

**West African Economic and Monetary Union: Recent Economic Developments and Regional Policy Issues in 2000**

This report on the Recent Economic Developments and Regional Policy Issues in 2000 in the **West African Economic and Monetary Union (WAEMU)** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the **WAEMU**. It is based on the information available at the time it was completed on **August 3, 2001**. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the **WAEMU** or the Executive Board of the IMF.

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**Recent Economic Developments and Regional Policy Issues in 2000**

Prepared by the African Department

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

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Contents	Page
Executive Summary .....	4
I. Introduction .....	6
II. Recent Economic Developments and Prospects .....	7
A. Developments in 2000 .....	7
B. Prospects for 2001 .....	10
III. Main Regional Policy Issues.....	12
A. Coordination of Financial Policies.....	12
B. Fiscal Policy and Tax Harmonization .....	14
C. Common Monetary Policy .....	17
D. Banking and Financial Sector Issues .....	20
E. Common Trade Policy.....	26
IV. Other Regional Issues .....	32
A. Structural Funds .....	32
B. Sectoral Policies .....	33
C. Statistical Issues .....	33
D. Financing of WAEMU Institutions.....	34
V. Relations with ECOWAS.....	35
VI. Staff Appraisal .....	36

## Boxes

1.	The External Competitiveness of the WAEMU Economies.....	9
2.	The WAEMU's Convergence, Stability, Growth, and Solidarity Pact.....	13
3.	Conduct of Monetary Policy in the WAEMU .....	18
4.	The West African Banking Commission .....	23
5.	The WAEMU Regional Financial Market.....	24
6.	Implementation of the Common External Tariff (CET) .....	27
7.	WAEMU: Implementation of Measures Adopted Under the Customs Union.....	29-30

## Figures

1.	Economic Indicators, 1994-2001 .....	39
2.	Selected Macroeconomic Indicators, 1994-2001 .....	40-41
3.	Effective Exchange Rates and Terms of Trade, 1992-2000 .....	42
4.	Selected Monetary Aggregates, 1994-2000 .....	43
5.	WAEMU and French Interest Rates, 1994-2000 .....	44
6.	Foreign Assets and Cover Ratio, December 1994-December 2000 .....	45

## Tables

1.	WAEMU: Main Features of WAEMU Economies .....	46
2.	Sub-Saharan Africa: Cross-Group Comparison, 1994-2001 .....	47
3.	WAEMU: Selected Economic and Financial Indicators, 1994-2001 .....	48
4.	WAEMU: National Accounts, 1994-2001.....	49
5.	WAEMU: Fiscal Balances, 1994-2001.....	50
6.	WAEMU: Convergence Criteria, 1994-2001 .....	51-52
7.	WAEMU: External Public Debt, 1994-2001 .....	53
8.	WAEMU: Domestic Debt at End-2000 .....	54
9.	WAEMU: External Balances, 1994-2001.....	55
10.	WAEMU: Terms of Trade, 1994-2001.....	56
11.	WAEMU: Effective Exchange Rates, 1994-2000 .....	57
12.	WAEMU: Disbursement of Foreign Assistance in Support of Adjustment Programs, 1994-2000 .....	58
13.	WAEMU: Monetary Survey, 1994-2000.....	59
14.	WAEMU: Summary Accounts of the Central Bank, 1994-2000 .....	60
15.	WAEMU: Foreign Assets, December 1994-December 2000.....	61
16.	WAEMU: Summary Accounts of Commercial Banks, 1994-2000.....	62
17.	WAEMU: Monetary Survey by Country, 1994-2000 (In CFA Francs) .....	63
18.	WAEMU: Monetary Survey by Country, 1994-2000 (In Percent of Money Supply).....	64
19.	WAEMU: Commercial Banks' Cost of Intermediation, 1999.....	65
20.	WAEMU: Quality of Commercial Banks' and Financial Institutions' Loan Portfolios, 1996-2000 .....	66

21.	WAEMU: Summary of Commercial Banks' and Financial Institutions' Compliance with the Prudential Ratios, 1997-2000 .....	67
22.	West African Development Bank: Balance Sheet, 1997-99.....	68
23.	WAEMU: Debt Issues on the Regional Financial Market, 1997-2000 .....	69
24.	WAEMU: Summary of Financial Situation, 1996-2001 .....	70
25.	WAEMU: Progress in Social Sectors, 1990 and 1999 .....	71
26.	WAEMU: Poverty Statistics in 1999.....	71
27.	WAEMU: Education Statistics in 1999 .....	72
28.	WAEMU: Health Statistics in 1999.....	72

## EXECUTIVE SUMMARY

- **In 2000, a deterioration in the terms of trade, inadequate adjustment policies, and political conflicts in certain countries led to a slowdown of the overall growth performance of the WAEMU region.** In particular, the serious decline in output in Côte d'Ivoire, the largest country of the zone, weakened the performance of the region. This slowdown could be prolonged beyond 2001 on account of the weaker growth prospects in the international economy, unless efforts are made to strengthen macroeconomic policies and deepen structural reforms in WAEMU countries.
- **The integration process accelerated in 2000 with the entry into force of the customs union, and the Convergence, Stability, Growth, and Solidarity Pact, which was adopted in December 1999.** This pact aims at (i) strengthening convergence among the economies of the member countries; (ii) reinforcing macroeconomic stability; (iii) accelerating economic growth; and (iv) enhancing solidarity within the zone. Moreover, the WAEMU authorities deepened their discussions on common sectoral policies and defined ambitious policies and programs for the creation of regional infrastructures, and the reduction of economic disparities in the zone. **However, the authorities experienced numerous difficulties and slow progress in effectively implementing these policies. In particular, in the area of macroeconomic convergence, recent developments in public finances raised concerns about achieving the envisaged convergence objectives by 2002.**
- **The establishment of the customs union in the WAEMU region will require the full implementation of the envisaged trade liberalization and the common external tariff (CET). To achieve deeper economic integration in the region, there is a need to press ahead with regional harmonization of indirect taxes, customs exemptions, competition laws, and investment codes.**
- **The common monetary policy resulted in a further accumulation of the foreign assets of the BCEAO, and inflation was in line with euro zone inflation.** The conduct of monetary policy in the WAEMU was facilitated by a prudent credit policy, which led to a ratio of foreign reserves to base money in excess of 100 percent in 2000. Excess liquidity remains an important characteristic of the region's banking sector—a problem that the regional monetary authorities wish to address by improving the functioning of the regional interbank money market. The authorities also confirmed their decision to eliminate central bank credit to governments by end-2001, and to seek to develop a regional government securities market in 2002.
- **The staff's assessment of the WAEMU banking system indicates the need to further reinforce the supervisory framework.** To that end, the regional authorities have adopted new prudential arrangements in line with the international standards and new regulations on internal control, external auditors, and corporate governance. Also, the Regional Banking Commission is planning to develop a rating system for banks. Complemented by an appropriate judicial environment, those measures would

help to improve banks' compliance with prudential ratios and to correct the development of nonperforming credits.

- **Trade volume on the regional financial market declined sharply, reflecting the deterioration of the overall economic situation.** The pace of operations in the regional stock exchange, which started in September 1998, remained slow compared with the potential in the WAEMU zone because of the lack of information and instruments. Representatives of the securities commission and the stock exchange recognized that the market, still in its infancy, needed more attention and support to play its role in financing WAEMU's economic development.
- **The evolution of the real effective exchange rate suggests that, since the 1994 devaluation, WAEMU's competitive position has eroded only marginally. Structural rigidities and other distortions in the WAEMU economies appear to have been more important in contributing to the economic slowdown of recent years.** The officials of the regional institutions agreed that the vulnerability of those economies to external shocks required a closer and more comprehensive monitoring of external competitiveness. In this regard, the WAEMU Commission and the BCEAO intend to develop nontraditional competitiveness indicators, such as export market shares; comparative wage indicators for the zone and competitor markets; trends in transport, energy and telecommunication costs; and indices of industrial output per worker, to complement the assessments based on the real effective exchange rate.
- **In discussions on other regional issues, officials of the WAEMU regional institutions highlighted the different programs in progress to achieve statistical harmonization in the areas of public finances, the real sector, and social sectors.** The recent regional workshop on the General Data Dissemination System (GDDS) in Bamako, conducted by the Fund, the World Bank, the BCEAO, and AFRISTAT, offered an opportunity for the eight member countries of the WAEMU to establish an improved statistical framework. Also, **the authorities underscored that technical assistance was essential** to reinforce national and regional capacities, in order to support the initiatives undertaken, particularly in the areas of common trade policy and of coordination of macroeconomic policies. Moreover, the WAEMU authorities explained that the **new impetus for economic integration in the whole of west Africa through ECOWAS** constituted an important challenge, and one that also required the substantial reinforcement of institutional capacity in West Africa.
- **The long experience of the WAEMU countries under a monetary union suggests that substantial progress still needs to be achieved in that region** in fiscal consolidation, macroeconomic convergence, and the implementation of key regional economic reforms. In light of this and the significant institutional capacity required to achieve a monetary union, the ECOWAS goal of establishing a wider regional monetary union for West Africa by 2004 would appear to be very ambitious.

## I. INTRODUCTION

1. This paper reports on discussions held in Dakar, Abidjan, and Ouagadougou during May 30-June 8, 2001 with senior officials of the Central Bank of West African States (BCEAO), the Commission of the West African Economic and Monetary Union (WAEMU), the Regional Banking Commission, and the Regional Securities Commission.<sup>1</sup> It provides a regional dimension to the Executive Board's discussions of Article IV consultations with the eight member countries of the WAEMU: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. The most recent Executive Board meeting on WAEMU regional issues was held on June 19, 2000.<sup>2</sup> On that occasion, Directors welcomed the adoption of a regional convergence pact that provided a framework for promoting macroeconomic convergence and strengthening multilateral surveillance. They urged the authorities to push ahead with the removal of the remaining trade barriers and to streamline the various temporary import surcharges and exemptions in order to establish a full-fledged customs union and to foster the creation of an effective single market. They focused on the external competitiveness of the WAEMU countries and suggested that traditional exchange rate indicators should be broadened and monitored closely, in view of the demonstrated vulnerability of the external current account to fluctuations in terms of trade, combined with domestic price rigidities and economic inefficiencies.

2. The present report reviews recent economic developments in, and prospects for, the region and discusses the main regional policy issues. Section II summarizes recent economic developments and prospects. Section III discusses coordination of macroeconomic policies, as well as tax harmonization, monetary policy, banking supervision, and common trade

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<sup>1</sup> The discussions on the common monetary policy, external sector policy, and other key regional financial policy issues took place in Dakar (Senegal) during June 7-8, 2001 with the BCEAO. Prior to this, discussions on the coordination of macroeconomic policies, fiscal and trade policies, and other key issues pertinent to the regional economic integration were held in Ouagadougou (Burkina Faso) during May 31-June 6, 2001. Issues of financial integration and banking supervision were discussed in Abidjan (Côte d'Ivoire) with the Executive Secretariat of the Regional Banking Commission and the Regional Securities Commission during May 30-31, 2001. The mission met with Mr. Banny, Governor of the BCEAO, Mr. Moussa Touré, President of the WAEMU Commission, Mr. Emmanuel Nana, Secretary General of the Regional Banking Commission, Mr. Sacko, President of the Regional Securities Commission, Mr. Tiemoko Coulibaly, Chairman of BRVM (the regional stock market), and Mr. Jean-Paul Gillet, Managing Director of BRVM. The staff team consisted of Messrs. Sakho (Head), van den Boogaerde, Doré (all AFR), Mr. Gajdeczka (PDR), and Mr. Durand (MAE). Mr. Yao, the Fund Resident Representative in Senegal, and Mr. Coulibaly, a representative from the World Bank office in Burkina Faso, participated in some of the meetings.

<sup>2</sup> SM/00/99 (5/24/00).

policy issues. Section IV discusses other regional policy issues facing member countries. The relations between the WAEMU and the Economic Community of West African States (ECOWAS) are discussed in Section V, and the main conclusions are summarized in Section VI.

## II. RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

### A. Developments in 2000

3. **Developments in 2000 were characterized by a marked slowdown in economic growth in the region, particularly in its major economy (Côte d'Ivoire), aggravating a deterioration in the overall economic situation that had begun in 1998.** Following a rapid expansion during 1994-98,<sup>3</sup> real GDP growth in WAEMU countries declined to 3.4 percent in 1999 and only 1½ percent in 2000 (Tables 2, 3, Figure 1). The decline reflected mainly the deterioration of the terms of trade caused by a decline in the prices of key export commodities—cotton, cocoa, and coffee—and the sharp rise in the import prices of oil products. It also resulted from a weakening in fiscal resolve and difficulties encountered in implementing structural reforms in several countries in the context of sociopolitical uncertainties (Côte d'Ivoire, Guinea-Bissau, Niger, and Togo). In this setting, investment dropped by more than 1 percentage point of GDP, further dampening aggregate demand and growth potential.

4. The overall performance of the zone in 2000 was largely driven by a slowdown in economic activity in the countries that did not have operative adjustment programs supported by the international community (Côte d'Ivoire, Niger, and Togo). In Côte d'Ivoire, which accounts for about 40 percent of WAEMU's economy, real GDP contracted by 2.3 percent as a result of the sociopolitical crisis that had begun in 1999. Neighboring countries (Burkina Faso and Mali) were also affected by the Ivoirien crisis. However, continued adjustment in the other countries (Benin, Burkina Faso, Mali, and Senegal) helped to mitigate the deterioration of the financial indicators in the subregion, taken as a whole (Tables 4, 5, Figure 2). Average consumer price index (CPI) inflation remained subdued in the WAEMU at less than 2 percent. Mirroring the deterioration in the terms of trade and fiscal slippages in some countries, the external current account deficit, including official transfers, widened from 6.2 percent in 1999 to 7.6 percent of GDP in 2000.

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<sup>3</sup> The exchange rate realignment of 1994 brought a significant turnaround in the economic performance of the CFA franc countries and in the WAEMU in particular, with output, exports, and investment increasing more rapidly than in other sub-Saharan African countries during 1994-98.



International Comparisons: Selected Indicators, 1990-2000

	WAEMU			Sub-Saharan Africa	
	1990-93	1994-1998	1994-2000	1990-93	1994-2000
	(Annual percentage changes)				
Real GDP	0.5	5.0	4.3	0.3	3.2
Real GDP per capita	-2.7	2.0	0.6	-2.3	0.6
Terms of trade	-2.6	3.7	-0.1	-1.6	1.7
Inflation 2/	1.1	3.8	1.6	42.7	29.4
	(In percent of GDP)				
Overall fiscal balance 3/	-8.2	-2.5	-2.8	-7.1	-3.9
Primary fiscal balance	-5.5	-1.9	-2.6	-4.1	-0.2
Government revenue 3/	17.6	17.2	19.4	21.1	22.2
Gross domestic investment	13.2	17.4	17.5	16.1	17.5
Gross domestic saving	9.5	14.4	14.3	14.6	16.0
External current account 3/	-7.9	-5.1	-5.9	-3.1	-3.6
Public external debt	68.6	120.8	87.4	46.5	51.9

Source: African Development database.

2/ Last year of the period.

3/ Including grants.

5. **An important question in assessing recent developments in the WAEMU is how far the lackluster economic performance of recent years reflects structural rigidities and other distortions in the economy, as opposed to short-term cyclical factors.** Because member countries still face significant institutional and structural impediments to growth and continue to be heavily dependent on exports of a single commodity, there are concerns that the prolonged deterioration of the terms of trade, combined with high domestic production costs, may have translated into a weakening of the competitive position of the zone. While the real effective exchange rate of the CFA franc (based on the CPI) depreciated by 2.7 percent during 2000, reflecting low inflation and the appreciation of the U.S. dollar against the euro (Table 11 and Figure 3), the authorities' reading of nontraditional indicators of competitiveness (Box 1) suggests that overall competitiveness needs to improve.

6. In discussing recent economic developments and prospects, WAEMU representatives concurred with the staff that reform efforts needed to be sustained and expanded in order to broaden the productive base and promote private sector initiative and investment. They underscored the role of structural reforms, noting that the exchange rate realignment of 1994 was supposed to be accompanied by internal adjustments through the implementation of measures aimed at reducing domestic factor costs and creating a single market. These efforts did not succeed, in part because liberalization was pursued without taking into account certain constraints (e.g., the lack of adequate regulatory framework), which led to the

### **Box 1. The External Competitiveness of the WAEMU Economies**

The vulnerability of the WAEMU economies to external shocks, including the recent fluctuation in the zone's terms of trade, as well as the weakening of the external environment, heighten the importance of monitoring the developments in external competitiveness. The WAEMU Commission and the BCEAO assess the zone's competitiveness largely on the basis of traditional indicators. Based on the measure of the real effective exchange rate, the zone's competitiveness declined by 9 percent from the 1994 devaluation to 2000.

The mission noted that such aggregate indicators might not provide adequate information about the zone's external competitiveness and inquired about progress in developing a methodology for other conventional, as well as nontraditional, competitiveness indicators. The mission held two special meetings devoted to external competitiveness indicators with staffs of the WAEMU Commission and of the BCEAO. In particular, the discussions focused on the methodological aspects and applicability of the following indicators:

- **traditional indicators:** real effective exchange rates for the zone and by country; and unit labor costs; and

- **nontraditional indicators:** export market shares; comparative wage indicators (real wages in the public, private, and informal sectors) in the zone and in competitor markets; transport costs (including informal costs), and energy and telecommunications costs; financial intermediation costs; industrial output per worker and real output per labor-hour; "internal terms of trade" defined as the ratio of prices of tradable to nontradable goods; relative producer price indices for inputs and outputs in tradable and nontradable sectors.

In the discussions, the representatives of the regional institutions noted that the margin of competitiveness gained following the 1994 devaluation appears to be eroding. They agreed that in order to help identify appropriate policies and support the design of common sectoral policies to strengthen the productive base and enhance economic diversification, there is a need to accelerate work on a set of reliable competitiveness indicators. The WAEMU Commission has finalized the terms of reference for a project (to be financed by the European Union) to develop the methodology and set up the reporting system for traditional competitiveness indicators – mostly unit labor costs. The BCEAO has started work on constructing an index of unit labor costs in manufacturing; a study is about completed on Benin's competitiveness and it will serve as a basis for developing nontraditional competitiveness indicators to complement the assessments based on the real effective exchange rate; and a broader use (beyond in-house analysis) of comparisons of real effective exchange rates computed for member countries will be considered.

substitution of private for public monopolies in the operation of key agricultural sectors of the WAEMU economies. The staff noted that the challenge was to address these constraints in the context of policies aimed at poverty reduction.<sup>4</sup>

7. **The zone-wide overall fiscal deficit (commitment basis, excluding grants) declined somewhat to 4.1 percent of GDP in 2000** from 5.4 percent of GDP in 1999 (Table 5), reflecting a moderation in government outlays to 21 percent of GDP from 21.9 percent in 1999, mainly because of a reduction in foreign-financed investments. Overall government revenue declined slightly to 16.1 percent of GDP. Including official transfers,

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<sup>4</sup> A seminar on poverty reduction strategies in the region was held in 2000 at the ministerial level. Social indicators are provided in Tables 25 through 28.

the fiscal deficit narrowed to 2.2 percent of GDP in 2000 from 2.7 percent in 1999 (see table below). The deficit was partially financed by an accumulation of domestic and external payment arrears, particularly in Côte d'Ivoire and Togo.

8. **Regional broad money grew by 6.6 percent in 2000, with bank deposits rising by 6 percent.** Reflecting the decline in the overall fiscal deficit, net credit to the government fell by 4.7 percent in 2000 relative to the beginning-of-period broad money. Central bank advances remained within the ceilings in all countries, and were reduced from their 1999 levels in all countries except Niger.<sup>5</sup> Because of a strong pickup in ordinary credit demand, partially offset by a decline in crop credits, credit to the private sector rose by the equivalent of 6.2 percent of beginning-of-period broad money. As a result, net domestic assets of the banking system fell somewhat. The net foreign assets position of the banking system was further strengthened, by the equivalent of 8.7 percent of beginning-of-period money. The gross official reserves of the BCEAO rose to about US\$3.6 billion (117.7 percent of base money) at end-December 2000 (Figure 6).

### B. Prospects for 2001

9. Reflecting expected negative growth in Côte d'Ivoire and Mali, the region's GDP growth is currently projected to remain modest at around 2 percent in 2001. Underlying this forecast are the following factors: a slowdown in world trade and output, favorable weather conditions for agricultural production, the strengthening of macroeconomic policies as countries implement corrective measures to remain on the regional convergence path, and the deepening of structural reforms, which should boost confidence and increase private sector investment. This outlook also envisages an end to the economic deterioration of Côte d'Ivoire and Togo with the adoption of Fund staff-monitored programs. The inflation outlook in the zone is expected to be benign, with CPI inflation projected at 3 percent. The overall fiscal deficit (commitment basis, including grants) is projected to widen slightly to about 3 percent of GDP, while the external current account deficit is expected to remain unchanged. The mission stressed the importance of fiscal discipline, particularly in the largest member countries, so as to avoid a poorly balanced macroeconomic policy mix, with national fiscal policies too loose and regional monetary policy too tight, which would negatively affect private sector activity.

10. Notwithstanding the relatively favorable economic prospects for the zone, a number of potential vulnerabilities present downside risks to the outlook. Some stem from the uncertainties attached to the global environment, and in particular from a possible continued deterioration in the region's terms of trade. The latest World Economic Outlook (WEO)

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<sup>5</sup> Benin and Mali did not make use of the central bank overdraft facility.

Selected Economic Indicators, 1998-2001

	1998	1999	2000	2001 Proj.
	(Annual percentage changes)			
<b>Real GDP</b>				
Benin	4.5	5.0	5.3	5.0
Burkina Faso	6.2	6.2	2.2	6.3
Côte d'Ivoire	5.8	1.6	-2.4	-1.5
Guinea-Bissau	-28.1	7.8	7.5	4.0
Mali	3.4	6.6	4.3	-1.2
Niger	10.4	-0.6	3.0	3.7
Senegal	5.7	5.1	5.5	5.7
Togo	-2.1	2.7	-0.5	3.6
WAEMU	5.2	3.4	1.5	2.0
<b>Terms of trade</b>				
Benin	6.1	-16.7	-3.4	21.1
Burkina Faso	3.1	-10.8	-11.0	5.6
Côte d'Ivoire	3.3	-4.1	-2.3	-0.7
Guinea-Bissau	-9.8	19.4	0.7	4.3
Mali	3.4	-12.4	-8.2	10.9
Niger	6.4	-5.0	-14.5	1.1
Senegal	5.1	-3.5	-6.3	1.0
Togo	-10.8	15.4	-1.1	-4.1
WAEMU	3.2	-5.4	-5.4	3.5
<b>Overall fiscal balance (incl. grants)</b>	(In percent of GDP)			
Benin	2.1	1.9	-1.4	-0.8
Burkina Faso	-2.9	-3.5	-4.2	-5.0
Côte d'Ivoire	-2.4	-3.0	-1.3	-1.2
Guinea-Bissau	-16.3	-9.6	-7.6	-8.8
Mali	-2.4	-3.7	-4.0	-8.9
Niger	-2.8	-5.9	-3.0	-5.4
Togo	-5.7	-2.2	-5.3	-4.2
WAEMU	-2.0	-2.6	-2.2	-2.9
<b>External current balance (incl. grants)</b>				
Benin	-5.8	-5.9	-8.2	-6.9
Burkina Faso	-10.3	-12.7	-14.4	-13.2
Côte d'Ivoire	-4.1	-4.2	-5.5	-5.2
Guinea-Bissau	-13.2	-12.0	-13.2	-19.2
Mali	-7.5	-9.3	-9.8	-12.2
Niger	-3.8	-2.9	-4.9	-7.3
Senegal	-4.6	-6.1	-7.9	-5.7
Togo	-10.9	-8.9	-11.9	-13.0
WAEMU	-5.6	-6.2	-7.8	-7.6

Source: African Department database.

1/ Based on an harmonized consumer price index from 1997.

forecasts a sharper slowdown in global growth, implying a further softening of export market growth for the WAEMU. Other factors are of domestic origin. They stem from a weakening of policy resolve in some countries, sociopolitical uncertainties in others (e.g., Côte d'Ivoire), and structural rigidities, with imperfect mobility of factors of production, inadequate infrastructures, and high transaction costs that tend to weaken the competitive position of the zone.

### III. MAIN REGIONAL POLICY ISSUES

11. Two sets of issues provided the main focus of the consultation. First, discussions covered recent experience with the WAEMU integration process (including the regional multilateral surveillance, common monetary policy, financial sector issues, and trade and sectoral policies) since the introduction of the CET and the entry into force of the regional convergence pact in 2000. Second, the regional authorities discussed with the staff actions that had been taken, as well as regional initiatives under consideration to strengthen competitiveness, improve the region's growth performance, and reduce poverty. Given the current uncertain environment, the main challenge facing the regional authorities was to strengthen regional institutions to ensure the fiscal discipline and macroeconomic policy convergence necessary to support the common pegged exchange rate regime and boost the regional reform agenda. In this context, it was agreed that the WAEMU was now at a crossroads and that the integration process, to regain its full momentum, needed the strong political commitment of member governments, and the support and assistance of the international community.

#### A. Coordination of Financial Policies

12. To support the monetary arrangement, **the regional Convergence, Stability, Growth, and Solidarity Pact considerably reinforced the system of mutual surveillance through a new set of relevant criteria**, starting in 2000 (Box 2). Two periods were identified in the pact, a convergence phase (2000-02), at the end of which member countries were expected to be in compliance with the criteria, and a stability phase (from 2003 onward). Because of the decline in growth and the weaknesses in policy implementation noted above, **complying with the convergence criteria by end-2000 was difficult**, with only two member countries meeting the key basic fiscal balance criterion, compared with three countries in 1999 (see table below and Table 6). Performance was uneven across countries: one country (Senegal) met six of the nine criteria, three countries (Benin, Burkina Faso, and Mali) met five criteria, one country (Guinea Bissau) met two criteria, and the remaining three countries (Côte d'Ivoire, Niger, and Togo) met only one of the nine criteria. The staff noted that **attaining compliance with the criteria by end-2002 would imply a much more forceful commitment and adoption of corrective measures by member countries' governments** and a reinforcement of the institutional capacities of the WAEMU Commission to manage the process.

### **Box 2. The WAEMU's Convergence, Stability, Growth, and Solidarity Pact**

The regional **Convergence, Stability, Growth, and Solidarity Pact**, adopted by the Conference of Heads of States and Governments of WAEMU in December 1999 as an additional act to the WAEMU Treaty, is a formal agreement among the member countries of the WAEMU aimed at (i) strengthening convergence of the economies of the member countries; (ii) reinforcing macroeconomic stability; (iii) accelerating economic growth; and (iv) enhancing solidarity among the member countries.

#### **Convergence criteria**

The pact is based on the observance by member states of a set of convergence indicators pertaining to the public finances, the real sector, the balance of payments, and common currency. Indicators viewed as essential are known as convergence criteria. There are four primary convergence criteria and four secondary criteria, supplemented by a host of other indicators (*tableau de bord*) recommended by the Council of Ministers. The norms established with respect to these criteria have to be met by the target date of 2002. The primary criteria are the following:

- the ratio of the basic fiscal balance<sup>1</sup> to nominal GDP (key criterion), which must be in balance or in surplus;
- the ratio of outstanding domestic and foreign debt to nominal GDP, which must not exceed 70 percent;
- the average annual inflation rate, which should not surpass 3 percent a year; and
- the nonaccumulation of domestic and external payment arrears (in the current financial period).

The secondary criteria are as follows:

- the ratio of the wage bill to tax revenue, which cannot exceed 35 percent;
- the ratio of domestically financed public investment to tax revenue, which must be at least 20 percent;
- the ratio of the external current account deficit, excluding grants, to nominal GDP, which cannot exceed 5 percent; and
- the tax-to-GDP ratio, which must be 17 percent or more.

#### **Transitional provisions**

During the transitional period from the date of entry into force of the pact to December 31, 2002, member countries will prepare three-year convergence programs, with the annual objectives of gradually ensuring compliance with these criteria. In assessing semiannual performance reports, the Council of Ministers will monitor progress on the convergence of policies implemented by the member countries. A member country not satisfying one of the primary criteria, as specified in the program, will, in cooperation with the WAEMU Commission and within 30 days of notification of the Council of Ministers' resolution, prepare a program of corrective measures. Programs initiated by the member countries in question must include all the measures it intends to take to strengthen fiscal adjustment and prevent slippage. The WAEMU Commission shall verify that the proposed measures are consistent with the Council of Ministers' resolution and the union's economic objectives. If implementation of the program of corrective measures does not result in the desired progress on primary criteria other than the key criterion, a new series of appropriate measures prepared by the WAEMU Commission for the member country in question will be approved by council directive.

#### **Sanctions mechanism**

If the key criterion is not being satisfied, a penalty procedure will be initiated, unless otherwise dictated by extraordinary circumstances.<sup>2</sup> The penalty procedure is initiated only in cases of noncompliance observed during the assessment of results at end-December in the convergence phase. Noncompliance is determined when progress on the key criterion relating to the basic fiscal balance is deemed unsatisfactory. During the stability phase, programs will be assessed on the basis of structural change in respect of the key criterion, after correction for changes in economic conditions.

The mechanism of sanctions is specified in Article 74 of the WAEMU Treaty. It ranges from moral suasion (publication of findings) to the withdrawal of financial support from regional institutions, including the withdrawal of West African Development Bank (BOAD) financing and the outright suspension of central bank financing.

<sup>1</sup> Total revenue excluding grants, minus total expenditure, excluding foreign-financed investment outlays.

<sup>2</sup> A temporary recession equivalent to a GDP decline of 3 percentage points from the average of the three preceding years.

13. In line with the provisions of the pact, medium-term (2001-03) convergence programs were adopted for all member countries by March 2001, designed to ensure compliance with the norms by the end of 2002. While welcoming the adoption of these programs, the mission, in light of the performance so far, urged the authorities to strengthen regional surveillance by reinforcing the national units (national committees of economic policy) in charge of collecting data and harmonizing further the public finance frameworks and instruments of measurement of economic performance. Moreover, the mission recommended an acceleration of convergence to the targets by adopting adjustment measures, in particular fiscal consolidation. Progress in increasing tax revenues and curtailing salary outlays would help to free up resources for investment expenditure, in particular in the social areas, in line with member countries' poverty reduction strategies. Also, firm adherence to established expenditure control and budgetary processes would be essential to prevent the recurrence of domestic and external payment arrears and to contain the need for domestic and external borrowing to sustainable levels. Such efforts would be complementary to the steps being taken in all WAEMU member countries to use the assistance being provided through the Heavily Indebted Poor Countries (HIPC) Initiative for implementing pro-poor expenditures and policies.<sup>6</sup> The success of the convergence exercise would also be facilitated by improvements in the political situation in Côte d'Ivoire, Togo, and Guinea-Bissau, as well as by judicious use of peer pressure to urge member countries to take timely corrective actions when they are in noncompliance with key convergence criteria (such as the basic fiscal balance). The latter would help to avoid having to rely on the sanction mechanism from the start of the stability phase in 2003.

#### **B. Fiscal Policy and Tax Harmonization**

14. To reinforce convergence and reduce externalities, a **tax harmonization program, undertaken under the purview of the WAEMU Commission** since mid-1998,<sup>7</sup> has resulted in the following achievements:

- A common regulation on **value-added tax (VAT) harmonization has been enacted**, with a single rate structure (in a range of 15-20 percent), unified broad base, and limited exemptions. This reform has essentially been implemented in all member countries except Senegal, which is expected to implement it in 2001.<sup>8</sup> However, the range of exemptions in most member countries remains wider than allowed under the directive.

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<sup>6</sup> All WAEMU member countries are HIPC-eligible.

<sup>7</sup> With significant technical assistance from the Fund.

<sup>8</sup> Côte d'Ivoire introduced the single VAT rate at 20 percent on July 1, 2001.

## WAEMU: Compliance with the Convergence Criteria in 2000 and Summary of Performance for 1997-1999

Convergence Criteria	Status of Implementation of the Criteria in 2000 by Country									Number of Countries Meeting the Criterion		
	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	2000	1999	1998	1997
1 Basic budgetary balance as a percentage of nominal GDP (norm >= 0)	2.3	-1.6	-0.2	-7.6	-0.7	-2.5	1.2	-3.6	2	3	3	5
2 Average annual inflation rate (norm <= 3%)	4.2	-0.2	2.5	8.4	-0.7	2.9	0.7	-2.5	6	6	2	4
3 Total outstanding public debt relative to nominal GDP (norm <= 70%)	67.6	68.3	113.2	640	133.5	104.1	75.0	140.6	2	2	2	2
4 Domestic payment arrears (norm: nonaccumulation)	-15.8	0	166.8	-2.1	0	3.7	0	24.3	5	4	7	2
5 External payment arrears (norm: nonaccumulation)	-14.8	0	413.2	3.9	0	39.2	0	39.8	5	4	4	2
6 Wage bill as a percentage of tax revenue (norm <= 35%)	31.9	43.8	41.6	60.0	31.3	50.6	32.7	55.0	3	3	1	1
7 Domestically funded investments as a percentage of tax revenue (norm >= 20%)	13.8	26.3	9.7	20.0	25.7	9.6	19.8	3.1	3	4	4	2
8 Current account balance, excluding grants, as a percentage of nominal GDP (norm >= -5%)	-7.9	-17.9	-6.5	-21.8	-12.4	-9.3	-9.7	-14.1	0	1	1	0
9 Tax revenue as a percentage of GDP (norm >= 17%)	14.5	12.8	16.2	11.4	13.4	7.9	17.4	11.7	1	0	0	1
Number of criteria met in 2000	5	5	1	2	5	1	6	1				
Number of criteria met in 1999	6	5	2	2	6	1	6	1				
Number of criteria met in 1998	3	4	4	1	5	1	4	2				
Number of criteria met in 1997	3	4	2	1	3	1	4	1				

1/ New convergence criteria, effective January 1, 2000, included in the Convergence, Stability, Growth, and Solidarity Pact among WAEMU member states. The convergence deadline is set for 2002.



- A common **regulation on excise taxes** has entered into force that limits the number of excises to a maximum of seven<sup>9</sup> and imposes a maximum taxation band; this regulation has essentially been implemented in all member countries, with a few minor deviations.
- A draft directive on the **harmonization of taxation of petroleum products** is expected to be adopted by the WAEMU Council of Ministers in 2001. This directive includes a full implementation of the CET and VAT directive, a simplification and harmonization of existing tax regimes, and convergence of the level of excises while keeping them more stable.
- A draft directive on the **harmonization of withholding taxes on local and imported purchases creditable against the business income tax**, aimed at strengthening the taxation of the informal sector. This directive is expected to be adopted by the WAEMU Council of Ministers in 2001.
- A **transparency code** in public finance management was adopted in June 2000, which complements the five directives harmonizing budget laws, regulations on anti-competitive practices, abuse of dominant position and domestic state subsidies, together with a draft reform of public procurement procedures in member states.

15. Slow progress, except recently in Burkina Faso, has been achieved on the **five directives designed to harmonize budget laws and government accounts and statistics**,<sup>10</sup> which are scheduled to be in place by early 2002. The authorities agreed with the staff that a large discrepancy remained between present practices in member states and the harmonized guidelines. An exhaustive evaluation is planned for October 2001. The mission advised that if a further extension was to be granted beyond January 1, 2002, it would be useful to define a feasible timetable for the completion of the remaining work before the revised deadlines for the adoption of the directives.

16. Also, there have been **delays in the harmonization of exemptions and the adoption of a common investment code**. Following a study undertaken in 2000 with the assistance of the Fund, a draft directive for a harmonized treatment of customs exemptions, in particular those related to foreign-financed investment projects has been prepared but not yet adopted. Likewise, the regional investment code meant to supersede all existing codes in member countries, whose first draft dates back to 1997 and which underwent several revisions, has

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<sup>9</sup> These include compulsory excises on petroleum products, soft drinks, alcoholic beverages, and tobacco products, and a maximum of four optional excises to be selected from a common list.

<sup>10</sup> The organic budget law, public accounting regulation, government chart of accounts, budget classification, and summary table of fiscal operations (TOFE).

still not been adopted because of wide divergences among member countries and their reluctance to part with specific incentives in favor of general provisions. There was agreement between the commission representatives and the staff that there would not be a full customs union without harmonization in these areas, and that unbridled competition among member states in offering tax incentives undermined regional integration, while yielding very few economic benefits. Two other attempts at harmonization are under study, relating to the fiscal treatment of securities issued by member states and of loan loss provisions done by commercial banks.

### C. Common Monetary Policy

17. **To support the fixed parity of the CFA franc and its convertibility, the main objective of monetary policy is to ensure price stability and maintain an appropriate level of foreign reserves (Box 3).** While money growth within the region is endogenously determined, the monetary authorities aim at controlling domestic credit expansion in the region by using indirect monetary policy instruments and enforcing ceilings on central bank credit to governments. **BCEAO representatives indicated that the conduct of monetary policy had been successful in 2000, as evidenced by a further strengthening of the foreign exchange cover ratio in excess of 100 percent** despite the political crisis in Côte d'Ivoire and the shortfall in the disbursement of foreign assistance associated with the interruption of adjustment programs in some countries.<sup>11</sup> They explained that, in response to signs of emerging credit demand pressures during the middle of the year, monetary policy had been tightened considerably. The BCEAO raised its key policy rates (the repurchase rate and the discount rate) by 75 basis points on June 19, 2000. Also, reserve requirement ratios were increased by varying amounts across countries twice during the year (in August and September), taking into account the disparities in the progression of bank liquidity positions in each country. At the same time, the central bank broadened the range of eligible assets and liabilities against which reserves are maintained; in addition to sight deposits and short-term credits, crop credits and banks' credit to nonresidents were included in the calculation of the required reserves. There were, however, no auctions of central bank bills for liquidity management purposes during the year.

18. The staff observed that the conduct of monetary policy had been prudent, as evidenced by the central bank's cautious approach to interest rate policy, and might have been overly tight in light of the slowdown in economic activity and low average inflation. **The stance of monetary policy pursued by the BCEAO has remained virtually unchanged since mid-2000, when interest rates were raised.** The lack of adjustments in

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<sup>11</sup> The foreign exchange cover ratio is the ratio of foreign reserves to base money.

### Box 3. Conduct of Monetary Policy in the WAEMU

Monetary policy in the WAEMU is conducted at the regional level by the **Central Bank of West African States (BCEAO)**, which holds the pooled foreign exchange reserves of the member states. At least 65 percent of these are kept in an operations account with the French Treasury. To support the fixed parity of the CFA franc and its convertibility, the main objective of monetary policy is to ensure price stability and maintain an appropriate level of foreign reserves, with the **BCEAO** required to keep a minimum level of foreign exchange equivalent to 20 percent of its short-term liabilities (foreign reserve cover ratio).

The fixed exchange rate system and the absence of foreign exchange restrictions imply that the independence of regional monetary policy is constrained as the money growth within the region is endogenously determined. Moreover, there is no scope for national monetary policies. For this reason, IMF-supported programs in the WAEMU countries do not include targets for either base money or the central bank's net domestic assets because these variables cannot be meaningfully defined at the national level or controlled by the national authorities. Of course, fiscal policy—including public debt management—remains within the purview of individual countries, and IMF-supported programs typically include targets for the fiscal deficit, external borrowings by the government, and net domestic bank credit to the government. To ensure consistency between the regional objectives and national economic and financial developments, the BCEAO conducts an annual financial programming exercise that sets specific targets for credit to governments consistent with a targeted level of net domestic assets and gross foreign assets of the central bank.

The BCEAO seeks to control domestic credit expansion in the region by using indirect monetary policy instruments and enforcing ceilings on central bank credit to governments. The policy instruments available to the BCEAO are the discount rate mechanism, a repurchase agreement facility, and a system of periodic auctions of central bank bills, as well as reverse auctions, introduced in July 1996. A system of reserve requirements has also been in place since late 1993. Auctions and repurchase agreements are the most frequently used instruments; the discount rate is used primarily to signal policy intentions about future movements in interest rates. Ceilings on central bank credit to governments, set at the equivalent of 20 percent of tax revenue in the preceding year, are a powerful tool of credit policy. In its refinancing policy, the BCEAO uses a creditworthiness rating system (*accords de classement*<sup>1</sup>) to guide its refinancing of commercial banks. In **September, 1998, the Council of Ministers** decided on the elimination of the monetary financing of budget deficits by 2002. Nevertheless, within-year advances by the central bank to governments will be allowed for smoothing temporary cash-flow fluctuations in line with Article 16 of the statutes of the central bank. In keeping with that decision, the BCEAO has already frozen the ceilings on its statutory advances to governments. Presently, two countries (Benin and Mali) have made a commitment not to avail themselves of the central bank advances.

**The BCEAO is subject to a full safeguards assessment** with the Stage One report now being circulated for comments by departments. Staff is in the process of obtaining from the BCEAO an authorization letter to speak with external auditors, which is the only document left to fully conclude the Stage One assessment.

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<sup>1</sup> A system requiring that at least 60 percent of banks' portfolio include loans to borrowers certified by the BCEAO. While this policy is intended to ensure sound banking practices, 81 of the 84 credit institutions were in violation of the norm at end-1998.

the BCEAO's key policy rates in the context of stepwise cuts in European rates is a sign of inflexibility in monetary management that needs to be addressed. The authorities explained that, in spite of the widening interest rate differentials with the euro zone, monetary conditions in the WAEMU were well attuned to the economic conditions. In deciding whether to adjust its policy rates, the central bank examines the prevailing economic and financial conditions in the zone, including the global liquidity position of banks. With banks operating in a situation of excess liquidity, it is important for the central bank to ensure that these free reserves do not get channeled as credits either to the private sector or to governments. The staff expressed some skepticism about the effectiveness of using reserve requirements as a policy for short-term liquidity management purposes, particularly when such an objective could be pursued more effectively through open market operations. It was recognized that the regional interbank market needed to be fully developed, and that the region's financial markets are to some extent segmented. In these circumstances, the BCEAO may be able to exert a better control over country-by-country credit expansion by using differentiated reserve ratios for the countries of the monetary union. In light of this situation and to promote the objective of a common monetary policy, the staff supported the BCEAO's plans to fully develop a regional interbank market as well as a regional market for securities issued by member countries' governments. The staff also recommended the elimination of reserve requirements with respect to assets, particularly banks' short-term foreign assets, because the use of the reserve requirement instrument to both control credit expansion and limit banks' short term foreign assets could lead to confusion and inefficiency. However, with the region's interest rates higher than those in the euro zone, BCEAO officials justified the temporary inclusion of these assets in the calculation of required reserves by the need to control banks' ability to grant domestic credit by drawing on their external balances.

19. **The BCEAO representatives concurred with the staff that a liquidity overhang was still prevalent**, partly because of the inefficiency of the regional interbank market, where transactions between banks that are more liquid in some countries (Benin, Burkina Faso, and Mali) and less liquid in others (Côte d'Ivoire, Senegal, and Togo) (Table 19) have remained limited. The central bank's effort in recent years to reduce its refinancing of less liquid banks has not contributed to a rapid development of the interbank market; reflecting the lack of confidence among banks and the weak system of payments and delivery, the volume of interbank transactions still remains small. The BCEAO has started to provide market participants with information on interbank loans, including the volume of transactions and the weighted-average rate. This initiative, together with the reform of the payment system under way, should promote the development of interbank transactions, which is nonetheless expected to remain modest.

20. The staff expressed some concerns about the continued deterioration of banks' loan portfolios and its implication for the conduct of monetary policy. The share of nonperforming loans (net of provisions) in total banks' loan portfolios, rose to 7.5 percent in 2000 from 6.4 percent in 1999. The BCEAO representatives explained that the central bank's response to the nonreimbursement of banks' credits was to require large provisions on the part of banks, while leaving the recovery of loans to the judicial systems in member countries. The staff stressed the importance of (i) addressing the structural problems besetting the major

cash crops in the WAEMU, as most of these nonperforming loans were overdue crop credits; and (ii) respecting the prudential ratios and improving the quality of credit policy in the banking system.

21. To ensure consistency between the regional objectives and national economic and financial developments, the **regional monetary program for 2001 envisages a further strengthening of the BCEAO's foreign assets position**, which should allow for a stabilization of the foreign exchange cover ratio, and is broadly consistent with Fund-supported programs in individual member countries. The staff observed that the achievement of this objective would depend critically on several countries making rapid progress in adopting adjustment programs, notably Côte d'Ivoire. Also, the staff noted that there was room for some easing in monetary policy in an environment of falling world interest rates to contribute to accelerating growth in the zone. The program assumes that there will be no central bank advances to national treasuries in member countries, pursuant to the WAEMU Council of Ministers' September 1998 decision to eliminate the monetary financing of budget deficits by January 1, 2002. The authorities explained that in preparation for this phasing out, the central bank had begun, with external assistance, to develop a regional government securities market that would be used as a vehicle for nonbank financing of the treasury's domestic financing requirements. While encouraging the authorities to pursue this initiative, the staff explained that the budgetary constraints facing certain countries could make it difficult to phase out the total stock of central bank credits to governments by end-2001, and that an improvement in the public finances of member states would be essential for the good functioning of the regional market.

#### **D. Banking and Financial Sector Issues**

22. In 2000, the **WAEMU banking system's** resources rose by 9 percent and its assets by 6 percent; as a result, the liquid assets situation improved markedly. Profitability, as measured by the net return on equity ratio, remained comfortable (12 percent), although declining compared with 1999 (16 percent). However, nonperforming loans continued to represent an important share (19.5 percent before provisions) of banks' loan portfolios.<sup>12</sup> The staff urged the authorities to be more proactive in reducing the incidence of nonperforming loans, as the resolution of bank solvency problems could entail budgetary costs. It was recognized that, although such costs are currently believed to be small, one needed to guard against their potential destabilizing macroeconomic effect. To this end, the mission stressed the importance of adopting measures to ensure the observance of prudential ratios by banks, enhance loan recovery mechanisms, and improve the judicial environment. It noted that a closer examination of the composition of recent credit extension, including its sectoral concentration (particularly in the agricultural sector) and the share of crop credit in nonperforming loans, would be useful in assessing the extent to which the negative effects of weather-related and terms of trade shocks may have contributed to poor loan quality. It

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<sup>12</sup> Loans accounted for about 60 percent of bank assets.

would also provide some guidance on the extent to which banks need to limit their exposure to such risks. The Regional Banking Commission sets the required minimum provisions that take into account the number of unpaid installments, as well as the existence and nature of guarantees; this system has recently been revised to make it more stringent.

23. On the **regulatory side**, the mission welcomed the adoption of three new regulations on internal control, external auditors, and corporate governance that will result in better management of banking operations, with more transparency and accountability. At the same time, following extensive discussions with the Fund and World Bank staffs, new prudential arrangements were adopted in June 1999 that were more in line with international standards and practices. The capital adequacy ratio was raised from 4 percent to 8 percent,<sup>13</sup> and the risk concentration ratio was reduced from 100 percent to 75 percent. The definition of capital was widened, and the rules of provisioning were slightly strengthened. The mission noted that the new prudential framework could weaken the regulations by this widening of the definition of capital. It indicated that it would have been preferable to seize this opportunity to increase the minimum capital for banks, which had been unchanged since the CFA franc depreciation in 1994 and was still at roughly CFAF 1 billion, approximately US\$1.33 million.

24. **Compliance with new prudential regulations remains inadequate.** As a whole, 17 banks out of 59, representing more than 20 percent of the deposits of the zone, were not compliant with the minimum capital requirement and only 28 banks, representing half of the total deposits, were already abiding by the new capital adequacy rule—a response that casts some doubts on the ability of most of the banks to comply by the end of 2001. The mission expressed concerns about the possibility that a significant number of banks may be violating the minimum capital rule, thus leading to a segmentation of the banking system. The situation vis-à-vis the concentration of risks was even more problematic. Measured by the maximum exposure of each bank to a single borrower, the concentration is such that 43 banks, representing more than 70 percent of deposits, were noncompliant with the current legislation according to which a single customer cannot borrow more than 75 percent of a bank's own funds. This is not a new issue, and it reflects a structural problem that the authorities expect to address by issuing firm guidelines to banks to diversify their lending across sectors and countries and by developing new financing instruments. Also, at end-2000, 39 banks, representing over 75 percent of total deposits, were not in compliance with the minimum ratio (75 percent) of coverage of medium- and long-term assets by resources of similar maturity. This situation reflects the shortage of long-term resources in the banking system; however, the potential problems that could result from this maturity mismatch in banks' operations have until now not materialized, owing to the stability of deposits.

25. The staff raised two concerns regarding this situation. First, it indicated that, overall, the banking system continued to show signs of structural vulnerabilities. The Regional

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<sup>13</sup> The banks have been granted a two-year adjustment period to meet this new ratio.

Banking Commission officials recognized that 22 banks out of 59 and 5 financial institutions out of 25 had come under close scrutiny. Second, while acknowledging the competence and impartiality that the commission had acquired since its inception in 1990, the staff expressed some concerns about its ability to exercise its authority, including in enforcing the stiffening of penalties for noncompliance with its rules and regulations. The staff noted that, although the commission had taken a number of disciplinary actions against banks,<sup>14</sup> there had been long delays before banks had implemented the corrective measures. The staff urged the Regional Banking Commission to considerably shorten the time for banks to comply with the prudential norms. The banking commission officials denied that there had been any direct political interference but admitted that instability in the government teams had created delays in obtaining approval of decisions recommended by the Regional Banking Commission.

26. The staff also discussed the **operational capacity of the Regional Banking Commission** (West African Banking Commission) (Box 4). Concerning **off-site supervision**, the mission welcomed the decision taken to move toward the automatization of the transmission and processing of data received by banks, but noted that the electronic transmission encompassed up to now only the accounting data and not the prudential ones, which were still collected on paper forms. Consequently, the long delays that have been encountered in the collection and treatment of data will still be an impediment for supervision, at least in the coming years. The mission also recognized that efforts had been undertaken to develop an early warning system in relation to the design of an internal rating for banks, and took note of the authorities' intentions to start implementing the system by the end of 2001. On a related matter, the mission regretted the stance taken by the Banking Commission on the need to monitor macroprudential indicators; the officials responded that, in their view, it was up to the commercial banks to monitor macroeconomic factors. The mission noted that the strong exposure of the economies of the zone to exogenous shocks made it even more important for the supervisory authorities to follow macroeconomic developments for an early detection of banks' vulnerabilities. For **on-site inspections**, the mission regretted the decline in the number of staff assigned to those inspections from 27 in 1998 to 20 in 2000. The authorities noted that the resources expected for 2001 would allow the commission to conduct on-site inspections of banks in the region every three years, compared with the every-other-year schedule heretofore used.

27. As regards capital markets (Box 5), the regional stock exchange (BRVM) began operations in September 1998 under the supervisory authority of the Regional Securities Commission (Conseil Régional de l'Épargne Publique et des Marchés

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<sup>14</sup> From 1990 to 1998, the commission issued a total of 252 administrative measures, ranging from reprimands, prohibitions, and restrictions on banking activities, and suspensions or removals of directors from office, to the repeal of operating licenses. The number of orders issued to banks rose from 19 in 1997 to 29 in 1998. Seven financial institutions were put under temporary administrators in 1999.

Financiers). Representatives of the securities commission and the stock exchange recognized that the market was still in its infancy, and that its development had so far been limited.

#### **Box 4. The West African Banking Commission**

##### **Origin**

The West African Banking Commission was created on April 24, 1990 by a convention signed by the ministers of finance of the then seven member countries. It began operations on November 22, 1990; its primary goal is to ensure a uniform and efficient supervision of all banks and financial institutions in the eight member countries of the WAEMU, and to promote financial integration. At end-2000, there were 59 banks and 25 financial institutions subject to the banking law and to banking supervision. A single union-wide licensing agreement for banks was adopted in January 1999.

##### **Organization**

The West African Banking Commission is composed of 17 members: the governor of the BCEAO, who serves as the president, eight members, one per member state, and eight other members selected by the Council of Ministers on the basis of their qualifications and expertise in banking matters. The Executive Secretariat of the West African Banking Commission is headquartered in Abidjan, Côte d'Ivoire. Its human, material, and financial resources are provided by the BCEAO. It has a total of 80 staff members and has the prerogative to carry out all the responsibilities entrusted by the Commission, which meets at least twice yearly, and as often as necessary. Decisions are taken with a simple majority vote. In case of deadlock, the governor's vote determines the final outcome.

##### **Responsibilities**

The primary responsibility of the West African Banking Commission is to ensure that credit institutions maintain sound financial structures, including having adequate liquidity and solvency ratios. To carry out this function, the Executive Secretariat issues general instructions to banks and other financial institutions in the union, defines accounting procedures and prudential standards, and conducts on-site and off-site supervision of the financial institutions operating in the region.

The licensing of any financial institution in the region is subject to the prior agreement of the Executive Secretariat of the West African Banking Commission, following a technical review of the application. The commission is a jurisdictional body with authority to take disciplinary action without prejudice to any sanctions taken by national authorities. It can take the following sanctions: admonish, reprimand, prohibit certain operations or impose any restrictions on banking activities, suspend auditors, suspend or remove directors from office, and repeal operating licenses. However, both licensing and delicensing require formal signature of the Minister of Finance of the member state. The Executive Secretariat can also take the precautionary measure of placing a financial institution in distress under its direct control by appointing a temporary administrator.



### Box 5. The WAEMU Regional Financial Market

On December 17, 1993, the Council of Ministers of WAEMU decided to formally establish a regional financial market and mandated the BCEAO to carry out the project, with financial support from the World Bank, and the French, Canadian and U.S. governments. The regional securities exchange (Bourse régionale des valeurs mobilières, BRVM) was established as a private company in Abidjan and began operations in September 1998. The Regional Securities Commission (Conseil Régional de l'Épargne Publique et des Marchés Financiers, CREPMF) was created in 1997 and entrusted with the supervision and control of the market. The regional financial market comprises two compartments: the bond market and the securities market, the latter of which has the following characteristics:

- a centralized market governed by buy-and-sell orders, in which security prices are determined through a comparison of buy-and-sell orders received before quotation;
- three trading sessions per week with two fixings, which will shortly change to daily sessions and eventually to continuous fixing sessions;
- a spot market settlement process, which allows dealers to know the exact date by which they will have to meet their commitments;
- guaranteed transactions assured by the creation of the Investor Protection Fund, financed by brokerage firms with a view to mitigating the economic consequences of defaulting member firms; and
- the safekeeping and centralization of securities by the central depository and clearinghouse and the circulation of such securities in electronic form only.

As of end-December 2000, 41 companies were trading on the BRVM<sup>1</sup>, with a total capitalization of US\$1.5 billion. In order to be listed on the regional stock exchange, a company must meet the following conditions: (i) it must be a business corporation; (ii) the issuer must have undertaken in writing to provide information required by the stock market, specifically the publication of annual financial statements in the official stock exchange report, and it must participate in the development of the market; and (iii) the issuer must have undertaken in writing to comply with BRVM regulations. Moreover, a company that intends to apply for a listing on the BRVM must retain the services of a brokerage firm (Sociétés de Gestion et d'Intermédiation, SGI) which will provide it with the necessary assistance and advice. Presently, 15 brokerage firms have been licensed by the CREPMF to operate. The CREPMF also gives its opinion on the admission of a company in the stock market.

Two indices are used to track the overall movement of prices of shares or groups of shares listed on the BRVM: The **BRVM composite index**, which consists of all listed shares, and the **BRVM-10 index**, which reflects changes in the stock prices of the ten most active companies on the regional market. The volatility in the market has been relatively low; the BRVM composite index declined by about 18 percent in 2000.

In the bond market, primary issuance from financial institutions, private companies, and governments tumbled in 2000 to a little above CFAF 30 billion from about CFAF 150 billion in 1999. Transactions on the secondary market have remained very limited as most papers are subscribed by insurance companies that pursue long-term strategies. The integrity of the market is assured by the CREPMF, whose primary function is to

- analyze and verify the authenticity of any information submitted by issuers and give its go-ahead before any information is released to the general public;
- ensure that issuer firms prepare and present their financial statements on a regular basis; and
- provide a report on all issuances of debt instruments.

<sup>1</sup> 35 of which are carryovers of listings from the former Abidjan stock market.

In addition, the political instability faced by Côte d'Ivoire in 2000 had a negative impact on the regional stock market's development, bearing in mind the essential role played by that country as its host.

28. Securities market trading in the WAEMU is quite limited. At end-December 2000, there were 41 shares listed at the exchange, 35 of which had been carried over from the old Abidjan stock exchange. The remaining six listings correspond to public offerings made since the BRVM was created. Of these, four are from Côte d'Ivoire, one from Senegal, and one from Benin. In 2000, total trading on the BRVM was only about US\$52 million (down from US\$82 million in 1999), or approximately 0.2 percent of regional GDP. Trading in equities was roughly US\$33 million, while bonds accounted for US\$19 million. The exchange only operates for a few hours three times a week, and the dollar-value equivalent of typical daily volume is around US\$330,000 per trading session. These figures are quite low by international standards, although some other low-income markets have similarly limited volumes. In terms of trading value for the equity market, the BRVM ranks almost at the bottom among African markets, particularly relative to its market capitalization and GNP.

Stock Trading Volume and Turnover of African Exchanges, 1999  
(In millions of U.S. dollars, unless otherwise indicated)

	Volume	Market Capitalization	Turnover (In percent)	GNP (US\$ billion)	Volume (as percent of GNP)
Egypt	9,038	32,838	27.5	87.5	10.3
Ghana	25	916	3.0	7.4	0.3
Kenya	74	1,409	5.3	10.6	0.7
Nigeria	145	2,940	4.9	37.9	0.4
Mauritius	76	1,642	4.6	4.2	1.8
Morocco	2,530	13,695	18.5	33.8	7.5
South Africa	72,917	262,478	27.8	133.2	54.7
Tunisia	420	2,706	15.5	19.9	2.1
Zimbabwe	227	2,514	9.0	6.1	3.7
BRVM 1999	81	1,639	5.0	26.3	0.3
BRVM 2000 1/	33	1,175	2.8	n.a.	0.13

1/ The figure 0.13 is estimated assuming flat growth (0 percent) in GNP for the WAEMU region in 2000.

Evolution of Market Indices Since Creation of the BRVM  
(September 30, 1998 = 100)

	Sep. 30, 1998	Dec. 31, 1998	Dec. 31, 1999	Dec. 31, 2000
BRVM composite	100.0	91.4	85.1	69.6
BRVM-10	100.0	88.7	91.0	72.4
Standard & Poor 500	100.0	116.6	140.0	129.4
Compagnie des Agents de Change (CAC) 40	100.0	123.3	186.3	185.3

29. In contrast to the BRVM, the bond market has become increasingly active since the inception of the regional market. The total value of listed bonds rose from CFAF 40 billion in September 1998 to CFAF 129 billion at the end of 2000. Currently, there are 17 bond issues listed, from 13 different issuers. These issuers include national governments, quasi-public regional development banks, privately owned commercial banks, and industrial companies.

30. The securities market faces several questions, many of which are linked to its infancy. Foremost is the question of its financial viability and sustainability. Being a relatively new component of the financial system, the securities market has not reached the volume of activity needed to cover its operating costs, including those of the supervisory system. In addition, owing to this low level of activity, intermediation costs are high, which further limits the market's liquidity. The staff recognized that, based on the experience of other nascent markets, the securities market would likely not reach the size and maturity necessary to be fully self-sufficient for several years, although the level of financial support needed by the market should be decreasing, except for the cost of regulation and supervision. The staff noted that the national and regional authorities of the WAEMU needed to be aware of that situation, and that appropriate measures needed to be taken to strengthen the regional stock market to allow it to play an important role in financing the WAEMU economies. In this regard, the staff urged the senior officials of the stock market to take the initiative in developing an information campaign, to get in touch with all the potential actors in this market, and to propose new instruments that could bring more financial operations into the regional market. Given WAEMU's need for long-term resources for the enterprises, the numerous opportunities for privatization, and the expected development of the market for public debt, the medium-term outlook for the regional financial market could be positive.

#### E. Common Trade Policy

31. A **common trade policy and relatively open customs union** were generally implemented on January 1, 2000 with the adoption by all member countries of a common external tariff (CET) with four tariff rates (0, 5, 10, and 20 percent) and a uniform statistical duty of 1 percent (Box 6), the dismantling of the internal tariff barriers, and the adoption of common rules for customs valuation of goods and common safeguard measures. As a result,

### Box 6. Implementation of the Common External Tariff (CET)

As of January, 1, 2000, the adoption of the CET resulted in

- a common classification of goods;
- the implementation of a common external tariff;
- the abolition of tariffs within the WAEMU for local primary goods and eligible industrial products; and
- the adoption by member countries of common safeguards.

The **common classification of goods** was adopted in mid-1998 for implementation on January 1, 1999. Most member countries, however, experienced some delays in effective implementation. In September 1999, the WAEMU Commission agreed to reclassify 20 products (mostly agricultural inputs and manufactured goods), mainly by creating subproduct categories corresponding to new tariff lines. In December 1999, the commission agreed to the reclassification of another 96 products.

The ad valorem **CET** has four rates applicable to the following broadly defined categories: “social” products (0 percent), “primary” products (5 percent), “intermediate” goods (10 percent) and “final consumption” goods (20 percent). In addition to the tariff, other taxes include a statistical duty of 1 percent on most imports, a solidarity contribution (PCS) paid to the WAEMU institutions—equivalent to 1 percent of the value of goods imported from other countries outside the WAEMU, excluding petroleum products and exempted imports.

As of January 1, 2000, **all tariffs** within the WAEMU have been **removed** for local primary goods and eligible industrial products. For ineligible industrial products, there is a reduction of 5 percent on the tariff charged on equivalent goods imported from outside the region.

The **common safeguards** to help member countries cope with the adjustment period include three instruments: the decreasing protection tax (TDP); the compensatory import levy (TCI); and administratively set import values (*valeurs de référence*):

- The TDP is a temporary surtax of 10 percent or 20 percent applied on the c.i.f. value and linearly declining over four years (from July 1999 to December 2002) for industrial and agro-industrial products. The TDP and the TCI can be applied cumulatively on the same product.
- The TCI is a 10 percent protection levy against fluctuations in international prices for agricultural products. It is applied when the international commodity price falls below the trigger price, calculated as a weighted average of the domestic production cost (70 percent) and international prices (30 percent). The trigger price is set and adjusted every six months by the WAEMU Commission, based on developments in world market prices. The 10 percent tax can be replaced by a special levy (*péréquation*) absorbing the difference between the trigger price and the actual import price.
- Finally, World Trade Organization (WTO)-compliant administratively set import values could be assigned to a limited number of products; they will serve as the tax base for all customs taxes. However, these have not yet been implemented.

the unweighted average tariff rate fell from about 19 percent in 1997 to 12 percent in 2000, and the overall trade regime's classification shifted to "relatively open," with a trade restrictiveness rating of 3.5 on a scale of 1 to 10 in the Fund's classification of trade regimes (with 10 being the most restricted). **Nonetheless, the harmonized trade policy still has many shortcomings in its application.** As shown in Box 7, while most member countries are compliant with the rate structure (except for Niger, Senegal, and Togo, which have a few remaining surtaxes), all member countries save Burkina Faso still have deviations from the common nomenclature and product categorization. Concerning the common safeguard measures, the **decreasing protection tax** (TDP) is applied in three member countries:<sup>15</sup> the gradual decline in the rate<sup>16</sup> has been applied by Burkina Faso and Senegal, but Côte d'Ivoire continues to maintain the original 20 percent rate. The **compensatory import levy** (TCI), which covers numerous agricultural, fishing, and animal products, is applied only by Senegal on sugar imports, but Côte d'Ivoire and Mali have maintained their former surtaxes on this product. Also, by unilateral decisions, Burkina Faso, Côte d'Ivoire and Senegal have introduced administratively set import values on several products corresponding to a large number of tariff lines.<sup>17</sup>

32. Only two member countries (Burkina Faso and Togo) apply the World Trade Organization (WTO) standards on **customs valuation** (transaction value). Côte d'Ivoire, Senegal, and Niger have obtained from the WTO extensions of the transitional provisions of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (GATT) related to customs valuation: the former two countries until July 1, 2001, and Niger until December 31, 2001. The WAEMU Commission's representatives indicated that they would try to convince all the member countries to comply with the regulation before end-2001 and at the same time request from the WTO another extension for all member countries for about 37 sensitive products. The preparation of the **common customs code** has been delayed somewhat to incorporate the revised Kyoto directives, but it is expected to be adopted before end-2001. Similarly, preparation of the **common antidumping legislation** has taken somewhat longer than initially envisaged because of the need for consultations at the national level, but is expected to be adopted in early 2002. Finally, the remaining large number of **exemptions** on import duties and VAT under existing investment codes and special regimes introduce additional distortions that undermine the creation of a

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<sup>15</sup> Burkina Faso (five product groups), Côte d'Ivoire (five product groups), and Senegal (one product group).

<sup>16</sup> From 20 percent in 1999, to 15 percent in 2000, 10 percent in 2001, 5 percent in 2002, and its elimination on December 31, 2002.

<sup>17</sup> That is, 100 tariff lines for Burkina Faso, 357 lines for Côte d'Ivoire, and 78 lines for Senegal.

**Box 7. WAEMU: Implementation of Measures Adopted Under the Customs Union**

(As of March 31, 2001)

	<b>BENIN</b>	<b>BURKINA FASO</b>	<b>CÔTE D'IVOIRE</b>	<b>GUINEA BISSAU</b>	<b>MALI</b>	<b>NIGER</b>	<b>SENEGAL</b>	<b>TOGO</b>
<b>IMPLEMENTATION OF THE TEC</b>								
Nomenclature	All lines of the TEC included; 47 tariff lines outside the TEC	1 line of the TEC not adopted	1070 lines of the TEC not adopted; 3096 tariff lines outside the TEC	Compliant	31 lines of the TEC not adopted; 57 tariff lines outside the TEC	15 lines of the TEC not adopted; 52 tariff lines outside the TEC	151 lines of the TEC not adopted; 782 tariff lines outside the TEC	34 lines of the TEC not adopted; 17 tariff lines outside the TEC
Compliance with categorization	10 lines taxed differently from the TEC	Compliant	5 TEC tariff lines taxed differently	29 product groups taxed differently	31 TEC tariff lines taxed differently	90 TEC tariff lines taxed differently	180 TEC tariff lines taxed differently	34 TEC tariff lines taxed differently
Compliance with the number of duties and taxes	Compliant	Compliant	Compliant	Compliant	Compliant	Introduction of TVI	COSEC, surtaxes on rice, millet, maize, etc.	IT charges 1%
Enforcement of the Statistical Tax	Enforcement compliant	Enforcement compliant	Enforcement compliant	Enforcement compliant	Enforcement compliant	Enforcement compliant	Enforcement compliant	Enforcement compliant
Compliance with decline in the degressive protection tax (TDP)	The TDP is not applied	Yes	Still 20% rate instead of 10% rate	The TDP is not applied	The TDP is not applied	The TDP is not applied	Yes	The TDP is not applied
Import levy (TCI)	Not applied	Not applied	Not applied but surtax on sugar	Not applied	Not applied but surtax on sugar	Not applied	Applied on sugar	Not applied

ENFORCEMENT OF THE INTERNAL PREFERENTIAL TARIFF REGIME	Total tariff dismantling has been effectively implemented	Total tariff dismantling has been effectively implemented	Total tariff dismantling has been effectively implemented	Total tariff dismantling has been effectively implemented	Total tariff dismantling has been effectively implemented	Total tariff dismantling has been effectively implemented	Total tariff dismantling has been effectively implemented	Total tariff dismantling has been effectively implemented
		The CNC is required and minimum volume is required for sugar				Regional products carry the TVI	Community produced sugar pays a surtax	
	Regulation 04/2000 is enforced	Regulation 04/2000 is enforced	Regulation 04/2000 is enforced	Regulation 04/2000 is enforced	Regulation 04/2000 is enforced; problems with some countries' outward clearances	Regulation 04/2000 is enforced	Regulation 04/2000 is enforced	Regulation 04/2000 is enforced
ENFORCEMENT OF THE REGULATION ON CUSTOMS VALUATIONS	No Enforcement is planned for end-2001.	Yes, since June 3, 2000	No. WTO exemption until July 1, 2001. Administratively set valuations applicable to 40 products	No	No	No. WTO exemption until December 31, 2001	No. WTO exemption until July 1, 2001.	Yes.
CODIFICATION OF CUSTOMS AND STATISTICS REGIMES	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
CUMULATIVE COMPENSATION FOR LOSSES	CFAF 1,145 million	CFAF 4,653 million	CFAF 258 million	None	CFAF 2,840 million	CFAF 8,354 million	CFAF 4,301 million	CFAF 956 million
NONDISCRIMINATORY LEVYING OF EXCISE DUTIES ON PRODUCTS ORIGINATING IN THE UNION	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

full customs union.<sup>18</sup> The staff indicated the risks associated with the poor synchronization of reforms, with tariff reduction progressing as planned and reductions in exemptions being delayed, and urged that the draft regional directive codifying customs exemptions and their application be presented to the Council of Ministers for adoption in the very near future.

33. The harmonization of trade policy and dismantling of internal trade barriers are beginning to have a positive impact on **intraregional trade**. After a gradual implementation over a four-year period, effective January 1, 2000, all tariff barriers to intraregional trade in local primary and eligible industrial products have been eliminated.<sup>19</sup> As a result, the number of eligible industrial goods<sup>20</sup> grew rapidly,<sup>21</sup> and intraregional trade increased from about 10 percent of total recorded trade in 1996-98 to 12 percent in 1999, with preliminary data pointing to an even faster growth in 2000. Côte d'Ivoire and Senegal are the main regional exporters and the landlocked Sahel countries the main importers. The principal product categories traded were hydrocarbons (32.2 percent of intraregional imports in 1996-99), fertilizers (12.7 percent), and cement and salts (9.2 percent). To further increase the growth potential of the regional market, the commission representatives indicated that they wished to get rid of the existing complicated authorization procedures for industrial products by harmonizing the rules of origin—an action that is being undertaken at the level of ECOWAS. In this context, it is proposed to use WTO standards of origin, to reduce the minimum requirement in terms of value added to 30 percent, and to replace the prior authorization mechanism by a certificate issued by the exporting country, subject to possible ex-post control in case of dispute.

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<sup>18</sup> Exempted imports represent on average one-third of total imports in WAEMU countries.

<sup>19</sup> This dismantling is being applied by all member countries, but a few hurdles remain, e.g., restrictions on the free movement of sugar, remaining technical norms, etc.

<sup>20</sup> Approved by a special committee after meeting certain criteria, namely, to have a regional value added equal to at least 40 percent of total value added or include a regional content of at least 60 percent.

<sup>21</sup> From 948 products in May 1998 to 1,284 products in July 1999, 1,409 products in February 2000, and 1,845 products in May 2001.



**WAEMU: Intraregional Trade, 1996-99**

**(Exports plus Imports)**

<b>Year</b>	<b>WAEMU</b> (billions of CFAF)	<b>Overall Trade</b> (billions of CFAF)	<b>Share of WAEMU</b> (In percent)
1996	671.1	6,751.0	9.9
1997	753.1	7,269.9	10.4
1998	861.5	8,156.3	10.6
1999	949.1	7,913.7	12.0

34. **The staff welcomed the implementation of the CET and the continued efforts of the WAEMU Commission to further trade liberalization and integration. However, it commented that the setup of a true customs union and effective single market entailed the elimination of all remaining distortions** relating to tariffs, product classification, customs valuation, exemptions, subsidies, and nontariff barriers. In particular, it argued for a limited use of the common safeguard measures; an elimination of existing surtaxes that were not in line with the CET; a rapid adoption by all member countries of the WTO-compliant transaction valuation; and a significant reduction and harmonization of exemptions in the context of the adoption of the regional investment code. The staff encouraged the authorities to launch a second trade liberalization program aimed at accelerating harmonization of the overall framework. Also, the authorities and the staff agreed that numerous informal nontariff barriers remained, including unnecessary road checks that led to the imposition of illicit assessments, whose cost could equal or even surpass the cost of tariffs. The authorities indicated that, to combat these practices, a proposal had been made to establish joint control posts at the borders and surveillance of illicit practices.

**IV. OTHER REGIONAL ISSUES**

**A. Structural Funds**

35. **The structural funds** set up in February 1998 to contribute to the reduction of regional disparities by financing development projects in regions with lower-than-average income levels are now about to start operations. Their interventions—through grants, interest subsidies, and loans—will cover economic infrastructure, social infrastructure, and the

reinforcement of local capacities. The resources accumulated by the structural funds over the last three years amount to CFAF 23 billion (0.1 percent of aggregate GDP), and the West African Development Bank (BOAD) has been designated as principal executing agent. Member states are forwarding their proposals for interventions, and an overall program is expected to be endorsed by the WAEMU Council of Ministers in September 2001. The staff recognized that the structural funds could reinforce solidarity in the WAEMU zone and contribute to the acceleration of the integration process. It stressed the importance of efficiency and transparency in the funds' management to ensure their credibility within the zone and with external partners, as they could become a catalyst in mobilizing the resources needed to finance regional infrastructures. In this regard, the staff suggested that the WAEMU Commission should play its role in identifying useful projects, in line with integration objectives and taking into account potential opportunities for improving the allocation of resources.

### **B. Sectoral Policies**

36. **Common sectoral policies** are another important pillar of the WAEMU integration process. They cover human resources, rural development, infrastructures, transportation, telecommunications, energy, mining, industry, and the environment. For all these sectors, the WAEMU Commission has embarked on studies aiming essentially at harmonizing national policies, regulatory frameworks and legislation. The staff recognized the crucial role that common sectoral policies can play in deepening regional integration by building regional basic infrastructures, facilitating exchanges, and creating a wider economic space for efficient private sector investment. Also, the mission shared the commission's view that the expected elimination of economic disparities among the member countries would be essential to maintain a strong commitment on the part of the governments to regional integration. While commending the WAEMU Commission for promoting regional sectoral policies, the staff explained that the effectiveness of these policies could be enhanced by giving priority to (i) structural reforms that could improve the competitiveness of the WAEMU economies and reduce transaction costs in key sectors, and (ii) efforts by the WAEMU Commission to prioritize its actions, taking these reform priorities into account.

### **C. Statistical Issues**

37. The WAEMU Commission has continued to work closely with the European Union (EU) through Eurostat, and with the regional statistical institute, AFRISTAT.<sup>22</sup> The regional statistical support program (PARSTAT) for a centralized database, which was put in place in

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<sup>22</sup> To supplement the limited human and material resources in each of their countries, the 13 countries of the CFA franc zone plus the Comoros created AFRISTAT in 1993, with the support of French aid, to advise the national statistical institutes of member states. AFRISTAT is headquartered in Bamako (Mali) and started its activities in January 1996. Guinea-Bissau and Mauritania joined in 1998.

1998, and the harmonized consumer price index, which was introduced in all the member states in January 1998, will facilitate regional surveillance. Nonetheless, the lack of human resources remains an obstacle to the development of PARSTAT's database; to the methodological reconciliation of national accounts, industrial, and agricultural production data; to the production of foreign trade statistics; and to the adoption of new indices to measure price and factor cost movements. The staff encouraged the regional authorities to promote more effectively these statistical initiatives at the national and regional levels and to provide annual "state-of-progress" reports to the WAEMU's Council of Ministers. Moreover, the staff recommended that the WAEMU Commission participate in the follow-up to the workshop on the General Data Dissemination System (GDDS) which had been conducted in Bamako during March 27-April 10, 2001 by the Fund, the World Bank, the BCEAO, and AFRISTAT.

38. Regarding monetary data, the main shortcoming identified by a recent **Fund monetary and financial statistics mission** pertains to a lack of timeliness in monthly returns from the deposit money banks. The authorities indicated that an action plan and indicative timetable had been prepared for introducing an area-wide *International Financial Statistics (IFS)* page for WAEMU. The mission confirmed that the *IFS* page would be submitted for comment to AFR and the central bank before its publication, possibly in early 2002.

#### **D. Financing of WAEMU Institutions**

39. The financial resources of the WAEMU institutions consist of the *prélèvement communautaire de solidarité* (PCS), a surcharge levied by member states on imports from outside the union, supplemented by external financial support, in particular from the EU. The proceeds of the PCS can be used for the payment of operating expenditures, compensation of member states for losses from the dismantling of tariffs on internal trade,<sup>23</sup> endowments of the structural funds, set-asides into a reserve fund, and other uses decided upon by the Council of Ministers. With the doubling of the PCS rate to 1 percent in January 2000 to provide for the widened tasks of the union, PCS resources increased from about CFAF 13 billion in 1999 to about CFAF 31 billion in 2000 (Table 24). Operating and investment outlays amounted to approximately CFAF 4.5 billion in 2000, in line with previous years. Compensations for losses linked to the internal trade liberalization amounted to CFAF 16 billion, and CFAF 10 billion was set aside for the structural funds. The 2001 budget foresees a little above CFAF 30 billion in PCS proceeds, CFAF 7.5 billion in operating and investment expenditure, CFAF 18.3 billion for the compensation of revenue shortfalls, an endowment of CFAF 5 billion for the structural funds, and a CFAF 0.2 billion set-aside in the Reserve Fund.

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<sup>23</sup> Compensation of the shortfalls was set at 100 percent for the years 1996-2002; this rate will decline to 80 percent in 2003, 60 percent in 2004, and 30 percent in 2005, and there will be no reimbursement from 2006 onward.

40. External assistance to the WAEMU institutions has essentially been provided by the EU. In 1997-99, these institutions benefited from a grant under the PARI-I program of €14.4 million (CFAF 9.4 billion), €6.6 million (CFAF 4.3 billion) of which had been disbursed by May 2001. For 2000-01, a successor program (PARI-II) totaled €65 million, including €8 million to support directly the WAEMU institutions,<sup>24</sup> €16 million (€2 million per member state) to reinforce national capacities in implementing regional reform, and €40 million to cover part of the transitory fiscal cost of the external tariff reduction. Further assistance has been provided by some other bilateral and multilateral development partners, including France for technical assistance and a study in the transport area, and the Fund for technical assistance through a resident expert.

## V. RELATIONS WITH ECOWAS

41. The summit of the Heads of State and Governments of the Economic Community of West African States (ECOWAS) held in Bamako, Mali in December 2000 was a turning point for economic integration in west Africa. The Heads of State signaled a strong political will to accelerate the integration process by (i) establishing an ECOWAS free trade zone; (ii) deciding to create a second monetary zone by 2003; (iii) setting up of the remaining community institutions (parliament and Court of Justice); and (iv) deciding to harmonize ECOWAS and WAEMU programs in the areas of the common market, convergence of macroeconomic policies, and definition and implementation of sectoral policies. Concerning monetary issues, the Heads of State of the second monetary zone (The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone) adopted the agreement of the West African Monetary Zone (WAMZ), the statutes of the West African Monetary Institute (WAMI)—which started operations in January 2001—and the statutes of the West African Central Bank (WACB). They decided to set up the headquarters of the WAMI in Accra (Ghana), appointed its Director General, a staff member of the Central Bank of Nigeria, and decided to create a Stabilization and Cooperation Fund. Moreover, the Heads of State urged the countries of the second monetary zone to intensify their efforts in the convergence area in order to facilitate the merger within the WAEMU zone and to create a single ECOWAS monetary zone in 2004.

42. Under the authority of the President of Mali, reelected in December 2000 as Chairman of both WAEMU and ECOWAS, the regional institutions of the two zones established a close cooperative relationship with consultations in the key areas of monetary policy, customs union, fiscal policies, and sectoral policies. According to senior officials of the WAEMU Commission and the BCEAO, the political commitment for a single monetary union remains strong; but the implementation process requires solving several serious problems resulting from disparities among countries. In particular, substantial progress needs to be made in achieving the macroeconomic convergence and fiscal discipline required to

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<sup>24</sup> None of which had been disbursed as of May 2001 because of delays encountered in finalizing audits of the PARI-I program.

achieve the ECOWAS single monetary union. In this regard, the WAEMU regional institutions underlined the importance of harmonizing public finance frameworks, which required significant technical preparations and reinforcement of the institutional capacity in the region. Also, the staff noted that, by facilitating exchanges, a common monetary area would benefit the free trade area within the ECOWAS zone. In this context, the staff indicated that, while the economic benefits and costs of creating an ECOWAS monetary zone needed to be fully assessed, strong efforts to achieve macroeconomic convergence and fiscal consolidation would help to maximize the overall benefits from economic and monetary integration in ECOWAS.

## VI. STAFF APPRAISAL

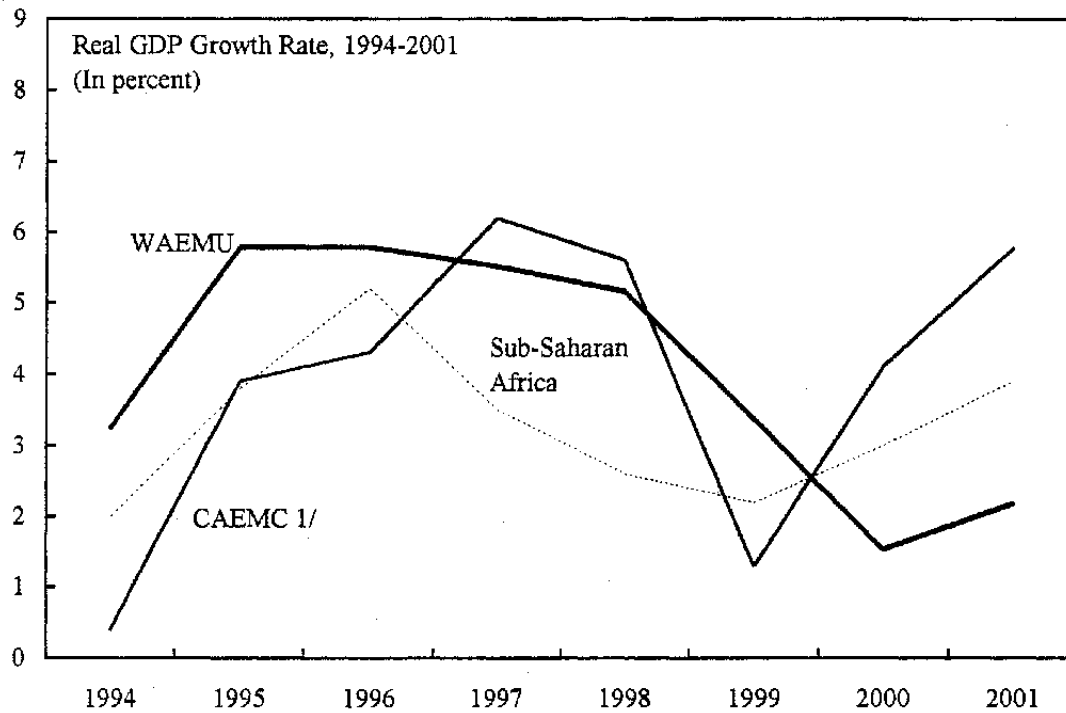
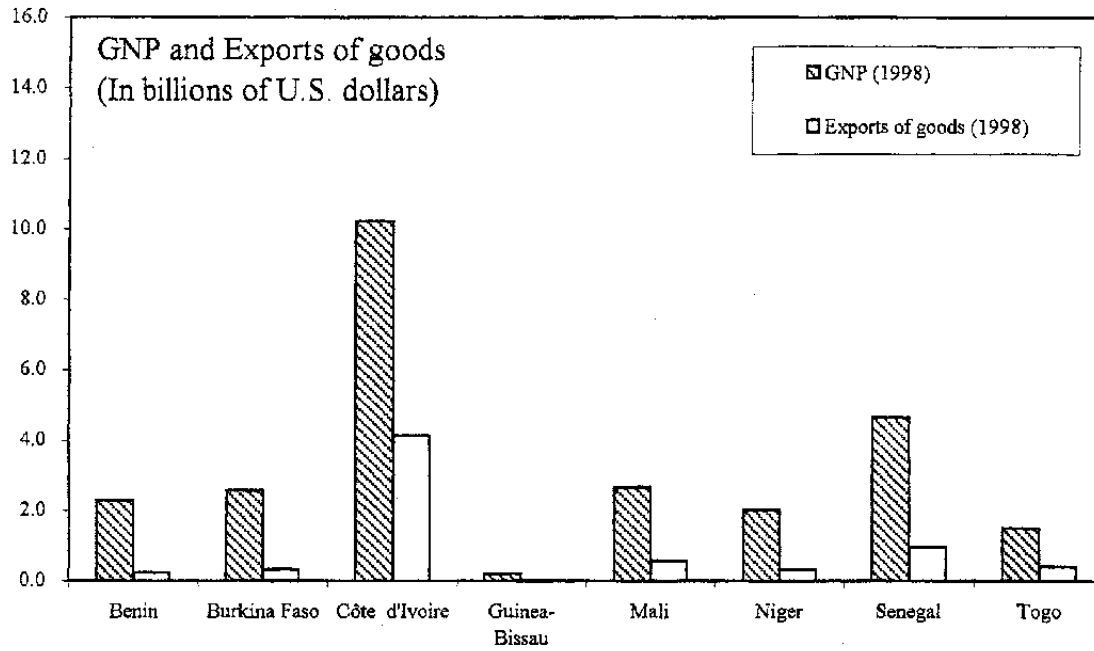
- **The past year was characterized by a marked deterioration in the economic and financial performance of the WAEMU as a whole. These developments reflected unfavorable terms of trade, political conflicts in certain countries (Côte d'Ivoire, Guinea-Bissau, and Togo), and a weakening of adjustment policies.** Given the growth slowdown in the international economy and the vulnerabilities of the WAEMU economies to external developments, there is a likelihood that the economic slowdown could be prolonged in 2001 and beyond, unless vigorous measures are taken to strengthen macroeconomic policies, deepen structural reforms, and improve competitiveness. An early economic recovery is essential not only to combat widespread poverty, but also to consolidate political support for the integration process.
- The weaknesses of the WAEMU economies are also the result of their longer-term structural problems that need to be addressed forcefully. In this context, an overriding priority for the authorities should be to improve the economic environment in the zone by implementing policies that would improve the productivity of factors, broaden the productive base, and strengthen external **competitiveness**. These efforts should include reorienting public expenditures to the priority social sectors for human resource development, as well as structural reforms aimed at reducing the costs of transport, energy, telecommunications, and financial intermediation, so as to promote private sector initiative and investment, and attract foreign direct investment.
- While some progress has been achieved on the integration front since 1994, including the creation of the economic union, the regional institutions need to be strengthened to speed up the process of integration and to ensure the effective implementation of various regional reforms. This would also require a stronger political commitment on the part of member governments to remove remaining **obstacles to intraregional trade to create a single regional market as well as to take the steps needed to establish a full-fledged customs union**.
- **The staff considers that a full and effective implementation of the envisaged trade liberalization and the common external tariff is essential for the establishment of the planned customs union in the WAEMU.** Moreover, a deeper

regional integration could be achieved by pressing ahead with the regional harmonization of indirect taxes, customs exemptions, competition laws, and investment codes.

- **To maximize the benefits of the monetary union and its fixed exchange rate regime, progress needs to be made in achieving fiscal consolidation and macroeconomic convergence among WAEMU member countries.** The need for such progress would be stronger to promote the monetary integration envisaged under ECOWAS. With the new framework of mutual surveillance introduced in the WAEMU in the context of the convergence pact adopted in 2000, it will be important for member countries to adopt all the required adjustment measures in a timely manner when policies deviate from the established convergence programs. There is, therefore, a need to strengthen regional surveillance at the national level by reinforcing the national units (namely, the national committees of economic policy), harmonizing the public finance framework, and improving statistics.
- **It would be important to achieve a greater integration of the WAEMU region's money and financial markets,** to facilitate the financing of fiscal deficits from nonbank sources, enhance the central bank's management of excess liquidity in the region's banking system, and promote the development of the financial sector. In this context, the planned establishment of a regional market for securities issued by member countries' governments by the end of this year would be an important first step. The successful development of this market as well as of a regional interbank money market will need to be underpinned by strengthening banking supervision. The reinforcement of bank supervision would help to improve banks' compliance with prudential ratios and reduce their nonperforming loans, and thereby reduce the risks of instability in the markets.
- **A strengthening of institutional capacity is necessary to achieve the integration objectives of the WAEMU.** The main decisions concerning the customs union, economic policy coordination, macroeconomic convergence, and the common sectoral policies entered into force in 2000, but difficulties are being experienced in implementing them, partly owing to weaknesses in national and regional capacities. To address these difficulties in implementing regional policies, the WAEMU would benefit from **external support in terms of technical assistance and training, in particular in the trade policy and macroeconomic areas.** Also, external financial support would be helpful in alleviating the transitional costs associated with structural reforms and the adoption of common sectoral policies.
- Although the objective of monetary integration within the wider Economic Community of West African States (ECOWAS) continues to enjoy the support of political authorities, the long experience of the WAEMU countries under a monetary union suggests that substantial progress still needs to be achieved in that region in fiscal consolidation, macroeconomic convergence, and the implementation of key

regional economic reforms. In light of this experience, the goal of achieving a single monetary union in West Africa by 2004 would appear to be very ambitious.

Figure 1. WAEMU: Economic Indicators, 1994-2001



Sources: African Department database; and World Bank, *World Development Report*.



Figure 2. WAEMU: Selected Macroeconomic Indicators, 1994-2001 1/

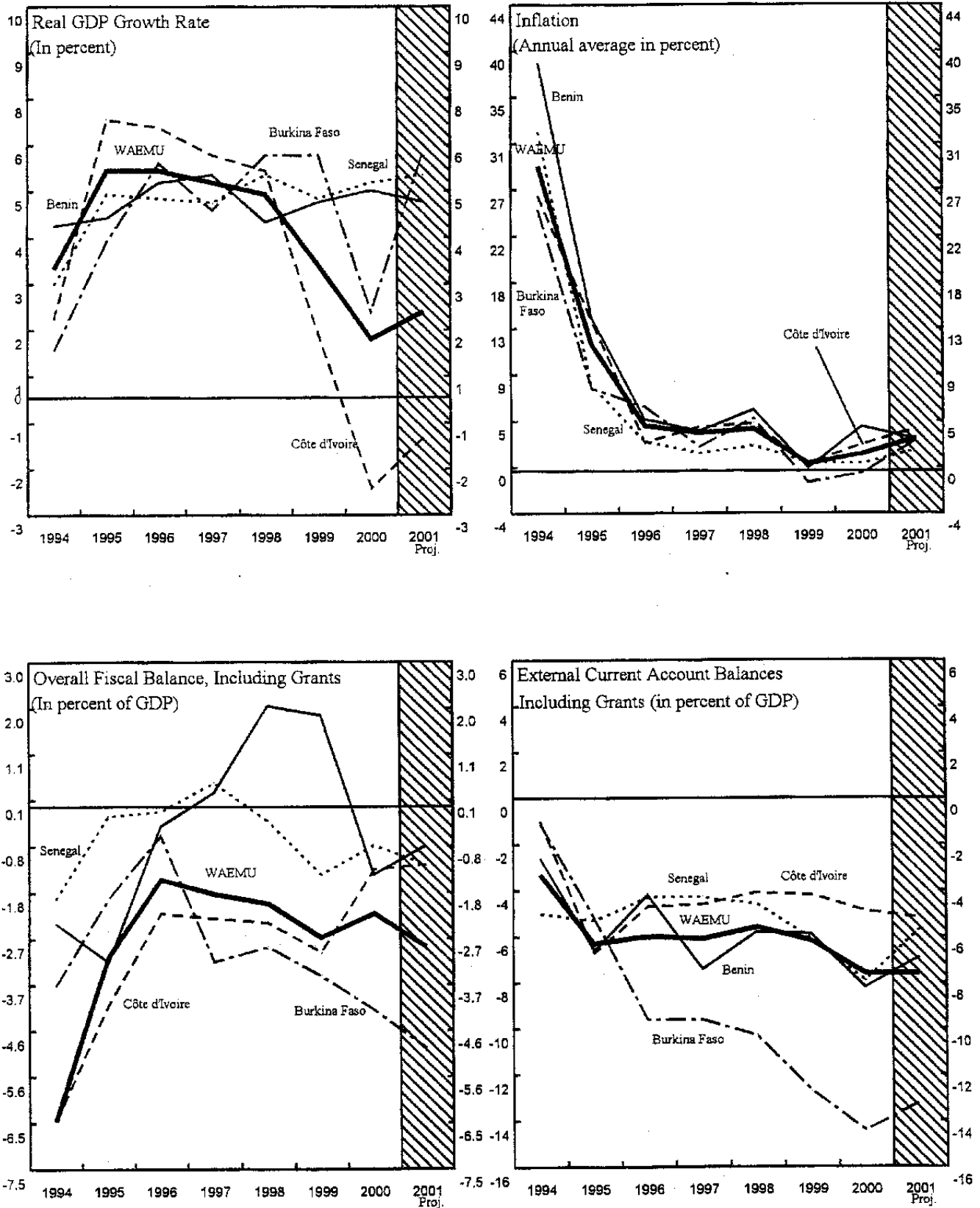
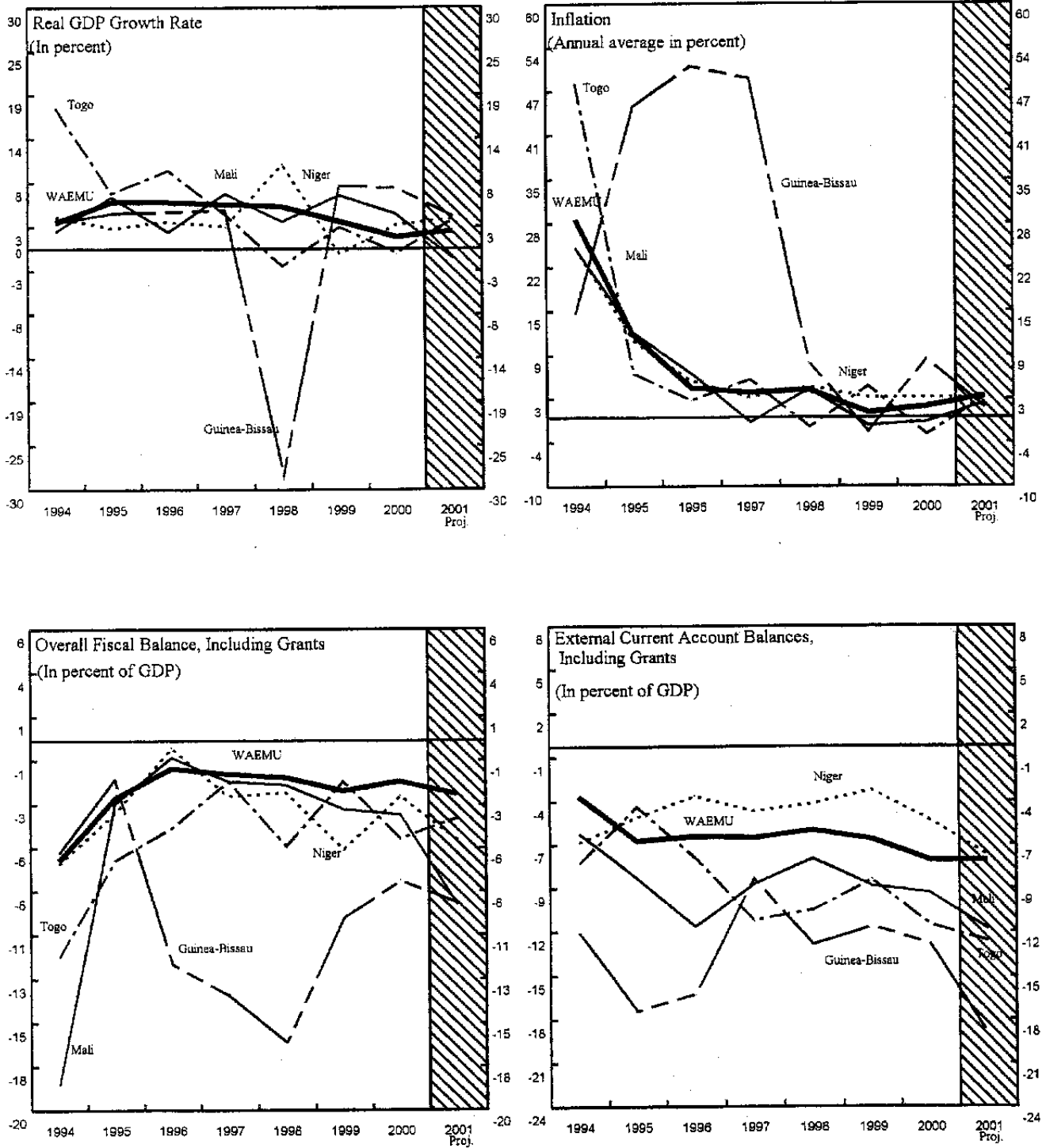


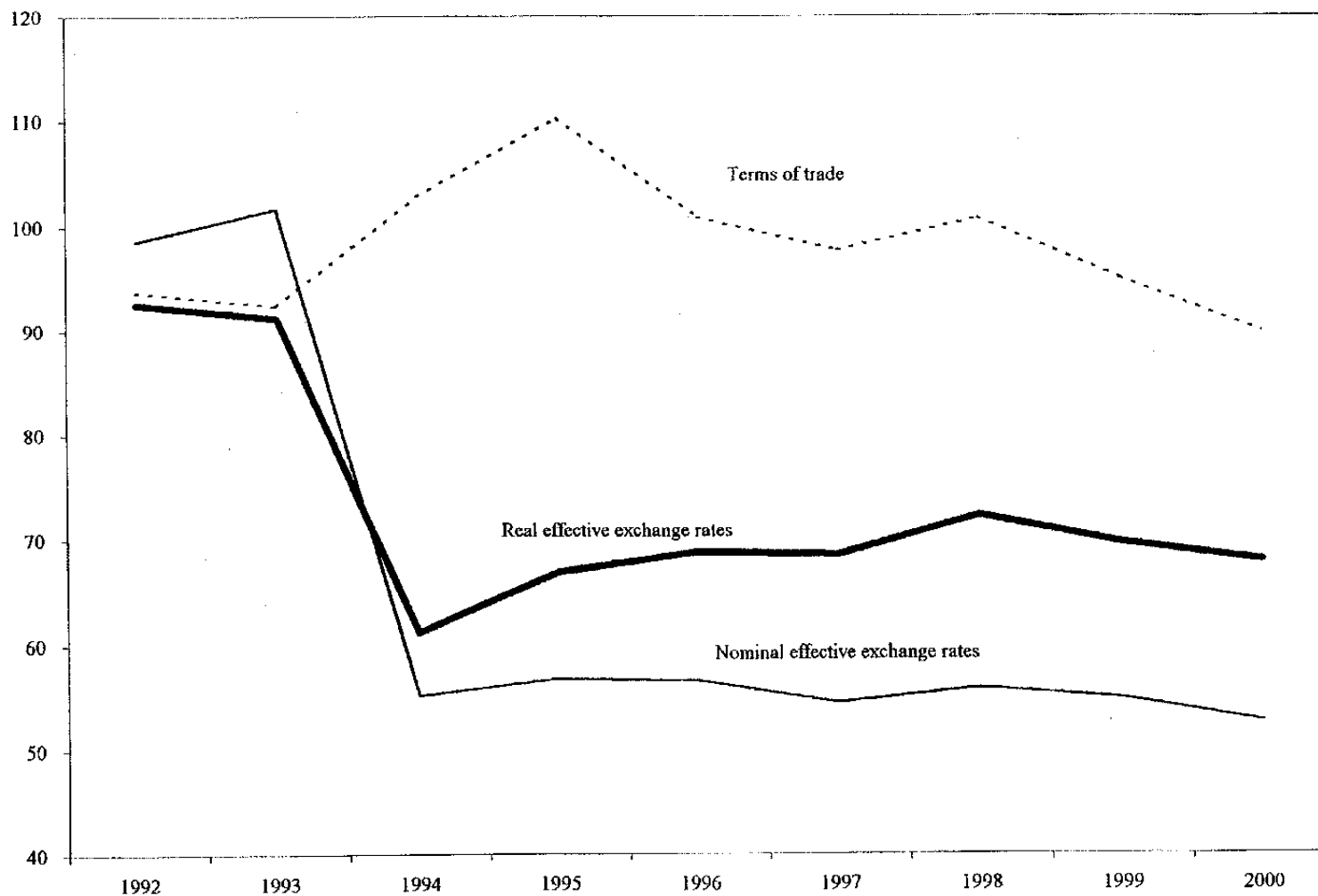
Figure 2. WAEMU: Selected Macroeconomic Indicators, 1994-2001 (concluded) 1/



Source: African Department database.

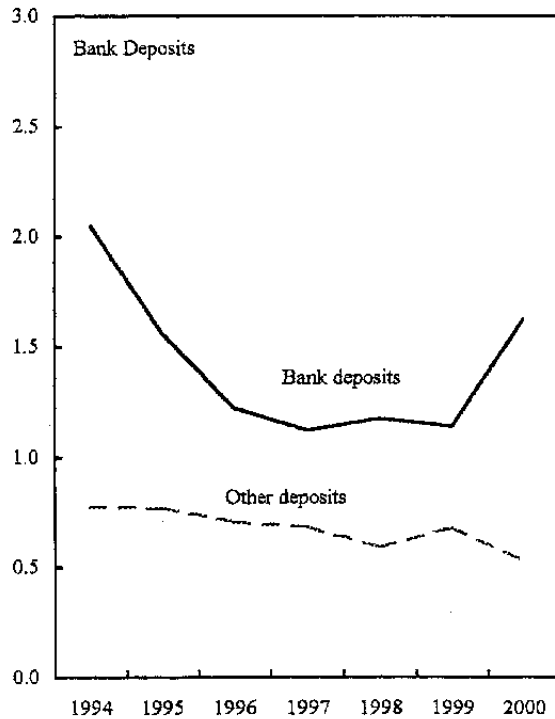
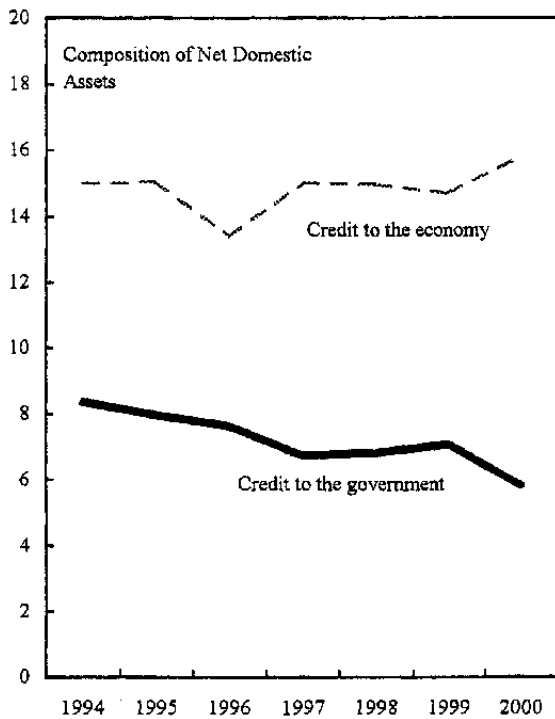
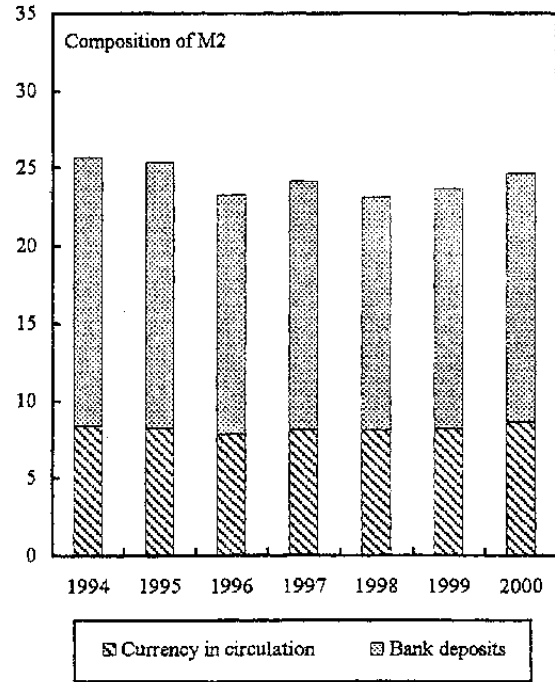
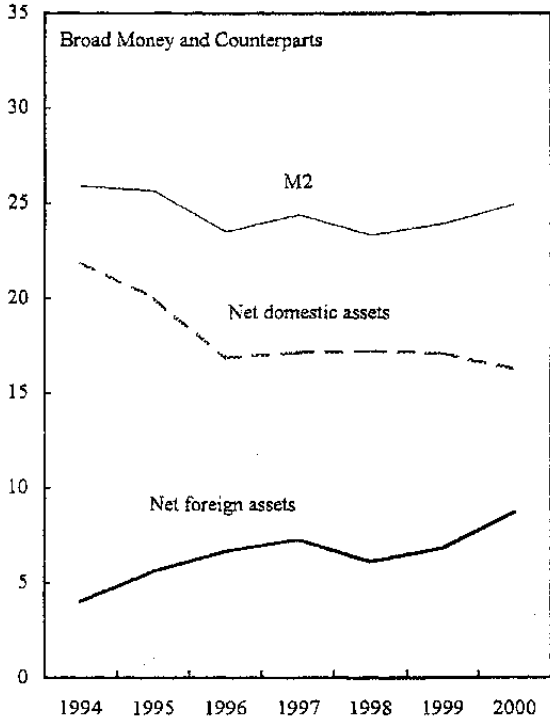
1/ Shaded area indicated projections.

Figure 3. WAEMU: Effective Exchange Rates and Terms of Trade, 1992-2000  
(Index 1990 = 100)



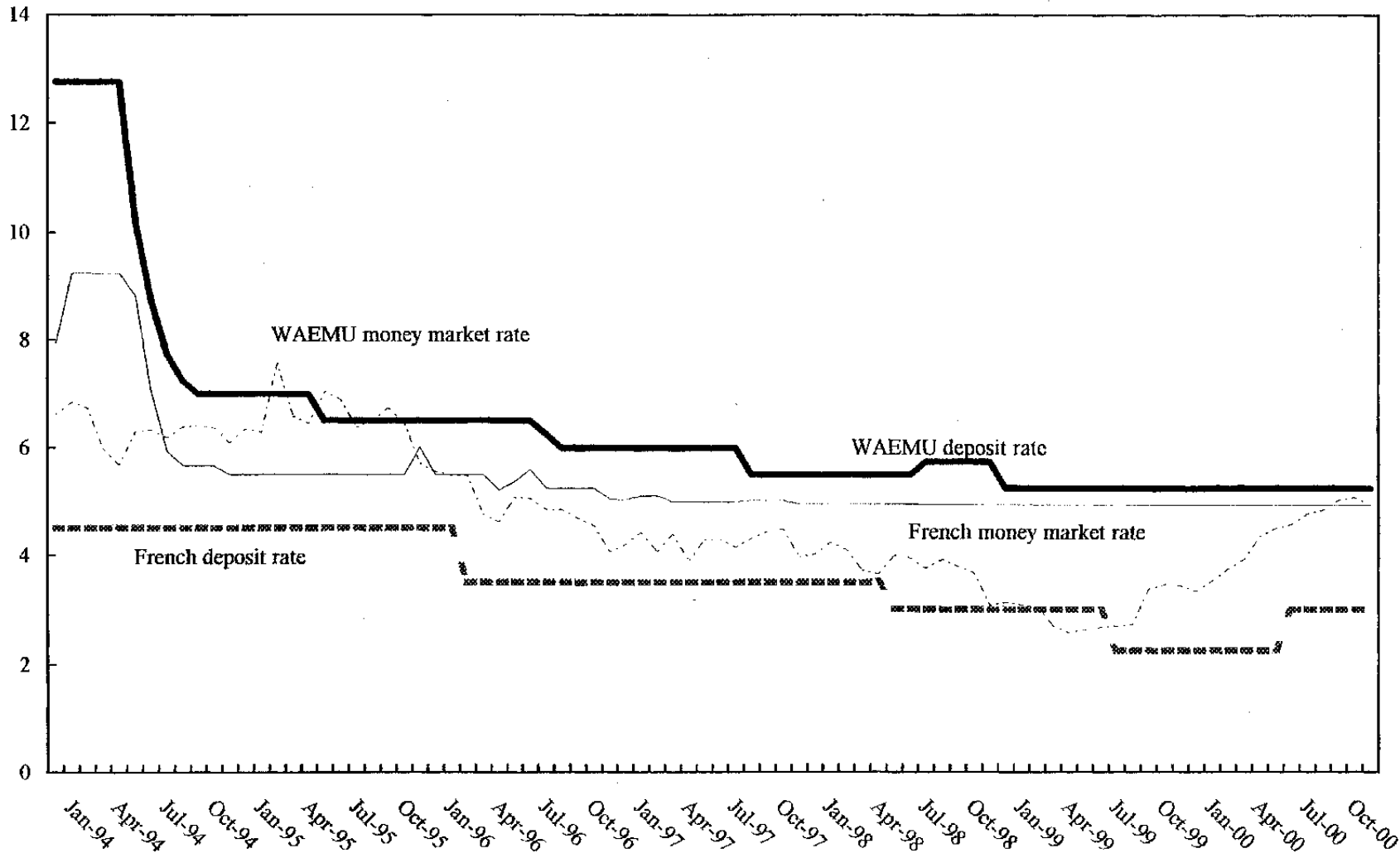
Sources: IMF, Information Notice System and African Department database.

Figure 4. WAEMU: Selected Monetary Aggregates, 1994-2000  
(In percent of GDP)



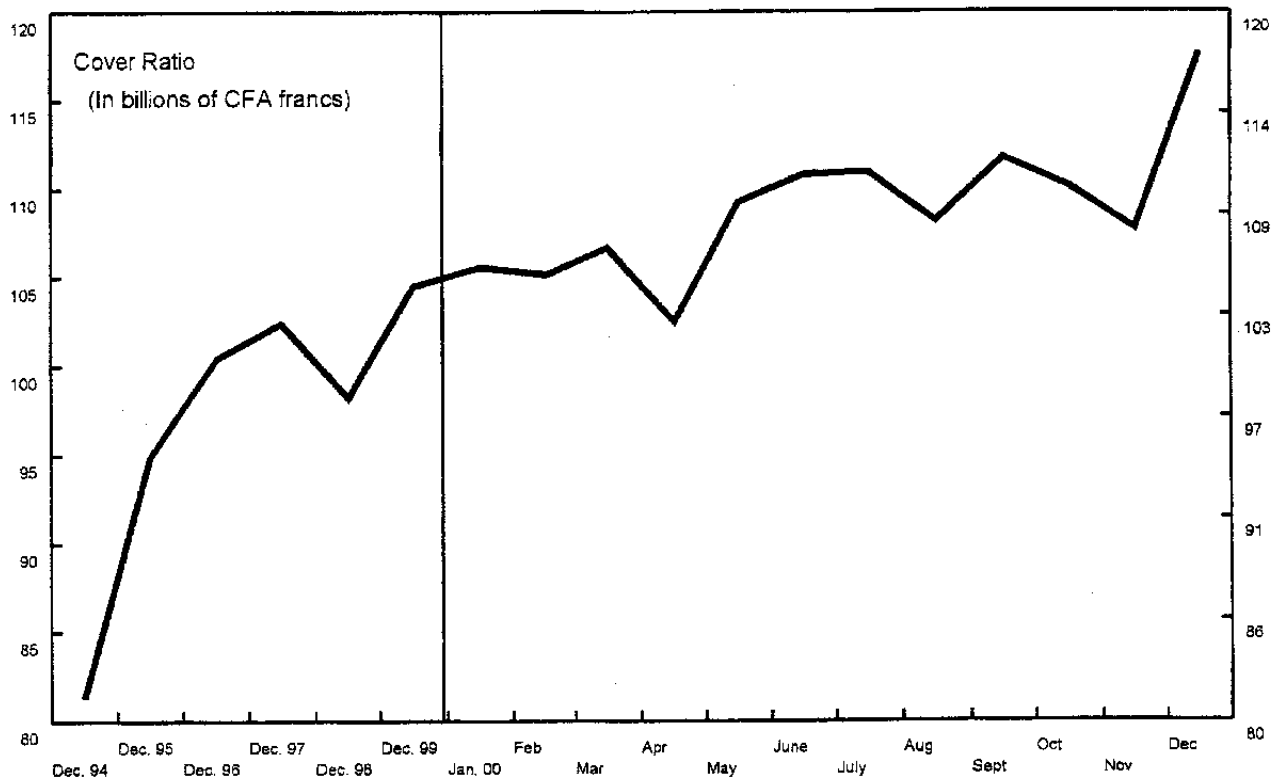
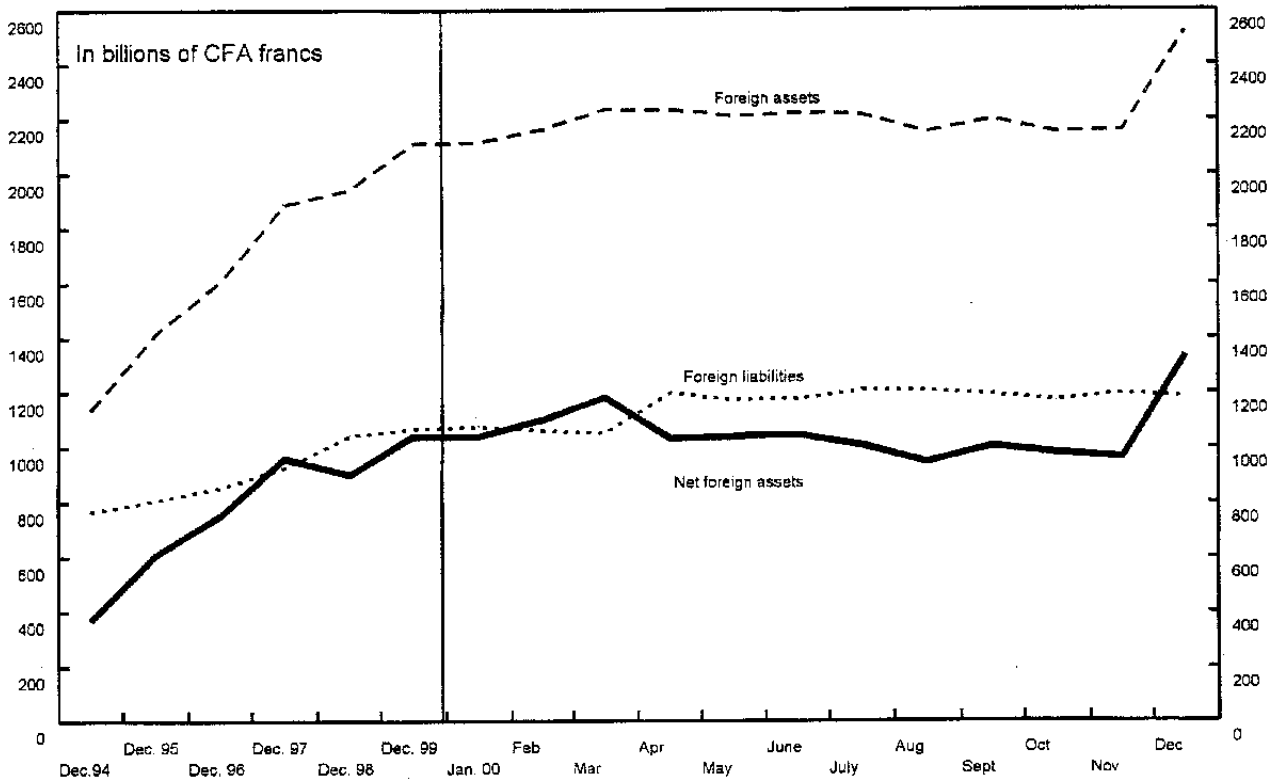
Source: Central Bank of West African States (BCEAO).

Figure 5. WAEMU and French Interest Rates, 1994-2000  
(In percent)



Source: IMF, *International Finance Statistics* (IFS).

Figure 6. WAEMU: Foreign Assets and Cover Ratio, December 1994-December 2000



Source: BCEAO.

Table 1. WAEMU: Main Features of WAEMU Economies

	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU Total
Population (millions)	5.9	10.7	14.5	1.2	10.6	10.1	9.0	4.5	66.6
Land area (thousands of sq.km.)	110.6	273.6	318.0	28.1	1,220.2	1,266.7	192.5	54.4	3,464.2
GNP (billions of U.S. dollars) 1/	2.3	2.6	10.2	0.2	2.7	2.0	4.6	1.5	26.1
GNP per capita, Atlas method 1/ (current U.S. dollars)	380.0	250.0	700.0	160.0	250.0	200.0	520.0	330.0	348.8
Agriculture, value added (percent of GDP)	38.6	33.3	26.0	62.4	46.9	41.4	17.4	42.1	38.5
Industry, value added (percent of GDP)	13.5	27.2	22.7	12.7	17.5	17.0	24.1	21.1	19.5
Services, etc., value added (percent of GDP)	47.9	39.5	51.3	24.9	35.6	41.7	58.5	36.8	42.0
Exports of goods (billions of U.S. dollars)	0.2	0.3	4.1	0.0	0.6	0.3	1.0	0.4	7.0
Imports of goods (billions of U.S. dollars)	0.5	0.6	2.8	0.1	0.6	0.4	1.3	0.6	6.7
Intraregional trade									
Exports (in percent of total)	13.7	28.1	1.4	14.8	25.5	18.9	3.3	8.0	9.4
Import (in percent of total)	5.2	4.4	15.4	4.6	2.3	4.8	15.1	16.4	12.6
Share of individual countries (in percent)									
In GNP	8.7	9.9	39.2	0.7	10.2	7.8	17.8	5.7	100.0
In exports	3.4	4.7	59.1	0.4	8.0	4.8	14.0	5.7	100.0
In net domestic assets	4.1	8.5	49.3	0.0	7.2	3.5	21.4	6.0	100.0
In net foreign assets 2/	46.5	17.8	-1.8	0.0	22.5	-2.1	10.9	6.2	100.0

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

1/ GNP 1998.

2/ About 40 percent of the official reserves are held by the headquarters of the BCEAO.

Table 2. Sub-Saharan Africa: Cross-Group Comparison, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001 Proj.
	(Annual percentage changes)							
Real GDP								
WAEMU	3.3	5.8	5.8	5.5	5.2	3.4	1.5	2.2
CAEMC	0.4	3.9	4.3	6.2	5.6	1.3	4.1	5.8
Sub-Saharan Africa	2.0	3.8	5.2	3.5	2.6	2.2	3.0	3.9
Inflation (annual averages)								
WAEMU	28.8	12.0	4.3	3.6	4.0	0.7	1.6	3.1
CAEMC	23.9	18.3	7.0	5.4	1.0	0.5	1.5	2.4
Sub-Saharan Africa	68.7	40.7	36.4	17.6	10.7	14.5	17.1	11.3
Terms of trade								
WAEMU	13.0	7.6	-7.2	-3.1	3.2	-5.4	-8.5	3.6
CAEMC	-2.3	0.5	5.3	-0.9	-10.4	0.1	31.9	-2.6
Sub-Saharan Africa	4.5	1.7	1.8	-0.1	-3.6	-0.1	7.4	-1.3
	(In percent of GDP, unless otherwise indicated)							
Gross domestic investment								
WAEMU	16.8	17.9	17.9	17.5	18.1	17.9	16.7	17.6
CAEMC	21.7	19.7	19.6	21.9	25.4	21.0	21.5	24.3
Sub-Saharan Africa	17.5	17.7	17.2	16.9	18.4	17.5	17.1	18.3
Overall fiscal balance, incl. grants								
WAEMU	-6.5	-3.1	-1.5	-1.8	-2.0	-2.6	-2.2	-2.9
CAEMC	-7.2	-2.3	-1.8	-1.4	-6.5	-2.3	4.0	4.9
Sub-Saharan Africa	-5.6	-4.2	-3.5	-3.4	-3.9	-3.7	-2.7	-2.0
External current account, incl. grants								
WAEMU	-3.3	-6.3	-6.0	-6.1	-5.6	-6.2	-7.6	-7.6
CAEMC	-5.3	-3.0	-3.9	-4.8	-13.0	-6.5	-4.2	-7.1
Sub-Saharan Africa	-3.3	-4.0	-2.1	-3.1	-5.8	-4.6	-2.1	-3.2
External public debt								
WAEMU	107.6	91.7	85.5	80.7	79.8	81.4	87.5	83.5
CAEMC	113.1	95.5	83.1	80.2	88.5	87.4	72.2	66.9
Sub-Saharan Africa	58.0	53.0	50.5	47.5	51.9	52.7	50.0	49.5
Foreign reserves cover ratio 1/								
WAEMU	81.3	94.9	100.4	102.4	98.3	104.5	117.7	...
CAEMC	42.6	43.3	62.2	72.8	45.1	41.1	...	...

Source: African Department database.

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



Table 3. WAEMU: Selected Economic and Financial Indicators, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001 Proj.
	(Annual percentage changes)							
National income and prices								
GDP at constant prices	3.3	5.8	5.8	5.5	5.2	3.4	1.5	2.2
Consumer prices (average)	28.8	12.0	4.3	3.6	4.0	0.7	1.6	3.1
Terms of trade	13.0	7.6	-7.2	-3.1	3.2	-5.4	-8.5	3.6
Nominal effective exchange rates	-45.0	4.8	0.3	-3.6	3.1	-1.5	-4.9	...
Real effective exchange rates	-36.4	12.5	1.8	-2.2	5.5	-2.8	-5.8	...
	(In percent of GDP)							
National accounts								
Gross domestic savings	15.3	14.9	14.5	13.7	14.9	14.6	12.0	12.8
Gross domestic investment	16.8	17.9	17.9	17.5	18.1	17.9	16.7	17.6
<i>Of which</i> : public investment	7.2	7.7	7.0	7.5	7.7	7.3	6.4	7.2
Resources gap	-1.6	-3.0	-3.5	-3.9	-3.7	-3.4	-4.8	-4.8
	(Annual changes in percent of beginning-of-period broad money)							
Money and credit								
Net foreign assets	32.9	9.5	6.5	5.9	-2.7	3.9	8.7	...
Net domestic assets	6.4	4.6	-6.0	8.9	6.1	1.7	-2.1	...
Broad money	39.3	14.1	-6.1	14.8	3.3	5.6	6.6	...
	(In percent of GDP, unless otherwise indicated)							
Government financial operations								
Government total revenue, excl. grants	14.5	16.8	17.3	17.2	16.9	16.5	16.1	16.2
Government expenditure	24.1	23.1	22.2	21.9	21.8	21.8	21.1	21.6
Overall fiscal balance, excl. grants	-9.0	-6.3	-4.9	-4.5	-4.8	-5.3	-4.1	-4.9
Official grants	...	3.2	3.4	2.9	2.8	2.7	2.4	2.7
Overall fiscal balance, incl. grants	-6.5	-3.1	-1.5	-1.8	-2.0	-2.6	-2.2	-2.9
External sector								
Exports of goods and services	32.1	33.1	31.9	31.6	31.4	31.5	32.5	31.3
Imports of goods and services	-33.7	-36.1	-35.3	-35.5	-35.1	-35.0	-37.3	-36.1
Current account, excl. grants	-7.4	-9.4	-8.5	-8.6	-8.1	-8.2	-9.6	-9.5
Current account, incl. grants	-3.3	-6.3	-6.0	-6.1	-5.6	-6.2	-7.6	-7.6
External public debt	107.6	91.7	85.5	80.7	79.8	81.4	87.5	83.5
Foreign exchange cover ratio 1/	81.3	94.9	100.4	102.4	98.3	104.5	117.7	...
Memorandum items:	(In billions of CFA francs)							
Nominal GDP	10,712.0	12,350.4	13,530.3	14,983.1	16,171.3	16,678.0	17,057.8	17,862.5
CFA francs per U.S. dollars, average	555.2	499.2	511.6	583.7	590.0	614.7	699.3	707.6
CFA francs per ECU/euro, average	659.9	653.0	648.6	661.9	660.2	655.9	655.9	655.9

Source: African Department database.

1/ Gross official reserves divided by base money.

Table 4. WAEMU: National Accounts, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001 Proj.
	(Annual percentage changes)							
Real GDP								
Benin	4.4	4.6	5.5	5.7	4.5	5.0	5.3	5.0
Burkina Faso	1.2	4.0	6.0	4.8	6.2	6.2	2.2	6.3
Côte d'Ivoire	2.0	7.1	6.9	6.2	5.8	1.6	-2.3	-1.0
Guinea-Bissau	3.2	4.4	4.6	4.8	-28.1	7.8	7.5	4.0
Mali	2.2	6.4	2.1	6.8	3.4	6.6	4.3	-1.2
Niger	4.0	2.6	3.4	2.8	10.4	-0.6	3.0	3.7
Senegal	2.9	5.2	5.1	5.0	5.7	5.1	5.5	5.7
Togo	17.5	6.9	9.7	4.3	-2.1	2.7	-0.5	3.6
WAEMU	3.3	5.8	5.8	5.5	5.2	3.4	1.5	2.2
	(In percent, annual averages)							
Inflation								
Benin	38.5	14.5	4.9	3.8	5.8	0.3	4.2	3.0
Burkina Faso	24.7	7.8	6.1	2.3	5.0	-1.1	-0.2	2.9
Côte d'Ivoire	26.0	14.3	2.7	4.2	4.5	0.7	2.5	4.0
Guinea-Bissau	15.2	45.1	50.9	49.1	8.0	-2.1	8.4	1.4
Mali	24.8	12.4	6.5	-0.7	4.1	-1.2	-0.7	2.1
Niger	24.8	11.2	5.3	2.9	4.5	2.9	2.9	2.9
Senegal	32.0	8.1	2.8	1.7	2.4	0.8	0.7	2.0
Togo	48.5	6.4	2.5	5.5	-1.4	4.5	-2.5	3.0
WAEMU	28.8	12.0	4.3	3.6	4.0	0.7	1.6	3.1
	(In percent of GDP)							
Gross domestic savings								
Benin	7.9	8.5	7.6	5.6	6.5	6.3	5.7	7.4
Burkina Faso	7.5	8.6	9.1	10.9	12.7	9.4	8.9	10.2
Côte d'Ivoire	26.3	24.5	23.2	22.3	22.7	22.8	19.2	19.5
Guinea-Bissau	3.9	-1.1	8.7	8.1	-11.5	-2.1	-5.2	-3.5
Mali	7.1	7.8	7.2	10.8	12.8	10.0	9.3	10.9
Niger	0.0	0.2	3.1	3.2	2.7	3.8	1.8	2.8
Togo	11.7	14.2	7.9	0.4	9.9	10.3	8.0	7.5
WAEMU	15.3	14.9	14.5	13.7	14.9	14.6	12.0	12.8
Gross domestic investment								
Benin	15.8	19.6	17.1	18.4	17.1	17.6	18.4	19.5
Burkina Faso	20.6	23.9	26.8	27.3	29.6	27.2	27.9	27.4
Côte d'Ivoire	13.8	16.4	15.6	15.8	16.4	16.0	12.4	14.1
Guinea-Bissau	21.8	22.3	23.1	24.0	12.0	16.9	20.5	24.8
Mali	28.6	27.4	24.8	23.2	21.1	20.0	21.3	20.7
Niger	10.4	7.3	9.7	10.9	11.0	10.0	10.2	11.6
Senegal	18.5	16.7	18.5	15.8	17.6	19.4	18.4	18.4
Togo	15.0	16.1	16.5	15.0	20.7	19.3	19.8	20.4
WAEMU	16.8	17.9	17.9	17.5	18.1	17.9	16.7	17.6

Source: African Department database.

Table 5. WAEMU: Fiscal Balances, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001 Proj.
(In percent of GDP)								
Overall fiscal balance (excl. grants)								
Benin	-7.0	-7.3	-4.3	-4.2	-1.1	-1.6	-2.7	-4.4
Burkina Faso	-11.0	-9.4	-9.0	-10.2	-9.8	-12.7	-13.5	-13.4
Côte d'Ivoire	-7.2	-4.8	-3.0	-3.0	-3.1	-3.5	-0.3	-0.1
Guinea-Bissau	-4.6	-17.7	-18.0	-13.4	-19.5	-14.0	-21.8	-21.4
Mali	-17.2	-10.8	-8.1	-8.0	-8.1	-8.7	-9.8	-13.0
Niger	-12.5	-8.0	-5.3	-7.5	-8.1	-9.7	-6.3	-8.8
Senegal	-6.1	-3.5	-4.4	-2.0	-3.3	-3.5	-2.7	-3.9
Togo	-13.1	-7.8	-5.3	-3.5	-7.1	-3.9	-5.8	-5.1
WAEMU	-9.0	-6.3	-4.9	-4.5	-4.8	-5.3	-4.1	-4.9
Overall fiscal balance (incl. grants)								
Benin	-2.4	-3.2	-0.4	0.3	2.1	1.9	-1.4	-0.8
Burkina Faso	-3.7	-1.9	-0.6	-3.2	-2.9	-3.5	-4.2	-5.0
Côte d'Ivoire	-6.5	-4.1	-2.2	-2.3	-2.4	-3.0	-1.3	-1.2
Guinea-Bissau	-6.1	-2.1	-12.1	-13.8	-16.3	-9.6	-7.6	-8.8
Mali	-18.6	-3.4	-0.9	-2.2	-2.4	-3.7	-4.0	-8.9
Niger	-6.7	-3.9	-0.4	-3.0	-2.8	-5.9	-3.0	-5.4
Senegal	-1.9	-0.2	-0.1	0.5	-0.3	-1.4	-0.8	-1.2
Togo	-11.7	-6.5	-4.7	-2.2	-5.7	-2.2	-5.3	-4.2
WAEMU	-6.5	-3.1	-1.5	-1.8	-2.0	-2.6	-2.2	-2.9
Government revenue (excl. grants)								
Benin	12.8	14.9	15.2	14.6	15.5	16.1	15.9	16.0
Burkina Faso	11.0	11.6	12.3	13.1	13.1	14.9	13.8	14.4
Côte d'Ivoire	19.9	22.1	22.2	21.3	20.5	18.6	17.8	18.0
Guinea-Bissau	12.3	12.7	12.4	15.3	5.4	17.3	19.2	18.1
Mali	14.8	11.4	13.8	14.4	14.9	15.4	15.5	15.9
Niger	6.1	7.2	7.8	8.4	8.8	8.5	8.2	9.0
Senegal	14.9	16.4	16.6	16.9	16.8	17.3	18.0	17.8
Togo	12.1	14.7	14.7	14.7	15.3	14.9	13.0	13.5
WAEMU	14.5	16.8	17.3	17.2	16.9	16.5	16.1	16.2
Government expenditure								
Benin	19.8	22.1	19.5	18.8	16.6	17.7	19.4	20.4
Burkina Faso	22.0	21.0	21.3	23.3	22.9	27.2	24.4	27.8
Côte d'Ivoire	27.1	26.9	25.2	24.3	23.6	22.2	21.0	20.7
Guinea-Bissau	29.5	30.4	33.6	41.8	25.0	31.3	41.0	39.6
Mali	27.2	22.2	21.9	22.4	23.2	24.5	24.5	24.0
Niger	18.6	15.2	13.1	16.0	17.0	18.2	15.5	16.8
Senegal	21.0	19.9	21.0	19.0	20.1	20.8	20.8	21.6
Togo	25.1	22.6	20.0	18.2	22.4	18.8	18.9	18.9
WAEMU	24.1	23.1	22.2	21.9	21.8	21.8	21.1	21.6

Source: African Department database.

Table 6. WAEMU: Convergence Criteria, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001 Proj.
<b>First order criteria</b>								
	(In percent)							
<b>Basic fiscal balance/GDP 1/ (<math>\geq 0\%</math>)</b>								
Benin	-1.0	-0.8	1.4	1.5	3.5	2.9	2.3	0.5
Burkina Faso	-34.8	8.6	0.6	-0.5	-0.5	-0.7	-1.6	-1.4
Côte d'Ivoire	-4.2	-1.2	0.5	0.2	-0.9	-1.7	-0.2	0.2
Guinea Bissau	-2.8	-2.8	-5.3	-14.4	-16.3	-9.6	-7.6	-8.8
Mali	-2.8	0.1	2.2	0.6	1.3	0.1	-0.7	-2.5
Niger	-3.4	-3.7	-1.7	-3.0	-3.2	-5.6	-2.5	-4.1
Senegal	-3.1	-0.1	1.7	2.7	2.6	1.7	1.2	0.9
Togo	-7.5	-4.3	-2.5	-1.0	-4.8	-1.5	-3.6	-2.8
WAEMU	-6.6	-0.3	0.6	0.3	-0.2	-0.8	-0.3	-0.7
<b>Average consumer price inflation (<math>\leq 3\%</math>)</b>								
	(Annual percentage change)							
Benin	38.5	14.5	4.9	3.8	5.8	0.3	4.2	3.0
Burkina Faso	24.7	7.8	6.1	2.3	5.0	-1.1	-0.2	2.9
Côte d'Ivoire	26.0	14.3	2.7	4.2	4.5	0.7	2.5	2.5
Guinea Bissau	15.2	45.1	50.9	49.1	8.0	-2.1	8.4	1.4
Mali	24.8	12.4	6.5	-0.7	4.1	-1.2	-0.7	2.1
Niger	24.8	11.2	5.3	2.9	4.5	2.9	2.9	2.9
Senegal	32.0	8.1	2.8	1.7	2.4	0.8	0.7	2.0
Togo	48.5	6.4	2.5	5.5	-1.4	4.5	-2.5	3.0
WAEMU	28.8	12.0	4.3	3.6	4.0	0.7	1.6	2.5
<b>Debt/GDP (<math>\leq 70\%</math>)</b>								
	(In percent)							
Benin	91.6	80.7	71.8	61.1	58.1	57.8	61.5	58.1
Burkina Faso	58.0	51.1	50.5	56.3	54.7	58.0	67.2	65.5
Côte d'Ivoire	116.1	97.8	86.1	73.5	71.8	76.7	88.4	86.6
Guinea Bissau	360.6	357.1	319.1	334.8	445.8	362.3	347.7	322.4
Mali	135.5	110.7	114.5	125.5	122.9	128.3	133.5	125.3
Niger	101.9	84.6	76.6	85.5	77.4	83.2	81.3	73.3
Senegal	85.4	76.4	79.8	75.8	77.9	74.3	71.2	69.7
Togo	136.6	110.7	96.7	87.9	99.6	87.9	94.4	86.7
WAEMU	107.6	91.7	85.5	80.7	79.8	81.4	87.5	83.8
<b>Change in domestic arrears (<math>\leq 0</math>)</b>								
	(In billions of CFA francs)							
Benin	-10.6	-17.0	-25.6	-15.8	-11.6	-11.3	-15.8	-4.0
Burkina Faso	-8.2	-15.6	-17.0	-6.5	-6.5	-6.3	0.0	0.0
Côte d'Ivoire	-118.5	-79.1	-90.7	-48.7	25.0	135.4	47.9	0.0
Guinea Bissau	0.0	0.0	0.2	-3.8	5.6	0.9	-2.1	0.1
Mali	-9.9	-14.0	-19.0	-8.4	-10.0	-9.3	0.0	0.0
Niger	19.0	-12.4	-18.0	-13.8	-19.3	36.9	3.7	-34.0
Senegal	-32.1	-14.9	0.0	0.0	0.0	0.0	0.0	0.0
Togo	10.6	-9.1	1.9	-13.8	4.4	4.1	24.3	-2.0
WAEMU	-149.7	-162.1	-168.2	-110.8	-12.4	150.4	58.0	-39.9
<b>Change in external arrears (<math>\leq 0</math>)</b>								
Benin	0.0	-3.2	11.9	7.9	-30.0	-13.3	-14.8	0.0
Burkina Faso	-6.0	-1.4	0.0	0.0	0.0	0.0	0.0	0.0
Côte d'Ivoire	-352.6	7.1	2.1	120.9	-120.9	32.4	413.2	0.0
Guinea Bissau	0.0	0.0	-7.6	-0.7	12.8	17.6	3.9	0.4
Mali	-19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Niger	-66.6	29.0	-18.5	1.9	1.9	21.5	39.2	0.0
Senegal	-128.7	-45.5	0.0	2.7	-2.7	0.0	0.0	0.0
Togo	49.9	-39.1	-3.4	-43.4	15.0	30.7	39.8	-11.2
WAEMU	-523.8	-53.1	-15.5	89.3	-123.9	88.9	481.3	-10.8

Table 6. WAEMU: Convergence Criteria, 1994-2001 (cont'd)

	1994	1995	1996	1997	1998	1999	2000	2001 Proj.
	(In percent)							
<b>Second order criteria</b>								
<b>Wages and salaries/fiscal revenue (<math>\leq 35\%</math>)</b>								
Benin	49.8	43.8	40.8	39.0	35.4	33.0	31.9	32.7
Burkina Faso	56.0	48.1	43.4	40.7	39.2	37.4	43.8	37.0
Côte d'Ivoire	48.3	32.0	37.4	36.7	36.4	37.0	41.6	44.3
Guinea Bissau	39.0	40.4	46.7	39.2	126.7	53.9	60.0	77.4
Mali	43.1	36.5	28.9	28.9	27.4	27.8	31.3	29.6
Niger	101.8	80.1	48.8	56.6	49.9	51.3	50.6	41.6
Senegal	55.5	47.7	44.0	40.0	37.1	33.9	32.7	32.1
Togo	82.0	59.0	54.6	49.2	51.0	49.2	55.0	51.4
WAEMU	56.0	42.9	40.5	39.3	38.3	37.1	39.8	39.2
<b>Capital expenditure domestically financed/fiscal revenue (<math>\geq 20\%</math>)</b>								
Benin	4.7	10.7	5.1	8.8	9.5	13.9	11.3	22.1
Burkina Faso	8.8	8.2	11.3	23.9	25.9	29.8	26.3	33.7
Côte d'Ivoire	14.4	14.7	15.9	21.7	26.7	17.7	9.7	12.0
Guinea Bissau	1.2	3.2	16.7	16.0	80.0	64.8	20.0	23.3
Mali	13.3	14.1	14.1	16.3	20.2	22.2	25.7	24.0
Niger	5.6	3.9	5.3	7.3	9.1	17.1	9.6	15.2
Senegal	9.8	10.8	11.3	14.3	17.9	22.7	19.8	20.1
Togo	5.6	9.6	4.4	2.9	6.3	1.7	3.1	3.2
WAEMU	10.8	11.8	12.1	16.8	21.1	19.3	14.6	17.7
<b>External current account deficit excluding grants/GDP (<math>\leq 5\%</math>)</b>								
Benin	-4.7	-6.75	-5.34	-7.4	-6.4	-7.1	-8.2	-7.7
Burkina Faso	-9.1	-12	-14.7	-13.9	-14.5	-15.9	-17.9	-16.8
Côte d'Ivoire	-3.6	-7.7	-6.4	-5.8	-5.4	-5.4	-6.5	-6.3
Guinea Bissau	-23.3	-29.5	-27.4	-23.4	-20.5	-22.9	-21.8	-21.4
Mali	-17.2	-19.4	-14.1	-9.5	-9.3	-10.8	-12.4	-13.8
Niger	-14.9	-11.1	-9.2	-10.4	-10.0	-7.6	-9.3	-11.9
Senegal	-9.9	-8.6	-7.3	-7.8	-7	-7.9	-9.7	-7.9
Togo	-10.2	-6.6	-12	-17.1	-16.1	-12.5	-14.1	-15.1
WAEMU	-8.2	-9.8	-8.8	-8.6	-8.0	-8.2	-9.7	-9.6
<b>Fiscal revenue/GDP (<math>\geq 17\%</math>)</b>								
Benin	11.1	12.3	12.6	12.7	13.4	13.8	14.5	14.2
Burkina Faso	10.1	10.8	11.5	12.0	12.1	14.4	12.8	14.5
Côte d'Ivoire	16.0	18.0	19.0	18.6	16.9	16.8	16.2	16.2
Guinea Bissau	6.8	6.9	6.8	7.9	3.7	9.3	11.4	10.7
Mali	10.0	11.1	13.1	13.8	13.9	14.1	13.4	15.5
Niger	8.2	6.6	6.7	7.2	8.0	8.0	7.9	8.6
Senegal	13.2	14.8	15.6	15.7	16.0	16.8	17.3	17.4
Togo	11.1	13.6	13.1	13.2	13.8	13.2	11.7	11.9
WAEMU	13.0	14.4	15.2	15.3	14.8	15.1	14.7	15.1

Sources: WAEMU Commission; national authorities; and staff projections.

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

Table 7. WAEMU: External Public Debt, 1994-2001

(In percent of GDP)

	1994	1995	1996	1997	1998	1999	2000	2001
Benin	91.6	80.7	71.8	61.1	58.1	57.8	61.5	58.1
Burkina Faso	58.0	51.1	50.5	56.3	54.7	58.0	67.2	65.5
Côte d'Ivoire	116.1	97.8	86.1	73.5	71.8	76.7	88.4	86.6
Guinea-Bissau	360.6	357.1	319.1	334.8	445.8	362.3	347.7	322.4
Mali	135.5	110.7	114.5	125.5	122.9	128.3	133.5	125.3
Niger	101.9	84.6	76.6	85.5	77.4	83.2	81.3	73.3
Senegal	85.4	76.4	79.8	75.8	77.9	74.3	71.2	69.7
Togo	136.6	110.7	96.7	87.9	99.6	87.9	94.4	86.7
WAEMU	107.6	91.7	85.5	80.7	79.8	81.4	87.5	83.5

Source: African Department database.

Table 8. WAEMU: Domestic Debt at End-2000

	Benin	Burkina Faso	Côte d'Ivoire	Guinea Bissau	Mali	Niger	Senegal	Togo	Total WAEMU
(In billions of CFA francs)									
Banking system	34.0	158.2	628.2		18.0	85.1	262.1	41.9	1,227.5
BCEAO	0.0	104.4	245.4	0.0	4.2	72.2	135.5	24.0	585.7
Statutory advances	0.0	36.0	232.0		0.0	25.8	70.4	21.7	385.9
Guaranteed bonds	0.0	0.0	13.4		4.2	0.6	6.0	2.3	26.5
Others	0.0	68.4	0.0		0.0	45.8	59.1	0.0	173.3
Banks	28.7	24.4	382.8		13.8	11.3	122.4	16.7	600.1
Of which: guaranteed bonds	28.7	13.0	4.7		9.8	2.6	26.5	1.4	86.7
Postal savings	5.3	29.4	2.8		0.0	1.6	4.2	1.2	44.5
Nonbank	0.5	85.3	499.4		30.2	13.5	52.8	84.3	766.0
Guaranteed bonds 1/	0.5	...	92.0		1.3	9.5	15.0	1.6	119.9
Public borrowings	0.0	...	400.1		28.9	4.0	15.2	0.0	448.2
Correspondent accounts 2/	0.0	85.3	7.3		n.d.	0.0	22.6	82.7	197.9
Others	...	...	...		...	0.0	...	...	...
Arrears	42.6	0.0	282.8		22.6	132.2	0.0	15.8	496.0
Verified arrears	27.3	0.0	106.0		9.3	39.7	0.0	15.8	198.1
Other arrears	15.3	0.0	176.7		13.3	92.5	0.0	0.0	297.8
Total	77.1	243.5	1,410.4		70.8	230.8	314.9	142.0	2,489.5
(In percent of GDP)									
Banking system	2.5	5.4	9.3		1.2	6.5	9.5	5.0	7.0
Nonbank	0.0	1.6	7.4		1.9	1.0	1.9	10.1	4.5
Arrears	3.1	0.0	4.2		1.5	10.2	0.0	1.9	2.7
Total	5.7	7.0	20.9	0.0	4.6	17.7	11.4	17.0	14.2
(In percent of government revenue)									
Banking system	13.3	41.4	47.8		7.1	77.2	48.4	30.2	38.2
Nonbank	0.2	12.0	38.0		11.8	1.1	9.7	60.7	24.4
Arrears	16.7	0.0	21.5		8.9	10.4	0.0	11.4	15.0
Total	30.2	53.4	107.4	0.0	27.8	88.7	58.1	102.2	77.6
Memorandum items: (In billions of CFA francs)									
Deposits at the BCEAO	32.2	22.7	55.7		55.3	30.0	136.2	5.7	337.8
Deposits in banks	25.1	58.1	252.0		78.0	11.6	101.5	34.1	560.4
Total deposits	57.3	80.8	307.7	0.0	133.3	41.6	237.7	39.8	898.2

Sources: Central Bank of West African States (BCEAO) for debt to the banking system; member country author and IMF staff for other data.

1/ Guaranteed bonds held outside the issuing country.

2/ Includes deposits of public institutions, public enterprises and social security at the Treasury.

Table 9. WAEMU: External Balances, 1994-2001

(In percent of GDP)

	1994	1995	1996	1997	1998	1999	2000	2001 Proj.
Exports of goods and services								
Benin	19.4	19.4	19.2	16.2	17.3	16.7	15.6	15.7
Burkina Faso	13.2	13.0	10.9	11.2	14.0	12.8	14.3	14.2
Côte d'Ivoire	44.0	46.0	46.2	44.7	42.6	44.2	47.3	44.9
Guinea-Bissau	19.4	19.4	19.2	16.2	17.3	16.2	16.0	15.9
Mali	22.4	21.5	20.4	26.6	25.5	25.5	24.8	25.7
Niger	16.5	17.2	16.9	16.4	17.7	16.0	15.4	14.7
Senegal	34.9	34.5	29.5	29.2	30.0	29.8	31.4	32.0
Togo	30.5	34.8	33.3	29.0	33.3	32.0	31.8	30.4
WAEMU	32.1	33.1	31.9	31.6	31.4	31.5	32.5	31.3
Imports of goods and services								
Benin	-27.3	-30.6	-28.7	-29.1	-27.8	-28.0	-28.4	-26.9
Burkina Faso	-26.3	-28.3	-28.6	-27.7	-30.9	-29.1	-31.3	-30.6
Côte d'Ivoire	-31.8	-37.9	-38.6	-38.3	-36.3	-37.5	-40.4	-39.5
Guinea-Bissau	-27.3	-30.6	-28.7	-29.1	-27.8	-28.0	-28.3	-27.4
Mali	-43.8	-41.1	-38.1	-39.0	-37.6	-38.7	-41.8	-40.0
Niger	-26.9	-24.3	-23.5	-24.1	-26.2	-22.4	-24.2	-23.5
Senegal	-41.6	-40.1	-35.8	-35.9	-37.1	-36.6	-39.5	-38.4
Togo	-36.3	-38.8	-44.1	-44.8	-48.5	-43.3	-45.7	-44.2
WAEMU	-33.7	-36.1	-35.3	-35.5	-35.1	-35.0	-37.3	-36.1
External current account (excl. grants)								
Benin	-6.9	-10.0	-8.5	-10.7	-8.0	-8.9	-10.1	-8.5
Burkina Faso	-7.9	-10.8	-14.4	-13.4	-14.0	-15.9	-17.9	-16.8
Côte d'Ivoire	-1.3	-7.1	-5.2	-5.0	-5.1	-5.1	-5.8	-6.1
Guinea-Bissau	-23.3	-29.5	-27.4	-23.4	-20.5	-22.3	-28.4	-29.8
Mali	-18.9	-17.9	-16.1	-11.5	-9.3	-10.8	-12.4	-13.1
Niger	-14.9	-11.1	-9.2	-10.4	-10.0	-7.6	-9.3	-11.9
Senegal	-9.5	-8.2	-7.0	-7.5	-7.8	-7.9	-9.7	-7.9
Togo	-10.2	-6.0	-9.0	-17.1	-16.1	-12.5	-14.1	-15.1
WAEMU	-7.4	-9.4	-8.5	-8.6	-8.1	-8.2	-9.6	-9.5
External current account (incl. grants)								
Benin	-2.6	-6.6	-4.2	-7.4	-5.8	-5.9	-8.2	-6.9
Burkina Faso	-1.1	-5.2	-9.6	-9.6	-10.3	-12.7	-14.4	-13.2
Côte d'Ivoire	-1.0	-6.7	-4.7	-4.6	-4.1	-4.2	-4.9	-5.2
Guinea-Bissau	-12.4	-17.6	-16.5	-8.8	-13.2	-12.0	-13.2	-19.2
Mali	-5.8	-8.8	-12.0	-9.2	-7.5	-9.3	-9.8	-12.2
Niger	-6.4	-4.7	-3.3	-4.3	-3.8	-2.9	-4.9	-7.3
Senegal	-5.0	-5.3	-4.3	-4.3	-4.6	-6.1	-7.9	-5.7
Togo	-7.8	-4.0	-7.4	-11.6	-10.9	-8.9	-11.9	-13.0
WAEMU	-3.3	-6.3	-6.0	-6.1	-5.6	-6.2	-7.6	-7.6

Source: African Department database.



Table 10. WAEMU: Terms of Trade, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001 Proj.
Benin	77.7	99.9	91.1	89.7	95.2	79.3	76.6	92.8
Burkina Faso	93.1	100.0	93.2	92.7	95.6	85.2	75.8	80.0
Côte d'Ivoire	112.0	128.7	106.1	102.1	105.5	101.2	90.7	90.2
Guinea-Bissau	89.4	84.5	84.4	88.5	79.8	95.3	96.0	100.1
Mali	92.7	93.4	114.8	110.4	114.1	99.9	91.7	101.7
Niger	97.5	102.3	93.4	85.8	91.3	86.7	74.1	74.9
Senegal	93.0	88.6	88.7	90.7	95.3	92.0	86.2	87.1
Togo	153.3	125.3	116.5	100.7	89.8	103.6	102.5	98.3
(Annual percentage change)								
Benin	1.4	28.6	-8.8	-1.5	6.1	-16.7	-3.4	21.1
Burkina Faso	10.6	7.4	-6.8	-0.6	3.1	-10.8	-11.0	5.6
Côte d'Ivoire	15.9	14.9	-17.6	-3.8	3.3	-4.1	-10.4	-0.6
Guinea-Bissau	-15.4	-5.5	-0.1	4.9	-9.8	19.4	0.7	4.3
Mali	34.7	0.8	22.9	-3.8	3.4	-12.4	-8.2	10.9
Niger	3.4	4.9	-8.7	-8.1	6.4	-5.0	-14.5	1.1
Senegal	5.9	-4.7	0.1	2.3	5.1	-3.5	-6.3	1.0
Togo	18.7	-18.3	-7.0	-13.6	-10.8	15.4	-1.1	-4.1
WAEMU	13.0	7.6	-7.2	-3.1	3.2	-5.4	-8.5	3.6

Source: African Department database.

Table 11. WAEMU: Effective Exchange Rates, 1994-2000

	1994	1995	1996	1997	1998	1999	2000
	(Index 1990 = 100)						
<b>Nominal effective exchange rates</b>							
Benin	53.3	55.5	55.8	53.7	55.9	53.9	50.6
Burkina Faso	55.4	58.7	59.5	58.0	58.8	59.1	58.1
Côte d'Ivoire	78.5	83.6	84.1	81.0	84.7	83.7	78.9
Guinea-Bissau	22.1	15.0	11.0	8.4	8.4	8.3	8.4
Mali	53.4	55.3	55.1	53.1	54.0	52.7	50.3
Niger	50.6	51.7	51.9	50.7	50.9	50.1	48.6
Senegal	65.9	69.1	69.5	67.1	68.6	67.5	64.1
Togo	62.0	64.9	65.3	63.0	65.2	63.4	59.7
	(Annual percentage changes)						
Benin	-49.5	4.1	0.5	-3.7	4.0	-3.6	-6.106
Burkina Faso	-48.1	6.0	1.3	-2.4	1.3	0.6	-1.709
Côte d'Ivoire	-42.2	6.5	0.6	-3.7	4.5	-1.1	-5.712
Guinea-Bissau	-15.0	-32.1	-26.8	-24.0	1.1	-1.5	0.602
Mali	-48.5	3.5	-0.3	-3.8	1.7	-2.4	-4.519
Niger	-49.8	2.2	0.3	-2.3	0.5	-1.6	-3.073
Senegal	-45.1	4.9	0.6	-3.5	2.3	-1.7	-5.053
Togo	-45.9	4.7	0.6	-3.5	3.5	-2.8	-5.867
WAEMU	-45.0	4.8	0.3	-3.6	3.1	-1.5	-4.9
	(1990 = 100)						
<b>Real effective exchange rates</b>							
Benin	67.3	77.5	79.6	78.0	84.0	80.6	77.3
Burkina Faso	57.9	62.1	64.0	62.3	64.9	63.8	60.9
Côte d'Ivoire	61.2	70.8	71.1	70.0	74.7	73.3	68.4
Guinea-Bissau	72.0	66.6	69.9	78.5	83.7	79.4	84.5
Mali	54.6	61.4	64.1	60.4	63.0	60.4	56.2
Niger	53.8	59.1	62.5	62.6	64.1	60.1	58.5
Senegal	59.1	64.0	64.5	62.1	64.1	62.8	58.8
Togo	63.2	72.9	74.3	73.7	79.8	76.8	72.2
	(Annual percentage changes)						
Benin	-32.5	15.3	2.6	-1.9	7.6	-4.0	-4.1
Burkina Faso	-38.7	7.4	3.0	-2.7	4.2	-1.8	-4.5
Côte d'Ivoire	-38.4	15.6	0.5	-1.6	6.7	-1.9	-6.7
Guinea-Bissau	-10.9	-7.5	4.9	12.4	6.6	-5.1	6.4
Mali	-38.5	12.3	4.5	-5.8	4.4	-4.1	-7.0
Niger	-34.9	9.9	5.7	0.2	2.4	-6.3	-2.6
Senegal	-34.8	8.3	0.7	-3.7	3.3	-2.0	-6.5
Togo	-32.3	15.4	1.9	-0.8	8.3	-3.8	-6.0
WAEMU	-36.4	12.5	1.8	-2.2	5.5	-2.8	-5.8

Source: IMF, Information Notice System (INS).

Table 12. WAEMU: Disbursement of Foreign Assistance in Support of Adjustment Programs, 1994-2000

(In billions of CFA francs)

	1994	1995	1996	1997	1998	1999	2000
Benin	45.3	22.5	43.6	17.7	17.0	33.7	19.5
Bilateral	13.6	9.6	19.1	9.6	8.7	4.7	0.0
Multilateral	31.7	12.9	24.5	8.1	8.3	29.0	19.5
Burkina Faso	82.8	73.4	34.4	18.2	32.9	50.1	28.1
Bilateral	24.9	21.9	13.6	2.2	5.8	11.2	2.6
Multilateral	57.9	51.5	20.8	16.0	27.1	38.9	25.5
Côte d'Ivoire	587.3	368.6	258.0	40.1	257.6	4.1	62.3
Bilateral	135.1	135.0	53.2	12.0	2.3	4.1	8.5
Multilateral	452.2	233.6	204.8	28.1	255.3	0.0	53.8
Guinea Bissau	0.0	0.0	0.0	0.0	7.7	1.8	5.9
Bilateral					3.6	0.0	0.0
Multilateral					4.1	1.8	5.9
Mali	97.3	90.9	76.8	68.0	24.4	35.1	48.1
Bilateral	33.0	28.4	35.1	11.0	6.2	4.1	28.8
Multilateral	64.3	62.5	41.7	57.0	18.2	31.0	19.3
Niger	56.0	25.3	35.6	46.1	70.9	19.9	48.5
Bilateral	17.3	17.6	17.4	10.1	21.8	11.8	22.2
Multilateral	38.7	7.7	18.2	36.0	49.1	8.1	26.3
Senegal	111.8	114.1	58.8	43.0	67.3	16.4	53.7
Bilateral	40.3	28.6	10.9	5.8	3.6	2.8	0.0
Multilateral	71.5	85.5	47.9	37.2	63.7	13.6	53.7
Togo	30.1	23.5	28.5	31.4	32.5	0.0	0.0
Bilateral	6.0	5.0	12.2	9.7	11.3	0.0	0.0
Multilateral	24.1	18.5	16.3	21.7	21.2	0.0	0.0
WAEMU	1,010.6	718.3	535.7	264.5	510.3	161.1	266.1
Bilateral	270.2	246.1	161.5	60.4	63.3	38.7	62.1
Multilateral	740.4	472.2	374.2	204.1	447.0	122.4	204.0

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

Table 13. WAEMU: Monetary Survey, 1994-2000

(In billions of CFA francs)

	1994	1995	1996	1997	1998	1999	2000
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.
Net foreign assets	430.5	693.2	899.1	1,087.8	989.1	1,135.4	1,484.2
BCEAO	371.7	608.7	755.2	961.8	901.0	1,043.1	1,336.9
Commercial banks	58.8	84.5	144.0	126.0	88.1	92.3	147.3
Net domestic assets	2,345.0	2,473.9	2,282.6	2,566.2	2,788.6	2,853.0	2,768.4
Net credit to government	897.5	984.4	1,032.5	1,011.0	1,102.3	1,180.8	993.9
BCEAO	392.4	230.9	102.7	19.7	40.7	80.1	109.3
<i>Of which: securitized debt</i>	209.4	117.0	37.6	...	...	...	...
Commercial banks	112.5	199.8	282.7	208.2	160.1	199.0	-14.6
<i>Of which: securitized debt</i>	200.1	288.6	166.2	...	...	...	...
IMF	367.6	517.1	610.2	718.6	830.7	828.1	806.8
Guaranteed bonds	-33.4	-25.6	-30.0	-31.9	-26.6	-28.0	-17.5
Postal savings	13.6	14.8	17.0	18.2	17.5	18.8	23.4
National savings bank	12.8	15.3	17.9	19.3	20.8	23.7	27.4
Other	32.0	32.0	32.0	58.9	59.1	59.1	59.1
Credit to the economy	1,606.5	1,860.5	1,811.0	2,251.3	2,420.0	2,451.1	2,696.5
Crop credits	190.1	248.0	196.5	286.9	227.9	91.3	88.9
Ordinary credits	1,416.4	1,612.6	1,614.6	1,964.4	2,192.1	2,359.8	2,607.6
<i>Of which: nonperforming;</i>	125.5	128.7	139.6	161.5	196.5	...	...
Other items, net	-158.9	-372.0	-560.9	-696.0	-733.7	-778.9	-922.0
Money supply	2,775.5	3,166.2	3,181.8	3,654.1	3,777.6	3,988.4	4,252.6
Currency in circulation	894.3	1,018.3	1,059.7	1,216.9	1,305.0	1,361.2	1,464.9
Postal savings	13.6	14.4	17.0	18.2	17.5	18.8	23.4
National savings bank	12.8	15.0	17.9	19.3	20.8	23.8	27.4
Bank deposits	1,854.8	2,118.4	2,087.2	2,399.7	2,434.3	2,584.6	2,736.9
Public entities	254.1	331.3	312.0	367.8	367.1	321.5	234.1
Sight deposits	174.2	214.7	200.9	220.6	254.0	202.7	153.3
Term deposits	80.0	116.6	111.0	147.2	113.1	118.8	80.8
Private sector	1,600.7	1,787.1	1,775.3	2,031.9	2,067.1	2,263.1	2,502.7
Sight deposits	816.4	908.2	892.3	1,020.4	1,087.0	1,215.6	1,322.3
Term deposits	784.3	878.9	883.0	1,011.5	980.1	1,047.5	1,180.4
Memorandum items:							
Short-term credits	985.0	1,156.3	1,162.2	1,473.2	1,584.8	1,621.0	1,822.1
Medium- and long-term credits	621.5	703.7	648.8	778.1	835.2	830.1	874.4

Source: BCEAO.

Table 14. WAEMU: Summary Accounts of the Central Bank, 1994-2000

	1994	1995	1996	1997	1998	1999	2000
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.
(In billions of CFA francs)							
Net foreign assets	371.7	608.7	755.2	961.8	901.0	1,043.1	1,336.9
Gross foreign assets	1,138.2	1,417.3	1,611.7	1,889.1	1,944.2	2,111.8	2,522.3
Liabilities	766.6	808.6	856.6	927.3	1,043.2	1,068.7	1,171.5
Net domestic assets	961.4	855.6	796.4	850.5	1,041.6	949.2	748.0
Credit to government	927.7	940.2	975.8	1,122.4	1,282.8	1,295.1	1,228.2
Statutory advance (Art. 16)	317.0	270.2	296.0	325.9	361.6	377.3	332.9
Securitized debt	209.4	117.0	37.6	19.0	31.4	30.6	29.4
Guaranteed bonds	1.7	1.9	0.0	0.0	0.0	0.0	0.0
Postal savings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (Incl. IMF)	399.6	551.3	642.1	777.5	889.8	887.2	865.9
Claims on banks & financial establishment	157.2	163.7	160.7	174.3	195.0	138.1	105.5
Money market	29.4	53.5	22.0	25.2	0.0	0.0	0.0
Pensions	0.0	10.3	37.4	64.9	102.6	49.4	52.9
Collateralized loans	120.5	99.9	102.5	84.2	92.4	80.9	52.6
Other	7.2	0.0	-1.2	0.0	0.0	7.8	0.0
Other items, net	-123.5	-248.3	-340.1	-446.2	-436.2	-484.0	-585.7
Money base	1,197.4	1,306.3	1,320.6	1,487.2	1,590.2	1,664.5	1,831.9
Currency in circulation	894.3	1,018.3	1,059.7	1,216.9	1,305.0	1,361.2	1,464.9
Bank deposits	219.5	193.0	165.4	168.1	189.5	190.0	277.0
Other deposits	83.6	95.0	95.5	102.2	95.7	113.3	90.0
Government deposits	135.7	158.1	230.9	325.2	352.4	327.8	253.0
(In percent)							
Memorandum item: (in percent)							
Gross foreign assets/money base	85.4	96.8	103.9	104.2	100.1	106.0	117.7

Source: BCEAO.

Table 15. WAEMU Foreign Assets, December 1994-December 2000

(In billions of CFA franc)

	Dec. 94	Dec. 95	Dec. 96	Dec. 97	Dec. 98	Dec. 99	Jan. 00	Feb. 00	Mar. 00	Apr. 00	May 00	Jun. 00	Jul. 00	Aug. 00	Sep. 00	Oct. 00	Nov. 00	Dec. 00	
<b>Net foreign assets</b>																			
Benin	86.66	43.05	72.77	79.95	84.08	195.64	195.93	201.74	232.24	261.24	232.07	240.77	253.45	257.91	305.19	257.31	249.75	252.52	
Burkina Faso	83.48	122.14	124.52	125.82	113.07	91.62	87.97	73.08	89.84	76.47	64.09	62.84	59.29	50.44	47.24	40.84	42.57	54.06	
Côte d'Ivoire	-107.22	3.25	22.98	70.95	70.83	-3.19	28.73	93.04	103.87	82.36	65.36	51.22	9.83	-31.78	-105.52	-85.30	-77.09	32.57	
Guinea Bissau	...	...	...	16.29	15.29	15.36	12.99	17.41	16.31	17.98	24.86	35.20	35.68	39.11	38.91	35.18	32.01	33.55	
Mali	39.81	68.66	131.86	129.84	105.38	94.54	75.59	87.17	90.11	73.75	67.73	67.05	78.74	78.29	69.34	81.06	72.64	124.97	
Niger	15.37	11.21	5.55	-11.45	-22.06	-25.82	-26.61	-29.94	-35.79	-27.84	-36.40	-42.50	-40.75	-41.54	-45.77	-12.14	-18.90	-6.50	
Senegal	-168.13	-126.21	-98.06	-21.12	-7.75	13.57	11.85	19.68	41.36	29.71	-1.51	-7.72	-12.04	-27.48	-25.85	-36.52	-26.85	-16.87	
Togo	-6.31	0.44	-9.77	9.08	-2.46	17.87	16.57	25.20	29.47	30.59	26.05	29.48	29.34	33.42	24.44	23.00	31.21	34.22	
Unallocated	428.02	486.20	505.32	562.47	544.52	643.50	637.99	616.12	616.31	489.52	597.10	609.74	595.94	587.58	697.32	676.05	658.25	828.43	
<b>Total BCEAO</b>	<b>371.68</b>	<b>608.74</b>	<b>755.16</b>	<b>961.82</b>	<b>900.92</b>	<b>1,043.10</b>	<b>1,041.01</b>	<b>1,103.50</b>	<b>1,183.73</b>	<b>1,033.77</b>	<b>1,039.36</b>	<b>1,046.08</b>	<b>1,009.48</b>	<b>945.95</b>	<b>1,005.31</b>	<b>979.48</b>	<b>963.59</b>	<b>1,336.94</b>	
<b>Foreign assets</b>																			
Benin	138.12	97.09	137.11	151.52	147.05	261.09	260.35	265.32	295.85	332.24	305.68	312.31	338.29	338.94	380.02	330.09	327.90	323.48	
Burkina Faso	127.20	170.78	177.28	206.42	210.04	192.17	189.90	172.87	191.96	184.55	170.83	175.65	175.38	167.49	163.38	155.96	157.78	171.30	
Côte d'Ivoire	109.22	259.28	317.24	372.96	480.96	411.44	447.60	504.88	512.14	562.67	523.41	518.40	477.42	440.36	347.24	367.01	390.35	475.11	
Guinea Bissau	...	...	...	20.19	20.13	23.04	22.31	26.07	25.09	27.70	34.26	44.45	45.13	48.17	47.95	44.54	40.56	47.07	
Mali	118.62	158.65	225.96	248.33	226.67	227.78	208.84	219.94	221.26	222.56	215.37	216.04	227.52	223.21	220.99	228.28	219.80	269.91	
Niger	59.20	46.81	41.06	32.11	29.99	25.05	23.61	20.09	14.36	28.35	20.06	13.85	16.92	14.85	10.31	44.57	38.34	57.70	
Senegal	96.08	133.35	150.97	231.27	242.24	262.96	270.03	269.06	290.02	304.10	268.45	261.76	268.16	255.96	261.69	249.05	262.57	273.28	
Togo	50.48	63.92	46.34	71.19	66.20	79.67	77.64	83.61	91.80	102.56	98.20	97.13	97.25	99.68	87.62	81.81	84.37	99.31	
Unallocated	439.32	487.42	515.78	555.12	520.87	628.61	615.76	602.68	593.42	469.46	576.53	584.15	572.32	565.24	680.52	650.56	638.14	805.18	
<b>Total BCEAO</b>	<b>1,138.24</b>	<b>1,417.29</b>	<b>1,611.74</b>	<b>1,889.11</b>	<b>1,944.16</b>	<b>2,111.80</b>	<b>2,116.05</b>	<b>2,164.53</b>	<b>2,235.91</b>	<b>2,234.18</b>	<b>2,212.79</b>	<b>2,223.74</b>	<b>2,218.38</b>	<b>2,153.91</b>	<b>2,199.73</b>	<b>2,151.89</b>	<b>2,159.80</b>	<b>2,522.34</b>	
<b>Foreign liabilities</b>																			
Benin	51.46	54.04	64.34	71.57	62.97	65.44	64.43	63.58	63.61	71.00	73.61	71.54	84.84	81.03	74.83	72.78	78.14	70.96	
Burkina Faso	43.72	48.64	52.76	80.60	96.97	100.54	101.93	99.80	102.12	108.08	106.75	112.81	116.08	117.05	116.14	115.12	115.21	117.24	
Côte d'Ivoire	216.44	256.03	294.26	302.01	410.14	414.63	418.87	411.85	408.27	480.31	458.05	467.18	467.59	472.14	452.76	452.31	467.44	442.54	
Guinea Bissau	...	...	...	3.90	4.84	7.68	9.32	8.66	8.78	9.72	9.40	9.25	9.44	9.06	9.04	9.36	8.55	13.52	
Mali	78.81	89.99	94.10	118.49	121.29	133.24	133.24	132.77	131.16	148.81	147.63	148.99	148.78	144.92	151.65	147.23	147.17	144.94	
Niger	43.83	35.60	35.51	43.56	52.05	50.87	50.23	50.03	50.15	56.19	56.45	56.35	57.67	56.39	56.08	56.71	57.24	64.19	
Senegal	264.20	259.56	249.03	252.39	249.99	249.39	258.18	249.38	248.66	274.39	269.96	269.48	280.20	283.44	287.54	285.57	289.42	290.15	
Togo	56.80	63.48	56.11	62.11	68.66	61.80	61.07	58.41	62.33	71.97	72.15	67.66	67.91	66.27	63.19	58.82	53.16	65.09	
Unallocated	11.30	1.21	10.46	-7.35	-23.65	-14.90	-22.23	-13.44	-22.89	-20.06	-20.57	-25.59	-23.62	-22.34	-16.80	-25.50	-20.11	-23.25	
<b>Total BCEAO</b>	<b>766.56</b>	<b>808.55</b>	<b>856.58</b>	<b>927.29</b>	<b>1,043.24</b>	<b>1,068.70</b>	<b>1,075.05</b>	<b>1,061.03</b>	<b>1,052.18</b>	<b>1,200.41</b>	<b>1,173.42</b>	<b>1,177.67</b>	<b>1,208.90</b>	<b>1,207.96</b>	<b>1,194.42</b>	<b>1,172.40</b>	<b>1,196.21</b>	<b>1,185.40</b>	
<b>Memorandum items:</b>																			
Base money	1,399.45	1,493.75	1,604.63	1,844.10	1,978.72	2,020.69	2,004.29	2,058.57	2,095.61	2,179.16	2,025.70	2,006.44	1,999.09	1,990.76	1,968.29	1,952.95	2,004.40	2,143.39	
Cover ratio	81.33	94.88	100.44	102.44	98.25	104.51	105.58	105.15	106.69	102.52	109.24	110.83	110.97	108.20	111.76	110.19	107.75	117.68	

Source: BCEAO.

Table 16. WAEMU: Summary Accounts of Commercial Banks, 1994-2000

	1994	1995	1996	1997	1998	1999	2000
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.
(In billions of CFA francs)							
Net foreign assets	58.8	84.5	144.0	126.0	88.1	92.3	147.3
Gross foreign assets	305.3	398.6	340.8	388.7	406.0	523.0	480.8
<i>Of which</i> : Securitized debt	103.2	186.3	164.3	155.7	137.7	117.6	...
Liabilities	246.5	314.1	196.8	262.7	317.9	430.7	333.5
Net domestic assets	2,172.4	2,447.8	2,334.3	2,741.2	2,919.5	2,885.2	3,029.8
Claims on government	623.1	724.3	786.3	807.1	823.6	805.3	696.7
Securitized debt	96.9	...	166.2	165.1	122.0	112.5	...
Other	526.2	724.3	620.0	642.0	701.6	590.2	...
Credit to the economy	1,565.7	1,821.4	1,765.5	2,204.5	2,376.9	2,407.5	2,664.9
Short term credits	944.2	1,117.7	1,116.7	1,426.4	1,541.7	1,577.4	1,790.5
Crop credits	190.1	248.0	192.9	286.9	227.9	91.3	88.9
Ordinary credits	754.1	869.8	923.8	1,139.5	1,313.8	1,486.1	1,701.6
Medium-term credits	459.0	549.3	515.1	641.5	737.4	730.5	772.0
Long-term credits	162.5	154.4	133.7	136.6	97.8	99.6	102.4
Other items, net	-16.5	-97.9	-217.5	-270.3	-281.0	-312.1	-331.8
Reserves	200.5	177.1	164.0	187.8	175.0	198.3	276.4
Private deposits	1,771.2	2,023.4	1,991.7	2,297.5	2,338.6	2,471.3	2,646.9
Public entities	192.8	262.5	239.9	294.8	298.2	233.7	161.9
Private sector	1,578.5	1,760.9	1,751.8	2,002.7	2,040.4	2,237.6	2,485.0
Government deposits	510.6	524.4	503.6	598.9	663.5	606.3	711.3
Central bank claims	149.8	161.6	147.0	158.7	180.5	113.7	95.3
Memorandum items: (in percent)							
Reserves/ deposits 1/	8.8	7.0	6.6	6.5	5.8	6.4	8.2
Reserves + securitized debt/deposit	17.6	14.3	19.8	17.6	14.5	13.9	8.2
Credit to the economy/deposits 1/	68.6	71.5	70.8	76.1	79.2	78.2	79.4

Source: BCEAO.

1/ Including government deposits.

Table 17. WAEMU: Monetary Survey by Country, 1994-2000

(In billions of CFA francs)

	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.
Net foreign assets	430.5	693.2	899.1	1,087.8	989.1	1,135.4	1,484.2
Benin	147.1	135.7	170.7	206.8	196.6	291.3	340.0
Burkina Faso	145.4	217.6	216.9	193.5	172.6	163.5	130.1
Côte d'Ivoire	-159.5	-20.3	24.1	51.2	40.0	-27.9	-13.1
Guinea-Bissau	...	...	...	20.7	18.9	13.6	24.4
Mali	84.4	98.8	190.5	183.4	150.1	113.3	165.0
Niger	10.4	13.3	5.9	-6.7	-18.1	-22.7	-15.1
Senegal	-170.9	-105.0	-69.0	15.6	51.4	104.0	79.9
Togo	30.6	20.8	5.3	5.6	-4.0	15.3	45.1
BCEAO head office	342.9	332.2	354.7	417.8	381.6	485.0	727.9
Net domestic assets	2,345.0	2,472.9	2,282.6	2,566.3	2,788.9	2,853.0	2,768.4
Benin	105.2	77.9	79.4	86.7	86.2	91.7	138.8
Burkina Faso	100.4	77.0	107.3	178.2	204.4	225.3	285.0
Côte d'Ivoire	1,366.0	1,413.1	1,429.3	1,558.3	1,682.4	1,708.0	1,659.2
Guinea-Bissau	...	...	...	17.5	14.6	24.6	37.2
Mali	152.6	155.8	127.3	162.0	210.1	251.7	242.4
Niger	118.5	96.2	97.6	105.9	98.3	118.0	117.2
Senegal	634.5	591.4	619.4	564.8	578.8	610.1	719.9
Togo	132.8	169.9	176.8	191.1	201.2	198.4	201.0
BCEAO head office	-265.0	-108.4	-354.4	-298.1	-287.1	-374.8	-632.3
Net credit to government	897.5	984.4	1,032.5	1,011.0	1,102.3	1,180.8	993.9
Benin	21.0	34.2	18.1	18.7	-5.4	-61.4	-59.8
Burkina Faso	15.3	6.2	11.5	40.7	41.1	49.0	71.8
Côte d'Ivoire	516.6	508.9	538.8	540.1	607.4	673.2	546.5
Guinea-Bissau	...	...	...	4.2	3.6	9.0	13.4
Mali	32.0	5.1	-35.6	-22.4	-26.1	-21.8	-40.5
Niger	26.1	55.5	60.7	74.5	63.7	71.6	55.3
Senegal	172.0	131.6	208.8	187.3	181.1	188.5	160.2
Togo	13.8	36.5	46.7	44.3	59.1	59.0	57.9
BCEAO head office	100.8	206.5	183.5	123.7	177.8	213.7	189.1
Credit to the economy	1,606.5	1,860.5	1,811.0	2,251.3	2,420.0	2,451.1	2,696.5
Benin	76.0	41.9	63.5	71.7	100.1	161.6	194.0
Burkina Faso	74.5	79.5	115.2	165.8	180.3	187.2	219.1
Côte d'Ivoire	865.3	997.7	1,024.3	1,182.8	1,219.5	1,117.5	1,162.2
Guinea-Bissau	...	...	...	7.6	10.9	11.9	13.5
Mali	87.2	131.8	173.2	200.4	254.9	291.6	286.4
Niger	45.6	33.8	37.0	35.6	49.4	47.6	61.6
Senegal	353.7	322.1	381.7	396.0	440.4	486.1	622.3
Togo	104.3	118.1	137.7	155.7	162.6	147.3	148.2
BCEAO head office	0.0	135.6	-121.6	35.7	1.9	0.3	-10.8
Broad money 1/	2,775.5	3,166.2	3,181.8	3,654.1	3,777.6	3,988.4	4,252.6
Benin	252.3	213.6	250.0	293.5	282.8	383.0	478.7
Burkina Faso	245.7	294.7	324.2	371.8	377.0	388.8	415.2
Côte d'Ivoire	1,206.6	1,392.8	1,453.4	1,609.5	1,722.4	1,680.2	1,646.0
Guinea-Bissau	...	...	...	38.1	36.4	38.2	61.6
Mali	237.0	254.6	317.8	345.4	360.2	365.0	407.2
Niger	129.0	109.5	103.5	99.2	80.2	95.3	102.2
Senegal	463.7	486.4	550.4	580.4	630.2	714.1	799.8
Togo	163.5	190.7	182.1	196.6	197.2	213.7	246.0
BCEAO head office	77.7	223.9	0.4	91.2	91.2	110.1	95.9

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

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



Table 18. WAEMU: Monetary Survey by Country, 1994-2000

(In percentage of beginning of period money supply)

	Dec. 1994	Dec. 1995	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000
Net foreign assets	32.9	9.5	6.5	5.9	-2.7	3.9	8.7
Benin	43.0	-4.5	16.3	14.5	-3.5	33.5	12.7
Burkina Faso	25.3	29.4	-0.2	-7.2	-5.6	-2.4	-8.6
Côte d'Ivoire	50.1	11.5	3.2	1.9	-0.7	-3.9	0.9
Guinea-Bissau	...	...	...	...	-4.7	-14.6	15.1
Mali	11.4	6.1	36.0	-2.2	-9.6	-10.2	14.2
Niger	-3.3	2.2	-6.8	-12.2	-11.5	-5.7	8.0
Senegal	15.0	14.2	7.4	15.4	6.2	8.3	-3.4
Togo	11.0	-6.0	-8.1	0.1	-4.9	9.8	13.9
BCEAO head office 2/	2.1	-0.4	0.7	2.0	-1.0	9.2	6.1
Net domestic assets	6.4	4.6	-6.0	8.9	6.1	1.7	-2.1
Benin	4.9	-10.8	0.7	2.9	-0.2	1.9	12.3
Burkina Faso	3.5	-9.5	10.3	21.9	7.0	5.5	15.4
Côte d'Ivoire	-3.8	3.9	1.2	8.9	7.7	1.5	-2.9
Guinea-Bissau	...	...	...	...	-7.6	27.5	62.1
Mali	27.7	1.3	-11.2	10.9	13.9	11.5	-2.5
Niger	10.0	-17.3	1.3	8.0	-7.6	24.6	-0.8
Senegal	22.7	-9.3	5.8	-9.9	2.4	5.0	15.4
Togo	33.2	22.7	3.6	7.8	5.2	-1.4	1.2
BCEAO head office 2/	-1.5	5.6	-7.8	1.8	0.3	-2.3	-6.5
Net credit to government	23.5	3.1	1.5	-0.7	2.5	2.1	-4.7
Benin	19.3	5.2	-7.5	0.2	-8.2	-19.8	0.4
Burkina Faso	10.6	-3.7	1.8	9.0	0.1	2.1	5.9
Côte d'Ivoire	17.0	-0.6	2.1	0.1	4.2	3.8	-7.5
Guinea-Bissau	...	...	...	...	-1.5	14.8	26.9
Mali	16.2	-11.4	-16.0	4.2	-1.1	1.2	-5.1
Niger	10.9	22.8	4.8	13.3	-10.9	9.9	-17.1
Senegal	32.4	-8.7	15.9	-3.9	-1.1	1.2	-4.0
Togo	19.1	13.9	5.3	-1.3	7.5	-0.1	-0.5
BCEAO head office 2/	5.1	3.8	-0.7	-1.9	1.5	1.0	-0.6
Credit to the economy	-7.9	9.2	-1.6	13.8	4.6	0.8	6.2
Benin	4.9	-13.5	10.1	3.3	9.7	21.7	8.5
Burkina Faso	-8.0	2.0	12.1	15.6	3.9	1.8	8.2
Côte d'Ivoire	-5.7	11.0	1.9	10.9	2.3	-5.9	2.7
Guinea-Bissau	...	...	...	...	8.7	2.7	7.1
Mali	-4.8	18.8	16.3	8.6	15.8	10.2	-1.4
Niger	-16.1	-9.1	2.9	-1.4	13.9	-2.2	14.7
Senegal	-22.3	-6.8	12.2	2.6	7.7	7.3	19.1
Togo	-1.0	8.4	10.3	9.9	3.5	-7.8	0.4
BCEAO head office 2/	0.0	4.9	-8.1	4.9	-0.9	0.0	-0.3
Money supply	39.3	14.1	0.5	14.8	3.4	5.6	6.6
Benin	47.9	-15.3	17.0	17.4	-3.6	35.4	25.0
Burkina Faso	28.8	19.9	10.0	14.7	1.4	3.1	6.8
Côte d'Ivoire	46.3	15.4	4.4	10.7	7.0	-2.5	-2.0
Guinea-Bissau	...	...	...	...	-4.5	4.9	69.2
Mali	39.1	7.4	24.8	8.7	4.3	1.3	11.6
Niger	6.7	-15.1	-5.5	-4.2	-19.1	18.8	7.2
Senegal	37.8	4.9	13.2	5.4	8.6	13.3	12.0
Togo	44.3	16.7	-4.5	8.0	0.3	8.4	15.1
BCEAO head office 2/	0.6	5.3	-7.1	3.8	-0.8	0.5	-0.4

Source: BCEAO's Dakar head office.

1/ Preliminary data.

2/ In percentage of total money supply.

3/ BCEAO program.

Table 19. WAEMU: Commercial Banks' Cost of Intermediation, 1999 1/

(In percent)

	Average Cost of Borrowed Resources (1)	Average Return of Assets (2)	Net Interest Margins (2)-(1)	Interest Rate on Customer Loans
Benin	2.5	8.2	5.7	11.4
Burkina Faso	2.5	10.0	7.5	13.5
Côte d'Ivoire	3.7	10.9	7.2	12.1
Mali	1.8	8.5	6.8	10.6
Niger	1.5	9.8	8.3	15.3
Senegal	3.2	9.4	6.2	11.7
Togo	2.8	10.1	7.3	12.7
WAEMU	3.0	9.9	6.9	12.1

Source: West African Banking Commission, *Annual Report*, 1999.

1/ Excluding Guinea-Bissau.

Table 20. WAEMU: Quality of Commercial Banks' and Financial Institutions'  
Loan Portfolios, 1996-2000

(In percent)

	1996	1997	1998	1999	2000
	Dec.	Dec.	Dec.	Dec.	Dec.
<b>Benin</b>					
Share of nonperforming loans net of provisions 1/	2.8	4.8	4.6	5.5	4.9
Share of nonperforming loans, including provisions 2/	8.2	13.1	11.6	11	9.7
Ratio of provisions to nonperforming loans	67.4	66.4	64.4	52.6	51.8
<b>Burkina Faso</b>					
Share of nonperforming loans net of provisions 1/	2.3	2.2	3.5	3.4	4.1
Share of nonperforming loans, including provisions 2/	9.5	8.2	9.7	10.0	12.0
Ratio of provisions to nonperforming loans	77.8	74.8	66.3	68.8	68.8
<b>Côte d'Ivoire</b>					
Share of nonperforming loans net of provisions 1/	6.5	6.2	5.8	4.6	6.2
Share of nonperforming loans, including provisions 2/	20.2	17.3	18.4	18.8	19.3
Ratio of provisions to nonperforming loans	72.6	68.5	72.6	79.1	72.6
<b>Guinea-Bissau</b>					
Share of nonperforming loans net of provisions 1/	...	...	....	78.2	78.0
Share of nonperforming loans, including provisions 2/	...	...	...	81.0	81.6
Ratio of provisions to nonperforming loans	...	...	...	24.7	20.1
<b>Mali</b>					
Share of nonperforming loans net of provisions 1/	12.0	11.8	9.1	10.7	11.8
Share of nonperforming loans, including provisions 2/	26.7	26.6	22.7	23.6	23.7
Ratio of provisions to nonperforming loans	62.3	63.2	65.9	61.2	57.0
<b>Niger</b>					
Share of nonperforming loans net of provisions 1/	5.0	11.8	6.3	7.6	5.2
Share of nonperforming loans, including provisions 2/	29.8	28.6	28.8	31.4	21.6
Ratio of provisions to nonperforming loans	87.5	66.6	83.5	82.1	79.9
<b>Senegal</b>					
Share of nonperforming loans net of provisions 1/	8.5	8.0	7.8	5.8	6.2
Share of nonperforming loans, including provisions 2/	20.1	20.1	22	19.6	17.6
Ratio of provisions to nonperforming loans	63.1	65.4	69.9	74.8	69.2
<b>Togo</b>					
Share of nonperforming loans net of provisions 1/	5.8	6.7	5.7	13.6	16.9
Share of nonperforming loans, including provisions 2/	20.3	19.0	18.0	30.2	34.0
Ratio of provisions to nonperforming loans	75.7	69.7	72.5	63.8	60.4
<b>WAEMU</b>					
Share of nonperforming loans net of provisions 1/	6.9	6.7	6.2	6.4	7.5
Share of nonperforming loans, including provisions 2/	20.1	18.2	18.8	19.7	19.6
Ratio of provisions to nonperforming loans	70.4	67.4	71.2	72.1	66.5

Source: West African Banking Commission.

1/ In percent of total credits net of provisions

2/ In percent of total credits, including provisions.

Table 21. WAEMU: Summary of Commercial Banks' and Financial Institutions' Compliance with the Prudential Ratios, 1997-2000 1/

Regional Norms		Number/Percent of Banks and Financial Institutions Failing to Meet the Prudential Norms and Shares in Total Deposits of the National Banking System								
		Benin	Burkina Fas	Côte d'Ivoire	Mali	Niger	Senegal	Togo	WAEMU 2/	
1. Own capital	2000 New ratio 3/	5/33.8	4/34.2	3/14.3	5/48.5	3/44.5	1/0.0	4/50.2	26/20.9	
	1999 Min. CFAF 1 billio	0/0.0	2/7.7	3/14.1	12451	1/0.4	2/2.0	4/55.1	14/13.9	
	1998	0/0.0	1/1.5	4/14.8	2/49.2	2/5.5	2/0.9	5/68.8	16/12.8	
	1997	2/0.2	2/5.4	6/33.1	3/41.2	2/5.2	1/0.6	4/34.5	20/21.9	
2. Risk-weighted capital asset ratio	2000 Max. 8 percent 3/	3/33.1	5/31.4	7/22.5	4/48.5	2/39.7	7/29.5	6/87.5	34/49.8	
	1999 Min. 4 percent	0/0.0	0/0.0	1/13.3	3/51.2	0/0.0	2/19.2	4/55.1	10/17.9	
	1998	0/0.0	0/0.0	2/14.0	3/49.1	0/0.0	4/44.5	5/68.8	14/24.0	
	1997	0/0.0	0/0.0	4/60.5	2/37.4	0/0.0	0/0.0	3/34.6	9/33.2	
3. Coefficient of coverage of fixed assets and participations	2000 Max. 100 percent	3/33.1	3/38.8	3/14.3	5/53.2	2/34.7	3/28.0	4/76.6	22/30.3	
	1999	0/0.0	0/0.0	1/13.3	3/51.2	1/33.0	1/0.7	3/62.4	9/15.4	
	1998	0/0.0	0/0.0	2/14.0	3/35.7	0/0.0	2/26.7	4/68.8	11/19.1	
	1997	0/0.0	0/0.0	3/59.8	3/56.7	12785	0/0.0	4/47.1	11/36.4	
4. Coefficient of liquidity	2000 Min. 60 percent	6/33.1	8/47.3	17/73.0	8/28.4	3/47.4	9/39.0	11/54.7	59/52.9	
	1999 Min. 60 percent	1/9.4	2/11.9	7/63.3	3/63.2	3/38.4	2/19.2	4/69.1	22/45.3	
	1998	1/9.4	0/0.0	4/58.5	4/64.6	12055	3/48.9	5/76.8	18/48.4	
	1997	0/0.0	0/0.0	5/43.1	2/39.2	2/35.6	4/37.8	5/77.5	18/36.3	
5. Coefficient of highest exposure	2000 Max. 75 percent	5/99.8	7/81.5	9/32.0	8/89.7	4/52.2	10/89.3	7/93.1	50/71.1	
	1999 Max. 100 percent	2/52.4	3/78.5	4/33.7	3/65.5	2/38.0	5/72.1	6/84.8	25/53.3	
	1998	5/99.7	32599	6/25.9	25689	2/38.0	6/58.9	6/84.8	34/53.0	
	1997	3/78.9	5/97.4	6/49.8	2/45.1	3/64.0	4/63.2	5/76.5	28/60.9	
6. Ratios of credit to Bank management	2000 Max 20 percent	4/33.2	5/68.5	5/21.1	5/54.3	4/63.6	6/56.4	4/61.1	32/42.4	
	1999	1/9.4	1/1.5	4/14.7	3/65.5	3/38.4	4/48.0	4/55.1	20/27.3	
	1998	2/9.5	1/1.5	5/15.5	2/49.1	3/38.4	4/44.5	4/68.3	21/26.5	
	1997	2/40.0	1/37.1	4/59.9	15401	4/64.6	1/28.4	4/62.8	19/49	
7. Ratio of coverage of medium-and long-term lending	2000 Min. 75 percent	6/89.3	5/72.8	11/76.1	4/28.3	1/35.5	5/54.4	4/44.6	36/65.3	
	1999	5/61.1	5/51.1	9/74.6	5/86.9	3/37.0	5/74.6	3/40.7	35/70.2	
	1998	4/61.0	6/88.5	5/58.6	6/57.1	4/42.0	6/76.0	3/21.4	35/62.8	
Total number of banks	2000	5/9.0	7/8.4	15/44.8	9/9.6	6/2.2	10/19.2	7/5.6	59/100.0	
Total number of nonbank credit institutions	2000	3	5	6	3	0	4	4	25	
	1997									
	1996									

Source: West African Banking Commission.

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

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

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

Table 22. West African Development Bank: Balance Sheet, 1997-99

	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.
(In thousands of CFA francs)				
Assets	425,120	550,193	660,035	597,632
Cash	4	13	77	23
Interbank debt	34,677	30,526	49,866	41,883
Loans	335,470	408,065	474,372	200,204
Private sector	86,206	122,007	147,883	
Public sector	249,264	286,058	326,489	
Securities placement	5,510	3,400	9,850	2,224
Others	49,459	108,189	125,870	353,298
Liabilities	425,120	550,193	660,034	597,632
Capital	237,500	333,500	333,500	335,800
Borrowings	79,665	106,130	152,400	159,835
Domestic	36,196	36,196	73,367	73,367
Foreign	43,469	69,934	79,033	86,468
Bonds	24,000	46,001	71,832	73,366
Others	83,955	64,562	102,302	77,997
Memorandum items:	(In percent)			
Share of concessional loans 1/	4.4	38.2	34.0	38.4
Average return on asset	8.8	9.3	8.7	8.5
Average cost of borrowed resource	4.0	4.3	4.7	4.8

Source: West African Development Bank, *Annual Reports*.

1/ In total of loans granted.

Table 23. WAEMU: Debt Issues on the Regional Financial Market, 1997-2000

(In millions of CFA francs)

	1997	1998	1999	2000
Private companies	0	27,000	30,000	19,715
Commercial banks	8,900	5,000	22,000	0
Financial institutions	0	6,300	6,300	7,000
Government	5,000	0	54,050	5,005
<i>Of which: Côte d'Ivoire</i>	0	0	54,050	0
Regional Development Bank	15,000	12,200	35,120	0
WAEMU	28,900	50,500	147,470	31,720

Source: BCEAO.

Table 24. WAEMU: Summary of Financial Situation, 1996-2001

	1996	1997	1998	1999	2000		2001
					Budget	Prel.	Budget
(In billions of CFAF)							
Revenue	3.69	10.84	14.48	13.96	28.78	31.50	35.36
PCS	3.68	10.39	13.15	12.79	26.00	30.75	30.46
EU grant	0.01	0.45	1.33	1.02	2.72	0.44	4.25
Grant from France	0.00	0.00	0.00	0.15	0.06	0.32	0.27
Other grants	0.00	0.00	0.00	0.00	0.00	0.00	0.38
Outlays	0.01	0.45	5.97	29.23	30.17	31.35	35.95
Institutions	0.01	0.45	4.99	5.82	8.07	5.29	12.45
Operating expenses	0.01	0.45	4.65	5.10	7.19	5.04	10.41
Own funds <sup>1</sup>	0.00	0.00	3.32	4.27	4.91	4.45	6.33
Commission 2/				3.40	4.02		5.36
Court of Justice				0.44	0.30		0.30
Court of Accounts				0.12	0.13		0.15
Interparliamentary Comm.				0.23	0.31		0.35
Reg. Consular Chamber				0.08	0.15		0.17
EU funds	0.01	0.45	1.33	0.67	2.22	0.44	3.60
Grants from France 3/	0.00	0.00	0.00	0.15	0.06	0.15	0.27
Other grants	0.00	0.00	0.00	0.00	0.00	0.00	0.21
Investment outlays	0.00	0.00	0.34	0.73	0.88	0.25	2.04
Own funds	0.00	0.00	0.34	0.38	0.38	0.25	1.22
Commission				0.30	0.28		1.08
Court of Justice				0.04	0.00		0.10
Court of Accounts				0.02	0.00		0.00
Interparliamentary Comm.				0.03	0.08		0.01
Reg. Consular Chamber				0.00	0.02		0.02
EU funds	0.00	0.00	0.00	0.35	0.50	0.00	0.65
Other grants	0.00	0.00	0.00	0.00	0.00	0.00	0.17
Other	0.00	0.00	0.98	23.40	22.10	26.05	23.50
Compensations	0.00	0.00	0.98	7.40	12.10	16.05	18.30
Loans to member countries 4.	0.00	0.00	0.00	8.00	0.00	0.00	0.00
Structural funds	0.00	0.00	0.00	8.00	10.00	10.00	5.00
Reserve Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.20
Balance	3.68	10.39	8.51	-15.27	-1.39	0.15	-0.59
Cumulative balance	3.68	14.07	22.58	7.31	5.92	7.46	6.88

Sources: WAEMU Commission; and staff calculations.

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

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

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

4/ Loan extended to Niger in 1999.

Table 25. WAEMU: Progress in Social Sectors, 1990 and 1999

	Infant Mortality Rate (Deaths per 1000 live births)			Illiteracy Rate of age 15 and above (percent)			Net Enrollment in Primary Education (percent)		
	1990	1999	Progress 1/	1990	1999	Progress 1/	1990	1997	Progress 1/
	Benin	116	87	-25	60	61	0	49	63
Burkina Faso	134	105	-22	76	77	1	27	31	15
Côte d'Ivoire	108	111	3	50	63	26	47	55	17
Guinea-Bissau	169	127	-25	58	62	7	n.a.	n.a.	...
Mali	184	120	-35	56	60	8	18	51	183
Niger	135	116	-14	83	85	2	24	25	4
Senegal	117	67	-43	60	64	6	48	60	25
Togo	100	77	-23	37	44	18	75	81	8
WAEMU 2/	133	101	-24	60	64	7	36	49	36
Average HIPC 2/	105	94	-10	36	30	-17	53	58	9

Source: World Bank, *World Development Indicators*, 2001.

1/ Progress defined as percentage change between 1990 and 1999.

2/ Simple unweighted average.

Table 26. WAEMU: Poverty Statistics in 1999

	GNI per capita Atlas method (current US\$)		HDI 1/	Life Expectancy (years)	Net Primary Enrollment (percent)	Female Illiteracy (above 15 years) (percent)	HIV Prevalence (percent)
Benin	380	0.411		53	63	63	2.5
Burkina Faso	240	0.303		45	31	78	6.4
Côte d'Ivoire	670	0.420		46	55	42	10.8
Guinea-Bissau	160	0.331		44	n.a.	68	2.5
Mali	240	0.380		43	51	42	2.0
Niger	190	0.293		46	25	87	1.4
Senegal	500	0.416		52	60	59	1.8
Togo	310	0.471		49	81	42	6.0
WAEMU 2/	336	0.378		47	52	60	4.2

Sources: World Bank, *World Development Indicators*, 2001 and *Human Development Report*, 2000.

1/ HDI = Human Development Index (combines \$PPP GDP per capita, longevity, and educational attainment); from UNDP, *Human Development Report*, 2000

2/ Simple unweighted average.



Table 27. WAEMU: Education Statistics in 1999

	Adult Illiteracy Rate (percent)	Primary Gross Enrolment Ratio (percent)	School Life Expectancy (Years)	Survival Rate to Grade 4 (percent)
Benin	62	78	5.0	67
Burkina Faso	78	40	2.9	87
Côte d'Ivoire	56	71	5.9	94
Guinea-Bissau	45	62	3.2	52
Mali	62	49	2.0	73
Niger	86	29	2.3	85
Senegal	65	71	4.9	88
Togo	45	120	7.8	75
WAEMU 1/	62	65	4.3	78

Source: World Bank, *World Development Indicators*, 2001

1/ Simple unweighted average.

Table 28. WAEMU: Health Statistics in 1999

	Life Expectancy at Birth (Years)	Percent Malnutrition Among Children < 5	Mortality Rate < 5 (Per 1,000)	Maternal Mortality Ratio (Per 100,000)
Benin	53	25	149	500
Burkina Faso	45	33	169	930
Côte d'Ivoire	46	24	140	600
Guinea-Bissau	44	24	220	910
Mali	43	31	235	580
Niger	46	41	190	593
Senegal	52	22	110	510
Togo	49	30	138	640
WAEMU 1/	47	29	169	658

Source: World Bank, *World Development Indicators*, 1999.

1/ Simple unweighted average.