

**West African Economic and Monetary Union: Recent Economic
Developments and Regional Policy Issues; and Public Information Notice on the
Executive Board Discussion**

This report on the Recent Economic Developments and Regional Policy Issues in the **West African Economic and Monetary Union (WAEMU)** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the **WAEMU**. It is based on the information available at the time it was completed on **February 21, 2003**. The views expressed in the document are those of the staff team and do not necessarily reflect the views of the **WAEMU** or the Executive Board of the IMF.

A Public Information Notice (PIN) summarizing the **views of the Executive Board as expressed during its March 10, 2003 discussion** on the recent economic developments and regional policy issues in the **WAEMU** is attached.

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WEST AFRICAN ECONOMIC AND MONETARY UNION

Recent Economic Developments and Regional Policy Issues

Prepared by the African Department

(In collaboration with the Fiscal Affairs, Legal, Monetary and Exchange Affairs,
Policy Development and Review, Research, Statistics, and Treasurer's Departments)

Approved by Donal Donovan and Michael Hadjimichael

February 21, 2003

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EXECUTIVE SUMMARY

- **The strong economic expansion in the West African Economic and Monetary Union (WAEMU) in the aftermath of the 1994 devaluation of the CFA franc has tapered off** as a result of the slowdown in the world economy, the deterioration in the regional terms of trade, and some weakening in the policy stance in the context of sociopolitical uncertainties in some countries. More recently, the economic situation has been seriously affected by the crisis in Côte d'Ivoire—the largest country of the zone. The impact of the crisis in Côte d'Ivoire, if it persists, is likely to be very serious in 2003 and beyond, and would jeopardize the region's nascent recovery and worsen poverty.
- **While progress has been achieved on the integration front since 1994, including the establishment of a customs union and the creation of the economic union, the momentum of integration appears to have slowed in recent years.** Progress toward convergence of the WAEMU countries during the period 2001 and 2002 was below expectations and difficulties were encountered in the effective implementation of various regional reforms. Because the majority of member countries were in noncompliance with the convergence criteria in 2002, the convergence phase has been prolonged to end-2005, but a concerted action by all countries to achieve further fiscal consolidation will be needed over the next three years to ensure convergence. A strengthening of regional institutions and a greater political commitment on the part of member countries will also be essential to remove the remaining obstacles to intraregional trade, so as to create a full-fledged customs union and a single market.
- **The monetary policy pursued by the regional central bank (BCEAO) has been prudent.** Inflation remained low, and the coverage of base money by foreign reserves remained in excess of 100 percent in 2002, despite the weakening of economic performance of the WAEMU member countries and the crisis in Côte d'Ivoire. However, there is a need to improve the functioning of the regional interbank market, so as to allow the excess liquidity of some banks to be channeled to less liquid banks elsewhere in the union. Interest rate policies need to be made more flexible. The current policy of differentiated reserve requirements should be replaced by a uniform ratio to avoid any distortions. As government budget financing shifts from central bank direct advances to the issuing of securities on the regional market, closer coordination of monetary and fiscal policies will be essential.
- **Although the situation of the financial system improved slightly in 2001-02, several banks still do not meet several prudential ratios.** The reinforcement of bank supervision would help to improve banks' compliance with prudential norms. An improvement in the judicial and law enforcement system could also reduce the problems associated with loan recovery.

- **The external competitiveness of the WAEMU economies appears to be broadly adequate on the basis of traditional exchange rate indicators. However, these indicators should be broadened and monitored closely**, in view of the vulnerability of these economies to fluctuations in the terms of trade. In addition to sound macroeconomic policies, decisive progress in structural reforms is essential in all member countries to boost labor productivity, reduce excessive factor costs, and maintain the region's competitiveness in export markets. In this regard, recent efforts aimed at setting up regional sectoral policies to tackle the underlying structural rigidities of the WAEMU economies are encouraging.
- **In recent years, there have been renewed efforts to achieve wider economic integration in West Africa, with a view to creating a large single regional market and, ultimately, establishing a common monetary framework.** In this context, collaboration has been close between the WAEMU and the Economic Community of West African States (ECOWAS). Notwithstanding the political support it enjoys, the achievement of these objectives would require a considerably higher degree of convergence among the member countries than is presently the case. In particular, member countries of the West African Monetary Zone (WAMZ) have a long way to go before achieving convergence among themselves, let alone with the WAEMU countries, making the goal of establishing a single monetary union in West Africa very ambitious and not likely to be viable at this point. However, the two regional institutions should work to reinforce cooperation in the area of macroeconomic, trade, and sectoral policies.

I. INTRODUCTION

1. This paper provides a regional dimension to the Executive Board's discussions of Article IV consultations with the eight member countries of the West African Economic and Monetary Union (WAEMU): Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. Discussions were held in Dakar, Ouagadougou, and Accra during November 26-December 5, 2002 with senior officials of the Central Bank of West African States (BCEAO), the WAEMU Commission, the Economic Community of West African States (ECOWAS), and the West African Monetary Institute (WAMI).¹

2. The last Executive Board meeting on WAEMU regional issues was held on October 22, 2001 (SM/01/246, 8/6/01). Directors observed that, owing to weaknesses in policy implementation and the economic slowdown in the region, compliance with the regional convergence criteria by member countries had proved difficult. They urged the authorities to back their regional reform agenda with a more forceful political commitment in order to achieve the ultimate goals of economic integration in terms of growth and poverty reduction. In this vein, Directors underscored the necessity of strengthening macroeconomic policies, deepening structural reforms, and improving competitiveness in WAEMU countries. Directors welcomed the integration efforts under way to create a single ECOWAS market but considered that the plan to introduce a single monetary union in West Africa by 2004, appeared to be very ambitious, for several economic reasons and in light of institutional capacity constraints.

3. The regional authorities agreed with the staff's proposal to elevate the regional discussions to a formal regional surveillance of WAEMU-wide issues as part of the Article IV consultation process with member countries, provided that it does not require additional obligations for them, and that the WAEMU Council of Ministers agrees. Discussions on this issue will continue in the period ahead.

II. OVERVIEW OF KEY ISSUES AND MAIN CHALLENGES

4. **The 2002 discussions with WAEMU institutions took place amid heightened concerns about the regional implications of the deepening crisis in Côte d'Ivoire—the largest economy of the zone.** Because of the recent events in Côte d'Ivoire and their regional ramifications, the challenges facing the WAEMU authorities have become much more complex than envisaged during the previous consultation discussions. At that time, the

¹ The mission met with Mr. Banny, Governor of the BCEAO; Commissioners Touré, Korsaga, and Douaby of the WAEMU Commission; Mr. Nana, Secretary General of the Regional Banking Commission; Mr. Sene, Deputy Executive Secretary of ECOWAS; Mr. Ojo, Director General of WAMI; and other senior officials of the regional institutions. The staff team comprised Mr. Tahari (Head), Mr. Doré, Mr. Guillaume, and Ms. Adenauer (all AFR), Mr. Durand (MAE), and Ms. Rahman (PDR). The resident representatives in the countries visited participated in the discussions.

authorities already faced the tasks of locking in the progress achieved on the integration front, and of moving forward with the remaining reform agenda. The policy framework under the Convergence, Stability, Growth, and Solidarity Pact² ensured a satisfactory starting point for the budgetary convergence process within the union, but progress toward convergence has been below expectations. The lack of an adequate framework to tackle structural and institutional rigidities has weakened the region's growth prospects. Now the policymakers must also address the uncertainties in the macroeconomic outlook posed by the situation in Côte d'Ivoire, delayed global economic recovery, and likely increases in oil prices in case of war with Iraq.

5. **The crisis in Côte d'Ivoire has brought to the fore rising concerns about the economic and financial performance of the WAEMU as a whole and the momentum of the integration process.** There is a common view among the regional authorities and the staff that the WAEMU is now at a crossroads and that the political commitment of member governments to regional integration should be backed by strong actions. Moreover, for the integration process to regain its full momentum, the crisis in Côte d'Ivoire will need to be resolved quickly.

6. Against this background, the WAEMU countries are faced with four main challenges. **First, the risks to the region's nascent recovery should be addressed urgently.** Prior to the start of the crisis in Côte d'Ivoire on September 19, 2002, there were signs of a recovery, although with downside risks associated with weakening commodities prices. Subsequently, these risks have intensified, and should be addressed decisively. **Second, appropriate policies, including prudent monetary and fiscal policies and effective implementation of the regional convergence programs, should be pursued vigorously to keep the reform agenda on track.** **Third, there is a need to improve the zone's underlying real economic performance and diversify the economies of member countries through a deepening of structural reforms and implementation of measures that would create an environment conducive to domestic and foreign private investment.** **Fourth, further progress on key regional policy issues is also needed,** including trade and tax harmonization, common sectoral policies to increase labor productivity and lower production costs, and issues related to wider integration within West Africa. These and other related issues are discussed in the remainder of this report.

III. RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

7. **The exchange rate realignment of 1994 brought a significant turnaround in the economic performance of the CFA franc countries, and in the WAEMU in particular,**

² In line with the objectives set out in the WAEMU Treaty for achieving a gradual convergence of economic policies and performance among members, the WAEMU authorities adopted the Pact of Convergence, Stability, Growth, and Solidarity in December 1999.

with output, exports, and investment increasing more rapidly than in other sub-Saharan African countries during 1994-98. Helped by a strengthening in non-oil commodity prices and favorable rainfall in Sahelian countries, real GDP in the WAEMU area grew by about 5 percent on average during this period, compared with 3 percent growth in the rest of sub-Saharan Africa. With nominal wages kept firmly under control, inflation returned to low single-digit levels in the subregion, after the initial wave of price correction in 1994. Also, the pursuit of stability-oriented macroeconomic policies by member countries during this period, together with the accompanying recovery of external assistance, contributed to a substantial reduction in financial imbalances. For the region as a whole, the overall fiscal deficit (including grants) declined from 8.6 percent of GDP on average in 1993 to about 2.5 percent of GDP during 1994-98 (see table below).

WAEMU: Key Economic Indicators 1993-2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
										Est.
	(Percentage change, unless otherwise indicated)									
GDP at constant prices	-0.9	3.7	5.7	6.4	5.2	4.9	3.6	1.5	3.4	3.0
Consumer prices (annual average)	1.3	29.4	12.3	4.9	3.7	3.8	-0.1	1.7	4.1	3.0
Broad money 1/	-2.6	39.3	14.1	7.6	7.3	3.5	5.0	7.2	11.8	3.8
Real effective exchange rate (index, 1990=100) 2/	93.6	59.8	67.0	68.4	67.2	70.5	68.4	64.6	66.5	68.2
	(In percent of GDP, unless otherwise indicated)									
Overall fiscal balance, excl. grants	-11.7	-7.4	-6.4	-5.2	-5.1	-5.2	-5.8	-5.2	-5.0	-4.5
Overall fiscal balance, incl. grants	-8.6	-3.1	-2.7	-1.4	-1.8	-2.1	-2.7	-2.3	-2.1	-2.5
External current account, excl. grants	-10.9	-8.6	-9.4	-8.9	-8.4	-8.3	-7.8	-9.1	-8.4	-7.2
External current account, incl. grants	-7.8	-3.7	-6.2	-6.1	-5.9	-6.0	-6.4	-7.3	-6.8	-6.0
Foreign reserve cover ratio 1/ 3/	17.8	81.3	94.9	100.4	102.4	98.3	104.5	117.7	116.7	103.6

Sources: WAEMU; BCEAO; and staff estimates.

1/ First nine months in 2002.

2/ First ten months in 2002.

3/ Gross official reserves divided by base money.

8. The strong economic expansion in the aftermath of the 1994 devaluation of the CFA franc has tapered off. Since 1999, real GDP in WAEMU countries has grown on average by only 2.9 percent annually, compared with an average annual rate of 5 percent during 1994-98, and a growth rate of 3.1 percent in sub-Saharan Africa. This performance was the result of the slowdown in the world economy, the deterioration in the regional terms of trade, and some weakening in the policy stance in the context of sociopolitical

uncertainties in some countries. **More recently, the economic situation has been seriously affected by the crisis in Côte d'Ivoire.**

A. Developments in 2001-02

9. **WAEMU real GDP grew moderately by 3½ percent in 2001**, despite an improvement in the region's terms of trade (Tables 1 and 2 and Figure 1). Average consumer price inflation rose to 4.1 percent from 1.7 percent in 2000, owing to food supply shortages in several countries. **The overall fiscal deficit, including grants, decreased slightly to 2.1 percent in 2001** (5 percent, excluding grants)(Table 5). The external current account deficit (excluding official transfers) narrowed to 8.4 percent of GDP in 2001 from 9.1 percent in 2000 (Table 6), as the decline in the ratio of exports to GDP, which resulted from weak commodity prices, was more than compensated for by a weakening of import demand.

10. **Developments in 2002 were marked by a pronounced slowdown of the economies of several member countries during the last quarter of the year.** Earlier, robust aggregate output growth had been expected, thanks to a strengthening of manufacturing activity, particularly in Niger, Benin, and Côte d'Ivoire. However, the reverberating effects of the ongoing crisis in Côte d'Ivoire, coupled with adverse developments in international commodities markets, have slowed economic growth in the region. With a significant markdown of the growth estimates for Côte d'Ivoire, Burkina Faso, and Niger, growth in the WAEMU as a whole is estimated to have been around 3 percent in 2002, well below the 4½ percent initially projected, in spite of good climatic conditions.³ Inflation had drifted upward in the earlier part of the year, primarily owing to the impact of several, largely transitory, factors, but since came down to 3 percent for the year as a whole. The external current account deficit, excluding official transfers, is estimated to have narrowed to 7.2 percent of GDP, mainly because of a decline in imports resulting from weakened economic activity. The real effective exchange rate (REER) appreciated by 5.6 percent during 2001-November 2002, reaching 73 percent of the level immediately prior to the 1994 devaluation (Table 10 and Figure 2).

11. **After rising by 11.8 percent in 2001, regional broad money increased by only 3.8 percent in the first nine months of 2002** (Table 12 and Figure 3). Net domestic assets of the banking system decreased by 3.2 percent of beginning-of-period broad money, while net bank credit to government fell by 0.7 percent, as central bank advances to national treasuries remained below statutory levels, reflecting the decision of the WAEMU Council of Ministers

³ The average decrease in real growth masks important differences among countries. Indeed growth was strong in three member countries (see Table 4). In Mali, growth was revised upward to account for higher-than-expected gold production.

to freeze the stock of these advances.⁴ In the first nine months of 2002, reflecting large foreign aid inflows and lower external debt-service payments, net foreign assets of the banking system increased by an amount equivalent to 7 percent of beginning-of-period broad money (Table 15). Gross foreign reserves of the central bank amounted to US\$5.4 billion at end-September 2002 (103.6 percent of base money).

12. Despite the slowdown in economic growth, the overall fiscal deficit excluding grants is estimated to have narrowed by ½ of 1 percentage point of GDP to 4.5 percent in 2002. The increase in overall government revenue, owing to improved tax administration in some countries, was partly offset by the rise in government outlays in several countries, essentially attributed to an increase in domestically financed investment. The overall fiscal deficit, including grants, estimated at about 2.5 percent of GDP in 2002, was partially financed by an accumulation of domestic and external payment arrears, particularly in Togo, Guinea Bissau, and Côte d'Ivoire. As a result, compliance with the budgetary convergence norms established in the regional convergence pact did not improve markedly, despite the adoption by all member states in late March 2001 of medium-term convergence programs designed to ensure compliance. Mainly because of the debt relief granted to the majority of countries⁵ in the context of the Initiative for Heavily Indebted Poor Countries (HIPC), the external public debt of the WAEMU is estimated to have fallen to 77.9 percent of GDP in 2002 from 86.4 percent in 2000 (Table 7).

B. Prospects for 2003

13. Although conditions and prospects vary widely across individual countries, the outlook for 2003 and beyond for much of the region will depend on international commodity price developments, the conduct of economic policies, and the extent and duration of the crisis in Côte d'Ivoire. Most WAEMU countries will continue to suffer from low prices for their main export commodities (with the exception of cocoa). Further uncertainties are placed on the region's near-term prospects by the oil price outlook. Sound economic policies under Fund-supported programs⁶ should enable these countries to mitigate somewhat the negative effects of weak export prices, especially of cotton. While continued adjustment in some countries (Senegal and Benin) will partly offset the deleterious impact of

⁴ Over the last three years (2000-02), the net domestic assets of the banking system rose by 12 percent of beginning-of-period money stock, mainly reflecting a drop of net bank credit to government of 8.6 percent. An increase by 9.8 percent of credit to the economy was more than offset by movements in "other items, net," the latter explainable in part by difficulties in determining currency circulation in the WAEMU region.

⁵ With the exception of Côte d'Ivoire and Togo, all WAEMU countries had reached their decision points under the HIPC Initiative by end-2001. See Annex II on Fund relations.

⁶ For the status of Fund-supported programs in WAEMU countries, see Annex II.

the ongoing crisis on others (Burkina, Mali, and Niger), the economic prospects for the region will continue to be mainly anchored to developments in the leading economy—Côte d'Ivoire.

14. **The impact of the crisis in Côte d'Ivoire, if it persists, is likely to be very serious in 2003 and beyond.** Box 1 provides a very preliminary assessment by the staff of its likely regional impact. Assuming that the crisis would be resolved in early 2003, the adverse impact on growth would be contained at 4 percentage points (compared with pre-crisis projections), and growth in WAEMU would be less than 2 percent in 2003, with average inflation hovering around 3 percent. However, if the crisis persists, real GDP would likely stagnate further or even contract. Besides the adverse external factors, the medium-term prospects are likely to remain clouded by continued internal political uncertainties.

IV. MAIN REGIONAL POLICY ISSUES AND REPORT ON THE DISCUSSIONS

15. In addition to a review of recent economic performance and prospects of the WAEMU member countries, discussions covered key aspects of regional policies, focusing on (i) macroeconomic policies and the convergence process; (ii) regional monetary developments and policy issues; (iii) the regional financial system and its supervision; (iv) the budgetary harmonization process; (v) external competitiveness and trade policy issues; and (vi) other regional issues, including those related to wider integration within West Africa.

A. Macroeconomic Policies and Convergence

16. **The WAEMU authorities agreed with the staff that the pursuit of prudent fiscal policies by all member countries remains a key policy element to support the common exchange rate regime.** While the WAEMU countries succeeded in reducing significantly the overall fiscal deficit in recent years—from 8.6 percent of GDP in 1993 to 2.5 percent in 2002—it is important that further fiscal consolidation is achieved and that the recently established convergence criteria are met. To this end, regional surveillance of fiscal policies needs to be reinforced.

17. **Progress toward convergence of the WAEMU countries during the period 2001 and 2002 was below expectations,** despite the adoption of medium-term convergence programs by member countries in early 2001, which were designed to ensure compliance with the convergence criteria by end-2002 (Box 2 and Table 8). Compliance with the convergence criteria at end-2001, compared with 2000, did not improve overall, with uneven performance across countries. Only two members (Benin and Côte d'Ivoire) out of eight met

Box 1. Regional Economic Impact of the Crisis in Côte d'Ivoire

Since September 19, 2002, Côte d'Ivoire has been in the midst of an unprecedented crisis. Beginning as an army mutiny by several hundred troops, it led to the partition of the country in two—the north and west regions controlled by rebels and the southern part by the government. Hundreds of people have been killed, and tens of thousands forced to flee their homes. Regional and international efforts are under way to resolve the crisis. On January 24, 2003, a peace agreement was signed near Paris by all the political forces of Côte d'Ivoire, including the rebels. The agreement was endorsed by a conference of heads of state held in Paris on January 25-26 and by the UN Security Council. It remains, however, unclear whether the agreement will be implemented.

This box provides a preliminary assessment of the economic impact of the crisis on the region. The crisis is having far-reaching negative effects on the Ivoirien economy and the economics of the subregion. Much damage has already been done in Côte d'Ivoire. Economic activity has been severely affected. Although the conflict has led to a surge in cocoa prices, the country's crop, which represents 40 percent of the world cocoa market, has been disrupted. The transport sector has also been severely disrupted. There have been steep rises in consumer prices. The fiscal and financial situations are also likely to be seriously affected.

As an important trading partner for its landlocked neighbors (Burkina Faso, Mali, and Niger), and a major port of entry and exit for their imports and exports, Côte d'Ivoire's economic and political difficulties have and will continue to have serious spillover effects on the region, although the extent of the impact on each country will vary. While intraregional trade in West Africa is low in comparison to many other world regions, a downturn in Côte d'Ivoire would nevertheless affect other economies. Private transfers, especially workers' remittances and repatriated earnings or workers' remittances from Côte d'Ivoire, are a significant component of the balance of payments of neighboring countries. The closure of the borders with these countries is affecting their trade and other activities. Political instability in Côte d'Ivoire is also likely to result in a reduction in private capital flows (including foreign investment), leading to a dampening of aggregate demand and growth. Military spending in neighboring countries may also increase, and other outlays would rise to cope with the influx of refugees. Customs receipts have also declined. On the other hand, via diversion of activities (trade and/or financial), other West African countries (Benin, Togo, and Ghana) may benefit from instability in Côte d'Ivoire. Finally, higher world prices for cocoa owing to the unstable environment will benefit some.

Taking the above factors into account, the staff has undertaken rough quantitative estimates of the possible economic impact of the crisis on the WAEMU region as a whole. In addition to the adverse impact on Côte d'Ivoire, two groups of affected countries can be distinguished: countries likely to be most adversely affected (Burkina Faso, Mali, and Niger) and those affected in a relatively minor manner (Senegal, Benin, and Togo), representing about 30 percent of total WAEMU GDP. Other neighboring countries (Ghana, Guinea, and Liberia) are not expected to be significantly affected.

For 2002, the impact on the region is estimated to be a decline in overall real GDP growth of 1½ percent relative to projections and a small increase in inflation; meanwhile, the budgetary position would deteriorate by less than 1 percentage point of GDP. The impact in 2003 would depend on how and when the crisis would be resolved. If the crisis is resolved in early 2003, it is estimated that the impact could be a contraction in output of about 4 percent compared with baseline projections; an upsurge in inflation of about 1.5 percentage points; and a fiscal worsening of close to 2 percent of GDP. The budgetary financing gap linked to the latter could be close to CFAF 400 billion (2 percent of combined WAEMU GDP). This estimate does not, of course, take into account any countervailing policy measures that might be taken by the countries affected, or any additional external assistance linked to the crisis. To the extent that any budgetary financing gaps were not closed, the resulting "forced adjustment" would worsen the situation further. However, the impact will be much more severe if the crisis persists or worsens.

Box 2. Convergence in the WAEMU

The Regional Pact of Convergence, Stability, Growth, and Solidarity, adopted by the Conference of Heads of States of WAEMU in December 1999, is a formal agreement among the member countries of WAEMU to strengthen the convergence of their economies, reinforce macroeconomic stability, accelerate economic growth, and enhance solidarity among the member countries. The pact specifies a set of primary and secondary convergence criteria that must be satisfied by member states by end- 2002. **The four primary criteria** are (i) the ratio of the basic fiscal balance to nominal GDP, which must be in balance or in surplus (key criterion); (ii) the ratio of outstanding domestic and external debt to nominal GDP, which must not exceed 70 percent; (iii) the average annual inflation rate, which must not surpass 3 percent; and (iv) the variation on the stock of domestic and external payment arrears, which must not be positive. **The four secondary criteria** comprise the following: (i) the ratio of the wage bill to tax revenue must not exceed 35 percent; (ii) the ratio of domestically financed public investment to tax revenue must exceed 20 percent; (iii) the ratio of the external current account deficit, excluding grants, to nominal GDP must not exceed 5 percent; and (iv) the tax-to-GDP ratio must be higher than 17 percent.

The pact defines a convergence phase (2000-02), at the end of which member countries were expected to have been in compliance with both sets of convergence criteria and a stability phase from 2003 onward. A penalty procedure is foreseen for noncompliance with the key criterion on the basic fiscal balance at the end of each year, during both the convergence and stability phases. Sanctions range from moral suasion to the withdrawal of financial support from regional institutions, such as the West African Development Bank, and outright suspension of financing from the regional central bank.

Compliance with the convergence criteria at end-2001 was difficult for all countries, and did not improve compared with 2000 (Table 8). Performance was uneven across countries, but no country managed to respect the full set of criteria, while almost all countries had difficulties meeting the current account and fiscal revenue targets. In line with the provisions of the pact, medium-term (2001-03) convergence programs designed to ensure compliance with the norms by the end of 2002 were adopted by all member countries in early 2001. The WAEMU Commission stepped up its efforts to strengthen national committees of economic policy, which are in charge of collecting data, and to harmonize public finance frameworks and instruments of measurement of economic performance. Performance at end-2002 has remained weak. No country is estimated to have been in compliance with all the criteria at end-December 2002, as required by the regional convergence pact, especially considering the impact of the ongoing crisis in Côte d'Ivoire.

The main explanatory factors for these slow developments are the low growth experienced by the region since 1999, the deterioration of the region's terms of trade, political uncertainties and weakening policy resolve in several countries. The WAEMU Commission proposed and the Conference of heads of states agreed in December 2002 to extend the convergence phase to 2005, and focus on the primary convergence criteria.

the key target of the basic fiscal balance,⁷ while only one country (Senegal) was in compliance with the inflation criterion, down from six in 2000. Some progress was achieved in 2001 pertaining to the reduction of domestic arrears. No significant progress was made relative to 2000, however, in meeting the second-order criteria, except for the criterion pertaining to the level of domestically financed investment.

18. **Performance at end-2002 is estimated to have remained weak.** Preliminary information indicates that no country was in compliance with all nine convergence criteria at end-December 2002,⁸ as required by the regional convergence pact. This outcome reflects a relatively weak policy stance in some countries, the impact of unfavorable exogenous factors, as well as the impact of events unfolding in Côte d'Ivoire. Because of the limited progress achieved by member countries in meeting the convergence criteria in 2002, the WAEMU Commission proposed to the heads of state to extend the timetable to end-2005 and focus its surveillance on the four primary criteria. While acknowledging the need to extend the timetable for entry into the stability phase, the staff suggested that performance be closely monitored against annual targets for each country during the convergence phase. It agreed with the commission's proposal to focus on a limited number of criteria but emphasized that second-order criteria were important to support macroeconomic convergence.

B. Regional Monetary Policy

19. **The main objective of regional monetary policy conducted by the BCEAO is to maintain an appropriate level of foreign exchange reserves to support the fixed parity of the CFA franc vis-à-vis the euro and its convertibility.**⁹ To operationalize its objective, the BCEAO conducts an annual financial programming exercise. This exercise sets specific targets for credit to each government consistent with a targeted level of net domestic assets and gross foreign assets of the BCEAO. To achieve these targets, since 1993, the BCEAO has relied on indirect instruments of monetary policy, particularly interest rates, reserve requirements, ceilings on refinancing of banks, and the issuance of BCEAO bills.

20. **Overall, the conduct of monetary policy by the BCEAO was prudent in 2001 and 2002.** Despite the difficult international economic environment and the internal situation, which was characterized by excess banking liquidity, inflation remained low, at about 3½ percent, and the coverage of base money by foreign reserves remained in excess of 100 percent in 2001 and 2002 (Figure 5). Since June 2000, the BCEAO has left its key

⁷ Defined as revenue, excluding grants, minus expenditures, excluding foreign-financed investment.

⁸ Regarding the key criterion on the basic fiscal balance, it is estimated that only two countries (Benin and Senegal) met the norm.

⁹ For the operating procedures of monetary policy by the BCEAO, see SM/01/246, 8/6/01.

nominal interest rates unchanged. The authorities stated that, on the one hand, higher-than-expected expansion of private sector credit during 2000 and 2001 and persistent excess liquidity would have called for a rate increase, while, on the other hand, lower-than-anticipated real GDP growth would have called for an opposite movement of interest rates.¹⁰ The staff agreed with the authorities that the policy pursued to date was broadly adequate. It also noted that real interest differentials with rates in the euro area had increased. However, the staff recommended a more active use of interest rate policy in the future to enhance the efficiency of the financial system, as the excess liquidity of banks is reduced.

21. **The BCEAO has continued to rely on the use of differentiated reserve requirements by countries to account for their different structural characteristics (price and credit developments) and liquidity positions.** The staff noted that a policy of differentiated reserve requirements was difficult to justify in the context of a monetary union, and that it introduced distortions in the cost structure and profitability of banks, thereby impeding the functioning of the interbank market. The staff recommended that the BCEAO use a uniform reserve requirement ratio for all countries, and exclude consolidated debt titles and assets from the base for required reserves.

22. **The BCEAO representatives agreed with the staff that the effectiveness of indirect instruments of monetary policy had been limited in recent years by the excess liquidity of the banking system and the absence of a well-developed interbank market.** The excess liquidity mainly reflects limited expansion of private sector credit and weak interbank activity.¹¹ To avoid increasing the liquidity of the banking system, the BCEAO limited its refinancing of banks in 2002. Moreover, the recent initiatives to shift government domestic financing from direct advances of the central bank to the issuance of government securities on the regional financial market is expected to mop up existing excess liquidity and to contribute to the development of the regional securities market (Box 3).¹² The interbank market should expand with the envisaged establishment in January 2004 of a cross-border real-time gross settlement system, and the establishment of a set of rules by the federation of banks and credit institutions to facilitate transactions on the interbank market, including to allow the use of securities as collateral. The staff recommended that the Regional Banking Commission enforce strictly prudential regulations throughout the region to reduce risks of interbank lending, and make public its evaluation of banks to enhance transparency on the

¹⁰ The authorities underscored that a monetary policy committee reviews their monetary policy on a weekly basis in light of overall monetary developments in the region.

¹¹ The overall excess liquidity, however, masks the different liquidity situations in the countries, with countries such as Côte d'Ivoire generally lacking liquidity.

¹² The BCEAO has not issued bills since January 2002, in expectation of the issuance of regional government treasury bills. It has, however, retained the possibility of issuing BCEAO bills in the future.

interbank market and enable banks to evaluate settlement risks. It also stressed the importance of revising the 1998 single licensing directive to facilitate the establishment of subsidiaries throughout the region.

Box 3. Shifting from the Monetary Financing of Government Fiscal Deficits to the Issuing of Securities on the Regional Capital Market

On September 19, 2002, the WAEMU Council of Ministers decided to shift the financing of government fiscal deficits from central bank direct advances to the issuance of securities on the regional capital market. The outstanding claims of central bank advances will be reimbursed quarterly over a ten-year term at the rate of 3 percent, and on the basis of the stock at end-December 2002. Compliance with the reimbursement plan will be ensured by opening special accounts to cover amortization payments directly from budgetary resources, and by strengthening national committees to monitor government treasury accounts with the participation of the BCEAO. Within-year advances by the BCEAO to governments will, however, continue to be allowed to smooth temporary cash-flow fluctuations.

Since 2001, WAEMU governments have started issuing securities on the regional capital market.¹ The financing of government deficits through the issuance of securities will help mop up the excess liquidity of banks and increase the efficiency of indirect monetary policy instruments. In addition, it will promote the development of capital markets, with a possible follow-through effect on the private sector, and will accustom the public to saving via the securities market. However, a closer coordination of fiscal and monetary policies will be essential to support the BCEAO's liquidity management objectives, and to avoid sharp fluctuations in interest rates resulting from a concentration of issuances within a period. To this end, governments are required to discuss annually their schedules of issuance of treasury securities with the BCEAO. A stricter observance of the fiscal convergence criterion will also be necessary in the absence of limits to government domestic financing other than the absorption capacity of capital markets.

The legal and operational framework necessary to issue government securities has been in place for all countries of the union since 2001. The monetary authorities are currently training potential issuers and subscribers on the securities market, particularly on information and transparency requirements. Government securities are standard, fungible instruments that can be subscribed to by account-holding end customers through their banks or authorized dealers, who are subject to stringent accounting regulations. Two categories of securities are defined: treasury bills, with a maximum maturity of two years, issued through auctions at the BCEAO, and kept in a book-entry form with the BCEAO; and treasury bonds, with maturities exceeding two years, issued on the securities exchange, and kept in book entry-form with the central depository of the BRVM (regional securities exchange). The treasury bills are eligible for BCEAO refinancing or transferable on the secondary market between buyers and BCEAO. The treasury bonds are transferable on the secondary market, on the securities exchange, or over the counter. The secondary market for government securities is now nonexistent, owing to the limited stock of securities, but it should expand in the medium term with the increase in treasury issues. To that end, it would be useful to establish a legal framework for repurchase operations, an instrument conducive to the development of treasury securities transactions.

^{1/} Burkina Faso, Côte d'Ivoire, Mali, and Senegal have so far issued government securities.

23. **The monetary authorities concurred with the importance of closely coordinating monetary and fiscal policies as the financing of budget deficits shifts away from central bank advances toward the issuance of regional government securities.**¹³ In this context, regional surveillance of fiscal policies through the convergence process becomes even more critical to ensure fiscal discipline.

24. To ensure consistency between the regional objectives and national economic and financial development, the BCEAO conducts an **annual financial programming** exercise. For 2003, the BCEAO explained that its monetary program was necessarily indicative, and that it would be revised when the impact of the crisis in Côte d'Ivoire could be quantified. The indicative program for 2003 assumes a nominal GDP growth of 6.7 percent and targets a 3 percent inflation rate and a 4.1 percent increase in broad money. Net foreign assets are projected to rise by 8.6 percent and credit to the economy to increase by 4.3 percent. The staff encouraged the BCEAO to consider several scenarios for the impact of the crisis. It also recommended that the annual regional monetary program be reviewed more frequently.

C. Banking and Financial Sector Issues

25. **Overall, the financial situation of the WAEMU banking system improved slightly in 2001.** Profitability, as measured by the net return on equity ratio, increased from 4.9 percent in 2000 to 10.8 percent in 2001, mostly as a result of a decreased provisioning of nonperforming loans. The ratio of nonperforming loans to total loans declined from 7.8 percent in 2000 to 6.8 percent in 2001. However, operating costs continued to increase more rapidly than net earnings, which resulted in a further deterioration of the net operating ratio¹⁴ from 66.3 percent in 2000 to 69.3 percent in 2001.

26. **Compliance with the new prudential regulations remains inadequate.** At end-June 2002, 21 banks out of 63 and 8 non-bank financial institutions out of 25, representing more than 17 percent of total deposits of the zone, were not compliant with the new minimum capital requirement. Also, at end-June 2002, 26 banks and 8 nonbank financial institutions were not compliant with the ratio of risk coverage. Only 28 banks and 18 nonbank financial institutions were in compliance with the minimum ratio of coverage of the medium- and long-term assets by resources of similar maturity, reflecting the shortage of long-term resources in the banking system.

¹³ This shift would also have some implications for the design of Fund-supported programs with WAEMU member countries relating to the coverage of limits on government domestic borrowing and nonconcessional foreign borrowing. In particular, it would be necessary to replace the performance criterion on net credit to the government by a performance criterion on domestic borrowing by the government.

¹⁴ The net operating ratio is defined as (general costs + amortization)/net earnings.

27. **The mission, noting that a significant number of banks still did not meet several prudential ratios, recommended that the Regional Banking Commission be given more power to ensure the effective application of the prudential rules.** In particular, the staff suggested that decisions to withdraw licenses from banks and other financial institutions be the sole responsibility of the commission, with no recourse allowed to the ministry of finance of the country where the financial institution was registered. It also emphasized that adherence to prudential norms by all financial institutions was critical for enhancing confidence in the banking system, and promoting an effective interbank market. The staff agreed with the authorities that the creation of a deposit insurance scheme could facilitate the implementation of this reform. **The Regional Banking Commission indicated that the enforcement of disciplinary measures was generally satisfactory,** and that the minister of finance of the country concerned could not oppose its decision if it were supported by the WAEMU Council of Ministers. It also noted that, at end-June 2002, 31 financial institutions were under close surveillance, and 9 others were temporarily administered by the commission. The staff raised concerns about the increase in the time period between two consecutive on-site inspections from two to three years. It also urged the authorities to accelerate the reform of off-site inspection indicators.

28. **With respect to the adoption of new prudential regulations, the staff welcomed the adoption of a new directive on money laundering and the financing of terrorism in September 2002 (Annex I).** The staff also welcomed the progress made in the implementation of the recommendations of the **safeguards assessment** of the BCEAO, particularly the presentation of its financial statements in accordance with international accounting standards and the adoption of the memorandum of understanding with the Fund on the supervision of the internal audit of the BCEAO (Annex II). The staff encouraged the authorities to continue the reform of public savings institutions and of the legal and judiciary system to accelerate the recovery of nonperforming loans. It also supported existing efforts to revise the regulatory framework of microfinance institutions. The authorities announced that a regional solidarity bank will be set up to cater to the financing needs of the rural poor population.¹⁵

29. **The volume of transactions on the regional stock exchange remained very small in 2002, affecting its financial viability and sustainability.** Given the high cost structure of the stock exchange resulting from the need to have a representative office in each member country, the staff suggested that member states bear part of the functioning costs.

¹⁵ The solidarity bank, whose capital is subscribed by the BCEAO, the West African Development Bank, and the WAEMU Commission, will complement the lending activities of the microfinance institutions in the context of poverty reduction.

D. Fiscal and Tax Harmonization

30. **To reinforce convergence, several initiatives have been undertaken to harmonize taxation, budget laws, and government accounts. Progress has been made on the harmonization of indirect and excise taxes.**¹⁶ As of end-November 2002, all countries (with the exception of Guinea-Bissau) had introduced a single value-added tax (VAT) rate in the range of 18-20 percent. However, difficulties have been encountered in the effective implementation of the remaining provisions of the VAT harmonization directive, including the harmonization of the tax base, the timing of the reimbursement of tax credits, and the scope of exemptions.¹⁷ The authorities explained that the disparities observed in the tax base arose because the directive allowed for certain sectors (agriculture and transports) to be exempted from the VAT.¹⁸ For most of the member countries, there continues to be a wider range of exemptions than allowed under the VAT directive, owing to the reluctance of some to phase out the exemptions granted under existing conventions. The authorities agreed with the staff that the harmonization of exemptions was essential for the full establishment of the common market and that unbridled competition among member states in offering tax incentives undermined regional integration.

31. **The directive concerning the common regulation on excise taxes is being implemented in all countries with minor deviations.**¹⁹ This directive limits the number of excises to a maximum of seven²⁰ and imposes a maximum taxation band. The program of harmonization of indirect taxation was complemented by the adoption in 2001 of two other directives concerning the harmonization of the taxation of petroleum products and the harmonization of withholding taxes on local and imported purchases creditable against the business income tax (the latter essentially comprises the taxation of small and medium-sized enterprises).

¹⁶ The indirect tax harmonization program, which was adopted in July 1998, includes the adoption of a unified, broad-based VAT, with limited exemptions defined at the regional level and a single-rate structure (in a range of 15-20 percent).

¹⁷ An evaluation mission is expected to verify the effective implementation of the directive on the harmonization of exemption lists for the VAT.

¹⁸ The exemption of agriculture was supposed to be transitory, pending the adoption of the common agricultural policy.

¹⁹ For instance, Mali's excise duties on alcoholic beverages exceed the rate allowed under the directive. Niger applies excise duties on six rather than four products (besides the two compulsory products).

²⁰ These include compulsory excises on petroleum products, soft drinks, alcoholic beverages, and tobacco products, and a maximum of four optional excises to be selected from a common list of seven products.

32. **Little progress was achieved in the application of the five directives designed to harmonize budget laws and government accounts and statistics**, which were scheduled to be in place by end-December 2002. An evaluation mission conducted in December 2001 by the WAEMU Commission, with assistance from the Fund and the French cooperation agency, revealed large discrepancies between current practices in member states and the harmonized guidelines. Moreover, the transposition of the directives into national laws has been uneven, and implementation of the directives is lagging. The authorities attributed this noncompliance to the lack of staff within the national administrations who are familiar with the new regional framework of public finances, and to the inadequacy of the computer equipment necessary to put the new system in place. To remedy this, the commission has undertaken training seminars and workshops in most countries. The staff recommended, however, that a systematic review of public expenditure management in WAEMU countries be undertaken with the support of technical assistance from the Fund. A code of transparency in public finance management was also adopted in June 2000.

E. External Competitiveness and Common Trade Policy

33. **The 1994 devaluation of the CFA franc was successful in strengthening substantially the competitiveness of WAEMU countries. On the basis of traditional exchange rate indicators, external competitiveness in WAEMU countries remains broadly adequate, although more recently there appears to have been some erosion.** Since 1995, the WAEMU region's REER has fluctuated within a narrow range and stood at 73 percent of the pre-1994 devaluation level as of November 2002. More recently, the REER appreciated by 2.9 percent in 2001 and 2.6 percent in 2002, mostly owing to the depreciation in neighboring countries' exchange rates, the appreciation of the euro vis-à-vis the U.S. dollar, and inflation differentials with industrialized trading partners. Moreover, export growth has weakened, and there has been a loss of market share by WAEMU countries (from 0.12 percent of world exports in 1995 to 0.10 percent in 2001). The appreciation of the euro against the U.S. dollar, amounting to 21 percent over the course of 2002, probably also contributed to some weakening of competitiveness, as about 40 percent of the merchandise exports of WAEMU countries are primary commodities traded in U.S. dollars.²¹

34. **The staff noted that traditional exchange rate indicators did not provide complete information about the zone's competitiveness and urged that progress be made in developing a methodology for monitoring other indicators.** It explained that, in view of the significant institutional and structural impediments to growth faced by WAEMU countries and their heavy dependence on exports of a single commodity, the deterioration of the terms of trade, combined with high domestic production costs, may have translated into a weakening of the competitive position of the zone. The authorities reported that progress had

²¹ While there are differences in the experience of individual countries, the terms of trade for the WAEMU region have fluctuated over the period 1994-2002. On a net basis, the terms of trade in 2002 were 5.4 percent lower than their level in 1994 (Table 9).

been slow in completing an ongoing European Union (EU)-financed project for setting up a methodology and monitoring system of competitiveness indicators. They have started to compile data on factor costs, but this initiative should be broadened and intensified. They concurred with the need to monitor closely developments in this area, and to adopt regional initiatives to improve the competitiveness of the zone, including sectoral policies to increase labor productivity and lower production costs. The possible strengthening of the euro vis-à-vis the U.S. dollar increases the urgency of these reforms.

35. The common external tariff (CET) adopted in 2000 is being implemented in all countries, particularly as regards the rate structure and classification schemes.²²

However, some difficulties remain regarding its effective implementation; with the exception of Guinea-Bissau, all countries still have tariff lines that are not in conformity with the CET nomenclature, and six countries have more tariff lines than are allowed under the CET. Regarding the implementation of the safeguard measures, three countries (Burkina Faso, Côte d'Ivoire, and Senegal) still apply the degressive protection tax (TDP), and one country (Côte d'Ivoire) does not apply the decline in rates according to the schedule.²³ Senegal, Mali, and Côte d'Ivoire avail themselves of compensatory import levy (TCI). Five countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, and Senegal) apply reference values on a short list of products elaborated by the WAEMU Commission. The staff underscored that tariff lines that are not in conformity with the CET and the application of reference prices increase the cost of trade transactions, and therefore are likely to produce trade diversion.

36. As regards the implementation of the internal trade liberalization scheme, the preferential trade arrangements within the WAEMU have been in place since January 2000. New rules of origin have been defined to simplify the procedures of certification of eligible industrial products. The new rules of origin indicate that a product will be eligible when it changes its tariff position following processing. Also, the input content and the value added have been set at 60 percent and 40 percent, respectively. As a result of the internal trade liberalization, the volume of intraregional trade rose from 12.6 percent in 1996 to 17.6 percent in 2001.²⁴

37. Despite some improvement in trade integration, intra-WAEMU trade continues to face numerous nontariff barriers, such as national standards, quantitative restrictions on certain imports, discriminatory treatment of national and regional products, and numerous roadblocks. Some countries also impose taxes that are outside the scope of the customs union arrangement, namely, a verification tax in three countries, national surtaxes on rice, millet,

²² The tariff rates under the CET are 0, 5, 15, and 20 percent.

²³ The TDP was to have been phased out by end-2002.

²⁴ The bulk of this trade has consisted of combustibles, cements, salt, animal and vegetable oil, wood and wood products, and various chemical products.

and maize in one country, and a database fee (*redevance informatique*) in another country. The authorities noted that the removal of some of these barriers was being addressed through a draft regional competition law adopted in May 2002. The staff urged the authorities to remove the remaining nontariff barriers, which contributed to an anti-export bias.

F. Sectoral Policies and Other Regional Issues

Sectoral policies

38. **The region's longer-term prospects depend on the implementation of reforms to address the structural rigidities in the real economy and impediments to private sector activity.** The authorities explained that structural reforms and the introduction of common sectoral policies were being given high priority in the pursuit of economic integration. A common industrial policy and common agricultural policy were adopted in 1999 and 2001, respectively.²⁵ Following various seminars and workshops, the framework for common policies in the area of human resources, rural development, infrastructure, transportation, telecommunications, energy, mining, and the environment has also been defined.

39. **The authorities also recognized the crucial role that common sectoral policies can play in deepening regional integration** by building regional basic infrastructure, facilitating intraregional trade, and creating a wider economic space for efficient private sector investment. While welcoming the WAEMU Commission's efforts in promoting regional sectoral policies, the staff recommended that improving the competitiveness of the WAEMU economies and reducing of transaction costs be the main objectives of the common sectoral policies, and encouraged the commission to prioritize its actions, taking those objectives into account.

40. **A draft regional investment code has not been adopted because of wide divergences among member countries** and their reluctance to part with specific incentives in favor of general provisions. The Council of Ministers decided in May 2002 to postpone all decisions pertaining to the adoption of a regional investment code, pending an amendment of the text by the Commission that would ensure that WAEMU countries will not be at a disadvantage vis-à-vis other non-WAEMU countries, whose national codes continue to grant fiscal incentives for investment. A revised investment code and a directive on customs exemptions harmonization is expected to be submitted to the Council of Ministers by end-2003.

²⁵ The common industrial policy focuses on supporting the development of small and medium-sized enterprises, enhancing production techniques, infrastructure and human capital, and creating the conditions for attracting more foreign direct investment. The common agricultural policy aims at diversifying agricultural products, ensuring food security in the zone, and enhancing the productivity of agriculture through improved agricultural techniques.

Structural funds

41. The regional structural funds were set up in February 1998 to finance a balanced development of the region through a reduction of disparities. Their financial support — through grants, interest subsidies, and loans—covers economic and social infrastructure, and the reinforcement of local capacities. The second phase began in 1999 with the establishment of selection procedures for eligible projects.²⁶ In December 2001, the Council of Ministers approved structural funds for the period 2002-06, with a resource allocation of CFAF 118 billion (0.5 percent of aggregate GDP) for their financing. The West African Development Bank (BOAD) was designated as principal executing agent. For 2003, it envisages financing eight national projects (one per member country) and three regional projects. The staff stressed that efficiency and transparency in the funds' management were essential to ensure their credibility within the zone and with external partners, as they could become a catalyst in mobilizing the resources needed to finance regional infrastructures.

Statistical issues

42. **Progress has been made regarding the quality and coverage of WAEMU's economic and financial statistics.** The regional statistical office (AFRISTAT) entered into an agreement with the Fund to collaborate on the implementation of the General Data Dissemination System (GDDS) in WAEMU countries, with a particular focus on the real sector. This project is designed as a complement to the regional GDDS initiative, which helps WAEMU countries improve government finance statistics. In the area of national accounts, a harmonized methodology to calculate GDP will be launched in 2003. A group of experts is working on resolving remaining difficulties with the interpretation of consumer price data. Moreover, the WAEMU Commission has requested that member countries increase the budget allocated to the national statistical units, so that they will continue to provide reliable data for the purpose of effective multilateral surveillance. Monetary data have become more timely, in particular regarding monthly reporting from the deposit money banks.²⁷

Financing of WAEMU institutions

43. The financial resources of the WAEMU institutions consist of the *prélèvement communautaire de solidarité* (PCS), a surcharge of 1 percent levied by member states on imports from outside the union, supplemented by external financial support. External

²⁶ Three groups of regions were declared to be eligible: (i) all territories of Guinea-Bissau; (ii) all territories of the landlocked countries (Burkina Faso, Mali, and Niger) with the exception of capital cities; and (iii) some part of the coastal countries (Benin, Côte d'Ivoire, Senegal, and Togo).

²⁷ An area-wide page for WAEMU and Central African Economic and Monetary Community (CEMAC) was introduced in the January 2003 issue of the *International Financial Statistics (IFS)*.

assistance to the WAEMU institutions has essentially been provided by the EU in the form of grant to reinforce national capacities in implementing regional reform and cover part of the transitory fiscal cost of the external tariff reduction. Further assistance has been provided by some other bilateral and multilateral development partners, including France for technical assistance and a study in the transport area, and the Fund for technical assistance through several missions and a resident expert. Total resources of the WAEMU Commission amounted to CFAF 51.1 billion in 2002, compared with CFAF 34.8 billion in 2001; they comprised proceeds from the PCS of about CFAF 45.7 billion, external financial support of CFAF 4.6 billion, and some CFAF 0.8 billion of own resources. Operating and investment outlays amounted to approximately CFAF 13.1 billion in 2002, in line with those of previous years. Compensations for losses linked to the internal trade liberalization²⁸ amounted to CFAF 32 billion, and CFAF 6 billion was set aside for the structural funds.

G. Issues of Wider Integration in West Africa

44. In recent years, there have been renewed efforts to integrate the WAEMU and the seven non-CFA franc West African states into the larger regional arrangement of ECOWAS, with a view to creating a unified regional market and a common currency for the 15 member states. In April 2000, five non-WAEMU members of ECOWAS (Nigeria, Ghana, Guinea, Sierra Leone, and The Gambia) decided to create a second monetary zone (the West African Monetary Zone or WAMZ) as an intermediate step toward the larger monetary union of all ECOWAS countries. An interim institution, the West African Monetary Institute (WAMI), was established in March 2001 to oversee the convergence process among the countries of the WAMZ.

The West African Monetary Zone (WAMZ)

45. **The macroeconomic performance of the WAMZ countries in 2001 was affected by developments in international commodity prices and the slowdown in the world economy.** Reflecting developments in Nigeria and Ghana, overall GDP growth in the WAMZ countries slowed to 3 percent in 2001; the average consumer price inflation rate rose to 12.6 percent from 7.8 percent in 2000. The external current account surplus, including grants, decline sharply to 1 percent of GDP in 2001 from 7 percent in 2000, owing to a deterioration in the terms of trade and a surge in imports. Compliance has been limited with regard to the primary convergence criteria set by the WAMZ Convergence Council (Box 4 and Table 28), as well as to the establishment of the Stabilization and Compensation Fund (SCF). Only three countries (Ghana, Nigeria, and Sierra Leone) have made the first tranche of their contribution to the SCF. For 2002, real GDP growth in the region is estimated to have slowed further, mainly on account of lower oil production in Nigeria. The authorities

²⁸ Compensation of the shortfalls was set at 100 percent for the years 1996-2002; this rate will decline to 80 percent in 2003, 60 percent in 2004, and 30 percent in 2005, and there will be no reimbursement from 2006 onward.

noted that developments in Côte d'Ivoire had no noticeable adverse effects on the performance of the zone. Although annual consumer price inflation is estimated to have declined to 8.5 percent in 2002, the external current account balance is expected to have deteriorated for most member countries. The outlook for the region will continue to be clouded by uncertainties in the oil sector, regarding both prices and production, particularly in Nigeria.

Box 4. Convergence in the West African Monetary Zone

Following the example of the WAEMU, the WAMZ countries (The Gambia, Ghana, Guinea, Nigeria, and Sierra Leone) have set various criteria for macroeconomic convergence. The primary convergence criteria for the WAMZ focus on price stability (single-digit inflation), sustainability of the government fiscal deficit (below 5 percent and 4 percent of GDP in 2001 and 2002, respectively), limited financing of deficits by central banks (under 10 percent of previous year's tax revenue), and adequate reserves coverage (at least three months of imports). In addition to these primary criteria, there are secondary criteria that prohibit countries from accumulating new domestic arrears, and require them to increase their tax revenues to above 20 percent of GDP, maintain positive real interest rates, and instill stability in the real exchange rate.

Despite a visible political commitment for establishing the WAMZ and significant efforts on the part of member countries, progress toward the required macroeconomic convergence has been slow. No country met all the convergence criteria at end-2001 (Table 28), and preliminary data indicated that the situation had not improved at end-2002. While three countries met the inflation and reserves coverage criteria in 2001, only one country met the criterion on fiscal deficit, reflecting a slight deterioration from 2000. Resorting to central banks for financing became less of a problem in 2001, as countries remained under the WAMZ ceiling. The main difficulties in achieving convergence have been persistent fiscal deficits largely accommodated by central banks, a lack of a strong political will to implement needed adjustments, and vulnerabilities resulting from exogenous changes in international commodity prices.

46. **In light of these developments, the WAMZ authorities decided to postpone their plans for a monetary union until July 2005.** The staff stressed that the achievement of the convergence criteria on a sustainable basis was more critical than establishing a target date. Strong policy action and commitment would be needed not only to fulfill the convergence criteria within the envisaged time frame but also to sustain adjustment efforts, so as to bring greater economic integration and promote stability. In this respect, the staff welcomed the WAMZ authorities' decision to include the convergence criteria in their national budgets and their economic programs with the multilateral organizations. The staff also reiterated its position that the WAMZ did not appear viable at this point, but stressed its support for the objective of wider regional integration based on a reinforcement of regional surveillance and peer pressure for sound economic policy management. Finally, the staff stressed the importance of accuracy and comparability of statistics across member countries for an effective multilateral surveillance exercise. It agreed with the authorities that the database in the WAMZ countries suffers from low quality, especially national accounts and fiscal data.

The authorities hoped that these statistical shortcomings would be addressed through technical assistance from the Fund. They noted that, as a first step, they had called on member countries to subscribe to the GDDS and to participate in the statistical programs of the ECOWAS Executive Secretariat.

Relations with the ECOWAS

47. **Collaboration has been close between the WAEMU and ECOWAS institutions** following the declaration of heads of states in December 2000 to accelerate the integration process in West Africa. Since January 2001, the WAEMU Commission and the ECOWAS Executive Secretariat have taken measures to harmonize their trade liberalization schemes, with a view to establishing a single regional market. In the area of external trade, the ECOWAS has agreed to implement the WAEMU common external tariff (CET) structure. In this regard, a study financed by the EU was conducted to assess the fiscal impact of the introduction of the CET on non-WAEMU countries. Provisional findings indicate that the external tariff structure of certain countries, such as Ghana, Guinea, and The Gambia, are close enough to make the fiscal impact of adopting the CET minimal for these countries. Others, such as Nigeria and Cape Verde, have significantly higher tariff structure than the WAEMU. For these countries, the full introduction of the CET may take more time and should be accompanied by a reduction of exemptions. Ghana and Guinea have already committed themselves to adopting the WAEMU's CET.²⁹ The ECOWAS CET is expected to be in place by end-2007, so as to facilitate discussions on concluding a regional partnership accord with the EU. Progress has been made also on the harmonization of internal trade scheme as regards the rules of origin, compensation procedure for loss of revenue, approval procedure for industrial products, and the certificate of origin. The two institutions have also established close cooperation in the areas of statistical harmonization, sectoral policies, and, more recently, macroeconomic surveillance. The staff encouraged the authorities to pursue these collaborative efforts, so as to achieve a single ECOWAS market.

V. STAFF APPRAISAL

48. **Discussions with the West African regional institutions took place amid a heightened concern about the impact of the deepening crisis in Côte d'Ivoire on the region's recovery and the momentum of regional integration.** A mild recovery in the region had been under way prior to the crisis in Côte d'Ivoire, and inflation had been well under control. With the crisis in Côte d'Ivoire exacerbating the effects of the decline in cotton prices on the Sahelian countries, growth in WAEMU as a whole for 2002 has weakened, and inflationary pressures resumed. The impact of the crisis is likely to be much more serious in 2003 and will depend on when and how it will be resolved.

²⁹ An FAD mission visited Guinea in September 2002 to prepare for the implementation of the CET.

49. **A quick resolution of the Côte d'Ivoire crisis and an early economic recovery from the present situation are essential** not only to achieve a more robust and sustainable growth performance that would reduce poverty, but also to consolidate the political support needed to boost regional integration. Looking ahead, there is a need to gear policies toward addressing the uncertainties in the macroeconomic outlook posed by the Côte d'Ivoire situation. Progress in resolving the Côte d'Ivoire crisis is an essential prerequisite for the conduct of prudent monetary and fiscal policies geared toward achieving convergence. In this context, the staff encourages the authorities to undertake work on alternative scenarios and be ready to take all necessary policy actions in response to unfolding events.

50. **To maximize the benefits of the monetary union, progress needs to be made in achieving fiscal consolidation and macroeconomic convergence among WAEMU member countries.** The lack of progress toward meeting the convergence criteria at end-2002 is regrettable. The staff welcomes the decision to extend the timetable to 2005 but urges the authorities to monitor convergence on an annual basis. A concerted and credible commitment by all countries to adjust their underlying fiscal positions over the next three years would be the determining factor for starting the stability phase in 2006.

51. **The monetary policy pursued by the BCEAO has been prudent. Nonetheless, taking a number of steps in order to improve the efficiency of indirect monetary policy instruments appear to be desirable.** In particular, the central bank should seek to improve the functioning of the regional interbank market, so as to allow the excess liquidity of some banks to be channeled to less liquid banks elsewhere in the union. Interest rate policies need to be made more flexible, and the current policy of differentiated reserve requirements should be replaced by a uniform reserve requirement ratio. The staff believes that the efficiency of monetary policy will be greatly enhanced by the establishment of the regional government securities' market, particularly following the recent decision to consolidate the outstanding claims of the central bank's advances and to eliminate national treasuries' access to central bank overdraft facilities; however, it urges the authorities to closely coordinate fiscal and monetary policies.

52. **While there has been a slight overall improvement in the situation of the regional banking and financial sector, a significant number of financial institutions still do not meet several prudential ratios.** A strengthening of the authority of the Regional Banking Commission is essential to ensure the reinforcement of bank supervision and adherence by financial institutions to prudential norms. The staff also believes that improving the judicial and law enforcement system would reduce the difficulties associated with loan recovery. The staff supports the establishment of a regional solidarity bank, but stresses that BCEAO's supervisory role could be jeopardized by its participation in the capital of the new bank.

53. **While progress has been achieved on the integration front since 1994, including the establishment of a customs union and the creation of the economic union, a new momentum must be imparted to the integration process** that would ensure the effective implementation of the various regional reforms. This effort would require not only a

strengthening of regional institutions, but also a stronger political commitment on the part of member governments to remove the remaining obstacles to intraregional trade so as to create a full-fledged customs union and a single market. To consolidate the gains achieved so far and reap the full benefits of economic integration, it is important that the remaining reform agenda be implemented steadfastly. In this regard, the staff urges the authorities to pursue efforts aimed at harmonizing exemptions and adopting a common investment code that would help level the playing field and remove residual distortions.

54. **The external competitiveness of the WAEMU economies appears to be broadly adequate on the basis of traditional exchange rate indicators, although there appears to have been some erosion more recently. Moreover, these indicators should be broadened and monitored closely** in view of the vulnerability of these economies to fluctuations in the terms of trade. In addition to sound macroeconomic policies, decisive progress in structural reforms is essential in all member countries to boost labor productivity, reduce excessive nonlabor domestic costs, and maintain the region's competitiveness in export markets. Recent efforts aimed at setting up regional sectoral policies so as to tackle the underlying structural rigidities of the WAEMU economies are encouraging in this regard.

55. **The staff notes the decision of the heads of state of the Economic Community of West African States (ECOWAS) to create a large single regional market and, ultimately, establish a common monetary framework.** Notwithstanding the political support these objectives enjoy, their achievement would require a considerably higher degree of convergence among the member countries than is presently the case. In particular, member countries of the West African Monetary Zone have a long way to go before achieving convergence among themselves, let alone with the WAEMU countries. **The staff, therefore, considers that the goal of achieving a single monetary union in West Africa, even if postponed from the original date of 2004, is very ambitious, and does not appear viable at this point.** However, staff encourages the two regional institutions, WAEMU and ECOWAS, to pursue a solid cooperation in the area of macroeconomic policies, trade, and sectoral policies.

56. It is proposed that the next discussions with WAEMU regional institutions take place in 12 months.

Figure 1. WAEMU: Selected Macroeconomic Indicators, 1995-2002

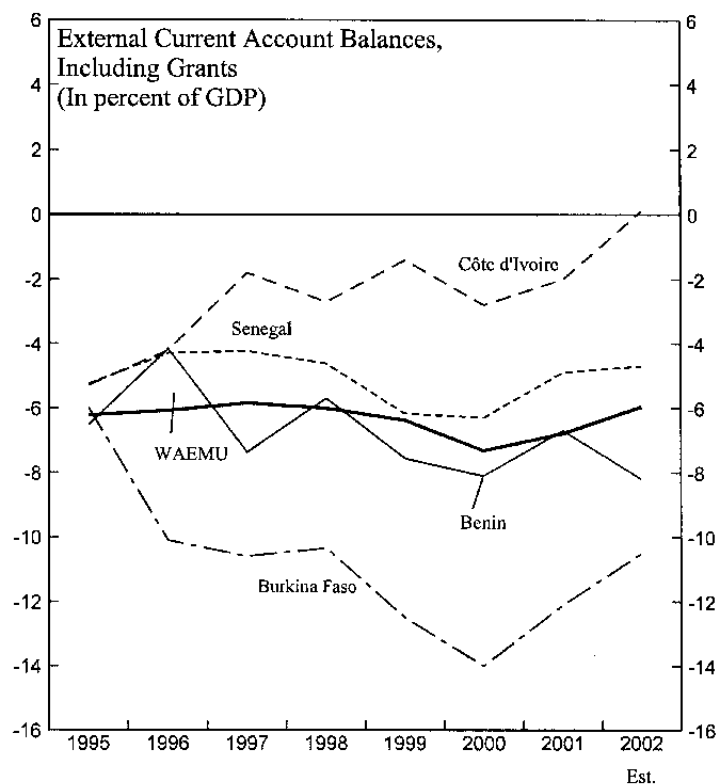
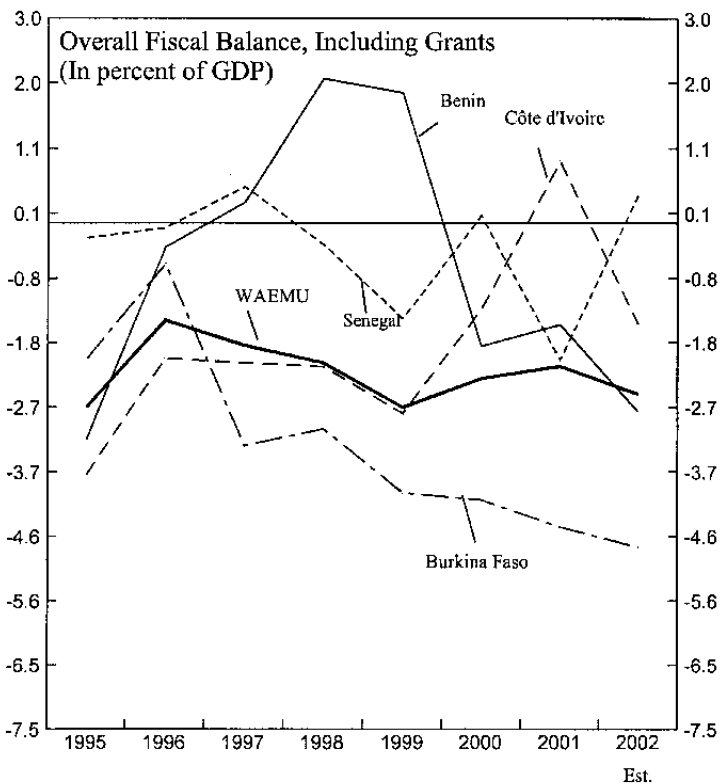
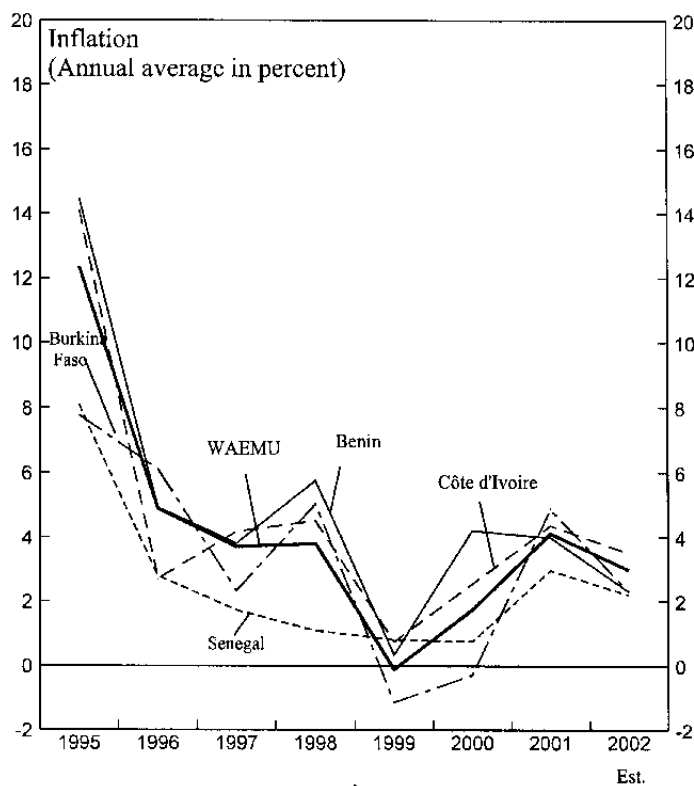
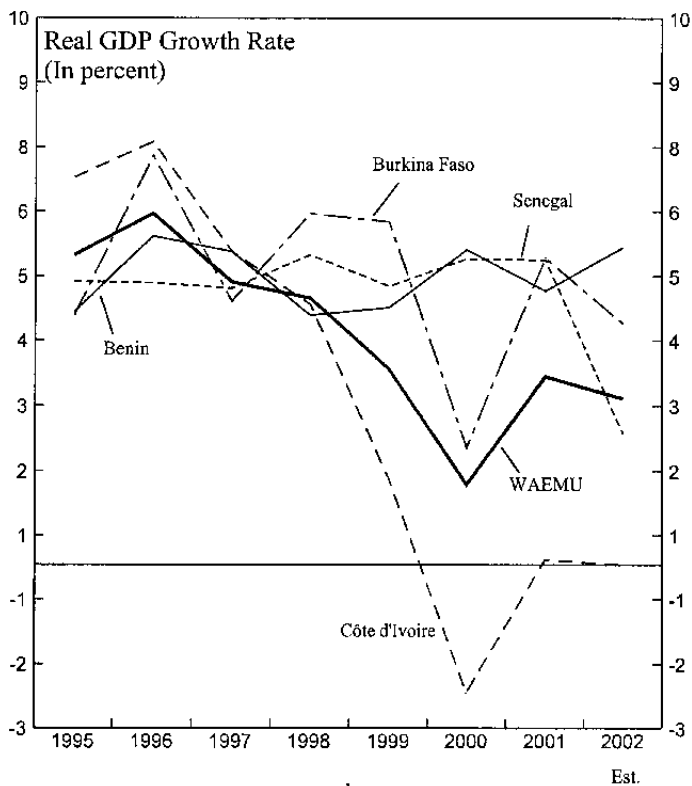


Figure 1. WAEMU: Selected Macroeconomic Indicators, 1995-2002 (concluded)

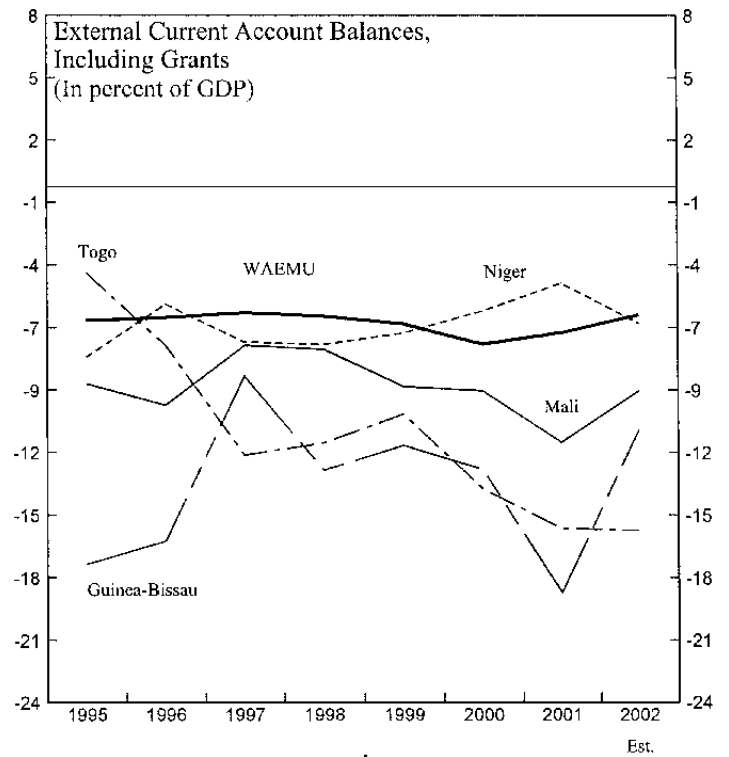
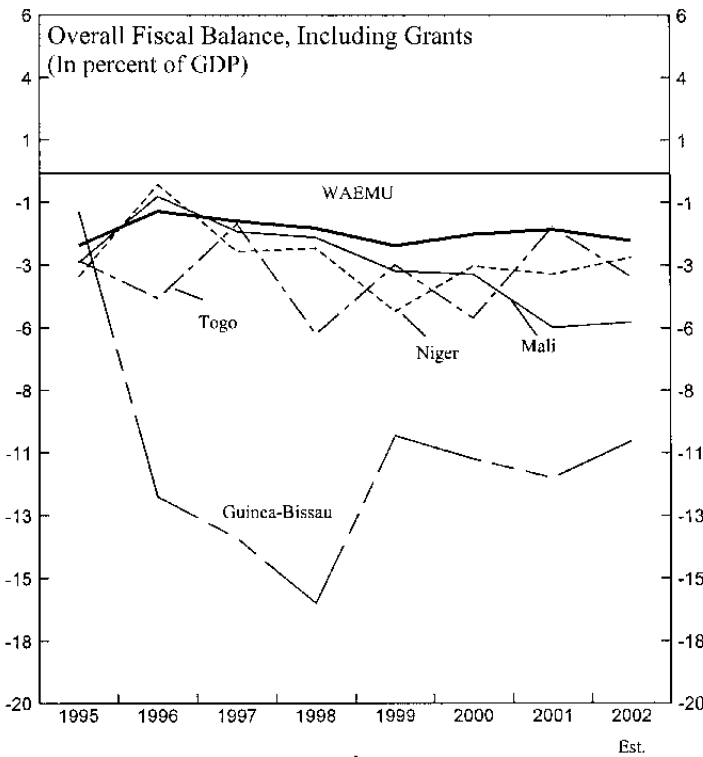
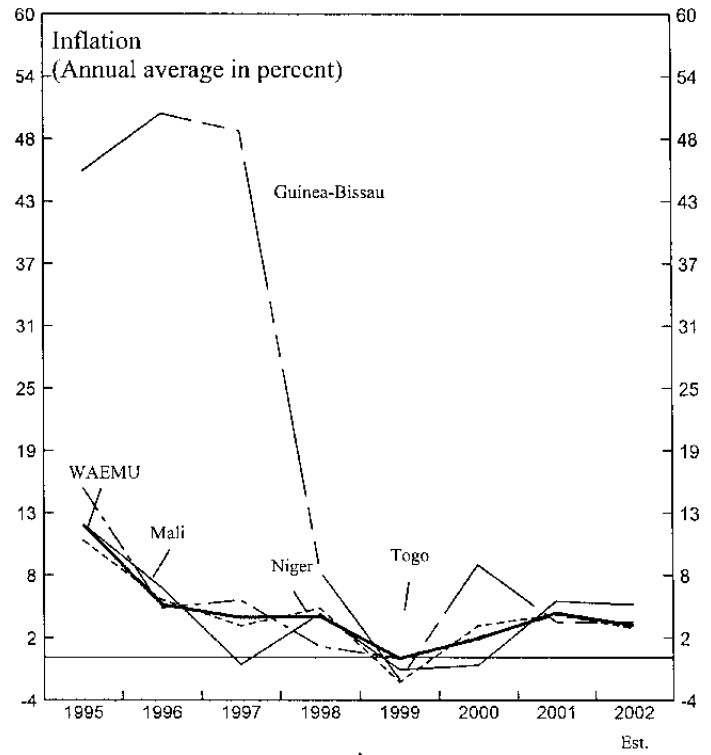
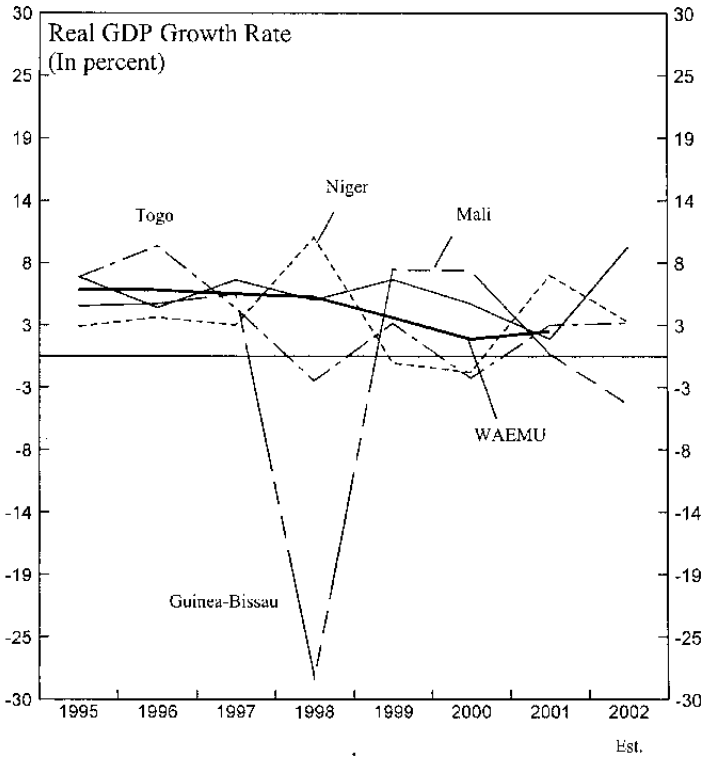
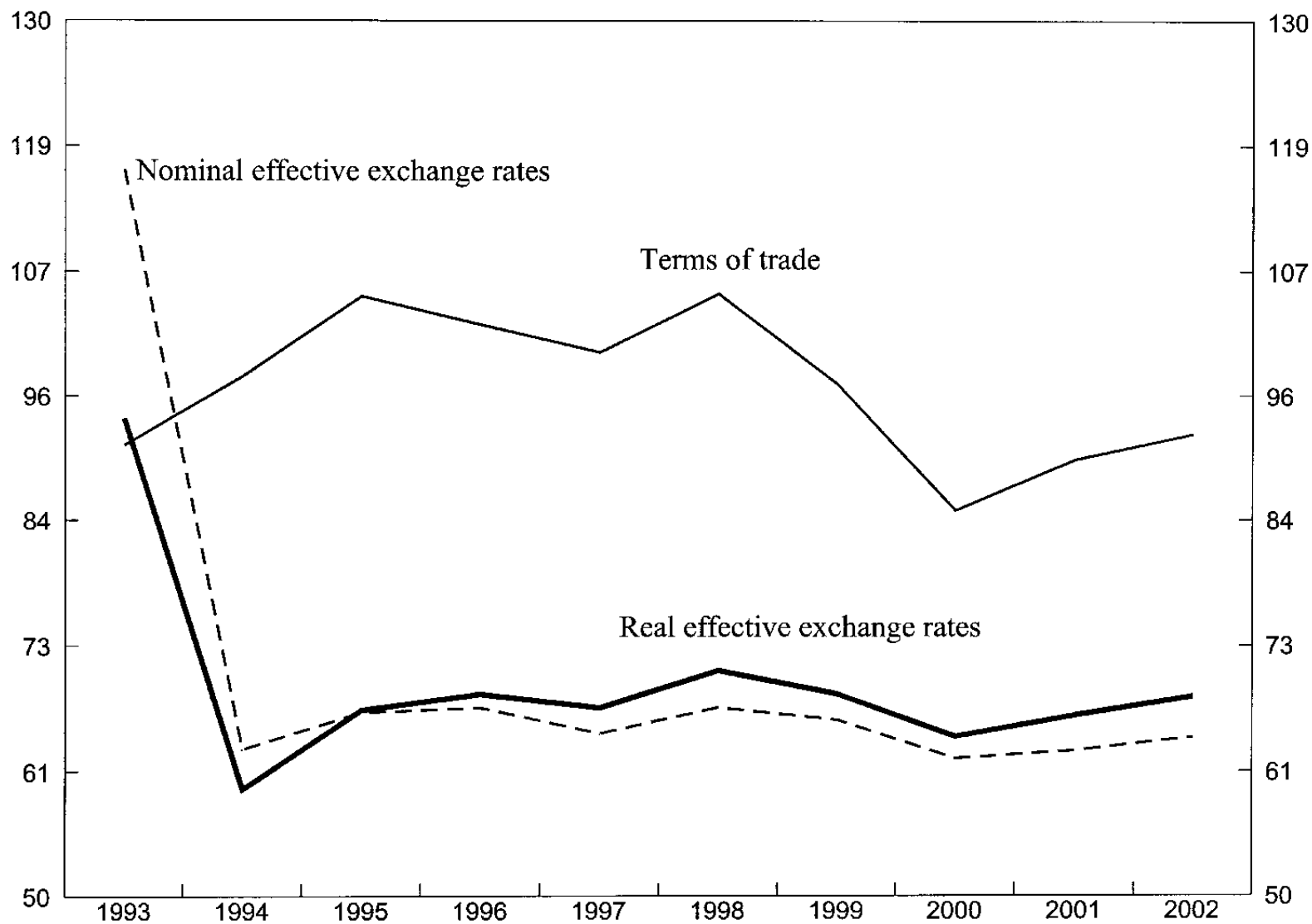


Figure 2. WAEMU: Effective Exchange Rates and Terms of Trade, 1993 - 2002

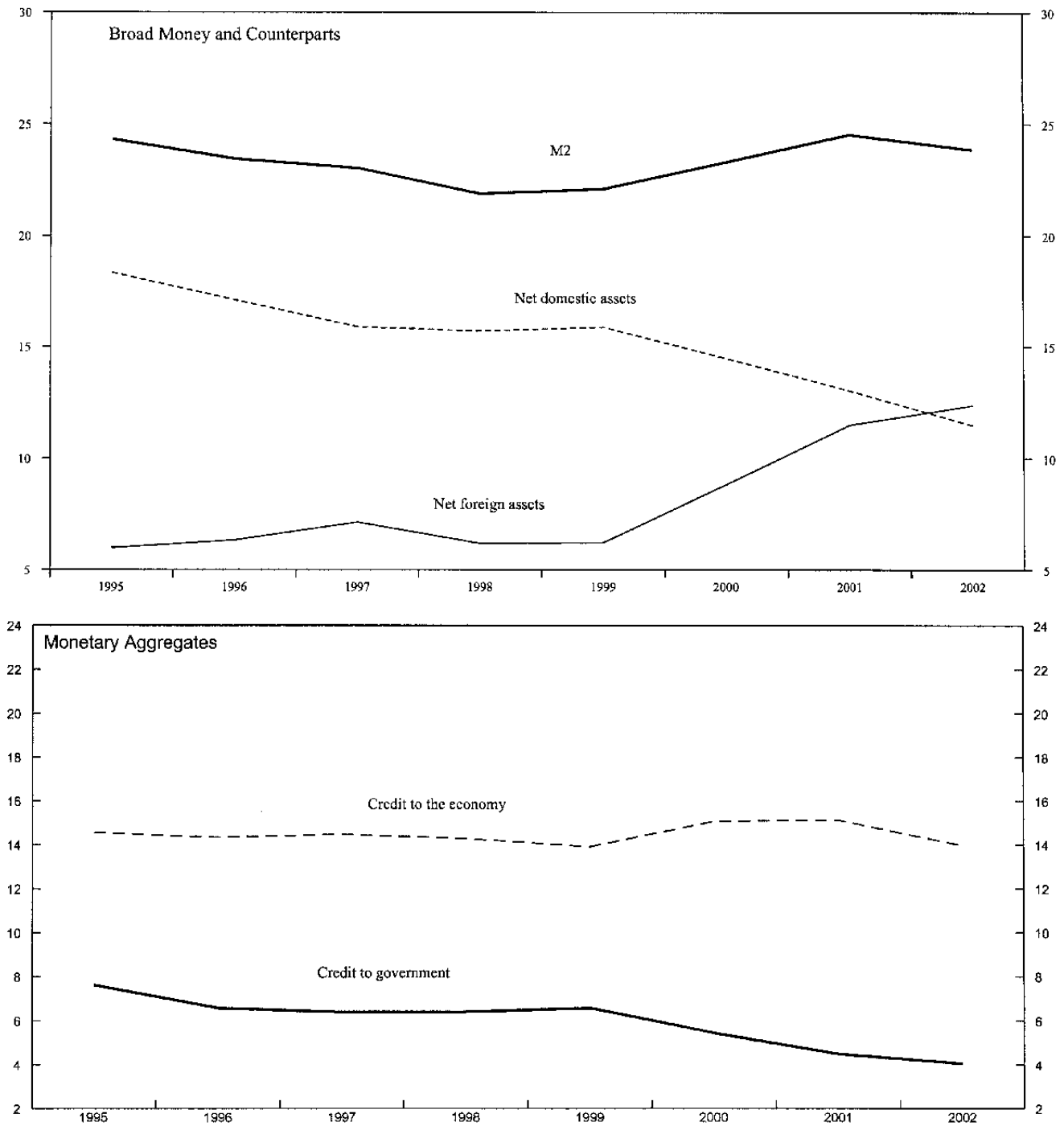
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Sources: IMF, Information Notice System (INS); World Economic Outlook; and staff estimates.

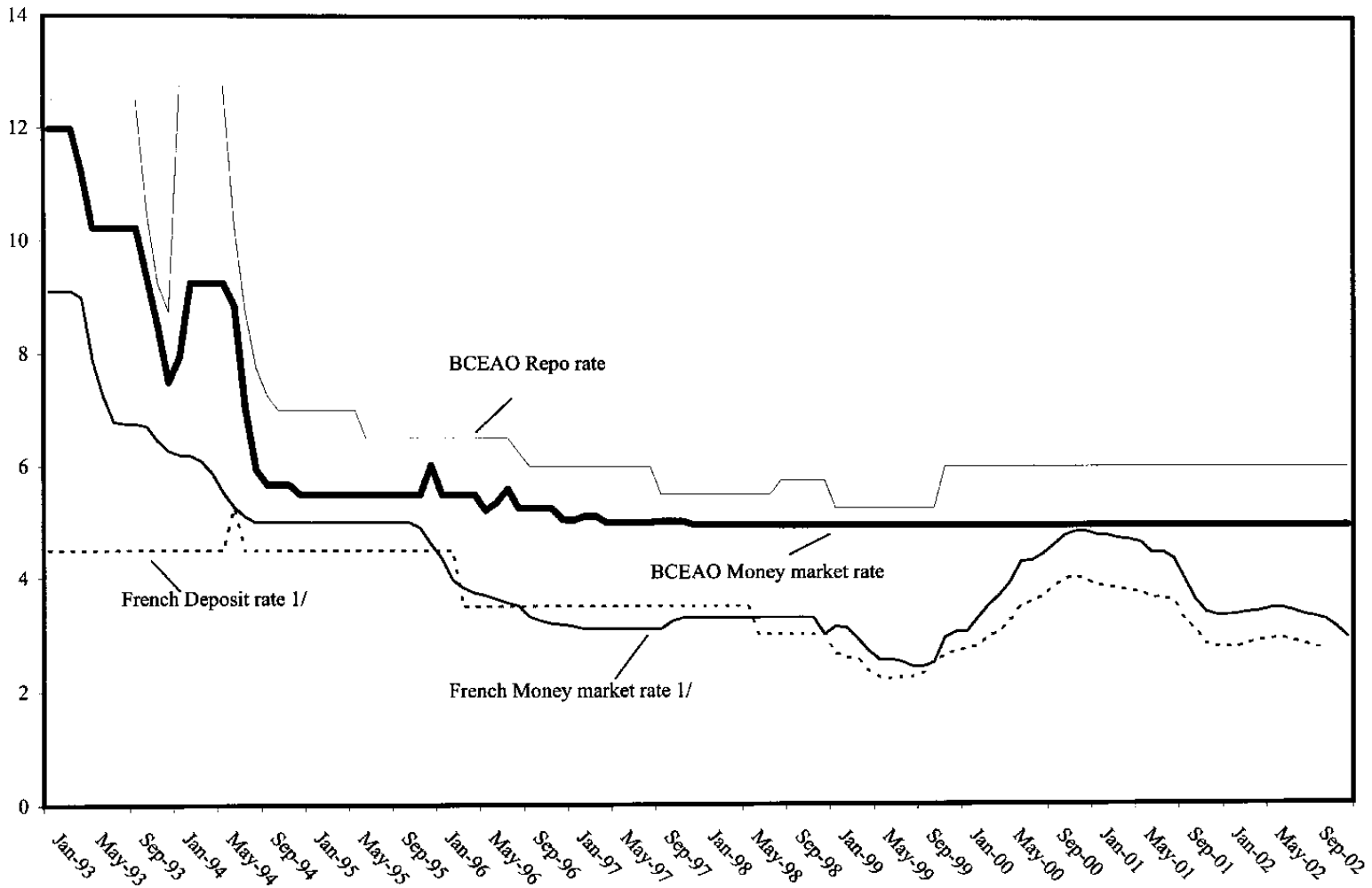
Figure 3. WAEMU: Selected Monetary Aggregates, 1995-2002

(In percent of GDP)



Source: Central Bank of West African States (BCEAO).

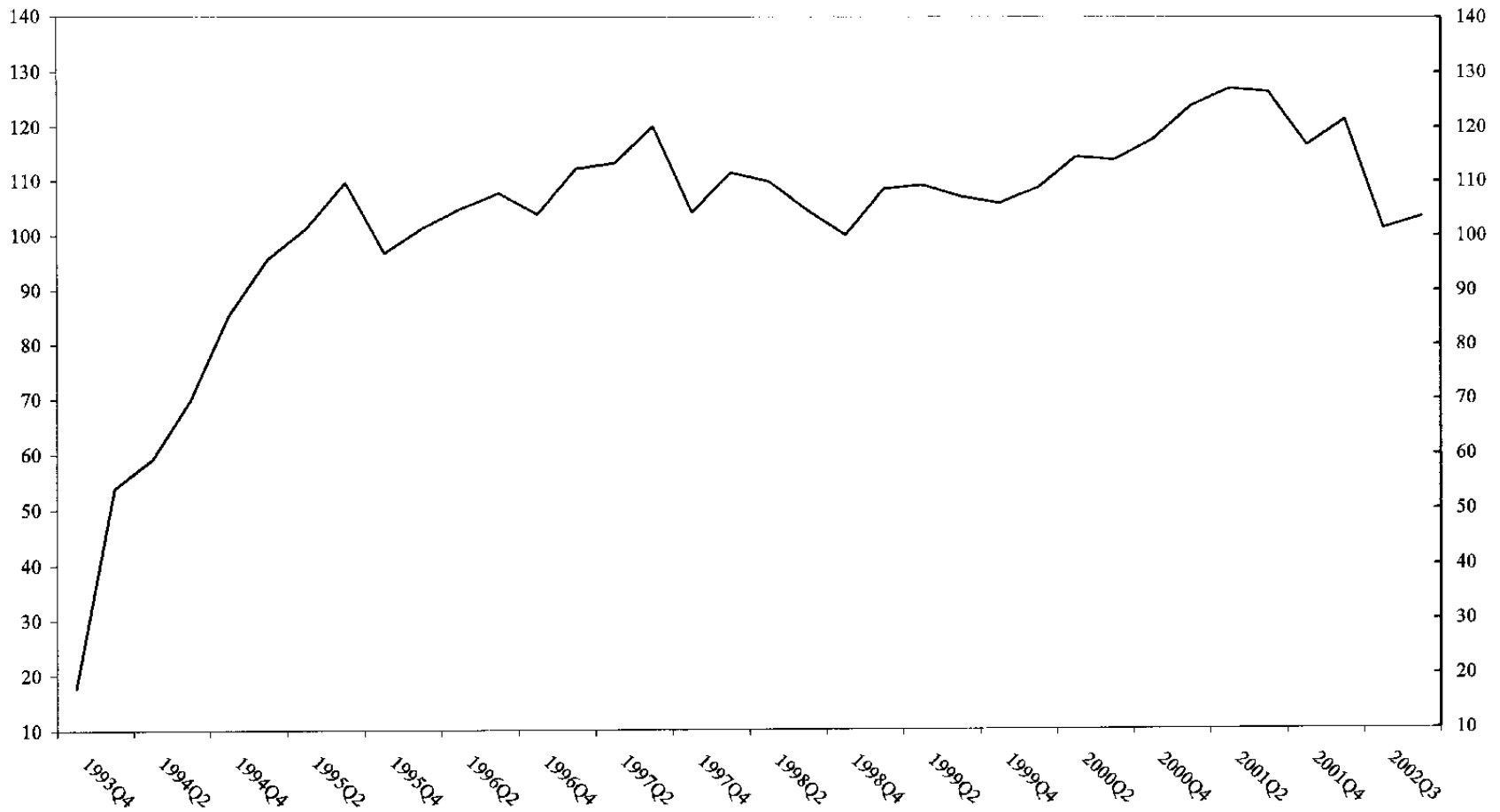
Figure 4. WAEMU: BCEAO vs Bank of France Interest Rates, January 1993- December 2002 1/
(In percent)



Sources: Central Bank of West African States (BCEAO); and IMF, *International Financial Statistics* .

1/ Effective January 2001 euro rates are used.

Figure 5. WAEMU: Foreign Exchange Cover Ratio, 1993 : Q4 - 2002 : Q4



Source: Central Bank Of West African States (BCEAO); and staff estimates.

Table 1. WAEMU: Selected Economic and Financial Indicators, 1994-2002

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
(Annual percentage change)									
National income and prices									
GDP at constant prices	3.7	5.7	6.4	5.2	4.9	3.6	1.5	3.4	3.0
Consumer prices (average)	29.4	12.3	4.9	3.7	3.8	-0.1	1.7	4.1	3.0
Terms of trade	6.9	7.6	-2.5	-2.5	5.4	-7.9	-12.0	5.4	2.6
Nominal effective exchange rates 1/	-45.5	5.2	0.7	-3.5	3.6	-1.7	-5.3	1.1	2.1
Real effective exchange rates 1/	-36.1	12.0	2.2	-1.8	5.0	-3.0	-5.6	2.9	2.7
(In percent of GDP)									
National accounts									
Gross domestic savings	12.9	12.4	11.7	12.2	11.8	11.9	9.6	10.4	11.9
Gross domestic investment	16.7	17.5	16.7	17.4	17.4	17.4	16.5	16.7	17.0
Resources gap	-3.9	-5.1	-5.0	-5.2	-5.7	-5.5	-6.8	-6.3	-5.1
(Annual changes in percent of beginning-of-period broad money)									
Money and credit 2/									
Net foreign assets	32.9	9.5	4.4	6.2	-1.7	1.3	12.4	14.5	7.0
Net domestic assets	6.4	4.6	3.1	1.0	5.2	3.7	-5.2	-2.8	-3.2
Broad money	39.3	14.1	7.6	7.3	3.5	5.0	7.2	11.8	3.8
(In percent of GDP, unless otherwise indicated)									
Government financial operations									
Government total revenue, excl. grants	14.1	15.3	15.6	15.8	15.7	15.5	15.8	15.5	15.6
Government expenditure	21.5	21.8	20.9	20.9	20.9	21.4	20.6	20.5	20.3
Overall fiscal balance, excl. grants	-7.4	-6.4	-5.2	-5.1	-5.2	-5.8	-5.2	-5.0	-4.5
Official grants	4.3	3.7	3.8	3.3	3.2	3.1	2.9	2.9	2.0
Overall fiscal balance, incl. grants	-3.1	-2.7	-1.4	-1.8	-2.1	-2.7	-2.3	-2.1	-2.5
External sector									
Exports of goods and services	28.9	29.3	27.9	28.0	28.1	27.9	27.9	27.7	28.1
Imports of goods and services	-33.1	-33.9	-32.9	-33.2	-33.7	-31.9	-35.2	-34.6	-34.1
Current account, excl. grants	-8.6	-9.4	-8.9	-8.4	-8.3	-7.8	-9.1	-8.4	-7.2
Current account, incl. grants	-3.7	-6.2	-6.1	-5.9	-6.0	-6.4	-7.3	-6.8	-6.0
External public debt	127.4	109.8	106.3	103.2	86.9	87.0	86.4	82.7	77.9
Foreign exchange cover ratio 3/	81.3	94.9	100.4	102.4	98.3	104.5	117.7	116.7	103.6
Memorandum items:									
Nominal GDP (in billions of CFA francs)	10,971	12,731	14,210	15,517	16,900	17,570	17,866	18,958	20,231
CFA franc per US dollars, average 1/	555.2	499.1	511.6	583.7	590.0	615.7	712.0	733.0	701.8
CFA franc per ECU/euro, average 1/	659.9	653.0	648.6	661.9	660.2	655.9	655.9	655.9	655.9

Sources: IMF, African Department database; and staff estimates.

1/ First eleven months of 2002.

2/ First nine months of 2002.

3/ Gross official reserves divided by base money.

Table 2. Sub-Saharan Africa: Cross-Group Comparison, 1994-2002

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
	(Annual percentage change)								
Real GDP									
WAEMU	3.7	5.7	6.4	5.2	4.9	3.6	1.5	3.4	3.0
CEMAC 1/	0.2	3.6	3.7	6.3	5.4	2.9	3.6	7.3	6.7
Sub-Saharan Africa 2/	1.8	3.8	5.1	3.7	2.7	2.9	3.2	3.3	3.0
Inflation (annual averages)									
WAEMU	29.4	12.3	4.9	3.7	3.8	-0.1	1.7	4.1	3.0
CEMAC 1/	23.9	17.8	6.9	5.3	1.0	0.6	1.5	4.2	3.9
Sub-Saharan Africa 2/	68.5	40.9	36.6	17.9	13.0	15.6	18.4	16.4	11.6
Terms of trade									
WAEMU	6.9	7.6	-2.5	-2.5	5.4	-7.9	-12.0	5.4	2.6
CEMAC 1/	-2.3	0.9	2.3	-2.0	-8.7	5.7	24.5	-3.9	-7.0
Sub-Saharan Africa 2/	4.5	0.4	0.2	-1.3	-2.1	0.6	6.5	-1.4	0.1
	(As percent of GDP, unless otherwise indicated)								
Gross domestic investment									
WAEMU	16.7	17.5	16.7	17.4	17.4	17.4	16.5	16.7	17.0
CEMAC 1/	21.6	19.7	19.6	21.8	24.7	21.6	19.5	24.5	23.9
Sub-Saharan Africa 2/	16.5	16.9	17.0	17.3	18.5	18.0	16.3	16.7	18.1
Overall fiscal balance, incl. grants									
WAEMU	-3.1	-2.7	-1.4	-1.8	-2.1	-2.7	-2.3	-2.1	-2.5
CEMAC 1/	-7.2	-2.3	-1.8	-1.4	-6.5	-2.4	3.6	3.1	2.7
Sub-Saharan Africa 2/	-5.4	-4.3	-3.4	-3.5	-3.6	-3.8	-2.1	-2.2	-3.1
External current account, incl. grants									
WAEMU	-3.7	-6.2	-6.1	-5.9	-6.0	-6.4	-7.3	-6.8	-6.0
CEMAC 1/	-5.3	-5.8	-5.1	-3.9	-11.4	-9.9	-2.3	-8.3	-6.9
Sub-Saharan Africa 2/	-2.8	-3.9	-2.2	-3.0	-5.6	-4.2	-0.8	-2.0	-3.6
External public debt									
WAEMU	127.4	109.8	106.3	103.2	86.9	87.0	86.4	82.7	77.9
CEMAC 1/	111.1	96.0	86.4	84.6	91.6	89.8	76.0	73.3	71.2
Sub-Saharan Africa 2/	56.5	52.8	50.2	45.6	49.3	50.0	48.4	50.4	49.7
Foreign reserves cover ratio 3/									
WAEMU	81.3	94.9	100.4	102.4	98.3	104.5	117.7	116.7	103.6
CEMAC 1/	42.6	43.3	62.2	72.8	45.1	41.1	71.1	65.0	...

Sources: IMF, African Department database; and staff estimates.

1/ Central African Economic and Monetary Community (CEMAC).

2/ Including Nigeria and South Africa.

3/ Gross official reserves as a percentage of base money.

Table 3. WAEMU: Main Features of WAEMU Economies in 2001 1/

	Benin	Burkina Faso	Côte d'Ivoire	Guinea- Bissau	Mali	Niger	Senegal	Togo	WAEMU Total
Population (millions)	6.3	11.3	16.0	1.2	10.8	10.8	9.5	4.5	70.5
Land area (thousands of sq.km.)	110.6	273.6	318.0	28.1	1,220.2	1,266.7	192.5	54.4	3,464.2
GNP (billions of U.S. dollars) 2/	2.3	2.4	9.6	0.2	2.5	1.9	4.7	1.3	25.1
GNP per capita (current U.S. dollars) 2/	370.0	210.0	600.0	180.0	240.0	180.0	490.0	290.0	320.0
Agriculture, value added (percent of GDP)	38.0	34.5	29.2	58.8	45.8	38.8	18.2	37.7	37.6
Industry, value added (percent of GDP)	14.4	17.2	22.4	12.3	17.1	17.6	26.9	22.2	18.8
Services, etc value added (percent of GDP)	47.6	48.3	48.4	28.9	37.1	43.6	55.0	40.2	43.6
Exports of goods (billions of U.S. dollars; 2001)	0.2	0.2	3.7	0.0	0.7	0.3	1.0	0.3	6.5
Imports of goods (billions of U.S. dollars; 2001)	0.5	0.5	2.2	0.1	0.7	0.3	1.3	0.5	6.2
Intraregional trade 3/									
Exports (in percent of total)	6.6	7.4	15.2	0.5	3.5	3.4	11.7	33.0	13.9
Import (in percent of total)	5.5	31.8	1.1	15.7	20.3	22.1	3.8	8.7	8.6
Share of individual countries (in percent)									
In GNP	9.3	9.7	38.2	0.9	10.2	7.7	18.8	5.3	100.0
In exports	3.2	3.5	56.5	0.7	11.4	4.4	14.9	5.4	100.0
In net domestic assets	4.1	8.4	48.8	1.1	7.1	3.4	21.2	5.9	100.0
In net foreign assets 2/	30.4	9.4	25.1	2.3	14.1	2.0	12.5	4.2	100.0

Sources: World Bank, *World Development Report*; IMF, *Direction of Trade Statistics*; and staff estimates.

1/ GNP 2000.

2/ About 40 per cent of the official reserves are held by the headquarters of the Central Bank of West African States (BCEAO).

3/ Exports to and imports from WAEMU countries in percent of total exports and imports.

Table 4. WAEMU: National Accounts, 1994-2002

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
(Annual percentage change)									
Real GDP									
Benin	4.4	4.6	6.0	5.7	4.6	4.7	5.8	5.0	5.8
Burkina Faso	1.4	4.5	7.5	4.8	6.4	6.3	2.2	5.6	4.4
Côte d'Ivoire	2.0	7.1	7.7	5.7	4.8	1.6	-2.3	0.1	0.0
Guinea-Bissau	3.2	4.4	4.6	5.5	-28.1	7.6	7.5	0.2	-4.2
Mali	2.6	7.0	4.3	6.7	4.9	6.7	4.6	1.5	9.6
Niger	4.0	2.6	3.4	2.8	10.4	-0.6	-1.4	7.1	3.0
Senegal	2.9	5.2	5.1	5.0	5.7	5.1	5.6	5.6	2.4
Togo	17.5	6.9	9.7	4.3	-2.1	2.9	-1.9	2.7	2.9
WAEMU	3.7	5.7	6.4	5.2	4.9	3.6	1.5	3.4	3.0
Inflation									
Benin	38.5	14.5	4.9	3.8	5.8	0.3	4.2	4.0	2.3
Burkina Faso	24.7	7.8	6.1	2.3	5.0	-1.1	-0.3	4.9	2.3
Côte d'Ivoire	26.0	14.1	2.7	4.2	4.5	0.7	2.5	4.4	3.5
Guinea-Bissau	15.2	45.4	50.7	49.1	8.0	-2.1	8.6	3.3	3.3
Mali	24.8	12.4	6.5	-0.7	4.1	-1.2	-0.7	5.2	4.9
Niger	35.5	10.9	5.3	2.9	4.5	-2.3	2.9	4.0	2.7
Senegal	32.0	8.1	2.8	1.7	1.1	0.8	0.7	3.0	2.2
Togo	35.3	15.8	4.6	5.3	1.0	-0.1	1.9	3.9	3.0
WAEMU	29.4	12.3	4.9	3.7	3.8	-0.1	1.7	4.1	3.0
(In percent of GDP)									
Gross domestic savings									
Benin	7.9	8.5	7.6	5.6	6.6	4.8	6.0	6.5	6.1
Burkina Faso	7.9	9.2	9.3	11.3	13.0	9.2	7.3	9.6	8.0
Côte d'Ivoire	24.9	22.9	20.8	22.8	19.7	21.3	17.6	17.6	21.5
Guinea-Bissau	3.9	-1.1	1.7	2.9	-10.0	-1.1	-10.6	-11.6	-7.8
Mali	4.3	4.5	4.0	12.3	11.1	8.9	8.6	10.3	15.1
Niger	1.0	-0.2	2.4	3.1	2.4	2.6	3.3	4.1	4.1
Senegal	11.8	11.1	12.2	9.2	10.5	11.8	8.6	9.5	10.3
Togo	10.0	12.0	5.7	-1.2	2.0	4.6	1.3	3.6	3.6
WAEMU	12.9	12.4	11.7	12.2	11.8	11.9	9.6	10.4	11.9
Gross domestic investment									
Benin	15.8	19.6	17.0	18.4	17.0	17.5	18.9	19.2	18.1
Burkina Faso	21.8	25.8	27.4	28.5	30.7	29.1	25.5	25.4	21.9
Côte d'Ivoire	13.7	15.6	12.1	14.4	13.3	13.1	10.6	10.4	12.6
Guinea-Bissau	21.8	22.3	23.0	21.8	11.4	16.8	16.0	18.9	15.4
Mali	24.4	24.1	20.9	22.9	21.2	20.0	20.6	21.1	21.5
Niger	10.4	7.3	9.7	10.9	11.4	10.2	10.8	11.5	12.9
Senegal	18.5	16.7	18.5	15.8	17.6	19.4	18.5	18.1	18.4
Togo	15.8	16.0	16.6	14.6	17.3	15.9	17.8	19.7	20.2
WAEMU	16.7	17.5	16.7	17.4	17.4	17.4	16.5	16.7	17.0

Sources: IMF, African Department database; and staff estimates.

Table 5. WAEMU: Fiscal Balances, 1994-2002

(In percent of GDP)

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
Overall fiscal balance (commitment basis, excluding grants)									
Benin	-6.9	-7.2	-4.3	-4.2	-1.0	-1.6	-3.5	-4.2	-3.7
Burkina Faso	-11.7	-10.1	-9.2	-10.6	-10.1	-13.3	-12.3	-12.6	-9.0
Côte d'Ivoire	-0.8	-4.4	-2.7	-2.7	-2.8	-3.3	-1.7	0.4	-1.6
Guinea-Bissau	-17.2	-17.7	-21.3	-26.5	-19.5	-14.4	-24.9	-24.5	-15.4
Mali	-14.4	-11.2	-8.2	-8.1	-8.1	-8.4	-9.3	-11.0	-9.9
Niger	-12.5	-8.0	-5.3	-7.5	-8.2	-9.0	-7.6	-7.4	-6.9
Senegal	-6.1	-3.5	-4.4	-2.0	-3.3	-3.5	-2.0	-3.9	-1.6
Togo	-12.7	-4.7	-5.2	-3.3	-7.4	-5.1	-6.0	-2.5	-4.3
WAEMU	-7.4	-6.4	-5.2	-5.1	-5.2	-5.8	-5.2	-5.0	-4.5
Overall fiscal balance (including grants)									
Benin	-2.3	-3.2	-0.4	0.3	2.1	1.9	-1.8	-1.5	-2.8
Burkina Faso	-3.9	-2.0	-0.6	-3.3	-3.1	-4.0	-4.1	-4.5	-4.8
Côte d'Ivoire	-0.2	-3.7	-2.0	-2.1	-2.1	-2.8	-1.3	0.9	-1.5
Guinea-Bissau	-1.4	-1.4	-12.2	-13.8	-16.2	-9.9	-10.8	-11.5	-10.1
Mali	-4.4	-3.4	-0.9	-2.2	-2.4	-3.7	-3.8	-5.8	-5.6
Niger	-6.7	-3.9	-0.4	-3.0	-2.8	-5.2	-3.5	-3.8	-3.2
Senegal	-1.9	-0.2	-0.1	0.5	-0.3	-1.4	0.1	-2.0	0.4
Togo	-11.3	-3.3	-4.7	-1.9	-6.0	-3.4	-5.4	-2.0	-3.9
WAEMU	-3.1	-2.7	-1.4	-1.8	-2.1	-2.7	-2.3	-2.1	-2.5
Government revenue (commitment basis, excluding grants)									
Benin	12.7	14.8	15.1	14.5	15.3	16.0	16.6	16.2	17.1
Burkina Faso	11.6	12.5	12.6	13.6	14.7	15.6	17.6	12.5	13.1
Côte d'Ivoire	18.3	20.1	19.8	19.4	18.4	16.4	16.4	17.0	16.4
Guinea-Bissau	12.3	12.7	12.4	15.3	5.4	17.8	19.2	19.6	13.8
Mali	14.2	11.8	14.0	14.6	14.6	16.3	14.9	16.6	17.2
Niger	6.1	7.2	7.8	8.4	9.1	8.8	8.6	9.3	10.5
Senegal	14.9	16.4	16.6	16.9	16.8	17.3	18.1	17.8	18.6
Togo	12.1	14.7	14.7	14.7	15.3	14.4	13.3	13.8	12.4
WAEMU	14.1	15.3	15.6	15.8	15.7	15.5	15.8	15.5	15.6
Government expenditure									
Benin	19.6	22.0	19.4	18.6	16.3	17.6	20.1	20.3	20.7
Burkina Faso	23.3	22.6	21.9	24.2	24.8	28.9	27.0	25.1	22.1
Côte d'Ivoire	19.1	24.5	22.5	22.1	21.2	19.8	18.1	16.6	18.1
Guinea-Bissau	29.5	30.4	33.6	41.8	24.9	31.3	44.1	43.0	28.8
Mali	28.6	23.0	22.2	22.7	22.6	25.0	24.2	27.6	27.1
Niger	18.6	15.2	13.1	16.0	17.3	17.9	16.2	16.7	17.4
Senegal	21.0	19.9	21.0	19.0	20.1	20.9	20.0	21.7	20.6
Togo	24.8	19.4	19.9	18.0	22.7	19.5	19.2	16.3	16.7
WAEMU	21.5	21.8	20.9	20.9	20.9	21.4	20.6	20.5	20.3

Sources: IMF, African Department database; and staff estimates.

Table 6. WAEMU: External Balances, 1994-2002

(In percent of GDP)

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
Exports of goods and services									
Benin	19.4	19.4	19.1	16.1	17.1	16.1	15.4	15.4	14.1
Burkina Faso	13.9	14.0	11.2	11.7	14.4	11.6	10.2	10.1	10.0
Côte d'Ivoire	40.5	41.8	41.1	41.4	39.4	40.4	39.7	38.6	40.8
Guinea-Bissau	16.5	11.7	10.6	21.0	14.5	25.6	31.8	27.2	27.5
Mali	23.5	22.3	20.4	26.4	23.9	25.1	26.3	31.5	32.7
Niger	16.5	15.3	18.5	16.8	17.8	15.9	17.8	16.7	16.3
Senegal	34.9	34.5	29.5	29.2	30.0	30.4	31.8	31.8	31.5
Togo	30.5	34.8	33.3	29.0	33.3	32.0	32.6	32.6	31.6
WAEMU	28.9	29.3	27.9	28.0	28.1	27.9	27.9	27.7	28.1
Imports of goods and services									
Benin	-27.3	-30.6	-28.5	-28.9	-27.5	-28.8	-28.5	-27.9	-26.1
Burkina Faso	-27.8	-30.5	-29.3	-28.8	-31.9	-28.7	-28.4	-25.9	-23.9
Côte d'Ivoire	-29.3	-34.4	-32.4	-33.1	-33.0	-32.2	-32.8	-31.4	-32.7
Guinea-Bissau	-34.3	-35.1	-31.9	-39.9	-36.0	44.0	-58.3	-57.7	-56.2
Mali	-46.1	-42.6	-36.3	-36.8	-33.8	-36.0	-37.9	-42.6	-39.0
Niger	-26.9	-16.2	-25.8	-24.6	-26.8	-23.5	-25.3	-24.0	-25.1
Senegal	-41.6	-40.1	-35.8	-35.9	-37.1	-38.0	-43.9	-43.3	-42.7
Togo	-36.3	-38.8	-44.1	-44.8	-48.5	-43.3	-49.4	-49.8	-48.7
WAEMU	-33.1	-33.9	-32.9	-33.2	-33.7	-31.9	-35.2	-34.6	-34.1
External current account (excl. grants)									
Benin	-6.8	-9.9	-8.5	-10.6	-7.9	-8.7	-8.1	-7.9	-8.4
Burkina Faso	-9.1	-12.2	-15.1	-14.5	-14.9	-15.6	-17.1	-15.3	-12.8
Côte d'Ivoire	-1.6	-5.9	-4.8	-2.4	-3.3	-1.9	-3.2	-2.6	-0.2
Guinea-Bissau	-23.3	-29.5	-27.5	-23.4	-20.5	-22.3	-28.4	-30.5	-23.3
Mali	-19.9	-18.6	-14.1	-9.6	-9.3	-10.8	-12.0	-14.2	-10.7
Niger	-14.6	-8.9	-7.6	-8.9	-9.5	-7.8	-7.5	-6.3	-7.6
Senegal	-9.5	-8.2	-7.0	-7.5	-7.5	-7.8	-8.5	-6.5	-6.3
Togo	-10.2	-6.6	-12.0	-17.1	-16.1	-12.5	-16.8	-16.7	-16.8
WAEMU	-8.6	-9.4	-8.9	-8.4	-8.3	-7.8	-9.1	-8.4	-7.2
External current account (incl. grants)									
Benin	-2.6	-6.5	-4.2	-7.4	-5.7	-7.6	-8.1	-6.7	-8.2
Burkina Faso	-1.9	-6.0	-10.1	-10.6	-10.3	-12.5	-14.0	-12.1	-10.5
Côte d'Ivoire	-0.9	-5.3	-4.2	-1.8	-2.7	-1.4	-2.8	-2.0	0.1
Guinea-Bissau	-12.4	-17.6	-16.5	-8.8	-13.2	-12.0	-13.2	-18.9	-11.3
Mali	-6.1	-9.2	-10.2	-7.4	-7.6	-9.3	-9.5	-11.9	-9.5
Niger	-6.0	-7.9	-5.5	-7.2	-7.3	-6.8	-5.8	-4.5	-6.4
Senegal	-5.0	-5.3	-4.3	-4.2	-4.6	-6.2	-6.3	-4.9	-4.7
Togo	-7.8	-4.0	-7.4	-12.5	-11.9	-10.6	-14.1	-15.9	-16.0
WAEMU	-3.7	-6.2	-6.1	-5.9	-6.0	-6.4	-7.3	-6.8	-6.0

Sources: IMF, African Department database; and staff estimates.

Table 7. WAEMU: External Public Debt, 1994-2002

(In percent of GDP)

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
Benin	87.2	70.6	70.0	60.8	56.0	55.0	58.3	58.5	47.4
Burkina Faso	61.4	55.1	51.8	57.9	55.1	57.3	59.9	59.8	58.7
Côte d'Ivoire	183.9	157.9	154.7	144.5	98.6	99.2	94.8	91.2	89.3
Guinea-Bissau	360.6	357.1	319.1	334.8	445.8	352.5	369.8	405.0	404.2
Mali	142.5	114.9	113.1	113.5	105.8	96.8	97.7	89.8	81.2
Niger	101.9	84.6	76.6	85.4	78.9	97.9	91.4	83.4	77.7
Senegal	85.4	76.4	79.8	73.5	73.1	71.3	71.3	66.8	61.7
Togo	129.6	106.7	91.4	90.1	97.9	98.2	108.6	104.1	95.1
WAEMU	127.4	109.8	106.3	103.2	86.9	87.0	86.4	82.7	77.9

Source: IMF, African Department database.

Table 8. WAEMU: Convergence Criteria, 1997-2002

	1997	1998	1999	2000	2001	2002 Est.
First-order criteria						
Basic fiscal balance/GDP (≥ 0 percent) 1/	(In percent)					
Benin	1.5	3.8	2.8	1.9	0.4	0.2
Burkina Faso	0.1	-0.3	-0.4	-1.6	-2.9	-3.6
Côte d'Ivoire	-0.6	-0.3	-1.5	-0.3	1.1	-0.5
Guinea Bissau	-1.0	-16.3	-8.6	-17.2	-11.7	-7.2
Mali	1.0	1.2	0.1	-0.7	-2.0	-1.8
Niger	-3.0	-3.3	-4.8	-0.7	-3.4	-2.0
Senegal	2.7	2.6	1.7	1.2	-0.8	2.2
Togo	-1.7	-4.0	-2.0	-3.1	-0.4	-3.0
WAEMU	0.1	0.0	-0.7	-0.5	-0.9	-0.8
Average consumer price inflation (≤ 3 percent)	(Annual percentage change)					
Benin	3.8	5.8	0.3	4.2	4.0	2.3
Burkina Faso	2.3	5.0	-1.1	-0.3	4.9	2.3
Côte d'Ivoire	4.2	4.5	0.7	2.5	4.4	3.5
Guinea Bissau	49.1	8.0	-2.1	8.6	3.3	3.3
Mali	-0.7	4.1	-1.2	-0.7	5.2	4.9
Niger	2.9	4.5	-2.3	2.9	4.0	2.7
Senegal	1.7	1.1	0.8	0.7	3.0	2.2
Togo	5.3	1.0	-0.1	1.9	3.9	3.0
WAEMU	3.7	3.8	-0.1	1.7	4.1	3.0
Total debt/GDP (≤ 70 percent)	(In percent)					
Benin	60.8	61.1	56.6	59.6	59.5	50.7
Burkina Faso	71.8	69.3	71.8	72.9	69.7	64.2
Côte d'Ivoire	161.3	115.5	111.2	123.0	118.1	104.1
Guinea Bissau	597.6	833.5	431.7	391.4	405.0	404.2
Mali	127.2	117.3	106.3	108.2	104.2	95.9
Niger	97.8	94.3	120.0	105.9	96.3	90.2
Senegal	83.5	81.9	78.8	78.0	75.0	70.6
Togo	102.6	124.9	125.9	143.5	135.6	128.6
WAEMU	119.8	105.1	100.2	103.2	98.4	90.0
Change in domestic arrears (≤ 0)	(In billions of CFA francs)					
Benin	-15.8	0.0	-11.3	-15.8	0.0	0.0
Burkina Faso	-6.5	-6.5	-8.3	0.0	0.0	0.0
Côte d'Ivoire	-51.7	-17.3	132.8	47.9	-9.3	16.0
Guinea Bissau	-3.8	5.6	2.4	0.0	5.6	6.1
Mali	-7.0	-10.0	-9.3	0.0	0.0	0.0
Niger	-13.8	-19.3	23.6	3.6	-17.0	-25.5
Senegal	0.0	0.0	0.0	0.0	0.0	0.0
Togo	-15.8	7.0	44.5	24.3	21.4	27.6
WAEMU	-114.4	-40.5	174.4	60.0	0.7	24.2
Change in external arrears (≤ 0)						
Benin	7.9	-11.6	-13.3	-14.8	0.0	0.0
Burkina Faso	0.0	0.0	0.0	0.0	0.0	0.0
Côte d'Ivoire	120.9	-120.9	32.4	413.2	371.4	-550.0
Guinea Bissau	12.8	28.4	-172.2	-172.2	3.9	24.5
Mali	0.0	0.0	0.0	0.0	0.0	0.0
Niger	1.9	14.7	25.6	-115.6	0.0	0.0
Senegal	2.7	-2.7	0.0	0.0	0.0	0.0
Togo	-43.4	15.0	19.5	39.8	35.2	46.1
WAEMU	102.8	-77.1	-108.0	150.4	410.5	-479.4

Table 8. WAEMU: Convergence Criteria, 1997-2002 (concluded)

	1997	1998	1999	2000	2001	2002 Est.
Second-order criteria	(In percent)					
Wages and Salaries/Fiscal revenue (<= 35 percent)						
Benin	39.0	35.4	32.0	33.0	32.6	31.6
Burkina Faso	40.7	39.2	41.7	43.7	46.1	42.9
Côte d'Ivoire	36.7	36.4	37.0	41.6	41.4	41.4
Guinea Bissau	39.1	126.7	53.9	60.0	76.9	94.7
Mali	28.9	27.4	27.8	31.3	29.1	28.5
Niger	56.6	49.8	46.9	50.4	40.3	39.0
Senegal	40.0	37.0	33.9	32.7	30.7	31.8
Togo	49.2	51.0	51.1	54.9	51.1	52.7
WAEMU	40.3	39.4	37.9	40.4	38.9	38.7
Capital expenditure domestically financed/fiscal revenue (>= 20 percent)						
Benin	7.5	8.2	13.9	15.0	22.4	18.6
Burkina Faso	23.9	25.3	20.8	23.4	29.8	36.7
Côte d'Ivoire	21.7	26.7	17.6	8.4	6.3	7.3
Guinea Bissau	16.1	80.0	64.8	20.0	17.0	5.3
Mali	16.3	20.2	22.2	25.7	22.0	21.7
Niger	7.2	9.1	15.8	7.9	20.0	24.7
Senegal	14.3	17.9	22.7	19.8	20.5	23.6
Togo	2.9	6.3	2.5	3.1	2.5	2.6
WAEMU	15.9	19.9	18.4	14.6	16.6	18.5
External current account balance, excluding grants/GDP (<= 5 percent)						
Benin	-10.6	-7.9	-8.7	-8.1	-7.9	-8.4
Burkina Faso	-14.5	-14.9	-15.6	-17.1	-15.3	-12.8
Côte d'Ivoire	-2.4	-3.3	-1.9	-3.2	-2.6	-0.2
Guinea Bissau	-23.4	-20.5	-22.3	-28.4	-30.5	-23.3
Mali	-9.6	-9.3	-10.8	-12.0	-14.2	-10.7
Niger	-8.9	-9.5	-7.8	-7.5	-6.3	-7.6
Senegal	-7.5	-7.5	-7.8	-8.5	-6.5	-6.3
Togo	-17.1	-16.1	-12.5	-16.8	-16.7	-16.8
WAEMU	-8.4	-8.3	-7.8	-9.1	-8.4	-7.2
Fiscal revenue/GDP (>= 17 percent)						
Benin	12.6	13.3	13.7	14.6	14.2	15.1
Burkina Faso	12.1	12.4	12.8	12.3	11.7	12.3
Côte d'Ivoire	17.9	16.9	16.4	16.4	17.0	16.4
Guinea Bissau	7.7	3.7	8.6	11.4	10.1	7.6
Mali	13.8	13.9	14.1	13.4	14.6	14.2
Niger	8.2	9.1	9.9	8.0	8.7	9.4
Senegal	15.7	16.0	16.8	17.3	17.1	17.7
Togo	13.0	13.8	12.8	11.9	11.7	10.9
WAEMU	14.4	14.4	14.5	14.4	14.5	14.6

Sources: WAEMU; Central Bank of West African States (BCEAO); and staff estimates.

1/ Total revenue, excluding grants, minus total expenditures, excluding foreign-financed investment outlays.

Table 9. WAEMU: Terms of Trade, 1994-2002

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
	(1990 = 100)								
Benin	77.1	99.4	90.7	89.2	94.5	73.5	74.7	86.1	72.4
Burkina Faso	102.4	109.9	102.6	101.4	104.2	94.3	83.5	91.3	95.8
Côte d'Ivoire	116.7	135.2	130.9	126.2	132.3	122.0	96.8	100.6	114.8
Guinea-Bissau	89.4	84.5	84.4	88.5	79.8	95.3	95.8	68.9	75.7
Mali	92.7	93.4	114.8	110.4	114.0	98.3	94.1	101.4	98.5
Niger	97.5	83.7	64.6	69.0	67.3	74.2	66.6	69.2	68.4
Senegal	93.0	88.6	88.7	90.7	95.2	92.2	88.0	92.1	90.0
Togo	54.3	66.1	71.2	52.3	72.8	63.3	56.8	58.6	54.0
WAEMU	97.5	104.9	102.3	99.7	105.1	96.8	85.2	89.8	92.2
	(Percentage change)								
Benin	1.1	29.0	-8.8	-1.7	5.9	-22.2	1.6	15.4	-15.9
Burkina Faso	10.6	7.4	-6.7	-1.2	2.8	-9.5	-11.5	9.3	4.9
Côte d'Ivoire	12.1	15.9	-3.2	-3.6	4.9	-7.8	-20.6	3.9	14.1
Guinea-Bissau	-15.4	-5.4	-0.2	4.9	-9.8	19.5	0.5	-28.0	9.8
Mali	34.9	0.7	22.9	-3.9	3.3	-13.8	-4.3	7.8	-2.9
Niger	3.4	-14.2	-22.8	6.9	-2.5	10.1	-10.2	3.9	-1.1
Senegal	6.0	-4.7	0.0	2.3	5.0	-3.2	-4.6	4.7	-2.3
Togo	6.1	21.8	7.7	-26.5	39.2	-13.1	-10.2	3.0	-7.8
WAEMU	6.9	7.6	-2.5	-2.5	5.4	-7.9	-12.0	5.4	2.6

Source: IMF, African Department database.

Table 10. WAEMU: Effective Exchange Rates, 1994-2002 1/

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Nov.
Nominal effective exchange rates									
	(Index 1990 = 100)								
Benin	53.3	55.5	55.8	53.6	55.9	53.9	50.6	51.3	53.4
Burkina Faso	55.4	58.7	59.5	58.0	58.8	59.1	58.1	59.2	60.4
Côte d'Ivoire	78.5	83.6	84.1	80.9	84.6	83.7	78.9	80.5	82.6
Guinea-Bissau	22.1	15.0	11.0	8.3	8.4	8.3	8.4	8.6	8.4
Mali	53.4	55.3	55.1	53.0	53.9	52.7	50.3	50.6	51.3
Niger	50.6	51.7	51.9	50.6	50.9	50.1	48.6	48.8	49.3
Senegal	65.9	69.1	69.5	67.0	68.6	67.5	64.1	64.9	66.3
Togo	62.0	64.9	65.3	62.9	65.2	63.4	59.7	60.7	62.0
WAEMU	63.5	66.8	67.2	64.9	67.2	66.1	62.6	63.3	64.7
	(Percentage change)								
Benin	98.0	-3.9	-0.5	4.0	-4.0	3.7	6.5	-1.3	-4.0
Burkina Faso	92.6	-5.7	-1.3	2.6	-1.3	-0.6	1.7	-1.8	-2.0
Côte d'Ivoire	73.0	-6.1	-0.6	4.0	-4.4	1.1	6.1	-2.0	-2.5
Guinea-Bissau	17.7	47.4	36.5	31.7	-1.2	1.6	-0.6	-2.6	1.8
Mali	94.1	-3.4	0.3	4.1	-1.8	2.4	4.7	-0.6	-1.3
Niger	99.2	-2.1	-0.4	2.4	-0.6	1.6	3.2	-0.4	-1.0
Senegal	82.1	-4.7	-0.6	3.7	-2.4	1.7	5.3	-1.2	-2.1
Togo	84.7	-4.5	-0.6	3.8	-3.5	2.8	6.3	-1.7	-2.0
WAEMU	-45.5	5.2	0.7	-3.5	3.6	-1.7	-5.3	1.1	2.1
Real effective exchange rates									
	(Index 1990 = 100)								
Benin	67.3	77.5	79.5	78.0	84.0	80.6	77.3	79.8	83.4
Burkina Faso	57.9	62.2	64.0	62.2	65.0	63.8	60.9	62.9	64.1
Côte d'Ivoire	61.2	70.8	71.1	70.0	74.7	73.2	68.3	70.7	72.8
Guinea-Bissau	72.0	66.6	69.9	79.1	83.8	79.4	84.5	87.0	86.0
Mali	54.6	61.4	64.1	60.2	63.0	60.4	56.2	58.3	60.8
Niger	53.8	59.1	62.5	62.5	64.1	60.1	58.5	59.8	61.0
Senegal	59.1	64.0	64.5	62.0	64.1	62.8	58.8	59.9	60.6
Togo	62.2	72.2	74.0	75.8	78.8	75.9	71.3	73.7	76.2
WAEMU	59.8	67.0	68.4	67.2	70.5	68.4	64.6	66.5	68.2
	(Percentage change)								
Benin	-32.5	15.3	2.6	-1.9	7.6	-4.0	-4.1	3.2	4.5
Burkina Faso	-38.6	7.4	3.0	-2.9	4.5	-1.8	-4.5	3.3	2.0
Côte d'Ivoire	-38.4	15.6	0.5	-1.6	6.8	-1.9	-6.7	3.5	3.0
Guinea-Bissau	-10.9	-7.5	4.9	13.2	6.0	-5.2	6.4	2.9	-1.2
Mali	-38.5	12.3	4.5	-6.2	4.8	-4.1	-7.0	3.7	4.3
Niger	-34.9	9.9	5.7	0.1	2.5	-6.3	-2.6	2.2	2.0
Senegal	-34.8	8.3	0.7	-3.9	3.5	-2.0	-6.4	1.9	1.2
Togo	-33.4	16.0	2.5	2.5	4.0	-3.8	-6.0	3.3	3.4
WAEMU	-36.1	12.0	2.2	-1.8	5.0	-3.0	-5.6	2.9	2.7

Source: IMF, Information Notice System (INS).

1/ Terms of trade weighted average.

Table 11 . WAEMU: Disbursement of Foreign Assistance in Support of Adjustment Programs, 1994-2002

(In billions of CFA francs)

	1994	1995	1996	1997	1998	1999	2000	2001	2002 Est.
Benin	45.3	22.5	43.6	17.8	17.0	33.7	19.5	46.9	3.6
Bilateral	13.6	9.6	19.1	9.6	8.7	4.7	0.0	2.2	0.0
Multilateral	31.7	12.9	24.5	8.2	8.3	29.0	19.5	44.7	3.6
Burkina Faso	82.8	73.4	34.4	18.2	32.9	50.1	28.1	104.6	66.8
Bilateral	24.9	21.9	13.6	2.2	5.8	11.2	2.6	6.5	2.3
Multilateral	57.9	51.5	20.8	16.0	27.1	38.9	25.5	98.1	64.5
Côte d'Ivoire	587.3	368.6	258.0	40.1	257.6	4.1	62.3	0.0	239.5
Bilateral	135.1	135.0	53.2	12.0	2.3	4.1	8.5	0.0	70.2
Multilateral	452.2	233.6	204.8	28.1	255.3	0.0	53.8	0.0	169.3
Guinea Bissau	...	...	...	...	7.7	1.8	5.9	0.0	3.0
Bilateral	...	...	...	...	3.6	0.0	0.0	0.0	3.0
Multilateral	...	...	...	...	4.1	1.8	5.9	0.0	0.0
Mali	97.3	90.9	76.8	44.4	32.6	41.7	48.1	47.1	55.9
Bilateral	33.0	28.4	35.1	11.0	6.2	4.1	28.8	11.9	6.6
Multilateral	64.3	62.5	41.7	33.4	26.4	37.6	19.3	35.2	49.3
Niger	56.0	25.3	35.6	46.1	70.9	19.9	48.5	61.1	32.8
Bilateral	17.3	17.6	17.4	10.1	21.8	11.8	22.2	0.0	0.0
Multilateral	38.7	7.7	18.2	36.0	49.1	8.1	26.3	61.1	32.8
Senegal	111.8	114.1	58.8	43.0	67.3	16.4	53.7	82.0	42.1
Bilateral	40.3	28.6	10.9	5.8	3.6	2.8	0.0	0.0	0.0
Multilateral	71.5	85.5	47.9	37.2	63.7	13.6	53.7	82.0	42.1
Togo	30.1	23.5	28.5	31.4	32.5	0.0	0.0	0.0	0.0
Bilateral	6.0	5.0	12.2	9.7	11.3	0.0	0.0	0.0	0.0
Multilateral	24.1	18.5	16.3	21.7	21.2	0.0	0.0	0.0	0.0
WAEMU	1,010.6	718.3	535.7	241.0	518.5	167.7	266.1	341.7	443.7
Bilateral	270.2	246.1	161.5	60.4	63.3	38.7	62.1	20.6	82.1
Multilateral	740.4	472.2	374.2	180.6	455.2	129.0	204.0	321.1	361.6

Sources: Central Bank of West African States (BCEAO); and IMF database.

Table 12. WAEMU: Monetary Survey , December 1995- September 2002

(In billions of CFA francs)

	1995 Dec.	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Sep.
Net foreign assets	761.7	898.9	1,106.1	1,043.9	1,092.1	1,574.4	2,179.1	2,503.8
Net domestic assets	2,334.6	2,431.6	2,466.4	2,653.3	2,789.1	2,586.1	2,471.2	2,323.2
Net credit to government	970.9	934.5	991.7	1,081.5	1,157.2	973.9	853.8	822.9
Net credit to the economy	1,860.5	2,043.7	2,251.3	2,420.0	2,451.0	2,696.5	2,873.5	2,831.0
Other items, net	-496.7	-546.6	-776.5	-848.2	-819.2	-1,084.4	-1,256.2	-1,330.7
Money supply	3,096.4	3,330.5	3,572.6	3,697.2	3,881.2	4,160.5	4,650.2	4,827.0
Money	2,100.9	2,229.1	2,415.5	2,607.0	2,720.7	2,896.5	3,281.0	3,260.1
Quas -money	995.5	1,101.4	1,157.1	1,090.1	1,160.5	1,264.0	1,369.3	1,566.8

Source: IMF, *International Financial Statistics*.

Table 13. WAEMU: Summary Accounts of the Central Bank, December 1995- September 2002

(In billions of CFA francs)

	1995 Dec.	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Sep.
Net foreign assets	677.2	784.3	980.2	955.8	999.9	1,430.5	2,017.6	2,330.0
Gross foreign assets	1,415.6	1,611.9	1,889.5	1,943.6	2,113.9	2,521.3	3,045.9	3,378.6
Foreign liabilities	738.4	827.6	909.3	987.8	1,114.0	1,090.8	1,028.2	1,048.5
Net domestic assets	574.3	499.7	448.1	578.5	588.8	342.5	176.2	-49.3
Net credit to the government	782.2	744.8	797.2	930.5	967.3	975.7	919.0	875.3
Claims on central government	940.2	975.8	1,122.4	1,282.8	1,295.1	1,228.2	1,261.7	1,272.0
Central government deposits	158.1	230.9	325.2	352.4	327.8	252.5	342.7	396.7
Net claims on banks and other financial institutions	163.7	161.9	174.3	195.0	138.2	105.4	54.2	11.2
Net claims on deposit money banks	150.2	146.4	159.5	178.5	122.5	91.4	43.1	1.4
Net claims on other financial institutions	13.5	15.6	14.9	16.5	15.6	14.1	11.1	9.8
Other items, net	-371.6	-407.0	-523.5	-547.0	-516.7	-738.6	-796.9	-935.7
Monetary base	1,251.5	1,284.0	1,428.2	1,534.3	1,588.7	1,773.1	2,193.9	2,280.8
Of which: Currency outside banks	1,018.3	1,059.7	1,216.9	1,305.0	1,361.2	1,464.6	1,702.5	1,594.3

Source: IMF, *International Financial Statistics*.

Table 14. WAEMU: Summary Accounts of Commercial Banks, December 1995- September 2002

(In billions of CFA francs)

	1995	1996	1997	1998	1999	2000	2001	2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Sep.
Net foreign assets	84.5	114.6	126.0	88.1	92.2	143.9	161.4	173.7
Gross foreign assets	398.6	391.1	388.7	406.0	523.0	481.1	488.0	481.8
Foreign liabilities	314.1	276.5	262.7	317.9	430.7	337.2	326.6	308.0
Net domestic assets	1,923.4	2,064.4	2,139.1	2,252.2	2,286.9	2,314.3	2,348.3	2,381.8
Net credit to the government	199.8	202.7	208.2	160.2	199.1	-7.8	-60.4	-50.3
Claims on central government	724.3	827.2	807.1	823.6	805.3	698.6	704.6	692.8
Central government deposits	524.4	624.5	598.9	663.5	606.3	706.4	765.0	743.1
Net credit to the economy	1,821.4	1,998.2	2,204.5	2,376.9	2,407.5	2,664.9	2,834.8	2,791.8
Other items, net	-97.9	-136.4	-273.5	-284.8	-319.6	-342.9	-426.1	-359.7
Net refinancing from the central bank	-15.5	-30.1	-29.1	5.4	-84.7	-183.5	-348.1	-596.6
Borrowing	161.6	148.2	158.7	180.5	113.7	96.0	43.6	2.4
Reserves	177.1	178.2	187.8	175.0	198.3	279.5	391.6	598.9
Deposits	2,023.4	2,209.1	2,294.2	2,334.9	2,463.8	2,641.7	2,857.8	3,152.1
Demand deposits	1,027.9	1,107.7	1,137.1	1,244.8	1,303.3	1,377.7	1,488.5	1,585.3
Time deposits	995.5	1,101.4	1,157.1	1,090.1	1,160.5	1,264.0	1,369.3	1,566.8

Source: IMF, *International Financial Statistics*.

Table 15. WAEMU: Foreign Assets of BCEAO, December 1995-September 2002 1/

(In billions of CFA francs, unless otherwise indicated)

	1995 Dec.	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Sep.
Net foreign assets								
Benin	52.8	79.5	87.0	92.9	199.8	262.6	375.0	286.0
Burkina Faso	131.4	131.7	133.8	122.2	94.7	66.0	90.3	44.5
Côte d'Ivoire	45.4	49.9	94.5	110.8	2.1	87.5	416.3	580.3
Guinea Bissau	...	...	11.8	11.1	10.8	30.0	33.7	45.2
Mali	85.2	143.3	141.0	120.7	100.0	143.6	130.5	222.6
Niger	20.2	12.4	-4.7	-13.6	-20.3	3.4	18.6	26.3
Senegal	-96.9	-80.7	-4.5	16.3	22.5	22.7	83.8	167.7
Togo	12.0	-2.2	16.9	7.9	23.5	53.8	46.6	67.9
Unallocated	427.2	450.4	504.3	487.5	566.7	760.9	822.8	889.5
BCEAO	677.2	784.3	980.2	955.8	999.9	1,430.5	2,017.6	2,330.0
Foreign assets								
Benin	97.0	137.1	151.5	147.0	261.2	322.9	430.3	339.0
Burkina Faso	170.2	177.3	206.5	209.9	192.6	171.7	193.9	147.3
Côte d'Ivoire	259.2	317.2	370.3	481.0	412.0	475.1	766.6	942.7
Guinea Bissau	...	...	20.2	20.1	23.0	47.0	51.7	60.9
Mali	158.2	226.0	248.4	226.5	228.3	268.8	259.7	341.3
Niger	46.4	41.1	31.9	29.8	25.6	56.7	79.6	97.5
Senegal	133.2	151.0	231.3	242.2	263.1	270.7	332.9	404.3
Togo	63.9	46.3	71.0	66.2	79.7	107.4	94.1	125.4
Unallocated	487.4	515.8	558.4	520.9	628.2	800.9	837.1	920.3
BCEAO	1,415.6	1,611.9	1,889.5	1,943.6	2,113.9	2,521.3	3,045.9	3,378.6
Foreign liabilities								
Benin	44.2	57.6	64.5	54.1	61.4	60.4	55.3	53.0
Burkina Faso	38.8	45.6	72.7	87.7	97.9	105.7	103.6	102.7
Côte d'Ivoire	213.8	267.3	275.8	370.2	409.8	387.6	350.3	362.4
Guinea Bissau	...	...	8.4	9.1	12.3	17.0	18.0	15.7
Mali	73.1	82.7	107.5	105.9	128.4	125.2	129.2	118.8
Niger	26.3	28.7	36.6	43.4	45.9	53.3	61.0	71.2
Senegal	230.1	231.7	235.7	225.9	240.6	248.0	249.1	236.6
Togo	51.8	48.6	54.1	58.3	56.2	53.6	47.5	57.5
Unallocated	60.2	65.4	54.1	33.4	61.5	40.0	14.3	30.7
BCEAO	738.4	827.6	909.3	987.8	1,114.0	1,090.8	1,028.2	1,048.5
Memorandum items:								
Base money	2,100.9	2,229.1	2,415.5	2,607.0	2,720.7	2,896.5	3,281.0	3,260.1
Cover ratio (in percent)	94.9	100.4	102.4	98.3	104.5	117.7	116.7	103.6

Source: IMF, *International Financial Statistics*.

1/ Central Bank of West African States (BCEAO).

Table 16. WAEMU: Monetary Survey by Country, December 1995-September 2002
(In billions of CFA francs)

	1995	1996	1997	1998	1999	2000	2001	2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Sep.
Net foreign assets	761.7	898.9	1,106.1	1,043.9	1,092.1	1,574.4	2,179.1	2,503.8
Benin	145.4	172.1	213.9	205.0	295.5	351.5	479.7	400.4
Burkina Faso	226.9	220.1	201.5	178.7	162.5	141.7	142.0	146.3
Côte d'Ivoire	21.8	27.1	77.4	81.8	-22.6	41.9	324.4	570.3
Guinea-Bissau	-4.2	-2.7	16.3	14.6	14.4	22.0	28.0	41.7
Mali	115.3	178.2	194.5	163.4	118.7	186.3	213.2	269.6
Niger	18.5	8.9	0.0	-9.4	-17.2	2.9	31.9	47.1
Senegal	-83.1	-58.9	29.8	74.2	112.9	117.0	186.7	242.5
Togo	29.2	9.7	13.6	6.5	20.9	65.4	65.3	85.3
Unallocated	291.9	344.3	359.1	329.0	407.0	645.8	707.9	700.5
Net domestic assets	2,334.6	2,431.6	2,466.4	2,653.3	2,789.1	2,586.1	2,471.2	2,323.2
Benin	102.3	107.9	79.0	77.5	85.3	128.5	58.8	42.4
Burkina Faso	57.8	79.3	151.1	177.5	202.8	246.2	252.0	253.4
Côte d'Ivoire	1,408.0	1,458.9	1,530.3	1,622.6	1,698.3	1,601.4	1,515.7	1,441.0
Guinea-Bissau	18.4	23.1	21.5	18.9	26.4	43.6	42.3	39.6
Mali	139.2	138.6	150.5	196.0	244.3	220.9	274.0	270.6
Niger	115.3	116.1	98.3	89.6	109.8	101.2	104.8	98.0
Senegal	584.5	618.9	551.1	556.0	600.1	672.3	710.0	690.3
Togo	170.7	177.5	183.5	190.7	192.8	180.8	174.5	162.2
Unallocated	-261.6	-288.6	-298.8	-275.6	-370.8	-609.0	-661.1	-674.4
Net credit to government	970.9	934.5	991.7	1,081.5	1,157.2	973.9	853.8	822.9
Benin	36.3	20.0	21.5	-5.4	-61.7	-58.3	-113.5	-141.4
Burkina Faso	-14.6	-5.4	21.5	20.1	25.4	44.7	28.5	15.2
Côte d'Ivoire	510.1	540.0	540.1	610.1	675.1	547.6	447.5	500.5
Guinea-Bissau	-4.0	-3.9	0.3	0.6	9.1	15.7	15.4	18.7
Mali	5.1	-35.6	-22.4	-26.1	-22.2	-40.5	-14.0	-14.7
Niger	39.2	46.0	74.5	63.7	68.9	55.8	48.3	45.3
Senegal	179.5	161.0	152.9	181.1	187.8	159.7	179.0	109.6
Togo	38.3	46.0	44.7	59.1	59.1	58.1	51.1	38.2
Unallocated	181.0	166.6	158.6	178.2	215.6	191.0	211.5	251.4
Credit to the economy	1,860.5	2,043.7	2,251.3	2,420.0	2,451.0	2,696.5	2,873.5	2,831.0
Benin	81.4	102.4	71.7	100.1	161.7	194.0	192.8	206.6
Burkina Faso	80.9	91.9	165.8	183.4	188.7	219.1	249.5	265.1
Côte d'Ivoire	1,030.0	1,053.1	1,182.8	1,201.4	1,114.7	1,162.2	1,223.1	1,103.0
Guinea-Bissau	6.1	7.3	11.1	12.6	9.9	12.1	4.4	4.1
Mali	131.8	173.2	200.4	254.9	291.7	286.3	343.5	356.6
Niger	42.0	43.3	35.6	49.4	47.7	61.4	66.0	70.4
Senegal	358.6	414.5	431.6	440.4	486.2	622.2	656.3	695.0
Togo	131.5	141.1	155.7	162.7	147.1	148.1	137.9	130.2
Unallocated	-1.8	16.8	-3.4	15.2	3.3	-9.0	0.0	0.0
Broad money 1/	3,096.4	3,330.5	3,572.6	3,697.2	3,881.2	4,160.5	4,650.2	4,827.0
Benin	247.7	280.0	293.0	282.5	380.8	480.0	538.5	442.8
Burkina Faso	284.7	299.4	352.5	356.2	365.3	387.9	394.0	399.7
Côte d'Ivoire	1,429.9	1,486.0	1,607.7	1,704.4	1,675.7	1,643.3	1,840.1	2,011.3
Guinea-Bissau	11.6	17.2	37.8	33.5	40.8	65.6	70.3	81.4
Mali	254.6	316.8	345.0	359.5	363.1	407.2	487.2	540.3
Niger	133.8	125.0	98.4	80.2	92.6	104.1	136.8	145.1
Senegal	501.4	560.0	580.9	630.2	713.0	789.3	896.8	932.7
Togo	199.9	187.2	197.0	197.2	213.7	246.3	239.7	247.6
Unallocated	32.8	58.8	60.3	53.4	36.2	36.8	46.8	26.1

Source: IMF, *International Financial Statistics*

1/ The measurement of currency in circulation in individual countries is subject to large uncertainties, arising from long delays in the sorting of banknotes; this leads to frequent changes, sometimes very large, in the measurement of currency in circulation and gross foreign assets of the national agencies of the Central Bank of West African States (BCEAO). Regional monetary data are not affected by these delays.

Table 17. WAEMU: Monetary Survey by Country, December 1995-September 2002
(In percentage of beginning-of- period money supply)

	1995	1996	1997	1998	1999	2000	2001	2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Sep.
Net foreign assets	11.9	4.4	6.2	-1.7	1.3	12.4	14.5	7.0
Benin	-0.1	0.9	1.3	-0.2	2.4	1.4	3.1	-1.7
Burkina Faso	2.9	-0.2	-0.6	-0.6	-0.4	-0.5	0.0	0.1
Côte d'Ivoire	6.5	0.2	1.5	0.1	-2.8	1.7	6.8	5.3
Guinea-Bissau	-0.2	0.0	0.6	0.0	0.0	0.2	0.1	0.3
Mali	1.1	2.0	0.5	-0.9	-1.2	1.7	0.6	1.2
Niger	0.3	-0.3	-0.3	-0.3	-0.2	0.5	0.7	0.3
Senegal	3.2	0.8	2.7	1.2	1.0	0.1	1.7	1.2
Togo	-0.1	-0.6	0.1	-0.2	0.4	1.1	0.0	0.4
Unallocated	-1.8	1.7	0.4	-0.8	2.1	6.2	1.5	-0.2
Net domestic assets	-0.4	3.1	1.0	5.2	3.7	-5.2	-2.8	-3.2
Benin	-0.1	0.2	-0.9	0.0	0.2	1.1	-1.7	-0.4
Burkina Faso	-1.5	0.7	2.2	0.7	0.7	1.1	0.1	0.0
Côte d'Ivoire	1.5	1.6	2.1	2.6	2.0	-2.5	-2.1	-1.6
Guinea-Bissau	0.7	0.2	0.0	-0.1	0.2	0.4	0.0	-0.1
Mali	-0.5	0.0	0.4	1.3	1.3	-0.6	1.3	-0.1
Niger	-0.1	0.0	-0.5	-0.2	0.5	-0.2	0.1	-0.1
Senegal	-1.8	1.1	-2.0	0.1	1.2	1.9	0.9	-0.4
Togo	1.4	0.2	0.2	0.2	0.1	-0.3	-0.2	-0.3
Unallocated	0.1	-0.9	-0.3	0.6	-2.6	-6.1	-1.3	-0.3
Net credit to government	2.6	-1.2	1.7	2.5	2.0	-4.7	-2.9	-0.7
Benin	0.5	-0.5	0.0	-0.8	-1.5	0.1	-1.3	-0.6
Burkina Faso	-1.1	0.3	0.8	0.0	0.1	0.5	-0.4	-0.3
Côte d'Ivoire	-0.2	1.0	0.0	2.0	1.8	-3.3	-2.4	1.1
Guinea-Bissau	-0.1	0.0	0.1	0.0	0.2	0.2	0.0	0.1
Mali	-1.0	-1.3	0.4	-0.1	0.1	-0.5	0.6	0.0
Niger	0.5	0.2	0.9	-0.3	0.1	-0.3	-0.2	-0.1
Senegal	0.3	-0.6	-0.2	0.8	0.2	-0.7	0.5	-1.5
Togo	0.9	0.2	0.0	0.4	0.0	0.0	-0.2	-0.3
Unallocated	2.9	-0.5	-0.2	0.5	1.0	-0.6	0.5	0.9
Credit to the economy	9.2	5.9	6.2	4.7	0.8	6.3	4.3	-0.9
Benin	0.2	0.7	-0.9	0.8	1.7	0.8	0.0	0.3
Burkina Faso	0.2	0.4	2.2	0.5	0.1	0.8	0.7	0.3
Côte d'Ivoire	5.9	0.7	3.9	0.5	-2.3	1.2	1.5	-2.6
Guinea-Bissau	0.2	0.0	0.1	0.0	-0.1	0.1	-0.2	0.0
Mali	1.6	1.3	0.8	1.5	1.0	-0.1	1.4	0.3
Niger	-0.1	0.0	-0.2	0.4	0.0	0.4	0.1	0.1
Senegal	0.2	1.8	0.5	0.2	1.2	3.5	0.8	0.8
Togo	1.0	0.3	0.4	0.2	-0.4	0.0	-0.2	-0.2
Unallocated	-0.1	0.6	-0.6	0.5	-0.3	-0.3	0.2	0.0
Money supply	11.6	7.6	7.3	3.5	5.0	7.2	11.8	3.8
Benin	-0.2	1.0	0.4	-0.3	2.7	2.6	1.4	-2.1
Burkina Faso	1.4	0.5	1.6	0.1	0.2	0.6	0.1	0.1
Côte d'Ivoire	8.0	1.8	3.7	2.7	-0.8	-0.8	4.7	3.7
Guinea-Bissau	0.4	0.2	0.6	-0.1	0.2	0.6	0.1	0.2
Mali	0.6	2.0	0.8	0.4	0.1	1.1	1.9	1.1
Niger	0.2	-0.3	-0.8	-0.5	0.3	0.3	0.8	0.2
Senegal	1.4	1.9	0.6	1.4	2.2	2.0	2.6	0.8
Togo	1.3	-0.4	0.3	0.0	0.4	0.8	-0.2	0.2
Unallocated	-1.6	0.8	0.0	-0.2	-0.5	0.0	0.2	-0.4

Source: Central Bank of West African States (BCEAO).

Table 18. WAEMU: Commercial Banks' Cost of Intermediation, 2002

(In percent)

	Average Cost of Borrowed Resources (1)	Average Return of Assets (2)	Net Interest Margins (2)-(1)	Interest Rate on Customer Loans
Benin	4.5	8.4	3.9	11.4
Burkina Faso	2.9	10.1	7.2	13.5
Côte d'Ivoire	3.8	10.8	7.0	12.1
Guinea-Bissau	1.4	10.0	8.6	...
Mali	2.2	7.5	5.3	10.6
Niger	2.0	10.2	8.2	15.3
Senegal	3.5	10.1	6.6	11.7
Togo	2.9	10.7	7.8	12.7
WAEMU	2.9	10.0	7.1	12.1

Source: West African Banking Commission, *Annual Report, 2002*.

Table 19. WAEMU: Quality of Commercial Banks and Financial Institutions' Loans Portfolios, 1996-2001

(In percent)

	1996	1997	1998	1999	2000	2001
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.
Benin						
Share of nonperforming loans net of provisions 1/	2.8	4.8	4.6	5.5	6.6	4.6
Share of nonperforming loans, including provisions 2/	8.2	13.1	11.6	11	13.4	11.8
Ratio of provisions to nonperforming loans	67.4	66.4	64.4	52.6	54.0	64.2
Burkina Faso						
Share of nonperforming loans net of provisions 1/	2.3	2.2	3.5	3.4	3.8	3.7
Share of nonperforming loans, including provisions 2/	9.5	8.2	9.7	10.0	12.0	12.7
Ratio of provisions to nonperforming loans	77.8	74.8	66.3	68.8	70.7	73.8
Côte d'Ivoire						
Share of nonperforming loans net of provisions 1/	6.5	6.2	5.8	4.6	6.4	6.7
Share of nonperforming loans, including provisions 2/	20.2	17.3	18.4	18.8	19.3	19.2
Ratio of provisions to nonperforming loans	72.6	68.5	72.6	79.1	71.4	70.0
Guinea-Bissau						
Share of nonperforming loans net of provisions 1/	...	...	...	78.2	78.0	13.6
Share of nonperforming loans, including provisions 2/	...	...	...	81.0	81.6	18.7
Ratio of provisions to nonperforming loans	...	...	...	24.7	20.1	31.3
Mali						
Share of nonperforming loans net of provisions 1/	12.0	11.8	9.1	10.7	12.7	10.4
Share of nonperforming loans, including provisions 2/	26.7	26.6	22.7	23.6	25.1	20.9
Ratio of provisions to nonperforming loans	62.3	63.2	65.9	61.2	56.6	56.3
Niger						
Share of nonperforming loans net of provisions 1/	5.0	11.8	6.3	7.6	5.0	5.9
Share of nonperforming loans, including provisions 2/	29.8	28.6	28.8	31.4	24.0	21.3
Ratio of provisions to nonperforming loans	87.5	66.6	83.5	82.1	83.4	76.7
Senegal						
Share of nonperforming loans net of provisions 1/	8.5	8.0	7.8	5.8	6.7	5.6
Share of nonperforming loans, including provisions 2/	20.1	20.1	22	19.6	18.1	16.7
Ratio of provisions to nonperforming loans	63.1	65.4	69.9	74.8	67.6	70.2
Togo						
Share of nonperforming loans net of provisions 1/	5.8	6.7	5.7	13.6	13.9	12.2
Share of nonperforming loans, including provisions 2/	20.3	19.0	18.0	30.2	34.3	35.9
Ratio of provisions to nonperforming loans	75.7	69.7	72.5	63.8	61.1	75.1
WAEMU						
Share of nonperforming loans net of provisions 1/	6.9	6.7	6.2	6.4	7.8	6.8
Share of nonperforming loans, including provisions 2/	20.1	18.2	18.8	19.7	20.2	18.9
Ratio of provisions to nonperforming loans	70.4	67.4	71.2	72.1	66.6	68.9

Source: West African Banking Commission.

1/ In percent of total credits net of provisions.

2/ In percent of total credits, including provisions.

Table 20. WAEMU: Summary of Commercial Banks and Financial Institutions Compliance with Prudential Ratios, 1997-2001 1/

Regional Norms		Number of Banks and Financial Institutions failing to meet the prudential norms and their shares in total deposits of the national banking system (in percent)								
		Benin	Burkina Faso	Côte d'Ivoire	Mali	Niger	Senegal	Togo	WAEMU 2/	
1. Own capital	2001	Min. CFAF 1 billion	4 / 18.5	2 / 0.5	4 / 20.3	5 / 32.9	2 / 16.4	3 / 1.2	7 / 69.4	29 / 17.1
	2000		5 / 33.8	4 / 34.2	3 / 14.3	5 / 48.5	3 / 44.5	1 / 0.0	4 / 50.2	26 / 20.9
	1999		0 / 0.0	2 / 7.7	3 / 14.1	2 / 34.0	1 / 0.4	2 / 2.0	4 / 55.1	14 / 13.9
	1998		0 / 0.0	1 / 1.5	4 / 14.8	2 / 49.2	2 / 5.5	2 / 0.9	5 / 68.8	16 / 12.8
	1997		2 / 0.2	2 / 5.4	6 / 33.1	3 / 41.2	2 / 5.2	1 / 0.6	4 / 34.5	20 / 21.9
2. Risk-weighted capital asset ratio	2001	Min. 8 percent 3/	3 / 31.0	31 / 21.5	7 / 61.9	5 / 38.5	1 / 3.0	4 / 17.0	8 / 92.8	34 / 40.3
	2000	Min. 8 percent 3/	3 / 33.1	5 / 31.4	7 / 22.5	4 / 48.5	2 / 39.7	7 / 29.5	6 / 87.5	34 / 49.8
	1999	Min. 4 percent	0 / 0.0	0 / 0.0	1 / 13.3	3 / 51.2	0 / 0.0	2 / 19.2	4 / 55.1	10 / 17.9
	1998		0 / 0.0	0 / 0.0	2 / 14.0	3 / 49.1	0 / 0.0	4 / 44.5	5 / 68.8	14 / 24.0
	1997		0 / 0.0	0 / 0.0	4 / 60.5	2 / 37.4	0 / 0.0	0 / 0.0	3 / 34.6	9 / 33.2
3. Coefficient of Coverage of Fixed Assets and Participations	2001	Max. 100 percent	3 / 31.0	1 / 21.5	6 / 61.9	3 / 38.5	1 / 3.0	3 / 17.0	7 / 92.8	26 / 40.3
	2000	Max. 100 percent	3 / 33.1	3 / 38.8	3 / 14.3	5 / 53.2	2 / 34.7	3 / 28.0	4 / 76.6	22 / 30.3
	1999		0 / 0.0	0 / 0.0	1 / 13.3	3 / 51.2	1 / 33.0	1 / 0.7	3 / 62.4	9 / 15.4
	1998		0 / 0.0	0 / 0.0	2 / 14.0	3 / 35.7	0 / 0.0	2 / 26.7	4 / 68.8	11 / 19.1
	1997		0 / 0.0	0 / 0.0	3 / 59.8	3 / 56.7	1 / 35.0	0 / 0.0	4 / 47.1	11 / 36.4
4. Coefficient of liquidity	2001	Min. 75 percent	4 / 20	7 / 21.6	11 / 35.1	8 / 20.2	1 / 19.8	7 / 10.3	10 / 75.3	50 / 25.5
	2000	Min. 60 percent	6 / 33.1	8 / 47.3	17 / 73.0	8 / 28.4	3 / 47.4	9 / 39.0	11 / 54.7	59 / 52.9
	1999	Min. 60 percent	1 / 9.4	2 / 11.9	7 / 63.3	3 / 63.2	3 / 38.4	2 / 19.2	4 / 69.1	22 / 45.3
	1998		1 / 9.4	0 / 0.0	4 / 58.5	4 / 64.6	1 / 33.0	3 / 48.9	5 / 76.8	18 / 48.4
	1997		0 / 0.0	0 / 0.0	5 / 43.1	2 / 39.2	2 / 35.6	4 / 37.8	5 / 77.5	18 / 36.3
5. Coefficient of highest exposure	2001	Max. 75 percent	6 / 75.5	10 / 100.0	12 / 51.5	7 / 77.8	4 / 45.3	8 / 56.8	7 / 92.8	57 / 65.5
	2000	Max. 75 percent	5 / 99.8	7 / 81.5	9 / 32.0	8 / 89.7	4 / 52.2	10 / 89.3	7 / 93.1	50 / 71.1
	1999	Max. 100 percent	2 / 52.4	3 / 78.5	4 / 33.7	3 / 65.5	2 / 38.0	5 / 72.1	6 / 84.8	25 / 53.3
	1998		5 / 99.7	4 / 89	6 / 25.9	5 / 70	2 / 38.0	6 / 58.9	6 / 84.8	34 / 53.0
	1997		3 / 78.9	5 / 97.4	6 / 49.8	2 / 45.1	3 / 64.0	4 / 63.2	5 / 76.5	28 / 60.9
6. Ratios of credit to Bank management	2001	Max 20 percent	5 / 55.4	5 / 49.6	7 / 33.6	4 / 32.8	3 / 45.4	5 / 7.3	6 / 68.8	38 / 33.3
	2000	Max 20 percent	4 / 33.2	5 / 68.5	5 / 21.1	5 / 54.3	4 / 63.6	6 / 56.4	4 / 61.1	32 / 42.4
	1999		1 / 9.4	1 / 1.5	4 / 14.7	3 / 65.5	3 / 38.4	4 / 48.0	4 / 55.1	20 / 27.3
	1998		2 / 9.5	1 / 1.5	5 / 15.5	2 / 49.1	3 / 38.4	4 / 44.5	4 / 68.3	21 / 26.5
	1997		2 / 40.0	1 / 37.1	4 / 59.9	15 / 40.1	4 / 64.6	1 / 28.4	4 / 62.8	19 / 49
7. Ratio of Coverage of medium-and Long-term lending	2001		5 / 42.9	4 / 67.1	13 / 91.3	5 / 44.4	1 / 13.4	5 / 44.8	7 / 92.8	42 / 64.6
	2000	Min. 75 percent	6 / 89.3	5 / 72.8	11 / 76.1	4 / 28.3	1 / 35.5	5 / 54.4	4 / 44.6	36 / 65.3
	1999		5 / 61.1	5 / 51.1	9 / 74.6	5 / 86.9	3 / 37.0	5 / 74.6	3 / 40.7	35 / 70.2
	1998		4 / 61.0	6 / 88.5	5 / 58.6	6 / 57.1	4 / 42.0	6 / 76.0	3 / 21.4	35 / 62.8
Total number of banks	2001		6 / 9.5	7 / 11.1	15 / 23.8	8 / 12.7	6 / 9.5	11 / 17.5	7 / 11.1	63 / 100.0
	2000		5 / 9.0	7 / 8.4	15 / 44.8	9 / 9.6	6 / 2.2	10 / 19.2	7 / 5.6	59 / 100.0
Total number of nonbank credit institutions	2001		2	5	6	4	0	4	4	25
	2000		3	5	6	3	0	4	4	25

Source: West African Banking Commission.

1/ Excluding Guinea-Bissau. End-December data.

2/ Total number of credit institutions and their share in regional deposits.

3/ Banks and credit institutions have until January 1, 2002 to comply.

Table 21. West African Development Bank: Balance Sheet, 1997-2001

	1997	1998	1999	2000	2001
	Dec.	Dec.	Dec.	Dec.	Dec.
	(In thousands of CFA francs)				
Assets	425,120	550,193	592,722	597,632	615,742
Cash	4	13	77	23	...
Interbank debt	34,677	30,526	50,694	41,883	...
Loans	113,613	151,854	174,542	200,204	214,476
Securities placement	5,510	3,400	10,546	2,224	...
Others	271,316	364,400	356,863	353,298	401,266
Liabilities	482,267	614,926	592,722	597,632	615,742
Capital	237,500	333,500	333,500	335,800	384,880
Borrowings	112,921	127,579	159,686	159,835	160,397
Domestic	36,196	47,515	73,367	73,367	...
Foreign	76,725	80,064	86,319	86,468	...
Bonds	24,000	46,001	73,366	73,366	...
Others	107,846	107,846	99,536	101,997	70,465
Net cumulative commitments at 31 December	347,312	422,495	488,277	555,490	...
Private sector	98,048	136,657	161,788	187,104	...
Public sector	249,264	161,401	326,489	368,387	...
Memorandum items:	(In percent)				
Share of concessional loans 1/	44	38	40	38	...
Average return on asset	9	9	9	9	...
Average cost of borrowed resources	4	4	5	5	...

Source: West African Development Bank, *Annual Report*

1/ In total of loans granted.

Table 22. WAEMU: Debt Issues on the Regional Financial Market, 1997-2002

(In millions of CFA francs)

	1997	1998	1999	2000	2001	2002 Est.
1. Private companies	0	27,000	30,000	19,715	0	1,400
2. Commercial banks	8,900	5,000	22,000	0	7,004	16,100
3. Financial institutions	0	6,300	6,300	7,000	0	10,855
4. Government	5,000	0	54,050	5,005	12,000	101,778
<i>Of which: Côte d'Ivoire</i>	0	0	54,050	0	0	63,978
5. Regional development bank	15,000	12,200	35,120	0	0	19,802
WAEMU	28,900	50,500	147,470	31,720	19,004	149,935

Source: Central Bank of West African States (BCEAO).

Table 23. WAEMU: Summary of Financial Situation, 1996-2002

(In billions of CFA francs)

	1996	1997	1997	1997	1998	1999	2000		2001	2002
							Budget	Est.		
Revenue	3.7	10.8	16.6	21.6	14.5	14.0	28.8	31.5	35.4	50.4
PCS	3.7	10.4	13.7	13.7	13.2	12.8	26.0	30.7	30.5	45.8
European Union grant	0.0	0.5	2.9	7.9	1.3	1.0	2.7	0.4	4.3	3.0
Grant from France	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.3	0.3	1.2
Other grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Outlays	0.0	0.5	17.2	22.5	6.0	29.2	30.2	31.3	35.9	51.2
Institutions	0.0	0.5	6.5	11.8	5.0	5.8	8.1	5.3	12.4	17.7
Operating expenses	0.0	0.5	6.2	11.0	4.7	5.1	7.2	5.0	10.4	11.6
Own funds 1/	0.0	0.0	3.3	3.1	3.3	4.3	4.9	4.5	6.3	7.0
Commission 2/	0.0	0.0	...	...	...	3.4	4.0	...	5.4	6.0
Court of Justice	0.0	0.0	...	...	...	0.4	0.3	...	0.3	0.3
Court of Accounts	0.0	0.0	...	...	...	0.1	0.1	...	0.1	0.2
Interparliamentary Comm	0.0	0.0	...	...	...	0.2	0.3	...	0.3	0.4
Reg. Consular Chamber	0.0	0.0	...	...	...	0.1	0.2	...	0.2	0.2
EU funds	0.0	0.5	2.9	7.9	1.3	0.7	2.2	0.4	3.6	4.0
Grants from France 3/	0.0	0.0	...	0.0	0.0	0.2	0.1	0.2	0.3	0.3
Other grants	0.0	0.0	...	...	0.0	0.0	0.0	0.0	0.2	0.2
Investment outlays	0.0	0.0	0.3	0.7	0.3	0.7	0.9	0.3	2.0	6.2
Own funds	0.0	0.0	0.3	0.7	0.3	0.4	0.4	0.3	1.2	3.7
Commission	0.0	0.0	...	...	...	0.3	0.3	...	1.1	...
Court of Justice	0.0	0.0	...	...	...	0.0	0.0	...	0.1	...
Court of Accounts	0.0	0.0	...	...	...	0.0	0.0	...	0.0	...
Interparliamentary Comm.	0.0	0.0	...	...	...	0.0	0.1	...	0.0	...
Reg. Consular Chamber	0.0	0.0	...	...	...	0.0	0.0	...	0.0	...
EU funds	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.0	0.7	2.0
Other grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.5
Other	0.0	0.0	10.7	10.7	1.0	23.4	22.1	26.1	23.5	33.5
Compensations	0.0	0.0	10.7	10.7	1.0	7.4	12.1	16.1	18.3	...
Loans to member countries 4/	0.0	0.0	0.0	0.0	0.0	8.0	0.0	0.0	0.0	...
Structural funds	0.0	0.0	0.0	0.0	0.0	8.0	10.0	10.0	5.0	...
Reserve Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	...
Balance	3.7	10.4	-0.6	-0.9	8.5	-15.3	-1.4	0.2	-0.6	-0.8
Cumulative balance	3.7	14.1	13.5	13.2	22.6	7.3	5.9	7.5	6.9	6.1

Sources: WAEMU Commission; and staff calculations.

1/ Except for outlays financed by the EU, WAEMU's operating expenses in 1996 and 1997 were covered directly by the Central Bank of West African States (BCEAO) (90 percent) and the regional development bank, BOAD (10 percent).

2/ Includes outlays linked to the meetings of the Council of Heads of State and Governments and the Council of Ministers.

3/ Technical assistance and a study in the transport area.

4/ Loan extended to Niger in 1999.

Table 24. WAEMU: Progress in Social Sectors, 1990 and 2000

	Infant Mortality Rate (Deaths per 1000 live births)			Illiteracy Rate of Age 15 and above (Percent)			Net Enrollment in Primary Education (Percent)		
	1990	2000	Progress 1/	1990	2000	Progress 1/	1990	2000	Progress 1/
	Benin	104	87	-17	74	61	-17	49	60	22
Burkina Faso	111	104	-6	84	77	-8	27	31	15
Côte d'Ivoire	95	111	17	67	63	-6	47	55	17
Guinea-Bissau	145	126	-13	73	62	-14	...	...	...
Mali	136	120	-11	74	60	-19	21	51	139
Niger	150	114	-24	89	85	-4	24	31	30
Senegal	74	60	-19	72	64	-11	48	54	12
Togo	81	75	-7	56	44	-22	75	85	14
WAEMU 2/	112	100	-11	73	64	-12	42	52	36

Source: World Bank, *World Development Indicators*, 2002.

1/ Progress defined as percentage change between 1990 and 2000.

Table 25. WAEMU: Poverty Statistics in 2000

	GNI Per Capita Atlas Method (Current US\$)	HDI 1/	Life Expectancy (Years)	Net Primary Enrollment (Percent)	Female Illiteracy (above 15 years) (Percent)	HIV Prevalence (Percent) 2/
Benin	380	0.420	53	64	76	2
Burkina Faso	240	0.320	44	34	86	6
Côte d'Ivoire	670	0.426	46	59	61	11
Guinea-Bissau	160	0.339	45	...	77	3
Mali	240	0.378	42	42	66	2
Niger	190	0.274	46	26	92	1
Senegal	500	0.423	52	59	72	2
Togo	310	0.489	49	88	58	6
WAEMU 3/	336	0.384	47	53	73	4

Sources: World Bank, *World Development Indicators*, 2002 and *Human Development Report*, 2002.

1/ HDI = Human Development Index (combines GDP per capita in purchasing power parity dollars, longevity, and educational attainment); from United Nations Development Program (UNDP), *Human Development Report*, 2001.

2/ Adults living with HIV/AIDS as percent of age group 15-49. Data refer to end-1999.

3/ Simple unweighted average.

Table 26. WAEMU: Education Statistics in 2000

	Adult Illiteracy Rate (Percent)	Primary Gross Enrollment Ratio 1/ (Percent)	School Life Expectancy (Years)	Survival Rate to Grade 4 (Percent)
Benin	63	84	5	67
Burkina Faso	76	42	3	87
Côte d'Ivoire	53	78	6	94
Guinea-Bissau	62	67	3	52
Mali	59	53	2	73
Niger	84	31	2	85
Senegal	63	70	5	88
Togo	43	124	8	75
WAEMU 2/	63	69	4	78

Source: World Bank, *World Development Indicators*, 2002.

1/ Data refer to end-1998. Guinea-Bissau data refer to 1996.

2/ Simple unweighted average.

Table 27. WAEMU: Health Statistics in 2000

	Life Expectancy at Birth (Years)	Percent Malnutrition Among Children < 5 1/	Mortality Rate < 5 (Per 1,000) 2/	Female Mortality Ratio (Per 1,000 female adults)
Benin	53	29	145	322
Burkina Faso	44	34	210	524
Côte d'Ivoire	46	24	180	506
Guinea-Bissau	45	24	214	420
Mali	42	27	223	441
Niger	46	50	252	389
Senegal	52	13	124	303
Togo	49	25	143	431
WAEMU 3/	47	28	186	417

Source: World Bank, *World Development Indicators*, 2002.

1/ Malnutrition prevalence, weight for age as percentage of children under 5. Data for Benin and Mali refer to 1996; for Burkina Faso, 1999; for Senegal, 1997; and for Togo, 1998.

2/ Data refer to 1999.

3/ Simple unweighted average.

Table 28. WAMZ: Key Macroeconomic Indicators and Compliance with Primary Convergence Criteria, 1998-2002 1/

(In percent, unless otherwise indicated)

	1998	1999	2000	2001	2002 Est.
Real GDP growth					
Gambia, The	3.5	6.4	5.6	5.9	4.7
Ghana	4.7	4.4	3.7	4.2	4.5
Guinea	4.8	4.6	2.1	3.6	4.2
Nigeria	1.8	1.0	4.3	2.8	-0.9
Sierra Leone	-0.8	-8.1	3.8	5.4	6.6
WAMZ average	2.5	1.7	4.1	3.1	0.2
Current account balance/GDP, including grants					
Gambia, The	-3.7	-4.4	-4.6	-6.7	-4.8
Ghana	-5.0	-11.6	-8.4	-6.6	-6.9
Guinea	-8.5	-7.6	-7.4	-3.7	-6.9
Nigeria	-8.8	-4.2	10.0	2.8	-8.6
Sierra Leone	-6.3	-3.4	-9.8	-14.5	-17.0
WAMZ average	-8.0	-5.6	6.8	1.1	-8.4
Period average consumer price inflation rate					
Gambia, The	1.1	3.8	0.9	3.5	7.1
Ghana	14.6	12.4	25.2	32.9	14.6
Guinea	5.1	4.6	6.8	5.4	2.6
Nigeria	10.0	6.6	6.9	18.9	13.4
Sierra Leone	36.0	34.1	-0.9	2.2	5.0
WAMZ average	13.4	12.3	7.8	12.6	8.5
Fiscal balance/GDP, excluding grants (to be < 5 percent up to 2001 and < 4 percent in 2002)					
Gambia, The	-3.3	-4.4	-3.6	-11.1	-10.5
Ghana	-6.5	-6.5	-8.5	-7.3	-3
Guinea	-4	-5.4	-5.2	-7.8	-4.2
Nigeria	-4.7	-8.5	-3.1	-4.7	-4.2
Sierra Leone	-12.8	-14.9	-17.3	-16.7	-5.6
End- period consumer price inflation rate (to be single digits)					
Gambia, The	4.8	1.7	0.2	8.1	6.5
Ghana	15.8	13.8	40.5	21.3	13.7
Guinea	4.5	6.2	7.2	1.1	2.6
Nigeria	11.9	0.2	14.5	16.4	12.2
Sierra Leone	-5.7	36.7	-2.8	3.4	-2.9
Central bank financing of budget deficit/previous year's tax revenue (to be ≤ 10 percent)					
Gambia, The	0.0	0.0	0.0	0.0	0.0
Ghana	0.0	0.0	57.9	0.0	15.9
Guinea	4.2	16.5	17.6	0	5.5
Nigeria	18.6	0.0	0.0	0.0	0.0
Sierra Leone	-17.9	89.8	32.7	8.9	19.1
Gross reserves in months of imports (to be ≥ 3)					
Gambia, The	5.8	7.3	7.5	4.9	4.3
Ghana	1.9	1.4	1.0	1.5	1.3
Guinea	3.3	2.7	2.2	2.8	2.4
Nigeria	9.2	7.6	12.9	12.0	8.2
Sierra Leone	3.1	2.0	2.8	2.3	1.3

Sources: West African Monetary Institute (convergence criteria); and IMF, WEO database (other macroeconomic indicators).

1/ West African Monetary Zone (WAMZ) countries: The Gambia, Ghana, Guinea, Nigeria, and Sierra Leone.

Combating Money Laundering and the Financing of Terrorism in the WAEMU

This note takes stock of the actions taken to put in place a regulatory framework to combat money laundering and the financing of terrorism in the West African Economic and Monetary Union (WAEMU).

The member states of the WAEMU, of which the Central Bank of West African States (BCEAO) is the common bank of issue, while ensuring that the banking system is not used for money-laundering purposes, thanks to the reinforcement of the existing supervisory procedures, have, since 1999, undertaken decisive actions with a view to implementing a regulatory framework for combating money laundering.

Two seminars were held as part of the process of drawing up and adopting the directive on combating money laundering in the WAEMU member states. One focused on raising awareness of the money-laundering issue, and the other on approving the draft directive. The discussions among participants helped develop a consensus on the majority of the provisions in the draft directive, which were considered to be in conformity with international standards, in particular those prescribed by the Financial Action Task Force on Money Laundering (FATF).

With regard to combating the financing of terrorism, a draft community regulation on the freezing of funds of terrorist organizations has been prepared, specifically applying the United Nations' resolutions. This constitutes the first step in the drafting by the member states of the union of legislation to define and classify terrorism and its financing as a criminal offense.

Following the adoption of Commission Regulation (EC) No. 1354/2001 of July 4, 2001 by the European Commission, aiming to freeze the funds of certain persons, entities, and organizations with links to terrorist activities, the BCEAO has implemented a number of precautionary measures, consisting initially of identifying the accounts belonging to the above-mentioned persons and organizations, held on the books of banks in the region. A perusal of investigations in all the member states showed that no banks were holding accounts belonging to the terrorist organizations targeted by the above-mentioned regulation.

The draft anti-money-laundering directive and the draft community regulation on the freezing of funds linked to terrorist activities were adopted by the WAEMU Council of Ministers on September 19, 2002.

To lend full force to the directive, the member states are required to enforce the relevant laws and regulations within six months at the most after its adoption. To this end, the BCEAO is currently preparing three uniform draft laws, as follows:

- a **uniform anti-money-laundering law**, including, apart from the provisions of the directive, others pertaining to the size of penalties, and to international cooperation in the areas of mutual assistance between courts and extradition;

- a **decree creating financial information processing offices** (*Cellules nationales de traitement des informations financières, CENTIFs*).
- a **uniform circular containing a model format for reporting suspicions.**

These texts will be reviewed as a whole at the confirmation seminar to be held in January 2003. At the end of this seminar, the draft texts will be submitted to the meeting of the WAEMU Council of Ministers for adoption.

Relations with the Fund and Safeguards Assessment of the BCEAO

I. . Fund Relations

Country	Status of HIPC Initiative		PRGF Arrangement	Status of PRGF Arrangement
	Decision Point	Expected Completion point		
Benin	July 2000	Early 2003	Yes (2002-04)	On track. Discussions on fourth review in Dec. 2002.
Burkina Faso	July 2002	April 2002	Yes (1999-2002)	On track. New PRGF arrangement to be discussed in February 2003.
Côte d'Ivoire	Delayed		Yes (2002-05)	First review could not be concluded due to domestic political crisis.
Guinea-Bissau	Dec. 2000		No (1999-2003)	Staff monitored program to be in place in 2003.
Mali	Sep. 2000	Feb.-Mar. 2003	Yes (1999-2003)	On track. Discussions on the fifth review and HIPC CP in Feb. 2003.
Niger	Dec. 2000	Mid-2003	Yes (2000-03)	On track. Discussions on the fourth review in Nov. 2002.
Senegal	June 2000	Floating	Yes (1998-2002)	Negotiation of new program in Nov. 2002 and Jan. 2003.
Togo			No	SMP expired in 2002.

Source: Fund staff.

II. Profile of WAEMU Member Countries

Countries:	Eight member countries of the West African Economic and Monetary Union(WAEMU): Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.	
Name of central bank:	BCEAO (Central Bank of West African States))	
Fiscal agent for the Fund:	BCEAO	
Quota (SDR million):	Benin	61.90
(as of 12/31/02)	Burkina Faso	60.20
	Côte d'Ivoire	325.20
	Guinea-Bissau	14.20
	Mali	93.30
	Niger	65.80
	Senegal	161.80
	Togo	73.40
	Total WAEMU	55.80
Credit outstanding:	Benin	54.79
(SDR million)	Burkina Faso	92.70
(as of 12/31/02)	Côte d'Ivoire	371.77
	Guinea-Bissau	14.16
	Mali	121.75
	Niger	79.24
	Senegal	191.24
	Togo	40.18
	Total WAEMU	965.87
Exchange arrangements:	The exchange system common to all members of the WAEMU is free of restrictions on the making of payments and transfers for current international transactions. Since January 1, 1999, the union's currency has been pegged to the euro at the rate of CFAF 655.96 = EUR 1. On December 31, 2002, the rate of the CFA franc in terms of SDRs was SDR 1 = CFAF 674.93.	

III. Safeguards Assessment of the BCEAO

An on-site safeguards assessment of the BCEAO proposed specific remedies to alleviate vulnerabilities that were identified by staff. Although Fund staff and BCEAO authorities disagreed on the initial modalities of the recommendations, the following specific understandings were subsequently reached regarding the key remedies:

- **Financial reporting framework.** The Fund staff recommended that the BCEAO formally adopt International Accounting Standards (IAS) and publish a complete set of financial statements, including detailed explanatory notes. It was agreed by the BCEAO and Fund staff that the BCEAO will strive to improve its financial and accounting reporting by aligning its practices with those recommended by IAS, as adopted internationally by other central banks.
- **Internal controls system.** The staff noted that the absence of oversight of the bank's governance, financial reporting, and internal control practices by an entity external to the management of the BCEAO represented a significant risk. It was agreed by BCEAO and Fund staff that, after seeking the opinion of the external auditor (*commissaire contrôleur*), BCEAO staff will propose to the BCEAO Board of Directors that it adopt a resolution whereby the external auditor will be required to apprise the Board of Directors, during its annual review and approval of the financial statements, of the state and quality of internal controls within the bank.

The staff will follow up on the progress of the BCEAO in implementing the proposed recommendations as part of the ongoing safeguards monitoring process.



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IMF Concludes Discussion on Recent Economic Developments and Regional Policy Issues with the West African Economic and Monetary Union

On March 10, 2003, the Executive Board of the International Monetary Fund (IMF) concluded its discussion of the staff report on the recent economic developments and regional policy issues with West African Economic and Monetary Union (WAEMU) as a supplement to the Article IV consultation with the eight member countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo).¹ The background section in this Public Information Notice reflects information available at the time of the Executive Board meeting and the views of Executive Directors are those expressed at that meeting.

Background

The exchange rate realignment of 1994 brought a significant turnaround in the economic performance of the CFA countries, and in the WAEMU in particular, with output, exports, and investment increasing more rapidly than in other sub-Saharan countries during

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. The main features of the Board's discussion of the staff report on the recent developments and regional policy issues in the WAEMU are described in this PIN. In this case, the Fund staff held discussions in Dakar, and Ouagadougou with the WAEMU regional institutions, including the Central bank of West African States (BCEAO), the WAEMU Commission and the regional Banking Commission, and in Accra with the West African Monetary Institute and the Executive Secretariat of the ECOWAS.

1994-98. Inflation returned to single-digit levels; fiscal and external imbalances were reduced; and progress was made in fostering structural reforms in most of the countries.

The strong economic expansion in the aftermath of the 1994 devaluation of the CFA franc has tapered off. Since 1999, real GDP in WAEMU countries has grown on average by only 2½ percent annually compared with an average annual rate of 5¼ percent during 1994-98. Real GDP grew moderately by about 3½ percent in 2001, despite an improvement in the region's terms of trade. Average consumer price inflation rose to 4.3 percent from 1.4 percent in 2000, owing to food supply shortages in several countries. Developments in 2002 were marked by a pronounced slowdown of the economies of several member countries during the last quarter of the year. Before the recent crisis in Côte d'Ivoire, robust aggregate output growth was expected, thanks to a strengthening of manufacturing activity, particularly in Niger, Benin and Côte d'Ivoire. However, the reverberating effects of the ongoing crisis in Côte d'Ivoire, coupled with adverse developments in international commodities markets, have slowed economic growth in the region; real GDP growth in the WAEMU is estimated to have been around 3 percent in 2002, well below the 4½ percent initially projected, in spite of good climate conditions. Inflation had drifted upward, primarily owing to the impact of several largely transitory factors, but it has since come down to 3 percent. The external current account deficit, excluding official transfers, however, is estimated to have narrowed to 7.2 percent of GDP mainly because of a sharp decline in imports resulting from weakened economic activity. The real effective exchange rate appreciated by 5.6 percent during 2001-November 2002, reaching 73 percent of the pre-1994 devaluation level.

Progress towards convergence of the WAEMU countries during the period 2001 and 2002 has been below expectations, despite the adoption of medium-term convergence programs in early 2001, which were designed to ensure compliance with the convergence criteria by the end of 2002. At end-2001, only two members (Benin and Cote d'Ivoire) out of eight met the key target on the basic fiscal balance, while only one country (Senegal) was in compliance with the inflation criterion down from six in 2000. Some progress was achieved in 2001 pertaining to the reduction of domestic arrears. Performance at end-2002 is estimated to have remained weak. Preliminary information indicates that no country was in compliance with all nine convergence criteria at end-December 2002, as required by the convergence pact.

To reinforce convergence, several initiatives have been undertaken to harmonize taxation, budget laws and government accounts. Progress has been made on the harmonization of indirect and excise taxes. In the area of trade, the common external tariff adopted in 2000 is being implemented in all countries and the preferential trade arrangements within the WAEMU have been in place since 2000. However, intraregional trade continues to face numerous nontariff barriers, such as national standards and numerous roadblocks. Efforts are underway to set up common sectoral policies so as to tackle the underlying structural rigidities of the WAEMU economies.

The outlook for 2003 of the region will depend on international commodity price developments, the conduct of economic policies, and the extent and duration of the crisis in Côte d'Ivoire. The impact of the crisis in Côte d'Ivoire, if it persists, is likely to be very serious in 2003 and beyond. Assuming that the crisis would be resolved in the first half of 2003, growth in WAEMU would be less than 2 percent in 2003, with average inflation hovering around 3 percent. However, if the crisis persists, real GDP growth would likely stagnate further or even contract.

Executive Board Assessment

Executive Directors observed that the strong economic expansion in the WAEMU region in the aftermath of the 1994 devaluation of the CFA franc has slowed. The continued uncertainties posed by the unsettled political and economic situation in Côte d'Ivoire—the largest economy in the WAEMU—the delayed global economic recovery, and the possibility of continued high oil prices in case of war in the Middle East, along with persistent structural and institutional rigidities across the WAEMU membership, are weighing on the region's growth prospects. Directors recognized that an early economic recovery and reestablishment of political stability in Côte d'Ivoire will be essential for regional GDP growth to resume at a pace consistent with poverty reduction in the region. Against that challenging background, Directors considered that the WAEMU is at a crossroads: member governments need to match their political commitment to WAEMU with strong actions to deepen the regional integration process in the face of the serious uncertainties about the economic outlook.

Directors commended the authorities of the WAEMU for the progress achieved in regional integration since 1994, including the establishment of a customs union and an economic union. However, some important regional reforms remain to be implemented. Directors therefore concurred with the decision to extend the timetable for economic convergence of the member states to 2005. They stressed that determined further fiscal consolidation by all the WAEMU members over the next years will be necessary to meet the ambitious timetable. The strengthening of regional institutions and greater political commitment on the part of member countries will also facilitate the removal of the remaining obstacles to intra-regional trade and the creation of a full-fledged customs union and a single market.

Directors noted that the prudent monetary policy of the Central Bank of West African States (BCEAO) has kept inflation low and the coverage of base money by foreign reserves adequate, despite the weakening of economic performance of the WAEMU member countries. They considered that further steps are required to streamline monetary policy instruments and to improve the functioning of the regional interbank market. They urged the authorities to pursue a more flexible interest rate policy, and to lay the basis for replacing the current differentiation of reserve requirements with a uniform reserve requirement ratio for all members at the appropriate time. Directors welcomed the shift in government budget

financing from central bank direct advances to the issuing of securities on the regional capital market, but noted that for the market to work optimally, close coordination of monetary and fiscal policies across the WAEMU members, as well as strict observance of the fiscal convergence criterion, will be called for. Directors considered that development of a deep and effective regional capital market would greatly enhance the efficacy of monetary policy.

Directors noted the recent moderate improvement in the financial position of the WAEMU banking system, and emphasized the importance of further improvement. Measures to ensure the observance of prudential ratios by banks, and to strengthen loan recovery mechanisms and the judicial environment, would help to raise the standard of banks' portfolios. Reinforcement of the authority of the Regional Banking Commission will be essential to ensure the effectiveness of bank supervision and the adherence by financial institutions to prudential norms.

Directors supported the adoption by the WAEMU Council of Ministers of an anti-money laundering directive and a draft community regulation on the freezing of funds linked to terrorist activities. They urged member states to enforce strictly the relevant laws and regulations.

Directors welcomed the initiatives undertaken in recent years to harmonize taxation, budget laws, and government accounts. These initiatives and the steadfast implementation of the remaining reform agenda will be crucial if the full benefits of economic integration are to be reaped. Directors encouraged the authorities to pursue the harmonization of exemptions and the adoption of a common investment code, which would help level the playing field and remove residual distortions. They welcomed the establishment of structural funds, which should help reduce regional disparities. They encouraged the establishment of a regional solidarity bank, which should complement rather than compete against the lending activities of microfinance institutions in the context of poverty reduction efforts.

Directors agreed with the staff assessment that the external competitiveness of the WAEMU economies is adequate, but called attention to their vulnerability to fluctuations in the terms of trade. To maintain the region's external competitiveness and its share in export markets, policies aimed at broadening the productive base and diversifying the economies, improving factor productivity, and reducing high nonlabor domestic costs will be important, along with continued sound macroeconomic policies. The authorities were also urged to pursue regional sectoral policies aimed at addressing the underlying structural rigidities of the WAEMU economies.

Directors welcomed the steps taken toward the implementation of a common trade policy by WAEMU members and the encouragement of intraregional trade. A common external tariff (CET) is being set in place in all members. Directors welcomed the increase in volume in intraregional trade resulting from the internal trade liberalization undertaken so far. At the

same time, Directors saw considerable scope for further liberalization, and encouraged the authorities to eliminate nontariff barriers to intraregional trade, as well as the exceptions to the CET.

Directors recalled the decision by the Heads of State of the Economic Community of West African States (ECOWAS) to create a large single regional market, and ultimately to establish a common monetary framework. They noted that achievement of this objective will require a high degree of macroeconomic convergence among the member countries, which is at present lacking. Directors acknowledged the strong political support underpinning the integration process within ECOWAS, and considered that the goal of achieving a single monetary union in West Africa can serve as a useful anchor for economic policy, even though convergence will remain an ambitious objective and will take time. Against this background, Directors encouraged member countries of the WAEMU and the ECOWAS to intensify their cooperation in the areas of macroeconomic and sectoral policies and trade to set a firm foundation for monetary and economic union at the appropriate juncture.

Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board.

WAEMU: Selected Economic and Financial Indicators, 1997-2002

	1997	1998	1999	2000	2001	Prel. 2002
	(Annual percentage change)					
National income and prices						
GDP at constant prices	5.2	4.9	3.6	1.5	3.4	3.0
Consumer prices (period average)	3.7	3.8	-0.1	1.7	4.1	3.0
Terms of trade	-2.5	5.4	-7.9	-12.0	5.4	2.6
Nominal effective exchange rate 1/	-3.5	3.6	-1.7	-5.3	1.1	2.1
Real effective exchange rate 1/	-1.8	5.0	-3.0	-5.6	2.9	2.7
	(Annual changes in percent of beginning-of-period broad money)					
Money and credit 2/						
Net foreign assets	6.2	-1.7	1.3	12.4	14.5	7.0
Net domestic assets	1.0	5.2	3.7	-5.2	-2.8	-3.2
Broad money	7.3	3.5	5.0	7.2	11.8	3.8
	(In percent of GDP, unless otherwise indicated)					
National accounts						
Gross domestic savings	12.2	11.8	11.9	9.6	10.4	11.9
Gross domestic investment	17.4	17.4	17.4	16.5	16.7	17.0
Government financial operations						
Total revenue, excluding grants	15.8	15.7	15.5	15.8	15.5	15.6
Total expenditure	20.9	20.9	21.4	20.6	20.5	20.3
Overall balance, excluding grants	-5.1	-5.2	-5.8	-5.2	-5.0	-4.5
Overall balance, including grants	-1.8	-2.1	-2.7	-2.3	-2.1	-2.5
External sector						
Exports of goods and services	28.0	28.1	27.9	27.9	27.7	28.1
Imports of goods and services	-33.2	-33.7	-31.9	-35.2	-34.6	-34.1
Current account, including grants	-5.9	-6.0	-6.4	-7.3	-6.8	-6.0
Current account, excluding grants	-8.4	-8.3	-7.8	-9.1	-8.4	-7.2
External public debt	103.2	86.9	87.0	86.4	82.7	77.9
Foreign exchange cover ratio 3/	102.4	98.3	104.5	117.7	116.7	103.6
Memorandum items:						
Nominal GDP (in billions of CFA	15,517	16,900	17,570	17,866	18,958	20,231
CFA francs per U.S. dollar, average 1/	583.7	590.0	615.7	712.0	733.0	701.8
CFA francs per euro, average 1/	661.9	660.2	655.9	655.9	655.9	655.9

Sources: IMF, World Economic Outlook database; and IMF staff estimates and projections.

1/ First eleven months of 2002

2/ First nine months of 2002.

3/ Gross official reserves divided by base money.