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INFORMATION NOTE



WAEMU
Area



Presentation of Sovereign issuers of
West African Monetary Union

August 2021

Quality review by **Deloitte.**



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AGOA	: African Growth Opportunities Act
UT	: UMOA-Titres
BCEAO	: Central Bank of West African States
BOAD	: West African Development Bank
BRVM	: Regional Stock Exchange
BTP	: Building and Public Works
CC/RS	: Central Depository/Settlement Bank
CCT	: Council of Territorial Communities
CET	: Common External Tariff
CIF	: Cost, Insurance, Freight
CPI	: Consumer Price Index
CREPMF	: Regional Council for Public Savings and Financial Markets
DSA	: Debt Sustainability Analysis
EPA(i)	: Economic Partnership Agreement (Interim)
CPA	: Country Policy and Institutional Assessment
ETLS	: ECOWAS Trade Liberalization Scheme
EU	: European Union
CFAF	: Franc of the Financial Community of Africa
FDI	: Foreign Direct Investment
FOB	: Free On Board
GATT	: General Agreement on Tariffs and Trade
GDP	: Gross Domestic Product
HICP	: Harmonized Index of Consumer Prices
HIPC	: Heavily Indebted Poor Countries
ICT	: Information and Communication Technologies
IMF	: International Monetary Fund
INS	: National Statistical Institute
IPI	: Industrial Production Index
LDC	: Least Developed Country
MDGs	: Millennium Development Goals
MDRI	: Multilateral Debt Relief Initiative
MTDS	: Medium Term Debt Management Strategy
NCD	: Non-Communicable Disease
NPI	: Non-profit institution
PACSCS	: Convergence, Stability, Growth and Solidarity Pact
PNDR	: National Rice Development Program
PNDS	: National Health Development Plan
PNIA	: National Agricultural Investment Program
PPP	Public-Private Partnership
PSD – CMU	: Strategic Plan for the Development of Universal Health Coverage
REP	: Regional Economic Program
RIP	: Regional Indicative Program
SDGs	: Sustainable Development Goals

SFD	: Decentralized Financial Systems
SGI	: Brokerage firms
SVT	: Specialists in Treasury Securities (Primary dealers)
UNDP	: United Nations Development Programme
WAEMU	: West African Economic and Monetary Union
WAMU	: West African Monetary Union
WHO	: World Health Organization
WTO	: World Trade Organization

Between 2012 and 2019, the economies WAEMU member States grew significantly, in a regional context marked in recent years by persistent security risks due to terrorist threat and uncertainties over the global economic outlook.

Thus, governments have continued to adopt measures to fast-track reforms for macroeconomic stability and for improving the business environment, in order to attract more private investors, particularly in the agri-food and manufacturing industries.

In 2020, the global economy experienced a 3.3% recession, following the 2.8% growth in 2019, as the coronavirus disease which began in Wuhan, China in December 2019 swiftly became a global pandemic.

WAEMU has not been spared by this crisis and has seen its real GDP growth rate fall to 1.8 percent in 2020 from 5.7 percent in 2019. All sectors of the economy have been impacted, with the exception of telecommunications and banking services, which have been more resilient to the crisis.

The Union's overall budget deficit, which had improved between 2016 and 2019, widened again in 2020 to 5.6 percent of GDP.

Inflation rose to 2.1 percent, after -0.7 percent in 2019, due to price increases in most member States.

According to the December 2020 multilateral surveillance report, the Union's debt ratio would rise to 49.3 percent in 2020 from 44.1 percent in 2019.

Nevertheless, for 2021, there are projections of a dynamic economic recovery within the Union with a 5.5 % growth rate.

MAIN MACROECONOMIC INDICATORS

Main macroeconomic indicators								
WAEMU	2014	2015	2016	2017	2018	2019	2020	2021
REAL SECTOR								
Nominal GDP (in CFAF billions)	63 422.8	68 799.8	73 104.2	77 697.4	83 299.9	88 563.9	91 700.9	98 391.1
Real GDP growth rate (%)	7.1	6.4	6.2	6.5	6.4	5.7	1.8	5.5
Investment rate (%)	22.9	23.5	22.7	22.8	23.9	24.0	24.2	25.3
PRICE								
Average annual inflation rate (%)	-0.1	1.0	0.3	1.1	1.2	-0.7	2.1	2.8
PUBLIC FINANCES (in CFAF billions)								
Total revenues and grants	10 137.0	11 260.6	11 945.6	13 151.7	13 672.8	15 502.7	15 823.8	18 423.7
Total Expenditures	11 781.9	13 499.0	14 544.5	15 906.9	16 430.8	17 565.8	21 001.4	23 415.5
Overall budget balance, with grants	-1 644.9	-2 238.4	-2 598.9	-2 755.2	-2 758.1	-2 063.1	-5 177.6	-4 991.8
As a % of GDP	-2.6	-3.3	-3.6	-3.5	-3.3	-2.3	-5.6	-5.1
EXTERNAL PUBLIC DEBT (in CFAF billions)								
External debt	11 258.4	13 928.2	15 701.6	17 740.9	22 093.7	26 134.4	29 566.6	
As a % of GDP	17.8	20.2	21.4	22.8	26.5	29.2	32.2	
EXTERNAL SECTOR (in CFAF billions)								
Exports of goods FOB	13 340.5	13 996.8	13 947.3	15 161.3	16 269.7	17 660.0	16 449.3	18 063.7
Imports of goods CIF	14 370.2	15 229.1	14 983.1	16 457.9	18 155.9	19 121.2	18 125.3	20 211.8
Trade balance	- 1 029.7	- 1 232.3	- 1 035.8	- 1 296.6	- 1 886.2	- 1 461.2	- 1 676.0	- 2 148.1
Current balance, including grants	- 2 547.1	- 3 200.7	- 3 211.1	- 4 054.6	- 4 604.1	- 4 373.1	- 5 101.9	- 5 860.6
As a % of GDP	- 4.0	- 4.7	- 4.4	- 5.2	- 5.5	- 4.9	- 5.6	- 6.0
CURRENCY (in billions of CFAF)								
Net external assets	4 747.4	4 753.6	3 658.8	4 035.8	5 132.5	6 939.4	7 137.5	7 712.2
Domestic claims	18 115.0	21 196.4	24 715.7	27 438.0	30 021.8	31 626.3	36 978.5	40 110.6
As a % of GDP	28.6	30.8	33.8	35.3	36.0	35.7	40.4	41.1
Claims on other sectors	14 216.0	16 717.1	18 328.5	20 161.2	21 911.4	23 508.2	24 636.8	26 821.5
As a % of GDP	22.4	24.3	25.1	25.9	26.3	26.5	26.9	27.5
Money supply (M2)	17 870.2	20 531.1	22 717.3	24 649.8	27 726.8	30 600.5	35 612.8	39 099.9
Official reserve assets	7 065.9	7 522.7	6 529.4	7 184.2	8 561.0	10 357.0	11 731.2	12 383.8

Source : BCEAO

WAEMU AREA

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



Area

3 509 600 km²



Population in 2020

130 852 886 Hbts
(source : World Bank)



headquarter of the
WAEMU commission
Ouagadougou



Regime

Presidential



Currency

CFAF



Nominal GDP in 2020

91 700,9 billion of
CFA franc

700,4 thousands
of CFA franc / Habitant

(source : BCEAO)

Autonomous specialized bodies :

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

1.1 Background

WAEMU is made up of eight (8) States, including five (5) coastal States and three (3) Sahelian States having a common currency (XOF). WAEMU is a cultural space where traditions common to its member States are showcased: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

The Union covers an area of 3,506,126 km² with an estimated population of 135 million in 2021¹. By comparison, sub-Saharan Africa has an area of approximately 23,000,000 km² with a population of over 1.1 billion people.

Initially a monetary union (WAMU treaty), cooperation agreements among West African countries have led to the establishment of a union covering all economic aspects aimed at building regional integration. Faced with the economic crisis of the 1990s, WAMU member States expressed their desire to deepen their economic integration in addition to monetary union.

It became clear that monetary regulation mechanisms needed to be complemented by economic reforms to strengthen the coherence and stability of the macroeconomic framework, as well as reforms to ensure the cohesion of the Union and lay the foundations for sustainable economic growth.

Thus, the BCEAO's Governor received a mandate from WAMU Heads of State to conduct a study on economic integration and prepare a treaty in this regard. The treaty establishing the West African Economic and Monetary Union (WAEMU) was signed on January 10, 1994 in Dakar, two days before the devaluation of the CFA franc. As part of the treaty, member States have undertaken to achieve full economic integration, covering all sectors of their economies, in order to foster their economic and social development.

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

integrated economic space in West Africa, within which free movement of people, capital, goods, services and production factors become a reality.

WAEMU also guarantees the effective enjoyment of the right to practice and establish a business, and the right of residence for citizens throughout the community.

The West African Monetary Union is characterized by signatory States' usage of a single currency, the West African CFA franc (XOF), whose issuance is entrusted to a common issuing institution, the Central Bank of West African States (BCEAO).

The two (2) treaties, namely that of WAMU and WAEMU, coexist and cover the same geographical reality. The WAEMU Treaty complements the WAMU Treaty with an economic integration component. Both treaties are intended to be merged in due course at the initiative of the Assembly of Heads of State and Government.

1.2 WAEMU goals

WAEMU aims to become a harmonized and integrated economic area, promoting the economic and social development of its Member States and within which people and investors could fully exercise their rights as citizens in terms of free movement of goods and capital and the right of establishment. To this end, the following five (5) objectives have been defined in the Treaty:

1. Enhance the competitiveness of Member States' economic and financial activities within the framework of an open and competitive market and a rationalized and harmonized legal environment;
2. Ensure convergence of economic performances and policies of Member States through the institution of a multilateral surveillance mechanism;

¹ Source : ILOSTAT.

3. Create a common market among Member States based on the free movement of people, goods, services, capital and the right of establishment of self-employed or employed people, as well as a common external tariff and a common commercial policy;
4. Establish coordination of national sectoral policies, through the implementation of joint actions and possibly common policies, particularly in the areas of human resources, land use planning, transport and telecommunications, environment, agriculture, energy, industry and mining;
5. Harmonize, as far as possible, the proper functioning of the common market, Member States' legal framework and particularly the tax system.

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

1.3 Administrative organization

The institutional organization of WAEMU is structured around management bodies, supervisory bodies, advisory bodies and specialized bodies.

1.3.1 Management bodies

The management bodies, three (3) in number, are organized hierarchically as follows

- o **Assembly of Heads of State and Government:** it is the supreme authority of the Union. It defines the Union's general policy guidelines and decides on all issues that could not be resolved by unanimous agreement of the Council of Ministers. It also decides on the possible accession of new members and takes note of the withdrawal or exclusion of participating States.
- o **Council of Ministers:** The Council of Ministers ensures the implementation of the general guidelines defined by the Assembly of Heads of State and Government. It adopts the Union's budget. The Council's deliberations are prepared by the Committee of Experts,

composed of Member States' representatives.

- o **WAEMU Commission:** This is the executive body of the Union. Its headquarters are in Ouagadougou, Burkina Faso. It is composed of eight (08) members, called Commissioners, who are citizens of Member States. They are appointed by the Assembly of Heads of State and Government, with one member per State. The following are its main responsibilities:
 - Submission to the Assembly of Heads of State and Government and to the Council of Ministers of recommendations and opinions deemed useful for the preservation and development of the Union and its members;
 - Implementation of the Union's budget ;
 - Possible referral to the Court of Justice in the event of failure by Member States to fulfil their obligations under Community law.

1.3.2 Control bodies

There are three (3) supervisory bodies. They monitor the action of the Union's bodies, arbitrate conflicts and ensure that Community law is respected:

- o **The Court of Justice:** it ensures the uniform interpretation of Community law and its application. It judges, among other things, the failure of States to meet their Community obligations, and arbitrates conflicts between Member States or between the Union and its agents. The Court of Justice has its seat in Burkina Faso.
- o **The Court of Auditors:** it controls the accounts of the Union's bodies and the reliability of the budgetary data required for multilateral surveillance.
- o **The Inter-Parliamentary Committee:** It plays an advisory role and facilitates debate on integration. It receives the annual report of the Commission and expresses itself in the form of reports or resolutions. This committee is based in Bamako and is a precursor to the Union's parliament, which will be responsible

for the democratic control of the Union's bodies.

monetary union and regional integration objectives. These are:

1.3.3 Advisory bodies

The advisory bodies ensure that non-State actors, the private sector and citizens are taken into account in the actions of the community bodies. They are three (3):

- o **The Regional Consular Chamber:** a privileged forum for dialogue between WAEMU and the main economic operators. It is responsible for involving the private sector in the WAEMU integration process. On its own initiative or that of the Commission, it gives opinions on all matters relating to the achievement of the Union's objectives (trade, tax, customs and social legislation, trade negotiations involving the Union, the creation and operation of stock market or trade, economic observatories, economic and monetary policy). Its headquarters are in Lomé, Togo.
- o Labor and Social Dialogue Council (LSDC): Its objective is to ensure the effective involvement of all non-State actors in the WAEMU integration process. It gives opinions, on its own initiative or that of the member States, to the Council of Ministers, the Commission, employers' representatives and workers' representatives, on the possible social consequences of any community proposal.
- o Council of Local and Regional Authorities (CLRA): its objective is to promote greater involvement of local and regional authorities in the integration process in order to meet the challenges of globalization, promote a multi-level system of governance and take into account the concerns of the populations in community development policies and programs.

1.3.4 Specialized autonomous institutions

Two specialized autonomous institutions are in charge of managing monetary issues and development financing within the framework of the

- o **The Central Bank of West African States (BCEAO):** it has the exclusive privilege of issuing currency in behalf of the Union's States. Its headquarters are in Dakar, Senegal. The central bank is also responsible for the organization and supervision of banking activities. It supports States, particularly in negotiations with international financial and monetary institutions (IMF and others).

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

1.3.5 Other institutions

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

- o **The Banking Commission:** It was created with the aim of "*contributing to a uniform and more effective supervision of banking activity and integration of the banking area in the WAMU*". The Banking Commission has the following powers:

- Issuance and withdrawal of authorizations for credit institutions ;
- Supervision of credit institutions and decentralized financial systems ;
- Taking administrative measures and disciplinary sanctions against defaulting institutions or managers;
- Appointment of provisional administrators or liquidators of credit institutions.

- o **The Regional Council for Savings and Financial Markets (CREPMF):** it is WAEMU financial market regulatory authority. The CREPMF's prerogatives are to:

- protect savings invested in securities and any other investment vehicle resulting in a public offering;
- facilitate investor awareness;
- ensure proper functioning of the regional financial market.
- Assist the national treasuries in their interventions on the international market, by organizing at their request the issuance of securities (bonds in foreign currencies) on their behalf and monitoring the related maturities;
- Promote public debt securities to investors;

In order to fulfill its missions, the CREMPF:

- Regulates the WAMU financial market by developing and updating market regulations;
 - Authorizes all financial fundraising and IPO operations;
 - Monitors transactions on the Abidjan-based regional stock exchange (BRVM);
 - Empowers central market agencies and authorized commercial intermediaries (SGI, Collective Investment Schemes, Stock Exchange Investment Advisers) and supervises their activities;
 - Penalizes non-compliance with market rules.
- Take, in consultation with the relevant institutions of the Union (BCEAO, CREPMF), all measures to improve the functioning and enhancement of the regional financial market;
 - Assist national treasuries in the development of a risk management framework for the management of public debt securities;
 - Provide opportunities for national treasuries to invest their cash surpluses.
- In order to contribute to the development of the market and to modernize the environment of public securities issuance, AUT has undertaken to:
- Establish and promote a system of primary dealers in Treasury securities;
 - Boost the secondary market for government securities by setting up the necessary market infrastructure (information and transaction system, rate curve, financial rating of issuing States, etc.) and broaden the investor base.
- Agence UMOA-Titres (AUT): created by BCEAO on March 15, 2013, AUT's objective is to assist WAMU member States in the issuance and management of public debt securities and work for the development of the government securities regional market. The main missions of AUT are as follows:
 - Assist national treasuries in the development and implementation of their market issuance strategies and coordinate the issuance programs of WAMU member States;
 - Structure joint issues among several member States to finance community projects;
 - Ensure the operational management of issues on the regional market and their physical organization;

1.4 WAEMU common policies

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

1.4.1 Monetary policy

A. Institutional arrangements

WAMU member States have common monetary and exchange rate policies. The CFA franc, or the West African CFA franc (XOF), is the monetary unit of WAMU. This currency was pegged to the French franc by a fixed parity until January 1, 1999², when the euro was introduced. The CFA franc³ has since been pegged to the euro at a fixed parity.⁴

A new monetary agreement was signed in December 2019 by WAEMU member States and France to reform the West African CFA franc (XOF). It lays the groundwork for member countries to join ECO, ECOWAS' single currency project. In order to enable WAEMU economies to prepare for ECO, the monetary cooperation agreements linking the member States of the zone to France were thoroughly revised. Three decisions were taken:

- Name change of the currency from CFA Franc to ECO, when WAEMU countries will integrate the new ECO zone of ECOWAS;
- End the centralization of foreign exchange reserves at the French Treasury, closing the operations account and transferring available resources into BCEAO's account;
- Withdrawal of all French representatives from the decision-making and management bodies of WAMU (BCEAO Board of Directors, Banking Commission and Monetary Policy Committee).

Two key pillars of monetary stability have been retained:

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

In May 2020, the bill ratifying the end of the CFA franc was adopted by the French Council of Ministers. It

validates the transformation of the CFA franc, which will become the ECO, by maintaining a fixed parity with the euro as well as the end of the centralization of foreign exchange reserves of West African States at the French Treasury.

Due to the COVID-19 pandemic, convergence measures (including debt and deficit criteria) have been frozen by the Heads of State for 2021. A new convergence pact is to be discussed by ECOWAS countries. It should come into force on January 1, 2022.

Monetary policy is conducted exclusively by BCEAO, as member States have relinquished this sovereign power to the Central Bank, which is responsible for issuing the CFA franc and ensuring its stability.

B. Description of BCEAO

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

Members

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

Organs

The organs of the Central Bank are: the Governor, the Monetary Policy Committee, the Board of Directors, the Audit Committee, and the National Credit Councils, one in each WAMU member State.

Operation

The Central Bank, its organs, any member of its organs or staff may not seek or receive orders or instructions from community institutions or organs, from any government of WAEMU Member States, from any other organization or from any other

² At the time of the CFA franc devaluation in 1994, the fixed rate was increased to 1 00 CFA francs to 1 French franc.

³ EU Council Decision of 23 November 1998 on exchange rate matters relating to the CFA franc and the Comorian franc (98/683/EC).

⁴ This same parity applies to the CFA franc (Central African Financial Cooperation) which is the currency of the member countries of the Economic and Monetary Community of Central Africa (CEMAC), whose structure is parallel to that of the WAEMU. 1€ = 655.957 CFA francs

person. Community institutions and bodies and the governments of WAEMU member States undertake to respect this principle.

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

Roles

The Central Bank has the following fundamental missions:

- Define and implement monetary policy within WAEMU;
- Ensure the stability of WAEMU banking and financial system;
- Promote proper functioning and ensure the supervision and security of payment systems in WAMU;
- Implement the WAEMU exchange rate policy under the conditions set by the Council of Ministers;
- Manage the official foreign exchange reserves of WAEMU member States.

The Central Bank may conduct, with due regard for monetary equilibrium, specific missions or projects that contribute to the improvement of the monetary policy environment, diversification and strengthening of the WAEMU financial system and technical and professional capacities in the banking and financial sector.

The main objective of the Central Bank's monetary policy is to ensure price stability. As such, it defines the monetary policy to keep the currency's external coverage rate at a satisfactory level, and to support the economic activity of member countries without inflationary pressure⁵.

BCEAO oversees the monetary policy of each

member country by setting money supply and credit targets on an annual basis. Statutory advances to member States' national treasuries were suspended in 2001 and abolished as of 2010.

To conduct its common monetary policy, the BCEAO relies on market mechanisms and indirect liquidity regulation instruments, in particular interest rate management and the reserve requirement system.

C. Monetary policy

BCEAO has the exclusive privilege of issuing money for all the member States of the West African Monetary Union. It issues monetary signs, banknotes and coins, which are legal tender with discharging effect in all the member States of the Union. The creation, issue and cancellation of monetary signs are decided by the Council of Ministers.

The Central Bank's management of member States monetary policy consists in adjusting the global liquidity of the economy according to economic trends, in order to ensure price stability, on the one hand, and to promote economic growth, on the other hand.

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

The functioning of BCEAO is based on:

- Open market operations: seven-day and twenty-eight-day refinancing (weekly and monthly, respectively, for banks subject to reserve requirements) allotted at variable rates; the minimum bid rate considered by BCEAO as its key rate (currently⁶ 2.0%). Planned auctions are generally calibrated according to BCEAO's forecast of liquidity needs over the maturity of operations;
- Standing loan windows: refinancing from 1 to 7 days or 90 to 360 days against government securities and credit requests with maturities ranging from 5 to 20 years, at the request of banks (marginal lending window). Rates at

⁵ The BCEAO Monetary Policy Committee, at its first meeting held on September 14, 2010 in Dakar, defined the operational objective of price stability as an annual inflation rate in the Union within a margin of \pm one percentage point (1%) around 2%, over a twenty-four (24) month horizon.

⁶ BCEAO lowered its main policy rates by 50 basis points. Thus, the minimum bidding rate for liquidity injection tenders was reduced from 2.50% to 2.00% and the interest rate for the marginal lending window was reduced from 4.50% to 4.00%. This decision became effective on June 24, 2020.

these windows are 200 basis points above the policy rate. As of June 2017, the use of the lending window was capped at two times the counterparty's equity.

The minimum bidding rate for open market operations (tenders) and the interest rate applicable to the marginal lending window (repo rate), whose levels are set by the Monetary Policy Committee, are 2% and 4% respectively, and constitute BCEAO's two main key rates.

D. Monetary system

The Franc zone is characterized by four (4) founding principles. These principles were set out in the November 23, 1972 monetary cooperation agreement between member States of the issuing zone of the Bank of Central African States and France, as well as in the December 4, 1973 cooperation agreement between member States of the West African Monetary Union and France.

The 4 main principles of the Franc zone are:

- **A guarantee from the French Treasury for unlimited convertibility of the Central Bank currency:** currencies issued by the issuing institutions of the franc zone have unlimited convertibility guaranteed by the French Treasury. To ensure the free convertibility of each of the sub-zones, an operating account is opened with the French Treasury by each Central Bank of the zone, and on which the Central Banks have an unlimited right to draw in the event of exhaustion of their foreign exchange reserves;
- **A fixed parity with the euro of 1 euro for 655.957 CFA francs:** the parity of the zone's currency with the euro is fixed and defined for each subzone. The currencies of the zone are convertible among themselves, at fixed parities, without limitation of amounts. The switch to euro resulted in a simple substitution of the peg to the French franc by the peg to the euro, at equivalent parity, i.e., CFAF 655.957 = 1 euro (the parity being identical for the West and Central Africa sub-zones).
- **Free and unlimited transfer of reserves:** Transfers are, in principle, free within the Zone.

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

As mentioned above, France and WAEMU countries have agreed to end centralization of foreign exchange reserves at the French Treasury between the end of December 2019 and May 2020, to close the operating account and to transfer available resources into the BCEAO's account. The principles of fixed exchange rates and guaranteed unlimited convertibility of the future ECO currency by France remain unchanged.

1.4.2 Foreign exchange policy and regulations

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

With regard to external financial relations, Regulation No. 09/2010/CM/WAEMU on the external financial relations of WAEMU Member States of October 1, 2010 provides for the following:

- Foreign exchange transactions in euros between BCEAO and commercial banks established within the Union are carried out at a fixed rate, as is any foreign exchange transaction carried out by an economic operator. In addition, buying and selling rates for other currencies are established on the basis of the euro's rate on the foreign exchange market;
- All foreign exchange transactions, capital

movements and payments of any kind to foreign countries (outside WAEMU) must go through BCEAO or intermediaries approved by the Ministry of Finance;

- Payments (except gold transactions, issuance, advertising and offering of financial instruments) and capital transfers within WAEMU are free;
- The main modalities of common exchange regulations vis-à-vis third countries (outside WAEMU) are as follows:
 - Transfers of funds to cover operations related to current transactions are completely free upon presentation of supporting documents,
 - Obligation to repatriate export receipts and transfer them to BCEAO or an authorized intermediary, within one hundred and twenty (120) days of the shipment of goods,
 - Capital inflows from any country are free,
 - Capital outflows to third countries, other than the amortization of debts as well as the repayment of commercial and industrial credits, the transfer of the proceeds from the liquidation of investments or the sale of foreign securities by non-residents, the required settlements on foreign exchange derivatives, raw materials or commodities⁷, are subject to a request for foreign exchange authorization, submitted to the Minister in charge of finance upon presentation of supporting documents.⁸
- Import and export operations must be domiciled with an authorized intermediary.

1.4.3 Economic policy

For the economic and monetary union to thrive, there ought to be an effective coordination of economic policies implemented in the member States with a view to ensuring, on the one hand, a stable

macroeconomic framework through budgetary policies consistent with the central bank's common monetary policy, and on the other hand, harmonious economic development through the implementation of common sectoral policies.

Considering that their economic policies are a matter of common interest, WAEMU member States intend to ensure coordination of these policies with a view to achieving the objectives of the Union.

A. The multilateral surveillance system and the convergence criteria

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

This pact is defined as a formal commitment by member States to strengthen the surveillance of their macroeconomic policies, in particular budgetary policies, through the definition of precise modalities for the adoption, implementation and evaluation of multi-annual convergence, stability, growth and solidarity programs, as well as a sanction mechanism. The convergence pact is an instrument for strengthening the multilateral surveillance mechanism. It aims in particular to strengthen the convergence of Member States economies, to reinforce macroeconomic stability, to accelerate economic growth and to foster solidarity between the member States.

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

PACSCS provides for two categories of criteria:

- A first category made up of three (3) criteria, known as first-tier criteria (with a key criterion relating to budget balance), non-compliance with leads to the explicit formulation of

⁷ The instruments must be backed by commercial and financial transactions, the nature of which is specified by a BCEAO Instruction
⁸ See Article 7 of Regulation No. 09/2010/CM/WAEMU on the external financial relations of WAEMU member States.

directives by the Council of Ministers to the relevant State, for the preparation and implementation of an amending program. Non-compliance with the key criterion is likely to trigger sanctions mechanism.

- A second category comprising two (2) criteria, referred to as second-tier criteria, which are indicative benchmarks that are closely monitored because of the decisive role they play in achieving the objective of economic sustainability. Non-compliance with these benchmarks does not lead to sanctions or recommendations by WAEMU's governing bodies. However, compliance with them plays an important role in the macroeconomic stability of the Union and they can be used to formulate recommendations for compliance with the primary criteria.

The criteria for convergence are as follows:

- **Top criteria:**
 - o Ratio of the overall budget balance, including grants, to nominal GDP (key criterion): it must be greater than or equal to -3% from 2019 onwards;
 - o Average annual inflation rate: no more than 3% per year;
 - o Ratio of total outstanding debt (domestic and external) to nominal GDP: not to exceed 70% from 2019.
- **Second-tier criteria:**
 - o Payroll to tax revenue ratio: not to exceed 35% from 2019;
 - o Tax pressure rate: must be greater than or equal to 20% starting in 2019.

B. The common market

In order to strengthen regional economic integration, WAEMU member States agreed, within the framework of the Union's founding treaty, to set up a common market.

This common market is based on the free movement of people, goods, services, capital and the right

of establishment of self-employed and employed people, as well as on a common external tariff and a common trade policy.

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

- The elimination of customs duties, quantitative restrictions on entry and exit, taxes with equivalent effect and any other measures that may affect transactions between member countries;
- The implementation of a Common External Tariff (CET);
- The establishment of common competition rules applicable to public and private companies and to public aid;
- The effective application of the principles of freedom of movement of people, establishment and provision of services as well as the principle of freedom of movement of capital which is vital for the development of the regional financial market;
- Harmonization and mutual recognition of technical standards as well as procedures for approval and certification of compliance.

C. Sectoral policies

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

Community policies are focused on the areas of agriculture, land use planning, crafts, education, livestock, energy, environment and water, public finance, industry, common market, mining and oil, fisheries, socio-cultural, Information and Communication Technologies (ICT), tourism and transport.

In addition to formulating guidelines and community texts, which should provide a framework for activity and promote development in these different areas,

the Union is pursuing the objectives set within the framework of sectoral policies through its Regional Economic Program (REP).

Developed in 2004, REP aims to strengthen the regional integration process and support economic growth through the implementation of structuring and integrating projects in all the member countries of the Union. It is a five-year rolling program, updated annually.

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

projects with a total cost of 6,002 billion CFA francs.

1.5 WAEMU population

From about 97 million inhabitants in 2010, the total population of WAEMU reached 127 million in 2019. The average population growth rate is around 3% per year. It is projected to reach about 135 million inhabitants in 2021.

The demographic dynamics is also played out in the spatial distribution of the population, which reveals a growing urbanization, though the extent varies from one country to another.

Table 1. Total WAEMU population and population by country

	Data	Period
Total WAEMU population (in thousands)	130 853	2020
	112 992	2015
	97 473	2010
Population by country in 2020 (in thousands)		
Benin	12 123	
Burkina Faso	20 903	
Côte d'Ivoire	26 378	
Guinea-Bissau	1 968	
Mali	20 251	
Niger	24 207	
Senegal	16 744	
Togo	8 279	

Source : World Bank - BCEAO

Table 2. Profile and distribution of WAEMU population

	Data	Period
Total WAEMU population (in thousands)	130 853	2020
	112 992	2015
	97 473	2010
Average annual growth rate	3.0%	[2015-2020]
Proportion Male-Female	49.96 % - 50.1 %	2020
Urbanization rate by country		
Benin	48.42 %	2020
Burkina Faso	30.61 %	2020
Côte d'Ivoire	51.71 %	2020
Guinea-Bissau	44.20 %	2020
Mali	43.91 %	2020
Niger	16.63 %	2020
Senegal	48.12 %	2020
Togo	42.80 %	2020

Source : World Bank - BCEAO

1.6 Employment in WAEMU area

A. Working population

According to the International Labor Office, labor force comprises people of working age who are

employed or looking for work, i.e., unemployed.

In WAEMU, the male labor force is larger than the female labor force. It is also larger in rural areas than in urban areas. In most countries, they represent more than one-third of the total population.

Table 3. Overview of labor force in WAEMU Member States

Labor force (in thousands)				
	Working population (2020)	Share of labor force in the population over 15 years old (2020)	Man-Woman (2019)	Urban-Rural (2019)
Benin	4 925	70.0 %	2 455 - 2 377	2 151- 2 682
Burkina Faso	7 603	65.4 %	4 135 - 3 332	2 035 - 5 432
Côte d'Ivoire	8 149	52.8 %	4 970 - 3 566	4 698 - 3 839
Guinea-Bissau	793	69.4 %	2 030 - 2 414	1 237- 3 206
Mali	7 385	68.8 %	4 125 - 3 211	1 900 - 5 435
Niger	8 750	71.8 %	4 854 - 3 568	1 426 - 6998
Senegal	4 255	44.3 %	2 536- 1 719	2 187 - 2069
Togo	2 817	57.3 %	1 862 - 1 883	1 569- 2 131

Source : ILOSTAT

B. Unemployment rate

Unemployment rate is the number of unemployed persons expressed as a percentage of the labor force. Persons, defined as unemployed by the ILO, are those aged 15 years and over, who are unemployed, available for new employment and actively seeking work.

The table below shows that unemployment rate is low in the various WAEMU member States. It should be noted, however, that a significant proportion of employment is informal and that the unemployment data should be analyzed in conjuncture with underemployment, which is significant.

Table 4. Overview of unemployment in WAEMU Member States (2019)

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

Source : ILOSTAT

2.1 WAEMU's gross domestic product

WAEMU recorded a slowdown in its economic growth in 2011: barely 1% compared to 4.1% in 2010. The combined effects of an unstable global environment following the sovereign debt crisis in Europe, the post-election crisis in Côte d'Ivoire and the poor 2011/2012 agricultural season largely explain the economic situation that year.

Since 2012, economic activity had accelerated and maintained a dynamic growth trajectory (around 6%

per year), driven mainly by domestic demand and the tertiary sector despite the challenges, particularly security challenges, facing the zone.

In 2020, after eight years of strong growth, the impact of the pandemic has been significant on WAEMU's growth rate, which fell to 1.8 percent.

Table 5. Nominal GDP and real growth within WAEMU

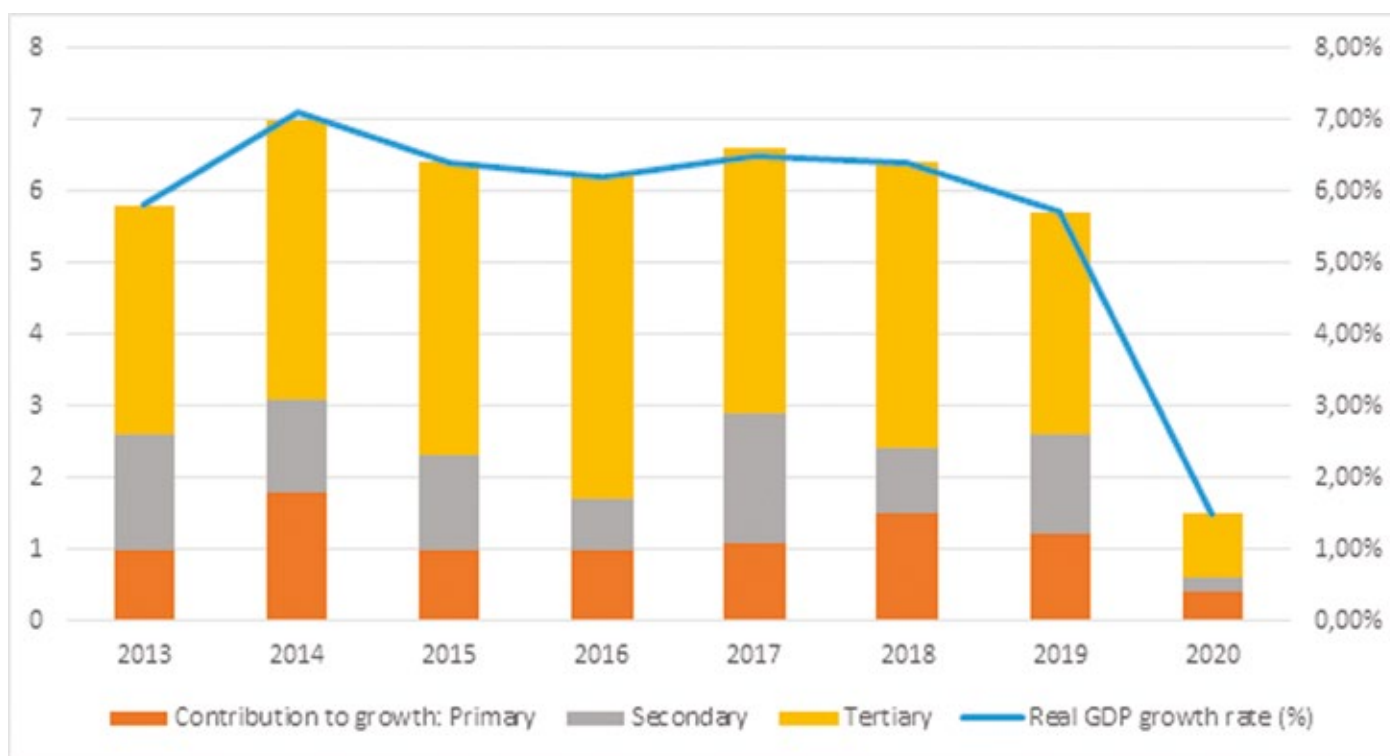
[WAEMU]	2013	2014	2015	2016	2017	2018	2019	2020 (e)	2021 (p)
Nominal GDP (in billions CFA francs)	58 487.7	63 422.8	68 799.8	73 104.2	77 697.4	83 299.9	88 563.9	91 700.9	98 391.1
	Weight in GDP (in % of GDP)								
Sector weights									
Primary sector	22.0	22.0	22.5	23.4	23.1	24.2	23.6	24.1	23.6
Secondary sector	20.8	21.0	20.4	20.2	20.8	21.0	21.4	21.7	21.7
Tertiary sector	57.1	56.9	57.0	56.5	56.2	54.8	55.0	54.2	54.7
Demand factors									
Final consumption	85.4	83.4	83.1	83.2	83.4	82.5	81.7	81.5	81.6
Investment	22.1	22.9	23.5	22.7	22.8	23.9	24.0	24.2	25.3
Exports	25.4	24.5	23.7	22.5	22.8	22.9	23.5	22.0	22.8
Imports	32.8	30.8	30.2	28.4	28.9	29.3	29.2	27.7	29.7
Real GDP growth rate (%)	5.8	7.1	6.4	6.2	6.5	6.4	5.7	1.8	5.5
	Sectoral contribution to GDP growth (in % points)								
Primary sector	1.0	1.8	1.0	1.0	1.1	1.5	1.1	0.7	0.9
Secondary sector	1.6	1.3	1.3	0.7	1.8	0.9	1.4	0.3	1.2
Tertiary sector	3.2	3.9	4.1	4.5	3.6	4.0	3.2	0.8	3.5
	Contribution of demand factors to GDP growth (in % points)								
Final consumption	3.4	5.0	6.0	5.7	3.9	3.3	3.7	1.4	2.8
Investment	5.7	2.2	1.6	0.2	1.6	2.4	1.2	1.0	3.4
Foreign trade	-3.2	-0.6	-1.0	0.5	1.1	0.7	0.8	-0.9	-0.6

Source : BCEAO

However, WAEMU remains one of the most dynamic economic zones in Africa with a growth rate above the average for sub-Saharan Africa (3.2% in 2019 and -1.9% in 2020⁹).

In 2021, the zone's GDP is expected to grow by 5.5% thanks to stronger domestic demand and capital spending whereas sub-Saharan Africa is expected to grow by 3.4%.

Figure 1. Real economic growth rate (in %) and sectoral contributions (in %)



Source: BCEAO data

On the sectoral level

Economic slowdown in 2020 was attributable chiefly to the sharp decline in the contribution of the **tertiary sector** to economic growth (-2.4 points), due in particular to the decline in the contributions of the most affected subsectors: "Trade, restaurants and hotels", "Banking, insurance and other market services" and "Transport, warehousing and communications".

The **primary** and **secondary** sectors contributed 0.7 and 0.3 percentage points to growth in 2020, compared with 1.1 and 1.4 percentage points in 2019.

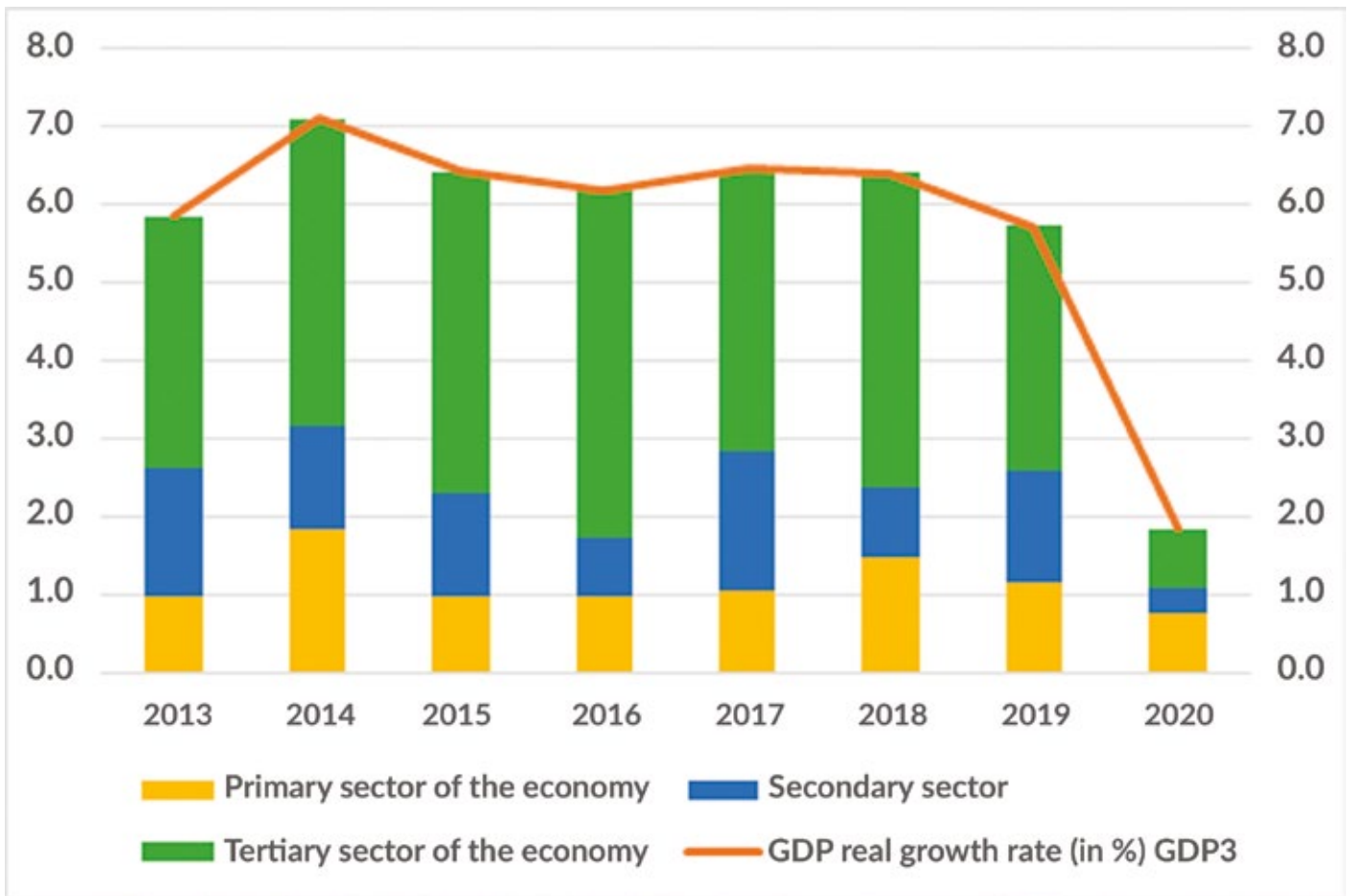
On the demand side

The demand analysis indicates that the contribution of final consumption to GDP growth fell significantly in 2020, reaching 1.4 percent compared to 3.7 percent the previous year.

Moreover, the contribution of investment, to a lesser extent, decreased from 1.2 percent in 2019 to 1.0 percent in 2020.

In terms of foreign trade, a deterioration in the contribution to economic growth is observed. Indeed, it turned negative in 2020, whereas it was 0.8% in 2019. This is linked to increase in trade deficit, following a fall in exports.

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



Source: BCEAO

2.2 Compliance with WAEMU convergence criteria

Under multilateral surveillance, macroeconomic indicators shows a deterioration in all respects in 2020:

1. The overall budget balance, including grants, as a percentage of nominal GDP in the Union would be -5.9 percent compared to -2.5 percent in 2019.
2. The average annual inflation rate in the Union is expected to be 2.3% in 2020, compared to -0.7% a year earlier
3. The Union's total public debt stock in 2020 would represent 49.3% of nominal GDP, compared to 44.1% in 2019
4. The ratio of payroll to tax revenue in the Union in 2020 would be 44.3 percent, up from 39.6 percent in 2019
5. The Union's tax rate in 2020 would be 12.9 percent compared to 13.6 percent in 2019.

Table 6. Number of States not meeting the convergence criteria

	Standard	2015*	2016	2017	2018	2019	2020
First row							
Overall fiscal balance (including grants) / nominal GDP	$\geq 3\%$	5	7	4	5	4	8
Average annual inflation rate	$\leq 3\%$	0	0	0	0	0	2
Outstanding domestic and external public debt / nominal GDP	$\leq 70\%$	0	0	0	0	0	0
Second row							
Payroll/tax revenue	$\leq 35\%$	5	6	6	6	6	7
Tax pressure rate	$\geq 20\%$	7	7	7	8	8	8

Source : WAEMU Commission, December 2020

(*) the number of convergence criteria was reduced from 8 to 5 in 2015 and the floor of the tax pressure rate was increased from 17% to 20%.

2.3 Monetary overview

Money supply grew at a sustained rate of about 12 percent per year during the 2014-2020 period, made possible by moderate, or even low, inflation, despite a rise in inflation with the health crisis. Monetary policy has been relatively accommodative over the period, with a view to accompanying the Union's economic growth, which has been particularly sustained since 2012.

Growth in money supply over the 2014-2020 period is mainly due to growth in domestic credit, particularly in net credit to the State.

Net external assets stagnated between 2014 and 2015 and then fell by 23 percent in 2016, mainly due to cocoa price shocks. They then rose sharply between 2017 and 2019 (+24.0 % per year) thanks to euro bond issues by Côte d'Ivoire and Senegal, before increasing slightly in 2020 to CFAF 7,137.5 billion.

Table 7. Consolidated monetary overview of WAEMU monetary institutions

(In billions of CFA francs)	2014	2015	2016	2017	2018	2019	2020
Net external assets	4 747.4	4 753.6	3 658.0	4 035.8	5 132.5	6 939.4	7 137.5
Domestic claims	18 115.0	21 196.4	24 715.7	27 438.0	30 021.8	31 626.3	36 978.5
Net claims from the State	3 898.9	4 479.3	6 387.2	7 276.8	8 110.5	8 118.1	12 341.7
Claims on the economy	14 216.0	16 717.1	18 328.5	20 161.2	21 911.4	23 508.2	24 636.8
Money supply (M2)	17 870.2	20 531.1	22 717.3	24 649.8	27 726.8	30 600.5	35 612.8

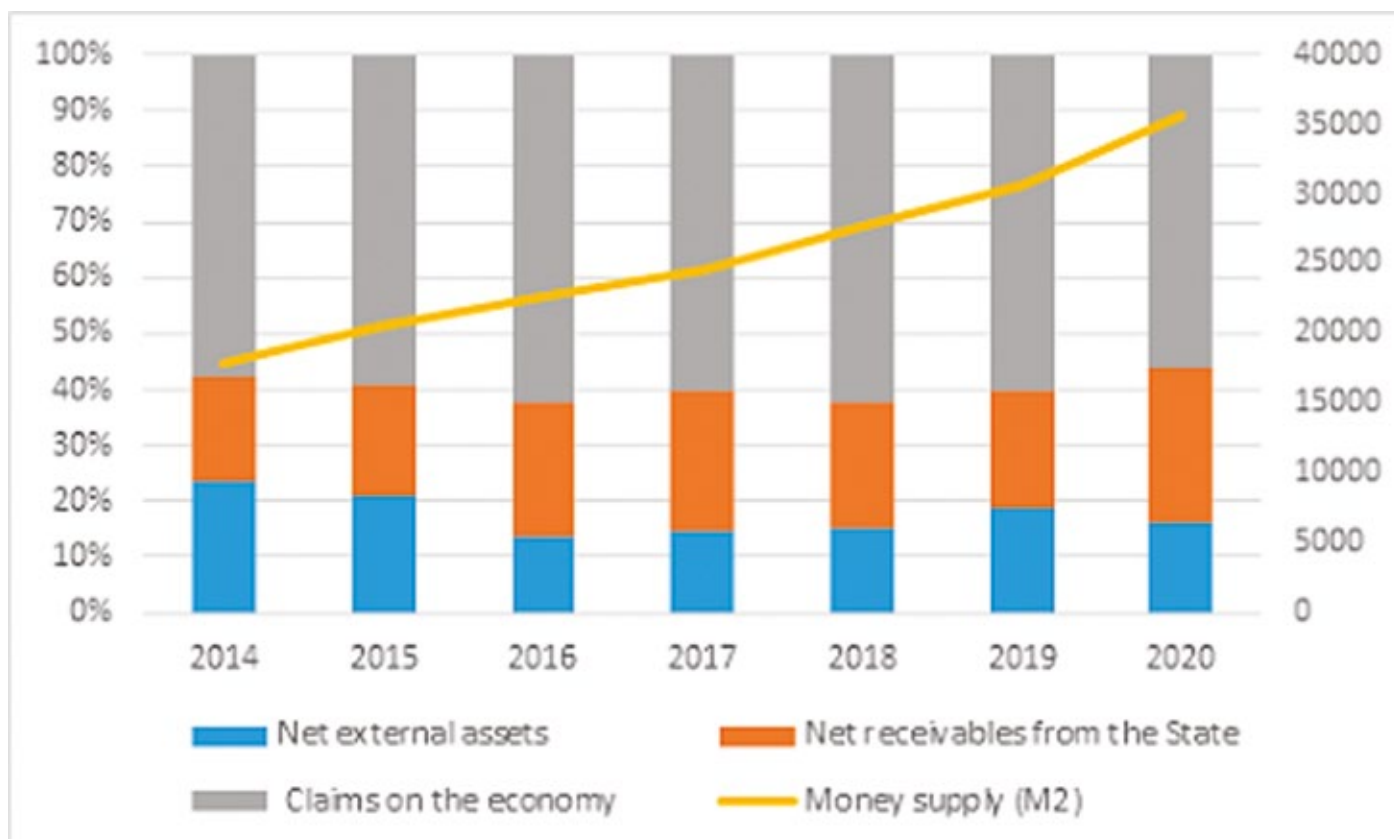
Source : BCEAO

In terms of contribution to money supply, claims on the government stagnated between 2014 and 2019 due to measures taken to consolidate public finances and reduce budget deficits. Furthermore, a decline in the contribution of net foreign assets to money supply growth was observed over the period

despite a slight increase observed since 2017 (see graph below).

In 2020, the acceleration of money supply growth rate is linked to the increase in domestic claims carried by net claims on the State.

Figure 3. Money supply trend and its components



Source: BCEAO

2.4 Banking system and financial markets

2.4.1 Banking environment

At the end of December 2020, WAEMU banking system had 152 authorized institutions, i.e. 131 banks and 21 financial institutions of a banking

nature¹⁰. At the end of 2019, the union had 150 authorized institutions.

The number of ATMs (Automated Teller Machines) was 3,378¹¹ units in 2019 compared to 3,698 units in 2018, an increase of approximately 15 %.

Table 8. Assets of the Union's commercial banks

(billions of CFAF)	2015	2016	2017	2018	2019	2020
Total Assets	20 399.1	25 290.7	27 483.2	30 258.7	32 951.5	38 072.6

Source : BCEAO

According to BCEAO's monetary policy report, commercial bank assets increased by a factor of 1.9 between 2015 and 2020, reflecting an increase in bank employment. The portfolio quality of banks and banking-related financial institutions within the Union has therefore improved.

Jobs reached 41,052.4 billion at the end of December 2020 compared to CFAF 35,815.6 billion at the end of 2019. This change is the result of an increase in customer loans (+6.4% between September and December 2020).

Bank resources increased to CFAF 38,325.0 billion at end-December 2020 from CFAF 32,971.5 billion at end-December 2019. This is partly due to the concomitant increase in deposits and borrowings (+2,107.8 billion, 7% in Q4 2020) and equity (+176.7 billion, 4.5% in Q4 2020).

2.4.2 Microfinance

The number of Decentralized Financial Systems (DFS) in WAMU was about 521 at the end of December 2020¹². Population access to financial services provided by microfinance institutions has increased, with a number of beneficiaries of 15,949,136 compared to 14,554,167 at end December 2019. The number of service points is estimated at 4,299 in December 2020 compared to 4,905 in December 2019.

An examination of intermediation indicators shows a relatively favorable trend in financial inclusion, characterized in particular by an increase in the collection of deposits and the granting of loans, in a context marked by the progressive lifting of restrictions due to health crisis.

At the end of December 2020, the amount of deposits collected amounted to CFAF 1,650.5 billion against CFAF 1,431.0 billion a year earlier, an increase of 15.3%. The average amount of savings per client stood at CFAF 103,484 against CFAF 104,845 at the end of December 2019, a decrease of -1.3%.

For all WAMU DFS, savings collected represented 5.1% of total deposits held by the Union's credit institutions in 2020, as in the previous year.

2.4.3 WAEMU financial market

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

The market for public securities by auction is organized and regulated by BCEAO through UMOA-Titres, while public securities by syndication, private bonds and shares are regulated by the Regional Council for Public Savings and Financial Markets (CREPMF)

¹⁰ BCEAO - Annual Report 2020.

¹¹ BCEAO - Annual report on interbank electronic money within WAEMU, 2019.

¹² BCEAO - Microfinance within WAMU as of December 31, 2020.

and organized by the Regional Securities Exchange (BRVM) and the Central Depository/Settlement Bank (DC/BR)

- **Organization of the market by syndication**

The WAEMU regional financial market is characterized by a mixed organization. Indeed, it is composed of a public pole made up of the Conseil Régional de l'Épargne Publique et des Marchés Financiers (CREPMF) (Regional Council for Public Savings and Financial Markets) and a private pole comprising, on the one hand, central agencies such as the Bourse Régionale des Valeurs Mobilières (BRVM) (Regional Stock Market) and the Central Depository/Settlement Bank (DC/BR), and, on the other hand, the market participants.

CREPMF is the regulator of the WAEMU regional financial market. Its missions are, among others, to:

- Ensure the authorization and control of public offering procedures;
- Empower market management agencies and accrediting market participants;
- Approve commercial stakeholder rates;
- Regulate market operation;
- Monitor the regularity of stock market transactions.

BRVM is organized in a central site based in Abidjan (Côte d'Ivoire) and represented in each member State by a National Stock Exchange (ANB). The main attributions of the BRVM are:

- Authorization of stock market participants to carry out their activities;
- Management of the market, in particular the centralization of buy or sell orders, listing management, dissemination of market information, as well as the promotion and popularization of the financial culture within WAEMU;

- Management of unsettled transactions.

The Central Depository/Settlement Bank (CD/BR) is a financial institution, whose role is:

- To proceed with the clearance of the applicants for the function of account holder ;
- To ensure the settlement of negotiations and the management of the financial service of the securities;
- To ensure the maintenance of current accounts of securities opened by primary dealers (SGI) in its books;
- To ensure the safekeeping and the scriptural circulation of securities;
- To make cash payments, as settlement bank, of the balances of stock exchange transactions.

As part of organizing issues by syndication, States entrust the securities placement process to a placement syndicate, whose members are made up of primary dealers approved by the CREPMF. In addition, the issuer chooses a lead manager from among the members of the syndicate, who is in charge of specific missions in the issue process.

Since its inception, the main products on the regional financial market have been equities and bonds. In recent years, several new products such as mortgage refinancing and securitization (Sukuk debt securitization funds) have been introduced. Securities issued through syndication are traded on the secondary market on the BRVM's electronic trading platform.

- **Organization of the market by auction**

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

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

- The Central Bank of West African States (BCEAO), which is the regulator of this market. As such, it issues the applicable provisions, intervenes in the organization of auctions of public securities, ensures the function of Central Depository / Settlement Bank, the clearing, settlement and delivery of transactions among participants with an account in its books, through its electronic platform SAGETIL-UMOA¹³;
- States which are the issuers of public debt securities on the Union's money market, under the responsibility of the Minister of Finance;
- UMOA-Titres, the regional agency in charge of issuing and managing public debt securities, physically organizes issues and provides assistance to member States in mobilizing resources on the capital markets and managing their debt;
- Investors, which are credit institutions, MFIs and regional financial organizations with a settlement account in the books of the Central Bank¹⁴;
- Primary dealers (SVTs), which are credit institutions and SGIs that have obtained the approval of the Ministers of Finance of WAEMU Member States to act in this capacity and thus benefit from the status of privileged partners of one or more Member States' Treasuries in operations on public debt securities issued on the regional market.¹⁵

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

The capital market

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

BRVM: Presentation and roles

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

BRVM is a public limited company with a community public service mission. This stock exchange is common to the 8 countries of West Africa. BRVM/DC/BR started its activities on September 16, 1998 in Abidjan. Its main missions are the following:

- The organization of the stock market ;
- Publication of stock market transactions;
- Dissemination of information on the stock market;
- Promotion and market development.

Evolution of BRVM bonds and equity market

Since 2016, the underperformance of the WAEMU stock market (BRVM) shows that it has not fully resisted the general downward movement that has gripped the world's financial markets. The decline in 2018 of BRVM was particularly marked. Preferred stocks in 2015, focused on food and beverage sector as well as agribusiness, consumer, automotive and equipment and banking, have experienced a decline.

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

The year 2020 has negatively impacted BRVM, like all financial markets, following the outbreak of the coronavirus. The regional market recorded its largest quarterly decline (-15.79% in the first quarter of 2020)

¹³ Automated Securities and Liquidity Management System of the West African Monetary Union.

¹⁴ All other investors wishing to participate will have to go through the approved stakeholders.

¹⁵ The operationalization of primary dealers within WAEMU started on March 1, 2016.

in the last 10 years. However, investors showed continued confidence in the potential of BRVM, which posted one of the best balances since 2016, despite the pandemic and the presidential election in Côte d'Ivoire. More than 35% of listed companies ended the year in the green.

During the 2020 trading year, the BRVM Composite Index fell from 159.2 on 12/31/2019 to 145.37 on 12/31/2020. The market capitalization of the equity

market fell from CFAF 4,741 billion at the end of 2019 to CFAF 4,368 billion at the end of 2020, a decline of 7.9%.

The market capitalization of bonds stood at CFAF 6,051 billion as at December 31, 2020, compared with CFAF 4,233 billion the previous year, an increase of 43%. This increase is linked to the need for States to support their respective economies in the context of the pandemic.

Table 9. BRVM financial market trends

	2014	2015	2016	2017	2018	2019	2020
BRVM 10 Indexes	268	290	262	220	154	149	131
BRVM composite Indexes	258	304	292	243	172	159	145
Composite market capitalization (stocks and bonds) in billions of CFA francs	7 459	9 079	10 216	9 806	8 289	8 973	10 418
Equity Market	6 320	7 500	7 706	6 836	4 845	4 741	4 368
Bond market	1 139	1 579	2 509	2 970	3 444	4 233	6 051
Number of listed companies	38	39	43	45	45	46	46

Source : BRVM

The regional government securities market

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

- **Government securities issues**

Overall gross issuance in the regional public debt market during 2020 amounted to 10,486.8 billion, compared to 4,428.9 billion in 2019, an increase of 136.8 percent. Net issuance was 4,181.1 billion compared to 910.8 billion a year earlier.

The Treasury bill segment accounted for 52.5% of operations, in connection with the issuance of "Covid-19 Bonds". These operations, which had a maturity of three months, were renewed three times,

after the launch in April 2020, for an amount of 1,172 billion. Excluding this special operation, States raised 2,268.6 billion in bonds for the year 2020 against 1,645.1 billion a year earlier.

In the bond segment, the total volume of issues by auction amounted to 3,237.7 billion in 2020, an increase of 1,462.6 billion over one year. Securities with maturities of 3 and 5 years were the most sought after, with amounts raised of 1,666.9 billion and 1,091.9 billion respectively, representing a cumulative 85.2% of the total amount of bond issues by auction.

The volume of bond issues through syndication was also up by 736.2 billion compared to 2019, reaching 1,745.0 billion at the end of December 2020. These operations were carried out by Benin (110.0 billion), Burkina Faso (272.6 billion), Côte d'Ivoire (1,010.7 billion), Mali (226.2 billion) and Niger (125.5 billion).

Table 10. Gross issuance of government securities on the regional financial market

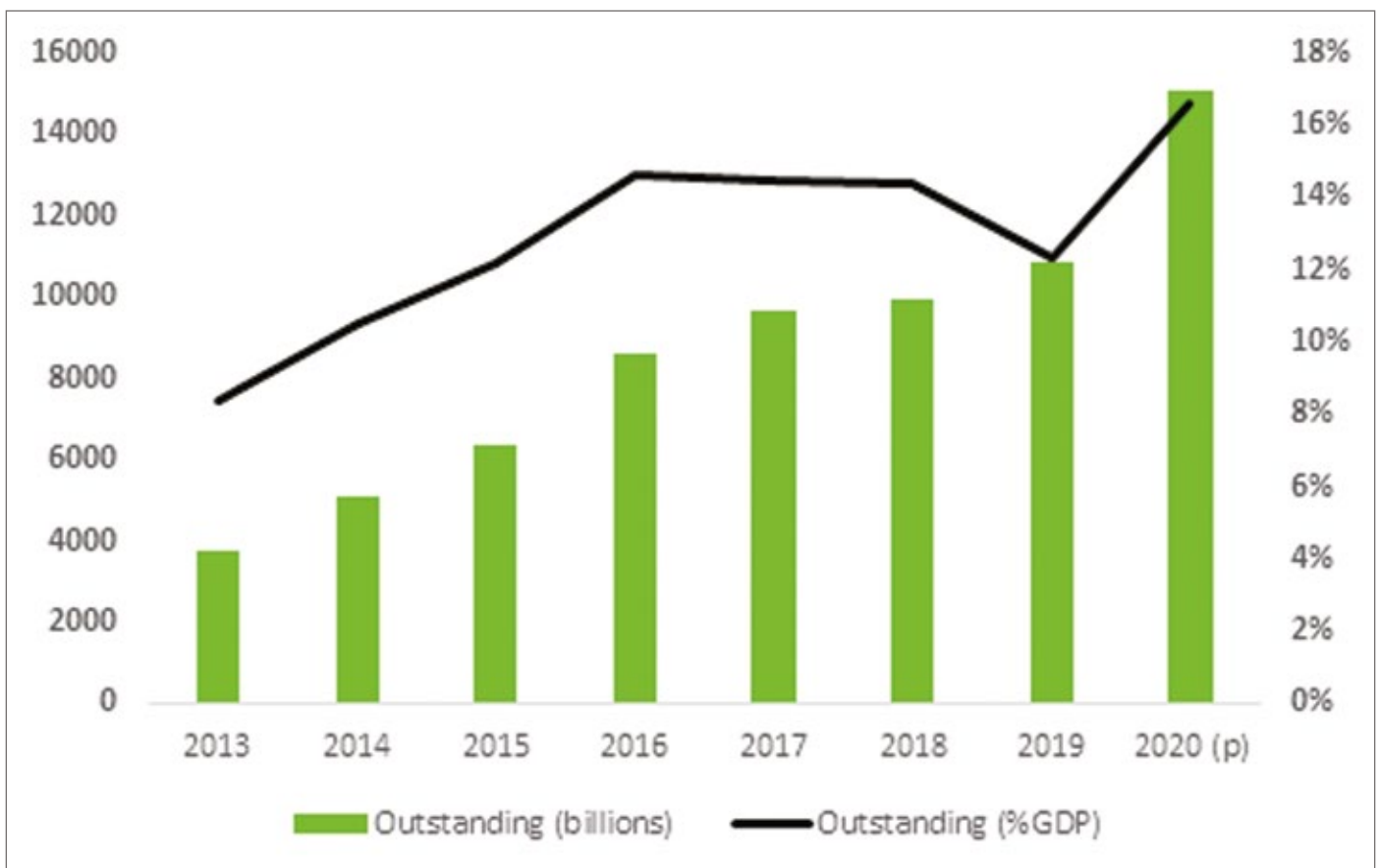
(In billions of CFAF)	2016	2017	2018	2019	2020
Coupons	1 541	1 578	1 489	1 645	5 504
Bonds	2 871	2 122	1 788	2 467	4 983
Auction	1 970	1 165	944	1 775	3 238
Syndication	901	957	844	1 009	1 745
Total	4 412	3 700	3 278	4 429	10 487

Source : BCEAO

- **Outstanding debt on the regional market**

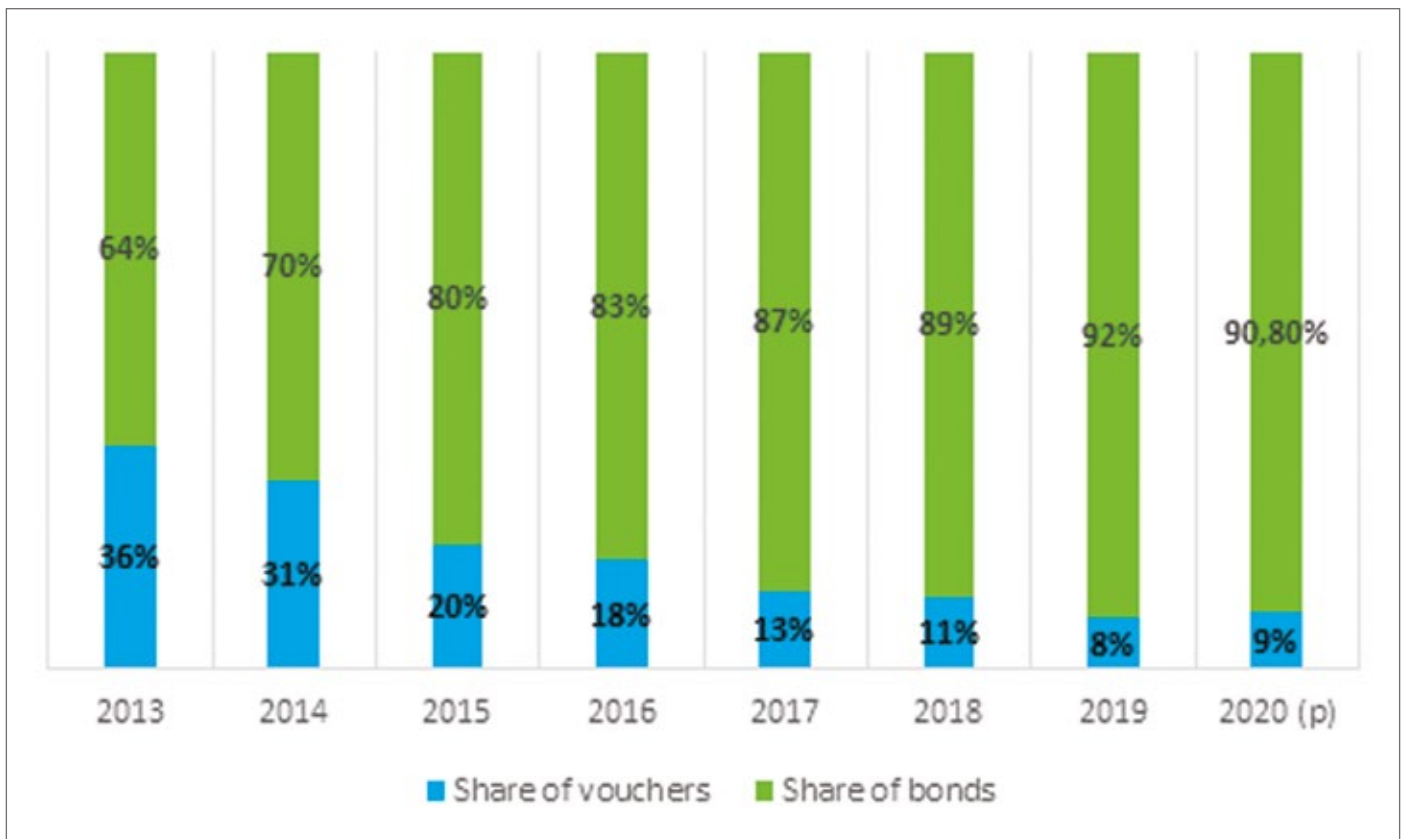
The total outstanding amount of government securities stood at CFAF 15,064.6 billion at the end of December 2020, i.e. 16.6% of GDP. The structure of this stock remains dominated by Treasury bonds, which accounted for 90.8% of the total.

Figure 4. Outstanding debt on the regional market



Source: BCEAO

Figure 5. Debt composition



Source: BCEAO

Based on 2021 issuance programs, collected from the Union's member States, the total amount of resources to be raised on the regional financial market would amount to 6,720.1 billion, down 36% compared to the 2020 achievements.

Maturities would fall to 3,787.2 billion and net issuance would be positive at 2,932.9 billion. In line with these developments, the outstanding amount of government securities would rise to 17,997.5 billion at the end of December 2021, or 18.5% of GDP.

2.4.4 Debt underwriting mechanisms

Any investor based inside or outside WAEMU can invest in public securities issued by way of auction or syndication. Orders are placed through authorized market participants: investment syndicate or any brokerage firms operating within the Union as part of issues by syndication, and credit institutions established in the Union or brokerage firms having an account in the books of the Central Bank as regards issues by auction. Transactions on the BRVM's stock market are made by stock exchange intermediaries,

notably brokerage firms.

2.5 Inflation rate

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

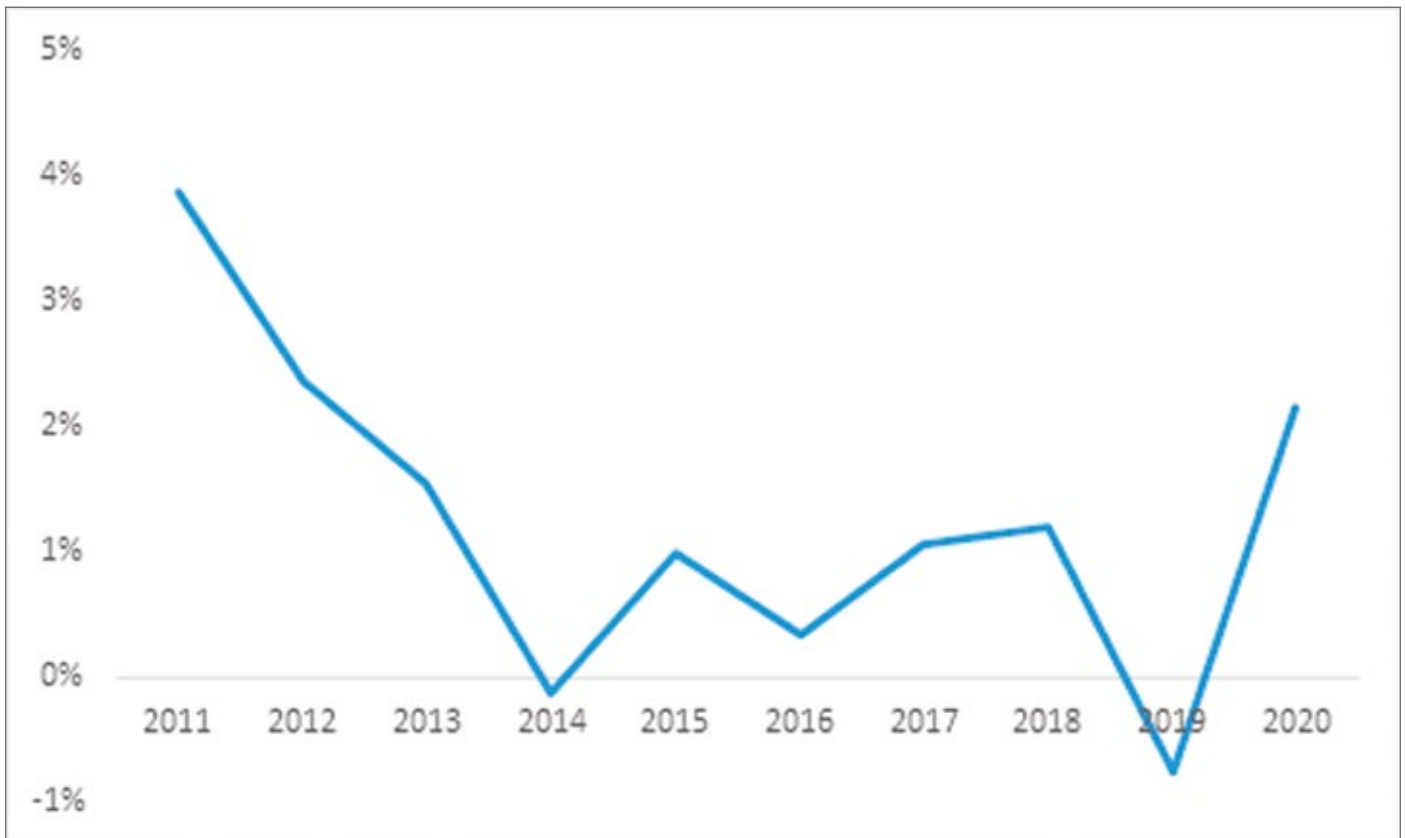
The increase in the inflation rate observed in 2015 was due to the general increase in food prices, partly accentuated by unfavorable expectations of the 2015-2016 cereal season yields in the Sahel countries. 2016 witnessed a reversal and the inflation rate declined to an annual average of 0.3 percent.

The increase observed in 2017 to 1.0 percent was attributable to higher local food prices. Due to the rise in crude oil prices in 2018 and their pass-through to

fuel pump prices, inflation rate reached 1.2 percent. In 2019, it fell to -0.7 percent. This decline is mainly due to the combined effect of lower prices for cereal products, due to satisfactory market supplies, and lower external demand in some countries due to the security situation. This decline in external demand has contributed to a reduction in exports of cereal products in these countries and has reinforced the abundance of cereal supplies in some regions.

In 2020, WAEMU inflation rate rose again during the first part of the year due to the Coronavirus crisis, reaching 3.4 percent in October. It then declined, mainly due to the lower contribution of the "food" components, which benefited from the improved supply of cereals, vegetables, and tubers and plantains in most WAEMU countries. The 2020 inflation rate was 2.1%.

Figure 6. WAEMU inflation rate trends



Source: BCEAO

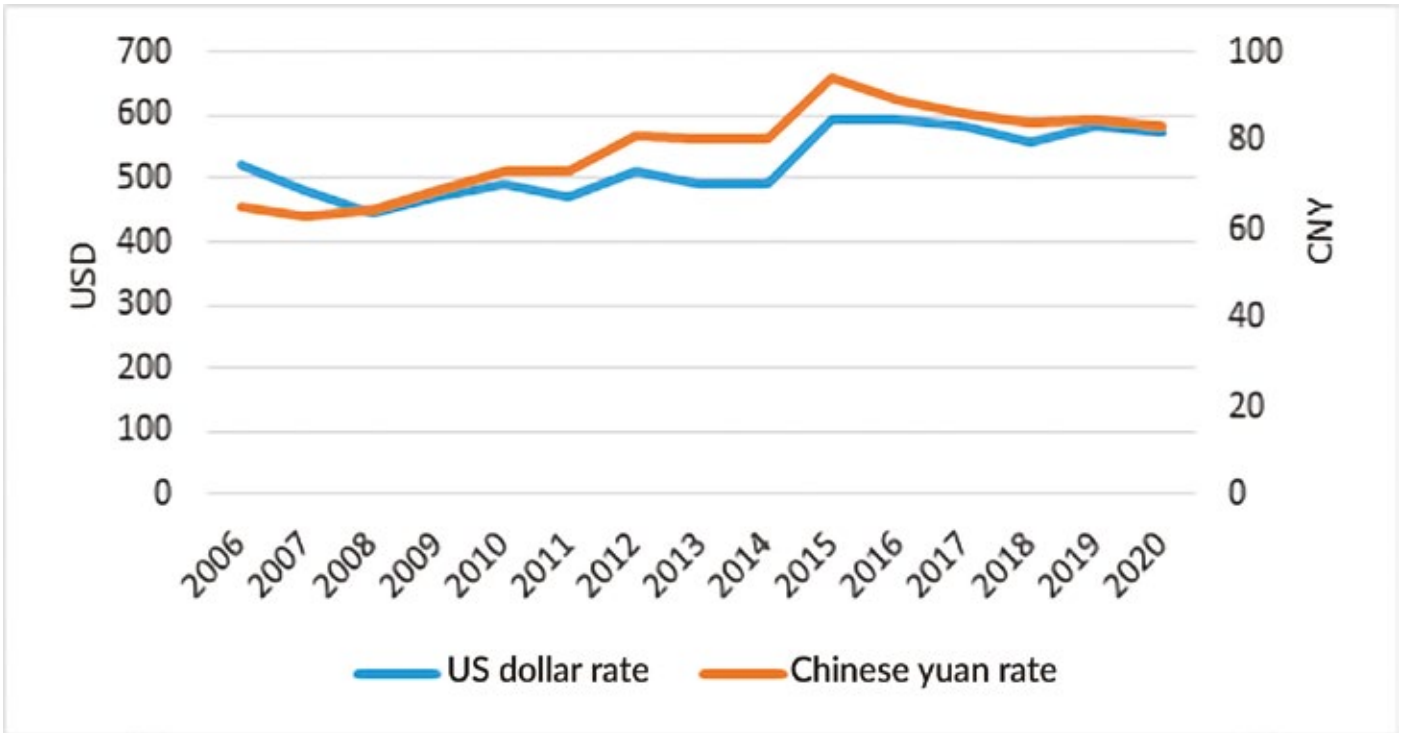
2.6 Exchange rates

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

It appears that trends in exchange rate of the CFAF against the US dollar and the Chinese currency are similar.

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

Figure 7. Exchange rate trends



Source: BCEAO

2.7 Foreign reserves

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

After a decline in foreign exchange reserves in 2016 due to lower external resource mobilization by governments, lower private capital inflows, and

higher external liabilities of banks, foreign exchange reserves increased by 80 percent in 4 years to CFAF 11,731 billion in 2020. This is partly due to the repatriation by Côte d'Ivoire and Senegal of the proceeds of Eurobonds issued on the international markets in 2017 and 2018, as well as the significant mobilization of resources by States and BOAD in 2020.

Figure 8. Foreign exchange reserve position of WAEMU monetary institutions

(In billions of CFAF)	2013	2014	2015	2016	2017	2018	2019	2020
Reserve assets	6 623	7 066	7 523	6 529	7 184	8 561	10 357	11 731
Monetary gold	708	761	780	840	811	884	1 121	1 371
Foreign currencies	36	12	21	17	15	12	13	17
Deposits and securities included in the official reserves	5 160	5 648	5 976	5 113	5 699	6 817	8 218	8 018
Reserve position at the IMF	24	25	27	207	192	197	202	194
Special drawing rights	695	620	719	352	467	651	803	2 131

Source : BCEAO

3.1 Balance of payments

Since 2017, WAEMU's economic and financial transactions with the rest of the world have resulted in an overall positive balance of CFAF 304.1 billion in 2017, CFAF 982.3 billion in 2018 and CFAF 1,635.1 billion in 2019. A performance quite different from that of 2015 and 2016, which recorded deficits of CFAF 189.8 billion and CFAF 946.7 billion respectively. This marked improvement is the result of an increase in net inflows to the capital and financial accounts, partially offset by the deterioration in the current account deficit.

The overall balance, although positive, is also expected to decline sharply in 2020. It should fall from CFAF 1,635.1 billion in 2019 to CFAF 15.8 billion in 2020. This development would be linked to the decline in net capital inflows on the financial account, coupled with a worsening of the current account deficit, the effects of which would be mitigated by an improvement in the capital account surplus.

For the year 2021, the external trade of WAEMU member States should generate an overall surplus of \$753.3 billion, after a surplus of \$15.8 billion a year earlier. The consolidation of the positive balance of payments would be the result of the good performance of the financial account, whose

surplus should more than offset the deterioration in the current account deficit.

The current account deficit is estimated to have increased by 16.7 percent in 2020 compared to 2019, to stand at 5,101.9 billion, due to a sharp deterioration in the balance of goods and services, mainly because exports fell more than imports.

The current account deficit is expected to widen again to \$5,860.6 billion in 2021, due to a widening deficit in the balance of goods and services coupled with a reduction in the surplus on the secondary income account.

On the capital account, the surplus would have increased by 42.8% in 2020 compared to the previous year, mainly due to the increase in project grants in most Member States. This trend is expected to reverse in 2021, due to the decline in project grant support.

The decline in net capital inflows to the financial account in 2020 would be primarily the result of lower portfolio investment, related to the low level of Eurobond issuance in 2020 compared to 2019.

Table 11. WAEMU balance of payments statistics

WAEMU (In billions of CFAF)	2017	2018	2019	2020 (*)	2021 (**)
Current account	4 054.6	4 604.1	4 373.1	5 101.9	5 860.6
Balance of goods and services	4 749.8	5 304.6	5 060.7	6 078.4	6 608.7
Exports of goods FOB	15 161.3	16 269.7	17 660.0	16 449.3	18 063.7
Of which Oil	1 200.1	1 384.8	1 807.8	1 109.8	1 334.7
Of which Gold	3 236.8	3 711.3	4 308.9	4 982.7	5 171.8
Of which Cocoa	2 907.8	2 537.4	2 905.6	2 752.1	2 999.5
Of which Cotton	882.7	1 029.2	1 057.6	888.8	915.6
Of which Rubber	489.7	419.9	531.9	551.3	614.8
Of which Uranium	169.6	117.2	128.5	134.4	99.9
Of which Phosphoric acid	96.0	194.6	194.3	176.9	208.6
Of which Cashew nuts	950.6	919.2	659.5	656.6	752.9

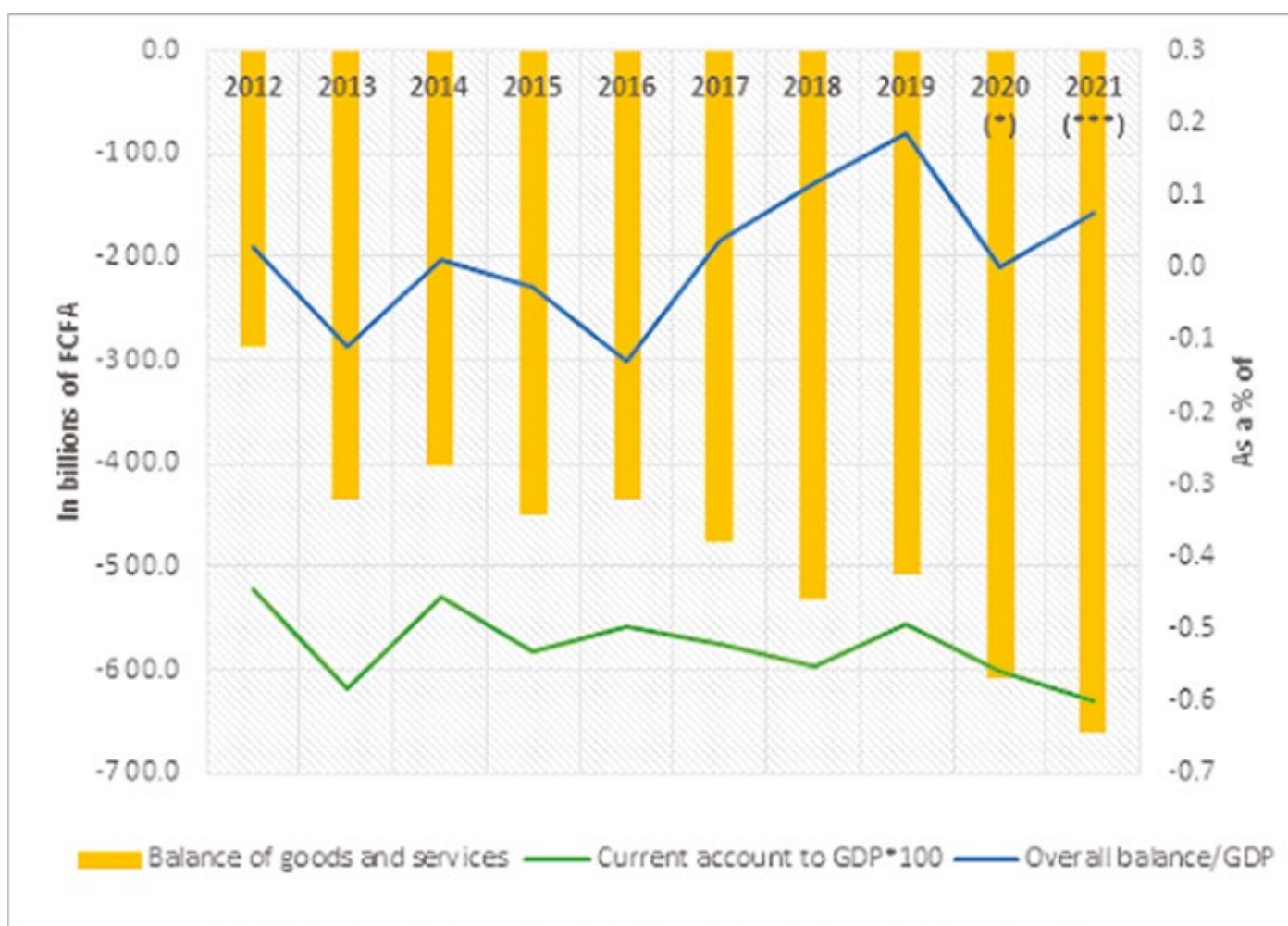
Imports of goods CIF	19 187.7	21 143.2	22 236.8	21 175.4	23 617.0
Of which food products	3 975.9	4 027.0	3 800.6	3 831.1	4 135.6
Of which Other current consumer goods	2 982.7	2 961.1	3 132.0	3 366.5	3 520.7
Of which Petroleum products	3 502.8	4 334.5	4 369.2	3 432.0	4 107.9
Of which intermediate goods	3 351.1	3 833.0	3 932.6	3 885.8	4 421.8
Of which capital goods	3 938.5	4 283.9	4 897.8	4 807.8	5 514.0
Of which Other imports	1 436.7	1 703.7	2 104.6	1 852.2	1 916.9
Other imports Of which intraWAEMU	2 340.5	2 495.9	2 682.5	2 521.6	2 791.5
Primary income balance	1 868.5	1 944.3	2 222.8	2 281.7	2 343.3
Balance of secondary income	2 563.7	2 644.7	2 910.4	3 258.2	3 091.5
Capital Account	1 211.1	1 293.1	1 235.5	1 764.4	1 753.7
Acquisition/disposal of non-financial assets	1.9	9.8	9.8	0.2	0.2
Capital transfers	1 213.0	1 303.0	1 245.3	1 764.2	1 753.5
Financial account	3 217.3	4 632.7	5 265.1	3 862.9	4 860.2
Direct investment	1 138.4	1 288.6	2 376.7	1 316.7	2 316.4
Portfolio investment	1 726.8	2 170.9	830.3	490.8	903.1
Financial derivatives	2.9	0.5	6.8		-
Other investments	349.2	1 173.7	2 051.3	2 055.5	1 640.8
Net errors and omissions	24.6	34.6	32.1	-	-
Overall balance	398.3	1 356.3	2 159.6	525.3	753.3
Statistical adjustment	94.3	374.0	524.5	509.6	-
OVERALL BALANCE after adjustment	304.1	982.3	1 635.1	15.8	753.3

(*) Estimates (**) Forecasts

Source : BCEAO

The current account deficit of the balance of payments deteriorated in 2020 to 5.6 percent of GDP from 4.9 percent in 2019. This trend is expected to continue in 2021.

Figure 9. Characteristic balances of the WAEMU balance of payments



(*) Estimates (***) Projections

Source: BCEAO

3.2 International trade

3.2.1 Trade policy

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

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

National and regional trade policies in West Africa depend on various spaces. Indeed, the regional negotiation space is articulated around the following elements

- The finalization of the Common External Tariff (CET) at the ECOWAS level, and thus the constitution of a Customs Union;
- A space for bilateral negotiations, particularly between the West African region and the EU, regarding the EPA;
- A multilateral negotiating space, which refers to WTO rules, of which all West African States are members (with the exception of Liberia, which has observer status). It should be noted that each country negotiates individually and that WAEMU and ECOWAS only have ad hoc observer status in the WTO Trade and Development Commission.

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

- A common market set up on July 1, 1996 for local and unprocessed products (products of the Union from the animal, mineral and vegetable kingdoms) and traditional crafts, and until January 1, 2000 for approved industrial products. This common market was extended to all ECOWAS countries in 2004;
- A customs union established on January 1, 2000, based on a CET applicable to all WAEMU member countries, which includes four categories of products, taxed from 0 to 20%, in force until January 1, 2015, when the WAEMU CET was replaced by the ECOWAS CET, which enshrines the expansion of the customs union to the 15 ECOWAS countries.
- Common rules of origin and competition, harmonization of VAT and excise duties, harmonization and mutual recognition of standards, common safeguards and protections (Degressive Protection Tax (DPT), short-term export tax (STT), reference values and anti-dumping duty).

WAEMU also has a regional trade promotion program, «*a regional strategy and a logical framework for the implementation of the WAEMU aid-for-trade program*».

The overall objective of the aid for trade strategy is to enable member States to increase their exports of goods. The logical framework serves as the basis for an agenda for international donors, as well as national and regional financial institutions. It identifies five specific objectives corresponding to the categories of aid for trade:

- Ensure ownership and control of trade policies and regulations by experts from member States and the Commission;
- To develop intra-regional and international trade of the member States;
- Strengthen trade-related infrastructure in the sub-region;
- Diversify and increase the production capacities of member States;
- Make essential adjustments and take into account other business needs.

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

• **The Common External Tariff**

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

The CET aims to harmonize tariffs and taxes in order to deepen economic integration through the establishment of a customs union; provide a platform for building the common trade policy and regional trade negotiations such as the EPA; stimulate regional production and investment capacity; and consolidate the regional market.

The CET is organized around an architecture including:

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

The tariff structure of the CET is presented in the following table:

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

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

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

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

PARTNERS	SPECIFIC SCHEMES
European Union (EU)	APEI, SPG, SPG+, TSA
ECOWAS	TEC, SLE
Rest of AFRICA	Bilateral agreements
USA	AGOA

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

- **Côte d'Ivoire and Ghana** ratified interim EPAs in 2016. Côte d'Ivoire's EPA has been provisionally applied since September 4, 2016, and Ghana's EPA has been applied since December 15, 2016. These interim EPAs guarantee both countries full access to the European market and provide for eventual liberalization of 80% of tariff lines by Côte d'Ivoire and Ghana, spread over a period of 15 years¹⁶;

- Under the GSP, **Nigeria** benefits from a reduction in European customs duties on approximately 1/3 of tariff lines and a total exemption from customs duties on 1/3 of additional tariff lines
- **Cape Verde** benefits from the GSP+ which grants an exemption from European customs duties on about 2/3 of the tariff lines;
- **The other twelve** countries (including the seven WAEMU countries besides of Côte d'Ivoire), because of their LDC status, benefit from the Everything But Arms GSP, which grants them access to the European market for all their exports to the EU without duty or quota.

¹⁶ Over 11 years (2019-2029) currently for Côte d'Ivoire.

3.2.2 International trade in value and by destination

Total exports of WAEMU countries increased between 2014 and 2019, from CFAF 13,340 billion in 2014 to CFAF 17,478 billion in 2019. The Union's main export partner in 2019 is Europe (CFAF 8,145 billion), followed by Asia (CFAF 4,072 billion), which has overtaken the rest of Africa (CFAF 3,828 billion).

Total imports of WAEMU countries increased between 2014 and 2019, from CFAF 16,819 billion to CFAF 21,985 billion. Their main import partner in 2019 is Europe (CFAF 9,212 billion), followed by Asia (CFAF 7,497 billion). The rest of Africa and America are far behind, with imports from these regions amounting to CFAF 3,298 billion and CFAF 1,715 billion respectively in 2019. In 2012, Europe was already the main import partner of WAEMU, but Africa was ahead of Asia.

Table 12. WAEMU trade by partner country/area

	2014	2015	2016	2017	2018	2019
TOTAL EXPORTS ¹⁷ (in billions of CFAF)	13 340	13 997	13 947	15 161	16 270	17 478
EUROPE	5 096	6 089	6 081	6 565	7 110	8 145
France	907	840	781	895	944	1 066
Netherlands	814	266	934	1 137	1 058	1 101
AFRICA	4 709	4 269	3 947	4 169	3 970	3 828
AMERICA	1 041	784	1 144	1 183	1 155	1 136
United States	720	784	753	849	797	874
Brazil	40	42	42	45	65	105
ASIA	2 215	2 407	2 636	3 047	3 742	4 072
China	253	252	251	243	358	559
Japan	534	756	739	758	1 188	1 346
TOTAL IMPORTS (in billion of CFAF)	16 879	17 879	17 512	19 188	21 143	21 985
EUROPE	6 600	7 313	7 092	8 155	8 753	9 212
Euro zone	5 199	5 918	5 586	6 370	6 428	6 552
France	2 329	2 736	2 522	2 725	2 791	2 968
AFRICA	3 055	2 539	2 224	2 418	3 171	3 298
ECOWAS (except WAEMU)	1 806	1 949	1 629	1 612	2 030	2 001
AMERICA	1 924	2 271	1 454	1 266	1 459	1 715
ASIA	4 963	6 311	6 532	7 119	7 548	7 497
China	1 941	2 610	2 854	2 840	3 277	3 628

Source : BCEAO

¹⁷ Exports by FOB value; Imports by CIF value, including intra-WAEMU trade.

3.2.3 International trade in value and by product

The region's exports increased over the 2014-2020 period, from CFAF 13,341 billion in 2014 to CFAF 16,449 billion in 2020. This development was driven in particular by increased exports of cocoa, gold and petroleum products.

In 2020, exports fell by 6.9 percent. The downward trend in merchandise exports would be linked to oil (-39%), cotton (-16%), cocoa (-5%), phosphoric acid (-9%) and cashew nuts. The effect of the decline in sales of agricultural commodities would be mitigated, however, by buoyant exports of gold (+16%), uranium (+4.6%) and rubber (+3.7%).

The decline in oil and cashew nut shipments is thought to be induced by the fall in prices of these products on international markets. As for the decline in cocoa and cotton sales, it is linked to the contraction in the volume of exports of these raw materials. In particular, for cocoa, the reduction in its volume would be related to the anticipated decline in production following the decisions taken by the Côte d'Ivoire Coffee-Cocoa Council to stabilize production at around 2,000,000 tons and to maintain the momentum of international prices.

As for cotton, the decline in its export volume is attributable to a sluggish world demand. As for

gold and rubber exports, their dynamism is due in particular to changes in international prices, combined with an increase in volume for the second speculation.

Imports grew by about 32 percent over the 2014-2019 period. In 2019, their growth was driven in particular by increased purchases of capital goods, other current consumer goods, and intermediate goods.

In 2020, imports fell by 4.8 percent. The decline in imports would be attributable in particular to the reduction in the oil bill (-21.1%), coupled with a decline in purchases of capital and intermediate goods (-0.7%), the effects of which would be moderated by the increase in external purchases of consumer goods (+2.8%).¹⁸

The decline in the acquisition of capital and intermediate goods can be explained by the slowdown in work on major construction projects planned for 2020 in WAEMU countries. These are mainly the British Petroleum (BP) Grand Tortue Ahmeyim (GTA) gas project planned between Senegal and Mauritania and the construction of the oil pipeline from Niger to Benin. As for the dynamism of imports of consumer goods, it would essentially come from the needs induced by the coronavirus pandemic.¹⁸

Table 13. WAEMU trade by product

	2014	2015	2016	2017	2018	2019	2020
TOTAL EXPORTS (in billions of CFAF)	13 341	13 997	13 947	15 161	16 270	17 660	16 449
Oil	1 680	1 421	1 121	200	1 385	1 808	1 110
Gold	2 291	2 536	2 953	3 237	3 711	4 309	4 983
Cocoa	2 303	3 045	2 749	2 908	2 537	2 906	2 752
Cotton	744	735	628	883	1 029	1 058	889
Rubber	303	299	330	490	420	532	551
Uranium	241	241	178	170	117	128	134
Phosphoric acid	67	84	124	96	195	194	177
Cashew nuts	515	651	719	951	919	660	657

TOTAL IMPORTS (in billions of CFAF)	16 879	17 879	17 512	19 188	21 143	22 237	21 175
Food products	3 194	3 297	3 414	3 976	4 027	3 801	3 831
Other consumer staples	2 268	2 408	2 536	2 983	2 961	132	3 367

Source : BCEAO

3.3 Regional trade

3.3.1 Regional trade policy

The regional trade policy to be finalized is governed by the provisions laid down by ECOWAS, which for the most part takes over those of WAEMU and extends them to all ECOWAS member States with some adjustments.

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

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

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

- The Trade Liberalization Scheme (TLS);
- The introduction of a 0.5% Community Levy (CL);
- TRIE Convention;
- Harmonization of the rules of origin with those of the WAEMU;
- Harmonization of standards with the WAEMU;
- Adoption of a competition law;
- Harmonization of domestic indirect tax legislation;

- Adoption of the ECOWAS CET.

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

The ECOWAS Trade Liberalization Scheme focuses on three (3) groups of products: unprocessed products, handicraft products and industrial products.

With the inclusion of industrial products, it became essential to define the products «originating» in the ETLS region:

- Fully processed goods; products where all raw materials are sourced from the region;
- Goods that are not fully processed but whose production requires the use of materials that will be classified under a different tariff subheading than the product;
- Goods that are not fully processed but whose production requires the use of materials that have undergone an added value of at least 30% of the ex-factory price of the finished products.

It should be noted, however, that goods processed in free zones or under special economic regimes involving the suspension or partial or total exemption from import duties cannot qualify for originating status.

In order to contribute to trade facilitation and promotion of the private sector, ECOWAS is implementing

actions aimed at strengthening information systems and promoting regional trade (ECOBIZ global market information system; West African Investment Promotion Agencies (WAIPA); e-commerce through the ECOBIZ platform, the Community Information Centre (CIC), the ALISA system (computerization of transit and interconnection of ECOWAS customs computer systems).

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

3.3.2 Intra-regional trade

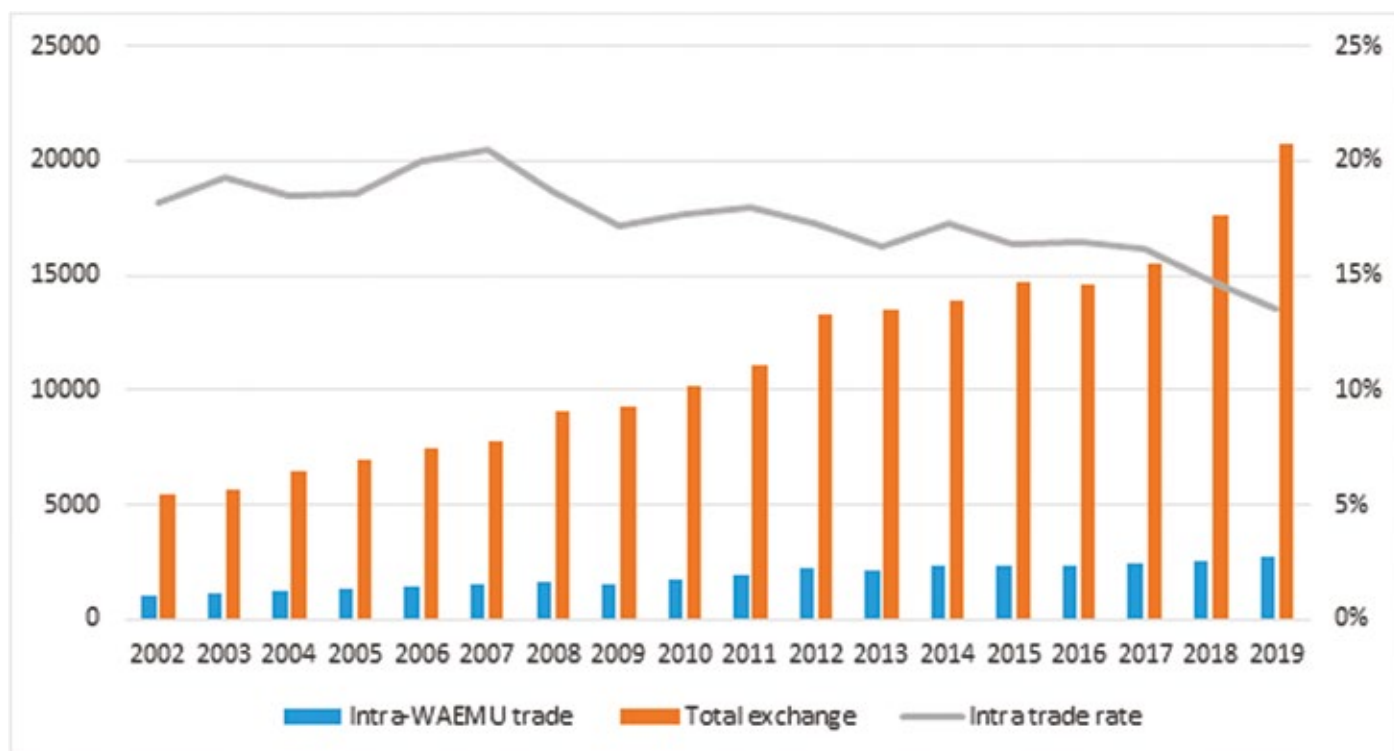
Available data from BCEAO show an increase in intra-community flows compared to 2018. Indeed, trade flows stood at 2,682.5 billion in 2019, compared to 2,495.9 billion in 2018, an increase of 7.5%, compared to 6.8% for the Union's total trade. This development is mainly attributable to the growth of trade in oil products (+9.8%), notwithstanding the decline in international prices, as well as fertilizers (+68.5%).

The increase in intra-Community trade in goods is also explained by the increase in food and local products (cereals, live animals, etc.), oils and fats, electricity and cotton fabrics.

Côte d'Ivoire and Senegal remain the main intraregional suppliers, accounting for 33.8 percent and 29.9 percent of total exports in 2019, respectively. The previous year, their respective shares were 35.5 percent and 24.0 percent. Mali and Burkina Faso also continue to rank first and second as intraregional importers, with 41.4 percent and 20.9 percent of supplies, respectively, compared to 35.6 percent and 22.4 percent recorded a year earlier.

Intra-WAEMU trade as a share of total exports increased from 15.4 percent in 2018 to 15.2 percent in 2019. They accounted for 14.3 percent of total imports in 2019 as in 2018. As a share of total trade flows, this trade accounted for 14.8 percent in 2019 compared to 14.5 percent a year earlier, an increase of 0.3 percentage points.

Figure 10. Intra-WAEMU trade



Source: BCEAO - Balance of payments and international investment position - 2019

3.4 Foreign direct investment

Net foreign direct investment (FDI) inflows fell by 44.6%¹⁹ in one year to \$2.04 trillion in 2020. This decline in FDI is mainly due to the slowdown in work on the British Petroleum (BP) Grand Tortue Ahmeyim (GTA) gas project planned between Senegal and Mauritania and the construction of the pipeline between Niger and Benin. The decline in capital inflows to the financial account was accentuated by a drop in net drawings (-5.5%).²⁰

In terms of sectoral distribution, available data show that in 2019 more than half of the FDI flows recorded in the Union (56.1%) went to the extractive

industries sector. This sector is followed by financial intermediation (22.1%) and manufacturing (7.9%).

The data indicate that capital is coming from China (15.0%), Australia (11.4%), France (11.4%), the British Virgin Islands (8.1%), the United Kingdom (7.8%) and Turkey (6.8%).

European countries, not members of the euro zone, are present, mainly in gold exploration and mining activities. These are mainly groups from Denmark, the United Kingdom and Switzerland. Côte d'Ivoire (19.8%), Niger (16.7%), Mali (20.0%) and Senegal (24.8%) accounted for more than 80% of gross FDI inflows to the Union (BCEAO).

¹⁹ BCEAO-Annual Report 2020

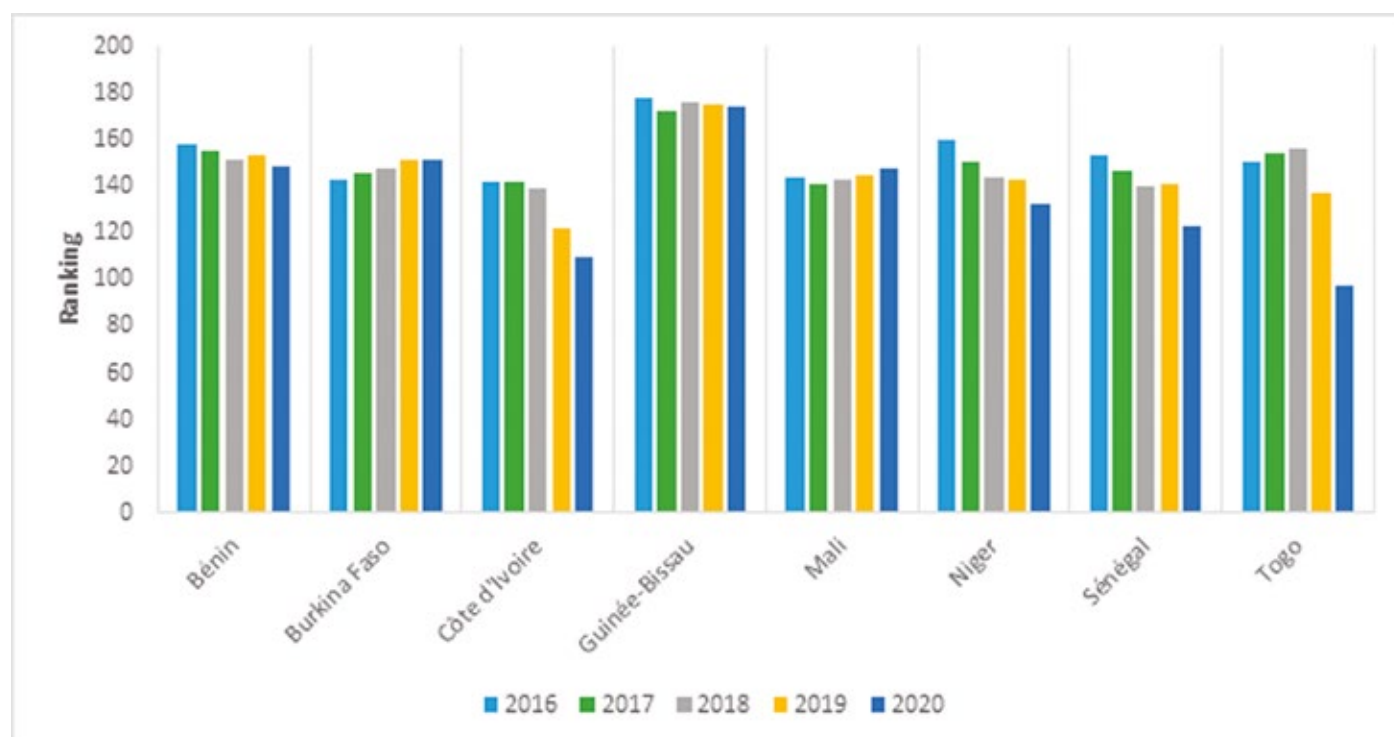
²⁰ Semi-Annual Multilateral Surveillance Implementation Report, December 2020

4.1 Business climate

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

rankings. The efforts of countries in the region remain below the progress made in other countries in the world: Togo, the highest ranked country in the Union in the Doing Business 2020, is in 97th place out of 190.

Figure 11. Business climate according to the World Bank's Doing Business indicators



Source: Data from <http://français.doingbusiness.org/fr/custom-query>

Overall governance as measured by the Mo Ibrahim Index has improved in most member States. Their performance remains above the average for Africa, but their rankings are concentrated in the interquartile range. The highest ranked country in the region

(Senegal) is in 9th place out of 54. However, notable changes have been observed in all countries of the Union, particularly in the areas of *Participation and Human Rights and Human Development*.

Table 14. Mo Ibrahim Index of global governance in WAEMU countries

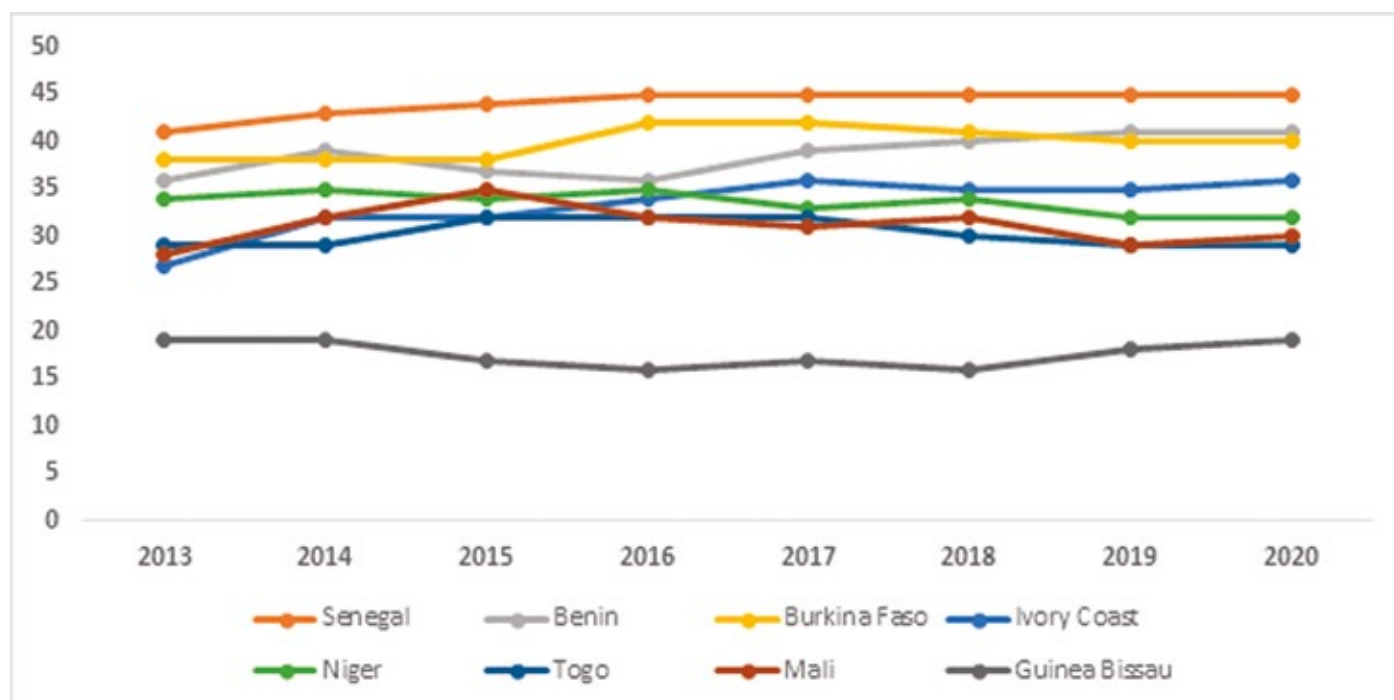
States	Ranking/54	2020 Score /100	Trend 2010-2020	Notes on thematic (/100)
Benin	13 th	58.6	+1.1	- Security and rule of law 66.1 - Participation and Human Rights 59.7 - Sustainable economic development 53.5 - Human development 55.0
BurkinaFaso	17 th	54.0	+1.0	- Security and rule of law 57.4 - Participation and Human Rights 56.7 - Sustainable economic development 51.2 - Human development 50.7
Côte d'Ivoire	18 th	53.9	+9.0	- Security and rule of law 58.2 - Participation and Human Rights 54.2 - Sustainable economic development 50.8 - Human development 52.4
Guinea-Bissau	41 st	41.4	+2.8	- Security and rule of law 48.5 - Participation and Human Rights 47.5 - Sustainable economic development 30.9 - Human development 38.7
Mali	31 st	46.6	-2.5	- Security and rule of law 45.1 - Participation and Human Rights 42.2 - Sustainable economic development 48.7 - Human development 50.3
Niger	28 th	47.8	+0.4	- Security and rule of law 52.7 - Participation and Human Rights 49.5 - Sustainable economic development 43.0 - Human development 46.0
Senegal	9 th	63.2	+3.3	- Security and rule of law 68.2 - Participation and Human Rights 64.3 - Sustainable economic development 61.9 - Human development 58.3
Togo	25 th	50.1	+4.8	- Security and rule of law 51.3 - Participation and Human Rights 48.2 - Sustainable economic development 45.4 - Human development 55.5
Human development				
ECOWAS		53.1	+2.4	- Security and rule of law 56.4 - Participation and Human Rights 54.6 - Sustainable economic development 50.0 - Human development 51.2
African average		48.8	+1.2	- Security and rule of law 49.5 - Participation and Human Rights 46.2 - Sustainable economic development 47.8 - Human development 51.9

Source : Ibrahim Index of African Governance (IIAG) Data Portal | Mo Ibrahim Foundation

On a scale of 0 (highest level of corruption) to 100 (no corruption), all member States score below 50. Changes over the past five years have been moderate, in most cases leading to an increase

of less than 5 points. The member States should therefore pursue their anti-corruption efforts in a more determined manner.

Figure 12. Transparency International index on corruption in WAEMU countries



Source: <https://www.transparency.org/cpi/2020>

Out of 180 countries, almost all member States are ranked in the second half of the Transparency International table. Almost all of them (except

Guinea-Bissau, Côte d'Ivoire and Mali) have dropped in the ranking between 2019 and 2020. The highest ranked country in the Union (Senegal) is in 67th place.

Table 15. Rankings over 180 countries

Country	Ranking 2020	Ranking 2019	Change 2019 2020
Guinea-Bissau	165	168	-3
Côte d'Ivoire	104	106	-2
Mali	129	130	-1
Senegal	67	66	+1
Burkina Faso	86	85	+1
Benin	83	80	+3

Niger	123	120	+3
Togo	134	130	+4

Source : <https://www.transparency.org/cpi/2020>

4.2 Financial ratings

The positive trend in the credit ratings of member States is based on several factors, the first of which is the level of economic growth that the region has experienced for several years. Institutional reforms as well as those undertaken to reduce fiscal and external imbalances and to strengthen the effectiveness of public policies have contributed favorably to the improvement of the financial ratings of member States.

Conversely, the low level of average per capita income and the still high level of impoverishment of the population, the low level of diversification of the economies, the high political and security risks in some countries, and the level of indebtedness, explain to a large extent why the credit risk is considered high by the international rating agencies (the countries are in the speculative category).

Table 16. History of the international financial ratings of WAEMU Member States

	Agency	Rating	Perspective	Date
Benin	Moody's	B1	Stable	Mar 09, 2021
	Fitch	B	Positive	Feb 11, 2021
	Fitch	B	Stable	Apr 09, 2020
	Moody's	B2	Positive	Jun 18, 2019
	Fitch	B	Positive	Mar 08, 2019
	S&P	B+	Stable	Jul 05, 2018
	S&P	N/A	N/A	Nov 01, 2013
	S&P	B	Stable	Feb 20, 2012
	Fitch	N/A	N/A	Jan 25, 2012
	Fitch	B	Stable	Sep 15, 2004
Burkina Faso	S&P	B	Stable	May 20, 2020
	S&P	B	Stable	Nov 25, 2019
	S&P	B	Stable	May 26, 2017
	S&P	B-	Positive	May 27, 2016
	S&P	B-	Stable	Dec 05, 2014
	S&P	B	Negative Watch	Nov 03, 2014
	S&P	B	Stable	Aug 06, 2008
	S&P	B	Positive	Jul 06, 2006
	S&P	B	Stable	Mar 05, 2004

Côte d'Ivoire	Fitch	BB-	Stable	July 19, 2021
	S&P	BB-	Stable	July 06, 2021
	Moody's	Ba3	Stable	Aug 07, 2020
	Moody's	Ba3	Under review	Jun 12, 2020
	Fitch	B+	Stable	June 03, 2020
	Fitch	B+	Positive	Nov 12, 2019
	Fitch	B+	Stable	Dec 18, 2015
	Moody's	Ba3	Stable	Nov 05, 2015
	Fitch	B	Positive	Jul 11, 2014
	Moody's	B1	Positive	Jul 08, 2014
Mali	Moody's	Caa1	Stable	Mar 22, 2021
	Moody's	Caa1	Negative	Sep 08, 2020
	Moody's	B3	Stable	Feb 26, 2019
Niger	Moody's	B3	Stable	Aug 06 2019
Senegal	Moody's	Ba3	Negative	Aug 07, 2020
	Moody's	Ba3	Under review	Jun 12, 2020
	S&P	B+	Stable	Dec 06, 2019
	S&P	B+	Positive	Jun 15, 2018
	Moody's	Ba3	Stable	Apr 13, 2017
	Moody's	B1	Positive	Nov 07, 2014
	S&P	B+	Stable	Jul 05, 2013
	Moody's	B1	Stable	Mar 09, 2011
	S&P	B+	Negative	May 27, 2010
	S&P	B+	Stable	May 26, 2009
	S&P	B+	Negative	Jul 27, 2006
	S&P	B+	Stable	Dec 18, 2000
Togo	Moody's	B3	Stable	Jun 05, 2019
	S&P	B	Stable	Jun 01, 2019

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

5.1 Budget: Expenditures and Revenues

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

In 2020, the execution of member States' financial operations, in the context of a slowdown in economic activity, would result in an increase in budget deficits, mainly due to a sharp rise in total expenditure.

Total revenue and grants would increase by 2.1 percent to 17.3 percent of GDP from 17.5 percent in 2019, driven by an increase in grants. Budgetary revenues would increase by 0.9 percent to 15.3 percent of GDP from 15.7 percent in 2019, due to a 0.7 percent slight increase in tax revenues and +2.6 percent for non-tax revenues.

The slight increase in tax revenues, recorded in all member States, is explained by the tax measures

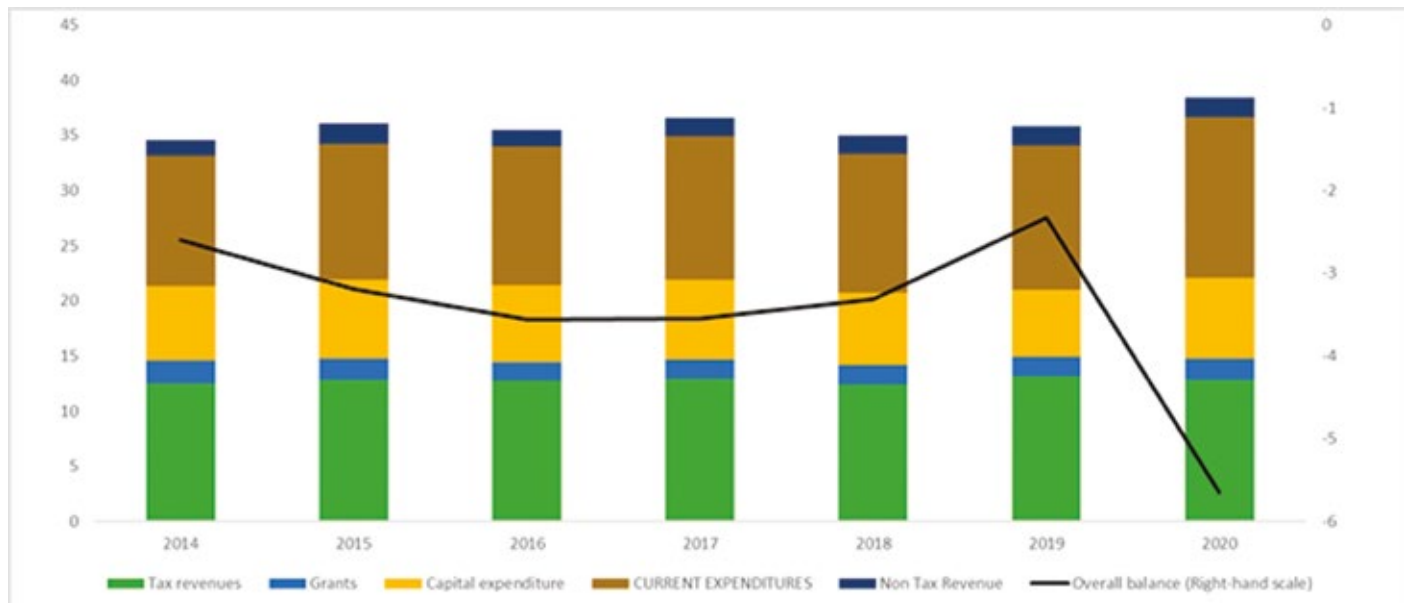
taken to contain the impact of the health crisis on companies and households.

Grants are expected to increase by 11.9 percent, in line with partner support for the implementation of Covid-19 recovery plans in member States. Total expenditure would increase by 19.6% representing 22.9% of GDP, due to increases in both current and capital expenditure.

In total, the overall budget deficit would represent 5.6 percent of GDP in 2020 compared to 2.3 percent in 2019. Excluding grants, it would be 7.6 percent in 2020, compared with 4.1 percent in 2019.

In 2021, the overall budget deficit is projected to be 5.1 percent of GDP. The overall budget deficit, excluding grants, would be 7.1 percent of GDP. The reduction in these deficits would be linked to greater revenue mobilization, mitigated by increased spending.

Figure 13. Public finances in the WAEMU (in % of GDP)



Source: BCEAO

5.1.1 Detailed presentation of expenditures and revenues

Total revenue for WAMU countries increased between 2014 and 2020, from CFAF 10,183.1 billion to CFAF 15,823.8 billion. Tax revenues make up the

largest share (CFAF 11,767.7 billion in 2020). Total expenditure also increased from 11,979.0 billion to 21,001.4 billion over the period. The overall balance, estimated at CFAF -1,644.9 billion in 2014, reached CFAF -5,177.5 billion in 2020.

Table 17. Summary of public expenditure and revenue in WAEMU countries (in billions of CFAF)

	2014	2015	2016	2017	2018	2019	2020
Total revenue and grants	10 388.1	11 603.0	11 947.2	13 115.4	13 672.8	15 502.7	15 823.9
Budgetary revenues	9 050.2	10 292.3	10 726.6	11 738.6	12 225.7	13 919.1	14 051.1
Tax revenues	7 912.1	8 839.9	9 338.3	10 062.2	10 345.1	11 685.3	11 767.7
Non-tax revenues	922.5	1 227.6	1 087.7	1 340.5	1 432.7	1 567.8	1 607.9
Capital revenues	215.6	224.8	300.6	335.8	448.0	666.0	675.5
Total grants	1 338.0	1 310.7	1 220.6	1 376.8	1 447.0	1 583.6	1 772.8
Total expenditures and net loans	11 979.0	13 807.8	14 571.7	15 897.1	16 430.8	17 565.8	21 001.4
Total Expenditures	12 001.8	13 768.7	14 582.8	15 904.1	16 445.3	17 599.3	20 970.0
Current Expenses	7 510.2	8 507.4	9 206.4	10 077.5	10 491.8	11 580.3	13 395.0
Wages and salaries	3 126.1	3 480.7	3 761.3	3 997.8	4 347.8	4 709.4	5 129.8
Transfers and grants	1 805.1	2 069.9	2 101.2	2 196.8	2 256.3	2 721.3	3 834.6
Interest on the public debt	497.3	656.4	842.5	963.3	1 147.3	1 316.7	1 589.0
Interest on domestic public debt	282.0	297.9	438.5	512.5	607.7	667.2	764.7
Interest on public external debt	212.6	363.4	398.9	446.7	539.6	649.5	811.9
Capital expenditures	4 254.5	4 905.4	5 099.3	5 588.0	5 454.9	5 281.0	6 700.3
Internally financed capital expenditures	2 506.0	2 965.9	3 180.4	3 364.7	3 032.6	3 052.4	3 908.7
Capital expenditures on external financing	1 748.5	1 939.5	1 918.9	2 223.3	2 422.3	2 228.6	2 791.6

Other expenses	237.1	355.9	277.1	238.6	498.7	737.9	873.5
Loans less recoveries	-22.8	39.1	-11.1	-7.0	-14.5	-33.4	31.4
Basic primary balance	-468.7	-524.7	-817.7	-740.3	-151.3	603.0	-1 663.6
Overall balance, including grants (accrual basis)	-1 644.9	-2 198.4	-2 598.9	-2 755.2	-2 758.1	-2 063.1	-5 177.5

Source : IMF, National offices

6.1 Macroeconomic risks

WAEMU member States, which are commodity exporters and, for the most part, net importers of petroleum products, continue to face the uncertainties of the global economy. Indeed, a decline in regional integration, a sharp slowdown in growth in emerging countries and structural weakness in global growth could lead to a decline in external aid and financing, workers' remittances and exports, and thus undermine WAEMU's macro-financial stability.

A further appreciation of the U.S. dollar in the short term could bring some of the positive shocks (i.e., increased export earnings), but the negative effects on the regional economy could be more significant. Indeed, it would also increase the sovereign debt burden of countries whose exposure to the dollar is not hedged, as well as the overall cost of imports. A tightening of international financial conditions would also affect the availability and cost of external financing for the region.

6.2 Security risks

The risk of terrorism in the region, with the actions of jihadist groups in the Sahel, remains real in WAEMU.

Beyond the immediate loss of life that such actions could cause, security problems would further strain national budgets, reduce external financing, and likely cause serious delays in the implementation of important investment projects.

6.3 COVID-19 crisis

The WAEMU zone, like the rest of the world, is facing an unprecedented health crisis since 2020. In addition to the human toll, the crisis has slowed down the Union's growth dynamic, which has been recorded since 2012. In terms of public finances, the overall budget balance has deteriorated significantly in all member States, due to the financial impact of the measures taken to contain the health crisis. Uncertainty about the end of the pandemic is a major source of concern.

However, for 2021 and the medium term, the economic and fiscal policy objectives point to an improvement in the economic situation. In addition, a return to fiscal consolidation is expected from 2024.

7.1.1 Overall picture

The total debt stock of WAEMU countries was estimated at about 48.5 percent of the Union's GDP in 2020, an increase of about 3.7 percentage points compared to 2019 and 8.1 percentage points compared to 2017. This increase is explained in particular by the rise in external debt, which increased from 23.1 percent of GDP in 2017 to 32.9 percent of the Union's GDP in 2020 (IMF).

In line with debt dynamics, total public debt service stood at 1,930.6 billion in 2020 compared to 1,773.1 billion in 2019, an increase of 8.9% compared to 2019. It would represent 40.1% of total revenue (WAEMU Commission).

Table 18. Debt overall picture

WAEMU public debt (% of GDP)	2017	2018	2019	2020
Total public debt	40.4	43.0	44.8	48.5
External public debt	23.1	27.7	30.2	32.9
Domestic public debt	17.2	15.3	14.6	15.6
Details of WAEMU's external debt (in billions of CFA francs)				
Description	2017	2018	2019	2020
External debt stock	17 740.9	22 093.7	26 134.4	29 566.6
- Bilateral external public debt	3 755.5	4 743.5		
- Multilateral external public debt	9 285.8	10 284.6		
Of which :				
Debt to the World Bank	4 189.8	4 726.8		
Use of IMF credits	1 072.1	1 276.9		
Debt service paid	1 114.7	1 359.1	2 598.3	2 083.9
Debt service principal paid	697.3	831.6	1 948.9	1 254.4
Debt service interest paid	417.4	527.5	649.4	829.5

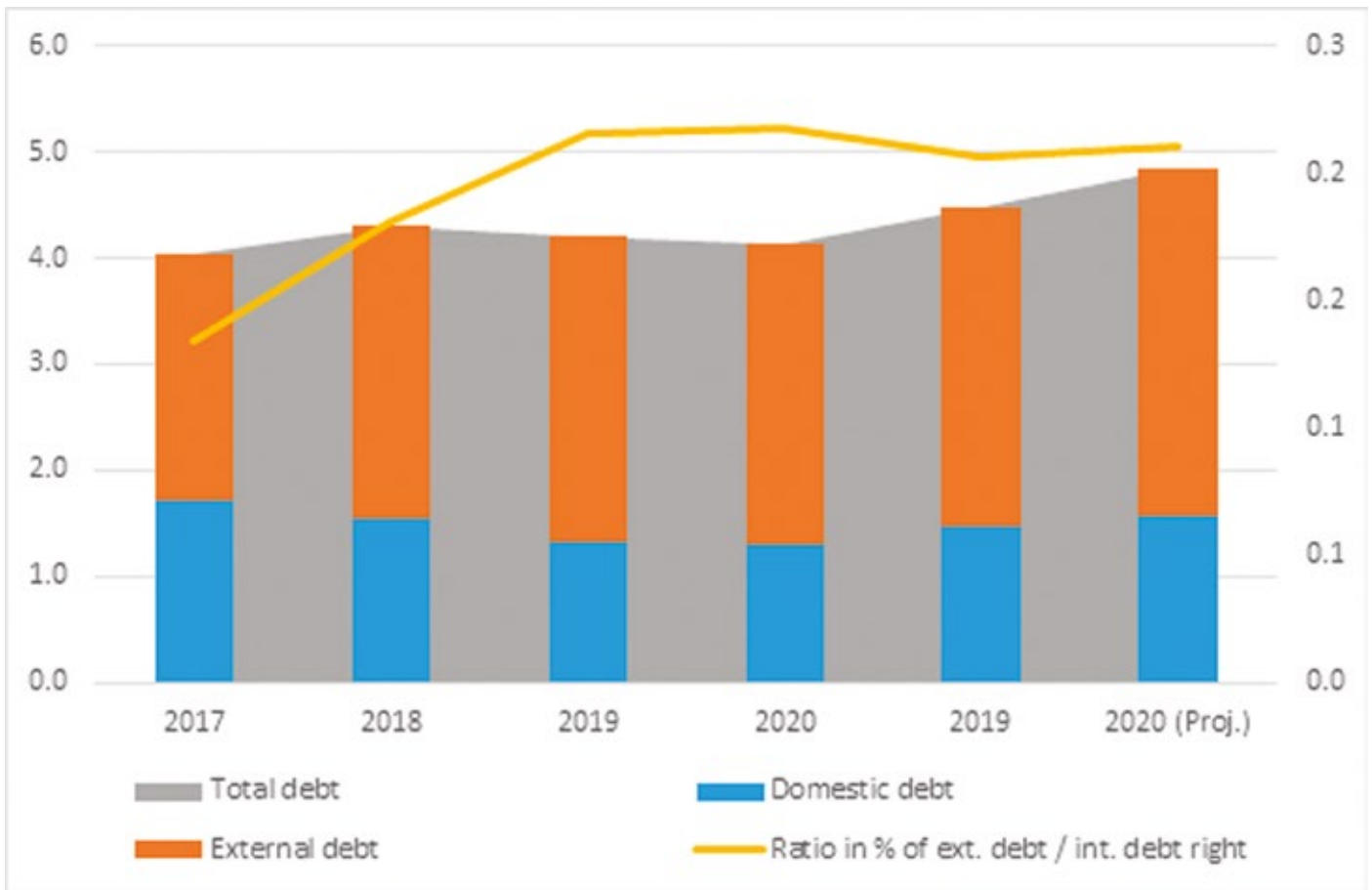
Source : BCEAO, IMF

The external public debt is worth more than twice the domestic debt. Most of it is composed of multilateral debt, which is more concessional in nature.

Debt sustainability analyses conducted by the IMF and the World Bank in 2020 conclude with a moderate to high sovereign risk (for two countries, Guinea-Bissau and Togo), a situation that has

deteriorated due to the COVID-19 pandemic. These analyses highlight the persistent vulnerabilities associated with the widening current account and fiscal deficits. They also highlight the limited budgetary room for maneuver and the need to mobilize more domestic savings and tax revenues, as well as the need to increase the efficiency of public spending.

Figure 14. WAEMU public debt (%)



Source: IMF

7.1.2 Outstanding market debt

Total outstanding market debt (local and international markets - Eurobonds²¹) almost doubled between 2015 and 2018. It reached CFAF 16 727.8 billion in 2018 against CFAF 7 838.3 billion in 2015, rising from about 11.4 percent of the Union's GDP in 2015 to 20.1 percent of the Union's GDP in 2018. Between 2018 and 2020, the outstanding market debt of the Union States maintained its growth, reaching CFAF 19 892.9 end 2020 representing 21.7% of the GDP. At the end of 2020, the outstanding market debt of the Union, contracted on the regional market, represented 66.8% of total market debt. This

share remains dominant and is steadily increasing between 2018 and 2020 after a decline over the 2015-2018 period in favor of the international market due to the existing favorable conditions that allowed some member States, in this case Côte d'Ivoire and Senegal, to issue Eurobonds during the period.

7.1.3 Time profile of market debt

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

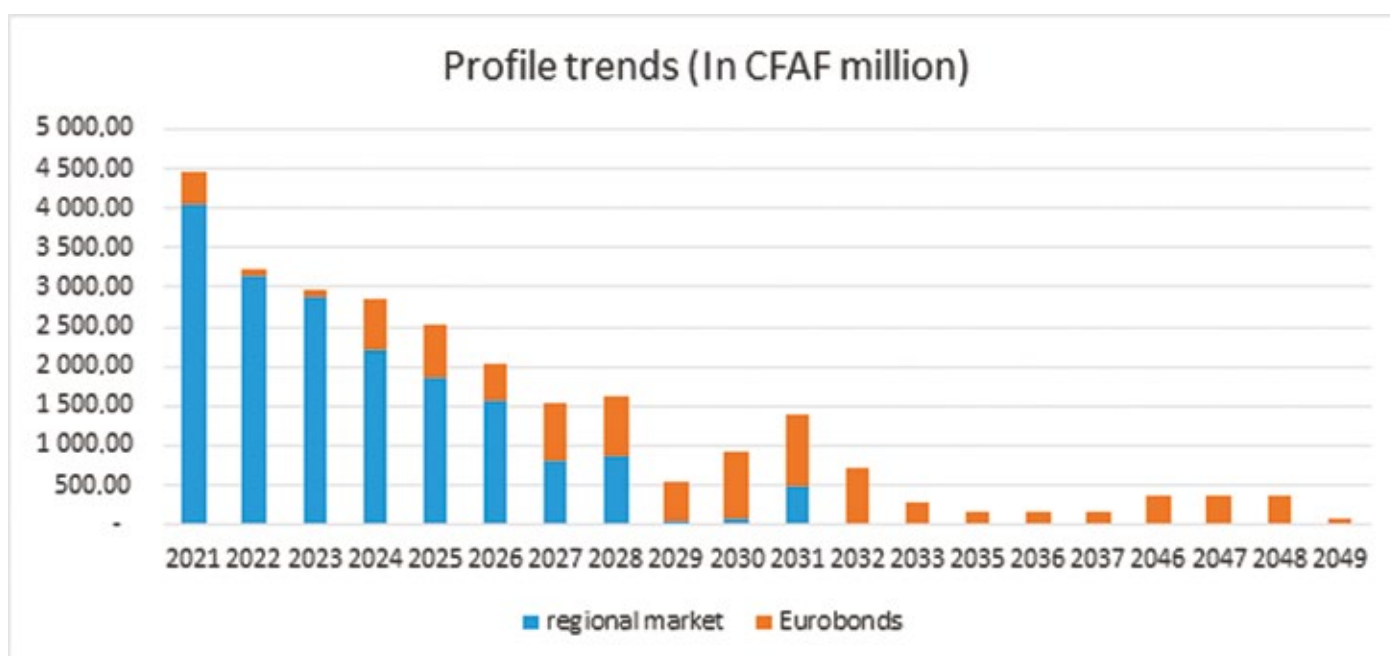
21 Two WAEMU countries: Côte d'Ivoire and Senegal have been present in the Eurobond market since 2014.

Table 19. Outstanding market debt

	2018		2019		2020	
	In billions of CFA francs	As a % of total	In billions of CFA francs	As a % of total	In billions of CFA francs	As a % of total
Short term (< 1 year)	1 040.1	6.2	886.6	4.9	1 381.6	6.9
Medium term (1 to 5 years)	3 448.6	20.6	3 999.9	22.3	5 612.7	28.2
Long term (> 5 years)	5 515.1	33.0	6 010.9	33.5	6 285.3	31.6
Of which Eurobond (EB)	6 723.9	40.2	7 065.7	39.3	6 613.3	33.2
Total excluding EB	10 003.9	59.8	10 897.5	60.7	13 279.6	66.8
Total	16 727.8	100.0	17 963.2	100.0	19 892.8	100.0

Source : UMOA-Titres

Figure 15. Redemption profile of WAEMU countries' market debt (in billions of CFAF)



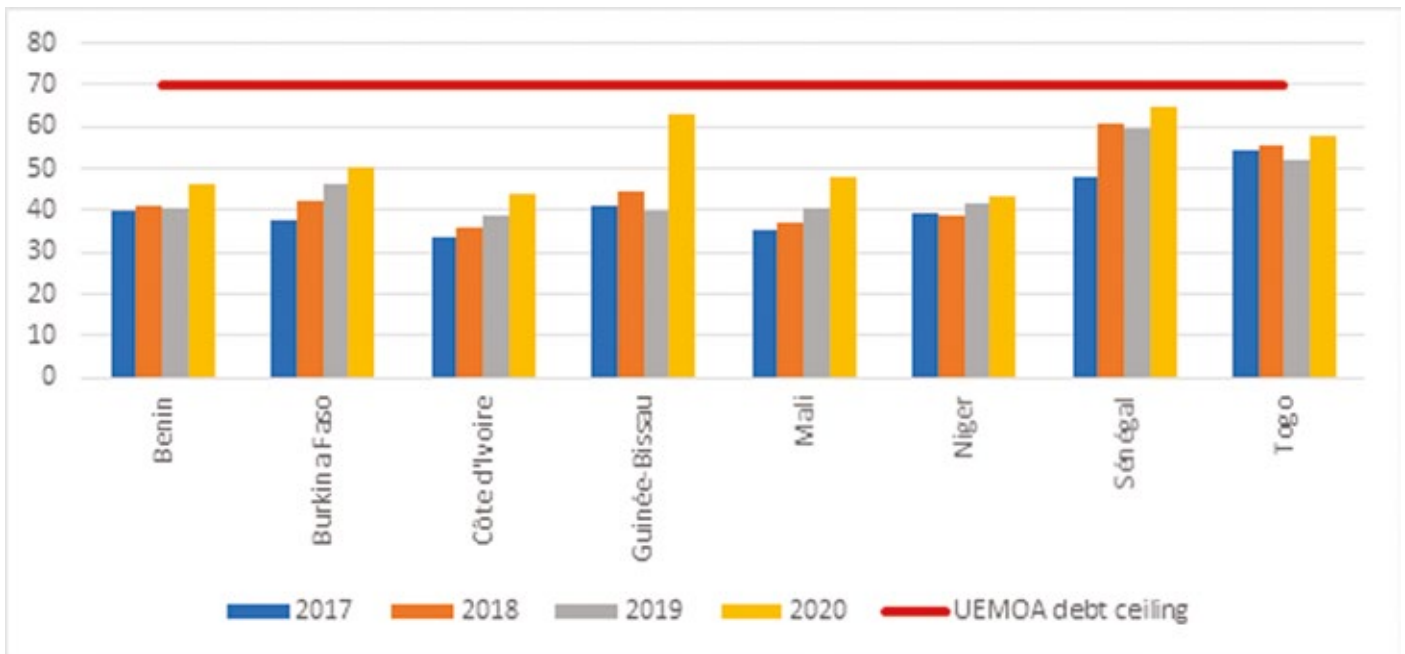
Source : UMOA-Titres

7.2 Viability and sustainability

With respect to debt sustainability, the latest analyses show that the risk of external debt distress is moderate for all member States, except Guinea-Bissau and Togo, which are at high risk of debt distress for total

debt (external and domestic). In addition, almost all member States have a debt-to-GDP ratio well below the Community ceiling of 70 percent (see figure below). However, it is clear that the debt ratio has increased in all countries.

Figure 16. WAEMU countries' debt (% of GDP)

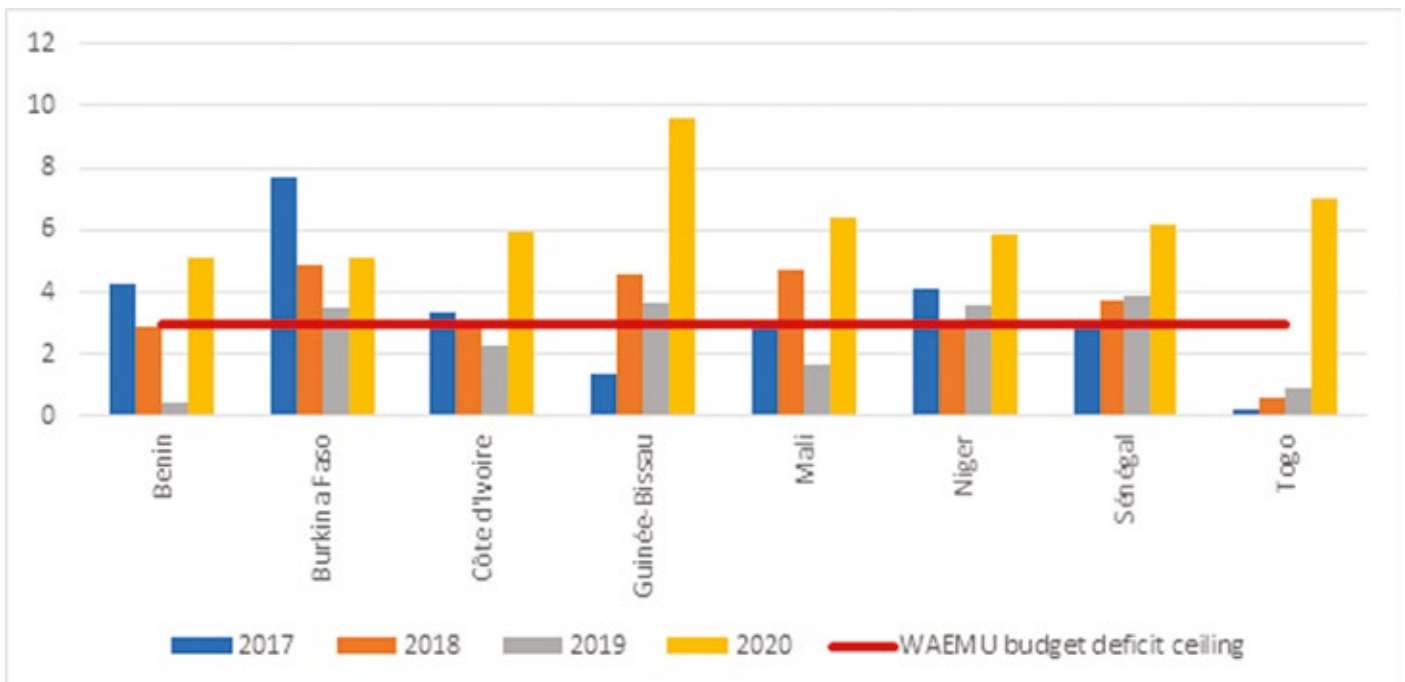


Source: WAEMU Commission

Budget deficits in 2020 are all above the 3 percent cap. They have increased in 2020, in particular because of the expenses related to the fight against the spread of COVID-19. The budget balances

of member States are expected to improve from 2021 onwards, and budget deficits are expected to stabilize at around 3 per cent by 2023.

Figure 17. Budget deficit of WAEMU countries (% of GDP)



Source: WAEMU Commission

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

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

Public offering: an invitation to tender on the financial market for public securities through a brokerage firm. It is open to all investors.

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

Government borrowing requirement: the overall amount needed to cover the primary budget deficit and the interest and amortisation charges associated with the debt.

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

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

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

Multilateral creditors: international institutions that

lend funds on concessional and/or non-concessional terms, such as the IMF, World Bank and regional development banks.

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

Domestic credit = Credit to the economy + Government net position (see NGP).

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

Budget deficit: difference between total revenue and total expenditure and net lending.

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

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

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

Domestic public debt: central government borrowing from residents.

Non-concessional debt: debt contracted on market terms.

Public debt: sum of all central government debts (external and internal).

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

Concessional borrowing: loans and credits that have a long amortization period and/or below-market

interest rates, such that they have a grant element of at least 35%.

Euro-bond (or Eurobond): a dollar bond on the London financial market.

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

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

HIPC Initiative: a framework adopted by the World Bank and the IMF in 1996 to address the external debt problems of heavily indebted poor countries, with the objective of providing comprehensive debt relief sufficient to achieve debt sustainability.

Money supply (MS): all claims held by the rest of the economy on monetary institutions. It covers monetary assets (currency in circulation + overnight deposits) and quasi-monetary assets (savings accounts and time deposits).

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

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

Net government position (NGP): net claims or liabilities of the Treasury vis-à-vis the rest of the economy. The Government's net position is the difference between the Treasury's debts and its

claims on the Central Bank, banks and private individuals and companies. By convention, a creditor NGP is preceded by a (-) sign, while a debtor NGP is preceded by a (+) sign.

Tax burden: the ratio of tax revenues to GDP.

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

Interest rate risk: Interest rate risk refers to the vulnerability of the Government's debt portfolio and debt costs to high market interest rates at the point where maturing fixed- and floating-rate debt is repriced.

Foreign exchange risks: risks related to fluctuations in exchange rates.

Debt service: any payment to be made on account of the principal, interest and fees of a loan.

Primary balance: (see primary deficit).

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

Gross enrolment rate: The gross enrolment rate is the ratio of children in school to all children.

Net enrolment rate: The gross enrolment rate is the ratio of enrolled children to school-age children.

BUILDING A BENCHMARKED GOVERNMENT SECURITIES MARKET FOR THE DEVELOPMENT OF WAEMU STATES



Together, let's build the WAMU of tomorrow



Benin



Burkina



Côte d'Ivoire



Guinea-Bissau



Mali



Niger



Senegal



Togo

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