central Bank without the French Republic and the monetary authorities of the Franc Area[56] being able to participate in the management of these banks, leading to a termination of the "operations account" agreement, in that case, the mechanism for the conversion of French currency against the local currency would become that of the advance account.

The Central Bank then had to choose one or more representatives in France who would be responsible for maintaining and making the assets in French Francs yield a profit. It was with the help of these funds that payments for the balance of transfers would be settled, in case there was a deficit in the balance.

If, according to the Bank, resources were insufficient, it had to take recourse to various credit options offered by other banks or the "Banque de France".

However, as far as Tunisia was concerned, there was an agreement between the Tunisian and French institutions, according to which the "Banque de France" would open with the Central Bank of Tunisia, an account in French Francs with drawing rights for an amount which had not been made public. Moreover, it would take care of the latter's assets, which were made to yield profit, and was obliged to inform them about the investment of their assets.

A purely African Central Bank could, in all probability, benefit from a similar system.

The unlimited drawing rights against an "operations account" opened with the Central Accounting Agency at the Paris Treasury, would thus be *substituted by a limited drawing right against an advance account with the "Banque de France"*.

2) Common management of foreign exchange

Pursuing their comments, Leglise and Rey observed that a State that had just attained independence may very well wish to keep for itself foreign exchange earned from its exports.

[56] In case these authorities formed an association, the operations account would remain.

They recalled that, within the framework of the Franc Area, there was no question of a State keeping its foreign exchange since it was against the basic principles of this Area, i.e. the common use of foreign exchange resources, which, according to the rules, were held by the Foreign Exchange Stabilizing Fund alone[57].

If necessary, they added, the Tunisian solution could be claimed.

According to the Franco-Tunisian financial agreement of 5 September 1959, exchange transactions related to payments between Tunisia and non franc countries were dealt with in the Paris market. The "Banque de France" opened, in the name of the Central Bank of Tunisia, an account with the Stabilization Fund in US dollars, credited, to start with, with an amount of 15 million US dollars.

This account was supposed to record all payments concerning Tunisia settled with non franc countries and operated to the order and on account of the Central Bank of Tunisia and the authorized banks operating in Tunisia. It could have a maximum debit balance of 3 million dollars. If, after this overdraft was used up, drawing rights of the Bank of Tunisia still proved insufficient, the two governments would decide on measures to be adopted in order to ensure the continuity of transfers between Tunisia and countries outside the Franc Area.

Thus, the foreign exchange earned by Tunisia was not "kept", but "personalized", in a "compartment" of the Stabilization Fund, which was simply an account opened with the "Banque de France".

In the past, Tunisia could avail of unlimited drawing rights, but it had to submit its annual import plans to the French Government.

Now it no longer had to submit any such plan but at the same time, it could only avail of limited drawing rights.

Leglise and Rey specified that Tunisia had an almost balanced trade balance, because, in 1958, it ensured that its imports (64,881 million French Francs) were covered by its exports (64,404 million Metropolitan Francs), up to 97.7%. Moreover, with non franc countries, its trade balance had a surplus of more than 5 billion French Francs, with 15.4 billion worth of imports and 20.6 billion worth of exports.

It was not the same for the States of Black Africa, which, with the exception of Côte d'Ivoire and, to a lesser degree, Cameroon, experienced chronic deficits both with respect to the Franc Area and as non franc countries outside this Area : in the group of countries running a deficit (Mali - Mauritania, Dahomey, Niger, AEF, Madagascar and Togo), foreign currencies transferred to the Foreign Exchange Stabilization Fund through exports were barely above 50% of the foreign exchange provided by the Fund for their imports from foreign countries. For Mali-Mauritania, the figure was limited to 30%.

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[57] In practice, banks that were authorized intermediaries, as exchange controls were eased, were granted the power to hold - on their own account or on account of their clients, significant amounts of foreign currencies, but "by a delegation" of power from the Stabilization Fund. The same held true for foreign currency purchase and sale operations, which, theoretically, were the domain of the Stabilization Fund.

"Hence, the problem of personalization of foreign exchange for these States cannot arise, since they asked for much more from the "Common Fund" than what they contribute to it" pointed out the two authors, who believed that outside the monetary zone, they would be isolated.

3 – Isolation outside the monetary zone

The authors stressed the fact that a country that makes this choice, left to its own exchange resources, could only avail of the income from its exports for financing its imports.

They observed that the exports of the new countries mainly consisted of raw materials or barely processed products with a much lower value than the goods they imported and whose prices were subject to severe fluctuations on the global market, a problem which was so serious that the issue of stabilization of raw material prices occupied the center stage at the international level.

Guiding the development of a country under such conditions entailed cutting down the quality of life, which was already unsatisfactory, for a fairly long period. This would have to be done, first of all, in order to draw the maximum exportable goods from local production, and then to reserve the greater part of foreign exchange resources for the import of capital goods at the cost of consumer goods in order to satisfy the basic needs of the country.

Although African authorities were fully aware of the fact that their country's development depended on foreign aid coupled with local effort, the objection could be raised that there was no need to join a larger monetary zone in order to avail of such aid.

Leglise and Rey unequivocally affirmed that "it would be useless to believe that external aid is really not motivated by other interests. It is mainly the result of a competitive and almost strategic approach, each one trying to carve out its sphere of influence and means of power.

Thus, being isolated in the present international context is not without risks".

Hence, according to them, "*belonging to a larger monetary area, based on the spirit of unity, for newly independent States, is the biggest assurance that their development programs can progress at a regular pace, combined with a progressive improvement in the quality of life*".

Before arriving at possible solutions, the two writers wagered that such an association enabled countries to envisage the possibility of receiving financial aid from countries outside the zone, without incurring any political risks.

4 – Possible solutions

To sum up, citing the example of West Africa, Leglise and Rey examined the opportunities that a newly-independent African State from the Franc Area could avail of, depending on whether the issuing area was maintained or not.

1) The theory of the continuance of the West African issuing area

The two authors believed that if the ex-AOF countries were member States of the Community, the problem would be simple since decisions to be taken would not involve the fragmentation of the existing issuing area. There were two options before African authorities : to maintain the *status quo* ; or to create an African Central Bank similar to the one set up in the Federation of Nigeria and Ghana.

- Maintaining the *status quo*

In this case, they drew attention to the characteristics of the *Central Bank of West African States*, a public institution run in compliance with trade laws and practices, enjoying financial autonomy and which, till 4 April 1959 was known as the Issuing House of AOF and Togo.

The issuing regime was based on two ideas :

. The establishment of monetary unity between the various West African States : the same currency circulated in each State and there were no monetary problems between them.

. A partnership with the French Republic and the main monetary organizations of the Franc Area on the one hand, and the West African States on the other hand, for managing the currency. In return for this partnership, the French Republic guaranteed, vis-à-vis African States as well as outside countries, the parity of the West African currency with respect to its own, irrespective of developments in the economic and financial situation of Africa.

Leglise and Rey thus concluded that the status of the Central Bank had the "advantage of being perfectly compatible with any changes in the political system of various States in the same issuing zone and can coexist with them".

- Establishment of an African Central Bank

In the second case, the writers indicated that the establishment of a Central Bank through local legislative channels, with its headquarters in Africa, could be considered by newly independent States as a *preferable solution at the political level.*

The consequences of the second solution thus depended on the following choice between two principles of management :

. The Bank's Board of Directors would not include any representatives from the French Republic. The latter, due to the lack of any power over the control of the institution, could no longer guarantee any unconditional parity of the West African currency vis-à-vis the French Franc. This would then be *the end of the "operations account" system.* The Bank, in order to guarantee the issue of its currency, had to ensure the unlimited convertibility of the former against the French Franc, for which it had to have its own foreign assets, offering certain coverage guarantees. A limited drawing right against the "Banque de France" could be one part of this guarantee (Tunisia was granted drawing rights by way of aid for an amount of 5 billion Francs).

. The Central Bank, with an African status, had to involve the Government of the French Republic and the monetary authorities of the Franc Area in its management, by reserving posts for their representatives on its Board of Directors. *A priori* there was nothing to oppose such an association. In such a case, the Bank could *continue running the operations account.*

The writers also noted that the Central Banks of Ghana and Nigeria, which were local public institutions, not only had an organization capable of ensuring the convertibility of their currency at any time, at a parity fixed with respect to the Pound Sterling[58], but also their Board of Directors, comprising seven directors, had a Governor and a Deputy Governor at its head, appointed from "among persons known for their financial experience" by the Governor General, as the representative of the Queen of Great Britain in these States.

They added that the various options analyzed were also valid for a common State Bank for the West African States, this idea was floated, with each State subscribing the part of the capital reserved for it. But this suggestion could not be implemented unless all the States of the ex-AOF became independent, or at least became competent in monetary matters involving transfer procedures.

2) The option of a break-up of the issuing area

"If the Federation of Mali, the Republic of Togo or any other West African State wanted, on attaining independence, to have its own issuing bank, what would happen" ? queried Leglise and Rey.

The answer was that first of all, as in the case of the first theory, they would have to choose whether to associate with the French Republic and the monetary authorities of the Franc Area or not.

But the most important consequence would be the breaking up of "the monetary union" that existed between West African States and without which, no West African "common market" would be possible. In effect, the volume of internal monetary exchanges was very large, which translated into a complementarity of economies, either in terms of labor or food products or in the development of communication routes, taking into account geographical factors.

While the existence of numerous currencies was not in itself contrary to monetary unity as long as "unlimited exchange took place between them and a single exchange between all of them and foreign countries - a perfect unity which was not uniformity"[59], there were no major problems when the use of these currencies followed the latest trends : limited banknote flows ; transfers of funds from one State to another, whether they corresponded to trade practices or repatriation of salaries, profits, etc. - all done through bank or postal transfers.

[58] This parity was that of a Nigerian Pound or Ghanaian Pound against the Pound Sterling.
[59] cf. "La zone franc" (The Franc Area) by Bloch Laine.

But this was far from being the case in West Africa where almost all private fund flows, from one State to another were carried out through the physical transport of banknotes.

A cattle seller of Soudan, Mauritania, Niger or Upper Volta would himself bring back in notes the earnings of his sales in Senegal or Côte d'Ivoire. The same situation existed in Senegal and Côte d'Ivoire for the sale of dried or smoked fish prepared in Sudan or Niger, or inversely, the sale in Soudan or Senegal of cola nuts or wood in Côte d'Ivoire. In fact, this movement of products corresponded to an exchange value of more than a dozen billion CFA Francs.

But they were not the only ones to be involved in such transfers of banknotes - the monetary revenue of Soudan, Niger and Upper Volta, was to a large extent represented by savings repatriated by workers of these countries who seasonally migrated to Senegal or Lower Côte d'Ivoire.

Thus, there was a considerable trade of goods and services between the States, settled by the transport of banknotes, facilitated by the fact that the same paper money had been in circulation for the past 50 years in the geographic zone where BCEAO exercised its exclusive issuing right.

Any differentiation in West African currencies that could be circulated only within each of the States where they were issued could seriously hamper these trade flows.

Traders and workers would be obliged to exchange banknotes, for which African States had no special organization. Thus, banks, Treasury offices, special agencies and post offices would have to intervene in these transactions. But this would not be possible without an appreciable increase in their operating costs, which would have to be compensated for by setting up an exchange commission.

An inadequate banking network and under equipped public agencies would often force traders and workers to take recourse to "small exchange dealers" who would charge exorbitant rates as their transactions could not be easily monitored.

Leglise and Rey declared that the objection could be raised that to avoid these obstacles it was enough to grant the particular banknotes of a State legal tender within the territories of its neighboring States.

But this did not appear to be a feasible solution. In effect, the amount of notes transferred was such that the fiduciary circulation of certain States, mainly Soudan and Upper Volta, was fed by notes put into circulation in other regions.

For example, in Soudan, the amount of banknotes of other States deposited with BCEAO Branch in Bamako was much higher than the amount of banknotes put into circulation by this Branch - the surplus was 3 billion CFA Francs in 1957, and 3.7 billion in 1958, whereas the previous year, the average total fiduciary circulation amount in the whole West African monetary area reached almost 50 billion.

Since this surplus came mainly from Côte d'Ivoire, Senegal and Togo, these States had to issue many more banknotes than necessary for the actual needs of their economies, thus leading to a loss of control over their issue.

Moreover, such a system forced economic authorities of each of these States to freely accept the circulation of currencies issued in the other States and which could provoke, through monetary inflation or deflation, serious economic problems, which appeared inconceivable.

"The maintenance of the present uniformity of the paper money appears to be in the interest of West African States and leads us to the fact that the problem of setting up an African State Bank can only be envisaged at the level of all States together", concluded Leglise and Rey.

With all this groundwork, Malian authorities were sufficiently enlightened to be able to start negotiations with France and sign co-operation agreements.

f - The lessons of the Agreements between France and Mali

Co-operation Agreements signed on 22 June 1960 by Prime Minister Mr. Michel Debré, on behalf of the French Government and Mr. Modibo Keïta, President of the Government of the Federation of Mali, would be used as a model for agreements between France and the other States.

In substance, *the broad principles of the Franc Area were maintained on a contractual basis* that could be terminated by either side. These principles were - centralization of foreign currency operations in the Paris foreign exchange market and co-ordination of exchange control regulations vis-à-vis foreign countries; membership of the West African Monetary Union (for all practical purposes) with the CFA Franc as the legal currency of BCEAO ; involvement in the formulation of the monetary policy and its decentralization through the creation of a *Malian Credit Council and Monetary Committee* ; specification of the Federation's aggregate, after evaluation by BCEAO of banknote flows between the Federation and the other States of the issuing zone.

To be more precise, the Co-operation Agreement for economic, monetary and financial matters, laid down under its preliminary Title :

Article 1 - The Federation of Mali hereby declares that it wants to pursue its development in close association with the West African States and in collaboration with the Franc Area countries, while benefiting from the exchange possibilities that are available in other parts of the world.

Article 3 - The Federation of Mali is ready to co-operate with the other member States of the Franc Area. The contractual association of each independent State with this area shall be based on two fundamental principles :

- Each independent State shall retain all the economic and financial powers accorded to sovereign States ;

- Member States shall accept to co-ordinate their foreign policies on trade and finance within common bodies in order to provide mutual assistance and promote each other's economic development at the fastest pace.

Under Title III, pertaining to the co-ordination of foreign policies on trade and finance, Articles 16, 17 and 18 especially provided the following :

Article 16 - All receipts and expenses of the Federation of Mali with respect to non franc countries shall arise from the sale or purchase of foreign currencies in the central foreign exchange market of the Franc Area.

Article 17 - Subject to subsequent concerted developments, the Federation of Mali shall undertake to enforce the Franc Area's exchange control regulations in its territory.

The competent authorities of the French Republic and the Federation of Mali shall work together for the search and suppression of violations of exchange control regulations.

Co-ordination between exchange controls and the commercial and economic policy shall be undertaken in Mali jointly by the Federation of Mali and the central monetary authorities of the Franc Area, especially in accordance with the conditions specified in paragraphs above.

By delegation of central monetary authorities of the Franc Area, foreign exchange offices shall be placed under the administrative authority of the Federation of Mali.

Each Director shall be appointed by the Federation of Mali, after the approval of the central authorities of the Franc Area.

He shall be assisted by a Technical Advisor appointed by central authorities of the Franc Area, after the approval of the Federation of Mali. The Technical Advisor shall be aware of all operations submitted to the Foreign Exchange Office. Any disagreement between the Director of the Office and the Technical Advisor shall lead to suspension of the matter which shall be placed before the Foreign Exchange Committee, a joint body for conciliation, based in the Office itself. In case of persistent disagreement, the matter shall be submitted to the Ministry of Finance of the Federation of Mali, which can refer it to the Franco-Malian Commission.

Article 18 - An account, called "Mali, drawing rights", shall be opened in dollars, the accounting currency, in the books of the Exchange Stabilization Fund.

This account shall be credited with a value equal to the value of foreign exchange receipts, donations, and foreign exchange loans that the Federation of Mali would obtain from third countries or international bodies. It can be provisional, if necessary, with an additional allowance of drawing rights from the general reserves of the Franc Area. Subject to the amount available, it shall be debited with the value equal to the value of the payments in corresponding currencies, especially in respect of Malian imports of foreign products and reimbursements of external borrowings.

The other operations that could be debited shall be discussed in the Franco-Malian Commission.

Title IV, in Articles 22 to 32, deals with the co-ordination of monetary policies.

Article 22

The French Republic shall recognize that the status of a sovereign State acquired by the Federation of Mali confers on the latter the right to create a national currency and its own issuing house.

Article 23

The Federation of Mali declares that it is still a part of the West African Monetary Union[60]. The Federation of Mali recognizes the CFA Franc issued by the Central Bank of the monetary union as the legal currency, which is redeemable within its territory.

Article 24

The Federation of Mali and the French Republic shall recognize their mutual right to terminate, as far as they are concerned, the monetary regime discussed in the previous Article if either of them feels that it threatens their lawful interests.

In such a case, the two parties agree that they will start negotiations in the Franco-Malian Commission in order to determine, on the one hand, the preparation time for the reform and on the other, its modalities, insofar as the interests of both parties are concerned. The reform may also relate to the links of the new currency with the French Franc and other currency units of the Franc Area, as well as the relations of the new issuing house with the other monetary bodies of the area.

The French Republic shall undertake to offer all possible technical assistance sought by the Federation of Mali.

Article 25

Any modification in the parity between the currency unit used in Mali and the French Franc shall be done only after both parties agree upon it.

The Government of the French Republic shall consult the Government of the Federation of Mali in respect of studies to be carried out prior to any future modifications in the link between the Franc and the foreign currencies. It shall negotiate with the latter on the appropriate measures to be taken to safeguard the legitimate interests of the Federation of Mali.

Article 26

BCEAO, jointly with the Federation of Mali, shall identify means of establishing a statistical evaluation of banknote flows between the Federation of Mali and the other countries of the issuing area. It shall regularly communicate the evaluation results to the Federation of Mali's Government.

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60 For all practical purposes.

Article 28

The Federation of Mali may create, at the earliest, a Malian Credit Council.

Irrespective of other subsequent functions, the Malian Credit Council shall be responsible for defining, within the conditions compatible with the upkeep of the West African Monetary Union, the orientation to be given to the Malian credit policy, especially in view of the allocation of financial resources per sector of business to the best of the requirements of the Federation of Mali's economy. The Central Bank of West African States shall regularly communicate the statistical data to the Council, enabling appraisal of the trends of the following, in the Federation of Mali :

- Bank deposits ;

- Bank jobs ;

- Rediscounting facilities granted to banks ;

- Banking risks identified, classified per category of economic activity ;

- Transfer flows with outside parties, carried out by their intermediaries.

Article 29

The recommendations and decisions of the Malian Credit Council shall be notified to banks and credit institutions, which alone are competent for the appraisal of purely financial risks.

In the name of the Government of the Federation of Mali, the Central Bank can inquire about the manner in which these recommendations and decisions are applied and submit a report thereon to the Malian Credit Council.

Article 30

I - A Monetary Committee, whose members shall be appointed by the Government of the Federation of Mali, shall follow up the management of the Central Bank on the territory of the Federation of Mali.

II - The Committee shall supervise the observation of the statutes and regulations of the Bank and control the operations of this institution.

A representative of the Committee in each agency shall be entitled to information about all the agency's operations other than personnel administration and management and can, at any time, ask for the presentation of the cash position, registers and portfolio bills.

III - The Monetary Committee shall participate in the studies enabling the Central Bank's Board of Directors to fix rediscount ceilings.

IV - Based on the Malian Credit Council's recommendations and decisions, the Committee can give its opinion concerning the economic interest, for the development of the Federation of Mali, offered by each operation for which the Central Bank's assistance is sought by the banks and credit institutions. The strictly financial assessment of these operations shall be a prerogative of the Central Bank.

When this opinion, duly justified, causes the rejection of an application pertaining either to increasing the maximum authorized short-term credit outstanding, or obtaining an authorization for rediscounting medium-term credit, the Central Bank shall be bound by the said opinion if it is sent by the Government of the Federation of Mali.

Any operation deemed economically advantageous by the Monetary Committee, but whose financial quality has been found inadequate by the Central Bank's administration, shall be automatically taken up before the Board of Directors.

Article 31

With effect from the signing of this Agreement, any modification in the statutes of the Central Bank of West African States shall necessitate a prior Agreement between the Federation of Mali and the other competent authorities.

Article 32

The convention of 11 July 1959, pertaining to relations between the French Treasury and the Malian Treasury, as well as reciprocal assistance and co-operation between the Federation of Mali and the French Republic for the organization and functioning of the Treasury departments, is hereby confirmed.

The independence of the Federation of Mali, as observed, has accelerated that of the other African member States of the Community.

A deeper consideration of the future of the monetary regime was all the more vital because the limitations of the provisions of the Franco-Malian Agreement in the field of money could easily be felt.

It is in this perspective that the idea of an African Payments Union must be viewed.

g - The Cabou project on the African Payments Union

In a study entitled "Proposals for a new monetary regime of West Africa" and dated 24 October 1960, the author, Daniel Cabou[61], proposed a monetary organizational set-up for the former French West African countries. The plan was characterized by the existence of a Central Bank at each State's level and a common institution, namely, the "African Payments Union", for all the States.

1 - National Central Banks

For Daniel Cabou, the monetary regime of recently independent countries, called for a simultaneous solution to the three main areas of concern - implementing a credit policy in each State, maintaining the African Monetary Union and maintaining a link between the African currency and the French Franc.

[61] Governor of the Region in Saint-Louis at that time.

1) Credit policy autonomy in each State

According to Daniel Cabou, even if France granted substantial financial aid, directly or indirectly (budget balancing grant, contribution to investments, marketing opportunities and guaranteed prices for staple goods), it was legitimate for an independent State to want, "all the same", to define and implement its economic policy on its own, whether liberal or interventionist, based on the natural structures and trends of the parties. Having done so, the credit policy, an essential element of economic policy, could not elude the sovereignty of the States for long.

2) Maintaining the African Monetary Union

France, according to Daniel Cabou, was not planning to put any obstacles in its path - and it was what the majority of African States wanted and considered in their interest.

Under these conditions, it was necessary to ensure the freedom of trade and payments, as well as that of labor flows within the area ; to allow the free circulation of banknotes within the whole area, with legal tender and without any difference in exchange between the currencies, given that it was inevitable and even necessary to "individualize" the circulation of national currencies by assigning a distinct mark to banknotes issued in each State.

3) Maintaining a close relationship between an African currency and the French Franc

This last issue of concern satisfied the obvious interest of the States as well as those of French nationals living there, French companies working there and the French economy in general, but subject to the absolute condition that France did not get drawn into having to incur considerably excessive expenses due to it, and even less so legally unlimited charges, underlined Daniel Cabou, before indicating that "the problem arising therefrom, is certainly not easy to solve".

Indeed, he recognized the fact that the first of these three issues was quite contrary to the second and the third together, all the more so because "the independence of the economic policy implies not only the national currency and credit policies (which has not been done so far), but also national policies relating to other fields - public finance, foreign trade, and so on (which has already been accepted). Henceforth, in reality, the common currency cannot elude the consequences of distinct national policies".

Moreover, this did not take into account the fact that apart from credit control, States wanted differentiated banknotes and "*individualized*" *assets,* especially in respect of their foreign current assets (holdings in French Francs, and maybe even foreign currency holdings).

The author concluded, "all this lead us directly to a Central Bank in each State" whether it concerned :

. Structures

. Decision making powers

. Balance Sheets or

. Banknotes.

He wondered whether it was necessary, however, "to give in to 'monetary Balkanization', that is to say, to relinquish the second and the third objectives enumerated above" ?

He believed that it was not necessary and explained that the free circulation of banknotes could be maintained, even if banknotes were assigned distinct signs by the States, if three basic conditions - material, legal and financial - were respected.

Regarding the material *condition, banknotes* had to be *identical,* with the exception of a *distinct, clear and discreet sign* - for example, the name of the issuing country.

Regarding the legal condition, the Agreements had to formally stipulate that all banknotes, irrespective of the State in which they were issued, were redeemable everywhere.

Lastly, regarding the financial condition, the Agreements had to organize an automatic mechanism for multilateral compensation between the States, especially extending to banknotes. In other words, each State had to be bound to buy back at par from other States the banknotes issued in its territory, which would be in circulation in the territories of the latter.

To manage this compensation, which could be made on a monthly basis, Daniel Cabou proposed the creation of a common body called the "African Payments Union" (APU).

2 - The African Payments Union

This structure would be responsible for three functions - permanent co-operation between States, solidarity and mutual assistance and maintaining a relationship between the African currency and the French Franc.

1) APU, the organization for permanent co-operation between States

The clearing activity would fall under this category. For this activity, various tasks were assigned to the APU. It would have to :

- If possible - and the author felt that "it would be highly desirable in an initial period at least" - take over the material and accounting management of Central Banks and failing that, to review each month (as the Bank for International Settlements in the European Payment Union used to do), on strictly fixed dates, the accounting elements necessary for operating the clearing process ;

- Especially organize the regrouping, sorting and re-dispatching of the banknotes issued in each State but in circulation in other States ;

- Centralize all statistical information related to the economic and financial life of the States in all respects, remain in permanent contact with the national administrations and Central Banks, initiate or undertake all useful studies, prepare reviews on the situation in each State for its Steering Committee - in short, in this respect, play the role that the OEEC[62] departments played for the Steering Committee of the European Monetary Agreement and that the European Commission Departments played for the EEC's Monetary Committee.

[62] Organization for European Economic Co-operation.

Thus, the APU would not simply be a clearing house or simply an agent. It would also be, by virtue of its Steering Committee, an organization for permanent co-operation between States, authorized, through the consent of all the States, to give opinion, make recommendations and, if possible, even adopt decisions aimed at improving national management policies that appear harmful as much for the concerned State (inflation, payment crisis), as for member States on the whole.

2) APU, an institution of solidarity and mutual assistance

In order that APU's recommendations be taken into account, for it to be recognized as a decision-making power that may influence national policies and for its decisions to be respected, Daniel Cabou proposed that the APU should be able to play the role of an institution of solidarity and mutual assistance for States.

To this end, he emphasized two models - that of the European Payments Union (EPU) and the European Monetary Agreement or the International Monetary Fund.

- In the European Payments Union model :

. Quotas are fixed for each State ;

. Monthly settlements automatically include, within the limit of the quotas, a part of the credit, granted by each net monthly creditor, to each net monthly debtor ;

. Beyond this, there was also a possibility of a secondary, non-automatic back-up system, based on a compulsory recovery program for a State facing problems.

- In the European Monetary Agreement or the International Monetary Fund model :

. Loans were never automatically granted ;

. They always had predetermined and short-term maturity dates ;

. They could not exceed certain limits depending on the shares originally allocated to each State.

- Especially in the second model, though also in the first, the role of the Executive Committee would be very important - it was the Committee that would take decisions :

. both for granting loans ;

. and for accompanying recommendations and decisions.

Daniel Cabou added that one could endeavor to maintain an enhanced cohesion and entertain the idea that in order to prevent mistakes and crises rather than merely offering a solution, the Steering Committee should retain certain powers inherited from the Board of Directors of the former multinational issuing house, as far as credit matters are concerned.

Hence, it could be provided that.

- The statutes of the Central Banks would be uniform, in any case for operations concerning the issue of currency.

- The rates be fixed by the Steering Committee and, as a general rule, that they be uniform, except in case of exemptions (at the request of the Central Bank concerned or by a directive of the Steering Committee if, as it may happen, the situation in a State calls for a rate different from the common rate, as an exceptional and temporary case).

- The short-term credit limits in each Central Bank also be fixed by the Steering Committee.

"But it would be neither realistic nor logical to say that individual credit applications should be submitted for prior approval to APU's Steering Committee, for the following reasons" :

- APU would be an organization for mutual assistance and not for re-discounting ;

- States would not accept that applications that were most advantageous for them, in other words, obviously most major accounts, would not be handled by their own Central banks ;

- It would be vain, since States were now sovereign, in terms of their financial as well as trading policies. Hence, their currencies were already, largely, in their hands and could be affected by decisions more serious than the ones that could be taken for an individual credit application.

3) – APU : A body for maintaining the relationship between the African currency and the French Franc

Refining his analysis, Daniel Cabou indicated that the third task of APU would be no less important than the first two, in the sense that it would have to maintain the link between the African currency and the French Franc. From a broader viewpoint, it would have to be on stand-by to ensure monetary co-operation between France and the African States.

He felt that to be sustainable, this task called for financial assistance from France to the Union in the form of an initial allocation other than the multinational issuing house's capital, "which, besides, would not be liquid".

Emphasizing the fact that such an allocation was indispensable for APU to be able to offer assistance to a State in difficulty, especially when the means to be employed exceeded those that the other States could provide from their own resources.

It was also indispensable to be able to continue to ensure transfers, if the entire monetary zone tended to be in deficit vis-à-vis France.

He added that "this allocation will naturally replace the operations account and will *ipso facto* terminate, the intolerable abuse that may result from this regime, from the French point of view".

The allocation could be provided in the form of a simple line of credit, which APU would not draw unless the need arose, and not as it liked, but within the limits and in conformity with the conditions specified in the Agreements.

It was in this manner that it functioned for 9 years by using only a part of the initial allocation provided by the United States, which, besides, was found intact at the moment of liquidation.

"But it would be more graceful to admit, in conformity with the same precedent, that the withdrawals made by APU from its allocation would not be reimbursed during its lifetime, France reserving only the right of inspection and even recovery rights in case of liquidation".

Daniel Cabou concluded, "thus, APU will strengthen and will ultimately have the assets corresponding to its initial allocation in its cash on hand".

Once the institutional debate was, thus, clearly initiated, other ideas would take it further in the future.

h - Basic ideas of a reform for West African monetary institutions inspired by Raphaël Saller

It was in a document written towards the end of 1960 and entitled "*basic ideas of a reform for West African monetary institutions*" that BCEAO's departments indicated the minimum conditions for introducing a reform taking into account the ideas put forth by Raphaël Saller, Minister of Finance and Planning of Côte d'Ivoire.

1 - The seven basic ideas

In the document it was pointed out that consequent to their attaining sovereignty, West African States would have the freedom to choose their monetary institutions.

They would therefore be required to choose from among the options available, especially between maintaining the state of their monetary union or exercising their prerogatives individually on the one hand, and on the other, maintaining the relations between the union or its currencies with the economy of the French Republic.

These options were rather delicate and sometimes irreversible and the difficulty of adopting a certain course could lead to a temporary extension of the prevailing regime, with subsequent amendments in certain modalities of its operations. In fact, this regime was not at all adapted to the new political situation. Continuing it would entail risks for its deterioration.

Therefore, it became necessary to design a new regime, but one that could nevertheless be changed as and when States made their final choices. The following ideas seemed to be able to provide this result :

1) - Avoiding a complete break-up of the monetary union by maintaining a common currency unit for all West African States and, consequently, *ensuring solidarity in the management of the currency*.

2) - Allowing each State to determine its own monetary position in a specific manner.

3) - Conferring a certain facility of credit distribution and thereby currency creation, to each State, without prejudice to other Monetary Union participants.

4) - Maintaining technical and financial assistance from France to the West African monetary system.

5) - Favoring, meanwhile, the constitution of an autonomous monetary system, perhaps associated, but not integrated with the French monetary system.

6) - Allowing the monetary system established to develop without damaging conflicts, whether this development was directed :

- towards the strengthening of the common monetary union ;

- or on the contrary, towards a relaxation of this organization and even to the complete withdrawal of any of its members.

7) - Setting up the organization at the earliest.

It was on the basis of these seven ideas that the first draft on monetary institutions was prepared by BCEAO.

2 - Outline of West African monetary institutions

1) The eight States of the issuing zone agreed to remain in the Monetary Union :

- They would have a *common currency unit* issued by BCEAO. In all States, the currency unit would have :

. The same *denomination* (to avoid changes, the "CFA Franc" could be retained, which stands for "Communauté Financière Africaine" or African Financial Community) ;

. The same definition and the same parities.

- The banknotes would be *manufactured in the same way* and have the *same color.* Despite the *individualization*, which would be dealt with later, they would be *legal tender* for private individuals and would have to be accepted by government funds and banks in the entire issuing territory.

- This currency would be managed by a *Board of Directors* composed of representatives of all participating States.

If the principle of an *operations account* opened by the French Treasury were maintained, the *French Republic* would have *equal representation in the Board.*

- The *operations concerning the issue of currency* would be fixed by the statutes governing BCEAO and would be identical for the whole zone.

The Board would decide upon the modalities for enforcing the rules laid down by the statutes, especially in respect of credit, discount rates, and other operations.

2) However, the specific monetary position of each State could be determined :

- *Banknotes* would be *individualized* by a fairly visible alteration, making it easy to identify the State in which they were issued.

Government funds and banks could re-circulate only banknotes that bore the distinct sign of the State in which they had their headquarters and would have to redeposit the others with BCEAO.

BCEAO would assign these banknotes to their branches of origin and return them to the branches concerned or destroy them on their account if they were too worn out.

- The Central Bank could thus individualize the monetary position of each State :

. Considering as liabilities, *fiduciary circulation* (subject to banknotes of a State circulating in another State and not yet returned to a bank or government cash counter) ;

. Considering as assets, the *credits* granted and the *foreign assets* of that State. Their accounting would be possible due to the fact that all foreign settlements would be carried out through the Central Bank and by ascribing all the banknotes entering BCEAO's funds to the issuing State.

3) The facility of granting credits and, therefore, of creating currency, would be decentralized at each State level, to the extent that this local creation would not harm the interests of other participants of the Monetary Union.

In every branch of the Central Bank, there would be a *Monetary Committee* (in case the currency benefited from the operations account, some French representation would have to be provided in the Committee).

This Committee could decide on short-term credits (subsequently and within certain limits, medium-term credits) in conformity with the general conditions fixed by the statutes of the Central Bank and as per the implementation modalities decided by the Board ; depending on a certain ratio - to be determined - with the foreign assets of this State (after deduction of contributions to a common fund).

Within these limits, the determination of the break-up of credits would be the responsibility of each State.

4) Solidarity between the participating States would be implemented by the Board

- The Board of Directors would examine the credit applications that local Committees could not accept because their decision-making power had ceased and the Board could give them a favorable decision.

- It would decide on medium-term credits that did not come under the authority of the monetary committees.

- In case a State exhausted its foreign resources, the Board could help it :

- On the one hand, by examining measures to be taken to re-stabilize the situation ;

- On the other hand, by granting it advances :

. either from State-to-State loans ;

. or common resources (balances of resources that cannot be individualized, contributions from States) ;

. or from the operations account opened with the French Treasury.

Thus, by knowing the position of each State, through the individualization of banknotes and coins, it would be possible to give each State its own opportunities by exchanging corresponding responsibilities and risks, while maintaining West African solidarity.

Equipped with all these points of view, BCEAO officials went on to meet those of the French Administration.

i - Joint action by BCEAO and the French department officials on West African monetary reforms

1 - Presentation of the problem

Other than the correspondence addressed to French authorities, a sensitization meeting was organized on 25 October 1960 at the Ministry of Economy and Finance, under the chairmanship of Mr. de Lattre, Director of Cabinet, with the participation of Mr. Sadrin, Mr. Perouse, Mr. P. Calvet, Mr. Tézenas du Montcel, Mr. Julienne, Director of Foreign Finances, Director of the Treasury, Deputy Governor of the "Banque de France", President of BCEAO Board of Directors and Managing Director of BCEAO, respectively.

Discussions were held on monetary reform in West Africa.

The assessment of the situation by BCEAO officials was that since their independence, Member States of the West African issuing zone, even for reasons of timeliness, did not wish to immediately modify the monetary *status quo*, considering it nevertheless as a de facto status.

Legally, they considered themselves free from any commitment towards France.

In addition, they did not want to recognize the rules and institutions arising from the French texts as having any restrictive force.

On the political front, African governments especially considered that the bank was a feature of the colonial regime. States had not participated in the preparation of the texts that governed it and while they were participating in its management, the composition of its Board of Directors ensured the predominance of the French side. Even after the reform implemented by the ordinance of 4 April 1959, the idea, still logical and acceptable within the framework of the institutional Community, became half-baked when considered in the context of the contractual Community, that is to say, with the total independence of States.

It could only change if there were a Multilateral Co-operation agreement on the regime and the status of the issuing house. Without such an Agreement, it was utopian to contend that a currency-issuing regime could be maintained through a series of bilateral conventions concluded successively in different political conditions and giving each State the option of denouncing them unilaterally.

It was true that, since the break-up of Mali and the proclamation of the independence of Togo and the States of the "Conseil de l'Entente", the monetary system and the Central Bank were legally "up in the air" in all the States of the zone except in Mauritania.

However, it was not only a question of the monetary regime not being legally adapted to the political and institutional developments of States. Technically, the regime did not perfectly satisfy the concerns of governments and was incompatible with the objectives that they pursued.

Apart from the financial risks - the problem of cash and credit granted – these two inadequacies exposed France and the Central Bank of West African States to the political risk of being suddenly placed before unilateral initiatives prejudicial to the interests and prestige of France.

Whence the necessity and urgency of a reform. Three essential questions arose therefrom :

- Could these countries conceivably remain monetarily united ?

- What were the types of solutions that could be thought of ?

- How could the change from the current situation to one of the solutions be initiated ?

2 - The elements of a solution

1) The chances of survival of the West African Monetary Union

According to BCEAO officials, they had to be assessed from two points of view - political and economic.

- At the political level

Officials considered that, independent of any economic or monetary factors, divisional movements were fermenting in Africa to a large extent, in general, and were very real between concerned West African countries. "Balkanization" could possibly take place there in the near future, despite the ideal of African unity.

- At the economic level

The balance of payments of each country concerned with the rest of the world was not known. One could have the false impression that none of them was in a serious state of imbalance.

2) Conceivable solutions

Nonetheless, according to BCEAO officials, if extreme solutions were discarded, namely, on the one hand, the unlimited guarantee of the CFA Franc by France, based on extremely close supervision and, on the other hand, the disintegration of the zone, *two types of solutions* were conceivable, each including an entire range of variants :

- Maintaining a *single currency*, with diversified banknotes and coins per State or group of States (formula A) ;

- Constitution of *different currencies* per State or group of States, closely united in monetary matters (formula B).

For BCEAO officials, these two formulas offered solutions that seemed to be different but were not so in reality, because in the minds of their promoters :

- Banknotes and coins individualized by State or group of States would have the same definition and the same parity ;

- They would be unlimited legal tender between individuals within the entire area of the monetary union ; they would have to be accepted at all government and bank funds ; government and bank funds could not, in each State, re-circulate the banknotes and coins bearing the mark of other States. The States would purchase their circulation at par and the multilateral clearing would be done in one case by the *Central Bank* and in the other, by the *central body of the Monetary Agreement* ;

- Operations concerning the issue of currency would be defined identically for all States, either under the provisions of the statutes of the Central Bank, or by the inter-State monetary agreement ;

- Credit rates would be fixed by uniform rules ;

- *Foreign assets* of each State would be individualized only in French Francs ;

- The *power to create currency*, by rediscounting or granting advances to the State, would be decentralized at each State's level - depending on the foreign assets of the State concerned (this power would be granted, in one case, to a *local committee* set up in the Central Bank's branch and, in the other case, to the *issuing house of the State* in question) ;

- *In case of a State facing difficulty* resulting from the exhaustion of foreign assets, *mutual assistance* would come to rescue : its credit requirements as well as the means to satisfy them and the conditionalities of such means would be examined jointly, depending on the case, by the Central Bank's *Board of Directors* or by the *Steering Committee* of the Monetary Union ;

- The *operations account* with the French Treasury would disappear. A *credit line* would be opened in the Treasury or in the French Bank, in the name of either the Central Bank or the West African Monetary Union ;

- The presence of France, not at the level of the monetary organs of each State (except subsequently by way of technical assistance) but, at the level of the Union's *central organs* (Central Bank or the Steering Committee) would be justified by monetary co-operation expressed in terms of the said line of credit (or drawing right).

BCEAO officials considered that formula B was more flexible by virtue of its possible developments that could go to the extreme of individualization with the minimum formal elements of a break-up. However, because of these very reasons, "it included the maximum attractions of unlimited individualism and could accelerate the process of breaking-up of the monetary zone".

They thought that "if the political evolution of this part of Africa leads to "Balkanization" through the play of rivalries between government setups, accountability will be evoked and a hunt for the culprits will begin, to take legal action against them ; and France must do its best not to figure amongst the accused, at least to set up good alibis".

They wondered whether it was desirable to use the two formulas, A & B, taking into account their respective virtues, by way of *two steps* towards a *progressive solution*.

Formula B could be considered as more in conformity with prevailing trends in several States concerned, but, it went to the extreme of an individualization that had not been tested and which, perhaps, had surprises in store.

During a transitory period of two or three years, formula A could help in learning about individualization in a community spirit, it being understood from the beginning that at the expiry of this period, parties would discuss the timeliness of passing on to formula B or extending formula A, at the risk of amending it, if the need arose.

The uncertainty experienced by certain African States regarding their future orientation as well as certain elements of the French situation, argued in favor of such an interim solution.

Further, it was advisable not to take for granted reactions of African States on such a question. Whence the third of the aforementioned questions : which procedure was suitable for initiating the reform ?

3) The procedure to be followed for the reform

BCEAO officials emphasized that whatever the risks, one had to choose the lesser. It therefore appeared preferable that :

- France should take the initiative for the reform :

• France was being accused at the time of wanting to hold on to the past ;

• Any initiative taken by an African State would be suspect for some other State or may harm its self-respect ;

• It was difficult to imagine a joint initiative by the African States concerned ;

- This question should be treated at a multilateral conference attended by France and the African States concerned, bilateral procedures being inadequate for the purpose.

If these two principles were approved by the French Government, it was advisable to quickly follow suit therefrom :

- With respect to future bilateral economic and financial negotiations with Senegal, the four Entente States, and Togo and Mali subsequently, by "freezing" monetary problems during negotiations, referring modification to the clauses in force back to a monetary round table conference.

- With respect to the next BCEAO Board of Directors meeting to be held in Cotonou on 19 November 1960 and which was to especially deal with the individualization of the denominations. This would enable taking up a debate on the future of the monetary zone.

In case of failure of these two opportunities, or concurrently with them, the means to introduce the debate had to be finalized.

The specific problem of the identification of banknotes finally came before the Board of Directors.

j - The question of determining fiduciary circulation per State before the Board of Directors

This question appeared in the course of various contributions as one of the main aspects of the unity-individuality dilemma, which was to be the focus of the debate on the construction of the Monetary Union.

It all began with the change in the name of the Issuing House of AOF and Togo on 19 April 1959 ; new denominations of the "Central Bank" type had to replace the old ones.

On this occasion, the Board of Directors, concerned about preserving the unity of the issuing area, opted on 8 October 1959 for the issue of uniform banknotes for all States.

Meanwhile, each State wanted to know its own position in the fiduciary circulation. Thus, other than the recommendations of the Denizet report, the Franco-Malian Agreements of 22 June 1960 provided explicitly that the Central Bank should seek the best means for determining the volume of banknote flows between the Federation and the other States of the Monetary Union (Article 26).

At the Board of Directors' meeting of 7 May 1960 in Bamako, the Bank's top management informed the directors that achieving the objective involved the identification of the denominations per issuing State and forbidding the government or bank funds and the Central Bank in each State from re-circulating the denominations of other States received at their counters.

This identification could be done as per two procedures - either by a barely visible mark that would not attract the attention of the bearers but only of the receiving counters, government or bank, or by an apparent sign, the simplest being overprinting the name of the issuing State, right at the beginning.

The management added that irrespective of the additional sorting work and the increase in the overheads for maintaining the circulation, one could say that the first method was far from perfect in terms of its implementation and conclusions, which were often debatable. It left the Monetary Union to continue only in name and led to the individualization of monetary reserves per State, with the risks of break-up that this encompassed.

The second one was easier to achieve and more accurate, but, it still deviated from the principle of the Monetary Union, all the more so because the inter-circulation of overprinted banknotes would be difficult to maintain due to the inflow of banknotes of other origins in certain States arising from the volume of trade flows.

However, if one dispensed with the identification processes in order to maintain a "total monetary union", it would become necessary to confine oneself to a statistical evaluation of banknote flows between States and therefore, a purely statistical evaluation of the balance of transfers between each of them, with the exception of their own fiduciary circulation. This was what the Franco-Malian Agreement stated.

The top management stressed the practical difficulties of conducting such surveys, which, based on the listing of serial numbers and alphabets during cash transactions constituted a lot of work. The surveys, consequently, would have to be framed and conducted for all the banknotes received, re-circulated and destroyed by the Central Bank.

The opinion of the Board subsequent to this presentation was that one must not take any measure for "territorialization of banknotes" that would be prejudicial to the Monetary Union, believing that the clauses provided in the Franco-Malian Agreement appeared to be the objectives to be retained.

Meanwhile, the top management did not miss the opportunity to insist on the great difficulty of implementing this procedure and the heavy expenses it involved.

The discussions stopped there and resumed during the Board of Directors' meeting held on 19 November 1960 in Cotonou.

The Chairman informed the Board that research had been undertaken in collaboration with INSEE[63] experts. Surveys had been conducted in Bamako, Cotonou and Lomé as well as in Paris for banknotes swapped by the "Banque de France".

Studies revealed that the observation of banknote flows to the funds of the branches neither enabled establishing the fiduciary circulation in each State nor the real banknote flows from one State to another, revealing only the "responsibility" of each branch in the issues of currency on the whole.

Moreover, these partial results could be obtained only through complicated and expensive work, as and when the denominations in circulation were substituted by new ones and when the Bank took over cash services completely.

63 "Institut National de la Statistique et des Etudes Economiques" (National Institute of Statistics and Economic Studies).

Hence, one would have to wait for 3 or 4 years, which is a long time if one wants to use these assessments in order to determine the specific monetary position of each State and estimate each one's reserves.

It was therefore concluded that all the objectives set forth could not be attained and also that in a short period, except by making it compulsory for banks and government counters in each State not to use banknotes issued in other States but to return them to the Central Bank which would be left to return denominations thus collected to each of the issuing branches concerned.

For this method to be put in practice, there was a need for an easy identification of the denominations by the issuing branch or the issuing State.

The Chairman of the Board of Directors specified that this measure had been rejected until then because it seemed to be inconvenient. If, nevertheless, States of the issuing zone were keen to ensure a quick and precise appraisal of national economic positions, it would be necessary to take such a measure and decide to proceed, at the earliest, with identification in question.

From a strictly technical point of view, this procedure did not at all mean a reform of the issuing zone, but technical considerations were not the only ones to be retained. He asked directors to express their views.

Mr. Paulin Eklou[64] indicated that the Togolese government was, in principle, in favor of the technical plan for identification but opposed to the idea of a visible inscription of the name of States because he foresaw the risk of disturbance in the political situation.

Mr. Karim Gaye (Senegal)[65] expressed the general feeling of the Board by recalling that two issues had determined and dominated the research undertaken - that of gaining better knowledge of fiduciary circulation and avoiding "monetary Balkanization" by using denominations specific to each State.

"One had believed, so far, that the two concerns could be reconciled by envisaging distinct signs that would not be visible to the public. If, on the contrary, one feels that technically, it is necessary to proceed with a visible identification, it could have political consequences affecting the fate of the West African Monetary Organization".

He suggested that this problem should be raised in an inter-State conference in which only governments that were competent to define a common stand in the matter should participate.

Strengthened by all these elements, BCEAO management drafted a report on the reform of the issuing zone destined especially for the authorities of the African States.

[64] Technical Advisor to the President of the Republic.
[65] Minister appointed as the Chairman of the Board in charge of Development, Planning and General Economy.

Karim Gaye (page 110)

k – Report of BCEAO staff on the problems underlying a BCEAO reform

This report, dated 10 January 1961, was drafted with the approval of the French Minister of Finance and the Secretary of State of the Community and mainly circulated to African governments, Administrators and certain personalities.

It was entitled, "Problems underlying the reform of the West African Monetary Union".

According to BCEAO's departments, since 1958, far-reaching political transformations had completely changed the status of all African States, which, before this date, were Overseas French territories or territories under French trusteeship. By the Referendum of 27 September 1958, eleven of them had agreed to become autonomous States, members of the Community, while Guinea opted for immediate independence.

During 1960 and by way of agreements transferring powers that had so far been considered "joint" powers, the eleven African and Malagasy States of the Community became independent, in turn. Some of them, at the same time, finalized co-operation agreements with France ; others did not immediately legally define new relations specifically with France. Cameroon and Togo proclaimed themselves totally independent during the same year.

Meanwhile, overall, leaving aside the case of Guinea, which created a completely independent currency on 1 March 1960, the monetary regime of other States did not undergo any transformation.

Acting in conditions of complete sovereignty and after having inserted the clause pertaining to the right to create their own currency in the co-operation agreements with France, the Equatorial African States, Cameroon and Madagascar decided to continue with the fundamental rules of currency issue previously in force. Nevertheless, there were major modifications in the case of the institutions - the creation of a Malagasy issuing house and modifications in the working rules of the Central Bank of Equatorial African States and Cameroon.

In West Africa, only the Franco-Malian Agreement dated 22 June 1960, confirmed by the Republic of Senegal, came into force on that day[66]. The clauses of this Agreement introduced reforms in the modalities governing the functioning of the Central Bank, without however, modifying the fundamentals of the issuing regime.

In any case, major modifications concerning the entire issuing area could not have been decided by an agreement limited to only certain States.

Thereafter, the report, in three parts :

- Recalled the working of the monetary system ;

- Indicated its advantages and the points that could be criticized ;

- Showed various formulas that could be considered if one found its development necessary, as much for the internal affairs of West Africa as for its foreign affairs.

1 - The system

It was characterized by :

- A perfect monetary union in West Africa at the internal level ;

- A profound integration in the general system of the Franc Area at the international level.

1) Relations between West African States

The report emphasized that the monetary union was perfect in the sense that interested States constituted a single territory from the point of view of currency. Banknotes were absolutely the same without any differentiating sign and were in circulation everywhere. Postal and banking rules could be freely enforced between these States.

On the other hand, the specific monetary position of each State could be determined. Each of them would surrender the personal right to exercise prerogatives in currency matters arising from accession to total independence. Each one had to assign the rights and especially all the decisions regarding credit matters to an Inter-state body - the Central Bank. *It would also have to agree upon co-ordinating its economic and financial policy, whose monetary effects were evident, with the policy of its partners.*

[66] The Republic of Soudan, which became the Republic of Mali, declared void the agreement formerly finalized by the Federation of Mali.

2) Relations of West Africa with foreign countries

- The relations of West Africa with France were characterized by a high economic and monetary integration.

The CFA Franc was defined in relation to the French Franc.

The French Treasury guaranteed this parity and was committed to granting necessary advances in French Francs to cover the Balance of Payments deficit of each issuing zone[67]. The issuing houses were thus sure of being able to pursue their operations without having to, if occasion arose, modify the parity of their currency and without being constrained by currency requirements to institute a control over transfers with respect to countries of the Franc area.

On the other hand, France and the main monetary institutions of the Franc Area were associated with the African States for the management of the Central Bank, on the basis of equal representation.

- All the African States of the Franc Area would have the same monetary regime.

Although composed of three different forms of fiduciary circulation, the currency unit would be single - the CFA Franc, which had a single legal definition and a parity.

This single currency would be issued by three different institutions, which would enable a better adaptation to local conditions of issue management and credit distribution (BCEAO, The Central Bank of Equatorial African States and Cameroon, and the Issuing House of Madagascar).

In spite of this plurality of issue, the currency unit of the three zones would be maintained, thanks to the French Treasury, which played a fundamental role. The French Treasury would be committed to ensure, through operations accounts opened with the three issuing banks, the automatic solution of all balance of payments problems, on the basis of guarantees mainly consisting of French participation in the management of these institutions and adopting French rules for the control of payments with foreign countries.

Hence, it was through France and the French Treasury that the three CFA Franc issuing areas would truly constitute an "African Financial Community".

- In their relations with foreign countries, States could benefit, for their supplies, from foreign exchange quantities greater than they themselves earned. In fact, France, responsible for ensuring the balance of payments equilibrium in the entire Franc Area, would make supplementary foreign exchange available to them depending on the general current assets of the area; and the mechanism of the "operations account" would enable them to ensure payments in foreign currencies even in case of a balance of payments deficit.

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67 "Operations account" system.

In return, exchange regulations with respect to countries other than those belonging to the Franc Area had to be identical to the French regulations[68]. All foreign assets of each issuing area would be the French Francs deposited with the French Treasury (operations account).

The foreign exchange settlements of the nationals of the three issuing area countries would be made by purchases and sales in the foreign exchange market in Paris, under conditions identical to the ones applicable to French residents.

The document continued with its analysis by evaluating the system.

2 - Its evaluation

1) The advantages

This system, according to the report, offered great advantages :

- In case of West Africa, it ensured an economic cohesion advantageous for development. Trade, especially African trade, which used banknotes for a majority of settlements, did not face currency difficulties. Migrant populations (workers, travelers) did not face any problem of this nature.

Therefore, the decision to break the West African currency unit would constitute an exceptionally serious step due to its consequences in the long-term. Except in the case of Guinea, the unity of the monetary zone was the only element still intact from what used to be a political and economic unity. The other common organizations such as the Customs Union had largely lost their united characteristic.

- At a wider level, that of the entire French African area, it ensured the most perfect unity one could ever imagine in money matters.

- At a more general level, it gave the currency a solid base since the latter did not depend only on the economy of a State, but in the first stage, on the whole of West Africa and in the final analysis, on the entire economy of the Franc Area.

It gave great facilities to States for their supplies and offered an easy solution to Balance of Payments equilibrium problems.

In spite of all these advantages, the monetary system was a subject of criticism, according to the report.

2) The criticisms

Criticism was mainly based on the fact that the system was no longer adapted to recent political developments and the complete independence of States.

- On the West African side, the former political group having ceased to exist, the situation of a perfect Monetary Union seemed overtaken by events.

[68] This unity of exchange regulation was necessary for transfers to be freely made from France towards Africa.

First of all, *each State*, by the decisions it took at a purely national level in the financial and economic fields - public finance, trade, social policy, economic orientation, development, etc. - *already took unilateral measures concerning the monetary position of the whole group*. It was neither possible to determine how each of them faced the consequences of measures taken by the others that were perhaps not in conformity with their own economic policies nor was it possible to measure the effects thereof.

Moreover, either economically hostile or transfer control measures had been taken between countries of the issuing area, which were contrary to the very principles on which the Monetary Union was based. This *inconsistency*, bearable for a transitory and limited period, could, if it were prolonged, dangerously become deeper and deeper, as individual initiatives in fields closely related to the interests of the union were not likely to be approved.

The powers that the States were obliged to delegate to an Inter-State monetary organization in respect of credit matters - owing to the fact that the latter was an essential element in currency creation - *limited their freedom of action* concerning an important instrument of *economic policy*.

- As regards Franco-African relations, the report emphasized that one could contend that *French participation in the Central Bank's management* and its importance, *would no longer be in line with the new political relations*, although it would be in return for the commitments made by France.

Besides, certain States could feel that if the economic and financial policy remained largely integrated in the common policy of the Franc area, as in the past, they would not have an adequately *"fair free hand" for their development requirements*.

Lastly, they could desire greater independence thereafter in their dealings with foreign countries.

Given this background, various formulas, likely to satisfy the desires thus expressed while remaining coherent, were examined.

3 - Various modalities of development possible

They were envisaged from two aspects :

- Relations of West African States with France and foreign countries ;

- Relations between themselves.

1) Relations with France and other foreign countries[69]

The document observed that while Equatorial African States, Cameroon and Madagascar had proceeded with major structural reforms in the context of their internal monetary organization, on the other hand, the general regime of their monetary relations with France and other foreign countries seemed to offer them more advantages than disadvantages since they confirmed its continuation in the economic co-operation agreements finalized with France. It added that it was advisable, meanwhile, to examine the possible solutions if West African States desired to end it as far as they were concerned.

[69] Irrespective of the regime adopted in the relations between West African States, be it a single Central Bank or separate or coordinated national issuing houses, the general problem of relations with foreign countries arose in the same terms, with the exception that its solution would be all the more balanced when the States were better grouped (sic).

"Initially, one can eliminate the hypothesis of a *change in the monetary area* or attempts to constitute a *purely autonomous monetary area*, even if it were apparently only for reasons of pure fact, such as the importance of the relations that will continue to be maintained with France".

According to the report, the first hypothesis *would not be based on any reality* and would be applicable only at the cost of a complete economic upheaval (foreign economic relations, public finance, pricing elements, etc.) and could, in addition, lead to the break-up of the issuing zone.

In the second hypothesis, West African States would have to adopt *a strict policy of equilibrium vis-à-vis the outside world*. This position, obviously uncomfortable and difficult, would make them contain their policy within a rigid economic environment, dominated by the requirement of permanent balance of payments equilibrium. Such an equilibrium could undoubtedly be sought by foreign competitors but the latter would have to make up for the slowing down of private investments caused by the monetary risk involved and, at the same time, be balanced themselves.

This solution presumed, in any case, that all the interested States would stand by an adequately uniform plan, both in their orientation and in their means. One should not underestimate the fact that such a strict discipline, enforced in the entire West African issuing area, would include a risk of monetary break-up in the long-term. Under these circumstances, it seemed difficult even to think that cohesion could be maintained between the three CFA Franc areas.

. Continuing with its analysis, the report indicated that normally, one could think that the relations that would be maintained with France would lead African States to finalize arrangements to establish individual relations with this country. Besides, these relations constituted the common factor enabling the establishment of a certain co-ordination for the whole African group.

As desirous as the States may be to diversify their economic relations and develop their relationship with countries other than France, the economic and financial flows linking them with the latter would remain important, especially if France continued to contribute to their development to a large extent. It was likely that they would continue to be higher than inter-African flows for a long time.

On the basis of this situation, for all practical purposes, it seemed that the *monetary reserves of African States would still be constituted of French Francs to a large extent, normally, for a certain period at least, and that the demand for this currency would remain high.* Even without institutional links, this state of affairs would already constitute a specific relationship. The *linguistic* and *cultural* links would work in the same direction.

The individual links would be expressed by close relations between the West African issuing house (or issuing houses) and the "Banque de France", for harmonizing their general policies, but would also be able to go further and have to be institutionalized thereafter.

Since the benefit of the "*operations account*" was related to a certain number of conditions that had already been enumerated, the French Treasury could agree to continue it, if the conditions remained in force. If this were no longer the case, if for example, the transformation of the issuing house did not ensure France's presence - considered indispensable - in its management, one could not expect the French Treasury to continue to provide an unconditional guaranty for the currency.

However, France could still accept to provide monetary aid, over and above an economic and financial aid, to West African States. In this case, it would no longer be a question of an absolute and unlimited commitment to settle their balance of payments deficits, but rather of the *possibility of having recourse to advances of the "Banque de France"* for a *determined amount*. This facility would enable these countries to face a limited deficit, go through a difficult period, and have time to take and allow necessary measures to improve a monetary reserves shortage situation.

As regards relations with foreign countries, aid granted by France and the freedom of management specific to States would depend on relations of a more general nature that would be established with France. Various formulas were possible to ensure that States concerned would have a "foreign exchange" position constituting adequate autonomy : allocation of limited drawing rights, covering of import programs whose components could be very carefully modified[70]. In any case, it was obvious that the more States tried to assert their "currency" autonomy, the less France would be inclined to participate, in return, in balance of payments equilibrium.

The report then examined inter-African relations in the hypothesis of a modification of the relations with France.

It stated that since Equatorial African States, Cameroon and Madagascar had already opted for the continuation of the original regime, the relinquishing of the same fundamental rules by West Africa would mean the end of the "African Financial Community" in its prevailing form of a small monetary entity.

However, it was possible to contemplate and organize a certain monetary co-operation between interested African States.

In fact, this could be the objective of an "*African Payments Union*" of the "African Financial Community", which, between the various African States and their Central Banks, constitute a clearing agent for their mutual settlements (although they were not very voluminous), and especially a body for permanent co-operation and mutual assistance in the monetary field.

All the same, in the hypothesis of such a "Payments Union" bringing together States that had operations accounts and those that did not, it would be advisable that France be associated with the Union, because the functioning of the Union would call into question a certain form of using its assistance and an indirect extension of this aid, geographically.

[70] This aid would be negotiated separately for each State, which would not necessarily prevent the issuing area from having an overall "foreign exchange" position if it were decided to give it a unitary form (sic).

The report stressed the fact that this formula would pose serious risks to France, more so because it attempted to unite States whose monetary relations with the French Franc would be based on different mechanisms. Therefore, it was not certain that it would be accepted. If this formula took shape in the meantime, greater emphasis would have to be laid on co-operation rather than mutual assistance as such.

If, later on, developments called for French financial aid to be extended everywhere in the form of limited "drawing rights", one could contemplate that the latter be granted to this Union and not to each issuing area, the African Payments Union becoming the co-operation instrument between France and all the other States.

The African Payments Union thus constituted by French speaking countries, could be the nucleus of an open organization, which other African countries could join in the future, when respective developments allowed it.

"While waiting for such developments, it seems that an association with the French Franc in the general conditions indicated above would enable very good relations with neighboring African countries belonging to other monetary zones".

2) Relations of West African States between themselves

According to the report of the Union, it was possible to move on to monetary pluralism, but intermediate solutions could be considered :

- Monetary pluralism

In this hypothesis, each State would express its own sovereignty by creating its own currency and own issuing house. These currencies and institutes would be foreign to each other and the West African issuing area would be broken up. Each of the States would establish separate relations with France and other foreign countries.

It could thus design its own credit and economic policies and its development program without having to bother about co-ordinating them with those of its former partners. However, it would be completely responsible for its decisions and would face the consequences, especially in respect of foreign reserves. Its economic relations with its former partners of the former Monetary Union would be based on its foreign currency assets and could thus be subject to disturbances such as those caused by variations in parity of various African currencies or measures aiming at limiting (or even preventing) the outflow or recovery of banknotes.

The narrow base of each national currency would make it more difficult to maintain a regular flow of economic relations with foreign countries. Besides, isolation would increase the risks of confrontation with more powerful neighboring African countries, especially outside the Franc Area.

Undoubtedly, it would be partly possible to counteract these disadvantages by agreements, especially with France. However, West African solidarity would have been broken.

- Interim solutions

The document observed that it seemed less desirable, during the period of regrouping, to adopt the formula of dissociation. It would be advisable to seek a formula that ensured some minimum centralization and co-ordination in the monetary policy, while enabling other States to clearly view their situation, and thus, to be able to express their respective positions without prejudice to the entire group of participants.

It could be envisaged that this be achieved either by first "breaking-up" the issuing area and then "topping" a group of national banks by a common apex body for monetary co-ordination, or developing the present structures of the Central Bank in the spirit of greater decentralization.

. National Banks "topped" by a common centralization and monetary co-ordination body

In each State, a National Bank would be created for issuing its specific currency bearing its own labels.

But Inter-State agreements to be concluded would provide that each issuing house would be responsible for purchasing the banknotes issued by it and which would be in circulation in neighboring States, and paying the others for them, at the official exchange rates, in their currency or in foreign currency. These conditions for recovery would enable the same agreements to provide that banknotes issued by one or the other institute would be redeemable in the entire territory of the former West African issuing area.

The co-ordination aspect would be the responsibility of an "*African Payments Union*" responsible for clearing payments, ensuring co-operation in the form of loans and co-ordinating the credit policy. In order to be able to organize the clearance of banknotes regularly, the Payments Union - managed by a Steering Committee - would have to know accurately not only the accounting elements necessary for these clearing transactions but also the exact position of each issuing house.

These reciprocal settlements, which alone would enable a certain inter-circulation of banknotes, would be based on the presumption that each State should be, at any time, in a position to settle its debts or obtain loans from its partners. The Payments Union would have to, for this purpose, envisage all useful measures and especially formulate recommendations and take, if necessary, decisions regarding the recovery of national positions. Hence, it would be advisable that the general conditions of the credit policy be compulsorily fixed by the Union for various issuing houses.

It would be at the Union's level that the monetary co-operation between West African States and France would be established, while France could provide it with the initial subsidy.

The report considered that while this formula apparently guaranteed the totality of monetary prerogatives to each State, in reality, exercising the latter would be subject to certain limitations, necessary for maintaining a certain community.

Besides, while the objectives of the European Payments Union, which sets a precedent, were to bring in a certain unity in the totally independent regimes, West Africa found itself in a totally opposite situation. Hence, this formula raised the risk of an irreversible break-up of the West African issuing area by abruptly replacing a complete Monetary Union.

The existence of distinct issuing houses, primarily concerned with local problems, would naturally grow by itself in this direction, so strongly that a badly structured Payments Union would not be able to oppose it.

The fatal tendency to diversify denominations issued by each of them would be a physical barrier for inter-circulation and could create a discount on the parity rate in daily transactions among themselves, in spite of the rules laid down for their recovery.

The main foundation of the Payments Union rested on a subject (Inter-State transactions) that was important only in respect of the relations of the States taken in twos (for example- Côte d'Ivoire-Mali, Côte d'Ivoire-Upper Volta, Senegal-Mauritania, etc.), but which would finally remain quite unimportant if eight States were considered together.

"One could wonder whether a West African Payments Union would not find it very difficult to establish its authority and take its decisions and command respect for them. If it were so, it could be feared that the Union would break down quickly".

"Besides, one must ask oneself whether the cohesion of such a decentralized monetary system would be adequate to enable certain States to resist the economic attraction of powerful neighbors", said the report.

. The Inter-States Bank

In this hypothesis, continued the report, the management of the currency issue would be assigned to a *common Bank* managed by an Inter-State Council[71], and the same currency would circulate freely in the entire area.

The possibilities of decentralization would depend on whether each State's position was known or not.

If monetary conditions of States could not be individualized and if one was only able to learn about the overall situation of West Africa, decisions could only be taken by the Council representing all States.

Hence, one could envisage only national advisory bodies that were of the type provided in the convention of 22 June 1960 with the Federation of Mali.

[71] The fact of knowing whether the Council would include representatives of the French Republic was related to monetary agreements with France and especially to the continuation or termination of the "operations account" system. This question therefore arose in a different context (Sic).

But, it was possible to envisage a monetary union regime with a single issuing house, functioning in such a way that monetary conditions in each State could be known, which would enable determining responsibilities and decentralizing decision-making powers.

States of the West African issuing area would retain a single currency, freely circulating between their territories, being legal tender everywhere between individuals and subject to uniform rules vis-à-vis foreign currencies. But a distinct sign by the issuing State, sufficiently visible for quick retrieval, would enable banks and government funds to quickly sort the banknotes issued in a State other than the one where the payment was made and remit them to the Central Bank, the latter being charged with distributing the denominations to the issuing branches. With a distinctly visible sign on the common banknote, denominations circulating in one State and issued in another State would be quickly returned to the Central Bank's counters.

It would then be possible to determine the situation of each State within the Monetary Union - its fiduciary circulation (to a sufficiently approximate degree) and, in consideration of the latter, credits and foreign assets belonging to each State, as much with regard to foreign countries as outside the Monetary Union[72].

The report stressed that one should not ignore the fact that the presence of a distinct visible sign was capable of causing, in the beginning, certain reluctance in the inter-circulation of banknotes. This disadvantage was truly inherent in the system, because given the volume of flows of denominations, resorting to a sign not visible to the public would be unworkable and would provide results that were not at all in relation with the real fiduciary circulation of each State.

To this risk, which was, beyond doubt, the system's major drawback, had to be added drawbacks that were not so major - complications for the Central Bank's sorting department, increased costs of issuing departments and, lastly, the absolute necessity of proper functioning for ensuring the efficient collaboration of government funds and banks.

On the other hand, this formula, the report specified, would make it possible to reconcile :

- On the one hand, for individuals and companies, the main advantages that they gained from the unity of the currency and the unlimited legal tender of all banknotes in all States (maintenance of same figurines and their acceptance by all government and bank funds would normally demonstrate to all that reluctance to accept the currency would be totally unjustified) ;

- On the other hand, the prevailing concern of each State to know its own position, the monetary effects of its economic and financial decisions and the risks that it may have to face if each of its partners were to take similar decisions.

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[72] The problem arose in a form different from that of Equatorial African States and Cameroon, where the low inter-circulation of banknotes enabled the Central Bank to already consider its accounting conditions per State as valid without having to seek an identification of the denominations. Meanwhile, the circulation of Cameroon's own distinct banknotes was scheduled for the future (Sic).

Taking into account the major fund flows by way of banknotes in West Africa, such an individualization would be, in this issuing zone, the prerequisite for any measure that could be envisaged in the future in view of decentralizing certain credit decisions of the Central Bank per State. It would enable, in fact, an assessment of the monetary positions in which the decisions could be taken and at the same time, to measure their impact.

As regards modalities of this decentralization, they should not endanger the unity of the issuing area. The maintenance of a single doctrine, regarding the general monetary policy as well as the qualitative evaluation of risks, and the implementation of solidarity between associated States constituted, by any assumption, the basic conditions for the Monetary Union and presupposed that the Board of Directors would retain its authority[73]. Besides, in case France continued to guarantee the currency, the decentralization modalities would have to take into account its association with the general management of the Central Bank.

This system could be applied either with a *Federal Bank* that would constitute a strong and authoritative apex body for affiliated Banks, which would involve heavy and costly modalities, or within the framework of the *Central Bank of West African States,* whose structure would be modified, the formula offering the advantages of flexibility, savings and speed of realization.

The maintenance of a status quo regarding the various aspects of the West African monetary regime did not appear more adapted to the new circumstances and even presented risks that could not be ignored. However, the hesitation of the States of the West African issuing area in respect of the transformation of this monetary regime was understandable.

On the one hand, deep down, it was a serious decision with serious consequences and certain formulas were irreversible. On the other hand, it would result in new break-ups, which, adding to that of Guinea, would ultimately end in the break-up of the whole of West Africa.

The report suggested that under these circumstances, the direction that should be taken in the immediate term would be to opt for a formula that called into question neither some of the essential principles, nor the membership of the participating States in the West African monetary organization and one that kept all possibilities open for subsequent development.

An internal reform of the existing Central Bank of West African States could, while avoiding the risk of break-up and without calling them into question, adapt the structure of the monetary union to new policy data in the indicated direction of a certain decentralization, coupled with an active solidarity.

[73] In the "Equatorial Africa-Cameroon" area, this decentralization was achieved at the Board of Directors level, in which three geographically competent Committees were constituted (Cameroon-Congo, Chad and Central African Republic-Gabon) (sic).

A solution of this nature, continued the document, which could, in addition, be quickly implemented because it would not require major institutional upheavals, would enable a possible subsequent development, if circumstances ultimately so required, irrespective of the direction - strengthening the common monetary organization which would not have to be broken, relaxation of the organization or possible withdrawal of any of its members. This formula is likely to favor institutional changes that would make it possible to adapt it to the solution provided to solve the problem of the Union's relations with the outside and, especially, the French Franc.

As regards the procedure for studying the reforms and discussing the agreements with France, this would depend on the accepted formula.

The report concluded that quite obviously, a State could not take a unilateral decision on its monetary regime and bilaterally negotiate with France, all the more so that it had opted for an individual monetary regime.

If it agreed to participate in an Inter-State monetary institution, the nature and rules of functioning of the latter must necessarily be collectively established or modified and the modalities of relations with France could only be discussed with all interested parties together.

The debate continued and was enriched by the criticism offered by the Secretariat of State in charge of relations with the Community.

1 - Remarks of the Secretariat of State in charge of relations with the Community on the reform project

In a note in February 1961, the Secretariat of State critically analyzed the draft text on the reform as it appeared, among others in BCEAO document "Basic ideas of a reform of the West African monetary institutions".

This draft, according to the note, raised the following observations :

- The decentralization envisaged was too far-reaching and therefore presented excessive risks.

- The quantitative limitations envisaged toned down these risks only to a minor extent.

- In spite of the provisions aimed at penalizing each State for its mistakes and, in case of depletion of its assets, at appealing, to a certain extent, for help from all the other States (thanks to the establishment of a Solidarity Fund), it was to be anticipated that in practice, France would bear most of the risks whereas the States would assume most of the powers.

- It seemed that these disadvantages would have to subsist, even if limited drawing rights were to replace the operations account, simply because of the maintenance of French management and French participation in the Board of Directors.

1 – Excessive decentralization

The Secretariat of State noted that the solution adopted by the Bank of Central Africa and Cameroon could have possibly inspired the creation of local Committees.

In fact, it underlined that there was a significant difference between the two methods.

In the case of the Bank of Central Africa and Cameroon :

- The Issuing Committees were composed of members of the Board of Directors.
- They acted through the Board's delegation of powers.
- The Chairman of the Board laid down the agenda for their deliberations.
- The Board acted as a court of appeal. The Chairman reserved the power of submitting matters to the Board whenever he felt that the resolutions adopted by the Issuing Committee were disputable.

It seemed that it would not be at all the same for BCEAO. The African governments were to directly appoint its committees and practically keep them under their control, not only as far as their agenda was concerned but also decisions to be taken. The Board of Directors was to be permanently deprived of its powers in all matters falling within the global ceiling limits granted to each State.

In such conditions, the credit policy would be completely dependent on States, within the framework of the ceilings fixed.

2 – Unsuitable and ineffective quantitative limits

1) – The application of the system would be difficult, for, it did not seem easy to determine a satisfactory fixed relationship between the volume of credits and the volume of foreign assets of each State.

On the one hand, States with comparable credit needs would have very different foreign asset amounts at the time of implementation of the reform, and this would mean having to choose between many coefficients.

If the highest coefficient were adopted, would it not lead to granting the "richest" State a credit capacity much higher than what it was using earlier ?

If the lowest coefficient were adopted, would it not leave the poorest State only the most reduced margin of autonomy ?

On the other hand, credit needs could themselves vary according to the circumstances and particularly the size of harvests. Therefore, nothing could be gained by adopting the same coefficient for all States, unchanged with time.

Finally, the calculation of ceilings to be granted to States was based on the assumption that their foreign assets were determined beforehand. How could planned reforms be carried out when individualization of banknotes was certain to take years to be completed ?

It was true that these ceilings could be fixed in an empirical way initially, based on the experience of the previous years. However, as it was anyway not possible to assess the foreign assets of each country, it would be impossible – which was even worse – to make each State bear the consequences of its credit policy.

Unless being forced to postpone the application of the reform by many years, States would have to be granted freedom with neither accountability nor sanction.

2) – In addition, fixing quantitative limits could turn out to be an ineffective precaution in many respects.

- First, quantitative limits could be indirectly circumvented. Particularly, certain States would perhaps be tempted to limit credits to French commercial and industrial firms by speculating on the fact that these firms would transfer from France the funds which local banks, slowed down by the central bank, would grant them parsimoniously.

These States would thus have better autonomy within the ceilings that were supposed to limit them.

- Moreover, the establishment of ceilings would not serve as a protection against qualitative risks.

The temptation would be great for many States to finance unhealthy firms on a priority basis, through insufficiently creditworthy local credit institutions.

They could also be tempted to bail out their deficit budgets, either through direct advances or, if the latter were statutorily prohibited, through one of the many indirect methods that banking techniques allowed to device.

Once their most valued operations were carried out, they would pressurize the Central Bank to obtain additional means to finance applications of unquestionable utility.

Such operations would have repercussions on their foreign assets. Instead of the drain on foreign assets, an indirect consequence of a credit increase, being temporary – since the reimbursement of loans would help reconstitute these assets – they would be drastically cut for a long time.

If these purely financial considerations were to be set aside, it did not in any way seem desirable for an institution with French management to cover unhealthy operations with its legal authorization.

3 – An illusory African solidarity

1) – It was decided that African solidarity would come into play once foreign assets of a State were drained. In other words, State to State advances or drawings from the Solidarity Fund would help the State concerned to reconstitute the whole or a part of these assets.

However, it was also decided that it could resort to the operations account.

In such conditions, it was obvious that the States would refuse to cut down their own assets drastically and every one would agree to consider that it was necessary to make the richer France contribute.

We would have thus practically granted monetary freedom to the States and at the same time, allowed them to continue to gain from an operations account.

2) – It was true that the system could be technically improved.

It could have been agreed upon, before setting up the new mechanism, to constitute a very big Solidarity Fund and to wait for the Solidarity Fund to be completely drained before taking recourse to the operations account.

In fact, the formation of a very big Solidarity Fund, representing, for example, half or even more of the assets of the Central Bank would certainly have met with serious technical problems.

In order to fulfil its objective, this Fund would have to be "frozen" until the depletion of a State's foreign assets forced its use[74]. BCEAO's liquidities would possibly be too weak for the execution of transfers to France. Normal credit expansion could be slowed down. But most of all, it was to be anticipated that the States themselves would straightaway oppose the constitution of a significant Solidarity Fund, preferring to leave to France the job of filling up deficits.

If the formation of a substantial Solidarity Fund were accepted, the effective application of the system would definitely have faced serious problems as long as France, by its participation, was legally committed to the Bank's administration and management and a recourse to its financial aid was possible.

When major drawings from the Solidarity Fund seemed necessary, States with the maximum contribution to its capital formation would inevitably tend to protest. If France refused to make the desired effort, they would threaten to quit the organization. By maintaining its refusal, France would have been held responsible for a break up it would undoubtedly hesitate to provoke. Or else, in order to ensure a friendly climate and because of its generosity, France would compensate the State or States choosing to withdraw themselves from the Bank by covering them for the losses suffered due to their contribution to the Solidarity Fund, so as to enable them to have the liquidities necessary for founding their own issuing house[75].

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[74] It was true that one could think of resorting to this Fund as soon as foreign assets declined, without waiting for them to be completely depleted. However, would it be the same case if the assets of a large number of States reduced simultaneously due to a general expansion of credit ? Since each of the States would benefit from the Solidarity Fund, everything would happen as if the Fund itself did not exist, because contributions made by each State to the Fund would be upset by the drawings (sic).

[75] One could also think of a State with very low foreign assets, which would at some point no longer be able to distribute credit sovereignly through its local committee and that this power had to be taken over by the Bank's Board of Directors. However, politically, such a measure did not seem easy to apply. A State could not be deprived of the freedom given to it. In its eyes, as in the eyes of its public opinion, such a lowering of prestige would be intolerable (sic).

4 – An ill-timed French management

The note considered that in order to avoid the above-mentioned disadvantages, the reform advocated by BCEAO could be linked to the suppression of the operations account, which could be replaced by the opening of drawing rights of a limited amount.

However, it considered that this precaution was not enough to remove the objections that the planned reform contained.

For, when the Bank depleted its drawing rights, it would have been very difficult for France not to increase them. In such a case, in its highest ranks, the institution would have remained an essentially French institution.

In particular, if States made them responsible for such a step, the French managers of the Bank would have hardly been able to refuse, even if it were against their will, to officially advocate an increase in the drawing rights. In a general way, they would have constantly found themselves in the uncomfortable position of having to cover with their legal authority an organization that they were officially managing, without being in the least capable of effectively controlling it.

In the case of such an elaborate decentralization, France would be in a much stronger position to limit its responsibilities and risks by staying outside the institution, instead of staying within it and ostensibly bearing responsibility for it.

Hence, the planned decentralization formula could only be accepted, from the French viewpoint, if BCEAO became completely African ; the note advised the Africans against such a decentralization because of the upheaval and risks of conflicts that it would inevitably trigger.

It finally considered it wiser not to go further ahead with decentralization for West Africa as well as for Cameroon. In such a case, maintaining a BCEAO with French management, opening drawing rights or operations accounts would be justified. "We should not give up the fair principle according to which France could not assume financial responsibility nor commit its legal responsibility unless it retained, for the most part, the effective management of the issuing house".

If not, the Secretariat of State thought that it was preferable to allow the entire BCEAO be completely Africanized, adding that this did not mean that France should completely lose interest for the fate of the West African currency. France could and had to help the new institution by granting limited drawing rights, that could be released in successive installments. Their use would be conditioned by adopting and effectively implementing a rehabilitation plan. Turned into a completely French technical assistance agency, BCEAO had also to participate, especially by providing experts and qualified staff.

It felt that such a formula was, in certain respects, close to the solution envisaged, according to which each State would create its own issuing house. An Inter-African Payment Union would ensure inter-convertibility of the various currencies, partly with French aid.

In both cases, issuing powers would belong solely to the States, which would exercise them either individually or collectively within the Central Bank, whereas France would continue to help them with financial and technical assistance from outside.

The Secretariat of State concluded that the Africanisation of the Central Bank would perhaps entail fewer risk than the solution involving the creation of issuing houses in each State grouped within the Payment Union, since the separate exercise of monetary powers could quickly lead to the death of the common currency.

It added that there was no doubt, in any case, that a purely African Central Bank would resist foreign penetration attempts better than isolated issuing houses.

With all these contributions, the various aspects of the subject were sufficiently defined so that the diplomatic and then technical phases could be dealt with within the framework of several monetary conferences, followed by final negotiations.

C – Monetary conferences

The principle of holding these conferences was drawn up at the initiative of the French government.

a – The French Government initiative

With the help of the Representation of France and of the Community to African States, a letter was submitted to each President at the end of February 1961 by a Special and Plenipotentiary Envoy. The terms of the letter were as follows :

"The Government of the Republic of France requested me to bring to your notice the following :

The evolution of the political status of West African States makes it necessary to improve the monetary system of this issuing area.

It is, in fact, not possible to continue with the present situation without facing serious inconveniences :

- On the one hand for States, which would not be able to pursue their own economic policies without having replaced a precarious system, with a definitively established system according to the choices made and which, moreover, would be greatly damaged if any one of them unilaterally decided to leave the issuing area because of this reason.

- For France, on the other hand, which could continue to bear monetary responsibilities and risks only to the extent to which it could evaluate their consequences.

- Finally for the Central Bank, whose good management, in the best budgetary interests of the associated States, is becoming more and more delicate in the present uncertainty.

Moreover, legally, the monetary system of the West African States remains to be defined because, in any case, the changes planned by the Franco-Malian agreements have been implemented only in Senegal. As for other States, in the absence of a formal convention, a de facto system was being tacitly maintained. As far as Mali was concerned, this system, essentially uncertain, became void from the time the Government of Mali called into question all its relations with France.

Therefore, an exchange of views between all member States of the West African issuing area has to take place urgently.

On this occasion, each State could express its desires and share its intentions. The various formulas for the future reorganization of the issuing system could be found jointly.

The French Government is associated with the West African States in the present system by the guarantee it provides to their currency, which it should safeguard, and the assistance that could be asked of it. It is anxious to state that it is ready to maintain its present assistance if States so desire or to accept the establishment of a new system on the formal condition that in each case, its commitments and risks are strictly proportional to its responsibilities in the functioning of the monetary institutions.

The French Government proposes the first days of March as the dates to be fixed now by common agreement for holding this monetary conference. As for the venue of the meeting, it would be keenly interested in hearing the suggestions of the African States and would willingly accept to hold it in Paris, if they so desire.

It seems that the experts' meeting would only prove useful if the Governments have decided on the political stands they would adopt in this matter. Therefore, it would be indispensable to bring together all the ministers duly mandated for this purpose by their Governments.

The French Government finally stresses that in its opinion, the organization of this conference in no way predetermines the discussions that are to take place shortly with the Entente Council's member States for signing the co-operation agreements. In fact, as stated hereunder, France believes that the monetary question has to be discussed jointly by all the States concerned".

With the problem so clearly defined, it was up to the Africans to propose a solution.

b – The perception of the problem on the African side

Following the letter from the Special and Plenipotentiary Envoy of France, Paul Darboux, the Minister of Trade, Economy and Tourism of Dahomey, reported to the Council of Ministers of his country, referring largely to the terms of BCEAO report of 10 January 1961.

In substance, this speech could be considered as the perception of the problem by the African States concerned.

"Vide letter no. 57/SJE of 28 February 1961, his Excellency, the Special and Plenipotentiary Envoy of the French Republic to the Dahomey Republic, drew the attention of the government to the need for a possible change in the monetary system of the issuing area of French speaking West African States, necessitated by the political evolution of these States. For this purpose, the French Government proposes a meeting of Experts, but which, in order to be useful, should take into account the political stands taken by Governments on the issue. For this reason, the meeting should follow a meeting of Ministers duly mandated for this purpose by their Government. The French Government hope that these meetings are held quickly and propose Paris as the venue.

Whatever the method or formula selected, it should be borne in mind that if France offers its assistance, this assistance would only be offered to the extent that its commitments and risks are strictly proportional to its responsibilities in the functioning of these new institutions.

The choice that the Government of Dahomey will have to make could be facilitated by briefly examining the monetary system currently in practice.

1 – Monetary system in practice

The current monetary system is characterized by :

- An internally perfect monetary union of French-speaking West African States.

- A wide-ranging integration in the general system of the Franc Area as far as foreign relations are concerned.

1) – West African inter-State relations are as follows :

- The Monetary Union is perfect since the States concerned constitute a single monetary territory. The banknotes are the same, without any distinctive marks, and circulate everywhere. Bank and postal payments are freely carried out between States.

- On the other hand, the specific monetary position of each State cannot be determined, each one having given up its prerogatives in monetary matters acquired as a result of attaining independence. Each State had to delegate them to an inter-State body, the Central Bank, particularly all decisions pertaining to credit. *To be part of the system's logistics, each State had to agree to co-ordinate its economic and financial policy - whose monetary effects were obvious - with those of other West African States.* At present, we can only note a complete absence of co-ordination in this field.

2) Relations of West African States with the outside world are presently characterized :

- By a high degree of economic and monetary integration with France due to the fact that all the States of the Franc area have the same monetary system ;

- With other countries, by the supply of foreign exchange by France for the entire Franc area, which makes it possible, through the "operations account" mechanism, to make foreign currency payments even in case of a deficit in the balance of payments.

This very schematized system has many advantages but has also been severely criticized.

On the positive side, economic cohesion has proved favorable to development. There are no hindrances to the creation of banknotes and the circulation of goods and persons has been facilitated by it. Moreover, the system provides the currency with a solid base, not depending on the economy of one State alone but, in the final analysis, on the entire Franc Area. It helps all the States in getting supplies and provides an easy solution to the problem of balancing their balance of payments.

On the negative side, it has to be acknowledged that it is no longer adapted to political developments today and to the full sovereignty of the States.

As far as West Africa is concerned, the perfect monetary situation seems to have been overtaken by events since the break-up of the ex-French West African region.

Moreover, each State, by its decisions in the financial and economic fields within its national framework, unilaterally prevails upon the monetary situation of the whole of West Africa. It is no longer possible to determine how each one of them is bearing up to the consequences of steps taken by the others and the incoherence observed at present could get worse if it continues.

The delegation of power that the States were obliged to grant a body like the Central Bank in matters of credit has limited their freedom of action in an important field - that of currency creation.

As far as Franco-African relations are concerned, we could also claim that the extent of French participation in the Central Bank's management, although it is in exchange for the responsibilities it holds, no longer corresponds to the new political relationships.

Finally and above all, belonging to the same issuing area that binds all former AOF States to a clearly determined economic zone tends to reduce their trade opportunities with foreign countries.

Taking into account these remarks, let us view the political inter-African problem of options that are in keeping with the legitimate aspirations of the young independent States, before envisaging the modalities of the relationships to be developed between the inter-State Central Banks with foreign countries and more specifically with France.

2 – Inter-African political problems

The main political problem with which Dahomey is concerned (as are the other independent States of West Africa) is of knowing whether it can and wants to remain in a unitary issuing area, whether it would leave it alone or with the Entente States and in the event of the answer being yes, which body would the Government of Dahomey (or other States) use to assume the responsibilities of monetary risks covered by France.

The problem also lies in knowing whether the trend towards African groupings does not lead to the re-establishment of a unity that could, on the monetary front, be translated into a completely overhauled unitary monetary system.

Briefly, the following have to be specified :

1) - Whether the States that presently depend on the same issuing area want to remain together.

2) - If yes, whether they want to make the necessary sacrifices to remain together and undertake political commitments to maintain this unity. This would forcibly bring about a voluntary limitation of all or part of the prerogatives of independent States on the economic and financial front, as well as the pursuit of a concerted policy in these fields, accompanied by sanctions in case of any violations of the commitments agreed upon. In this case, the existence of an inter-State bank was possible and a method had to be found to grant each State the necessary flexibility to pursue its own financial and economic objectives, while safeguarding the unity of the whole.

3) - Whether the States wanted to be totally independent, have their own separate issuing house and their own currency. This solution would lead to the breaking up of the existing issuing area and the establishment of bilateral links between the issuing houses.

Whatever the method selected, it has to be coherent and logical and not made - like a Harlequin suit - of whatever seems favorable at that moment in the systems proposed. Clarity and simplicity are the surest guarantors of the value of a currency.

In case of monetary pluralism, each State has to bear the consequences of its own sovereignty : create its own currency and issuing house in a suitable form.

This option would give the State a free hand in carrying out credit and economic policies and its development plan, without any concerns about co-ordination with former partners.

In return, it would be fully responsible for its decisions and would bear the consequences in terms of its foreign reserves. Its economic relations with former partners of the present issuing area would depend on its foreign exchange assets and be dependent on the restrictive steps imposed on the export or import of banknotes.

This option would lead to the breaking up of West African solidarity and the isolation of the country choosing it, increasing the risk of economic domination by strong neighbors.

Between monetary pluralism and monetary unity such as we know it, it would be better to look for a method that directed towards political unification, allowing minimum centralization and co-ordination in the monetary policy, while allowing States to clearly see their own position in order to evaluate it. Indeed, what is essential for a State, is to be able to draw up its accounts at any moment, so as to be able to devise a policy suitable for its currency. The existing system does not allow it. That is why it would be better to :

- Either break up the issuing area into National Issuing Banks that could be headed by a common monetary co-ordination body ;

- Or make the present systems of the Central Bank evolve in a spirit of a wide-ranging and effective decentralization.

The first method would lead to the creation of a National Bank issuing its own currency with its own seals. However, inter-State agreements would fix the conditions for the free circulation and recovery of banknotes in neighboring States, where they would be legal tender throughout the former issuing area.

A West African Payments Union in charge of the following, would ensure co-ordination :

- Clearing settlements ;

- Ensuring co-operation in the form of loans ;

- Co-ordinating national credit policies.

An inter-State Steering Committee would manage the Union, which would have to know the position of each national issuing house exactly, for the circulation of banknotes between States assumes that each one of them should be capable of settling its debts or obtaining loans from their partners at any moment.

The inter-State Union could establish the basis of monetary co-operation in association with France. This method would provide each State with a semblance of all monetary prerogatives but the exercise of these prerogatives would be subject to the limits necessary for maintaining the monetary community.

On the practical side, a serious hindrance would have surfaced - the differentiation of notes that could be sorted out by adopting the same type of banknote with a distinct national sign. These banknotes would be legal tender between individuals, but public funds and banks that are supposed to accept them would not put them back into circulation and would exchange them with the national institutions that issued them. Thus, we would be able to assess the volume of fiduciary circulation, which is indispensable for estimating the economic and financial monetary position of the State.

In case of development of the existing Central Bank, a common inter-State Bank could be chosen. This would lead to the setting up of a common Bank administered by an inter-State Council, which would issue the same currency freely circulating in the whole area.

Adopting a distinctive national sign on banknotes, as in the previous case, would help in evaluating in each State the volume of fiduciary circulation with sufficient approximation and, subsequently, the credits and foreign assets belonging to each State, with regard to its partners and to the world at large.

To overcome the existence of certain reservations born of fact that users may find out about the existence of distinctive markings on banknotes, it would be possible to adopt a marking that was not perceptible to the public.

However, it has to be mentioned that sorting by the Central Bank would involve expensive operations that would put a strain on the issuing department and that an efficient collaboration between public funds and banks is absolutely indispensable for the functioning of this system.

This method, on the other hand, would enable individuals to reap the benefits of the unity of the monetary zone and the unlimited legal tender of banknotes in this area and would enable States to evaluate their own position and to measure the effects of their economic and financial policy as well as of those adopted by their neighbors.

An internal reform of the Central Bank could adapt the structure of the existing monetary union to new political situations.

3 – Technical problems concerning the Inter-State bank and foreign countries

Technical problems concerning the relations of the Inter-State Bank or the West African Payments Union with foreign countries, especially with France, needs to be examined.

These problems are dominated by the importance that has to be given to the links that presently bind the CFA Franc and will later bind the West African States Franc to the French Franc.

Hypotheses concerning changing the monetary area or attempting to constitute an autonomous monetary area can be eliminated because of the importance of the relations that exist and would continue to exist with France. Relinquishing the Franc Area now could bring about serious setbacks in the entire economy of the West African States. It would also be a mistake, since the Franc has become a strong currency like the Dollar, Pound Sterling and the Deutsche Mark and its convertibility is almost total. As for the creation of an autonomous monetary area, it would force the States adopting it to follow a strict balance of payments equilibrium policy vis-à-vis foreign countries. Nevertheless, perhaps new ties with France could be found to co-ordinate the monetary policies.

If we set out from the de facto situation that the economic and financial flows between France and the African States are and will continue to be preponderant as compared with Inter-African flows, it seemed that the monetary reserves of the West African States will still normally be constituted by French Francs.

These relationships have to be translated into close relations between the issuing houses or the Inter-State Bank and the French Treasury and these relations have to be institutionalized.

Many systems could be chosen - that of the "operations account", which ensures the unity of the monetary area and which could be maintained - but without any doubt, France would ask for equal participation in the African central bank, as France would feel that this was indispensable.

Many other possibilities could be imagined in this field, such as a two-thirds participation in the Board of Directors given to the African States and one-third going to representatives of the "Banque de France", accompanied by a voting system requiring a two-thirds majority for important issues.

But strictly speaking, France may agree to provide proper monetary aid, such as a recourse to advances from the French Treasury up to the limit of a determined sum to meet temporary difficulties within the framework of the procedure of limited drawing rights.

As for relations with foreign countries, aid granted by France and also the States' own freedom of management would depend on the ties established with France. Various methods are possible to reconcile the autonomy indispensable for a young State with foreign exchange aid, such as the method adopted with Morocco and Tunisia, which consists in allocating limited drawing rights to help meet temporary deficits in the balance of payments. The method of covering import programs could also be retained ; but all these forms of aid would have to be negotiated.

These are options that can be chosen to serve as the framework for negotiations with the French Government.

It is up to the French Government to make its choice, by reconciling the interests of a national monetary policy with those withdrawn due to membership of an Inter-African issuing area linked to the Franc Area".

Since the necessary conditions were present, the first monetary conference could be held.

c – The West African monetary conference of 13 March 1961 in Paris

Certain delegations, like that of Senegal, were able to prepare for this inaugural conference. The others were rather more interested in listening before developing their own opinion.

1 - Its preparation

1) - The Peytavin draft

In the cabinet, the Government of Senegal drew up the general principles that were to serve as an intangible basis for a detailed study by its Finance Minister, André Peytavin, with the aim of presenting proposals to the other States of the issuing area.

The following were the principles :

- The Republic of Senegal declared the continuation of its membership of the Franc Area within the framework of the existing West African Monetary Union. It agreed to the individualization of banknotes, with the help of a visible mark, but without mentioning the State. The banknotes were to be legal tender in all the States of the area.

- The banknote and coin issuing department in the West African Monetary Union would be entrusted to an Inter-State bank to which the French Republic and the States of the West African Monetary Union were to extend their participation. The capital was to be formed by a contribution by each one of the shareholders. It would be suitable for France's contribution to be less than 50% and, if possible, not to exceed 35%. The reserves of the Central Bank could serve to cover, at least partially, the shares of the States.

- The headquarters would be in Paris.

- This bank was to be administered by a Board of Directors comprising a representative of each one of the States of the West African Monetary Union and four representatives from the French Republic and by a Managing Director.

- The Board of Directors was to be able to delegate part of its powers to each one of the States of the Bank's issuing area to a Managing Committee appointed by the Government of the State concerned ; these Committees were to comprise : the local administrator (who had to be the Finance Minister) as Chairperson, the Ministers for Development, Industry and Commerce and, compulsorily, a representative of the Board of Directors. This representative, who was not to be an administrator but a technician, had to stay locally, preferably.

Could this post be granted to the Branch Director ?

This Committee was to meet at least once every three months.

- The statutes of the issuing bank were to specify the nature and scope of powers that could be delegated by the Board of Directors to the Managing Committees. It was mostly to include delegation of short- and medium-term credit distribution within the limits of a State-wise ceiling and according to the general rules drawn up by the Board. These ceilings had to be established depending on the economic activity of each State according to criteria to be determined.

There was to be a single discount rate for the area, with the possibility of each State granting interest rate subsidies to firms to be favored. Long-term credit rediscounts were removed.

- The Managing Director of the issuing Bank was to be appointed by the Board of Directors.

Branch Directors in the States of the issuing area were to be appointed by the Government of each of the interested States on the proposal of the Board of Directors.

- The issuing bank was to sign an agreement with the French Treasury determining their relations and which was to provide for the opening of a current account on behalf of the issuing bank in the records of the Paris Treasury. This account was to function like the operations account opened at that time on behalf of BCEAO.

2) Mamadou Diarra's views

Mamadou Diarra was Technical Advisor for Economic and Financial Affairs to the President of the Council of Ministers of Senegal. He felt that a real Central Bank was the most important tool a government could have to achieve the economic goals it had set itself.

This tool would help keep a permanent check on the currency's value and would, at the same time, provide credit in the sector that most needed it. However, as things stood, even as a result of Franco-Senegalese agreements, the Central Bank could hardly be said to play the above-mentioned role within the Senegalese Government.

In fact, the terms of the agreements provided for the following :

- The Director of the Central Bank (as with the Foreign Exchange Office, the only difference being that there was no Technical Advisor here) would be designated following the approval of the Senegalese authorities.

- The Central Bank would look for a means, in liaison with Senegal, to establish a statistical assessment of banknote flows between Senegal and the other issuing area countries, the results of which were to be communicated to the Senegalese Government.

- Senegal could set up a Senegalese Credit Board, which, in fact, had been done.

This Board would be responsible for defining, within conditions compatible with the West African Monetary Union, the direction that Senegal's credit policy was to follow - bearing in mind the distribution of financial resources, sector-wise, according to whatever was considered most suitable for the country's economy.

To enable the Board to play its role, the Central Bank would regularly send it statistical data reflecting the situation in Senegal :

- Bank deposits

- Bank jobs

- Rediscount facilities granted to banks

- Possible banking risks, categorized per economic sector

- Transfer flows with other countries via the Bank.

However, according to Article 29 of the agreements, the recommendations and decisions of the Senegalese Credit Board, notified to the banks and other credit institutions, could not be imposed on them, given that the latter were the only organizations competent to evaluate the purely financial risks involved. Therefore, the Central Bank's role was limited to giving a report to the Senegalese Credit Board on how these recommendations and decisions had been applied.

For Senegal to have some control over the Central Bank, a Monetary Committee was envisaged (with its members designated by the Senegalese Government).

The committee's role was to[76] :

- Monitor the management of the Central Bank.

- Ensure that the rules and articles of the said Bank were observed by supervising its operations.

- Participate in studies enabling the Bank's Board of Directors to fix rediscount ceilings and not rediscount rates.

- Express an opinion on the economic advantages to Senegal's development of all operations in which the Central Bank's assistance was required by banks and credit institutions, while bearing in mind the Senegalese Credit Board's recommendations and decisions. However, as expected, it was also stressed that the assessment of the strictly financial nature of these operations was the Bank's preserve, which, of course, wholly undermined the impact of this provision.

Similarly, it was declared, moreover, that when the opinion of the committee, duly documented, led to a decision to simply reject a demand that could either increase the maximum permissible credit in the case of a short-term loan or obtain an authorization for the rediscount of medium-term credit, the Bank was bound by the said opinion when it had been conveyed to it by the Senegalese Government. However, any operation considered to be economically suitable by the said Committee - but whose financial integrity may not be considered appropriate by the Bank's Administration - could not be imposed on it against its will. "This clearly means that our opinion counts when something has to be rejected and not when it has to be adopted".

According to Mamadou Diarra, a quick study of the agreements' provisions showed that this organ, i.e. the monetary committee, could not be considered as the instrument initially defined.

In fact, all the good provisions of the agreements that could serve as a means of action for the Government were undermined by an obstacle that could be found everywhere, which was the technical assessment of purely financial risks that could be done only by the Central Bank.

"The Bank was by no means expected to always do as we wished, since we have decided to remain monetarily associated with France but, at least, we had the right to expect greater participation - as it is possible - in monetary matters and credit distribution in our country. This is a legitimate desire and can be made possible during the future reorganization of the Central Bank of West African States".

He believed that, bearing in mind Senegal's wish to stay part of the West African monetary area on the one hand and on the other hand the fact that each State, while following its economic development policies, faced specific problems demanding different solutions, the reforms to be carried out could be as follows : his suggestion to States was to continue with the Central Bank of West African States, "but a Central Bank that would exist only by virtue of the various Central Banks that today's branches will become".

[76] It may be noted that this was also the role attributed to the institution's Board of Directors (sic).

Thus, for instance, the Dakar Branch would become Senegalese, with a local Board of Directors and a specific membership. The Government of Senegal would appoint the chairperson of this Board.

To achieve this end, various structures could be adopted - a semi-public company or a state-owned company, for instance.

The meetings of the Board of Directors of the Central Bank of West African States would become periodic meetings of representatives from the various Boards of Directors. Therein, different points of view could be exchanged and the harmonization of the monetary and economic policies of all French-speaking States of West Africa could take place.

This reform, while it would maintain the monetary union, which was essential, would also avoid the inconvenience of having only a single Central Bank in Paris, with a single Board of Directors, even though the Board could meet turn by turn in different West African States. The problems specific to each State would be better dealt with. "With each state chairing its own Central Bank's Board of Directors, it would have the opportunity to use all the means of action that a Government can expect from its own issuing house".

Mamadou Diarra added that this reform, in order to be efficient, would have to be accompanied by the "personalization" of the currencies circulating in each State. It was not necessary to create a new special currency to this end - the CFA Franc, after changing its name, could continue to serve as the common currency, with a special marking belonging to each State. This would not only enable each State to assess its own monetary situation but also avoid possible distortions.

He felt that, in any case, currencies would have to be personalized before the States could join international organizations like the International Monetary Fund.

He added, "as regards international organizations, I think it would be appropriate to propose at the forthcoming conference on 30 January next, that we form a block with other participating countries to obtain a Director's seat in each of the following organizations :

- The International Monetary Fund
- The International Bank for Reconstruction and Development
- The International Financial Corporation
- The International Development Association.

"It is difficult for small countries to each have its own director, precisely because of their small quota ; however, if several French speaking countries agreed with each other, the number of administrators within these organizations could be increased, so that we have a distinctive representation, which would be quite advantageous.

However, while each State can designate a Governor to represent it at the Council of Governors, which takes place every year, as for the Boards of Directors of these bodies, where posts are subject to long-winded transactions, we would be forced to vote for one director who would represent several countries that may not necessarily have the same interests.

Mamadou Diarra concluded that once the issuing house had thus been transformed - "Senegalized" - it would be possible, for it to become a real Central Bank, to entrust it once again the other function that was missing so far - foreign exchange, a service that was being provided by the Foreign Exchange Office.

On the said day, the African delegations met in Paris without having previously consulted each other. Even as regards Senegal, there was no consensus between Minister Peytavin and Counselor Diarra. During the negotiations, of course, the Minister's point of view prevailed.

2 - Proceedings of the meeting

The conference began on Monday, 13 March 1961 at 10 a.m. in Paris. It was chaired by Wilfrid Baumgartner, Minister of Finance and Economic Affairs. The French delegation accompanying him included Mr. Jean Foyer, the Community's Secretary of State, Mr. Calvet, Deputy Governor of the "Banque de France", Mr. Perouse, Director of the Treasury, Mr. Sadrin, Director - External Finance, Mr. Roques, Director - Economic and Financial Affairs at the State Secretariat for relations with the States of the European Community.

The delegations from the African States were headed by :

- Mr. Raphaël Saller, Minister of Finance, Economic Affairs and Planning, Côte d'Ivoire
- Mr. Paul Darboux, Minister of Trade, Economy and Tourism, Dahomey
- Mr. René Bassinga, Minister of Finance, Upper Volta
- Mr. Hamaciré N'Douré, Minister of Trade, Mali
- Mr. Maurice Compagnet, Minister of Finance, Mauritania
- Mr. Barcourgné Courmo, Minister of Finance, Niger
- Dr. André Peytavin, Minister of Finance, Senegal
- Mr. Joachim Hunlédé, Ambassador Extraordinary and Plenipotentiary of Togo to France

Mr. Tézenas du Montcel, Chairman of BCEAO's Board of Directors and Mr. Robert Julienne, Managing Director of the institution were also present.

The Treasury Department's management was responsible for the Secretariat.

Baumgartner, while explaining the reason for the meeting, indicated that during the last two years, an important political evolution had taken place in West Africa without similar wide-ranging changes affecting the monetary system of its Member States. It was important to determine whether the present system was satisfactory for the States that had become independent or whether some adjustments or changes were desirable. It was, therefore, essential to organize a meeting between the interested parties.

He recalled that this issue had been examined during BCEAO's Board of Directors meeting, which was held in Cotonou. The Central Bank had later sent the interested governments a technical memorandum concerning possible solutions.

In addition, the opening of bilateral negotiations between France and several African States made this meeting very timely.

The basic issue, he noted, was that the existence of a common currency in West Africa - or the existence of links between national currencies - was an important element for economic solidarity between States. France, which had until now guaranteed the West African currency, was equally interested in the future of the monetary system of these States.

He then moved on to analyze the different aspects of the monetary problem in West Africa.

The first of these aspects concerned *the relations between the African States.* These States could, in fact, decide to create national issuing establishments that were completely independent or in co-ordination with each other. They could, on the other hand, redirect the monetary system by bringing about changes that would reflect their monetary personalities to a greater extent.

Various measures could be explored within this framework. The currency circulation in each State could be identified and, based on this aspect, a separate account of the monetary situation in each State could be maintained, by opening "sub-accounts" for each State in the books of the Central Bank. Local committees could also be created under the aegis of the Board of Directors, so as to replace the single level in operation at the time, by a pyramid of smaller "Boards", to handle the institution's management.

The second aspect of the monetary problem concerned *relations* of the West African currency or currencies with France.

States could break their monetary links with France or simply loosen them. In this way, the operations account could be replaced by an account opened in the books of the "Banque de France". The latter could, thus, agree to advance limited amounts to issuing houses in Africa.

As for France, it was ready to maintain the guarantee it offered to the West African currency, if the joint organization of the Central Bank continued to exist.

African delegates, when they were invited to express their opinions on the points mentioned, seemed, by and large, not to have received any specific instructions from their respective governments.

Mr. Raphaël Saller then observed that it would be difficult for States that had not yet defined their economic relations with France to take the initiative in monetary matters. Therefore, those that already had agreements with France in the economic sector had to clarify their position first.

The countries being alluded to were Senegal and Mali, who, within the Federation of Mali, had concluded an agreement concerning monetary co-operation with France.

The Ambassador of Togo, who also had not received any instructions from his government, felt that a solution based on some form of personalization of national currencies would find favor with his country.

Dr. Peytavin recalled that the States represented at the conference had not been able to examine, earlier and between them, the various problems that had been brought up. He stressed the fact that in this area, France could not sign agreements with each West African State - it had to deal with all the States together.

Therefore, he suggested that Mr. Baumgartner and his experts provide technical information on the various solutions that could be adopted and then suspended the session so that African delegations could consult with each other.

The other delegates agreed with the proposal.

At Mr. Baumgartner's request, Mr. Calvet clarified the three kinds of solutions that could be adopted on the technical front regarding, in particular, the monetary relations between the States.

Firstly, *the present system could simply be maintained*, characterized by the full identity of the paper currencies and through a single, joint Board of Directors.

Secondly, a dramatically contrary situation would be to create *eight national issuing banks*, which could lead to a series of problems in inter-African relations :

- The currency notes of each of these banks could be absolutely different from each other or very similar.

- The absence of agreements between States would mean different credit policies, which would very soon hinder the free circulation of notes in West Africa.

In order to circumvent this aspect it could be useful to form a common co-ordination and monetary centralization body, which, to function efficiently, would have to enjoy almost the same powers as the prevailing Central Bank's Board of Directors.

There was *a third series of solutions* based on :

- Maintaining a *single Central Bank*

- Setting up, *in each State capital city, bodies that would be granted some powers with respect to credit distribution,* but under the control and delegation of the Central Bank's Board of Directors.

Mr. Sadrin then specified the consequences these various systems could have on the monetary relations between African countries and foreign countries.

He underlined, in particular, the fact that a plurality of currencies, which would be appreciated differently by foreigners, could lead to serious consequences, which would not be solely of a psychological nature - the various States would probably be led to institute a certain exchange control between their currencies and the currencies of the other African countries.

Raphaël Saller asked for the extent of decentralization possible within the framework of a single issuing house to be specified and wished, in addition, to know what consequences these operations could have on the parity of the currency.

Baumgartner declared that France did not intend to proceed with monetary operations similar to those that took place in West Germany and Holland.

Neither did it intend to propose any modification in the parity existing between the French Franc and CFA Franc.

Mr. Calvet indicated that it was necessary to look for a reasonable compromise between centralization and decentralization. Such a compromise should maintain :

- The single discount rate

- Unity in major decisions regarding the general monetary policy

- The central authority's right to make certain decisions of a quantitative nature.

He highlighted, moreover, the links that existed between *decentralization* and the individualization of currencies. The latter would only make it possible to draw up statistics of inter-State monetary relations and, by determining the situation of each one, to fix its responsibilities.

He specified the structure of the issuance statements that would be drawn up separately by each State.

Baumgartner observed that there was a certain antagonism between monetary individualization trends, resulting quite naturally from the creation of Sovereign states and the need for African economic solidarity. As for him, he believed that the economic exchanges between West African countries had to be disturbed as little as possible by the monetary construction that the conference would have to consider. A reconciliation between the two trends was, therefore, necessary.

He observed that West Africa's economy comprised two elements that constituted its strength - the solidarity between the States and assistance from France.

He added, finally, that France, which was committed in Africa, did not intend to withdraw. It was probable that other States would propose to grant aid to African countries. "One may wonder whether commitments they will make will be as effective as those that have so far been kept by France".

The meeting was then adjourned to enable the African delegations to consult each other and reach an agreement. The session re-opened at 12:45 at their request.

Dr. Peytavin, on behalf of all African delegations, declared that interested States favored the creation of a multinational issuing establishment, which would sign a contract with France, including an operations account guarantee.

The issuing establishment would be managed by a Board of Directors, 2/3 composed of representatives of African States, and, 1/3 of representatives of France.

In each State, a Committee composed of members designated by the Board of Directors and members designated by the Government of the State considered, would be established.

The Board of Directors would fix the general rules applying to the management of the establishment and, in particular, the rediscount ceilings established in each State.

Local committees would be sovereign entities, competent to grant credit within the limit of the ceilings fixed by the Board.

Long-term operations could be rediscounted.

Banknotes could be the subject of a discrete individualization.

A discussion then began on some of the points brought up by Dr. Peytavin.

The latter stated, in particular, that "qualified majority" rules could be envisaged for the Board and that local committees could have about as many representatives of the States as the number of representatives in the Board of Directors.

The meeting was then adjourned. When it resumed at 4:30 P.M., Baumgartner thanked the African delegations for having presented, at the end of the morning session, constructive proposals fitting perfectly within the framework of the compromise solution, which had its own preferences : the maintenance of the existing monetary union, the maintenance of the Treasury guarantee and decentralization, comprising both a certain local initiative and the maintenance of the Central Bank's unity of action.

With regard to the form of the notes, the French Government agreed on the implementation of a discrete individualization.

As regards the nature of the operations concerning the issue of currency, as an economist, he advised very strongly against recourse to the long-term. It would be suitable for the issuing house to be created to conform to traditional rules while being limited to the granting of short-term and medium-term credits, as the latter form of credit anyway constituted an infringement of traditional rules. Long-term credit did not concern the monetary field, but the field of investment. It was not the issuing bank that had to provide for it, but specialized national and international financial institutions.

Local committees needed to have a margin of initiative within the framework of the decisions taken by the Board of Directors. Baumgartner considered that the latter should be able to control the distribution of credit by local committees, either by evoking certain particularly important transactions dealt with by these committees, or by itself taking the decisions for transactions whose amount exceeded a certain sum. It was simply a question of degree with regard to appreciation, rather than a matter of principle as such.

Finally, with regard to the structure of the establishment, France agreed on the Board having an African majority, which could be of 3/5, while the qualified majority could be of 2/3.

If African States agreed with these modalities, the French departments could prepare a precise text that would be used as a basis for the work of a new conference, to be held as soon as possible, in a place that would suit the delegations present.

A discussion then ensued between Baumgartner, Dr. Peytavin and Courmo on the problems arising from the granting of long-term credit. The two African ministers insisted in particular on the fact that an alternative solution had to be found as regards long-term credit, because of difficulties States faced in obtaining necessary financial resources and because of the high cost of these operations.

Mr. Hamaciré N'Douré sought information about the question of modalities for the establishment of the new issuing house, which could be founded either by African States, or jointly with France. He also spoke of long-term credit and expressed his concern about the exact role of local committees, which, because of their composition, would not be able to undertake the day to day management of the Central Bank's local branches.

On the first point, Baumgartner agreed that the legal aspects of the creation of the new establishment, which would be African in nature, would have to be the subject of careful reflection by States and France. He mentioned the problem of the constitution of the capital of this establishment.

In addition, he was of the opinion that it would be necessary to seek the most practical solution to reconcile the daily needs for the management of the Central Bank with the respect of the competencies of the Board of Directors and local committees.

Saller underlined the incomplete character of the African banking structure and, in particular, the absence of investment banks. In the absence of savings that were still insufficient, West African States should be able to obtain the resources that were essential for their economic development. It was for this reason that it was asked that the issuing house be capable of long-term operations, within the framework of rigorous rules, to avoid the disadvantages of this type of operation. It was thus important to find an alternative solution.

He further asked whether the items listed in the assets and liabilities of the existing establishment would be transferred to the new issuing house, if the existing establishment was replaced by the new one.

Baumgartner answered that in his opinion, and subject to a more careful study, it would be better if these items passed automatically from one balance sheet to the other.

On the proposal of Baumgartner, it was agreed that the next conference would take place as soon as possible in Paris. The French Government would diligently prepare a draft that would be conveyed to the Governments represented at the conference.

Baumgartner finally read out a draft official statement, which would be published at the end of the conference, reiterating the resolutions adopted and approved by the monetary conference.

3 - The resolutions

The press release publishing these resolutions was drafted as follows : "The Ministers, respectively representing Côte d'Ivoire, Dahomey, Upper Volta, Mali, Mauritania, Niger and Senegal as well as the Ambassador of Togo in Paris, on the one hand, and the representatives of the French Republic on the other, met under the Chairmanship of Wilfrid Baumgartner, at the Ministry of Finance on March 13, 1961, in order to exchange views on the adaptations it would be desirable to bring about in West Africa's monetary system.

This exchange of views led to a unanimous agreement on the following principles :

The West African Monetary Union should be maintained.

The West African currency, managed by a multinational establishment, should continue to be guaranteed by the French Treasury through the instrument of an operations account.

The management of credit should be decentralized at the level of each State, while continuing to be executed in accordance with the common interest.

A multilateral draft agreement implementing these principles would be prepared within the next few days and would be submitted in the near future to a conference that would again bring together the concerned Ministers of the French Republic and the States of West Africa".

4 - The draft texts

As agreed, following the meeting, four draft texts, prepared by the French side with the assistance of BCEAO's technicians, were submitted by Baumgartner in the month of June to States for examination. The following drafts were submitted :

Agreement establishing a West African Monetary Union.

Agreement on co-operation between the French Republic and the member Republics of the West African Monetary Union.

Statutes of the Central Bank of West African States.

Convention on an operations account.

Each of the African States examined the texts without any consultation between them. It was under these conditions that they arrived at the July meeting with the French side.

d - The West African Monetary Conference of Paris, 10-13 July, 1961

1 - Plenary meeting

The second conference began on Monday 10 July, 1961 at 10:00 A.M. in Paris, under the Chairmanship of Baumgartner. The French delegation was unchanged, with one exception. Mr. Jean Foyer had become the Minister for Co-operation in the interim.

On the African side, three new heads of delegation were present :

For Dahomey, Alexandre Adandé, Minister of Finance and Budget ;

For Upper Volta, Mr. Guissou, Ambassador ;

For Togo, Hospice Coco, Minister of Finance.

Mr. Robert Julienne, General Manager of BCEAO, also attended the conference. The Treasury Directorate served as secretariat.

Baumgartner, after having opened the meeting, pointed out the contents of the official statement issued at the closing of the 13 March 1961 meeting and the task entrusted to the French Government to prepare the texts for the application of these principles.

Pursuant to the mandate, the French Government had submitted four draft texts to African Governments, which seemed to him in conformity with the official statement, and had to be used as a basis for discussions.

He then proposed that the following working method be adopted :

During the Monday meeting, the delegations of African States would make known the views of their Governments as regards the draft texts.

Tuesday, July 11, would be reserved for contacts between various delegations and a detailed examination of the problems posed by each delegation.

The conference would meet again in plenary on Wednesday, 12 July at 10:00 A.M., and, if required, in the afternoon of 13 July, in order to decide, if possible, on the final texts.

Hospice Coco, Dr. André Peytavin, Barcourgné Courmo and Maurice Compagnet gave their approval to this procedural proposal.

Mr. Hamaciré N'Douré indicated that in his view, it would be preferable that a preliminary meeting of representatives of the African States took place before any examination of the drafts at a plenary session.

Adandé and Mr. Guissou agreed to this suggestion. Saller indicated that either procedure would meet with his approval.

Baumgartner saw nothing wrong with adopting the method suggested by Mr. Hamaciré N'Douré. He suggested, however, that before adjourning the meeting, State representatives who had indicated that they could already define their positions should be given the floor.

Since Mr. Hamaciré N'Douré did not object to this suggestion, Mr. Hospice Coco presented the view of the Government of Togo.

First of all, it was of the opinion that it is not possible for a common central bank to exist without there being a common monetary policy ; and, in addition, that no common monetary policy was possible without a common economic policy. However, the Government of Togo was obliged to note that there was no economic co-ordination between West African States.

Under these conditions, the Government of Togo had decided on the constitution of a Togolese bank of issue having direct relations with the "Banque de France". It would not be opposed, if necessary, to the institution of a West African monetary centralization organization if the need arose, after a discussion between experts.

Dr. Peytavin considered that the texts proposed were within the framework of the principles defined during the preceding meeting.

Other formulae were, however, possible. Senegal believed that it would be preferable to make a distinction between those of the constitutive elements of the West African Monetary Union that related to the African States exclusively and those that also concerned the French Republic.

Thus, the structure of the monetary union and the statutes of the Central Bank, whose capital had to belong exclusively to African States, only concerned the latter.

On the other hand, provisions relating to the guarantee granted by the French Treasury and to the association of France with the management of the Central Bank would fall within the competence of the co-operation agreement between the West African States and France, as well as the convention on an operations account.

Courmo and Compagnet agreed with the principles upheld by Dr. Peytavin.

The representatives of Mali, Upper Volta and Dahomey stated that they were unable to define their position in the immediate future.

Saller indicated that the draft texts that had been prepared by the French departments appeared to be in conformity both with the conclusions of the March 13, 1961 conference as with the agreements concluded in Niamey between the States concerning the Agreement and the French Republic.

Côte d'Ivoire, in theory, would only raise proposals for a few modifications in the details of the drafts.

Before adjourning the conference, Baumgartner drew initial conclusions from this exchange of views.

He believed that the draft texts that were addressed to the States were in conformity with the conclusions of the 13 March, 1961 conference. He admitted that, taking into account the unfolding of events, some of these States could have legitimately bent the positions they had adopted at the time of this conference.

He then stated that France's intervention in West Africa's monetary system had, up to now, been less that of a co-ordinator than that of a manager.

This guarantee could obviously be granted, according to the case, to a currency issued by a national bank or to a bank common to several States.

"What must be underlined", he added, "is that there is an interdependence between the structure of the monetary policy followed in West Africa and the French Treasury's guarantee. France, which was prepared to make monetary commitments in Africa, could not do it in favor of just any system. It had to consider both the security of the monetary structure to be instituted and its impact on relations between the West African currency and the French Franc".

The meeting was then adjourned to allow dialogue between African delegations.

2 - Meeting between African delegates

The delegates gathered again at 3:00 P.M. to carry out an overall examination of the texts and try to adopt a joint position on certain points.

Concerning the general problem, Togo reiterated that in order to create a West African Monetary Union, a united economic policy was necessary and it reserved the right to create an issuing house.

Concerning the name of the union, Senegal proposed "African Monetary Union". After long discussions, the name finally agreed upon was "West African Monetary Union".

Concerning the identification of the banknotes proposed by Côte d'Ivoire during the 13 March conference, Mali expressed reservations, indicating that banknotes were already identified by serial numbers in each State.

On the harmonization of the exchange policy, banking and foreign payments, Saller believed that the various restrictive measures imposed by the Foreign Exchange Bureau of Mali on settlements with other States were incompatible with the provisions of the Franc Area.

The lame duck compromise proposing that the Monetary Union Council discuss the laws and provisions in question in each particular case reflected the major dissension on this point.

On the design of the monetary union, certain States were in favor of France's participation in the Board of Directors. Others were against that participation because of the existence of the operations account, believing that it was not justified since the operations account, with its regular credit balance, was inevitably in favor of France, yet African States have not asked to have their own representative at the French Treasury, or in the Board of Directors of the "Banque de France".

Concerning the operations account itself, some saw it as a development tool. Others simply considered it as a current account to facilitate transactions, it being understood that to finance development, a long-term bilateral agreement was preferable.

In connection with the provisions relating to the modification of the Central Bank's statutes, three positions emerged : some felt that the required majority should not include France, others, that it had to include France. Third possibility : the unanimous agreement between Africans with the exclusion of France.

The compromise solution was that it should be obtained through the Monetary Union Board, where only African States would be represented.

3 - The final declaration

The laconic official statement published on 13 July could not help but reveal these deep divergences[77] :

"The conference, bringing together representatives of the eight West African countries belonging to the Franc Area, at the Ministry of Finance, on the invitation of Mr. Baumgartner, adjourned its deliberations on Wednesday, 12 July at the end of the morning.

At the end of these deliberations, the eight States, which are currently members of the Central Bank of West African States, namely : Côte d'Ivoire, Dahomey, Upper Volta, Mali, Mauritania, Niger, Senegal and Togo, published the following declaration, which was read out by Mr. Hamaciré N'Douré, Mali's Minister of Trade :

"Meeting in Paris on 10 and 11 July 1961, the Ministers representing the Republics of Côte d'Ivoire, Dahomey, Upper Volta, Mali, Mauritania, Niger and Senegal agreed on the broad outlines of the functioning of the West African Monetary Union,

[77] AFP Overseas Special, no. 4513 dated 13 July 1961.

Reaffirmed their agreement regarding the official statement of 13 March, and

Decided to postpone the examination of the other texts to a conference that will take place in Abidjan on 8 August, 1961.

The Minister of Togo attended this conference as an observer".

The principles on which the African Ministers had agreed upon, on 13 March, related to three basic points :

- The maintenance of a monetary union between Member States.

- The association, with this monetary union, of France, which guaranteed the free convertibility of the union's currency through an operations account of the Treasury.

- The implementation of some decentralization, which should allow States to intervene more directly as regards credit.

"A new meeting, bringing together the interested States and France, will take place later on, taking into account the conclusions of the conference, whose meeting is thus envisaged to take place in Abidjan on 8 August, 1961. It is indeed only when African States manage to reach an agreement on the common monetary system that a legal form could be given to the financial links that will bind them together".

Three weeks later, the African delegations gathered in Abidjan.

e - The West African Monetary Conference of Abidjan, 8-12 August 1961

1 - The proceedings

During eight sessions held from 8 to 12 August and during 24 hours of debate, delegates again attempted to harmonize their points of view. They finally agreed to hold another meeting "at the end of September or at the beginning of October, three days before the meeting with the French delegation, for the final decision".

The States were represented by the same personalities as those attending the July conference in Paris :

Côte d'Ivoire

Raphaël Saller, Minister of Finance and Economic Affairs ;

Mr. Mohamed T. Diawara, Technical Adviser to the Minister of Finance ;

Mr. Galdin, Technical Adviser to the Minister of Finance ;

Dahomey

Alexandre Adandé, Minister of Finance ;

Mr. Septime Doddé, Director of Budget ;

Upper Volta

René Bassinga, Minister of Finance ;

Mr. Antoine Yaméogo, Minister of National Economy ;

Mr. Mama Zio, Director of Cabinet of the Minister of National Economy ;

Mr. Joly, Technical Adviser to the Minister of Finance ;

Mali

Mr. Hamaciré N'Douré, Minister of Commerce and Industry ;

Mr. Oumar Makalou, Director of Credit and Investments ;

Mr. Louis Nègre, Technical Adviser to the Head of State ;

Mr. Loëbel, Technical Adviser to the Minister of Finance ;

Mauritania

Mr. Maurice Compagnet, Minister of Finance ;

Mr. Mamoudou Touré, Ambassador of the Islamic Republic of Mauritania to France ;

Mr. Aubenas, Director of Budget ;

Niger

Mr. Barcougné Courmo, Minister of Finance ;

Mr. Bengue, Director of Budget ;

Senegal

Dr. Peytavin, Minister of Finance ;

Mamadou Diarra, Director of Foreign Exchange Bureau, Technical Adviser to the Chairman of the Council (of Ministers).

Togo was represented by three observers :

Mr. Hospice Coco, Minister of Finance ;

Mr. von Mann, Economic Adviser, Ministry of Foreign Affairs of FRG[78] attached to the Government of Togo ;

Mr. Paulin Eklou, Technical Adviser to the President of the Republic.

The conference called Mr. Pierre Sanner, Director of BCEAO Economic Survey Department, to attend its sessions in order to be able to provide the participants with the "technical opinions" that they would request.

The first meeting was held in the meeting room of the Town Council of Abidjan, while the following meetings were held in the room of the Board of Directors of the Family Allowances' Clearing House.

[78] Federal Republic of Germany.

The debates were chaired by Raphaël Saller, who was suffering from bad health. On thursday 10, he was confined to bed in the afternoon.

The other delegations believed that they could not continue to deliberate in due form in his absence or in the presence of another member of Côte d'Ivoire Government. Hence, very courageously, Saller once again took over the Chairmanship of the Conference on Friday morning and continued until its closure on saturday 12 August at 6:30 P.M.

To establish the order of items to be addressed, the conference had to make a choice between the Malian proposal and to carry out the detailed examination of the French drafts by holding back any points of disagreement for a later solution, along with the proposal made by Côte d'Ivoire to decide on the principles first, before coming to a conclusion about their transcription.

After a long debate, the Malian delegation finally requested Côte d'Ivoire's delegation to present the principles that it wished to see adopted.

Saller read out almost in full the provisions of the recent agreements between France and Côte d'Ivoire.

A long discussion, lasting four meetings, ensued on these principles, only to end with the observation that the conference remained uncertain about the "broad principles", which were :

The "freedom of circulation" of notes within the monetary union ;

The "identification" of the monetary species State by State ;

The participation of France in the Board of Directors ;

The convention on an operations account ;

Advances from the central bank to national Treasury.

Under the permanent threat of a sudden stop of its work, the conference decided to note the dissension and to continue the discussion on the various principles on the basis of the texts, by examining the three following drafts article by article :

- The Treaty establishing a Monetary Union;

- The convention on an operations account ;

- Article 15 of the Central Bank's Statutes, relating to support for West African Treasuries ;

- The co-operation agreement with France.

For each one of these drafts, the conference adopted a counter-draft. The Malian delegation, however, formally noted its dissension concerning :

- Articles 4 and 10 of the Treaty establishing a Monetary Union and relating to the alignment of exchange control regulations ;

- Article 7 of the co-operation agreement on the participation of France in the Board of Directors of BCEAO ;

- The conclusion of a convention on an operations account with the French Treasury.

With the exception of Article 15, the draft statutes of the Central Bank were not discussed, since the modifications made to the draft treaties establishing a monetary union included modifications of several provisions of the draft statutes.

At the last meeting, Saller declared his intention to propose significant modifications to the French draft with regard to the composition, and especially to the powers of monetary committees.

Before adjourning, the conference adopted a resolution concerning the identification of the notes issued in each State. The text of this resolution, countersigned by the Ministers heading the delegations, was handed over to BCEAO expert, Mr. Sanner.

The conference agreed to keep this resolution secret and decided to issue the following press release :

"Ministers representing the Governments of the West African Monetary Union met, as agreed, in Abidjan from 8 to 12 August to continue the examination of the texts relating to the reform of the issuing house.

The examination was pursued successfully.

The conference will take it up again at the end of September or at the beginning of October, three days before the meeting with the French delegation, for final decision".

2 - The examination of the texts article by article

1) The Treaty establishing the West African Monetary Union

This draft, which had already been the subject of initial discussions in Paris on 10 and 12 July, had led the delegations to agree on three modifications to be made to the French text :

- The creation of a Monetary Union Council "at the ministerial level" ;

- The need for a unanimous agreement of West African States for the modification of the Central Bank's statutes ;

- The withdrawal from the Board of Directors of the Central Bank of any role in the application of banking regulations and credit.

All three modifications attempted to reduce the competence and authority of the Central Bank's Board of Directors.

In Abidjan, the "often very violent" debates related to the identification of the paper currencies issued in each State and to the coexistence, within the Union, of different exchange regulations.

- The identification of banknotes was fought over with the most extreme energy by the Malian delegation. However, it finally decided to adhere to it because delegations of Upper Volta and Niger rallied behind this measure. A new draft of Article 7 was adopted, stipulating :

"The banknotes issued in each State by the Central Bank shall be legal tender over the entire geographical extent of the Union. They shall be identified by a special letter in each State incorporated in the numbering of the notes.

In each State, public reserves and banks domiciled at the headquarters of each agency or sub-agency of the Bank will put in circulation only notes issued within the State. The Central Bank will establish for each State a situation distinct from the money issue thus identified and its counterparts".

- On the possible coexistence, within a monetary union, of different exchange control regulations, the Malian delegation on the one hand, and the delegations of Côte d'Ivoire and Senegal on the other, clashed over the two "principles" of "freedom of circulation" and "freedom of transfers".

The expression "freedom of circulation" was, in fact, used to indicate the discriminatory measures applied by Mali with regard to Senegal.

The Malian delegation limited itself to affirming that the discrimination in question was motivated by political reasons that did not fall within the purview of the conference, that it was primarily provisional and would disappear.

"The freedom of transfers" was considered by Côte d'Ivoire as "an essential basis for its economic policy ; undoubtedly it is not without disadvantages, but these are considered minor as compared to the advantages of a system that is largely open to foreign investments". For Côte d'Ivoire, coexistence within the monetary union with States that did not accept the same principle of freedom of transfers was considered impossible.

The Malian delegation considered that such coexistence was perfectly possible. According to it, "exchange control", such as organized by Malian regulations, did not damage any of the other States of the monetary union ; it did not raise any obstacles to justified transfers and did not constitute any obstacle to useful foreign investments, as was proved by the great number of requests for investment authorizations that had been submitted to the Malian Foreign Exchange Bureau.

This assertion led delegates of Mauritania and especially of Upper Volta, to give various precise examples of damages caused to nationals of their countries by Malian exchange regulations.

The concern for insisting on Mali relinquishing its restrictions on the freedom of transfers as an indispensable condition for its membership of the monetary union led the conference - except for the Malian delegation - to adopt a new draft of Articles 4 and 10.

The new Article 4 stipulated the following :

"Member States shall undertake, under penalty of automatic exclusion, to respect the provisions of this treaty and the texts adopted for its implementation, in particular with regard to :

- Rules generating money issue ;

- Pooling of monetary reserves ;

- Freedom of movement of the currency ;

- Freedom of transfers ;

- The application of the provisions of Article 10, below, over the entire geographical territory of the Monetary Union".

As for Article 10, its new draft envisaged the adoption of a uniform regulation of the "control of foreign payments and the general exchange mechanism, except for the adaptations required in the light of local conditions and that are not of any substantial interest to the other signatory States".

The provisions of Article 10 - less rigorous than those of Article 4 - satisfied certain delegations' desire for a compromise (Upper Volta and, more so, Dahomey). These delegations would have wanted Mali to be granted "reasonable time" to abolish its regulation concerning transfers, but Mali did not express any intention to retract the regulation.

2) The Co-operation Agreement with France and the Central Bank's Statutes

The French draft of the co-operation agreement was discussed in detail, leading to the preparation of a counter-draft. During the discussion of this text, the main provisions of the Draft Central Bank Statutes were also examined.

- The Central Bank's name was not discussed at all. All the discussed texts and drafts maintained the name "Central Bank of West African States".

- With regard to the legal status, the French text proposed to grant the Central Bank "the immunities and privileges usually granted to international financial institutions". The proposal was adopted without debate, including its tax-related consequences.

- Tax exemption for the Central Bank was an issue that was broached during the examination of Article 4 of the draft co-operation agreement with France.

The expert, Mr. Pierre Sanner, when consulted, stressed that :

- Since the profits were being distributed between the States, tax exemption was justified, and that it was recognized by all the statutes of the new central banks : Tunisia, Morocco, Ghana, etc ;

• The application of national taxation would make an equitable distribution of profits impossible and would not allow the Central Bank to cover the running costs of "overdrawn agencies" with the help of the earnings of profit-making agencies.

The explanations were considered to be "partial" by the Senegalese delegate.

Saller pointed out that Senegal had already given its agreement to Article 9 of the monetary union agreement granting the Bank the same privileges as international institutions and that it was, moreover, necessary to take account of the difficult operating conditions in certain States.

All the other delegations were in favor of tax exemption.

- The amendment of the Bank's statutes

The French draft provided that the statutes could be amended by a unanimous decision of the Bank's Board of Directors.

The counter-draft specified that the decision had to be "taken unanimously by the Member States of the Monetary Union".

- The headquarters

Mali thought that the Central Bank, since it had to be African, should be headquartered in Africa.

Hospice Coco, requested to give his opinion in spite of his status as an observer, proposed Abidjan because of its central location. Saller declined the offer.

After much discussion, it was agreed that the headquarters of BCEAO would be transferred to Africa as soon as possible, but would remain in Paris temporarily.

- Capital formation

Dr. Peytavin stated that he had obtained from the French Minister of Finance the surrender of the endowment granted to the institution in activity.

In order to reserve the rights of Togo, the text given hereafter was adopted :

"The French Republic gives up to the Central Bank of West African States the endowment of 500 million CFA Francs allocated to the current establishment. This endowment and the reserves of the current establishment will be distributed in equal shares between the States that are members of the new institution. They shall be brought in by Member States of the Monetary Union as financial investments in the capital of the new institution".

Since France took no further part in the capital formation of the new Central Bank, the first paragraph of Article 4 of the French draft, whereby France forfeited its right to share the profits, became without object and was removed.

- Composition of the Board of Directors

The Malian delegation believed that the Central Bank had to be primarily African and that its Board should not include members designated by the French Government. Undoubtedly, France could be granted a certain right to be kept informed because of the co-operation between it and the Monetary Union.

The delegation thus proposed that an African Monetary Commission be set up, composed of eight members of the Monetary Union Board and eight French members of parliament. The commission would give its opinion on the operation of the Central Bank ; it would only have an advisory capacity.

The other delegations adopted the proposal presented by Dr. Peytavin, after the agreement, he stated, of the French Finance Minister.

"France will have a third of the seats in the Board of Directors".

It was specified that this proposal was selected taking into account the fact that the Board's decisions would have to be made at a two-thirds majority ; any higher representation would confer a right of veto on France.

If Togo maintained its decision to withdraw, the plan was to fix the number of Board members at 21 (14 African and 7 French).

For certain delegations, the presence of French administrators constituted a security, for others, it represented a guarantee for foreigners.

- The Chairmanship and General Management of the Bank

Article 9 of the French draft co-operation agreement provided that the Chairman of the Board and the Director General would have to be appointed by the Board on the proposal of the French Government.

This provision was not retained in the counter-draft.

It arose from the debates that certain States would have agreed, at their first meeting in Paris, to entrust the administration of the Bank to :

- a "revolving" Chairman, with the Finance Ministers of the States acting as Chairperson, in turn, for a period of one year each ;
- a "fixed" or "slowly revolving" Vice-president, "to avoid leaving the Bank in the hands of the Director General" ;
- a "full time" Director General.

- The composition of the monetary committees

Raphaël Saller vigorously denounced the provisions of the draft statutes, which, according to him, left to the choice of the Government of the concerned State only two seats out of the five envisaged.

The expert, Mr. Pierre Sanner, pointed out that according to Article 47 of the draft statutes, four out of five members were to be designated by the Government of the country in which the Committee had its headquarters.

On the other hand, the presence of a delegate of the French Government in the Committee was supported by Saller, but was rejected by all the other delegations.

It appeared impossible to them to envisage the participation of a "French administrator", since the Committees had to meet very frequently.

Me Hamaciré N'Douré pointed out that if it were necessary for the Board of Directors to be informed of the decisions of the Committee, the task could be accomplished by the Branch Manager, since he had to report to the General Management.

- Powers of the monetary committees

Saller felt that the French draft subjected the committees to an unacceptable supervision and proposed to offer modifications ; he wanted, in particular :

- The determination of the ceilings per bank by the Committees ;
- The free appreciation, by the Committees, of the limits to be granted to the various banks and companies, without rules, at the discretion of the Board of Directors ;
- The abolition of any recourse against the decisions of the Committees.

- Medium-term credit operations

Saller vigorously asserted that he considered the provisions of Article 27 of the France-Côte d'Ivoire agreement, mentioned in Article 17 of the draft statutes, as comprising the primary innovation of the reform of West African monetary institutions.

He thought that the wide-ranging support of the issuing house in the form of the rediscount of medium-term credits constituted an indispensable means for financing economic, social or "general" equipment.

Some delegates wanted to know what would be the limits of this mode of financing. Saller seemed to admit that these limits could be a function of the "foreign assets" of each State.

The expert, Mr. Sanner, wrote in his comments on the issue, "it is quite obvious that this problem is one of the most delicate that may arise for the future Central Bank. The powers granted to the Board of Directors to fix 'a ceiling per State' will be quite difficult to implement in practice and such an implementation would give rise to the most serious conflicts. I still believe that taking the 'foreign assets' into consideration in the definition of the ceilings is the best solution possible in this case, while also constituting the safeguard most easily acceptable by the States".

- Credit operations in favor of Treasuries

This subject constituted one of the "questions of principle" examined at the beginning by the conference.

Mr. Adandé declared that his Government considered that the ability to resort to advances from the central bank was essential.

Courmo expressed the fear that too many facilities may lead to unexpected difficulties.

Compagnet believed that ability to resort to the central bank was acceptable only if it did not exclude the possibility of resorting to direct advances from the French Treasury.

The delegates of Upper Volta pointed out that African Governments may not consider a recourse to the French Treasury convenient, while it was normal for them to approach their own issuing house.

The expert consulted several times expressed the following opinion :

. The "securities enabling to obtain advances", whose rediscount by the Bank was envisaged by Article 12 of the draft statutes, were not government stock as some delegates believed, but securities enabling private companies to benefit from overdrafts ;

. The possibility to rediscount Treasury bills envisaged in Article 15 offered the possibility of indirect aid to the Treasuries ;

. The granting of direct cash advances was envisaged by most of the statutes of new central banks, but this possibility was strictly limited ;

. If either or both possibilities were open, an overall ceiling would have to be fixed.

After discussion, a new text was adopted for Article 15 of the draft statutes :

"Treasury bills of the States of the West African Monetary Union having less than six months to run can :

. Be rediscounted or repurchased by the Bank ;

. Be accepted in guarantee of advances to the extent of the amount fixed by the Board of Directors ;

. Be bought or sold to banks, without endorsement, on the condition that these operations are not transacted to the profit of the issuing Treasury and are carried out in the States that issued them.

The total amount of operations based on Treasury bills thus realized cannot exceed, for each intervening bank, ten percent of the average amount of their customers deposits over the last twelve months, with the exception of those of the Treasury and Post Offices (not including deposits with the post office banking system belonging to natural or legal persons governed by private law).

The Bank can grant the Treasuries of the Monetary Union States, at the discount rates being practiced, current account overdrafts whose total duration cannot exceed 240 days, consecutive or not, during one calendar year.

The amount of these overdrafts, added to the total amount of Treasury bill transactions cannot exceed either the maximum of 10% of the bank deposits mentioned in the above subparagraph, or the maximum amount of 10% of the tax revenue of the national budget during the previous financial year".

3) The convention on an operations account

The Malian delegation maintained its opinion concerning the uselessness and irrelevance of such a convention. While maintaining its position, it took part in the discussion on the French draft.

The principle of a guarantee of the West African currency through an operations account was laid down in (the new) Article 4 of the counter-draft of the co-operation agreement.

Several delegates believed that the convention should be concluded between the French Monetary Union Council and the Bank, and not between the French Treasury and the Bank.

The text of the French draft convention on an operations account was adopted, with the reservation that :

- A second auditor of the operations account be instituted, designated by the Council of the Monetary Union (Article 7) ;

- Modifications be made to the provisions of the co-operation convention to which it referred - Article 8 (automatic suspension), Article 9 (denunciation).

The automatic suspension was maintained only in the case where one of the States exempted itself unilaterally from its obligations and the suspension would carry effect only with regard to the State concerned.

At Saller's request, the automatic suspension in the event of a change in the parity between the French Franc and the CFA Franc (subparagraph 2, Article 11 of the French text) was removed, since he maintained that the agreement of the States was essential for any change in parity, both of the French Franc as of the CFA Franc.

4) The definition of the CFA Franc and its relationship with the French Franc

Mali and Senegal wanted the Treaty establishing the Monetary Union to include a definition of the new CFA Franc in relation to gold.

Saller supported the idea of the maintenance of the parity in force. He indicated that the provisions of the co-operation agreement counter-drafts, just as those of Article 22 of the agreement between France and Côte d'Ivoire, had to be interpreted as including the obligation for the French Government to obtain the agreement of the monetary union, not only for a modification of parity between the French Franc and CFA Franc, but also for any change in parity of the French Franc in relation to foreign currencies. This interpretation would result from the Niamey negotiations (March 1961).

5) Date of entry into force pursuant to the reform

The French draft provided that the reform would come into force six months after the ratification of the agreements.

This provision appeared reasonable to Mali. Senegal insistently demanded that the reform enter into force on 1 January 1962. This proposal was finally adopted.

3 - The issue pertaining to the identification of banknotes

The identification of the banknotes issued in each State was :

- one of the problems that raised the most lively discussions ;

- the only problem that was the subject of a unanimous agreement between the States, recorded in a resolution countersigned by their accredited representatives ;

- the only one with an immediately applicable solution.

The problem was broached as of the very first meeting. Saller, while listing the organizational "principles" that it would be advisable for the Union to retain, reiterated the provisions of Article 23 of the co-operation agreement between France and Côte d'Ivoire without giving its reference : "the banknotes issued in each State are identified by a particular mark".

"Discrete marks", specified the representative of Dahomey ; "extremely discrete", underlined the head of the Malian delegation. The examination of the problem stopped there, temporarily.

The discussion was resumed during another meeting at the request of the head of the Malian delegation, who recalled the conditions in which the problem had been posed. He said that :

- The identification was required by the General Management of the Central Bank and rejected by its Board of Directors, in particular in Cotonou at the end of 1960.

- At the conference held on March 13, the States agreed "to make an effort" and agreed to a discrete identification.

- This condition was not met by banknote samples presented by the General Management, which were rejected unanimously by the Council.

- It was then decided that the identification would be limited to a letter, but samples presented again by the General Management still did not meet the wishes of the African representatives.

- The Central Bank's Management tried to put the States before a "fait accompli", asserting the need to avoid getting out-of-stock.

Saller believed that the problem should not be dealt with as if it were a dispute between BCEAO States, especially since, at the March 13 Franco-African conference, the representatives of African States had agreed to identification by a letter, with the understanding that the said letter did not correspond to the initials of the State concerned.

On being consulted, the representatives of Senegal, Dahomey and Upper Volta expressed their agreement on identification of the type recalled by Saller when he spoke on behalf of Côte d'Ivoire.

Courmo then proposed a compromise :

- States should accept the identification of banknotes issued in their territory.

- The concerned identification must be carried out as soon as possible.

- This identification would be carried out temporarily according to the formula suggested by the central bank, with the understanding that the latter would endeavor to develop a discrete identification.

- New banknotes put in circulation would include an identification that did not stand out in its presentation of banknote denominations.

These proposals were adopted, though without being formally accepted, and without determining the specific letters of identification of each State.

Outside the meeting, discussions continued, often very heated. Shortly before the closing of the conference, BCEAO expert, Mr. Sanner, having again underlined the need for an immediate decision, the Chairman submitted a resolution to be voted by the conference, which the conference agreed to ratify and whose original text, countersigned by the seven ministers heading the delegations, would be submitted to the expert. The conference decided to keep this resolution "secret".

4 - Lessons of the meeting

The minutes of the meeting, prepared by Courmo Barcougné on his arrival in Niamey, faithfully reflected the general feeling at the end of this conference[79].

"This conference did not achieve its goal, which was to prepare all counter-proposals to be presented to the French Republic, because, on the one hand, of the illness of its President Mr. Saller and, on the other hand, the departure of European Ministers for their vacations.

The conference was nevertheless able to draw up a set of three texts, while postponing to a later meeting to be held in Paris, towards the end of September, the examination of the Bank's statutes. Moreover, a special agreement was envisaged with regard to the identification of banknotes and distinctive letters for each State were distributed.

Of course, while the agreement seems almost complete now, Mali still maintains a position, which, if one were to go by the opinion expressed by the other participants, would prevent it from entering the Monetary Union. However agonizing this solution may be, since it goes against African unity, one should not ignore the fact that it is inevitable if Mali continues to hold on to its individual exchange regulations.

In spite of its conciliating spirit, which, during the conference, allowed a revival of the discussion that had reached an impasse two times, Niger cannot give up the principle of the freedom of circulation and of monetary transfers, which seems essential for the constitution of a monetary union worthy of this name.

However, the fear of watching Africa being progressively "Balkanized" encouraged Dahomey to propose an attempt to try out a monetary union with Mali, Niger, Senegal and Mauritania, which had also proposed a compromise by instituting a provisional period until 1 January 1962.

Togo, although it was only an observer, would also be favorable to a solution that would make allowances, but on the whole, the States questioned by Mali had to admit that their stand and that of Mali were irreconcilable.

[79] AFP of 20 and 21 August 1961.

Finally, Niger, although it had accepted the principle of Bank advances to the local Treasury, does not favor this solution, believing that this measure could soon lead to a disintegration of the union. In this case, a borrowing State that is not able to refund will not be able to obtain new advances and will soon be induced to withdraw from the group".

Despite everything, the Abidjan meeting, by allowing an honest discussion between the Africans on the constraints of a monetary union, constituted a decisive stage towards the negotiations with the French party, as such.

D - Negotiations, signature and ratification of the 12 May 1962 agreements

The last stage of the construction of the Union led the delegations to the October 1961 discussions in Paris, the March 1962 meeting in Abidjan, the signature of the agreements on 12 May in Paris and, finally, the ratification of these agreements.

a - The from 9 to 21 October 1961 discussions in Paris

1 - The proceedings

Led by Messrs Baumgartner, Saller, Adandé, Yaméogo, Douré, Barcourgné, Peytavin, Touré and Eklou as the observer for Togo, the delegations devoted these thirteen days - 9 to 21 October 1961, without respite, to many meetings, long discussions and frequent exchanges of documents.

The African delegations first started acting in concert on 9 October. After "long and impassioned discussions", they agreed on common proposals, which they handed in to the French Government in response to the drafts prepared by the French experts, on thursday, 12 October at 5:00 P.M.

The French Government responded in a memorandum distributed with accompanying notes to the African delegates during the first plenary session on Tuesday, 17 October at 10:00 a.m.

In answer, the African delegations sent them their counter-proposals on wednesday, 18 October, in the morning.

A second plenary meeting then took place on wednesday, from 06:30 P.M. to 07:30 P.M., with Baumgartner heading the French delegation and Mr. N'Douré expressing the African position with the support of Saller.

Another meeting took place on the evening of Friday, 20 October. Then, the conference was suspended after one last meeting on Saturday, 21 October, from 05:00 P.M. to 06:30 P.M. at the Hôtel Matignon in the presence of Michel Debré, the French Prime Minister.

The African delegates had to consult their respective governments on the last point of disagreement with the French side.

2 - The principal points of discussion

A monetary union of the type envisaged, between a group of underdeveloped countries, each one independent, with the guarantee of a third developed country, was without precedent and, with its decentralized organization, it was considered very sensitive.

Thus, the negotiations, which were essentially centered on *operations concerning the issue of currency* in other words, the modalities for the creation of currency and, thus, the monetary policy - as well as the corollary, the organization of decision-making powers within the Union, were to soon reveal the contradiction between the concern of the French Government to minimize its risks as guarantor of the system and the concern of the new African States to avail of a certain autonomy as regards distribution of credit, individually, and to collectively acquire the possibility of obtaining funding for their equipment and operational needs.

In addition, during the twists and turns of a number of provisions of the draft statutes, several times, the representatives of the various States revealed their sensitivity concerning certain powers reserved for the future Central Bank, over which they would not have direct control.

Apart from the venue of the head office - which, for tactical reasons, was not mentioned explicitly in the draft prepared by the French experts, but whose counter-draft, prepared by the Africans, specified that it "is temporarily established in Paris" and that it would later be transferred to one of the Member States of the West African Monetary Union "by the unanimous decision of these States within the Board of Directors" - the debates focused on five points : support to the various Treasuries, financing of medium-term credit, the distribution of powers between the Board of Directors and the National Monetary Committees, the participation of France in the Bank's administration, and France's ability to put an end to its commitments.

1) Support to national Treasuries (Article 15 of the draft statutes)

In addition to the rediscount of the Treasury bills of the States, envisaged in the draft, the African delegations proposed that the Central Bank be granted the possibility of agreeing to current account overdrafts in the Treasuries, of a maximum duration of 240 days, consecutive or not, during one calendar year.

The cumulated amount of these overdrafts and Treasury bill transactions could not exceed 10% of the national tax revenues during the preceding financial year.

By way of comparison, in Ghana, this facility was of 10% of the estimated budget revenues, to be refunded at the end of the budgetary year and, in Tunisia, of 5% of the revenues during the preceding financial year for 240 days per year.

In its memorandum, the French side estimated that the application of these provisions could lead to an increase in the volume of the Central Bank's short-term credit entries by some 10 billion CFA Francs, i.e. approximately a 30% increase in the amount of credits entered by the institution at the time.

It added that France's acceptance of this new risk would normally lead to a suspension of current (French) Treasury advances granted to certain Treasuries, pursuant to specific agreements.

Finally, agreement on this point was reached, with the precision that, "these facilities are not exclusive of those that may result from specific agreements between the French Treasury and the Treasuries of the Monetary Union States" (subparagraph 5).

2) The funding of medium-term credit

In accordance with operations concerning the issue of currency, Article 17 of the draft statutes laid down that "the Bank can discount securities representative of medium-term credits of a maximum duration of five years at the banks.

These securities must be guaranteed by two or several signatures of manifestly creditworthy persons.

To be mobilized at the Bank, medium-term credits have to be :

- aimed at financing either the capital development operations included in the economic and social development plan of the interested State or the export of industrial products, and

- based on the Bank's prior agreement".

In their common proposals, the African delegates widened the field of operations eligible for medium-term refinancing. Thus, the French memorandum pointed out that the new draft proposed extended, beyond all limits, the French delegation's interpretation of the provisions, which were already extremely liberal, in spite of the lack of any relevant examples in the statutes of the issuing houses. The Central Bank was thus being invited to grant medium-term credits for realizing non-profitable transactions, which would have to be financed by the States, by public establishments and organizations.

These provisions thus ensured financing, through the issue of currency, of medium-term credits in favor of the Treasuries, with no further limits being imposed on their application.

The memorandum went on to say that the French delegation could not accept the resultant risk of the deterioration of the West African monetary situation, if it had to be covered by France.

It was nevertheless ready to specify the provisions adopted under the agreements, as well as the conditions for their application, in order to enable West African States to resort to financing their economic development through a monetary issue, within all limits compatible with the maintenance of a satisfactory economic and financial situation.

Ultimately, two subparagraphs were added to the initial text and a protocol was drawn up between France and African States on the interpretation of this provision (Protocol, Annex 3) :

- 4th subparagraph - "With regard to capital development operations, medium-term credit can only be used for funding investments that are used in order to produce revenue that can, in turn, be used to repay the loan within the time it falls due".

- 5th subparagraph - "However, when financing beyond the duration of the credit can be ensured by non-monetary resources, the credit could be granted for a duration lower than the period necessary to allow its amortization by means of operating income".

- The Protocol, Annex no. 3 to the cooperation agreement between France and the WAMU Member States provided that "(It has been) agreed to interpret as follows the 4th subparagraph of Article 17 of the statutes of the Central Bank of West African States :

"With regard to capital development operations, medium-term credit can only be used for funding investments that are used in order to produce revenue that can, in turn, be used to repay the loan by the time it falls due, including - within the limit of a fifth of the total amount of credit - infrastructural works that are the essential complement of the aforesaid investments".

3) - The respective powers of National Monetary Committees and of the Board of Directors

Article 50 of the draft statutes granted the Board of Directors the right to modify the decisions of the Committees, in these terms : "the Board of Directors is kept informed of the decisions of the Committees. It shall decide on the modification of those that may not be in conformity with the provisions of these statutes or of the decisions taken by the Board for their application. *It also has the right to revise any decisions of the Committees that it may consider seriously detrimental to the monetary union or one of its members*".

In addition, as regards distribution of credit, Articles 55 to 59 of the draft fixed the respective powers of the Committees and the Board of Directors.

In substance, the Committees had to examine the needs for short-term financing of the economy of the State falling under them and the local resources that could be used to meet them. They had to then deduce the level of total rediscount support from the Central Bank that they considered necessary and, within the limit of this total support, draw up their proposals on rediscount ceilings for each bank, in particular, for their own activity within the aforesaid State.

The Board of Directors was to then adopt the total rediscount ceilings per State and decide on their distribution per bank.

It also had to fix a medium-term ceiling per State and distribute it between the banks.

The committees had to fix, on this basis, the individual rediscount limits for companies.

The African counter-proposals, on the other hand, conferred on the Committees the power to distribute the ceilings per bank once these had been decided by the Board of Directors, both for short-term as well as medium-term credits.

The French delegation then retorted that the kind of organization that was being envisaged would considerably reduce the powers of the central bodies and leave decisions that could affect the condition of the entire Monetary Union up to the appreciation of the various National Monetary Committees.

Thus, while it was willing to adopt the proposal according to which the Monetary Committees could determine the ceilings of each bank, it felt that it was necessary for this decision to be made within *"the framework of the general rules determined by the Board of Directors and basing the establishment of these ceilings on the activity, resources, liquidities and risks incurred by the banks likely to receive the Central Bank's support"*.

After these exchanges, Article 50 was drafted while taking into account the observations of the two sides : "The Board of Directors shall be kept informed of the decisions of the Committees. It shall decide on the revision of those that may not be in conformity with the provisions of the present statutes or the general rules and limits fixed by the Board of Directors pursuant to Articles 45, 55, 56, 57 and 58".

In addition, the final draft of Articles 55 to 59 was in conformity with the amendment made by the African delegates.

4) The participation of France in the Bank's administration

France's stand on this issue was that "its request to be associated in the management of the bank, or at least obtain sufficient guarantees as to the quality of this management, is only based – but this reason is essential on the necessity for it to ensure that its own interests are not at stake, in spite of itself".

Hence, the discussions then broached the issue of nominating the executives - the Chairman of the Board and Managing Director - the members of the Board of Directors and the required majority for decisions to be taken.

- The Chairmanship of the Board of Directors

The original proposals of the French experts conferred on the French Government the right to introduce the person who would be entrusted with the Chairmanship of the Board (Article 9 of the draft co-operation agreement) : "The Chairman of the Board of the Central Bank and the Managing Director shall be appointed, under the conditions provided in the statutes, on the proposal of the Government of the French Republic".

The African counter-draft proposed that the Chairman of the Board be selected from amongst African administrators for a two-year term per State.

This amendment was accepted. However, the French side wondered whether a shorter duration would not be preferable taking into account the number of countries that constituted the Union.

- General Management

The African delegations agreed that the French Government could propose the Managing Director to be appointed by the Board of Directors, but within the framework of a protocol annexed to the agreements and not published, in lieu and place of the provisions envisaged in the cooperation agreement and the Bank's statutes.

The French delegation was of the opinion that the powers of the Managing Director had to be defined by the statutes. This is what led to the drafting of Articles 52 and 53.

"Article 52 - The Managing Director shall be appointed by the Board of Directors under the conditions fixed by agreement between the States participating in the management of the Bank.

Article 53 - The Managing Director shall have a seat in the Board of Directors in an advisory capacity and present the issues subjected to his decision.

He shall have a seat or shall be represented in all the committees created within the Bank.

Under the control of the Board of Directors :

- He shall ensure the application of the laws and statutes of the Bank and provide for the execution of the resolutions of the Board of Directors and the Committees ;

- He shall represent the Bank with regard to third parties ;

- He shall initiate all judicial action ;

- He shall take any implementation measures and any measures of conservation that he may deem useful.

He shall be represented in each State by the Manager of the Branch that has its head office there.

He shall organize and direct all banking services, recruit, appoint and dismiss all staff members and fix their emoluments.

However, he shall appoint the branch managers only after the agreement of the Government of the State where the concerned head office is located."

With regard to this last provision, at the beginning, some African delegates wanted the Branch Managers to be appointed by the Government. The objection was then raised that, in certain cases, this could lead to the paralysis of the institution and that it was not the practice in international organizations and institutions.

- The Board of Directors

In the draft co-operation agreement, the French experts had envisaged 14 members in the Board of Directors, 8 designated by the African States at the rate of one per State and 6 nominated by France.

The African counter-draft proposed 21 members, including 14 African members - two per State - and 7 French members, i.e. one-third the membership.

The French delegation declared that it was willing to accept such a distribution if it did not affect the effectiveness of the participation of French administrators in the deliberations of the Board of Directors. It therefore asked for the recognition of a qualified majority of 3/4 of the members of the Board (Article 44 of the statutes) for the adoption of major decisions, such as those relating to the last three subparagraphs of Article 45 and Articles 56, 58, 59 of the statutes. The decisions in question were related to the monetary policy: determination of the discount rate, rediscount ceilings per State and bank, etc.

This would mean granting the right of veto to the French administrators, since the qualified majority, according to this hypothesis, would be 16 votes (21 x 3/4).

On this point, the Senegalese delegation refused to make any concessions. Thus, on saturday, 21 October at 06:30 P.M., at the Matignon Hotel, the conference was suspended for a final consultation between the Heads of State.

- France's right to terminate its commitments

The French Government declared in its memorandum that no matter how great its desire to contribute to the success of this unprecedented attempt at monetary union may be, it could not ignore the risks of failure it presented.

It therefore felt that it would be in the interest of all to maintain France's ability to terminate any commitments that proved to be contrary to the essential interests of one or the other side or those it would be unable to face.

Hence, it proposed, for this purpose, that it be stipulated that "this agreement can be terminated, either by a unanimous decision of the Monetary Union Council, or by the Government of the French Republic.

As soon as the termination is notified, the Government of the French Republic and the Governments of the Member States of the Monetary Union will act in concert in order to define the new bases for their co-operation in monetary matters and, possibly, the modalities of a transitory system".

Ultimately the formulation selected was that of Articles 9 and 10 of the Cooperation Agreement.

"Article 9 - If one or other of the Member States of the Monetary Union withdraws unilaterally from the engagements stipulated in this agreement and in the Treaty on the institution of the West African Monetary Union, the application of the transactions account convention shall be automatically suspended with regard to the State concerned.

Article 10 - At the request of any State that is a signatory of this agreement, which believes that the evolution of the system defined by this agreement compromises or is likely to compromise its interests substantially, the signatory States would take counsel together, without any delay, in order to decide on the appropriate measures to be taken. If no decision can be taken jointly, the present agreement can be terminated by any signatory.

In such a situation, the application of the provisions of the transactions account convention allowing the Central Bank to continue to deduct from this account the sums necessary to cover its needs beyond its own available funds would be suspended, purely as a measure of conservation. The French Republic and the Member States of the West African Monetary Union would then take counsel together, without any delay, in order to decide on the new bases for their co-operation in monetary matters and, possibly, the modalities for a transitory system."

- Concerning the relations between the Central Bank and the States, several amendments were introduced in the African counter-proposals, such as affirming the sovereignty of the States in their relationship with the common institution. That was when formulations of the following kind came in : "at the request of the Governments, the Bank may..." or "on the instructions of the Governments of the Member States..."

The African delegates, after consultation with their Heads of State, went back to Abidjan in March 1962.

b - The 22 March 1962 meeting in Abidjan

It was on thursday, 22 March 1962 that the African Ministers held their meeting to complete their examination of the texts, in particular the question of the qualified majority raised by the French side (Article 44 of the statutes) and on which no agreement had been reached.

1 - The proposals for an automatic monetary policy

The delegates considered a joint proposal of the French side and Senegal, aimed at "introducing statutory guarantees of good management through the adoption of an automatic anti-inflationary mechanism in the event that the average amount of the Bank's quick foreign funds becomes equal to or lower than 15% of the banknotes in circulation.

If this action proves too rigorous, the Council may propose exemptions, to be adopted with a 3/4th majority".

In other words, the rule of the qualified majority would only come into play to possibly tone down monetary policy mechanisms that had to come into play automatically.

After discussions, the delegations agreed "to make the terms of this proposal more flexible in order to ensure effectiveness without modifying its spirit".

Thus, they provided that the economic and financial situation of the Union would be automatically examined by the Central Bank's Board of Directors so that it could take the appropriate decisions, when the ratio of the foreign assets with the amount of sight liabilities remained equal or lower than 20% for the duration of one month.

If, during the following month, the situation worsened, the rediscount ceilings, advances or other facilities were to be reduced and exemptions could only be made if such exemptions were supported by a 3/4th majority.

The application of these provisions to the various recipients of the Institute's aid fell under the competence of the National Monetary Committees, in accordance with Article 57 of the statutes, "because they are better qualified to assess the advisability of reducing the ceilings for one category of operations or the other," concluded the Ministers in a joint letter addressed to the French Minister of Finance and Economic Affairs.

They requested the Minister to kindly accept the new draft and to organize in Paris, during the month of April, a conference for the formal signature of the seven drafts examined, so that the new establishment could take up its duties on 1 October 1962.

They also asked that the provisions relating to the support to the Treasuries (Article 15 of the statutes) come into effect as soon as the agreements were signed, i.e. before their ratification.

2 - Modalities for fixing the monetary rule proposed

The proposed rule was in effect that of the "coverage ratio", i.e. the coverage of the issue by a certain reserve, be it in metal money or currency or both.

Applied to the colonial banks of issue, then to the BAO, their reserve, as one may recall, had to represent one-third of circulation (33%), whence the term of "one-third rule". For the "Banque de France", the same order of magnitude applied - 35%.

This historical ratio of 33% thus seemed to be a reference mark that could be used as a guide for the choice of a coverage rate.

Thus, for the future Central Bank, several modalities for determining the coverage ratio were considered during the preliminary discussions. The ratio finally selected appeared to be the most practical.

Indeed, the issue of requiring a qualified majority had also been envisaged for cases where "the credit balance of the transactions account fell to lower than 10% of the average money supply in the issue area during the six previous months".

But it appeared that the link established, although it could work in theory, was difficult to calculate as accurately and as fast as was required.

Indeed, there were several definitions of "money supply". The one used in France at the time, which excluded the Treasury's available funds - negative in France - constituted a bad indicator for West Africa where an appreciable share of the money supply was held by public funds.

In addition, whatever the definition adopted, the components of the money supply could not be gathered quickly or easily under the conditions prevailing in the area.

Hence, the reference to the "money supply", although theoretically justified, was not usable in practice, since the assessment would depend on the States sending in the data required for calculation and since such communication would, in the best of cases, take a very long time.

It was thus advisable to seek an indicator that could be defined exactly, calculated very quickly and *extracted from the accounts of the Central Bank itself.*

This parameter could be the total amount of the Central Bank's sight liabilities, i.e. the total of the banknotes and currencies in circulation and the credit balances of current accounts opened in its books.

It had been feared that the growth of credit current accounts with the BCEAO, although it was supposed to involve the application of the rule of a qualified majority, would lead the States not to entrust the custody of their available funds to the Central Bank.

It thus appeared preferable to retain as the reference only the amount of "banknotes and currencies in circulation", which, in addition, was less constraining than a reference to the entire money supply.

Ultimately, by observing the evolution of the various ratios over the years 1960 and 1961, it was possible to select the formulation that seemed most suitable, based on empirical data. In fact, the most suitable formulation was to fix the "coverage ratio's" most reasonable and critical levels, bearing in mind the historical reference of 33% - the one-third rule.

Ratio of the operations account creditor balance

	To money supply (%)	To fiduciary circulation (%)
31 March 1960	32.8	48.5
30 June 1960	32.6	49.7
30 September 1960	33.3	51.6
31 December 1960	29.8	46.1

Ratio of the operations account to sight liabilities

Month-end	Operations account Creditor balance (A) (in billions of CFA F)	Sight liabilities (B) (in billions of CFA F)	A/B (%)
1960			
February	31.7	66.46	47.8
March	31.3	65.30	47.9
April	30.6	62.70	48.7
May	30.0	60.40	49.7
June	28.7	58.50	49.0
July	24.5	54.50	45.0
August	25.9	53.30	43.7
1961			
May	24.4	62.20	39.1
June	24.2	58.40	41.4
July	22.3	56.60	39.3
August	22.1	54.20	40.8
September	20.9	52.20	40.2

Thus, finally, the foreign assets/sight liabilities ratio was chosen by considering that a figure above 20% constituted a reasonable coverage ratio and that 10% constituted a "critical ratio", hence the drafting of Articles 43 and 44.

"Article 43 - The Board of Directors shall meet as often as necessary and at least four times a year on being convened by its Chairman, either at his initiative, or at the request of one-third of the directors, or under circumstances provided in Article 44 hereafter.

Article 44 - The Board of Directors' deliberations shall be valid when two-thirds at least of its members are present or represented.

Subject to the provisions of the last but one subparagraph of this Article, the decisions of the Board in application of the last three subparagraphs of Article 45 and Articles 56, 57, 58 and 59 shall be taken by a two-third majority. In all other matters, a simple majority shall suffice.

When the ratio of the average amount of the Bank's foreign assets to the average amount of its sight liabilities has remained equal to or lower than 20% over three consecutive ten-day periods, or when developments in the Monetary Union's economic and financial situation make it possible to assess that the above ratio may fall below 20%, the Chairman shall convene a meeting of the Board in order to examine the situation and to take all appropriate decisions, in particular to examine the relevance of an increase in the Bank's discount rate and, in accordance with the need and taking into account each agency's particular situation, to consider reductions in the ceilings for rediscounts, advances and other facilities granted in application of the above Articles 57 and 58.

When the ratio defined above becomes equal to or lower than 10% and remains so during three consecutive ten-day periods, the Chairman shall notify members of the Board of Directors and Chairpersons of the National Monetary Committees of the fact. The Board of Directors shall be convened without any delay in order to decide on a possible increase in the discount rate and to reduce the rediscount ceilings and those for advances and other facilities, in proportions fixed per branch and taking into account the condition of its operations. Such reductions would apply to the ceilings fixed earlier by the Board for the months to come or, failing that, to the ceilings fixed for the corresponding months of the previous year.

Measures thus adopted cannot be withdrawn as long as the ratio defined above remains equal to or lower than 10% during three consecutive ten-day periods, unless the Board takes a decision on the basis of a three-quarter majority. The application of ceiling reduction, this decided by the Council, to various recipients of the Bank's assistance, shall be ensured in each State by the Monetary Committee, under the conditions provided by Articles 57 and 58".

In the same vein, Article 58 of the co-operation agreement provided that if the operations account was in debit during six consecutive ten-day periods, provisions given hereafter would duly come into effect.

1) - The Bank's discount, repurchase and advance rates are raised by one point.

2) - The advance, repurchase and rediscount ceilings and other short-term facilities determined by the Board pursuant to Articles 44 and 56 of the statutes are reduced :

- By 20% in branches whose statement of accounts, drawn up in accordance with Article 68 of the statutes, reveals a debit balance in the operations account ;

- By 10% in branches whose aforementioned statement of accounts reveals a credit balance of its external operations account, of an amount lower than 15% of the fiduciary circulation prevailing at the same time.

These reductions apply to the ceilings fixed earlier by the Board for the months to come or, failing that, to the ceilings determined by it for the corresponding months of the year preceding the notification.

In branches where the above provisions are applicable, the Bank cannot authorize any new grants of medium-term aid.

The Board of Directors shall be convened immediately. It may introduce certain reductions or exemptions from the above provisions, but, as long as the operations account remains in debit during six consecutive ten-day periods, such decisions can only be taken by the Board on the basis of a three-quarter majority".

c - The signing of the agreements

All the documents, except for the convention on an operations account to be concluded between the French Finance Minister and the Central Bank, were signed in Paris on 12 May 1962.

The following signed the Treaty establishing the West African Monetary Union on behalf of the Governments of Member States :

Jean-Baptiste Améthier	Côte d'Ivoire
Bertin Borna	Dahomey
Antoine Yaméogo	Upper Volta
Hamaciré N'Douré	Mali
Mamoudou Touré	Mauritania
Amadou Seydou	Niger
André Peytavin	Senegal.

The Co-operation Agreement between France and WAMU Member States was also signed by representatives of the Union's Member Governments and Mr. Valéry Giscard d'Estaing, Minister of Finance, on behalf of France.

All that remained to be done was to ratify the agreements.

d - The ratification of the agreements

The parties to the agreements began preparations to ratify them before 1 July 1962.

When this period came to an end, Mali decided to create its own currency and central bank.

Hence, the other signatory States between them also re-examined their positions with regard to the reform. There was an exchange of views on this question during a Franco-African Ministerial Conference on 11 July 1962 in Paris.

After introducing the subject, the French side maintained that, for its part, it remained willing to co-operate with the African States under the conditions envisaged by the 12 May agreements.

The representatives of the African States then declared that they were not changing their stand and that they had decided to create the Monetary Union with 6 countries (Côte d'Ivoire, Dahomey, Upper Volta, Mauritania, Niger and Senegal), on the grounds envisaged and to maintain the 1 November 1962 date for the entry into force of the new institutions.

Thus, this monetary organization, the fruit of several compromises and an undeniable political will, was finally born. For the time, it was manifestly a misconstruction in comparison with the traditional concept of "One State, one economic policy, one currency".

The establishment of the Monetary Union, thus, met with a great deal of skepticism and was perceived for a long time as an institutional curiosity before ideas evolved, as the economic and monetary integration of Europe progressed.

The success of this enterprise was undeniably much to the credit of those who played a role in it - French Central Bank managers at the time of independence, African leaders as well as the French departments, whatever their ulterior motives may have been.

The heads of African delegations, certainly, were the spokesmen for their governments but they were also, as technicians, their advisers ; each one of them played a decisive role.

In memory of the work achieved, the pages that follow are devoted to them.

E - The major actors

They appear in French alphabetical order (at the time) of the States they represented.

a - Raphaël Antoine Saller

Côte d'Ivoire

Born on 29 September 1899 in Marin, Martinique ; Governor of French Somaliland from 1943 to 1944 ; Director of Cabinet of the Minister for Colonial Affairs in 1944 ; Director of Planning at the French Ministry of Overseas Territories from 1945 to 1948 ; Senator of Guinea from 1948 to 1955 ; Government commissioner for the "Crédit d'AEF", the "Crédit du Cameroun", the "Banque du Bénin" (July 1955) ; Member of the FIDES Management Committee ; Member of Parliament (PDCI)[80] of the third district of the Legislative Assembly, which later became the National Assembly ; Representative of the Republic of Côte d'Ivoire to the Senate of the Community from April 1959 to January 1961 ; Minister of Planning in Côte d'Ivoire Government Council in May 1957 ; Minister of Finance, Economic Affairs and Planning of the Government of the Republic of Côte d'Ivoire from 30 April 1959 to 21 January 1966.

He was raised to the dignity of Grand Officer of the National Order of Côte d'Ivoire in exceptional circumstances for eminent services rendered to the country ; Officer of the Legion of Honor.

He died on 17 August 1976 in Paris.

[80] Parti Démocratique de Côte d'Ivoire - Democratic Party of Côte d'Ivoire.

b - Paul Darboux

Dahomey

Born on 10 May 1919 in Cotonou. Established the "Société d'Approvisionnement du Dahomey" ; Founder member of the "Société Africaine de Pêche" (S.A.C.A.P. or African Fishing Company) and President of the Dahomey Trade Union of African Traders ; Member of the Management Committee of the "Union Progressiste Dahoméenne" (U.P.D.) ; Founder member and Secretary General of the ethnic grouping of North Dahomey, which became the "Mouvement Démocratique Dahoméen" (M.D.D. or Dahomey Democratic Movement) ; Founder member and Secretary General of the UNIDAHO and then of the "Rassemblement Démocratique Dahoméen" (R.D.D. or Dahomey Democratic Group) ; Territorial Advisor of Djougou ; Minister of Social Affairs ; Minister of Labor and Public Services ; Member of Parliament and Minister of Commerce, Economy and Tourism from 29 December 1960 to 11 September 1963 ; Minister delegated to the Presidency of the Republic until 28 October 1963.

Commander of the Dahomey National Order on 1 August 1962 ; Grand Officer of the Dahomey National Order on 29 July 1970 ; Commander of the National Order of the Equatorial Star of the Gabonese Republic on 28 June 1971.

Paul Darboux died in Abidjan on 17 July 1985.

c - Wilfrid Siegfried Baumgartner

France

Born on 21 May 1902 in Paris ; Studies : Lycée Buffon (Buffon School), "Ecole Libre des Sciences Politiques" (Political Science Institute), Faculties of Law and Arts of Paris ; Doctorate in Law ; Treasury Inspector (1925) ; Deputed to the "Mouvement Général des Fonds" - the General Fund Movement (1927) ; Head of Cabinet of the Minister of Finance (1930) ; Deputy Directeur of the "Mouvement Général des Fonds" (1930-1934), Deputy-Director from 1934 to 1935 ; Director from 1935 to 1937 ; Chairman, Director General of Crédit National (1937) ; Chairman of the "Caisse Nationale des Marchés" - the National Market Fund (1937-1941) ; Member of the General Council of the "Banque de France" (1936-1949) ; Alternate Governor of the International Monetary Fund ; Governor of the "Banque de France" (1949) ; Minister of Finance and Economic Affairs (13 January 1960 - 18 January 1962).

Grand Officer of the Legion of Honor.

He died on 1 June 1978 in Paris.

d - Bogota René Blaise Bassinga

Upper Volta

Born in 1920 in Kordié (Upper Volta) ; Degree from the "Ecole Normale William Ponty" (Institute of higher studies), Option - Administration, Finance and Accounting ; Local Finance Director in Séguéla, Abidjan, Ouagadougou, Bobo-Dioulasso, Ouahigouya ; Member of the political committee of the "Rassemblement Démocratique Africain" (RDA) and of the Upper Volta section (UDV-RDA) ; Director of Cabinet of the Minister of Public Services of Dahomey (1957), the Minister for Cattle breeding, Water and Forests of Upper Volta (1958), the Minister of Sports and Youth Affairs of Upper Volta (1959) ; Deputy (UDV-RDA) (1959) ; Minister of Finance of Upper Volta (1959-1962) ; District Commander of Diori (1963-1966) ; Deputy Accounts Director of OCCGE (1967-1982).

"Chevalier de l'Ordre du Mérite Voltaïque" (Voltaic Knight of Merit), Grand Officer of the Voltaic Order of Merit, René Bassinga died on 10 March 1991 in Ouagadougou.

e - Me. Hamaciré N'Douré

Mali

Born in around 1918 in Youwarou in the Niafunké district in Soudan.

After leaving the Lycée Terrasson de Fougères in 1946, he worked in the Bamako Town Hall as a dispatch clerk ; as from 1947, he attended the Ecole des Langues Orientales (School of Oriental Languages) in Paris, then did his Masters in law ; he worked as a trainee lawyer in 1952 at the Paris bar ; on returning in 1954, he set himself up as a lawyer in Abidjan until 1957 ; since the Framework Law, he occupied the following posts in Soudan and Mali in successive governments : Minister of Industry, Commerce and Transport (22 May 1957 ; 24 July 1958) ; Minister of Commerce and Industry (16 April 1959 ; 22 September 1969 ; 25 January 1961) ; Minister of Commerce and Transport (17 September 1962) ; Minister of Justice, Garde des Sceaux, Chargé de Mission for the President until 19 September 1969.

Militant of the Sudanese Union - RDA (US-RDA), then, after the party broke up in 1992, of the "Parti du Bloc Démocratique pour l'Intégration Africaine" or Democratic block party for African unity (BDIA Faso Djigui) of which he was the Chairperson.

Me. Hamaciré N'Douré died on 18 March 1998 in Abidjan.

f - Maurice Compagnet

Mauritania

Born on 9 February 1906 in Génos in the French "Département des Hautes Pyrénées", he did one year of military service in the 18th Infantry Regiment'in Pau (1926-1927).

Recruited as an accountant by "Maurel et Prom", he served in Saint-Louis from 10 January 1928 to 31 July 1928. Recruited from there by the authorities as trainee in finance and accounting services, his services were placed at the disposal of the Head of the Finance Bureau on 6 August 1928 ; special agent for Sélibaby (21 November 1928) ; appointment confirmed as a finance services clerk (6 August 1929) ; special agent to Méderdra (22 February 1932), Boghé (6 May 1933), Kaédi (19 March 1935) and Méderdra (17 February 1936) after rising to the rank of head clerk of the finance services (1 July 1933) ; appointed to the Operational Budget in Saint-Louis (13 February 1939) ; on vacation outside the service without pay as from 1 May 1939 in order to occupy the post of Branch Manager of the transport firm, "Lacombre Frères", in Saint-Louis. He resigned from the Civil Service on15 August 1941.

Militant of the "Union Progressiste Mauritanienne" (Mauritania Progressive Movement), he became a Territorial Councilor of Mauritania (1947) and a Member of the AOF Greater Council (1947 to 1957). Maurice Compagnet was nominated to the post of Minister of Finance in the Government's Cabinet in 1957. His term was renewed on 30 June 1959 in the Government of Prime Minister Mokhtar Ould Dadah, up to 30 August 1961.

g - Barcourgné Courmo

Niger

Born in 1916 in Say, Niger ; Degree from the Ecole Normale William Ponty ; Secretary General of the "Parti Progressiste Nigérien" (Nigerian Progressive Party), "Rassemblement Démocratique Africain" section (PPN-RDA) in 1946 ; Political Secretary of the PPN-RDA as of 1955 ; Chairman of the "Organisation Commune Dahomey-Niger" (Joint Dahomey-Niger Organization) in 1959 ; Minister of Finance of the Interim Government then of the Government of the Republic of Niger from 18 December 1958 to 15 January 1970, Minister of Foreign Affairs from 15 January to 22 November 1970.

He died on 17 November 1993 in Niamey.

h - Dr André Peytavin

Senegal

Born in 1926 ; Doctor of Veterinary Medicine, holder of the "Certificat d'Etudes Supérieures de Sciences Physiques, Chimiques et Naturelles" (Higher studies' degree in physics, chemistry and natural sciences) and of the "Certificat d'Etudes Supérieures de génétique" (Degree in Genetic Studies) ; Degree of the "Institut d'élevage et des industries animales des pays tropicaux" (Cattle-breeding and tropical countries' animal industries Institute) ; former student of the "Institut des hautes études politiques, économiques et sociales" (Institute of higher studies in politics, economics and social sciences) ; laureate of the French Veterinary Academy ; veterinary inspector ; head of AOF's M.R.P. Federal cattle-breeding laboratory ; Cabinet Minister of Finance of the Government of Senegal from 18 May 1957 to 4 April 1959 ; Minister of Finance of the Government of the Republic of Senegal from 4 April 1959 to November 1962 ; nominated Minister of Public Works during the cabinet reshuffle in November 1962, he occupied this post until 19 December the following year. He once again became Minister of Finance and Economic Affairs until 9 December 1963, when he became Minister of Commerce, Industry and Handicrafts. Member of the U.P.S. Executive Committee (Union Progressiste Sénégalaise or Senegalese Progressive Union) as of 1958 ; Commander of the Order of Public Health.

Dr. André Peytavin died on 3 February 1964 in Dakar.

i - Hospice Coco

Togo

Born on 18 May 1902 in Cotonou. Dakar School of Medicine degree (Surgeon, Gynecologist-Obstetrician) ; transferred to Togo in 1923, he practiced in several areas and in other countries as well : Ghana and France.

Member of the first Territorial Assembly of Togo from 1946 to 1951 ; Chairman of the Assembly's Standing Committee (1948 - 1951) ; Member of the Government from May 1958 to 12 January 1963 : Minister of Commerce, Industry, Economy and Planning; Minister of Finance and Economic Affairs.

Hospice Coco died on 20 July 1995 in Lomé.

Section IV - The creation of national monetary institutions by Mali

I - The notification of the decision to France

By a letter drafted in Bamako on Thursday 28 June 1962, addressed to General de Gaulle, Modibo Keïta, President of the Republic, informed French authorities of Mali's decision to undertake a monetary reform whose broad outlines were the creation of a national currency, the Malian Franc, and of its own central bank, the Bank of the Republic of Mali, which would be granted all the internal and external powers in monetary matters that were, at the time, held by the Central Bank of West African States.

The reform came into force on 1 July 1962 at midnight. The Malian President specified that this decision was "in conformity with the spirit, if not with the letter of the provisions of Articles 8 and 9 of Title II of the Co-operation Agreement on economic, monetary and financial matters signed between France and Mali on 9 March 1962 in Bamako".

He added that this decision, which would have rather major effects on Mali's relations with France and the West African Monetary Union partners as a whole, "could not be interpreted as a gesture of distrust and even less hostility with regard to anyone".

While the immediate consequence of the choice made was Mali's exit from WAMU, the President recognized the need for an essential reworking of Mali's relationship with the whole of the Franc Area to adapt them to the new situation thus created, and indicated that Mali's exit from the Monetary Union was not tantamount to calling into question the principle of Mali's membership of the Franc Area.

He concluded that Mali was ready to start negotiations with France in order to re-examine on new bases the conditions and procedures of their co-operation within the Franc Area.

Leaving Bamako on Friday, 29 June, in the evening, Dr. Seydou Badian Kouyaté, the bearer of the message, handed it over to French authorities on Saturday, 30 June.

At the same time, steps were taken in Bamako to inform the Malian people of measures taken.

II - The adoption of the bills by the National Assembly

In the afternoon of Saturday, Radio-Mali announced that the National Assembly had been convened for that very evening at 10:00 P.M. in order to hear a special communiqué; the diplomatic corps was invited to the meeting.

Around 7:00 P.M., the Central Bank Agency's usual guards were reinforced ; in addition, all accesses to the banks were occupied by the armed forces and the police.

At around 8:00 P.M., the Foreign Minister informed the Ambassador of France that he had information to communicate to him. The meeting took place on the road to Koulouba, opposite a college - the Lycée Terrasson de Fougères.

The Ambassador learnt about the creation of the Malian Franc, and that the French Government had been advised directly.

At 10:30 P.M., the Members of Parliament, who had earlier attended a meeting at the headquarters of the Sudanese Union - the single Party - started the meeting, and the floor was immediately given to Modibo Keïta, who presented to the Assembly the monetary reform decided upon by the Government.

Modibo Keïta presented the bill[81] : "Mali has proposed to France to open negotiations in order to re-adjust the relationship between Mali and the Franc Area and to adapt them to new prevailing conditions. Several States are already in the situation that we will soon be in and it is in this state of mind that we propose that France should re-examine the bases of our co-operation within the Franc Area, in accordance with Articles 8 and 9 of the agreements that were concluded on 9 March 1962 between Mali and France. These agreements provided that Mali could have its own issuing house and France had then taken note of this declaration.

Our continued membership in an adapted Franc Area is not incompatible with our monetary sovereignty. As for our future relations with the African States of the West African Monetary Union, we would like to set up a meet with these States to examine the modalities of our indispensable co-operation".

Pointing out that the creation of the West African Monetary Union had been the fruit of much compromise and that it was not solid, the President specified that "two Member States, Guinea and Togo, no longer form part of it. It is desirable that we first sign bilateral clearing agreements with the other West African States. In a second stage, we will be able to conclude multilateral agreements, which will lead to the creation of an African union of payments. Because African unity can only be achieved by adopting our own African path, and cannot be based on a prefabricated model".

The Malian President then enumerated for the Members of Parliament the constraints involved in the decision to create a new currency. "Today, we start a policy of austerity - Mali will have to balance its foreign trade and give up all imports of luxury goods. All Malians will have to be disciplined and have faith in their new currency.

We will not run banknotes off the plates, and the Treasury will only be able to withdraw funds from the Bank of the Republic of Mali if its account balance is in credit.

For the reform to be effective, we need to be extremely cautious. We have sufficient means, but how much these means are worth will depend on how we use them.

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[81] AFP Overseas Special, no. 4806, 1/2/7/1962.

Modibo Keïta then explained the reasons that had led the Government to take this decision : "First of all, we were too economically dependent on the former colonial power. Political power is incomplete without the regality of minting money. Trade with France accounts for ninety per cent of our imports. Our balance of payments depended entirely on France. Finally, loans granted for trading were to the detriment of investments.

The Central Bank of West African States has carried out very bold reforms, but these reforms too were a few years behind the newly independent States, since the Bank's powers were concentrated in Paris. Finally, experience has shown us that no effective planning can be done by a government bereft of monetary powers, of control over credit, over foreign payments and repatriation of funds.

Mali shall henceforth be better armed since its bank will be able to control the bank's support to the economy, promote internal monetary accumulation, refuse any help that would be harmful for the economy, reverse artificial priorities and give a priority to basic investments such as roads, schools and dispensaries in rural areas.

I would like to dispel the opinion according to which a solid currency has to be attached to a "leading" currency. On the contrary, experience has shown that States, just like people, often only guarantee a currency when they know that the guarantee will not be required. That was the case between France and Mali. The African States who are members of the West African Monetary Union have a 30 billion Franc credit in France"[82].

Finally, President Modibo Keïta assured the Assembly that Mali was ready to honor all its payments but that it would require a similar attitude on the part of the Central Bank of West African States.

III - Contents of the monetary reform

A - The creation of the Malian Franc

Act no. 62-54 AN/RM on the monetary reform in the Republic of Mali adopted by the National Assembly, instituted the Malian Franc in eleven Articles.

[82] Reference to the operations account's creditor balance.

Box 5.2

Act no. 62-54 AN/RM on the monetary reform in the Republic of Mali

Article One

The Republic of Mali, concerned about reinforcing its political independence and ensuring its harmonious economic development, creates, as from July 1 1962, its national currency, henceforth the only one that shall be legal tender throughout its territory.

Article 2

The legal monetary unit of the Republic of Mali shall be the Malian Franc (FM).

The Malian Franc is equivalent to 0,0036 gm. of fine gold.

On the basis of this gold content, the Bank of the Republic of Mali shall determine the relation between the Malian Franc, on the one hand, and foreign currencies, on the other hand.

Article 3

As from 1 July 1962, only the following shall be legal tender in the Republic of Mali :

a) – Banknotes of the Bank of the Republic of Mali of fifty, hundred, five hundred, thousand and five thousand Malian Francs ;

- Metal coins of five, ten and twenty-five Malian Francs.

b) – The characteristics of the various banknotes and coins shall be published in the Official Gazette of the Republic of Mali.

Article 4

As from 1 July 1962, the Branch of the Central Bank of West African States (BCEAO) in Bamako shall cease all activities throughout the Republic of Mali's territory.

The functions previously undertaken by this organization, in particular the issuing service, shall be carried out exclusively by the Bank of the Republic of Mali.

Article 5

The Malian Franc as defined in Article 2 above shall be exchanged against the CFA Franc on the basis of 1 Malian Franc equaling 1 CFA Franc.

As from 1 July 1962, all credits held in CFA Francs and all obligations in CFA Francs contracted in Mali by persons or entities shall be converted into Malian Francs on the basis of the exchange rate established in the subparagraph above.

Article 6

In accordance with the provisions established in Articles above, modalities and times for the exchange of Malian Francs against CFA banknotes and coins shall be fixed by decree of the Head of the State.

Article 7

The export or import of banknotes and metal coins issued by the Bank of the Republic of Mali are formally prohibited.

Article 8

The banknotes and coins issued by the Central Bank of West African States shall remain in circulation until 2 July 1962.

As from 3 July at 0.00 a.m., these banknotes and coins shall cease to be legal tender throughout the territory of the Republic of Mali.

Article 9

Any infringement of this Act shall be regarded as a crime against the internal and foreign security of the State.

Article 10

Decrees by the Head of State shall establish the other conditions and procedures for the application of this Act.

Article 11

This Act shall come into force on 1 July 1962 and shall be promulgated according to the emergency procedure decreed by the Head of State.

Done and deliberated in Bamako at a public session on 30 June 1962.

Mr. Valéry Giscard d'Estaing (page 175)

Box 5.3

Decree no. 174 AN/RM

Laying down the methods and time allotted for the exchange of banknotes and coins pursuant to Act no. 62-54 AN/RM on monetary reforms in the Republic of Mali.

The Head of State and President of the Government,

Considering the Act of 22 September 1960 proclaiming the Republic of Mali ;

Considering the Constitution of the Republic of Mali ;

Considering Act no. 62-54 AN/RM of 30 June 1962 on monetary reforms in the Republic of Mali.

Decrees

Article One

The time allotted for exchanging banknotes and coins issued by the Central Bank of West African States against the banknotes and coins issued by the Bank of the Republic of Mali shall be fixed until 16 July 1962 included.

Article 2

In accordance with the provisions of Article 8 of Act no. 62-54 AN/RM on monetary reforms in the Republic of Mali, the banknotes and coins issued by the Central Bank of West African States shall no longer be accepted, as from 3 July 1962 at 0.00 a.m., as a payment medium within the territory of the Republic of Mali. They shall be accepted only for the material operations of exchange of the banknotes and coins alone and only in the exchange centers whose list and procedures shall be laid down by the decree of the Minister of Finance.

Article 3

Pursuant to the provisions established in Articles 1 and 2 above, all persons and entities residing in Mali or carrying on their activities there shall be bound to hand over to the exchange office all the banknotes and coins in CFA Francs held by them.

Article 4

As from 1 July 1962, all operations carried out in Mali in CFA Francs shall be subject to the regulation relating to transactions in foreign currencies that shall be in force in Mali.

Article 5

The Minister of Finance shall be responsible for the application of this decree, which shall come into effect as soon as he has affixed his signature and which shall be published according to the emergency procedure.

Bamako, 30 June 1962

Head of State and

President of the Government

B - Creation of the Bank of the Republic of Mali

The second Act, Act no. 62-55 AN/RM, also established in eleven articles, created the Bank of the Republic of Mali according to the conditions hereafter :

Box 5.4

Article One

As from 1 July 1962, a State bank called the Bank of the Republic of Mali stands established in the Republic of Mali.

Its headquarters shall be established in Bamako.

Article 2

The capital of the Bank of the Republic of Mali shall be formed by a grant from the Republic of Mali's budget. It shall be fixed at one billion Malian Francs.

The legal status, organization and administration of the Bank of the Republic of Mali shall be established in the statutes annexed to this Act.

Article 3

The Bank of the Republic of Mali shall have the exclusive right to issue the banknotes and coins, banknotes and coins, being legal tender throughout the territory of the Republic of Mali.

Article 4

The "Office Malien des Changes" (Malian Foreign Exchange Office), created by ordinance no. 13 PC of 17 September 1960, shall be integrated into the Bank of the Republic of Mali.

Article 5

The Bank of the Republic of Mali shall be exempted from all duties, taxes and fiscal charges of any nature whatsoever.

Article 6

All banks established in Mali, whatever their legal status and nature of their operations, shall carry on their activities under the control of the Bank of the Republic of Mali.

Article 7

Management by the Governor of the Bank of the Republic of Mali shall be monitored by a college of censors appointed by decree in the Council of Ministers on a proposal from the Minister of Finance.

Article 8

The Branch of the Central Bank of West African States in Bamako shall cease all its activities on 1 July 1962.

Article 9

The Government may grant the Bank of the Republic of Mali all powers that it may consider necessary.

Article 10

All the provisions contrary to the present Act hereby shall be repealed, in particular Act no. 228 (a) of 10 September 1960 on the creation of the Monetary Committee, Act no. 227 (a) of 10 September 1960 on the creation of the "Conseil Malien de Crédit", Act no. 60-26 AL/RS of 26 July 1960 on the creation of the "Direction du Crédit et des Investissements" (Credit and Investment Directorate).

Article 11

This law shall come into force on 1 July 1962 and shall be published according to the emergency procedure.

The statutes of the Bank of the Republic of Mali annexed to the Acts and decrees, laid down, in substance, that in order to ensure the growth of the national economy and the stability of the currency, it would exert its issuing powers within the limits of the ceilings authorized by the Government and according to the economic and financial objectives of the nation (Article 5).

In the framework of the operations concerning the issue of currency known as "credit operations" (Section C), the Bank could directly grant short-term operating credits to borrowers (Article 15) that were government enterprises in various branches of industry; semi-public companies and co-operative associations ; de facto private legal entities whose artisanal, agricultural and commercial activities were in conformity with the Government's economic policy (Article 13).

The Bank could also, with the agreement of the Government, grant other loans intended for operations of general interest.

It was given the responsibility of applying the foreign exchange control regulations and legislation in force in Mali. It was directed by a Governor nominated by decree in the Council of Ministers (Article 33).

Following the adoption of the Acts, on Sunday, 1 July at 8:00 p.m., the radio announced the appointment of Mr. Lamine Sow, Director of the Foreign Exchange Office, as Governor and Mr. Louis Nègre, Advisor to the President, as Deputy Governor.

Box 5.5

Statutes of the Bank of the Republic of Mali

Title I

Legal Status, Headquarters, Capital, Reserve Fund

Article One

The Bank of the Republic of Mali is a publicly-owned establishment created by law. It shall be governed by these Statutes and the legislation in force in the Republic of Mali.

The Bank of the Republic of Mali shall enjoy legal personality and financial autonomy. Its relations with third parties shall be commercial acts. The Bank shall not guarantee any commitments of the State, other than those accompanied by its own guarantee.

Article 2

The headquarters of the Bank of the Republic of Mali shall be established at Bamako. The Bank of the Republic of Mali can establish permanent Branches and periodic Offices in all localities where it considers it necessary.

Article 3

The capital of the Bank of the Republic of Mali shall be formed by a State grant of One Billion Malian Francs.

It may be increased by the law, either by cash subscriptions, or by the incorporation of reserves.

The reserve fund shall be established by an assignment of 50% of the net profits of the Bank of the Republic of Mali to the amount of a sum equal to the capital. The remainder of the profits shall be paid into the State Budget.

Any possible deficit in the Bank of the Republic of Mali's financial year shall be covered by a deduction from the reserve fund and, in the event of the insufficiency of this fund, by a grant from the State's Budget.

Title II
Objectives, functions and operations of the Bank of the Republic of Mali

Section A - Money issue and circulation

Article 4

The Bank of the Republic of Mali shall exercise the exclusive right to issue the monetary signs, banknotes and coins being unlimited legal tender throughout the territory of the Republic of Mali

Article 5

The banknotes in circulation shall be covered by the reserves in gold and currencies as well as by the other assets of the Bank of the Republic of Mali.

In order to ensure the growth of the national economy and the stability of the currency, the Bank of the Republic of Mali shall exercise its issuing powers within the limits of the ceilings authorized by the Government and according to the economic and financial objectives of the Nation.

Article 6

Mutilated banknotes and worn coins that no longer meet the conditions of monetary circulation shall be withdrawn from circulation by the Bank of the Republic of Mali and be replaced under the same conditions.

The banknotes and coins withdrawn definitively from circulation shall be destroyed in accordance with special regulations.

The Bank of the Republic of Mali shall refund the mutilated or deteriorated banknotes when the denominations contain all the recognitive indices and signs. In all other cases, a total or partial refund shall depend only on the assessment of the Bank of the Republic of Mali.

Article 7

The face value of banknotes and coins, the shape of denominations and the signatures to be affixed to them shall be fixed by law.

Article 8

Counterfeiting and the falsification of banknotes and coins shall be sanctioned by the criminal provisions in force.

The Bank of the Republic of Mali can withdraw from circulation and cancel, without compensation, any falsified or deteriorated banknotes and coins that it may be presented.

Article 9

The export and the import of banknotes and coins issued by the Bank of the Republic of Mali shall be prohibited.

Article 10

The Bank of the Republic of Mali shall not undertake any other operations relating to monetary circulation apart from those decided by the Government.

Section B - Gold and currency operations

Article 11

The Bank of the Republic of Mali has the monopoly of purchase and sale of gold, other noble metals, precious stones, foreign currencies in banknotes and generally all modes of payment made out in foreign currencies.

The Bank of the Republic of Mali can authorize other public institutions or co-operative organizations to undertake the operations mentioned above.

Article 12

The Bank of the Republic of Mali shall manage the foreign exchange reserves and ensure their investment under the best conditions of security and profitability.

Section C - Credit operations

Article 13

The Bank of the Republic of Mali can grant short-term operating credits :

a) To government enterprises in the fields of agriculture, trade, foreign trade, industry, construction and transport ;

b) To semi-public companies and co-operative associations operating in the fields of agriculture, trade, handicrafts, industry, construction, mining, cattle breeding and fishing ;

c) To private law legal entities whose artisanal, agricultural and commercial activities are in conformity with the Government's economic policy.

Article 14

The Bank of the Republic of Mali may, with the agreement of the Government, grant other credits intended for operations of general interest.

Article 15

Operating credits shall be granted by the Bank of the Republic of Mali directly to the borrowers and at a fixed term.

The Rules of Procedure of the Bank of the Republic of Mali shall fix the conditions for granting loans and the guarantees required. The loans can be guaranteed in particular by :

Commercial drafts ;

Transferable securities (government stock, gold, etc.) ;

Goods and documents representing them.

Article 16

The Bank of the Republic of Mali, by granting credit, can control the activity of the government enterprises and co-operatives concerned. It shall direct the credit policy of the other companies so as to promote the economic development of the country.

Section D - Customer services and fund flows

Article 17

The Bank of the Republic of Mali shall receive funds by way of deposit, in current account or others, interest-producing or not, from legal entities – public or private corporations, refundable at sight or in the long-term.

Article 18

State enterprises and establishments, semi-public companies, co-operatives and all other organizations of public interest shall be subjected to the obligation to lodge their unassigned funds with the Bank of the Republic of Mali, beyond an internal floating cash reserve necessary for proper functioning and whose amount shall be fixed by a regulatory act.

Article 19

The Bank of the Republic of Mali shall centralize in its reserves the surplus cash of government enterprises and other establishments and carry out payments in cash by debiting their accounts.

The Bank of the Republic of Mali shall carry out fund flows in connection with the goods, services, etc. rendered between government enterprises and other establishments.

The Bank of the Republic of Mali, for this purpose, shall take the required measures that could facilitate the fund flows. It shall organize and control them according to methods and modalities adapted to the country's stage of economic development.

Article 20

The Bank of the Republic of Mali shall be the State's financial organization for all credit, banking and cash transactions. It shall maintain the Treasury's current account, receive to the credit of this account the sums paid to the Budget and carry out the payments envisaged by the Budget, by debiting this account, within the limits of its credit balance.

Sector E - Foreign transactions

Article 21

The Bank of the Republic of Mali shall be responsible for applying the foreign exchange control legislation and regulations in force in Mali.

It shall control all financial settlements between the Republic of Mali and other States ; these payments shall be subject to its preliminary authorization.

Holding of foreign currencies and fund flows with foreign countries shall constitute a right that is exclusive to the Bank of the Republic of Mali, except for any exemptions granted by it.

Any person or entity residing in Mali shall be obliged to declare, for purposes of repurchase, to the Bank of the Republic of Mali, its foreign credits within a period of 10 days after acquisition and to sell the securities it holds to the Bank of the Republic of Mali, within the same time limit.

All residents of Malian nationality, any person or entity residing in Mali and practicing regular professional or commercial activities there for one year at least shall be obliged to declare all their assets abroad.

Article 22

The Bank of the Republic of Mali shall draw up, in liaison with the Ministries of Planning, Commerce and Finance, foreign currency revenue and expenditure estimates and shall be consulted for the development of export and import program.

The Bank of the Republic of Mali shall draw up the external balance of payments.

Article 23

The Bank of the Republic of Mali shall fix and publish the exchange rate of the Malian Franc vis-à-vis foreign currencies.

Article 24

The Bank of the Republic of Mali shall receive all payments from abroad in favor of persons or entities residing in Mali and carry out the orders for payments abroad given by these persons or entities in accordance with the exchange control regulations in force.

By the order and on account of its customers, the Bank of the Republic of Mali shall receive foreign currencies and payment media in foreign currencies for cashing.

Article 25

For non-residents, the Bank of the Republic of Mali shall receive funds in deposits and open current accounts in the national currency or foreign currencies in accordance with the foreign exchange arrangements.

Article 26

The Bank of the Republic of Mali, to facilitate fund flows with countries abroad, shall conclude agreements with its correspondents abroad.

It shall open and maintain accounts with its correspondents and can contract the usual credits and banking guarantees.

Article 27

The Bank of the Republic of Mali shall take part in negotiations with other States that are aimed at the conclusion of trade, payment or credit agreements and shall represent the Government with the full powers of the latter in international financial and banking institutions.

Section F - Other operations of the Bank of the Republic of Mali

Article 28

The Bank of the Republic of Mali can receive transferable securities in deposit and proceed to any transactions for cashing securities.

It shall provide free custody and management of transferable securities belonging to the State, investments in public of loans issued by the State as well as the payment of coupons of stocks issued by the State.

Article 29

Generally, and for any matter that is not envisaged expressly in these statutes, the Bank of the Republic of Mali can carry out all other banking operations favoring the development of the national economy.

Article 30

The Bank of the Republic of Mali shall enjoy a legal personality and, in particular, the capacity to :

- contract
- acquire personal and real assets and dispose of them
- be party to legal proceedings

Title III
Organization of the Bank of the Republic of Mali

Article 31

The bodies of the Bank of the Republic of Mali shall be :

a) Management : The Council of Banks

The Governor

b) Auditors General of banks

A – Management - Council of Banks

Article 32

The Council of Banks, chaired by the Governor, shall be composed of :

- two representatives of the National Assembly
- a representative of the Ministry of Planning and Rural Economy
- a representative of the Ministry of Finance
- a representative of the Ministry of Commerce and Industry
- a representative of the Ministry of Public Works
- a representative of the Ministry of Transport
- a representative of the National Federation of Co-operatives
- a representative of the Union of the Workers of Mali
- a representative of each State bank

The managing directors of the State Banks, the Censors and the Auditors shall obligatorily attend the Council of Banks meetings on an advisory basis.

The Council of Banks can call upon any person having a particular competence in the matter for a question entered on the agenda.

The Council of Banks shall take decisions on questions relating to the activity of the banks, in particular :

a) - Determination of the general directives of the credit policy in various sectors of the national economy ;

b) - Modalities and settlements of fund flows inside the country as well as outside ;

c) - All significant measures relating to the activities of the various sectors of the national economy ;

d) - It shall approve the balance sheet and management report.

A – Management - the Governor

Article 33

The Governor shall be nominated by decree in the Council of Ministers.

He shall ensure the application of the Bank's statutes and provide for the execution of the Governments decisions in monetary, financial and banking matters.

He shall regularly report to the Government about the Bank's activities.

He shall exercise an administrative supervision over State banks and co-ordinate their activities.

He shall represent State banks to foreign and international financial bodies.

He shall designate the heads of department and heads of branches of the Bank of the Republic of Mali and other State Banks.

He shall approve, on the advice of the Council of Banks, the Rules of Procedure of State banks and give his opinion regarding issues relating to the regulation and organization of banking activities.

In case he is unable to fulfil his duties, the Governor shall be replaced by the Managing Director of the Bank of the Republic of Mali.

The Governor may delegate some of his powers. For the Bank to be considered committed, all instruments shall be signed by the Governor or by a person to whom he has delegated his powers.

Article 34

The Bank of the Republic of Mali shall be managed by the Managing Director, nominated in the Council of Ministers.

The Managing Director shall exercise all the management powers of the Bank of the Republic of Mali within the framework of the general regulations in force in Mali and the Bank's statutes, and within the limits of the Governor's directives.

He shall propose the nomination and dismissal of Heads of departments and Heads of branches placed under his authority.

He shall appoint and dismiss the Bank's staff members and establish their salaries and benefits in accordance with the labor regulations in force in Mali.

The Managing Director shall be assisted by an Assistant Director appointed by order of the Minister under whose supervision the bank falls, on the proposal of the Governor, who shall see to the proper functioning of the Bank in case the Managing Director is unable to fulfil his duties.

Article 35

The Heads of Department and Heads of Branches of the Bank of the Republic of Mali shall be appointed by the Governor on the proposal of the Managing Director, to whom they shall be responsible for the proper execution of their duties.

They shall manage the departments and branches entrusted to them in conformity with the directives of the Managing Director and with the Bank's regulations.

B – Auditors General of banks

Article 36

The banks shall be monitored by two auditors, appointed by the Governor, who shall be placed under his authority and submit their reports and observations to him.

They shall be responsible for checking the banks and monitoring compliance with the laws and regulations in force as well as the respective statutes.

They shall enjoy unlimited rights to check the entries and inventories of the banks.

They shall have access to the books, correspondence, minutes and generally all entries of banks established in Mali.

They shall periodically audit the inventories drawn up by the banks and, in particular, those of securities used to cover circulation.

Title IV
Rights and responsibilities of the Bank of the Republic of Mali

Article 37

In its relationship with its customers, the Bank of the Republic of Mali can impose any directives that it may deem necessary, provided that they are in conformity with the legal provisions in force and its statutes.

Article 38

The Bank of the Republic of Mali shall have the power to check, on the one hand, whether the loans were actually used to their end destination and, on the other hand, whether products and goods provided as guarantee for loans authorized are preserved under the best conditions of security.

To this end, the Bank shall have all powers to carry out on-site investigations and can ask for any documents to be submitted to it.

Article 39

The Bank of the Republic of Mali may refuse to authorize loans that are not supplied with a guarantee provided for by the regulations in force ; it can ask for a recovery of loans before expiry if the guarantees appear insufficient.

Article 40

The Bank of the Republic of Mali may proceed to recover loans that remain unpaid when they fall due by all lawful means and all legal procedures that it may deem necessary.

Article 41

The Bank of the Republic of Mali may hold accountable the directors and agents of public companies and co-operatives who do not observe the conditions agreed upon with the bank or who have deliberately dissimulated facts that may have influenced the conditions laid down.

Article 42

The Bank of the Republic of Mali shall be responsible for all its operations in accordance with the legislation in force as well as for all damages it may have caused.

Title V
Miscellaneous Provisions

Article 43

The Rules of Procedure of the Bank of the Republic of Mali shall fix the interest rate and other conditions (commissions, etc.) for the keeping of credit and deposit accounts as well as the remuneration received for various Bank transactions.

Article 44

The financial year of the Bank of the Republic of Mali shall begin on 1 January and finish on 31 December each year.

The accounts of the Bank of the Republic of Mali shall close and be balanced on 31 December.

In the three months following the closure of each financial year, the Governor shall submit the balance sheet and profit and loss account to the Government as well as a general report on the bank's economic activities.

The documents mentioned above as well as statistical documentation and studies of an economic and monetary nature can be published.

Article 45

The Bank of the Republic of Mali shall be exempted from all taxes, duties or fiscal charges of any nature whatsoever.

Article 46

The security and protection of the banking establishments of the Republic of Mali shall be ensured by the Government, which shall also provide the escorts necessary for the safety of transfers of funds and securities.

Article 47

Instruments used in the daily management of the Bank of the Republic of Mali shall bear the signature of one or two persons authorized for this purpose by the Governor.

Article 48

All those who, in whatever post it may be, take part in the direction, administration, control and management of the Bank of the Republic of Mali, shall be bound by professional secrecy ; they shall neither have any interest nor occupy any paid post in any enterprise or company.

Article 49

These statutes shall come into effect on 1 July 1962.

Mr. Modibo Keïta (page 187)

From a legal point of view, the withdrawal of Mali from the issuing area had to be carried out by the transfer of BCEAO's issuing department to the Bank of the Republic of Mali, i.e. by the sharing of BCEAO's net assets between Mali, the outgoing State, and the 6 other States.

C - The transfer of BCEAO's issuing department to the Bank of the Republic of Mali

The operation was done on the basis of negotiations between the outgoing State and the other States.

a - The negotiations

In decree no. 174 AN/RM relating to exchange transactions, the last date for the exchange of banknotes and coins was fixed at 16 July 1962.

On Monday 2 and Tuesday 3 July, BCEAO, through its Director of Financial Transactions, Michel Durand, and Mali, through Mr. Oumar Macalou and Mr. Dotien Coulibaly, proceeded with the contradictory recognition of the cash and portfolio situation and to the drawing up of the accounts of the Branch as of 30 June, i.e. the inventory of the elements that were immediately available.

On that date, the situation of the branch was established as follows :

Bamako Branch
Situation as of 30 June 1962

(In millions of CFA F)

Assets		**Liabilities**	
Franc area banknotes[1]	26	Credit current accounts	256
Short-term discount	5,192	French transfers to be regularized	142
Medium-term discount	911	Values for collection	3
Bills receivable	14		
Advances	44	**Total liabilities established**	**401**
Securities for collection	3		
Buildings, Equipment, Furniture (net book value)	160	BWC[2] in Mali	Amount still Unknown
Total (provisional)	**6,350**	**Total**	

[1] *In particular, French Francs and banknotes of the Central Bank of the States of Equatorial Africa and Cameroon held by the Branch.*
[2] *Banknotes withdrawn from circulation.*

On 5 July 1962, before the final assessment of the Bank's assets and liabilities (balance sheet) and before the negotiations, Durand and Mr. Sow signed a provisional Protocol relating to the discontinuance of business of BCEAO in Mali, according to which it handed over certain elements of the assets and liabilities held by the Central Bank's Bamako branch, as of then, to the Bank of the Republic of Mali, which took charge of them.

These were (in millions of CFA Francs) :

On the Assets side	
- Banknotes of the Franc Area	26
- The portfolio	
. Short-term discounted bills	5192
. Medium-term discounted bills	911
. Bills receivable	14
- Advance current account	44
- Values for collection	3
On the Liabilities side	
- Credit current accounts	256
- Securities unavailable for collection	3

Reserves did not form part of these elements since they had lost their value and were to be destroyed by BCEAO either on the spot, or in one of its branches.

On Wednesday, 11 July, a BCEAO Board meeting was held in the premises of its headquarters in Paris under the presidency of Tézenas du Montcel.

Those present were : Mr. Alladji, Mr. Bissonnet, Mr. Bolgert, Mr. Borna, Mr. Bouda, Mr. Calvet, Mr. Closon, Mr. Dehaye, Mr. Diawara, Mr. Alliali's representative, Mr. Gautier, Mr. Giry, Mr. Eklou's representative, Mr. Marouf, Mr. Pairault, Dr. Peytavin, Mr. Gaye's representative and Mr. André Postel-Vinay.

This was the old Board, which had not yet been renewed.

After the opening of the meeting, the Chairman informed the Board of the death of Jean Delafosse, Chairman of the Economic and Social Council of Côte d'Ivoire. He recalled the role played by Chairman Jean Delafosse in the work of the former Board of Directors of the Central Bank and the eminent services he had rendered to his country.

He conveyed on behalf of all the members of the Board, their most sincere condolences to Chairman Delafosse's family.

There were several points on the agenda, including the examination of the situation created by monetary measures taken on 1 July 1962, by the Government of the Republic of Mali.

A delegation, sent by the Malian Government, had come to negotiate the convention for the transfer of the issuing department with BCEAO. Led by Me. Hamaciré N'Douré, it included Mr. Bocar Ndiaye, Ambassador of Mali in France ; Mr. Idrissa Diarra, Secretary General of the Sudanese Union ; Mr. Lamine Sow, Governor of the Bank of the Republic of Mali ; Mr. Oumar Macalou, State Comptroller ; and Mr. Loebel, Financial Adviser to the Government.

Welcoming Mr. N'Douré, the Chairman informed him of the Board's desire to learn why Mali, just a few weeks after having signed the Treaty establishing the Monetary Union, had decided to create its own currency and also the modalities Mali was considering for the settlement of transfer operations.

Minister N'Douré indicated that his Government, concerned about the impact that the application of the safeguard clauses envisaged by the agreement of 12 May 1962 could have on the distribution of credit in Mali and on public opinion, had decided not to ratify these agreements and to leave the Union immediately by using the stock of national banknotes that it had got printed as a precaution after the attacks it had suffered during the Abidjan conference in August 1961.

Concerned about not subordinating its freedom of action to the decisions of an inter-State organization, the Malian Government was nonetheless ready to negotiate with the French Republic on the development of a system, based on the concept of an advance account, which would enable it not to separate from the French currency.

He declared that Mali was determined to honor its engagements and pay all its foreign debts. He stressed that his Government, by contradictorily recognizing the various elements of the Bamako branch's financial situation, had acted correctly with regard to the Central Bank and that it was ready to examine with the Central Bank, initially, all the problems arising from the transfer of issue and then, the solutions.

Mr. Calvet expressed his regret at the decision taken by Mali because he felt it would be difficult for this State to succeed in establishing a system as advantageous as that of the May 12 agreements, in its relations with the other African Republics and France.

The discussions then turned to the immediate restitution of BCEAO's reserves to Bamako, Me. N'Douré underlining his desire for the debate to retain a character "of unicity".

The Board of Directors set up a Committee of negotiations charged with holding discussions with the Malian Authorities.

Following the talks, a Convention on the transfer of the issue department to Mali was established and signed on 21 July 1962 by Mr. Lamine Sow for the Bank of the Republic of Mali and Mr. Tézenas du Montcel for BCEAO.

In substance, one-eighth of the assets and liabilities of BCEAO, i.e. its net assets or equity capital, would be returned to Mali in accordance with the principle of equal rights in the ownership of capital stocks recognized for Member States and confirmed by the report by the expert, Mr. Chanel, commissioned by the Board of Directors.

b - The realization of the operation

To carry out this division, the accounting technique used was similar to the one used for the brake up of a company, with the characteristics specific to a multinational central bank governed by specific texts.

On the date of withdrawal of the Member State, BCEAO's statement of accounts was drawn up : the Branch's financial position or, if necessary, the consolidated position of the Branches of the outgoing State on the one hand, and the Balance Sheet of the entire Bank, on the other.

It was starting with this balance sheet that the Bank's net assets[83] and the share due to the outgoing State were determined.

The Branch's net financial position, corresponding to the difference between its asset items (portfolio, fixed assets, miscellaneous) and its liability items (banknotes and currencies withdrawn from circulation, credit current accounts, miscellaneous), was compared with the equity capital or net credit due to the outgoing State.

If the two figures turned out to be equal, the division was to be equitable ; if the liabilities, i.e. the debts recorded by the Branch, were higher than its assets (credit) the difference was to be compensated by the payment of currencies (French Francs, in fact) to the outgoing country. If the opposite were true, the country would be paid too much and had to transfer the surplus back in currencies (French Francs) to BCEAO and, in this manner, to the other States.

Mali found itself in the latter situation when the accounts of the Bamako Branch were adjusted, after BCEAO's balance sheet was drawn up and exchange operations were closed : debts of the Branch, including 7.9 billion worth of banknotes and currencies withdrawn from circulation, which were debts shared by the entire Bank, were higher than the assets - also shared by the entire Bank - of 1.4 billion CFA Francs.

Thus, the equivalent of this sum was paid in French Francs to the "Banque de France" account of the Bank of the Republic of Mali, thereby carrying its share in the net assets to one-eighth.

In short, for sharing the common funds, at the beginning, Mali was allotted the Franc Area banknotes in the Bamako Branch's reserves, the portfolio, the advance accounts, the securities for collection, encumbered by the liabilities - the credit current accounts, the transfers to be carried out and the bills unavailable for collection.

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[83] Or equity capital.

Then, after the banknote and currency exchange operation, once BCEAO's balance sheet was drawn up and after the negotiations, the office and residential buildings in Bamako, the office and residential equipment and furniture, at their net book value, in accordance with the convention, as well as one-eighth of BCEAO's Guinean credit, were also allocated to Mali, encumbered, in the liabilities, by the amount of banknotes and currency withdrawn from circulation (7.9 billion CFA F), which the Malian State had to repurchase from the public against Malian Francs, and miscellaneous amounts.

It was following these charges that the complementary amount of 1.4 billion was paid to Mali.

The technical difficulty of the transaction was due to the fact that the amount of banknotes and currencies withdrawn from circulation was only established after the exchange operation ; it was therefore impossible to determine, at the beginning, with any precision, to which body had to be paid the compensation.

It may be recalled that in the United Nations report on Togo, the circumspect solution suggested by Mr. Denizet was related to a similar uncertainty.

That country, which later attended the negotiations on WAMU as an observer, took the necessary steps for the establishment of national monetary institutions. After the change of government, it joined WAMU.

Section V - Togo's situation

I - The creation of the Central Bank of Togo

After the bilateral agreements concluded with France, the National Assembly adopted a bill. While waiting for the effective start of operations of the new Central Bank, a convention was signed with BCEAO to provide Togo, temporarily, with money issue according to BCEAO's rules, because of the time necessary for the manufacture and delivery of the new banknotes : 9 months.

A - Bilateral negotiations with France

a - The discussions

It was at the end of a month of discussions at the French Ministry of Finance, that the Togolese delegation, led by the Minister of Finance, Hospice Coco, and the French delegation, led by Mr. Georges Gorse, agreed on the new money issue system in Togo and modalities for monetary co-operation between Togo and France.

The agreements related to five points :

- The monetary provisions constituting Title II of the co-operation agreement in economic, monetary and financial matters ;
- The convention on the functioning of the operations account ;
- The statutes of the Central Bank of Togo ;
- The special agreement on the modalities for setting up Institutions ;

- The exchange of letters relating to certain provisions to be inserted in the Rules of Procedure of the Central Bank of Togo's Board of Directors.

At the beginning, Togolese authorities wished to obtain a "sui generis" status for the Central Bank : that of an independent central bank with an advance account with the "Banque de France", like the Tunisian model.

The French side endeavored to influence the position in such a way that the adopted solution would not constitute an awkward precedent either with regard to Madagascar, or with regard to Member States of the West African Monetary Union or the issuing area of the Central Bank of Equatorial African States and Cameroon.

This objective was achieved. The system selected was close to the Malagasy model, comprising the maintenance of the operations account and French participation in the Board of Directors.

Nevertheless, the concern for not giving Togolese authorities - as regards distribution of credit - fewer powers than authorities of Member States of the West African Monetary Union would enjoy, resulted in the specification of certain modalities in annexed documents.

As for the Malagasy issuing house, it was specified, in addition, in a protocol that was not to be published, that the Chairman of the Board of the Central Bank of Togo would be appointed by the Togolese Government and the Managing Director, who would receive broad managing powers, would be appointed by the French Government.

To take into account the Togolese delegation's concern to establish statutes that it would not be necessary to modify if the operations account convention ceased, the real operations of the Issuing House - as long as French co-operation remained - were specified either in the co-operation agreement, or in unpublished documents.

The three most debated points related to the preponderance of the Chairman's view, his powers and the advances of the Central Bank to the Treasury.

1 - The preponderance of the Chairman's view

Taking into account the Madagascar precedent, the French side did not accept the preponderance of the Chairman's view, but maintained it in the statutes for the day when the Issuing House would become entirely Togolese ; its exercise was suspended for as long as the convention on an operations account remained.

2 - The Chairman's powers

The provisions of the French draft, inspired by the Madagascar precedent, appeared too weak to the Togolese since no delegation of powers as regards credit was envisaged, as in the West African Monetary Union, for national monetary committees.

The problem was solved by an exchange of letters between the two Ministers of Finance, specifying the modalities for the delegation of powers that the Board of Directors would grant its Chairperson.

3 - Advances by the Central Bank to the Treasury

The French draft limited them to 10% of the annual tax revenues, in accordance with the precedents of the Malagasy Issuing house and BCEAO, as against 5% only in Tunisia.

Togo's Minister of Finance felt that the limitation was excessive, taking into account Togo's budget structure, which comprised, in earnings, a significant proportion of export duties charged in a relatively short space of time at the end of the coffee and cocoa season. Therefore, he proposed a percentage of 25%, which the French delegation felt was exaggerated, not only with respect to the precedents, but also with respect to international opinion on the solidity of Togo's currency.

The compromise solution retained fixed the maximum amount of advances of the Central Bank to the Treasury, in principle, at 10% of the tax revenues and at 15%, as an exception, it being agreed - in an unpublished protocol - that this maximum of 15% would be lawful during the first three months of the year.

The two sides finally agreed on a transition period : these provisions would come into effect only after the transfer of issue by BCEAO, i.e. after the exchange of banknotes in circulation. In the interim, Togo would sign a convention with BCEAO, which would entrust this establishment with the management of the issue in Togo under the conditions envisaged for other States of the West African Monetary Union.

During this limited period, Togo agreed not to take part in the management of BCEAO and, in particular, to forego representation in its Board of Directors.

A Togolese Monetary Committee would nevertheless function at the Lomé Branch, under the same conditions as in the other States of the Monetary Union and would be suspended after the establishment of the Central Bank of Togo.

The documents initialed by Minister Hospice Coco and Mr. Dehaye on behalf of Mr. Giscard d'Estaing, were annexed to the minutes, approved on behalf of the two governments by Mr. Hospice Coco and Mr. Gorse on 28 September 1962 in Paris.

b - Contents of the major provisions of the Agreement

The monetary provisions constituting Title II of the Co-operation Agreement in economic, monetary and financial matters, which form the basis for the Agreement, were drafted as given in the following box :

Box 5.6

Article A - The Republic of Togo declares that it is hereby entrusting the issuing service to a publicly-owned establishment, called the Central Bank of Togo and creating a national currency attached to the Franc according to a fixed parity.

Article B - The French Republic states that it is ready to guarantee the Togolese currency. The Togolese Republic and the French Republic shall be committed to maintaining the freedom of transfers between Togo and France.

Consequently, the French Treasury shall open, in its books, an operations account in the name of the Central Bank of Togo. The procedures for the functioning of this account shall be the subject of a special convention between the French Treasury and the Central Bank.

Article C - As long as the system defined in Article B of this agreement remains in force :

a - The Board of Directors of the Central Bank shall be composed of an equal number of representatives of each of the two States ;

b – The Convention that is the subject of Article B above shall fix the operating conditions of the operations account.

Article D - The Government of the French Republic may grant a loan to the Government of the Togolese Republic equal to half of the Central Bank's complementary capital allocation beyond the amount due to the Togolese Republic against the allocation and reserves of the Central Bank of West African States. This complement shall be determined by mutual agreement between the two Governments.

The Government of the Togolese Republic shall undertake to repay the Government of the French Republic for the loan above if the system envisaged in Article B above is terminated. The modalities for this refunding, if necessary, shall be specified under the conditions envisaged in Article F hereafter.

Article E - The parity between Togo's monetary unit and the French Franc shall be the parity in force on the day this agreement is signed.

If one of the contracting parties decides to modify the rate of exchange of its currency, it shall consult the other contracting party, if possible before the implementation of this decision, if not immediately afterwards.

In the event of divergences and until the conclusion of the dialogue that will immediately be opened between the two parties, the possibility granted to the Central Bank of Togo to receive advances through the operations account shall be temporarily suspended and the possible debit balance of the aforesaid account shall not be allowed to exceed the amount achieved on the date of decision.

Article F - If one of the contracting parties decides to terminate the modalities defined in this document, the Government of the French Republic and the Government of the Togolese Republic would immediately consult each other in order to establish the new bases of their co-operation in monetary matters and possibly the modalities for a transitory system.

The decision envisaged in the preceding subparagraph shall take effect as from the date of its notification by one or the other of the contracting parties.

Article G - The modalities for the establishment of the institutions envisaged in this document shall be determined in a special agreement between the Togolese Republic and the French Republic.

The conditions under which the Central Bank of West African States shall transfer the issuing service to the Central Bank of Togo shall be fixed by a convention signed between these two establishments.

Following the agreements, the Government presented the bill establishing the Central Bank of Togo to the National Assembly.

B - The adoption of Bill no. 62-20 on the creation of the Central Bank of Togo and its statutes

a - The explanatory memorandum

In the explanatory memorandum, the Government specified :

"The present Act is aimed at creating the Central Bank of Togo and establishing the issuing system in Togo. The statutes of the Central Bank were examined for operation both within the framework of the membership of Togo in a monetary area, as well as within the framework of an independent currency.

As a period of a few months will be needed for printing Togolese banknotes, the Central Bank, during the transitional period, will have to take up the duties assigned up to now to the Lomé Branch of the Central Bank of West African States, according to the rules fixed by the statutes of the Central Bank of West African States.

It is only after the date of exchange of banknotes that the Central Bank will ensure the issue, in accordance with the present statutes and the monetary co-operation agreements with the Franc Area, whose negotiations have been completed and which must be signed without delay, along with the other Franco-Togolese co-operation agreements.

The statutes promulgated by this Act have been drawn up in agreement with the monetary authorities of the Franc Area and will be annexed to the monetary agreements concluded between the two countries".

After consideration of the draft bill at committee level, it was presented in the plenary.

b - The debates in the National Assembly

It was on Wednesday, 12 December 1962, during the third meeting of its second ordinary session that the National Assembly, meeting in a plenary sitting discussed the bill.

The report prepared jointly by the Committee on Finance and Economy and the Committee on Institutional and Administrative Affairs, Justice and Legislation, was presented by Honorable Pierre Nahun-Tchoufli :

"Madam, Gentlemen,

The Committee on Finance and Economy and the Committee on Institutional and Administrative Affairs, Justice and Legislation met jointly on 3 December 1962 at 9:45 A.M. to examine Bill no. 62 on the creation of the Central Bank of Togo and the adoption of its statutes.

Committee members, who congratulated the Government on its timely initiative, welcomed this bill with great satisfaction.

Explanatory memorandum

After reading the explanatory memorandum, the committee members felt that, for such a significant bill, the explanatory memorandum was too summary and asked for more detailed explanations.

But no clear explanation was given to satisfy the committee members.

Therefore, your rapporteur, to throw light on the explanations, contacted the department concerned, which agreed to provide the explanations hereafter.

France proposed draft statutes of the Central Bank. The proposal was examined by the Togolese Government, which made a counter-proposal in which the statutes of the Central Bank were designed for a permanent organization. These statutes are written in such a way that the Central Bank of Togo can function both within the Franc Area with an advance or operations account mechanism, as well as outside the Franc Area.

After the discussions, certain points were modified by the French delegation. The result of these conclusions is the text currently submitted to the Assembly. The French delegation and the Togolese delegation thus initialed this text.

It will constitute an appendix to all Co-operation Agreements under negotiations between France and Togo, and which will be submitted for ratification to the Assembly as soon as the two delegations reach an agreement.

Up to now, only monetary provisions have been accepted by the two parties. This means that this text must be examined according to the same procedure as the one followed for the ratification of international agreements.

The reason these statutes were submitted to the Assembly before the end of the negotiations in progress, is that it has proved necessary to grant the Central Bank of Togo a legal status immediately, so that it can proceed with all the operations necessary prior to opening its doors, in particular : printing banknotes in Togolese Francs in the name of the Central Bank of Togo. A period of roughly nine months is necessary to print these banknotes. These statutes have been approved by the International Monetary Fund.

During the examination of the explanatory memorandum, a Committee member wanted to know whether the Togolese currency would be issued in Togo ?

He was answered that issuing will take place in Togo and that the Government was in the process of studying the costs.

Another member expressed his fear with regard to the lack of equipment in Togo.

The answer he was given was that the world over, there were only around ten organizations specializing in the printing of banknotes of central banks. The central banks of various countries approach these organizations for printing their banknotes.

Continuing with the explanations, a member asked what the value of the Togolese currency would be ?

The answer he received was that the Togolese currency would have an unlimited guarantee of the Franc Area. The Togolese Franc would thus correspond to the current CFA Franc.

Statutes

Title I - General Provisions

Regarding Article 3 of the statutes, a member wanted to know the amount of the Bank's capital.

He was told that we are entitled to one-eighth of BCEAO's capital contributions. This capital will be transferred to us, on the one hand, in the form of building and facilities of BCEAO's Lomé Branch and, on the other hand, in liquid form for the remainder.

Regarding Article 7, a question was raised concerning who would issue the Togolese banknotes.

The answer was that it is the Central Bank that will issue the banknotes in accordance with the rules fixed by Section 2 of the statutes.

Section 2 – Operations concerning the issue of currency

Regarding Article 11, a Committee member asked whether the transfers of funds also concerned private individuals leaving Togo for foreign countries.

Answer : The Central Bank does not work directly with private individuals. It buys and sells foreign currencies to the various commercial banks. Thus, it carries out all the transfer operations through the intermediary of local commercial banks, in accordance with the new statutes.

It is the Central Bank that fixes the exchange control regulations.

Regarding Article 17, the Committee asked for details.

Answer : Article 17 fixes the conditions under which the Central Bank can carry out advances to the Treasury to meet the Treasury's liquidity requirements. These advances can take two forms :

a - Direct advances to the Treasury for less than 240 days ;

b - Rediscounts of Treasury bills held by the public, which encourages the public to invest its money in Treasury bills.

Section 3 - Other operations

"Regarding Article 19, Committee members asked whether the Bank would grant interests ?

"He was told that each commercial bank has two kinds of accounts at the Central Bank :

"1 - Current accounts, which cannot be in debit and which do not carry interest. They use the accounts for daily operational transactions.

"2 - Deposit accounts, which carry interests and in which the banks deposit the cash in hand that is not used for daily transactions.

"Regarding Article 25, Committee members asked whether all the losses would be payable by the Treasury ?

"Answer : This question is a question of banking technique. When exchange rate fluctuations occur, the Central Bank's monetary assets, calculated in Togolese Francs, record either a loss or a profit, that is charged on a separate account of the Treasury, called "Exchange losses and gains".

"To help understand the technique, let us take some examples :

"Let us suppose that the Central Bank has 1000 dollars in its reserves. If the value of the dollar goes up from 250 to 500 Francs, the exchange-value of the 1000 dollars in Togolese Francs also goes up from 250,000 to 500,000. The profit of 250,000 Francs thus earned is charged to the above-mentioned account.

"On the other hand, when the rate of exchange falls from 250 to 125, the value in Togolese Francs of 1000 dollars falls from 250,000 to 125,000. A loss on foreign currency transactions of 125.000 Francs is charged to the above-mentioned special account.

"Article 31 - Members asked what a banking risk meant.

"Answer : By banking risk is meant the credit granted by a bank to one of its customers. The risk increases when the same customer obtains credit from several banking houses. It is thus necessary to centralize data on credits granted by various banks to customers, in order to detect multiple loans granted to the same borrower. It is the Central Bank that looks after centralization and credit control operations for the safety of the depositing customers of the banks.

"Title II - Administration

Regarding Article 42, a Committee member asked whether the choice of the Vice-Chairman must be approved by the Government since he could be called on to replace the Chairman in the event of the latter's absence.

"Answer : Referring to Article 38, it was specified that the Government appointed the four Directors forming the Board of Directors.

Your rapporteur then put the following general question :

What would be the relations between the Central Bank and the future Development Bank ?

It was specified to him that, in accordance with Article 15 of the statutes, the Central Bank of Togo could grant medium-term loans to the Development Bank up to a ceiling of 15% of the total of its operations. In addition, in accordance with Article 22 of the statutes, the Central Bank could take a financial stake in the Development Bank with the authorization of the Minister of Finance.

"Moreover, in accordance with Paragraph C of Article 13, the Central Bank could discount bills concerning industrial or agricultural production in the interest of the national economy.

"The various articles of the bill of law did not give rise to any observations.

"By its judicious action on the total money supply over which it would henceforth have control, our Central Bank will intervene effectively on the money and financial market for the purpose of encouraging initiatives aimed at equipping the country with an agricultural, industrial and other infrastructure, so that the production of capital and consumer goods will undoubtedly make great strides, which, otherwise, would be more difficult to promote.

"Committee members expressed the wish that the creation of the Central Bank would also lead to the birth of other credit institutions with a more precise objective and able to support particular sectors of Togo's economy.

"The Committee, considering the extent of the enterprise and the wisdom with which our Government has conducted Togo's affairs, since we won political independence, in order to free our country from economic dependence, which constitutes a serious barrier to our progress, did not failed to address to the Head of State and his Ministerial team their well-deserved congratulations and, taking into account the preceding, Madam, Gentlemen Committee members have adopted the bill of law as it has been presented by the Government and ask you to endorse their conclusions".

Voted on, the bill was adopted unanimously and promulgated in the Official Gazette of 1 January 1963.

All that remained was to establish the convention with BCEAO for the transitional period.

c - Convention between Togo and BCEAO

Concluded on Thursday, 20 December 1962 in Lomé, it was signed by the Minister of Finance and Economic Affairs, Hospice Coco, for Togo and Me. Bertin Borna for BCEAO.

Antoine Pinay (page 27)

Diawadou Barry (page 27)

André Malraux (page 27)

Gaston Monnerville (page 31)

Box 5.7

"The Togolese Republic, represented by Mr. Hospice Coco, Minister of Finance and Economic Affairs,

and

The Central Bank of West African States, represented by Me. Bertin Boma, Chairman of the Board of Directors, and duly authorized by a decision of the aforesaid Board on 22 November 1962.

Considering that the Republic of Togo has decided not to join the West African Monetary Union, which came into effect on 1 November 1962, and to create its own currency,

Considering that, consequently, the Government of the Republic of Togo has decided to maintain - until the date of the monetary exchange - the legal tender and unlimited legal exchange of the CFA Franc of the Central Bank of West African States within the territory of the Republic of Togo,

Have agreed as follows :

Article One

The Government of the Republic of Togo hereby declares that it shall entrust, on its territory, operations concerning the issue of currency and other operations defined in the new statutes of the Central Bank of West African States to this latter establishment.

Article 2

The Government of the Republic of Togo shall entrust the Central Bank of West African States, which accepts, with the management of the assets that will be due to it following the finalization of the Balance Sheet of the Central Bank of West African States on 31 October 1962.

Article 3

The Central Bank of West African States hereby declares that it shall entrust the material execution of its operations in Togo to the Central Bank of Togo under the conditions defined in the following articles.

Article 4

The Central Bank of Togo shall be in charge of all operations normally entrusted to national branches of the Central Bank of West African States, in accordance with the latter's statutes.

These operations shall benefit from tax exemptions provided for in Article 61 of the statutes of the Central Bank of West African States.

Article 5

A delegate shall represent the Central Bank of West African States at the Central Bank of Togo for the duration of this agreement. His duties shall be to ensure that operations are carried out in accordance with the statutes and regulations of BCEAO and within the limits of the ceilings fixed by it.

All documents relating to the operations and, in particular, the repurchase of bills, the handing-over of bills for rediscount, grants of advances or transfers, shall bear his signature jointly with the signatures of the responsible agents of the Central Bank of Togo. He shall hold a set of keys to the vaults.

In the event of a difference in opinions between the delegate of the Central Bank of West African States and the Management of the Central Bank of Togo, the decisions in dispute shall be suspended until an agreement is reached through consultation between the Central Bank of Togo and the Managing Director of the Central Bank of West African States.

If such an agreement cannot be reached, the issue shall be submitted for final decision to the Board of Directors of the Central Bank of West African States.

Article 7

To allow the Central Bank of Togo to carry out operations provided for under Article 3, the Central Bank of West African States shall place at the disposal of this establishment :

1 - The buildings and facilities located in Lomé and, belonging as from 1 October 1962 to the establishment carrying out, on that date, the issuing service in Togo and which would be due to the Republic of Togo following the distribution of stocks and reserves of this establishment ;

2 - The personnel of its Lomé Branch who, in the performance of their duties, shall be placed under the authority of the Central Bank of Togo, but shall continue to be paid by the Central Bank of West African States within the limits of the aforementioned Branch's establishment on 31 October 1962 ;

3 - The printed papers and various daily use material (currency bags, braids, etc.) normally used by its other Branches.

The Central Bank of West African States shall, moreover, cover postal expenses (stamps, telegrams, telephone, etc.) incurred by its representative.

Article 8

The Central Bank of Togo shall transfer to the Central Bank of West African States any revenues carried out by it on the latter's account in accordance with the operations carried out pursuant to the provisions of Article 3.

Article 9

If the revenues carried out by the Central Bank of Togo as operations of the Central Bank of West African States in Togo exceed the expenditure covered by the Central Bank of West African States on behalf of the Central Bank of Togo (maintenance of circulation - staff and material overheads - participation up to the tune of 8% to the expenses of the general directorate), the surplus shall be transferred to the Republic of Togo.

Article 10

This convention shall replace the convention signed in Lomé on 29 October 1962 between the Republic of Togo and the Central Bank of West African States, on the first day of the first month following the creation of the Central Bank of Togo and the entry into force of all co-operation agreements to be concluded between the French Republic and the Republic of Togo.

As required, the period of validity of the convention of 29 October 1962 shall be extended until this date.

Article 11

This convention shall end on a date that can be no later than 31 December 1963 through a denunciation by one of the parties, with at least a six-month notice. As soon as this decision is notified, negotiations shall start in order to conclude the convention for the transfer of the issuing service, before the expiry of this agreement. This convention shall be established in accordance with the principles enumerated in the attached appendix.

Done in Lomé, on 20 December 1962

For the Republic of Togo	For the Central Bank of West African States
Hospice Coco	Bertin Borna".

Indeed, the appendix included a draft convention relating to the transfer of the issuing service to Togo.

Finally, all these provisions were not, in fact, followed, for with the change of Government, Togo joined the Treaty establishing WAMU.

II - Togo joins the Treaty of 12 May 1962

Four months after the new Government was set up, following the events of 13 January 1963, Nicolas Grunitzky presented his projects in the form of a keynote speech to the National Assembly[84].

"Indeed, we cannot forget that our foreign trade depends, to a great extent, on our relationships with our neighbors and that an isolated currency risks being rapidly devalued, in fact, similar to the devaluation that Ghana or Guinea's currency is currently suffering".

In a letter dated 6 November 1963, addressed to all the concerned Heads of State, Togo asked to join WAMU in accordance with Article 2 of the Treaty, which provided that "any West African State can, at its request and with the approval of the other members of the Monetary Union, be admitted to take part in it".

By virtue of Act no. 63/16 of 21 November 1963, the National Assembly authorized the President of the Republic to ratify the Treaty of 12 May 1962 and the Co-operation Agreement.

On 27 November 1963, the plenipotentiaries of the States gathered in Nouakchott to sign with George Apedo-Amah, Foreign Minister of Togo, the convention on the adhesion of the Republic of Togo to the West African Monetary Union.

Another convention, signed with BCEAO, fixed the technical conditions for the assumption of the responsibility of issue by this establishment. On this occasion, BCEAO's capital was raised from 2.4 billion CFA F to 2.8 billion.

The two Directors appointed to represent Togo on the Board of Directors were :

- Antoine Méatchi, Vice-President of the Republic, Minister of Finance, Economic Affairs and Planning ;

- Mr. Paulin Eklou, Director of Planning.

The adhesion of Togo raised the number of founder members of WAMU to seven and closed the chapter on the construction of this monetary organization.

As it may be seen, the enterprise was not an easy one. It was the result of impassioned discussions, of efforts to reconcile points of view that were often opposed. Above all, it was the result of a conscious choice, with States like Mali and Togo having initially sovereignly exercised their freedom of choice.

The texts thus painstakingly adopted came into force on 1 November 1962.

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[84] Togo Presse of Friday, 17 May 1963.

General de Gaulle (page 318)

Jean Foyer (page 147)

Michel Debré (page 164)

CHAPTER 6

IMPLEMENTATION OF THE TREATY

AND OF

AGREEMENTS OF 12 MAY 1962

The new agreements came into force on 1 November 1962 in accordance with Article 12 of the Co-operation Agreement. 31 October 1962 thus marked the end of the issuing house that had come into being seven years and one month earlier.

With the setting up of the new organs, the new Central Bank could begin its business.

Section I - The setting up of WAMU's organs

The first financial year of the new establishment lasted for 11 months, from 1 November 1962 to 30 September 1963. The Board of Directors had, in fact, fixed 30 September as the closing date of the financial year, keeping in mind that the period between 1 October to 30 September was better suited for the annual cycle of economic activity in West Africa.

I – The appointment of the first directors

On the day the annual report of the financial year closed on 30 September 1963 was adopted, membership of the Board of Directors was as follows :

President : - François Aplogan, Minister of Finance, Economic Affairs and Planning of Dahomey.

Representatives of States :

Côte d'Ivoire

- Raphaël Saller, Minister of Finance, Economic Affairs and Planning
- Mr. Mohamed T. Diawara, Director General of Planning

Dahomey

- François Aplogan, Minister of Finance, Economic Affairs and Planning
- Mr. Nicéphore Soglo, Treasury Inspector

Upper-Volta

- Mr. Charles Kaboré, Minister of Finance
- Mr. Pierre Claver Damiba, Director of Planning

Mauritania

- Dr. Mohamed Moktar El Marouf, Member of Parliament, former Minister

Niger

- Mr. Courmo Barcourgné, Minister of Finance and Economic Affairs
- Mr. Alkaly Amadou, Head of the Currency and Credit Division, Ministry of Finance.

Senegal

- Jean Collin, Minister of Finance
- Mr. Habib Thiam, Minister of Planning and Development

Togo

- Antoine Méatchi, Vice-President of the Republic, Minister of Finance, Economy and Planning
- Mr. Paulin Eklou, Director of Assistance and Planning

Representatives of France :

- Mr. Henri Bissonnet, Head of Department at the Ministry of Finance and Economic Affairs
- Mr. Pierre Dehaye, Director at the Ministry of Finance and Economic Affairs
- Mr. Pierre Esteva, Deputy Director at the Ministry of Finance and Economic Affairs
- Mr. André Postel-Vinay, Director General of the Central Office of Economic Co-operation
- Mr. Gabriel Rattier, Director General of Discounts at the "Banque de France"
- Mr. Pierre Roques, Director at the Ministry of Co-operation
- Mr. Marcel Théron, Director at the Directorate General of Foreign Services at the "Banque de France".

The Côte d'Ivoire representation, appointed on 18 September 1962, remained unchanged. Mr. Jean-Baptiste Améthier, Director of External Finances and Credit, member of the National Monetary Committee, acted on many occasions as Mr. Saller's temporary replacement.

Dahomey was first represented by Me. Bertin Borna, then by Mr. François Aplogan, Mr. Gaston de Souza and Mr. Nicéphore Soglo.

Upper Volta representation changed only after the closing of the financial year 1962-1963. It was represented by Mr. François Bouda, Minister of Finance and Mr. Moïse Traoré Alassane and then by Mr. Charles Kaboré, the new Minister of Finance, and Mr. Pierre Claver Damiba, Director of Planning and Development.

Mauritania was represented by Mr. Mohamed Moktar El Marouf and Mr. Ba Mamadou Samba who was succeeded by Dr. Ba Bocar Alpha, Minister of Finance.

The representation of Niger was headed by Courmo Barcourgné, Minister of Finance, and Sama El Hadji whose death in an accident led to his replacement by Mr. Amadou Mayaki, Minister of Commerce and Industry on 13 November 1962, and then, from 26 July 1963 by Mr. Amadou Alkaly, Director of the Exchange Office.

The representation of Senegal witnessed many changes. Headed first by Dr. Karim Gaye, Minister of Assistance and Technical Co-operation, and Dr. André Peytavin, Minister of Finance, it was entrusted to Mr. Valdiodio Ndiaye, Minister of Finance, and Mr. Cheikh Hamidou Kane, Minister of Planning and then to Dr. André Peytavin, Minister of Finance, and Mr. Mamadou Diarra, Director of the Exchange Office.

Following the Government reshuffle on 10 December 1963, Mr. Habib Thiam, Minister of Planning, and Mr. Daniel Cabou, Minister of Finance, were designated as members of the Board of Directors. Mr. Cabou having become Minister of Commerce and Industry was replaced by Jean Collin, the new Minister of Finance.

After Togo became a member, Antoine Méatchi, Vice-President of the Republic, Minister of Finance, Economy and Planning, and Mr. Paulin Eklou, Director of Planning and Development were nominated to represent Togo at the Board of Directors.

The representation of France remained unchanged until the adhesion of Togo. It was then completed by the nomination of Mr. Marcel Théron and modified by the replacement of Mr. Pierre Calvet by Mr. Gabriel Rattier.

In accordance with Article 42 of the statutes, the Board of Directors, during its first meeting on 28 September 1962, elected as President Me. Bertin Borna who was succeeded by Mr. François Aplogan on 17 December 1963.

II – Nomination of the first members of National Monetary Committees

These Committees, which met under the aegis of the Central Bank's Branches in each of the member States of the Union, consisted of two directors and three other members, all appointed by the Government of the State concerned.

Their composition was the following on the date the first activity report was approved :

Côte d'Ivoire

President : Raphaël Saller*[85], Minister of Finance, Economic Affairs and Planning

Members : Mr. Mohamed T. Diawara*, Director General of Planning

- Mr. Jean-Baptiste Améthier, Director of External Finance and Credit

- Mr. Edouard Ebagnitchié, Member of the National Assembly

- Mr. Claude Sechaud, Director General of the "Compagnie Française de l'Afrique Occidentale"

Dahomey

President : François Aplogan*, Minister of Finance and Economic Affairs

Members : Mr. Nicéphore Soglo*, Treasury Inspector,

- Mr. Marius Akuesson, Inspector of Finances, Paymaster of Dahomey

- Mr. Lucien d'Assomption, technical Counselor at the Ministry of Economic Affairs

Upper-Volta

President : Mr. Charles Kaboré*, Minister of Finance

85 * Members of BCEAO Board of Directors.

Members : Mr. Pierre Claver Damiba*, Director of Planning

- Mr. Raphaël Médah, Director of the Treasury

- Mr. François Kaboré, Director of the Cabinet of the Minister of Finance

- Mr. Jean-Baptiste Zoungrana, Director of the Exchange Bureau

Mauritania

President : - Dr. Ba Bocar Alpha*, Minister of Finance, Labor and Economic Affairs

Members : Mr. Mohamed Moktar El Marouf*, Member of Parliament, former Minister

- Mr. Mamadou Wane Birane, Director of Cabinet of the Minister of Rural Economy

- Cheikh Ould Khahari, Director of Production, Co-operation and Mutual Insurance at the Ministry of Rural Economy

- Mr. Mamadou Kane, Director General of the Mauritanian Bank of Development.

Niger

President : Mr. Courmo Barcourgné*, Minister of Finance and Economic Affairs

Members : Mr.- Amadou Alkaly*, Head of the Currency and Credit Division, Ministry of Finance

- Mr. Boubou Hama, President of the National Assembly

- Mr. Lucien Bayle, Commissioner General of Planning

- Mr. Oumarou Moussa, Head of the Department at the Development Bank of Niger.

Senegal

President : - Jean Collin*, Minister of Finance

Members : Mr. Habib Thiam*, Minister of Planning and Development

- Mr. Daniel Cabou, Minister of Trade, Industry and Handicrafts

- Dr. Amadou Karim Gaye, Minister of Rural Economy

- Mr. Charles Henri Gallenca, President of the Chamber of Commerce, Agriculture and Industry.

Togo

President : Mr. Antoine Méatchi*, Vice-President of the Republic, Minister of Finance, Economic Affairs and Planning

Members : Mr. Paulin Eklou*, Director of Assistance and Planning

- Mr. Dovi-Akué, Director of Economic Affairs

- Mr. Jean Tevi, Director of the Bureau of Financing of Plan Programs

- Mr. Ernest Gaba, Director of the Togo Export-Import Company.

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* Members of BCEAO Board of Directors.

III – Appointment of Auditors

Article 63 of the statutes lays down that the "auditing of the accounts of the Bank shall be carried out by the auditors selected by the Board of Directors from the experts list - accountants with the Court of Appeal, with one chartered accountant per State of the issuing area, in charge of auditing the individual accounts of the branches located in that State and one chartered accountant at the Court of Appeal of the Bank's headquarters for central accounts.

"The powers of these auditors will be those of company auditors".

In application of these provisions, the Board of Directors appointed as auditors :

- Côte d'Ivoire : Mr. André Labadens, Statutory Auditor certified by the Court of Appeal of Abidjan

- Dahomey : Mr. Augustin de Campos, Statutory Auditor certified by the Court of Appeal of Cotonou

- Upper Volta : Mr. Edouard Noaga Ouédraogo

- Niger : Mr. Jacques Nignon

- Senegal : Mr. Doudou Seydi, Statutory Auditor certified by the Court of Appeal of Dakar.

- Togo : Mr. G. B. Sossah, Chartered Accountant certified by the Court of Appeal of Abidjan and the tribunals of Togo.

No auditor was designated for Mauritania, due to the opening of the Nouakchott Branch on 14 October 1963, after the closing of the financial year 1962-63.

Robert Wetzel, Public Accountant certified by the Court of Appeal of Paris, was in charge of auditing the Bank's central accounts. As such, he centralized the observations made by his colleagues in charge of auditing the individual accounts of the branches.

Furthermore, the convention of 20 March 1963 concerning the "operations account", between the French Treasury and the Central Bank, provided that the application of its provisions would be monitored by two designated auditors, one by the French Government and the other by the Monetary Union.

The following were designated in this capacity : Mr. Pierre Chavard, member of the financial activities monitoring mission of the Ministry of Finance, on behalf of the French Government and Mr. Christian Vieyra, Director of the Institute of Economic Development and Planning, on behalf of the Monetary Union.

Section II – Organization of BCEAO

The Director General, once appointed, recruited the staff and set up the services in the premises established as per the required norms.

I – Appointment of the Director General

In accordance with the provisions of Article 52 of the statutes, the Board of Directors nominated Mr. Robert Julienne as Director General of the Central Bank, at its first meeting on 28 September 1962, thus renewing his earlier appointment.

II – Recruitment of staff

The new Central Bank retained almost all the employees of the former bank. With the expansion of its operations and their increasing complexity, notably due to the identification of notes in circulation per State, a closer supervision of credit distribution and the development of the States external financial relations, in particular their joining the International Monetary Fund, the Central Bank's workload increased.

To take up this challenge it proceeded with substantial recruitment, increasing the total number of employees to 647 by the end of the financial year.

In principle, operatives were recruited locally. They were provided facilities to improve their general as well as professional training through courses organized by the chambers of commerce - notably in Abidjan - or by banking professionals.

The training of junior and senior executive staff was carried out by the Central Bank itself. It opened a training center in Abidjan - the Center of Technical and Professional Application, CATEP - which offered a two-year professional training program, practical as well as theoretical. An initial recruitment through a competitive entrance exam for the trainees took place at the end of the financial year and courses started at the beginning of 1964.

III – Setting up of premises and establishment of services

Central bank activities call for the respect of certain security norms, especially in the services related to cash and maintenance of circulation, for which special premises are required, which are fairly expensive.

The Bank was composed of main branches, sub-branches and banknote deposit branches.

A - Main branches

They were located in the States capital cities. The new Central Bank inherited the buildings of the old banks in Dakar, Abidjan, Cotonou, Lomé, Niamey and Ouagadougou. In Nouakchott, it built a building for its Branch and the various departments occupied it on 14 October 1963. It was inaugurated on 28 November.

B – Sub-branches

The volume of business in East Niger and the region's distance from the capital city had led the former issuing house to establish a sub-branch in Zinder. The new organization kept it on.

It also built two new sub-branches - in Kaolack, the center of Senegal's main groundnut producing region and in Bouaké, Côte d'Ivoire's second largest city and a rapidly expanding industrial and commercial center.

C – Banknote deposit branches

In certain places, the Bank established banknote deposit branches whose physical management was entrusted to either the public Treasury (Ziguinchor in Senegal) or to the "Banque de l'Afrique Occidentale" (Bobo-Dioulasso in Upper Volta, Maradi in Niger).

A banknote deposit branch managed by BAO operated in Saint-Louis for the maintenance of Mauritania's fiduciary circulation until the Nouakchott branch opened.

The functioning of these structures was oriented towards improving the cash operations of the public Treasuries and banks, whose network was expanding in the regions.

Section III – Network of credit institutions

In 1972, it comprised commercial banks, development banks and financial institutions.

According to the credit regulations of the banking system, banks were authorized to receive deposits from the public and issue loans under their responsibility.

Development banks were public establishments generally specialized in granting medium to long-term credits to a given sector - agriculture, industry, social credits, etc. They operated with their equity capital, credit lines obtained from abroad and, if necessary, with the deposits of the clients.

The financial institutions were not authorized to receive deposits from the public. They essentially financed development with their equity capital or from financial aid granted by other banks.

I - Commercial banks

The four traditional establishments continued to share the banking market : the BAO (Banque de l'Afrique Occidentale), the BNP («Banque Nationale de Paris»), the "Société Générale" and the "Crédit Lyonnais".

A - The BAO network

Each country was served by a BAO branch.

B – The "Banque Nationale de Paris" (BNP) network consisted of five establishments :

- The "Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire" (BICICI)

- The "Banque Nationale de Paris" (Dahomey)
- The "Banque Nationale de Paris" (Upper-Volta)
- The "Banque Internationale pour le Commerce et l'Industrie du Sénégal" (BICIS)
- The "Banque Nationale de Paris" (Togo)

C – The network of the "Société Générale de Banques" comprised three establishments :

- The "Société Générale de Banques" in Côte d'Ivoire (SGBCI)
- The "Société Générale de Banques" in Senegal (SGBS)
- The "Société Mauritanienne de Banque in Mauritania" (SMB)

D – The "Crédit Lyonnais" network had four establishments :

- "Société Ivoirienne de Banques" (SIB)
- "Société Dahoméenne de Banques" (SDB)
- The "Union Sénégalaise de Banque pour le Commerce et l'Industrie" (USB)
- "Union Togolaise de Banque" (UTB).

E - The Ghana Commercial Bank

This was the only commercial bank outside the Togo network.

II – Development banks

Fifteen establishments of this type operated in the issuing area. They were :

A - In Côte d'Ivoire

- "Banque Ivoirienne de Développement Industriel" (BIDI)
- "Banque Nationale pour le Développement Agricole" (BNDA)
- "Caisse Autonome d'Amortissement" (CAA)
- "Crédit de la Côte d'Ivoire" (CCI)

B - In Dahomey

- "Banque Dahoméenne de Développement" (BDD)

C - In Upper-Volta

- "Banque de Développement de la Haute-Volta"

D - In Mauritania

- "Banque Mauritanienne de Développement" (BMD)

E – In Niger

- "Banque de Développement de la République du Niger" (BDRN)
- "Caisse Nationale de Crédit Agricole" (CNCA)
- "Le Crédit du Niger" (CN)
- "Caisse de Prêts aux Collectivités Territoriales" (CPCT)

F - In Senegal

- "Banque Nationale de Développement du Sénégal" (BNDS or National Development Bank of Senegal)

G – In Togo

- "Banque Togolaise de Développement" (BTD)
- "Caisse Nationale de Crédit Agricole" (CNCA)
- "Société Nationale d'Investissement" (SNI)

III – Financial Institutions

There were ten of them :

A - In Côte d'Ivoire

- "Société Africaine de Crédit Automobile" (SAFCA)
- "Société Africaine de Crédit Bail" (SAFBAIL)
- "Société Ivoirienne de Financement" (SIF)
- "Société Nationale de Financement" (SONAFI)
- Taw International Leasing (TIL)

B - In Dahomey

- "Société Dahoméenne de Crédit Automobile" (SODACA)

C - In Upper-Volta

- "Société Voltaïque de Crédit Automobile" (SOVOCA)

D – In Niger

- "Société Nigérienne de Crédit Automobile" (SONICA)

E - In Senegal

- "Société Générale de Crédit Automobile" (SOGECA)

F - In Togo

- "Société Togolaise de Crédit Automobile" (STOCA).

Section IV - BCEAO activities from 1962 to 1972

We have seen that the *primary function* of a bank of issue or a Central Bank is to make the *fiduciary currency* needed for transactions available to the economy. It produces the currency in exchange for exchange or credit operations, which is an *issuing* activity. It can, besides, exercise *control* over the *creation of all payment media* - fiduciary currency and representative money - so as to adjust them to the desirable requirements of the economy, thus seeing to it that the external and internal purchase power is maintained - a *monetary policy* exercise.

The orientation given to this second function depends on relevant public authorities' ideas about the role of the currency in the economy and on the aims that they consequently assign to the bank of issue (cf. preliminary chapter).

The bank of issue can, finally, carry out or favor the exercise of related activities, such as improving the efficiency of payment systems, harmonizing monetary and banking legislation, centralizing banking risks, promoting a capital market, etc.

It was in a particularly favorable context, marked by a continuous expansion of the economy that the new Central Bank began its activities.

I – Evolution of the economic situation in the sixties

A – In developed countries

The situation in developed countries during this period was characterized by *exceptional* economic growth, of *Jean Fourastié's glorious Thirties,* which started *after the Second World War* and continued *till the end of 1974.*

In a special report in "Le Monde", Patrick Eveno (1996) carried out a detailed analysis of this period[86].

It emerged from this study that the rate of growth of OECD countries GDP[87] had reached 5% on an average per year during this period, with a higher rate for the least developed countries of the group - Spain, Italy, Japan - thus partly catching up with the most advanced countries - Great Britain and especially the United States.

This growth, "unprecedented in history"[88], was marked by its consistency, if one compares it to similar periods of the 19th century. The rare years of slowdown were never really years of recession. The United States saw a decline in its GDP only twice, in 1954 and in 1958 (-0.7 and –0.5%) ; West Germany experienced it only once (- 0.2% in 1967) ; while the growth rates in France, United Kingdom, Italy, Spain and Japan remained consistently positive for twenty-five successive years.

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86 *Le Monde,* special issue of *Dossiers et Documents* (special reports), October 1996.
87 Organisation for Economic Co-operation and Development
88 Berstein (Serge) and Milza (Pierre), *Histoire du Vingtième siècle*(History of the Twentieth Century), Volume 3, Hatier, Paris, 1987, p. 23.

In the social field, this translated into full employment in all developed countries. The percentage of the unemployed active population - the unemployment rate - remained very low in all the countries - 5.7% in Italy, 4.5% in the United States, 2.8% in Germany, 2.6% in Great-Britain, 1.8% in France and 1.7% in Japan over the entire period from 1950 to 1960.

The lower limit of full employment was achieved several times with 0.5% unemployment in Germany in 1965 and 0.9% in France in 1957. This resulted in the governments and employers resorting to a foreign workforce on a massive scale.

The tension in the labor market that resulted from this situation favored an increase in salaries and contributed to the growth of labor productivity, itself helped by the application of scientific research and technical progress.

During this period, productivity gains and the maintenance of full employment did not come into conflict, in so far as the jobs lost in sectors suffering a decline or witnessing accelerated modernization (agriculture, mining, heavy industries and textiles) were recovered in the mechanical and electrical industries and especially in the rapidly growing tertiary sector.

Labor transfers between sectors thus made it possible to simultaneously achieve full employment and increase productivity, leading to the creation of wealth and the satisfaction of the needs of the salaried class.

The logical consequence of the growth of production and the maintenance of full employment was the consistent rise in the standard of living and consumption. In all developed countries, which were growing at the same pace, households were discovering new consumer durables like refrigerators, washing machines, cars, television and telephones, which they increasingly acquired through consumer loans.

Thus, in 1973 in France, households equipped with durable goods reached the following figures : 87% for refrigerators, 79% for television sets, 65% for washing machines, 61% for cars and 21% for telephones.

On the whole, household consumption in developed countries, according to the country concerned, trebled or quadrupled in constant Francs.

Consumption - both of food products and industrial products - became standardized. "The ways of life of people in developed countries were converging more definitely than they would have done through international treaties".

For Patrick Eveno, "In so far as it is common to all developed countries, *one must avoid all national explanations of growth*" (page 9).

Thus, according to him, the French or English nationalizations, the establishment of social security systems, planning etc. had only a marginal influence on the course of events. Inversely, the defects of certain economic policies, the deficits or major constraints introduced by certain States, did not harm growth, which continued at the same pace in countries with strong currencies like West Germany as well as in countries that allowed inflation to develop like France and, to a larger extent, Italy.

"Be they interventionist or liberal, in the final analysis, national economic policies seem only to be acting on the fringes of economic activities".

To that end, he explained that the decisive impetus was given by the United States, which, after the end of the war, understood that it could not repeat the isolationist policies of the 1920s without causing serious damage to the world economy and, as an indirect consequence, to its own prosperity, rediscovered in the course of the war.

Moreover, the threat of the expansion of Soviet communism increased the willingness of American Governments to help in the reconstruction of Europe and Japan. In this regard, the Marshall Plan appeared to be the archetype of appropriate solutions that an economic superpower can envisage applying in order to help weaker economies to get back on the rails.

"However, as much as financial aid, it was the spreading of production methods and marketing, as well as the American models of consumption that had a boosting effect on European economies".

Moreover, the United States took decisive initiatives that reorganized international trade - the Bretton Woods Conference, which re-established the international monetary system on the basis of the convertibility of currencies into dollars or gold (1944), the GATT agreements (1947)[89], the creation of the OEEC (1948).

All these economic and monetary co-operation measures resulted in an average annual growth of 8% in world trade during that whole period. These measures were further reinforced by the creation, in 1950, of the European Payments Union (EPU) aimed at ensuring the multilateral compensation of claims and debts of member countries, the granting of automatic credits and the creation of the Organization of Economic Co-operation and Development (OECD) on 30 September 1961, replacing the OEEC.

On 27 December 1958, the *return* of a few European countries to the *convertibility* of their currencies marked the end of the EPU.

On the same day in France, as we have seen, the creation of a new Franc was announced through an ordinance : "At a date that will be notified by a decree, and latest by 1 January 1960, a new French monetary unit shall be created whose value will be equal to 100 FF".

The gold pool was instituted in 1961 by the United States and seven other countries to feed the London gold market at the official rate of 35 dollars an ounce.

The last explanatory factor for this growth was the post-war demographic expansion, which gave an impetus to *consumption* and *production*. "These over hungry consumers' demands were met by efficient producers" (Berstein and Milza p. 25).

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[89] General Agreement on Tariffs and Trade

In the course of the second half of the sixties appeared the first difficulties in the monetary sector.

In June 1966, the Central Banks of the gold pool countries extended their support to the Pound Sterling, which was under attack in the exchange market. On 18 November 1967, the Pound was devalued by 14.3%. Seventeen countries, including Spain, Denmark, Ireland and Israel, followed London's decision.

On 22 November and the following days, significant gold purchases were registered in the major European markets - London, Zurich and Paris.

The pool was no longer able to face the demand and the market was closed on 15 March 1968 in London, Rome and Frankfurt. A meeting of the pool members, held in Washington, announced on 17 March that the "gold stocks were being reserved for settlement between monetary authorities" and that, henceforth, only these settlements would be carried out at the official rate of 35 Dollars per ounce.

May 1968 witnessed a growing unrest in the universities of France, Germany, Italy, Great Britain, United States and Spain. This movement was all set to spread.

In France, as per the terms of the so called Grenelle agreements between unions, employers and the government, the guaranteed minimum wage was fixed at 3 FF per hour, salaries increased, working hours were reduced, the retirement age was lowered and the principle of enterprise Union representation was accepted.

These measures fuelled inflation and weakened the national currency in the exchange market. Adjustment measures were taken - on 8 August 1969, the Franc was devalued by 12%, prices and profit margins were frozen until 15 September, a withdrawal of 985 million 'conditional' dollars from the IMF was made, a 400 million-dollar loan was envisaged from the Common Market countries, budgetary expenditure was curtailed...

In 1971, market pressures moved to the dollar. This led to the 15 August 1971 decision to suspend the convertibility of dollars into gold (cf. Preliminary Chapter).

B – In developing countries

Mostly under the dominance of European countries, populations of Latin America, Asia (except Japan), Middle East (except Israel), Africa and the West Indies (except Australia and New Zealand) were excluded from international relations and had remained on the sidelines of this economic growth, which so profoundly transformed the face and living conditions of the industrial world.

It was with the Decolonization movement after the second world war that these populations found themselves suddenly hurtled into the midst of current events.

a - Decolonization and the growing awareness about under-development

The Bandung Conference (Box 3.15) had underlined that the general principles listed ten years earlier in the charter, had been flouted as regards development. It proposed the creation of a United Nations fund for economic development, a finalization of projects common to the countries represented and, in the cultural field, the "fundamental right of peoples to study their own language and their own culture".

For the non-aligned countries, economic liberation was the necessary condition for political independence.

The stand taken by them sensitized the international community and called into question the existence of the wide-ranging phenomenon of inequality at world level, which had long been concealed by the colonial system.

Already in 1952, with reference to the situation of the Third-Estate under the *ancien regime* in France, Alfred Sauvy had called human masses living in poverty and with no hold on the world system the "Third-World".

The expression, appealing but inaccurate in so far as it grouped together in a single block regions that were very varied by their natural conditions, histories, populations and cultures, called for an in-depth reflection, especially within the framework of the United Nations.

The number of surveys and reports were increased with the view to specify the contents of the expression. They revealed that the characteristic shared by this heterogeneous group which on the whole represented 2/3 of the world's land surface and 3/4 of humanity was that it was "under-developed", a social and economic phenomenon defined by five criteria – *low individual income, malnutrition, illiteracy, escalating population growth and an excessive concentration of the active population in agriculture.*

Poverty being the most visible sign of under-development, the United Nations and other specialized organizations like the World Bank went on to gather its statistical representation pertaining to income, health, education and population and proceed with comparisons by groups of countries.

1 – Income :

GNP[90] per capita (a) (1980 Dollars)	1950	1960
Industrial countries	3,841	5,197
Middle Income countries	625	802
Low Income countries	164	174
Average annual growth (%)	**1950-60**	
Industrial countries	3.1	
Middle Income countries	2.5	
Low Income countries	0.6	

(a) Excluding all centrally planned economies.

2 – Health :

Life expectancy at birth (number of years)

	1950	1960
Industrial countries (a)	66.0	69.4
Middle Income countries (b)	51.9	54.0
Low Income countries	35.2	41.9
Centrally planned countries (c)	62.3	67.1

(a) Including Bulgaria, Poland, East Germany, Romania, Czechoslovakia and USSR.
(b) Including Albania, South Korea, Cuba and Mongolia.
(c) Including China.

3 – Education :

Adult literacy rate (%)

	1950	1960
Industrial countries	95	97
Middle Income countries	48	54
Low Income countries	22	29
Centrally planned countries	97	98

[90] Gross National Product.

4 – Population :

Average annual growth rate (%)

	1950/1960	**1960/1970**
Industrial countries (a)	1.2	1.0
Middle Income countries (b)	2.4	2.5
Low Income countries	1.9	2.5
Centrally planned countries (c)	1.9	1.7

(a) Including Bulgaria, Hungary, Poland, East Germany, Romania, Czechoslovakia and USSR.
(b) Including Albania, South Korea, Cuba and Mongolia.
(c) Including China.

Source : - The World Bank, World Development Report, 1980, p. 42.
- The World Bank, World Development Report, 1980, p. 34.

From then on, considered by many as the major scandal of the 20th century, under-development became the major issue of the second half of the century and the fight against poverty, the new crusade of modern times.

For this reason, the United Nations declared the sixties as the first development decade. Specialized organizations, States, private agencies and non governmental organizations, embarked on the battle for development, often in a disorganized manner, each one nurturing its own ulterior motives and furbishing its individual strategies.

It was in this context that in 1961, the OEEC paved the way for the Organization of Economic Co-operation and Development (OECD).

"Development" - the key word of the new organization, did not refer to the development of its member countries but a new task included in the OECD program, aimed at ensuring the co-ordination of the efforts made by rich countries to help the third world – technical assistance, donations, government loans and private investments, in various forms.

The role of the Development Aid Committee (DAC), one of the mainsprings of OECD, would be to maintain a minimum cohesion in the doctrines and practice of assistance to under-developed countries.

As far as the World Bank was concerned, whose loan programs had started in the 1940s through the reconstruction of Western European countries devastated by the war, it would dedicate its aid to the poorest members, once European countries had become capable of covering part of their needs.

Thus, its main aim was to "promote economic and social progress of developing countries by helping them to increase their productivity, so that their populations could enjoy better living conditions and lead a more fulfilling existence"[91].

b - Results of the first development decade

On the whole, this period ended with encouraging results, which were reflected by an annual GDP[92] growth rate of 3.9% for low income countries and 6% for middle income countries against 5.1% for industrial counties, 13% for oil exporting countries with surplus capital (Iraq, Iran, Saudi Arabia and Kuwait) and 4.9% for centrally planned economies[93].

The real per capita income during this period settled at 3.3% for all developing countries taken as a whole and 0.6% for sub Saharan Africa, against 4.1% for high income countries[94].

WAMU countries too benefited from this favorable situation, with the good performance of raw material prices, improvement in incomes and increase in consumption and investments.

GDP increased in all the countries at an average annual rate higher than that of the population, resulting in an increase of per capita income during this period.

The real average annual growth rate varied from a minimum of 2.5% in Senegal to 8.9% in Togo. Figures were as follows : Dahomey (3.3%), Upper Volta (3%), Côte d'Ivoire (2.9%), Mauritania (5.8%), Niger (2.9%), Senegal (2.5%) and Togo (8.9%)[95].

The real average investment growth rate was positive in all the countries. The mining and agricultural sectors as well as the building and public works sectors were the main beneficiaries of investments.

However, the structure of the economies changed little in the course of the decade, marked by the predominance of the primary sector (agriculture and mining). The secondary sector, comprising a few manufacturing industries, represented between 10 to 18% of the GDP and the tertiary sector 30%, with a maximum of 48.4% in Côte d'Ivoire and 58.7% in Senegal.

Inflation, measured on the basis of the consumer price index, stayed at a moderate annual rate of 1.3% in Togo - the lowest - and 3.5% in Dahomey, at the highest.

The management of public finance was brought under control with the constitution of deposits with the banking system, for the entire period, as well as through a relatively low external debt/GDP ratio - Côte d'Ivoire (17.2%), Dahomey (15.8%) and Upper-Volta (6.3%).

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91 D. Driscoll (David), *Le FMI et la Banque Mondiale, en quoi diffèrent-ils ?* (The IMF and the World Bank - how do they differ ?), IMF Publication Services, Washington DC, 1994.
92 Gross Domestic Product.
93 World Bank, World Development Report, 1980.
94 World Bank, Global Economic Prospects and Developing countries, 1992.
95 Source - BCEAO.

The net foreign assets were positive for the whole period and they increased. The credit balance of the operations account had nearly doubled from 32.4 billion CFA F in 1962 to 63.1 billion in 1972.

The cover rate of sight liabilities by the Central Bank's foreign assets increased from 57% at the beginning of the period to 71% in 1972.

On the whole, the period between independence and 1972 was characterized by a relatively sustained growth of WAMU economies, a budgetary policy that allowed releasing a part of public savings for financing numerous investments and a credit policy that ensured inflation control.

II - Credit Policy

Though the expression 'monetary policy' would appear in the vocabulary of the Central Bank only with the 1973 reforms, the accepted term during the period 1962-72, was that of 'credit policy'. It meant that with a view to controlling monetary creation, the Central Bank concentrated the main part of its efforts on credit to the economy, operations concerning the issue of currency in the economies of WAMU at that time.

The credit policy thus covered all the measures adopted by the Central Bank, to ensure consistency between its interventions and the currency demand that it considered desirable.

The instrument used to this end was refinancing. (Cf. Preliminary Chapter).

At its meeting of 28 September 1962, the Board of Directors adopted a credit regulation that laid down the guiding principles and modalities for the implementation of this policy.

A - Guiding principles

They specified the aims of the credit policy and indicated the procedure to be followed regarding granting of credit as well as the powers of the various organs.

a - Aims

The regulation affirmed at the outset that the Central Bank's main role was to satisfy the monetary requirements of the economy of each country, through the execution of transfers with foreign countries and aid granted to the banking system.

It added that the Central Bank's interventions were to be carried out within the framework of the economic policy of each country. This consisted, by the means of rediscount, in bringing the resources of the banks to the level of their normal and legitimate use, at all times, in order to ensure the balance of their cash positions.

However, noted the regulation, the *rediscount was not automatic*, because the Central Bank had two constraints : it had to, on the one hand, ensure the creditworthiness of its issue and, on the other, to ensure the maintenance of monetary stability and a minimum coverage of its issue through foreign assets.

1 - Creditworthiness of issue

This meant that the amount of currency created against a credit to the economy had to be destroyed at the time this credit was reimbursed.

In order to do so, the Central Bank had to observe three rules :

The first concerned the purpose of the credit entitled to refinancing - the Bank had to mobilize[96] only those credits that would be used for financing production, trade and, in certain cases, investment operations, so that their natural outcome itself ensured the *repayment of the corresponding loans.*

The second rule was a general clause in financial matters called the conformity of terms of financing[97] - the assistance of the Central Bank had to allow each bank to maintain a conformity between the degree of payability of its resources and the period of recovery of corresponding debts.

The third rule was the verification of the solvency of debtors, the latter eventually controlling the solvency of bank deposits.

2 - Maintenance of monetary stability

The Central Bank had to try hard to simultaneously eliminate inflationary and deflationary factors and to maintain a minimum margin of issue through foreign assets.

To eliminate inflationary factors, it had to exclusively respond to the needs of the productive sectors of the economy and a bank was entitled to rediscount only if the totality of its resources – equity capital and deposits - was committed to locally productive uses.

Moreover, the appropriate use of the authorizations laid down made it possible to *accelerate the speed of rotation of the current assets of companies*, to prevent stock retention or accumulation of debts that sterilized financial resources and to improve the general productivity.

Finally, the banks also had to see to it that inter-bank competition did not lead to a rash expansion of credits.

In order to eliminate deflationary factors, it had to be mindful of banking policies regarding restrictions of unjustified credits.

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[96] Allow for refinancing.

[97] Medium or long-term financing should have corresponding medium or long-term resources and not short-term resources, except for the "processed" part of this category of resources (Cf. Preliminary Chapter).

Maintaining a minimum issue margin through its own foreign assets that had to be sufficient to meet external requirements was necessary in spite of the facilities offered by the operations account.

To this end the Central Bank had to :

- Proceed to a selection of credits, according to the pressure the corresponding financing could make to bear upon the *quick foreign assets ;*

- Follow up of the foreign assets and commitments of each country, to avoid an accumulation of commitments incompatible with the maintenance of the required minimum ;

- If need be, take the corrective measures necessary for re-establishing a jeopardized balance (Article 44 of the statutes and Article 8 of the Co-operation Agreement).

The eligibility rules for rediscount bills applied also to customs duty bills. These are bills signed by the importers favoring the Treasury and representing the amounts due as customs duty. These bills guaranteed by the banks could be presented for discount by national Treasuries.

It essentially constituted credits to the private economy, in so far as the companies settled their customs duty in cash, using their bank credits, before resorting to the procedure, which established the time within which the credits were to be reimbursed.

The customs duty bills were thus assimilated with bank credits, since the commitments taken by the banks through signatures, entailed their responsibility in the same way as when they intervened directly.

b - Instruments - ceilings and individual limits

The Central Bank intervened at three levels - at State level, at each bank level and at the level of each beneficiary of bank credits.

Thus, for each State, a *universal ceiling of short-term rediscount* and a universal ceiling of *medium-term* rediscount were fixed ; for each of the banks in the country, a *short-term* as well as a *medium-term rediscount ceiling* were fixed ; and for each beneficiary of credit, an *individual limit* for *short-term* credits and a *medium-term rediscount permission* for medium-term credits were fixed.

Each National Monetary Committee proposed the overall ceiling assessed with the approval of the Board of Directors. It then fixed ceilings per bank within the limit of the overall ceiling decided by the Board of Directors. Finally, the committee fixed individual limits for companies operating in the country concerned.

However, certain limits fell within the purview of the Board of Directors and others within that of the Branch Manager.

B - Interventions regarding short-term credits

The period of short-term credit was fixed at 2 years.

a - Determination of universal ceiling of short-term rediscount by the State

The economic activities of WAMU countries followed the rhythm of the marketing campaign of their agricultural products, which started in October and, after peaking in February-March, slowly decreased till September.

Bank financing followed the same cycle.

In the framework of the credit policy, the National Monetary Committees, with the assistance of each Central Bank Branch, determined, every six month, the rediscount ceiling that they proposed to the Board of Directors for decision, before proceeding to their allocation between the banks and the public Treasury.

The exercise started by providing the Director General's *guiding principles* to the branches, framed on the basis of an analysis of the evolution of the overall situation of the Union and of each country, especially the level of foreign assets and factors that affected their variations.

The theoretical case, illustrated below, shows the method for determining the rediscount ceiling[98].

1 - The problem

Let us take a State whose main products are coffee and cocoa and whose banking network consists of a National Development Bank with a capital of 550 million and a local deposit bank with a capital of 600 million.

The period considered is *December to May*, known as the *"harvesting period"*. In fact, it is during these six months that the various operations for marketing the products take place - *collection, stocking and export sales.*

Finally, let us assume that at the time the harvesting season started :

- The producer price has been fixed by the government at 70 F per kg for coffee and 55 F per kg for cocoa ;

- The volume of the harvest of cocoa is estimated at 30,000 tons at the minimum and 36,000 tons at the maximum ; the corresponding figures for coffee being 50,000 tons and 55,000 tons respectively ;

- The products of the previous season have not yet been cleared completely, and there remains a carry over stock of 8,000 tons of coffee.

2 - The method applied

Given that the overall ceiling is meant to cover banking and Treasury needs, it would be tempting to fix the ceiling by a simple addition of demands made by those establishments.

This method would be unacceptable if only due to the fact that banks, concerned above all with the profitability of their operations, could inflate their credit projections in a manner that often had no relation to the actual needs of the firms.

[98] Taken from BCEAO archives.

The fixing of the overall limit of short-term rediscount is carried out on the basis of economic data reflecting the ground reality as closely as possible. If, to finance all its needs, a State has to, through its banking network, appeal for assistance to the central bank, it would be because the resources (basically bank deposits and post office current accounts of individuals and enterprises) at the disposal of its economy, are not enough to satisfy the demands. Arithmetically, therefore, in theory, the overall limit of the short-term rediscount required by a State would be equal to the difference between :

- The estimated overall credit requirements of enterprises in the country.

- Resources available to banks to grant credits.

The overall limit of short-term rediscount therefore has to be determined according to the following two factors :

- *The requirements of the economy*

- *Bank resources.*

Since these factors were not constant during the period under review, it would be better to carry out a month by month evaluation.

- The method to be followed consisted first of all in drawing lessons from the comparative growth of bank appropriations and resources over the preceding few months, so as to take them into account, if need be, in the critical analysis of projected appropriations and resources.

The synthesis carried out at the end of this approach would be completed only after taking the monetary situation of the country into consideration.

1) - Study of the growth of appropriations and bank resources during the preceding months

This study was concerned, in principle, with the previous six months, or better still with the previous twelve.

The study drew from various documents in possession of the Central Bank - summary statements of the financial position of banks, the Risks Center, marketing statistics, company dossiers, etc.

- Growth of appropriations

The study focuses on the entire gamut of bank assistance, short, medium and long-term.

As far as short-term credits are concerned, the following are studied separately :

. Credits granted to companies whose activity was seasonal, those that processed or marketed seasonal goods and whose activity, due to this fact, was subject to significant fluctuations - *seasonal credits* ;

. Credits granted to companies whose activity was non-seasonal : *non-seasonal credits.*

Furthermore, an estimation was made of the part of the appropriations whose refinancing the Central Bank would not accept, during the preceding months, and which therefore were not taken into account in the evaluation of the rediscount requirements : *non rediscountable* credits.

These appropriations were of two types :

. Fixed term assistance granted in addition to medium-term rediscountable credits. This aid had in fact to be financed through non-monetary resources.

. Short and medium-term aid for financing operations against the economic interests of the State - speculative stocks, excessive facilities to customers, speculative transfers based on the difference of interest rates between WAMU countries and abroad, etc.

- Growth of resources

Two types of resources were concerned :

. Permanent and fixed term resources (equity capital and deposits or borrowings over six months and more).

. Short-term, sight resources (deposits of less than six months).

The origin of the variations observed had to be specified.

- Coverage of appropriations by resources

This study had to provide answers as to how :

. In case of shortage of resources, the imbalance had been covered by external contributions or by rediscount.

. In case of excess, the surplus had been used.

In order not to over-burden the theoretical exercise, let us assume that the study led to a situation where :

. The appropriations (+ 20%) grew faster than resources (+ 10%) ;

. The growth of appropriations was especially appreciable concerning non-rediscountable credits.

It can be concluded from this that corrective measures appear necessary.

2) - Projected growth of appropriations and resources

- Estimates of appropriations

Three different evaluations were carried out :

- One pertaining to harvesting season requirements

- One related to non-seasonal requirements

- And the last one concerning customs duty bills.

- Assessment of requirements arising out of harvesting activities or seasonal requirements

This assessment would be preceded by one aimed at determining the total amount of assistance already in place, which financed unsold stocks or the carry over stock.

* Carry over stock

It is known that at the time the harvest season started, there were 8000 tons of coffee in carry over stock, which weighed down on the volume of credit distributed.

At the price of 70 FF per kg of coffee, the carry over stock comes to a global value of 560 million. Nothing, however, leads us to assume that the totality of this stock was financed by bank credit. A more precise indication could be obtained with the help of the statements drawn up by the banks as of 30 September, at the Risks Center, for credits granted to companies involved in marketing coffee. These companies are easy to identify because they are listed at the Risk Center under a special heading.

Supposing all the statements involving coffee exporters totaled 450 million as of 30 September, one could estimate that 500 million was allocated on that date towards financing seasonal activities, the declared risks always being below 10 to 15% of the total risk. This figure of 500 million would be comparable to the value of the stocks (560 million).

Having said this, one would have to study the requirements arising out of the coffee harvest and those out of the cocoa harvest separately.

For coffee

The financial requirements of the harvest would depend on :

* The volume of the harvest, estimated at a *minimum* (which one would abide by in the beginning) of 50000 tons, independent of the carry over stock that we know to be 8000 tons.

* The harvest price of 70 F per Kg

* The pace of collection : This began slowly in November, becoming more appreciable in December, reaching its most intensive period in January and February, to finish progressively in March, April and May, giving the following tables.

Table of purchasing projections (in tons) :

November	3,000
December	9,000
January	13,000
February	15,000
March	4,000
April	4,000
May	2,000
Total	50,000

* The pace of export sales, which follows the pace of collection with a time and volume lag and which one could estimate as follows :

	Carry over Stock		New harvest	
October	3,000 T	Total 8,000 T (a)		
November	3,000 T			
December	2,000 T		2,000 T	36,000 T (b)
January			4,000 T	
February			6,000 T	
March			8,000 T	
April			8,000 T	
May			8,000 T	

The evaluation of requirements arising out of the coffee harvest would have to take into account the financing of :

- Purchases

- Stocks

- Exports, since the intervention of the banking sector would end only after payment to traders by foreign importers.

* Financing of purchases and storage

Products have been financed through bank credit up to 90% of their purchase value, the remaining 10% having to be paid for by traders from their own resources. On one kilogram of coffee worth 70 F, the bank would thus advance 63 F. The average maturity for purchasing credits may be estimated at 15 days.

This being so, the plan for financing purchases and storage for coffee could be established as follows :

(in thousand tons)

	October	November	December	January	February	March	April	May
Monthly purchases (new harvest)	-	3	9	13	15	4	4	2
Accrued purchases (new harvest)	-	3	12	25	40	44	48	50
Monthly exports (new harvest)	-	-	2	4	6	8	8	8
Accrued exports (new harvest)	-	-	2	6	12	20	28	36
Sale of carry over stock	3	3	2	-	-	-	-	-
Stock to be financed								
– old harvest	5	2	-	-	-	-	-	-
– new harvest	-	3	10	19	28	24	20	14
Financing at 63 F per kg (in rounded up millions)	320	320	630	1,200	1,760	1,520	1,260	880

* Export financing

Financing requirements for exports are established on the following bases :

- The time required for recovering the drafts issued in representation of exports - 1 month on an average ;

- The accepted export selling price - average CIF price,[99] France-America, around 140 F/kg.

	October	November	December	January	February	March	April	May
Exports to be financed (in thousand tons)	3	3	4	4	6	8	8	8
Financing at 140 F per kg (in millions of CFA F)	420	420	560	560	840	1,120	1,120	1,120

[99] Cost, Insurance, Freight.

The overall financing requirements of the coffee harvest would then work out to the following figures for the months considered (in millions of CFA F) :

Month	Purchases + Storage + Export		Total
December	630	560	1,190
January	1,200	560	1,760
February	1,760	840	2,600
March	1,520	1,120	2,640
April	1,260	1,120	2,380
May	880	1,120	2,000

For cocoa

The overall financing requirements of the cocoa harvest were to be calculated in the same manner.

To avoid making the study cumbersome, we accepted that the calculations would yield the following results (in millions of CFA F) :

December	8
January	1,200
February	1,600
March	1,400
April	1,200
May	1,000

The overall requirements of the harvest thus come out as follows :

(in million)

	Coffee	Cocoa	Total
December	1,190	800	1,990
January	1,760	1,200	2,960
February	2,600	1,600	4,200
March	2,640	1,400	4,040
April	2,380	1,200	3,580
May	2,000	1,000	3,000

Assessment of non seasonal requirements

Non seasonal credits include all the *other banking facilities* earmarked either for the inadequacy of working capital base, that is to say, bank credits as of 30 September, after deducting credits for the storage of seasonal products remaining on that date, or for new needs to be anticipated on the basis of various hypotheses.

While it is relatively simple to calculate - as we have seen - the requirements arising out of the harvest, on the other hand, it is not possible, with the statistical information available, to determine the seasonal requirements of companies not participating directly in the harvest of produce. But companies of this kind underwent more or less appreciably the effects induced by the harvest season, if only because their prospects in the local market were partly linked to the purchasing power of coffee or cocoa producers. We shall see later how this problem was solved.

To avoid making the study cumbersome, we assumed that the non-seasonal requirements to be forecast for the following semester would remain more or less similar to those observed on 30 September.

The 30 September statements of the banks in the country showed at that date an amount of 9,500 million short-term credits distributed. Of this total amount, we have seen that 500 million financed the carry over stocks of coffee at that date.

The non-seasonal credits to be anticipated for the six following months amounted to 9000 million.

However, the comparative growth of the funds and resources of the banks in the course of the twelve previous months, analyzed at the beginning of the study, brought out the need to put a brake on the progress of the appropriations, which were growing faster and more significantly than resources.

From the projected appropriations, one could set aside 250 million worth of *credits that did not appear to be desirable* from the economic point of view as per the assessment of the Central Bank.

It was thus necessary not to take them into consideration as projected appropriations and consequently to retain only 8,750 million (9,000 - 250) of non-seasonal credits for the following semester.

Assessment of Public Treasury requirements

It was difficult to determine *a priori* to what extent the Treasury would need, from one period to another, to resort to the central bank for advances on the guaranteed bonds. It was up to the Treasurer General of the State to assess its requirements, the Central Bank being prepared to follow it in its demand, as long as the amount requested taking into account past utilizations appeared to be reasonable, and did not pose the risk of weighing too heavily, in absolute value or in proportion, on money issue.

We retained for the case a request for 1 billion, an amount that appeared to be in keeping with the other components of the problem.

Thus, one was able to draw up the general table of projected appropriations to be retained for the following six months :

(in millions)	**December**	**January**	**February**	**March**	**April**	**May**
Seasonal appropriations	1,990	2,960	4,200	4,040	3,580	3,000
Non-seasonal appropriations	8,750	8,750	8,750	8,750	8,750	8,750
Treasury Requirements	1,000	1,000	1,000	1,000	1,000	1,000
Total	**11,740**	**12,710**	**13,950**	**13,790**	**13,330**	**12,750**

- Projections of resources

Resources that banks had to grant as short-term credits were essentially the following :

. Short-term resources

. *Sight deposits* (or short-term)

* of individuals

* of public organizations

* of other banks.

Short-term *external aid* (advances granted by affiliated or correspondent banks located outside the area) were not taken into consideration in the calculation of the overall ceiling, given their very fluctuating nature and the fact that nothing forced the banks to resort to it if their minimum capital was at least equal to the one fixed by banking legislation :

Long-term resources available :

* *Time deposits* (more than six months) ;

* *Fixed term borrowings ;*

* *Equity capital* (capital, reserves, endowments, profits, and sub-deduction of losses)

after deducting :

* Fixed assets or contributions ;

* Litigious credits ;

* Non discountable medium-term credits ;

* Long-term credits.

Assessment of sight and short-term deposits :

The inventory of deposits, as of 30 September, held by the two banks established in the country amounted to 7,450 million.

Experience showed that deposits were subject to seasonal variations within a weak but significant range, which led to an increase in available funds during the full harvest season months. Moreover, in the countries of the issuing area, deposits expanded regularly.

It was thus reasonable to estimate that, taking into account the factor of general expansion and the seasonal factor, deposits would grow at the minimum, in the course of the period considered, as shown in the table below.

(in millions)

December	January	February	March	April	May
7,450	7,500	7,600	7,600	7,600	7,600

Assessment of resources permanently available for a short-term period

The total amount of permanent capital of the country's banks, available for the short-term, stood at 200 million, taking into account fixed assets and long-term loans granted.

This figure had to remain the same in December and in January. From February onwards, it would fall to zero with the payment by the Development Bank of 200 million to the *"Caisse Centrale de Coopération Economique"* (CCCE or Central Bureau of Economic Co-operation).

Available equity capital would thus amount to :

(in millions)

December	January	February	March	April	May
200	200	0	0	0	0

One was thus able to draw up the general table of resources

(in millions)

	December	January	February	March	April	May
Deposits	7,450	7,500	7,600	7,600	7,600	7,600
Equity capital	200	200	-	-	-	-
Total	**7,650**	**7,700**	**7,600**	**7,600**	**7,600**	**7,600**

2) - Determining the overall ceiling

The comparison between *admissible appropriations* and *projected resources* consequently took the following shape :

(in millions)

	December	January	February	March	April	May
Requirements (-)	11,740	12,710	13,950	13,790	13,330	12,750
Resources (+)	7,650	7,700	7,600	7,600	7,600	7,600
Difference	**- 4,090**	**- 5,010**	**- 6,350**	**- 6,190**	**- 5,730**	**- 5,150**

Given the above, the following had to be taken into account :

- Unforeseen circumstances could modify projections, however carefully they have been made ;

- The economy of young countries of the area experienced a continuous growth that created the usual needs ;

- The seasonal requirements of firms not participating directly in the marketing of products could not be determined.

In order to take these various elements into account, the Central Bank added a 10% security margin to the amount of the ceiling determined as explained, which could be raised to a higher percentage on justification of the National Monetary Committee.

Consequently, the State's overall ceiling of short-term rediscount would be fixed in the following manner :

(in millions of CFA F)

	December	January	February	March	April	May
Theoretical ceiling	4,090	5,010	6,350	6,190	5,730	5,150
10% margin	409	501	635	619	573	515
Overall ceiling	4,499	5,511	6,985	6,809	6,303	5,665
Rounded up to	4,500	5,500	7,000	6,800	6,300	5,700

Fixed in such a manner, the overall limit was as close as possible to the ground reality. For the harvest season produce, in particular, estimates were made on the basis of the most pessimistic assumptions.

All the same, there existed real possibilities of surpassing the accepted minimum. As could be seen from the outset, the coffee harvest of 50,000 tons could well reach 55,000 tons. The same went for cocoa, 30,000 tons was the minimum and it could also reach 36,000 tons.

On the assumption that these harvests would reach the maximum, the ceiling calculated on the basis of a minimum could turn out to be insufficient rather quickly. To avoid having to re-assess it during the course of the period, upon justification, it could be arranged with banks to provide additional credits to cover the requirements arising out of an increase in production.

It was for the purpose of recording such margins that a process of conditional limits was instituted. Rather than fixing in a general way a firm limit distributed to banks, the Central Bank, at the risk of seeing the available margins used for economically and monetarily undesirable purposes, preferred to allocate a firm ceiling adjusted as closely as possible, and to subject the use of a conditional ceiling to justification of additional requirements.

This procedure had the advantage of being flexible for banks without giving them, any opportunity to use indiscriminately the margins created.

In order not to make the study cumbersome, it was assumed that the possible excess harvest (+10% for coffee and +20% for cocoa), would lead to credit requirements of the same proportions.

In the present case, the following would come under the conditional limit :

- The 10% margin for the purpose of covering current risks on non-seasonal credits

- The portion of cocoa credits meant to finance - within a limit of 36,000 tons - any increase in harvest based on predictions of 30,000 tons

- The portion of coffee credits meant to cover - within a limit of 55,000 tons - any increase in harvest compared to the forecast of 50,000 tons.

It needed to be specified however, that in reality, the increase in necessary credits and the increase in harvested tonnage would not be exactly proportional.

The figures would be as follows :

(in millions of CFA F)

	December	January	February	March	April	May
Margin of 10%	409	501	635	619	573	515
Excess coffee harvest	119	176	260	264	238	200
Excess cocoa Harvest	160	240	320	280	240	200
Ceiling	688	917	1,215	1,163	1,051	915
Rounded up to	700	900	1,200	1,200	1,050	900

In this way, the amounts considered desirable for possible interventions of the central bank were fixed.

Now, one had to assess its repercussions on the monetary situation of the State and especially on the quick foreign assets, all the while following the guidelines given by the Board of Directors which, going by the monetary situation of the Union, remained imperative in any case.

One assumed that in this case, such a ceiling was compatible with the monetary situation of the State concerned.

The overall ceiling of the State could thus be presented in the following manner :

	December	January	February	March	April	May
Firm ceiling	3,090	4,010	5,350	5,190	4,730	4,150
Conditional ceiling	700	900	1,200	1,200	1,050	900
Ceiling of the Treasury	1,000	1,000	1,000	1,000	1,000	1,000
Total	4,790	5,910	7,550	7,390	6,780	6,050

It would be up to the monetary authorities of the State – the National Monetary Committee – to determine in what way this ceiling should indeed be distributed and how this should be done between the different local banks.

Generally speaking, the Committee would be well advised not to distribute the whole of the firm and conditional ceiling between the banks, but to keep a margin for itself by closely following the demands of the banks, in such a way as to grant only healthy credits justified by the economy, it being understood that banks could always, after providing genuine justifications, obtain an adjustment of their ceiling from the Committee.

3) Revision of the overall short-term rediscount ceiling

The amount of the overall ceiling, fixed, in principle, for a period of 6 months, was not fixed *ne varietur* for all that.

In the course of time, unforeseeable circumstances could come up :

- Either an inadequacy of firm and conditional ceilings together. In the face of specific facts, proving the inadequacy of the amounts accepted earlier, the Central Bank could then decide to upwardly revise the overall ceiling ;

- Or, on the contrary, an excess of facility. In that case, it was provided that when, for sixty consecutive days, the rediscount commitments of the bank were inferior to more than 20% of the ceiling portion allocated to them, the Central Bank could announce a reduction of the overall ceiling in order to avoid the excess possibilities offered being used by banks against the interests of the area and a sound money issue, especially through placements abroad.

Summary statement of the Commercial and Industrial Bank as of 30 September 1964

Assets		Liabilities	
Quick assets	20	Public Treasury Current Account	500
Post Office Account	10	Customer check accounts	2,200
Banks and banking Correspondents	30	Customer current accounts	2,900
External current operations	150	Banks and Banking Corresp. External current operations	20
Bills of Exchange		Time deposits	
- Rediscountable	1,500	- Public	50
- Non rediscountable	800	- Private	50
Short-term Credits		Long-term borrowings	
- Rediscountable	2,400	- CCCE	0
- Non rediscountable	1 100	- Others	0
Medium-term credits		Miscellaneous	100
- Rediscountable	0	Reserves	150
		Allocations	0
- Non rediscountable	420	Capital	600
		Results	40
Long-term credits	0		
Miscellaneous	10		
Equity shares	10		
Bad debtors	40		
Buildings and furniture	120		
	6,610		6,610

Not in the balance sheet :

Rediscounted bills

Short-term	1,800	Guarantees given	150
Medium-term	600	Guarantees received	80

Summary statement of the National Development Bank

As of 30 September 1964

Assets		**Liabilities**	
Quick assets	30	Public Treasury Current Account	500
Post Office Account	10	Customer check accounts	900
Central Bank current account	10	Customer current accounts	450
Banks and Banking Corresp.		Banks and Banking Corresp.	
Current operations in the State	20	External current operations	80
		Time deposits	
Exchange bills in portfolio			
- Rediscountable	150	Public	150
- Non rediscountable	50	Private	150
Short-term credits		Long-term borrowings	
- Rediscountable	500		
- Non rediscountable	200	CCCE	2,050 (1)
Medium-term credits		Others	230
- Rediscountable	900	Miscellaneous	50
- Non rediscountable	1,100	Reserves	320
Long-term credits	3,000	Allocations	1,000
Miscellaneous	10	Capital	550
Equity shares	150		
Doubtful Debtors	150		
Buildings and furniture	100		
Losses	50		
	6,430		6,430

(1) of which 200 were payable the following February

Not in the balance sheet :

Rediscounted bills

Short-term	1,000	Guarantees given	620
Medium-term	850	Guarantees received	150

Joint summary statement of the banking system
as of 30 September 1964

Assets		Liabilities	
Quick assets	50	Public Treasury Current Account	1,000
Post office account	20		
Central Bank current account	40	Customer check accounts	3,100
		Customer current accounts	3,350
Banks and banking corresp.		Banks and banking Corresp.	
- Abroad	150	- Abroad	20
- State	20	- State	80
Bills of Exchange in portfolio		Time deposits	
- Rediscountable	1 650	- Public	200
- Non rediscountable	850	- Private	200
Short-term credits		Long-term borrowings	2,280
- Rediscountable	2 900	Miscellaneous	150
- Non rediscountable	1 300	Reserves	470
Medium-term credits		Allocations	1,000
- Rediscountable	900	Capital	1,150
- Non rediscountable	1 520	Results	40
Long-term credits	3 000		
Miscellaneous	20		
Equity shares	160		
Doubtful Debtors	190		
Buildings and furniture	220		
Losses	50		
	13,040		13,040

Not in the balance sheet :

Rediscounted bills

Short-term	2,800
Medium-term	1,450

b – Fixing of rediscount ceiling per bank

To the banks that experienced an imbalance between their normal and legitimate appropriations and their resources, a rediscount ceiling was allocated, calculated on the basis of this inadequacy, but tempered, if necessary, by the set of solvency criteria mentioned earlier.

The ceilings and limits were fixed twice a year :

- On 15 November, for the period between 16 November to 15 May, in order to be able to determine the needs of enterprises and banks, on the eve of the harvest season ;

- On 15 May, for the period between 16 May to 15 November in order to be able to proceed, according to the progress of the harvest season, with unavoidable adjustments.

It was assumed that the "Commercial and Industrial Bank" would submit a request for ceiling to the Director of the Branch that would study it for the National Monetary Committee.

1 – Information data

- The ceiling requested (in millions of CFA F)

	Ceiling requested	**Ceiling obtained the previous year**
December	4,700	2,700
January	5,600	3,100
February	7,000	3,400
March	6,700	3,000
April	6,500	2,700
May	5,800	2,500

The Bank ensured 80% financing of the basic appropriation in the country.

No provision was made for any change in the position of its deposits.

No provision was made for any financial assistance from the Headquarters for this period.

2) - **Growth of appropriations and resources in the course of the previous few months**

Commercial and Industrial Bank

(in millions of CFA F)

	Available stable funds 1	Deposits 2	Debit position vis-à-vis Foreign corres-pondents 3	Total resources 4 = 1+2+3	Debit position vis-à-vis foreign corres-pondents 5	Short-term credits 6	Total appropria tion 7 = 5+6	Theoretical deficit 8 = 6-4	Effective rediscount 9
December	280	5,400	-	5,680	50	8,300	8,350	2,620	2,650
January	280	5,500	500	6,280	-	9,200	9,200	2,920	3,000
February	320	5,600	500	6,420	-	9,600	9,600	3,180	3,200
March	320	5,700	500	6,520	-	9,400	9,400	2,880	2,850
April	350	5,800	500	6,650	-	9,000	9,000	2,350	2,400
May	350	5,800	500	6,650	-	8,600	8,600	1,950	2,000
June	280	5,700	300	6,280	-	8,400	8,400	2,120	2,400
July	280	5,600	-	5,880	100	8,000	8,100	2,120	2,200
August	300	5,600	-	5,900	100	7,800	7,900	1,900	1,950
September	300	5,600	--	5,900	130	7,600	7,730	1,700	1,800

3) Projections of appropriations and resources in the course of the following semester

	December	January	February	March	April	May
Resources						
Stable funds available	300	300	300	300	300	300
Deposits	5000	5,000	5,000	5,000	5,000	5,000
External aid	-	-	-	-	-	-
Total	5,300	5,300	5,300	5,300	5 ,300	5,300

	December	January	February	March	April	May
Appropriation						
Non seasonal	8,000	8,000	8,000	8,000	8,000	8,000
Seasonal	2,000	2,900	4,300	4,000	3,800	3,100
Total	10,000	10,900	12,300	12,000	11,800	11,100
Difference						
(Theoretical deficit)	4,700	5,600	7,000	6,700	6,500	5,800
Requested ceiling	4,700	5,600	7,000	6,700	6,500	5,800

2 - Assessment and decision

1) - Evaluation of resources

- Stable funds available in the short-term : no observations made

- Deposits : they were minimized.

The Bank did not take into account :

- The total deposits inventoried earlier,
- The projected growth (cf. study on overall ceiling).

Its forecast needed to be rectified as follows :

December	January	February	March	April	May
5,600	5,650	5,700	5,700	5,700	5,700

- External Aid : While external aid was not taken into consideration (in the resources) for the study of the overall ceiling, Monetary Committees, on the other hand, in the study of the bank ceilings, could insist that a portion of the short-term appropriation be covered not only through its equity capital but also through financial aid from Headquarters.

But it could be observed that in the course of the previous harvest season (from January to June, the peak period) the Commercial and Industrial Bank received substantial aid from its headquarters. The Monetary Committee could legitimately reckon, for the following campaign, that the Commercial and Industrial Bank should obtain an equal amount of aid, which was 500 million for the period between January and May.

2) Evaluation of appropriations

Non-seasonal appropriations

The Commercial and Industrial Bank provided 80% of the basic appropriations, that is :

$$\frac{9000 \times 80}{100} = 7{,}200 \text{ million}$$

The Commercial and Industrial Bank must have over-estimated the basic appropriations, keeping them at 8,000 million. Besides, it included in its forecasts 200 million of non-seasonal credits whose economic utility was questioned in the overall plan.

It was thus suitable to retain only 7,000 million of seasonal appropriations likely to be financed through money issue.

. Seasonal appropriations

The Commercial and Industrial Bank provided 70% of the seasonal appropriations.

According to the plan drawn up in the overall ceiling study, the firm cash appropriations had to be assessed as follows :

(in millions of CFA F)

December	**January**	**February**	**March**	**April**	**May**
1,400	2,070	2,940	2,830	2,510	2,100

There was therefore over-estimation on the part of the Commercial and Industrial Bank, which drew up its projections on the basis of maximum predictable tonnage for the following harvest (36,000 tons of cocoa and 55,000 tons of coffee).

The Central Bank considered it preferable to give the banks a firm ceiling established on the basis of projections constituting the minimums (30,000 tons of cocoa and 50,000 tons of coffee) and to foresee a conditional ceiling meant to cover, on justification :

- The hazards of economic fluctuations (through the grant of a margin equal to 10% of the firm ceiling) ;

- Needs arising out of harvests higher than those forecast.

Rectified forecasts

On the base retained by the Board in the study of the overall ceiling, the rectified forecasts were thus the following (in millions of CFA F) :

	December	January	February	March	April	May
Resources						
Permanent available resources	300	300	300	300	300	300
Deposits	5,600	5,650	5,700	5,700	5,700	5,700
External assistance	-	500	500	500	500	500
	5,900	6,450	6,500	6,500	6,500	6,500

	December	January	February	March	April	May
Firm appropriations						
Non-seasonal	7,000	7,000	7,000	7,000	7,000	7,000
Seasonal	1,400	2,070	2,940	2,830	2,510	2,100
Total	8,400	9,070	9,940	9,830	9,510	9,100
Difference = proposed firm ceiling	2,500	2,620	3,440	3,330	3,010	2,600
Conditional appropriations						
Margin (10% of firm ceiling)	250	262	344	333	301	260
70% excess coffee harvest	85	123	182	185	167	140
70% excess cocoa harvest	112	168	224	196	168	140
Total	447	553	750	714	636	540
Conditional ceiling rounded up to	450	550	750	720	640	540

3 - Proposals of the Branch Manager

"The Monetary Committee could consequently allocate to the CIB the following ceilings :

(in millions of CFA F)

	Dec.	**Jan.**	**Feb.**	**March**	**Apr.**	**May**
Firm ceiling	2,500	2,620	3,440	3,330	3,010	2,600
Conditional ceiling	450	550	750	720	640	540
Total	2,950	3,170	4,190	4,050	3,650	3,140

"It could notify only the firm ceiling for the first three months, considering the uncertainties that surround the projections of appropriations and resources having served as the basis for the current assessment".

It was also possible that due to the comfortable cash position of banks, no ceiling would be proposed.

c – Granting individual limits

The Central Bank authorized the use of the ceiling thus fixed for the Commercial and Industrial Bank only under *rediscount* rebate or in *guarantee of bills* subscribed or drawn by solvent signatories, certified beforehand by it, and for the amounts fixed on the basis of the creditworthiness, nature and magnitude of the operations being financed.

This prior approval took shape through the grant of an individual limit per beneficiary.

One assumed that the Commercial and Industrial Bank would address a request to the Branch for an individual rediscount limit for the "Société Africaine de Négoce", which fell within the *competence of the Board of Directors.*

1 - Information data

1) Validity period of the limit: June to November

2) - Particulars of the Company

Beneficiary : "Société Africaine de Négoce" "SAN"

Form – Capital : Limited Company. Capital of 250 million F.

Headquarters : Abidjan

Nature of Activity : Export of coffee and cocoa

Activity : Seasonal

Presenting bank : "Banque Africaine".

3) – Requested limit (maximum)	(in million)
- Bills outside the zone	450
- Pledged products	2,775
- Other mobilizable credits	275

	3,500

4) – Use of credit compiled at the Risks Center

(in millions of CFA F)

	Bills outside the zone	Pledged products	Other mobilizable credits	Total
March	189	2,116	219	2,524
April	128	2,100	5	2,233
May	21	1,990	1	2,012
June	178	1,831	-	2,009
July	141	1,648	1	1,790
August	138	1,530	1	1,668
September	61	1,378	1	1,440
October	317	1,133	7	1,457
November	293	949	105	1,347
December	172	1,011	90	1,273
January	320	1,487	153	1,960
February	20	2,299	189	2,508
Average	165	1,623	64	1,852

5) - Turnover realized

(in thousands of CFA F)

	Previous financial years			June-November		
	1969-70	1970-71	1971-72	Projected for 1972	Realized in 1972	Predicted for 1973
Amount	6,527	6,888	7,591	2,400	2,195	2,752
Monthly average	544	574	633	400	366	459

6) - Payment incidents

	1971		1972	
	Number	Amount	Number	Amount
Assignor	-	-	-	-
Principal assignee	-	-	-	-

1 - Balance sheet as of 30 June 1971
2 - Balance sheet as of 30 June 1972
3 - Statement as of 31 December 1972

7) Financial Statement

Assets	1	2	3	Liabilities	1	2	3
I – CAPITAL ASSETS AND TRADING ASSETS	**190**	**194**	**192**	**V – EQUITY CAPITAL**	**402**	**467**	**756**
				Capital	250	250	250
				Reserves	91	156	445
Capital assets	44	45	39	Nat. Invest. Fund Reserves	61	61	61
Investments	99	99	99				
Nat. Invest. Fund Bonds.	29	31	31				
Deposits and guarantees	5	5	5	**VI - PERMANENT AID**	-	-	-
Investment securities	10	14	11				
Uncovered doubtful debts	3	-	7				
II – STOCKS	**2,024**	**2,228**	**1,325**				
Products	2,011	2,227	1,305	**VII – PAYABLE IN LONG AND MEDIUM-TERMS**	-	-	-
Packaging	13	1	20				
III – REALIZABLE AND AVAILABLE	**689**	**735**	**740**				
Customers and bills receivable	512	520	487				
Dealers	90	60	80	**VIII - PAYABLE IN SHORT-TERM**	**2,258**	**2,411**	**1,495**
Stabilization fund	42	50	16				
Available	45	19	66				
				Suppliers and bills payable	164	110	254
IV - BAD DEBTS	**9**	**10**	**14**	Various creditors	247	177	200
				Banks	1,847	2,124	1,841
Advances to dealers (earlier harvest seasons)	9	10	14	**IX - PROFITS**	**252**	**289**	**20**
				(After redemption of)	(10)	(11)	(6)
Total	2,912	3,167	2,271		2,912	3,167	2,271

2 - The Branch Manager's observations

1) On the enterprise's financial position

Net financial position (V - IV)	393	457	742
Borrowing capacity (Financial position X 10)	3,930	4,570	7,420
Working capital (Gross) (II + III)	2,713	2,963	2,065
Working capital (Net) (II + III - VIII)	455	552	570
Net working capital / Gross working capital	17%	18%	28%
Turnover	6,888	7,591	2,427

NB : The "Net financial position" corresponds to net assets or net situation ; the "Gross working capital" corresponds to floating assets ; the "net working capital" corresponds to the working capital.

"The financial structure of the *"Société Africaine de Négoce"* strengthened during the first six months of the current financial year. The entire amount of the considerable profits realized during the financial year 1971-1972 was put in reserves as planned.

The balance was largely ensured, since the net working capital covered, as of 31 December 1972, 28% of the circulating assets against 18% a year before.

The improvement in the liquidity ratio was the result of the reduction - though temporary - of stocks (-903 million) between the two dates considered.

"The company has no immediate plans of investment. Its financial balance should therefore remained, *a priori*, strongly ensured".

2) - On its activity

	(in millions of CFA F)
- Turnover realized in 1970-1971	6,888
- Turnover realized in 1971-1972	7,591
- Turnover during the previous period between the two crops (from 1 June to 30 November 1972)	2,195
- Turnover discounted for the next period between the two crops	2,752

"For the current crop, the following quotas were allocated to the company :

- Coffee : 10.05% corresponding to a theoretical marketing of 26130 tons
- Cocoa : 2.38% corresponding to a theoretical marketing of 4950 tons.

Since the beginning of the harvest season, the company has indeed bought 26,615 tons of coffee and 5,081 tons of cocoa from the countryside.

In the period between June-November 1973, the company intended to buy 4,240 tons of cocoa and 600 tons of coffee".

3) - On the limit

(in millions of CFA F)

	Bills outside the zone	Pledged products	Other mobilizable credits	Total
Limits granted (maximum)				
June-November 1972	450	2,200	70	2,330 max.
December 1971-May 1972	360	2,850	200	3,250 max.
Use in the last 12 months				
Average	165	1,623	64	1,852
Maximum	322	2,299	219	2,524
Use of credit granted for the financing of the period between two crops				
Average	187	1,412	19	1,618
Maximum	318	1,831	105	2,009
Requested limits	450	2,775	275	3,275
		max.	max.	max

"The requirements forecast for the enterprise were calculated on the following bases :

- Expenses for financing coffee :
- 15 days of purchase at 105 FF. per kg
- 15 days of exporting at 205 FF. per kg
- The strongest stock of the month at 115 FF. per kg.
- Expenses for financing cocoa :
- 15 days of purchase at 85 FF. per kg
- 15 days of exporting at 140 FF. per kg
- The strongest stock of the month at 95 FF. per kg.

These calculations bring out the following overall requirements :

(in millions of CFA F)

June	July	August	September	October	November
2,640	2,410	2,170	1,950	1,920	1,710

These amounts are largely compatible with the borrowing capacity of the business. That is why the Monetary Committee could propose to the Board of Directors the grant of the limits defined as follows".

Financing plan of the period between two crops
(in millions of CFA F)

	June	July	August	September	October	November
Credits requested						
Bills outside the zone	450	450	450	450	450	450
Pledged products	2,775	2,660	2,550	2,440	2,290	2,015
Other mobilizable credits	50	50	50	50	180	275
Total	**3,275**	**3,160**	**3,050**	**2,940**	**2,920**	**2,740**
Export financing	258	258	258	258	277	313
Coffee	251	251	251	251	251	251
Cocoa	7	7	7	7	26	62
Stock financing	2,367	2,136	1,904	1,673	1,489	1,294
Coffee	2,362	2,131	1,899	1,668	1,437	1,206
Cocoa	5	5	5	5	52	88
Interest on cash advances	5	7	7	5	40	85
Coffee (15 days of purchases)	-	-	-	-	-	30
Cocoa (15 days of purchases)	5	7	7	5	40	515
Proposed credits						
Bills outside the zone	260	260	260	260	280	320
Pledged products	2,370	2,140	1,900	1,680	1,600	1,300
Other mobilizable credits	10	10	10	10	40	90
Total	**2,640**	**2,410**	**2,170**	**1,950**	**1,920**	**1,710**

C - Interventions in respect of medium-term credit

Because of its duration, medium-term credit has a more marked impact on the economy than short-term credit. Hence the precautions required for this type of credit, long-term credit being excluded from the scope of Central Bank intervention at that time.

a - Effects of medium-term credit on the value of the currency

Medium-term credit is meant for investment financing, that is to say for consumer durables.

The rules of intervention point out that as a rule, a *natural person or legal entity must undertake an investment only if he has arranged for a sufficient amount of resources in advance to be able to complete the entire project and, when he is already running a business, without these new expenses compromising* his solvency.

This specific outlay, observes the regulation, is often limited in the issuing area and enterprises can neither always impose an outlay corresponding to their requirements on their sponsors or shareholders, nor always resort to external financial markets.

To make up for this shortfall in resources, the investor is led to seek bank loans, for periods compatible with his repayment capacity. When the period is between 2 and 5 years[100], this assistance is considered as a "medium-term credit".

This type of loan always has an effect on the monetary balance when the institutions granting the loan take recourse to rediscounting, either by negotiating bills representing the credit in question, or by presenting other instruments from their portfolio.

However, the monetary impact varies, depending upon whether the investments incur local or external costs.

In the first case, the direct or indirect recourse to rediscounting has an inflationary effect since, to a large extent, the corresponding issue distributes the additional income, against a volume of goods and services that remain unchanged in the immediate future, as the likely increase in production takes place only later.

The resulting increase in demand against a steady supply leads to a rise in prices and an increase in imports, a drain on the external reserves and, consequently, a reduction of currency coverage.

In the second case, the issue does not cause the same internal strain, but feeds transfers, which reduce foreign assets accordingly and often suddenly.

The volume of medium-term credit - rediscountable or otherwise - is thus limited by :

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[100] On 24 October 1970, the Board of Directors increased the period of medium-term credit from 5 to 7 years and that of long-term credit beyond 7 years.

- The level of currency creation that the Monetary Union can absorb, without any substantial reaction in price level - in other words, the absorption capacity of the area

- The level and growth of foreign assets - in other words, the operations account's position and its foreseeable evolution.

Hence, the concern for maintaining the external and internal value of the currency was clearly seen in the statutes, as well as in the appended protocol no. 3 of the Co-operation Agreements.

Consequently, a provision was made under Article 58 of the statutes for a global quantitative action wherein the Board of Directors would fix a rediscount ceiling for bills representing medium-term credit, for each State.

But this provision was not by itself sufficient to match the volume of medium-term credit with the technical possible solution of the issue.

Firstly, because of the duration of medium-term credit, imbalances were likely to continue for several years ; secondly, the low level of resources available in the issue area by itself limited a major extension of this credit. Hence, it had to be ensured that the admissible overall ceiling was not rapidly absorbed by operations of questionable economic interest that would consequently not leave any room for more productive financing programs.

For all these reasons, if an imbalance was induced and not reabsorbed immediately, it had to at least be halted. Article 8 of the Co-operation Agreement stipulated that in case the operations account was in debit for sixty consecutive days, no new authorization for medium-term assistance could be granted in Branches whose foreign operations were in deficit or not sufficiently in excess (except for relaxations or exemptions that the Board could decide, subject to certain conditions).

Besides, the banks' scope of intervention was to be reserved in favor of financing investments that were economically justified by increased production, improved productivity, greater exports in essential areas, so that the inflationary effect of these investments could be progressively absorbed through increased production ; or, on the other hand, so that the declining foreign assets, in particular due to purchase of imported equipment, could be rapidly compensated by greater local production and, accordingly by reduction of imports or growth in exports.

Finally, investments had to correspond to pressing local needs - the construction of buildings, for example, with the priority being given to projects that created the maximum housing facilities of an acceptable quality and low cost.

These different issues of concern were taken up under Article 17 of the statutes, which fixed the criteria for the economic advantages of an investment by including it in advance under the Economic and Social Development Plan of the State concerned. This was done under Articles 50 - 58 - 59 of the statutes, according to which :

- "National Monetary Committees shall, for each state, distribute among banks the overall medium-term discount ceiling fixed by the Board of Directors ; decide on individual requests for medium-term rediscount authorizations, under general, quantitative and qualitative criteria, through the Board of Directors.

- The Board of Directors shall decide on individual applications departing from these regulations ; decide on the revision of authorizations granted under conditions not complying with these provisions ; take a stand on extensions or renewals of representative instruments that are irregularly reimbursed on maturity".

b - Fixing the medium-term overall rediscount ceiling per State

Before the adoption of new regulations, the Central Bank was not involved in fixing the medium-term overall rediscount ceiling per State. The Board of Directors used to adopt a general ceiling applicable to the issuing area aimed at only containing highly irregular increases in this type of assistance, within a limit rather than in the perspective of estimated requirements.

It was apparent that a fully satisfactory criterion for fixing the overall medium-term ceiling per State could not be decided upon.

In fact, no State in the Monetary Union had a continuous flow of investments that could regularly service an outstanding loan.

On the other hand, medium-term credit corresponded essentially to additional financing for major, well-determined projects that were conducive to the creation of industries, development of oilfields or construction of housing complexes, or all operations that appeared limited by insufficient prospecting, geographic distribution of wealth to be developed, limited local markets or poor export outlets.

At any rate, these operations could not, in view of their small number, be of interest to all the States at the same time. A distribution of an overall ceiling among States based on a certain proportion to be respected would necessarily be arbitrary.

This distribution could also lead to a ceiling, which, in the absence of projects, would remain unutilized in some States, whilst in others, projects that were economically viable and even essential would have probably become impossible to finance for want of a sufficient ceiling.

Moreover, a solution based on the *banking technique* itself would be to fix a *"virtual potential"* of medium-term credit for each State, both rediscountable and non rediscountable, compatible with monetary considerations whereby certain limits could not be exceeded without risking the creditworthiness of its banking system.

This *"virtual potential"* was determined by the addition of *medium-term commitment potentials* for each of the local banks, as calculated in the following paragraph (c).

Within this virtual potential that was absolute, the Board would meet and fix a practical ceiling for rediscountable medium-term commitments, taking into account :

- The last known use of rediscountable and non-rediscountable credit
- Repayments on current credit, for the coming period
- New operations to be started during this same period.

This practical ceiling preceded the likely requirements.

Since the National Monetary Committee would be aware of the virtual ceiling for its State, it would be able to organize its use based on data provided by the Planning Departments, which, themselves, were able to take into account these quantitative elements in drawing up their programs.

The increase of the practical ceiling to its maximum level possible (virtual potential less non-rediscountable credit) could only be gradual and not clumped.

The following is an example of a proposal by the Monetary Committee for a medium-term overall rediscount ceiling for a State :

	(in millions of CFA F)
Outstanding amounts pertaining to authorizations delivered were estimated, as of 31 March 1964, at	1,960
Depreciations for the period from 1 June to 30 November 1964 amounted to	- 110
Leading to a projected outstanding amount of	1,850
to which might be added	1,100
new credits likely to be authorized relating mainly to :	
– The construction of a second plant	300
– The construction of a brewery	350
– The construction of a building	250
The Monetary Committee proposed to grant	
A ceiling of	3,000
Against the prevailing ceiling of	2,200

	June	**July**	**August**	**Sept.**	**Oct.**	**Nov.**
Medium-term ceiling	3,000	3,000	3,000	3,000	3,000	3,000

c - Fixing the medium-term ceiling per bank

Caught between the difficulty of determining the moment when inflationary pressure might become dangerous and its desire to promote development, the Central Bank was obliged to fix the limits to its involvement in this field in accordance with a banking technique method. In fact, it was of the opinion that it could not accept rediscounting medium-term credit beyond an amount equal to the maximum medium-term obligations that the banks could support without risking its liquidity position.

This amount, termed medium-term commitment potential, was equal to the sum of its free equity capital (equity capital after deduction of fixed assets, losses, trading assets, bad or frozen debts), long-term, medium-term and notice deposits and borrowings (after deduction of non-rediscountable term loans) and 20% of short-term sight deposits[101].

This calculation, valid for commercial and deposit banks, was slightly modified for development banks, to enable them to intervene to a greater extent because of their special character, just as their capacity was increased, under certain conditions, by the amount of medium-term credit guaranteed by the State.

A bank's ceiling could not exceed its potential. It depended on projects approved by the departments responsible for planning and was likely to be financed by the particular bank during the half-year in question.

The overall ceiling for a State was, as we have said, the sum of the bank ceilings calculated as above.

The accepted method, according to Paul Marquis (1966), did not seem to have hindered financing valid projects, since the rediscount authorizations granted by the Central Bank remained very much below the potential of medium-term commitments. Moreover, the uses represented a relatively low percentage of authorizations delivered, a phenomenon that proved that investments were not reduced due to a lack of credit facilities[102] as indicated in the following table.

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101 The "processing" rate allowed for short-term resources for financing time applications.

102 Marquis (Paul), *Importance et efficacité des instruments d'une politique d'émission en Afrique de l'Ouest* (Importance and effectiveness of an issuing policy in West Africa), IDEP seminar IDEP, Dakar, 25-29 July 1966.

	Borrowing capacity	Authorizations	Utilizations
		(in billions of CFA F)	
30 September 1963	18.5	5.9	3.5
31 March 1964	18.5	6.0	3.6
30 September 1964	18.5	7.3	4.0
31 March 1965	21.9	7.4	4.1
30 September 1965	22.9	7.9	5.5

Source : Marquis (Paul), op. cit., p. 47.

d - Medium-term rediscount authorizations

These related to bill rediscounting authorizations representing medium-term credit granted to beneficiaries of credits, much like individual limits in the short-term.

1 - The required conditions

The rediscount authorization depended on four conditions :

- banks authorized to file an application,
- kind of operations likely to be accepted,
- amount and duration of rediscountable assistance,
- conditions required of beneficiaries.

1) Banks authorized to file applications

Only banks established within the Monetary Union could avail of the medium-term rediscount facility. Banks outside the Union that wished to participate in financing local programs, intervened through the intermediary and under the guarantee of banks located in the issuing area.

But the Central Bank need not know these specific conventions. The risks thus taken by local banks were attributed to their medium-term commitment potential.

2) The nature of operations likely to be accepted

- Objective of the credit

Medium-term credit could be raised from the Central Bank only for the following objectives (Article 17 of the statutes) :

- Financing of infrastructure operations included in the Social and Economic Development Plan of the State concerned (including building constructions) ; thus no application was receivable by the National Monetary Committee without a formal and favorable notice from public authorities.

- Facilitation of exports of industrial products through claims on the outside

- Prior approval from the Central Bank.

The credit line had to receive the prior approval of the Central Bank, in all cases.

This requirement was justified by the fact that for sound management practice, a person or a company would take up an investment program only after being assured of mobilizing the totality of the resources required to complete the project.

It was also a question of providing a refinancing facility at the Central Bank before earmarking resources in long-term operations.

- Operational profitability of the facilities financed

Only investments that would generate *earnings to enable the repayment of credit by its maturity date* could be financed by medium-term credit, including, up to a fifth of the amount of development works, provided that these were the indispensable complement of the investments.

The earnings to be taken into consideration consisted not of the totality of earnings from operations, but the additional gross operating profit generated by the use of investments made, so that their profitability by itself ensured outflow of credit.

The result of these repayment terms thus laid down by the statutes was that when a project comprised both profitable amenities and developmental works, financing had to be through a single credit line and not through two credits to two distinct potential recipients.

This single credit would depend on profitable operation from start to finish, while the investor of the profitable amenities would have the possibility, for the part relating to development works, to protect himself from risks through a guarantee offered by the party executing the project.

In case the gross additional profit expected from the use of new investments proved insufficient to reimburse the loan during the credit period, an additional credit line on non-monetary resources could make up for the shortfall, on condition that an unconditional undertaking by the lender, prior to extending this credit, make it a certainty.

3) Amount and duration of assistance

For reasons indicated earlier, the recourse to medium-term credit had a *supplementary character* and took place only when the investment could not be financed from non-monetary resources, i.e. :

- Strengthening one's own resources, as a priority, being understood that capital stock always must remain in proportion with the capital required for the activity and for working tools.

- Assistance from outside the Monetary Union and, particularly, when purchase of foreign equipment was planned through "suppliers" credit, customary in this field.

The terms of this assistance had to be neither unduly burdensome nor accompanied by prohibitive conditions. And also, recourse to medium-term credit could not be systematically and fully rejected on the pretext of likely external assistance.

- Maximum quota for projects that could be financed through medium-term credit.

Until 1962, the necessity for a minimum balance in the financial system of investors led to the Central Bank limiting its intervention to 50% (maximum) of the expenses to be met.

However, as a special case, it accepted that for smaller real estate investments presented by development or social credit banks, this percentage could be increased to 65% to make up for the low level of borrowers' resources and the social objectives of improving housing conditions.

Considering that most of the concerned banking institutions allowed up to 70%, the Board too increased the scope of Central Bank's intervention from 65 to 70% in this field. Moreover, to exploit the entire social potential of such an exception to the general rule, only estimates less than or equal to 3 million CFA F could enjoy such extensive aid.

- Part of the project to be taken up

The part of the project to be taken into consideration had to be justified by the investor and particularly guaranteed by estimates established by entrepreneurs or suppliers under their responsibility, to be able to carry out a detailed examination of the projects.

In this respect :

- Land costs were always excluded from the project, since these transfers represented a concrete change in ownership of non-productive goods and hence could not be included as a set off against reimbursable credit.

- When an investor had to himself produce his assets, only actual disbursements were taken into consideration and not the overheads.

Since investments were often staggered over a period of time, it was advisable to determine a schedule to which the maximum possible percentage of recourse to rediscountable medium-term could be applied.

That is why, when the borrower requested assistance to finish a partially completed program either through self-financing or with the back up of bank credits or other borrowings, the Central Bank accepted to intervene :

- When excess spending, not projected at the beginning, has distorted the financing plan that would have balanced out without recourse to a medium-term credit.

- When additional investments to those already made are required to complete the program in question, forming an economic and technologically homogenous whole ; on this assumption, the date when the entire project began to be executed must not go back to more than two years. The amount of possible assistance, always determined by actual needs, could not exceed 50% of expenses paid or to be paid and, in no case, the amount of expenses remaining to be paid.

- When the borrower wants to undertake a well-defined project spread over several years, the Central Bank also accepted to rediscount an overdraft up to 50% of the expenses to be met, determined on the basis of the applicant's actual needs ; however, the Central Bank would not allow its aid to be divided into annual installments, each of which covering a period of 5 years, depending on the staggering of expenses. A project was to be considered as an indivisible whole warranting a single instance of aid, to be utilized within three months of its authorization.

On the other hand, a company or its bankers, desiring to enter into a rediscount agreement before making investments could request an authorization from the Central Bank several months before the actual needs arose (however, this period could not exceed one year from the date of authorization). In this case, the approval of the Central Bank gave rise to the collection of a special "idle period" commission, up to the date of use agreed upon.

- Criteria for determining the amount and period of credit

Once the project cost to be taken into consideration was decided, the following were determined :

- The amount of medium-term credit for which rediscounting could be authorized

- The credit duration

- Its repayment conditions.

In fact, the quota of 50% (65 or 70% for real estate loans with a social character) did not constitute the right to an equivalent rediscounting agreement.

Similarly, while the duration of a medium-term credit could be between a minimum of two and seven years, this maximum was not automatically granted ; the amount and duration of rediscountable medium-term credit depended on :

- The additional profitability resulting from the use of the proposed investments, during the credit period (Article 17 of the statutes).

A very detailed document on the profitability prospects of investments planned had to be submitted in support of this application, notably in the form of a detailed provisional operations account, along with any specific information required to facilitate its interpretation. In order to be able to come as close as possible to the gross profits actually foreseeable, it was also important to know :

- The scheduled date of use of one's investments and

- Their progressive rate of use

- The size of the borrower's actual requirements.

The monetary impact of medium-term credit had to be limited to the actual requirements and absorbed as quickly as possible.

Besides, it was in the interest of the States if the medium-term rediscount ceiling fixed for them was utilized for financing a maximum number of projects, which meant that :

- the amount of each credit was adapted strictly to the actual needs of the applicant,

- the duration of each credit closely followed the repayment capacity of the borrower (principal + financial charges),

resulting in :

- minimal assistance and

- a reduction of the average loan duration where quicker rotation led to better use of the overall ceiling.

Now, if the amount of the allowable credit depended on the additional gross profits expected from the proposed investments during the credit period, the actual repayment capacity of the company was, in fact, dictated by its general profitability level and by all the cash transactions that it could carry out.

Besides, in executing a program there was always a certain staggering of expenditure, whose load could be reduced by the interplay of basic profitability or by other factors.

Finally, at the beginning, the borrower could have far more resources with him than required by the theoretical self-financing share he was responsible for.

For all these reasons, it was absolutely necessary to set up a provisional cash flow plan, spread annually over a period at least equal to that of the credit solicited, in order to be able to assess the following by the difference between charges and resources :

- The amount of credit initially necessary

- Its likely rate of use

- The rate of possible repayments, as and when the excess of charges against resources was reduced

- Its duration, which had to coincide, subject to a reasonable safety margin (six months maximum), with the time when the cash flow imbalance was reabsorbed.

When a provisional cash flow plan showed an imbalance between charges and resources that could not be cleared by the end of the credit period, no authorization was possible as long as the borrower had not organized resources necessary to re-establish the balance at least.

- Guarantees that could be furnished

All medium-term credits entailed high risks because of the vagaries of economic and managerial risks.

The banker's commitment being most often confirmed and hence irrevocable, sure guarantees were necessary : collateral and personal sureties.

4) Conditions required of beneficiaries

Medium-term credit beneficiaries had to fulfil the same conditions of capacity and solvency as those required for short-term credit.

The principle was that a company could file an application for medium-term credit only to finance an operation falling within the company's objectives.

As regards the medium-term commitment potential of the company, it was based on the expected profitability of investments resorted to either through its equity capital, or long or medium-term borrowings.

2 - Funding plan for the entire program

Once the part of investments likely to be financed by medium-term credit was examined, the Central Bank is interested in the modalities for financing the non-covered balance under a rediscounting agreement. In fact, its assistance only constituted a fraction of the whole, whose unity could not be called into question.

It consequently examined the manner in which the financing of the whole program was presented.

In principle, the share of investment expenses that was not covered by the solicited rediscountable medium-term credit had to be self-financed, i.e. drawn from the equity capital and stable resources of the borrower.

This self-financing, that is to say, the settlement of investment expenditures, had to precede any recourse to a medium-term credit.

This rule could be relaxed, particularly when the necessary funds could not be mobilized and had to be obtained through cashing grants in aid (treated as equity), through an increase in capital or borrowings from non monetary resources, provided that the date of these operations was certain. In both cases, it was customary that if recourse to medium-term could not precede self-financing, it could accompany it, by successive uses commensurate with seed investments.

Finally, within a limit that could not reduce this self-financing to less than 20% of the program in question, there could be recourse to :

- Additional borrowings from within or outside the issuing area, provided that the rediscountable medium-term credit was repaid, entirely, before the commencement of any other assistance.

These additional loans could be extended by individuals or banks. Local bank loans could be granted only when banks themselves had long-term resources available for such loans. For if they had to rediscount a part of their portfolio for this purpose, the monetary impact of the operation would be identical, in its effects, to the direct rediscount that the Central Bank wanted to avoid.

- Payment deadlines fixed by foreign suppliers of equipment, provided that their assignment of receivables was carried out in their country of origin and, hence, did not weigh heavy on the money issue.

The repayment of "suppliers" credit could be made parallel to the payment of rediscountable medium-term credits, due to the different nature of these facilities. While the medium-term was a true banking fund, based on insufficient equity (or stable) resources, which were likely to be evened out in a few years by the interplay of general profits of the company, "suppliers" credit was a commercial credit with payment terms adapted to the performance of the corresponding equipment, or, in any case, to the normal rate of industrial or financial depreciation of the said equipment.

When the repayment of "suppliers" credit was faster than that of the rediscountable medium-term credit, its balance, at all times, had to be kept lower than (or at the most equal to) 50% of the residual value of investments it had partially financed.

3 - Maximum amount of rediscountable medium-term credits

In the case of major programs, the Central Bank limited its rediscounting intervention to 500 million CFA F for the execution of the entire project. This was with a view to conserving its complementary character in the medium-term and to provide for issuing capacities for the highest number of funding possible.

Besides, when a large-scale project involved appraisal costs, the acquisition of foreign equipment and establishment costs, the Central Bank accepted local expenses as the basis for its possible intervention.

It did not include the formation of working capital necessary for using new investments as a component of the program, considering that financing of stock and raw materials had to be based on equity and short-term credits combined (suppliers, banks).

Provisional cash flow plan

(To be drawn up in support of an application for rediscounting a medium-term credit)

Charges	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Carry over Investments corresponding to the application Other investments Reimbursement of earlier borrowings Reimbursement of assistance obtained in support of the program presented (excluding medium-term credit requested). - Suppliers Credit : • Local • External - Bank credit : • Local • External - Other borrowings • Local • External Proposed distribution of profits Financial charges **Consolidated total charges** (a)						
Resources :						
Carry over : Seed cash Financial operations to be carried out Subsidies to be received Assistance obtained in support of the proposed program (other than requested medium-term) - Local assistance - Foreign assistance - External suppliers credit Normal profitability103 (1) Additional profitability from investments envisaged (2) **Consolidated total resources** (b) Balance to be covered by medium-term (Charges – Resources)						

103 The total of 1 + 2 must be equal to the profit before depreciation, but after taxes. The depreciation remaining as a floating cash reserve must not be included in the expenses, since, in the event of re-use, the heading of "other investments" will be included.

Examples of rediscount authorizations requested for medium-term credit[104]

Example no. 1

1 - Details of application

Beneficiary : "Tissus - Soleil" Company

Assigning banks	A	24% lead banker
	B	20%
	C	32%
	D	12%
	E	8%
	F	4%

Program-Amount : 1,700 million CFA F

- Objective : Construction of a fabric printing plant

Credit requested – Amount : 500 million CFA F

- Period : 5 years

- Date of allocation, 1 October 1963

Repayments - 3 installments :

. 150 million on 30/9/66

. 150 million on 30/9/67

. 200 million on 30/9/68

. Rate : 5.75%

. Guarantee : security by associates

Decision of the Minister of Planning : Approval given on 18 March 1963

Information regarding the borrower

The *Tissus-Soleil* company was set up as follows in February 1962 by the following companies :

. X 56% of the capital

. Y 22% of the capital

. Z 22% of the capital

Its capital presently stands at 500 million F.

The *Tissus-Soleil* company would set up a fabric printing plant on its own plot located in the industrial area.

[104] BCEAO Archives.

To carry out this project, the Company availed of the assistance and technical support of its associates. This assistance related to :

- Technical assistance in installing the plant

- Technical inputs and manufacturing processes

- Contribution of models and designs

- Administrative, legal and commercial assistance.

Contracts were signed for the various kinds of assistance provided and to fix the modalities of remuneration for the same. These contracts were expressly approved by the government under the establishment convention, granting the Company a priority status.

Investment and financing program

The Company had to execute the project in two phases :

- The first phase comprised the construction of a plant with an annual capacity of 5 million meters of cloth. This work was completed in December 1963.

- The second phase of the program had to be executed during the third and fourth year of operation. The objective was to increase the plant's capacity from 5 to 8 million meters per year.

Details of the two phases of the program are given below, although the medium-term credit requested was meant for financing the first phase only.

	1st phase	2nd phase
- Land	39	-
- Construction	426	93
- Equipment and facilities	469	136
- Fittings	141	-
- Furniture and vehicles	60	-
- Feasibility studies	111	-
- Fees and services	140	-
- Miscellaneous and contingencies	130	-
- Establishment costs	110	-
	1,636	229

(including 107 million VAT drawback)

The schedule of investments for the first phase comprised :

- 50% local expenses

- 50% external expenses

The financing was to be done in the following manner :

		(in million)
- Self-financing = contribution of capital	500	i.e. 30.75%
- Long-term loans of shareholders	250	i.e.15.38%
- Long-term loan from bank F	300	i.e. 18.45%
- Long-term loan from bank E	150	i.e. 09.22%
- Medium-term loan from (subject of the application)	500	i.e. 30.75%
	1,700	

The assistance planned would give the business a margin of 74 million CFA F, which would form the initial working capital.

The capital contribution was fully received by 15 January 1963.

The long-term loans from shareholders had to be supplied at the beginning of the second half of 1963. They were granted for a period of 9 years and their repayment was scheduled in 3 annual installments of 75 million CFA F and one installment of 25 million CFA F after a five-year grace period (period of medium-term applied for).

The long-term loans from E and F had to be raised between June and September 1963 for a period of 10 years, to be repaid in 5 equal installments, after a 5-year grace period.

The medium-term credit applied for would be for a period of 5 years and reimbursable at the rate of 150 million CFA F on 30 September 1966 and 1967 and the balance (200 million) on 30 September 1968, i.e. after a 2-year grace period.

Profitability projections

The loincloth market accounted for approximately 33.5 million meters in 1961.

Considering the growth in population and rise in living standards, the company felt that the market would rise to :

. 40 million meters in 1964 and

. 50 million meters in 1969

Within this market, the company intended to produce :

. 3 million meters in 1963 - 1964

. 4 million meters in 1964 - 1965

. 5 million meters in 1965 - 1966

. 6.5 million meters in 1966 - 1967

. 8 million meters in 1967 - 1968.

The profitability forecasts indicated hereinafter were established keeping these objectives in mind.

They called for the following remarks :

- The expenses of all kinds undertaken for launching the project, except for financial charges already mentioned, were posted under the heading "establishment costs and running expenses" (cf. financing plan given below).

- In accordance with the clauses of the convention on establishment :

. Imports of raw material were accounted excluding taxes and customs duties

. Technical assistance received from associate companies was to be paid at 1.5% of the turnover

. Technical inputs and manufacturing processes were to be remunerated at 4% of the turnover

. The supply of prints and drawings were to be paid at 9.62 F per linear meter of cloth produced.

- Labor charges were calculated at the prevalent market rates, for a recruitment that increased gradually from 270 to 500 workers (40% skilled workers and 26 expatriates).

- Fuel costs were evaluated at 7,000 F per ton and electricity at 8 F per kWh.

The operating results are shown in the predictive cash flow plan drawn up by the Company.

President Eyadéma (Togo)
(page 318)

Mathieu Kérékou (Benin)
(page 326)

Provisional cash flow plan

	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
Resources						
Carry over		1,200.0	1,227.0	1,311.1	1,533.6	1,841.6
- Capital	500.0	-	-	-	-	-
- Shareholders loans						
1st phase	250.0	-	-	-	-	-
2nd phase	-	-	-	50.0	50.0	-
- Long-term (E and F)	450.0	-	-	-	-	-
- VAT retrieval	-	27.0	55.0	22.0	-	-
- Profitability	-	-	29.1	150.5	258.0	365.3
Total	**1,200.0**	**1,227.0**	**1,311.1**	**1,533.6**	**1,841.6**	**2,206.9**
Charges						
Carry over		1,347.0	1,691.5	1,691.5	1,770.5	1,928.5
- Investments						
(1st phase)	1,207.0	309.0	-	-	-	-
- Establishment costs and running expenses	110.0	-	-	-	-	-
- Investments						
(2nd phase)	-	-	-	79.0	150.0	-
- Other current investments	-	-	-	-	8.0	52.0
- Losses	30.0	35.5	-	-	-	-
- Reimbursement of shareholders	-	-	-	-	-	50.0
Total	**1,347.0**	**1,691.5**	**1,691.5**	**1,770.5**	**1,928.5**	**2,030.5**
Cash balance	- 147.0	- 464.5	- 380.4	- 236.9	- 86.9	+ 176.4
Medium-term requested	-	500.0	500.0	350.0	200.0	-
Net working capital	- 147.0[105]	+ 35.5	+ 119.6	+ 113.1	+ 113.1	+ 176.4

Observation : - The net working capital seen under this plan appears, *a priori,* largely sufficient to meet operational needs.

- It may be noted that the Company does not intend to distribute any dividends for the next 5 years.

105 Deficit covered by a temporary advance from the partners.

2 - Decisions and proposals of the Branch Manager

- "The Ministry of Planning has approved the Company's investment program.

- The proposed financing plan conforms to the Central Bank's investment standards.

- The cash flow plan submitted by the company shows sufficient resources to ensure normal repayment of medium-term credit.

- Guarantees presented appear sufficient in so far as the financial position of the associate Companies (known to the Monetary Committee) is very satisfactory.

It seems nevertheless opportune to insist that the *Tissus-Soleil* company does not hypothecate or mortgage any equipment before obtaining the approval of bankers concerned.

Subject to this reservation, there is nothing that could prevent the Monetary Committee from granting the *Tissus-Soleil* company a rediscount facility for a medium-term credit that it may apply for.

Making this assistance available would, however, be dependent on :

1) Justification of prior investment of all other means of financing

2) Provision of necessary guarantees

3) Undertaking by associate Companies to maintain advances granted to their subsidiary blocked until the complete reimbursement of medium-term credit

4) A signed undertaking by the *Tissus-Soleil* company not to hypothecate or lease any equipment without the prior approval of its bankers".

Example no. 2 : *"Société Africaine de Confection" (S.A.C.)*

1 - Background facts

The *S.A.C.* is a Private Limited Company[106] with a capital of 20 million F, set up in 1961 for the manufacture of undergarments, lingerie and hosiery. It has 80 employees and workers. (The most recent balance sheets are annexed to this report).

A slow start, due to the availability of imported stock with local traders and later, a good pick up because of its favorable price offer. Demand, to a large extent, now exceeds its capacity.

The *S.A.C.* felt that it could double its turnover and triple its results if it had sufficient means of production. For this purpose it would have to acquire land, import equipment, take up major constructions and development works. For this purpose, it would use the services of 150 workers and employees.

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[106] Private Limited Company.

The investment costs of this project would be as follows :

- Land	5,000,000
- Construction and facilities	25,00,000
- Equipment	20,000,000
Total :	50,000,000

Once the program was approved by the Planning commission of the State in which it was set up, the *S.A.C.* planned to finance its program as follows :

- Withdrawal from cash reserves	5,000,000
- Fresh contribution from associates	6,000,000
- Suppliers credit for equipment (over 3 years)	15,000,000
- Medium-term credit (over 3 years)	24,000,000
Total :	50,000,000

The *S.A.C.* furnished a trading account and a predictive cash flow plan (above).

Could the medium-term credit requested be granted ?

2 - Solutions

1 - Could investments planned by *S.A.C.* be financed by medium-term credit ?

Yes - the reasons being: industrialization of the country, employment generation, approval by the Ministry of Planning and a productive investment of additional revenues.

2 - Did the financial situation of *S.A.C.* give access to rediscounting ? (sound balance sheet)

Yes - according to a study based on the last three balance sheets :

. Thanks to the assistance of associates, the cash position was comfortable (FRN/FRB[107] = 1/3)

. Normal stock with regular turnover (2½ months)

. Credit to normal customers

. Banking obligations and normal supplier's credit.

Over the previous years, *S.A.C.* had reasonably stabilized itself by organizing the necessary resources (profits, associates). Business was indeed assuredly booming (turnover, results).

3 - Was the percentage of Central Bank intervention respected ?

Yes - 48% (max. 50%). The purchase of land could be taken into consideration.

4 - Was supplier's credit looked for ?

Yes - for 75% of the equipment to be imported.

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[107] Net working capital/Gross working capital.

5 - Did the applicants contribute the minimum self-financing required ?

Yes - Associates 6,000 ; withdrawal from cash reserve 5,000 possible, considering the situation.

- Self-financing: 22% (20% minimum)
- To be verified that it was carried out in advance.

6 - Was the amount requested necessary ?

- Yes. There was an actual shortfall of 24,000,000
- Partners had already made a significant contribution
- It would not have been advisable to further drain its own cash position
- The maximum credit had been obtained from suppliers.

7 - Would the credit be repaid in 3 years ?

Observation on the provisional cash flow plan.

Concepts of normal profitability and additional profitability (before depreciation and after provisions)

Reimbursement of potential credit and profitability properly calculated.

Hence : Observation on provisional trading account.

- Rate of sales growth
- Progress of results
- S.A.C. had been cautious - sufficient provisions were made, duties and taxes had been calculated broadly.

With enough room for maneuver :

Repayment in	1964 : 6,000
	1965 : 8,000
	1966 : 10,000

8 - Was it necessary to provide guarantees ?

Yes - uncertain economic climate

Management risks.

Hypothecation of constructions and endorsements from associates who appeared well off.

Comparative balance sheets
(in thousands of CFA F)

Assets	31.12.61	31.12.62	31.12.63	Liabilities	31.12.61	31.12.62	31.12.63
Fixed assets	18,300	20,600	22,700	Capital	20,000	20,000	20,000
Stocks and				Reserves		500	1,000
Provisions	14,100	19,500	26,300	Carry over			500
Realizable and available	5,200	6,700	15,200	Partners (Time	4,000	6,000	10,000
Incl. :				Deposit accounts)			
Customers	*3,100*	*2,600*	*9,300*	Payable in ST	13,100	19,300	28,200
Available	*2,100*	*4,100*	*5,900*	Incl. :			
				Suppliers	*9,200*	*12,800*	*17,900*
				Banks	*2,200*	*3,500*	*6,200*
				Misc.	*700*	*1,000*	*1,100*
				Provisions	*1,000*	*2,000*	*3,000*
				Profits	500	1,000	4,500
	37 600	46 800	64 200		37,600	46,800	64,200

Other items and ratios	31.12.61	31.12.62	31.12.63
Net leverage	24,500	27,500	36,000
Turnover	41,000	86,000	150,000
Depreciation	1,500	2,000	2,500
Profits	500	1,000	4,500
Gross working capital	19,300	26,200	41,500
Net working capital	6,200	6,900	13,000
G.W.C./N.W.C.	37%	26%	31%
Stock turnover rate	124 d	83 d	69 d

Provisional operations account
(in thousands of CFA F)

	1964	1965	1966
Income			
Closing stock	35,000	45,000	55,000
Sales	200,000	250,000	300,000
	235,000	295,000	355,000
Expenses			
Initial stock	26,000	35,000	45,000
Purchases	135,000	170,000	210,000
Administrative and financial expenses	50,000	55,000	60,000
Taxes and Duties	5,000	8,000	10,000
Misc. Provisions	6,000	11,000	10,000
	222,000	279,000	335,000
Result	13,000	16,000	20,000
Depreciation	7,000	7,000	7,000
Profit	6,000	9,000	13,000

Provisional cash flow plan

(in thousands of CFA F)

	Start	1964	1965	1966
Charges				
Carry over	-	50,000	55,000	60,000
Investments corresponding to Demand	50,000	-	-	-
Reimbursement of supplier's credits	-	5,000	5,000	5,000
Total	50,000	55,000	60,000	65,000
Resources				
Carry over	-	26,000	39,000	55,000
Withdrawal from floating cash	5,000	-	-	-
Contribution of partners	6,000	-	-	-
Supplier's credit	15,000	-	-	-
Normal profitability	-	7,000	7,000	7,000
Additional profitability	-	6,000	9,000	13,000
Total	26,000	39,000	55,000	75,000
Balance to be covered by medium-term credit	- 24,000	- 16,000	- 5,000	+ 10,000

III - Settlement of the dispute with Guinea

The financial dispute between France and Guinea was finally settled according to modalities provided in Articles 5 and 6 of Section III under an arrangement signed on 22 May 1963 between the two governments.

Article 5

The Government of the Republic of Guinea declares its recognition of claims amounting to 3,514,167,953 CFA F appearing against it in the books of the Central Bank of West African States.

The Central Bank of the Republic of Guinea shall accordingly credit the corresponding amount in Guinean Francs in an account of the Central Bank of West African States opened in its books.

Article 6

The Central Bank of West African States shall be authorized to transfer to the French Treasury all or part of the amounts credited to this account mentioned in the preceding paragraph.

On this basis, the French Ministry of Finance shall inform BCEAO that the Treasury is ready to acquire the totality of the available funds to be transferred to BCEAO.

This transfer shall be settled by a counter-value payment crediting BCEAO operations account (letter dated 29 May 1963).

BCEAO then reassigned to the Bank of the Republic of Mali its share.

IV - Harmonization of banking and monetary legislation

This related essentially to banking regulations and legislation on counterfeiting of currency.

A - Banking regulations

As a rule, banking and credit regulations, as established by French Authorities, were still applied in the various West African States at the time of their independence. However, the Working committee of the Franc Area Monetary Committee and the Supervising Commission of French Banks, falling under the French Government, could not carry out their tasks in the independent States. There was, thus, a legal gap that the transfer of responsibilities from the concerned bodies to the Finance Ministers was able to fill, without really providing a satisfactory solution.

In fact, French legislation, which was valid when the West African banking system consisted practically only of French bank branches, became unsuitable following the creation of national development banks or the transformation of French bank branches into local law companies.

In 1963, the Central Bank considering from the provisions of the Treaty and the statutes proposed a standard draft regulation to member states of the Monetary Union, essentially bearing in mind the West African environment.

This regulation came into force in all the States of the Union in the financial year 1965-1966. It basically defined the organs responsible for its application as well as uniform principles.

a - The organs

The plan of action promulgated by each of the States of the Union entrusted the Finance Minister with the application of the banking regulation and the general management of credit, and the latter took or proposed all decisions in this matter to the Government.

These decisions were of two kinds :

- Those involving basic principles and whose application was dependent on the adoption of a common position by all member States (in accordance with Article 10 of the Treaty establishing the Monetary Union), such as those authorizing the creation of banks.

The Finance Minister was assisted by a Committee of Banks and Financial Institutions or a Control and Supervising Commission, whose essential role was to see to the application and compliance of decisions taken by the Minister and to penalize those responsible for shortcomings or propose certain serious sanctions to the Minister.

The Central Bank provided the Secretariat for this task.

The Minister could be assisted by advisory bodies such as the *"Conseil National du Crédit"* and the *"Association Professionnelle des Banques"* (National Credit Council and Professional Banking Association).

b - The uniform principles

States adopted the regulations with a view to achieving the following three objectives :

- Adjust bank activity in accordance with the size of their equity capital, so as to ensure the solvency of their deposits, as far as possible.

- Grant National Monetary Committees the power to effectively control credit distribution, by limiting any bank aid that generated too many uncertainties, or those of questionable economic interest.

- Adopt banking standards that would ensure normal profitability to lending institutions and, at the same time, help finance priority activities at low cost and prevent the practice of abusive interest rates.

These three objectives resulted in fixing a minimum capital, a liquidity ratio and determining bank positions.

1 - Obligation of a minimum capital

Banks and financial institutions were tied to the obligation of proving the existence of a minimum capital in their balance sheets, based on the volume of commitments and kind of operations carried out or envisaged and which, in any case, could not be less than an absolute minimum that varied according to the States.

The absolute minimum was pegged at 50 million CFA F for banks, 10 million for financial institutions, except in Senegal where it was 250 million for banks and 50 million for financial institutions, and in Côte d'Ivoire where it was 300 million for banks and 60 million for financial institutions.

In adopting these figures, the authorities wished to avoid the creation of multiple small private banks, which, most often, would only be usurious companies. Moreover, they were of the view that insofar as the number of banks in several States was very high compared to the volume of operations that were available to them, the requirement of a low minimum capital would adversely affect the operational conditions of already existing establishments.

Notwithstanding the absolute minimum capital, the actual capital that was required, in other words the "corporate capital" for establishments that were being created and the "equity capital" for those already in operation, had to be, for each bank or financial institution, proportionate with all the risks taken (within or without the balance sheet, on account or on the basis of signatures), at a specific date, namely the date of closing of accounts, uniformly fixed for the 30th of September each year in the entire issuing area[108].

This proportion, expressed by the ratio : Equity Capital to Risks, varied according to the nature of the establishments and the resulting chance factors in management.

108 Commitments covered by State guarantees were not, however, included under risks.

In order to make the necessary adjustments, transitional measures were granted to commercial banks. The percentage of their equity capital was fixed at 5% as of 30 September 1966 ; 6% as of 30 September 1967 ; 7% as of 30 September 1968 ; and 8% as of 30 September 1969.

2 - Liquidity ratio

The objective was to limit bank aid that generated too high risks or was of a questionable nature and to consequently assert the authority of National Monetary Committees in their essential role, which was to fix rediscount ceilings for banks and individual rediscount limits. The ratio "is less indicative of the possibility for the bank in question to meet its short-term commitments than of its position vis-à-vis its current creditors : the depositors and the Central Bank"[109].

The A/B formula for the ratio comprised :

A	B
– Liquidity – Rediscountable and rediscounted short-term appropriations – Short-term rediscount of Central Bank	– Demand deposits or equal to maximum three months – Other liabilities

The liquidity ratio was thus intended to limit the volume of non-rediscountable assistance.

It was fixed at 70% until 30 September 1966 ; raised to 71% until 30 September 1967, and gradually increased to 75%[110].

3 – Banking conditions

The banking conditions requirements were divided into two categories : general conditions, which were common to all States to avoid the transfer of capital or funding from one State to another, along existing discrepancies ; these were essentially the debit interest and credit interest ; and specific conditions, which corresponded more particularly to remuneration for services rendered and were adapted to the particular nature of bank management in each State.

As far as the interest expenses were concerned, in the desire to develop the economies of the area, it was necessary to link the cost of credit to different factors :

- The economic utility of the operation financed

- The risk it carried

- The performance of the management of the lending bank

- The financing burden, for the borrower.

[109] BCEAO, Report.

[110] The liquidity ratio did not apply to financial establishments.

Economic utility was determined by a scale of rates :

- A lower rate for facilities that concerned, on a priority basis: financing of harvests of essential products ; development of means of production in the framework of plans ; productive enterprises enjoying State support realized most often through establishment conventions.

- An average rate for enterprises whose activity was economically useful, but to a lesser degree.

- A higher rate for operations considered inopportune or of little economic interest.

Because of the risk involved in credit operations, the lower rate and the average rate were applied only when the criterion of utility was allied to satisfactory guarantees. The existence of these guarantees was one of the conditions for granting an individual rediscount limit by the National Monetary Committee. Consequently, the rediscountable or non-rediscountable character of the operation constituted a vital factor in the final rate to be applied.

Hence the second criteria for fixing debit interest :

- Credit lines benefiting from a rediscount limit, according to the case, were subject to reduced rates or average rates.

- Non-rediscountable rates, concerning, *a priori*, economically ill-timed operations or those carried out by debtors who did not fulfil the normal conditions of creditworthiness, fell under the ambit of the highest rate.

The obligation imposed on banks to respect the liquidity ratio limited the growth of non-rediscountable credit.

Finally, as far as the profitability of bank activities was concerned, the requirements were calculated in such a way that the ratio between the scales of rates described and the mass of each kind of operation, produced a gross total sum of commissions comparable to the one that was earlier recorded by them.

Besides, the rates that had been fixed comprised a minimum and a maximum, very close to each other, which made banking competition possible and at the same time protected the borrower against high rates. On the whole, the general requirements in terms of short-term credit were established between 4.50% minimum and 8% maximum, and for medium-term credit between 5.50% minimum and 8.50% maximum. As far as financial institutions were concerned, their scales were subject to approval.

As for credit interest, to attract the available capital towards banks, and encourage the growth of savings accounts, the remuneration threshold of deposits was lowered and the gap between interim installments reduced, without really modifying the maximum remuneration rates thus fixed for the accounts :

- sight accounts	2.50% per year ;
- time accounts	3.00% per year ;
- savings accounts	3.25% per year.

Box 6.1

Acts relating to the banking profession and credit regulations
In the Member States of the Monetary Union :

Côte d'Ivoire	Act no. 65-252 of 4 August 1965 (J.O./RCI 19 August 1965)
Dahomey	Act no. 65-22 of 8 July 1965 (J.O./R.D. 1 September 1965)
Upper-Volta	Act no. 7-64 of 29 July 1964 (J.O./R.H.V. 20 August 1964)
Mauritania	Act no. 64-016 of 18 January 1964 (J.O./R.I.M. 19 February 1964)
Niger	Act no. 65-019 of 15 May 1965 (J.O./R.N. 1 June 1965)
Senegal	Act no. 64-49 of 10 July 1964 (J.O./R.S. 8 August 1964)
Togo	Act no. 65-14 of 21 July 1965 (J.O./R.T. 26 July 1965).

B - Legislation on suppression of currency counterfeiting

It was at the instigation of the General Secretariat of the *"Union Africaine et Malgache"* (UAM or African and Malagasy Union) that BCEAO, in November 1962, examined a uniform legislation on the suppression of the counterfeiting of banknotes and coins and the usage of forged banknotes and coins. A draft bill, drawn up in collaboration with the UAM Secretariat, which later became the African and Malagasy Organization for Economic Co-operation *(Organization Africaine et Malgache de Coopération Economique)*, and the various departments of the Central Bank of the States of Equatorial Africa and Cameroon, was discussed at the Board of Directors' meeting and after amendments, conveyed to the Governments of member States.

These proposals inspired the draft bills placed by the Governments of Dahomey and Mauritania before the Parliaments of their respective States, which approved and enacted them into a law. They were essentially incorporated into the new Penal Code adopted in 1965 by the Senegalese National Assembly.

In order to complete the standardization thus taken up, the Central Bank's Board submitted a draft convention for examination by Governments of the Union to ensure the adoption of common guidelines.

Moreover, the Board drew the attention of the Governments of the Union to the advantage in acceding to the International Convention for the Suppression of Counterfeiting Currency, signed in Geneva on 20 April 1929, as well as the appended protocols. Senegal acceded effectively to this convention on 26 August 1965.

The convention provided for joint action at the international level to combat currency counterfeiting through the unification of national legislation, centralization of information and co-ordination of police action.

It also provided for a central office to be set up in each country for controlling currency counterfeiting in close contact with the issuing organs, the police and the central offices of other countries.

At the international level, Interpol or the International Criminal Police Organization was made responsible for co-ordination. Its international headquarters centralized the information provided, maintained a database of offenders and carried out a scientific examination of counterfeit notes. Each type of counterfeiting was identified and published in the magazine, *"Contrefaçons et Falsifications"* (Counterfeiting and Forgery).

Box 6.2

New legislation relating to the suppression[111] of currency counterfeiting

Dahomey : Act no. 65-12 of 23 June 1965 relative to the suppression of currency counterfeiting (Official Gazette of the Republic of Dahomey, 15 August 1965, page 681).

Mauritania : Act no. 65-130 of 26 July 1965 relative to the suppression of currency counterfeiting (Official Gazette of the Islamic Republic of Mauritania, 15 September 1965, page 294).

Senegal : Act no. 65-60 of 21 July 1965 on the Penal Code (Articles 119 to 124) (Official Gazette of the Republic of Senegal, 6 September 1965, page 1.019).

[111] A framework law on the suppression of currency counterfeiting and its addendum were approved by WAMU Council of Ministers, on 2 April 1982 and 31 March 1988 respectively.
In Burkina Faso, the texts were adopted and incorporated in Articles 250 to 267 of the Penal Code.
In Togo, they were covered by regulation no. 88-18 promulgated on 7 December 1988.
In Senegal, the text was covered by regulation no. 84-11, dated 7 December 1984, incorporated in Articles 119 to 124 of the Senegalese Penal Code.
In Guinea-Bissau, the texts, including the law on the suppression of counterfeiting, were adopted on 24 October 1997.

V - Amendments of texts

A - The protocol of 2 June 1967 amending the Convention on an Operations Account

This protocol related to the facility provided to the Central Bank to subscribe to negotiable bonds.

Between the undersigned,

Mr. Michel Debré, Minister of Economy and Finance, on behalf of the French Republic,

On the one hand, and

El Hadj Courmo Barcourgné, President of the Board of Directors of the Central Bank of West African States, acting on behalf of this establishment and authorized by the deliberations of the Board of Directors on 2 June 1967,

On the other,

It was agreed as follows :

Sole article - Article 3 of the convention on an operations account of 20 March 1963 stands amended by the addition of the following text after the first paragraph :

"The Central Bank will be able, moreover, under conditions to be fixed by an exchange of letters, to subscribe to negotiable bonds with a maturity of maximum two years, drawn up in freely convertible currencies and issued by international financial institutions in which all the States participating in the management of the bank would be members".

B - Provisions relating to aid granted to national Treasuries and to the coverage ratio

a - The regulation

According to the provisions of Article 26 of the statutes, "at the end of a period of 10 days, the Bank shall carry out a leveling of the current accounts that it may possibly hold in post offices or postal departments by transfer to the Treasury accounts in its books.

The accounts opened in the Treasuries of the States of the West African Monetary Union cannot be debit accounts, except in application of the provisions of Article 15".

That article, it may be recalled, was worded as follows :

"Treasury bonds of the States of the West African Monetary Union with less than six months to mature may be :

- Rediscounted or pledged by the Bank,

- Accepted as an advance guarantee up to quotas fixed by the Board of Directors,

- Bought or sold to banks without endorsement or provided that these operations are not undertaken on the account of the issuing Treasuries or executed in States that have begun the issue process.

The total amount of Treasury bond operations for each intervening bank cannot exceed ten per cent of the average amount of deposits by their customers during the previous twelve months. However, with regard to deposits made by the Treasury and post offices, only the sums representing deposits from persons or entities under private law will be accepted.

The Bank may grant to the Treasuries of member States of the West African Monetary Union, current account overdrafts at local discount rates of a duration not exceeding 240 days, consecutive or otherwise, during a calendar year. These facilities are not exclusive of those that may be engendered by specific agreements between the French Government Treasury and the Treasuries of member States of the Monetary Union.

The amount of the overdraft facility extended by the Bank added to the total amount of treasury bond operations shall not exceed either the maximum 10% specified in Paragraph 2 of this Article, or a maximum 10% of national tax revenues accrued during the previous financial year".

In fact, BCEAO held a post office account at the headquarters of each of its main Branches, serviced mainly through transfers from third parties in relation with the Bank.

Since postal check services were administered by the Treasury, it kept these resources in Treasury ; at the end of the 10-day period, BCEAO started withdrawing funds through book entries : it operated by drawing from the Treasury account in its books. This was the current postal account 10-day leveling procedure.

In accounting terms, it debited the Treasury account by the credit of its current postal account.

This operation naturally affected the Treasury's position in BCEAO's books, either through a decrease in the credit balance or the appearance of a debit balance - the overdraft - or else the increase of the debit balance, considering that the overdraft ceiling - 10% of national tax revenues - could not be exceeded.

Problems were bound to arise in the application of this rule, leading to its modification.

b - Application

In the agenda of the Board of Directors meeting on 29 February 1968 in Paris, the following item was placed under Point VIII a - *Relations of the Dahomean Treasury and the Central Bank : Overdraft of the Dahomean Treasury and leveling of the postal current account.*

The Managing Director, Mr. Julienne, presented to Board members the urgent problem faced by the Central Bank due to the 10-day leveling of the postal current account held by its Cotonou Agency.

He recalled the provisions of Article 26, Paragraph 3 of the statutes, which obliged the Bank to proceed, every ten days, to level out the current accounts that it may have held at post offices or departments by transfer to the Treasury accounts in its books.

Now, for several months, the overdraft ceiling granted to the Treasury of this State in application of Article 15 had been practically reached, leaving only an insufficient margin for the leveling.

As of 29 February, the leveling could be done only following a last withdrawal from reserve funds, that had fallen to 1 million CFA F, discounting the few guaranteed bonds existing in its portfolio and a maximum use of the overdraft ceiling that had reached its threshold limit.

In these circumstances, it was doubtful whether the next 10-day leveling could take place, except in case of unexpected local cash receipts.

The Managing Director requested instructions from the Board. Should he close down the post office account ? This action was beyond the purview of the Managing Director and fell under the competence of the Board. Did the Board have other solutions likely to resolve this problem ?

The floor was given by El Hadj Courmo Barcourgné, President of the Board to Mr. Pascal Chabi Kao, the Minister of Finance of Dahomey, and to Me. Bertin Borna, who reviewed the situation.

They presented the austerity measures taken by the Government and "effectively applied both for tax recovery and payments by the State". Thanks to a subsidiary of the French government, the cash flow deadlock was reduced and with the measures adopted, the complete covering of deficit was in view.

Since French aid was suspended following the 17 December 1967 events[112], it was necessary to defer the payment of salaries to officials for the month of February 1968, along with material expenses and settlements of suppliers, in order to carry out the 10-day leveling.

Me. Borna concluded, "if this country is not given some oxygen very soon, BCEAO will have to close the post office account and, consequently, put the Treasury in an extremely critical situation".

In response to a question by the President, Dahomey's representatives indicated that they did not have a solution, leaving it to the Board to propose one.

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112 Coup d'état.

Two ideas emerged from the debates: the Board confirmed that the Managing Director had the absolute statutory obligation to close down the post office account in the interest of the Central Bank and each of the States of the Monetary Union, in case it were impossible to level this account.

Then, Mr. Garango, starting from the observation that some of the States did not fully utilize "the drawing rights allocated to them", or sometimes did not use them at all, asked whether a "pooling of a fraction of these rights to benefit States in difficulty" could be envisaged.

Some of the Directors felt that such a procedure - the setting up of "mutual drawing rights" or "bilateral aid" - did not appear to be strictly in conformity with the statutory provisions and hence did not come under the purview of the Board of Directors.

However an effort in solidarity by the States, did fall within their competence through the intermediary of the Board of the Monetary Union. He added that it would be "an opportunity to breathe life into this body, which has never met".

It was decided to propose a meeting of the Board of the Monetary Union to be held within 10 days at the latest to Governments of member States. This body was formed solely by representatives of African States.

The session was held on 9 March 1968 in Abidjan, chaired by Courmo Barcourgné and "under the pressure of events" according to the President.

After the presentation by the Managing Director, Mr. Chabi Kao, assisted by Me. Bertin Borna, presented the list of austerity measures taken by the Government to restore a sound financial situation :

- A 25% cut in the salaries of officials and employees in the private sector
- Salaries of officials to be staggered over time
- Creation of a national tax collection center
- Spending freeze on certain expenditures
- Termination of all government leases
- Cancellation of housing facilities for magistrates, etc.

The two representatives from Dahomey concluded that all these measures had not yielded any results, and that they were approaching a situation where it would be impossible to respect the 10-day leveling.

Assessing the urgent requirements at 300 million F, they requested a reimbursable advance to cover this amount.

A long debate followed the presentation. Several directors felt that the problem was political and that it had to be resolved with France.

Mr. Sidi Mohamed Diagana, the Mauritanian Finance Minister, was the first to bring up the idea of an amendment to the texts. He suggested, "one should think of amending the texts to avoid the need to meet in specific cases as this one".

Some of the Directors pointed that an amendment of the articles required a great deal of time, which would not solve the problem, laying emphasis, rather, on the steps to be taken up with Paris. The Dahomey representatives were skeptical as to the chances of this solution, the pressure from France, they said, was to see the military hand over power to civilians, as promised.

Seeing the trend of the discussions, Me. Bertin Borna intervened :

"We would not like to over stress this issue. If we do not find any solution we are not going to kill ourselves - in any case, we would at least have drawn everyone's attention in time. We are not forcing anyone to take a decision, we are not asking for donations or subsidies, but for aid".

Mr. Garango proposed that each of the States allocate 3% of its overdraft facility to Dahomey.

President Courmo also proposed an amendment of Article 15 to be recommended to the Board to raise the overdraft ceiling from 10 to 15%.

He also requested that each one make an effort and extend 3% of its overdraft facilities to Dahomey, which would amount to 302 million F.

This last proposal, voted on by other States, was defeated with 6 Nays out of 6.

All the States, on the other hand, agreed to increase the ceiling from 10 to 15%.

The President noted that the exchange of views had made it possible to come up with three proposals :

- The modification of the Central Bank's statutes with the purpose of raising the overdraft facility to 15% of tax revenues

- The request for aid expressed by Dahomey to the other States of the Union

- The possible intervention of the Heads of State of the Union with the French Republic.

The Dahomey representatives did not accept this last proposal.

At the Board meeting on 13 June 1968 in Abidjan, presided over by Courmo Barcourgné, the draft amendments of Articles 15 and 44 of the statutes were enlisted in Point II of the agenda.

The Managing Director recalled that the Council of the Monetary Union, at the conclusion of its meeting on March 9 in Abidjan, had requested the Management of the Central Bank to contact the French government authorities and examine whether the Board of Directors could increase, in exceptional cases, the overdraft ceiling that may be extended by the Central Bank to the Treasury of a State from 10 to 15% of the accrued tax revenues.

The Chairman of the Board, in his 27 March communication, brought this resolution to the notice of the French Minister of Economy and Finance. The negotiations conducted by the Management, in compliance with its mandate, resulted in drawing up draft proposals that were presented to the Board for approval.

The Managing Director read out the draft amendments of Articles 15 and 44 of the statutes.

Me. Borna asked leave to speak and observed that according to the note presented by the Management, the Council of the Union had requested the Board of Directors, to increase, in exceptional cases, the overdraft from 10 to 15% of tax receipts ; it did not appear to him that the Monetary Union Council intended to link this facility to exceptional cases.

Moreover, the President of the Council of the Union had written to the French Minister that the amendments desired were meant to authorize the Board of Directors to grant an additional 5% facility to the Treasury, on justification.

Me. Borna was of the opinion that the issue of hiking the overdraft ceiling from 10 to 15% had been raised by the Council of the Union in simpler terms and not the grant of additional assistance subject to a decision of the Council.

There was a long discussion on this issue. Mr. Chabi Kao suggested that the President be authorized to request the French Minister of Finance, on behalf of the Ministers of Member States of the Union, to approve an automatic increase of the ceiling from 10 to 15%.

A consensus was obtained for this proposal on condition the amount of treasury bonds with banks of the Central Bank would be included in the overdraft ceiling.

The question came up at the meeting of the Board of Directors on 26 September 1968 in Paris.

The French Minister of Economy and Finance confirmed his agreement on raising the proposed ceiling but felt that beyond a certain limit, such overdrafts might have a significant effect on money growth, which implied a prior decision by the Board of Directors vested with the task of monitoring the evolution of money issue and hence the impact of various kinds of assistance granted by the Central Bank.

The new proposal was thus fundamentally similar to the one discussed on 13 June 1968.

Feeling that this position went against the wishes of African States, Mr. Moktar Ould Haïba (Mauritania) wanted to know what could be the way out in that particular case.

The Managing Director pointed out that modification of the Bank's charter was governed by Article 8 of the Treaty establishing the Monetary Union, where the amendment was subject to a unanimous decision of the Board (12 representing the African States, 7, France).

After long discussions, the Board finally deferred the adoption of the draft resolution submitted to it and the Directors representing the States of the Union entrusted the President with taking new and urgent steps with Mr. Ortoli, the French Minister of Economy and Finance for the total and unconditional use of the overdraft facility that would be raised to 15% of the tax receipts.

On 1 October 1968, during the annual IMF and World Bank meetings in Washington, President Courmo, along with some of his colleagues, once again met Mr. Ortoli to submit the arguments they had come up with at the previous Board of Directors' meeting.

Mr. Ortoli recalled the reasons why he considered it desirable to make the implementation of the increased ceiling conditional on the assessment and decision of the Board.

He pointed out that automatic aid, without intervention by the Board of Directors, could be understood only if they were relatively neutral from the monetary point of view, which was the case provided under the initial Article 15 of the statutes (10% for 240 days).

As soon as the amount and duration[113] increased, the monetary impact would be certain and it hence would not be right to take away the Board's responsibilities in this particular sector of money issue.

In other respects, he felt that making a Treasury provide justification to the Central Bank Board constituted, for the Finance Minister, one of the guarantees that would be of interest to his own management.

Finally, continued the French Minister, in a specific monetary situation it might be necessary to arbitrate between a certain volume of interventions in favor of Treasuries and in favor of economies so as to remain within limits compatible with a certain balance. In such cases, only the Board was authorized to arbitrate.

However, faced with the arguments presented by the African Ministers, Mr. Ortoli called for fresh discussions before a final decision could be taken.

In a letter dated 5 November 1968, President Courmo notified this reply to the Board members.

At the level of principles, Mr. Ortoli maintained his position fully and felt it prudent to retain the text presented earlier to the Board.

However, knowing from experience the rapidity of fluctuations in cash requirements, he accepted that the usual procedure of calling for Board meeting had certain inconveniences, admitting that more flexible and better adapted modalities should and could be followed.

Thus, an emergency procedure could be set up whereby the Chairman consulted Directors when problems that could not wait to be solved until the next meeting arose between two sessions.

[113] The Board's discussions did not relate to the period of assistance but their amount.

This possibility would be included in the Rules of Procedure.

On 10 December 1968, the Board of Directors held its last meeting for the year in Ouagadougou under the chairmanship of El Hadj Courmo Barcourgné.

The Managing Director presented the results of steps taken up by the Chairman with the French Minister of Finance.

It was proposed to complete the Central Bank's Rules of Procedure by a consultation procedure through correspondence for Directors, based on the one being followed at the time by the Board of Governors of the International Monetary Fund and IBRD.

Since the Directors, informed by a letter from the Chairman dated 5 November 1968, had not issued any adverse opinions against this procedure, the texts specific to its application were presented for approval to the Board.

Mr. Stanilas Kpognon, the new Finance Minister of Dahomey, stressed that after two unsuccessful discussions during the earlier Board meetings, the persistency of the tight cash flow situation faced by the Dahomean government led it to request the Board to adopt the pending draft without any further delay, in the form proposed by the their headquarters.

However, he felt that in future, and on the basis of the results of the experiment, the question of the automatic use of the overdraft not exceeding the 15% allowed, could once again be taken up.

Other directors shared the same view.

The Chairman noted that the Board had adopted the proposal of the Management and at the same time reserved the right to raise once again the question of ipso facto use.

The Board adopted the new provisions.

Article 15 - The third and fourth sub-paragraphs were repealed and replaced by Article 15 b.

Article 15 b)

- The Bank may extend current account overdrafts at local discount rates to the Treasury of the States of the Monetary Union. The assistance thus granted to the Treasury should not exceed a period of 240 days, consecutive or otherwise, in a calendar year and 10% in amount of the accrued national tax revenue during the preceding budget year.

- However on the justified demand of a Government, the use of the overdraft facility extended to its Treasury may be extended up to the first working day of the following year by a special decision of the Board of Directors.

- The Board of Directors may, after having looked into the situation of money issue and assessed the impact of its decision on the projected growth of the issue, raise the maximum overdraft that can be used by a Treasury justifying specific requirements up to 15% of the tax revenues defined in sub-paragraph 1 above and for a specific duration not exceeding the limits provided under sub-paragraphs 1 and 2 above.

- The amount of overdraft likely to be effectively mobilized by a Treasury cannot exceed the maximum fixed in accordance with the above provisions, after deduction of the amount of the Treasury's bond operations executed by the Bank in application of Article 15 as well as the amount of investments with the Treasury made by banks and credit institutions receiving assistance from the Bank.

Article 44 - The text is completed and amended as follows :

The Board of Directors' deliberations shall be considered valid when at least two-thirds of its members are present or represented.

Subject to the provisions of the last but one sub-paragraph of this Article, the Board's decisions, taken under Article 15 b), the last three sub-paragraphs of Article 45 and Articles 56, 57, 58 and 59, shall be adopted with a two-third majority ; in all other matters they shall be adopted with a simple majority.

When the ratio between the average amount of foreign assets of the Bank and the average amount of its sight obligations has remained less than or equal to 20% during the previous three consecutive 10-day periods, or when the evolution of the financial and economic situation of the Monetary Union leads one to suppose that the above ratio may fall lower than 20%, the Chairman shall summon the Board for the purpose of examining the situation and taking all appropriate decisions, in particular to examine the feasibility of an increase in the bank discount rate and, if need be and considering the situations specific to each branch, a reduction of rediscount ceilings, advances and other facilities granted in application of Articles 56 to 58 hereunder, as well as a revision of special increases in overdraft facility that may be extended to the Treasury under Article 15 b).

When the ratio defined above becomes less than or equal to 10% and remains so for three consecutive 10-day periods, the Chairman shall notify it to Board members and to Chairmen of the National Monetary Committees. The Board of Directors should be convened immediately for the purposes of deciding an increase in the discount rate and reducing the rediscount ceiling, advances and other facilities as well as assistance granted to the Treasury pursuant to a Board decision, in proportions fixed by the branch, and taking into account its operations. These reductions shall be applied to ceilings fixed earlier by the Board for the coming months, failing which, to ceilings of the corresponding months of the preceding year.

The measures thus adopted cannot be considered as long as the ratio defined above remains lower than or equal to 10% for three consecutive 10-day periods except in case of waivers decided by a three-fourth majority of the Board.

The reduction of the ceiling of economy assistance to the various recipients of Bank assistance thus decided by the Board, shall be applied in each State by the Monetary Committee as per conditions fixed under Articles 57 and 58.

After having examined the other points on the agenda, the meeting took up the last Point 11 called for the election of the new Chairman of the Central Bank.

The choice fell on Mr. Tiémoko Marc Garango, Minister of Finance and Trade of Upper Volta.

President Courmo congratulated his successor and thanked the Board for the confidence that it had placed in him during his term as well as the friendly atmosphere in which the Board worked.

Mr. Moktar Ould Daddah and Mr Mamadou Dia (page 320)

Closing remarks by El Hadj Courmo Barcourgné

Gentlemen,

There is fortunately, I believe, no further business in this particularly heavy agenda of our meeting.

I would not like to extend it further, but you will pardon me for doing so for some minutes, because while closing this meeting, the mandate that you entrusted me with, two years ago, of presiding over our Board will end.

At the time of handing over my responsibilities, it would perhaps have been appropriate for me to have drawn up a balance sheet. I shall nevertheless refrain myself from this exercise, for it has already been done. We have just reviewed the monetary situation of the Union and found it to be sound as a whole. While external conditions require us to be particularly vigilant, we nonetheless have the capacity to absorb their impact and can adjust our management to the specific development needs of our States.

But this liberty and this capacity that we have, depend only on the equilibrium we have been able to maintain in the management of our common currency.

Evolving, adapting - we have done both, I believe, each time it was necessary and reasonable. This is how we recently relaxed the rules of the Central Bank governing its contribution to the funding of major crops marketing.

We have this very day made a new amendment in our statutes that will enable the Public Treasury of any of our States to draw larger support from our central bank.

This is, perhaps, the result of long and difficult discussions and negotiations, but the reflection, the discussions preceding our decisions, reveal the very mark of the vitality of our organization, the seriousness with which we approach the issue of establishing rules of conduct. Adapting does not mean relaxing rules, but adjusting them more closely to realities.

But the biggest lesson of these two years and of our more recent discussions seems to me to be the growing awareness among ourselves of the importance of common enterprise we have embarked upon and the consequences of which we must as of necessity accept.

BCEAO was for many, and perhaps for us, a common symbol rather than a common organization. We have to admit now that while our Union offers us considerable advantages, it also demands of us a discipline without which our solidarity may very soon become fragile.

My firm conviction, however, is that the discipline we share in common is much lighter than the kind of discipline we would have had to observe if we had wanted to overcome the difficulties of a sound monetary policy in isolation.

Besides, don't current events lead us to appreciate the true worth of the solidarity of currencies in the modern economy and the difficulty in establishing such solidarity.

In this respect, we may consider ourselves as models as much in the community of our seven West African States as through the co-operation between our Union and the French Republic.

Over the last few months and days, we have shown that we knew how to draw the necessary lessons - sometimes unexpectedly, both in difficult and happier times, from the links between the French Franc and our currency with respect to their relations with third currencies.

So, over the last months, our Monetary Union and our co-operation with France were consolidated. Indeed, it is the wisdom we have shown that has enabled this fortunate result, but also - allow me to say so after two years of Chairmanship, much is due to our Managing Director, Mr. Robert Julienne.

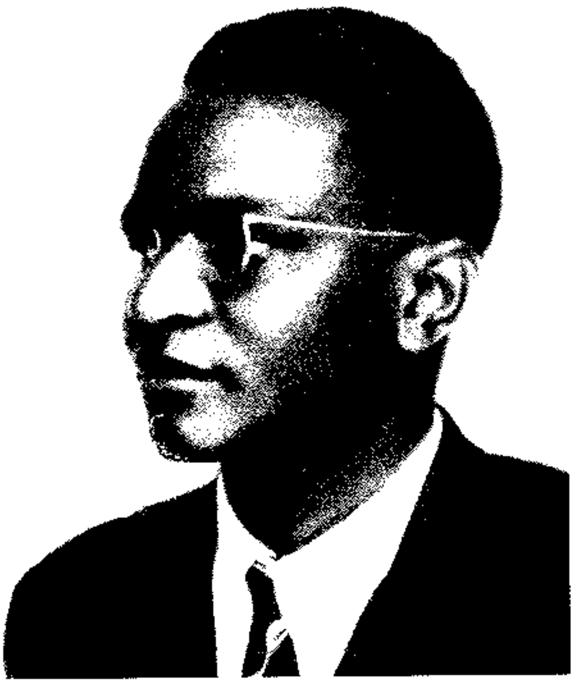
In fact, he is the person who will have to bear the extremely difficult and delicate burden, which grows heavier and more delicate each day, of managing our Central Bank within a framework of steady development of its operations and its skills.

He is the unfailing captain who has the difficult task to steward the boat of our enterprise, and his secondment is perhaps the best manifestation of France's aid to our Union.

So here I am, at the end of my journey. Time has now come for me to hand over the torch.

It is with untrammeled joy and unreserved confidence that I am handing it over to our colleague, Mr. Tiémoko Marc Garango, Minister of Finance and Trade of the Republic of Upper Volta.

The authority and the competence that he has shown over the last two years in the Board, which he will soon be chairing, gives us the assurance that our Monetary Union and its Central Bank are in good and strong hands.



President Hamani Diori (page 338)

C – Protocol of 4 December 1969 amending the convention on an operations account

As a fiscal agent of the States, the Central Bank intervened in their relations with the International Monetary Fund. The objective of the amendment was to provide guidelines concerning certain modalities of this involvement, particularly the withdrawal of necessary sums from its liquid assets for the execution of obligations contracted by States vis-à-vis the Fund.

Between the undersigned,

Valéry Giscard d'Estaing, Minister of Economy and Finance, on behalf of the French Republic,

On the one hand, and

Mr. Tiémoko Marc Garango, Chairman of the Board of Directors of the Central Bank of West African States, on behalf of the Establishment and authorized by the minutes of the Board of Directors dated 4 December 1969,

On the other hand,

It was agreed as follows :

Sole article : Article 3 of the Convention of 20 March 1963, as completed by the amendment of 2 June 1967, is modified as follows :

Article 3 - The Central Bank shall pay into the operations account the own liquid assets that it may constitute outside its issue area, with the exception of the sums necessary for its current cash flow.

Moreover, the Bank may, under conditions specified by an exchange of letters, subscribe negotiable bonds with a maximum 2 year maturity, drawn up in freely convertible currencies, issued by international financial institutions in which all the States participating in the Bank's management would be members.

It may also appropriate from its liquid assets the sums necessary for the execution of obligations contracted by Member States of the Monetary Union with respect to the International Monetary Fund and for which it had taken the responsibility under conditions fixed by the Conventions signed with these States, in accordance with the provisions decided by its Board of Directors at its session of 4 December 1969.

All these amendments in the texts governing the Union reflected the far-reaching reforms of the organization in the early seventies.

CHAPTER 7

THE EVOLUTION OF THE MONETARY UNION : THE 1973 REFORM

President Georges Pompidou (page 318)

Painstakingly established in the early sixties, the monetary union underwent an experimental phase during the first decade after member countries acquired independence.

During this period when measures were taken for the organization of the new States, and their policies for national development were put into application, the constraints of the system became clearer, giving rise to unending criticisms and controversies over the relevance of this system and the need to make it evolve.

Section I - The factors accounting for evolution

Good economic performance as well as the political context of the time have been crucial to this evolution.

I – Economic factors

As the earlier Chapter has shown, the decade of the sixties, the first after the African countries acquired independence, was, on the whole, a good period for developing countries, including those adhering to WAMU. The achievements in the field of growth and the relative improvement in the living conditions of the people gave rise to a great deal of hope in the continent and seemed to justify, *a posteriori*, the political choice made ten years earlier.

As regards the monetary situation, the foreign exchange reserves of WAMU States had greatly increased during the previous years and had practically doubled since 1969.

In developed countries, on the contrary, the second half of this period was marked by the crisis in the international monetary system of which they were the architects and the main players. The Pound Sterling was devalued in 1967, the French Franc in 1969, the convertibility of the Dollar into gold was suspended in 1971, followed by the floating of the main currencies, among these being the French Franc, the reserve currency of the countries of the Franc Area. The attempt to maintain a zone of monetary stability in Europe was fraught with problems.

Developing countries, whose fate was closely bound to that of developed countries and who, moreover, had no say in crucial decisions, had to suffer the effects of this monetary turbulence, not without some frustration.

Thus, in the aftermath of the events of the summer of 1971, and the setting up in France of a dual exchange market on 20 August 1971 which involved the dividing up of the operations between an official market and a financial market, WAMU States transposed the measures enacted by the exchange regulations of France into their exchange regulations.

Indeed, under the terms of the economic co-operation agreements "all receipts and expenses concerning countries outside the Franc Area are executed by transfer or purchase of foreign exchange in the central exchange market of the Franc Area", that is to say in Paris through the intervention of approved intermediaries, i.e. banks.

Following the agreement entered into in Washington on 18 December 1971 between the members of the "Group of Ten", concerning the definition of the parity of their currency and the margins of fluctuation one way or the other authorized in the exchange, the French Government decided to maintain :

- the French Franc at its old parity of 1 FF = 0.016 gram of fine gold ;

- in the "official exchange market", the rate of exchange of the US dollar in the French exchange market between the limits of 5.0005 FF and 5.2310 FF., hence fluctuation margins of ± 2,5% one side or the other of the rate of 5.1157 FF. for a dollar.

WAMU States, like the other States of the Franc Area adhered to these measures by deciding to make no changes in the links existing between the French Franc and the CFA F, in particular in their exchange ratio.

Moreover, the fluctuations in the revenues arising out of the operations of the Central Bank, associated with the modalities of the returns on its operations account holdings - the bank rate of the "Banque de France" - had often been a matter of concern to members of the Board of Directors.

Being of the view that the credit balance of the operations account showed a high degree of stability associated, among other things, with the precautions taken in the texts to ensure that this balance should not become a debit balance and even that it should not go below certain thresholds, the then Chairman of the Board of Directors noted that it "would be logical and fair that the conditions of returns keep in mind this special feature which ensures in fact that a minimum deposit be maintained"[114].

Added to these economic factors were some political ones.

II –Political factors

These events unfolded in the context of a discernible change in African opinion marked by the assertion of a certain nationalism, an awakening, a re-evaluation and sometimes a questioning of the political relations established at the time of Decolonization.

Analyzing the causes of this atmosphere of dissent, Paul Bernetel[115] wrote that as regards its African policy "France made no provision for anything. Or rather, it thought that it had settled the matter once for all".

He noted that the formal independence granted in 1960 was in fact only *the replacement of colonialism by a system of economic and monetary interdependence* which was in tune with a convergence of interests between France and its former colonies.

[114] Letter of 9 March 1967 from Mr. Courmo Barcougné, Chairman of the Board of Directors, to Michel Debré, Minister of Economic Affairs and Finance.
[115] Jeune Afrique n° 622, 9 December 1972.

The system was such that despite some change of governments, the new authorities, whatever their proclaimed intentions, soon found themselves having to face the reality of their affiliation with the monetary and economic area of France, the Franc Area becoming thus the backbone of France's African policy.

Bertenel continued by saying that for 12 years, French-speaking Africa groped around, which does not mean that it remained static. The most agitated were the youth and students. It is to them that the credit goes mostly, for having tirelessly denounced a situation whose real reasons they had actually not always accurately grasped, their hobbyhorse being cultural alienation.

There were also the young officials who were working in government departments. Less dramatically but more methodically, they changed the attitudes of people little by little. Their concept of relations with the former mother country prompted some governments to change their methods and style and to show boldness in their discussions, along with a spirit of independence.

It is this context that partly explains the questioning of co-operation agreements signed in the early 1960s, particularly monetary agreements. Moreover, contrary to the pattern followed by earlier negotiations, this time, it was the Africans who took the initiative for the revision of the agreements.

Section II –African initiatives for a revision of co-operation agreements

In January 1972, during a visit by President Georges Pompidou to Niger, President Hamani Diori, on behalf of his peers in the Entente, delivered to him a "*memorandum on the changes desirable in the objectives, structures and mechanisms of the Franc Area*".

It was however at the time of the third visit of the French President to Africa, in November of the same year, that the matter of revision of the agreements was brought up in Ouagadougou, and then openly debated in Lomé.

I – The Lomé speech

In Ouagadougou, the first stage of this journey, President Pompidou confirmed, during a press conference on the morning of Wednesday 22 November 1972, before his departure for Lomé, his intention of offering facilities to those desiring an adjustment in the structures of the Franc Area.

He mentioned notably that, in all likelihood, there would be no delay in bringing up the matter of reforms in BCEAO after the dialogue taking place in Brazzaville, on the subject of the statutes of the Central Bank of the States of Equatorial Africa and Cameroon, adding that it was not impossible that it would all end in a general "summit conference", but that this was not an obligation..."[116].

[116] *Le Monde* of 24 November 1972.

On his arrival late in the afternoon in Lomé, the people of Togo gave the French President a particularly warm welcome, which he himself described as being "unforgettable".

At the Presidential palace, General Eyadéma welcomed his guest with words that were equally warm : "We welcome in you the supreme magistrate of the country of liberty, equality and fraternity, the successor of those who have given a legal status to inalienable human rights. In this capacity, you are assured of receiving in our country, over and above the honor due to you on account of the office you hold, the grateful tribute that men who enjoy freedom owe to your country".

"Ever since you have taken over the heavy burden of the affairs of France, you have never ceased to show the special care with which you consider our problems of development. Your visit to Togo is an added proof of this".

President Pompidou in turn replied : "Ever since General de Gaulle gave the signal for the Decolonization and independence of Africa, we have been partners, freely united in a close co-operation. It is about this co-operation first of all that we are going to talk, you and I. We will examine together what is good about it and the points on which changes are required. I had written to you that France is open to all suggestions and ready for all changes. We lay claim to no monopoly, we do not claim, above all, to influence in any way your own decisions".

In the evening, during the toast that he gave at the end of the banquet in honor of his guest, at the Parliament House, President Eyadéma noted : "Within the Franc Area, we would like the parity of the CFA Franc with relation to the French Franc to be reconsidered. We feel in fact that this parity, which at present is 2 old Francs for 1 CFA Franc, is not realistic. It is a question of justice and we desire that an exhaustive study, based on objective criteria, be made, to enable the fixing, as soon as possible, of a new parity more favorable to our people.

"... It seems to us that, to inspire confidence abroad, the CFA Franc should acquire greater acceptability in the Franc Area. It has been seen that even within our monetary area, the convertibility of the CFA Franc has not been fully secured.

"Finally, still more serious and disturbing is the fact that, despite the guarantee of the French Treasury for the CFA Franc, this latter is not accepted in European countries, leave alone in America, in the same way as the French Franc is.

"A Togolese traveler or businessman going to Brussels, The Hague, Luxembourg, Bonn or Rome, has to procure foreign exchange. It follows conclusively that most of the transactions undertaken by the State as also those by individuals, outside the Franc Area are conducted in foreign exchange, which gives us the right to wonder wherein lies the guarantee brought by convertibility...

"We would like France to exert its influence within the enlarged Common Market to ensure that the convertibility that it guarantees to the CFA Franc, is accepted by its partners, and that our currency thus avails of the same possibility of exchange as that enjoyed commonly by the French Franc".

In his reply, President Pompidou retorted thus : "I underlined in Ouagadougou that on our part we are open to carrying out all changes and granting all facilities, with one reservation, however, which is that the independence and the sovereignty that others can claim are limited within the framework of the guarantee given by the French State. One is bound to the other. There is a necessary connection between the freedom of each and the guarantee given to this effect, for, according to what you have said, it is obvious that the CFA Franc would collapse tomorrow if it did not have the guarantee of the French State".

These two speeches devoid of nuances, which, according to some press agencies, almost caused a diplomatic incident, marked a decisive turn in the process leading to the 1973 reforms.

The next day, on the morning of 23 November, during their private meeting, General Eyadéma said to his guest that "there was no ulterior motive in the "suggestions" that he had made the previous day".

"I never doubted that", President Pompidou replied politely.

According to the report of the discussion, given to the press[117] by his spokesperson, the French President pointed out that the CFA Franc was not the currency of Togo alone, but the common property of several countries. Problems concerning this currency should at all times be dealt with collectively, between the African countries first.

He indicated that some adjustments were desirable and for this reason, the French Minister of Finance and Economic Affairs, Mr. Giscard d'Estaing, was holding a conference with those in charge in Central Africa and in Cameroon.

"The parity of the CFA Franc", he added, "is, on the other hand, a French problem since it is France which has guaranteed it and it is this guarantee which gives it its stability.

"It is also incorrect to talk of a "depreciation" of the CFA Franc. The difference in the rate of exchange seen abroad is due to the commission taken by banks. This is a problem to be settled between the central bank and private banks".

According to the spokesperson, President Pompidou then noted that the non-acceptance of a currency or its depreciation was strictly commercial problems. An example of this was found in the Dollar, the strongest currency in the world, which was experiencing a large depreciation abroad.

He concluded by saying that it was up to the African States undoubtedly, to choose to collectively devalue or revalue, but obviously they could not do this without the participation of France, the guarantor of their currency. The solidity of the Franc Area would otherwise be affected. "Such operations should, in any case, be conducted with great discretion".

Mauritania, for its part, expressed the same anxiety.

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117 AFP, Bulletin d'Afrique, 24 November 1972, n° 7954.

II – The decision of Mauritania

On 27 June 1972 the Political Bureau of the "Parti du Peuple Mauritanien" (Mauritanian People's Party) (the country's single party), which met on 23 and 25 June, asked, through a communiqué, for the revision of the Franco-Mauritanian agreements within the framework of the pursuit of "the constant search for a more genuine independence in all fields".

The communiqué specified that this revision should take place before the end of the current year. This was followed by the diplomatic process, the strengthening of exchange control rules and the meeting of WAMU agencies ; the actual withdrawal took place a little later.

A – The diplomatic process

On 30 June, the Minister of Foreign Affairs of Mauritania was received in Paris by President Pompidou to whom he delivered a message from the Mauritanian President, Mr. Moktar Ould Daddah.

On 4 July, Mr. Ahmed Ould Sidi Baba, Minister of Culture and Information, asserted during a press conference that the relations of Mauritania with the Franc Area had to be revised, which in no way meant that Mauritania intended to leave this area.

In mid-August, the Government of Mauritania submitted to the French authorities "the modifications and adjustments which it felt, should be carried out in the said agreements, and which should be dealt with in such a way as to adapt them to the present exigencies of the country and to the present realities of its evolution"[118].

In this spirit, the Mauritanian Government asked for the revision of the co-operation treaty ; the revocation of the defense agreement and of its two annexes ; the annex on the military assistance agreement and its three appendices ; the maintaining of the agreement on justice after removing the annex ; the revocation of the agreements on cultural co-operation, and co-operation in the fields of Posts and Telecommunications, Civil Aviation and the Merchant Navy.

The general agreement on technical co-operation in the matter of personnel was to be maintained in a modified form. The Mauritanian Government suggested the replacement of the defense and technical military assistance agreements by a technical co-operation agreement on the training of army officers and the equipping of the armed forces.

Similarly, and while requesting that technical assistance be maintained, it suggested the replacement of the cultural co-operation agreement by agreements on the training of officials, on scientific and technical research, equivalence of degrees, and cultural exchanges.

Along the same lines and with regard to the *agreement* on *economic, monetary and financial co-operation*, the Mauritanian Government :

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[118] Official Gazette of the French Republic, 6 February 1962.

- suggested with regard to trade, that the preferential system granted to France in the form in which it had been subsequently extended to the totality of the States of the European Economic Community, be maintained ;

- asserted as regards currency, its "intention to achieve total sovereignty in matters of currency, in particular through the creation of a national currency and total control over the credit policy".

B – Strengthening of exchange control rules

On 27 November 1972, therefore five days after the events in Lomé, by a Presidential decree n° 72248 PR, a Government Commission was set up, attached to the Minister of Finance. The Government Commissioner assisted the Minister in discharging his responsibilities in the matter of exchange controls and control over banks and financial establishments.

The Commissioner was given extensive powers over banks, financial establishments and the Posts and Telecommunications, which had to provide him every Tuesday with a statement on the movement of transfers between Mauritania and the outside world and a comprehensive statement on risk utilization[119] ; a monthly statement and its appendices had to be submitted every month.

Two other decrees issued on 27 November, 3 orders and 9 circulars strengthened the exchange control measures. No provision explicitly excluded WAMU, France, and the States whose central bank avails of an operations account with the French Treasury, from the list of countries considered as foreign countries.

As regards imports, the limit for compulsory domiciliation was brought down to 20,000 CFA F ; the same limit was fixed at 50,000 CFA F for export transactions, the deadline for payment being brought down to 90 days after the date of arrival of the goods.

For payments on current accounts, the authority was withdrawn from approved intermediaries for :

- payments in settlement of pensions in application of superannuating schemes or of their redemption value ;

- payment of interests, dividends, profits of incorporated companies or corporations, and as a whole, returns on capital ;

- the reimbursement of short-term trade credits and the contractual redemption of debts ;

- the transfer of inheritance, dowry and loans granted by residents to non-residents.

The possibility of transfers in favor of emigrants was lowered to 100,000 CFA F.

[119] Bank credits.

For travelers, the grant of foreign currency for a journey abroad was restricted to 50,000 CFA F per year ; the CFA Francs that a resident could export were restricted to 10,000 CFA F per year. A non-resident also was allowed 10,000 CFA F (unless he justified the import of a higher amount).

On Tuesday 28 November 1972, in his State of the Nation speech delivered at the National Assembly on the occasion of the 12th anniversary of Independence, President Moktar Ould Daddah announced that in the name of the "total re-empowerment of the Mauritanian individual", his country had demanded the revision, by the end of the year, of all the agreements and treaties signed in 1961 between Mauritania and France.

He specified that "Mauritania had decided to introduce a national currency and to have complete control over its credit policy", adding that "Mauritania is going to refer the matter to WAMU with a view to revising the treaty binding it to this organization, keeping in mind the choice it had made".

"Mauritania", Mr. Ould Daddah added, "intends to maintain the closest possible links with the Franc Area and has asked France for the continuation of aid and financial assistance".

He then expressed the desire that the dialogue initiated with France on the overall problems of co-operation would make it possible "to lay the bases for new relationships opening out towards the future, that is to say, based on the well-recognized interests of both countries".

Later, Mr. Ould Daddah specified in a press interview : "We know that one cannot be economically independent unless one mints one's own currency and has total control over the credit policy. Our national resources, despite the drought that has brought us devastation during three successive years, will guarantee this currency. Our country is rich in cattle... We have a very prosperous fishing industry. We have gum which we are marketing in ever increasing quantities"[120].

Following these decisions, the Council of the Union and the Board of Directors met in Niamey.

C – Meeting of WAMU organs in Niamey

a – Meeting of the Council of the West African Monetary Union

On Friday 1 December 1972, the Council of the West African Monetary Union met in Niamey in the premises of the branch of BCEAO, under the chairmanship of Mr. Babacar Ba, Minister of Finance and Economic Affairs of Senegal, its incumbent Chairman. According to the Treaty, this body, unlike the Board of Directors, comprised only African representatives.

Mauritania was represented by its Finance Minister, Mr. Diaramouna Soumaré.

[120] Jeune Afrique, n° 624, 23 December 1972.

Mr. Soumaré informed the Board that the announcement made on 28 November by the Mauritanian President about Mauritania's decision to introduce its own currency, had led the Government, while awaiting the communication of the notification of its withdrawal from WAMU to member States and its taking effect in accordance with article 3 of the Treaty, to bring some restrictions on the free circulation of currency and on the freedom of transfers within the Union.

He asked the Board to authorize the measures taken, in accordance with the provisions of Article 4 of the Treaty. He assured the Board that these measures laid no restriction on the execution of the payments on current accounts between Mauritania and the other States of the Union, their objective being simply to prevent speculative trends.

The Board "took note" of Mr. Soumaré's declaration and expressed the hope that the period of application of these restrictive measures would be made as brief as possible through an early notification of the decision of Mauritania to end its participation in WAMU.

In a communiqué published at the end of its meeting, the Board asserted that the Treaty of 12 May 1962 establishing WAMU and the Co-operation Agreement with France, had set up irreplaceable instruments of solidarity and co-operation between West African States, along with an environment of preferential treatment between these States and France.

It emphasized that it wished to reassert solemnly the principles of this organization, namely :

- the existence of a unit of account whose release is entrusted to a joint Institute ;

- the centralization of currency reserves ;

- the free circulation of monetary symbols and free transfers within the Union ;

- the free convertibility of the unit of account into the French Franc, guaranteed by France.

"In the framework of these principles", the Board added, "it seems necessary to proceed with adapting the monetary institutions to the Union's development needs".

It then entrusted the task of making a study of the necessary modifications to a Committee made up of the Ministers of Finance of the Union, Mr. Tiémoko Marc Garango, Minister of Finance and Commerce of Upper Volta being appointed its Chairman.

The discussion on Mauritania was taken up again the next day at the meeting of the Board of Directors.

b – Meeting of BCEAO Board of Directors

On Saturday 2 December 1972, the Board of Directors met under the Chairmanship of Mr. Babacar Ba.

One item on the agenda related to the "problems arising out of the decision of the Islamic Republic of Mauritania to withdraw from the Monetary Union" and another to the "prospect of changes in the Central Bank within the framework of the Franc Area".

1 – Problems arising out of the decision of the Islamic Republic of Mauritania to withdraw from the Monetary Union

After having heard the Managing Director give an account of the meeting of the Council of the Union, Mr. Soumaré was asked to give some clarifications, notably by the Directors representing France who did not participate in the Council of the Union.

The Directors were of the view that the expression "takes note" employed by the Council of the Union simply implied the recording of the statement heard and in no way constituted an implicit relinquishment of its right to arrive at a decision only after seeing the documentation considered necessary for its information.

The Chairman declared that this interpretation was absolutely in tune with the feelings of the Council of the Union, which could not give its approval to provisions the scope of which it was not in a position to study, in the absence of the relevant texts.

The representatives of Mauritania then made two compromise suggestions, i.e. that either a provisional approval be given to the measures taken while awaiting the verification of the maintaining of the free transfers of current accounts, or that the legitimacy "in principle" of the verifications in question be admitted, the authorization of their modalities of application being held up till the documents had been examined.

The same anxiety over not prejudging its decision until detailed documentation had been received led the Council to reject both suggestions.

Moreover, observing that the convention in force between WAMU States and the one concluded between the latter and France constituted "a whole", the French Directors wanted to be assured that the steps taken by Mauritania did not moreover harm the legitimate interests of the States of the Franc Area which were not members of WAMU.

The Managing Director observed that the situation thus created involved, on the part of the Council, some decisions as regards the maintaining of the operations account for Mauritania and interventions by the Central Bank in matters of credits.

Directors representing France felt that keeping in mind the assurances already given by the Mauritanian ministers and with the reservations already expressed by the Council on this matter, France saw no obstacle to maintaining the operations account for Mauritania.

They requested that France be among States assured of freedom of current payments.

The Council then recorded its agreement to the establishment, in Mauritania, of credit ceilings as well as individual limits coming within its purview, while taking care to ensure that too liberal a distribution of funds did not nurture an outflow of capital.

Continuing with its agenda, the Council reviewed the prospects of changes in the Central Bank.

2 – Prospects of changes within the Central Bank in the framework of the Franc Area

The Chairman read out to the Board a letter from the French Minister of Economic Affairs and Finance, Mr. Valéry Giscard d'Estaing, informing him of the recent agreements arrived at in Brazzaville on the monetary system adopted, with the consent of France, by the States of Equatorial Africa[121] which participated earlier in the Central Bank of the States of Central Africa and Cameroon.

It emerged from the correspondence that the reforms would adapt to Central Africa the main principles retained ten years earlier for West Africa. Nevertheless, the way in which circumstances developed, led the Brazzaville negotiations to innovate, on some points, as regards the modalities being deployed in the Franc Area and in WAMU in particular.

One of these was the possibility for the Central Bank to "diversify" some of the foreign exchange reserves deposited until then exclusively in the operations account. These could be put into foreign exchange accounts opened in the books of central banks established outside the Franc Area.

This option was restricted to 20% of the net foreign assets (excluding SDRs) of the Bank and its implementation was subject to the decision of the Council.

The second innovation was the relaxing of the procedure to be followed for modifying the parity between the CFA Franc[122] and the French Franc : the form of a simple "consultation" between signatory States replaced that of a formal "agreement".

Moreover, the field of intervention of the central bank was widened in favor of the States, public enterprises and the economy in general.

Thus, *the overdrafts to the* national *Treasuries* could continue for the full year ; the medium-term interventions "initiated by the member States" were extended to prefinancing for the benefit of the States, infrastructures, common services, etc. whose redemption was accomplished by way of the budget, these overall operations, including overdraft, going up to 20% of the national budget revenues.

[121] Cameroon, Central Africa, Congo, Gabon, Chad.
[122] Franc of the Monetary Cooperation in Central Africa.

For some financing operations conducted by specialized establishments, the Central Bank was authorized to hold credit papers having not more than seven years to run in portfolio.

In respect of investments, the Bank was authorized to subscribe to the issues of some international institutions.

The Chairman requested the ministerial committee, set up the preceding day by the Council of the Monetary Union, to retain this study and to adapting these various innovations within the purview of the work of "adjustment" entrusted to him.

Mr. Babacar Ba having completed his term, Mr. Jean Tevi, Minister of Finance and Economic Affairs of Togo, was appointed Chairman of the Board.

In his capacity as the oldest African representative participating in the meeting, Mr. Garango congratulated Mr. Tevi and thanked Mr. Ba.

The communiqué of the Board reaffirmed its view "that the changes in the Central Bank should be conducted for the benefit of the economic development of the States of the Union and while maintaining the free convertibility of the Franc of the African financial community into the French Franc, guaranteed by the French Republic".

Five months later, Mauritania set up its Central Bank and its national currency.

Meanwhile, authorities in Dahomey as well as those in Senegal also gave their views on the question of co-operation.

III – The Cotonou comments

On Friday 30 November 1972, in his program speech addressed to the Dahomean people, President Kérékou announced that the co-operation agreements binding Dahomey to "certain friendly countries" needed to be revised.

In addition, "the advantages and disadvantages" of the participation of Dahomey in the Entente Council, in OCAM, in Air Afrique and in BCEAO would need to be re-evaluated.

On the domestic front, the Dahomean State would take "control of the vital sectors of the economy", and the code of investments would be revised "so as to make it more favorable to the interests of the Dahomean people".

Two weeks after this declaration, it was the turn of Senegal to come out publicly on this matter.

IV – The Dakar resolutions

Indeed, on Saturday 16 December 1972, the eighth National Congress of the "Union Progressiste Sénégalaise" (UPS), the government party whose Secretary General was Mr. Léopold Sédar Senghor, the President of the Republic, opened its deliberations.

This gathering of 1800 delegates from all regions of the country took place at an important period in the evolution of Senegal and of the overall region of West Africa. The title given by President Senghor to the general policy report, which he presented, was "The Economic Community as the framework for development".

In view of the current criticisms and the positions taken on the Franc Area, it was the part of the report that dealt with monetary and financial matters which was the most eagerly awaited.

Mr. Senghor's analysis, after pointing out the limits of monetary independence "today when we are under the domination of the triumvirate of North America, Europe and Japan", dealt with the short and long-term perspectives.

In the short-term, basing himself notably on the "minor reforms" suggested in the memorandum of January 1972, by the Entente countries, he suggested a four-point reform of BCEAO, as follows :

- for any modification of BCEAO statutes, the rule of unanimity be replaced by the 2/3 majority ;

- a widening of the powers of National Monetary Committees.

Without going to the extent of asking for independence of the Committees, which, he said, would be detrimental to the States in the interior of West Africa, by preventing their economic integration in a spirit of solidarity, Mr. Senghor suggested a strengthening of their autonomy through an increase of their powers ;

- the possibility for the Bank to grant larger assistance to national treasuries and a greater flexibility in the modalities governing the granting of this assistance.

- the Africanization of the staff.

On this subject, Mr. Senghor specified that he was in favor of a depolitization of BCEAO and a progressive Africanization, along with a systematic training of the staff.

Indeed, BCEAO was at the time lagging behind BEAC, all of whose local directors, with the exception of the one in Fort-Lamy were Africans. Most of BCEAO branch managers were Europeans except the ones in Cotonou and Ouagadougou. At the headquarters in Paris, under the pressure of circumstances, Mr. Daniel Cabou, former Minister of Senegal had just been appointed on 1 August 1972 its Deputy Managing Director.

The Senegalese President concluded this part of his analysis by underlining, in substance, that it was out of question for Senegal to introduce a national currency. The existence of the CFA Franc was, in his view, a positive element as it constituted a factor of integration as testified by the trend of Senegal's trade with other States depending on whether they were partners in WAMU or were non-convertible currency countries.

As regards the long-term prospects, Mr. Senghor added that "over and above these reforms in WAMU and BCEAO, as and when European States set up a monetary union with a common currency, all of us who will have signed agreements with the European Community will be able to freely formulate a union of payments between West African States and then progress towards the introduction of a common currency".

At the end of its deliberations, the Congress adopted the general policy resolution approving these proposals.

As for Mauritania, it took the necessary steps for withdrawal from WAMU.

Section III – The withdrawal of Mauritania

I – The setting up of national monetary institutions

A – The Central Bank of Mauritania

At its Cabinet meeting on 15 May 1973, the Government approved the bill relating to the creation of the Central Bank of Mauritania and the fixing of its statutes at the suggestion of the Minister of Finance and Trade.

It was submitted to the National Assembly and the Minister of Finance, Mr. Diaramouna Soumaré, in a broadcast, informed the population about it.

Thus, "Act no. 73 118 concerning the creation of the Central Bank of Mauritania and setting out its statutes" was promulgated on 30 May 1973 in these terms :

The National Assembly has discussed and adopted,

The President of the Republic promulgates the law whose contents are as follows :

Article 1 – A Central Bank of Mauritania shall be set up whose object and working are determined by the statutes contained in the annex to this law and through the decrees and rules drawn up by virtue of the said statutes.

Article 2 – From the date of the coming into force of the said statutes, all provisions that are contrary to it shall be revoked.

Article 3 – This Act shall be published in keeping with emergency procedures and put into application as a State Act.

Done in Nouakchott, on 30 May 1973

Moktar Ould Daddah

B – The Ouguiya

The Minister also indicated in his declaration that the new currency would carry the name of Ouguiya. This was the traditional name of the 5 CFA Franc coin.

The new unit was divided into 5 khoums; the khoum was equal to 1 CFA F. There were notes of 1000, 200 and 100 Ouguiya and coins of 10.5 and 1 Ouguiya. The writing on the notes and coins was in Arabic and French.

This parity of the Ouguiya, Mr. Soumaré specified, had been chosen in order to "reassure economic players" and to disturb the habits of the Mauritanians as little as possible. It would also make transactions with countries of the Franc Area easier.

Mauritania gave a six-month notice starting from 1 January 1973 for its withdrawal from WAMU which, in practice, was done through a transfer of the issuing service from BCEAO to the Central Bank of Mauritania.

Box 7.1

In "la vie matérielle des Maures"[123] (the material life of the Moors) Paul Dubie wrote about the appearance of currency. "The Moors are not able to specify from what period European currencies were known to them, but their use became widespread only after peace was re-established in Mauritania. "Their vocabulary is as follows : "*Sufaïa* 0fr 05 *Gubraia* 0fr 10. *Bikini* 0fr 25. *Tank* 0fr 50. "*Fiftinein* or *Dubel* 2 fr. *Uguia-el-Angle* (English uguia) 4 Francs (little used). *Uguia : 5 Francs.* "Above 5 Francs the count is done with uguia, the exact change is given in the above units. Example 1254,90 : *Mitein* or *Hamsin Gugui* or *Arba Ftalen* or *Tank* or *Bikini* or *Gubraia* or *Sufaia*, i.e. two hundred and fifty ougui and 4 Francs and 50 cents and 25 cents and 10 cents and 5 cents. "Gold currency has left a few scant memories : the gold louis *Fiftin deheb* or fiftin of gold or *Louisa.* "The appearance of the bank note has remained a great event and the year 1919 called *Am el keit* serves as a landmark for counting the years. "The bank note is called *Taget el Fada* (paper-money or paper-currency). "The introduction of the European monetary system has not led to the disappearance of the units of cattle, cloth, grains, but these are calculated in terms of money. "Apart from transactions in shops, numerous transactions are conducted in the Mauritanian ports and stop overs in keeping with a mixed goods-money system".

II – The transfer of issuing service from BCEAO to the Central Bank of Mauritania

The long and difficult negotiations for the transfer of the issuing service concluded with a convention signed in Paris on 25 June 1973 between Mr. Ahmed Ould Daddah, Governor of the Central Bank of Mauritania, and Mr. Jean Tevi, Chairman of BCEAO Board of Directors.

The main point of discord related to the approach adopted for the separation operation, notably the manner of dealing with fiduciary circulation, on which the amount of foreign assets to be paid to Mauritania, or on the contrary, the excess to be recuperated from it, depended.

In fact, during a meeting on 2 December 1972, the Board of Directors had drawn up a memo setting out the general rules to be adhered to in the event of a withdrawal by a member State from WAMU.

[123] Dubie (Paul), Chief Administrator of Overseas France, Memos of the French Institute for Black Africa, n° 23, 1953.

It was indicated, in substance, that the procedure for transfer of the issuing service would consist of a convention between the State that was withdrawing and the Bank, which would decide on the assets and the liabilities to be transferred.

These latter were : on the day of the withdrawal, the *funds* granted in various forms (rediscount, pensions, overdrafts from the Treasury) to beneficiaries residing in the territory of the withdrawing State ; the *movable and immovable property* of the Central Bank in this territory ; the current accounts with a credit balance opened in the books of the Branch of the State ; the share in the *capital* and *reserves*.

After the withdrawal, "with the gradual deployment of transactions in foreign exchange, the withdrawing State remits to BCEAO the CFA notes and coins exchanged. After contradictory recognition of the said notes and coins, the Central Bank records the amount to the credit of the account "State of ... Transfer of issue".

This account "State of... Transfer of issue" opened by BCEAO as a follow-up of the overall separation operations, notes also to its debit the elements of assets transferred and to its credit the elements of liabilities recorded.

If at the close of the operations there is a credit balance, the Central Bank owes a debt to the withdrawing State and discharges it by a payment in French Francs.

If there is a debit balance, it means that the State which is leaving has withdrawn in excess ; it settles it by paying BCEAO in French Francs.

It was based on these elements that a draft convention was presented by BCEAO Managing Director to a Mauritanian delegation on 19 January 1973, for its study.

The discussions planned for 26 February were postponed. From 21 to 23 May 1973, a delegation of BCEAO led by the Chairman of the Board of Directors, Mr. Tevi, and made up of Mr. Daniel Cabou, Deputy Managing Director and Michel Durand, Director of Financial Operations, went to Nouakchott at the invitation of the Ministry of Finance of Mauritania.

After several working sessions, no agreement was arrived at on the basis of the principles fixed by BCEAO Board of Directors, with the result that the two delegations were not able to draw up a joint text.

At the request of BCEAO, the Mauritanian authorities drew up a counterproject on 28 May. They suggested, in substance, that on the day following the date when BCEAO would have ceased its activity in Mauritania as an issuing house, firstly, "the foreign assets of the Islamic Republic of Mauritania held by BCEAO on the date of the transfer" be credited to the special "BCEAO – Transfer of issuing service" account, opened in the books of the Central Bank of Mauritania ; secondly, the "amount of notes and coins issued by BCEAO on behalf of the Islamic Republic of Mauritania" should also be debited from this account.

In other words, contrary to the classical pattern in which the fiduciary circulation of the country withdrawing from the Monetary Union was determined only after the closing of the exchange operation, and the foreign assets eventually returning to it, calculated once the circulation was known, the Mauritanian project provided for both these matters being dealt with immediately on the basis of the accounting situation, it being understood that the CFA notes collected outside the Mauritanian territory through BCEAO, and bearing the letter "E" would be presented by BCEAO to the Central Bank of Mauritania, acknowledged and destroyed (Article 3) and that the CBM would credit within 48 hours BCEAO with the exchange value in French Francs of these notes (Article 11). All these operations had to be completed within a period of six weeks (Article 15).

In the opinion of BCEAO services, following this procedure was tantamount to considering the branch of BCEAO in Nouakchott as a national bank acting solely on Mauritanian territory.

They felt that the consequences for BCEAO would be first of all that it would be making a payment twice for the "E" notes taken back by it from the other States of the Union or purchased from outside, once at the time of the presentation by the bearer and a second time by way of the overall settlement of payments to be made into the accounting issue of the Central Bank of Mauritania on the day of the transfer.

True, it would subsequently be reimbursed for notes that it would present to Nouakchott, but with some delay, while it would have no means of getting a reimbursement for coins issued in Mauritania which, having gone to other States, would not be presented for exchange[124].

Finally, it was felt that basically, the principle of the Monetary Union was being called into question, to the extent that the "E" notes were being given over to the sole jurisdiction of the Central Bank of Mauritania, BCEAO would logically have to inform the public that it no longer accepted "E" notes. This was unimaginable.

As for foreign assets, the services emphasized that the monthly statistical statements drawn up by the State did not have a book value; "the amount of external holdings due to the withdrawing State can only be determined *a posteriori* in accordance with the actually noted fiduciary circulation at the end of the exchange of the monetary symbols".

Because of the depth of divergences, the Minister of Finance and Commerce of Mauritania, Mr. Soumaré, submitted the problem to the branches of WAMU on whose boards Mauritania still had a seat.

Thus, on Saturday 9 June in Abidjan, the Council of the West African Monetary Union held a special session at 9 a.m. and BCEAO Board of Directors held in the afternoon an extraordinary session, both, under the Chairmanship of Mr. Jean Tevi.

Mr. Soumaré was assisted by Mr. Ahmed Ould Daddah and Mr. Mohamed Cheikh, Governor and Deputy Governor respectively of the Central Bank of Mauritania.

124 Unlike notes, coins were not identified according to the State.

Following the statements made by the representatives of Mauritania and by BCEAO Managing Director, members of the Council of the Union gave their points of view while seeking to arrive at "an amicable solution enabling the protection of the interests of both parties involved to the greatest possible extent...", the formal reference to the basic texts providing conflicting arguments to both parties.

It was in this perspective that Mr. Ousmane Seck suggested a solution that met with a consensus.

Indeed, Mr. Seck presented two alternatives: either the solution retained during the withdrawal of Mali which was that of taking into account the actual fiduciary circulation, or the Mauritanian argument concerning the accounting issue on condition that Mauritania undertake to reimburse the identified "E" notes circulating outside its territory, without setting a time limit.

This solution was finally accepted after the meeting of BCEAO Board of Directors in the afternoon, and the subsequent Council of the Union and Board of Directors' meetings on 25 June in Paris.

On 25 June, the Convention concerning the transfer of the service of issue was drawn up in keeping with the bases agreed upon and signed by Mr. Ahmed Ould Daddah and Mr. Jean Tevi.

An exchange of letters set the date of cessation of BCEAO activity in Mauritania for Friday 29 June at midnight, the legal transfer of the issue service taking place on Monday 9 July at midnight.

Between 2 and 6 July, the contradictory recognition of cash in hand in the Nouakchott branch, and the destruction of notes, etc. were completed.

The transactions for exchange of CFA Francs against Ouguiya, fixed from 24 June till 8 July, were finally extended till 15 July.

On the basis of the Convention of 25 June, the balance sheet for the transfer of the issue was drawn up on 8 July 1973.

The paper money in circulation, notably, showed a debit of 3,78,652,000 CFA F and the quick foreign assets to be paid to Mauritania came to 2,691,969,708 CFA F.

In application of the convention, BCEAO services took stock, every month, of the amount of the "E" notes repurchased outside Mauritania and of the reimbursements made by the Central Bank of Mauritania.

The Convention of 25 June 1973

Articles 8-9-10 and 18 **MAURITANIA**

Balance sheet for transfer of issue as of 8 July 1973

	172,936,650	"E" identity circulation	3,178,652,000
	314,090,010	Values for collection not available	168,398,407
	590,723,342	Interest due on published deposits	6,690,548
	20,091,485	Current accounts in credit	1,247,353,995
	5,749,158	Bank charges levied by BCEAO prior to 9 July for the period subsequent to this date, on discounted bills transferred	361,088
	33,389,275	Transfers from	
	1,564,690,462	not executed	23,712,875
	609,881,258	Quota of capital and reserves	600,000,000
		Capital and reserves	2,221,573
	689,638,925	Special re-evaluation reserves	14,707,604
		Housing fund	231,379,521
		Special inter-State Fund	53,504,644
	60,465	Risk provision	1,235,531,790
	2,538,751	IMF – SDRs allocations	30,000,000
	576,692	Money lost (lump sum payment)	
	79,102,766		
	17,075,098		
	4,100,544,337		
	2,691,969,708		
	6,792,514,045		6,792,514,045

The claim of the Central Bank of Mauritania on the Central Bank of West African States, resulting from the balance of the account mentioned in the first paragraph of Article 7 in the Convention concerning the transfer of the issue service to Mauritania, is fixed, subject to subsequent adjustments and contradictory auditing conducted by the Auditor appointed by the Board of Directors of the Central Bank of West African States, and the Chartered Accountant appointed by the Governor of the Central Bank of Mauritania, at two billion six hundred ninety-one million nine hundred sixty-nine thousand seven hundred eight CFA Francs.

Prepared in Nouakchott, on 9 July 1973

The Deputy Governor of the Central Bank of Mauritania

Moustapha Ould CHEIKH-MOUHAMEDOU

The Director of Financial Operations of BCEAO

Michel DURAND.

Operations in Mauritanian "E" notes conducted by BCEAO or its foreign correspondents between 9 July 1973 and 31 July 1975

I – Notes purchased by BCEAO

	(in millions of CFA F)
Central Bank of Mali	38.2
Bank of Central African States	2.8
"Banque de France" :	533.4
France	82.6
Switzerland	185.1
Spain	255.6
Morocco	6.9
Others	3.2
Central Bank of West African States	1 069.7
Abidjan	37.6
Cotonou	9.3
Ouagadougou	14.8
Niamey	7.8
Dakar	988.6
Lomé	11.6
	1,644,1

II - "E" notes repurchased from BCEAO by the Central Bank of Mauritania after 9 July 1973	1613.9
III - "E" notes held by BCEAO Or its correspondents as of 31 July 1975	30.2
IV - Result of the transfer of the issue to Mauritania	
A – Notes in circulation as of 8 July 1973	3,178.652
B - "E" note operations conducted After 8 July 1973	
a) "E" notes exchanged by the Central Bank of Mauritania during the period of exchange	*1,377.455*
b) "E" notes exchanged by the Central Bank of West African States And its correspondents after 8 July 1973	*1,644.130*
c) "E" notes remaining in circulation as of 31 July 1975 in the event that the Central Bank of Mauritania will not have itself exchanged any "E" note after the closing of the exchange operations	*157.067*
	3,178.652

As of 25 August 1975

It was not by chance that on 2 December 1972, the Board of Directors who had to study the problems presented by Mauritania's decision to withdraw from the Monetary Union had concomitantly added to its agenda "the prospects of changes within the Central Bank in the framework of the Franc Area".

The withdrawal of Mauritania did indeed quicken the process of reforms in this monetary organization.

Section IV – The 1973 reforms

These reforms were the result of a collective effort of reflection, undertaken by those in charge in the States and in the Central Bank, and by the Committee of Finance Ministers.

I – The preparatory work

A – The Ministerial Reforms Committee

Presided over by Mr. Tiémoko Marc Garango, its secretariat was headed by Mr. Daniel Cabou, Deputy Managing Director of BCEAO. Mr. Garango drew for himself a specific program of work and set the pace for the entire group of those participating in the reforms exercise.

On 8 December 1972, i.e. six days after his appointment, he wrote a letter to the Heads of State, Heads of Government and Ministers of Finance of WAMU, informing them that he had entered into contact with the authorities in the first fortnight of January 1973 with a view to gathering "their suggestions and defining an orientation to adapt the monetary institutions to the realities of the Union's development".

Each Minister was asked to conduct an in-depth study into the problems and to send, before undertaking the task assigned to him, a preliminary result of his reflections to the Chairman of the Committee. Documents were sent to them comprising inter alia a comparative study of the statutes in force in BCEAO and those of the future Bank of Central African States.

B – In – house reflection

The headquarters of the Central Bank had a meeting with Branch Managers on 21 December 1972 in Paris to take stock of the matter and to take measures to help further the work of the Committee, and of committees set up at the level of States, by supplying them the necessary documentation and by participating in their deliberations.

Central departments and branches were also expected to communicate the results of their own reflections to the Secretariat of the Committee.

C – The reflection at the level of States

In each State, reflections were aired either in the framework of formal committees or in informal working groups.

In substance, States concluded that the reforms suggested aimed at "consolidating whatever appeared to be of a positive nature in the Institution and at modifying whatever was not so".

They pointed out that BCEAO, in its present form could be criticized over the following points :

- it was managed from Paris by French officials and its main branches were placed under the responsibility of expatriate agents ;

- it was excessively centralized and delegated very little real responsibility to national authorities (national monetary committees and Branch Managers) ;

- its policy tended to be identical towards States with vastly different degrees of evolution.

Conversely, the multinational nature of BCEAO, despite the loss of sovereignty involved for the member States, could be considered positive both :

- at the level of WAMU since it guaranteed the free circulation of currencies and promoted trade within the Union ;

- and at the international level, to the extent that the centralization of reserves and the solidarity that this implied, guaranteed to the CFA Franc a real value and conferred on the States participating in WAMU a prestige that they would not otherwise have enjoyed.

II – The meeting of the Committee in Ouagadougou from 14 to 16 March 1973

From Wednesday 14 to Friday 16 March 1973, the ministerial Committee met in Ouagadougou under the chairmanship of Mr. Garango.

The final[125] communiqué issued at the end of the deliberations pointed out that the Committee had made, in a single document, the synthesis of proposals for reforms to be brought about in the monetary institutions of the Union and in its relations with the French Republic which would form the subject of negotiations.

The Committee set out the general principles which should be the guiding force behind the reforms and motivate the adaptations of the monetary institutions, these being :

- the Africanization of the Central Bank involving the transfer of the headquarters to the African continent, the autonomy of management of the issuing house by African officials and the adaptation of the institutions and procedures to the African reality ;

- a more active and dynamic role of monetary policy, the economic development of the States with a view to promoting, in particular, national enterprises while safeguarding the benefits of the monetary stability achieved and maintained within the Union during the last ten years ;

- the maintenance of monetary stability within the diversity of trends noted in the economies of member States.

[125] AFP, Bulletin d'Afrique, n° 8049, 17 March 1973.

It would therefore have been appropriate that the excessive centralization of decision-making powers, as well as the uniformity of some of the rules guiding the working of the issuing house, be given up. But this principle of a more active and comprehensive solidarity would also involve that new modalities be examined for the support of France to the Monetary Union. Thus, the conditions and implications of the involvement of the guarantee by France as well as its participation, considered highly desirable by the States for setting up joint institutions for development of the Union, had to be specified.

On the basis of these general principles, the Committee indicated the modifications and adjustments required to be carried out in the main basic texts, these being the treaty establishing the monetary union, the co-operation agreement with France, the convention on an operations account and the statutes of the Central Bank.

It then drew up the practical measures to be taken, these being :

- the Africanization of the officials of the Bank at the headquarters and in the branches and the setting up of a training policy for employees at all levels, with a view to putting this important move into practice at the earliest ;

- the distribution of decision-making powers between the Council of Ministers which defined the general orientations, the Board of Directors which was the managing body, and the National Credit Committees whose powers would be increased and decentralized ;

- the extension of Central Bank's assistance to public Treasuries, and to the financing of public investments and economic development projects, through an adjustment in the techniques of credit ;

- finally, a plan for the creation of a West African Development Bank ; "the general orientation has been decided upon, but the precise study of its organization and working has been sent to the experts of the States concerned".

Finally, the communiqué indicated that the proposals formulated with the intention of strengthening West African solidarity would be the subject of the appraisal and decision of WAMU Heads of State.

III – The involvement of the Heads of State

At the end of the meeting in Ouagadougou, Mr. Garango presented the Committee's conclusions to the Heads of State.

In conjunction with a meeting of the West African Economic Community (CEAO) held in Abidjan on 17 April, the Heads of State accepted the project, subject to a final "finishing touch" which they entrusted to President Hamani Diori who was authorized to initiate negotiations with French authorities.

On 6 July, President Diori met President Georges Pompidou in Paris. He declared on coming out of the Elysée : "I have come, appointed by the five Entente countries and Senegal, to discuss the transformation of the West African Monetary Union"[126].

As regards the revision of the co-operation agreements between France and Niger, President Diori indicated that it was taking its course but that the most important problem was that of the Monetary Union : "We want the monetary area of West Africa to become an area of solidarity in development and not to remain an area of solidarity in monetary matters alone".

In the afternoon, he received Mr. Valéry Giscard d'Estaing, Minister of Economic Affairs and Finance, with whom he discussed the reforms. The interview ended with the decision that preliminary work would be undertaken by experts on the matter.

Finally, the negotiations took place at the ministerial level.

IV – The negotiations at the ministerial level

On 24 October 1973, Mr. Garango suggested to Mr. Giscard d'Estaing that a ministerial level meeting be held in Paris on 2 November 1973, "a meeting of experts not appearing to be necessary on account of the advanced state of the work", as he specified in his telex message.

The meeting was held on 8 November 1973 in Paris. The communiqué of the French Ministry of Economic Affairs and Finance mentioned that the idea was "to devise new agreements for monetary co-operation in the framework of the Franc Area".

"The ministers present came to an agreement over the new statutes of the Central Bank of West African States which take into account the new structure of the Monetary Union.

"This new bank", the communiqué specified, "will carry out its functions for the issuing area of West Africa with the aim of strengthening co-operation between the African countries concerned and of promoting a rapid development of their economies.

"These reforms convey the desire of African States to reinforce their monetary solidarity and the desire of France to act in such a way as to enable these States to take their decisions in total sovereignty within the framework of the basic principles of the organization of the Franc Area, entailing fixed parities and the guarantee of convertibility of the West African currency.

"The rules of intervention of the bank will be relaxed so as to enable it to finance, through medium-term credits, projects of member States in the field of infrastructure and collective equipment and to give some assistance in long-term financing or by taking a stake in joint institutions for development".

Subject to the approval of the concerned Heads of State, the fresh agreements and statutes of the new Central Bank of West African States would be signed in one of the member States on 4 December 1973.

126 AFP, Bulletin d'Afrique, n° 8141 of 7 July 1973.

Commenting on the Agreement, Mr. Giscard d'Estaing declared that the negotiations conducted by France and its African partners aimed at giving expression, as regards the monetary institutions, to the changes that had taken place since the African States acquired their independence.

"We have attempted to device modern and equitable concepts, respecting the sovereignty of each and conserving the special form of solidarity which joins together the States of the Franc Area.

"At the conclusion of this task, I express the wish that the refurbished Central Bank of West African States will become a basic instrument for the promotion and progress of West Africa".

V – The signature and ratification of the agreements

A – The Treaty

On the occasion of the Franco-African "summit" held in Paris on 13 November 1973, Mr. Garango submitted the Treaty, through a letter dated 14 November, at the Embassy of Niger in Paris, for the signature of Mr. Senghor ; Mr. Houphouët-Boigny, Mr. Lamizana and Mr. Diori, Heads of State of Senegal, Côte d'Ivoire, Upper Volta and Niger respectively, and that of Mr. Michel Alladaye, Minister of Foreign Affairs of Dahomey.

Mr. Garango then took the Treaty to Lomé for the signature of President Eyadéma on 28 November 1973.

B – The Co-operation Agreement

The Ministers of Finance of WAMU signed it on the afternoon of Tuesday 4 December 1973 in Dakar. Mr. Giscard d'Estaing who was absent and was represented by Mr. Pierre Dehaye, Director at the Ministry of Economic Affairs and Finance, signed the document later.

In France, Act no. 74-626 of 2 July 1974, authorized the approval of the co-operation agreement between France and WAMU States[127].

In WAMU States, the agreements were ratified between December 1973 and July 1974[128].

VI – The new monetary constitution

As regards their form, the four texts comprising the pillars of the architecture were retained, as follows.

- the Treaty establishing the West African Monetary Union ;

- the Co-operation Agreement between the French Republic and the Republics which were members of the West African Monetary Union ;

- the Convention on an operations account between the French public Treasury and the Central Bank of West African States ;

[127] J.O., n° 6963 of 3 July 1974.

[128] BCEAO - document of 15 September 1974.

- the Statutes of the Central Bank of West African States.

Added to this was the plan for the setting up of a joint financing body, called the West African Development Bank (BOAD).

As regards the contents, the major innovations concerned, on the one hand, the organs, their respective powers and their linkages, and on the other hand, operations concerning the issue of currency and the financing of development by a specialized institution, the BOAD.

A – The organs of the Monetary Union

The idea underlying the setting up of these organs was that the issue of money being so closely concerned with the life of the States, its joint management inevitably gave rise to problems which, in the absence of an acknowledged supranational authority, could only be resolved by consultations between the political authorities at the highest level of the sovereign States concerned.

Two organs were set up to this end, the Conference of Heads of State and the Union's Council of Ministers.

a – The Conference of Heads of State

The new Treaty formally placed the Monetary Union under the *supreme authority* of the Heads of States meeting in a Conference. The provisions relating to this body, drew their inspiration closely from Article 31 of the Treaty establishing the West African Economic Community (CEAO).

The Conference of Heads of State decided on the *admission* of new members, took note of any *withdrawal* and conducted deliberations on the *exclusion* of members from the Union and assigned the seats in the issuing house and other institutions.

b – The Council of Ministers of the Union

The *management* of the Monetary Union was carried out by a Council of Ministers made up of two African representatives per State, one of these being the *Minister of Finance.*

One of the Ministers was chosen to preside over the deliberations of the Council. This Chairmanship was held for two years by rotation. The Council took *unanimous decisions.*

It defined inter alia the monetary and credit policy of the Union so as to ensure the protection of the common currency and to provide for the financing of the economic development activity of the States of the Union.

Moreover, it could decide on the Union's *modification of the currency unit's denomination*, modify the *definition* of this currency unit and determine its parity on condition of adhering to the States' international commitments, notably that of *"consultation to the greatest possible extent"* with the French party (Article 5 of the Co-operation Agreement) and the declaration of parity to the International Monetary Fund.

In order to enable it to carry out the tasks assigned to it, the Governments of member States had to keep it informed about their economic and financial situation, the prospects of its evolution, as well as about those of their decisions and plans whose cognizance would appear to be necessary (Article 12 of the Treaty).

The Council approved every agreement or convention, entailing an obligation or commitment by the central bank, to be entered into with foreign central banks or international institutions.

It met at least twice a year ; in actual fact, once every three months.

The Governor of the central bank participated in the meetings of the Council of Ministers in an advisory capacity.

B – The organization of the Central Bank

a – Its administration

Under the leadership and supervision of the Union's Council of Ministers, the Central Bank was administered by a Governor, a Board of Directors and National Credit Committees.

1 – The Governor, Head of the Administration

The Governor was appointed by the Council of Ministers for a renewable term of 6 years[129]. He was assisted by two Deputy Governors[130] appointed by the Board of Directors for a renewable period of 5 years.

The texts gave the Governor extensive powers of *co-ordination* of activities of different agencies and *management* as regards the Bank staff and departments.

He was the *Chairman of the Board of Directors* but did not participate in the voting (Article 51 of the statutes) ; he participated, as we have seen, in the meetings of the Council of Ministers and could ask to be heard by this body; he took part in the meetings of National Credit Committees in an advisory capacity (Article 55 of the statutes) ; he ensured the implementation of the Council of Ministers' and the Board of Directors' decisions.

He could suggest to the Board the revision of those decisions of a Committee that are not in accordance with the provisions of the statutes, the general rules or specific decisions of the Board of Directors, or the instructions of the Union's Council of Ministers (Article 60 of the statutes).

He was responsible for the organization of the Central Bank's services and for their activity ; he could delegate part of his powers to the Deputy Governors ; he could employ and appoint staff on condition of seeking, for the appointment of a National Manager, the consent of the Government of the State in which this branch had its office ; he posted all employees, authorized their retirement and dismissed them ; he fixed the salaries, pension benefits on retirement as well as the benefits that were granted to them (Article 46 of the statutes).

BCEAO's services were organized in accordance with the powers that the statutes thus conferred on the Governor.

[129] Not renewable in the initial provisions.
[130] One Deputy Governor in the initial provisions whose term was not renewable.

2 – The Board of Directors

This was the managing body of the Central Bank. It was made up of Directors appointed by the Governments of the States participating in the management of the Bank, each State appointing two Directors *including France.*

The Board met as often as necessary and at least four times a year, under the Chairmanship of the Governor, or of a Deputy Governor in case of the unforeseen absence of the Governor.

In the framework of the instructions of the Council of Ministers concerning monetary policy, it determined, in accordance with a periodicity fixed by it, the amount of assistance likely to be granted by the Central Bank for the financing of the economic activity and the development of each of the States of the Union.

When the ratio between the average amount of the Bank's foreign assets and the average amount of sight liabilities remained, during three consecutive months, equal to or less than 20%, the Governor, after having apprised the Chairman of the Council of Ministers of this, immediately convened a meeting of the Board of Directors so as to examine the situation and to take all appropriate steps, to re-examine particularly those of the decisions taken earlier which may have affected the financial situation of the Union.

As long as the above ratio remained equal to or less than 20%, the further decisions of the Board concerning the discount operations of public securities, as well as the participation in the capital of joint financial development institutions, must be arrived at unanimously.

The Board specified the general conditions under which the Bank could conduct credit operations ; it fixed the bank rate and the conditions for all the operations that the Central Bank handled ; it drew up the annual accounts and decided on the setting up of additional branches, outlets for notes and offices...

3 – The auditors

The Central Bank's accounts were drawn up at least once a year, on a date fixed by the Board of Directors[131]. Within six months after the end of the financial year, they were submitted to the Board of Directors for its approval, on a report from the auditors.

National Auditors were entrusted with auditing the accounts of the branches. Each of them was appointed by the Minister of Finance. A Commissioner-Auditor appointed by the Council of Ministers ensured the centralization of the observations of National Auditors and verified the Bank's centralized accounts.

b – National Credit Committees

A National Credit Committee had its office in each National Department (Article 53 of the statutes).

131 30 September till the financial year 1993-1994, 31 December since the financial year 1994-1995.

It was made up of :

- the Minister of Finance, Chairman ;

- the second Minister, member of the Council of Ministers ;

- the two Directors ;

- three persons appointed for their expertise ;

- a representative of France since the decision of the Council of Ministers of 31 March 1988 modifying paragraph 2 of Article 53 of the statutes of BCEAO.

The National Director of BCEAO proposed the agenda to the Chairman of the Committee. He gave information on the items placed on the agenda.

The Governor or the Deputy Governors and the Central Directors on special duty took part in the sittings of the Committee in an advisory capacity.

The Committee assessed the amount of financial requirements for the activity and development of the State and resources available for the purpose, as well as the assistance likely to be contributed by the Central Bank.

It reported this to the Board of Directors and proposed the total amount of assistance to be granted by the Central Bank.

Within the limit of the total amount fixed by the Board of Directors, the Committee determined the assistance that the Central Bank might be in a position to grant to banks and financial establishments, the State and public authorities.

The Committee fixed the minimum amount of credit whose grant by a bank or a financial establishment to a single enterprise, was subject to its approval.

It could delegate the application of its powers to the National Director who had to report back on the use made of this delegation of power.

C – Operations concerning the issue of currency

The Council of Ministers, on a proposal from the Board of Directors, gave a ruling on the creation and issue of notes and coins and on their withdrawal from circulation.

It decided on their face value, fixed the shape of the bank notes, decided on the signatures they should carry and drew up the modalities of their identification per State (Article 6).

The issue was generated by operations in gold, foreign exchange and credit.

The bulk of the innovations related to credit operations with the option taken for a larger contribution of money issue to meet the needs of the economies of the States.

The amount of assistance to the Treasuries of States was revised upwards, to the extent of 20% of the national fiscal revenues recorded; its conditions were relaxed. Its reimbursement was not demanded within the year; its object was extended to the completion of collective infrastructure and equipment and the conversion of the techniques and structures of production.

Articles 13, 14, 15 and 16 of the statutes established the modalities of this assistance.

Article 13 – The Central Bank may grant to banks advances on the public securities created or guaranteed by member States of the Union up to the limit of the shares fixed by the Board of Directors.

In addition, the Central Bank could purchase and resell, without endorsement, to the banks, the same securities, on condition that they had no more than one year to run and that they were not negotiated to bring profit to the public Treasuries.

Article 14 – The Central Bank may grant to public Treasuries of member States of the Union, at its bank rate, overdrafts on its current account.

The unleveled balance of the Central Bank's post office current account was, for the application of this article and of Article 16 hereafter, considered as an overdraft granted to the public Treasury.

Article 15 – The Central Bank may discount or re-discount public securities having no more than ten years to run, set up by member States and public authorities of the Union, which may be presented to it by the States, public authorities, the West African Development Bank and banks or financial establishments of the Union, to finance the setting up or improvement of common services and infrastructure, or for measures to improve conditions of production, or to subscribe to the capital of enterprises contributing to development.

Payment credits required for servicing the interest and for the reimbursement of bills issued had to be compulsorily entered in the budget of the issuing State or public authority, and the operations thus financed must have been approved by the Central Bank's Board of Directors.

Article 16 – The amount of the assistance granted by the Central Bank to a State of the Union, in application of the provisions of Articles 13, 14 and 15 above, cannot exceed an amount equal to twenty per cent of the national tax revenues recorded during the past financial year.

Within this limit, National Credit Committees of each of member States of the Union decided, in consultation with the Board of Directors, on a ceiling for each one of the operations likely to be undertaken in accordance with the provisions of Articles 13, 14 and 15 above.

The total assistance actually utilized at any moment must remain within the limit fixed in paragraph 1 of the present article,

Less :

- the amount of the balance of the Central Bank's postal current account opened in the Post Office Department of the State concerned,

- the sum of the public securities of the State concerned, discounted by the Central Bank, as well as the sum of these securities accepted by it as guarantee for advances in favor of the banks of the Union taking recourse to the assistance of the Central Bank,

- the sum of the loans, advances and deposits in the public Treasury, in postal current accounts or in public credit or deposit establishments of the States of the Union made by the banks benefiting from the Central Bank's assistance, the deduction being eventually limited to the amount of this latter assistance when it was less than the said loans, advances or deposits ;

and increased :

- by the sum of the credit balance of the accounts opened in the public Treasury of the concerned State in the books of the Central Bank.

VII – The West African Development Bank

It was created in response to the desire of its founders to "promote the balanced development of member States and to achieve the economic integration of West Africa".

It was the product of a long process of reflection, consultation and negotiation, started since 1969, at the initiative among others of the Minister of Planning of Côte d'Ivoire, Mr. Mohamed T. Diawara. Many opinions were sought, namely from the French Ministry of Finance, the "Banque de France", the "Caisse Centrale de Coopération Economique" (Central Fund for Economic Co-operation), the World Bank, the European Economic Community, the European Investment Bank, the African Development Bank, the Asian Development Bank and the Inter-American Development Bank.

This vast international consultation was a manifestation of the desire of member States of the Union to fully assess the challenges to be faced and to take advantage of the experience of other countries so as to formulate the best general policy guiding the operations of BOAD.

In order to do this, they hesitated between the setting up of a Special Fund, and that of a Business Bank or a Development Bank.

At the end of long negotiations and numerous new developments, an agreement was arrived at between the States on the basic tasks of the future institution. It aimed at contributing towards "increasing their economic co-operation and promoting an equitable geographic distribution of development".

A – The Agreement of 14 November 1973

The BOAD was set up following an agreement signed on 14 November 1973, between the six member States of the Union.

In the preamble, the States undertook to put their monetary co-operation at the service of the progress of their national economies, their integration and the development of their relations with other countries.

Noting that a single unit of account could not alone ensure an equitable distribution, between member States, of the means of development of their economies, they expressed their intention to exploit "the potential of their monetary solidarity for developing the basic infrastructure of their economies, the transformation of the conditions of production of their agriculture, the promotion of new activities, the transfer of the ownership of the means of production in favor of nationals and particularly so in all those fields likely to contribute to the integration of their economies".

Member States felt that "this objective could be best achieved... through the mechanism of a joint financing institution...". They decided, consequently, to set up, in application of Article 23 of the Treaty of 14 November 1973, "a West African Development Bank whose constitution, administration and operations would be defined by statutes drawn up by the Council of Ministers..."

The creation of BOAD therefore emerged out of the acknowledgement by States that the use of a common currency did not suffice to ensure the development and integration of economies, and that the profits from the operations of BCEAO could be judiciously invested, as a supplement to other means, to promote their balanced development and their economic integration.

The search for a harmonious development with a view to ending discrepancies and promoting the integration of economies thus constituted the basic tasks of the new institution. Added to this, was the contribution towards the definition and the harmonization of the economic policies and development plans of member States.

B – The organization of BOAD

The BOAD is a public international establishment, a full-fledged legal entity enjoying the widest judicial competence granted to legal entities by national legislations of member States of the Union. It enjoyed the immunities and privileges recognized to international financial institutions. Its headquarters was set up in one of the member States of the Union, chosen by mutual consent by the Conference of Heads of State and Government. It could set up a branch in each of the States and, for the purpose of its operations, some representative offices within or outside the Union.

a – The capital and the shareholding

The initial capital of BOAD was fixed at 2.4 billion CFA Francs, half of it being paid up by the States out of the profits accruing to them from BCEAO, and half of it by the latter, out of its equity capital. It could be increased through an inflow of cash or through incorporation of reserves[132].

The capital was increased with the subscription of new members and could decrease with the withdrawal of a member or to pay off losses.

Since 20 December 1977, the BOAD's shareholding was made up of series A shareholders, represented by States of the Union and BCEAO, and series B shareholders, made up of international or regional financial bodies, of States outside the Union or their financial institutions. That is how Germany, Belgium and France are still among the BOAD's shareholders.

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132 On 31 December 1995, the authorized capital stood at 140.0 billion and the subscribed capital at 121.7 billion

Every State joining the Union became *ipso facto* a member of BOAD, under the conditions specified in the Adhesion Act. Every Member State of the Union who withdrew from it, ceased also to participate in the Bank. The conditions of withdrawal were fixed through a convention approved by the Union's Council of Ministers. In the event that the debts and obligations of the State concerned revealed the presence of some liability towards BOAD, the corresponding sum was deducted, from the foreign assets that BCEAO might have had to release to it at the time of the transfer of the issue service.

b – The missions of BOAD

BOAD aims at promoting the balanced development of member States and at contributing to the economic integration of West Africa. For this purpose, it would contribute mostly, directly or through subsidiary bodies or through special funds, towards the mobilization of internal and external resources, in order to finance investments, infrastructure for basic economic equipment, or for production, including the transfer to nationals or to States of the means of production and distribution of goods and services. It might also participate in the formulation and the technical and financial evaluation of development projects and in the setting up and working of the agencies entrusted with their implementation.

For the fulfillment of these tasks, it gave priority to measures likely to reduce disparities between the levels of development of member States of the Union or to favor an increased integration of their economies.

c – The operations

The Bank's operations must relate exclusively to its objective. They primarily covered its contribution to the financing of economic development, its participation in the *mobilization* and the *allocation of resources*, its contribution to the organization and the financing of monetary and financial transactions of the Union and finally technical assistance that it might provide to the States of the Union.

In the framework of its contribution to the financing of economic development, the BOAD could set up some institutions or subsidiaries. It could acquire some stakes in the capital of institutions or enterprises. These operations were financed from its equity capital.

It could, from its equity capital or from non-reimbursable assistance funds put at its disposal, secure a *Subsidy* of the servicing of loans taken by common bodies of the Union, States, public authorities and establishments of the Union. The Bodies contributing to the development of the economies of the Union in the fields of basic infrastructure, transformation of means of production or for the launching of new activities, could also avail of such subsidies.

Under the conditions fixed by its Management Committee, BOAD could grant *loans* to joint organs of the Union, to member States, to their public authorities and establishments and to the agencies and enterprises contributing to the development and integration of their economies. It might, in addition, give them its *approval* for the reimbursement of loans that they take from international or foreign financial institutions and from foreign governments.

The participation of the Bank in the mobilization of domestic and external financial resources could take the form of *loans* from any source of its choice. The total outstanding of these loans should, at all times, be limited to the amount of the subscribed and not called up capital of BOAD. Moreover, it was authorized to accept non-reimbursable contributions, allocated or otherwise, from international or foreign institutions, from States of the Union or from other foreign States. The collection and use of the funds allocated for specific purposes were followed up by it in accounts specially opened for the purpose in its account books.

In case of insufficient resources, the Bank could rediscount with the Central Bank, under conditions fixed by the latter, some securities mobilizing credits it had granted. In return for this option, all its currently available funds were deposited with the central bank, which served as a cashier.

The BOAD could organize or contribute towards the organization of a financial market of the Union and its proper functioning. The funds available, which it placed in special accounts with the Central Bank, could be utilized for outflow into the monetary market, organized by the latter.

The Bank could buy and sell shares or bonds issued by national or foreign companies whose activity was related to the Union.

It gave its assistance to the recipients of its operations, for the drawing up of their financing plans and could extend its technical assistance to the organization, the working and the supervision of the agencies and enterprises entrusted with the execution of these projects. It could carry out specific tasks, on behalf of a State, under the conditions defined by special conventions.

d – The administration

The Union's Council of Ministers guided the Bank's top management and supervision. The Managing Committee[133] was in charge of its administration.

Since 20 December 1977, the Managing Committee was made up of the Chairman of the Bank who presided over it, one representative from each of the States of the Union, the Governor of BCEAO or his representative, and representatives of the series B shareholders, their number being proportional to the amount of their subscriptions, and their total number not exceeding a maximum of three. Each State of the Union and series B shareholders nominated appointed alternates.

The Committee met at least four times a year and as often as necessary, on the initiative either of its Chairman, or of the Governor of the Central Bank or at the request of two-thirds of the representatives of the member States. Its deliberations were valid when at least two-thirds of member States and BCEAO were represented.

The decisions were taken by majority vote, the Chairman not taking part in the voting. Each Member State of the Union had two votes, while the number of votes of the Central Bank was fixed at double the total of votes of States. Series B shareholders had a maximum of three votes.

133 Became the Board of Directors in 1990.

In the framework of the guidelines of the Council of Ministers, the Committee had inter alia the power to decide on an increase or a reduction in the capital of the Bank and to approve its acquisition of holdings and its borrowings. It determined the general rules for the grant of loans and approvals by BOAD, decided on the financial assistance that it could extend and drew up the general rules for use of available funds. It approved all conventions concerning the acceptance of non-reimbursable subsidies and the setting up and administration of all special funds. It drew up the annual accounts of the Bank and adopted its annual activity report. It determined the value at which the debt arrears might remain included in the assets and undertook to constitute all redemptions and provisions that it considered necessary. Profits were allocated totally into the reserves.

The Chairman of BOAD was appointed by the Council of Ministers of the Union for a renewable period of six years[134], he looked after the management of the Bank, the implementation of its statutes, the guidelines of the Council of Ministers and the decisions of the Managing Committee. He presented the Bank's accounts and annual activity report to the Committee. He represented it in his relations with third parties. He was assisted, in the execution of his duties, by a Deputy Chairman appointed by the Committee, for a renewable period of five years[135] .

The Chairman decided on the manner in which the services of the Bank were to be organized. He decided on the strength of the staff and their salaries and he verviewed their activities. The Bank executed and recorded its operations in accordance with rules and in keeping with good commercial and banking practices. It drew up every month, a statement of its accounts, which it published in the Official Gazette of each of the States of the Union[136].

VIII – Monetary and financial co-operation with France

While seeking to control their monetary and development institutions, WAMU States maintained and strengthened their monetary co-operation with France.

The CFA Franc remained pegged to the French Franc to which it continued to be attached by a fixed parity which could however be modified by the Council of Ministers after consultation, "to the extent possible" with the French side.

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134 See further "The renewal of the mandates of chief executive officers".

135 Idem.

136 The organization of BOAD was subsequently modified, to adapt it to the changes in its environment and the development of its activities. The advent of the West African Economic and Monetary Union (WAEMU), whose treaty, signed in January 1994, came into force on 1 August of the same year, led to its services being organized, from 2 November 1995, centered around three basic functions : support to economic integration, assistance to the private sector and mobilization of resources. The structures of BOAD are composed, since then, of the headquarters and three representative agencies (attached to the Deputy Chairman) and situated respectively in Burkina, Côte d'Ivoire and Senegal. The Services of the headquarters are grouped around six Departments: General Matters, Finance and Accounts, Public Financing, Private Sector Financing, Economic Integration, Research and Cooperation, Human Resources. This organization was supplemented by the setting up of a Bureau for the evaluation of the operations and for internal Audit, attached to the Chairman. Moreover, the Bank had set up various internal bodies : the Orientation Council, the Presidency Council, the Commitments Committee, the College of Directors and a Consultative Commission.

France co-operated with WAMU States to ensure the free convertibility of their currency. This conception which was different from that of the 1962 Agreement had been retained because it was felt that it appeared to have greater credibility with opinion abroad.

Some changes were made in the provisions of the convention on an operations account that defined the practical modalities for the implementation of this Agreement.

Thus, apart from the sums required for its current funds and for the fulfillment of the obligations entered into by the States with the IMF, the Central Bank could invest 35% of its net foreign assets outside of its operations account, with the Bank for International Settlements and foreign central banks, or by subscribing negotiable bonds, with a maturity period of two years or more, made out in convertible currency, issued by international financial institutions whose operations extended beyond the geographic limits of WAMU and in which the States of the Union participated.

When the trend in the funds available in the operations account show indications of an impending shortfall for settling payments, the Central Bank should explore all the possibilities available in the issue area before taking recourse to an overdraft for the operations account.

These possibilities were as follows :

- availability of funds in other currencies ;

- the drawing rights of States with the IMF ; - the transfer in its favor of the external funds available held by all public or private bodies of member States of the Union ; this is what is known as the "calling in" clause.

The assets in the operations account are covered by an exchange guarantee with reference to a unit of account jointly agreed between the parties. In case of a change in the parity of the French Franc with relation to the unit of account, the guarantee was determined by taking into consideration the following :

- on the one hand, the ratio existing on the day of the signature of the convention between the official value of the French Franc and that of the unit of account and,

- on the other hand, the ratio between these two values arising out of the change in the parity of the French Franc.

France was represented on the Board of Directors by two Directors enabling it to be kept informed of the trend in the situation of WAMU and of the Central Bank.

An operations account Commissioner was appointed by WAMU States and one by France to verify the proper application of the provisions of the operations account convention.

This was the conceptual framework of the 1973 reforms. What remained now was their implementation.

The Heads of State met in Lomé once Experts had finalized the content of BOAD's activity. The Council of Ministers went on to nominate the first Governor ; the Experts formulated the guidelines for the currency and credit policy, which the Council of Ministers adopted at the same time as it appointed the first Chairman of BOAD.

As soon as the Heads of the two institutions took charge, they set about achieving the objectives fixed by the reforms, namely the framing and the putting into application of the rules of operation, the appointment of their main collaborators, the organization of services, the Africanization of staff, the construction of the headquarters and the transfer of central services of BCEAO to Dakar.

However, some of the points of the reforms did not fail to present problems of interpretation such as the foreign exchange guarantee.

Section V – The implementation of the reforms

I – The setting up of the West African Development Bank

Mr. Garango continued to be the Chairman of the Council of Ministers entrusted with the Reforms of the Institutions of WAMU, and Mr. Daniel Cabou continued to be in charge of the Permanent Secretariat.

The work concluded with a General Policy Declaration, followed later by the appointment of the Chairman and the Deputy Chairman of BOAD and then by the construction of a building for housing the departments of the institution.

A – The progress of the work

National Committees formed in the States were entrusted with examining the matter of the setting up of BOAD, comprising three proposals :

- the draft General Policy Declaration ;
- the draft initial organizational chart ;
- the financial estimates.

A meeting of the Experts of the Committees was held on Monday 23 and Tuesday 24 September 1974, at the headquarters of BCEAO in Paris.

Mr. Garango opened the session with a speech in which he specified the significance and the aim of the meeting (Box 7.1).

Box 7.1

Speech of Mr. Garango addressed to the Experts

- Gentlemen,
- Permanent Secretary of the Reforms Committee,

As an extension of our monetary policy, the West African Development Bank has been the fruit of the will of member States of the West African Monetary Union and was created as the main tool for our economic integration and our harmonious development by serving to the utmost those most disadvantaged by natural conditions.

It is, all in all, our desire to set up an operational body, of use to all, effective and dynamic. To achieve these objectives, it is indispensable that certain conditions be fulfilled.

Hence quantitatively, the West African Development Bank has to bring in additional means for financing development, which means that it should not compete with the presently existing national or international financing agencies, but on the contrary integrate harmoniously into the system through additional and complementary operations.

Qualitatively also, the West African Development Bank must, by way of the diversity and the quality of its operations, show a better performance than that of similar existing agencies. It must therefore testify to a spirit of imagination, creativity and boldness.

It is entirely up to us to make the West African Development Bank succeed on this path by endowing it with the maximum financial means adapted to our needs and with the most active, the most competent and the most effective structures.

As you see, we must resolutely assert our political will and our determination to turn our bank into an effective instrument for a more active participation of our joint currency in the financing of our development with a view to strengthening our solidarity within a balanced economic environment.

This is therefore the important task which has been entrusted to you, and I have no doubt that you will spare neither your strength nor your lucidity to arrive at the most constructive possible conclusions and proposals to be submitted to the Ministers of the West African Monetary Union. These proposals will serve as the policy guidelines motivating the actions of those who in future will be in charge of the West African Development Bank.

To make your work easier, you have at your disposal the Permanent Secretary of the Reforms Committee and the international Experts who have been graciously put at your disposal, at my request, by the IBRD, the EIB and France represented by the CCCE. Having effectively and diligently contributed to the formulation of the document submitted to you and which will constitute the subject of your discussions today, they are in a position to reply to all the questions which you may require for an input of quality in your work.

You have now only to get organized for carrying out this work. For this purpose, as the Togo Republic is the Chairman of the Board of Directors of the Central Bank of West African States, I propose, if you are agreeable, that the chairmanship of the meeting of the Experts for the setting up of the West African Development Bank be conducted by the head of the Togolese delegation.

With this, I leave you now to begin your work while wishing you successful deliberations.

Mr. Garango then proposed that Mr. Kpétigo, Head of the delegation of Togo, preside over the deliberations.

The file submitted to the Experts was entitled "Feasibility Study for the setting up of the West African Development Bank".

After an examination of the three documents that it was made up of, the meeting concluded on 24 September 1974 at 12 noon.

On that Tuesday, at 4 p.m., the Committee of Ministers entrusted with the Reforms met, in keeping with the old system, under the chairmanship of Mr. Edem Kodjo, the incumbent Chairman of the Council of Ministers of WAMU and of the Board of Directors of BCEAO.

Mr. Garango recalled the mandate of the Committee concerning BOAD and drew the attention of the Ministers to the fact that they were expected "to indicate the wide orientations of the West African Development Bank, which was tantamount to taking a political decision".

He requested Mr. Kpétigo to submit the conclusions of the work of the Experts.

Following his report, the Committee examined the three documents on the agenda.

Mr. Edem Kodjo

B – The conclusions of the work

a – The General Policy Declaration

This declaration dealt with BOAD's field of activity and principles of action, the modalities of its operations, special funds and relations with existing institutions.

1 – Field of activity and principles of action

BOAD's field of activity was defined in such a way as to achieve its objectives of an institution for promoting economic solidarity and integration between member States. The statutes assigned to it the task of contributing towards the mobilization of internal resources and of foreign capital, in order to allocate them effectively for the harmonious development and integration of the different economies. It had also to lend its assistance to every action aimed at achieving these objectives.

This field of activity, therefore, appeared vast and in many ways overlapped with that of numerous national and international financial institutions, which justified the fact that the General Policy Declaration laid down specific action to be taken by the BOAD to enter into co-operation with such institutions. It was, however, different from them in one major innovation, consisting in the financing of transfers of the ownership of means of production or of distribution to nationals of the Union.

Apart from the transfer of the ownership of the means of production or of distribution, the operations of the Bank could encompass economic or productive infrastructure, investments in the rural sector and in industry, including buildings and public works. They extended to the indirect financing of small and medium sized enterprises for production or for services, in collaboration with national financial institutions for development, as well as of projects of common interest to two or several countries, whether national or regional. These operations were in the form of loans, equity participation and guarantee or subsidies.

The direct financing of small and medium sized enterprises, real estate operations and basically social infrastructures (health, education, etc.), unless these were associated with a development project were excluded from BOAD's field of intervention. Nor could the Bank finance short-term operations, such as agricultural marketing or trade, for example. These exclusions were justified by the necessity to avoid on the one hand resources and means of the Bank being scattered over a multiplicity of medium-size operations or those involving small sums, and, on the other hand, competition with commercial banks or national banks for development in certain fields.

The principles guiding the action of the bank were based on its objectives and tasks for the correction of economic discrepancies and for the promotion of the integration of the member States.

BOAD was thus obliged to focus above all on the most disadvantaged States, in particular for the financing of their investments on infrastructure and on rural development on a priority basis. The countries have been classified into three categories for this purpose : the most disadvantaged (Upper Volta and Niger), the intermediate countries (Dahomey and Togo) and the advanced countries (Côte d'Ivoire and Senegal).

The other guideline concerned the special attention that the Bank had to pay to regional projects and to national projects of common concern, particularly in the fields of industry and infrastructure. In this framework, BOAD might participate in the financing of projects involving one or several States of the Union and one or several non-member States.

As regards the criteria for its operations, the Bank would reserve its financing for projects that testified to possibilities both of economic profitability and direct financial profitability. Exceptionally, the sole criterion of definite economic profitability was retained for projects on infrastructure and rural development, whose financial profitability generally appeared uncertain. On the other hand, a requirement of present and projected financial profitability was necessary for the financing of transfers of the means of production and distribution to nationals, with the objective of protecting buyers who were often not very familiar with the techniques of financial evaluation.

Finally, the setting up of the Special Fund for Studies meant for financing feasibility studies of already identified projects, or for the preparation of implementation files, with the exception of all other preliminary studies, could, if necessary, be decided by the Bank. The corresponding costs were to be included in the calculation of investments, for the studies that would lead to bankable projects.

2 – Modalities for the operations

The following were eligible for BOAD's operations : common bodies of the Union, member States or their public authorities and establishments and bodies, enterprises or individuals residing in the Union. For the latter two categories of borrowers, their requests for loans were to be communicated to the national development banks, which could decide to extend finance to them.

BOAD's intervention in a project was to be adapted in keeping with its nature and differentiated in accordance with its location. In principle, the share would be higher for infrastructure and rural development projects than for private production projects such as industry. It would, in addition, be generally graduated in terms of the level of development of the country. It would be higher for the more disadvantaged countries than for the more advanced ones.

To ensure a distribution and a diversification of its risks, the Bank could commit no more than 10% of its equity capital for the financing of a project or an enterprise. Besides, a ceiling equal to 25% of the said owned funds was established for its overall acquisition of stake with a limit for each acquisition fixed at 25% of the capital of the enterprise and, in every event, at 5% of the funds belonging to the BOAD.

The Bank had to attempt to adequately balance the due dates of payment of its commitments and that of its lending. It could insist, for each one of these operations, either on the guarantee of the States or on any other appropriate guarantees.

The interest rate policy of the Bank was to be differentiated according to the nature of the projects and fixed in such a way as to balance its accounts and to make provision for its risks. It was to be based on a graduated scale, which consisted of reserving the lowest rates for operations on infrastructure and rural development and charging the highest rates for operations of production. In addition, the Bank was to take a commitment fee of 0.50% on its loans (except those extended to States) and a commission of 1% for its guarantee.

3 – Special funds

In order to guarantee BOAD operations, particularly in the fields of infrastructure and rural development, under preferential conditions, it was found necessary to endow the Bank with some specific funds.

The Interest Subsidy Fund, mobilized through contributions of member States, BCEAO or any other authorized sources, served to subsidize loans taken by the Bank and borrowings from other institutions, by the States, their public authorities and establishments or certain common bodies.

The setting up of a Fund for Guarantee of Repurchase Operations met the need to guarantee the financing of the transfer of means of production and distribution to nationals. The amount extended by the Bank for the repurchase of foreign enterprises by nationals could not exceed 10 times the resources of this Fund. This limit did not apply to the repurchase of foreign enterprises by States and public authorities, these repurchases being effected without any guarantee from the Fund and without a ceiling.

The Fund for Guarantee of Endorsement Operations was set up to cover the endorsements made by BOAD to the extent of 10% of their total amount. This meant that the Bank's endorsement commitments could, at any one moment, extend to more than 10 times the resources of this fund.

Finally, the Fund for Special Studies served to finance the feasibility studies of projects and the preparation of implementation documents. However, the costs of corresponding studies, which did not lead to the implementation of a project could be definitely charged to this Fund. When the studies led to the actual implementation of the project, the corresponding costs were incorporated in the project's financing plans and reimbursed to the Special Fund.

4 - BOAD's relations with existing institutions

In order to ensure the effectiveness of BOAD in favor of the private sector (industrial projects, repurchases of foreign enterprises, and small and medium sized enterprises), a close synergy was effected between its actions and those of national development banks. For operations below or equal to 20 million CFA Francs, in particular, BOAD would preferably extend credit lines to these banks in order to enable them to directly grant loans, on their own behalf and with its guarantee up to a limit of 10% of the total of the credits opened.

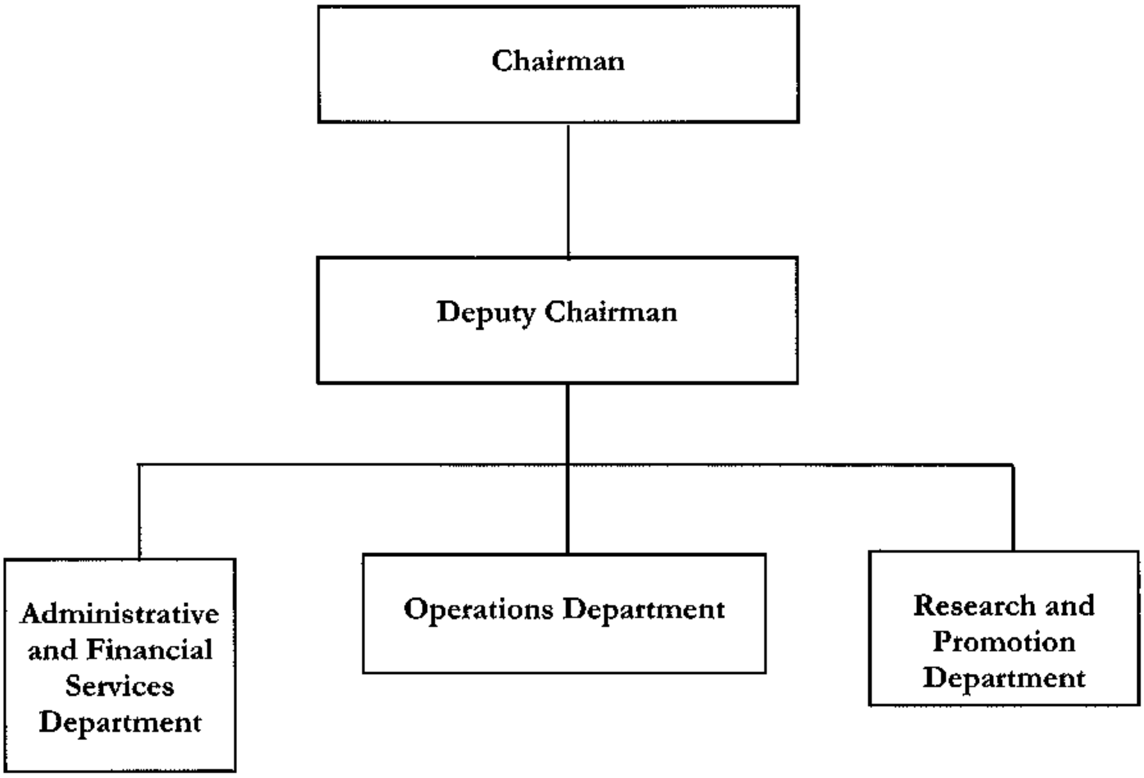
Generally, whatever the projects, BOAD would attempt to associate national development banks with their identification, preparation, evaluation, financing, implementation and follow-up, if need be through conventions to be signed case by case.

Emphasis was also laid on the necessary co-operation of the Bank with various sub-regional mutual aid institutions (Fund for Guarantee of the Entente) or development institutions (CEAO's Community Development Fund). At the regional and international levels, BOAD had to develop its relations, with the support of States, to mobilize technical and financial assistance for the implementation of its objectives.

If necessary, the Bank might call on member States to guarantee its internal and external borrowings. However, it had to restrict its level of indebtedness to three times its equity capital, this ceiling being subject to modification.

b – The initial organizational chart

It was as follows :



c – The financial estimates

Box 7.2

1 – The hypotheses retained

The object of the estimates was to evaluate the results and the financial situation of BOAD at the end of each of the first 6 financial years with reference to a pace of activity considered reasonable.

They were drawn up taking account of only the resources very likely to be obtained. Hence, those resources that the Bank could obtain from external financial markets, or which could come from international or bilateral aid agencies were not taken into consideration.

1) The resources

- initial capital : 2.400 million CFA Francs ;
- deposit of 840 million CFA Francs per year meant to be put into the Guarantee, Subsidy and Research Funds to the extent of :
- Subsidy Fund, 300 million per year
- Repurchase Guarantee Fund, 125 million per year
- Endorsement Guarantee Fund, 100 million for the first four years
- Research Fund, 100 million the 1st year and 50 million the following years
- The balance being allocated into Endowment to the extent of 215 million the 1st year
- 265 million the 2nd, 3rd and 4th years,
- and 365 million the following years.
- Rediscount of all the medium-term credits.

2) Applications (approvals, payments)

Repurchase operations of foreign enterprises by nationals = 10 times the amount of a Special Guarantee Fund endowed initially with 125 million CFA and increasing by 125 million CFA per year.

- Other operations

- First year, 1,500 million CFA Francs per year divided over :

* Rural development infrastructure (80%) and directly productive enterprises (20%) ;

* Annual growth of 10% ;

* Infrastructure and rural development: 25% mid-term credits and 75% long term ones ;

* Industry and productive enterprises: 10% equity participation, 40% medium-term credits, 50% long-term credits.

- In these hypotheses, those loans that the West African Development Bank could grant in view of the extension of the duration of the loans taken by its clients from other donors, have not been taken into account.

These hypotheses were in fact established before the decision of the Committee of Ministers entrusted with the Reforms of the West African Monetary Union Institutions to include this type of operation in the normal activity of the West African Development Bank.

The loans for extensions of borrowings' duration were added on to the other operations contemplated by the West African Development Bank and would be financed mainly by an increase in resources put at its disposal by the member States.

– Deposits : immediately for investment :

– six months after approval for medium-term credits ;

– 25% in the year of approval and 50% and 25% respectively in the following two years for long term credits.

– Endorsement : 1 billion CFA Francs per year. Ceiling of 4,000 million CFA Francs reached in the 4th year.

– Subsidy of interests : 300 million CFA Francs fixed assets per year.

2 – The estimated assessment

1) Average duration of BOAD credits :

– 7 years with 6 months deferred for medium-term credits, in favor of enterprises ;

– 10 years with 2 years deferred for medium-term credits in favor of infrastructure and rural development ;

– 10 years with 2 years deferred for repurchases ;

– 12 years with 3 years deferred for long-term credits for productive operations ;

– 20 years with 5 years deferred for long-term credits for rural development and infrastructure.

2) Fund for guarantee of repurchase operations : endowed initially with 125 million CFA F increasing by 125 million CFA F per year.

3) Guarantee endorsement Fund : endowed initially with 100 million CFA F increasing by 100 million per year.

4) Rediscount with BCEAO of all the medium-term credits, including the loans for repurchase of enterprises by nationals.

5) Fixed assets of 100 million CFA F.

3 – The estimated operating account

1) Rate of return on holdings : 8.5%

2) Rate of interest :

* Productive operations :

- medium-term... 8% ;
- long- term ...9% ;
- operations of repurchase of enterprises : 7% (average rate) ;

– operations on infrastructure and rural development: 5.5% (with the possibility of subsidy of interest drawn out of the Fund specially constituted for this purpose).

3) Cost of rediscount: 5.5%.

4) Administrative expenses : 98 million CFA Francs increasing by 15% annually.

5) Redemption of buildings in 25 years.

6) Credit balance : 2% per year of the total outstanding amount pertaining to the risks not covered by the Special Guarantee Fund.

7) The use of the Subsidy Fund was provided for in the following manner :

– every year BOAD was to subsidize by 3.5% borrowings up to 800 million CFA Francs including 200 million medium-term ones (10 years) and 600 million long term ones (20 years). This hypothesis led to the earmarking of 300 million CFA per year out of the Subsidy Fund for fixed assets.

8) The debits from the Research Fund (that is to say the amount for studies to be borne by the BOAD) have been estimated at 50 million CFA per year.

9) It was assumed that the profits would be allocated totally to reserves. It would also be conceivable that the share of these profits corresponding to the income from the investment of the sums in the credit balance of this fund could be allocated to the Subsidy Fund.

Estimated Balance sheet

(in millions of CFA F)

Assets

	1	2	3	4	5	6
Fixed assets	96	92.0	88.0	84.0	80.0	
Holdings	30	63.0	99.0	139.0	183.0	231.0
Loans for repurchase of enterprises	500	1 000.0	1,437.0	1812.0	2 ,124.0	2,374.0
Loans for infrastructure and rural development						
Medium-term	60	166.0	262.0	349.0	424.0	487.0
Long-term	37	153.0	319.0	474.0	340.0	806.0
Total loans and Holdings	1,002	2 769.0	4 804.0	6 ,852.0	8 ,943.0	11,019.0
Provision for risks	- 10	- 45.3	- 112.6	- 213.4	349.8	-522.0
Liquid assets	2 ,944	3 039.0	2 ,817.0	2 ,522.0	2 ,113.0	1,639.0
Off Balance Sheet	**4 ,032**	**5 ,854.7**	**7 ,596.4**	**9 ,244.5**	**10 788.2**	**12,211.3**
Commitments made						
Balance to be paid on loans granted	998	1 ,361.0	1,497.0	1 658.0	1, 822.0	2,002.0
Current endorsement	1,000	2,000.0	3 ,0000	4,000.0	4,000.0	4,000.0

Liabilities

	1	2	3	4	5	6
Capital	2,400	2,400.0	2,400.0	2,400.0	2,400.0	2 400.0
Endorsements	215	280.0	745.0	1,010.0	1,375.0	1 640.0
Reserves (Profits allocated)	160	327.7	522.4	731.6	945.2	1 148.3
Repurchase Guarantee Fund	125	250.0	375.0	500.0	625.0	750.0
Guarantees Endorsement Fund	100	200.0	300.0	400.0	400.0	400.0
Subsidy Fund	-	-	-	-	-	-
Part available	272	516.0	732.0	920.0	1,080.0	1,212.0
Net Part allocated	50	50.0	50.0	50.0	50.0	50.0
Research Fund	-	-	-	-	-	-
Borrowings	710	1,631.0	2,472.0	3,233.0	3,913.0	4,511.0
Rediscount	4,032	5,854.7	7,596.4	9,244.6	10,788.2	12,211.3

N.B. The columns represent the years

Estimated operating account

(in millions of CFA F)

	Debit					
	1	2	3	4	5	6
– Staff expenses	56.0	84.0	74.0	85.0	98.0	113.0
– Other administrative	42.0	48.0	56.0	65.0	74.0	85.0
– Financial expenses	19.5	64.4	112.2	157.0	196.0	232.0
– Redemptions	4.0	4.0	4.0	4.0	4.0	4.0
– Allocation for deposits	100.0	35.3	67.3	100.8	136.4	172.9
– Net profits	160.0	167.7	194.7	209.2	213.6	293.1
	291.5	**383.4**	**508.2**	**621.0**	**722.0**	**810.0**

	Credit					
	1	2	3	4	5	6
– Interest on loans for repurchase of enterprises	17.5	52.5	85.3	113.8	157.6	157.0
– Interest on infrastructure and rural development loans						
(1) medium-term	4.1	16.9	34.5	50.7	87.0	82.0
(1) long-term	6.2	31.5	78.0	135.3	198.4	265.0
– Interest on loans to enterprises						
(1) medium term	2.4	9.0	17.9	24.5	30.8	38.0
(1) long term	1.7	8.6	21.4	35.8	50.1	83.0
– Commitment fee	2.6	5.9	7.1	7.9	8.9	9.0
– Endorsement fee	5.0	15.0	25.0	35.0	40.0	40.0
– Dividends	-	-	-	-	-	-
– Income from investments	252.0	244.0	239.0	218.0	189.0	153.0
	291.5	**383.4**	**508.2**	**621.0**	**722.0**	**810.0**

(1) Calculated at the basic rate of 5.5% per year, i.e. after eventual debits from the Subsidy fund.

N.B. : Those expenses that correspond to the studies set out by BOAD have not been taken into account. These expenses that appear in the debit of the operating a ccount should be accurately compensated into the credit of the same account following the debit of the amount to a loan account if the corresponding studies fall within the purview of cost of a loan financed by BOAD or by drawing on the Research Fund if th e cost of these studies had to be borne by BOAD

BOAD

Operations

(in millions of CFA F)

	1	2	3	4	5	6	Total
I – APPROVALS							
a) Infrastructure and rural development							
– Medium term	300	330	360	396	436	480	2 302
– long term	900	990	1 090	1 200	1 320	1 450	6 950
b) Productive operations							
– medium term	120	132	145	160	176	194	927
– long term	150	165	182	200	220	242	1 159
– holdings	30	33	36	40	44	48	231
c) Repurchases	500	500	500	500	500	500	3 000
Total	**2 000**	**2 150**	**2 313**	**2 496**	**2 696**	**2 914**	**14 569**
II – PAYMENTS							
a) Infrastructure and rural development							
– Medium term	150	315	345	378	416	458	2 062
– Long term	225	697	992	1 092	1 203	1 322	5 531
b) Productive operations							
– Medium term	60	126	138	153	168	185	830
– Long term	37	116	166	172	201	221	913
– Holdings	30	33	36	40	44	48	231
c) Repurchases	500	500	500	500	500	500	3 000
Total	**1 002**	**1 787**	**2 177**	**2 335**	**2 532**	**2 734**	**12 567**
III – APPROVALS	1 000	1 000	1 000	1 000	-	-	4 000
IV – SUBSIDIES	300	300	300	300	300	300	1 800

BOAD
Estimates of resources and appropriations
(millions of CFA F)

	1	2	3	4	5	6
Resources	2 400 (a)					
Capital	840 (a)	840	840	840	840	840
BCEAO through special funds	710	921	841	761	680	598
Discount	-	20	142	287	439	560
Reimbursements	39	139	269	403	533	657
from operations (1)	**3 989**	**1 920**	**2 092**	**2 291**	**2 492**	**2 755**
Appropriations	1 002	1 787	2 177	2 335	2 532	2 734
From operations	100	-	-	-	-	-
Fixed assets	98	112	130	150	172	198
Staff & Admin. Expenses	50	50	50	50	50	50
Studies from spec. fund	28	56	84	112	140	168
Subsid. From spec. Fund	19	64	112	157	196	232
Financial expenses 2)	1 297	2 069	2 553	2 804	3 090	3 382
(1) – (2)	+ 2 692	- 149	- 461	- 513	- 598	- 627
Liquid assets						
Beginning financial year	3 240 (a)	2 944 x	3 039 x	2 817 x	2 522 x	2 113 x
End financial year (b)	2 692	2 795	2 578	2 304	1 924	1 486
Averages	2 966	2 870	2 909	2 561	2 223	1 800
Return on funds	252	244	239	218	189	153
End finan. Year (c)	2 944 x	3 039 x	2 817 x	2 522 x	2 113 x	1 639 x

(a) BOAD started its first financial year with 3,240
(b) Before returns on liquid assets
(c) Including returns on liquid assets

In conclusion, the Committee of Ministers gave the Chairman the responsibility of drawing up the documents, taking account of the amendments, keeping the different Ministers informed and bringing them to the knowledge of the Heads of State.

Mr. Edem Kodjo closed the session at 6.30 p.m. after having paid tribute to WAMU Committee of Experts and the international Experts put at the disposal of the Committee of Ministers by France, the World Bank and the European Development Bank.

The issue of reforms was, at this stage, well on track. A summit meeting of Heads of State was therefore held at Lomé.

Box 7.3

Tiémoko Marc Garango

Forty-seven years old, thickset, a face lighted up from time to time by an open and generous smile, with the corpulence of a professional boxer, Mr. Garango is no ordinary soldier. He was however meant for this career since he chose early in life to enter the Bingerville (Côte d'Ivoire) military school for children. He experienced also its adventures and vicissitudes in Indochina, Algeria, etc... He was also one of the rare African officers of his generation who, after having undergone a rigid military training, left the French army in 1966 to become the Finance Minister of his country. He has two degrees, one from the "Ecole Supérieure de l'Intendance de Paris" (Army Service Corps School of Paris) and the other from the Ecole du Commissariat de l'Air d'Aix-en-Provence (School of the Air Authority of Aix-en-Provence).

He is therefore an officer accustomed to handling figures, aware of modern methods of accountancy and management. But the soldier is also an academic. Tiémoko Marc Garango also holds a degree in Higher Studies in Private Law, a Masters degree in Public Law and is a man of order, a relentless worker, whose main leisure activity is the reading of books on finance and economics. Mr. Garango is a staunch supporter of the balanced budget so dear to classical financiers. A sworn enemy of the systematic deficit advocated by the followers of Keynes, he has not hesitated to write in his book: "the interest of Upper Volta lies in an orthodox management of public finances based essentially on austerity, discipline and realism"[137].

[137] Jeune Afrique n° 692 of 13 April 1974.

Mr. Tiémoko Marc Garango

II – The meeting of the Heads of State in Lomé

On Friday 11 October 1974, the six Heads of State of WAMU assembled in Lomé to decide on the Headquarters of BCEAO and BOAD and to come to an agreement over the appointment of the executive officers of the two institutions.

A – The opening ceremony

It took place at the RPT[138] House where several thousand members of that party had gathered.

President Eyadéma recalled at the inauguration that this was the first summit meeting since the reforms in the organization. "This event marks the start of a new era in the reciprocal co-operation between our States as well as the establishment of specific relations between WAMU and our French partner. It provides at the same time a launching pad for the setting up of new institutions and structures planned in the reforms we have agreed upon"[139].

He specified that the Heads of State would have to decide on the headquarters of the two banks of the Organization and to appoint their executive officers.

While laying stress on this development, the Togolese President asserted that the necessity for numerous and continuous adaptations had to be acknowledged as an undeniable fact. *"We should not take fright at the decisions to be taken and at the attitudes to be adopted when the greater interest of our nations dictates it".* Finally, he stated that African States had to assert their determination to make their economies solid. *"For that purpose, we have to get rid of the old mentality of being eternally assisted countries, and we must depend on our own strength".*

In his capacity as the most senior member, President Houphouët-Boigny then spoke to express his pleasure at the discipline that the States of the Union had shown in their monetary relations. He also thanked the French authorities for facilitating the fulfillment of the desire that the Headquarters of the Central Bank of the Union be transferred to Africa.

The President of Côte d'Ivoire noted that at the cost of a freely accepted strict discipline, member States of the Union had obtained very enviable results. "Our currency has constantly remained strong and freely convertible. This financial stability has brought us the respect of our trading partners and the confidence of public and private investors... we have to show now that we are worthy of this new capability that we hold today". "The efforts that we have to make to compensate for the drawbacks of the present situation, have to be relentless and persevering. That is why the management of our monetary and financial institutions has to remain exemplary".

138 "Rassemblement du Peuple Togolais" (Togolese People's Gathering)
139 AFP, Bulletin d'Afrique n° 8502, 12 October 1974.

B – The meeting and the final communiqué

The meeting was held in camera. In the evening, at the end of the deliberations, a communiqué was issued indicating that the Heads of State meeting in Lomé since the morning of Friday 11 October, had decided to establish the headquarters of the Central Bank of West African States in Dakar, capital city of Senegal, and that of the West African Development Bank in Lomé, capital city of Togo.

Moreover, they agreed to appoint to the post of BCEAO Governor a Côte d'Ivoire national and provisionally to the post of Deputy Governor a national of Upper Volta.

As regards BOAD, the post of Chairman would go to a national of Upper Volta and that of Deputy Chairman to a national of Niger.

The Chairmanship of the Conference of the Heads of State was entrusted to President Eyadéma and that of the Council of Ministers to Mr. Edem Kodjo, Minister of Finance and Economic Affairs of Togo.

An important page had just been written in the history of West Africa, giving rise to numerous comments.

C – The comments of participants and the press

As regards the results of the meeting, General Sangoulé Lamizana expressed his great "satisfaction at the progress achieved"[140].

"The essential objective of the meeting was to Africanize the executives of BCEAO and to transfer the Headquarters of this central bank to African territory, which has been done". "We have also created a West African Development Bank which has been given the task of promoting the economic and social development of our countries".

"Keeping in mind the world-wide inflation and the uncertain monetary situation, WAMU Heads of State have decided that the institutions will be set up as soon as possible so as to meet the objective we wish to achieve, that is to say the proper management of our currency, and then, within the framework of BOAD, the participation of this bank in our development".

"We are returning from Lomé happy and delighted" President Félix Houphouët-Boigny declared, on Saturday on his return to Abidjan. "Delighted at all that we have seen, heard and felt, happy because the objective that we had set for ourselves has been more than achieved".

"We wanted indeed to consolidate the bonds of brotherhood which unite us by reinforcing our solidarity, so as to be able to obtain the best tools to accelerate the economic development of our countries".

[140] AFP, Bulletin d'Afrique n° 8503, 13 -14 October 1974.

Indicating that "after long hours of discussions and dialogue we have achieved the success we expected", he recalled that the transfer from Paris to Africa of the Headquarters of the Central Bank House was now a reality and that BOAD which had just been created "must provide decisive assistance to the most disadvantaged among our partners".

Finally, President Houphouët-Boigny emphasized that members of WAMU had refused to tread the path of monetary adventure. "Our currency is stable and convertible"[141].

Questioned on Saturday evening on his return to Dakar about the distribution of the seats and the posts and about the general orientations adopted by the conference, President Senghor specified that "what is important is not which bank is in which country nor which official is appointed as Chairman. What is important is the distinctive nature of our groupings in West Africa, for these groupings are based on strict equality and also on solidarity".

"For example", he added, "the activity of BOAD will cover above all the most underprivileged among the States and not Senegal and Côte d'Ivoire. I am convinced that it is this equality and active solidarity which are the characteristics of our energy"[142].

Lieutenant-Colonel Seyni Kountché, Head of State of Niger, said on the early afternoon of Saturday 12 October, on his arrival in Niamey : "During this meeting, we made it a point to ensure that a new spirit underlined our deliberations, so that our solidarity should become effective and not emotional".

As regards the distribution of positions and the management of the two Institutions, he noted : "To say that we are satisfied is saying a great deal. We would have been happier if our solidarity had been better characterized by the distribution of the posts in the two banks. However, we have been able to observe that we are no longer the underprivileged and that note is being taken of the assertiveness of the personality of Niger as a State and as a nation".

"African neo-colonialism is more dangerous than international imperialism" observed President Mathieu Kérékou on his return to Cotonou.

Commenting on the results of the meeting, the Head of State of Dahomey observed that he hoped that in this particular case, intra African solidarity would play a role and that it was not proper that it should always be the most well-off who monopolized posts.

"BCEAO is still under French control. The shifting of its headquarters to Africa requires that the State where it is situated should fulfil certain conditions, which Dahomey does not meet politically, because of the choice it made on 30 November 1972, through its program. From that moment onwards, it was eliminated...".

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141 AFP, Bulletin d'Afrique n° 8560, 22 - 23 December 1974.
142 AFP, Bulletin d'Afrique n° 8503, 13 –14 October 1974.

All these declarations were reproduced and commented on at considerable length in the press, leading to some speculation over Dahomey's possible withdrawal from WAMU.

This was denied by the Minister of Finance Isidore Amoussou on his return from Ouagadougou where the meetings of WAMU Council of Ministers and BCEAO Board of Directors took place on 15 and 16 December 1974.

Mr. Amoussou specified in substance : "there is a significance in my participation in these meetings. In fact, after the recent measures relating to the taking over of some vital economic sectors of our country, and despite the assertion that Dahomey remains a member of WAMU, there are some who suspect that we intend to mint our own currency. It is therefore to prove our desire to remain a member of WAMU that I attended the meetings in Ouagadougou".

He added that the rumors "deliberately fuelled which tend to infer from these take overs the imminent announcement of the conquest by Dahomey of its total monetary sovereignty, are the result of a tactics of sabotage".

"The exercise of monetary sovereignty necessitates constraints other than measures of take over of certain economic sectors. The Republics of Mauritania and Madagascar have left the Franc Area without adopting the Socialist Marxist and Leninist path of development.

"On the other hand, the People's Republic of Congo which has preceded us on this path, has not yet left the Franc Area.

"There is therefore, to my mind, no similarity to be drawn and no declaration to be inferred from our ideology as regards the exercise or not of our monetary sovereignty"[143].

III – The appointment of the first African Governor of BCEAO : Abdoulaye Fadiga

In Lomé, as we saw, the Heads of State entrusted the Chairmanship of the Council of Ministers to Mr. Edem Kodjo, Minister of Finance of Togo, who was already presiding ex officio over BCEAO Board of Directors within the framework of the earlier statutes.

The new Council of Ministers met on 15 December 1974 in Ouagadougou under his chairmanship and appointed for 6 years, Mr. Abdoulaye Fadiga, Director General of the Fund for Stabilization and Support of Prices of Agricultural Products of Côte d'Ivoire, to the post of Governor of BCEAO and decided that he will officially assume duty in Dakar during the first fortnight of January 1975.

[143] AFP, Bulletin d'Afrique, 22 -23 December 1974, n° 8560.

The Council considered it necessary to create a post of Secretary General of BCEAO in order to ensure the continuity of the administration of the Bank.

It decided also that while awaiting the adoption of new rules, BCEAO would apply within the Union a temporary system of modalities and conditions of credit.

It asked the Governor to pursue within a time frame in keeping with the requirements of effectiveness of the Bank, the Africanisation of posts of responsibility both at the headquarters as well as in the branches.

The following day, the Board of Directors in its earlier form held its last sitting under the chairmanship of Mr. Kodjo.

It drew up the accounts of the Bank, closing on 30 September 1974. While awaiting the adoption of the new rules of operation, it fixed for each State the ceilings for short and medium-term rediscounts, applicable till the end of the month of May 1975. It also gave rulings on the individual limits within its powers and on the assistance of the Central Bank to national treasuries.

Before closing the session, Mr. Kodjo paid tribute to the Directors, the Director General and the staff of the Central Bank for the work performed in the framework of the institutions provided for in the Treaty of 12 May 1962.

One page of the Institution had turned, a new one was opening against the background of a crisis in the form of world-wide inflation, the first oil crisis (1973) and the floating of the main currencies.

It was in a situation such as this, which was not auguring well that the Governor Abdoulaye Fadiga started his term of office.

Box 7.4

Abdoulaye Fadiga "Young executive", "technocrat", "senior official", these are the terms that can be used to describe Mr. Abdoulaye Fadiga, who was till then the Director General of the Fund for Stabilization and Support of Prices of Agricultural Products whose office was located on the 23rd floor of Abidjan's highest building. For the young Abdoulaye, born on 10 March 1935 at Touba, life was to be devoted entirely to the Imam. Indeed, right from a very young age, he attended one of the numerous Koranic schools in Touba.

This first contact with education stimulated his mind. He proved to be exceptionally precocious and brilliant while displaying qualities of assimilation. Nevertheless, it was after much discussion, hesitation and procrastination, that his family, with the heritage of an ancient past of Islamic tradition, had decided to enroll him in the primary school at Touba. Crossing the various stages with the greatest ease, the young student who had already got used to a certain gymnastics of the mind, became the pride of his school teachers and his city, with the result that in 1947, after barely four years of studies, he obtained his CEPE and passed the competitive examination for entry into secondary school. In the Classical College of Abidjan, his excellent marks enabled him to obtain a government scholarship for further studies. His results were brilliant. Obtaining the Bachelors (Philo.) degree with distinction in 1954, he enrolled at the University of Dijon, where he obtained his Masters in Law in 1957. From 1957 to 1960, Mr. Fadiga worked as Secretary General of the IACO, a post that he occupied till 1961, before being made the Deputy Director of the Fund for Stabilization in 1962 and its Director General in 1968.

Having a vast, clear and rigorous mind, very vivacious and lively and propelled by an extraordinary will to work, Mr. Fadiga also holds the responsibilities of President of the Board of Directors of SEPRIC and Director of the BNDA, the SACO, SONAFI and SODEPALM. Officer of the Order of Merit in Agriculture, President of the South-residential-Cocody Committee and Val Doyen of the sub-section of the PDCI-RDA, Mr. Fadiga is married and has four children[144].

[144] Fraternité Matin, Saturday 4, Sunday 5 January 1974.

Félix Houphouët Boigny (page 369)

Abdoulaye Fadiga (page 374)

IV – The formulation of the general policy directives on money and credit

A – The organization of the work

On 11 July 1974, Mr. Garango had communicated a file containing the texts on the rules of operation of the Central Bank and the banking regulations in force to all his colleagues.

The national ad hoc committees were to make proposals for adapting these rules to the new texts governing the Monetary Union.

The modalities for the assistance to be extended by the Central Bank had to be defined and a procedure adapted to the realities of the countries of the issuing area had to be formulated.

On the basis of the proposals and drawing on the lessons learnt from an analysis of the credit policy adopted till then, a study group met from 17 to 25 January 1975 at BCEAO headquarters in Paris under the Chairmanship of Mr. Garango.

Experts, put at the disposal of the Reforms Committee at the request of its Chairman, from the International Monetary Fund, "Banque Nationale de Belgique", "Banque de France", «Banque Nationale de Paris» and "Banque Internationale de l'Afrique Occidentale", participated in the meetings of the group.

A preliminary report arising out of the work traced the broad lines of what could be the new rules of operation and the new banking regulations.

On 28 January 1975, Mr. Garango sent the documents to his colleagues in the Reforms Committee. An important meeting was held at the Paris Headquarters of BCEAO from 18 to 28 February, which he presided. The experts who had authored the preliminary report, senior executives of the Headquarters of the Central Bank, Branch Managers and their collaborators in WAMU, holding a minimum status of Heads of Department, those in charge of the subsidiary branches in Bouaké and Kaolack, took part in it.

Governor Fadiga who had just taken office also participated in the meeting.

The work resulted in a draft of the general policy guidelines on currency and credit to which were annexed the following :

. a draft of the Central Bank's new rules of operation, and

. proposals for changes to be made in the banking regulations.

During the month of March 1975, a working group at the Headquarters put the finishing touches to a uniform bill relating to the banking rules, on the basis of the draft for changes in the banking regulations.

The overall document of the texts was submitted to a wider group of national experts appointed by each of the States of the Union.

A total of 56 persons met in Paris from 21 to 25 April 1975, under the chairmanship of Mr. Etsi Agbeto, Head of the Togolese delegation, Secretary General of the Ministry of Finance and Economic Affairs, a Director of BCEAO.

After having suggested some amendments, the group approved the overall documents. Bound in a single volume, under the title "General Policy Guidelines on Currency and Credit", they were adopted in Dakar by WAMU Council of Ministers on 2 May 1975 and by BCEAO Board of Directors on 3 May 1975.

B – The contents of the guidelines

At the conceptual and methodological level, the reforms made an important contribution. However, it was the Central Bank's objectives and instruments of operation, in particular the qualitative control of credit regulations concerning the external position of banks, which gave acceptance to the conception of a planned monetary policy.

a – Recall of the objectives of reforms

According to the texts, the reforms aimed at :

- enabling the Central Bank to promote the economic development and integration of the Union through a more active monetary policy, better adapted to the needs of the economies of member States ;

- promoting the Africanisation of the economy of the Union's member States ;

- placing the central bank in a position to exercise all the attributes of a genuine central bank and to play this role efficiently with an effective decentralization and deconcentration in favor of the branches and National Credit Committees.

The Central Bank's monetary and credit policy should draw its inspiration closely from these objectives and the rules of operation should, in particular, give it the technical means to :

- adjust the liquidity of the economy in terms of economic trends, the monetary situation in each State and the Union, and development needs ;

- promote the financing of productive activities and the required infrastructure while increasing the participation of nationals in the management of the economy ;

- ensure a better use of member countries' resources within the Union.

The Central Bank should also propose a new banking regulation to ensure harmonization of provisions presently in force in the different States and their adaptation to the Monetary Union's principles and objectives.

b – Instruments for quantitative control : control over the overall liquidity of the economy

This relates to a *quantitative* control, a control over the quantity of currency in the economy.

Indeed, a retrospective analysis of the monetary trend brought out the fact that the Central Bank's monetary policy, focusing basically around rediscount, had not made it possible to control the overall growth of credits and liquidity in member States and that, with the exception of the financing of crops, it had remained practically without any effect on the distribution of short-term credit between the different sectors of the economy.

Therefore, the Central Bank had to implement the *means of action* that provisions in Articles 28 and 57 of its statutes bestowed on it, namely the requirement of compulsorily maintaining some reserves and the establishment of a comprehensive amount as regards the assistance that it could extend to each State.

The price trends, the monetary and balance of payments situations as well as the level of its foreign assets in each State and in the Union as a whole, had to be kept in mind, when deciding on the amount of its assistance and the ratio of compulsory reserves. It was the responsibility of the Union's Council of Ministers to decide on the minimum desirable level of foreign assets of each State and the whole Union. In this connection, "solidarity between States presupposes that Central Bank's foreign assets in each State are not, for any length of time, considerably less than the proportion of 20% mentioned in paragraph 4 of Article 51 of the Statutes".

The use of these instruments had to be also designed in such a way as to encourage the mobilization of domestic savings and the recourse to external assistance.

1 – The overall assistance of the Central Bank

The guidelines specified that the overall amount of the assistance of the Central Bank in each State had to be decided upon annually, in principle, by the Board of Directors, in keeping with the proposals of the National Credit Committees.

It covered the consolidated assistance to the State and the economy, in application of Articles 10 to 15 of the Statutes, "excluding crop credits on account of their essential and seasonal nature and the difficulty in making an a priori appraisal of their volume". Such credits included credits for marketing of national agricultural produce whose reimbursement was normally completed within a time limit of 12 months from the start of each harvest by State agencies or those under its control were considered as seasonal credits.

However, the stocks existing eventually at the start of a new harvest could continue to be refinanced from the Central Bank on condition a consultation is organized with national authorities to decide on the incidence of these operations on the monetary situation of the State in question, and to determine to what extent this should be kept in mind at the time of establishing the consolidated amount of the Central Bank's assistance to this State.

In fact, according to the text, the exclusion of seasonal credits from the consolidated amount of the Central Bank's assistance did not appear to be contrary to the spirit of the provisions of Article 52 (7°) of the Central Bank's Statutes in the sense that the Board of Directors could link the volume of some of the Central Bank's assistance to specific needs or to the nature of some specific operations.

However, it specified that, if a restrictive interpretation of Article 52 (7) was to be retained, it would be enough if the Board of Directors fixed a rough amount, calculated in terms of the anticipated financing needs for each year and which would get automatically adjusted.

In each of the States of the Monetary Union, in accordance with the provisions of Article 57 of the Statutes, it was the responsibility of the National Credit Committee to determine the distribution of the overall amount of the Central Bank's assistance in this State (excluding seasonal credits) between :

- the State and public authorities under the conditions and limits fixed in Article 16 of the Statutes ;

- the public Treasury by way of rediscount of guaranteed bonds ;

- banks, financial establishments and institutions mentioned in Article 23 of the Statutes for assistance other than that extended to them under Article 15.

It was recommended to National Credit Committees that when they work out the overall amount of assistance likely to be extended to banks and financial establishments, they should keep in mind, on a priority basis, the needs of financing of small and medium sized national enterprises and, within the limit decided upon by the Board of Directors in accordance with Article II of the Statutes, medium-term assistance for the setting up and promotion of national enterprises.

If the Central Bank's assistance to banks and financial establishments continued to be in the form of rediscount or pawned stock, it would be beneficial to adopt *simpler procedures*, such as guaranteed direct advances. In particular, assistance to national small and medium sized enterprises could be in the form of direct overall advances, on the basis of lists certified by the presenting bank and secured by stocks that can be liquidated, which it would continue to hold.

2 – Reserve requirements

The guidelines stipulated that the system of compulsory reserves compels the banks to maintain an account of the assets representing a certain percentage of their deposits or a certain fraction of the flow of funds that had been disbursed into the economy with the Central Bank, whether or not it bore interest.

The imposition of compulsory reserves, the text underlined, made it possible to curb a rapid expansion of the overall bank credits which might endanger monetary balance and price stability. This was a situation, which could arise out of a growth of bank deposits linked to a short-term hike in the value of exports or to the inflow of external funds. The ratio of reserves was adapted to the specific conditions prevalent in each State. The reserves were calculated in terms of all or some of the elements of the Bank liabilities or assets, their advance during a fixed period of reference or a combination of several of these elements, depending on the circumstances and the aims to be achieved.

Moreover, the keeping of compulsory reserves could be restricted to banks alone, excluding financial establishments. In order to safeguard eventually the profitability of the banking system, credit regulations should provide for the possibility of grant of interest on all or a part of the deposits kept under this head with the Central Bank.

c – Instruments for qualitative control: the sectoral credit policy

According to the guidelines, the objectives underlying the Monetary Union reforms assigned a larger role to the qualitative control of credit by the Central Bank with a view mainly to *promoting* the financing of *productive activities* and *supporting African enterprises.*

"Now, the rediscount policy by itself is not enough to ensure a qualitative control of credit meeting these objectives. It must be accompanied by other instruments enabling a selective distribution of credit per sector of activity and per beneficiary". In the Central Bank's terminology, this arsenal has been given the name, "sectoral credit policy".

1 – The distribution of credit per sector of activity

This involved the channeling of credit towards activities that each State wished to encourage in the framework of its economic policy.

National Credit Committees had to draw up, for this purpose, a list of sectoral priorities that banks would be asked to adhere to when granting their non-seasonal credits.

In the event that this move was considered insufficient, Committees could fix, in favor of some sectors of activity, some minimum ratios that non-specialized banks would be expected to achieve during a given period. These sectoral ratios would be calculated in terms of these banks' outstanding credit or deposits.

If the specific conditions in which the banks operate and the nature of their establishment and their clientele were to make it difficult, in some cases, to adhere to the sectoral ratios, National Credit Committees should be flexible in their manner of applying these ratios, in particular by setting out general objectives for the overall banking system of each State and by offering an alternative to banks not in a position to keep to these ratios. This alternative could take the shape of special deposits in the Central Bank or subscription to government bonds. The rates of return on these deposits or these government bonds would be fixed in such a way as to encourage the banks to channel their credits in the desired direction.

The Central Bank could also channel the distribution of credit per sector by fixing maximum ratios for non-priority sectors.

It would be the responsibility of National Credit Committees to choose from among these means the one which was the best adapted to circumstances and conditions of each country.

2 – The distribution of credit per category of beneficiary

The objective pursued was to promote the development of new national enterprises and the Africanization of existing ones. In addition to the refinancing, on a priority basis, by the Central Bank, of credits not exceeding a certain amount in favor of small and medium sized national enterprises, National Credit Committees had the possibility of, jointly or otherwise :

- asking banks to allocate a certain percentage of their resources or that of their use for meeting national enterprises' credit needs. This percentage, fixed in a realistic manner in keeping with local conditions, could be adjusted according to the circumstances ;

- subjecting the access to credit by foreign enterprises to more selective conditions, inter alia by binding funds extended to them, to their equity capital and to their possibilities of external financing.

In the same way as for sectoral ratios, the banks which would not be in a position to fulfil these conditions should build up special deposits with the Central Bank or subscribe to government bonds.

3 – Prior authorization of credit

This was the means by which the Central Bank got to know the way credits were being channeled per sector and per category of beneficiary and its manner of ensuring that the distribution of credit corresponded to objectives sought to be achieved. For this purpose, it set up a system of prior approval or authorization for credits of any nature extended to a single beneficiary, above a certain amount, or preferably to persons and enterprises whose outstanding credit exceeded a given level. This regulation would apply to the overall credits extended by banks and financial establishments, irrespective of their duration.

Prior authorization did not imply an agreement for refinancing by the Central Bank or a judgement on the quality of the credit. The extent of the amount beyond which it would be required was to depend on the National Credit Committee of each State, but the approval itself could be given by the Bank Manager of the Central Bank authorized to do so by the National Credit Committee. When the beneficiary enterprise was established in or carried on its activity in several States of the Union, the approval was granted after consultation with the Central Bank Governor.

For medium-term credits, the guidelines specified that, although their disbursement should be encouraged, banks should not be obliged to adhere to a minimum percentage, since the distribution of credits according to maturity essentially varied after the manner in which each bank's resources were structured or according to possibilities of refinancing offered by the Central Bank. Thus, any measure aimed at promoting term deposits and savings, particularly the policy on rates of interest, would facilitate the expansion of medium-term credits.

The guidelines concluded on this point that *"The new measures of qualitative control of credit would make the present distinction between rediscountable and non-rediscountable credit meaningless, and the fixing of an individual rediscount limit for each enterprise useless. As provided for in Article 10 of its Statutes, the Central Bank will have the greatest latitude in the choice of the form its assistance will take and in working out the conditions of access to its funds by banks, particularly as regards the guarantees insisted upon"*.

d – Use of the member States' resources within the Union

On this point, the guidelines observed that in the context of total freedom of transfers within the Franc Area, the policy adopted by the Central Bank in respect of credit and interest rates had led enterprises, banks and financial establishments to invest a large part of their excess funds outside the Union.

Simultaneously, the liquidity needs of the economy had been financed, in a growing proportion, by the Central Bank resorting to rediscounting. The raising of interest rates in January 1973 and the adoption of some other measures had not sufficed to correct this situation on account of the growing gap between the rates in force in the Union and those in the international money market.

A better use of member States' resources within the Union and a greater integration of their economies could be achieved by recourse to a common interest rate policy, the creation of a money market and control over the banks' external assets.

1 – The interest rate policy

According to the guidelines, interest rates within the Union should not be substantially different from those in force in the foreign money markets and particularly from those in France. To this end, the Central Bank should adopt a policy making it possible to adapt interest rates on accounts in credit and on those in debit, in the Union, to the conditions prevailing in these markets, and to fix its rates of intervention, particularly, at a realistic level.

Taking account of the other economic policy objectives pursued, the text mentioned that the Central Bank would continue, "for the time being", to apply a *preferential rate* to credits to *the State* and public authorities, *seasonal credits*, as well as credits to *national small and medium sized enterprises* when they did not exceed a certain amount per beneficiary. States would set up, if they considered it necessary, a system to subsidize *interest* in favor of those national enterprises which, on account of their size, could not avail of the preferential rate. The Subsidy fund could be financed notably through a part of the Central Bank's profits due to each State.

The other interventions of the Central Bank would be performed at a *higher rate*, closer to the rates prevailing in the foreign money markets. The Central Bank should be ready to rapidly modify the interest rates in accordance with developments in these markets and changes in its monetary policy's orientation. To this end, the Governor should receive from the Board of Directors the power that it holds, in accordance with the provisions of Article 52 (4°) of the Statutes, to fix the rates for all operations undertaken by the Central Bank, with the exception of the preferential rate whose modification would remain subject to a decision by the Board.

2 – The creation of a money market

This was an important provision of the reforms. The text gave a detailed description in the following terms :

"The redistribution of surplus liquidities within the Union can only be effected, at the primary stage, with the active participation of the Central Bank.

"For this purpose, funds available with banks, once the possible commitment to put aside the compulsory reserves has been fulfilled, would be deposited in a current account with the Central Bank and placed by the latter, under its responsibility, in the same State or in another State of the Union, at the disposal of those banks with insufficient liquidity. This placing at the disposal of the banks would take the form of advances, renewable from day to day, guaranteed by public or private securities deposited with the Central Bank at a rate equal to that paid by the latter on the equivalent current accounts, increased by a commission in its favor. Deposits and advances operations would be centralized at the Central Bank's headquarters to facilitate the flow of cash in the market while banks could keep permanently with the Central Bank a stock of securities which could be assigned as a guarantee for advances.

"Later on, when the money market would have been developed and the operations would have reached a certain volume, the Central Bank could gradually accept deposits and extend advances for longer periods at diversified rates. It could thus issue, in place of these deposits, certificates that would be freely negotiable between banks. Other securities, notably those issued by member States of the Union and by some financial development institutions such as the West African Development Bank, could also serve as an aid to transactions on the money market, on condition that they were freely negotiable in the whole of the Union.

"In order to make the working of the monetary market easier, the Central Bank should be ready to itself absorb the liquidities not being utilized in the market and if need be to provide the market with funds. The absorption by the Central Bank of liquidities not being offset in the market would normally have a favorable incidence on the level of its foreign assets. It should therefore not affect its profit and loss account.

"The balance of the money market would therefore be more easily achieved if public agencies would deposit their funds, including those arising out of the transfer of their foreign assets into the Central Bank. The size of funds held permanently by these agencies, including by offices for marketing of products and stabilization funds, would constitute a factor of imbalance if they were to be added on to the liquidities of the banking system, and would not fail to seriously affect the Central Bank's monetary and credit policy.

"The money market rate should settle down at a level slightly lower than the one prevailing in Paris for operations of the same nature, if for no reason other than that of transfer expenses and commissions. It could, however, exceed the market rate prevailing in Paris in the event of a marked insufficiency of liquidities within the Union or if the authorities desired to curb an excessive transfer of liquidities outside the Union".

3 – Control of the banks' foreign assets

The guidelines stipulated that the interest rate policy and the creation of the money market should enable banks to offer their clientele a more favorable return on their deposits and, consequently, to retain within the Union the liquidities invested outside till then. The continuance of the commission on transfers outside the Union would contribute, moreover, towards curbing financial outflows.

These measures should be supplemented, in accordance with the power given to the Central Bank by Article 28 of the Statutes, by a restriction on the limit of foreign assets to be held by banks. The limit should be fixed in such a way as to prevent banks from making any investment outside the Union and leaving at their disposal only as much balance as is required for their current operations abroad.

e – The revision of national banking rules

To ensure a cohesion of the mechanism as a whole, the guidelines suggested an updating of the overall texts concerning banking regulations.

Indeed, the Treaty establishing the Monetary Union provided for the harmonization of banking legislations as regards the general organization of the distribution of funds and the rules for practicing the banking profession and activities associated with it. In addition, the introduction and the deployment of new instruments of monetary policy and the necessity for ensuring a greater participation by banks and financial establishments in the economic development of the member States of the Union, called for a re-adjustment of banking regulations.

The Central Bank was requested, under these circumstances, to submit to member States a plan for modification of legislative texts and rulings on the following points :

- "National banking regulations should relate only to the organization of the banking profession and its associated activities, protection of depositors and control over banks and financial establishments so as to preclude any conflict with the texts governing the Monetary Union. As for the regulation of funds, this falls within the competence of the organs of the Monetary Union.

- The distinction between commercial banks and business or development banks which we find in some national banking legislations, notably as regards collection of deposits and use of resources, will be given up. This distinction, which has become obsolete, no longer corresponds to a modern concept of the organization of banking and does not fulfil the need to ensure that banks as a whole participate in the mobilization of savings and in the financing of economic development.

- The exception for which provision has been made concerning the application of the banking legislation in favor of certain financial bodies which remain governed by specific texts pertaining to them, could be partially extended to the financial establishments set up by a special law. These will remain in any case subject to the obligation to periodically furnish the Central Bank with all statistical information on their operations and notably on the nature and the composition of their resources and that of their use, in the form and within the time limits prescribed by it.

- The competence and powers of National Credit Councils under the terms of national legislations, and those of National Credit Committees set up by the Central Bank's Statutes, overlap to partly cover the same fields. In order to prevent a possible conflict over competence between these two bodies, the provisions will be amended so as to give an exclusively advisory role to the National Credit Council whose name will henceforth be changed into Advisory Credit Council.

- During the last few years, rules of liquidity imposed on the banks have been utilized to meet the diverse objectives of the monetary and credit policy. The new means of intervention in the field of credit control defined in the present guidelines, will enable the Central Bank to replace the ratio of liquidity by a ratio of cash flow whose role will be restricted to the protection of depositors. This ratio will consist of a minimum proportionate balance between the liquid or realizable short-term assets of the banks, on the one hand, and their short-term sight liabilities, on the other hand.

- The protection of depositors also requires the imposition of a proportionate division of risks. This proportion will consist of a maximum ratio between the amount of the non-guaranteed assistance that a bank can grant to the same borrower and the funds belonging to this bank.

- The Control Commission of banks and financial establishments, also called Committee for banks and financial establishments or Supervising Committee, has powers that vary from State to State. In certain cases, the Control Commission not only has disciplinary powers, but also the power of taking initiatives in the field of bank or credit regulations. The name of the Commissions for control will be made uniform and their powers will be redefined in such a way as to convert them into bodies specializing in the detection of violations of national banking regulations as also those of regulation governing credit by the Central Bank.

- The status of the Control Commission, as regards its relations with the Minister of Finance, will be made uniform. Thus, in each State, the Control Commission will be set up in the office of the Minister of Finance who alone will have the power to order the implementation of the Commission's decisions for initiating disciplinary action.

- The national legislations will have to provide for uniform penalties within the Union for breach of rules concerning the Central Bank's funds and the provisions of the national banking rules common to all the States. In order to ensure the effectiveness of the credit control measures, the Central Bank will be authorized to directly implement certain sanctions in the event of serious breach of its rules, without prejudice to those which could be imposed by the Control Commission of banks and financial establishments. The Central Bank will among others have the power to impose a penalty on banks whose compulsory reserves are inadequate, calculated in terms of the amount and duration of the shortfall, at a rate distinctly higher than its highest rate of intervention. Similarly, the violations of provisions concerning qualitative credit control, particularly the procedure for prior authorization, could incur a punishment in the form of an order requiring it to make non-interest earning deposits with the Central Bank or by suspending all refinancing facility to it.

- In order to ensure that banking and credit rules are adhered to, the Central Bank will have the power to inspect banks and financial establishments in each State, on its own initiative or on that of the Control Commission. It will submit a report to the Control Commission concerning any violation registered.

- The legislative provisions concerning the legal form of banks and financial establishments need not be identical for each State. Some States in particular may require from foreign banks that they be established in the form of companies subject to local laws so as to facilitate the participation of nationals, both individuals and corporations, in the capital of these banks.

Although some differences in the provisions of national legislations concerning the minimum capital of banks and financial establishments are conceivable, there does not seem to be any major reason to go back to the present uniformity of the ratios between capital and risks. Some modifications could, however, be made in the modalities for calculating these ratios, in particular in order to take into account seasonal variations in the bank assistance".

f – The application of guidelines

The intervention rules specified the modalities of application of the guidelines.

1) The assistance likely to be obtained from the Central Bank

In application of the provisions of Article 10 of the Statutes, the Central Bank could discount or repurchase from banks and financial establishments located in member States of the Monetary Union, securities mobilizing :

- seasonal credits ;

- guaranteed credits and in particular :

- Seasonal credits guaranteed by receipts or collateral of goods ;

• Credits for stocks backed by commercial or agricultural warehouse warrants ;

• Export credits guaranteed through the usual dispatch documents ;

• Credits guaranteed by authorizations or collateral of public transactions regularly recorded by competent authorities or by authorizations on the basis of certificates of rights of payment delivered by the same authorities ;

- commercial securities or an assembly of securities set up at the time of financing of sales on credit ;

- credits guaranteed by deposits of securities approved by the Board ;

- floating cash credits.

The Central Bank could provide discount to banks and financial establishments based in the States of the Monetary Union on :

- securities representing medium-term credits with a period of maturity between two and ten years ;

- securities representing long-term credits when these have no more than ten years to run before their maturity date.

The Central Bank can discount or re-discount public securities having no more than ten years to run, issued by States and public authorities of the Union, which might be presented to it by the States, public authorities, the West African Development Bank and banks and financial establishments of the Union.

To be eligible for mobilization by the Central Bank, securities mentioned in § 1.3 of the present rules must have as their objective, the financing of common services and infrastructure as well as activities aimed at improving production or subscription to the capital of enterprises assisting in the development of production.

The mobilization of these securities must have the prior approval of the Board of Directors or the Government duly authorized by the Board of Directors, and remain within the limit of the ceiling fixed by the National Credit Committee in application of Article 16 of the Statutes.

The credits for payment required for servicing interests and for reimbursement of securities issued had to be compulsorily registered and find a place in the budget of the State or that of the issuing authority.

To be eligible for mobilization by the Central Bank, credits mentioned in § 1.2 had to represent at the most :

- 90% of the investment if this was effected by a national small or medium sized enterprise ;

- 90% of the investment if this was in the form of a collective or individual constructed property meant for dwelling, whose cost did not exceed, per unit, the maximum fixed by each National Credit Committee within a ceiling of 10 M ;

- 75% of the investment if the latter was used for the development of agricultural production ;

- 65% of the investment if this was used for the development of industrial production ;

- 30% for non-social constructions whose cost per constructed sq. m did not exceed an amount to be fixed by each National Credit Committee ;

- 50% in all other cases.

The possibilities of mobilization of medium-term assistance for the repurchase of foreign enterprises or equity shares in the capital of these enterprises were subject to specific conditions spelt out in a ruling made by the Governor after consultation with the competent authorities of each State, keeping in mind, on the one hand the importance of these operations and, on the other hand, their direct impact on the balance of payments. The taking into consideration of this impact might lead, in particular, to necessitating a credit from the seller.

The Central Bank could, up to the limit of quotas fixed by the Board of Directors, extend to banks and financial establishments based in the States of the Monetary Union, credits guaranteed by bills having a term of no more than four years to run, under the condition of the creditworthiness of the subscriber and a bank guarantee.

2) The admissibility of signatures in the Central Bank

To be admissible in the Central Bank, bills or securities representing debts of individuals or enterprises towards banks and financial establishments, should :

- be guaranteed by two manifestly creditworthy signatures, with the exception of promissory notes of a global nature which could carry the sole signature of the presenting establishment, the Central Bank reserving, however, the right to ask, in this latter case, for an additional signature ;

- be drawn within six months at the most, it being however possible to extend this time limit up to nine months for bills representing seasonal credit or financing of public transactions, and up to twelve months for bills representing medium-term credits. However, within these maximum time limits, each National Credit Committee could fix some specific rules ;

- be representative of debts of an enterprise operating in the West African Monetary Union towards a bank or a financial establishment and maintaining an account of the operations it conducts there.

It was the responsibility of Branch Managers, under the control of National Credit Committees, to ensure the creditworthiness of signatures guaranteeing the securities that handed over, for discounting, as pawn or surety, or that served as a backing for money market operations. They had to keep an identical control over subscribers to customs duty bills.

Under no circumstances, should the total amount of Central Bank refinancing exceed a percentage of the applications of funds by this body fixed by the Board of Directors for a bank or a financial establishment. Seasonal credits such as defined in § 2.17 of the present rules were not included in the total amount of applications of funds taken into consideration.

Excess use could, however, be authorized when these were made up of credits endorsed by the State.

3) The fixing of the total amount of Central Bank assistance

The Council of Ministers defined the Union's monetary policy objectives and drew up, notably, every year, the minimum ratio that it considered desirable in each State, between :

- the foreign assets appearing in the Central Bank's cash flow statement for the State in question ;

- and the overall sight liabilities such as they appeared in this statement.

The guidelines of the Council of Ministers were communicated, through the Central Bank's Governor, to members of the Board of Directors and to each National Credit Committee.

The total amount of assistance likely to be granted by the Central Bank for the financing of economic and development activity of each of the States, was established for a period of 12 months, whose starting point, identical for all the States, was fixed by the Governor in accordance with the annual development of economic activities and the possibilities of obtaining the various information required.

One month at least before the start of the annual period mentioned in paragraph 2-3 of the present rules, each National Credit Committee established, based on a report from the Central Bank Branch Manager, the total amount of assistance to be granted by the Central Bank, which it proposed for the approval of the Board of Directors for the period of the coming year.

In the formulation of its proposals, under the conditions provided for in paragraph 2-4 of these rules, each National Credit Committee took into account the objectives worked out by the Council of Ministers and drew up, on the basis of a report from the Central Bank Branch Manager, a projection of money supply and its counterpart in the State during the subsequent annual period.

By comparing the above appraisal, the National Credit Committee worked out the anticipated trend in banking assistance during the subsequent annual period.

The National Credit Committee then took into consideration the assistance needs of the State and public authorities with reference to anticipated revenues and expenses of this sector during the period under consideration and keeping in mind the provisions of Article 16 of the Statutes.

An evaluation of these needs made it possible to assess the anticipated trend of the assistance to individuals and enterprises.

The National Credit Committee then worked out the share of this latter assistance that could be financed by the Central Bank, taking into account the objectives fixed in respect of foreign assets such as provided for in paragraph 2-5 of the present rules.

On these bases, the National Credit Committee drew up the proposals that it formulated for the Board of Directors concerning the maximum overall amount of Central Bank assistance in the State for the coming annual period.

In accordance with the provisions of Article 11 in the Statutes, and within the overall maximum provided for in paragraph 2-9 of the present rules, the National Credit Committee proposed the amount of assistance that it intended to reserve for the financing of medium-term credits for the setting up or the promotion of national enterprises to the Board of Directors.

The National Credit Committee also submitted the operations whose refinancing was likely to be undertaken during the coming annual period by the Central Bank, under the terms of Article 15 of the Statutes.

On the basis of these proposals, the Board of Directors decided on the overall amount of assistance likely to be granted by the Central Bank for the financing of economic and development activities in each of the member States of the Union, both on account of the State and public authorities and individuals and enterprises account.

The Board of Directors took its decision while keeping in mind the objectives fixed by the Council of Ministers and the commitments made by each of the States within the framework of the Treaty establishing the Monetary Union and the solidarity which linked member States of this Union.

The Board of Directors also worked out the share of the comprehensive ceiling to be reserved for operations conducted within the framework of Article 11 of the Statutes.

The Board of Directors finally decided on the operations that could be financed within the framework of Article 15 of the Statutes.

4) Distribution of the overall amount of Central Bank assistance

The Governor notified each National Credit Committee of the overall maximum amount of Central Bank assistance to the State concerned as well as the share reserved in this amount for financing of medium-term assistance for the setting up or promotion of national enterprises, such as decided by the Board of Directors.

The National Credit Committee then proceeded to divide the maximum amount fixed by the Board of Directors between :

- the State and public authorities, for the different operations provided for in Articles 13, 14 and 15 of the Statutes, subject to keeping within the ceiling provided for in Article 16 of the Statutes ;

- the Public Treasury, for discounting of guaranteed bonds subscribed in its favor in application of the provisions of Article 12 of the Statutes ;

- banks and financial establishments, for the operations provided for by Articles 10 and 11 of the Statutes.

Within the overall amount of assistance likely to be extended to banks and financial establishments and keeping in mind the amount reserved for financing the operations mentioned in Article 11 of the statutes, the National Credit Committee, on a proposal from the Central Bank Branch Manager, assessed the financial needs of small and medium sized national enterprises whose financing would be ensured on a priority basis by the Central Bank.

The Central Bank assistance for seasonal credits was extended without any limit apart from the overall ceiling and in accordance with the needs of the banks.

By seasonal credits was to be understood banking assistance extended exclusively and definitely for the marketing of local agricultural products :

- when this marketing was done through the intermediary of, or under the supervision of agencies placed directly or indirectly under State control ;

- and when the outcome of this assistance occurred normally within a maximum period of 12 months from the start of the year.

When, following the existence of stocks carried forward, the concerned credits were not absorbed twelve months after the start of the harvest, their amount was included in the financing needs of the economy of the following period. In the event that these stocks reached an amount representing more than 40% of the tonnage marketed during the harvest, the Governor consulted the States on the specific measures called for as a result of financing of these stocks.

5) Reserve requirements

In application of Article 28 of the Statutes, the Board of Directors could suggest to the Council of Ministers that the banks and financial establishments in the whole Union or in one or several specific States, be obliged to maintain some compulsory reserves.

Compulsory reserves were formed exclusively through deposits by banks and financial establishments with the Central Bank. Their minimum amount was worked out with reference to all or a part of certain elements of the net worth of the concerned establishment and in particular their due date for sight or term payments or the assistance extended.

The rate of reserves could differ depending on the nature, the amount and the variation of elements to which it applied.

The Board of Directors decided on :

. the categories of establishment subjected to reserve requirements ;

. the elements to be taken into consideration for the calculation of these reserves and their mode of calculation ;

. the rates of reserve requirements.

The deposits by banks and financial establishments with the Central Bank corresponding to the minimum of their reserve requirements could earn interest at a rate fixed by the Governor of the Central Bank authorized to do so by the Board of Directors.

Any violation of the present provisions led to the application of sanctions laid down in the banking legislation.

6) Qualitative control of credit

- Distribution of credit per sector of activity and per category of beneficiaries

. With a view to channeling funds towards the activities that each State wished to promote within the framework of its policy, National Committees drew up a list of sectoral priorities that the banks and financial establishments were obliged to adhere to, when granting credits other than seasonal credits.

National Credit Committees could also fix, for certain sectors of activity, some ratios of fund applications that banks and financial establishments would be expected to observe in a given period.

. In order to promote the development of national enterprises, National Committees could make it obligatory for banks and financial establishments to allocate within a specified proportion, a share of their financing for the needs of national enterprises, keeping in mind local circumstances.

. National Credit Committees could also make compulsory for banks and financial establishments to subject the access to credit by foreign enterprises to specific selective conditions, in particular by linking bank assistance likely to be granted to these enterprises to their capital and possibilities of external financing.

. The decisions of National Credit Committees concerning the distribution per sector of activity and per beneficiary were communicated to the banks and financial establishments by the Central Bank Branch Managers.

Banks and financial establishments that would not be in a position to adhere to the above provisions would be expected to build up special deposits with the Central Bank.

The returns on these deposits would be fixed by the Board of Directors or the Governor by delegation, in such a way as to encourage banks and financial establishments to channel the distribution of their funds in the desired direction.

- Prior authorizations

. In order to provide itself with the means of knowing how credits per sector and per category of beneficiary were being channeled and enable it to ensure that the distribution of credit met the objectives defined, the Central Bank organized a system of prior authorizations.

. In application of Article 58 paragraph 1 of the Statutes, each National Credit Committee fixed the amount of outstanding credit of all kinds, extended to a single enterprise, beyond which the grant of assistance by banks and financial establishments was subject to its prior authorization.

The Branch Manager informed banks and financial establishments about the minimum level fixed by the National Credit Committee.

The requests for prior authorization were made in the forms provided for the purpose by the Central Bank.

. Requests were presented to the Central Bank by each bank and financial establishment concerned.

This presentation was done by :

* the lead bank in the case of syndicated credit ;

* a presenter bank or financial establishment in the case of joint interventions by several lenders.

. Requests for prior authorizations were essentially examined in terms of objectives of credit distribution per sector of activity and per beneficiary fixed by National Credit Committees.

. The authorizations were issued by Central Bank Branch Directors, this authority being delegated to it by the National Credit Committee.

. Any violation of the present provisions led to the application of sanctions laid down in the banking legislation.

Prior authorization did not in any event imply the admissibility of the credit concerned for refinancing by the Central Bank.

7) Central Bank's rates of intervention

The Central Bank operations were conducted at a preferential bank rate when they concerned :

. credits to the State or public authorities ;

. seasonal credits ;

. short or medium term credits in favor of national small and medium sized enterprises whose outstanding credit did not exceed an amount fixed uniformly for the whole of the Monetary Union at 20 B CFA Francs.

For the application of the provisions stipulated in paragraph 5.1, those enterprises belonging to individuals who were nationals of one of the member States of the Union or to companies whose capital was held, up to a limit of at least 51%, by nationals, (individuals or corporates) of the Monetary Union and whose management was ensured by Union nationals, were considered as national enterprises.

Credits concerning the financing of stocks carried over from the previous year, as mentioned in § 2.18 of the present rules, enjoyed the preferential rate when these stocks did not exceed 40% of the tonnage marketed during the previous season.

When the carried over stocks exceeded this percentage, the Governor decided, after consultation with the authorities of the State concerned, what rate should be applied to the financing of these stocks.

All operations other than those enumerated in paragraph 5.1 were refinanced by the Central Bank at the normal bank rate.

The preferential bank rate and the normal bank rate were fixed by the Board of Directors on a proposal made by the Governor.

The normal bank rate was worked out keeping in mind the interest rates prevailing in the foreign money markets. It could be changed at any moment. During intervals between the Board of Directors' meetings, this change was carried out by the Governor acting on the authority given to him by the Board of Directors.

8) Rates applicable by banks

On the proposal made by the Governor, the Board of Directors worked out the rate of return applicable by banks for assistance enumerated in paragraph 5.1 of the present rules.

This rate of return was calculated with reference to the following scale :

. seasonal credits: preferential bank rate + 1 to 2% ;

. credits to national small and medium sized enterprises: preferential bank rate + 1 to 3%.

On the suggestion of the Governor, the Board of Directors fixed the maximum amount of return likely to be earned by banks on credits other than those enumerated in paragraph 5.1 of the present rules.

This maximum amount was fixed after, eventually, taking into account the legislation on usury, in force in member States of the Union.

Subject to adhering to this maximum level, the banks were free to fix the interest demanded from their clients for the credits concerned.

On a proposal made by the Governor, the Board of Directors established the rate of return paid by banks for deposits entrusted to them by their clients to the extent to which these deposits did not exceed a certain amount.

For all deposits whose extent exceeded the amount thus fixed, the rate of return was freely fixed by a convention between the parties subject to the Board of Directors fixing a minimum level associated with the current economic climate.

9) The Money Market

On a proposal from the Governor, the Board of Directors established the rate of return on deposits placed with the Central Bank on account of the money market by banks and financial establishments. These deposits were recorded in an account specially opened for this purpose in the books of the Central Bank.

This rate, called the money market rate, was worked out by taking into consideration rates prevailing in the foreign markets.

It could be modified at any moment by the Governor acting on the authority vested in him by the Board of Directors.

The rate of loans given within the framework of the money market was worked out by adding to the above rate an amount fixed as commission by the Governor.

The borrowings from the money market were guaranteed by depositing public or private securities as surety.

In order to facilitate the working of the market, banks and financial establishments could be authorized to permanently maintain a deposit of securities with the Central Bank, likely to be assigned as a guarantee for their borrowings from the money market.

The Central Bank Branch Managers kept a daily record of deposits of funds received and loans extended in the framework of the money market.

These different moves were communicated daily to the Central Bank headquarters by telex for purposes of centralization at the level of the Monetary Union.

The Central Bank headquarters added up all the deposits and loans' transactions thus recorded and informed each branch about the accounting operations that it had to perform in the framework of an overall clearing.

A ruling by the Governor established the practical modalities of working of the money market.

10) Regulating the external positions of banks and financial establishments

- Banks and financial establishments were not authorized to keep funds available outside WAMU except those corresponding to the needs of their current operations.

- The Manager of each Central Bank branch kept track of trends followed by these funds and could ask for an explanation about them.

- The absence of a valid justification entailed the application of sanctions provided for in the banking legislation.

11) Modifications to be made in banking regulations

The Central Bank's general policy guidelines provided for the modification of banking rules while taking into consideration the following objectives :

- Restriction of the scope of banking regulations to :

. the organization of the banking profession and activities connected with it ;

. the protection of depositors ;

. the control of banks and financial establishments.

- Elimination of the distinction between commercial banks and business or development banks, and adoption of simplified rules for banks and financial establishments having a special legal status.

- Institution of a cash flow ratio meant to ensure the protection of depositors.

- Creation of a ratio for dividing banking risks.

- Redefinition of the role of the National Credit Councils and Control Commissions of banks and financial establishments.

- Establishment of uniform penalties within the Monetary Union in case of violations of credit and banking rules.

- Assigning to the Central Bank the power to inspect banks and financial establishments on its own initiative or on that of the Control Commission of banks and financial establishments.

12) Institutions subjected to banking rules

- The institutions covered by banking rules could be classified into two groups, defined hereafter, depending on whether or not they receive deposits that could be availed of through checks or transfers.

- All enterprises or establishments whose customary profession consisted of receiving, in the form of deposits or otherwise, funds which could be availed of through checks or transfers and which they utilized, under their responsibility, for credit or other financial operations were considered as banks.

- Only institutions belonging to this category could make a claim to be called a "bank".

- Individuals or institutions, other than banks, which usually carried out operations of borrowings, loans, guarantees, investments or exchange on their own behalf or as intermediaries, stockbrokers or security brokers or who usually received funds which they utilized for investment operations were considered as financial establishments.

- Financial establishments were subject to special rules depending on the nature of their activity.

- As was the case at the time, banking rules would not be applied to :

. representatives of international or inter-State financial institutions whose presence in the State was the result of a signed treaty, agreement or convention ;

. representatives of public foreign financial assistance or co-operation institutions, established in the State by virtue of agreements concluded between the concerned States, or between the concerned State and one of these institutions ;

. posts and telecommunications offices ;

. insurance agencies and pension institutions ;

. notaries ;

. stockbrokers ;

who remained governed by treaties, agreements, conventions, legal texts or rules that covered them.

- In this regard, the modification of banking laws could provide the opportunity to update and harmonize various national legislations and confirm the responsibility given to institutions, ministerial agencies and officials mentioned above to communicate to the Central Bank the information that it would require to fulfil its mission as provided for in Article 21 of the Treaty establishing the West African Monetary Union and in Articles 24 and 36 of the Statutes of the Central Bank.

- Banks and public financial establishments having a special legal status would not be subjected to the provisions of banking rules as regards their legal form, their capital and their reserves, but they would be obliged to conform to the commitment to communicate information.

They could be exempted from the application of other provisions stated in the rules through a decision of the Council of Ministers of the Monetary Union.

About banks

- Legal form

As at present, establishments set up under private law had to be constituted in the form of companies.

It was up to each State to decide if banks should be organized exclusively as companies set up under private law.

- Procedures for approval and withdrawal of approval. Authorizations for opening, closing or transfer of bank counters.

These procedures of registration and disbarring were to be fixed by a decree in each State. It would be desirable that they be made uniform in view of the fact that there was a minimum difference in these procedures noted from one State to another.

The opening, closing or transfer of bank counters was to be subjected to the authorization by the Minister of Finance or the Central Bank by delegation from the Minister of Finance.

- Bank Managers and Staff

Unless otherwise authorized by national authorities, Bank Managers had to be nationals of a member State of the West African Monetary Union.

Subject to detailed arrangements, rules presently in force in the six States of the Union, concerning the charge of incompetence that can be made against the managers could be renewed as also the provisions concerning the staff.

- Authorized capital

. Minimum authorized capital

Every bank had to continue to establish a minimum of authorized capital (or minimum endowment for the branches of banks whose headquarters was situated abroad) in its balance sheet.

As at present, this minimum would be fixed in its absolute value on the initiative of each of the States to keep an account of their specific position.

. Paying up of authorized capital

The present provisions of banking rules concerning the obligation to fully pay up the capital within a maximum period of 6 months led to divergent interpretations. It was desirable that a new wording should avoid any confusion on this point.

In this connection, three possibilities were considered :

... creation of a new establishment ;

... increase in the capital imposed by banking regulations in order to adhere to the minimum capital ;

... increase in the capital freely decided upon by managers of the establishment.

For the sake of clarification, the following solutions were retained :

... in the case of the creation of an establishment, the minimum capital would have to be fully paid up on the day it was constituted ;

... in the second case, a maximum period of six months was admissible to enable the implementation of the operation ;

... in the last case, the operation decided upon without any constraint of the banking legislation, contrary to the two earlier cases, no special time limit would be required, the operation coming under the common law.

. Reserve fund

The Reserve Fund imposed on the banks included legal reserves. This fund was made up by deducting 15% out of the profits serving as the basis for calculation of legal reserves.

. Delegation of power for the application of banking and credit regulations

The actual conduct of a monetary policy required the making of near instantaneous decisions whose application had to extend simultaneously to the whole Union.

Consequently, in application of Article 11 of the Treaty of 14 November 1973, national legislations had to delegate powers to the Council of Ministers of the Union, which could delegate the exercise of these powers to the Board of Directors or to the Governor, enabling them to fix, on the one hand, the modalities for calculation, the rates or the extent of the ratios or the amount of the bonds translated into their face value and, on the other hand, the rates and conditions applicable by banks and financial establishments in their operations with their clients.

. Minimum equity capital

To ensure banks the widest capital base possible, their equity capital had to grow along with their activities.

Under prevailing conditions, the fixing of a minimum level of the equity capital should continue to take as a basis risks appearing in the balance sheet and outside the balance sheet, after deduction of seasonal credits.

This ratio, fixed through a decision of the Council of Ministers, was to be uniform in the entire Union.

. Resources

Banks established within the Monetary Union could receive deposits irrespective of their term and could also be authorized to go on to issue compulsory public loans.

. Shareholdings and capital assets

Every bank could invest in business concerns of any kind, whether already existing or under creation.

The total amount of the stocks held by a bank and that of its capital assets, with the exception of operations financed through special assistance, should be at least equal to the amount of its equity capital not allocated for a contractual commitment, it being understood that the total amount of the capital and stocks of a bank in real estate companies should not exceed a certain percentage of its equity capital.

Moreover, the total amount of the stocks of a bank in a single enterprise should not exceed :

- on the one hand, 15% of the actual equity capital of this bank not allocated for a contractual commitment ;

- and on the other hand, 25% of the capital of the enterprise concerned.

Special dispensations, which should be of a distinctive nature, could be granted by decision of the Ministry of Finance upon recommendation of the Central Bank.

. Cash flow ratio

The liquidity ratio existing at that time would be replaced by a ratio, known as cash flow ratio, aimed at guaranteeing the protection of depositors and which obliged banks to hold a minimum of rapidly realizable quick assets and assets in order to meet their sight and short-term commitments.

The above ratio would be fixed at a uniform rate for the entire Monetary Union.

. Obligation of risk spreading

In order to ensure a sound management, it had been decided to impose a limit on the total value of risks that banks could take based on a single signature.

Unless a dispensation was given in each specific case by the Ministry of Finance, upon recommendation of the Central Bank, no bank could extend to an individual or a corporate body (or to corporations that form part of a single group), loans, advances, stocks or any kind of assistance, stand guarantee for it, grant it its guarantee or generally make any commitment in its favor, for a comprehensive amount higher than the total of this bank's equity capital.

However, the limit fixed above would not be applicable to :

- seasonal credits extended to agencies placed directly or indirectly under the State control ;

- credits guaranteed by placing in security goods of a market value generally acknowledged or verified by the Central Bank and up to a limit of a fraction only of the said value ;

- credits granted to the Treasury or guaranteed by it ;

- credits between banks.

. Reporting by banks

Within three months following the closing date on 30 September, banks had to communicate to the Central Bank, in accordance with the rules and standard forms prescribed by it :

- their balance sheet ;

- their trading account ;

- their profit and loss account.

The conformity of these documents had to be certified by an auditor approved by the courts or appointed by the Minister of Finance.

In addition, during the course of the year, banks had to establish the net worth in accordance with the periodicity and standard forms established for this purpose by the Central Bank. The latter centralized and made use of all the documents and brought them to the notice of the Banks and Financial Institutions Supervision Commission, eventually with its own assessment.

Banks had to furnish, for every request made to them by the Central Bank, all information, clarifications and justifications required for the study of their statement, as well as all information required for an appraisal of their risks and for the drawing up of lists of outstanding checks and bills of exchange.

Similarly, banks should communicate to the Central Bank all the documents enabling it to ensure that they were correctly implementing the regulations the supervision of which falls under the responsibility of the Central Bank.

The Central Bank would stipulate, if necessary, through specific instructions, the documents other than those mentioned above which had to be sent to it periodically.

. Supervising the enforcement of banking legislation and credit regulations

The Central Bank would be entrusted with the task of supervising the enforcement of banking legislation and credit regulations.

Supervision might be exercised through off-site and on-site inspection.

For this purpose, the Central Bank had to be vested by banking law with the power to inspect all banks. The verifications would be conducted on its own initiative or on the initiative of the Commission responsible for the control of Banks.

. Observation and punishment of breach of rules

. Banks Supervision Commission

The name of the board entrusted with tracing breach of banking legislation and taking follow-up action, should be made uniform. It could be given the name "Banks and Financial Institutions Supervision Commission" in all the States.

In future, the role of this Commission would be strictly limited to tracing and follow - up action concerning breaches of banking rules.

It would be set up in the offices of Finance Ministers.

The Central Bank would report to the Commission every breach of banking regulations that might come to its knowledge during the conduct of its inspection mission.

In every case, the Minister of Finance had to make the Supervision Commission's disciplinary decisions enforceable.

* Sanctions for breach of rules

. *Breach of banking regulations*

The violations of banking laws would make those who committed them liable to penal sanctions declared by courts, or disciplinary action decided by the Banks and Financial Institutions Supervision Commission, and financial penalties imposed by the Central Bank.

Penal and disciplinary sanctions that were in force at that time could be maintained in principle. A proposal should be made to harmonize them ; at any event, the amount of the fines provided for should be made distinctly higher, keeping in view monetary erosion.

Banks that failed to respond to requests for information or to communications from the Central Bank would be liable to penalties directly deducted by the Central Bank and paid by it into the State Treasury without reference to the Banks and Financial Institutions Supervision Commission which would be informed a posteriori.

. *Violations of credit regulations*

Violations of credit regulations as regards reserve requirements, prior authorizations or minimum or maximum ratios would render their offenders liable to the following sanctions imposed by the Central Bank :

. *Interest on overdue amounts*

This would be applicable in the event of non-compliance with the obligation to keep reserves or non-repatriation of foreign assets by banks in cases provided for in Article 18 of the statutes. The interest would be calculated on the amount by which the reserves fell short, at a rate of penalty fixed by the Central Bank.

. *Non interest earning deposits with the Central Bank*

This sanction would apply to violations concerning :

- the minimum and maximum ratios relating to credit distribution per sector of activity and per category of beneficiary ;

- the prohibition on maintaining funds outside the West African Monetary Union with the exception of those corresponding to the needs of their current operations ;

- prior authorizations.

In case of a delay in the building up of non-interest earning deposits, interest would be charged on amounts overdue.

Financial institutions

. Provisions common to banks and financial institutions

The following provisions to which banks were subjected were also applicable to financial institutions. These concerned :

* procedures for approval and for withdrawal of approval, of authorization for opening, closing or transfers of counters ;

* rules concerning the nationality and the incompetence of managers ;

* building up of a reserve fund ;

* reporting, subject to specific obligations regarding the periodicity of communication of certain documents ;

* seeing to the compliance with banking regulations ;

* sanctions of violations of banking regulations ;

* membership of the Professional Association of banks and financial establishments.

. Authorized capital

As is the case at present, the authorized capital could be fixed at a variable amount according to the States and categories of financial establishments.

. Minimum of equity capital

These rules making it compulsory for financial establishments to maintain at every moment a minimum equity capital calculated in accordance with the risks, could be retained. This minimum was to be fixed by a decision of the Council of Ministers of the Union.

. Obligation of risks spreading

The possibility of subjecting financial establishments to this obligation could be considered.

. Sanctions for violations of credit regulations

Financial establishments would be liable to the same sanctions as banks for violations of banking regulations provisions.

Method for determining overall assistance

The exercise of determining overall assistance amounts consists in practice in drawing up a projected statement of monetary institutions in each country, bringing out the monetary balance desirable per country, and over and above that, the overall monetary balance in the Union.

It may be recalled, for the clarity of the explanations that will follow, how the position of banks, of a Central Bank, of a Treasury and an integrated monetary situation (Central Bank + Treasury + Banks) appears.

The rule for all consolidation is that the reciprocal amounts due and debts disappear to give place to the amounts due and debts of the group vis-à-vis third parties (outside the group).

The same rule applies to the drawing up of an integrated monetary statement.

1 – Position of Banks

Assets	Liabilities
Net foreign assets	Deposits of individuals and enterprises
Reserves (Central Bank deposits)	Public Bodies
Claims on the Government	Others
Credit to the economy	Government Deposits
	Credit from the Central Bank
	Other items (net)

2 – Position of the Central Bank

Assets	Liabilities
Net foreign assets	Fiduciary Circulation
Claims on the Government	Government Deposits (including cash resources)
Claims on banks	Other deposits
	Other items (net)

3 – Position of the Treasury referred to as Net Position of the Government

Claims (-)	Debts (+)
Notes and coins	Credit from the Central Bank
Deposits with the Central Bank	Credit from Banks
Deposits with banks	Deposits with Post Office checking accounts
Customs duty bills	Credit from the IMF
	Other credit

Net Position = (-) claims (+) debts

4 – Integrated situation of monetary institution

Assets	Liabilities
Net foreign assets	Money supply
Domestic credit	Fiduciary circulation
Net Position of the Government	Deposits with Post Office checking accounts
Credit the economy	Deposits with banks
Others	Public bodies
	Other items (net)

The projected monetary situation thus expresses the ex-ante macro-economic balance that the authorities of the Union set for themselves for the year in question.

This exercise is performed in three stages : the first relates to the setting out of the objectives of the banking system's foreign assets ; the second to the forecasting of the "non-monetary" aggregates : GDP, Public Finance, Balance of Payments; the last of these concerns the projection of monetary aggregates.

Indeed, external constraint being the crucial element in the money and credit policy, the laying down of an objective by each country for foreign assets indicates the direction that the effort required of this country should take for the coming year by way of a permissible amount of deficit in its balance of payments. In monetary terms, this means an expansionist or a restrictive policy.

Thereafter a projection has to be made of "non-monetary" aggregates : the GDP[145] at current prices (Y) ; the net position of the Government (- anticipated government claims on the banking system + anticipated government debts vis-à-vis the banking system) on the basis of a prospective analysis of public finances, and the prescriptive balance of payments since it must translate the objectives laid down by the Council of Ministers.

Finally, the third stage that concerns the projection of monetary aggregates and the search for a monetary balance on the basis of the equation Mo = kY in which Mo represents money supply, k the ratio between money supply and the GDP.

$$k = \frac{Mo}{Y}$$

Y = GDP at current prices

[145] Gross Domestic Product

Determining overall assistance :
Detailed study

To determine the quantity of money required for financing economic activity in the Union, BCEAO and National Monetary Committees make use of a simple monetary model based on the counterpart to money in circulation. A knowledge of its trend makes it possible to work out *a priori the volume* of money required for an adequate financing of economic activity.

In fact, BCEAO approach, which is very similar to the one described in the article by H. M. Knight published in 1959 by the IMF, rests on the following accounting units :

(1) MS = (1/S). GDP

(2) MS = NFA + CG + CPS

(3) MS = PM + BM

FM = b. MS

With

MM : Money Supply

S : Speed of circulation of money

GDP : Gross Domestic Product at current prices

NFA : Variation of the Net Foreign assets

CG : Credit to the Government

CPS : Credit to the Private Sector

PM : Paper Money

BM : Bank Money

b : Share of paper money in the money supply.

On the basis of these three relationships, the different stages of the projections consist in :

1) assessing the GDP growth rate evaluated at current prices so as to determine the future GDP ;

2) estimating the economy's rate of liquidity (1/S) ;

3) determining the money supply in circulation (MS) ;

4) estimating paper money (PM) and deposits with banks (BM) ;

5) estimating the variation in reserves (R) on the basis of import, export and capital movement projections ;

6) estimating the volume of credit granted by the banking system extended to public authorities (CG) ;

7) estimating the volume of credit granted by the banking system to the private sector (CPS) ;

8) drawing up complete projected position of BCEAO and banks.

Establishing the anticipated GDP growth and the economy's liquidity rate (1/S) (which can be assumed to be constant), makes it possible to obtain, thanks to the relation, (1) the volume of money required for financing this projected GDP. After having estimated the probable or desired amount of the balance of the balance of payments (NFA) as well as that of the monetary financing of public deficit (NGP), the volume of credit granted by the banking system to the private sector is determined, by means of the relation (2). Thanks to the relation (3) we obtain the respective contributions of the Central Bank and other banks in the generation of money during the period under review.

The paragraphs that follow outline each of these stages.

a - Projecting the GDP volume

First the production growth rate in each one of the main sectors of the national economy, namely the agricultural, mining and manufacturing sectors for the coming year is assessed. If precise data is lacking, production in the services sector can be assessed according to the anticipated variation in production in the primary and secondary sectors. The variations in production obtained for different sectors are weighted according to the respective weights of these latter in the last GDP for which the broken up data is available. In this way, the anticipated GDP growth rate is determined.

In principle, BCEAO can directly use the results of projections made by the Statistics Departments in member countries when they are available. Some counties in the Union have macroeconomic and financial projection models for macroeconomic scaling. They are used for the preparation of stabilization and structural adjustment programs. They can be simple or relatively sophisticated accounting models, based on a large number of performance equations permitting to estimate the commercial GDP on the basis of different components of the overall demand.

If a country cannot provide in due time the projections concerning its GDP growth or if they are not considered satisfactory, BCEAO will have to make its own estimates.

b –The general price level

A knowledge of trends in domestic prices during the coming period, as accurate as possible, as well as sources of variations, is a crucial input for monetary authorities. Price variation is due either to external factors or those outside the control of the authorities, or to a relatively large variation in the overall demand. Determining the impact of external factors on the level of domestic prices requires projections concerning trends in prices of imported products, particularly vital consumer goods and capital goods.

These projections also relate to the world prices of agricultural export products which have a direct influence on the producer price and consequently on domestic prices. It should be pointed out that since the Union economies are small and open, they are obliged to comply with prices prevailing in all markets for imported goods. As for export products, only Côte d'Ivoire has an influence on the prices of two important products (coffee and cocoa).

There are numerous internal factors having an impact on domestic prices. Some of these are the instruments of economic policy (customs duties, value-added tax and other indirect taxes). One price category is under the direct control of authorities (rates of State-owned services, salary scales, prices of essential goods). Other prices are freely determined according to supply and demand (local food products…). The level of domestic demand has a decisive effect on this latter category of prices.

The assessment of the general level of prices during the period for which the projection is being made makes it possible to determine the expected rate of inflation.

c – Assessment of the economy's liquidity rate

The liquidity rate (1/S), or ratio between the quantity of currency in circulation and the GDP at current prices, measures the intensity of demand for monetary assets in the economy. The level of the demand for money depends on the degree of monetarisation of the economy, the level of economic activity, the magnitude of financial development, the domestic prices and the rates of interest and the credibility that the economic policy enjoys in the minds of economic actors. In a given economy, it is consequently subject to variations that are sometimes large from one year to the next.

However, it is very important to achieve projections that are as accurate as possible on the monetary performance of actors if a good monetary policy is to be adopted. Let us assume for example that the economic actors, during the period to come, reduce their cash holdings in a proportion not anticipated by the monetary authorities. This results in an increase in the expenses of the latter on goods and services and even on foreign financial assets. The overall demand increases exerting an upward pressure on domestic prices and on imports. There is a deterioration in the situation of the balance of the overall balance. Finally, the impact on internal and external stability is the same as a rise in domestic credits.

A contrario, an increase in the demand for cash resources not anticipated by monetary authorities, by reducing domestic absorption, brings down the prices of non-tradable goods which turns the demand towards the latter to the detriment of tradable goods. The demand for imports decreases. The balance of the basic balance improves.

A knowledge of the future monetary course of action by economic actors enables monetary authorities to exert an influence on the volume of credit in such a way so as to compensate for the undesirable variations in the outflow of monetary assets. Hence, the liquidity rate plays a crucial role in every attempt at monetary projections.

In fact, BCEAO does not itself undertake the assessment of functions in the demand for money although it commissions universities in the member States to conduct such studies. The practice consists in assigning to the rate of liquidity a value considered reasonable taking account its trend, its variance in relation to that noted in the past and the specific circumstances which could leave their mark on the period that the projection covers.

d – Projecting variation in the money supply

The first two stages made it possible to assess the GDP nominal value as well as the liquidity ratio for the coming financial year. The quantitative equation, which is the first mathematical identity presented above, immediately gives the quantity of money required for financing the projected GDP :

$MS^{*} = (1/S^{*}).\ GDP^{*}$

The asterisk indicates that the value of the variable has been assessed earlier or that it constitutes either an objective, or a constraint, for the projection period.

The difference between the projected money supply and that of the reference period corresponds to the anticipated variation in money supply.

e – Estimating respective variations in paper money and in bank money

The share of variation in the money supply between paper money and bank money (including other deposits such as Post Office checking accounts deposits) makes it possible to determine the maximum amount of Central Bank assistance and variation in bank credit. To do this, it is necessary to calculate the average relative proportions of paper money in circulation and that of the bank money in money supply during the earlier years. If we give to these proportions the symbols b and 1-b respectively we have :

$PM^{*} = b.\ MS^{*}$

$SM^{*} = (1 - b)\ MS^{*}$

This is a simple process but it does not guarantee good projections. It relies essentially on the historical values of the coefficient b. However, these can change drastically from one year to the next as is seen in table A 10.14 concerning the paper money / money supply Ratio (Volume III). Such variations can substantially modify the effects of the credit policy formulated by authorities.

Let us assume that there is an unforeseen decrease in the paper money (b.MS). This brings about an increase in bank deposits. Reserves in banks having increased, they can extend loans without asking for the assistance from the Central Bank. The resulting increase in money supply could exceed to a large extent that foreseen by BCEAO. One means of avoiding such large discrepancies is for the Central Bank to adopt a value other than the average of historical values of the coefficient b by choosing a value, which more adequately reflects the economic conditions that are going to prevail during the period of projection.

However, such a method has the disadvantage of being too empirical. It would be more rational to conduct a study on the determinants of the demand for paper money and bank money. The level of financial development and economic activity, the rate of inflation, the rates of interest on credit accounts and the rate of exchange of the CFA Franc for other West African currencies should explain satisfactorily the changes in the proportion of paper money in the money supply.

f – Distribution of the variation in money supply between its different components, or counterpart entries

The earlier stages have made it possible to evaluate the variation in the money supply for the coming period. We must now divide this variation between the three counterpart entries of the money supply in circulation. The following elements show the relationship between these aggregates :

$\Delta\ MS^{*} = \Delta\ NFA + \Delta\ CG + \Delta\ CPS$

The net foreign assets (Δ NFA), the variations in credits to Government (Δ CG) and to the private sector (Δ CPS) have to be determined. BCEAO monetary policy renders the first two components either objectives or constraints.

Indeed, its statutes set down the minimum amount of its foreign assets at 20% of its sight liabilities. It must consequently work out their variation during the coming period in such a way as to adhere to this ratio. As for the net position of the Governments, it should not be above 20% of the amount of the ordinary tax revenues for the last period noted.

As long as this limit is not reached, the national Treasuries can avail of automatic advances from the Central Bank. Therefore, these are a constraint that has to be adhered to in the projections. Overall in the above identity, only the variation in credits to the private sector (Δ CPS) is the unknown factor to be sought. It is, at the same time, the variable on which the Central Bank can act to ensure that the above identity is adhered to, keeping in mind the values that the other two components should adopt.

It is not enough to establish variations in these three components of money supply. It is also necessary, for each one of these, to distribute its variation between the share borne by the Central Bank and the one that will be assigned to the deposit banks (including post office checking accounts deposits). Thus, it is necessary to specify the process to be followed for assessing each one of these aggregates.

g – Setting out the objective in respect of net foreign assets

BCEAO does not seek to achieve an absolute balance in external payments. Moreover, this is an objective almost impossible to achieve. The flows of purchases of goods and services abroad as well as financial assets of the Union did not coincide with its inflows of foreign exchange revenues. Similarly, during the period to come, it is not possible to automatically ensure that the amounts of these two categories of flows be equal or that their balance be always higher than or equal to 20% of BCEAO's sight liabilities. Projections must be made for each of them. One can then determine the variation in the net foreign assets that would result from the different non-monetary transactions between residents and non-residents.

These projections are of great importance for the realization of stability in external balance. That is why they should be conducted with care. This exercise need not necessarily relate to each category of the balance of payments. In practice, one can restrict oneself to the financial settlements that directly lead to a variation in the net foreign assets of banking establishments and BCEAO.

The projections concern the trends in the main export products, the large categories of imports and overall services, inflows of capital leading to an increase in the national Treasury and public enterprises, as well as the servicing of external debt. The deficit or surplus in the current operations on goods and services that a country can tolerate or should achieve, is worked out by taking account of the magnitude of external reserves and net inflows of capital.

Since the variation in the net foreign assets also corresponds to the monetary balance in the balance of payments, it should be distributed between the Central Bank and the second ranking banks that are the two kinds of institutions holding this residual balance. The future level of its net foreign assets (NFA_{bc}) is an objective for BCEAO. Similarly, the amount of the net foreign assets which will be held by the second ranking banks (NFA_{b}) is an objective for the latter. In fact, the Central Bank, through its refinancing policy or through the regulatory process, can lead them to increase or reduce their net external positions in such a way as to establish them at the level it desires. An analysis of banking activity and trends in the national economy makes it possible to evaluate (NFA_{b}) during the subsequent period.

The different stages that we have just crossed make it possible to calculate the maximum increase in the net internal credits during the period to come, taking account the balance of payments objective and the anticipated demand for money. Indeed, the variation in the money supply is the sum of the variation in the net foreign assets and the variation in the net domestic credits (total variation in credits to the private sector and to the Government after deduction of the non-monetary commitments of banks). Hence, the identity :

Δ MM = Δ NFA + Δ NDC

with

Δ NDC = variation in net domestic credits.

This identity shows that a reduction in the net foreign assets is always equal to the surplus of the increase in internal credits over the increase in money supply. Another way of expressing this idea is to say that an increase in foreign assets is only possible if domestic credits grow less rapidly than money supply :

Δ NFA = Δ MS - Δ NDC.

A parity of this kind is always verified as "ex-post". However, if projections are made, it is interpreted as an "ex-ante" condition of parity that has to be met in which Δ NFA* is the desired variation in net foreign assets and Δ MS* constitutes the estimated variation in the money supply. The gap between the variation in money supply and the desired variation in net foreign assets is equal to the maximum increase in net domestic credits compatible with the balance of payments objective (Δ NFA*) :

Δ NDC* = Δ MS* - Δ NFA*

In the event of an excessive increase in domestic credits, which would take money supply to a level higher than the amount of cash resources that the economic agents would like to hold, the imports and domestic prices increase and capital flows out of the country. This would result in a decline in money supply until it comes down to the level of the demand.

Indeed, economic agents react to their portfolio imbalance by increasing their real assets and foreign securities, which aggravates the monetary balance of the balance of payments, which is one of the components of money supply.

b – Projecting the net position of the Government

It is necessary now to apportion the variation in net domestic credit between credits to the Government and credits to the private sector. To do this, the Treasury operations must be subjected to projections for the period of the coming financial year, namely the next twelve months.

Widely item-wise, the budgetary income and expenditure as well as some extrabudgetary expenses are planned so as to work out the deficit (surplus) of the treasury that will be financed (absorbed) by a reduction (increase) in the deposits of the Treasury with the banking system or through Central Bank advances to the Treasury. It is evident that the projections of receipts should be based on hypotheses compatible with those relating to production, exports and the flow of aid and capital into the State.

The procedure that has just been described is iterative. Indeed, the first projections can lead to so large a deficit that the net needs of the State could absorb the larger part of the maximal growth of internal credits worked out at the earlier stage, or even overstep it. In this event, the State will be led to review its expenditure policy and its fiscal policy, generally both together so as to reduce the magnitude of the anticipated deficit and to reserve to the private sector a larger proportion of the growth of credits. In any event, the Central Bank assistance to the Government should not exceed 20% of tax revenues in the last period.

It needs to be specified that when a national Treasury does not ask for assistance from the banking system, but extends some to it, the net position of the Government becomes negative and we talk of assistance by the Government and not to the Government. Finally, this assistance to the, or from the, Government is apportioned between that received from or extended by the Central Bank (Δ GNP $_{bc}$) and that received or granted by the banks (Δ NPG $_{b}$).

i –Determining the volume of credit granted by banks to the private sector

The amount of the variation in bank credits to the private sector is obtained through the balance since it is the difference between the variation in the money supply, on the one hand, and the sum of the variations in the foreign assets and Government's net position, on the other hand. These two latter components have already been subjected to an apportionment between the Central Bank and the second ranking banks. Similarly, a distinction can be made between the credits to the private sector extended by the banks themselves and those enjoying a refinancing by the Central Bank.

j – Estimated positions of the Central Bank, deposit banks and post office checking systems

The different stages of projecting monetary aggregates provide most of indications required on probable trends in the main items of the monetary position of BCEAO and deposit banks respectively.

However, to draw up complete statements, there is still some information lacking for each of the two categories of institutions. Thus, for banks, information on their non-monetary commitments and their reserves in central currency (notes and current accounts in credit with BCEAO) is not available.

As for the Central Bank, it is also necessary to know the extent of these same bank reserves, which constitute a commitment in the same way as notes in circulation among the public, as well as non-monetary commitments.

In addition, bank money should be apportioned between sight and fixed term deposits with the banks, and deposits in post office checking accounts. Finally, the integrated monetary situation should include on the assets and liabilities sides, the amount of customs duty bills which are credits extended by the Treasury to the private sector, on the one hand and Treasury bonds issued by the Government and which constitute commitments of the vis-à-vis monetary institutions that hold them, on the other hand.

It follows from all this, that estimates of a series of additional variables have to be made, namely :

- the amount of bank reserves in central bank money (r. -DB). However, whether enjoined on them or not, the banks must keep in their possession a certain fraction (r) of their deposits (DB) in the form of central bank money. A decline (rise) of this coefficient is expressed by a rise (decline) in the volume of credits granted and in money supply. The projection of the value of this coefficient must therefore be conducted with maximum stringency. BCEAO relies essentially on the past values of r :

- other net debits of the Central Bank (Δ ONL $_{bc}$) and the banks (Δ ONL $_{b}$) ;

- deposits in post office checking accounts (Δ PCA) ;

- customs duty bills (Δ CB) ;

- Treasury bonds (Δ TB) ;

k – Distribution of Central Bank's overall comprehensive assistance

This stage concerns the distribution of the Central Bank's overall assistance.

. Deduction of refinancing of seasonal credits

One basic rule of the Union till the 1989 reforms was the non-limitation of refinancing of seasonal credits. Their seasonal and cardinal nature in agrarian economies appeared to shield them from the imposition of any ceiling. Indeed, the ex-nihilo creation of central bank money they gave rise to, was normally brought down within a maximum period of twelve months. Their impact on the supply of money in circulation was to be temporary. A certain number of provisions had been allowed to prevent their misuse. For example, the stocks existing at the start of a new harvest could continue to avail of a refinancing from the Central Bank.

However, a prior consultation with the national authorities was necessary to work out the impact of such operations on the country's monetary situation and to decide to what extent it should be taken into account when settling the overall amount of assistance provided by the Central Bank to this country.

It should be recalled that the projection exercise described above is based on a variation of the GDP in which seasonal credits do indeed play a role. In other words, Central Bank assistance is determined taking account the potential refinancing of these credits. Thus, it is considered appropriate to start off by deducting from the Central Bank assistance the estimated share of refinancing of these seasonal credits.

. Distribution of the remainder of Central Bank assistance

The process which has just been described shows that one can determine a priori the volume of money required for the adequate financing of an economic activity keeping in mind the objectives set out in the field of economic growth, foreign assets and public finance.

In order to do this, one must set out a certain number of hypotheses on the trends in the GDP, the demand for money, the international environment and the performance of banks. True, this exercise is necessary for the design of monetary policy but it is not sufficient by itself to guide the course that the policy of the Central Bank should take. The enumeration of the necessary hypotheses shows that it entails many risks and uncertainties.

The forecasting errors on each one of the exogenous or behavioral variables can add up to produce results that diverge considerably from the targeted objectives. That is the reason why monetary authorities do not rely exclusively on the results of such projections alone when deciding on the amount of their assistance to banks, the economy and the Government.

They also keep in mind new unforeseen events likely to have a negative impact on the monetary policy being considered. Thus, the latter is conducted with pragmatism by bringing adjustments into it as often as required in tune with the changes in the data on which the projections have been based.

Table 18 : Determining the overall amount of assistance by the Central Bank and Banks

IMS	SBC	SDB	PCA	CB
Δ MS	Δ PM	BM Δ DB	Δ PCA	
	+Δ r BD			
		-Δ r DB		
+ Δ OL	Δ ONL-cb	+ Δ ONL-b		Δ CB
Total of Net Liabilities (*)	Central Bank's Net Liabilities	Deposit Banks' Net Liabilities	Δ PCA	Δ CB
- Δ NFA	- Δ NFA-cb	- Δ NFA-b		
Δ NDC	Δ NDC-cb	Δ NDC-b	Δ PCA	Δ CB
- Δ CG	- Δ CG-cb	- Δ CG-b		
Δ CPS	Δ CPS-cb	Δ CPS-B	Δ PCA	Δ CB

(*) Net liabilities = Net assets.

V – Approval of guidelines and appointment of the first BOAD Chairman : Mr. Pierre-Claver Damiba

On 2 May 1975, at its meeting in Dakar, WAMU Council of Ministers approved the guidelines and took note of the fact that the Reforms Committee had completed the task with which it had been entrusted.

It paid tribute to the Committee for the work it had achieved as also to BCEAO Governor and his colleagues, the experts from IMF, IBRD, EIB, "Banque de France", CCCE, "Banque Nationale de Belgique", BIAO and BNP.

During this meeting, the Council, in accordance with Article 18 of BOAD statutes, and on a proposal by the Government of Upper Volta, proceeded to appoint Mr. Pierre-Claver DAMIBA, Managing Director of the "Caisse Nationale des Dépôts et d'Investissements de Haute-Volta" (National Fund for Deposits and Investments of Upper Volta), to the post of Chairman of the West African Development Bank.

Curriculum vitae of Mr. Pierre-Claver Damiba[146]

Name and first name	Damiba Pierre-Claver
Date of birth	15 February 1937
Place	Koupéla
Nationality	Voltaic
Family	Married - six children

Primary studies 1943-1949 at Koupéla (C.E.P.E. 1949)

Secondary studies 1949-1954

- in Pabré (B.E.P.C. 1954)
- in Paris (Bac. Philo. 1957, cum laude)

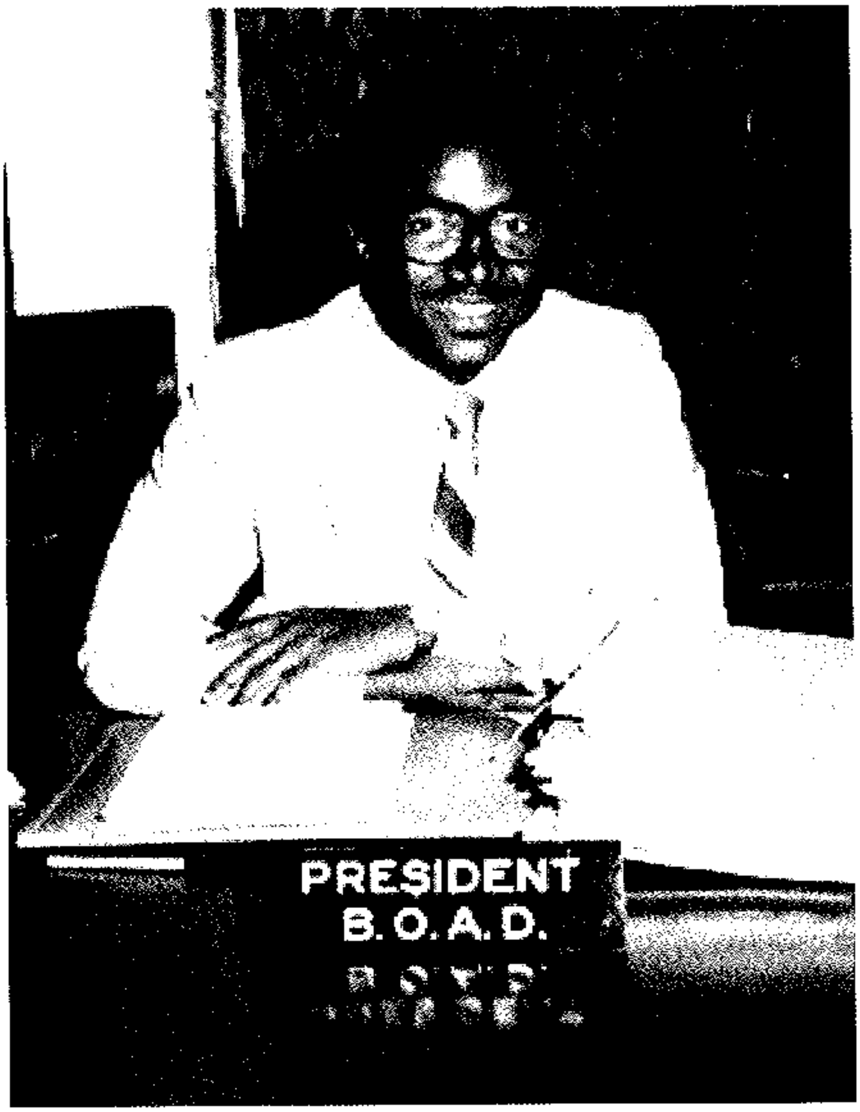
Higher studies 1957-1962 in Paris

- Masters in Economics (cum laude)
- Degree from the I.E.D.E.S.[1]
- Degree from the C.E.F.E.B.[2]
- Degree from the Faculty of Law and Economics of Paris.
- Director of Planning (1962-1965)
- Minister for Planning and Public Works (1966-1971)
- Director of BCEAO (1966-1971)
- Vice-President of the R.A.N. Railways (1966-1971)- Economic Advisor to the President of the Republic (1971-1973)- Director General of the "Caisse Nationale des Dépôts et des Investissements" (1974-1975)
- President of the "Banque Internationale des Voltas" (1974-1975)

[146] BCEAO, Banques et monnaies, n° 232, October 1975.

1 "Institut d'Etudes du Developpement Economique et Social" (Institute for Studies in Economic and Social Development).

2 "Centre d'Etudes Financières, Economiques et Bancaires de la CCCE" (Centre for Financial, Economic and Banking Studies of the CCCE).



Mr. Pierre Claver Damiba

VI – Appointment of BCEAO's first Deputy Governor :

Mr. Charles Bila Kaboré

During its meeting held in Dakar on 10 February 1975, Mr. Garango informed the Council of Ministers of the nomination by the Government of Upper Volta of Mr. Charles Bila Kaboré, Senior Administrator, Financial Advisor to the President of the Republic and Secretary General in the Office of the President of the Republic, former Finance Minister, to the post of Deputy Governor of BCEAO.

In accordance with Paragraph 1 of Article 42 of the Bank statutes, the Board of Directors, which met on 3 May 1975 in Dakar, formally appointed Mr. Kaboré, who then became the first Deputy Governor of BCEAO.

The Board also approved the guidelines.

Mr. Charles Bila Kaboré

VII – The inaugural meeting of BOAD and appointment of the first Deputy Chairman : Mr. Harouna Bembello

On Monday 12 January 1976, BOAD Managing Committee held its first meeting in the building of the Bank located on the Avenue du 24 janvier in Lomé. The representatives of member States and BCEAO Governor were all present.

At the start of this inaugural meeting, Mr. Edem Kodjo launched the official opening of the institution during the course of a brief ceremony held in the presence of dignitaries from the world of economics and Managers of local banks.

After welcoming the Managing Committee members, Mr. Kodjo defined the role incumbent on the new institution, to suitably fulfil its burdensome task "during a difficult period in a difficult world".

He expressed his confidence in the future of the Bank and said that he was convinced that Managing Committee members, by their dynamism and their competence, would make use of their expertise, so as to make the institution a model in the African continent.

He concluded with the hope that the unity of Africa would be forged through the work of BOAD.

Mr. Damiba, in turn, thanked Mr. Kodjo and through him, the Togolese government for the important role they played in the inception of the institution and for the importance they attached to it.

The ceremony over, the Committee held its meeting and :

- went on, in accordance with Article 18 of BOAD statutes and on a proposal from Niger, to appoint Mr. Harouna Bembello to the post of Deputy Chairman of the Bank ;

- took note of the basic documents concerning the setting up of BOAD, which specified in particular the guidelines and the recommendations for the setting up and the working of BOAD, adopted on 24 September 1974 by the Committee of Ministers entrusted with the reforms of WAMU institutions ;

- noted, moreover, that the payments by way of capital had been fully made, the first allocations of equity capital had been set up and steps had been taken at the level of WAMU Council of Ministers to guarantee a minimum of regular resources to BOAD ;

- proceeded with an in-depth exchange of views about the organization of the Bank, in such a way as to translate the statutory provisions defining the object of the Bank, its administration and its operations as well as the main guidelines laid down by WAMU Council of Ministers into functional and operational terms ;

- took note of the comprehensive program of work by BOAD team during its first financial year ;

- took note of the Chairman's activity report, both at the level of the Monetary Union member States and at the international level ;

- specified the possibilities of technical and financial co-operation on this occasion, in particular the application of Article 6 of the Bank statutes concerning the participation in its capital by non franc countries, desirous of extending their assistance to its development, and approved by the Council of Ministers ;

- approved BOAD program of work in member States concerning the identification of projects and operations likely to attract assistance from the Bank ;

- felt that particular attention should be given to projects contributing to economic integration of States which would thus benefit from a high priority.

Curriculum vitae of Mr. Harouna Bembello

I – General information

Name	Bembello
First name	Harouna
Born	Around 1932 in Yatakala-Tera
Married	Father of 6 children
Nationality	Native of Niger

II – Studies– Degrees

Primary studies at Téra

1949 – Certificate of Elementary Studies– Niamey

1953 – Baccalauréat

1954 – SPC[147] – Dakar University

1960 – Ph.D. in Veterinary Studies– Toulouse – France

1961 – Degree in Veterinary Medicine for Tropical Countries (Maisons Alfort-France)

III – Professional activities

1962 – Head of the "Circonscription d'Elevage" in the District of Niamey

1963 – National Official in charge of PC 15

1964 – 1970 – National Director of the Department of Livestock and Animal Industries

1970 – 1972 – Secretary of State for Rural Economy

1972 – 1974 – Minister of Planning, Development and Co-operation

IV – Honorary titles

- Officer of the Order of Agricultural Merit of Niger
- Officer of the Order of Merit of Niger

[147] Physics, Chemistry and Natural Sciences.

Mr. Harouna Bembello

VIII – The organization of BCEAO

A –Africanization and training of the staff

On 1 January 1975, BCEAO had a staff of 875 persons of which 154 were executives (77 Africans and 77 Europeans) and 721 operatives (640 Africans and 81 Europeans). On 1 January 1997, it had 871 executives, all Africans, nationals of WAMU countries, and 2,367 operatives, that is in all 3,238 persons.

When the headquarters was transferred to Dakar in 1978, that is 3 years after Abdoulaye Fadiga took over his duties, all the posts of managers and heads of departments at the headquarters and in the Branches were Africanized. Another three years later, BCEAO no longer had any technical co-operation representatives.

The first organizational chart (hereafter), gives a picture of the new Central Bank after the decisions of appointment of the Secretary General, Mr. Daniel Cabou, and the Africanization of all the posts of Managers.

This team had to guide the transition and its pioneering work was decisive for the continuity of the Institution involving the setting up of structures of the new Bank ; the recruitment, training and supervision of staff and the induction and perfecting of management tools as well as instructions, rules and manuals of procedures.

Thus, at this stage in the history of Africa, it was able to make a decisive contribution towards the emancipation of the continent by taking charge of the monetary management in WAMU area. Some press agencies did not fail to describe this period as a "second stage in independence".

As far as training is concerned, there was, as we have mentioned, a training center in Abidjan since 1964. With the transfer of the Institution's headquarters to Dakar and in view of the objective of Africanisation of the staff, it was imperative to reorganize the training system. The training department was raised to the rank of a Central Department.

In August 1977, a decision of the Governor set up the "Centre Ouest Africain de Formation et d'Etudes Bancaires" (COFEB or West African Center for Banking Training and Studies). The COFEB was set up immediately in Dakar with its Director of Training while the other Central Departments were still functioning in Paris.

The courses of study were reviewed in collaboration with the "Centre Africain et Mauricien de l'Enseignement Supérieur" (CAMES or African and Mauritian Center for Higher Studies) in order to guarantee the level of teaching and establish the equivalence of the COFEB degrees with the post graduate university DESS degree for senior executives and the pre-graduation diploma for junior executives.

Candidates for senior executive posts had to have a Masters or equivalent degree ; those aspiring for junior executive posts had to hold the Baccalauréat or an equivalent degree.

The period of training lasted 18 months.

It was considered necessary for the efficiency of the monetary policy that the main players – the Central Bank, the States, and the Banks – speak the same language.

Moreover, the training imparted by COFEB was open to all the agents of financial administrations and banks in the Union.

Short duration seminars were also organized on specific subjects.

Since the time of the first classes held from 1977-1979 till those of 1997, the COFEB had trained 1131 persons, 560 of these for the Central Bank, 359 for public services and 212 for banks. It had organized 38 sessions of seminars with 4627 participants.

ORGANIZATIONAL CHART OF BCEAO

Mr. Abdoulaye Fadiga,
Governor

CENTRAL DIRECTORS AT BCEAO HEADQUARTERS

Mr. Oumarou Sidikou,
Manager Administrative
and Social Affairs

Mr. Marcel Mensah
Kodjo,
Credit Manager

Mr. Alassane Ouattara,
Special Adviser,
Director of Research

Mr. Djibril Sakho,
Director of vocational
training

Mr. Mammadou
Boubacar Ndiaye,
Head of Inspectorate

Mr. Patrice Kouamé,
Director of Financial
Operations

Mr. Boêvi Mawussi
Lawson, Manager,
General Secretariat

Mr. Charles Konan Banny,
Director of Securities,
Portfolio and Loans

YEAR 1978

Mr. Charles Bila Kaboré,
Deputy Governor

Mr. Daniel Cabou,
Secretary General

NATIONAL DIRECTORS OF MEMBER STATES

Mr. Guy Pognon
(Benin)

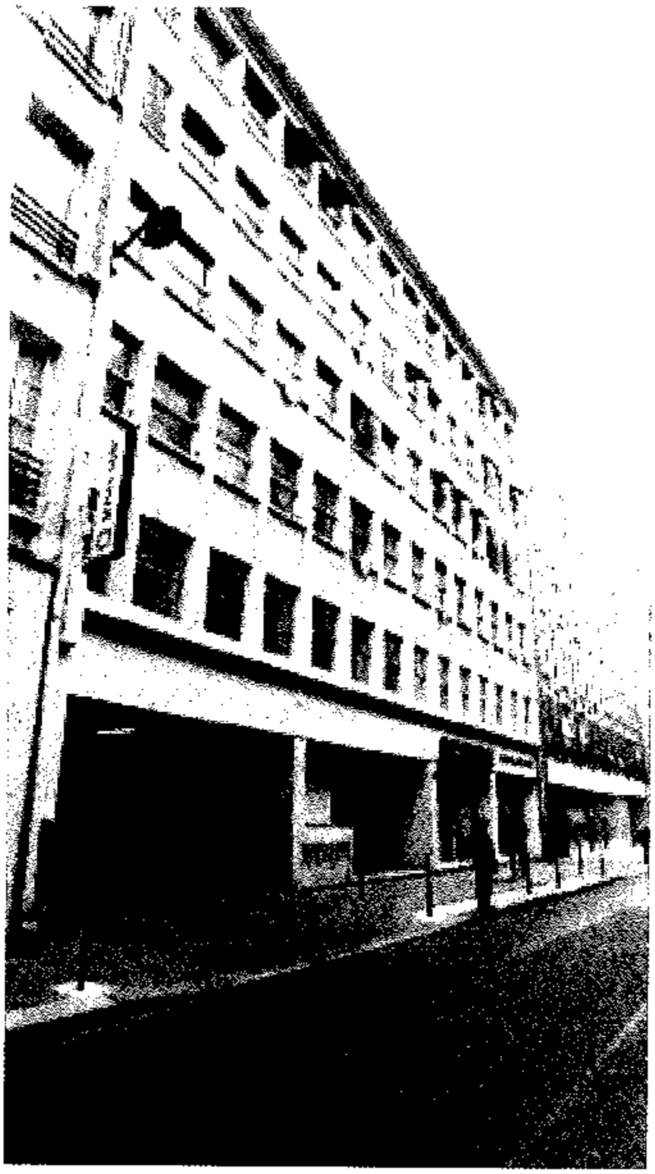
Mr. Lamine Diabaté
(Côte d'Ivoire)

Mr. Kassoum Congo
(Upper Volta)

Mr. Boukary Adji
(Niger)

Mr. Ady K. Niang
(Senegal)

Mr. Komlanvi Klousseh
(Togo)



HEADQUARTERS BUILDING IN PARIS
At 29, rue du Colisée, Paris (8th Arrondissement)

Recapitulation of seminars organized by COFEB

I – Banks and Administration Seminars

1980

1 – Floating cash Management (Dakar : 24-28 March)

1981

2 – Financing of External Trade (Dakar : 23-27 March)

3 – Updating and Harmonization of Price Indexes (Dakar : 9-19 June)

4 – Currency Counterfeiting (30/11 - 04/12)

1982

5 – Statistics of Public Finances (22-26 February)

6 – The Enterprise and its Bankers (7-11 June)

7 – Foreign Exchange Rules (28/06 - 09/07)

8 – Management of the National Economy (15/11 - 17/12)

1983

9 – Management of Public Debt (10-21 January)

10 – Management Control (11-15 April)

11 – Bank Marketing (2-6 May)

12 – Infractions to Foreign Exchange Rules (29/08 - 02/09)

13 – Management of the National Economy (11/11 - 16/12)

1984

14 – Floating cash Management (12-16 March)

15 – Banking Disputes (9-13 April)

16 – Development of the SMEs (4-29 June)

17 – Risk Evaluation (23-27 July)

18 – Management of the National Economy (12/11 - 14-12)

1985

19 – Rules of Intervention and Distribution of Credit (11-15 March)

20 – Problematics of Development Banks (10-14 June)

21 – Foreign Exchange Rules of the Franc Area (21-22 June)

1986

22 – Management of the National Economy (30/06 - 01/08)

23 – Promotion and Financing of Foreign Trade (21-25 July)

1987

24 – Bank Marketing (13-17 April)

25 – Management of the Economy (12/11 - 18/12)

26 – Organization and Harmonization of the Computerization Policies in the Banking System (25-27 April)

27 – Financing of the SME (regional seminar, Dakar 12-30 October)

1988

28 – Financing of the SME (national seminar Bamako 1-5 February)

29 – Financing of the SME (national seminar Niamey 8-12 February)

30 – Financing of the SME (national seminar Ouagadougou 28/3 - 01/04)

31 – Management Control and Profitability of Banking Operations (21-25 March)

32 – Financing of the SME (national seminar Dakar 11-15 April)

33 – Management of the National Economy (10/11 - 15/12)

1989

34 – Banking Disputes and Debt Recovery (22-26 May)

35 – Financing of the SME (regional seminar Abidjan 20-25 February)

36 – Financing of the SME (regional seminar Lomé 17-21 July)

1990

37 – Floating cash Management (Abidjan 14-15 June)

1991

38 – Budget Management (14-18 January)

39 – General Policy on the Development of Markets and Financial Instruments in West Africa (13-17 May)

40 – Internal Control and Risk Control (Lomé 27-31 May)

41 – Monetary Policy and Economic Environment (20-21 June)

1992

42 – Structural Adjustment and Economic Reforms (24/02 - 20/03)

43 – New Systems for Monetary Management (22-24 June)

44 – Symposium 30th anniversary of WAMU ; 30 years of Monetary Co-operation. Appraisal and Prospects (30/11 - 10/12)

45 – Financial Programming (7-18/12)

1993

46 – Structural Adjustment and Economic Reforms (Yaoundé 9/02 - 5/03)

47 – Financial Programming (10-30 April)

48 – Statistics of Public Finance (18-29 January)

49 – Recovery of Frozen Debts (Abidjan 5-9 April)

50 – Seminar for Journalists on the Economic Reforms (17-27 May)

51 – Seminar for Foreign Exchange Dealers (12-16 July)

1994

52 – Financial Programming (10-21 January)

53 – Balance of Payments Statistics (24/02 - 15/03)

54 – Bank Confidentiality (11-15 April)

55 – Debt Management (16-20 May)

56 – New System of Monetary Management in WAMU (6-9 June)

57 – Management and Reform of the Financial System in sub-Saharan Africa (4-6 July)

58 – Restructuring of the CCP and CNE (National Savings banks) (14-16/11)

1995

59 – Monetary and Banking Statistics (27/03 - 14/04) IMF

60 – Risk Management (29/05 - 02/06) Bank Seminar

61 – National Accounts (13-17/11) E.U.

62 – Seminar for Journalists (1st/12) IMF

63 – Impact of the Restructuring of the Financial Sector on the Access of Small Operators to Financial Services (07-09/03) ILO

64 – Evaluation of the Mechanism of Agreements on Classification (24-31/03)

65 – Development, Markets and Financial Instruments (18-24 April) IDE

1996

66 – Conditions for Sustainable Growth (06-10 May)

67 – Management of Filing Systems for Centralization of Non-Payments (Dakar, 15-18 July, Abidjan 22-25 July)

68 – Programming and Financial Policy (Yaoundé 29/07 - 16/08)

69 – Foreign Exchange Policy and Structural Adjustment (Dakar, 21/10 - 08/11) IMF

70 – Methodology of Balance of Payments (Dakar, 11/11 - 29/11)

71 – Strategy of Growth in Africa (Yaoundé, 02-20 December)

II – Internal Seminars

1982

1 – Recasting of rules on Funds (15-28 March)

1983

2 – Techniques of Computerized Audit (15-28 March)

1984

3 – Budgetary Procedures (6-10 February)

1985

4 – Recasting of Accountancy rules (2-13 September)

1986

5 – Rules of Intervention of the Central Bank (21-26 April)

6 – Reforms in the Drawing up of the Balance of Payments (30/06 - 11/07)

1987

7 – Methodology for working out Comprehensive Assistance (5-6 March)

1988

8 – Training in the Mérise Method (21/11 - 2/12)

1989

9 – Workshop on Comprehensive Assistance (2-3 November)

1990

10 – Monetary and Banking Statistics (2-3 November)

1990

11 – Monetary and Banking Statistics (9-27 April)

12 – Management of Human Resources (21/5 - 2/06)

1991

No internal session

1992

No internal session

1993

No internal session

1994

13 – Internal Control (31/01 - 04/02)

14 – Program of Support to Mutual Structures or Savings and Credit Co-operatives (28-31 March)

15 – Management of Monetary Symbols (13-17 June)

16 – Integration of New Recruits (20-24 June)

1995

17 – Implementation of the Methodology of the Balance of Payments Manual (20-31/03)

18 – Updating of BCEAO Accountancy Rules (04-08 September)

19 – Projection of Monetary Aggregates (15-26 May)

1996

20 – MICROSOFT Products (17-26 June)

21 – Integration of Newly Recruited Officials (14/10 - 04/11)

22 – Implementation of the Publishing of the Balance of Payments Manual (02-12 December)

1997

23 – Data Base Manager (06-17 January)

24 – Client – Server Approach (20-24 January)

25 – Street Workshop (24-27 February), training in the use of calculating machines

26 – Course on international trade in basic products (24 February -13 March)

27 – Training of inspectors and controllers (3 March-13 May)

28 – Training in the professions of foreign exchange dealer (17-21 March)

29 – Training of inspectors and controllers (21 April-5 May)

30 – Training of inspectors and controllers (12-27 May)

31 – Stakes and strategies for development in Africa (20-23 May)

32 – Strategies of growth in Africa (16 June-4 July)

33 – Methodology of research (9-17 June)

34 – Financial markets (18-22 August)

35 – Course on the foreign exchange policy and structural adjustment (15 September -3 October)

36 – Investigation on economic climate and quantitative techniques (6-17 October)

37 – Course in financial programming and policies (20 October -7 November)

38 – Training in the professions of foreign exchange dealer (27-31 October).

B – The working of departments, difficulties to interpret certain texts, the construction and transfer of the Headquarters and the reconstruction of Branches

By way of illustration, some typical activities or operations and some texts have been considered.

a – The issuance department

As a counterpart to the exclusive right of issue, BCEAO had to fulfil the obligations of a public service in each one of the States. It guaranteed, in particular, the regular supply of notes and coins of all denominations and an unquestionable physical quality, to their economies.

The department of issuance encompassed the overall operations started or conducted by the Bank during the three stages of the life of the note and metallic coin :

- manufacturing,
- distribution,
- maintenance.

1 – The manufacturing of notes

1) The criteria for choosing between notes and coins.

For a given denomination, the criteria of the choice between a note and a coin laid in the costs/benefits comparison between the two types of fiduciary money.

The advantage of the metallic coin laid in its resistance. Its disadvantage laid in its weight and its relatively high purchase price in comparison with its face value.

The easy transport of the note and the very small ratio between its price and its face value constituted its advantages. However, it deteriorated rapidly and had a very short life span.

These different parameters led to the choice of coins for small denominations and notes for high face value denominations.

2) The stages of the birth of a note

BCEAO, like other Central Banks, did not itself manufacture its notes. It subcontracted their production to the "Banque de France". Similarly, it subcontracted the minting of coins to the "Direction des Monnaies et Médailles" (Department of Currency and Coins).

The birth of the note involved a long and stringent procedure in which different decision-making agencies of WAMU and the Central Bank played a part.

One of the objectives pursued at the technical and artistic levels was to make counterfeiting practically impossible.

- The proposals of the Department in charge of issuance

On the basis of an observation of the components of fiduciary circulation, the Management at the headquarters of BCEAO entrusted with issuance, was in a position to gauge the trends in public needs.

It then made proposals to the Governor on the type or types of notes that needed to be issued and their characteristics.

- The choice of a theme

If the Governor considered the proposals appropriate, he chose a theme for purposes of illustration, such as agriculture, industry, crafts, promotion of women, etc.

Several photographs were then selected for illustrating the theme.

- The decision of the Council of Ministers

In accordance with Article 7 of the Central Bank statutes, the Governor presented the file in this respect to the Board of Directors that sent its proposals to the Council of Ministers for their decision.

- The maquette

The Governor entrusted an artist with the task of preparing a maquette based on the selected photographs. However, the artist could not exercise full freedom in executing his composition as he had to keep in mind various constraints : the text of penalties, the placing of watermark, the signatures of the Governor and the Chairman of the Council of Ministers as well as the numbers. Once the maquette had been designed, it became the property of the Central Bank. The artist gave a written undertaking to this effect.

The sketch was then submitted to the Council of Ministers for its approval. Thereafter, one year was required for the delivery of the first note.

- The engraving

The artist's maquette, painted with a brush, was then given to the engravers of the "Direction Générale de la Fabrication des billets" (Department for the Manufacture of notes) at the "Banque de France".

- A black and white photograph of the painting was stuck on four slabs of very hard wood or on four metallic plates.

Each plate corresponded to one color : yellow, red, light blue and dark blue, in such a way that the superposition of colors brought out the note.

- The engraver, by carefully observing the maquette, mentally broke up the colors in such a way as to bring out embossed on each plate only those contours of the design that corresponded to one type of color. The procedure lasted 2 months.

This handcrafted procedure was very difficult to counterfeit.

The engraving on a metal plate took 4 months to complete.

- The engraving was then transposed on to metal by electroplating. This was how printing plates were obtained

- The Governor's approval

The plates were submitted to the Governor for his approval. The creation of the note, strictly speaking, was then over.

- The printing

The basic quality of a note lied in its resistance to counterfeiting. There was a constant tug of war between central banks and counterfeiters. It was through the mixture of colors (polychrome), the quality of paper, the printing technique and the elements of security that the note could be protected.

Two printing processes were utilized : indirect printing or the direct one. The first made use of plates and was characterized by the absence of engraving and embossing, while direct printing made use of embossed plates (typography) or intaglio (line-engraving). This was recognizable to the touch because of embossed inscriptions on the notes. It was both more beautiful and more difficult to imitate, but being also more expensive, it was generally reserved for denominations of high face value.

- Identification

A discreet letter of identification distinct for each State, differentiated the notes issued by the Bank from each other. The same process was utilized for the dollar by the twelve regional central banks constituting the Federal Reserve System of the United States.

- Revision

The banknotes that came out of the printing press were not delivered directly. It was, in fact, necessary to preclude the possibility of the public questioning the authenticity of a note following a defect, however small, in printing. Hence, manufacturing was followed by a "revision". The entire lot of vignettes was subjected to scrutiny by a specialized staff and all those whose design or colors were not perfect, whose watermark was not properly placed or whose margins were too wide or too narrow – faulty notes – were put aside and later destroyed.

It was after this final verification that the delivery was made.

- Introduction of notes

The crates of notes delivered were placed in strongrooms at the Branches. However, for the Central Bank, these notes remained fiduciary paper whose value lied in their cost price. The expenses on them were accounted for under the category of goods; they only became "notes" in the monetary sense at the time of their issuance, that is to say when they were taken out of the strongroom to replenish the coffers. They were then given their face value in the general account books.

The Governor chose a date for the initial launch for putting them into circulation. A campaign was organized to inform the public, posters were distributed, commercials were broadcast through the media and notices were sent to National Treasuries, banks and financial establishments. Specimens of the new note were sent to foreign central banks and to Interpol.

2 – The manufacture of coins

It followed more or less the same process of decision-making through WAMU organs and the Central Bank as that for notes.

Arrangements were sometimes made for issuing special coins to commemorate some outstanding events.

The delivery periods for coins, after the engraving was approved, were much shorter (three months) due to the simplicity of operations at the manufacturing stage and also on account of a highly advanced automation of the monetary establishment in Pessac which was put into operation in 1973.

The manufacturing of the coins was done in two stages :

- the manufacture of instruments used for the striking of coins,
- the manufacture of round metallic pieces on which the imprinting operations would be performed to turn them into coins.

The instruments for striking were blocks of steel called dies on which are made intaglio engravings of the effigies, decorative elements and inscriptions that were to appear embossed on the coins.

The round pieces of metal were blanks ; they had to correspond exactly to the fineness, the weight and the diameter of the coin.

Till the 16th century, minting was done with a hammer. From the 16th till the 19th century, it was done with the lever and since 1830, with the help of the monetary press.

3 – The distribution of notes and coins

The operation consisted in providing notes and coins to each of the States of WAMU.

1) Forecasting

On the basis of statistics drawn up for each State, the Department entrusted with issuance assessed the anticipated needs of the economy in monetary symbols for the year while notably taking into account the financing of the marketing campaign.

It placed its order fairly quickly in order to avail of notes and coins before the start of the campaign.

2) The distribution points

The distribution was done by the Central Bank network constituted by the main branches, and sub-branches as well as banknote deposit branches.

4 – The maintenance of fiduciary circulation

To attend to this, the Bank kept in each branch a cash department consisting of a sorting office.

The maintenance of circulation essentially consisted of monitoring :

- the quality of notes and coins,

- their identity,

- and their authenticity.

1) Monitoring of the quality of notes and coins in circulation

The Central Bank never put back into circulation notes or coins received at its counters without first having sorted them out.

During sorting, valid notes were separated from those that had been damaged. Only the former were put back in circulation, the latter were withdrawn from circulation, cancelled and destroyed.

Moreover, the Central Bank reimbursed the bearer of the mutilated note its equivalent in value on condition that it contained some signs for recognition.

The Bank's guiding principle, in this case, was to ensure that it did not have to reimburse a forged note or to reimburse twice the same note. Hence, the reimbursement was done immediately or was deferred depending on the magnitude of the damage that the note had undergone.

2) Monitoring of the identity of notes and coins in circulation

- Notes of foreign central banks or those of the Franc Area were not legal tender and were non-assessable in member States of the Union. They were therefore put aside during the sorting and repatriated to the central banks.

- Notes bearing the letter of identification of other WAMU States called external notes were also withdrawn from cash in hand and repatriated to the issuing branches. In order to be able to work out for each State monetary issuance and its equivalents as required by the Treaty establishing the Union, a statutory provision prohibited BCEAO branches, commercial banks and all public cash counters from putting into circulation in their State, notes bearing the letter of identification of other States.

3) Monitoring the authenticity of notes in circulation

Fake notes detected during payments and sorting were withdrawn from circulation. Counterfeiting constituted a major concern for all central banks. This was all the more so as advances in the technology of printing and photography were conducive to its development.

Three types of counterfeiting operations could be discerned :

- Massive introduction of fake notes

This type of operation generally aimed at disrupting an economy, especially in times of war. When it succeeded, the authorities had no choice but to change the whole range of notes.

- Introduction of rather badly handcrafted fake notes

This occurred often in WAMU. But even though the imitation was clumsy, these notes sometimes did circulate.

- Introduction of very well-reproduced handcrafted fake notes

BCEAO was confronted with this situation in 1976/1977 with the affair of the 5,000 "K" notes.

Although minimal as compared to fiduciary circulation, it was the psychological impact that such an operation could have on the public that worried the central banks, all the more so as they had made it a rule not to reimburse counterfeit notes.

The fight against counterfeiting was of two kinds, preventive and repressive :

- prevention consisted in deploying, at the manufacturing stage, techniques aimed at complicating to the maximum extent the task of counterfeiters, then in releasing widespread information on the characteristics of authentic notes and coins ;

- as regards repression, the central banks worked in close collaboration with the police and the legal system. A Convention on the Repression of Counterfeiting was signed in 1929 in Geneva. It provides, at the international level, for a concerted move in the fight against counterfeiting by unifying national legislations, centralizing information and co-ordinating police action.

The convention provides for the setting up in each country of a central counterfeit office keeping in close contact with issuing agencies, the police and the central offices of other countries.

At the international level, Interpol, the international criminal police organization, is in charge of co-ordination. The General Secretariat of the I.C.P.O. Interpol, centralizes the information supplied to it, maintained a file on criminals and conducts a scientific examination of fake notes. Each type of counterfeiting is listed and circulated in the Journal "Contrefaçons et Falsifications" (Counterfeiting and Forgery).

1962

BANQUE CENTRALE DES ETATS DE L'AFRIQUE DE L'OUEST














b – Making payments easier

Apart from the notes and coins that it put into circulation, the Central Bank facilitated, by other means, payments within and outside the issue area.

The mechanism of external payments had been described in several Chapters.

Within the issuing area, the Bank carried out telegraphically or by post, transfer orders in areas where it had a main or a sub-branch or a banknote deposit branch.

Moreover, in order to promote payments by checks and transfers, it organized, in various areas, a daily clearing of bills of exchange of participants drawn on each other : BCEAO, Banks, Public Treasuries and the Post Office Checking System.

By this procedure, each participant settled by debiting his account with BCEAO by the net amount due to the others, or was credited with the net amounts due from others.

It was organized under the designation of "Clearing House" and was governed by rules of procedure.

The systems of clearing between States or central banks of the type of the West African Clearing House, derived their inspiration from this traditional banking technique.

Abdou Diouf (page 453)

Convention relating to the creation of a Clearing House in Lomé

Between the undersigned establishments located in Lomé, it is agreed and decided as follows :

Article 1 : A group called "Chambre de Compensation de Lomé" (Lomé Clearing House) shall be set up.

Article 2 : The object of the Clearing House was to make it easier for its members, by means of a daily clearing between them, to arrive at a settlement of the bills they have on each other, it being understood that the remittance of securities involved does not by itself lead to a novation of credit, nor a real payment, these securities becoming the property of the drawees only after the final clearing.

Article 3 : The Central Bank of West African States shall be appointed to host in its premises the sittings of the Clearing House and to ensure the centralization and verification of settlements made at the end of each sitting.

Article 4 : A ruling fixing the modalities of the organization and working of the Clearing House shall be annexed to this Convention. Each of the undersigned establishments shall undertake to adhere to its clauses and notably the one fixing the timings of the sittings.

Article 5 : The Clearing House may admit new members if the older members unanimously accept them. Each new member shall submit to this Convention as well as to the rules and shall confirm this by a written declaration.

Article 6 : Each of the contracting parties shall reserve for itself the right to terminate the present Convention and withdraw from the group on condition of a notice of fifteen (15) days addressed through a registered letter to the Central Bank of the West African States.

Article 7 : This Convention shall annul and replace the convention of 20 April 1994.

Done in Lomé on 26 July 1996 in three (3) originals

Central Bank of West African States	BIAO - Togo
Banque Togolaise pour le Commerce et l'Industrie	Union Togolaise de Banque
Société Interafricaine de Banque	Banque Togolaise de Développement
Ecobank - Togo	Centre des chèques postaux
Trésor Togolais	Société Nationale d'Investissement et Fonds Annexés

Rules of the Lomé Clearing House

Article One : The sittings of the Clearing House shall be held under the guidance of an agent authorized by the Central Bank of West African States, entrusted with drawing up the operations control chart.

Article 2 : The following shall be admitted by way of clearing:

- Checks,
- Domiciled commercial bills,
- Central Bank Transfers,
- Interbank transfers.

Article 3 : Provision shall be made for one sitting per working day fixed for 8.30 a.m. and for 8 a.m. when there is a non-working afternoon.

Every delay of more than 5 minutes and not exceeding 15 minutes shall be penalized by a fine of two thousand five hundred (2,500) CFA Francs. The sums thus collected shall be disbursed at the end of the financial year to a charitable organization.

Beyond 15 minutes, the establishment arriving late shall not be allowed to submit bills on the other participants, but shall be obliged to receive those presented to him by the other members.

Article 4 : At the daily sitting shall be conducted :

- the remittance and immediate settlement of checks, bills, Central Bank transfers and interbank transfers ;

- the return and immediate reimbursement of securities cleared at the previous sitting and whose amount the banks have not been able to charge to the debit of their clients' accounts ;

- the return and reimbursement of unimplemented interbank transfers.

Article 5 : Each member shall submit at the Clearing House sitting :

- remittances which he possesses on each of the others ;

- outstanding payments of the previous day returned to each one of the presenting establishments,

- interbank transfers issued or rejected,

- checks and transfers to the Central Bank.

Securities traditionally accepted for clearing shall be the subject of a CA 46 note established for purposes of each one of the concerned establishments while the interbank transfers shall be recapitulated on another CA 46 note carrying the words "Interbank Transfers". These shall be in three copies in both cases.

The representative of each member shall verify the accuracy of each of the notes drawn up for him. One of the copies of each of these notes shall be handed over for discharge by each one of the representatives of paying members, to the representatives of presenting members. A second copy shall be taken by the said representative along with the checks, unpaid securities or interbank transfers returned to his bank. A third shall be handed over to the Central Bank representative, acting as a controller.

Each member shall also draw up in duplicate, an individual clearing chart, on which he must put in his credit the amounts of remittance notes or outstanding payments that he presents. During the sitting, his representative shall mention, in his debit, the amounts of notes that are being given to him. The sums debited to him and those credited to him shall be totaled, and a credit or debit balance shall be drawn. One copy of each of the charts shall be given to the Central Bank representative.

This latter then shall draw up (in duplicate) a recapitulative control sheet bringing out, for each bank and for the Central Bank their debit or credit balance, the totals of these balances having to be equal. This sheet shall be signed, for approval, by each one of the representatives of the member banks and preserved by the Central Bank representative.

Article 6 : Interbank transfers, checks and other bills cleared must carry the label "cleared" stamped by the presenter and mentioning his name and the date.

The stamping of the dated label "cleared" followed by the seal of the assignor's bank shall be equivalent in every case to a receipt in due form for the bills settled through clearing.

Article 7 : The checks and bills presented at the sitting and rejected shall be returned at the sitting of the 1st subsequent working day.

The checks and bills must compulsorily be attached to the rejection note. They can be presented a second time to the assignor only with the consent of the bank of domiliciation.

All rectifications, rejections, return of outstanding payments must be subjected to explanatory notes annexed to the bills concerned.

Every check, bill or order not returned at the following sitting shall be considered as paid or fulfilled.

Article 8 : The members of the Clearing House shall send a representative to each sitting, exactly at the agreed time, even if they have no remittance to clear.

Representatives of members can leave the premises of the Clearing House only after the end of the sitting, which shall be announced by the authorized representative of the Central Bank.

Article 9 : All the securities enumerated in Article 2 of the present rules must compulsorily be presented for clearing. Documentary bills, which are the only exceptions to this rule, are not delivered for clearing and securities of an amount equal to or higher than 10 million CFA F may, in the event of late presentation, be settled outside of clearing in the afternoon before 4 p.m.

Article 10 : In order to make the task of each of the members easier, the bills can be given through a statement and without an entry, at least 48 hours before the due date, for bills maturing during the course of the month, and 4 days before the due date, for bills maturing at the end of the month.

The bills sent through a statement shall give rise to the drawing up of provisional notes in three copies. The paying bank shall give a discharge of the remittance on two copies of the note which shall be returned to the assignor's bank which shall give one of these to the Central Bank.

Article 11 : The Central Bank cannot be held responsible for losses that may occur between its offices and those of the member banks.

Article 12 : The debit or credit balances of the cleared operations drawn up at the end of the sitting for the various participating members must be settled through transfers between the accounts held in the name of each one in the books of the Central Bank.

Article 13 : Member banks must ensure that their account in the Central Bank has a sufficient credit balance to cover all debit balances before the closure of accounts.

Article 14 : The Central Bank of West African States shall represent at the Clearing House some agencies which have opened an account in its books. Checks and securities drawn on these agencies must be presented to this bank for purposes of settlement.

Article 15 : Each of the member establishments of the Clearing House may, through a letter addressed to the other members, suggest modifications to the present rules.

The representatives of all the members meeting in the Central Bank shall examine these suggestions. The decisions must be unanimous.

Done in Lomé, on 15 May 1986

in eleven (11) originals

Central Bank of West African States	Banque Internationale pour l'Afrique Occidentale – Togo
Banque Togolaise pour le Commerce et l'Industrie	Union Togolaise de Banques
Banque Togolaise de Développement	Banque Arabe Libyenne
Togolaise pour le Commerce Extérieur	Banque Commerciale du Ghana
	Caisse Nationale de Crédit Agricole
Bank of Credit and Commerce International	Trésor Togolais

CODICIL N° 1 TO THE RULES OF 15 MAY 1986

ANNEX TO THE CONVENTION OF 24 MAY 1974 ESTABLISHING THE CLEARING HOUSE OF LOME

Article 13 of the Rules of the Lomé Clearing House annexed to the Convention of 24 May 1974 establishing a Clearing House in Lomé shall be modified as follows:

Article 13 : The member banks must ensure that their account with the Central Bank has a sufficient credit balance to cover all debit balances before the closure of accounts.

If a member in debit is not in a position to furnish the necessary cover at the time of closure of the money market, the clearing for the day shall be considered as void. The securities distributed shall be returned to the presenters and a new clearing shall be organized at the end of the morning between the other members.

Clearing House members must meet to take jointly all the required steps with regard to the defaulting establishment.

Done in Lomé, on 31 October 1987
in eleven (11) originals

Central Bank of West African States	Banque Internationale pour l'Afrique Occidentale - Togo
Banque Togolaise pour le Commerce et l'Industrie	Union Togolaise de Banques
Caisse Nationale de Crédit Agricole	Banque Togolaise de Développement
Bank of Credit and Commerce International	Banque Commerciale du Ghana
Banque Arabe Libyenne Togolaise pour le Commerce Extérieur	Trésor Togolais
Centre des Chèques Postaux	

c – The involvement of the foreign exchange guarantee

1 –Exchange of letters

The Co-operation Agreement was signed on 4 December 1973 in Dakar.

The unit of account retained for purposes of its application was the special drawing rights (SDRs). In an exchange of letters dated 10 and 15 March 1975, modalities for bringing the guarantee into play had been fixed in the following manner :

1) Every devaluation of the French Franc notified to the IMF, shall give rise to the immediate payment by the French Treasury, into the operations account, of a compensatory amount calculated in proportion to the devaluation thus declared and applied to the assets held in Francs the day before the devaluation, by each of the signatory Central Banks.

2) Till such time as the international monetary system returns to the fixed parities regime, the assets in Francs of the signatory Central Banks are guaranteed against any possible depreciation of the French Franc in the following manner :

$$\frac{1{,}175{,}107{,}912.04^{a} \times 0.183296^{b}}{0.174253^{c}} = 1{,}236{,}091{,}085.06 \text{ FF}$$

The sum due to BCEAO by way of guarantee is

1,236,091,085.06 FF – 1,175,107,912.04 FF = 60,983,173.02 FF

This amount is to be credited to the operations account of BCEAO "value 2 January 1975".

2 – Differences in interpretation

During the talks on 17 September and 21 October 1975, between BCEAO representatives and those of the Treasury Department, the question concerning the reference value of the French Franc with relation to the SDR, to be retained for subsequent financial years after the first case of application of the guarantee was raised.

It was agreed that in the event of an appreciation in the value of the French Franc above its value as on 4 December 1973 with relation to the SDR, and subsequent depreciation, the reference value would remain that on 4 December 1973.

On the other hand, in the event of another depreciation noted with relation to the last financial year that gave rise to a compensation, the reference value would be the one that served as the basis for putting this guarantee into play if this value was below that of 4 December 1973, so as to not compensate cumulatively for the same depreciation.

1) BCEAO's position

On 21 March 1977, BCEAO asked that its account be credited at the 3 January 1977 value, in view of the trends followed by the French Franc.

"The French Franc values expressed in SDRs to be taken into consideration for setting the guarantee into motion, are as follows :

4 December 1973 : 1 Franc		=	0.183296 SDR
Year 1974 :	Average value 1 Franc	=	0.174253 SDR
Year 1975 :	Average value 1 Franc	=	0.192015 SDR
Year 1976 :	Average value 1 Franc	=	0.181245 SDR

As regards the year 1976, a daily statement of the SDR-French Franc exchange rate is attached.

The result from the above figures is that the French Franc :

[a] Average balance of the assets in the operations account on the basis of the calendar days in 1974
[b] Value of the French Franc in SDR on 4 December 1973
[c] Average value of the Franc in SDR during the year 1974

- after having depreciated during the course of the year 1975 with relation to its average value for the year 1974 (0.192015 SDR against 0.174253 SDR) and above its value on 4th December 1973 (0.192915 SDR against 0.183296 SDR) ;

- depreciated further during the course of the year 1976 by more than 0.50% as compared to the value on 4 December 1973 (0.181245 SDR against 0.183296 SDR).

In application of the provisions of the exchange of letters referred to, the guarantee by the French Treasury extended to the average amount of assets in the operations account is thus set into motion, for the year 1976, and the coefficient of re-evaluation applicable to these assets is :

$$\frac{0.183296}{0.181245}$$

The average balance of assets in the operations account which, during the year 1976 was, on the basis of the calendar days, 1,283,543,695 FF should consequently be re-evaluated and taken up to :

$$\frac{1{,}283{,}543{,}695 \times 0.183296}{0.181245} = 1{,}298{,}068{,}499 \text{ F}$$

Because of this, the sum due to BCEAO by way of the guarantee provided for in Article 4 of the Convention is :

1,298,068,499 FF – 1,283,543,695 F

i.e. 14,524,804 F

2) The French side's position

During a meeting of BCEAO Board of Directors held at Bobo-Dioulasso on 22 June 1977, the French Director indicated that the modalities of application of the exchange guarantee concerning the assets in the operations account had not, in his view, been defined in a manner precise enough to measure the impact of the guarantee being set in motion in different situations likely to arise.

He felt that it was desirable that the overall provisions be re-examined.

During the correspondence and discussions which followed, the French side felt that BCEAO's position – and that of BEAC – would lead to granting a dual compensation for one and the same depreciation of their assets or even, as in 1976 for instance, a compensation for a fictional depreciation of these assets.

The average worth of the Franc in 1976, they pointed out, had remained higher than that giving rise to the last compensation (1974). Reasoning on the basis of the average assets in foreign exchange - constant in French Francs during the period - there had manifestly not been any possibility in 1976 of a new loss of foreign exchange at the level of the Central Banks' assets.

The compensation for a loss of foreign exchange in 1976, for the sole reason that the Franc in 1975 had appreciated beyond its 4 December 1973 value, the first reference date for application of the guarantee, would therefore be unjustified and would lead to a cumulative compensation for the same depreciation up to the limit of the amount of assets already compensated for under the 1974 heading.

Even more, the trend noted in the volume of the foreign exchange assets in 1974-1976, was such that in addition, one could end up compensating for a fictional depreciation.

The average amount of BCEAO and BEAC assets declined in 1975, to a level distinctly lower than the amount of assets compensated for under the 1974 heading (around 864 million FF instead of 1,175 million FF, and 370 million FF instead of 457 million FF respectively).

On the other hand, these assets increased again in 1976 to reach 1,284 million FF for BCEAO and 756 million FF for BEAC. These two banks therefore acquired on an average, in 1976, 420 and 386 million FF of assets respectively at an average rate of exchange of 0.181245 SDR for 1 FF.

To grant a compensation for these supplementary assets acquired at the average rate of exchange of 1976 while proceeding as if they had been acquired at the reference rate of 4 December 1973 (0.183296 SDR) which is higher than that at which they were acquired, would undoubtedly lead to covering a fictional loss of foreign exchange.

At the end of discussions in the Board of Directors, in the Council of Ministers and referral of the issue to the President of WAMU Heads of State, President Valéry Giscard d'Estaing in a letter dated 17 February 1980, communicated the position of the French experts, and their proposals.

The experts pointed out that despite the logic of the French argument which appeared to be irrefutable, they proposed, in a spirit of conciliation, to settle the problem for the year 1976 in the manner desired by African Central Banks on condition that for subsequent years they accept the devising of a new system which would be both fair and simple.

The new system would in fact rest on two basic rules :

- A daily calculation of profits or losses of foreign exchange, in French Francs, giving an overall picture at the end of the year bringing out either an excess of losses leading to an actual payment to the Central Banks, or an excess of profits leading to accounting credits carried over to the next financial year.

This system would ensure the maintaining of "the purchasing power" of the assets concerned in SDR and would settle not only the problem of the variation in the value of the Franc but also that of the variation in the volume of the assets, which had not been fully dealt with in the present system.

- Fixing of the initial reference value on 31 December 1976, the day before the first day of application of the daily calculation system. To choose as reference the average exchange rate of the French Franc with relation to the SDR in 1976, would in fact, apart from the extremely costly nature of this solution for the French Treasury, be like granting a cumulative compensation for that year, the "depreciation" of the Franc in 1976 having, moreover, been compensated for.

The French President suggested to the new incumbent President of the Conference of Heads of State, Mr. Senghor, that if the proposals contained in this note, which appeared to him to be fair, were approved by WAMU member States, their respective experts could meet shortly to give the finishing touch to the new system.

In reply, on 13 May 1980, Mr. Senghor wrote to Mr. Giscard d'Estaing that the appropriate organs of WAMU had examined the French proposals with regard to :

- on the one hand, the Convention on an operations accounts signed on 4 December 1973 in Dakar ;

- and on the other hand, the exchange of correspondences between the Department of the French Treasury and BCEAO defining the conditions for applying this exchange guarantee, the parties being in agreement.

It was apparent that the new modalities for setting into motion the exchange guarantee applicable to the Central Bank's assets invested in the operations account with the French Treasury, such as provided for by the French experts, would be based on the daily calculation in French Francs, of profits or losses in foreign exchange.

The algebraic summation over this year of the results of these daily calculations would lead at the end of the year to :

- either a payment of a compensation to the Central Bank, if the results of this summation showed that the French Franc had depreciated during this period ;

- or to the carrying over of the surplus of profits over losses, if the results of this summation showed that the French Franc had "appreciated".

A perfect symmetry and a total reciprocity characterized this French contention. It was fair.

However, it seemed that the last paragraph of Article 4 of the convention on an operations account and the texts taken in application of this paragraph, had voluntarily and deliberately removed this symmetry and reciprocity, to favor WAMU States which were obliged to deposit 65% of their assets in the operations account with the French Treasury.

To retain, thereafter, the idea of reciprocity did not appear to be in accordance with the relevant proposals of the signed texts.

President Senghor added that in view of the time that had passed by and the apparently irreconcilable nature of the stances of the opposing parties, the States of the Union were giving their consent to the French proposals.

The experts could therefore meet to prepare the new texts, which, once signed, would govern, in future, the exchange guarantee's entry into play.

Mr. Senghor concluded by saying that these new texts should not take retroactive effect as from 31 December 1976, the date of their application having to be the date on which they were signed.

3 – The new system

In a letter dated 9 December 1980, addressed to the President of the Council of Ministers, Mr. René Monory, the French Minister of Economic Affairs, after recalling the background of the problem, indicated that as regards the year 1976, for which the Union was of the view that it had suffered a loss of foreign exchange of the extent of 14,524,804.10 FF whereas, in the French interpretation of the agreements, no loss of foreign exchange was noted during that year, it was proposed, by way of compromise, that the French Treasury pay into the operations account of BCEAO the value of this sum as of 31 December 1976.

Because of the difference of interpretation, it was agreed not to bring the exchange guarantee into play during the entire period from 1 January 1977 till 31 December 1980 inclusive.

As regards the subsequent years, that is to say from 1 January 1981, new modalities would be applied.

It was agreed to conserve the SDR as the reference unit of account to assess the variations in the value of the French Franc.

The guarantee for the assets in Francs (credit balance) in the operations account of BCEAO against an eventual depreciation of the French Franc would be applied in the following manner :

1) For each working day, the International Monetary Fund calculates the French Franc's rate of exchange against the SDR. These rates of exchange, which were published in the weekly bulletin of the IMF, were communicated by it or by the "Banque de France" to BCEAO and to the French Treasury, and their comparison brought out any eventual variations in the rate of exchange.

2) Every time such a variation is noted, the resultant gain or loss in foreign exchange for the assets in the operations account is calculated by applying the following formula : $R = Vof\,(1 - \frac{to}{tn})$

R : represents the gain (when R is positive) or the loss (when R is negative) in foreign exchange rounded off to the nearest Franc ;

Vof : represents the amount (rounded off to the nearest Franc) of the credit balance in the operations account the day before the day when the variation in the value of the Franc with relation to the SDR was noted by the IMF ;

to : represents the value of the Franc expressed in terms of SDR the day before the day when the IMF noted the variation in this value ;

tn : represents the new value of the Franc expressed in terms of SDR noted by the IMF.

For putting the new system into application on 1 January 1981, the first reference value would be that of the French Franc in terms of SDR as of 31 December 1980.

The profits or losses in foreign exchange thus calculated for each working day of the year bringing out a variation in the value of the Franc, would be recorded every day in an accounts annex. Each daily loss (-) or profit (+) amount of foreign exchange would be added on to the earlier noted compiled amounts.

As of 31 December of each year :

1) if the amount thus cumulated showed a loss (-), the operations account of BCEAO would be credited with the due amount. Thus, the amount appearing in the accounts annex would be reduced to 0.

2) if the amount thus cumulated showed a profit (+), it remained in the accounts annex which then was not reduced to 0. This amount would be the starting point for the daily calculations cumulated during the following year. Therefore, net profits in foreign exchange thus accumulated during the earlier year would serve to cover the eventual losses in foreign exchange noted subsequently, or were further increased by eventual new profits in foreign exchange.

This procedure of daily calculation in terms of the variations in the Franc with relation to the SDR, would be applied for as long as the International Monetary System did not revert to a generalized system of fixed parities. It would be applied notably when the Franc was part of a mechanism of co-operation by virtue of which its value was maintained with relation to the currencies of other members of the IMF such as the European Monetary System.

In the contrary event where, within the provisions of Article IV Section 4 of the system of foreign exchange provisions, based on stable but adjustable parities, the earlier mentioned system of guarantee of exchange based on the daily calculation of profits or losses with compilation at the end of the year, would be stopped the day a new parity of the French Franc was fixed.

1) If the compilation of the profits or losses in foreign exchange calculated daily were to bring out a net loss of foreign exchange, BCEAO would be immediately credited with the due amount of the loss noted.

2) If on the other hand, the compilation of the profits and losses were to bring out a net profit in foreign exchange, this would be cancelled.

Subsequently, every devaluation in the French Franc with relation to the common denominator adopted by the member States of the Fund in accordance with the clauses of article IV of its Statutes notified to the IMF, would lead to the immediate payment of a compensatory amount by the French Treasury into the operations account. This amount would be calculated in proportion to the devaluation thus declared with relation to the earlier parity of the French Franc defined in the framework of this new generalized system of parities and applied to the assets held in Francs by BCEAO on the day before the devaluation.

In the event that the exchange regulations of the French Franc or of the international monetary system were to evolve in such a way as to make the application of one or the other of the exchange guarantee procedures described above impossible to implement, a new consultation would be undertaken between BCEAO and French authorities.

d – The construction and transfer of BCEAO headquarters to Dakar

On 31 March 1976, at a brief ceremony in his office, President Senghor signed the parchment to be inserted into the brick at the foundation laying ceremony.

On 14 May 1976, Mr. Abdou Diouf, Prime Minister, laid the foundation stone of the Central Bank headquarters. It was a real estate complex made up of three buildings :

- a 22 story high rise building ;

- a building containing an auditorium for seating 300 persons, two meeting rooms and a cafeteria ;

- a building housing the COFEB – lecture halls, amphitheaters and a library, as well as some offices – the last two buildings added later were completed in 1981.

In July 1978, the departments were effectively transferred from Paris to Dakar and the headquarters was inaugurated on 28 May 1979 in the presence of the six Heads of State of WAMU.

Speech of Mr. Abdou Diouf
Prime Minister of the Republic of Senegal
On the occasion of the foundation stone laying of the headquarters in Dakar

Governor,

Ministers,

Ladies,

Gentlemen,

As you may well imagine, while presiding over this ceremony, I cannot but experience, in my heart as an African and a Senegalese, a legitimate and overwhelming pride.

The laying of the foundation stone of the headquarters of the Central Bank of West African States, here in Dakar, on African soil, is the fruit of long patience, comprising toil and tenacity ; it is like the symbol of the emergence of Africa.

I see in it a manifest consecration of the joint and fraternal efforts of the various peoples who constitute the West African Monetary Union, as also a just reversal of things, the indisputable sign that Africa is daily regaining a little more of its identity, in all fields and therefore in the one which it is often said, drives the world (the modern world, at any rate), the mysterious field of money.

That it is in Dakar that the foundation stone is being laid of this distinguished "building", the symbol of unity and power, whose elegant and lofty silhouette will thus soon tower up among the greenery of this extreme tip of the African continent, adds to our pride and our joy. All the more so as we should see in this the sign of a legitimate continuity since it was also in Dakar that was set up the first institution in charge of issue of money in West Africa. But I am not forgetting that the worth of a construction, however magnificent, lies only in the men who work in it.

In this respect, I positively have no doubts whatsoever.

When, a little more than a year ago, on 10 February 1975, the Council of Ministers of the West African Monetary Union was witness to the swearing-in, also in Dakar, of the first African Governor of the Central Bank of West African States, Mr. Abdoulaye Fadiga, who is here with us and to whom I wish to present my heartiest congratulations for the dynamism and the competence with which he conducts the affairs of the Central Bank, in accordance with the approaches adopted since a year in the well acknowledged interest of Africa and of States of the Monetary Union, which was in itself a challenge.

We can say today that this challenge is being met.

Indeed, not only do I hail the promptness with which the material organization of the Central Bank is being conducted as well as the preparatory work for the establishment of its new headquarters, but I also wish to pay tribute to the intelligent rigor with which reforms of the monetary institutions and the application of the new banking rules are being conducted, entirely in line with the policy that has been outlined.

And, first of all, the Africanization of the management of the Central Bank, which I am happy to note is being done not only at a rapid pace and on a vast scale but also competently and effectively.

Then, there is the new monetary and credit policy. It is obvious that even if we cannot expect tangible results from it before some time elapses after it has been put into application, it is entirely legitimate to hope that it will prove in actual fact, perhaps more than in intent, profitable to African interests and to the collective development of our countries.

Furthermore, I wish to pay tribute, on this occasion, to our partner, France, whose benevolent and effective co-operation has undoubtedly been valuable to us and which remains all the more worthy of praise as it has been capable of adapting to the trend of the realities of our continent.

Since the Treaty of 14 November 1973 of Dakar, it is evident, indeed, that the application of reforms has been well-conducted although necessarily in a progressive manner.

Strengthening of the Union, contribution to the financing of development, promotion of African entrepreneurs (in relation moreover with the creation of the Central Bank of West African States), effective management and control over the credit distribution, a better use of the monetary resources of the Union, the creation of a money market, a greater independence in external finance, these are in fact the numerous tasks that the Central Bank has had to fulfil. Not only have they been numerous, but they have also been difficult and have been accompanied by constraints even if the new rules gave it the means to carry them out, thanks to a whole arsenal of adequate technical provisions, such as the setting out of the contributions, reserve requirements, prior authorization, adjustment of rates of interest, uniform banking rules, the ability to conserve an important share of its foreign assets in foreign currency other than the French Franc, etc.

Thus, while taking part on behalf of the Head of State and Government of Senegal, as also on behalf of all our governments, in the laying of this foundation stone, I cannot but feel a real fascination of the kind one experiences when one sees the birth of a new phase in the history of peoples. The construction of the headquarters in Africa of the Central Bank of West African States is a powerful symbol of this. It is a sign of solidarity and a profound control over our economies. It will facilitate, I am deeply convinced of this, the full flowering of the monetary sovereignty of the Union thanks to a strengthened and freely accepted interdependence. Indeed, in this task, I see both a challenge and a great achievement, for the chances are great that this economic justice, of which the Third World claims to be an expression, will be obtained, paradoxically, through the conquest of money power.

That our Central Bank is then a key element in our dignity and our development is not astonishing. That it calls for effort and sacrifice can only uplift us for, to quote Lesage, whose humor is not without a realism that is more than ever relevant: "justice is such a beautiful thing that one can never buy too much of it".

Speech delivered by Abdoulaye Fadiga

Governor of the Central Bank of West African States On the occasion of the laying of the foundation stone of the headquarters in Dakar

Mr. Prime Minister,

Ministers,

President of the Economic and Social Council,

Members of Parliament,

Ladies and Gentlemen,

In the history of peoples, there are some dates that are memorable. They are like beacons that light up and mark out their evolution.

In my view, this is an event of particularly great importance.

It was in Lomé, capital city of Togo, a country which has never been a colony but a protectorate, that the Conference of the Heads of State of the West African Monetary Union decided, on 11 October 1974, that the headquarters of the Central Bank of West African States would be established in Dakar, which though the capital city of Senegal, is also a city of the peninsula of the Cape Verde islands, the seat of the Leboue Republic which was never conquered by force but was a protectorate following a treaty concluded between the Jaaraf of the Lebous and the representative of France. This fact needs perhaps to be emphasized.

The choice of Dakar as headquarters of the Central Bank of West African States is in fact a return of our Issuing House to Senegalese soil. Indeed, during more than half a century, from 1853 till 1901, the headquarters of the Bank of Senegal, an ancestor of the "Banque de l'Afrique Occidentale", the Issuing House of French West Africa and Togo, and of the Central Bank of West African States, was located in Saint-Louis in Senegal.

It was when the right of issue was transferred to B.A.O. that the headquarters of the Issuing House was transferred to Paris. It is therefore a return to the source after a Parisian interlude of more than 73 years.

It is true, people say, that rivers which flow towards the sea always keep a feeling of nostalgia for the heights from where they have derived their source.

This is also so, perhaps, for institutions and men.

But one thing is certain, this "return to the native land" is the advent of a new era.

Facing the island of Gorée, the moving witness to a tormented Africa, looking towards the Americas, the building of BCEAO, a masterpiece of the town-planning architect-engineers Cheikh Ngom and Pierre Goudiaby Atépa, and whose construction has been delegated to the SCET, will rise up with its 22 stories, like a symbol of the rebirth of the dark civilization which radiates throughout the world, including the world of money, from Senegal, the country of the Bard of Negritude.

While the objectives of its distant ancestor, the Bank of Senegal, were those of confronting an economy whose elements had experienced an upheaval with the abolition of slavery, the objectives set out for the Central Bank, in application of the instructions of the Heads of State and the guidelines of the Council of Ministers of the West African Monetary Union are clear : to place Money at the Service of Development.

In the economic field, the Central Bank has to be able to adjust at every moment the liquidity of the economy in terms of development needs, in terms of the situation in WAMU, the international situation, the overall monetary situation in the Union and the situation in each State in particular.

However, economic adjustments by themselves, however useful, are not enough to steer an economy, leave alone ensure its development.

Underlying these adjustments, there must, therefore, be the firm determination to achieve medium and long-term objectives, laid down by the authorities entrusted with the conduct of our economies.

These medium and long-term objectives are precise. They aim at developing the economies of the West African Monetary Union in the framework of an Africanisation of these economies and a regional economic integration. In this connection, the Central Bank supports and will continue resolutely to support those actions that strive to achieve these objectives, notably the actions of the West African Development Bank, half of whose capital it holds.

The medium and long-term objectives having been set out, there remains one important task to be performed. The States should make known the order of priority of the development sectors to which financing should be extended. Banks will be bound by the priority to be given to these sectoral objectives set out by the authorities in charge.

As for the Central Bank, it now has, at its disposal, the instruments of monetary and credit policy enabling it to get the banks to adhere, if found necessary, to the choice of priorities of States.

The Central Bank is at the service of the economies of the West African Monetary Union. On 10 February 1975, in Dakar, I took the oath to serve the West African Monetary Union.

I pray to God to help me to stand by this oath, with the entire team of the Central Bank, for the prosperity of our economies and the happiness of the 25 million men who have placed their confidence in us.

Tender bid notice for candidatures for the construction of BCEAO headquarters in Dakar

I – CONDITIONS FOR PARTICIPATION IN THE TENDER BID

The Enterprises authorized to tender should compulsorily :

- be established and have a permanent activity in one of the member States of the West African Monetary Union (Peoples Republic of Benin, Côte d'Ivoire, Upper Volta, Niger, Senegal, Togo).
- make known their intention to tender and return the tender bid file duly completed whose last date of submission is fixed hereafter at 31-3-76.

II – DESCRIPTION OF THE BUILDING AND LIST OF THE PLOTS

70-m high ovoid shaped IGH tower – 28,000 m^2 of floor area with adjoining premises.

Structure in reinforced concrete– foundation on piles.

The Enterprises can tender for one or several of the following batches :

Batch 1 – Special foundation
Batch 2 – Shell of building
Batch 3 – External woodwork and internal blinds
Batch 4 – Internal woodwork and hardware
Batch 5 – Front mirrorwork
Batch 6 – False ceiling– detachable partitions– False floorings
Batch 7 – Waterproofing
Batch 8 – Floor and wall coating– front marblework
Batch 9 – Sanitary plumbing– Fire fighting
Batch 10 – Metallic door locks
Batch 11 – Fire prevention measures– Fireproof locking system– Fire detection
Batch 12 – Air Conditioning
Batch 13 – Large current electricity
Batch 14 – Generator
Batch 15 – Lifts
Batch 16 – Telecommunications– slack currents– Sound proofing
Batch 17 – Painting– Internal glasswork
Batch 18 – Laminated glued framework
Batch 19 – Bank security equipment
Batch 20 – Outer fittings
Batch 21 – Access roads/other networks
Batch 22 – Green area

The work will be dealt with while considering comprehensive and all-inclusive prices (except for the batch concerning special foundation) and open to revision in accordance with the clauses customarily invoked in the profession.

III – CONSTRUCTOR AGENCIES

Contracting authority : BCEAO – 29 Rue du Colisée – PARIS (8^e)
MOD : SCET/INTERNATIONAL, 5-7 rue Bellini – 92806 PUTEAUX
72 Bld de la République – DAKAR
Architects : Mr. Ngom and Mr. Goudiaby – 10 rue Descemet DAKAR

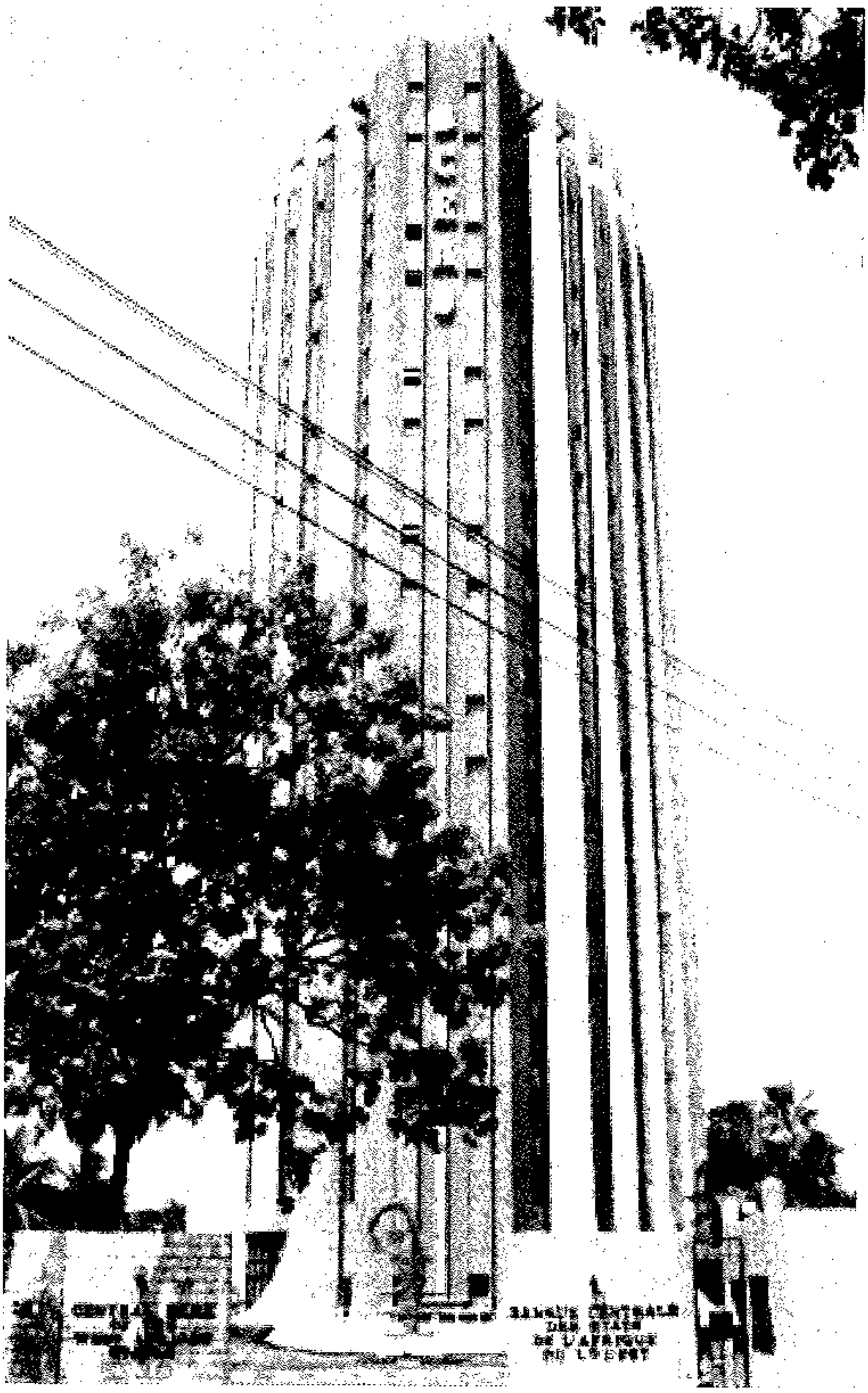
IV – DOCUMENTS TO BE SUBMITTED BY CANDIDATES

Along with the declaration of their intention to tender, Enterprises should return duly completed the file of invitation for candidature to be taken from : BCEAO at its national branch in the State in question or at its headquarters located provisionally in PARIS, 29 rue du Colisée.

This file consists of some draft plans, a summarized descriptive note, an overall planning framework, a list of information to be supplied by the Enterprise concerning its qualification, references, observations concerning the planning. These documents should be sent before midnight of 31-3-96, to BCEAO 29 rue du Colisée PARIS 8^e. It should be clearly written on the envelopes :

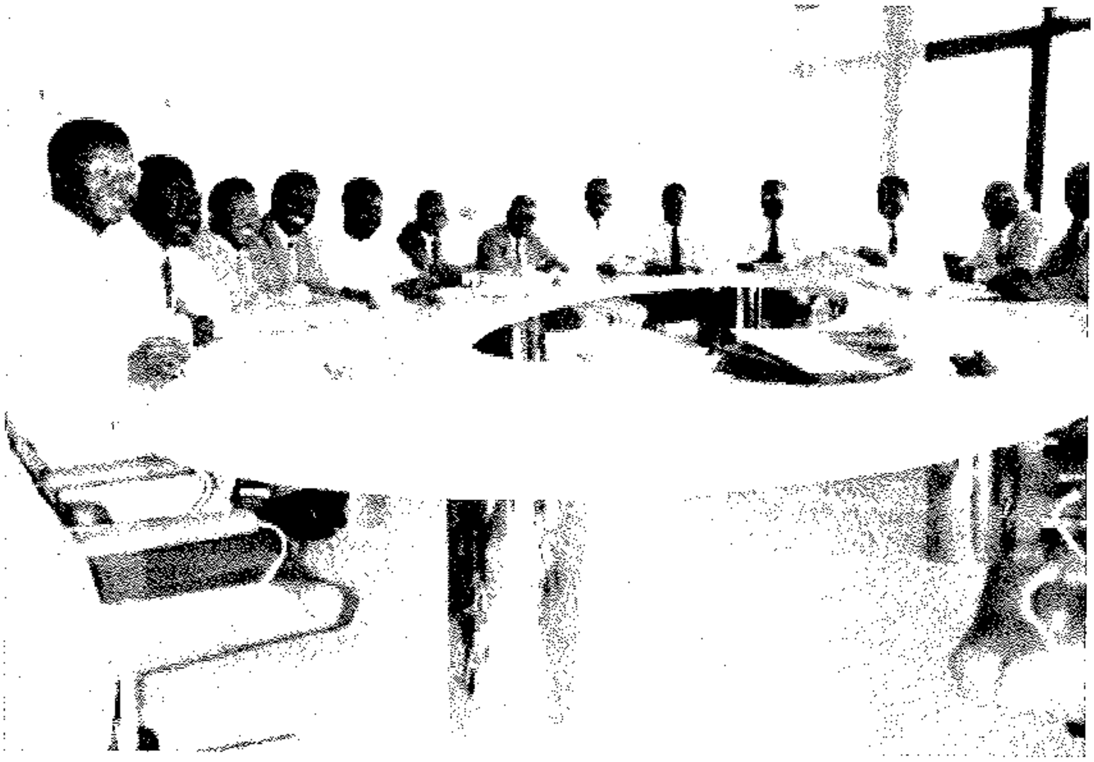
"Déclaration d'Intention de soumissionner pour la construction du Siège de la BCEAO à DAKAR".

(Declaration of Intention to submit a tender for the construction of the headquarters of BCEAO in DAKAR). The contracting authority will inform all the enterprises that have presented themselves as candidates, about the modalities to follow to be able to participate in the tender invitation and to submit their tender.



HEADQUARTERS BUILDING

From left to right : General Sangoulé Lamizana, President of Upper Volta, Félix Houphouët-Boigny, President of Côte d'Ivoire, Mr. Léopold Sédar Senghor, President of Senegal, General Gnassinbé Eyadéma, President of Togo, General Seyni Kountché, President of Niger and General Mathieu Kérékou, President of Benin, during the inauguration of the headquarters of the Central Bank of West African States in Dakar.



Working Session of BCEAO Branch managers at the headquarters in Dakar in 1982.

From left to right : Messrs. Marcel Kodjo, Ady Niang, Patrice Kouamé, Adji Boukary, Oumarou Sidikou, Michel Klousseh, Boévi Lawson, Guy S. Pognon, Alassane Ouattara, Djibril Sakho, Charles Konan Banny, Kassoum Congo, Mamadou Babacar Ndiaye.

e – The renewal of the terms of chief executive officers

According to the statutory provisions, the terms of BCEAO chief executive officers – the Governor and Deputy Governor – and those of BOAD – the Chairman and Deputy Chairman – were not renewable.

The term of Abdoulaye Fadiga expired in end 1980. It was renewed for a year, then, for a further year.

The Conference of WAMU Heads of State, meeting on 29 May 1982 in Cotonou, expressed itself in favor of a modification of the concerned articles.

WAMU Council of Ministers, during an extraordinary session on 1 July 1982 in Abidjan, and on a proposal of BCEAO Board of Directors, proceeded to modify the statutes of BCEAO and BOAD in the following manner :

"In application of the decisions of the Conference of the Heads of State of the West African Monetary Union, taken in Cotonou on 29 May 1982, and on a proposal of BCEAO Board of Directors, WAMU Council of Ministers has decided to carry out some modifications in the statutes of the Issuing House and those of BOAD.

"As regards the Central Bank of West African States :

Paragraph 1 of Article 41 of the statutes is modified as follows :

"The Governor of the Central Bank of West African States shall be appointed by the Council of Ministers for a renewable period of six years".

"As regards the West African Development Bank :

Article 18 of the statutes is modified in its paragraphs 1 and 3 as follows :

Paragraph 1 : "The Chairman of the West African Development Bank shall be appointed by the Council of Ministers of the Union, for a renewable period of six years".

Paragraph 3 : "The Chairman shall be assisted in the performance of his duties by a Deputy Chairman appointed by the Managing Committee for a renewable period of five years".

On 15 September 1988, following the Conference of Heads of State held on 7 and 8 August 1988 in Cotonou, the Council of Ministers decided to modify Articles 42, 43, 45, 47, 50 and 55 of BCEAO statutes. In substance, the Governor shall be assisted henceforth by two Deputy Governors whose terms shall be renewable.

Article 42

Two Deputy Governors, appointed by the Board of Directors for a renewable period of five years, shall assist the Governor in the performance of his duties.

Article 43

The functions of Governor and Deputy Governor shall be exclusive of any assistance, paid or otherwise, extended to the activity of a private or a public enterprise, with the exception, if required, of international government institutions.

Article 45, paragraph 2

He (the Governor) can delegate part of his powers to the Deputy Governors or to Managers of the Central Bank.

Article 47

Professional confidentiality, the breach of which shall lead to the punishment provided for in the penal legislation, shall be binding on the Governor, Deputy Governors, as well as all the Managers of the Central Bank.

Article 50, paragraph 1

The Board of Directors shall be presided over by the Governor and, in case of his unforeseen absence, by one of the two Deputy Governors.

Article 55, paragraph 6

The Governor or the Deputy Governors of the Central Bank and the Directors on special duty shall take part in the sittings of the (National Credit) Committee in an advisory capacity.

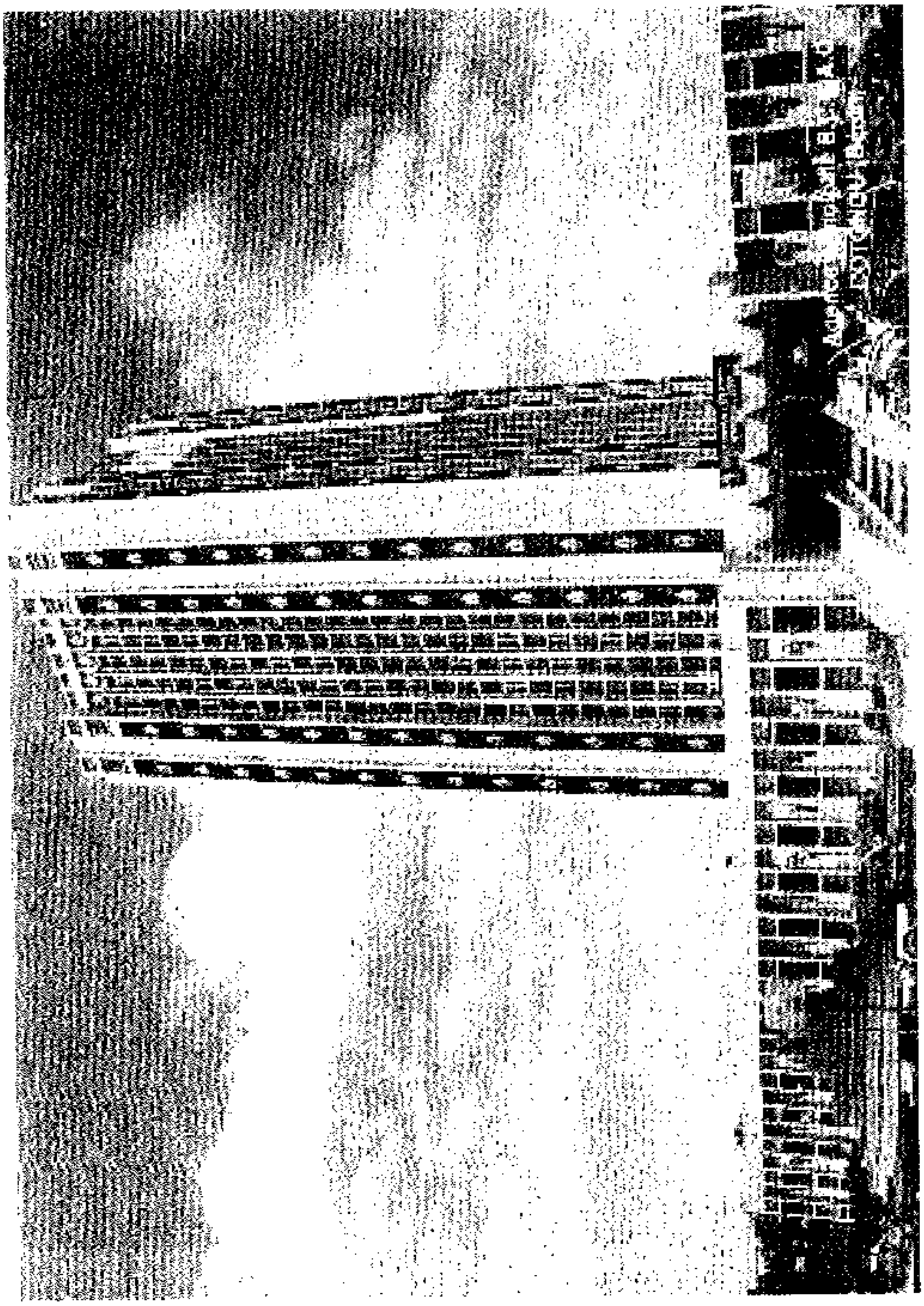
f – The program of reconstruction of Branches

This was started in 1984. All the main branches were reconstructed and inaugurated on the following dates :

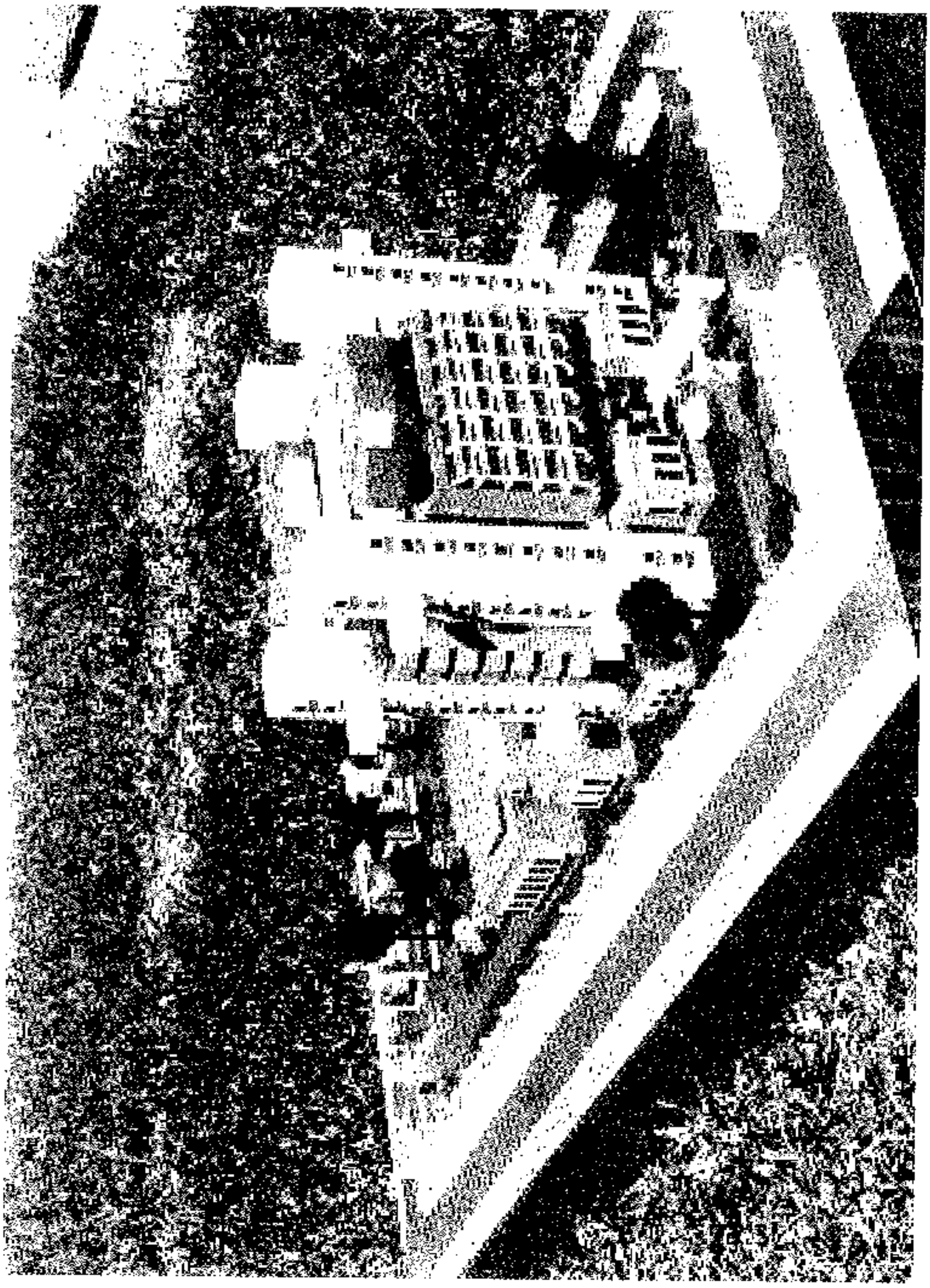
- Lomé, 13 January 1990
- Niamey, 2 May 1990
- Ouagadougou, 2 August 1990
- Abidjan, 16 August 1990
- Cotonou, 14 December 1990
- Dakar, 11 April 1991
- Bamako, 11 April 1994.

Additional branches were also constructed at Abengourou, Bobo-Dioulasso, Parakou, Kara, etc.

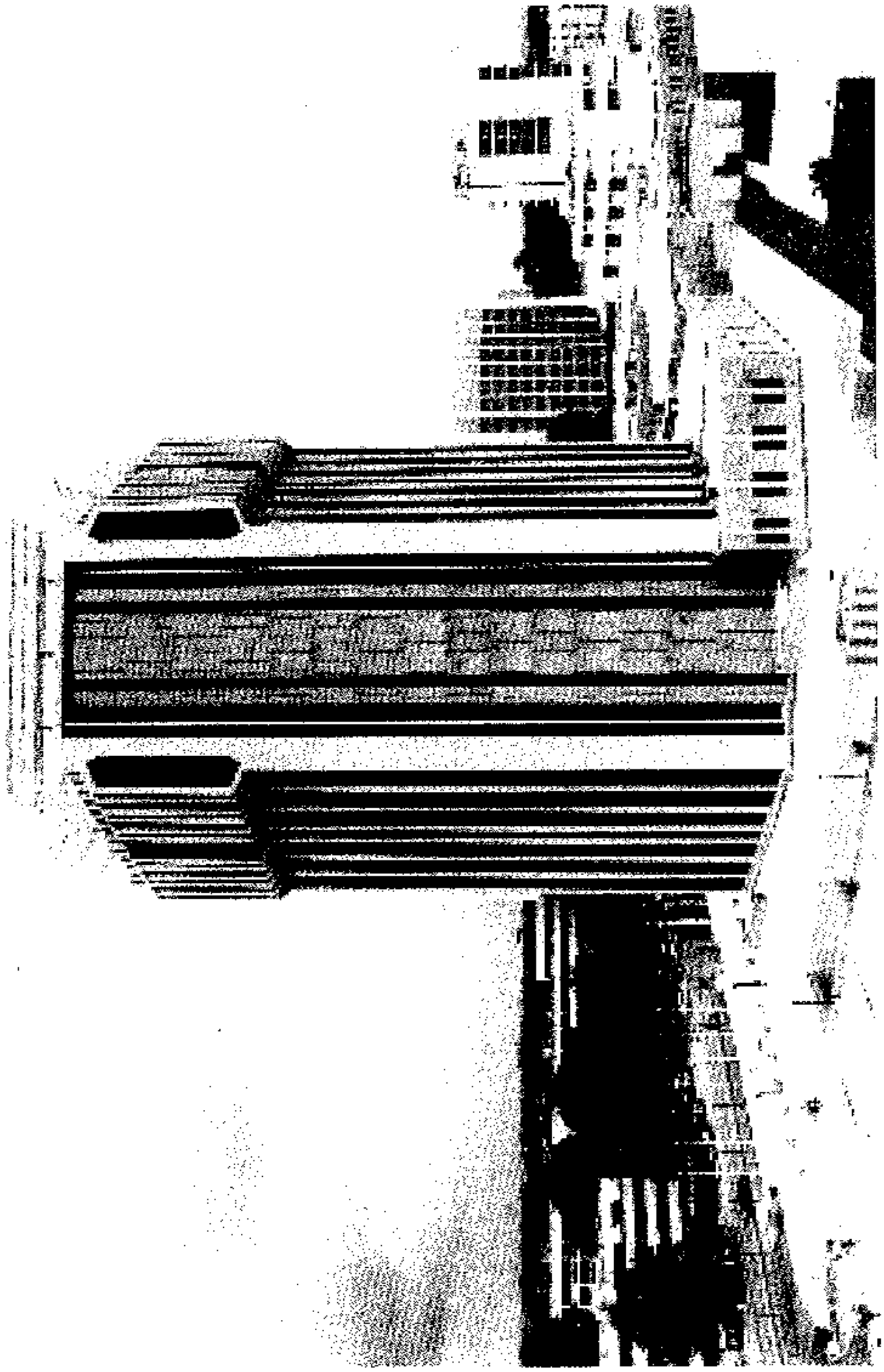
The reforms of WAMU and notably the transfer of the headquarters of BCEAO to Africa as well as the Africanization of the institution, were going to contribute towards strengthening monetary co-operation at the level of the continent and the West African region.



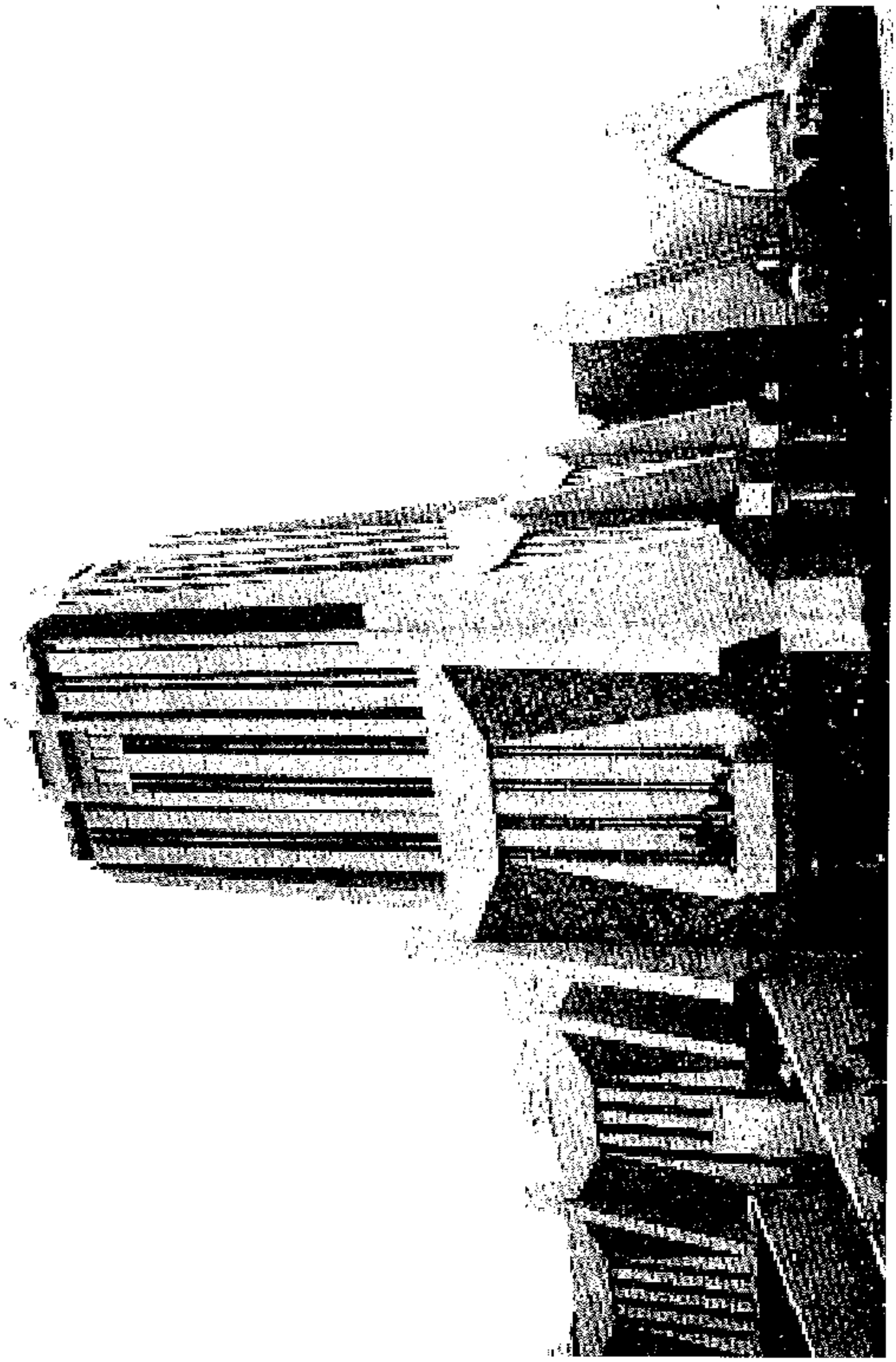
MAIN BCEAO BRANCH
COTONOU (BENIN)



NEW BUILDING OF OUAGADOUGOU BRANCH

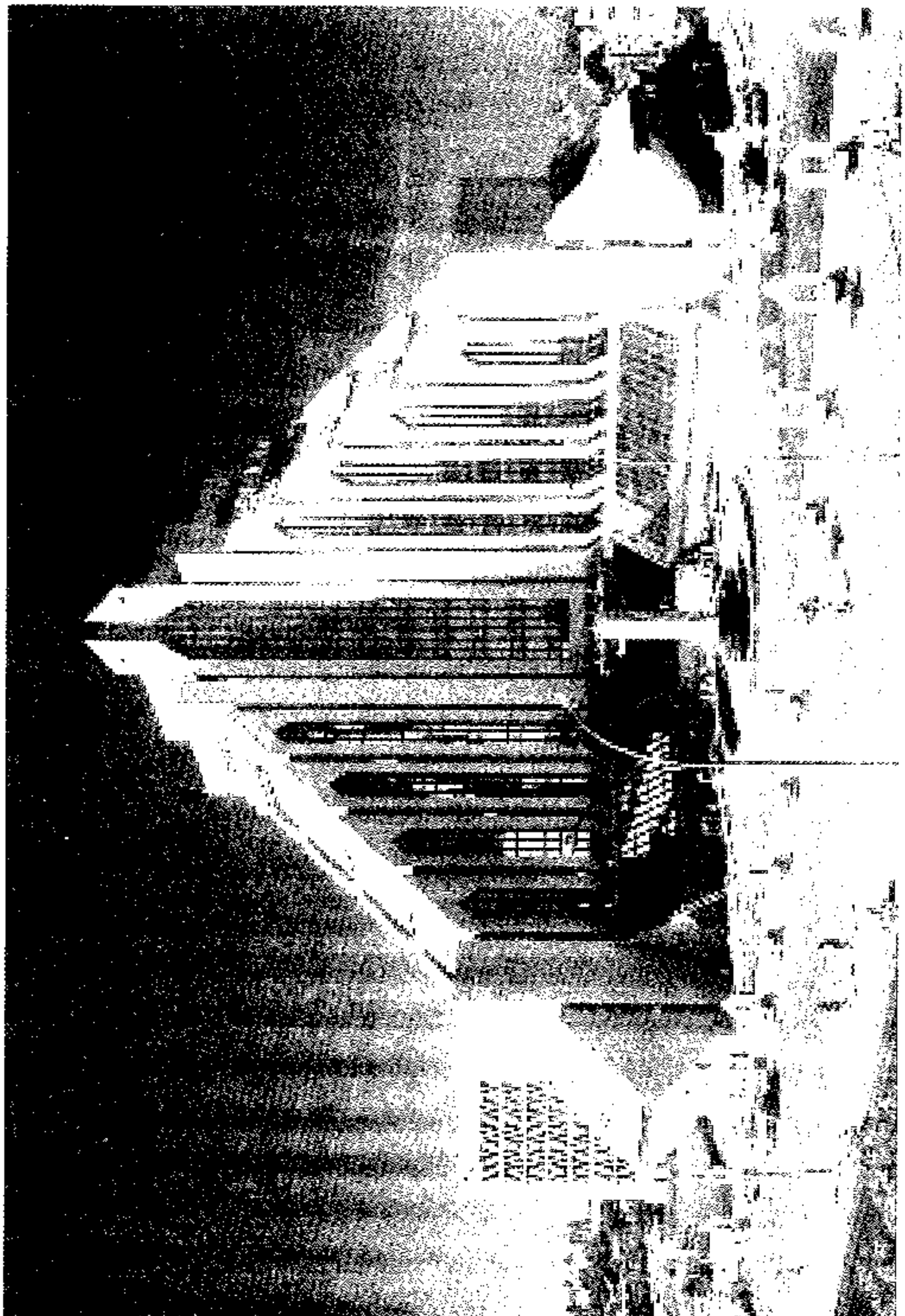


BUILDING OF ABIDJAN BRANCH

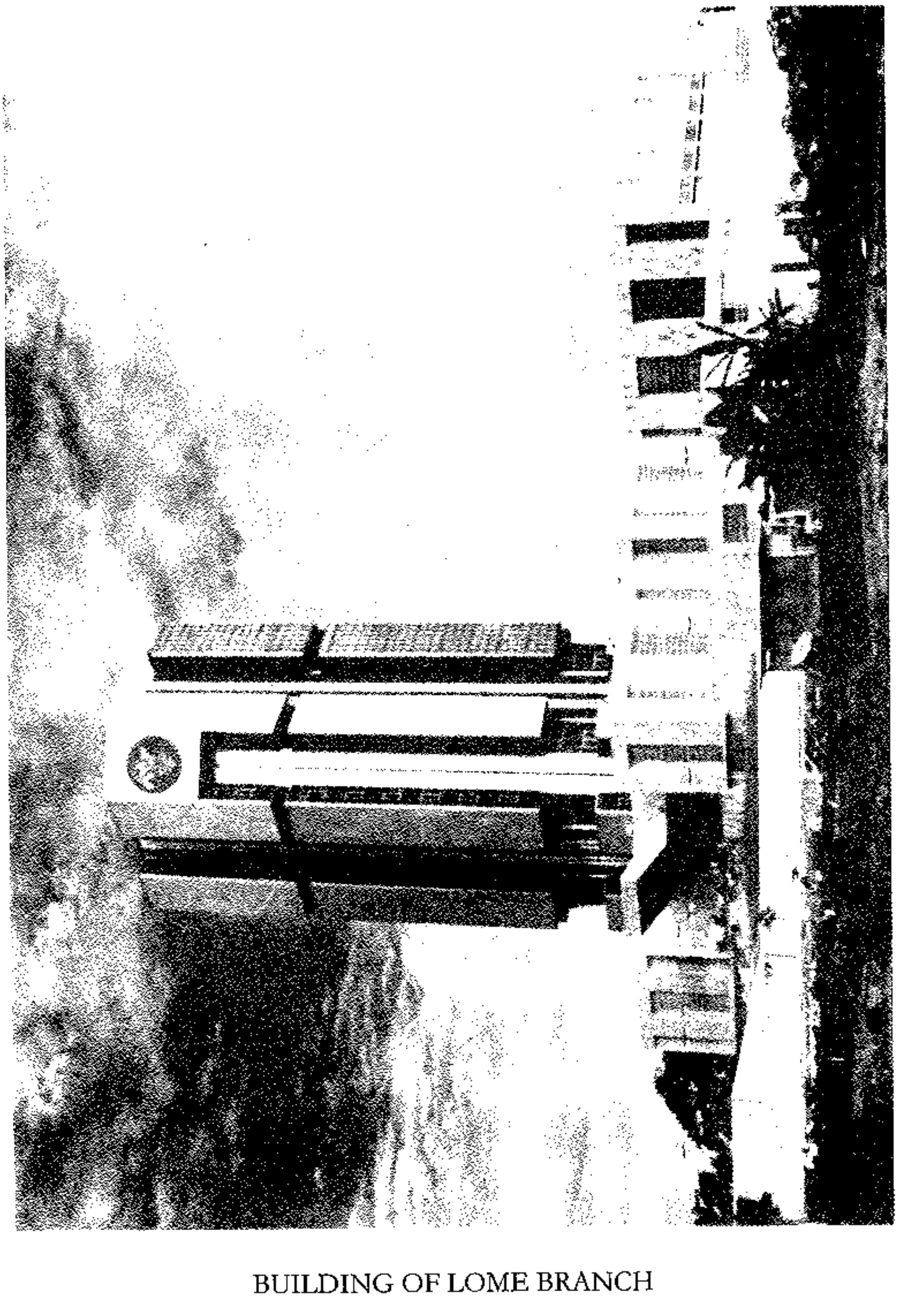


BUILDING OF BAMAKO BRANCH

BUILDING OF NIAMEY BRANCH



BUILDING OF DAKAR BRANCH



BUILDING OF LOME BRANCH

President Valéry Giscard d'Estaing (page 448)

CHAPTER 8

WAMU

AND

REGIONAL MONETARY COOPERATION

Mr. Robert Triffin (page 473)

Mr. Diallo Telli (page 485)

Section I - The Bretton Woods Order and Regional Monetary Organization

The period between the two world wars, as we saw in the preliminary chapter, showed the necessity for sovereign nation-states to organize their economic and monetary relations. The Bretton Woods Conference (1944) gave birth to the International Monetary Fund. The Havana Conference, for want of giving birth to an "International Trade Organization" as well structured as was originally planned, was the source of the GATT[148].

These agreements, testifying the recognition and implementation of the principle of continuity and of the global nature of organic relations among States in the economic, monetary and financial fields, formed a very important precedent for efforts undertaken for co-operation and integration on a regional scale.

However, the intellectual climate, imbued with the free trade doctrine in the global context, as well as the prevailing political factors in the immediate post-war period - the profound hostility of the United States towards any form of discrimination - tended to disregard the relevance of the idea that a multinational region could constitute a useful setting for economic and monetary organization in a world where the prerogatives of the Nation-State would be increasingly questioned.

Thus, in the domain of currency, the Bretton Woods order was simply unaware of the fact that the question of a regional organization could even arise, and the IMF's statutes did not mention it at all.

It was in 1950 that two events having a major impact would really contest the Bretton Woods order. One was the implementation, on 1 July, of the agreement concerning the creation of the European Payments Union, while the second was the decision of the Canadian Authorities in September to no longer apply the rule provided by Article IV, Section 4 of the IMF statutes, related to the obligation of maintaining exchange rate stability, notably by observing fluctuation limits of 1% for each side of the parity - in other words, the cornerstone of the entire Bretton Woods structure

While the latter event may have occurred suddenly under the pressure of events, the first proceeds from a trend that had already been initiated at the political level for several years, notably since the first Marshall Plan conference in July-August 1947.

The first promoter of this trend at the level of ideas, and later, at the level of policies and techniques, was a high-ranking official of the IMF and an expert of the Federal Reserve Board, Robert Triffin. He, through his many writings (especially 1957 and 1966) paved the way for establishing the legitimacy of a regional setting for a monetary organization. His work was a mixture of political philosophy, original theory - the invention of the theory of regional monetary integration - and substantial experience in the problems posed by the creation and implementation of international monetary institutions and mechanisms.

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148 The World Trade Organization would be finally created on 1 January 1995, replacing GATT

The powerful ideological motivations of this convinced Federalist, however, sometimes led him to underestimate the magnitude of certain problems created by monetary integration.

Section II – The Triffin Report[149] and the origin of monetary co-operation in West Africa

During its fifth session in Leopoldville[150], from 18 February to 2 March 1963, the United Nations Economic Commission for Africa (ECA) adopted Resolution 87 (CV) on 2 March, asking the Executive Secretariat to undertake a study on the possibilities of creating a clearing system within a Payments Union among African countries and to present the study to the Commission in its seventh session.

In a parallel resolution, the first Summit Conference of the Heads of State and Government held on 25 May 1963 in Addis-Ababa to create the Organization for African Unity (OAU) invited the ECA to ask its Executive Secretary to grant "all necessary support and assistance" to an experts committee. This committee, in collaboration with the governments and in consultation with the Economic Commission for Africa, would be entrusted with studying notably the following questions and with submitting its conclusions to the member states :

- Creation of an African Payments and Clearing Union

- The progressive liberation of national currencies from any non-technical dependence vis-à-vis foreign countries and the creation of a pan-African monetary area.

The diligence with which the Executive Secretariat organized the requested work enabled it to put the first conclusions of this study before the Commission, not at its seventh but at its sixth session that opened in Addis-Ababa on 19 February 1964.

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149 Patrice Kouamé, thesis already mentioned in Annex 2, pages VIII to XL

150 Today's Kinshasa

CURRENCY MAP OF WEST AFRICA

Indeed, at the request of the Executive Secretariat that engaged him as Special Consultant, Professor Triffin wrote a theoretical study on the various modes of monetary co-operation that could be established among African states, entitled "*Rapport sur les possibilités d'établir une union de compensation et des paiements en Afrique*" (Report on the possibilities of establishing a Compensation and Payments Union in Africa).

In its preamble, the report highlighted the continent's situation in monetary questions : twenty odd monetary areas, some of which did not extend beyond the territory of a State while others were either larger monetary unions or directly attached to non-African currencies such as the Pound Sterling, the French Franc, etc.

It was a very unstable situation whose development was unpredictable. The report indicated that precisely this instability justified the research and the concerted plans aimed at facilitating subsequent progress in such a way that they did not impede the objectives of Africa's long-term economic growth.

The report suggested the first initiatives to be taken to bring Resolution 87 (V) into effect, some initiatives being applicable immediately, others later :

- *An African Monetary Co-operation Charter* that should trace the main guidelines that would serve as the framework for future agreements. This charter would be only one chapter of a bigger charter of *economic co-operation* that would also cover other areas, especially those of commercial agreements and agreements on investment.

- *An African Monetary Council* composed of the Governors of Central Banks or of other monetary authorities that should establish regular contacts among themselves, in order to realize the objectives of the Charter and to propose all subsequent revisions that would be considered desirable through experience, as well as to deal with problems and experiences in matters of monetary policy.

- *Clearing and Payments Agreements* could later be worked out among the States, either at the pan-African level, or at the sub-regional level.

In this respect, the report noted that very often the idea of creating an African Compensation or Payments Union proceeded from observing the impressive results obtained in post-war Europe, between 1950 and 1958, by the *European Payments Union (EPU)*. The report underlined that the situations are not comparable.

At the end of the war, Europe had twenty odd non-convertible currencies and strict national legislation for exchange control. However, a hundred odd bilateral payment agreements governed the financial settlements between each European country and its commercial partners. These bilateral agreements facilitated payments between the countries, taken two at a time, but did not allow any country to exceed its trade balance vis-à-vis one of its partners to finance its deficit vis-à-vis another.

The main objective of the EPU was to enable this mobilization by the multilateral compensation of bilateral credit and debit balances and to facilitate - by these measures and by a series of other arrangements related to reciprocal credits and consultations in policy matters that would follow - the progressive elimination of exchange rate regulation restrictions and measures that affected the commercial operations of other European countries. The EPU's success facilitated the return to convertibility of the currencies on an international scale in 1958.

African problems, the report continued, were completely different from those of Europe in 1950. In the first place, inter-African trade still accounted for less than a mere 10% of total African trade, while in Western Europe, inter-European trade represented about two-thirds of the total.

This situation, the report indicated, should have spurred on rather than discouraged efforts to bring trade flows among neighboring countries to a more normal level. However, it was, after all, likely to greatly limit, for the moment, the possible scope and significance of any African compensation union.

The report nevertheless concluded in favor of the creation without delay of an *African Payments Union,* whose major interest for the moment would be to give a concrete shape to Africa's efforts towards genuine co-operation in this field.

The last stage would be that of a *single common currency issued by a federal banking system* at the continental level. This final stage would be the result of a merger of existing monetary unions or of those to be created progressively.

Professor Triffin's study was submitted by the Executive Secretariat for examination by a group of experts that met in Tangiers from 13 to 17 January 1964.

The group was of the opinion that some of the proposals contained in the report could be immediately negotiated: drawing up the African Co-operation Charter, a meeting of all the Monetary authorities (African Monetary Council), the creation of an African center for monetary studies and co-operation, of a payments clearing system that would facilitate, in particular, the payment of the balance of bilateral payment agreements.

On the other hand, the group thought that the monetary compensation formulas prepared and presented by Professor Triffin - Payments Union with credit facilities, mutual assistance agreements, pan-African Monetary Union - should have been examined and perhaps envisaged in terms of the progress of economic co-operation among the African States.

The group asked the Executive Secretary to summon, within the year, a first meeting that would gather all African governmental monetary authorities in order to submit their studies and conclusions resulting from the work of the Commission's Secretariat. This first meeting could be preceded by a preparatory meeting at the level of experts delegated by African governments and by governmental and inter-governmental organizations specializing in African monetary issues.

It asked the Executive Secretary to proceed - at the level of studies on harmonizing programs for the development and intensification of inter-African trade - with a study on the possibilities of overcoming the obstacles to progress in these fields, on account of payment difficulties among African states.

In application of this resolution, the Executive Secretary of the ECA summoned the governments of the African member States of the Commission and African monetary institutions to participate in a meeting of the African monetary authorities in Tokyo, Japan, on 12 September 1964 on the occasion of the Annual Assembly of the IMF and the World Bank held from 12 to 16 September.

The agenda for this meeting, given to participants shortly before it took place, proposed the creation of an *African Payments Union.*

The document drawn up by the Executive Secretariat, underlined, in the introduction, that there was an obvious need to urgently create an African Payments Union that would contribute to the development of inter-African trade and of monetary and commercial collaboration among the African countries.

The document stressed that this was all the more true as powerful forces of disintegration come into play as economic development progresses, especially in the monetary field. These forces threaten to make the creation of an instrument of co-operation in trade and payments increasingly difficult.

In these conditions, the Secretariat considered that the effects of the first few measures envisaged by the group of experts would not be decisive and that other means of action that had been considered but not specified should be studied without delay.

The proposed Payments Union was inspired by the complex structure of the European Payments Union. Participants thought that the Executive Secretariat had exceeded its mandate. Moreover, the time that was granted to them was too short to "digest" and accept the proposals. The debate ended in total confusion and it was not possible to prepare a press release.

Professor Triffin would write about his disappointment, "This is a sad ending for the Africans, as well as for their friends abroad. They can only hope that this will not really be 'the end', but a challenge that will stimulate renewed and more realistic efforts to finally apply the resolutions of the 1963 session of the ECA and of the Summit Conference of the Independent States of Africa".

This first stage of monetary co-operation may be credited with posing the problem globally and making evident the many political, psychological and technical obstacles. It thereby enabled the second phase to be tackled in a more realistic spirit, especially by the creation of the Association of African Central Banks, the African Center for Monetary Studies and the West African Clearing House for the western part of the continent.

Section III – The Association of African Central Banks - AACB

I - The preparatory meetings

Towards the end of 1965[151], guided by the fact that a wave of opinion had taken shape in Tokyo in favor of creating institutions such as the Monetary Council and a Center for Monetary Studies, the ECA's Executive Secretary informed governments by mail of the urgency of creating these two structures. It also responded to the wishes of member countries and did useful work by proposing a form of distribution where the heads of African Central Banks would meet to discuss their problems and to take decisions in everyone's interests.

Rather than a monetary council like the one advocated by Triffin's report, it would be a "meeting place for Governors and Chairmen of Central Banks". The frequency of the meetings would be a matter for consultation and fixed by a mutual agreement.

"It is necessary to grant the Governors of central banks themselves great latitude in regulating the conduct of their meeting in concert, fixing the program for the research department and discussing at leisure and in all frankness the aspects of monetary co-operation that they would consider as particularly urgent or having high priority".

The Executive Secretariat said that it was ready, if it was deemed opportune, to organize and ensure the progress of the initial meetings and to place its technical knowledge at the disposal of the participants for any study or investigation.

It proposed to fix the first meeting of the Central Banks' governors and chairpersons at the beginning of 1966.

A - The First Conference of Governors of African Central Banks

It took place in Addis-Ababa, at the ECA Headquarters at Africa Hall, from 15 to 22 February 1966.

a - Organization of work

Nine points were set down in the agenda :

1) - Welcome addresses
2) - Election of Board members
3) - Adoption of the agenda
4) - Co-operation among African Central Banks
a) - Co-operation among Central Banks
b) - Brief comparative study of the legislation of African Central Banks
c) - Monetary Institutions in Africa.
5) - Recruitment, Training, Publications

[151] Invitation addressed to the Governors of the Central Banks on 30 november 1965 by the Executive Secretary.

a) - Recruitment and Training of Central Bank personnel

- Training methods in banking and finance in Africa.

b) Bank Publications

- Note on the publications of central banks

6) - The African Center or Department for Monetary Studies and the Secretariat.

7) - Current Monetary and Financial problems in Africa.

a) Inflationary and Deflationary Movements in African economies

b) Balance of Payments in African countries

c) Bilateral Trade and Payments Agreements concluded in Africa

d) Investigation into the difficulties of payments among African countries : Report on the progress of work.

8) - African Payments Union.

a) African Payments Union

b) Statement of objections

9) – Any other item.

Fourteen Central Banks were represented :

- Seven by the Governor or Chairman : Algeria, Ethiopia, Mali, Morocco, Sierra Leone, Somalia and Sudan

- Five by the Vice-Governor or Managing Director : Ghana, Libya, Malawi, Nigeria and Zambia

- Two by the Heads of Department : Congo Leopoldville and the United Arab Republic (Research Director).

No delegates were sent by : The Gambia, Guinea, Liberia[152], Kenya, Uganda, Tanganyika, Burundi, Rwanda, Madagascar and Tunisia.

BCEAO and the BEAC were each represented by an observer.

The opening ceremony of the conference was marked by three speeches given respectively by Mr. Ato Menasse Lemma, Governor of the Bank of Ethiopia ; Mr. Telli Diallo, Administrative Secretary General of the OAU ; and Mr. R.K.A. Gardiner, Executive Secretary of the ECA.

The Secretary General, Telli Diallo, emphasized the phenomenon of the interdependence of modern economies : "Today, when countries increasingly depend on each other every day, it has become more and more difficult, if not totally impossible, to provide exclusively national solutions to the States' various economic problems.

[152] Does not have a Central Bank.

In numerous areas of activity, experience has shown that co-operation among governments ensures each one individually and all collectively, results that in the long-term are much more appreciable and beneficial in all respects. This rule, imposed even on the greatest powers of the world by the nature of things, naturally applies even more strongly to Africa because, barely emerging from a long period of colonization, our continent bears, in many areas, the scars of foreign exploitation that fragmented its economy and sub-divided its markets".

A Board was elected. It was composed of Mr. Ato Menasse Lemma, President ; Mr. D. Slaoui, Governor of the Bank of Morocco, Vice-President ; Mr. N. A. Abai, Vice-Governor of the Central Bank of Nigeria, Rapporteur.

After verifying the delegates' credentials, it appeared that only eight delegations could validly engage their central banks or their governments. The conference then considered that it could not hold its session as a "Conference of Governors" and decided to transform itself into a *"technical experts meeting"*.

b - The outcome of proceedings

The experts adopted three proposals related to the creation of an association of African central banks ; of an African center for monetary studies ; of the organization of classes and seminars to complete the training of senior executives of African central banks.

Moreover, the Executive Secretariat placed a study on African monetary institutions and problems at the delegates' disposal, as well as a report whose object was to refute objections to the creation of an African Payments Union.

1 – The Association of African Central Banks

The participants supported Nigeria's proposal that was inclined towards entrusting the responsibility of ensuring co-operation among African central banks, not to a "conference", but to an "association of central banks". A draft of this "association's" statutes was drawn up. Under the terms of the draft :

"This association can, if it suits its purpose, deal with all professional, technical, monetary and other issues and, in a general manner, proceed to exchanging views on questions concerning currencies, banks and the co-operation of African countries in this area".

The association would hold a general assembly once every two years and sub-regional meetings once a year.

Ghana offered to host the association's first meeting.

The ECA's Secretariat was given the responsibility of conveying the draft on the creation of this association to central banks and governments, and of providing its secretariat on a temporary basis.

2 - The African Center for Monetary Studies (Centre Africain d'Etudes Monétaires)

The ECA Secretariat was asked to study, in liaison with the "Institut de Développement Economique et de Planification" (IDEP or Institute of Economic Development and Planning) of Dakar and the African Development Bank (ADB), the creation of a Center for Monetary Studies that could be attached to either of the institutions. The Secretariat would have to look for co-operation from international institutions (IMF) for the creation and the functioning of the Center.

3 - Refresher Courses for Senior Executives of African Central Banks

Impressed by the Central Bank of Nigeria's plan for creating a genuine center for the training of junior and senior executives, the experts considered that the training of the executives, particularly of junior executives, should be assured by each bank. Nevertheless, it could be useful to organize short-duration courses or seminars to complete the training of senior executives.

These courses or seminars would be organized by one of the central banks, with the help, if possible, of international institutions.

The Central Bank of Nigeria offered to organize the first course in 1968.

4 - The ECA's studies on African Monetary Institutions and Problems

The Secretariat presented several studies related to :

- Co-operation among Central Banks
- The comparative legislation of Central Banks
- African Monetary Institutions
- Inflationary and deflationary movements in Africa
- The Balance of Payments of African countries
- The bilateral agreements for commerce and payments in Africa
- The difficulties of payment among African countries.

5 - The African Payments Union

The Secretariat submitted two documents on this topic :

- A new general study on the Payments Union and the possibility of instituting an African Payments Union
- An essay presenting and refuting the objections raised against these projects.

This last document alone was examined by experts responding to an invitation by the Executive Secretary "to suggest a course that would be suitable to follow as concerns the topic of the African Payments Union".

The debate made it possible to take note of the reservations clearly formulated by several delegations.

The adopted report recorded the meeting's debates on this point as follows :

"51. - Certain participants pointed out that since this question was not part of the temporary agenda attached to the invitation letter, they had not examined the Secretariat's documents as they should have been studied nor asked for the opinion of the competent departments of their governments. Many views were nevertheless exchanged on the document entitled : "African Payments Union : Statement of Objections". According to the participants, several objections that were raised did not deserve to be retained while others could be discarded once certain conditions were fulfilled. Indeed, participants did not have the competence to determine whether it was probable that some of these conditions would be satisfied. Their task, however, was to give their governments the information that would enable the latter to take a decision, and to inform the Commission about it in the next session.

52. - Certain participants also brought to our notice that as the Conference was changed into a meeting of experts, participants were therefore qualified to make recommendations of a technical nature and to submit these to the competent authorities of their countries.

53. - The meeting further underlined the fact that to promote African co-operation, the Payments Union was not necessarily the best recommendation that had been made and that, while studying measures to be taken in this respect, one must also envisage action in other areas.

54. - The meeting was of the opinion that the Executive Secretary could likewise look into the possibilities of establishing a system of multilateral clearing or a Payments Union among neighboring African counties".

Opening Address by H. E. Ato Menasse Lemma
Governor of the National Bank of Ethiopia

Mr. Executive Secretary,

Governors,

Excellencies, Ladies and Gentlemen,

It is truly a great privilege for me to welcome, on behalf of my country, the Governors of African Central Banks who have gathered in Addis-Ababa to consider the problems of inter-African-trade and development, in order to facilitate a rapid acceleration of the economic growth rate of our great continent.

The Executive Secretary of the Economic Commission for Africa has drawn up a complete set of documents that will be submitted for us to examine. May I be permitted to thank him for his efforts and to congratulate him for the excellent results ?

Attaining the objects that we have fixed for ourselves is definitely no easy task. The problems to be resolved are difficult and complex, the obstacles to be surmounted are no doubt numerous and it may be very hard to rid us of our old habits.

We do not have to approve the articles of any agreement or other documents, or to commit ourselves to financial contributions immediately. Our task is to get familiar with the problems faced by all of us, to get to know ourselves better and to improve our relations in this manner.

I wish everyone who is taking part in this Conference of Governors of the African Central Banks success in their work and a pleasant stay in our capital.

Opening Address of H.E. Mr. Diallo Telli, Administrative Secretary General of the Organization of African Unity

Mr. Chairman, Governors,

In welcoming you to this important conference, I would not only like to fulfil a gesture of pure courtesy, but also to participate by your side, on behalf of the Secretary General of the Organization of African Unity, at the beginning of a major co-operation initiative aimed at further increasing the effectiveness of the methods used in our common struggle against our continent's under-development. For the Organization of African Unity, inter-African co-operation in the monetary field, the object of the deliberations you will soon start, occupies a prominent place among the aims and objectives fixed by African leaders to accelerate the economic and social development of our continent and, as a consequence, to consolidate the independence of the States of Africa.

Today, when every day countries depend increasingly upon one another, it has become more and more difficult, if not totally impossible, to provide exclusively national solutions to the various economic problems of the States. In the numerous fields of activity, experience has shown that co-operation among governments ensures individually to each and collectively to all, results that in the long-term are much more appreciable and more beneficial in all respects. This rule, imposed on even the greatest powers of the world by the nature of things, applies even more strongly to Africa because, barely emerging from a long era of colonization, our continent bears, in many areas, the scars of foreign exploitation that fragmented its economy and sub-divided its markets. This state of affairs very soon necessitated bold solutions, which the Organization of African Unity, since its creation, examined very carefully by giving them all the priority that they needed to ensure that the co-operation and harmonization of the efforts of all the African States in all areas of economic development were fully effective.

The advantages of combining our efforts to take concerted or joint action are well-known : in the economic field, this combined effort is aimed at endowing this continent with the qualities, the advantages, the rights and the prerogatives of a great industrial power as soon as possible because Africa has both many and varied resources, an immense market and significant human capital at its disposal. It has been extremely concerned with developing a common method of working that would help in the logical development of its economic potentialities.

Co-operation in the monetary and banking domain is undisputedly one of the most effective elements for the rapid development to which African States and their people aspire. For the history of economic life abounds with examples that show how unilateral monetary decisions meant to resolve given national difficulties in a narrow framework were doomed to fail for want of adequate harmonization with neighboring States. Co-operation in matters of monetary policy would, on the other hand, make it possible to resolve the many problems posed by the balance of payments, thanks to the assistance of either international institutions or a group of countries.

Since it has now been acknowledged that special attention should be given to co-operation in matters concerning the production and trade of goods and services, if one wants to noticeably reduce the cost price, co-operation in matters of monetary policy and in payments agreements become the rule for ensuring a growing and uninterrupted flow of trade among African countries themselves, on the one hand, and among these and countries of other continents on the other, all this with a view to stimulating production in all areas.

In this context, there is no longer any need to dwell on the obvious advantages that co-operation among African central banks has to offer. The problem here is not to recognize these advantages, because, despite their diversity, they are obvious, but to choose the means that will make it possible to achieve the objectives that everyone considers vital for the African continent.

Your presence here clearly indicates - for all the authorities that you represent - the necessity of indispensable co-operation, starting with discussions at the highest echelons among the African banking authorities. Everyone's experiences, explained in detail during the meeting, will help in resolving the problems of payments and the difficulties linked to them on account of the plurality of monetary systems and policies existing in Africa. This multiplicity of systems and the difficulties that stem from them should not be underestimated.

Nevertheless, thanks to the spirit of understanding and to the aspirations for unity, these difficulties, however big they might be, should not be an insurmountable obstacle to African co-operation. To realize this objective, your meetings could and should contribute several choices. Moreover, the fact that trade among African States represents only 5 per cent of all their trade with other continents, should be borne in mind during your deliberations. Because this is one of the most annoying and oppressive results of the consequences of the diversity of monetary systems and policies, a diversity that dramatically limits inter-African trade.

This state of affairs should inspire you in your search for more realistic and effective solutions. For, as heads of central banks, you know what an important role your institutions play in the economic development of our countries and you will feel, being in touch with each other, what a great future lies in store for inter-African co-operation in the framework of regional and continental development. No other meeting seems more technically qualified than yours to emphasize the necessity and the practical means for intensifying inter-African economic relations, for increasing trade among our States and for initiating the economic integration of our continent. Your deliberations on these fundamental concerns will undoubtedly constitute a very appreciable contribution for the African authorities entrusted with promoting the economic development of the African continent and the social blossoming of its people.

In the area of our continent's economic development through banking co-operation, we have already acclaimed the creation of the African Development Bank as a tangible expression of African leaders' willingness to get down to eliminating our continent's under-development, rationally.

The Organization of African Unity expects a great deal from the conclusions of your work with regard to the establishment of a concerted monetary policy that would facilitate transactions in foreign exchange, settling international debts, capital flows and economic growth in general, without provoking, for all that, any serious imbalances. For, in this field, the need for co-ordinating and harmonizing the attitude of the African States to win the battle against under-development that they have engaged in proves to be particularly urgent. From meetings such as yours, the Organization of African Unity expects information and technical data with the help of which it will be possible to envisage practical and realistic solutions for establishing an African Monetary Union capable of eliminating the current difficulties concerning payments and of reducing artificial barriers that hinder inter-African trade, without bringing about major disturbances in national, regional or continental economies.

It is the very extent of these briefly summarized problems that led the Organization of African Unity, since its creation, to take a special interest in problems of monetary co-operation among African States, as one of the most effective means to their economic development. Therefore, since its first session in December 1964, the Economic and Social Commission of the OAU adopted a resolution on the necessity of creating an African Payments and Clearing Union in order to progressively withdraw national currencies from any non-technical foreign dependence and to create an African monetary area as well as a central issuing bank. The second session of this same Commission, in January 1965, recommended, in order to create a Payments and Clearing Union at a regional or continental level, that a priority be given to co-operation among central banks in order to find the best solutions to monetary problems and to inter-African trade problems.

This is to say the extent to which the successful initiative of the Economic Commission for Africa - which we would like to congratulate and to which your meeting responds - harmoniously completes the efforts of the Organization of African Unity. Given your great experience in the major technical problems inscribed in your agenda you are, without any doubt, the best-placed to put together the detailed dossier that the OAU's political organizations are waiting for to define more concretely the share of efforts, sacrifices and advantages that are implicated by any decision leading to the initiation and future development of this new form of monetary co-operation - an indispensable complement to economic and commercial co-operation.

It is in consideration of all that has preceded that I am happy to wish the greatest success to your meetings. Because the co-operation towards which you will be working is one from which Africa expects a great deal, to hasten its victory in its struggle against under-development and for social progress without which there is no dignity.

The economic development of our continent and the social flourishing of our people depend largely on the success of your meetings. The former are essential objectives of all African States and of the Organization of African Unity – the instrument of the States' concerted co-operation.

Mr. Chairman, Governors,

Thank you for your kind attention.

Opening Address of Mr. R. K. A. Gardiner, Executive Secretary of the Economic Commission for Africa

On behalf of the Commission and of my collaborators and, of course, personally, I am very happy to welcome you to Africa Hall.

In my letter of invitation, I endeavored to retrace the history of the present meeting and I will therefore not refer to it again. I will, however, remind you that since 25 May 1963, the Heads of State and Government, at their first summit conference in Addis-Ababa, decided unanimously to set up a preparatory economic committee, entrusted inter alia with studying, in liaison with the governments and in unison with the ECA, a large range of monetary and financial issues. In the meanwhile, Professor Triffin, whose co-operation as special consultant for the study in question was ensured by the Commission, in application of Resolution 87 (V), adopted at the fifth session of the Commission, advocated the creation of a pan-African advisory body for monetary questions and those of payments.

At the time of their accession to independence, several African States issued their own national currency and created their own central bank. In this way, the close monetary ties that existed between the African territories and their host countries were loosened. We witnessed a proliferation of monetary units. This proliferation, in my opinion, is not bad in itself, provided that it does not isolate the countries of the same sub-region and is not an obstacle to trade among these countries. In West Africa, for example, if each independent State desired to create its own currency, the sub-region would have at least 14 different currency units. Despite the complications created by this development, the African States gave their monetary economy a certain flexibility that calls for a well-thought out orientation and well-defined policies.

Among the main functions that the new African central banks fulfil or could fulfil, the following may be mentioned : regulation of foreign credit; control of foreign exchange; management of the State's accounts and those of public and semi-public organizations; right of inspection over commercial banks and other financial institutions. These functions directly affect activities favoring economic growth.

OECD's recent studies showed that during the first half of the United Nations Decade for Development, African countries taken together had the lowest growth rate (even in agriculture) among all the developing countries. The Commission, aware of the problems posed by the development of the region, devoted a lot of time, reflection and effort to the diverse aspects of the continent's economic development, in agriculture, transport, industry, commerce, etc. To be able to improve our situation and to reach the growth rate fixed as the objective during the Decade for Development, it is necessary that we explore all the means that could facilitate the acceleration of economic growth.

The growing need for long or medium-term capital and credit that was being felt in an increasingly pressing manner, led the States to create industrial and agricultural development banks. It is interesting to note that the International Bank for Reconstruction and Development and the International Finance Corporation always provide more substantial aid to those establishments that are intended to stimulate industry and agriculture. The fact that these central banks enjoy the right of inspection over specialized banks and other financial establishments as well as emerging local monetary markets, could play a determining role in the mobilization of past capital and the contribution of foreign funds for economic development.

Moreover, thanks to their research departments, one expects central banks to advise the governments in an objective and impartial manner, about the effects of development plans, the means of financing these plans and the burden that they are likely to bear upon the country's economy.

It is only too obvious from what has preceded that we should attach the greatest importance to the specific and collective activities of central banks in Africa.

This first meeting is essentially aimed at organizing a system of co-operation and examining the proposals related to the creation of these bodies. In the documents prepared for this meeting, there is one on co-operation among central banks. This document at least leaves us with some hope for the emergence of an agreement on organizing informal meetings regularly. The "Comparative Summary of the Legislation on African Central Banks" (E/CN. 14/AMA/7), shows that the continent's central banks basically show many similarities in their structure and functioning, and that the differences that exist among them are very superficial. Co-operation is therefore possible.

A body that enables African central banks to meet periodically for exchanging points of view and information is required. While creating this body, we should especially consider the role of the African Development Bank. The African monetary authorities meet each other every year at the meeting of the International Bank for Reconstruction and Development. That is not enough. A meeting at the continental or sub-regional level would enable us to fill a serious gap and thereby facilitate our efforts for sub-regional and regional co-operation.

The African center or department for monetary studies will have many tasks to accomplish. It would have to create new institutions, such as financial institutions, a system of compensation among banks, monetary, stock and capital markets, etc. These institutions would have to cooperate in examining monetary and financial problems that extend beyond national borders, such as problems of balance of payments, exchange rates, etc. Like the CEMLA, the African Center for Monetary Studies could also look after the preparation and the launching of the training program for the personnel of the banks of the region.

Finally, a few words about the African Payments Union. Professor Triffin's report, which I mentioned above, was approved by the Commission at its sixth session. The documents on the topic are submitted for your examination and if the participants would agree to express their views on this document to the Secretariat, as soon as possible, the Commission's work would be greatly facilitated.

B - Creation of the Association

It materialized at the conclusion of the joint commission's proceedings and the Accra and Addis-Ababa meetings.

a - Proceedings of the Joint Commission

A joint commission composed of the ADB, IDEP and ECA was entrusted with the examination of proposals related to the creation of the association and of "creating" the draft statutes.

The commission held its first meeting in Dakar from 27 to 29 July and drew up draft statutes that are submitted to the 26 central banks by a letter dated 26 September 1966 by the ECA's Executive Secretary.

Twenty central banks sent their observations and criticism to the commission that organized its second meeting in Abidjan on 17 and 18 May 1967. Based on the objections, it prepared "revised draft" of the statutes that it addressed to the various central banks in June 1968.

The main criticism concerned three points - the association would have an official status, whereas it would be preferable to have a more simple association, a sort of "informal club" ; one had to be wary of the association setting itself up as a supranational authority, trying to interfere in the monetary policies of the States. The operating costs risked being high if it has a secretariat.

On the first point, the commission noted that the official character bestowed on the Association conformed with the conclusions of the Addis-Ababa conference in so far as the association was proposed as an alternative to the Monetary Council.

It considered that in practice the Association would not work if it had an informal character.

For the second objection, the commission underlined that the statutes did not give the association a supranational character and that it agreed to keep an eye on their strict application.

As for the secretariat's working costs, the committee thought that the co-operation of the ADB, IDEP and ECA could reduce the members' contributions.

b - The Second Conference of Governors of African Central Banks in Accra

At Ghana's invitation, this second conference was held in Accra from 7 to 13 August 1968. It was inaugurated on Wednesday, 7 August at 10 A.M., while the closing session took place at the end of the afternoon on Tuesday 14, August. The meetings took place in the main conference hall of the "State House".

Chaired by Mr. J. H. Frimpong-Ansah, the Governor of the Bank of Ghana, the meeting's main objective was to create an association of African central banks. Examining the question of the African Payments Union and the training of the central banks' personnel were added to the main topic.

1 - The constituent meeting of the association

The proposal for creating the Association was unanimously adopted after a general debate under the following conditions :

- The association would not seek to take decisions on issues that governments considered as being strictly under their jurisdiction.

- It would assume the least official character possible while having an efficient organization.

- The necessity for the association to conduct studies in order to promote inter-African monetary co-operation would have to be reconciled with the fact that it would not have its own staff.

- The same held true for the desire to minimize the members' financial obligations while foreseeing the organization of fairly frequent meetings in order to guarantee serious work.

- The overlapping of the Association's work with that of other African and international institutions would have to be avoided, at the same time assuring the former's independence.

On the whole, the general feeling was that in the beginning a simple and not costly organization should be created, but one that was capable of expanding. The main thing was to weave as many contacts as possible among the members in conditions that would enable them to examine together, without any hesitation, the problems and experiences common to them.

The statutes subordinated the Association's entry into force to the adhesion of fourteen central banks. During the public closing session, the representatives of twelve central banks signed (Ethiopia and Ghana) or initialed the text of the statutes (Burundi, Congo, Kenya, Malawi, Mauritius, Nigeria, Sierra Leone, Somalia, Sudan and Tanzania).

Delegates of the other central banks said that the rules of their establishments or the powers that they had been granted did not allow them to commit their central banks.

The representatives of the Central Bank of Morocco, of Rwanda, and of Uganda assured the Conference of the imminent membership of their establishments.

The Association's statutes remained open for the central banks' signatures until 31 December 1968. The Association's Board would fix the conditions for membership after this date.

2 - The African Payments Union

The general feeling expressed by the delegates on hearing these observations was that they were "not convinced of the necessity of an African Payments Union" and that they thought that the efforts necessary for establishing an African Payments Union were not commensurate with the benefits that they could derive of it.

To conclude, it was conceded that the ECA's Secretariat could pursue its studies on payment modalities among African countries and the difficulties faced in their execution - exchange rate regulation, transmission, etc.

This study, to which the central banks would be called upon to contribute, would be conveyed to the Association's sub-regional committees. They would decide the measures to be taken.

The studies for improving payment modalities among African countries therefore had to be pursued in the sub-regional context.

3 - Training of Personnel

On this point, the consensus arrived at was that for "subordinate" and "middle level" executives, the training of personnel could only be designed and carried out at national level or for all countries having the same working language, the same accounting methods and monetary and banking institutions that were very similar to each other.

The training of "senior" executives had to include an opening towards the outside world, towards the banking and monetary institutions of non-African countries. It could be completed by internships at central banks and by courses given by central banks or international organizations (IMF).

The Central Bank of Nigeria was encouraged to pursue the organization of training programs for senior executives of central banks by requesting - if necessary - the ECA's aid or assistance from any other international organization.

List of participants at the Accra Conference

Institutions	Name of Delegate	Title
1 – Bank of Ghana	Mr. J.H. Frimpong-Ansah	Governor
	Mr. J.S. Addo	Vice-Governor
	Dr. V.R. Girvante	Director of Research
	Dr. A.K. Appea	
	Mr. A.E.K. Ashiabor	Counselor
	Mr. E.F. Anno	Executive Director
2 – Central Bank of Burundi	Mr. B. Kidwingira	Chairman
3 – Central Bank of Congo	Mr. Namwisi	Director
	Mr. Baruti Lambert	Deputy Director
4 – National Bank of Ethiopia	Mr. Y. Wossen Mangasha	Vice-Governor
5 – Central Bank of the United Arab Rep	Dr. H. Mansoni	Deputy Director
6 – Central Bank of Kenya	Mr. E. M. Wamae	Managing Director
7 – Bank of Libya	Mr. K.M. Sherlala	Director of Research
8 – Bank of Malawi	Mr. F. Manbiya	Associate Director
9 – Central Bank of Mali	Mr. Diarra Amadou	Deputy Director General
10 – Central Bank of Mauritius	Mr. Aunath Beejadhur	Governor
11 – Central Bank of Morocco	Mr. Mohamed Bouarfa	Director
12 – Central Bank of Nigeria	Mr. A.E. Ekukinam	Director of Research
	Mr. S.O. Ogundare	Chief Assistant, Economy
13 – Central Bank of Rwanda	Mr. Birara	Governor
14 – Somalia National Bank	Mr. Said Mohame Ali	Deputy Director
	Mr. Adam Omer Elayeh	Delegate
15 – Bank of Sierra Leone	Mr. Samuel L. Bangoura	Deputy Governor
	Mr. S.R. Dixon-Fyle	Director of Research
	Mr. Christian J. Smith	Managing Director
16 – Bank of Sudan	Mr. Sayed A. Abdelmagied	Vice-Governor
17 – Bank of Tanzania	Mr. E.A.K. Mwanrsisi	Director ADM
18 – Bank of Uganda	Mr. J.M. Mabiru	Governor
	Mr. Tamale	
19 – Central Bank of Equatorial African States and Cameroon.	Mr. B. Vinay	Director
20 - BCEAO	Mr. P. Sanner	Director
Observers		
21 - ECA	Mr. R.K.A. Gardiner	Executive Secretary
	Mr. J.H. Mensah	Director
	Mr. Wassel Katabi	Monetary Section
	Mr. J. Gonzales Del Valle	IMF
	Dr. Obassanmi Olakanpo	School for Social Studies
22 -ADB	Mr. Khogali A. Abubakar	Director
23 - IDEP	Dr. R. Ga-Kwami Amoa	Representative

STATUTES OF THE ASSOCIATION

The signatories of these Statutes.

Recognizing the important role that monetary, banking and financial institutions are called upon to play in the economic development of the African region and in ensuring financial stability,

Noting that co-operation among African countries is necessary in the monetary and financial fields,

Conscious of the fact that co-operation among African central banks would promote the establishment and maintenance of an effective co-ordination of monetary and financial policies among the member countries,

In conformity with the recommendations of the first Meeting of the Governors of the African Central Banks bringing together the central banks and, in countries not having central banks, similar monetary institutions, an Association whose objective would be to stimulate co-operation in the monetary, banking and financial fields in the African region and to contribute in formulating the principles according to which future agreements among African countries could progress in these areas.

Agreed to the following :

Article One - Creation of the Association

The Association of African Central Banks (hereafter called "the Association") is created by the present Statutes: it shall operate and be governed according to the following provisions :

Article 2 – Objectives

1. To favor co-operation in the monetary, banking and financial fields among countries of the African region,

2. To contribute towards formulating the principles according to which the agreements concluded among African countries in the monetary and financial fields will be applied,

3. To contribute towards supporting all efforts aimed at installing and maintaining monetary and financial stability in the African region,

4. To study the effectiveness of the international financial and economic institutions in which African countries have an interest and to propose possible means of improvement.

Article 3 – Duties and Activities

1. To achieve its objectives, the Association shall undertake the following duties :

a) To make all useful arrangements for organizing periodical meetings of the Governors of African Central Banks and for countries not having central banks, of the Directors of similar monetary institutions in the region,

b) To promote the exchange of ideas and experiences related to monetary and banking matters, such as matters relating to monetary, banking and financial co-operation in Africa,

c) To facilitate the collection, sharing and dissemination of information pertaining to monetary, banking, financial issues and other economic problems of interest for its members,

d) To undertake the study of the African region's monetary and financial problems, as also of all matters that may be considered as necessary for maintaining financial stability, or that, more generally, are considered favorable for reinforcing co-operation among its members,

e) To organize study and internship programs and all other training programs for the personnel of banking and financial institutions in the African region,

f) To provide advice and technical assistance that promotes its objectives and falls within the scope of its duties,

g) To establish study or institutional groups (or both), sub-regional committees and all other auxiliary organizations that would be deemed necessary to facilitate the exercise of its duties and activities and to enable it to attain its objectives,

h) To undertake all activities and to take an interest in all matters that enable it to achieve its objectives.

2. In the performance of its duties, the Association shall strive to create and maintain suitable relations with international organizations having similar or connected objectives.

Article 4 - Members and geographical area

1. Membership of the Association and its sub-regional committees is open to all the central banks of the independent countries of Africa and in countries not having a central bank, all similar monetary institutions existing in the African region,

2. For the Association's purposes, the African region includes the entire African continent with Madagascar, Mauritius and all other African islands, or the region such as it might, should the occasion arise, be determined by the Council of Governors ;

3. For the Association's purposes, the definition of sub-regions is the one decided upon by the Economic Commission for Africa or the possible definition, should the occasion arise, fixed by the Council of Governors,

4. The title of a member of the Association shall be established in conformity with the provisions of Paragraphs 1 and 2 of Article 9.

Article 5 - Structure and Organization

1. The Association shall institute a Council of Governors, an Executive Committee and sub-regional committees,

2 The Council of Governors is the guiding body of the Association. It includes governors or chairpersons of central banks or directors of similar monetary institutions that are members of the Association,

3. The Council of Governors elects the President and Vice-President of the Association from among its members. They remain in office during a period of two years, on the condition, however, that in case one of them leaves his post in the central bank, his successor would be considered as the President or Vice-President of the Association,

4. The President of the Association presides over the meetings of the Council of Governors and of the Executive Committee. He is also entitled to convene the Council and the Executive Committee of the Association. In the President's absence, the Vice-President assumes the President's duties,

5. The President represents the Association in its relations with governments and with other organizations,

6. The Executive Committee shall be composed of the President and the Vice-President of the Association as well as of the Presidents of the sub-regional committees,

7. Each of the sub-regional committees shall be composed of the governors, chairpersons or directors of the member institutions in the sub-region, as it is defined in Paragraph 3 of Article 4,

8. The Council of Governors may constitute a permanent Secretariat. If the decision is taken to ask other institutions to provide secretariat services for the Association, the Council shall authorize the Association's President to make the necessary arrangements in this regard.

9. The expenses related to the working of the Secretariat and of the other bodies of the Association shall be divided according to a formula fixed by a common agreement.

Article 6 – Meetings

1. The Council of Governors shall meet at least once every two years. These meetings are called "Ordinary meetings of the Association of African Central Banks".

2. The sub-regional committees shall meet at least once every year. Their meetings are called "Ordinary meetings of the sub-regional committees of the Association".

3. Extraordinary meetings of the Council of Governors or the sub-regional committees can be convened at any time, by the President of the Association or by the Chairperson of the concerned sub-regional committee, at the request of the majority of the members, with a notice of four weeks.

4. The report of all the sub-regional committee meetings shall be presented at the ordinary meeting of the Council of Governors that follows the meeting of the concerned sub-regional committees.

5. The quorum for the session of all the Association's bodies shall be a simple majority of its members.

6. The decisions of the Council of Governors or of one of its bodies shall be, as a general rule, taken unanimously by the Governors present, on the condition that, for questions related to the working of the Association, with the exception of those alluded to in Paragraph 9 of Article 5 and in Paragraphs 9 and 10 of the present Article, the decisions can be taken by a majority of two-thirds of the governors present.

7. Every ordinary meeting shall fix the date and place of the next meeting as well as the required administrative arrangements. Likewise, during every ordinary meeting of a sub-regional committee, the date, the place and the administrative arrangements for the next meeting shall be fixed.

8. The Council of Governors, the Executive Committee and the sub-regional committees may adopt rules and regulations that are considered necessary or appropriate for conducting the work of the Association, with the condition that these rules and regulations, to be adopted by the Executive Committee and the sub-regional committees, are not incompatible with the rules adopted by the Council of Governors.

9. The expenses related to organizing the meetings of the Association, the Executive Committee and all other committees of the Association shall be equally divided among the members.

10. The expenses related to organizing the meetings of the sub-regional committees or of their subsidiary bodies shall be divided according to a formula fixed by a common agreement.

Article 7 – Amendments

The present Statutes may be amended or added to during a meeting of the Association, by a decision taken by a two-thirds majority of the members of the Association, on the condition that the proposal for the amendment is communicated to the members at least three months before the date of the meeting during which the amendment has to be submitted. The governors that are not present at the meeting may convey their decision by a letter or by proxy.

Article 8 - Signature and Deposit

1. The present Statutes, deposited with the Executive Secretariat of the United Nations Economic Commission for Africa (hereafter called "the depositary"), shall remain open to the signatures of the institutions enumerated in Annex A of the present text till 31 December 1968.

2. The depositary should convey the text of the Statutes, certified as a true copy, to all the signatories.

Article 9 - Membership Acceptance and Withdrawal

1. The present Statutes shall be submitted for acceptance to the members who must sign the original text of the Statutes held by the depositary or deposit their instrument of acceptance with the depositary before 31 December 1968. The depositary must notify every signature or deposit of instrument received and the corresponding dates to the other signatories.

2. The institutions that have not become members in accordance with the provisions of Paragraph 1 of the present Article may become members, after the Statutes come into force, by adhering to the conditions determined by the Council of Governors.

3. Any member may decide to withdraw from the Association, provided he informs the President of the Association and the depository.

Article 10 - Coming into Force

The present Statutes shall come into force from the time they are accepted by the fourteen institutions listed in Annex A of the present text. The depository shall notify all the signatories about the current Statutes on the date of their coming into force.

Article 11 - First Meeting of the Association

1. The Association must hold its first meeting before 31 December 1969. The depository should convene this first meeting.

2. Arrangements for the organization and creation of the Association's various bodies shall be made during this first meeting.

Signed in Accra, on the thirteenth day of August 1968. In a single text in French and in English.

1. Central Bank of Algeria
2. Bank of the Republic of Burundi
3. National Bank of Congo (Kinshasa)
4. Central Bank of West African States
5. Central Bank of Equatorial African States and Cameroon
6. National Bank of Ethiopia
7. Gambia Currency Board
8. Bank of Ghana
9. Central Bank of the Republic of Guinea
10. Central Bank of Kenya
11. Liberia Treasury
12. Bank of Libya
13. Madagascar Issuing House
14. Reserve Bank of Malawi
15. Central Bank of the Republic of Mali
16. Bank of Mauritius
17. Bank of Morocco
18. Central Bank of Nigeria
19. Central Bank of Egypt
20. National Bank of Rwanda
21. Bank of Sierra Leone
22. Somalia National Bank
23. Bank of Sudan
24. Bank of Tanzania
25. Central Bank of Tunisia
26. Bank of Uganda
27. Bank of Zambia

c - The inaugural meeting

The Association held its inaugural meeting at the ECA Headquarters at Addis-Ababa from 15 to 18 December 1969.

Nineteen central banks and monetary authorities were present. Six banks that were invited but were not members attended as observers. Representatives of ADB, IDEP, Latin-American Center for Monetary Studies and an IMF director representing African countries were also present.

The meeting started by setting up the Council of Governors of the Association of African Central Banks, the body bringing together all the governors of the Association.

The Council then elected the President of the Association in the person of Mr. Ato Menasse Lemma, Governor of the National Bank of Ethiopia; and the Vice-Chairman, Mr. S. B. Nicol-Cole, Governor of the Bank of Sierra Leone.

After adopting the agenda, the ECA's Executive Secretary presented his report in his capacity as the depository of the Association's statutes and congratulated everyone on the successful outcome of the two conferences of Governors.

The participants took note of this report and thanked him for his efforts.

The Council examined the membership applications submitted after 31 December 1968. Six central banks were admitted as members with immediate effect : the Central Bank of Algeria, National Bank of Congo, Bank of Libya, Central Bank of Mali, Bank of Uganda and Bank of Zambia.

Details concerning the conditions for membership to the Association were then given and adopted :

"Membership to the Association and its sub-regional committees is open to any institution described in Article 4.1 of the Association's statutes, on presentation of a letter addressed to the President of the Association of African Central Banks expressing its desire to become a member of the Association and on accepting its statutes.

The President shall convey the membership application to all the members of the Association, who will inform him of their decision on this subject.

The membership shall come into effect as soon as a positive vote by a majority of the Association's members present is received by the President".

Article 5 of the statutes is concluded by two sub-paragraphs :

- 5(7) "Every sub-regional committee shall elect a President chosen from among its members and under conditions fixed by it".

- 10 "The governors or chairpersons of central banks or the directors of similar monetary institutions that are members of the Association shall have the power to be represented at the highest level possible at all the meetings of the Association's bodies by a duly accredited delegate".

The Council proceeded to the organization and creation of the Association's other bodies.

In accordance with Article 5.1 of the statutes, sub-regional committees were instituted as follows :

- North Africa : Bank of Morocco, Bank of Sudan, Central Bank of Tunisia, Central Bank of Egypt, Bank of Libya and Central Bank of Algeria.

- West Africa : Central Bank of West African States, Gambia Currency Board, Bank of Ghana, Central Bank of Nigeria, Bank of Sierra Leone and Central Bank of Mali.

- Central Africa : Central Bank of Equatorial African States and Cameroon and National Bank of Congo (Kinshasa).

- East Africa : National Bank of Ethiopia, Central Bank of Kenya, Madagascar Issuing House, Reserve Bank of Malawi, Bank of Mauritius, National Bank of Rwanda, Somalia National Bank, Bank of the Republic of Burundi, Bank of Tanzania, Bank of Uganda and Bank of Zambia.

In application of Article 5.7 of the statutes, the sub-regional committees met separately and elected their respective chairpersons :

- North Africa : Governor of the Bank of Sudan.

- West Africa : Chairperson of the Administrative Council of the Central Bank of Mali.

- Central Africa : Governor of the National Bank of Congo (Kinshasa).

- East Africa : Governor of the Central Bank of Kenya.

Designated in this manner, these four Chairpersons formed the Association's Executive Committee in accordance with Article 5.6 of the statutes.

The Council asked the ECA's Executive Secretary to continue to provide the Association with the services of a secretariat and then adopted its work program : studies, training, technical assistance and study of current international monetary problems in order to define a common African position.

As far as general studies go, four subjects were proposed: the role of African central banks in economic development; clarification of the system of payments and of compensation at the sub-regional level ; international monetary issues touching commerce and development in Africa ; and capital markets in Africa.

A note presented by the ECA's secretariat defined the principles of the payment agreements that the sub-regional committees could examine.

As regards training, the Central Bank of Nigeria proposed to organize a course intended for the personnel of central banks in July and August 1970 in Lagos.

Section IV – The African Center for Monetary Studies

In 1972, the Conference of Heads of State and Government of the OAU was held in Rabat in an environment marked by an international monetary system crisis, in particular since the August 1971 events.

In a resolution, the Conference invited African Ministers of Commerce and Development to meet in order to examine the results of the third UNCTAD[153], to strengthen the "African common front" in international economic negotiations and to stimulate the integrated development of the African States' economy.

A month later, the African Development Bank's (ADB) Council of Governors, during its eighth General Assembly in Algiers, adopted a resolution aimed at adding monetary problems to the agenda of the ministerial conference convened by the OAU and invited the Chairman of ADB to prepare the deliberations of the conference with this regard.

In February 1973, at its Accra meeting, the ECA's Conference of Ministers in its turn backed the convocation of the African ministerial conference and added the examination of the enlargement of the Association between Africa and the European Economic Community (EEC) to its agenda.

Under the aegis of OAU, ECA and ADB, specialized commissions prepared the deliberations of the ministerial conference ; this took place in Abidjan from 9 to 13 May 1973.

These recommendations were ratified by the Conference of the Heads of State and of Government of the OAU, that took place in Addis-Ababa from 25 to 28 May 1973.

Some of these proposals directly affected the organization, the goal and the activities of the Association of African Central Banks notably the creation of an African Center for Monetary Studies.

At its third ordinary meeting, held in Lagos from 20 to 24 August 1973, the Association's Council of Governors decided to create a Study Group composed of at least two representatives of each sub-regional committee to examine the most appropriate modalities for implementing the decisions and submit its conclusions within 12 months.

Nine central banks of four sub-regional committees formed the group :

- Central Africa

  Bank of Central African States

  Bank of Zaire

- East Africa

  National Bank of Ethiopia

[153] United Nations Conference on Trade and Development.

Reserve Bank of Malawi

Bank of Tanzania

- North Africa

Central Bank of Libya

Central Bank of Egypt

- West Africa

Central Bank of West African States

Central Bank of Nigeria

The Association's Secretariat, provided by the ECA, convened the first meeting in Addis-Ababa from Monday 29 to Wednesday 31 October 1973.

As part of its proceedings, the group elected the Central Bank of Nigeria and the Central Bank of West African States as President and Rapporteur respectively. It gave priority to the question relating to the creation of an African Center for Monetary Studies, fixed very extensive objectives for it although these were to be implemented progressively, demarcated its structure: for reasons of efficiency, the Center would be placed under the Association's control ; with time, it could be called upon to provide the Association's secretariat ; its Board of Directors would be comprised of a reduced number of representatives of the sub-regional committees.

Finally, the group thought it useful to send a mission to similar institutions in other parts of the world to understand their structure, their working and the modalities of their financing.

As for the other questions of the Conference of Heads of State, the group considered that some of them were linked to the sovereignty of the States - autonomy of monetary institutions, while others were in the midst of an in-depth examination in the sub-regional committees - union of payments, etc.

In a general manner, for all these questions, the group proposed to proceed in stages at the sub-regional level, so as to progressively end up with institutions common to the entire continent : African Fund for Monetary Co-operation, African Payments Union, African Capital Market, etc.

From 11 to 25 February 1974, the mission successively visited the United Nations Development Program (UNDP) in New York, the International Monetary Fund (IMF) in Washington, the CEMLA - Latin-American Center for Monetary Studies in Mexico, the Bank for international Settlements (BIS) in Basle and the Organization for Economic Development and Co-operation (OECD) in Paris.

The group held two other meetings in Addis-Ababa from 24 to 28 June 1974 and from 2 to 6 December 1974 to refine the objectives of the Center, its legal status, its membership conditions, its organization and structure, the financing of its activities and the criteria for choosing the place for its headquarters.

Three criteria were proposed for this purpose :

"- The extent of the facilities and the privileges that the host country would be inclined to grant the center and its personnel.

- The presence in the said country of a substantial central bank capable of offering the center its assistance. In this respect, the proposed city should be the headquarters of the central bank of the country involved.

- Finally, the existence of a university enjoying an international reputation. Because of the connections necessary for its own influence, the center should not fail to strike up relations with the university milieus and establishments of the host country".

At its fourth ordinary meeting held in Kinshasa in August 1975, the Association's Council of Governors decided to create the African Center for Monetary Studies (ACMS), elected a Board of Directors to manage it, approved the budget and chose Dakar as the place for its headquarters.

List of Participating Member Banks

BCEAEC	Central Bank of Mali
BCEAO	Central Bank of Mauritania
Central Bank of Algeria	Central Bank of Morocco
Bank of the Republic of Burundi	Central Bank of Nigeria
National Bank of Congo	National Bank of Rwanda
Central Bank of Egypt	Bank of Sierra Leone
National Bank of Ethiopia	Somali National Bank
The Gambia Currency Board	Bank of Sudan
Bank of Ghana	Bank of Tanzania
Bank of Kenya	Central Bank of Tunisia
Bank of Libya	Bank of Uganda
Madagascar Issuing House	Bank of Zambia
Reserve Bank of Malawi	

RECOMMENDATIONS RELATED TO MONETARY PROBLEMS ADOPTED BY THE MINISTERIAL CONFERENCE OF ABIDJAN AND RATIFIED BY THE CONFERENCE OF HEADS OF STATE AND GOVERNMENT OF THE OAU

MONETARY PROBLEMS

Strengthened by recent events in their conviction that after having functioned for several years, the Bretton Woods system was proving incapable of carrying out the duties assigned to it, and conscious of the fact that every time a monetary crisis occurred, developed countries closed their ranks within institutions to which developing countries have no access, which resulted in disallowing any precise evaluation of the effects of all these crises on the economy of developing countries or the repercussions that these decisions had on their exports, their terms of trade as well as on their development programs and plans - whose execution demands a minimum degree of stability and depends mainly on export earnings and aid - the Conference recommends that African countries take the following measures at the regional and international levels.

I. Regional Level

Measures should be urgently taken to create new regional organizations and to strengthen the existing organizations, so as to enable African countries to do what is necessary to protect themselves against monetary decisions that can be taken without Africa's participation.

In this respect, the Conference recommended :

1) a) To make African representatives participate in all regional work for technical negotiations on monetary reform, such as IMF administrators and members of the group of 24 and the Committee of 20.

b) To instruct these representatives so that they establish an effective mechanism for consultation and collaboration among themselves in order to elaborate authentically African positions and so that their action is part of the framework of action taken by the Group of 77.

2) Given that discussions related to the reform of the international monetary system are already going on and that they may shortly reach a crucial stage, it was proposed to create without delay a Council of Ministers entrusted with monetary issues in African countries. For the moment, the Council will have the following mandate to :

a) To develop a monetary strategy suited to neutralizing the unfavorable effects of monetary manipulation abroad on African economies,

b) examine and harmonize the positions of African countries on monetary issues in order to protect their interests and to create the conditions of stability necessary to attain these countries' economic objectives,

c) launch, if necessary, and to examine proposals aimed at the co-operation and integration of African countries into the monetary field,

d) assure the creation, on a financial and sound technical basis, of an African Center for Monetary Studies, within the shortest possible time span,

e) assure the reorganization and the strengthening of the Association of African Central Banks, in order to turn it into an institution where African central banks can proceed to a genuinely in-depth examination of monetary problems at a regional and continental level.

Given the urgency of monetary problems and the ongoing international discussions, and taking into account the importance of the activities undertaken by the Council of Ministers of Finance, the Conference recommends that the Council be set up without delay and requests it to start working within sixty days starting from the date when the Heads of State and Government of the OAU will have taken a decision for this purpose.

3) The creation of an African Center for Monetary Studies that would continually study monetary problems of African countries as well as the effects of the evolution of the international monetary situation on African economies. This Center will also enable African countries to formulate without delay their own proposals on a regional basis and to see to it that the international monetary system does not function in a manner that is contrary to the interests of African countries. This Center will also be a source of independent and impartial advice on monetary issues for different African countries.

4) A study should be undertaken on the practical means for creating an African Foreign Settlements Fund and an African Payments Union.

II - International Level

Once they decided to participate in the reform of the present monetary system, African countries should, in the Conference's opinion, define their views with precision and look for their common acceptance by the international community. Their representatives in the Governing Body, in the inter-governmental group of 24 and in the IMF's Group of Twenty should be thoroughly acquainted with the harmonized opinions of the African countries. For executing the arduous task entrusted to them, the representatives should be backed by all the means available.

The Conference recommends :

1) As concerns the effects that the modifications of monetary arrangements, including exchange rates, have on the reserves, the Conference considers that African countries should insist so that adequate arrangements are inserted in future agreements in order to guarantee compensation for the losses that their reserves might suffer.

2) African countries acting together with other developing countries should strive to ensure that their share of the global reserves does not fall and that it develops in accordance with the needs linked to rapid social and economic development.

3) Concerning the reform of the international monetary system, African countries should adopt the following general positions :

a) While waiting for a reformed monetary system to be clarified, all decisions affecting the modifications of monetary arrangements should be taken within the representative organizations of all concerned countries, particularly the IMF's Group of 20.

b) African countries should ensure that they participate in an effective manner in working out a fair monetary system.

c) The new system should duly take into account the needs of developing countries linked to their efforts aimed at realizing rapid economic and social development.

d) A new and fairer formula must be found for the allocation of quotas.

e) The system of drawing rights should be based on a formula other than that of Bretton Woods. The new formula for the distribution of drawing rights that should serve as the basis for the distribution of international liquidities should not only take into account the case of countries taken individually, but also categories of countries ranked according to their level of development. This would constitute an attempt to modulate the allotment of international liquidities according to regions.

f) Voting rights should also be separated into quotas and made more flexible in so far as it is acknowledged that developing countries occupy an important place in the functioning of the global economy, even though their share in the distributed revenue is small.

g) African countries should adopt the principle according to which the SDRs were created with the aim of serving as the new cash for the settlement of international transactions and the use of gold and national currencies.

h) As concerns the creation of SDRs in particular, the Conference noted that their present volume was determined and distributed without taking into account the needs of developing countries. Consequently, African countries, like other developing countries, should look for a formula based on an international agreement for the division of international liquidities. This formula would fully take into account the specific needs of developing countries. In this respect, the Conference recommends that African countries insist, without delay, on compliance with the concept of "link". However, this link should not replace the present volume of assistance to any party. Rather, it should provide supplementary resources for the development of developing countries.

i) If SDRs were allocated to developing countries as a whole through this link, the administration of the part reserved for Africa should be left to the discretion of the governments of African countries.

j) Concerning the possible use of SDRs, the Conference estimated that a part of SDRs allocations could be used as a substitute for supplier's credit in the context of efforts aimed at lightening the incessantly increasing burden of the developing countries' debt. However, this possibility should be envisaged in the same way as other appropriate measures aimed at ensuring that supplier's credit is genuinely used for the development of beneficiary countries and that the conditions and modalities according to which this credit is granted are improved.

k) Facilities for compensatory financing granted by the IMF should be adapted to the needs of developing countries for long term financing to enable them to face their individual situations.

l) The arrangements designed for the creation and working of regulatory stocks should be spread over a larger number of primary products. The IMF should provide satisfactory long-term financing for agreements related to regulatory stocks.

4) African countries advocate the setting up of an efficient permanent mechanism making it possible to ensure the effective co-ordination of solutions to problems that may arise in the monetary, commercial and financial fields, taking into account their close interdependence. This should occur with the participation of developed and other developing countries.

A. Monetary, Banking and Fiscal Institutions

a) The Conference recommended to African States to strive to achieve greater autonomy concerning management of money and credit and to secure the control of monetary and financial institutions as this would facilitate the effective use of Africa's monetary resources for benefiting the development of commercial and monetary relations among African countries.

b) The Conference recommended the strengthening of national monetary, banking and financial institutions and the identification of consultations and official and unofficial collaboration among these institutions thanks to an expansion of the means of research and the operational activities of the Association of African Central Banks.

c) The Conference recommended the strengthening of the physical infrastructure and financial means necessary for trade and payments through the improvement in transport and communications, the diffusion of commercial information and ease of access to this information. This should be combined with the reduction in the cost of obtaining information and, at the same time the reduction of legal and administrative obstacles to inter-regional commerce and to the settlement of accounts.

B. Payments Union

The Conference recommended :

a) After appropriate study of their fundamental principles and working methods, the creation of regional and sub-regional Payment Unions that would facilitate the adjustment of foreign payments of member countries and the regulation of inter-regional transactions in matters of trade and payments.

b) The creation of a fund for monetary co-operation supplied by the transfer of foreign assets of an amount fixed by common agreement and the supply of convertible liquidities by countries giving bilateral aid and by international organizations. The organization managing the fund could, in a general way, administer and supervise the proposed systems of monetary co-operation and, more specifically, act towards rationalizing the connection between the exchange rates of member countries and their currencies' stability as well as their foreign payments. This organization could also provide a base for the possible formation and management of regional liquidities.

C. Capital Markets

The Conference recommended the active study of initial measures aimed at unifying sub-regional markets. These measures include standardizing national exchange rate regulations, progressively eliminating restrictions concerning capital flows within the sub-regions and limited guarantee arrangements concerning exchange rates and convertibility for some categories of financial transactions.

STATUTES OF THE AFRICAN CENTER FOR MONETARY STUDIES

By virtue of the powers vested in it by the provisions of Sub-paragraph g) of Paragraph 1 of Article 3 in the statutes of the Association of African Central Banks, the Association of African Central Banks (hereafter called "the Association"), establishes by virtue of the present statutes, the African Center for Monetary Studies, which shall function in accordance with the following statutes :

Article 1

Objectives

1. The objective of the African Center for Monetary Studies (hereafter called "the Center"), shall be to encourage the economic development of Africa through a better understanding of banking and monetary issues and the reciprocal connection between these issues as instruments of economic development.

2. For the purposes expressed in Paragraph 1 of the present Article and according to the provisions of the present statutes, the objects of the Center shall be the following :

a) continually study the monetary problems of African countries, as well as the effects of the evolution of the international monetary system on African economies, in order to enable African countries to formulate without delay their own proposals on a regional basis and to see to it that the international monetary system does not function in a way that is contrary to the interests of African countries.

b) promote a better understanding of monetary and banking policies in African countries.

c) constitute a source of independent and impartial advice on monetary issues for the different countries of Africa.

d) ensure through publications, the dissemination of monetary and banking information of regional and international interest among the members of the Association.

e) carry out basic research in monetary and banking fields.

f) organize the exchange of information among the members of the Association.

g) improve the professional level of the personnel of African central banks by organizing training programs and seminars.

h) fulfil the duties of the Association's secretariat.

i) carry out any other tasks that the Association may entrust to it.

Article 2

The Center's Bodies

1. The Center has the following bodies at its disposal :

a) The Council of Governors of the Association,

b) The Board of Directors,

c) The General Management.

In addition, it may have all other bodies that may be created by the Council of Governors of the Association or by the Board of Directors by virtue of the present statutes.

2. The Center's bodies shall execute their duties and act within the limits of the powers conferred on them by the present statutes.

Article 3

The Council of Governors: Its Duties

1. The Council of Governors of the Association (hereafter called the "Council of Governors") is the Center's supreme body. Its duties as far as the Center is concerned are stated as follows :

a) work out the general policies concerning the Center's activities and to direct their implementation.

b) approve any amendment to the present statutes by a decision taken by a two-thirds majority of its members.

c) examine and approve the Center's program of activities.

d) fix the base of contributions to be paid to the Center by the members of the Association and to approve the Center's budget and accounts.

e) fix the Center's location. The location may be shifted by a decision taken by the Council of Governors passed by a two-thirds majority of its members.

f) appoint and dismiss the Managing Director and the Assistant Managing Director of the Center by a decision taken by a two-thirds majority of its members on the recommendation of the Board of Directors.

g) create the bodies that it may consider necessary or desirable for the Center and to fix rules for them concerning the conduct of their activities.

h) conduct research and studies concerning the Center's objectives carried out, take measures that enable their implementation, and carry out any other task that it may deem necessary or desirable to achieve its objectives.

i) exercise all other powers and all other duties that are entrusted to it or stipulated by virtue of the present statutes.

2. The Council of Governors is entitled to delegate to the Board of Directors all or part of the powers and duties that are entrusted to it or stipulated by virtue of the present Article.

3. Unless otherwise specified by provisions to the contrary contained in the present statutes, questions related to the Center shall be examined by the Council of Governors at its meetings, in accordance with the rules of the statutes of the Association of African Central Banks.

Article 4

The Board of Directors : Its Members and Its Duties

1. The Center's Board of Directors shall be composed as follows:

a) Two members of each of the Association's sub-regional Committees elected by the sub-regional Committee.

b) The member of the Association in the country where the Center is established. This member shall attend the Board of Director's meetings without any voting rights.

2 a) The members of the Board of Directors shall be represented within this Council by their Governors or Presidents.

b) A Governor or Chairman may appoint an Assistant Governor or Vice-Chairman or any other person accountable and duly authorized for this purpose to represent him in the Board of Directors.

3 a) The members of the Board of Directors shall elect from among themselves a member called upon to be the Chairman of the Board of Directors.

b) For electing the Chairman and the members of the Board of Directors, the Board of Directors and the sub-regional committees respectively shall take into account the necessity of ensuring the rotation of the Chairman's post among the sub-regions alluded to in the Annex of the present statutes, and of assuring the rotation of the members of the Board of Directors among the members of a sub-regional committee.

4. The Chairman and members of the Board of Directors shall remain in office for a period of two years.

5. The Board of Directors shall hold an ordinary meeting once a year. The extraordinary meeting of the Board of Directors can be convened by its Chairman at his own initiative or at the request of the majority of the members of the Board of Directors. The quorum for any meeting of the Board of Directors shall be made up of a simple majority of its members.

6. Subject to any instructions that the Council of Governors may give it and to the provisions of the present statutes, the Board of Directors shall adopt its own Rules of Procedure for its meetings, including the rules related to the date, place and the notification of meetings, to voting and other procedures during its meetings and at other occasions.

7. Subject to any instructions of a general nature that the Council of Governors may give, the Board of Directors shall fulfil the following duties:

a) It shall examine, manage, control and co-ordinate the financial, technical and other activities of the Center and those of the bodies that may be created in accordance with the present statutes.

b) It shall examine and submit the Center's budget and accounts for the approval of the Council of Governors.

c) It shall approve the Center's program of activity and make known its approval to the Council of Governors.

d) It shall approve the annual report on the Center's activities.

e) It shall approve the rules governing the financial, administrative and other activities of the Center, notably those that concern co-operation among the Center and the States and organizations.

f) It shall create subsidiary bodies that it deems necessary or desirable for fulfilling its duties and inform the Council of Governors about these.

g) It shall recommend to the Council of Governors, after a decision taken by at least a two-thirds majority of its members, the candidates for the post of the Center's Managing Director and Joint Managing Director.

8. The Board of Directors shall entitled to delegate any one of its duties to the Center's Managing Director.

Article 5

General Management :

Managing Director - Deputy Managing Director

1. The Center's Managing Director shall be the Chief Executive Officer of the Center. He shall be appointed for a duration of five years and can exercise another term of office for the same duration.

2. A Deputy Managing Director of the Center may be appointed and dismissed in accordance with Sub-paragraph f) of Paragraph 1 of Article III and with Sub-paragraph g) of Paragraph 7 of Article IV of the present statutes. The Center's Joint Managing Director shall remain in office for a duration of six years and may be appointed again for a period of the same duration.

3. Nobody who is not a highly qualified African and cannot prove being highly experienced in the monetary and banking fields shall be eligible for the post of Managing Director or Deputy Managing Director of the Center.

4. The Center's Managing Director shall be entitled to attend in an advisory capacity the meetings of the Council of Governors and the Board of Directors of which he is a rapporteur.

5. The Managing Director shall prepare and present to the Board of Directors for approval, the rules governing the Center's financial, administrative and other activities, especially those that concern co-operation among the Center, the member banks and other organizations.

6. The Center's Deputy Managing Director shall assist the Center's Managing Director in the exercise of his duties. The former shall exercise the duties that the Managing Director may delegate to him.

The General Management shall exercise the following duties :

a) It shall prepare the provisional program of activities, the budget and accounts of the Center and its bodies, and present these to the Board of Directors.

b) It shall ensure the communication of the decisions of the Center and of its bodies to the members of the Association, as well as the execution of these decisions.

c) It shall exercise the Board of Directors' duties that the latter may have delegated to it.

d) It shall undertake all the work and studies and ensure all services related to the Center's objectives that may be entrusted to it by the Board of Directors, and it shall formulate, in this regard, the proposals that, in its opinion, can enable the achievement of these objectives.

e) Fulfil duties conferred on it by virtue of this Paragraph, the General Management may collect information and verify facts related to these duties and, for this purpose, it may ask a member of the Association to provide it with information on this topic.

7. The General Management shall examine the means enabling it to achieve the Center's objectives and it shall be entitled to act with respect to any particular question, which, according to the Management, appears to require an examination, either on its own initiative, or at the request of a member of the Association, presented through the Board of Directors. The General Management shall present a report, should the occasion arise, to the Board of Directors on the results of its examination.

Article 6

Organization of the Center

1. The Managing Director shall organize and govern the Center.

2. The number and functions of the Center's departments shall be specified in the Rules of Procedure.

3. The Center shall have at its disposal at least three departments, namely : the Department of Administration and Publications, the Department of Economic and Monetary Affairs and the Department of Training.

Article 7

Legal Status of the Center

1. In the territory of the Association's members, the Center shall be recognized as an international legal entity and shall be legally entitled to carry out its tasks and to acquire or transfer immovable and movable property, to pass contracts and to go to court.

2. In the exercise of the powers vested in it by the terms of Paragraph 1 of this Article, any action of the Center shall be taken in the name of the Managing Director.

3. The Managing Director, on behalf of the Center, shall conclude with the government of the State in whose territory the Center is established, an agreement related to privileges and exemptions that are of the same nature as those generally granted to international organizations.

Article 8

Obligations of the Association's members

1. The Association's members shall undertake to collaborate with the Center and to help it in fulfilling the duties vested in the General Management by virtue of Article V of the present statutes and they commit themselves, in particular, to providing any information that they may be asked for by virtue of Sub-paragraph e) of Paragraph 9 of Article V of the present statutes.

2. The members of the Association should take all necessary measures for enforcing these statutes and they particularly engage to :

a) Pay their contribution

b) Facilitate the collection, exchange and dissemination of information

c) Provide, for the purpose of the Center's professional training, the means for training, research and other means, and the personnel under conditions that will be part of an agreement with the competent bodies of the Center.

Article 9

Co-operation with States and Organizations

1. In order to achieve its objectives, the Center shall co-operate with the governments and with the organizations desiring to collaborate with it or with the members of the Association.

2. The governments and organizations referred to in Paragraph 1 of the present Article, may be invited to attend the meetings of the Council of Governors of the Association, in which the Center's problems are examined, as well as the meetings of the Center's Board of Directors, and to participate in these without voting rights.

Article 10

The Center's Financial Resources

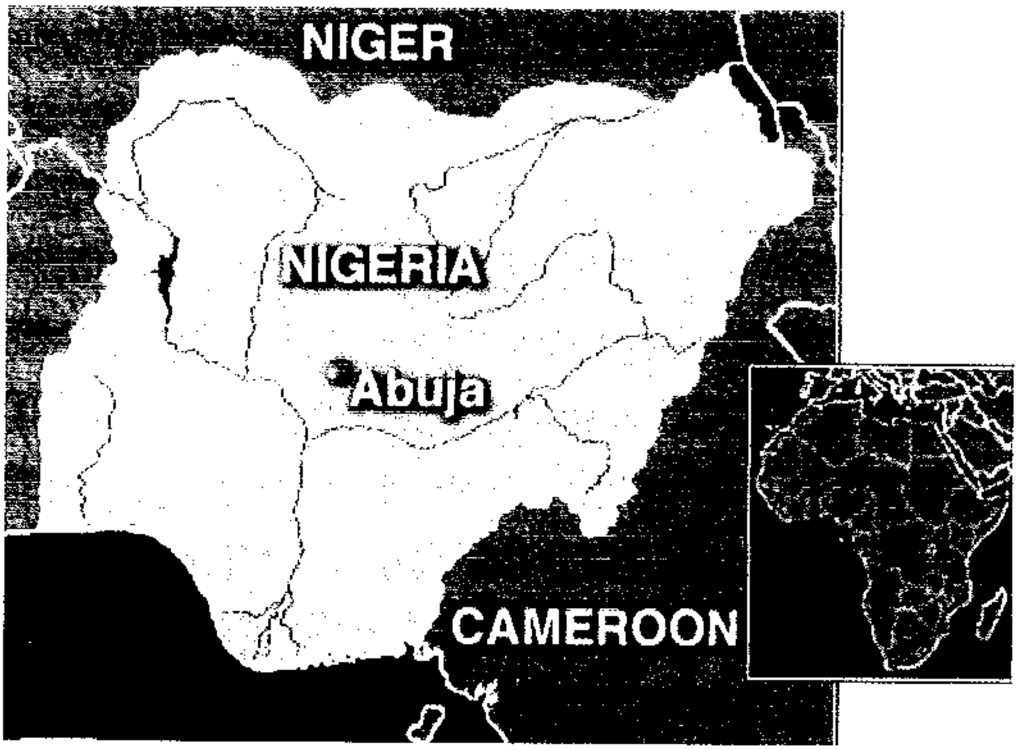
The Center's financial resources shall be composed of contributions by the Association's members and other resources that the Center may obtain from its members, from governments or organizations. The Center's acceptance of these other resources shall be submitted, in all cases, to the approval of the Board of Directors and to the provisions of the rules governing the financial activities of the Center.

Article 11

Coming into Force

These statutes shall come into force on 20 August 1975.

Signed in Kinshasa, this twentieth day of the month of August 1975, in a single text in French and in English.



NIGERIA, Abuja (page 531)

Members of the Association of African Central Banks
Sub-regional committees

Central African Sub-regional Committee

1. Bank of Central African States
2. Bank of Zaire

East African Sub-regional Committee

1. Bank of the Republic of Burundi
2. National Bank of Ethiopia
3. Central Bank of Kenya
4. Central Bank of the Republic of Madagascar
5. Reserve Bank of Malawi
6. Bank of Mauritius
7. National Bank of Rwanda
8. Central Bank of Somalia
9. Monetary Authority of Swaziland
10. Bank of Tanzania
11. Bank of Uganda
12. Bank of Zambia

North African Sub-regional Committee

1. Central Bank of Algeria
2. Central Bank of Egypt
3. Central Bank of Libya
4. Bank of Morocco
5. Central Bank of Mauritania
6. Bank of Sudan
7. Central Bank of Tunisia

West African Sub-regional Committee

1. Central Bank of West African States
2. Central Bank of the Gambia
3. Bank of Ghana
4. Central Bank of Liberia
5. Central Bank of Mali
6. Central Bank of Nigeria
7. Bank of Sierra Leone

Section V – The West African Clearing House (WACH)

I - Its creation

After the formation of the Association of African Central Banks (AACB), the West African Sub-regional Committee held its first meeting in Bamako on 13 May 1971, under the chairmanship of Mr. Sékou Sangaré, Chairman of the Board of Directors of the Central Bank of Mali.

The Committee set up its organization and started discussions on monetary co-operation.

A - Organization of the West African Sub-regional Committee

The chairmanship was taken care of by each central bank for one year, banks following one another in an alphabetical order. The Chairman organized the annual meeting in his institution's issuing area between January and May, prepared the agenda and the documents needed for the debates ; ensured the follow-up of the actions decided upon by the Board and reported to the Chairman of the AACB.

Two types of secretariat were possible. The first type was a permanent secretariat belonging to the Committee, taking care of administrative work, translation of documents, and their dispatch to member banks; the Central Bank of Nigeria was in favor of this. The second type was a light office under the care of the chairing Central Bank, with the participation of the ECA, without any administrative powers of its own.

The majority of Central Banks favored the latter type. The Central Bank of Nigeria submitted to this position, reserving the possibility of reintroducing the issue at some better moment later on.

Member Banks then agreed to share equally among them the expenses incurred on organizing annual meetings.

B - Economic and monetary co-operation in the sub-region

Central Banks agreed that before anything else, they had to improve their knowledge about the importance and structure of trade between the States of the sub-region. This could help them identify areas for improving co-operation, including areas of monetary co-operation.

A working group was formed and all the member Central Banks of the Sub-regional Committee participated in it.

Its purpose was to produce a report on trade and monetary relations in the sub-region : real trade flows, factors that favored or prevented them, official and unofficial channels, means of payment.

As far as future proposals in the monetary field were concerned, certain Central Banks, particularly the Central Bank of Nigeria, wanted suggestions to be made on payment agreements.

It was decided to let the working party analyze the present on a priority basis ; it could formulate "suggestions" based on its observations, without bringing the Central Banks into the picture.

The Central Bank of Nigeria was to head this Committee.

Central Banks then exchanged information on credits to small African firms, financial markets, their publications, training of personnel and specially hoped for bilingual senior executives.

In its study on "payment problems and intra-West African trade", the working party found that the trade level between African countries was very low, between 5 and 10% of the continent's foreign trade.

In West Africa in particular, most foreign trade was carried out with countries other than those of the sub-region. Thus, between 1967 and 1970, trade between countries of the sub-region accounted for only 3% of their foreign trade. Moreover, this share tended to decline while the countries' foreign trade showed a slight increase.

While promotion of intra-regional trade was in itself a development factor, the organization of active trade stood out as a priority.

The study listed various hindrances to sub-regional trade: the lack of complementarity of economies, insufficient means of transport, existence of many monetary areas without any relationship between them, exchange control, etc.

The party stated that WAMU countries carried out 75% of intra-sub-regional trade between them because they had a common currency and practiced free transfer between them.

In cases where there was no foreign exchange market at the sub-regional level, transactions between countries belonging to different monetary areas passed through bank dealers operating abroad, which consequently increased the cost of transactions.

Some of the existing bilateral agreements did not offer a solution to the problem because of their rigidity. The report concluded, "the creation of a payment agreement facilitating quick encashment of export revenue would stimulate sub-regional trade".

In accordance with this recommendation, the second meeting of the West African Sub-regional Committee held in May 1972 in Dakar, adopted a resolution giving a working group, including the Central Bank Research Directors of the West African Sub-regional Committee, the responsibility of drawing up the principles of application of the recommendation relating to the clearing system between the Sub-regional Committee's member States.

The third meeting of the Sub-regional Committee, which took place in May 1973 in Banjul, The Gambia, adopted the report of the working group and asked the group to supplement it by giving technical details of the clearing system and to prepare a draft agreement.

The Agreement dealing with the creation of the West African Clearing House was signed in Lagos on 25 June 1975 by the Central Banks of twelve countries[154] of the sub-region and ratified. It came into effect on 1 July 1976 and was the first agreement of this kind in Africa.

The institution, with its headquarters in Freetown, Sierra Leone, was headed by an Executive Secretary.

II - Its functioning

A - Its objectives

The Clearing House was a mechanism for facilitating payments of transactions carried out between member countries on a multi-lateral basis. Its aim was to :

- Promote the use of national currencies,
- Economize the use of the members' foreign reserves,
- Encourage its members to liberalize trade between their countries,
- Stimulate co-operation and monetary consultations between members.

The Clearing House functioned under the supervision of the Exchange and Clearing Committee constituted by the Central Banks' Governors. It met once a year.

A technical committee called the Exchange and Clearing Sub-Committee followed up the management of the House and prepared the decisions of the Committee. It met at least twice a year.

The Clearing House differed from a Payments Union. The Payments Union, in addition to its function of periodic multilateral clearing, granted automatic credit for a longer period than the fixed payment period for deficit participants vis-à-vis the Union, so that they were able to carry out the necessary adjustments in their balance of payments.

In order to facilitate this function, members were asked to centralize a part of their foreign exchange reserves in the Union. Hence, the Payments Union implied a certain harmonization of monetary and financial policies. It was therefore a more detailed system than a clearing agreement.

A number of benefits were expected from the clearing mechanism : gain in confidence of economic operators by extending guarantees to sub-regional payments ; foreign exchange savings; reduction in the expenditure weighing down regional trade ; and elimination of rigidities in bilateral agreements".

B - The system of operations

The characteristic of the Clearing House was the active role played by the Central Banks in payment transactions. The headquarters of the Clearing House was in Freetown in Sierra Leone.

154 Benin, Côte d'Ivoire, Gambia, Ghana, Upper Volta, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

The clearing technique perfected long since by commercial banks was the technique applied.

Due to the inconvertibility of most of the currencies issued in the Sub-Region, the common unit of account chosen was the West African Unit of Account (WAUA) ; 1 WAUA = 1 SDR.

Operations started on 1 July 1976.

Through the reference currency - French Franc, Dollar, Pound Sterling - the secretary's office established the average SDR exchange rate for two weeks for each national currency. These rates were communicated to each Central Bank at the beginning of the fortnight and were used to carry out transactions during the fortnight.

The Clearing House in Freetown opened an account on behalf of each Central Bank.

When an importer from Ghana had to pay his supplier in Côte d'Ivoire, he gave instructions for payment of an amount in CFA F to his commercial bank in Ghana ; the latter, in turn, deposited the order at the Central Bank of Ghana, which converted it into WAUA on the basis of the WAUA/CFA Franc rate in force.

The Central Bank of Ghana then gave the payment order to BCEAO either by telex or by mail and simultaneously advised the Clearing House in Freetown.

BCEAO, on receiving the payment order, paid the amount in CFA F to the beneficiary bank in Côte d'Ivoire for its client. It also advised the Clearing House about the execution of the transaction.

The Clearing House compared the two notices and carried out the transaction - debiting from the Central Bank of Ghana and crediting to BCEAO.

Transactions thus carried out throughout the month, which was called the *accounting period*. At the end of the month, the Clearing House settled each Central Bank's account and calculated the balance. The debter banks were then invited to pay the creditor banks before the 15th of the current month in one of the five foreign currencies permitted in the Agreement : French Franc, Dollar, Pound Sterling, Deutsche Mark or Swiss Franc. This period was called the *payment period*.

In the system, the supplier could not demand payment in a currency other than his national currency. Only Central Banks were paid at the end of the period in convertible foreign currencies after clearing. Consequently, the higher the clearing rates, the higher the savings on foreign currencies.

During the biannual expert meetings and the annual Governors' meetings, steps were taken to resolve or reduce the problems encountered.

Thus, the West African Clearing House was the first concrete experience of multilateral monetary co-operation in Africa. Positive results obtained initially, inspired the creation of a Central African Clearing House between the Bank of Central African States and the Bank of Zaire as well as the Clearing House of the Preferential Exchange Zone (CCZEP - Chambre de Compensation de la Zone d'Echanges Préférentiels).

The involvement of commercial banks seemed necessary for strengthening the organization. In order to do this, they were made to form an Association of West African banks.

III – The West African Banks Association (WABA)

In fact, the Sub-regional Committee felt that monetary co-operation could not be limited to Central Banks alone. Sub-regional commercial banks had barely any relations between them.

The Sub-regional Committee therefore invited them to meet during their own session and proposed to them to form an association within which they could discuss problems connected with the banking profession in West Africa and, particularly, strengthen the efficiency of the West African Clearing House.

The Association was created in November 1980 in Freetown and brought together all the West African commercial and development banks. Its objectives were to :

- supply and exchange information on banking practices in the region and Africa in general,
- promote and strengthen links between banks,
- play an intermediary role between banks and AACB sub-regional Committee,
- contribute to the promotion of trade, industry and agriculture,
- exchange trainers and trainees.

The Association clashed with traditional channels of the banking system of the sub-region and failed to evolve - member banks absented themselves from meetings and did not extend their financial support and experience[155].

At a time when the AACB's West African Sub-regional Committee was holding meetings and deciding on establishing a Clearing House, governments of the region were, on their part, working on the setting up of an Economic Community of West African States (ECOWAS).

Both texts were signed at a month's interval in the same city, Lagos, Nigeria – on 28 May 1975 for ECOWAS and 25 June 1975 for the Clearing House.

A common approach was finally adopted since the ECOWAS Treaty's concerns regarding monetary co-operation were related to the objectives of the Clearing House.

[155] P.K. Kunutsor, "Redéfinir les objectifs de l'ABAO" (Redefining WABA's objectives), Freetown, April 1995.

Section VI – The Monetary Co-operation Program of the Economic Community of West African States[156] (ECOWAS)

I - General objectives of ECOWAS

The treaty establishing ECOWAS was signed on 28 May 1975 in Lagos, Nigeria. It was the most important treaty signed in West Africa, since the community brought together the sixteen States of the region.

The community's aim was to promote co-operation and development in all fields of economic activity by raising the standard of living of its peoples, increasing and maintaining economic stability, strengthening the relationship between its members and contributing to the progress and development of the African continent.

The Community's activities, in stages, were to be concerned with :

- The elimination of customs duties and all other taxes that similarly affected the import and export of goods between member States,

- The abolition of quantitative and administrative restrictions in trade between member States,

- The establishment of a common customs tariff and a common trade policy towards third world countries,

- The removal of obstacles hindering free circulation of people, services and capital between member States,

- The harmonization of agricultural policies and promotion of community projects of member States, especially in the field of marketing, research and agro-industrial enterprises,

- The implementation of programs relating to common development in the fields of transport, communication, energy and other infrastructure equipment as well as drawing up of a common policy in these fields,

- The harmonization of monetary policies of the member States, needed for the proper functioning of the Community,

- The creation of a Co-operation, Clearing and Development Fund and

- All other activities aimed at realizing the community's objectives that the member states could take up jointly at any time.

156 Patrice Kouamé, thesis quoted above, Annex 2, p. XXVI to XLII.

II - Monetary co-operation program

Articles 36, 37, 38 and 39 of the Treaty dealt with *monetary and financial co-operation.*

Article 37 envisaged the setting up of *bilateral systems* for settling payments between member States as soon as possible and, in the long-term, a multilateral settlement system.

It has to be underlined here that the progress achieved by the West African Sub-regional Committee of the Association of African Central Banks had already gone beyond these plans by establishing the West African Clearing House.

Article 38 envisaged a Committee of West African Central Banks comprising Central Bank Governors of member States, in charge of supervising the payment system in the Community.

The Committee of Central Banks had to submit recommendations from time to time to the Council of Ministers pertaining to the working of the Clearing House and other monetary problems faced by the Community.

Article 39 dealt with capital flows.

The Committee met for the first time in November 1979 in Dakar. It examined a report presented by the Executive Secretary of ECOWAS on "Monetary and financial obstacles hindering the expansion of trade and possible improvements in payment relations".

The report identified obstacles inherent in the Clearing House system, obstacles linked to the monetary policy of the different States and to foreign exchange relations (inconvertibility of currencies and foreign exchange restrictions).

The Committee took note of the report's recommendations and invited the Executive Secretary to go deeper into the problem of the inconvertibility of currencies. The Council of Ministers approved this decision.

Thereafter, the Executive Secretary, with technical help from the IMF, carried out a study on "the convertibility of currencies in the Economic Community of West African States". It was a very exhaustive and remarkable study that defined the problem very clearly and brought to light ways and means of solving it.

In substance, the report showed first of all that one of the main objectives of the integration effort deployed by ECOWAS member countries was the development of trade between member States.

This result had to be obtained partly by removing restrictions, particularly quantitative restrictions, from trade. For this purpose, a customs union had to be set up in the fifteen years following the enforcement of the 1975 Treaty. The trade liberalization program provided for a gradual lifting of import duties and other tariff or non tariff barriers hindering intra-community commerce and harmonization of external customs tariffs, between 1981 and 1989.

One of the obstacles hindering the development of trade within this area was the existence of extensive measures controlling and restricting foreign exchange transactions within the whole community. Consequently, this rendered most of the eleven currencies of the member countries non-convertible.

Convertibility of currencies within ECOWAS was thus considered a necessity and a major step in the effort undertaken by the community in removing obstacles hindering intra-regional trade.

The study then defined monetary convertibility as the device for exchanging one currency against another according to a given conversion rate and the possibility of using one currency in various categories of transactions with the outside.

Hence, the two extreme cases were total convertibility and total inconvertibility.

Total convertibility was the unlimited exchange of one country's currency against any other currency, without any restriction whatsoever on the possibility of using the said currency for all categories of transactions abroad.

Such would have been the case of a currency issued by a country having neither exchange control measures nor restrictions with regard to other countries, nor quantitative or financial obstacles hindering transactions abroad.

On the contrary, there was total inconvertibility when it was completely impossible, by fact or by law, to exchange one country's currency against that of another or to use it for any transactions with the outside.

Such a situation would have existed in a country that had laid down foreign exchange control measures and restrictions and hindered quantitative and financial transactions with the outside - hindrances that would put an end to all transactions.

Between these two extremes, monetary convertibility came in varying degrees. This could be identified by the extent of control measures and restrictions in matters of foreign exchange and all qualitative and financial obstacles hindering transactions with the outside.

The degree of currency convertibility could then be considered a function of the facility with which it could be converted into other currencies and the possibilities of using the said currency for various categories of transactions abroad.

"Limited convertibility" then, was the exchange and reciprocal and unrestricted use of currencies of countries belonging to the same area.

The report then reviewed the foreign exchange and trade systems of the countries and drew up what it called a "convertibility range" from the criteria already defined. It differentiated between two groups of countries :

The first was that of countries with restrictive exchange control regulations or outstanding payments. At one extreme was Ghana where practically all foreign exchange transactions were subjected to quantitative restrictions: a foreign exchange budget was prepared every year; priority was given to very urgent imports ; imports of all other goods met with quantitative restrictions or delay in the allocation of foreign exchange.

Then came Guinea, Guinea-Bissau, Nigeria, Sierra Leone and Mauritania with some variations. This group of countries had inconvertible currencies.

In the second group, countries had more liberal foreign exchange systems and therefore had a higher degree of monetary convertibility. These were WAMU countries, The Gambia and Liberia, which was at the other end. The US Dollar, a freely convertible currency, was legal tender in Liberia. Therefore, of all the ECOWAS member countries, Liberia had the most liberal foreign exchange system.

The degree of monetary convertibility generally reflected the magnitude of the balance of payments problems of the countries concerned.

Persistent imbalances in payments normally led to an increased currency overvaluation. In case limited convertibility was established gradually and all hindrances to foreign exchange transactions within the concerned area were removed, the whole community would effectively become a single market in all matters of foreign exchange transactions.

In such a case, agents would have the tendency to get rid of overvalued currencies in exchange for other currencies of the same area, whose exchange rates more faithfully reflected the basic price ratio. It has been frequently noted that currencies so acquired were those belonging to countries with the least rigorous foreign exchange restrictions. Consequently, these were the countries, which faced maximum pressure for maintaining their prices close to those of the world markets.

Hence, the removal of existing foreign exchange restrictions in the concerned area would be accompanied by a movement aimed at looking for restrictions concerning other currencies of the same area, which offered the highest degree of convertibility. The currencies of these countries would, in other words, play a vehicular role for the entire community's transactions with foreign countries.

In order to avoid such a situation, countries acting in unison, would have to establish limited convertibility along with adopting a uniform degree of convertibility with regard to the rest of the world.

In order to achieve this, countries with highly restricted foreign exchange systems would have to adopt liberalization measures to align their system with those of less restrictive countries. This uniform degree of convertibility could be called "full convertibility".

The report showed that the establishment of the full convertibility of currencies, achieved through a convertibility agreement between States, required fulfilling prior conditions, in particular, an external position balance, so that countries did not become vulnerable to excessive pressure on their foreign exchange reserves.

The convertibility agreement would have the advantage of offering long-term trade expansion possibilities by encouraging the search for new outlets in the area and by improving the allocation of resources. Another possible and favorable effect would be the reduction in the level of foreign exchange reserves required, thanks to external balance.

Costs ensued mainly from the constraints they imposed in directing the economic policy. The authorities' power to adjust the exchange rate was reduced - each country, in order not to denounce the agreement, was forced to adopt a monetary and budgetary policy compatible with the external balance that was likely to be maintained.

The report went beyond the compatibility problem to stress that once free convertibility was established, countries of the area might start the process of monetary integration. The stages of this process could be considered as successive degrees of monetary co-operation. It distinguished three stages on the road to monetary integration :

Firstly, participating countries could sign a convertibility agreement. This could be followed up by the creation of a partial monetary union and finally by the establishment of a total monetary union.

The report then described the main features of each of these stages.

With the convertibility agreement, each country maintained the foreign exchange system of its choice. It agreed to exchange the currency of all other countries of the area without any restrictions, at rates determined by the cross rates determined between this currency and the existing rates between each currency and the reference or intervention currency.

This agreement assumed that the signatory countries would engage, on a long-term basis, not to subject inter-community transactions once again to exchange restrictions that had been removed. *Each one of them therefore was supposed to adopt a monetary and budgetary policy compatible with the external balance likely to be maintained.*

In the course of the second stage, a partial monetary union was created, characterized, in addition to the convertibility agreement, by exchange rates fixed irrevocably between the currencies of member countries. Countries adopted the same foreign exchange regime, but each kept its own currency and remained the master of conducting its monetary policy.

The last stage was the total monetary union - currencies of the different countries of the area were to be cancelled and replaced by a single currency established by a central monetary authority.

A working group, mainly composed of Central Bank Research Directors of ECOWAS member countries, met in Lomé at the invitation of the Executive Secretary in May 1981 to examine the report and submit proposals to the Committee of Governors.

It stressed the political aspects of the problem and described the basic constraints that States had to impose on themselves to achieve convertibility of currencies that were not convertible. A veritable plan of action had to be drawn up and accepted by the States with the participation of international organizations like the IMF, in order to allow States to carry out an economic adjustment policy. The creation of a Regional Fund to support the balance of payments was to be envisaged to back up the efforts made by these countries. At the same time, political measures for public awareness were also to be carried out.

When it met some weeks later in Accra, the Committee of Governors asked for a more exhaustive country-wise study, the implications of each one of the stages on the economic, monetary, budgetary policies, etc. as well as costs and advantages.

Finally, this complementary study was not carried out and ECOWAS nominated another group of UNCTAD[157] experts on the same subject.

The experts produced two reports. One entitled, "Preliminary Study of the Financing Mechanisms of ECOWAS Sub-regional Central Banks to Liberalize Trade and Settle Debit Balance Payments through the West African Clearing House"[158]. The other was titled, "Study on Limited Convertibility between Currencies of ECOWAS Member States"[159].

The first report had two objectives : improvement of the clearing mechanism and use of a support mechanism for balances of payments.

As far as the Clearing House was concerned, the report particularly suggested that it should be transformed into a Multilateral Credit Facility, a settlement Bank endowed with the necessary autonomy and legal capacity to be able to mobilize regional and foreign resources, grant short-term credit, ensure better convertibility of national currencies and encourage liberalization of regional trade.

In addition, given the importance of the balance of payment deficits of the sub-region, the report felt that it was difficult to establish a mechanism capable of satisfying all needs. However, it suggested the creation of a mutual balance of payments support mechanism, endowed with a capital and capable of increasing its resources with the help of external borrowings.

The second report endeavored to define limited convertibility between currencies of the sub-region as having to result from the co-ordination of exchange policies between ECOWAS member countries. Its aim was to ease restrictions imposed on certain intra-community payments faster than for those applicable to payments with the rest of the world.

The report then listed five basic principles whose adoption would condition the success of monetary integration :

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157 United Nations Conference on Trade and Development.
158 By Frimpong-Ansah J.H. former Governor of the Bank of Ghana, CNUCED/ECDC/141.
159 By CICIN-SAM, A. and Marshall, J. Professor, UNCTAD/ECDC/143.

- Application of preferential treatment in matters of payment between ECOWAS countries had to be placed in the larger perspective of liberalization of exchange control regulations in general.

- The main adjustment efforts were to be made by member countries characterized by very restrictive exchange control regulations and whose currencies were highly overvalued.

- Countries with relatively liberal exchange control regulations had to gradually eliminate restrictions that they were still maintaining with regard to other member countries.

- The West African Clearing House had to be strengthened to make its functioning more efficient and to enable it to play a central role in the process of monetary co-operation and exchange liberalization.

- The existing monetary arrangements, such as the ones governing WAMU countries had to be maintained and, if possible, extended to other countries.

The report then proposed three stages in the process of regional monetary co-operation.

The aim of the first stage was to eliminate all payment restrictions on all intra-community transactions allowed to benefit from the commercial liberalization program laid down in the ECOWAS Treaty or pertaining to community enterprises.

In the course of the second stage, preferential exchange provisions had to be extended to all intra-community transactions, which necessitated harmonizing trade restrictions that were to be maintained with regard to the rest of the world.

The third stage had to lead to the creation of a monetary union between countries, with a common currency, endowed with a high degree of convertibility in relation to external currencies.

These two reports were examined by the Central Bank Research Directors during their 4th meeting held on the subject from 22 to 27 July 1983 in Conakry, Guinea.

Meanwhile, the 6th Meeting of Heads of State and Government of ECOWAS member countries was held from 28 to 30 May 1983 in Conakry. One of the resolutions made at this summit was the "Decision A/DEC.6/5/83 pertaining to the proposal for the creation of a single ECOWAS monetary area".

According to Article 1 of the decision, "in order to resolve the problem of multiplicity of currencies within the sub-region, the Chairman holding office is given the mandate to take all appropriate measures, especially those relating to the search for help from international organizations or bodies in order to carry out studies for setting up a ECOWAS monetary area".

The Governors Committee of ECOWAS Central Banks held a meeting on 12 September 1983 in Dakar, Senagal, to exchange views and define the terms of reference of studies to be conducted by ECOWAS Executive Secretary.

Central Bank Research Directors and Governors submitted the study for observation. The latter, who met in April 1986 at Monrovia, Liberia, recommended to the Ministers of Finance to adopt a three stage gradual process of monetary integration :

- The first stage was to be devoted to the improvement of the functioning of WACH.

- The second was to aim at the realization of limited currency convertibility of the sub-region.

- The third was to be devoted to the creation of a single monetary area with all its implications – common monetary and exchange policies, establishment of a homogenous economic area, surrender of the power of striking currency individually in favor of handing this power over to the community.

Directions were given to ECOWAS Executive Secretary to submit the studies relating to the three stages at the next Central Bank Governors' meeting.

In April 1987, the Central Bank Governors of ECOWAS member States in Nouakchott, Mauritania, examined the studies and drew up recommendations aimed at the Ministers of Finance.

The latter adopted them in July 1987, then obtained the consent of the Meeting of Heads of State.

The Executive Secretary created a Co-ordination and Implementation Committee, bringing together the Secretariat of the representatives of Ministers of Finance and also those of the Central Banks. This Committee had the task of following up and checking the application of adjustment measures suggested in the study report dealing with the creation of a single monetary area.

During the 7th meeting, held between 16 and 19 March 1992 in Lagos, Nigeria, the Co-ordination Committee stated that, "To make it possible for Member States to check and evaluate performance in relation to the objective, it seems necessary to have some indicators or some form of clues".

Especially, in order to raise the exchange rate to their level of equilibrium, the Committee felt that specific measures had to be taken to bring the inflation rate down to a single digit latest by 1994, by applying appropriate monetary and budgetary policies, maintaining a reasonable rate of effective growth of production, etc.

After long discussions, Committee members agreed to carry out a study to define clearer indicators.

The convergence criteria finally decided upon by the Consultative Forum of Finance Ministers and Central Bank Governors, dealt with the exchange system, inflation rate, budget deficit GDP ratio and Central Bank participation in the State.

In substance, it dealt with the reduction of exchange rate fluctuations ; the liberalization of current payments in accordance with Article VIII of the IMF statutes ; the reduction of the inflation rate to a single digit ; the observation of a budget deficit ratio on GDP equal to or less than 3% ; and the restriction of Central Bank participation in the State to 20% of the fiscal revenue.

III - Transformation of the Clearing House into the West African Monetary Agency

A - Inadequacies of the Clearing System

The system nonetheless showed its limits with the accumulation of certain members' debit positions vis-à-vis others and the downward trend in transactions.

In fact, transactions reached their peak in the course of 1994 with a sum of 224 million WAUA. They decreased subsequently in the course of some years to finally reach 28 million WAUA at the end of the financial year 1989/1990, on 30 August 1990, the lowest level since the start of transactions.

Steps taken to reverse this trend and strengthen the efficiency of the Clearing House did not produce the expected results - information about economic operators, reduction in debit interest rates to ease the load of debtor banks, etc.

Moreover, during its 16th meeting held on 16 and 17 May 1991, in Bissau, Guinea-Bissau the Exchange and Clearing Committee set up a group to reflect on the future of WACH.

The Committee examined the group's report on 14 October 1991 in Bangkok, Thailand, along with the Annual meetings of the IMF and the World Bank.

From the document, it was evident that "the analysis of WACH's performance in relation to its objectives as well as to the results produced by a similar establishment like the CCZEP (CHZPE), shows that the House did not satisfy its members' expectation".

A number of factors were cited to explain this poor performance - the economic situation of the country marked by internal and external imbalances, low industrialization and lack of complementarity of economies, low quality of the means of communication, continuation of hindrances to the free circulation of goods and people in spite of the measures taken within the competent sub-regional organizations, continuation of trade barriers - tariff and non-tariff restrictions - in spite of the commitments made within the framework of the various ratified treaties dealing with this subject, and competition from the informal sector.

Other reasons were also given - public ignorance of the clearing mechanism, absence of a credit mechanism to guarantee quick and regular termination of debtor positions, slowness of the system, about which commercial banks complained.

Thus, it appeared that certain causes could be addressed, while others could not be dealt with easily in the near future.

Based on this statement, the group proposed four scenarios for the future of the WACH :

- Maintenance of the *status quo* and continuation of efforts to redress the situation,

- Widening the field of activity,

- Merger with ECOWAS,

- Transformation into a specialized body of ECOWAS.

The Committee asked for "a more detailed study of all the implications of options 2 and 4", that is to say, the transformation of WACH into a specialized body of ECOWAS with a wider field of activity.

B - Establishment of the West African Monetary Agency (WAMA)

a - Its creation

The working group met from 3 to 7 February 1992 in Dakar. It worked on defining the attributions of the future institution, its organization and the resulting budgetary impact.

In addition to the attributions of WACH, it was proposed to extend the agency's activity according to the provisions of Articles 36 to 38 of the ECOWAS Treaty, concerning monetary and fiscal co-operation.

The group also proposed the realization of travelers' checks, an old WACH project, as well as the setting up of a credit and guarantee mechanism.

The Exchange and Clearing Committee adopted the conclusions of the report during its meetings on 12 and 13 February 1992 in Dakar, and recommended it to the Central Bank Governors Committee of the ECOWAS member countries.

At its meeting held on the 21 and 22 May 1992 at Abuja, Nigeria, the latter ratified the recommendation and asked the working group to carry out a study on the implications of the modalities of this transformation, in collaboration with ECOWAS Executive Secretariat.

The Committee then held an extraordinary meeting on 21 and 22 July in Dakar, at the end of which it formulated a suggestion to the ECOWAS Council of Ministers, to propose to the Meeting of Heads of State and Government, the approval and adoption of the draft decision on the transformation of WACH into a specialized autonomous agency of ECOWAS.

The Council of Ministers , which met from 23 to 25 July 1992 in Dakar, referred the proposal to the Meeting of Heads of States, which created the agency by decision no. A/DEC 4/7/92.

b - Its objectives and functions

The implementation of the ECOWAS Co-operation Program (Cf. IV) was specially added to the conventional WACH objectives. On the whole, it dealt with :

- The use of the currencies of member states in commercial or non-commercial transactions of the sub-region,

- Realization of savings in the use of the members' foreign exchange reserves,

- Liberalization of trade and foreign exchange between member States,

- Monetary co-operation and consultation for this purpose,

- Harmonization and co-ordination of monetary and budgetary policies as well as structural adjustment programs,

- Control, co-ordination and implementation of the ECOWAS's monetary co-operation program,

- Application of macro-economic policies by member States in order to have exchange and interest rates determined by the market within the framework of intra-regional trade,

- Initiation and promotion of policies and programs aimed at the monetary integration of the region,

- Creation of a single monetary area, while preparing the conditions necessary for managing the single monetary policy and for the creation of a single currency.

In order to achieve these objectives, Article III attributed research and management functions to the Agency :

- It drew up policies and programs aimed at promoting fiscal monetary co-operation and harmonization,

- It ensured management of the multilateral clearing and payment system,

- It was responsible for the guarantee and credit fund and West African traveler's checks,

- It undertook studies on questions related to monetary and fiscal co-operation, foreign debt payments and all other matters of international economy affecting the economies of member States,

- It drew up periodic reports on all these questions.

During its last meeting in Abuja on 22 August 1997, the Committee of Governors of ECOWAS Central Banks took stock of the implementation of the monetary co-operation program.

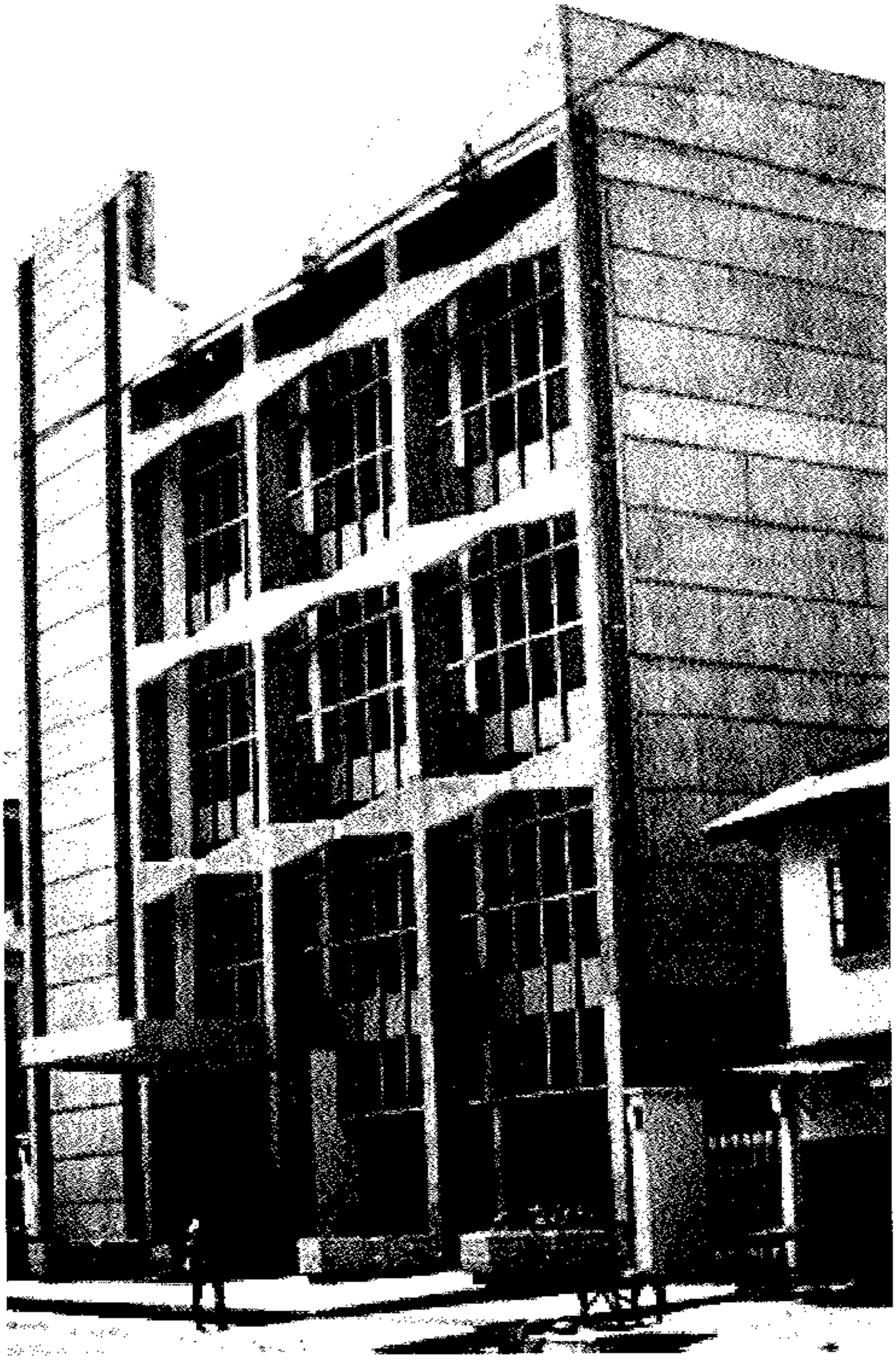
It turned out that, within the framework of the structural adjustment programs, most of the States had made remarkable progress, contributing to the establishment of conditions favorable to the advent of the single monetary zone.

In particular, the adoption of liberal policies and of a foreign exchange system and monetary policies founded on market instruments, led to more realistic exchange and interest rates, the reduction of budgetary deficits and the moderation of inflationary pressures - indeed, economic resurgence in most countries.

As for convergence criteria, performances recorded by member countries during 1996 were as follows :

Convergence Criteria	Number of countries that respected the criteria	Number of countries that did not respect the criteria	Observations
A – **Exchange systems**			
Exchange system variability	13 : WAMU countries, Cape Verde, Gambia, Guinea, Mauritania, Nigeria, Sierra Leone	1 : Ghana	Nigeria had to adopt a single exchange system by 1998.
Total liberalization of current transactions	12 : WAMU countries, The Gambia, Guinea, Mauritania, Nigeria, Sierra Leone	1 : Cape-Verde	Cape Verde, Mauritania and Nigeria had not yet complied with Article VIII of the IMF statutes.
B - **Inflation rate**	12 : WAMU countries, Cape Verde, The Gambia, Guinea, Mauritania, Sierra Leone	3 : Ghana, Nigeria, Guinea-Bissau	
C - **Budgetary deficit /GDP**	8 : WAMU countries, Mauritania	5 : Cape Verde, The Gambia, Sierra Leone, Guinea, Guinea-Bissau	Ghana and Nigeria respected this criterion in 1995 but no evaluation could be made in 1996 because of the unavailability of data about these two countries
Financing of the budgetary deficit by the Central Bank (ceiling : 10% of the last tax revenue)	4 : Benin, The Gambia, Mali and Mauritania	11 : Burkina, Cape Verde, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Niger, Nigeria, Senegal, Sierra Leone and Togo.	

Source : ECOWAS



WAMA

Recommendations were made for States to take the necessary measures to respect the criteria agreed upon.

Concomitant to the search for a gradual formula for regional monetary co-operation, many members joined WAMU - another co-operation and monetary integration formula that existed in the region and functioned effectively.

Section VII - New members join WAMU

WAMU was first faced with Mali's request for adhesion in 1984. The spirit of the texts that governed the Monetary Union inspired BCEAO departments to fix the modalities of operation and to draw up, on the basis of this case, a model for future memberships.

I - Modalities of membership of a country to WAMU

A new member country seeking adhesion was examined from the economic, legal, accounting and financial points of view; the transaction further necessitated monetary conversion, transformation of the issuing bank of the adhering country into a BCEAO Branch and the adhesion of the new member to WADB.

- Economic conditions

The viability of the monetary union, as we have seen through these pages, depended on the individual and collective balance of the economies of the member States: internal balance - production, public finances, prices; external balance - balance of payments, on which depended the quality of the common currency, especially when it was convertible.

Also, the adhering country had to provide its partners with evidence of an economic policy, which, even if it failed to contribute to the strengthening of the situation of the Union in the near future, would not make it deteriorate. This condition could be satisfied by drawing up a program with the Bretton Woods institutions.

Moreover, to enable continued financing of the economy according to BCEAO conditions, stabilization measures had to be undertaken for certain firms before the country could become a member.

- Legal conditions

Joining WAMU meant that all provisions of the treaty and other texts governing the Union, withdrawal of the national currency from circulation, that is to say, the removal of its legal tender and power of full discharge, transfer of the issuing department to BCEAO on the basis of a convention, fixation of a parity between the CFA F issued by BCEAO and the *currency of the country concerned* for monetary conversion were applied to the new member.

- Accounting modalities

In terms of accounting, the transfer of the issuing department meant the merger of the balance sheets of BCEAO and the issuing bank of the adhering country. BCEAO took up the asset and liability elements identified in the above-mentioned agreement.

- Financial conditions

Since the adhering country would become a co-proprietor of BCEAO, it had to contribute to its equity capital on the basis of equality with all its members.

This contribution formed the new member's "entry fee". It was settled on a priority basis by the net assets of the issuing bank of that State, as taken over by BCEAO. Then, in case of insufficiency, by an additional amount paid in an acceptable foreign currency.

- Monetary conversion

The other consequence of the practice of the transfer of the issuing department was the conversion of bank money - bank deposits - into CFA Francs, but for the exceptions mentioned in the exchange control regulations in force in WAMU countries and the exchange of banknotes and currency - conversion of paper currency : withdrawal from circulation of the banknotes and currency of the new member against the introduction of CFA denominations.

Conversion was done on the basis of a fixed parity.

In practice, exchange transactions necessitated the determination of the sum and the number of CFA denominations to be introduced in the country, taking into account the composition of its fiduciary circulation ; the choice of an identification letter for the new banknotes by WAMU Council of Ministers; ordering, printing banknotes, minting coins and their delivery ; the material organization of the exchange operation : choice of an appropriate period when the fiduciary circulation was at its lowest level, and not during the rainy season ; recourse to exchange centers run by the Treasury, the Banks and BCEAO.

- Transformation of the Central Bank of the adhering country into a BCEAO Branch

This was done by setting up the administrative structures of the Branch, appointing the National Director and his collaborators ; establishing the premises in conformity with the security norms of BCEAO.

- Adhesion to BOAD

Adhesion of a new State to WAMU automatically brought about its adhesion to the Agreement establishing BOAD. The State also had to contribute to the equity capital of BOAD and to the various funds managed by it.

Legal agreements then recorded the commitments made by WAMU bodies and the new Member State :

. Act of the Head of States Conference concerning the admission of the new State into WAMU signed by the former members,

. Membership agreement of the new member signed by old and new members,

. Solemn commitment by the country to take steps towards economic recovery (in future),

. Amendment to the Co-operation Agreement between the French Republic and the signatory States of the Treaty establishing WAMU, signed by France and the new member,

. Convention between the new Member State and BCEAO, regarding the transfer of the issuing department signed by the Finance Minister of the new Member State and BCEAO Governor,

. Act bringing about demonetization of the national currency. The new Member State also adopted texts relating to banking law and exchange control regulations.

II - Membership of Mali

Once the national monetary institutions were set up on 1 July 1962, the authorities in Mali applied a monetary policy in accordance with the economic objectives decided upon. Four years down the line, looking at the results, particularly under the constraint of the drying up of foreign exchange reserves, they questioned the option selected and initiated a process of return and membership of WAMU. This membership, which came into effect only 17 years later, went into a first phase after the signing of the Franco-Malian agreements.

A - Evolution of the monetary and economic situation in Mali from 1962 to 1966

A comparative study[160] in December 1966 of the monetary situation in Mali and in WAMU during the period 30 June 1962 to 30 June 1966 showed a pronounced divergence in the evolution of the main monetary aggregates : credit, foreign assets, money supply and prices.

a - Credit policy

The study showed that in Mali as in the Monetary Union, the driving force for the evolution of the monetary situation was credit expansion, which was moderate in the Union, but "explosive" in Mali.

As a result, in the Union, the sum of domestic credit increased by 42.9% in 4 years, that is 9.35% on average. This rate of increase was slightly higher than the possible rate of increase of the gross domestic product at constant price, probably 6 to 8%.

Their sum tripled in Mali, that is an average 32.3% growth rate per year, whereas that of the gross domestic product was estimated at 3%.

b - Evolution of foreign assets

Due to development requirements, the propensity to import was very high in Mali as well as in the Union.

[160] BCEAO Archives.

The facts however showed that the expansion of credit calculated in the Union had not dried up the net official foreign assets. On the contrary, they had increased slightly, whereas in Mali the effect of credit expansion was a rapid drying up of foreign assets and mounting foreign debts of the monetary institutions.

The difference in evolution was even more marked by the fact that the monetary Union applied the freedom of transfer within the Franc Area, whereas Mali had a rigid exchange control regulation in foreign transactions.

The apparent inefficiency of the exchange control regulation was due to the fact that credit expansion was done almost exclusively for the benefit of the public Treasury and State enterprises, therefore restrictions imposed on foreign transactions hardly had any effect.

c - Evolution of money supply

Since the means of payment created by credit expansion could not be converted outside in Mali - because of the drying up of foreign assets that limited foreign purchases, as well as the restrictions imposed on the outflow of capitals, they mounted significantly, increasing by 74.5% from June 1962 to June 1996.

The growth rate of deposits here was three times more than in the Union.

The sum of banknotes and coins in circulation increased in the Monetary Union by 15% in four years, that is 3.6% per year on an average. In Mali, it increased by 60.6%, that is 12.6% per year.

d - Evolution of prices

The study showed that the retail price index of foodstuff - base 100 : 1 July 1962 to 30 June 1963, to the extent to which they could be considered as representative of the real price evolution - indicated an increase in the price of foodstuff from 1963 to June 1966 from 10 to 20% in the Monetary Union, and from 20 to 65% in Mali, i.e. an average of 15% in the Union and 42% in Mali.

The study further stated that, supposing prices had not shown much variation in the period from 1 July 1962 to July 1963, the evolution of the price level, also roughly calculated, would be relatively as high in the Union as the increase in the fiduciary circulation (14.9%) ; whereas in Mali, the fiduciary circulation increased by 61%, prices increasing by 42%.

The study concluded that "the monetary situation in Mali is characterized by an excessive liquidity of the economy that could absorb all facilities for *conversion into foreign exchange* and/or accelerate the *domestic price increase*, thus making any export development even more difficult".

TABLE ON THE COMPARATIVE EVOLUTION OF THE MONETARY SITUATION IN WAMU AND IN MALI

	MALI			WAMU		
	JUNE 30 1962	**JUNE 30 1966**	**Relative variation**	**JUNE 30 1962**	**JUNE 30 1966**	**Relative variation**
	Billions of Malian Francs		%	Billions of Malian Francs		%
A – Money Supply	**12.16**	**21.22**	**+74.5**	**87.34**	**107.52**	**+23.1**
Fiduciary currency	7.75	12.45	+60.6	43.75	50.25	+14.9
Sight and time deposits	4.41	8.77	+98.9	43.59	57.26	+31.4
B - Domestic credit	**11.07**	**33.85**	**+205.8**	**55.7**	**79.6**	**+42.9**
To the public Treasury	3.61	13.22	+266.5	20.37	-20.42 (a)	-0.2
To the economy	7.46	20.63	+176.5	76.07	100.02	+31.5
C - Net foreign assets of monetary institutions	**+2.37**	**-6.73**	**-384.0**	**35.63**	**37.76**	**+6.0**
D - Other items	**-1.28**	**-5.9**	//	**-3.99**	**-9.84**	//

The negative sign indicates that the contribution of the Union's government Treasuries to the financing of the monetary system (deposits) was higher than the credit granted to them.

MALI-BALANCE OF PAYMENTS 1962-1966

ITEMS	1962 (a)	1963(a)	1964(a)	1964/65 (b)	1965/66 Est. (b)
A – Goods and services	-7.6	-8.3	8.7	-12.0	13.3
1. *FOB exports*	8.8	8.4	9.1	7	3.9
2. *Mali border imports*	-14.0	-14.3	-15.6	-16.1	-14.7
Balance of trade (1+2)	(-5.2)	(-5.9)	(-6.5)	(-9.1)	(-10.8)
3. *Service (net)*	-2.4	-2.4	-2.2	-2.9	-2.5
B – Transfers and capital (net)	3.5	5.6	6.1	8.1	...
1. *Private (net)*	0.2	0.2	0.1	0.1	...
2. *Public . subsidies*	2.9	3.1	3.8	3.9	...
Public (net)	0.4	2.3	2.2	4.1	...
a) Drawings	(1.0)	(3.7)	(4.9)	(6.8)	...
b) Reimbursements	(-0.6)	(-1.4)	(-2.7)	(-2.7)	...
C – Total (A+B)	-4.1	-2.7	-2.6	-3.9	...
D – Errors and omissions (net)	...	-0.6	-1.8	1.4	...
E – Movement of reserves (net)	...	3.3	4.4	2.5	0.6
1. *Commercial banks*	...	-0.3	-0.1	...	...
2. *Central Bank*	...	2.9	2.4	1.7	2.0
a) Assets	(...)	(1.3)	(1.8)	(1.6)	(0.2)
b) Commitments	(...)	(1.6)	(0.6)	(0.1)	(1.8)
c) Government (c)	...	0.7	2.1	0.8	-1.4

(a) Calendar year – (b) Financial year starting from 1 July – (c) External public debt.

Source : Data provided by the authorities in Mali

Mali – Summarized position of the Bank of the Republic of Mali (B.R.M.)

(In Billions of Malian Francs)

	1962		1963		1964		1965		1966
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June
(Net) foreign assetes	2.10	1.58	-1.74	-1.35	-1.76	-3.74	-3.50	-4.58	-5.48
Convertible currencies	1.66	1.04	-1.61	-0.79	-0.67	-1.22	0.16	-0.58	-1.48
Non-convertible currencies	0.44	0.54	-0.13	-0.60	-1.13	-1.33	-0.80	-0.38	-0.57
IMF position	-	-	-	0.04	0.04	-1.14	-2.40	-2.40	-2.41
Debt tot he French Postal Services	-	-	-	-	-	-0.01	-0.46	-1.22	-1.27
Credit to economy	7.15	7.85	11.73	16.05	21.20	23.01	24.28	26.23	29.43
To the Government (net)	1.48	4.03	4.00	5.50	7.07	8.30	7.81	9.34	9.44
To state-owned companies	-	1.88	4.55	7.83	11.78	12.43	14.03	14.36	16.90
To the private sector	-	1.88	4.55	0.46	0.81	0.60	0.96	1.05	1.60
To commercial Banks	5.67	1.94	3.27	2.26	1.54	1.68	1.48	1.48	1.49
ASSETS – LIABILITIES									
Notes and coins in circulation	7.94	8.30	10.17	9.74	11.27	11.83	12.39	11.85	12.58
Among the public	7.75	8.13	10.02	9.63	11.18	11.74	12.27	11.73	12.45
Cash in commercial banks	0.19	0.17	0.15	0.11	0.09	0.09	0.12	0.12	0.13
Deposits	0.25	0.06	0.09	2.81	4.86	3.01	3.64	4.22	4.47
Sight deposits of	0.25	0.06	0.09	2.54	4.40	2.53	3.12	3.82	4.12
- State-owned companies	0.24	-	0.03	(1.38)	(2.55)	(1.12)	(1.03)	(1.77)	(1.35)
- Private sector	0.24	-	0.03	(0.53)	(0.85)	(0.71)	(1.03)	(1.25)	(1.26)
- Commercial banks	(0.01)	(0.06)	(0.07)	(0.63)	(1.00)	(0.70)	(1.06)	(0.80)	(1.51)
Fixed term deposits	-	-	-	0.27	0.46	0.48	0.52	0.40	0.35
Counterpart funds (b)	-	-	-	0.13	1.13	2.08	3.07	4.08	5.10
Other items (net)	1.06	1.07	-0.27	2.18	2.18	2.35	1.68	1.50	1.80

a) Includes the amount in deposits with the Post Office Checking System that seem to have been used for financing Government operations.
b) « Counterpart funds » from the sale of goods obtained with foreign aid.

Mali - Integrated Position of Monetary Institutions (a)

(In Billions of Malian Francs)

	1962		1963		1964		1965		1966
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June
Foreign assets (net) (b)	2.37	1.07	-1.87	-1.49	-1.83	-3.78	-3.54	-4.82	-5.60
Domestic credit to	11.07	13.88	17.55	18.63	23.68	25.93	27.38	26.58	33.85
Government	3.61	6.27	7.24	8.34	9.07	10.68	10.20	11.95	13.22
State-owned companies	7.46	7.61	10.31	7.83	11.78	12.43	14.03	14.36	16.9
Private sector	7.46	7.61	10.31	2.46	2.83	2.82	3.15	3.27	3.73
Currency	11.93	13.03	15.44	14.61	18.01	16.98	18.49	18.46	20.52
Notes and coins	7.75	8.13	10.02	9.63	11.18	11.74	12.27	11.73	12.45
Sight deposits	4.18	4.90	5.42	4.98	6.83	5.24	6.22	6.73	8.0
Quasi-currency	0.23	0.37	0.39	0.39	0.61	0.63	0.68	0.66	0.70
Foreign aid counterpart funds	=	=	=	0.13	1.13	2.08	3.07	4.08	5.10
Other items (net)	1.28	1.55	0.14	2.01	2.09	2.46	1.61	1.56	1.93

a) BRM Commercial Banks (BMCD and BIAO), CCP
b) Not Government debt to the French Postal Services
c) Including deposits with the Post Office Checking System from the non-banking sector that financed government operations.
d)Including individual and company deposits with the Post Office Checking System.

Source : IMF Report (SM 66/124), page 38.

B - Steps to membership

a – The Franco-Malian Agreements of 15 February 1967

1 - Preliminary meetings

They were held from 26 October to 29 November 1966 between the French authorities - Couve de Murville and Charbonnel - and a delegation from Mali led by Mr. Louis Nègre.

The delegation from Mali indicated that its government could only envisage a Franco-Malian solution to the problems faced by the country. Within this framework, the authorities were ready to accept all agreements that figured in BCEAO statutes and were determined to benefit from it by taking the most radical steps beforehand, to stabilize the country's financial situation and reform the economic policy.

Mr. Charbonnel and Mr. Nègre signed an aide-memoire drafted on these lines on 29 November 1966. From 15 to 21 December 1966, expert-level consultations helped in defining Mali's economic and financial situation more clearly. It was agreed to send three French experts to Bamako in the beginning of January 1967 to go into certain aspects of this situation.

After some indications on the modalities of future French support, a program was planned : announcement in Bamako on 6 January 1967 about the imminent opening of negotiations ; the stay of the three French experts in Bamako from 7 to 15 January ; opening of official negotiations on 17 January 1967.

2 - Official negotiations

Opened on 17 January, they ended on 15 February 1967 with the signing of Franco-Malian agreements between Mr. Jean Charbonnel on behalf of the Government of France and Mr. Jean Marie Koné on behalf of the Government of Mali.

In substance, Mali promised to join WAMU at the end of a period that was not to exceed 5 years after the beginning of the probationary period.

This period included a *preparatory period and a period of bilateral co-operation.*

1) Preparatory period

During this period, Mali was to go ahead with adapting, according to the needs, its economic, monetary and financial structures, in order to be able to conform, at the end of this preparatory period, to all the rules in force within WAMU.

The beginning of this preparatory period was to be marked by a 50% devaluation of the Malian Franc and this intervention was to take place latest by the first week of May 1967.

The main features of the program to be implemented during this period included many measures.

- Budgetary measures

The aim was to establish, from the beginning of the financial year 1967-1968, a real equilibrium of all the budgets of the State and public bodies. The draft budget to be made in the course of the second trimester of 1967 had to help in bringing about an improvement in fiscal revenue, reducing current expenses, centralizing revenue and expenses of regional budgets and accounts beyond the scope of the budget, improving Treasury management, limiting the equipment budget to operations financed by external resources alone, except for terminating certain ongoing transactions.

However, this budgetary effort could be supplemented by :

. French government support,

. Advances from the Bank of the Republic of Mali within the framework of a fixed credit ceiling.

- Reorganization of the State-owned companies.

It had to reach a balanced situation at the end of the financial year 1967-1968.

- Disposal of foreign debt

Mali had to start negotiations with its debtors to fund its medium and long-term debts by spreading reimbursements over a minimum of 15 years, if possible, and deferring payment by 5 years.

It had to abstain from subscribing to new foreign commitments relating to transactions whose returns were not assured.

- Trade and foreign exchange

Those holding CFA Francs and other convertible foreign exchange could give them up at the Bank of the Republic of Mali or at another Bank established in Mali, without having to declare their source - proof of identity was not required for the submission of banknotes.

Resident Mali traders were to receive, without any restriction, export licenses for member States of the West African States' Customs Union, for traditionally traded products. Importers could freely use the value in foreign exchange resulting from these exports, up to a 75% limit, the rest having to be handed over to the Bank of the Republic of Mali.

- Banking measures

The Bank of the Republic of Mali was to :

. Limit to 2 billion Malian Francs the total of the additional assistance that it would grant during the year following the opening of the preparatory period.

. Gradually align its credit regulations with those of BCEAO.

. Prepare for the separation of its purely banking department from that of monetary issue.

Supporting the measures, the French Government was prepared to offer assistance under various heads to the Republic of Mali :

. Budget assistance to the tune of 10 million French Francs (500 million CFA F or 1 billion Malian Francs, after devaluation), for productive investments, and later on, partial aid for the supply of products or material bought on the 1967-1968 operational budget.

. Purchase of Malian products, in particular, the import of shelled groundnuts at a preferential price.

. Technical assistance in terms of personnel in all sectors for implementing the recovery plan, including public companies.

. Foreign assets aid to the Treasury by early acquisition of Malian Francs up to the limit of 14 million French Francs (700 million CFA F) by the French Treasury, out of which 8 million FF in the beginning of the preparatory period, then 500,000 FF per month for 12 months, meant for use according to the needs of the French public expenses in Mali (exclusive of budgetary balance subsidy).

- Adjustment of Malian debt towards the French State

This debt (advances to the former Federation, share of the former Federation's borrowings, advance to the Niger Agency, share of OFFERFOM borrowings, pension fund of the Overseas Railway system, French Treasury advances, postal arrears) whose service (capital and interests), accounting for 112 million FF in all (5,600 million CFA F), was consolidated according to a repayment schedule spreading from 1967 to 1981, the repayment during the first three years being light.

Mali had to create an autonomous public establishment supported by a quota of customs revenues, increasing gradually over the years (from 3% in the financial year 1967-1968 to 7% from 1970-1971) and in charge of paying off this debt.

During this period, a Joint Experts Committee had to prepare the setting up of a Bank of issue called upon to function during the bilateral period :

. The preparation of the decisions to be submitted at the first meeting of the Council, especially dealing with credit control and fixing of intervention ceilings,

. Measures necessary for the setting up of a new Bank of issue (administration, ordering new banknotes, procedure for exchanging banknotes),

. The creation of a new Malian currency unit at parity with the CFA Franc,

. Modalities for discharging, with the guarantee of the Malian State, elements of the balance sheet of the Bank of the Republic of Mali resulting from transactions that were statutorily prohibited for the new issuing Bank.

The decision to bring the preparatory period to a close lay with the two governments. This was to be done after the declaration that the effects of the recovery program had made Mali capable of respecting all the rules and monetary discipline in force in WAMU.

At the latest, one year after the opening of the preparatory period, a Franco-Mali Commission was to check whether the conditions for passing on to the bilateral co-operation period had been fulfilled, namely :

. Balance of all public finances, allowing the Malian Treasury in future, to have recourse to the issuing Bank only under the circumstances laid down in BCEAO statutes,

. Financial balance of the public sector Companies that may justify the grant of credit to them in the future, according to the rules in force in BCEAO,

. Effective implementation of measures laid down in the reforms.

- During the period of Franco-Malian bilateral co-operation, France was to ensure the free convertibility of the Malian currency, through the opening of an operations account in the French Treasury, on behalf of the Malian issuing house, under the conditions mentioned below for the purpose of preparatory measures, particularly :

. Board of Directors with equal representation,

. Application of rules with regard to operations concerning the issue of currency similar to those of BCEAO.

2) Bilateral period

This was marked by the signing of two agreements on 19 December 1967 at 07:30 P.M. at the Ministry of Foreign Affairs, in the Rotonde hall, by Michel Debré, French Finance Minister, and Mr. Louis Nègre, Malian Finance Minister. The first agreement was a monetary co-operation agreement relating to the creation of the Central Bank of Mali. The second was to establish the free convertibility of the Malian Franc latest by 31 March 1968, and for this purpose, envisaged the opening of an operations account in the French Treasury on behalf of the Issuing House.

The statutes of the Central Bank were similar to those of BCEAO.

In Bamako, on 29 March at 06:00 P.M. at the Finance Ministry, Mr. Louis Nègre and Mr. Pierre Pelen, French Ambassador, solemnly signed the Convention transferring the issuing department of the Bank of the Republic of Mali to the Central Bank of Mali.

The agreement signing ceremony

"Bulletin Quotidien d'Afrique" n°6469 dated 20 December 1967

The Franco-Malian agreement signing ceremony took place with a certain solemnity in the "Rotonde Hall" at the Ministry of Foreign Affairs, in the presence of senior officials of the "Quai d'Orsay" and many journalists.

In his address following the signature of the agreements, Mr. Michel Debré, the French Finance Minister, underlined the financial and political importance of these agreements.

"The documents that we have just signed", declared Mr. Debré, "definitely have not only a technically aspect but also a political aspect. They deal with moving on to the second stage of our financial relations, as envisaged after the preparatory stabilization period. It had been agreed upon that a second stage would open with the convertibility of the Malian Franc and the creation of a Central Bank, as well as the setting up of new forms of financial and economic organizations. These agreements represent considerable progress for Mali. They also constitute a major monetary effort for France.

These agreements also have a political aspect. For Mali, they are aimed at establishing future prosperity and progress founded on sound finances. For us, they are inspired by the desire to establish confident relations with Mali and to develop our feeling of solidarity with this country. Both of us have promised to establish a certain economic policy that will help in determining a certain general policy.

On concluding", the Finance Minister declared, "I can assure that General De Gaulle and the French Government sincerely hope to see an independent Mali, the master of its own destiny, join the framework of the extended French family. In the course of our negotiations, we have been inspired by the desire to establish close co-operation between France and Mali".

Declaration by the Malian Finance Minister

"Agence France Presse – Bulletin Quotidien d'Afrique"

No. 6554 dated 29 March 1968

Since 0.00 a.m. on Friday, 29 March, the Malian Franc is "freely and totally convertible", announced Mr. Louis Nègre, Malian Finance Minister, after signing the Malian agreement transferring issue to the Central Bank, a joint Franco-Malian body.

The Minister further said, "This signifies that all people holding Malian banknotes, whether they are Malian nationals or foreigners, will be able to exchange them without any limit against convertible foreign currencies - French Francs, Dollars, CFA Francs, etc. at bank counters here or abroad. In the same way, those holding convertible currencies, whether Malian or foreign, can change them at local banks or in banks abroad".

The Minister added, "This signifies that henceforth, Malian banknotes can be exported or held by any natural person abroad or brought back to Mali without any restrictions.

Guaranteed by the French Franc, the Malian Franc is, thus, totally and freely convertible", said the Minister once again.

"For technical reasons, banks are closed today in order to set up the envisaged mechanism for ensuring the complete efficiency of the operation. Therefore, convertibility will really become effective as from Saturday, 30 March, when banks open their counters".

The Malian Finance Minister finally underlined that the convertibility of Malian currency, as ensured within the framework of the Franco-Malian Monetary Co-operation Agreements signed on 19 December 1967, was to start nearly one month earlier than what was planned originally. On behalf of the Malian government, the Minister paid homage to France's fairness, objectivity and spirit of co-operation.

Moreover, he stressed the effective role that the convertible Malian Franc had to play thenceforth to achieve real economic co-operation with the West African countries, particularly with those belonging to the West African Monetary Union.

In conclusion, Mr. Louis Nègre recalled the important role that the non convertible Malian Franc put into circulation on 1 July 1962 had played : Decolonization of economic structures and setting up of a national and social framework that had, today, helped in facing intra-African co-operation in better conditions.

b – Request for joining WAMU

On 23 December 1980, the President of the Republic of Mali, General Moussa Traoré, referred his country's request for joining WAMU to Mr. Léopold Sédar Senghor, the then current Chairman of the Conference of Head of States of the Union.

The file was examined by the Council of Ministers on the basis of the work of the Bank of issue's departments. At the end of two months of negotiations from 2 June to 6 August 1981, the conditions and modalities of membership were finalized.

The political settlement of border disputes in abeyance was included by Upper Volta in the conditions to be fulfilled before Mali could be admitted, as this was the main issue between Upper Volta and Mali.

On 15 December 1981, the third Meeting of Heads of States took note of the examinations and decided to "extend its reflection and take a decision later on".

The process was taken up again three years later when Upper Volta lifted its conditions.

The 5th Meeting of Heads of States, held on 31 October 1983 in Niamey, Niger, decided upon the membership of Mali on these terms :

IN VIEW OF the Treaty of 14 November 1973 establishing the West African Monetary Union, especially Article 2, which laid down that "any West African State can, on submitting a request to the Conference of Heads of State of the Union, be admitted to the West African Monetary Union",

IN VIEW OF the request for joining the Monetary Union made by letter no. 211/PR of 23 December 1980 addressed by H.E. the President of the Republic of Mali to H.E. the President of the Republic of Senegal, the acting Chairman of the Conference of Heads of State,

On the report of the Council of Ministers of the Monetary Union on 9 December 1981 in application of Sub-paragraph 2 of Article 2 of the Treaty of 14 November 1973, proposing the modalities for this membership.

THE CONFERENCE OF HEADS OF STATE

Takes note of the acceptance by the Republic of Mali of the technical modalities prior to this adhesion, namely :

1. Demonetization of the Malian Franc and transfer of the Department of issue to the Central Bank of West African States (BCEAO).

As a result, the transformation of the Central Bank of Mali into a BCEAO Branch.

2. Exchange of banknotes and coins on the basis of 1 CFA Franc = 2 Malian Francs.

3. Payment of entry fee to the Central Bank of West African States and the West African Development Bank (BOAD).

4. Harmonization of Mali's bank payments and foreign exchange with those in force in WAMU States.

5. Straightening out of the financial situation of public sector companies with the aim of making them eligible for refinancing by BCEAO.

6. Commitment by the Republic of Mali, to take steps in the form of a program whose aim would be to prepare conditions for a durable recovery of the country's economy.

Decides : The Republic of Mali is hereby admitted to the West African Monetary Union.

This membership shall lead to the signing of appropriate Agreements.

Signed in Niamey on 31 October 1983

For the People's Republic of Benin	For the Republic of Côte d'Ivoire
General Mathieu Kérékou	Félix Houphouët-Boigny
For the Republic of Upper Volta	For the Republic of Niger
General Sangoulé Lamisana	General Seyni Kountché
For the Republic of Senegal	For the Republic of Togo
Léopold Sédar Senghor	General Gnassingbé Eyadéma

Thus, the official parity of 1 CFA Franc = 2 Malian Francs was maintained. The contribution to BCEAO's equity capital or "entry fee" corresponded to 1/6 of BCEAO's equity capital, keeping in mind the number of old members (6) that is, 15.4 billion CFA F on 31 May 1984, the date of settlement of the merger balance-sheet.

Since the net assets or equity capital of the Central Bank of Mali on the same date stood at 9.2 billion CFA F, Mali had to bring in an additional 5.8 billion CFA F.

Taking into account assets and liabilities not taken up by BCEAO, the merger of the balance sheets of the two Banks of issue on 1 June 1984 provided the new net estate position of BCEAO on this date.

The entry fee to BOAD was 4.2 billion CFA F, of which 2.9 billion was immediately payable and the rest was to be paid in three installments of 575 million CFA F in December 1984, December 1985 and December 1986.

BCEAO COMMUNIQUÉ

In application of the decision of 31 October 1983 of the Heads of the West African Monetary Union to include Mali as a member of the Union, the Council of Ministers of this Institution fixed 1 June 1984 as the date of entry of the Republic of Mali.

Consequently, the public is informed that as from 1 June 1984, the Malian Franc issued by the Central Bank of Mali stands demonetized.

The new monetary unit in Mali is henceforth the CFA Franc, issued by the Central Bank of West African States (BCEAO). As a result, the Central Bank of Mali becomes a BCEAO Branch.

Malian Francs can be exchanged by any holder during a period of three (3) months from 1 June 1984 to 31 August 1984; exchange will be done at the following parity : 2 Malian Francs = 1 CFA Franc.

Exchange centers have been opened throughout the Malian territory. Malian Francs can also be exchanged in all other WAMU States (People's Republic of Benin, Republic of Côte d'Ivoire, Republic of Upper Volta, Republic of Niger, Republic of Senegal and Republic of Togo) in Banks or BCEAO branches.

Malian Francs can also be exchanged in the Banks of issue of the member countries of the Franc Area.

Holders of Malian Francs residing in Central Africa can exchange their Malian Francs in Banks or banking centers of the Bank of Central African States.

Holders residing in France can exchange their Malian Francs in Banks or counters of the "Banque de France".

It is notified that exchange transactions will come to an end on 31 August 1984.

Consequently, Malian Francs will not be taken back by BCEAO after this date.

BCEAO Governor

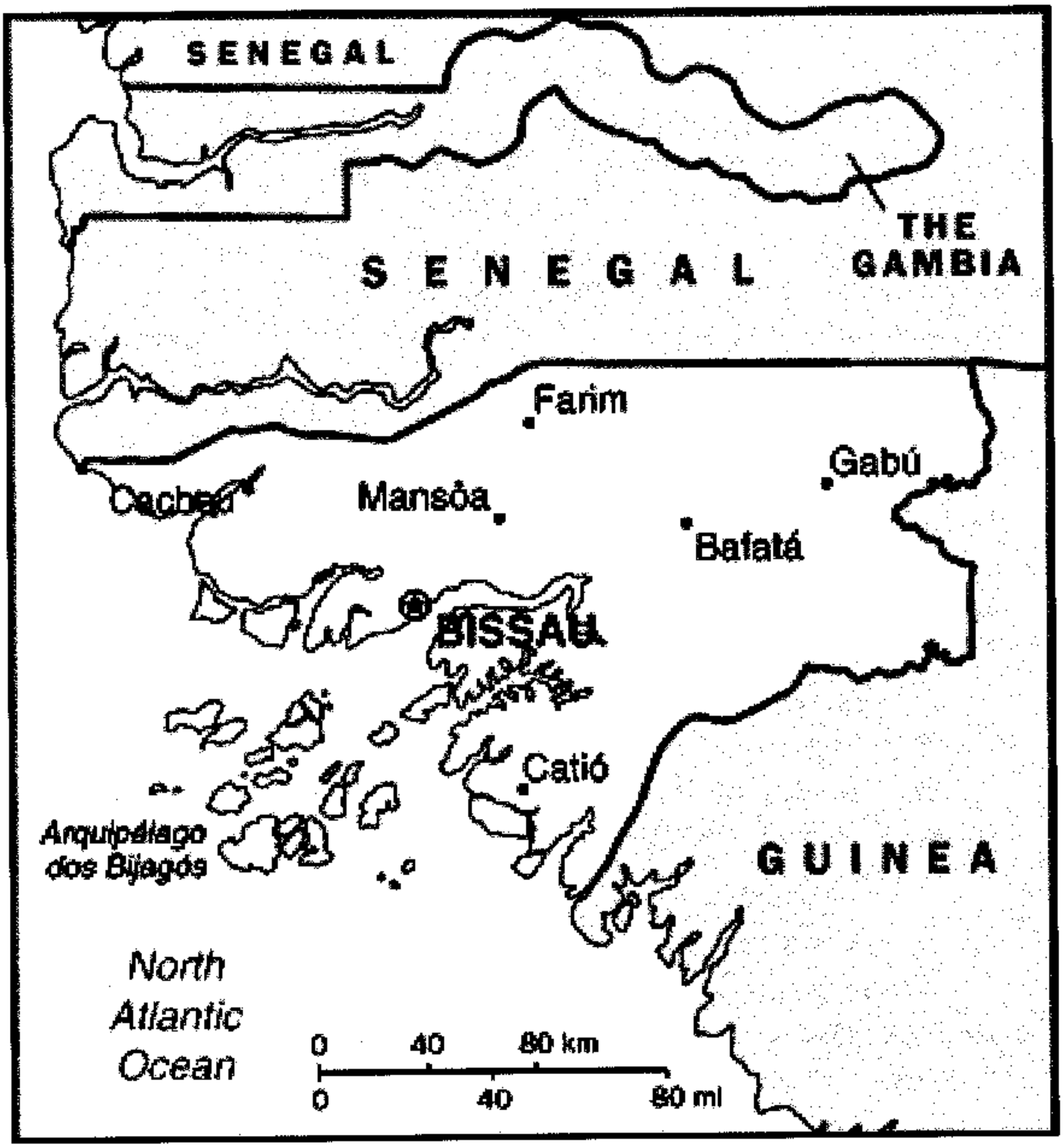
Chairman of the Board of Directors

INTEGRATED POSITION OF BCEAO AND BCM

(as of 1 June 1984)

ASSETS	BCEAO	BCM	TOTAL
ASSETS IN GOLD	18,315,887,530	2,880,359,304	21,196,246,834
INTERNATIONAL MONETARY FUND			
Reserve position	8,414,045,303	3,789,402,284	12,203,447,587
SDRs holdings	5,211,760,495	73,611,789	5,285,372,284
ASSETS IN FOREIGN EXCHANGE			
Correspondents	2,956,050,451	-	956,050,451
Financial Institutions Bonds	1,263,750,000	-	1,263,750,000
WACH	18,979,384,271	240,161,310	19,219,548,581
CLAIMS ON BANKS			
Short-term	9,024,276,837	926,500,000	159,950,776,837
Long-term	5,000,000	-	225,000,000
CLAIMS ON FINANCIAL ESTABLISHMENTS	12,017,522,734	-	12,017,522,734
CLAIMS ON NATIONAL TREASURIES			
Customs duty bills	29,500,000	-	29,500,000
Long-term bills (Article 15)	47,134,037,500	-	47,134,037,500
Overdraft	128,035,000,000	6,804,786,077	134,839,786,077
Post Office Checking Accounts	2,993,526	-	2,993,526
OPERATIONS ON BEHALF OF TREASURIES			
Fiduciary funds	35,814,562,722	5,557,571,428	41,372,134,150
Other IMF assistance	306,519,178,122	21,357,913,668	327,877,091,790
Deposit in Kuwait	32,010,943,912	-	32,010,943,912
EQUITY INTEREST	9,490,936,356	150,000,000	9,640,936,356
OTHER FIXED ASSETS	26,716,975,594	2,248,848,876	28,965,824,470
SUSPENSE ACCOUNT	226,357,199,548	43,628,012,438	269,985,211,986
	1,518,644,179,046	101,819,741,903	1,620,463,920,949

GUINEA BISSAU



III - Membership of Guinea-Bissau

A - The country, its men and institutions

a - Country

Situated along the 12th parallel North, Guinea-Bissau is bordered by the Atlantic Ocean in the West, Senegal in the North and Guinea in the South (Conakry).

Its territory comprises a compact alluvial plain, covered by marshes and broken in the East by small hills. With an area of 36,125 sq. km, it is formed of 40 islands of the Bijagos archipelago and a continental territory.

Its coasts, particularly the estuaries, are remarkably steep. Its hydrography is characterized by a number of rivers with abundant water, most of them originating from the eastern hills and emptying into the Atlantic.

The climate is hot and humid, especially in the coastal areas, with heavy precipitation from May to November. The fertility of the soil promotes luxurious vegetation - mangroves tower above the coasts while the forest grows along the rivers and the savannah can be found in dry zones.

b - Its Men

The estimated population is 1 million inhabitants of which 80% is rural, with 52% children in full-time education and life expectancy at birth is 42 years.

With a density of 27 inhabitants/sq. km. for a natural growth rate of 2.4%, it comprises Balantes (27%), Peuls (23%), Malinké (12%) Manjak (11%), Pépels (10%) and others (17%), including the Mankagnes.

The main cities are Bissau, the capital city, situated on the estuary of the Geba River with 200,000 inhabitants, Cacheu, Bafata and Gabu.

The main languages are Portuguese - the official language - Creole, Balante, Peul, Malinké, Mandyako and French, spoken in the bordering countries.

c - Its Institutions

Towards 1440, Portugal discovered an archipelago and gave it the name of Cape Verde.

In 1446, Portuguese explorers, led by Nuno Tristao, reached Rio Geba after the Gambia and Casamance estuaries. The country surrounding it was called Guinea. Trading posts were established at Cacheu, Farim, Bissau and Ziguinchor till 1886.

In 1610, the country came under the sovereignty of Portugal.

Portuguese Guinea was administered from Cape Verde. Only in 1870, did it become an independent colony, administered by a Governor operating from Boulam (Bolama). In 1951, it became an integral part of Portugal with the status of an Overseas Province.

A freedom movement was started in 1962, led by Amilcar Cabral (1921-1973) and by the Guinea-Bissau and the Cape Verde African Party for Independence (PAIGC - Parti Africain pour l'Indépendance).

Independence was declared in 1973 and Portugal recognized it in 1974 and withdrew its troops.

A socialist type of system with a single party (the PAIGC) was installed.

In 1980, following a coup d'état, a Revolutionary Council comprising 9 members was established and then replaced by a State Council with 15 members, without calling into question the guiding role of the PAIGC and its political objectives.

In 1984, a new constitution promulgated defined Guinea-Bissau as "a national revolutionary democracy" and entrusted the country to the PAIGC.

Legislative powers were returned to the People's National Assembly, comprising 150 members elected by the Regional Councils from among its own members.

The National Assembly, on its part, elected the Head of State, who was the Head of Government and held executive powers.

The process of democratization of political life started with constitutional amendments from 1991 to 1993, the formation of new parties and the first multi-party elections held in July 1994.

Following the general elections, the 100 seats in the National Assembly went to five parties : PAIGC 62 ; RGB/MB 19 ; PRS 12 ; UM 6 ; FLING 1.

In the Presidential elections, President João Bernardo Vieira was re-elected in the second round with 52.00% votes, the next candidate obtaining 48.00% votes.

Members of Parliament were elected for 4 years, therefore till 1998. The National Assembly had legislative powers. It could, in particular, question the Government or dismiss it after a confidence vote or a censure motion.

The President, Head of State and Supreme Commander of the Armed Forces, was elected for 5 years by direct universal suffrage. He could bid for office only for three consecutive terms and could dissolve the National Assembly and dismiss the Government.

The legal system was inherited from the Portuguese colonization.

B - The country's economy

a - Background information

Agriculture, the dominant economic sector, accounts for 80% of the active population and represents more than 40% of the GDP.

Rice is the main food grain produced (131,000 tons in 1995), followed by millet, sorghum and maize (56,000 tons). Groundnuts (18,000 tons) and cashew nut cultivation is also done alongside.

In the animal breeding sector, in 1990, there were 410,000 heads of cattle, 25,000 pigs, 242,000 sheep and 208,000 goats.

Forest resources cover 2 million hectares with 82 trees per hectare. Timber reserves are estimated at 43.3 million cubic meters of which 8.8 million cubic meters is saw wood.

Industrial activity is limited to a few breweries, oil mills, brick factories and the production of 42 million kwh of electricity in 1993.

Prospecting has brought to light bauxite, phosphate and petroleum deposits.

Trade is strongly dependent on foreign countries. Imports mainly include manufactured products - machines and means of transport - as well as food grains (70,000 tons of cereals in 1995). The main supplier is mostly Portugal (38%), Senegal's share representing only 2%. Exports include cashew nuts, peanuts and tinned fish. They are directed mainly towards Belgium and Luxembourg (18%).

As far as the infrastructure is concerned, a 4,850 km road network of which 1250 are asphalted serves the country ; there are no railways. The main port and the international airport are in Bissau.

b - Financial institutions

In the colonial period, a branch of the Banco Nacional Ultramarino (BNU) or Overseas National Bank was the only bank to operate on the Guinea-Bissau territory.

It was a commercial bank that had been granted the right to issue Escudos in Guinea-Bissau by the Central Bank of Portugal - Banco de Portugal.

The financial system of the Province also included many savings banks, particularly the Caixa Economica Postal (Postal savings), the Montepio das Alfândegas (Savings bank for customs officials), the Caixa de Previdencia dos Funcionarios (Provident Fund for civil servants) and the Caixa Sindical (Unions savings bank).

After the declaration of independence, the BNU Branch was transformed by decree into the Banco Nacional da Guiné Bissau (National Bank of Guinea-Bissau, BNGB) in February 1975.

The BNGB was both an issuing bank and a deposit bank at the same time. On 28 February 1976 it brought the national currency of Guinea-Bissau into circulation, the "Peso" (PG) whose parity was 1 Peso = 1 Portuguese Escudo.

Following the devaluation of the Escudo, the Peso equaled 2 Escudos before getting devalued under the dual effect of economic difficulties and inflation and finally reached 225 Pesos = 1 Escudo in December 1996 at the time of fixing an irrevocable CFA Franc/Peso exchange rate valid for monetary exchange, provided in May 1997.

In January 1979, the various banks cited above were merged into Instituto Nacional de Securos E Previdencia Sociale.

With the implementation of the economic liberalization policy from 1980, a restructuring of the financial system was started. In 1983, the BNGB organic law structured the establishment and particularly created a medium and long-term credit department.

In 1989, the Act relating to financial institutions and the organic law of the Central Bank of Guinea-Bissau promulgated respectively by decrees no. 31/89 and 32/89 were adopted.

The BCGB was exclusively in charge of issue. The former BNGB's portfolio was consequently entrusted for recovery to a new body called Banco Do Crédito Nacional (Nation Credit Bank) created in 1990 for a year and dissolved in 1991, with the transfer of the assets and debts to the Public Treasury.

The first semi-public commercial bank was set up in 1990, Banco Internacional da Guiné Bissau (International Bank of Guinea-Bissau - BIG); its capital was divided between the State (26%), private Bissau Guineans (25%) and Portuguese banks (49%).

Two years later, in March 1992, the Portuguese bank, Banco Totta & Açores, opened a branch in Bissau whose activities were directed mainly towards short-term financing.

With the membership of Guinea-Bissau in WAMU, the BCGB was dissolved on 30 April 1997, the issue department transferred to BCEAO and the national BCEAO Administration set up.

C - Membership modalities

a - Background

The first contacts between the Bissau-Guinean and WAMU authorities date back to 1982, when, after a meeting between Presidents Abdou Diouf and Vieira in Dakar, a BCEAO fact-finding mission led by its Vice-Governor, Charles Bila Kaboré visited, Bissau.

Later, in August 1986, in a letter addressed to BCEAO Governor, President Vieira invited the central bank officials to come to "discuss the prospects and different stages necessary for the integration of Guinea-Bissau in the monetary and economic units of the Sub-Region".

It was in response to this invitation and a request for assistance made by the Governor of the Central Bank of Guinea-Bissau within the framework of negotiations with the IMF, that a second group visited Bissau from 5 to 15 September 1986 and gathered, at that time, preliminary data about the economic condition of the country.

Subsequently, in February 1987, in order to maintain political level contacts, the acting President of WAMU Council of Ministers visited the country's authorities in Bissau, followed by a BCEAO technical group from 27 April to 8 May 1987.

During the extraordinary session of 13 July 1987 in Abidjan, WAMU Council of Ministers granted its chairman the power to pursue negotiations with Guinea-Bissau. The two sides met in Dakar on two occasions, in September and October 1987.

In August 1988, the sixth Conference of Heads of States held in Cotonou took note of the main conclusions of discussions and asked for the continuation and finalization of the technical file.

The result of the work was presented to the Council of Ministers in September 1989 at Dakar. It gave its approval for sending a BCEAO group to Guinea-Bissau to renew contacts and update the technical study. This group held discussions from 23 November to 5 December 1989.

From that date, contacts were renewed only on 23 July 1992 at a working session between a delegation from the Central Bank of Guinea-Bissau and BCEAO in Dakar.

This meeting, preceded by a mission led by BCEAO Vice-Governor from 3 to 5 June 1992 to Bissau took stock of the recent developments in Guinea-Bissau's economic and financial situation, restructuring of the banking system and relationship with the Bretton Woods institutions.

In June 1993, after receiving additional information asked for at the end of discussions, another BCEAO group went to Bissau in September 1993 to update and complete the technical study of the candidate.

The state of progress of the file was analyzed on 17 September 1993 during a meeting of WAMU Council of Ministers, which gave powers to BCEAO Governor to start negotiations for Guinea-Bissau's membership to the Union.

b - Result of negotiations

Negotiations particularly dealt with the evolution of the macro-economic situation of Guinea-Bissau and the financial conditions of membership.

At the macroeconomic level, the country recorded a GDP growth, but also a high inflation linked to the pressure of money supply and persistent budget and balance of payments deficits.

Discussions concluded that it was necessary to overcome inflation, reorganize and improve the efficiency of fiscal and customs services to ensure the equilibrium of public finances and the proper execution of the program being carried out with the IMF.

As for financial conditions, Guinea-Bissau's contribution or the entry fee, had to correspond to 1/7 of BCEAO's equity capital to which was added the entry fee to BOAD.

The BCGB's balance sheet presented an insufficiency of assets. The prior condition for membership was filling the gap and presenting a balanced balance sheet.

A CFA Franc/Peso exchange rate had to be fixed before the beginning of exchange transactions.

On the basis of these elements, the Conference of Heads of Government held at Ouagadougou on 10 and 11 May 1996, admitted Guinea-Bissau as a member of WAMU as of 1 January 1997, giving it time to fulfil the conditions by then, particularly, achieving the balance of the BCGB's balance sheet.

During its September 1996 session, a qualified majority was not obtained in the Guinea-Bissau National Assembly to ratify this membership. It was obtained only two months later, at the November session.

Meanwhile, the Government conducted a public communication and information campaign.

c - Monetary exchange

Due to these facts and also the delay in fulfilling the financial conditions, the effective date of entry was postponed to 2 May 1997.

Moreover, on the Guinea-Bissau exchange market, the rate of Peso against CFA Franc continued to depreciate, falling from 42 Pesos for 1 CFA F on 31 December 1995 to around 70 Pesos against 1 CFA F in December 1996, since users expected a less favorable exchange rate at the time of exchange and gave up their Pesos as early as they could.

In order to stabilize the situation, the rate of 1 CFA F for 65 pesos was fixed for exchange as from end December 1997.

The exchange involved the withdrawal of 463 billion Pesos from circulation, split into 75 million denominations, to be replaced by 7 billion CFA F.

A three-month period had been granted, from 2 May to 31 July 1997. The rainy season, the cashew nut marketing season, the exchange rate and the country's geography, etc. constituted major impediments to the operation. However, it ended with the withdrawal of 97.12% Pesos from circulation.

For the operation, in addition to the operators still working, BCEAO called upon retired operators as well (Cf. box).

Results of the monetary exchange operation

The exchange operation of Pesos against CFA F started on 2 May, and ended the following Thursday, 31 July, that is, at the end of the 3 months fixed in the beginning.

We have regularly kept you informed about the progress of this operation.

Now, 3 days before the closing, the time seems to have come to sum up the situation, so as to help you play your role in informing people objectively.

We had to exchange 463 billion Pesos corresponding to 75 million denominations, against CFA Francs.

On the closing on Saturday, 26 July, we had withdrawn 435 billion Pesos from circulation, that is, 94% of the total in circulation.

These figures are provisional and will increase by Thursday, at the end of operations.

In terms of comparison, the completion rate in Mali in 1984 was 96.7% for just 28 million notes withdrawn.

Generally speaking, for this type of operation, a withdrawal rate of 85% is considered a success.

We can therefore affirm without vanity and also without hesitation, that the monetary exchange operation in Guinea-Bissau is a success.

Subsequently, the Pesos that are not withdrawn by 31 July, will essentially no longer exist; they have already been destroyed in many ways : eaten by termites, burnt in fires, drowned in floods, borrowed by foreign visitors outside Guinea-Bissau's borders or preserved as collector's items.

To be able to achieve this result, major measures had to be implemented and impressive logistics deployed.

To begin with, 16 exchange centers were opened :

5 in Bissau run by BCEAO, BIG and Totta,

11 in the regions : at Bafata, Bolama, Buba, Bubaque, Canchungo, Catio, Gabu, Farim, Ingoré, Mansoa and Quinhamel.

3 - in these regional centers were run by BIG : at Bafata, Canchungo and Gabu,

8, by the Bissau-Guinean Treasury with the participation of BCEAO.

In July, this mechanism was reinforced in the following manner :

a) The working hours of all these centers were extended and Saturday made a working day.

b) In Bissau, many new centers were opened gradually, taking the number of centers in the capital today to 12 : BCEAO, Big-Siège, Big-Bandim, Big- 24 Septembre, Totta, Bandim-Titina, Bairro Militar, Bissau Novo, Publa, Pefine, Bandim II and Klélé.

c) In the countryside

1) Mobile teams were set up in the islands with the help of helicopters. On the whole, the 15 major inhabited islands were visited: Caravela, Carache, Canhabaque, Galinhas, Uno, Unhocomo, Orangogrande, Orangozinho, Uracane, Soga, Canogo, Nago, Formosa, Jeta and Pecixe.

Inhabitants from other nearby islands came to the above 15 islands for the operation. Teams stayed there as long as it was necessary to exchange all the Pesos.

Operations were thus completely terminated in these islands.

2) Enclosed areas with difficult access by road were also visited by helicopter :

In the East : Beli-Bœ, Tchetche, Dandum and Balindugo.

In the South : Dar es Salam, Cassaca and Como.

The operation has been terminated in these areas. All Pesos in circulation there have been exchanged.

3) A fixed center was opened in Cacine in the South, covering neighboring areas : Cassaca, Gadamael, Guiledje and Gambiana.

Operations continue in this area.

4) Mobile teams visited the following villages in the different regions by the land route :

- In the Cacheu region : Caio, Calequisse, Bula, Bigene and Varela.

- In the Oio region : Cuntima, Mores, Gamamudo, Binar and Bissora.

- In the Bafata region : Contubuel, Fajonquito, Ganadu, Cossé, Begine, Bambadinca, Xime and Xitole.

- In the Gabu region : Pirada, Pitche, Manfaco, Buruntuma, Cancalifa and Cambore.

Operations continue in this region.

5) Finally, from the fixed Buba center, the following areas were also visited : Tite, Fulacunda, Empada and Dar Es Salam.

Operations continue in this region.

On the whole, 1142 people participated directly in the operation :

70 BCEAO operators

19 BIG operators

3 Totta operators

117 operators from the Finance and other Ministries

933 Bissau-Guinean Armed Forces operators.

The National Follow up and Control Commission, which was in charge of this operation, comprises :

Mr. Patrice Kouamé, Special Advisor to BCEAO Governor and Chairman of the Commission

Mr. Amadou Bachir, Director, Issuance Directorate, BCEAO

Mr. Hugo Borges, Deputy National Director, BCEAO, for Guinea-Bissau

Inspector General Jacinto Silva Junior, representative of the Finance Ministry

Colonel Marcellino Gomes Ramos, representative of the Home Ministry

Commander Nantan Biague, representative of the Defense Ministry

Mr. Daniel Cardoso and Mr. Perreira, representatives of the Territorial Administration Ministry.

The three participants - the State of Guinea-Bissau, BCEAO and banks - have invested large sums to complete the operation successfully.

BCEAO took charge of printing notes, minting coins and all the equipment necessary for the operation (counting machines, perforation machines, etc.).

It provided maritime and air transport for transporting all these items to Bissau, before they were taken to the various regions.

It took charge of all the boarding expenses of its personnel.

The State of Guinea-Bissau was completely involved in the operation.

The President of the Republic himself personally followed the operations, provided a helicopter to the Commission without which it would have been impossible to proceed with the exchange in the islands and in the landlocked areas.

The State took charge of the working of all the centers run by the Treasury : supply of generators, fuel, and payment of allowances to the Treasury operators and the Armed Forces, etc.

The two banks, BIG and Totta, on their part, lent all their installations and counters ; they strengthened and mobilized all personnel in the cash department, worked long hours during week days as well as on Saturdays.

We are happy to state that all the operators involved in this operation worked enthusiastically and sincerely, transparently and honestly. We did not receive any complaints even of the smallest case of embezzlement. We did not even hear of false CFA notes being exchanged for Pesos by forgers to harm the people.

We were impressed by the professionalism and the sense of duty of our National Commission colleagues – Inspector General Jacinto, Colonel Ramos, Commander Biague and Mr. Perreira. They took great risks by crossing the country in all directions to identify the areas to visit, barely escaping death in a serious road accident, which wrecked their vehicle.

Our friends deployed in the regions showed exemplary behavior. They did not show the least hesitation in sharing the living conditions of the people.

The Armed Forces, with great devotion, provided absolute security for the operations.

The media was our close competitor in keeping the people informed.

We would like to thank all those involved - the President of the Republic and the Government ; the Treasury Department and the Armed Forces; our BIG and Totta colleagues who showed a great esprit de corps; all our friends who participated in this operation, as well as the national and foreign media that covered it.

I will not end without paying homage to the helicopter team that braved the bad weather and proved its alertness.

This is also the time and place to pay homage and salute the people of Guinea-Bissau for their spontaneity, civic spirit and sense of great maturity.

Patrice Kouamé, Chairman of the National Commission for the Follow up and Control of Exchange Operation - Press Conference, Bissau, 28 July 1997.

Léopold Sédar Senghor (page 547)

NÔ PINTCHA

Semanário de Informação Geral

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OPERAÇÕES DE TROCA
DAS MOEDAS INICIA A 2 DE MAIO

CRIADOS 27 CENTROS PARA TROCA DE PESO POR CFA

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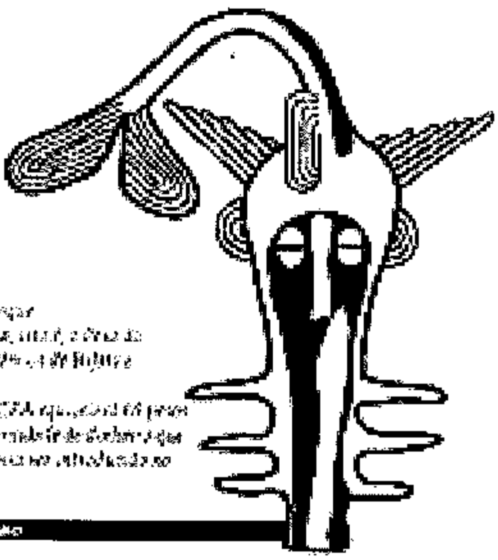


Semanario de Informaçao Geral

List of BCEAO staff members who participated in the monetary conversion operation in Guinea-Bissau

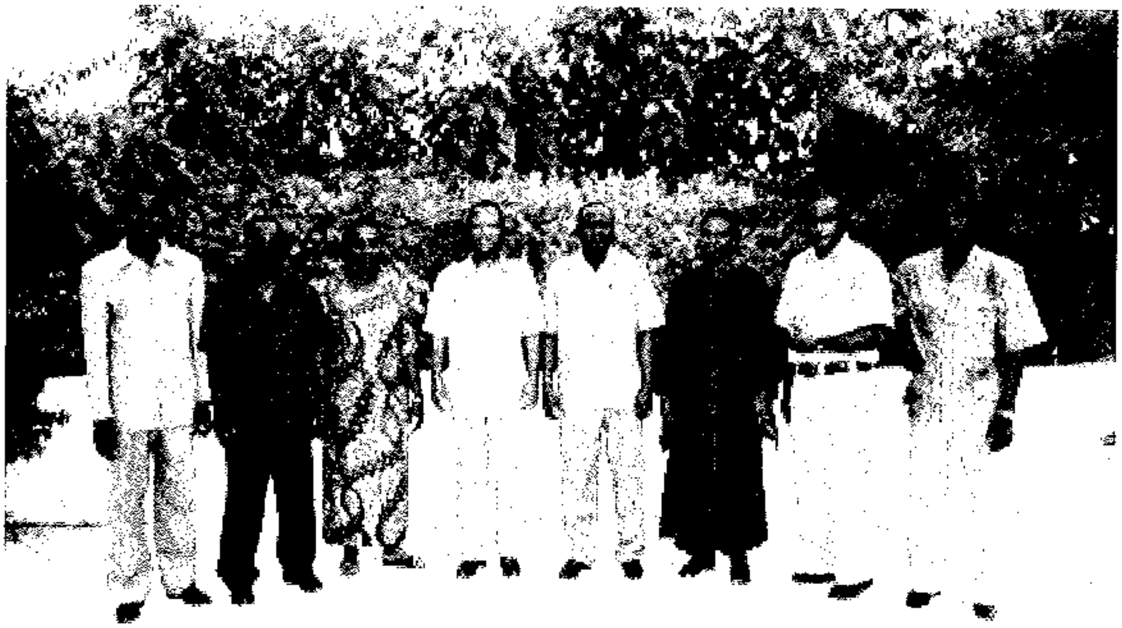
1 - Working staff members

Mr. Patrice Kouamé
Mr. Amadou Bachir
Mr. Konan Kouakou Bouadoumou
Mr. Sani Tanimoune
Mr. Amara Ouattara
Mr. Idrissa Simporé
Mr. Souley Sallé
Mr. René Kouakou
Mr. Charles Compaoré
Mr. Ndongo Lam
Mr. Younoussi Maiga
Mr. Antoine Kadjo
Mr. Jariri Garba Konaté
Mr. Sylvain Rouamba
Mr. Samcedine Badji
Mrs. Adama Diao Sy
Mrs. Corinne Sow
Miss Yaye Sadio Guindo

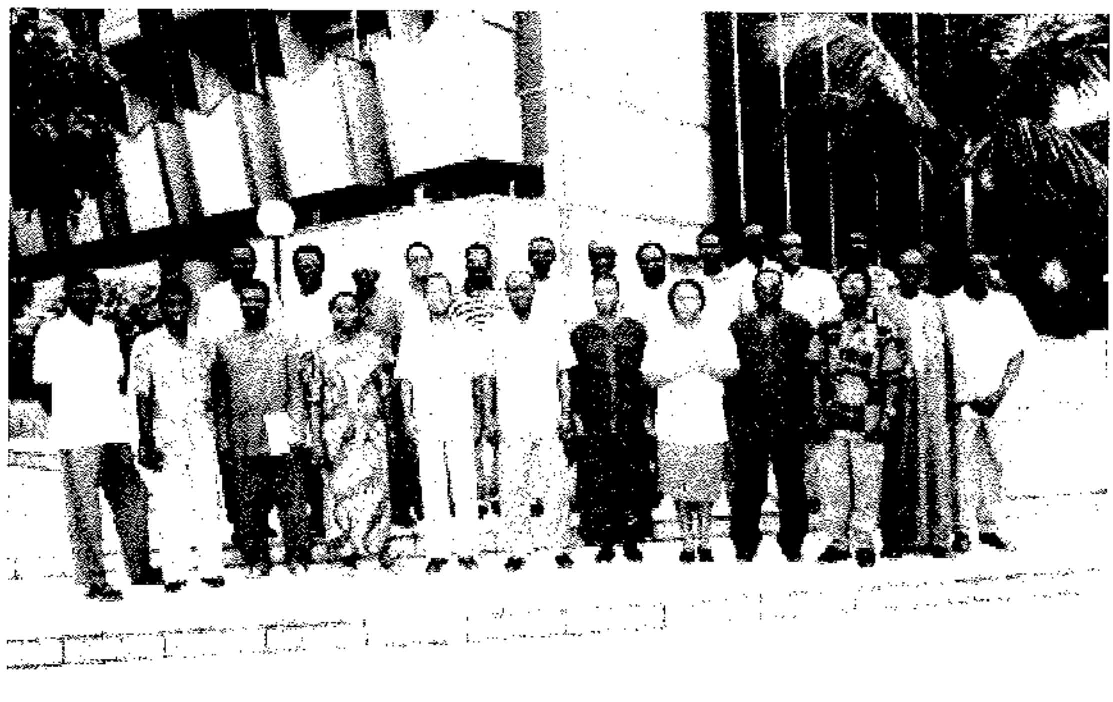
2 - Retired staff members[161]

Mr. Edouard Kakou Bi
Mr. Momar Diack Ndaw
Mr. Achille Brun
Mr. Serigne Diop
Mr. Thomas Agbohoui
Mr. Doudou Sine
Mr. Souleymane Ly
Mr. Sébastien Ogoussan
Mr. Siméon Béré
Mr. François Lefranc
Mr. Jean Baptiste Ndiaye
Mr. Assane Dia
Mrs. Pauline Diatta
Mrs. Augustine Mendy
Mrs. Aminata Lèye
Mrs. Maguette Seye Ndiaye
Mrs. Aminata Faye.

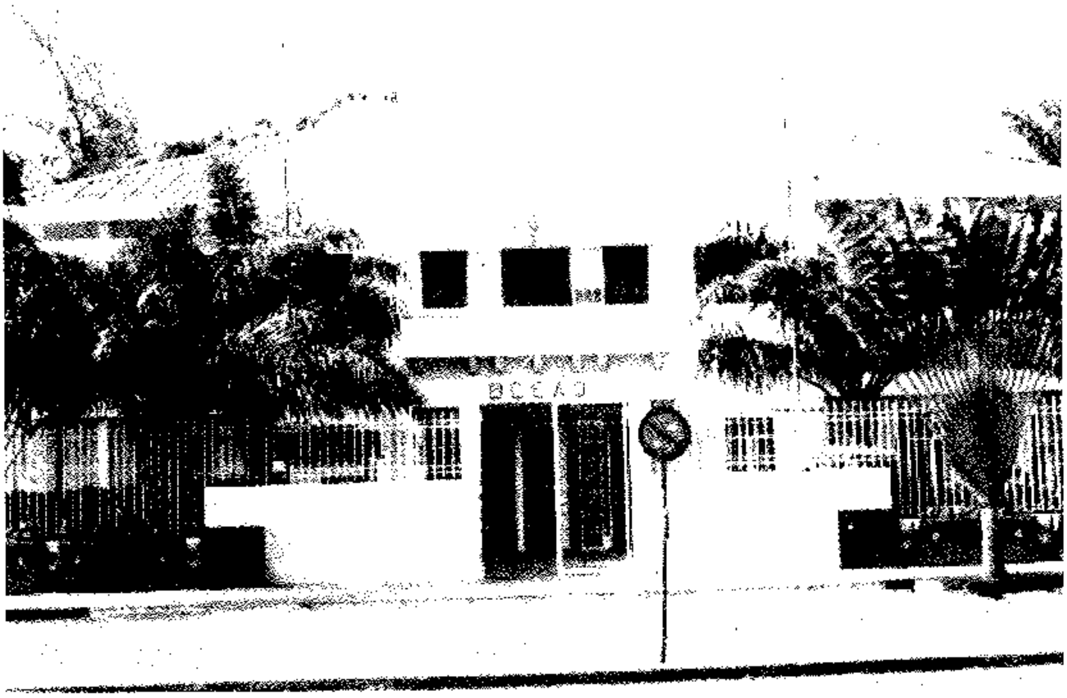
[161] Recalled for the operation.



The members of the monetary exchange operation mission in Guinea Bissau
From left to right : Mr. Sani Tanimoune, Mr. Konan Kouakou Bouadoumou, Mrs. Adama Diao Sy, Mr. Patrice Kouamé, Mr. Amadou Bachir, Miss. Yaye Sadio Guindo, Mr. Achille Brun, Mr. Edouard Kacou Bi



The members of the technical supervision commission



Building of BCEAO's National Management Office in Guinea Bissau

CHAPTER 9

WAMU AND THE ECONOMIC CRISIS IN THE 80s AND 90s

In contrast to the prosperity of the sixties, the international environment witnessed a tremendous transformation in the seventies and the eighties and drew into its movement WAMU countries.

Section I - The evolution of the international economic situation since 1973

The economic situation was marked by a crisis which had its origin in the prosperity of the previous decade, the calling into question of the macroeconomic keynesian policies predominant during the period of reconstruction, and the pre-eminence of neo-liberal policies.

I- The crisis and its causes

A – The manifestations of the crisis

The uninterrupted growth of the post-war period continued up to the beginning of the 70s. Indeed, in 1972 and 1973 the rate of growth in the OECD countries continued to be higher than 5%.

The break came in 1974 with a drop in the GDP of the United States, Japan and the United Kingdom.

This trend was confirmed in 1975 in the United States, Germany, France, United Kingdom and Italy ; on the whole, the group of the OECD countries recorded a drop of 1% in its GDP as compared to 1974, while the volume of international trade regressed by 5%.

At the same time, there was a simultaneous increase of inflation and unemployment, a generalized floating of currency with the end of the Bretton Woods system and instability in the price of raw materials, notably petrol.

B - The causes

In fact, the germs of this crisis, dormant during the preceding period, were accentuated during the seventies.

One had actually witnessed, the degradation of the major economic indicators in developed countries since 1965, and this became more pronounced in 1968 : a drop in productivity, the simultaneous manifestation of inflation, the slowing down of the growth process, and the increase in unemployment.

A decline of productivity, an essential factor of growth, could be explained by the technical limitations that resulted from a shift towards assembly-line production and compartmentalization of tasks, along with a period of social rejection marked by a rise of absenteeism.

Moreover, the services sector, which had begun to play a more and more important role in economic activity, weighed negatively on average economic productivity owing to its low level of modernization.

The growth was stimulated by credit policies that were a source of increasing modes of payment for investment financing, consumption, and at times unproductive public expenses.

The increase in the money supply, which was its outcome, further fed inflation. All industrialized nations except for the Federal Republic of Germany got used to a chronic inflation rate of 5% per annum.

The existence of "frictional" unemployment of 2 to 3% of the working population reflected the mobility of workers.

The apparent evolution of inflation and unemployment in the opposite direction, according to Philip's curve, encouraged expansionary monetary policies.

After 1965, the injection into the international market of an increasing number of dollars issued to cover External American deficits accentuated inflation to the extent of undermining the base of the international monetary system. (Cf. Volume I, Preliminary Chap.).

"The two devaluations of the dollar, mode of payment for 2/3 of international trade (notably petrol), are not foreign to the decision of importers to revalue the depressed / low price of their products at a time when the inflationary overheating of the years 1972-73 definitely pushed the demand for essential products to a very high level"[162].

Actually grouped together since 1960 under OPEC[163], the principal exporters of petrol wished to curb the decline in their income, the price of petrol having undergone a drop of 40% as compared to industrial products between 1949 and 1970.

They announced major changes in the petroleum market at the conference of Caracas in 1970 and especially at that of Tehran in 1971 by deciding to take charge of fixing the price of crude oil, increased there and then by 20% and to fix at 55% their shares of profits acquired from production.

The Israel-Arab war in October 1973, in which petrol became a weapon, provided OPEC the opportunity to harden its stand. The price of a barrel of crude oil, which had risen from 2 US Dollars to 3 US Dollars between 1971 and October 1973, touched 12 Dollars in January 1974, that is, it went up four times in three months. This was the first oil crisis.

This raise accentuated the explosion in prices of raw materials; the demand for these being on the rise in view of the world-wide industrial growth which reached an all time high in 1972-1973. This set in motion a crisis process by accelerating inflation in the oil importing countries (3 more points in the OECD countries) and by bringing about an increase in the oil bill, a reduction in the country's GDP.

[162] Berstein (S.) and Milza (P.), Volume 3, page 337.
[163] Organization of Oil Exporting Countries.

Most of the industrialized nations which had already adopted austerity policies in view of the inflationary overheating of 1972-1973, were constrained in 1972, to reduce their imports of oil which had become too expensive, further diminishing their economic activities which were very dependent on oil supplies.

The outcome was severe recession : production went down, unemployment touched more than 5% of the active population of the OECD countries, inflation was higher than 10%.

The price of raw materials saw two spectacular yet ephemeral rises in 1977 and 1979.

The second oil crisis saw the price per barrel go up to 32 Dollars in end 1980, that is to say it doubled in the course of a year, multiplying the effects of the first. OECD countries plunged back into a crisis ; their growth went down and became negative in 1981 and 1982 ; the volume of international trade stagnated and reduced in 1982 ; inflation once again went beyond 10% in 1980 and 1981, and unemployment surpassed the 30 million job seekers (10% of the active population) in 1982.

This time, neither the socialist countries, mainly for specific reasons, nor the developing countries as a whole could escape the slump.

In 1982, the USSR registered its lowest growth rate since the war: 2%. Brazil, Mexico, Argentina and India had to face a lot of difficulties; South Korea and Taiwan saw their growth rate come down to about 5%, which was half of what it was in the 70s.

Between 1975 and 1980, the debt of developing countries went up from 180 to 626 billion US Dollars, that of the socialist countries went up from 26 to 81 billion US Dollars during the same period.

Unable to meet their financial commitments, Mexico, Argentina, Poland and Brazil requested for and obtained renegotiations of their debts, a reduction against a more rigorous financial management.

The consequences of this "inflationary crisis", in the field of economic management, called into question the Keynesian policies and the adoption of liberal policies inspired by the neo-classic theories.

II – The return to liberal economic policies

The liberal theories supplanted the Keynesian ideas : certain attributed a dominant role to the monetary policies in the macroeconomic management ; all maintained the superiority of the market on interventionist policies.

A – Basically monetary macroeconomic policies

For the most part, macroeconomic policies applied by the capitalist countries during the "glorious thirties" were of Keynesian inspiration, and put emphasis on the regulation of the economic situation, in the short-term, by the intervention of the authorities.

In order to do this, they used the budgetary instrument, notably the increase of expenses - thus very often a deficit - to revitalize activity in case of recession, since the monetary policy was now considered inefficient.

As we have seen, the fact that inflation and unemployment seemed to evolve in the opposite directions as per the Philips curve likely to legitimate these policies, where the search for full employment remained an essential objective.

In other terms, public authorities accepted a certain dosage of inflation in exchange for a lowering of unemployment.

The concomitant development, 1965 onwards, of economic inflation and stagnation, which was expressed by the neologism stagflation, with an increase in unemployment as its consequence, called into question this model of economic management and gave rise to a theoretical problem to the extent that this phenomenon which contradicted the Philips curve was not in appropriateness with the Keynesian theory.

It so happened that at the end of the forties, Milton Friedman, a young professor at the University of Chicago, as reaction against the Keynesians, had undertaken to show on the one hand, the importance of money in the economy by the revival of the classicists' quantitative theory; and on the other the inefficiency of the economic policies.

A lot of other writers associated themselves to this task : Karl Brunner, Alain Meltzer among others. The term "monetarism" was given to this trend of thought which had remained marginal for a long time.

When the phenomenon of stagflation, which could not be explained by the Keynesian theory occurred, it was compatible with the monetarist theory.

From then on, it started to spread its influence in several universities ; it inspired the central banks, as well as political circles and their governmental programs.

In substance, the monetarists affirmed that inflation was essentially of monetary origin, a rate of monetary expansion which was too high in relation to the real growth rate of the economy ; and that the best economic policy of a government, consisted in maintaining a rate of regular monetary expansion compatible with a non inflationary growth.

They also recommended the flexibility of exchange rates, in other words, their determination by the market mechanisms as a natural means of adjustment of the economy, rather than the fixing of parities based on a interventionist approach of macroeconomic management.

The monetarists thus shared with the neo-classic writers, the virtues of market economy as a mode of economic management.

B – The market economy

a – Its foundations

Market economy was one of the answers proposed by economic theory to the essential questioning of the relative efficiency of different economic systems.

The theme appeared in the middle of the 18th century when with the industrial revolution in England began a process of in depth development and transformation of the living conditions in most of the industrialized nations of today.

It was in line with the general movement of rational thinking, which had marked Europe since the Renaissance by founding knowledge on reason. In this manner in the 17th century "natural philosophy", that is "science" undertook studies of laws that governed the universe ; the results in the field of astronomy were impressive, the leading names being Copernicus, Galileo, Kepler, Newton.

The method spread to all domains where mankind wanted to extend its curiosity. It was thus that, very early, the different aspects of human activity destined to satisfy the material needs of man – production, distribution, trade, consumption, etc. – said to be economic activities, became the privileged fields of investigation in view of their close link with the organization and the management of the city.

In order to highlight this link, Antoine de Montchrestien (1615) named the discipline "Economic policy".

In the bubbling of ideas, the mercantilists focused on gold as a symbol of wealth and power, decreeing empirical recipes in order to preserve it or to attract it. (cf. Vol. 1 Preliminary Chap.) ; the physiocrats moved towards an analysis by bringing to the fore "the economic circuit" ; however they believed that agriculture was the sole source of wealth and revenue.

Thus, the history of economic thought accepted Adam Smith with his work "An Inquiry into the Nature and Causes of the Wealth of Nations" published in 1776 as the precursor of an elaborate and systematic procedure in the field of economic reflection.

Based on the knowledge acquired from the English experience in issues pertaining to development, Adam Smith proposed to explain why certain people lived in prosperity and in abundance while others wallowed in misery and poverty.

In substance, he did not consider the key to the wealth of nations, to be an isolated element of the economy such as gold or agriculture, but in an economic system where he summarized the mechanism by the metaphor "invisible hand" ; a process by which the search for individual interest arrived involuntarily at general interest, in other words at collective group enrichment.

In the system described by Adam Smith there appeared three factors the implementation of which according to him would logically lead to the wealth of a nation. These were namely the human, technical and institutional factors.

The human factor was primordial ; it was indeed by his work, that the individual constituted the driving force in the process of creation of wealth.

However, motivation was a determining factor in the behavior of the individual : he would undertake a risk only if he felt that it was in his interest, mainly if he expected to gain from it financially.

As far as the technical factor was concerned, in terms of a detailed description of a pin manufacturing unit, Adam Smith showed that man's work would be efficient only if it was based on work organization which increased productivity, that is, it enabled to produce more goods thanks to the division of labor, the specialization of tasks, the use of machines, etc.

Finally, the individual would undertake work and consequently organize it only if the institutional framework of the economy gave him the liberty to choose and act according to the market laws, without interference from the authorities : "*laissez-faire, laissez-aller*".

If this was done, Adam Smith affirmed that the system would regulate itself whereas any intervention from the authorities would certainly introduce imbalances.

Thus, the role of the State was to see to the proper functioning of the system by guaranteeing mainly the security of contracts.

The model of the ideal economic system thus described - the source of the prosperity of communities - constituted the main line of reflection and analysis by classical and neo-classical writers, who would notably formalize its recommendations and its mechanisms.

b – Its mechanisms

The market, for economic analysis was the meeting place for supply and demand - the supply and demand – of a given product.

The free confrontation between supply and demand resulted in a price, which showed the relative scarcity of that product : the more the supply in relation to the demand, the lower the price and vice versa (cf. Vol. I, Preliminary Chapter).

By incorporating the multitude of markets corresponding to different products, the economic analysis arrived at four market types : the goods and services market, the share market, the money market and the job market.

The mechanisms of supply and demand were similar to the four market types and even the prices got fixed ; they were respectively *the price of goods and services, share prices, the interest rate, the exchange rate for a currency*, a worker's salary.

As for the liberal economic theory by showing the relative scarcity of the traded product, price was the natural adjusting element of the economy and the most objective means of information for the economic actors was the "economic signals" which it sent them.

Also, all intervention from the authorities in the pricing mechanism produced effects that were perverse to the functioning of the economy.

Consequently, the administrative pricing of convenience goods, for example, could lead to the creation of a parallel market, or degradations in the quality of the product offered.

The respect for the law of supply and demand, in different markets would progressively lead the economy to a state of equilibrium and ensure an optimal allocation of resources.

A number of observers of social phenomena did not share the liberal explanation of the functioning of the economy. We have already seen how Keynes, who was not opposed to a market economy, put into evidence its limitations in case of recession or a crisis and recommended an active role by the State if the economic situation so required, mainly in order to provide full employment.

The extreme thesis contrary to a market economy and based on the ideal of social justice in conformity with the thoughts of Karl Marx, was that of a planned economy in which decisions related to production, distribution and consumption were taken by a central organ, in other words, a group of individuals supposed to decide in favor of general interest.

After the October 1917 revolution, this economic system was introduced and experimented in the USSR, and in countries under its allegiance.

The validity of all scientific theories could be established only after the testing of facts. According to Karl Popper, it was in this way that a scientific theory was different from ideology because it could be "falsified", that is to say that it could be contradicted by facts and then replaced by a theory more explicative of these facts.

On the other hand, ideology that claimed to definitely hold the truth shied away from the test of facts.

Understood in this manner, the explicative value of the Keynesian theory, we have seen, waned from the mid 60s with stagflation and the great inflationary crisis ; the policies which drew inspiration from it lost their luster and their relevance.

The systems of planned economy crumbled at the end of the 80s invalidating, therefore, the theory that upheld them.

Thus, the neo-liberal theory today appears to be the leading example of the functioning of economies and subsequently of the nature and the causes of the wealth of nations. It, therefore, constituted the foundation of most of the economic policies.

It was in this context of economic facts, the revival of explicative theories and the subsequent policies, that one had to place the evolution of the economies of the African countries situated to the south of the Sahara, which would also include WAMU countries and the policies which were applied there since the 80s.

Section II- The situation in sub-Saharan Africa and in WAMU countries

I – Sub-Saharan Africa in general

In face of difficult economic perspectives, in September 1979, the African representatives to the World Bank asked for "a special report on the problems of economic development in these countries" and an appropriate program.

The report entitled "Accelerated development in sub-Saharan Africa Action Program" drawn up in August 1981, constituted a reference document in the relationship between the Bretton Woods institutions and the sub-Saharan African countries.

It analyzed the explanation factors of the recent slow economic growth in Africa, the policy changes, advice on programs required for the promotion of faster growth, and concluded with recommendations to the donors.

The proposed action program gave general advice, indicated the priorities but did not take up problems specific to each country.

The report in its introduction specified that it drew its inspiration in a large way from the experiences of the World Bank in Africa, but also from the work done by other multilateral organizations and bilateral agencies of development, as well as the Lagos Plan of Action (1980).

If the latter fixed long-term objectives for Africa, the report "took up short term and medium-term solutions to the economic difficulties in Africa".

Examining the post-colonial period, it analyzed the constraints which plagued the region and slowed down its economic progress : the climatic and geographical factors hostile to development, the rapid growth of population, the under-development of human resources, the fragility of political organization, the predominance of a subsistence economy.

To these "structural" difficulties were added external factors: stagflation in the industrialized nations, the rise in fuel prices, unfavorable rates of exchange, source of increasing deficits of the balance of payments.

The report laid stress on the internal political inadequacies which aggravated the difficulties and slowed down growth of notably the exchange policies and the rate of exchange which had overprotected industry, slowed down agriculture and entailed a lot of expenses at the level of the administration.

Then, in view of its lack of capacity as regards planning, elaboration of decisions and management, the public sector was often overabundant.

Finally, agriculture was often penalized because of price policies, taxes and exchange rates.

In substance, according to the report, *the crisis in Africa was essentially due to a situation where the producers and the economies functioned much below their potential that is to say a situation of under employment.* It was born, before everything, out of the generalized adoption of the price structures and inappropriate and unattractive income from production.

In particular, agricultural producers had been penalized, a situation that was aggravated by the setting up of costly and inefficient commercial circuits.

Fortified by this statement, the report highlighted that a reordering of the priorities was unavoidable if economic growth had to be accelerated in this part of the world.

It noted that in the course of the two decades of the sixties and seventies, the majority of African Governments had concentrated their efforts on the consolidation of the political situation, the setting up of a basic infrastructure and the development of human resources.

A relatively low degree of attention had been given to production. "Now", continued the report *"it was essential to attribute a greater priority to production - without neglecting the other objectives. Without a faster growth rate in production, other objectives could not be achieved, nor the past results upheld".*

Insisting on the fact that "internal deficiencies would continue blocking economic progress as long as new reforms would not be introduced", the report indicated that three measures of economic policies had a central role in all programs oriented towards growth :

- trade policies and more appropriate rates of exchange ;

- a better return from the use of resources in the public sector ;

- an improvement of agricultural policies.

"The exchange policies and the trade policies" the document stressed "were specially of critical importance to the African economies which were exceptionally "open".

"Exports represented a considerable part of commercialized production and imports constituted a significant part of consumption.

Besides this, Africa had more frontiers per square kilometer than any other region and these were extremely pervious. The framework of materialistic incentives created by trade policies and rates of exchange were thus particularly decisive.

For example, as far as agriculture was concerned, the rate of exchange discouraged local production, the agriculturists received less in their local currencies for their export products whilst the cost of imports of food products was reduced.

The situation was similar in the industrial sector. "Over here too, direct controls on trade (bans and import quotas for example), which were generally imposed to help face problems related to the balance of payments, were found to be too costly to be implemented, as they required a lot of trained people, and a bigger administrative structure.

"In addition they were sometimes inefficient".

Long comments were devoted to the countries of the CFA Franc area of issue, which also included WAMU :

The countries of the CFA Franc zone had to face a series of conditions quite different from the ones of the other African countries. Belonging to a common monetary zone, they benefited from relatively free payments amongst members, the pooling of resources and the possibility of registering a deficit financed by the French State through an account with the French Treasury – what one called an "operations account".

They also benefited from the association with a key convertible currency. As a group, the CFA countries seemed to have benefited from the discipline imposed by the necessity of co-ordinating their policies with the partner States.

However, the necessity of co-ordination also imposed constraints on the individual countries : certain policies such as the monetary policy, had to be co-ordinated, whereas others, such as modifications in the exchange rate were no longer available.

This put a greater load on the other policy instruments to maintain the equilibrium between the balance of payments, in particular on budgetary, monetary and wage policies

The tensions of the end 1970s had to a certain extent changed the economic environment in which the Franc Area functioned. There were fewer countries with a surplus and they were many more to look for facilities of an operations account. In addition, the uncontrolled borrowings from abroad through para-state controlled organs threatened the future equilibrium in the interior of the Franc Area because certain countries had accumulated heavy liabilities of debt servicing".

In 1983, the exports from Sub-Saharan Africa had lost half the share of the world market it held in 1970. A second report of the World Bank entitled "*Sub-Saharan Africa Interim report on the perspectives and the development programs*" summed up the situation.

It brought out that the situation in the countries had aggravated over the last two years during the finalizing and the execution of the reform programs, taking into special consideration the degradation of the international economic situation and the deterioration of the terms of trade.

The per capita income had gone down, the budgetary situation and that of the balance of payments had weakened, debt servicing had became crushing in a number of countries, arrears had accumulated and monetary reserves had dwindled away.

Emphasis was placed on the necessity of acquiring external support from donor countries "more because the price of raw materials had registered a tremendous downfall since 1980" and that "all efforts deployed by the African governments to undertake reforms in order to improve their situation in the field of the balance of payments were put in check by the degradation of the terms of trade".

II –WAMU countries

A – Evolution of the situation

Essentially producers of raw materials and outright oil importing countries, WAMU countries, were subjected to the fluctuations of international economy linked to the price evolution of these products.

The rise in the prices of raw materials, after the first oil crisis, notably the two main upsurges of 1977 and 1979, compensated the oil bill and led one to believe in a durable improvement in the trade terms between essential products and industrial products, as well as that of earnings.

Investment programs were followed up, financed often by recourse to external debts in this period of recycling of petrodollars by private and public financial institutions.

Some countries of the Monetary Union achieved a significant average rate of GDP growth between 1970 and 1980 : Côte d'Ivoire (6.8%), Burkina (4.4%) and Togo (4%)[164].

Taking into account the growth rate of the population (3% approximately), the per capita GDP remained positive for this period.

With the second oil crisis, the reduction of activities in the industrialized countries and the subsequent free fall in prices of raw materials, the countries of the zone entered a recession cycle, kept up by the rigidity of structures and policies.

The average rate of growth between 1980 and 1993 was around 2% : Burkina (3.7%), Senegal (2.8%), Benin (2.7%), Mali (1.9%), Togo (0.7%), Côte d'Ivoire (0.1%), Niger (- 0.6%).

[164] World Bank, World Development Report.

Taking into account the average growth rate of the population (3%), the per capita average growth of the GDP was negative during the decade, external trade and budgets were in deficit, internal and external outstanding payments had accumulated, unemployment and poverty had increased. The operations account showed a negative balance in August 1988 before going up at the end of the year with a coverage rate of sight liabilities by gross foreign assets of 16%, lower than the statutory minimum of 20%.

In order to face the crisis, WAMU member States implemented structural adjustment policies and economic reforms, then laid emphasis on budgetary policies and economic integration of the zone.

B – The policies implemented

a - The policies of structural adjustment

Founded on concepts of macroeconomic analysis, they were applied in the framework of programs with the World Bank and the IMF.

1 – Their analytical foundations: the analysis and the macroeconomic policies

Macroeconomics, a branch of economic analysis, which had its origin in the Keynesian theory, characterized itself by a global approach to the functioning of the economy. One reasoned in terms of global investment, national production, global demand, etc. where microeconomics observed the same phenomenon for a given economic agent, an individual, an undertaking…

It proceeded by modeling, that is to say a simplified representation of economic reality on the basis of a hypothesis on the structure and functioning of the economy.

It was thus possible, on the basis of this model, to obtain global data on the economic activity - aggregates – establish links between the data – the analysis – and to act on certain data, if the need arose, to attain the specific objectives – economic policies – of growth, balance of public finances, balance of payments and price stability.

In substance, the dominant model structured society into homogeneous groups of actors – agents or economic units- harnessed to different kinds of economic activities – operations – the behavior dictated essentially by the logic of interest. (Homo œconomicus).

These actors – *households, companies, credit institutions, the State, other countries* – carried out operations relating to production of goods and services, distribution of the product, use of the product, as well as financial operations.

1)- Production

It was the economic activity, which consisted in *creating* goods and services from production factors : work, capital, natural resources.

To produce, the economic unit acquired goods and services that entered in the production process (intermediate consumption, input) and were transformed so as to obtain the product (output).

The difference between the value of the product and the value of the goods consumed to achieve that (intermediate consumption) constituted effective production or added value.

For any given country, the total production or the Gross Domestic Product was equal to the sum of added values from all economic agents.

2)- Distribution

The production once achieved was distributed amongst the members of the community according to an allotment key variable in accordance with the societies.

The distribution procedure changed according to whether society used money or not. In a society without money, the distribution was direct: the *quantity* of goods was allotted to the members of the community.

In a society with money, this was indirect : *a sum of money* was allocated to members of the community who used it to acquire goods and services.

Income was thus that part of production which came back to each member of the community ; it was in kind in case of direct sharing and in cash in the other case – monetary income – and corresponded in accordance to whom it was entitled to, to a *salary*, a *profit*, a *rent*, a *tax*, etc.

The total income collected by the members of the community, the *national income,* corresponded to the total production, the *national production.*

In other words, national income was a counterpart to national production.

3)- Revenue employment

Once an income was collected all members of the community could either consume it fully to satisfy its needs, or use a part of it and preserve the rest for various purposes : to take care of situations unforeseen, increase its production potential for the future by making investments and so on.

Savings was that part of the income which was not consumed (deposited or invested).

Some members of the community, on the other hand, felt the necessity to spend more than their income.

4)- Financial operations

Members of the community having savings in kind or cash were so called agents with financing capacity ; the others were agents in need of financing.

As per different modalities, the latter could borrow from the former either directly in kind notably in a society without a currency or in cash in a society with a currency by the issuing of shares which they proposed as counterparts ; or indirectly through financial intermediaries – banks – in a society with a currency.

The function of intermediaries in this sort of society was to collect resources from the agents with financing capacity to lend them, under their care to agents in need of financing.

In this role of financial intermediation, the principle of communicating vessels was observed in the sense that the global income did not vary ; it remained the counterpart to global production. It was its allocation, which changed with the intervention of banks after the initial distribution.

These establishments, as one had seen, were fit to create money ex-nihilo in fiduciary or representative forms so as to grant credit to the agents in need of financing against remuneration (interest rate)

When they made use of this faculty, they allocated to the agents concerned an additional income, which did not correspond this time to the counterpart of the production.

The notion of inflation both etymologically and intrinsically showed that this injection into the economic circuit of an excess purchasing power without counterpart. The result was that the demand for goods and services was stimulated at that point in face of an unchanged production level.

A prompt response by the production machinery to increase the supply of goods could allow the restoring of a balance between supply and demand.

In case of failure, the inadequacy of supply in relation to demand would be shown by a price rise and/or by an increase in imports, a draining of foreign assets in case of a deficit in the balance of payments and even exhaustion of these assets, devaluation of money, all the phenomena which have a harmful effect on the standard of living of a community.

This outline would explain why, for monetarists, "*Inflation was always and everywhere a monetary phenomenon*" [165].

Therefore, as we have said, the stake and the objective of the economic policy plan, which was the monetary policy, were to ensure the control of money creation so as to guarantee price stability, by diverse means.

5) Other countries

When a community ceased to be self-sufficient, it maintained more or less important relations with other countries by buying (imports) and selling (exports) goods and services.

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[165] Friedman (Milton), *Inflation and Monetary systems.*

The balance of payments was the statistical statement which registered these transactions. It was said to be in excess if the exports and other inflows of capital surpassed imports and other outflows of capital ; in deficit, otherwise.

Also, the resources at the disposal of the community were not only confined to its domestic production but domestic production along with the imports minus the exports.

Each community having its own currency unit, the settlement of transactions between the communities was done by the conversion of currency in the foreign exchange market.

2 – Macroeconomic policy

The model thus allowed to describe the national economic structure and to establish the relationship between different elements notably between the resources and their final use by means of income.

The community resources were made up either only by domestic production (P) or by production (P) and imports (M) if the community bought from abroad, minus exports (X) if it sold abroad.

The resources were thus : P or P + M or P + M - X

The last formula was the most appropriate if one supposed that the community was not self-sufficient but maintained relations with other countries.

These resources distributed amongst the community members constituted the total income or the national income(R) of this community.

$R = P + M - X$

Income was assigned to consumption (C) by means of consumption expenses (budget), State expenses (G) by the intermediary of taxes (T), to investment (I) through savings.

Be $R = P + M - X = C - C' + G - T + I - S$

$R - P = C - C' + G - T + I - S + X - M$

Hence, $T + S + M = G + I + X$

This fundamental identity indicated the macroeconomic conditions of equilibrium of a given community.

$T = G$, balance of public finances

$S = I$, balance between savings and investment

$M = X$, balance of payments equilibrium

To this was also added the monetary equilibrium or the equilibrium of supply and demand of money $Mo = Md$.

It showed that *in fine* the resources of the community (Production and Imports) were used for private consumption (C), in public expenses (G), in investment expenses (I) and in Exports (X).

$P + M = C + G + I + X$ i.e. $P = C + G + I + X - M$.

- Equilibrium in the production sector

The growth of an economy was linked to its investment level (I), which itself was linked to savings (S). The equilibrium condition was met when S=I.

Thus, when the investment in the community corresponded to the amount of savings, the equilibrium conditions were met but the progress of the economy – its growth – depended on the level of these savings. Low savings led to low growth and vice versa.

The efficiency of the financial market and financial intermediation could contribute towards mobilization of savings.

If the investment projects surpassed national savings, the community had to appeal for external savings in the form of aid, loans, and private foreign investments.

It could also be tempted to finance its own investments by money creation that was by inflation. The grave inconveniences of this solution have already been discussed : price rise, a balance of payments deficit and devaluation of money, among others.

Accompanying policies existed to stimulate the production sector : education and training of the population, efficiency of work organization, an institutional framework conducive to initiatives, the realization of infrastructures, costs of factors, etc.

- Equilibrium of public finances

$T = G$

The measures to be taken in this sector in case of budgetary deficit were relative to the growth of receipt (T) and to the reduction of expenses (G).

- Balance of payments equilibrium

$M = X$

The balance of payments was in equilibrium when the external revenues (exports, services, capital inflows) were at par with external expenditures (imports, services, capital outflows).

It showed a surplus if the revenues were higher than the expenditures and in deficit in the opposite case.

In case of surplus, the community held cross-border claims (foreign assets) which constituted means of payment, that it could use to settle its foreign expenditure.

A balance of payments deficit did not necessarily lead to the exhaustion of already accumulated external assets ; it could draw on them initially, then dry them up in case the deficit persisted, following a fundamental imbalance of the economy.

The operations with foreign countries took place by conversion between them of currencies of the communities in relation, as already indicated.

By taking the case of 2 communities A and B having as currency respectively *a* et *b* such that one unit of *a* equaled to one unit of *b* : 1 *a* = 1*b*; moreover, *a* was pegged to a foreign currency (r) by a fixed parity.

A sold fish and B cloth. The price of 1 kg of fish equaled to 100*a* and that of one meter cloth to 100 *b*.

One supposed that following an inflationary policy, a price rise held sway in community A such that a kilo of fish was sold at 150 *a* instead of 100 *a*.

To buy a kilo of fish, the economic operators of B had to pay out 150 *b* instead of 100 *b* paid before.

They would then have a tendency of looking for less expensive suppliers. The economy of A would thus lose its competitiveness and its market share.

In order to restore them, it needed either to reduce its production costs[166] or adjust the currency parity that was to devaluate *a;* which amounted to *reducing the prices* of A's goods in the exchange operation, *increase relatively the prices of B's goods* in *a* terms and thus slow down their purchase from A, in favor of the local production.

In other words, devaluation favored exports and reduced imports by raising prices. The same results could be obtained by reducing costs and accelerating productivity and thus increase in competitiveness.

The situation described would occur if the pegging currency *r* appreciated, drawing *a* in its rise such that one required 1,5 *b* for 1 *a*.

In this situation, overvaluation of *a* was not internal but exogenous.

- Monetary equilibrium

It consisted of equilibrium between supply and desirable demand for money so as to establish price stability.

Also, the objective of the monetary policy was the control of money creation by various measures, in order to ensure this equilibrium and price stability.

These instruments were at the same time quantitative and qualitative as has been illustrated abundantly in the preceding chapters.

3 – Their application

The internal adjustment measures applied at the beginning, in the countries of the Union had been reinforced as and when the crisis accentuated, then completed by the change in parity.

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166 Raw materials, labor, energy, overheads.

1) Internal adjustment measures

They notably concern public finances, the industrial sector and the monetary policy.

- Public finances

It consisted in improving revenues and reducing expenditure.

. Improvement of revenues

The tax system in the countries of the Union was characterized by a multitude of taxes and there existed a large variety the efficiency of which seemed very limited. Moreover, it touched a small number of agents in view of the existence of a considerable informal sector, which showed signs of developing.

The reforms included a harmonization of schedules; their simplification and their extension to the informal sector with a view to broadening the fields of tax imposition.

They also aimed at the generalization of VAT – value added tax.

Reduction of expenses

The wage bill, the agricultural sector were the main affected items.

For manpower equivalent to 0.7% of the population, wages and salaries in the civil services went up from 7.8% of WAMU GDP in 1980 to 9.1% in 1992 representing respectively 45% to 60.4% of tax revenues.

The *reduction of the wage bill* intended at making a budgetary saving notably aimed at financing expenditure related to health and education, for the settlement of outstanding payments, reducing the tax load and consequently, the lowering of production costs and the improvement of the competitiveness of economies.

As far as the agricultural sector was concerned, the objective was to realize equilibrium of production with marketing. This led to the introduction of the *flexibility of prices to the producers* in ratio to the evolution of prices in the foreign markets.

Measures were applied to handle internal debt: taking stock, evaluation, compensation of crossed debts between the State and private creditors, collection of outstanding bank debts, etc.

- Industrial sector

On account of the opening up of WAMU economies to the outside world and the convertibility of the CFA Franc, the industrial sector was subjected to the effects of import liberalization. Its competitiveness was harmed and it lost its market shares.

The improvement of the situation required a restructuring of the branches concealing expansion potentials, the lowering of factor costs – labor, water, electricity, telephone, etc. - tax cuts, a greater flexibility of the job market.

- Reform of the monetary policy

Faced with the crisis, a redefining of the objectives of the monetary policy and the adaptation of its instruments became necessary.

It was in this manner that on the occasion of the 25th anniversary of WAMU, in the form of a symposium, BCEAO invited bankers, academics, and international institutions, from 19 to 21 October 1987, at a thought provoking session at its headquarters in Dakar on the theme : "The monetary union faced with the challenges of development financing and economic integration".

A total of 105 participants were present.

The discussions covered three topics :

- The experience of a common monetary policy (BCEAO Experience; Experience of the Eastern Caribbean Central Bank).

- Money and development financing (Growth – development and domestic financing ; Growth – development and external financing : constraints of mobilization of external resources ; Gross oriented adjustment models – development and adapted to developing economies).

- From the Monetary Union to economic integration (Theoretical aspects ; Experiences and lessons to be derived).

As the crisis became more pronounced, a second symposium on "The restructuring of the monetary policy instruments and BCEAO rules of intervention" was organized from the 11 to 13 May 1989 in Yamoussoukro in Côte d'Ivoire.

Three themes were taken up :

- Restructuring of WAMU monetary policy instruments (Renovation of quantitative means of control of money and credit in the Union ; Research of means of qualitative control and sector-wise orientation of credit ; Composite instruments of monetary policy).

- Restructuring of BCEAO rules of intervention (Intervention procedures ; Eligibility rules; Rules of monetary financing of agricultural marketing).

- Promotion of savings within WAMU (Emergence of financial markets, Development of new financial instruments, Promotion of mutual-benefit institutions of savings-credit).

- Strengthening of the organization and the control of banking activities within WAMU (Modification of banking regulations and organization of the banking profession ; Strengthening of prudential ratios and protection of depositors ; Development of banking organization and supervision).

All these reflections led to three conclusions :

. The necessity of a reduction in the share of central bank money in the financing of economies to benefit domestic savings whose mobilization had to be encouraged ;

. The harmonization of the rules of monetary management with the organization of economic activity and international environment ;

. The searches for flexible mechanisms of monetary regulation while strengthening bank supervision.

BCEAO Board of Directors and the Council of Ministers of the Union, assembled in an extraordinary session on 31 July 1989 and 1 August 1989 in Lomé, approved these conclusions.

In the course of their meetings on 18 and 19 September, they adopted new directives of general policies of money and credit, as well as rules of intervention of the restructured Central Bank.

According to the new directives, the objective of the reform was "to contribute to the adjustment and restructuring process of the State economies, by creating appropriate conditions for ensuring sound and durable financing of growth and development. In this perspective, the quantitative and qualitative controls of credit, the policies of interest rates and an efficient supervision of the banking system, assumed a specific interest".

For the control of the global liquidity of economies, the emphasis was placed on fixing objectives of minimum foreign assets required for satisfactory money coverage.

The recourse to credit tightening was maintained during a transitory period and extended to seasonal credit as well as to bank credits to the State.

The system of prior authorization remained in force during the transitory period ; the Central Bank examined the requests on the basis of financial criteria only and dropped "the interventionist policy of sector-based orientation of bank credits".

As regards the policy of interest rate and the promotion of savings, the new package foresaw a dynamic and flexible policy.

Three rates were fixed by the Central Bank on 2 October 1989 :

- money market rate,

- discount rate, higher than the money market rate,

- special rate indexed on the daily rate of advances in the money market for support to the States as foreseen in the statutes of the Issuing House.

The preferential discount rate instituted in 1975 was eliminated. It was criticized for introducing "distortions in the optimal allocation of available resources and of inciting the banks to take recourse, in a sustained manner, to high-powered money ".

The new banking conditions were based on a simplified structure. For *debit conditions*, only, a ceiling cap, which concerned all categories of credit, was fixed. The *credit conditions* were in accordance with the term of deposits, the objective being to favor investments with the longest terms and consolidate savings.

In order to increase financial flows towards the issuing area and accelerate the repatriation of export revenues, transfer commissions were eliminated at the entry and exit.

The money market was stimulated again: the integral recycling of resources was organized before any kind of intervention of central bank money. Inter-bank borrowings were set up freely under reservation of informing the Central Bank about it *a posteriori*.

The strengthening of the organization and control of banking activities led to fundamental textual modifications with the creation of a Banking Commission at the level of WAMU.

Box 9.1

The WAMU Banking Commission

The Banking Commission is an organ of WAMU in charge of the control of credit institutions and the application of sanctions in case of violation of banking regulations.

Composition

The Banking Commission consisted of :

BCEAO Governor, Chairman ;

Ex-officio members, one representative per country would participate in the management of the Central Bank ;

Members nominated as intuitu personae by WAMU Council of Ministers, in view of their competence in banking matters, on the recommendation of the Governor of the Central Bank.

Operations

Functioning

The Banking Commission was to assemble as often as necessary and at least twice a year, on being convened by its President, either on the latter's initiative, or on the request of one-third of its members. The decisions were to be taken by a majority of the members voting ; in case of an equal number of votes, the President's vote would be the casting vote. The Central Bank would stand security for the Secretariat and the Banking Commission and take charge of its operating expenses.

Assignments

Attributions

The Banking Commission was to take control of the market and documents of credit institutions. To attain this goal, it required and received all information from the credit institutions and had widespread powers of investigation. Professional secrecy was not opposable to it.

It could send a warning or an injunction to the credit institutions in case of violation of good conduct rules, improper management or an imbalance of their financial situation.

In case of breach of banking regulations, the Banking Commission would initiate disciplinary measures : warnings, reprimands suspension of certain operations, suspension or resignation of managers, withdrawal of agreements.

As per the other assignments, the Banking Commission would :

- Propose the appointment of a provisional administrator or a liquidator to the credit institutions ;
- Approve the appointment of auditors of credit institutions ;
- Give its true (notably in case of agreements) or simple opinion in the cases laid down by Banking law.

As regards intervention rules, the restructuring brought about aimed at two objectives :

. the strengthening of the portfolio quality of the Central Bank in order to improve the coverage of currency issuing ;

. the control of financial assistance given by the Central Bank to Public Treasuries as well as that given as seasonal credit.

Thus, the emphasis was on the fact that the assistance provided by the Central Bank was to be considered as *secondary resources* aimed at covering the economic and temporary needs of the Treasury.

Talking about credit institutions, the Central Bank rules of eligibility for credit towards refinancing specified that the requirements had to be sound, the assistance towards refinancing had to be made up of bills or securities guaranteed by two generally solvent signatories : that of the bank and a beneficiary of the bank credit.

The period for short-term and medium-term mobilizable credits remained fixed at 2 years and 2 to 10 years respectively.

In order to encourage investment financing, long-term credits with not more than 15 years to run could be obtained from central bank.

The *mobilizable part* of all credits, whatever their term, was raised to 90% of the amount of actual outstanding debts. *The maximum quota of refinancing* in favor of each credit establishment was maintained at 35% of application of funds ; in order to calculate this ratio, the overall debts due from the concerned establishment to the Central Bank, including seasonal credits and assistance for local money market and credits endorsed by the State were included.

The credits earmarked for the marketing of local agricultural products would, henceforth, be subjected to the same conditions of financing as ordinary credits : rate conditions, mobilizable quota and maximal refinancing quota and ceiling.

The *financing schedule* placed the emphasis on the need to allocate seasonal credits exclusively to cover sound needs of marketing and ensure a normal settlement of credits.

Special attention had to be given to the verification of real counterparts according to different phases of marketing: primary purchases, stocking and exports.

As to the monetary financing of National Treasuries, because of pressures it exerted on currency, which could lead to unwanted repercussions on the balance of payments and a reduction of possibilities of access by the banks to the refinancing of the central bank – crowding out effect –, three main measures were adopted :

. indexing the rates applicable to this assistance on the conditions of the money market, the objective being to incite States to increasingly take recourse to the mobilization of financial resources, in preference to monetary facilities ;

. limiting the use of assistance to the Treasury in accordance with other available sources of financing State operations, all the while restricting it within the statutory ceiling fixed on the basis of the latest ascertained national tax revenues ;

. consolidating the co-ordination of budgetary and monetary policies, "thanks to the institution of a permanent and close dialogue between the managers of these policies and in a general manner to the gradual co-ordination of the overall economic policies of the member States".

These measures entered into force on 2 October 1989, with a transitory period set aside to enable economic actors to acquaint themselves with the latest.

For various reasons, internal adjustment measures – application difficulties taking into consideration the social difficulties, lack of exhaustiveness, slackness in handling, marked increase in the degradation of exchange terms – could not stop the crisis and its recessive effects on the economies of WAMU.

The issuing area being faced with a fundamental imbalance, the question about the limits of this mode of adjustment and the necessity to proceed to currency devaluation was brought up, notably by the institutions of Bretton Woods in the framework of the programs with the countries concerned.

2) Measure of parity adjustment

The decision was preceded by numerous long interrogations, which lay within the scope of the devaluation operation, complicated by the existence of a currency common to several countries.

- Problematic of parity adjustment in the monetary zone

A decision regarding the modification of parity was based on the relevance of the solutions concerning three problems constantly in the forefront : psychological and technical problems and the discounted results of the operation.

. Psychological problems

When in the past, paper money was made up of gold or silver coins of a given weight and content, the Princes made use of devaluation to tide over economic difficulties, notably to bail out the Treasury.

In order to do this, they used to "clip" the coins, that is they reduced their content of precious metal to make more and thus, they could artificially increase their resources and acquire the same goods with less gold or silver.

These manipulations, which were tantamount to an abuse of Power, have always been seen badly by the public that associated them to State bankruptcy.

Thus, economic history has shown that in view of the social costs and its psychological impact, the governments often only took recourse to devaluation as an extreme step when pushed to the brink and when they did not have any other choice.

The problem was even more complicated when the currency in question happened to be the common asset of several States existing, admittedly in a monetary union or co-operation, but without forming a coherent political unit and each one consequently having its own economic, social and political preoccupations at a given time.

In this case, the operation concerned the seven WAMU countries and the six in BEAC[167].

What was more, the CFA Franc had not undergone any proper devaluation since 1946 (cf. Volume 1, Chapter 3).

. Technical problems

The choice of an appropriate indicator for the measure of overvaluation on the one hand, the level of overvaluation in each State of the area on the other hand, and finally the modalities of devaluation was an arduous problem.

It consisted in determining variation in real terms of value of money in the area in relation to foreign currencies and principally the currencies of countries with which external trade took place.

Several techniques existed :

* The calculation of the evolution of the *real effective rate of exchange* index as a measurement of *global competitiveness of the economy*.

Expressed as the measured value in foreign currency of a monetary unit of the area, an increase of this index showed an appreciation of money in the area and thus, a loss of competitiveness ; a decrease signified depreciation and consequently, a gain in competitiveness .

The calculations carried out for WAMU countries in 1993 in comparison with the situation in 1985 indicated an overvaluation and thus, a loss of competitiveness of about :

33%, for Benin

10%, Burkina

42%, Côte d'Ivoire

25%, Mali

7%, Niger

19%, Senegal

18%,Togo.

An average of 30% for the overall Union, by weighing the data per country by that of external trade.

[167] Cameroon, Central Africa, Congo, Gabon, Chad, Equatorial Guinea.

* *The effective real exchange rate* adjusted to the evolution of exchange terms ;

* *The equilibrium exchange rate*, that is to say the nominal and real modification of the exchange rate necessary for establishing in the medium-term an internal and external equilibrium sustainable, at satisfactory levels of activity and effective protection.

* *The legal rates of dues and taxes on imports* gave an indication of the importance of protection needs of the local industries.

* *The elasticity of the balance of payments*, this technique took into account the implications of the objectives aimed at: growth rate, current balance, certain measures of economic policies and the effect of foreseeable external shocks.

The calculations carried out by the World Bank according to this method gave the following results :

Benin 24%

Burkina 25%

Côte d'Ivoire 60%

Mali 20%

Niger 40%

Senegal 44%

Togo 22%

Each of the methods presented had its limitations. Thus, it was practical to compare the results obtained by applying several amongst them.

The choice of a devaluation rate.

The other technical problem was the choice of a nominal appropriate devaluation rate. This was a function of the objectives of real depreciation of the exchange rate and the other objectives of economic policy - bearable price rise, acceptable salary increases, etc. It was also a function of the system of exchange rates – *constant or flexible* exchange rate - either of them could imply a different initial devaluation rate ; and the objective assigned to the exchange rate : to mainly favor external *competitiveness* of the economy or constitute principally an efficient anchorage point for *monetary stability*.

A strong devaluation was necessary to maintain the constant of the new parity ; a weaker devaluation sufficed in a system of fixed but adjustable exchange rate. One could also opt for the *floating of an exchange rate* which would, henceforth, be fixed by market mechanisms ; it was finally possible to organize a monetary co-operation according to the formula of the European Monetary System. (cf. Volume 1, Preliminary Chapter).

The first option implied a considerable devaluation carried out only once. It retained the traditional system of pegging the currency to the French franc, to keep in check the constraints of monetary discipline and the *status quo*. Adjustments to new external shocks in this case would rest only on internal adjustment measures, notably the tax policy and the commercial and tariff policies.

In consequence, this option did not offer any alternative other than the recourse to internal measures if devaluation was not successful or if it proved to be inadequate.

The option of a fixed but adjustable exchange rate enabled *the spreading out over time of the effort of adjustment and made this more bearable.*

Consequently, it did not require a substantial initial devaluation and made it possible to face ultimate external shocks, by periodical adjustments of the exchange rate.

As inconvenience, it presented *risks of loss of discipline in the monetary and budgetary policy* if appropriate measures were not taken. For WAMU, these risks were lowered by different measures, which existed in the constituent texts : - Treaty, statutes and co-operation agreement. – and the measures in progress with a view to ensuring the convergence of economic policies and reinforcing the budgetary discipline within the area.

The option of the European Monetary System would be a setback for the Union in comparison with the Monetary Union.

If one had to resort to devaluation, the scenario corresponding to the first option would appear to be the most appropriate for BCEAO services.

The primary objective after devaluation, they indicated, was to maintain the credibility of the system. This could be done all the more because the new system would not disorient the operators and would not lead to creeping inflation. Thus, in the first option it was only the parity of the CFA Franc that changed, the rest of the mechanism remaining intact.

In addition, this scenario of a high rate of devaluation offered to the countries having a lower rate of overvaluation, a greater margin of adjustment maneuver with other instruments, notably wage and fiscal policies.

It compelled countries having a high level of overvaluation to take recourse to other instruments in order to adjust.

The nominal rate of devaluation of 100% retained as hypothesis by the Bretton Woods institutions in the framework of this scenario came within the scope of this logic, the impact of such an adjustment on inflation being estimated at 30%.

. Anticipated results

Devaluation could be justified only if it showed a clear advantage over the inconveniences it provoked.

* Advantages

As regards external trade, devaluation, we have seen, by reducing the prices of goods and local services favored their exports ; at the same time, the price of goods and foreign services became relatively more expensive and were, thus, imported in less quantities in favor of local production.

Thus, the local economy became competitive. There resulted an improvement in the balance of payments.

As regards public finance, an improvement in budgetary receipts in local currency was awaited.

As regards employment, it was expected that an improvement as a consequence of revival of production under the effect of external demand for local products would take place.

Finally, for capital, an improvement in earnings was also expected, in view of the repatriation of savings of residents who had momentarily left the area.

The *economic theory pointed out that the effects of devaluation on foreign trade, in particular, came into play fully only as function of the economic structure and local production.*

Hence, the skepticism of certain writers as regards the efficiency of devaluation in under developed countries, producers of raw materials. (cf.Vol.1 Chapter 3).

Faced with this challenge, other inconveniences, which were certain, appeared.

* Inconveniences

The major inconvenience of devaluation was inflation and its impact, in particular, on the weakest social classes. It was essentially imported following the rise in the prices of imported capital and consumer goods.

Thus, the success of the operation surmised a limitation in wage and income compensations, since the objective pursued was reduction in the purchasing power of economic agents through this operation.

A galloping inflation could lead to a loss of confidence in the currency, feeding anticipations of other devaluations and flights of capital.

Moreover, one should expect an increase of external debt – service and liabilities.

A political risk existed, that was the weakening of the links of solidarity which united WAMU countries and those of the franc area.

Finally, devaluation did not replace the other means of adjustment, they had to remain and be reinforced.

This accompanying program consisted of structural reforms, budgetary measures, a rigorous monetary and credit policy and financial support of partners, etc.

All these psychological, technical and political reasons explained why the countries concerned had hesitated and resisted for years before taking the decision of devaluation under pressure from the Bretton Woods Institutions and the major partners in development who had ended by subordinating their participation to the conclusion of a program with the IMF and the World Bank, one of the conditionalities being devaluation.

- The devaluation decision of 11 January 1994

On Tuesday 11 January, the Heads of State of the African countries of the franc area and a representative of the Head of State of the Comoros, assembled in Dakar in the Presence of the French Minister of Co-operation, Michel Roussin, the Director General of IMF, Mr. Michel Camdessus, the Director of the French Treasury, Mr. Christian Noyer, BCEAO Governor, Mr. Charles Konan Banny, BEAC Governor, Mr. Mamalepot and the General Manager of the Central Bank of Comoros, decided to fix the new parity of the CFA Franc at I French Franc = 100 CFA Francs, i.e. a nominal devaluation rate of 100%.

WAMU Ministers of Finance assembled to formalize the decision; in conformity with the statutory provisions in force, the modification of the parity was within the competence of the Council of Ministers.

b - The policies of economic reforms

1 – Objectives and measures

Generally speaking, the measures aimed at restoring the internal and external financial viability by the year 1997, a durable growth and the competitiveness of economies.

Taking as example the case of Burkina, the program had already decided to carry the real growth rate of the GDP of at least 3% in 1994 to about 5.3% in 1995 ; to restrict the rate of inflation at 31% in 1994 and at about 8% in 1995, and reduce the current external deficit – apart from official transfers- from 21.5% of the GDP in 1994 to 13% in 1995, and the deficit of State financial operations from 2% of the GDP in 1994 to 1.5% in 1995.

Other than the measures related to public finances already under way - tax reforms, simplification of tax rates, improvement in the collection of receipts, institution of a single tax for VAT at 15% - structural reforms were implemented so as to attain the desired objectives.

Thus, the emphasis was placed on the reduction of the direct participation of the State in production and trading activities ; the acceleration of the restructuring of the banking system, the improvement in regulations and taxation aspects of the activity, the revision of labor regulations so as to allow greater flexibility ; the revision of procedures for the advancement of the agents of the State ; the revision of the mining code, the raising of prices to the producers so as to stimulate agricultural production ; and the liberalization of prices.

Furthermore, the functioning of the Debt Collecting Office in Burkina needed improvement ; a calendar for the liberalization of the distribution of rice and sugar was to be drawn up and implemented.

To minimize the inconvenience of devaluation on the public, measures called "social net" were taken : the blocking of prices of certain convenience goods at the level before the modification of parity ; the modulation of the increase in rice prices on the basis of world prices ; the spreading out of the foreseeable rise in price of essential consumer products, such as petrol, generic medicines and school stationery over a period of 6 to 12 months ; the moderation in the rise of public tariffs of water, electricity and telephones for small users.

Moreover, the program foresaw the development of health services, basic education, training of the unemployed, and intensification of public works with high labor intensity.

The support that the international community brought to this policy of economic reforms was estimated at 120.2 billion CFA F in 1994 and 91.6 in 1995.

During the first year, the main contribution was to come from the World Bank (53 billion), the European Union (20.3 billion), the IMF (14.9 billion) and France (14 billion).

In the second year, assistance by the World Bank (30.6 billion), the European Union (20.4 billion), France (14 billion), the IMF (13.7 billion), and the Netherlands (6.2 billion) was ensured.

2 – The results obtained

The rate of growth of GDP in Burkina in 1994 happened to be at 1% against a target of 3% and at 5.4% in 1995 against a target of 5.3%. Inflation went up again to 29% in 1994, which was below what had been anticipated (31%). In 1995, it was 3.9% against the level of 8% laid down in the program.

The deficit of the State financial operations represented 4.5% of GDP in 1994, a slight improvement over the objective fixed and 1.7% in 1995 in conformity with the programs.

The current external deficit, added to GDP, was 14% in 1994 against an indicator of 21.5%, and 13% in 1995 in conformity with the estimates.

As far as public finances were concerned, the situation of the State financial operations clearly improved with an increase of receipts and the moderation of expenditure. In 1994, the objective of 113.9 billion was attained, in 1995, the receipts went up to 126 billion against an estimated 127 billion.

As for expenses, their control was reinforced, the reason being a moderate wage policy – an increase of 6 to 10% in the civil service salaries starting from 1st April 1994, and a maximum increase of 10% in the private sector - ; expenditure lower than projected at the level of restructuring operations.

In 1994, the realizations matched the target of 269 billion. In 1995, they were at 244.9 billion against an estimated 240.6 billion. The reimbursement of outstanding payments matched the targets of 1994 and had attained a clearly more significant volume than what was fixed for 1995. During this last year, they were fixed at 16.5 billion for outstanding domestic payments and 1.4 billion for outstanding external payments against targets respectively fixed at 14.7 billion and 0.5 billion.

On the other hand, the investment expenses, notably that of modernization, maintenance of infrastructure and social services did not attain the levels fixed.

For structural reforms, with the setting up of the *National Commission for Privatization*, the program for the disengagement of the State was accelerated. In 1995, the privatization of two companies in the oil and the transport sector brought the number of privatized companies to 14 out of the 40 concerned.

The job market was liberalized in 1994 ; in order to stimulate production and exports, the cotton producer price was increased ; a subsidy of 3 billion was paid to reduce the cost of agricultural inputs ; a development project for the production of almonds and shea butter was implemented ; a set of 210 tractors was handed over to producers organized in groups, with a view to promoting an intensive and modern agriculture.

Furthermore, a project targeting the promotion of 500 SMEs on a non-reimbursable amount of 6.8 billion from EDF[168] was launched. The loans were given on concessional terms to entrepreneurs who were into the promotion of the agro-pastoral and food-processing sector or into other activities, which were likely to increase the trade balance.

Moreover, a new code of investments was adopted, it foresaw seven privileged systems, instead of the three in the previous, and special advantages for investors who were willing to settle outside the principal urban areas.

Private initiative was encouraged by the promotion of competitive markets ; in 1995, rice imports were partially liberalized and the suppression of the Degressive Protection Tax was envisaged.

The execution of the banking system restructuring program was slowed down by difficulties linked to mobilization of external resources and the search for technical partners.

In the social field, the Government put into place finances amounting to 3.7 billion for an annual target of 4 billion. These funds were dedicated to support the prices of essential commodities, notably petrol, generic medicines and school stationery.

[168] European Fund for Development.

These resources were also allocated for the development of primary health services, basic education and an intensification of programs for the maintenance and construction of roads.

In support of its policy of economic reforms, Burkina received an assistance of 82.8 billion as against 120.3 million fixed earlier from the international financial community : multilateral financial institutions 57.9 billion of which 42.9 billion from the IMF and the World Bank; bilateral aid, including that of France to the tune of 14 billion.

The discrepancy between estimates and realizations was due to the fact that the World Bank did not disburse some of its assistance, since certain conditionalities had not been met.

In 1995, 73.4 billion of external resources had been mobilized as against an estimate of 91.6 billion : World Bank 21.6 billion, European Union 14.9 billion. France 14 billion, IMF 13.3 billion, Netherlands 6.1 billion.

c - Monetary Policy

1 – Targets

The fight against inflation as a result of devaluation became the major objective of the monetary policy. This implied a rigorous control of money creation and the liquidity of the economies in the issuing area.

It so happened that following devaluation, from a period of shortage one went to one of an abundance of liquidities, the reason being the inflow of resources.

Their ill-considered use, specially by an expansionary credit policy, posed the risk of exacerbating inflation thus drastically cutting the people's purchasing power and bringing about perverse effects after devaluation.

Furthermore, they fed foreign investments and thus weighed negatively on the official foreign assets of the Monetary Union.

Under these conditions, the monetary policy had to apply itself to resolving the overliquidity of the banking system.

In the spirit of the 1989 reform, it marked a decisive stage by renouncing the interventionist and administrative methods so as to take recourse to market techniques, that is applying the law of supply and demand.

Several instruments were used towards this end.

2 – The instruments

1) Interest rate

The *rate of interest* was the *principal instrument.* The different rates were increased : the rate of repurchase went up to 12.75%, the discount rate to 14.50% i.e. an increase of 4 points in each case on 17 and 18 January 1994 respectively ; the regulated rates applicable to savings accounts and passbooks were raised from 4.5% to 8%.

The rate of the money market, as a result of market forces, became fixed at 9.25% on 31 January 1994 against 7.50 % before devaluation. In the interbank market, as of end January 1994, the rates varied between 8.19% and 12%.

The conditions applicable by the banks to their clientele were free, subject to the respect of the usury rate fixed at double the discount rate as also the regulated rates of remuneration of small savings.

A slow decline of BCEAO intervention rates was carried out gradually as progress was registered at the level of inflation and the mobilization of savings, aimed at supporting the revival of growth.

2) The new money market

Implemented slightly before the devaluation of October 1993, the changes brought to the money market aimed at making it one of the key instruments for the management of the bank cash position and interventions by the Central Bank.

The different sections of the market were united under a single 7-day counter ; a new procedure of market functioning was instituted with the periodical French style invitation to tender, organized weekly at the level of the Union.

The quality of participants was broadened so that the market's evolution reflected the evolution of the cash position of a maximum of economic agents.

Henceforth, the Central Bank participated as an operator, either as provider or a seeker of resources, depending on the objectives of the monetary policy.

The invitation to tender was simultaneously for both investments offers and for assorted demands of advance of proposals of rate of interest made by the operators.

Based on the comparison done by the Central Bank departments, there emerged an equilibrium rate according to which the selected tenders were executed. If the need arose, the rate was adjusted in accordance with the monetary policy targets.

Under normal conditions, the market rate would have to be the lowest of interbank operations.

The encouraging results obtained allowed the evolution of the money market.

3) The securitization of consolidated credit

The abundance of cash in the banking system after devaluation was shown by a structural surplus of supplies in the money market, in the face of a weak demand.

In order to improve the efficiency of the interest rate policy, that is its impact on the behavior of the banking system, the Central Bank deemed it necessary to absorb banking liquidity.

Government securities were issued as representation of the Central Bank support to the States consolidated within the context of stabilizing WAMU banking system.

The securities were issued for 440.2 billions of CFA F and fully subscribed. They were dematerialized and managed in a current account, freely transferable and negotiable within WAMU, coupled with a fixed interest rate of 5%; they enjoyed the Central Bank's guarantee.

The operation assured a minimum of remuneration to idle resources of the banks and an improvement in BCEAO balance sheet profile by lightening consolidated debts, which were a burden on its assets.

4) The deepening of the money market and the open market policy

On 1 July 1996, new provisions relating to the deepening of the money market came into force. Their aim was to increase the efficiency of the interest rate as an instrument of monetary policy.

The mechanism consisted in the institution of an open market policy, which enabled the Central Bank to act on the cash balance in Banks by injecting or draining off liquidity ; the Central Bank initiated invitations for tenders limited to seekers or providers instead of and in the place of joint tenders.

These invitations for tenders organized in accordance with the evolution of bank liquidity were based on the auction procedure – buy-back or reverse purchase agreements.

The tender techniques adopted were said to be "à la hollandaise", or "Dutch-style", or at the asking price, a regulatory framework affected the diversification of supports used in the money market : Treasury bills, Central Bank bonds and negotiable shares

5) Reserve requirements

They are more an instrument of indirect control than a market instrument.

Although provided for in the 1975 and 1989 intervention rules, the system of reserve requitements was only implemented on 1 October 1993 within the framework of the new instruments of money management.

Historically, this system was introduced for the first time in the United States in 1913 ; its objective was to restrain credit institutions from holding a fraction of the elements registered either as assets and/or liabilities in their balance sheet in the form of deposits with the Central Bank.

Thus, generally speaking, reserves were required for deposits and/or credits. The pressure on bank liquidity led banks to either reduce or expand their capacity to distribute credit.

The field of application covered all banks and financial establishments working for credit expansion. The basis of assessment and the reserve ratio varied in accordance with the demands on monetary policy.

As a start up, the principle of a mixed tax base was adopted, sight and short-term deposits were its constituents, with the exclusion of seasonal credit. Fixed term deposits were also excluded with a view to encouraging long-term saving.

For institutions financing credit sales, the tax base was constituted by credits outstanding in the economy and loans obtained from banks.

The ratios were fixed at rather low levels in the beginning : 1.5% for banks and 5% for financial establishments.

Reserve requirements were constituted by banks, on a monthly basis, starting on the 16th of each month and carrying on till the 15th of the following month. For financial institutions, they were calculated on the basis of a calendar quarter.

No special accounts were opened for this; the institutions, which were subjected to this, constituted their deposits in their ordinary current accounts in the books of BCEAO.

The total amount of public shares, held by these establishments within the framework of securitisation of consolidated assistance, as well as shares issued by the States as a representation of bank debts, were accepted in the constitution of reserve requirements following the decision of the Central Bank.

For flexibility, the liable establishments were not compelled to maintain a daily minimum balance in the accounts ; each one organized itself to hold on an average during the defined period, the minimum reserve requirements required by regulations.

The assets created in the current accounts in the framework of reserve requirements were not remunerated.

On the basis of the results observed, two things came out: the real constraint exercised by reserve requirements on the activity and exploitation of the credit institutions was marginal owing to the symbolic level of ratio retained and the narrowness of the tax base.

3 – Case study : BCEAO monetary program for Benin for the year 1997[169]

1) The money and credit policy directives for the year 1997 laid down by the Council of Ministers in September 1996

The proposals for policy guidelines of money and credit and the objectives of external holdings were to be taken in consideration for determining the monetary programs of the State, for the year 1997.

[169] Source : BCEAO.

They were based on the foreseeable evolution of the international environment and the internal economic situation in 1996 and their perspectives for the year 1997. They also took into account the objectives of restoring the external viability of the States in 1997, the protection of the competitiveness of the economy, boosting investments that were indispensable for the promotion of supply and intensification of trade, in particular intra-WAEMU.

On the basis of these considerations, the projections of balance of payments and external holdings for the year 1997 were established, on the basis of a revised estimation of their foreseeable level at the end of the year 1996

- Recent evolution and perspective of the international environment and the internal situation

The data on the recent evolution of international environment and internal situation of WAMU countries as well as their perspectives gave rise to the principal tendencies stated hereafter :

International environment

The latest estimates for the year 1996 gave indications for the overall revival of the world economy, except for Europe, where economic growth would slow down. In the year 1997, the growth of world economy should have consolidated itself, in the major industrialized nations as well as in developing countries. At the level of prices, inflation was to remain moderate in 1996 as well as in 1997.

These perspectives adhered to a macroeconomic context where special importance was given to the reinforcement of measures reducing budgetary deficits, to the lowering of interest rates and to the deepening of structural reforms aimed at supporting economic growth. The implementation of the measures for stabilizing public finances would have to be carried out by a new reduction of public aid to development, notably budgetary assistance.

In the basic commodities word market, the price estimates of products exported by the Union countries seemed less favorable owing to the perspectives of an increase in supply and a reliable progression in the world demand for most of these products.

Internal situation

On the agricultural front, the partial earnings for the 1995-1996 harvest indicated, as of end June 1996 compared to the same period of the previous year, an overall increase in trade of the principal export crops, with the exception of coffee. Trends in food production were satisfactory in the countries of the Gulf of Guinea. On the other hand, in the Sahelian zone, cereal production registered a downfall of variable magnitude depending on the States.

Mining activities, during the first few months of 1996, witnessed contrasting trends depending on the States and products. The production of phosphate increased in Togo whereas it went down in Senegal. Oil exploration saw renewed activity in Côte d'Ivoire whereas, in Benin, difficulties of extraction became more pronounced. Gold production in Burkina as well as in Mali shrunk.

Industrial activity remained well-oriented globally, in particular in the field of textiles, construction and public works. In the other fields, notably in the food sector and in the chemical industry, there were contrasting trends, from one State to another.

On the whole, over the year 1996, the gross domestic product of the Union progressed by 5.6% in real terms, close to the performance level achieved in 1995. However, the consolidation of economic recovery was accompanied by a moderate growth of inflation and the consolidation of the improvement in the public finance situation.

Concerning inflation, official data on African consumer price index indicated, as of end June 1996, as compared to end December 1995, a moderate evolution on the whole, even a decline in certain countries. The State-wise price variations were the following :

Benin : +0.8% (March 1996) ; Burkina : +6.5% ; Côte d'Ivoire : +4.7% ; Mali : +5.2% (April 1996) ; Niger : +6.4% ; Senegal : - 1.0% ; Togo : +1.6%.

As regards public finances, recent data on the execution of financial operations of the State in the course of the first half of 1996 brought out the continuation of positive trends in the status of public finances. Budgetary receipts consolidated themselves and the evolution of the ongoing expenditures were under control, in particular as far as wages and salaries were concerned. The effort to wipe off outstanding domestic and foreign payments was maintained. Yet, the tensions witnessed in certain States, on the assistance granted by the Central Bank to National Treasuries, as laid down in Article 16, showed a relative fragility in the situation of public finances.

As for external payments, the available data on the evolution of external trade indicated an increase in volume as also in the value of exports and imports.

The slowdown of net inflows of resources in the area increased. In fact, in the first seven months of the year 1996, the transfers carried out through the Central Bank showed a surplus of 36.1 billion, a figure lower than what was observed over the same period in 1995 and 1994, assessed at 91.5 billion and 400.2 billion respectively. This trend resulted mainly in the turnaround of the net position of National Treasuries, which showed deficits of 22.3 billion in 1996 and of 48.9 billion in 1995, against a surplus of 209.4 billion a year earlier, keeping with the significance of the payments due with respect to foreign debt.

In spite of the prominent reduction in financing by the International Community, one expected an overall surplus balance of payments. The favorable trends in the profile of monetary aggregates was expected to remain maintained.

The trends in the monetary situation during the first semester of 1996 showed a general improvement in the internal economic conditions. It was notably characterized by the reinforcement of the external position of monetary institutions and the cash ratio of money issue, a slight growth in domestic credit and an expansion of global liquidity, stimulated by the increase of deposits. Moreover, interventions by the Central Bank continued to decline, in relation with the improvement of bank cash resources and that of most of the States. However, overruns on the statutory limit of assistance to the Treasuries persisted in certain States.

Showing its willingness to consolidate economic revival, the Central Bank continued the slackening of its rates. Therefore, it reduced by a quarter point the rate of its repurchases and its discount rate, and fixed them respectively at 6.25% and 7.25%, from 5 August 1996.

In the year 1997, the maintenance perspectives and the consolidation of favorable trends observed on the macroeconomic plan would depend in a large manner on the continuance of the improvement in the internal conditions of production, notably in agriculture and the management of healthy economic policies.

The efforts at stabilizing and restructuring the economy pursued in the States would benefit from the effective implementation of WAEMU action programs, laid down at the Conference of the Heads of State during its session of 10 May 1996.

All things considered, the priorities of economic policies had to remain :

* the consolidation of macroeconomic stabilization, mainly at the level of prices and public finances ;

* the deepening of structural reforms, especially the promotion of a regulatory, tax, legal, stable and transparent environment with the aim of promoting the private sector and boosting investments ;

* intensifying production and intercommunity trade and increasing co-ordination of economic policies, in the context of the effective implementation of action programs of WAEMU laid down at the Conference of the Heads of State ;

* the maintenance of harmonious relations with the Institutions of Bretton Woods.

On the basis of these considerations and taking into account the comfortable level of foreign exchange reserves and the reserve ratio of money, the monetary action in 1997 would remain centered on appropriate investment financing and activities of production, in the framework of a more pronounced integration of economies.

- General orientations in monetary action for the year 1997 and accompanying measures

Monetary action

The action of the Central Bank would continue to rely on a dynamic and flexible policy interest rate, associated to the system of reserve requirements. The function of the money market as a privileged regulatory instrument of bank liquidity would be reinforced, notably with :

* the implementation of an active open-market policy under way from 1 July 1996 ;

* the diversification of mechanisms used in the money market, especially the issuance of Central Bank bonds and negotiable debt securities ;

* the renewal of auction procedures ;

* the reinforcement of the efficiency of the interbank market by improving its organization on the regulatory and logistics front ;

* the control of domestic liquidity with a view to ensuring price stability.

This trend would be further supported by an increased supervision of the external position of banks outside WAMU, to avoid the constitution of foreign assets in excess of existing needs. To this effect, it would be apt to see to the strict application of exchange regulations, notably as regards the effective repatriation of export earnings. Special attention would be given to the increased mobilization of national savings and foreign capital, in view of productive investment financing in the Union. In this perspective, the priorities of action would concern :

- the adoption in all the States of the law relating to the framework regulations of Mutual Institutions and Savings-Credit Co-operatives and decrees of application necessary for the implementation of the said law; special attention would have to be given to the implementation and reinforcement of the follow up committee for the execution of the project ;

- the setting up of a regional financial market and the promotion of long-term instruments of investment financing, enabling to ensure an internal recycling of loanable funds of the Union.

Accompanying measures

Monetary action would have to be accompanied by the following policies :

* the pursuance of moderate revenue policies ;

* the stabilizing of budgetary policies ;

* the intensification of structural reform measures, with a view to eliminating rigidities affecting supply, which strongly conditioned the evolution of external prices ;

* the promotion of a stable and transparent legal and regulatory environment of economic and financial activity ;

* the diversification of exports ;

* the organization of the convergence of economic policies and the increased integration of production and trade, in the framework of WAEMU.

However, the efficiency of these policies, notably the realization of foreign assets objectives would depend to a large extent on the support of the international community. In particular, in the existing context marked by a downward trend in foreign aid, the support of development partners for arriving at an in-depth analysis of the problem of foreign debt would have to be found. In this connection, the respect of commitments made within the economic and financial programs with the support of the Bretton Woods institutions would prove to be indispensable.

- Forecasting the balance of payments and the desirable foreign assets targets for the year 1997

The proposals of balance outstanding for the balance of payments and the foreign assets targets have been elaborated, by taking into account the trends and the priorities stated above, on the basis of foreseeable trends of economic activity, in particular that of investment. It presented itself in the following manner, per State and for the Union :

- **Benin**

Throughout 1996, the balance of payments was to show a surplus of 20.0 billion, which would take the net foreign assets to 157.5 billion, against the initial objective of 118.6 billion.

For the year 1997, on the basis of projections made, the balance of payments would show a surplus of 30.0 billion. The foreign assets target would consequently amount to 187.5 billion.

Foreign assets
(in billions of CFA F)

	Dec. 95	Dec. 96	Dec. 97
	Revised estimate[170]		target
Total (NFA)[171]	135.7	157.5	187.5
- BCEAO (NFA)	43.1	77.5	107.3
Gross foreign assets	97.1	142.0	176.4
External commitments	54.0	64.5	69.1
- Banks (NFA)	92.7	80.0	80.2

- **Burkina**

On the basis of estimates made for the year 1996, the balance of payments would show a surplus of 25.0 billion. The net foreign assets would consequently be of the order of 243.7 billion, against an initial target of 220.2 billion.

For the year 1997, the balance of payments would show a surplus of 30.0 billion, which would take the net foreign assets to 273.7 billion.

Foreign assets
(in billions of CFA F)

	Dec. 95	Dec. 96	Dec. 97
	Revised estimates		target
Total (NFA)	217.6	243.7	273.7
- BCEAO (NFA)	122.1	133.7	163.7
Gross foreign assets	170.8	196.5	235.7
External commitments	48.6	62.7	72.0
- Banks (NFA)	95.5	110.0	110.0

170 Revised estimates.

171 Net foreign assets.

- **Côte d'Ivoire**

For the year 1996, the balance of payments would show a surplus of 188.3 billion. The net foreign assets would consequently be of the order of 174.7 billion, against an initial target of 338.3 billion.

For the year 1997, the balance of payments would show a surplus of 91.0 billion. The foreign assets target would consequently amount to 265.7 billion.

Foreign assets
(in billions of CFA F)

	Dec. 95	Dec. 96	Dec. 97
	Revised estimate		target
Total (NFA)	-20.3	174.7	265.7
- BCEAO (NFA)	3.2	164.7	255.7
Gross foreign assets	259.3	470.9	603.4
External commitments	256.0	306.2	347.7
- Banks (NFA)	-23.6	10.0	10.0

- **Mali**

The estimates of the balance of payments for the year 1996 showed a surplus of 61.4 billion. The net foreign assets would consequently be of the order of 163.0 billion, against an initial target of 200.6 billion.

For the year 1997, the balance of payments would show a surplus of 37.5 billion, which would take the level of foreign assets to 200.5 billion.

Foreign assets
(in billions of CFA F)

	Dec. 95	Dec. 96	Dec. 97
	Revised estimate		target
Total (NFA)	98.8	163.0	200.5
- BCEAO (NFA)	68.7	148.0	192.5
Gross foreign assets	148.6	248.7	304.4
External commitments	90.0	100.8	111.9
- Banks (NFA)	30.1	15.0	8.0

- **Niger**

For the year 1996, the balance of payments should emerge in equilibrium, which would take the net foreign assets to 10.1 billion.

For the year 1997 too, one was expecting equilibrium in the balance of payments. The net foreign assets would consequently remain unchanged at 10.1 billion.

Foreign assets
(in billions of CFA F)

	Dec. 95	**Dec. 96**	**Dec. 97**
	Revised estimate		**target**
Total (NFA)	9.5	10.1	265.7
- BCEAO (NFA)	11.2	10.6	10.6
Gross foreign assets	46.8	56.5	71.4
External commitments	35.6	45.9	60.8
- Banks (NFA)	-1.7	-0.5	-0.5

- **Senegal**

Throughout the year 1996, the balance of payments would show a surplus of 43.8 billion. The negative position of the net total foreign assets would be in the order of 63.4 billion, against an initial target of 89.9 billion.

For the year 1996, 30.0 billion was estimated as surplus in the balance of payments, this would bring the negative position of the net foreign assets to 33.4 billion.

Foreign assets
(in billions of CFA F)

	Dec. 95	**Dec. 96**	**Dec. 97**
	Revised estimate		**target**
Total (NFA)	- 112.4	- 63.4	- 33.4
- BCEAO (NFA)	- 126.2	- 77.2	- 47.2
Gross foreign assets	133.3	185.1	207.7
External commitments	259.6	262.3	254.9
- Banks (NFA)	13.8	13.8	13.8

- **Togo**

The balance of payments estimates for the year 1996 showed a surplus of 22.6 billion. The net foreign assets consequently amounted to 42.1 billion against a target of 66,6 billion.

For the year 1997, the balance of the balance of payments would stand out at a surplus of 11.5 billion, which would take the net foreign assets to 53.6 billion.

Foreign assets
(in billions of CFA F)

	Dec. 95	**Dec. 96**	**Dec. 97**
	Revised estimate		**Target**
Total (NFA)	17.6	42.1	53.6
- BCEAO (NFA)	0.4	24.9	33.6
Gross foreign assets	63.9	93.8	112.4
External commitments	63.5	68.9	78.8
- Banks (NFA)	17.2	17.2	20.0

- **WAMU**

On the basis of the State-wise estimates of the balance of payments, the net external creditor position of the Union would improve, and go up from 693.2 billion to 994.3 billion between December 1995 and December 1996. The gross foreign assets of the Central Bank should come to 1,811.7 billion, ensuring a coverage for money issue to the extent of 95%, against an initial estimate of 86.1%.

For the year 1997, the net external creditor position of monetary institutions would be at 1,184.7 billion and the monetary reserves of the Central Bank, 2,089.9 billion. The coverage of money issue would come down to 91.6%.

Position of net foreign assets
(in billions of CFA F)

	Dec. 95	**Dec. 96**	**Dec. 97**
	Revised estimate		**Target**
Total (NFA)	693.2	994.3	1184.7
- BCEAO (NFA)	608.7	900.4	1094.8
Gross foreign assets	1417.3	1811.7	2089.9
External commitments	808.6	911.3	995.1
- Banks (NFA)	84.5	93.9	89.9
Coverage of money issue	94.9%95.0%	91.6%	

Conclusion

The available data on the latest trends in the economies States of the Union showed a continuation in the improvement of the totality of the major macroeconomic aggregates. This trend had to be consolidated, by reinforcing the policies against inflation, the stabilizing of public finances and the restructuring of the economies in view of preserving their competitiveness. These actions had to be supported by the deepening of the structural and improvement reforms of the legal, regulatory and tax environment of activities.

All these measures would have to be part of the increased integration of Member States of the Union.

The support of foreign partners would prove to be determining for the realization of these objectives. Thus, the respect of the agreements with the Bretton Woods Institutions, was recommended, in all member States.

2) The Benin monetary program

The 1997 BCEAO monetary program for Benin was drawn up in conformity with the guidelines of the monetary and credit policies laid down by WAMU Council of Ministers, at its session on 20 September 1996. It also rested on the macroeconomic framework of the structural adjustment program in progress in Benin.

- Evolution of the economic and monetary situation in 1996

The economic activity in 1996 should be continuing to show the effects of the change in parity, which took place in January 1994.

The gross domestic product (GDP) at the current prices, according to the estimates of the National Institute of Statistics and Economic Analysis (INSAE), worked out to 1,157.6 billion in 1996, up 11.8% of which 5% was in real terms, under the momentum of agriculture and food processing industry.

As for prices, trends in 1996 appeared to be moderate. Over the first six months of the year, the cumulative price rise, measured by the official consumer price index in the urban milieu calculated by INSAE, came to 3.9%. At this rhythm, one could expect a rate of 6.4% by end December 1996.

As regards public finances, the trends remained marked by the continuation of reforms in the tax system and control over the wage bill.

Moreover, as in 1995, the collection of receipts and the realization of expenditures gave good results. Thus at the end of September 1996, the receipts collected amounted to 97.3% of the estimates and the running expenses were 80.2%, against 83.2% and 61.1% a year earlier. As for the ratio of investments realized in domestic resources added to tax receipts, it remained largely below the threshold of 20.0%. Furthermore, the tax burden remained low.

	Norms[172]	1995	1996
Rate of tax burden	-	11.9%	11.8%
Wage bill /Tax receipts	50% max	43.8%	43.4%
Investments on int. res./tax receipts	20% min	10.7%	11.4%
Basic primary balance/tax receipts	15% min	18.8%	17.9%
Net changes in domes. out. payments (in Bn)	0 max	- 17.0	- 9.2
Net changes in out. ext. payments (in Bn)	0 max	-	-
Global change (excluding commitments grants/GDP	-	- 7%	- 6.4%

As for external trade, the current account clearly augmented, going up from 42.8 billion in 1995 to 4.2 billion in 1996, as a result of the increase in trade balance and unrequited transfers. The anticipated restructuring of external debt would make it possible to attain a surplus of 20.0 billion in 1996, against a deficit balance of 11.3 billion in 1995.

	1996 Initial Estimates		1995 Revised Estimates
	(in billion of CFA F)		
Trade balance	- 78.7	- 33.2	- 61.9
Exports FOB	(199.5)	(234.8)	(228.2)
Imports FOB	(-278.2)	(-268.0)	(-290.1)
Balance on services	-46.5	-41.7	-51.8
Unrequited transfers	82.4	83.4	117.9
Current balance	- 42.8	8.5	4.2
Non monetary capital	11.0	- 2.9	2.0
Exceptional financing	20.5	14.4	13.8
Overall balance	- 11.3	20.0	20.0

[172] Indicators of WAEMU budgetary convergence.

As for the monetary situation, it would evolve in the following manner :

	Realizations	1996 Initial Targets	1995 Revised Estimates
	(in billion of CFA F)		
Net foreign assets	135.8	184.2	157.5
Domestic credit	118.8	100.0	130.2
NPG	37.4	13.8	28.9
Credit to the Economy	81.4	86.2	101.3
(including crop credit)	-	(0.6)	(3.7)
Assets = Liabilities	254.6	284.2	287.7
Money supply	248.2	292.6	278.3
(including currency outside banks)	(50.6)	(69.6)	(70.3)
Other elements (Net)	6.4	- 8.4	9.4

In this manner, there appeared a reinforcement of global liquidity, induced by an improvement in the net external position of monetary institutions and an increase in domestic credit

- Economic perspectives for the year 1997

The priority remained the fight against inflation, so as to encourage a healthy growth of the economy.

As far as production was concerned, INSAE foresaw the GDP at 1,248.0 billion, up 7.8%, including 5.5% in volume. This GDP growth was linked to the performances awaited from cotton-related industries and the food processing industry.

The rise in price, estimated on the basis of the GDP deflator, was expected to be 2.2% in 1997. The realization of this price target required the maintenance of a moderate revenue policy, the continuation of the promotion of domestic supply, improvement of channels of distribution as well as perfecting of measures for the liberalization of the goods and services market.

As for public finances, budgetary stabilizing had to be continued. In this regard, Government receipts were to grow by 7.9% and primary expenditures by 5.6%. The positive primary balance was to improve slightly and represent 2.4% of GDP in 1996 against 2.1% in 1995. The budget deficit added to the GDP was to go down in relation to that of 1996 and was to be financed essentially by external resources.

Basic indicators calculated on the basis of available information were as follows :

	Standards	1996	1997
Rate of tax burden	-	11.8%	11.8%
Wage bill/Tax receipts	50% max	43.4%	42.9%
Invest. on internal resources/tax receipts	20% min	11.4%	1.5%
Basic primary balance/tax receipts	15% min	17.9%	20.4%
Net changes in out.. dom. payments (in Bn)	0 max	- 9.2%	- 13.3%
Net changes in out. ext. payments(in Bn)	0 max	0.0%	0.0%
Overall balance (excluding commitments grants)/GDP		- 6.4%	- 6.1%

Despite the improvement in the public finances situation, measures were necessary to raise, on the one hand, the rate of tax burden to a satisfying level notably by the means of an increased effort of collection of tax receipts and the broadening of the tax base and, on the other hand, the ratio of investments financed from domestic resources added to tax receipts, were visibly lower than the threshold of 20%.

As regards the balance of payments, this would show a surplus of 30.0 billion due to an improvement in the trade balance, unrequited transfers, and rescheduling of external debt.

	1995	1996
	(in billions of CFA F)	
Trade balance	- 61.9	- 55.7
Exports FOB	(228.2)	(263.4)
Imports FOB	(-290.1)	(-319.1)
Balance on services	- 51.8	- 51.5
Unrequited transfers	117.9	114.4
Current balance	4.2	7.2
Non monetary capital	2.0	6.5
Exceptional financing	13.8	16.3
Overall balance	20.0	30.0

- Monetary program for the year 1997

The guidelines of the monetary and credit policy laid down by the Council of Ministers at its meeting on 20 September 1996, fixed a surplus target for the balance of payments for Benin, in 1997. In conformity with this target, the level of net total foreign holdings would be around 187.5 billion.

In order to attain this objective, the Council recommended the following accompanying measures to Benin Authorities :

• The continuation of macroeconomic stabilizing, particularly at the level of public finances and in the fight against inflation, notably by means of a cautious wage policy ;

• The deepening of structural reforms, in particular the promotion of a stable and transparent regulatory, tax and legal environment, in order to support the private sector and the revival of investments ;

• The maintenance of harmonious relations with the Bretton Woods Institutions ;

• Application of provisions in exchange regulations, particularly as regards the repatriation of yields from export and from the external position of banks.

Moreover, the Council stressed the special importance to be given to the production intensification and inter-community trade as well as the accrued co-ordination of economic policies, in the context of WAEMU. In this connection, the effective implementation of the WAEMU action program, laid down at the Conference of Heads of State, would contribute towards reinforcing the efficiency of the envisaged economic policies.

Finally, it would be appropriate to give special attention to the need for a high degree of centralization of Treasury deposits in the Central Bank books, in conformity with the recommendations of WAMU Council of Ministers.

In view of the foreseeable evolution of economic activity in 1997, the monetary situation in Benin was as follows :

	December 1996		December 1997
	(in billions of CFA F)		
	Initial Targets	Revised Estimates	Targets
Net foreign assets	184.2	157.5	187.5
Domestic credit	100.0	130.2	135.0
• Net position of the government	13.8	28.9	26.0
• Credit to the economy	86.2	101.3	109.0
(including crop credit)	(0.6)	(3.7)	(3.7)
Assets = Liabilities	284.2	287.7	322.5
Money supply	292.6	278.3	300.0
(include currency outside banks)	(69.6)	(70.3)	(75.8)
Other items (Net)	- 8.4	9.4	22.5

The monetary equilibrium thus projected showed :

- An improvement by 30.0 billion in the net external position of monetary institutions which came out in credit of 187.5 milliards billion ;
- An improvement by 2.9 billion in the net position of the Government, related to the stabilizing efforts of the public finances situation ;
- A 7.6% maximum increase in economic credit, i.e. a rate approximately equal to that of the GDP, so as to uphold economic revival ;
- A 7.8% increase in the money supply, compatible with the increase in the current gross domestic product.

Trends in the Central Bank position would be as follows :

	31 December 1996 Revised Estimates	31 December 1997 Targets
	(in billions of CFA F)	
Net foreign assets	77.5	107.3
Claims on the Government	42.4	46.9
Claims on banks and other financial institutions	-	-
Assets = Liabilities	119.9	154.2
Currency in circulation	70.3	75.8
Bank deposits	43.6	42.1
Government deposits	13.9	40.7
Other deposits	0.6	1.0
Other elements (Net)	- 8.5	- 5.4

On the basis of these data, the Benin National Credit Committee put before BCEAO Board of Directors at the end of December 1997, a domestic credit target of 135.0 billion distributed as follows :

	31 December 1997 (in billions of CFA F)
Net position of the Government	26.0
Credit to the economy	109.0
(include crop credit)	(3.7)

Moreover, as regards the maximum intervention of the Central Bank, a ceiling of 33.3 billion was laid down for assistance to the State to take into account the Central Bank's obligation to repurchase, at the first request, Government securities issued as a representation of consolidated assistance. No assistance by the Central Bank was laid down under Article 16 due to the commitment made by the Benin authorities to the IMF to bring back their commitments to the Central Bank at nil balance by end December 1997. Furthermore, no refinancing of credit to the economy was foreseen because of overliquidity in the banking system.

Consequently, the National Credit Committee put before the Board of Directors for decision, a maximum intervention by the Central Bank fixed at 33.3 billion for the year 1997, as per the following break up :

	31 December 1997 (in billions of CFA F)
Credit to the Government	33.3
Article 16	-
Government securities	33.3
Credit to the economy	-

BENIN **MONETARY PROGRAMME 1997**

(Billions of CFA F))

	1993	1994	1995	1996 Initial target	1996 Rev. Estimate	1997 Target
Nominal GDP	601.9	847.7	1035.8	1116.0	1157.6	1248.0
Changes(%)	5.4%	41.6%	22.2%	9.2%	11.8%	7.8%
Volume	3.3%	4.6%	4.8%	4.0%	5.0%	5.5%
Price	2.0%	35.4%	16.6%	5.0%	6.4%	2.2%
MONEY SUPPLY	170.6	252.4	248.3	292.6	278.3	300.0
Changes (%)	-3.1	47.9	-1.6	7.2	12.1	7.8
Including Currency in circulation	25.5	77.3	50.6	69.6	70.3	75.8
Changes (%)		203.3	-34.5	7.0	38.8	7.8
NFA.	73.8	147.2	135.8	184.2	157.5	187.5
DOMESTIC CREDIT	55.7	97.0	118.8	100.0	130.2	135.0
Changes(%)	-25.9	74.1	22.5	-0.5	9.6	3.7
NPG	-12.0	21.0	37.4	13.8	28.9	26.0
				34.1	36.5	32.8
Including Government securities						
CREDIT TO THE ECONOMY	67.7	76.0	81.4	86.2	101.3	109.0
Changes (%)	-2.4	12.3	7.1	9.8	24.4	7.6
Including CROP CREDITS	0.0	0.0	0.0	0.6	3.7	3.7
- ORDINARY CREDITS	67.7	76.0	81.4	85.6	97.6	105.3
Changes (%)	-2.4	12.3	7.1	9.9	19.9	7.9
OVERALL CREDIT FROM BCEAO	-61.0	1.7	8.9	57.9	37.1	33.3
Changes (%)	-16.1	-97.2	423.5	20.9	316.9	-10.2
REF. CREDIT TO THE ECONOMY	50.3	0.0	0.0	0.0	0.0	0.0
Changes (%)	0.0	0.0	0.0	0.0	0.0	0.0
- Credit to banks and financial establishments			0.0	0.0	0.0	0.0
CREDIT TO THE GOVERNMENT	10.7	1.7	8.9	57.9	37.1	33.3
Article 16	10.7	1.7	8.9	20.8	0.0	0.0
Government securities				37.1	37.1	33.3
Ref. CDB					0.0	0.0
MONETARY PARAMETERS						
Coefficient k (1)	0.2834	0.2977	0.2397	0.2622	0.2404	0.2404
Coefficient b (2)	0.1495	0.3065	0.2040	0.2379	0.2526	0.2526
Overall C./ Inter. C. %	109.5	1.8	7.5	57.9	28.5	24.7
Ref.Eco/Eco C%	74.3	0.0	0.0	0.0	0.0	0.0
Eco C./GDP %	11.2	9.0	7.9	7.7	8.8	8.9

() (-) Credit Position. () Debit Position

(1) k = Ratio between the money stock and GDP at current prices.

(2) b = Average ratio of fiduciary money in money stock.

BENIN

Position of banks
(In Billions of CFA Francs)

	DEC 1993	MARCH 1994	JUNE 1994	DEC 1994	MARCH 1995	JUNE 1995	DEC 1995	MARCH 1996	JUNE 1996	JULY 1996	1996 Initial targets	1996 Rev. forecasts	1997 Targets
NET FOREIGN ASSETS	21.4	31.7	42.9	60.5	71.8	83.2	92.7	67.5	55.6		80.2	80.0	80.2
NET RESERVES	85.2	67.2	67.1	30.2	23.5	23.1	32.4	13.3	14.9		46.3	43.6	42.0
CLAIMS ON GOVERNMENT	7.1	7.1	7.0	44.4	41.5	47.9	40.6	39.7	41.4		44.1	36.5	38.8
CREDIT TO THE ECONOMY	67.7	76.3	70.6	76.0	70.3	72.8	81.4	93.0	92.2		86.2	101.3	109.0
CROP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0			0.6	3.7	3.7
ORDINARY CREDIT	67.7	76.3	70.6	76.0	70.3	72.8	81.4	82.0	81.2	0.0	85.6	97.6	105.3
ASSETS=LIABILITIES	181.4	182.3	187.6	211.1	207.1	227.0	247.1	213.5	204.1	0.0	256.8	261.4	270.0
INDIV. AND COMPAGNY DEPOSITS	143.9	146.6	152.8	172.5	171.8	182.3	193.8	195.0	192.0		220.0	202.4	218.2
GOVERNMENT DEPOSITS	25.4	29.7	37.3	35.0	31.0	34.7	34.0	52.9	50.6		40.0	41.1	24.0
CREDIT FROM BCEAO	50.3	50.3	50.3	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
OTHER ITEMS (NET)	-38.2	-44.3	-52.8	3.6	4.3	10.0	19.3	-34.4	-38.5	0.0	-3.2	17.9	27.9

05-Nov.-96

BENIN

Integrated Monetary Position
(In Billions of CFA Francs)

	DEC 1993	MARCH 1994	JUNE 1994	DEC 1994	MARCH 1995	JUNE 1995	DEC 1995	MARCH 1996	JUNE 1996	JULY 1996	1996 Initial Targets	1996 Rev. Forecasts	1997 Targets
NET FOREIGN ASSETS	73.8	58.6	59.8	147.2	142.0	143.4	135.8	106.8	87.7	0.0	184.2	157.5	187.5
BCEAO	52.4	36.9	16.9	86.7	70.2	60.2	43.1	39.3	32.1	0.0	104.0	77.5	107.3
BANKS	21.4	31.7	42.9	60.5	71.8	83.2	92.7	67.5	55.6	0.0	80.2	80.0	80.2
DOMESTIC CREDIT	55.7	67.4	53.4	97.0	95.2	91.9	118.8	100.4	110.8	0.0	100.0	130.2	135.0
NPG	-12.0	-8.9	-17.2	21.0	24.9	19.1	37.4	7.4	18.6	0.0	13.8	28.9	26.0
CREDIT TO THE ECONOMY	67.7	76.3	70.6	76.0	70.3	72.8	81.4	93.0	92.2	0.0	86.2	101.3	109.0
CROP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0	11.0	0.0	0.6	3.7	3.7
ORDINARY CREDIT	67.7	76.3	70.3	76.0	70.3	72.08	81.4	82.0	81.2	0.0	85.6	97.6	105.3
Including cost and litig.	14.8	7.7	4.5	5.2	4.9	4.6							
ASSETS=LIABILITIES	129.5	136.0	113.2	244.2	237.2	235.3	254.6	207.2	198.5	0.0	284.2	287.7	322.5
MONEY SUPPLY	170.6	177.4	173.6	252.4	238.6	235.1	248.2	252.3	251.4	0.0	292.6	278.3	300.0
CURRENCY IN CIRCULATION	25.5	28.8	18.5	77.3	64.5	49.2	50.6	53.0	53.8	0.0	69.6	70.3	75.8
DEPOSITS	145.1	148.6	155.1	175.0	174.1	186.0	197.5	198.9	197.6	0.0	223.0	208.0	224.2
BANKS	144.5	147.2	153.3	173.0	172.2	182.8	194.2	195.4	192.6	0.0	221.0	203.0	219.2
Post Office Checking Account	0.6	1.4	1.8	2.0	1.9	3.2	3.3	3.5	5.0	0.0	2.0	5.0	5.0
National Saving Banks												0.0	0.0
OTHER ITEMS (NET)	-41.1	-41.4	-60.4	-8.2	-1.4	0.2	6.4	-45.1	-52.9	0.0	-8.4	9.4	22.5

BENIN

Integrated monetary position

	Dec.96 Rev. Forc.	Dec. 97 Targets
NET FOREIGN ASSETS	157.5	187.5
BCEAO	77.5	107.3
BANKS	80.0	80.2
DOMESTIC CREDIT	130.2	135.0
NPG	28.9	26.0
CREDIT TO THE ECONOMY	101.3	109.0
CROP CREDIT	3.7	3.7
ORDINARY CREDIT	97.6	105.3
ASSETS = LIABILITIES	287.7	322.5
MONEY SUPPLY	278.3	300.0
CURRENCY IN CIRCULATION	70.3	75.8
DEPOSITS	208.0	224.2
BANKS	203.0	219.2
Post Office Checking Acc.	5.0	5.0
National Savings Banks	0.0	0.0
OTHER ITEMS (NET)	9.4	22.5

Position of banks

	Dec.96 Rev. Forc.	Dec. 97 Targets
NET EXTERNAL ASSETS	80.0	80.2
NET RESERVES	43.6	42.1
STATE RECEIVABLES	36.5	38.8
STATE SECURITIES	36.5	32.8
CREDIT TO ECONOMY	101.3	109.0
ASSETS = LIABILITIES	261.4	270.1
INDIV. AND COMPANY DEPOSITS	202.4	218.2
STATE DEPOSITS	41.1	24.0
BCEAO ASSISTANCE	0.0	0.0
SEASONAL CREDIT	0.0	0.0
ORDINARY CREDIT	0.0	0.0
OTHER NET ITEMS	17.9	27.9

Central Bank's position

	Dec. 96 Rev. Forc.	Dec.97 Targets
Net external assets	77.5	107.3
State Credits	42.4	46.9
Art. 16	0.0	0.0
Ref Guarantd. Bonds.	0.0	0.0
State securities	0.0	0.0
IMF	42.4	46.9
Others	0.0	0.0
Bank credits	0.0	0.0
Ordinary	0.0	0.0
Seasonal	0.0	0.0
Receivables and financ.	0.0	0.0
ASSETS = LIABILITIES	119.9	154.2
Fiduciary Circulation	70.3	75.8
Bank deposits	43.6	42.1
State deposits	13.9	40.7
Other deposits	0.6	1.0
Other net items	-8.5	-5.4

Net Position of the Government

	Dec. 96 Rev. Forc.	Dec. 97 Targets
Notes and coins	1.4	1.4
Deposits in BCEAO	12.5	39.3
Deposits in Banks	41.1	24.0
Guaranteed Bonds	8.0	0.0
Total receivables	55.0	61.7
BCEAO assistance	0.0	0.0
Art. 16	0.0	0.0
Ref. Guarant.	0.0	0.0
Bonds	0.0	0.0
State securities		
Bank assistance	36.5	038.8
State securities	36.5	32.8
Deposits in CCP	5.0	5.0
Deposits in CNE	0.0	0.0
IMF assistance	42.4	46.9
Other assistance	0.0	0.0
Total debts	83.9	90.7
NGP	28.9	26.0

GDP (in bil)	1157.6	1248.0	k =	24.04%	24.04%	Ref. rate CE/CE	0.00%	0.00%	PM Refin. mon. sup.		
Variation	11.8%	7.8%	b =	25.26%	25.26%	Ref. rate OC/OC	0.00%	0.00%	- CDB	0.0	0.0
Volume	5.0%	5.5%	CI/GDP =	11.25%	10.82%				- Fin. establ.	0.0	0.0
Price	6.4%	2.2%	CE/GDP =	8.75%	8.73%				- Banks	0.0	0.0

BENIN

Central Bank's position
(In billions of CFA Francs)

	DEC 1993	MARCH 1994	JUNE 1994	DEC 1994	MARCH 1995	JUNE 1995	DEC 1995	MARCH 1996	JUNE 1996	JULY 1996	1996 Initial Targets	1996 Rev. Forecasts	1997 Targets
FOREIGN ASSETS (NET)	52.4	36.9	16.9	86.7	70.2	60.2	43.1	39.3	32.1		104.0	77.5	107.3
CLAIMS ON THE GOVERNMENT	23.1	27.3	28.0	28.3	38.1	33.3	42.0	44.2	43.0	0.0	73.8	42.4	46.9
REF. CREDIT TO THE ECONOMY	50.3	50.3	50.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-BANKS	50.3	50.3	50.3	0.0	0.0	0.0					0.0	0.0	0.0
-FINANCIAL INST.													
ASSETS=LIABILITIES	125.8	114.5	95.2	115.0	108.3	93.5	85.1	83.5	75.1	0.0	177.8	119.9	154.2
CURRENCY IN CIRCULATION	25.5	28.8	18.5	77.3	64.5	49.2	50.6	53.4	53.8		69.6	70.3	75.8
BANKS DEPOSITS	81.3	67.7	68.3	31.0	29.2	23.0	29.4	13.3	14.9		46.3	43.6	42.1
GOVERNMENT DEPOSITS	17.4	14.5	16.7	18.7	25.6	30.6	15.1	27.1	20.2		66.1	13.9	40.7
OTHER DEPOSITS	0.6	0.6	0.5	0.5	0.4	0.5	0.4	0.4	0.6		1.0	0.6	1.0
OTHER ITEMS (NET)	1.0	2.9	-8.8	-12.6	-11.4	-9.7	-10.5	-10.7	-14.4	0.0	-5.2	-8.5	-5.4

BENIN

NET POSITION OF THE GOVERNMENT

(In billions of CFA Francs)

	DEC 1993	MARCH 1994	JUNE 1994	DEC 1994	MARCH 1995	JUNE 1995	DEC 1995	MARCH 1996	JUNE 1996	JULY 1996	1996 Initial Targets	1996 Rev. Forecasts	1997 Targets
NOTES AND COINS	1.0	1.6	1.6	0.8	1.6	1.7	0.9	1.4	1.4		1.0	1.4	1.4
DEPOSITS WITH BCEAO	16.4	13.4	15.1	17.9	24.0	28.9	13.6	25.7	18.8		65.1	12.5	39.3
DEPOSITS WITH BANKS	25.4	29.7	37.3	35.0	31.0	34.7	34.0	52.9	50.6	0.0	40.0	41.1	24.0
CUSTOMS DUTY BILLS							0.0	0.0	0.0		0.0	0.0	0.0
TOTAL CLAIMS	42.8	44.7	54.0	53.7	56.6	65.3	48.5	80.0	70.8	0.0	106.1	55.0	64.7
CREDIT FROM BCEAO	10.7	7.6	8.3	1.7	11.5	0.0	8.9	4.4	3.5	0.0	20.8	0.0	0.0
Art. 16	10.7	7.6	8.3	1.7	115.0		8.9	3.7	3.5		20.8	0.0	0.0
Ref. Customs Duty Bills						0.0	0.0	0.0			0.0	0.0	0.0
Government securities						0.0	0.7	0.0			0.0	0.0	0.0
CREDIT FROM BANKS	7.1	7.1	7.0	44.4	41.5	47.9	40.6	39.7	41.4	0.0	44.1	36.5	38.8
Government securities				37.3	34.4	34.1	39.0		37.4		37.1	36.5	32.8
DEPOSITS WITH POST	0.6	1.4	1.8	2.0	1.9	3.2	3.3	3.5	5.0		2.0	5.0	5.0
OFFICE CHECKING ACCOUNTS	0.0	0.0	0.0								0.0	0.0	0.0
DEPOSITS WITH THE NATIONAL SAVING BANKS	12.4	19.7	19.7	26.6	26.6	33.3	33.1	39.8	39.5		53.0	42.4	46.9
CREDIT FROM THE IMF OTHER ASSISTANCE	30.8	35.8	36.8	74.7	81.5	84.5	85.9	87.4	89.4	0.0	119.9	83.9	90.7
TOTAL DEBTS NPG	-12.0	-8.9	-17.2	21.0	24.9	19.1	37.4	7.4	18.6	0.0	13.8	28.9	26.0

NET POSITION OF THE GOVERNMENT

List of approved banks as of 31/12/97 *(number : 58)*

	BENIN (5)	
1	Financial Bank	FBB
2	Bank of Africa	BOA
3	Ecobank	ECOBANK
4	Banque Internationale du Bénin	BIBE
5	Continental Bank Benin (Ex-CLB)	CBB
	BURKINA (7)	
1	Banque Internationale du Burkina	BIB
2	Banque Internationale pour le Commerce, l'Industrie et l'Agriculture du Burkina	BICIA
3	Caisse Nationale de Crédit Agricole du Burkina	CNCA
4	Banque Commerciale du Burkina (Ex-BALIB)	BCB
5	Banque pour le Financement du Commerce et des Investissements du Burkina	BFCI
6	Ecobank (Registered on 4/02/1997)	ECOBANK
7	Bank of Africa – Burkina (Registered on 30/10/1997)	BOA-BURKINA
	COTE D'IVOIRE (15)	
1	Caisse Autonome d'Amortissement	CAA
2	Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire	BICICI
3	Société Ivoirienne de Banque (Banking Corporation of Côte d'Ivoire)	SIB
4	Société Générale de Banques en Côte d'Ivoire	SGB-CI
5	Compagnie Financière de la Côte d'Ivoire	COFINCI
6	Citibank	CITIBANK
7	Bank of Africa (Ex-UBCI-BANAFRIQUE)	BOA
8	Société Générale de Financement et de Participation en C.I.	SOGEFINANCE
9	Banque Atlantique de Côte d'Ivoire	BACI
10	Banque Internationale pour l'Afrique Occidentale en C.I.	BIAO-CI
11	Paribas-Côte d'Ivoire	PARIBAS
12	Ecobank	ECOBANK
13	Banque de l'Habitat de Côte d'Ivoire	BHCI
14	BIAO Investissement (Ex-BRCI)	BIAO-INV
15	Compagnie Bancaire de l'Atlantique en Côte d'Ivoire *	CO-BACI

* Registered on 13/05/1997 ; replaced as of June 1997 the BBPLC whose registration was withdrawn.

	MALI (7)	
1	Banque de Développement du Mali	BDM
2	Banque Malienne de Crédit et de Dépôt	BMCD
3	Banque Internationale du Mali (ex-BIAO)	BIM
4	Banque Nationale pour le Développement Agricole	BNDA
5	Banque Commerciale du Sahel (ex-BALIMA)	BCS
6	Bank of Africa	BOA
7	Banque de l'Habitat du Mali (ex-SCPCE)	BHM
	NIGER (6)	
1	Bank of Africa-Niger	BOA
2	Banque Internationale pour l'Afrique au Niger	BIA-N
3	Crédit du Niger	CDN
4	Banque Commerciale du Niger (ex-BALINEX)	BCN
5	Société Nigérienne de Banque (Nigerian Banking Company)	SONIBANK
6	Banque Islamique du Niger pour le Commerce et l'Investissement	BINCI
	SENEGAL (9)	
1	Banque Internationale pour le Commerce et l'Industrie du Sénégal	BICIS
2	Société Générale de Banques au Sénégal	SGBS
3	Compagnie Bancaire de l'Afrique Occidentale (ex-BIAO)	CBAO
4	Citibank	CITIBANK
5	Banque de l'Habitat du Sénégal	BHS
6	Caisse Nationale de Crédit Agricole du Sénégal	CNCA-S
7	Banque Sénégalo-Tunisienne	BST
8	Crédit Lyonnais-Sénégal	CLS
9	Banque Islamique du Sénégal	BIS
	TOGO (7)	
1	Banque Internationale pour l'Afrique au Togo	BIA-T
2	Union Togolaise de Banque	UTB
3	Banque Togolaise de Développement	BTD
4	Société Nationale d'Investissement et Fonds Annexes	SNI&FA
5	Banque Togolaise pour le Commerce et l'Industrie	BTCI
6	Société Interafricaine de Banque (ex-BALTEX)	SIAB
7	Ecobank – Togo	ECOBANK

List of registered financial institutions as of 31/12/97 *(number : 28)*

	BENIN (4)	
1	Caisse Nationale d'Epargne*	CNE
2	Crédit Promotion Bénin	CPB
3	Crédit du Bénin	CB
4	Equipbail	EQUIPBAIL
	BURKINA (4)	
1	Société Burkinabé de Crédit Automobile	SOBCA
2	Société Burkinabé d'Equipement	SBE
3	Financière du Burkina	FIB
4	Burkina Bail	BURKINA BAIL
	IVORY COAST (7)	
1	Société Africaine de Crédit Automobile	SAFCA
2	Société Africaine de Crédit-Bail	SAFBAIL
3	Société Générale de Financement par le Crédit-Bail	SOGEFIBAIL
4	Bicibail-Côte d'Ivoire	BICIBAIL
5	Afribail-Côte d'Ivoire	AFRIBAIL
6	Coopérative Ivoirienne d'Epargne et de Crédit Automobile	CIVECA
7	Omnifinance S.A.	OMNIFINANCE
	MALI (2)	
1	Crédit Initiative	CI
2	Société Malienne de Financement	SOMAFI
	NIGER (2)	
1	Caisse de Prêts aux Collectivités Territoriales *	CPCT
2	Caisse Nationale d'Epargne	CNE
	SENEGAL (5)	
1	Société Financière d'Equipement (ex-SOGECA)	SFE
2	Compagnie Ouest Africaine de Crédit-Bail	LOCAFRIQUE
3	Société de Crédit et d'Equipement au Sénégal	SOCRES
4	Société de Promotion et de Financement (Le Crédit Sénégalais)	CRESEN
5	Société d'Investissement	SENINVEST
	TOGO (4)	
1	Caisse d'Epargne du Togo *	CET
2	Société Togolaise de Crédit Automobile	STOCA
3	Cauris Investissement	CAURIS
4	Fonds de Garantie des Investissements	GARI

* Financial Institutions with special status (CM of 12/12/1975)

WAMU MONEY MARKET
PROVISIONAL SITUATION OF TENDERS

TENDER N° 045/95 Dated : 08-NOV-95

Nature of tender : Reverse repurchase agreement/ recovery of blank liquidity

Value : 18 Nov. 95 Term : 7 days

Maturity : 19 Nov. 95 Amount: 50,000 Million CFA F MN 817

Rate of Interest (in %)	Number of tenders	Total number of tenders	Amount proposed (in millions of CFA F)	Total by way of decreasing interest. (in millions of CFA F)	Gap between tender price and total by way of increasing interest rates. (in millions of CFA F)
2.5000	1	1	250		49.750
3.5000	3	4	4250		45.500
3.2500	1	5	1000		44.500
3.5000	2	7	1079		43.421
3.7500	1	8	2500		40.921
4.0000	2	10	3750		37.171
4.5000	1	11	500		36.671
4.7500	1	12	500		36.171
4.8900	1	13	2000		34.171
5.0000		26	17610		16.561
5.2500	4	30			12.961
5.5000	4	34			8.461
5.7500	1	35	3500		4.961
6.0000	1	36	2000		2.961

WAMU MONEY MARKET

SITUATION WITHOUT BCEAO INTERVENTION

TENDER N° 20/96 Dated : 14-May-96

Value : 20-May-96 Term : 7days

Maturity : 26-May-96 MN

INVESTMENT			Rate of interest in %	REQUESTS MADE			GAP Supply/ Demand
Total number of tenders	Amount proposed (in millions of CFA F.)	Total by .increased interest rate (in millions of CFA F)		Total by decreasing rate of interest (in millions of CFA F)	Amount proposed (in millions of CFA F))	Total number of tenders	
1	500	500	3.0000	33.856		18	33
3	660	1.160	4.0000	33.856		18	32
4	100	1.260	4.2500	33.856		18	32
7	900	2.160	4.5000	33.856		18	31
9	5.000	7.160	4.7500	33.856		18	26
17	13.100	20.260	5.0000	33.856		18	13
21	4.500	24.760	5.2500	33.856	650	18	9
22	10	24.770	5.5000	33.206	10.000	17	8
22		25.010	5.7000	23.206	9.753	16	-1
23	240	25.210	6.0000	13.453	4.827	14	-11
24	200	25.710	6.5000	8.626	7.239	11	-16
25	500	25.710	7.0000	1.387	1.104	7	-24
25		25.710	72500	283	68	5	-25
25		25.710	7.5000	215	109	4	-25
25		25.710	8.5000	106	54	2	-25
25		25.710	9.0000	52	52	1	-25

CENTRAL BANK
OF WEST AFRICAN STATES
Credit Department

AUCTION OF BONDS | PROVISIONAL SITUATION

Reference of bonds | BCEAO Bonds
Tender n° : 04/07 | Dated : 02-Jul-97
Value : 07-Jul-97 | Maturity : 03-Aug 97
Term : 28 days | Total amount : CFA F 30.000 million TIT 617-IBC
Nominal value : CFA F 50 million

Rate of interest (in %)	Total number of tenders	Total number of subscribed bonds	Total amount proposed (millions of CFA F)	Total amount by rate of interest (millions of CFA F)	Gap between tender price and the total number of tenders(in millions of CFA F)
	0		0	0	
	0		0	0	
3.5000	1	20	1.000	1.000	29.000
4.0000	2	40	1.000	2.000	28.000
4.1500	3	45	250	2.250	27.750
4.5000	7	145	5.000	7.250	22.750
4.5500	9	157	600	7.850	22.150
4.6000	13	239	4.100	11.950	18.050
5.0000	14	259	1.000	12.950	17.050
5.1250	15	279	1.000	13.950	16.050

CENTRAL BANK
OF WEST AFRICAN STATES
DEEM /DC

WAMU MONEY MARKET
PROVISIONAL SITUATION OF TENDERS

NATURE OF TENDER : Injection of liquidities
TENDER N° 13/98 Dated : 01-Apr-98
Value : 06-Apr-98 Term : 7 days
Maturity : 12-Apr-98 Amount : CFA F 50.000 million MN817

RATE OF INTEREST (en %)	Number of tenders	Total number of tenders	Amount proposed (in millions of CFA F)	Total Amount (in millions of CFA F)	Gap between tender price and total tenders (in millions of CFA F)
5.0000	3	3	5.780	5.780	44.220
4.8000	3	6	11.067	16.847	33.153
4.7500	6	12	15.866	32.713	17.287
4.7320	1	13	300	33.013	16.987
4.7300	1	14	2.000	35.013	14.987
4.7200	1	15	171	35.184	14.816
4.7100	2	17	4.100	39.284	10.716
4.7000	3	20	6.555	45.839	4.161
4.6900	1	21	1.700	47.539	2.461
4.6700	1	22	1.690	49.229	771
4.6500	2	24	1.880	51.109	

Moreover, the efficiency of reserve requirements for the regulation of bank liquidity was restricted because of bank overliquidity and the admission of Government securities as representative of reserve requirements.

d – The co-ordination of macroeconomic policies in the context of an economic and monetary union

On 10 January 1994, concomitantly with the decision on parity adjustment, WAMU Heads of State and Governments signed the Treaty establishing the West African Economic and Monetary Union (WAEMU).

The Treaty took into account the economic dimensions of the process of integration in the area of issue, the only monetary integration having shown limitations : low trade, the absence of co-ordination of economic policies with consequences on the common currency.

The project primarily aimed at instituting a multilateral surveillance of national macroeconomic policies.

In this manner in September 1996, the WAEMU Council of Ministers adopted the guidelines of economic policies and fixed the norms for budgetary convergence : the respect by the States of the indicators of budgetary management aiming at a better allocation of resources in favor of investment expenditure and global stabilizing of public finances.

The four indicators retained were :

- the reduction of the ratio of the wage bill to tax receipts to less than 50% ;

- the exclusion of all new accumulations of outstanding internal and external payments ;

- the increase of receipts to take the ratio of Public investments financed by domestic resources/Tax receipts to over 20%.

- the realization of a basic primary balance budget /Tax receipts ratio higher than 15%.

Consequently, supervision organs were put in place: National Committees on Economic Policy (CNPE) in the States, with the constitution of a harmonized national database and computerized networking : the institution of a WAEMU-BCEAO-BOAD Joint secretariat Commission, responsible for the follow-up of the supervision mechanism.

The guidelines of economic policy adopted by the Council of Ministers for the years 1997 and 1998, fixed as priority : inflation control, a more pronounced convergence of budgetary performances oriented towards basic socio-economic investment expenditures, increase of production diversification, a greater integration of the productive machinery.

In view of the encouraging results registered, at its meeting in July 1997, the Council of Ministers fixed budgetary convergence criteria for the year 1998 as follows :

- *Wage bill/Tax receipts* ratio : 40% ;

- *Public investments financed by domestic resources / Tax receipts* ratio : 20%

- *Basic primary balance/Tax receipts* ratio : 15%.

Furthermore, for the year 1998, it was decided to extend multilateral surveillance to the *inflation rate*, with a ceiling fixed at 3%.

Other instruments for improving surveillance were in the development process :

- the conception of a model for macroeconomic scaling,

- the publishing of periodical reports on national economies from the viewpoint of common targets.

- the definition of modalities for the enforcement of sanctions laid down by the Treaty.

The results of the different adjustment measures and economic reforms are evaluated in Volume 3 entitled Assessment and Prospects.

Evolution of the convergence indicators of WAEMU States

	Norms	Benin		Burkina		Côte d'Ivoire		Guinea-Bissau		Mali		Niger		Senegal		Togo	
		1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997
Wage Bill/Tax receipts	< 50%	40.8%	39.9%	43.6%	40.7%	37.4%	36.6%	46.7%	38.8%	29.3%	29.6%	48.8%	47.7%	44.0%	40.3%	54.6%	49.5%
Changes in outstanding domestic payments (Net)	< 0	- 25.6	13.3	- 17.0	- 3.6	- 112.2	- 43.6	0.1	- 1.3	- 18.0	- 7.0	- 18.0	- 19.4	0.0	0.0	1.9	- 24.0
Changes in outstanding external payments (Net)	< 0	11.9	0.0	0.0	7.0	2.1	0.0	6.0	113.4	0.0	0.0	18.5	40.8	0.0	0.0	4.5	46.5
Investments financed with domestic resource / tax receipts	> 20%	5.1%	9.0%	11.4%	18.3%	15.9%	19.9%	17.3%	10.1%	14.1%	13.1%	5.3%	4.9%	11.3%	13.2%	5.2%	3.5%
Basic primary Balance / tax receipts	> 15%	30.9%	20.6%	13.3%	14.1%	29.6%	27.6%	34.7%	51.2%	25.5%	15.0%	3.4%	- 0.3%	23.9%	39.6%	10.7%	5.6%

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