January 2011
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West African Economic and Monetary Union: Discussions with Regional Institutions—Staff Report and the Executive Director's Statement

This staff report on discussions with regional institutions for the West African Economic and Monetary Union (WAEMU) was prepared by a staff team of the International Monetary Fund in the context of the periodic regional surveillance of the WAEMU. The regional perspective of such discussions is intended to strengthen the bilateral discussions that the IMF holds with the members in the region under Article IV of the IMF's Articles of Agreement. The following documents have been released and are included in this package:

- The staff report, prepared by a staff team of the IMF, following discussions that ended on December 17, 2009 with the officials of the WAEMU regional institutions on economic developments and policies. Based on the information available at the time of these discussions, the staff report was completed on February 22, 2010. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- The Executive Director's statement.

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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Regional Consultation on Economic Issues and Policies

2010

West African Economic and Monetary Union

West African Economic and Monetary Union Staff Report on Common Policies of Member Countries

Prepared by the Staff of the African Department
(in consultation with other departments)

Approved by Roger Nord and Thomas Dorsey

February 22, 2010

Regional discussions in the context of Article IV consultations with member countries of the West African Economic and Monetary Union (WAEMU) were held with the Central Bank of West African States (BCEAO) in Dakar December 7–11, and with the WAEMU commission in Ouagadougou December 14–17. WAEMU countries are Benin, Burkina-Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. The mission comprised Messrs. Le Dem (head), Ahokpossi, Kireyev, and Ms. Yackovlev (all AFR) and Mr. Youm (MCM), and was assisted by the resident representatives in Dakar (Ms. Fichera) and Ouagadougou (Ms. Adenauer). Mr. Nord (AFR) joined the policy discussions in Dakar. The mission met with the Governor and senior officials of the BCEAO and of the WAEMU Banking Commission, and the President and other officials of the WAEMU commission.

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Economic Policies and Crisis Response

Economy: With an average growth slowdown of 1 percent in 2009 and inflation below 2 percent, most WAEMU countries have weathered well the second crisis in three years because of limited global financial integration, favorable terms of trade, and Côte d'Ivoire's post-conflict recovery.

Public finance: While government revenues held up well in most countries, deficits increased by an average of 2 percent of GDP in 2009, pushed by higher capital and current spending.

Monetary policy: The central bank adjusted its stance to changes in economic and liquidity conditions once the risks of second-round inflation effects of the 2007–08 food and fuel price shocks had passed. It lowered its refinancing rate and provided governments with significant direct credits and refinancing guarantees.

Key Assessments

Economic outlook: Growth is expected to return to pre-crisis levels in 2010, assuming a gradual global recovery.

Exchange rate policy: Despite eroded competitiveness and convergent but inconclusive indications of a modest exchange rate overvaluation, the Union is not at risk of external instability.

Financial sector: The financial sector weathered the crisis undamaged but is underdeveloped and not well supervised.

Challenges Going Forward

Fiscal and monetary policy stances: Key near-term challenges are to resist current spending pressure and prepare to tighten monetary policy if inflationary pressures reemerge.

Government domestic arrears: The BCEAO's exceptional lending to governments following the SDR allocation had allowed them to reduce outstanding arrears, but more is needed to avoid arrears reemerging in WAEMU countries and strengthen fiscal discipline –including by improving regional liquidity management, better coordinating fiscal and monetary policies, and strengthening public finance management procedures.

Competitiveness: Medium-term challenges will be to boost growth, create jobs, and make a bigger dent on poverty by reducing the cost of doing business and attracting more FDI. Priority should be given to the financial sector and the integration of WAEMU country markets.

Financial stability: Member countries should continue implementing FSAP recommendations by improving compliance with prudential ratios and developing risk-based prudential and financial crisis-resolution frameworks.

Trade policy: A priority should be to promote regional integration with other ECOWAS countries while resisting pressures for more protection.

Economic policy responses:

The global crisis and other recent economic developments

The shock from the global crisis was relatively mild in the WAEMU.

Zone-wide economic growth is estimated to have declined by just 1 percent in 2009, to 3 percent. This economic resilience appears related to favorable terms of trade for the region as a whole and a strong upturn in Côte d'Ivoire, the main economy of the union. In Togo, stepped-up donor support and a rebound of food production following flood damage led to a pick-up in growth. In the other WAEMU countries, lower prices and volumes of exports, in particular cotton helped slow growth, which in the case of Benin was amplified by the spillover of the crisis from Nigeria (Table 4)

Inflation pressures abated significantly in 2009, although a slight uptick is anticipated in 2010. Compared to 7.4 percent in 2008, annual average increase in the union's harmonized CPI is estimated to decline to 1.1 percent in 2009 and to remain close to the target of 2 percent in 2010.

The Union's external position has not been affected by the crisis. The pooled international reserves were maintained well above 5 months of import cover in 2009 in gross terms, in part because of several one-off factors such as the SDR allocation, representing half a month of imports, and foreign exchange proceeds from a privatization in Mali, representing a fifth of a month of imports (Table 1).

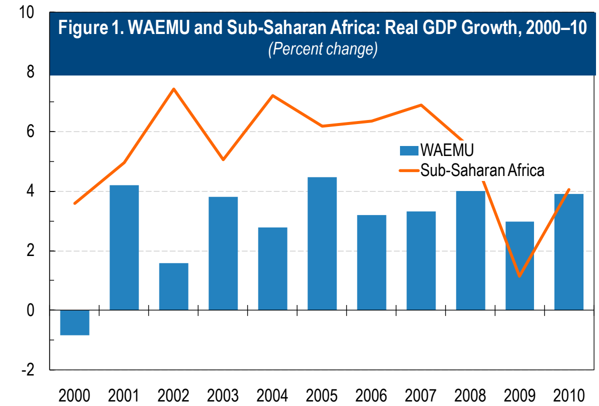


Figure 1. WAEMU and Sub-Saharan Africa: Real GDP Growth, 2000–10
(Percent change)

Source: IMF, African Department database.

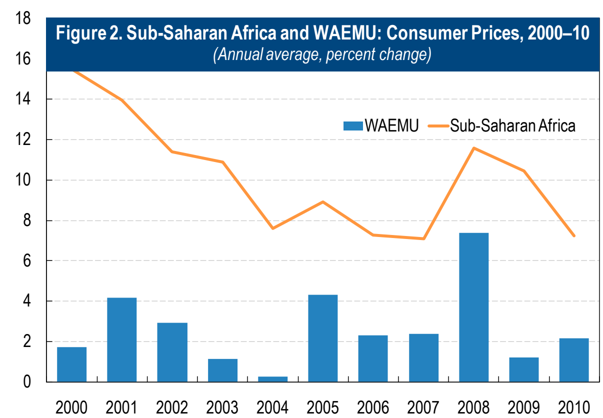


Figure 2. Sub-Saharan Africa and WAEMU: Consumer Prices, 2000–10
(Annual average, percent change)

Source: IMF, African Department database.

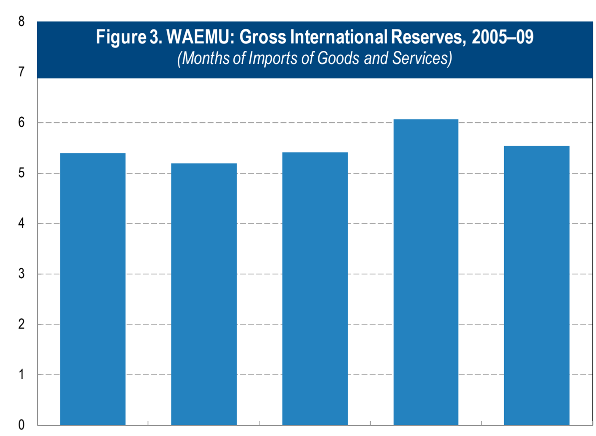


Figure 3. WAEMU: Gross International Reserves, 2005–09
(Months of Imports of Goods and Services)

Source: IMF, Africa Department Database.

Economic policy responses:
Government spending on the rise across the Union

Fiscal policy was appropriately eased in 2009, but not as a result of explicit countercyclical measures.

In many WAEMU countries, deficits were already on the rise before the global crisis. Subsidies to offset the effects of the 2007–08 food and fuel crisis, combined with other country-specific factors, such as pre-election slippage (Benin), and capital spending related to one-off revenues (Niger), led to the beginning of a fiscal expansion even before the effects of the global crisis were felt (Table 5).

When the crisis hit, it further weakened the fiscal position of several WAEMU countries. All member countries except Guinea Bissau and Senegal experienced a deteriorated fiscal deficit in 2009 compared to 2008. The zone-wide fiscal deficit is estimated to have risen to 3.7 percent of GDP in 2009 (including grants), from 2 percent in 2008.

Automatic stabilizers and measures targeted to supporting growth after the global crisis played a limited role in the fiscal easing. Revenues are estimated to have remained broadly stable in most WAEMU countries in 2009, despite a decline in demand for exports due to the global crisis. Expenditure overruns, largely unrelated to the crisis, weakened the fiscal position of several WAEMU countries. Government expenditures are believed to have increased from an average of 22½ percent of GDP in 2008 to 24½ percent in 2009.

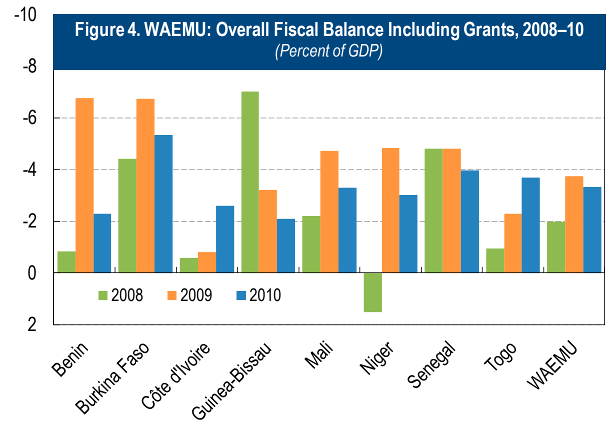


Figure 4. WAEMU: Overall Fiscal Balance Including Grants, 2008–10
(Percent of GDP)

Source: IMF, African Department database.

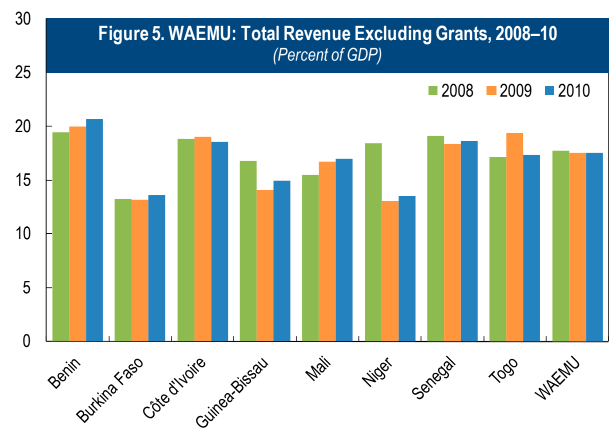


Figure 5. WAEMU: Total Revenue Excluding Grants, 2008–10
(Percent of GDP)

Source: IMF, African Department database.

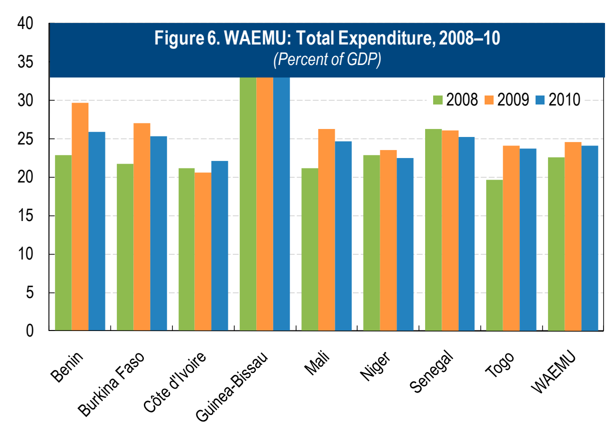


Figure 6. WAEMU: Total Expenditure, 2008–10
(Percent of GDP)

Source: IMF, African Department database.

Economic policy responses:

A need to strengthen revenue capacity and rebalance expenditure to support growth

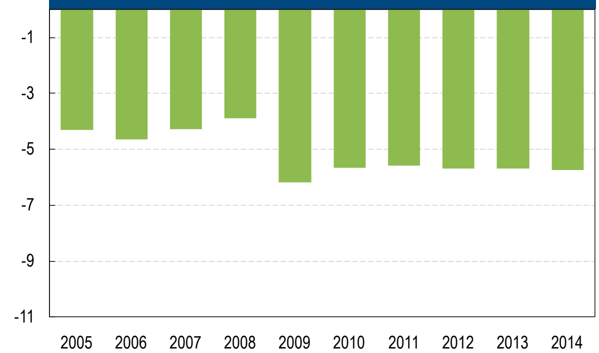
Government budgets aim at some fiscal consolidation in 2010, but risks remain.

As a region, the challenge will be to adopt a fiscal policy that supports a sustainable growth path. Medium-term country projections assume a modest fiscal retrenchment beginning in 2010 . Although the aggregate retrenchment falls short of bringing the regional primary fiscal deficit back to its pre-2009 level, no member country appears to face significant increased risks to debt sustainability. However, WAEMU countries will need to seek ways to broaden and deepen the revenue base while rebalancing expenditures toward poverty reduction and investment.

There is a risk of lower than expected tax revenues starting in 2010 due to volatile commodity prices and pending tax exemptions or reductions. Cocoa prices are projected to decline by over 30 percent in 2010; and the WAEMU commission recently opened the way to tax shortfalls by allowing countries to introduce a zero VAT rate on a limited number of goods.

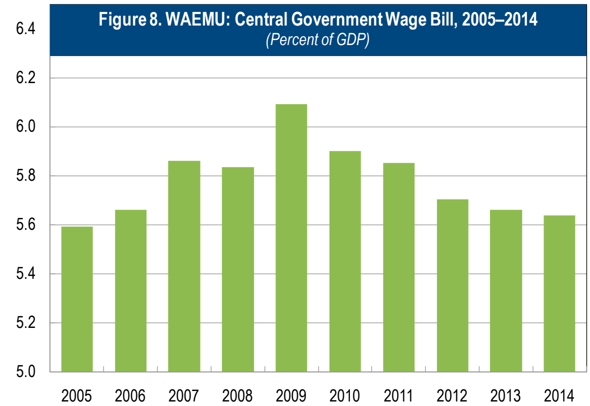
Some expenditure increases may be less supportive of growth—the continuous increase in the central government wage bill as a share of GDP in all countries except Côte d'Ivoire and Niger risks undermining the capacity to undertake pro-growth policies in the Union; the projected reversal of this trend will require firm regional resolve. Other projected expenditure increases may undermine the quality of spending—including the steep increase in capital spending in countries like Benin –which may spill over into 2010 and beyond.

Figure 7. WAEMU: Primary Fiscal Balance, 2005–2014
(Percent of GDP)



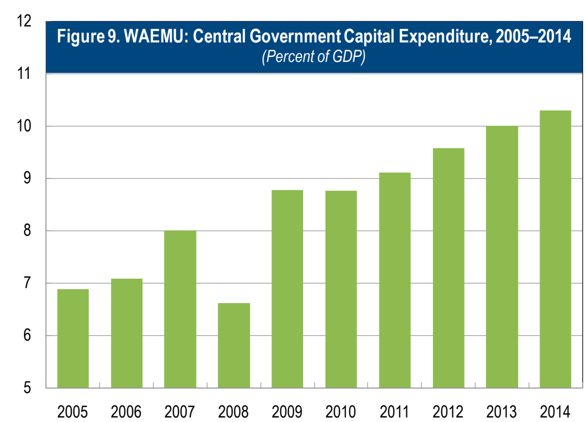
Source: IMF, African Department database.

Figure 8. WAEMU: Central Government Wage Bill, 2005–2014
(Percent of GDP)



Source: IMF, African Department database.

Figure 9. WAEMU: Central Government Capital Expenditure, 2005–2014
(Percent of GDP)



Source: IMF, African Department database.

Economic policy responses:

Discussions on the fiscal policy stance

Staff Views

Staff advised tightening fiscal policy once the recovery is confirmed or if inflationary or external pressures return. Côte d'Ivoire, Guinea-Bissau, and Togo have not yet recovered a sustainable debt position or are still at medium risk of debt distress. Risks of pre-electoral spending pressures in many countries (Togo, Côte d'Ivoire, and Burkina Faso in 2010, Benin in 2011) and large spending programs initiated after the food and fuel price crises might lead to prolonged fiscal deficits and generous public wage concessions. This could translate into domestic price increases and a rapid deterioration of the external position of the region when the impact of several favorable factors in 2009 dissipates (terms of trade, SDR allocation, one-off privatization receipts).

Staff expressed concern that a failure to unwind the fiscal expansion in a timely manner could dampen long-term growth prospects. The additional government spending has increased the financing needs in member countries, (1) exacerbating the growing problem of payments arrears in many countries and highlighting the need to strengthen public financial management; (2) requiring levels of financing which the regional market may be unable to absorb thus crowding out private investment; and (3) increasing the risk of inflationary pressures reemerging in 2010.

Staff recommended rebalancing expenditure away from the measures to mitigate the food and fuel crisis and toward affordable social safety nets and investment. The latter could be done through regional initiatives.

Authorities' Views

The authorities share staff concerns about fiscal policy having loosened in 2009. The Council of Ministers called for an unwinding of the fiscal easing in its December 2009 communiqué. The BCEAO expressed concern about the challenges posed by a prolonged easing of the fiscal stance across the region, including the capacity of the regional market to absorb the increased financial requirements that may result and the growing problem of payment arrears. However, the WAEMU commission stressed the need to weigh macroeconomic stability considerations against the serious infrastructure bottlenecks, especially energy and transport infrastructure, that ought to be alleviated to unleash the region's growth potential.

Staff is of the view that the BCEAO's call for unwinding the fiscal easing is appropriate.

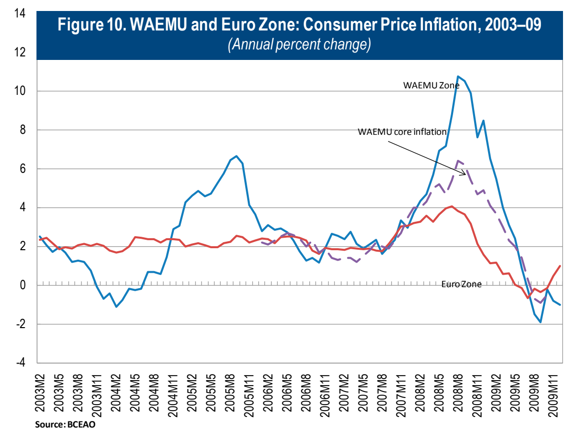
Underlying conditions affecting monetary policy

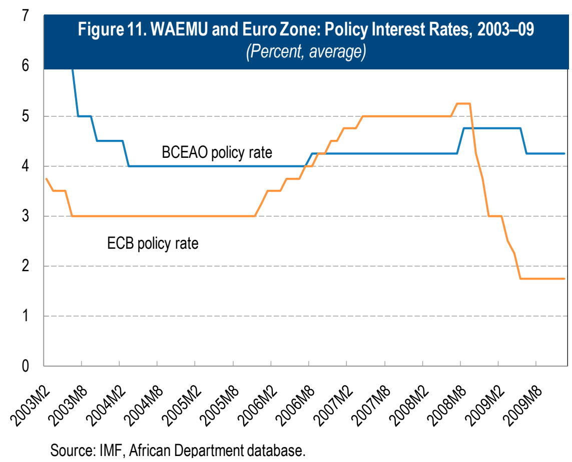
The central bank has been keen to avoid second-round inflation effects stemming from food and fuel prices

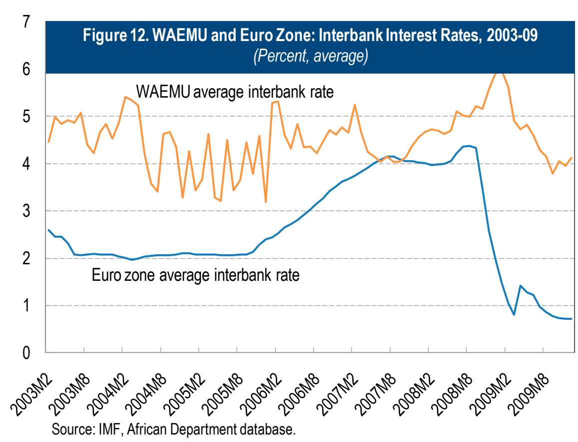
The BCEAO's main objective is to pursue price stability, understood as keeping inflation in the WAEMU zone below 2 percent. This inflation target is in line with the ECB target, which should facilitate management of the CFA franc peg to the euro. Inflation rates in the WAEMU are more volatile than in the euro zone because the harmonized CPI basket has a larger share of food. The core inflation (excluding food and fuel) is less so. This has led to significant discrepancies between program objectives and realizations. Regional 12-month inflation rose to double-digit levels in the course of 2008, then declined steadily as the pressure on food and fuel prices abated, reaching negative territory in July 2009.

BCEAO has managed its policy rate with a view to keeping inflation in check and promoting growth. In response to rising inflationary pressures fueled by the food and fuel crisis, the BCEAO increased its policy rate twice, in August 2006 and August 2008, to 4.75 percent. Once inflation eased, in June 2009 the BCEAO reduced the rate to 4.25 percent, but later and by less than the ECB, which undertook an aggressive interest rate reduction to forestall the impact of the financial crisis.

Interbank rates broadly followed the policy rate. Interbank interest rates in the WAEMU zone tracked the decline of the BCEAO policy rate, which helped maintain investment and growth. However, they remained substantially different from the euro zone rates because of limited capital mobility.







Economic policy responses:

An appropriately accommodating monetary policy stance

The BCEAO reacted proactively to the financial crisis.

Additional liquidity injected as needed

When inflation was sufficiently contained and some banks needed immediate support in the wake of the financial crisis, after December 2008 the BCEAO injected substantial amounts of liquidity through weekly auctions. The BCEAO started to scale down its liquidity injections when it switched to other instruments, in the second quarter of 2009. To respond to banks' structural needs, the BCEAO also launched a one-month standing refinancing window at a fixed rate with no ceiling.

Reserve requirements reduced

As part of the move to unify reserve requirements across the zone, as recommended by the Fund's FSAP, the BCEAO in June 2009 reduced the reserve requirements ratio for banks in Benin, Mali, and Niger. This reduced the average reserve requirement from 7.5 to 6 percent and the spread between the maximum and the minimum reserve requirements from 12 to 6 percentage points.

Interbank rates influenced

Since June 2009 for the first time the BCEAO has succeeded in steering the interbank interest rate within the corridor between its policy rate and the marginal rate of liquidity injections, While interbank rates have been in the corridor for only a short period of time, this may suggested better transmission of signals from the central bank to market participants.

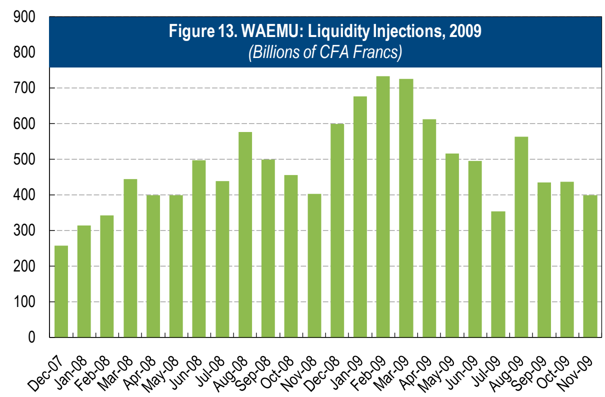


Figure 13. WAEMU: Liquidity Injections, 2009
(Billions of CFA Francs)

Source: BCEAO, and IMF staff estimates.

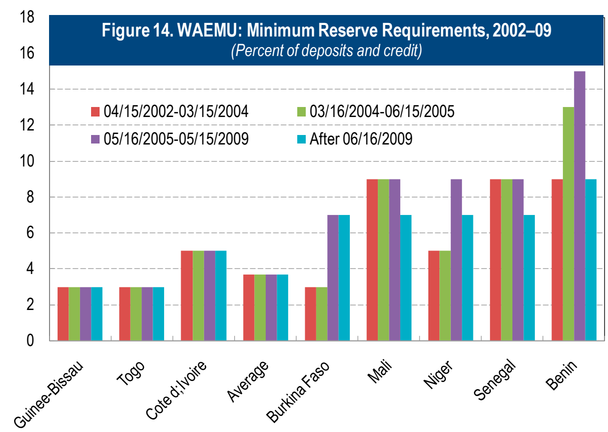


Figure 14. WAEMU: Minimum Reserve Requirements, 2002–09
(Percent of deposits and credit)

Source: BCEAO, and IMF staff estimates.

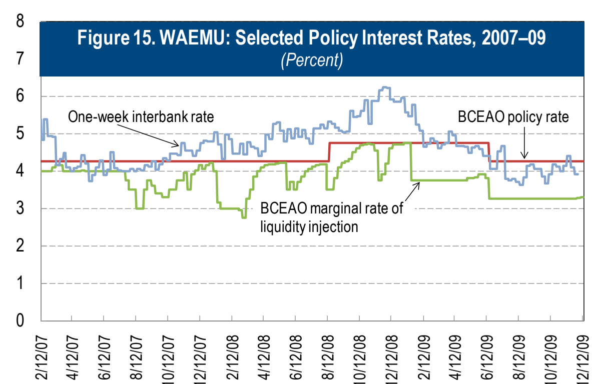


Figure 15. WAEMU: Selected Policy Interest Rates, 2007–09
(Percent)

Source: BCEAO and IMF staff estimates.

Economic policy responses:

Addressing the domestic arrears issue

The accumulation of government domestic arrears threatens the health of the financial sector.

According to a recent survey of member governments compiled by the central bank, the stock of government domestic arrears is estimated at CFAF 1,400 billion as of April 2009, the equivalent of 4.3 percent of WAEMU GDP and well above most SSA countries. Although all WAEMU countries except Benin run domestic arrears, Togo and Guinea-Bissau have a disproportionate share of the total.

The accumulation of arrears spans several years. Causes include lack of proper coordination of fiscal and monetary policies, weak management of liquidity on the regional financial market, and weak public financial management. The negative impact extends to private sector government suppliers, who in turn face difficulties in repaying their loan commitments to the banking sector.

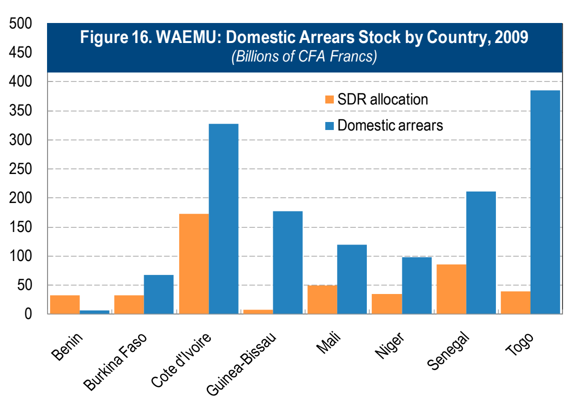


Figure 16. WAEMU: Domestic Arrears Stock by Country, 2009
(Billions of CFA Francs)

Source: BCEAO and IMF staff estimates.

The authorities' action plan will inject a large amount of liquidity in the banking system.

The WAEMU took exceptional steps in September 2009 to help governments reduce arrears and their negative impact on private sector and commercial bank balance sheets:

- ✓ Reversing a 2003 decision to suspend central bank direct financing of member governments, the WAEMU countries agreed that the BCEAO would lend them the domestic currency equivalent of the Fund's general SDR allocation for 10 years at 3 percent interest. These loans amount to the equivalent of 1.5 percent of WAEMU GDP. Under the regional central bank statutes, the Fund's SDR allocations are not passed on to WAEMU member's treasuries but added to the pooled reserves of the BCEAO.
- ✓ In addition, the central bank made eligible for refinancing an equal amount of government bonds with a maturity of seven years that would be issued for arrears clearance.
- ✓ During the last quarter of 2009, government bonds for the equivalent of 0.6 percent of GDP were issued under this initiative.
- ✓ The BCEAO is also considering refinancing government paper used as a counterpart for specific country arrears clearance operations, including to commercial banks.

Economic policy responses:

Discussions on the monetary policy stance and domestic arrears

Staff Views

The mission expressed concern about the macroeconomic impact of the exceptional measures taken in late 2009 to address the arrears. Significant liquidity injections and refinancing of government paper by the BCEAO may harbor inflationary potential, especially if there is no return to fiscal discipline, and weaken the Union's external position.

There is a risk governments may use direct BCEAO financing for current expenditure that leads to a more expansionary fiscal stance or for purposes other than reducing domestic arrears, such as to substitute for other types of financing.

While implementation of the recently adopted action plan to reduce government domestic arrears will improve the liquidity of the private sector and commercial bank balance sheets, it does not guarantee an effective and durable reduction in domestic claims on government. To ensure that arrears do not reemerge, the WAEMU institutions should recommend that governments adopt more realistic revenue projections and step up efforts to control spending; and the BCEAO should improve liquidity management and coordination in the issuance of government papers so country treasuries can cover their liquidity needs promptly and avoid payment delays.

Authorities' Views

The BCEAO is ready to tighten monetary policy if need be in 2010. The central bank saw little risk of inflation, despite the substantial injection of liquidity in late 2009, but underlined that it was willing to use all instruments to achieve its monetary targets for next year, to keep the inflation rate at 2.2 percent.

To limit monetary expansion, the BCEAO would reduce liquidity injections or cancel liquidity auctions, limit injection through the standing one-month facility, and, if needed, issue central bank bills.

Staff Response

The mission agreed that these short-term inflationary risks are remote but underlined the longer-term risks of accommodating larger fiscal deficits, including through the direct loans to governments backed by the general SDR allocation. Staff called for vigilance on the part of the BCEAO should governments fail to implement fiscal restraint in 2010.

Coordinating domestic policies:

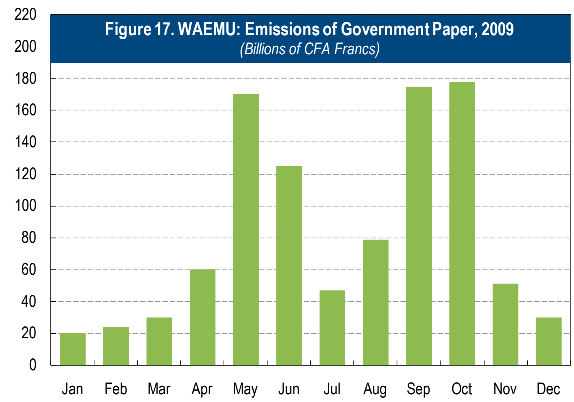
Regional liquidity management and forecasting

The WAEMU authorities have moved to better manage liquidity.

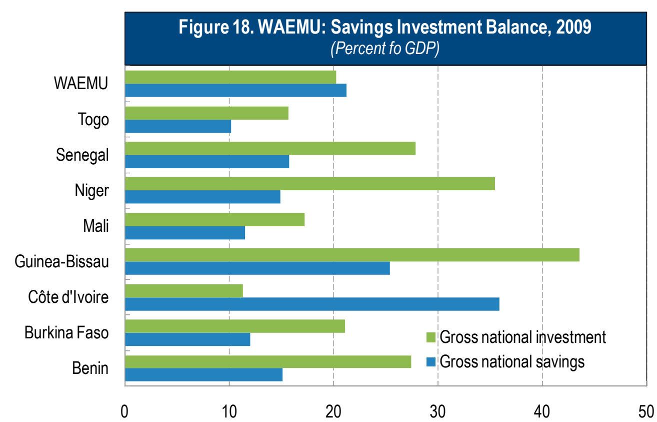
In November 2009 the Council of WAEMU Economic Ministers adopted a series of measures to improve the coordination of government bond issues on the regional market and improve its liquidity:

- The BCEAO will collect annual government issuance plans and discuss with national treasuries a schedule that ensures that governments can access regional financial markets when they most need to during their budget implementation cycle.
- A review mechanism will be launched in the first quarter of 2010 to share experience with bond issuance among member countries.

The BCEAO has improved its liquidity forecasting at the regional level. It has moved from liquidity projections based on commercial banks 'cash flow forecasts to a systematic liquidity projection exercise, based on the central bank's projections of the autonomous factors of liquidity, including WAEMU Treasuries needs.



Source: BCEAO, and IMF staff estimates.



Source: IMF, African Department database.

Coordinating domestic policies:
Public financial management

Weak expenditure execution and ex-post controls facilitated accumulation of arrears

Inadequate budget procedures and institutions contributed to domestic arrears. Weak rules and controls for budget execution eased recourse to unfunded spending commitments and extra-budgetary expenditures, directly contributing to the steep increase in domestic arrears in several countries. Parliaments and Government Accounting Offices do not have the independence and the means for proper budget oversight.

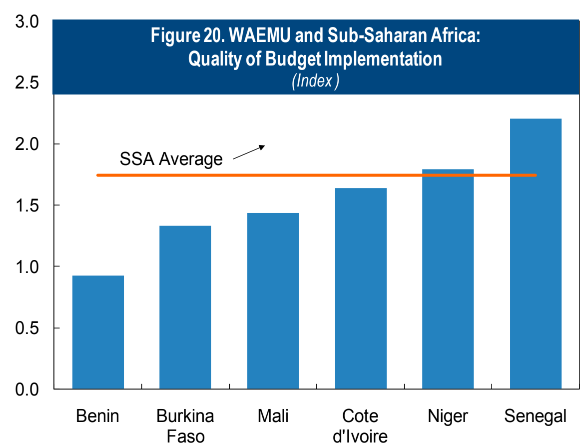
Although several WAEMU countries have improved their budget preparation and approval process, their medium-term planning is rarely effective. Several WAEMU countries are considered to have stronger than average budget planning and negotiation capacity compared to the average SSA country (see Dabla-Norris, et al., 2010). However, capacity to plan fiscal policy over the medium term is low; effective medium-term budget frameworks would improve annual budget projections and reduce the risks of unfinanced spending.

Forceful implementation of the new WAEMU PFM guidelines would prevent the reemergence of arrears.

The WAEMU commission has launched, with Fund technical assistance, an ambitious program of PFM reform in the region. In 2009 the WAEMU countries adopted six regional PFM guidelines, covering all aspects of the budget cycle; most reforms should be effective by 2016. Implementation is facilitated by a multi-donor program of assistance and capacity-building for the region.

Progress on PFM reforms will depend on the design of country-specific programs with strong ownership and well-identified priorities. Peer reviews could facilitate a more effective knowledge exchange between members and help accelerate change.

Figure 20. WAEMU and Sub-Saharan Africa: Quality of Budget Implementation
(Index)



Source: Dabla-Norris, et. Al. *Forthcoming.*

Coordinating domestic policies:

Fiscal and monetary policies in the region and the institutional reform

Should the BCEAO enforce fiscal discipline in the Union?

The build-up of domestic arrears has put the spotlight on the intensity of fiscal pressures in WAEMU countries. Suspension of direct central bank financing of governments since 2003 and the scheduled repayment of outstanding BCEAO advances to member countries have increased governments' domestic financing needs. At the same time, the distribution of savings and investment across countries is uneven, which provides a strong rationale for the development of a regional financial market.

The new statutes of the BCEAO, which go into effect soon, ban direct central bank financing of governments.[1] Article 18 foresees that the new Monetary Policy Committee will impose a limit on the total outstanding claims of the BCEAO on governments (as a percentage of prior year fiscal revenues), which constrains commercial banks' access to central bank refinancing of government paper. This is an indirect way to impose a financing constraint on governments.

At the same time, compliance of governments with the WAEMU fiscal convergence framework is poor. A large proportion of member countries do not meet convergence criteria, including maintenance of a basic fiscal surplus.

Fiscal policy among WAEMU countries needs to be better coordinated.

The WAEMU authorities are right to be concerned about excessive public deficits and government recourse to commercial bank financing. These may tilt the policy-mix toward tighter monetary policy (to protect the exchange rate peg) and risk crowding out the private sector.

But the regional central bank cannot by itself enforce fiscal discipline. This may distract the BCEAO from its main objective– price stability– and expose it to further risks of fiscal dominance. Furthermore, central bank ceilings on financing have been repeatedly circumvented, mainly through arrears accumulation.

Fiscal convergence in the Union is likely to remain a challenge. The multilateral framework put in place by the WAEMU treaty in 1994 to ensure fiscal discipline has not delivered. Refinements in the definition of the convergence criteria to make them less sensitive to the business cycle may help.

However, a robust process of peer review and increased budget transparency will be key to ensuring that countries adopt fiscal policies that are consistent with regional objectives.

[1] To enter into effect, the treaty needs to be ratified by the parliaments of each member country. As of mid-February 2010, only the Beninese parliament had not yet ratified it.

External stability assessment:

Exchange rate and the current account

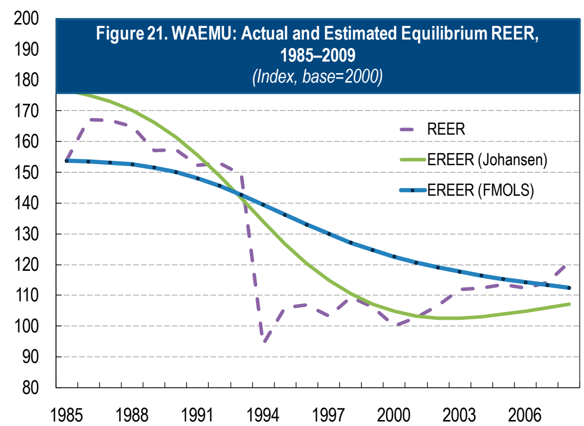
The exchange rate is modestly overvalued in spite of a growing current account deficit.

The continued appreciation of the real effective exchange rate (REER) gives rise to a modest but growing overvaluation. The REER has appreciated by 27 percent since the 1994 CFA franc devaluation and stood at 83 percent of its pre-devaluation value at the end of 2009. The various approaches of external sustainability described in detail in Appendix II support the conclusion that the overvaluation of the exchange rate did not exceed 11.3 percent in 2008. In particular, actual REER exceeded equilibrium REER by 3.9–11.3 percent depending on whether the single-country (Johansen) and multiple-country (FMOLS) method is used. The overvaluation implied by the macroeconomic balance and external sustainability approaches ranges from 5.1 percent to 7.7 percent.

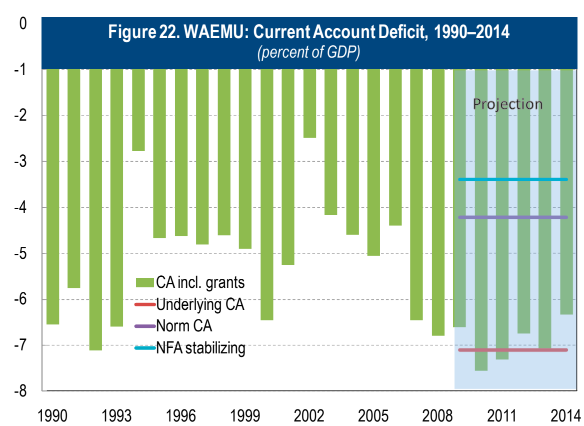
These are moderate increases relative to the 2007 assessment (0.7 percent and 9.9 percent respectively with the same methods).

WAEMU's external current account (CA) deficit has been growing in recent years. It widened from 4.6 percent of GDP in 2002-2004 to 6.6 percent in 2009. Based on staff projections, the deficit would reach an average of 7.1 percent over the 2010–2014 period.

This exceeds both the CA norm estimated by the macroeconomic balance approach and the CA that stabilizes the net foreign assets (NFA) at the 2008 level. However, balance of payments projections over the same period suggest that the CA deficit is being financed without depletion of international reserves through increased capital inflows. The projection assumes that the WAEMU region will attract increasing inflows of net foreign direct investment (FDI).



Source: IMF staff estimates.



Source: IMF staff estimates.

External stability assessment:
Structural competitiveness to support growth

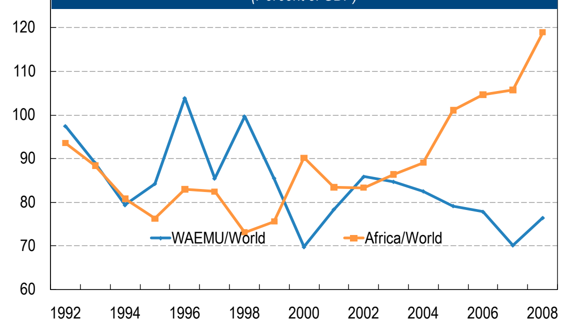
Weak structural competitiveness, including high factor costs are a drag on productivity and growth. The cost of starting and operating a business in the Union is high. According to a survey by the WAEMU Commission, which confirms other competitiveness indicators, the three most disruptive factors of production in the Union are frequent electricity outages, inadequate transportation system, and high cost of capital.

The continued appreciation of the REER over the last few years could presage a new period of sluggish growth in the region. By the authorities' own account, long-term growth has been disappointing, especially by comparison with SSA countries outside the currency union.

While the rest of Africa steadily increases its share of world exports, WAEMU is losing export share. Due to a combination of appreciating exchange rate and structural impediments to enhanced competitiveness, the WAEMU market share in world exports has declined by 23 percent since 1999. In contrast, the share of world exports from the rest of SSA has been on the rise.

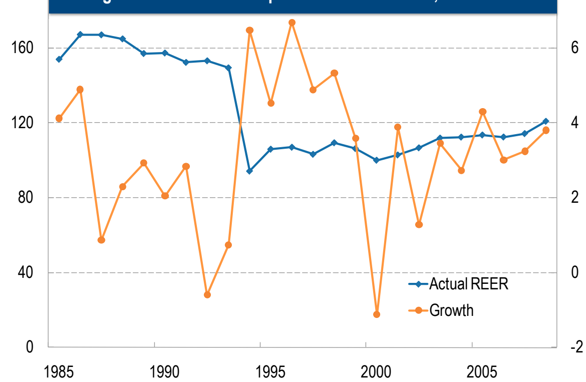
However, recent developments in FDI paint a brighter picture for WAEMU exports. Annual FDI inflow grew from 2 percent of GDP in 2000 to 3.3 percent in 2008, and is projected to have reached the SSA average in 2009, reflecting the launch of several large mining projects that will translate into higher exports in the medium term. Authorities noted that the acceleration of FDI inflow, if sustained, could spur long-term growth.

Figure 23. WAEMU and Sub-Saharan Africa: Exports to the Rest of the World
(Percent of GDP)



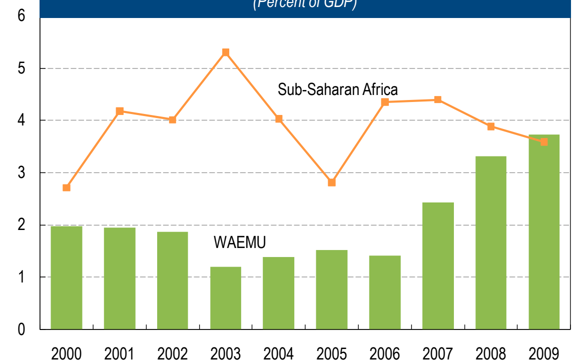
Source: IMf staff estimates.

Figure 24. WAEMU: Competitiveness Indicators, 1985–2008



Source: IMf staff estimates.

Figure 25. WAEMU: Foreign Direct Investment, 2001–2009
(Percent of GDP)



Source: IMF, African Department database and staff estimates.

External stability assessment:

Policy discussions on the exchange rate and external sustainability

Staff Views

The WAEMU REER overvaluation is modest and, given the margin of error, does not warrant any radical adjustment. However, a resumption of the appreciation of the euro (to which the WAEMU CFA franc is pegged) would further hurt the region's competitiveness and weigh on long-term growth and export performance.

The authorities should (i) minimize inflationary pressures; (ii) improve structural competitiveness factors by lowering transportation costs, ensuring a reliable electricity supply to businesses; (iii) better enforce business-friendly WAEMU and rules policies that promote regional integration, in particular competition rules; and (iv) moving forward with structural reforms aimed at harmonizing and modernizing the financial sector.

Authorities' Views

The authorities acknowledged that the REER appreciation is a concern to them. While they expressed reservations about some of the assumptions underlying the staff assessment, they agreed that a protracted appreciation of the CFAF could weigh on the competitiveness of the region compared to the rest of the world and on its growth performance. The authorities stressed their commitment to fighting inflation; they also emphasized that the appreciating trend of the euro against the dollar may not last.

The authorities expect that growth and investment in the region will be sustained by the implementation of the Regional Economic Plan (REP). The REP, which was launched in 2006, aims at accelerating regional growth by scaling up regional priority integration-enhancing spending by CFAF 2900 billion (9 percent of 2009 GDP), of which about CFAF 2400 million are covered by external assistance. The majority of the REP's resources (78 percent) are programmed for infrastructure projects (road, energy and telecommunications). At end-July 2009, 40 percent of the financial resources had been secured.

Authorities also expect the business environment to improve with the intended modernization of the financial sector and the nascent enforcement of competition policies at the regional level.

Financial sector reforms:

Opportunities for development and modernization

The union needs a stronger financial system to support investment and long-run growth.

Financial sectors are less developed in the WAEMU region than in the rest of SSA. As credit to the private sector in countries like Ghana, Kenya, and Nigeria surpassed 30 percent of GDP in 2008, the ratio of private credit to GDP continued below 20 percent in the WAEMU region.

The banking sector is underdeveloped and access to bank services is very limited. Only about 5 percent of the population have access to a bank–a low number even by sub-Saharan African standards.

As African frontier markets began attracting the attention of investors seeking higher yields across the world, the WAEMU region fell behind its peers in attracting its share of investment.

There are no secondary markets, market dealers charge high fees, and regulations do not offer adequate incentives for market development. Market capitalization is very low as a percentage of GDP, even when compared to other SSA countries—notably Kenya.

The securities market was set up to attract investment, especially international investment, in government securities and local companies. But the main issuers of securities are governments, and the main purchasers of those securities are government-controlled financial institutions.

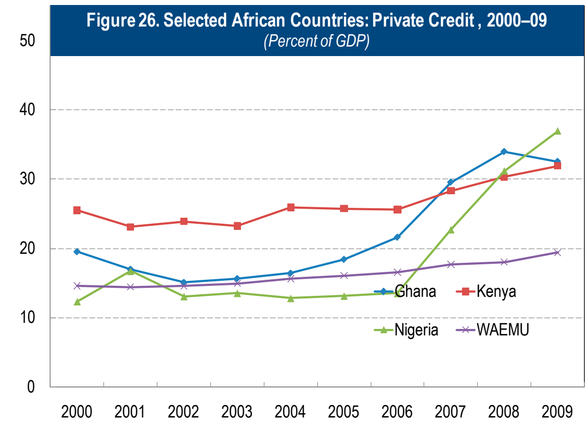


Figure 26. Selected African Countries: Private Credit, 2000–09
(Percent of GDP)

Source: IMF, African Department database.

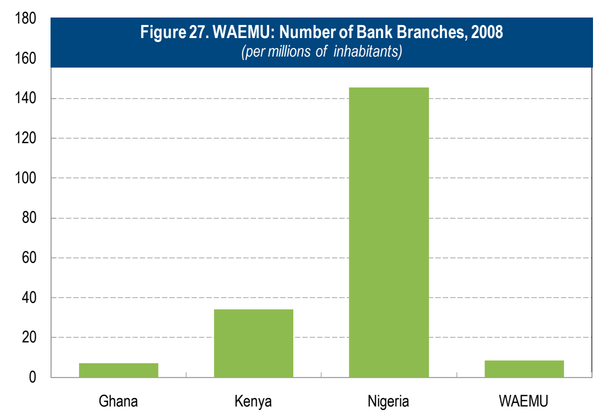


Figure 27. WAEMU: Number of Bank Branches, 2008
(per millions of inhabitants)

Source: BCEAO

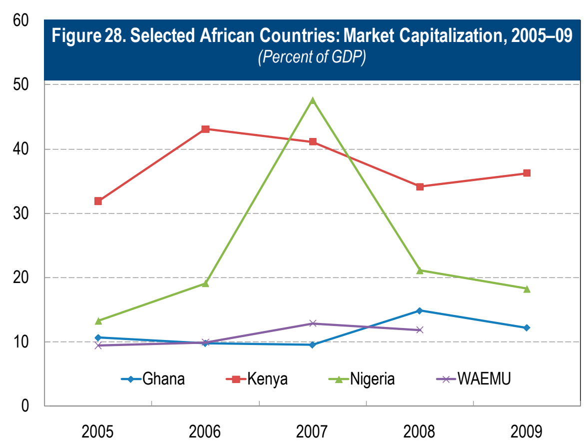


Figure 28. Selected African Countries: Market Capitalization, 2005–09
(Percent of GDP)

Source: BCEAO and IMF staff estimates.

Financial sector reforms:

Financial sector soundness and supervision

Financial sectors have generally weathered the crisis well, but compliance with prudential norms is low in many countries.

The financial sector proved to be resilient in the face of the recent global financial crisis, despite growing linkages to Nigeria's troubled financial sector. The share of nonperforming loans is still significant but has not increased much as a result of the global financial crisis indicating that the spillover effect was minimal.

Although foreign correspondents have tightened trade financing conditions for some WAEMU banks, and there is some evidence that remittances have slowed, the return on equity of financial institutions has been unaffected. Profitability is particularly low in the banking industry in Benin. A few banks in Côte d'Ivoire, Togo, and Mali experienced difficulties, but these were unrelated to the crisis.

As noted in the 2007 FSAP, compliance with prudential requirements is low. However, the decline in compliance in 2009 appears related to a two-step increase in the minimum capital requirement. The effective implementation of the first step led to a decline in the percentage of banks complying with core capital requirements in 2009. The Banking Commission (BC) expects most banks to comply with the final step by year-end 2010, through mergers and acquisitions if necessary.

The BC faces several challenges in the near term: (i) improving compliance with prudential regulations; (ii) upgrading the legal and regulatory frameworks; (iii) establishing a good crisis resolution framework; and (iv) extending supervision to large microfinance institutions.

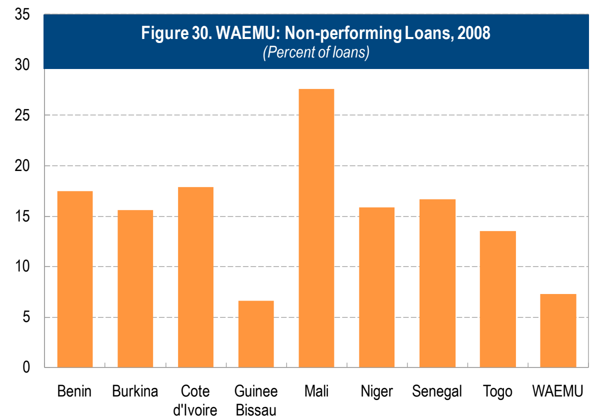


Figure 30. WAEMU: Non-performing Loans, 2008
(Percent of loans)

Source: WAEMU Banking Commission and IMF staff estimates.

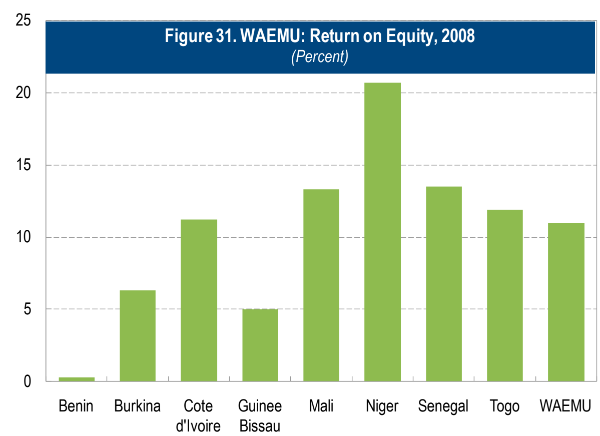


Figure 31. WAEMU: Return on Equity, 2008
(Percent)

Source: WAEMU Banking Commission and IMF staff estimates.

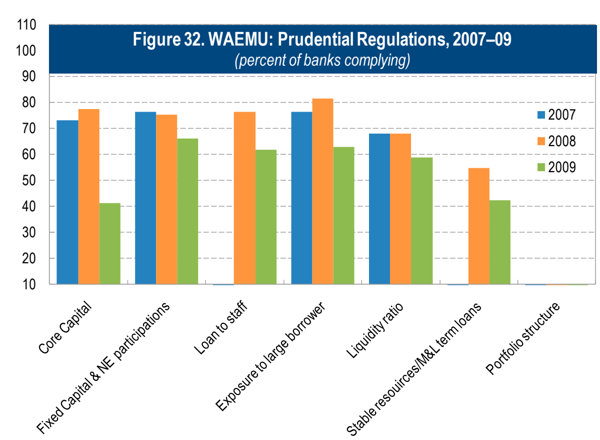


Figure 32. WAEMU: Prudential Regulations, 2007–09
(percent of banks complying)

Source: WAEMU Banking Commission and IMF staff estimates.

Financial sector reforms:

Discussions on soundness and development

Staff Views

The BCEAO and the BC should prepare preventive contingency plans and a bank restructuring strategy to deal with worst-case scenarios. They should also act swiftly through recapitalization or devolution once severe vulnerabilities have been identified.

Progress on implementing the FSAP recommendations is slow (Appendix III) . The WAEMU and BCEAO should step up efforts to complete institutional reform and enhance its effects through divestiture of public sector holdings in banks, and alignment of the prudential framework with best practices.

The legal and regulatory framework needs upgrading to enhance the capacity of the BCEAO and the BC to conduct macro-prudential and financial stability analysis. The bankruptcy legislation under consideration would give more protection to small depositors would help ease Finance Ministers' reluctance to give full authority to the banking commission.

Requiring more stringent compliance with prudential requirements–including the minimum capital requirements–will help fortify the banking sector. In addition, the prudential framework needs to be upgraded for risk-based supervision and financial stability analysis.

Authorities' Views

The high number of prudential violations should not lead to exaggerated perceptions of risks in the banking system. The level of compliance is low only in small banks. Larger and international banks are more compliant, and they account for a large proportion of deposits: 40 percent of financial institutions hold 80 percent of deposits.

Progress toward full restructuring of the banking sector will be accelerated with enforcement of the minimum capital requirements by year-end 2010.

Overall the Union is attracting more and more foreign banks. Today, states compete for private funds in the market and pay a differentiated risk premium. There are fewer liquidity issues than in the past. Some banks are now offering up to 8 year term-deposits. These are all signs that the market is moving in the right direction. That should help mobilize local resources for long-term investments.

The authorities feared the banking crisis in Nigeria would spill over to the WAEMU through Nigerian banks operating in the region, but so far no ill effects have been felt.

Other issues:

Discussions on trade agreements

Recent developments in regional trade agreements…

The negotiation of a full Economic Partnership Agreement (EPA) between the European Union (EU) and the West Africa region (ECOWAS plus Mauritania) is underway and is expected to be conducted in two steps. The first would be finalization of an agreement on goods, which has been postponed several times. The main stumbling blocks are the length of the transition period to full EPA implementation and the level of EU access to the West African market. Second, negotiations on an EPA on services should be initiated in 2010.

The envisaged ECOWAS-wide Common External Tariff (CET) would provide a higher protection than the WAEMU CET. The WAEMU CET has four bands and a 20 percent maximum rate. The ECOWAS heads of states have recently agreed to expand the WAEMU CET to the ECOWAS region, but with the condition that a fifth band at 35 percent rate be added.

The project of an ECOWAS-wide common currency has experienced a number of setbacks. Adoption of a common currency in the West African Monetary Zone (WAMZ) is postponed until 2015 and for ECOWAS until 2020.

…could take the WAEMU backwards

Adoption of the EPA could lead to revenue losses for WAEMU countries. The revenue impact of the EPA is expected to be smoothed over the 10–15 year transition period and offset by financial compensation from the EU, the amount of which is still being discussed. The revenue impact of the ECOWAS CET is not yet known.

Another potential issue related to the EPA and the ECOWAS CET is trade diversion from cheaper imports to more expensive EU or ECOWAS but non-WAEMU products. That could lead to losses for WAEMU consumers. These losses could be mitigated if only a few products are selected and for only a limited time. The WAEMU authorities are in discussions with other ECOWAS countries on defining the selection criteria.

An ECOWAS-wide currency union is a long way off. Absent substantial progress in achieving convergence in many areas, even the newly proposed schedule seems very ambitious.

Staff appraisal:

Economic policy stances

Economic policies should be tightened once the recovery is confirmed or if inflation pressures return.

The global financial crisis has so far had a limited negative impact on short-term growth prospects for the WAEMU, with some member countries being more affected than others. Prospects for recovery in 2010 are good, supported by the monetary and fiscal easing in 2009, a projected upturn in the region's main trade partners.

The decline in commodity prices pushed inflation down deeply in 2009, with only a mild uptick projected in 2010, while official reserves are kept stable. There are moderate risks to the outlook, both on the external and domestic sides. A sluggish global economy could slow the recovery. In the longer term, excessively accommodative fiscal and monetary policies could fail to keep inflation below the euro zone level and further jeopardize the Union's competitiveness.

Economic policies should be tightened once recovery is confirmed or if inflationary or external pressures return. Fiscal adjustment should come first in countries less affected by the crisis or confronted with unsustainable deficits, large domestic arrears, and financing constraints on regional markets. Following the large liquidity injection to reduce government domestic arrears in 2009, monetary expansion in 2010 should not exceed nominal GDP growth; raising interest rates to achieve this objective should not be precluded.

Efforts to improve liquidity management and coordinate issuance of T-bills and government bonds on the regional market will alleviate financing constraints facing WAEMU governments and help prevent the reemergence of domestic arrears. This and the envisaged unification of reserve requirements should help develop regional financial markets.

Staff appraisal:

Structural and institutional reforms

Structural reforms will be critical in achieving the objectives of the Union.

Once ratified by all member countries, the reforms of the WAEMU institutions provide opportunities for modernized conduct of monetary policy. However, the BCEAO maintains a questionable and hard-to-enforce role in ensuring fiscal discipline through ceilings on its total direct and indirect financing of governments. This role goes beyond price stability, the core of the central bank mandate. In the medium term, a reassessment of the respective roles of the central bank and the WAEMU commission in ensuring fiscal coordination and convergence within the Union is warranted. Priority should also be given to PFM reforms that will foster fiscal discipline and transparency.

Given the continued REER appreciation and the exchange rate peg to the euro, the Union risks protracted constraints on exports and growth. To boost the development of WAEMU economies and make a bigger dent on poverty, reducing the cost of doing business and attracting more FDI should be given the highest priority, together with the integration of WAEMU domestic markets and developments of the financial sector. Several regional initiatives have been launched, including an ambitious program of investment in regional infrastructure, but a critical mass of reforms will be needed promptly to reduce the gap with competitors in Africa and elsewhere.

Progress in implementing the 2007 FSAP recommendations is slow and compliance with prudential ratios remains low. The Union still lacks risk-based prudential and financial crisis-resolution plans.

Efforts to negotiate a balanced EPA between the EU and WAEMU and other West African countries should continue, especially the determination of adequate financial compensations for the revenue losses from the envisaged tariff reduction on EU imports.

It is proposed that regional discussions with the WAEMU authorities remain on the standard 12-month consultation cycle.

Issues for Executive Board discussion

The policy response

- How do Directors assess the policy stance in the WAEMU? Do Directors agree that steps toward early fiscal consolidation are warranted, provided the economic recovery is well underway?

Competitiveness and structural reform

- How do Directors assess the region's competitiveness? Do Directors agree that the main challenge is to improve the business environment through structural reforms?

Financial sector development

- How do Directors assess the state of the financial sector in the region? What can the region do to accelerate financial sector development and improve access to financial services while also strengthening prudential supervision?

2010

Data and statistics

West African Economic and Monetary Union

Table 1. WAEMU: Selected Economic and Financial Indicators, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.			Projection		
					(Annual percentage change)					
National income and prices										
GDP at constant prices	4.5	3.2	3.3	4.0	2.8	3.9	4.8	5.9	5.4	5.6
excluding Côte d'Ivoire	5.6	4.3	4.0	4.7	2.5	3.9	4.9	6.3	5.3	5.4
Broad money to GDP	…	5.4	10.6	-3.2	3.8	-0.5	0.0	1.5	1.6	0.9
Consumer prices (BCEAO avg)	4.8	2.2	2.0	7.4	1.2	2.5	2.4	2.4	2.3	2.3
Terms of trade	-7.0	8.7	-1.5	12.4	6.6	-1.2	-1.0	-0.8	-1.4	0.1
Nominal effective exchange rates 1/	-0.4	0.0	1.8	3.2	0.8	…	…	…	…	…
Real effective exchange rates 1/	1.4	-0.4	1.5	1.5	1.1	…	…	…	…	…
					(In percent of GDP)					
National accounts										
Gross domestic savings	13.5	13.5	12.2	13.1	21.3	14.4	15.3	16.4	17.0	17.4
Gross domestic investment	16.8	17.4	18.0	18.7	20.2	21.2	22.1	22.6	23.6	23.4
Of which: public investment	6.0	6.1	6.7	5.7	7.2	7.5	8.5	8.8	9.4	9.6
Resource gap	-3.3	-3.9	-5.9	-5.7	1.0	-6.8	-6.7	-6.3	-6.6	-6.0
					(Annual changes in percent of beginning-of-period broad money)					
Money and credit 1/										
Net foreign assets	2.0	9.1	10.2	0.2	2.7	0.6	…	…	…	…
Net domestic assets	8.9	3.1	7.0	12.2	-15.8	5.1	…	…	…	…
Broad money	8.3	10.7	19.0	8.7	10.7	5.7	…	…	…	…
					(In percent of GDP, unless otherwise indicated)					
Government financial operations										
Government total revenue, excl. grants	16.2	17.1	18.2	17.8	17.5	17.5	17.9	18.2	18.7	18.8
Government expenditure	21.8	22.8	23.5	22.6	24.6	24.1	24.4	24.9	25.3	25.5
Overall fiscal balance, excl. grants	-5.6	-5.8	-5.3	-4.9	-7.1	-6.6	-6.4	-6.7	-6.6	-6.7
Official grants	2.8	12.5	3.1	2.9	3.3	3.2	3.2	3.2	3.2	3.1
Overall fiscal balance, incl. grants	-2.8	6.7	-2.2	-2.0	-3.7	-3.3	-3.3	-3.5	-3.4	-3.6
External sector										
Exports of goods and services	30.6	30.8	29.1	28.1	26.4	26.0	25.4	25.4	25.4	25.5
Imports of goods and services	-36.2	-35.8	-37.5	-36.9	-34.4	-34.6	-34.2	-33.9	-34.4	-34.0
Current account, excl. grants	-6.0	-5.2	-7.9	-7.9	-8.0	-8.5	-8.8	-8.5	-8.9	-8.3
Current account, incl. grants	-5.0	-4.3	-6.4	-6.8	-6.9	-7.5	-7.3	-6.6	-6.9	-6.1
External public debt	44.3	30.7	32.3	27.2	29.1	26.9	26.0	25.1	25.1	25.1
Broad money	26.3	27.7	30.7	29.7	30.8	30.7	…	…	…	…
Memorandum items:										
Nominal GDP (in billions of CFA francs)	24,344	25,901	27,633	30,879	32,242	34,124	36,434	39,429	42,561	46,067
CFA franc per US dollars, average	541	496	524	595	560	…	…	…	…	…
Foreign exchange cover ratio 2/	119.2	117.5	114.1	107.7	…	…	…	…	…	…
Reserves in months of imports	5.4	5.2	5.4	6.1	…	…	…	…	…	…
Trade to GDP 3/	66.8	66.6	66.6	65.1	60.8	60.6	59.6	59.3	59.8	59.5
Debt to GDP	44.3	30.7	32.3	27.2	29.1	26.9	26.0	25.1	25.1	25.1

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

1/ Data as of October 2009.

2/ Gross official reserves divided by short-term domestic liabilities.

3/ Sum of Exports and Imports to GDP.

Table 2. Sub-Saharan Africa: Cross-Group Comparison, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.	Projection				
	(Annual percentage change)									
Real GDP										
WAEMU	4.5	3.2	3.3	4.0	2.8	3.9	4.8	5.9	5.4	5.6
CEMAC 1/	5.1	2.5	5.9	4.2	0.7	3.3	4.4	3.4	2.4	2.8
Sub-Saharan Africa 2/	6.2	6.4	6.9	5.5	1.1	4.1	5.5	5.5	5.5	5.4
Inflation (annual averages)										
WAEMU	4.8	2.2	2.0	7.4	1.2	2.5	2.4	2.4	2.3	2.3
CEMAC 1/	5.1	2.5	5.9	4.2	0.7	3.3	4.4	3.4	2.4	2.8
Sub-Saharan Africa 2/	6.2	6.4	6.9	5.5	1.1	4.1	5.5	5.5	5.5	5.4
Terms of trade										
WAEMU	-7.0	8.7	-1.5	12.4	6.6	-1.2	-1.0	-0.8	-1.4	0.1
CEMAC 1/	20.5	9.0	8.4	12.1	-30.1	15.8	2.7	1.0	-2.0	-2.2
Sub-Saharan Africa 2/	7.5	7.3	3.1	8.6	-9.1	6.6	1.6	0.4	-0.2	-0.1
	(As percent of GDP, unless otherwise indicated)									
Gross domestic investment										
WAEMU	16.8	17.4	18.0	18.7	20.2	21.2	22.1	22.6	23.6	23.4
CEMAC 1/	23.2	22.3	23.8	22.1	25.4	22.6	22.3	21.0	21.4	20.8
Sub-Saharan Africa 2/	19.9	21.1	22.0	22.2	22.4	22.7	23.2	23.0	23.0	22.8
Overall fiscal balance, incl. grants										
WAEMU	-2.8	6.7	-2.2	-2.0	-3.7	-3.3	-3.3	-3.5	-3.4	-3.6
CEMAC 1/	8.3	20.0	8.5	10.2	1.1	6.5	8.0	7.9	6.7	6.4
Sub-Saharan Africa 2/	1.8	4.8	1.2	1.3	-4.8	-2.4	-1.4	-1.0	-0.7	-0.5
External current account, incl. grants										
WAEMU	-5.0	-4.3	-6.4	-6.8	-6.9	-7.5	-7.3	-6.6	-6.9	-6.1
CEMAC 1/	2.3	2.4	0.6	3.4	-7.3	-1.1	0.1	0.6	0.1	0.2
Sub-Saharan Africa 2/	-0.4	4.1	1.1	1.0	-3.1	-2.1	-1.6	-0.8	-0.8	-0.7
External public debt										
WAEMU	44.3	30.7	32.3	27.2	29.1	26.9	26.0	25.1	25.1	25.1
CEMAC 1/	34.1	22.8	26.0	13.2	12.2	11.0	10.7	10.8	10.8	10.8
Sub-Saharan Africa 2/	21.9	13.2	11.3	10.2	11.7	11.7	11.7	11.5	11.5	11.5
Foreign reserves cover ratio 3/										
WAEMU	119.2	117.5	114.1	107.7	…	…	…	…	…	…
CEMAC 1/	83.9	89.3	96.5	96.1	97.1	…	…	…	…	…

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

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

2/ Including Nigeria and South Africa.

3/ Gross official reserves divided by (base money plus government deposits).

Table 3. WAEMU: Main Features of WAEMU Economies in 2005 1/

	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU Total
Population (millions; 2002)	6.6	11.8	16.5	1.4	11.4	11.4	10.0	4.8	73.9
Land area (thousands of sq.km.; 2002)	111	274	318	28	1220	1267	193	54	3,464
GNP (billions of U.S. dollars; 2002)	2.5	2.9	10.2	0.2	2.7	2.0	4.6	1.3	26.4
GNP per capita (current U.S. dollars; 2002)	380.0	250.0	620.0	130.0	240.0	180.0	470.0	270.0	317.5
Agriculture, value added (percent of GDP; 2002	36.0	31.8	26.2	62.4	34.2	39.9	15.0	40.1	35.7
Industry, value added (percent of GDP; 2002)	14.3	18.5	20.4	13.1	29.7	16.9	21.6	21.6	19.5
Services, etc. value added (percent of GDP; 20	49.7	49.7	53.4	24.5	36.1	43.2	63.4	38.3	44.8
Exports of goods (billions of U.S. dollars)	0.3	0.5	6.7	0.1	1.0	0.4	1.5	0.6	11.1
Imports of goods (billions of U.S. dollars)	0.8	0.9	4.1	0.1	1.1	0.6	2.5	0.9	11.0
Share of individual countries (in percent) 3/									
In GNP	9.5	11.0	38.7	0.7	10.3	7.6	17.4	4.8	100.0
In exports	3.1	4.3	60.2	0.8	8.7	3.9	13.6	5.4	100.0
In imports	7.2	8.6	37.6	0.7	10.0	5.4	22.8	7.8	100.0

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

1/ Unless otherwise indicated.

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

3/ Totals may not add up to 100 because of statistical discrepancy.

Table 4. WAEMU: Selected National Accounts and Inflation Statistics, 2005–2014

(Percent change, unless otherwise noted)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.			Projection		
Real GDP										
Benin	2.9	3.8	4.6	5.0	2.5	3.0	6.0	6.0	6.0	6.0
Burkina Faso	7.1	5.5	3.6	5.2	3.1	4.2	5.3	6.0	6.0	6.0
Côte d'Ivoire	1.9	0.7	1.6	2.3	3.7	4.0	4.5	5.1	5.7	6.0
Guinea-Bissau	3.5	0.6	2.7	3.3	1.9	2.5	3.0	3.5	4.0	4.0
Mali	6.1	5.3	4.3	5.1	4.1	4.5	4.8	5.0	5.0	5.3
Niger	8.4	5.8	3.3	9.5	1.0	5.2	4.5	12.9	5.4	5.8
Senegal	5.6	2.4	4.7	2.5	1.5	3.4	4.4	4.8	4.9	4.9
Togo	1.2	3.9	1.9	1.1	2.4	2.6	4.0	4.0	4.0	4.0
WAEMU	4.5	3.2	3.3	4.0	2.8	3.9	4.8	5.9	5.4	5.6
Real GDP per capita										
Benin	0.0	0.8	1.4	1.7	0.6	-0.2	2.4	2.7	2.7	2.7
Burkina Faso	4.6	3.1	1.3	2.9	0.8	1.8	3.0	3.6	3.6	3.6
Côte d'Ivoire	-0.8	-2.2	-1.4	-0.7	0.7	1.0	1.5	2.0	2.6	2.9
Guinea-Bissau	0.4	-2.4	-0.3	0.4	-1.0	-0.4	0.0	0.5	1.0	1.0
Mali	3.7	2.9	2.0	2.7	1.8	2.2	2.5	2.6	2.6	2.9
Niger	5.2	2.6	0.2	6.2	-2.0	2.0	1.3	9.5	2.2	2.6
Senegal	3.2	0.0	2.3	0.1	-0.8	1.0	1.9	2.4	2.5	2.5
Togo	-1.4	1.4	-0.6	-1.4	-0.2	0.0	1.5	1.4	1.4	1.4
WAEMU	1.6	0.3	0.5	1.1	0.3	1.2	1.9	3.0	2.6	2.8
Inflation										
Benin	5.4	3.8	1.3	8.0	4.0	2.8	2.8	2.8	2.8	2.8
Burkina Faso	6.4	2.4	-0.2	10.7	3.4	2.3	2.0	2.0	2.0	2.0
Côte d'Ivoire	3.9	2.5	1.9	6.3	5.9	3.2	2.9	2.7	2.5	2.5
Guinea-Bissau	3.3	0.7	4.6	10.4	0.4	2.5	2.8	2.6	2.6	2.6
Mali	6.4	1.5	1.5	9.1	2.5	2.1	2.0	2.1	2.0	2.3
Niger	7.8	0.1	0.1	11.3	4.8	2.3	2.0	2.0	2.0	2.0
Senegal	1.7	2.1	5.9	5.8	-0.9	1.8	2.2	2.2	2.2	2.2
Togo	6.8	2.2	1.0	8.4	2.8	2.1	2.5	2.5	2.5	2.5
WAEMU	4.8	2.2	2.0	8.0	3.4	2.5	2.4	2.4	2.3	2.3
Gross domestic savings (in percent of GDP)										
Benin	14.2	12.4	11.5	12.6	15.1	16.2	17.8	18.8	19.7	20.3
Burkina Faso	8.8	7.7	11.2	9.1	12.0	10.8	13.2	15.4	15.7	16.6
Côte d'Ivoire 1/	10.0	12.1	8.0	12.6	35.9	15.0	14.5	14.7	15.5	15.4
Guinea-Bissau 1/	18.6	-0.3	16.6	8.8	25.4	23.8	26.1	24.5	23.1	24.1
Mali	13.6	16.8	13.3	12.2	11.5	10.7	10.7	12.8	13.8	15.3
Niger	14.2	15.0	15.4	16.0	14.9	16.6	17.4	19.2	18.2	18.0
Senegal	20.8	18.7	19.1	17.9	15.7	17.1	18.4	19.1	20.1	20.8
Togo	19.6	9.9	8.2	5.6	10.2	8.3	17.9	18.7	18.4	18.6
WAEMU	13.5	13.5	12.2	13.1	21.3	14.4	15.3	16.4	17.0	17.4
Gross domestic investment (in percent of GDP)										
Benin	18.3	16.9	20.3	19.8	27.4	24.1	24.6	24.8	25.1	25.5
Burkina Faso	19.4	20.7	19.5	21.0	21.1	21.6	22.0	22.7	22.5	22.7
Côte d'Ivoire	9.7	9.3	8.7	10.1	11.3	13.9	15.5	16.9	18.8	19.4
Guinea-Bissau	26.5	22.9	25.7	23.8	43.6	41.5	40.7	39.7	38.7	37.9
Mali	15.5	17.0	18.8	16.9	17.2	17.3	18.3	19.9	21.0	22.1
Niger	21.6	22.6	22.9	28.0	35.5	38.1	38.0	33.6	32.9	23.8
Senegal	27.3	29.8	31.4	30.7	27.9	28.4	28.9	29.4	30.8	31.6
Togo	11.4	12.2	10.9	12.4	15.7	16.6	16.5	16.6	16.6	16.7
WAEMU	16.8	17.4	18.0	18.7	20.2	21.2	22.1	22.6	23.6	23.4

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

1/ Includes HIPC.

Table 5. WAEMU: Fiscal Balances, 2005–2014

(Percent of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.	Projection				
Primary fiscal balance										
Benin	-4.0	-2.3	-1.6	-3.1	-9.3	-4.8	-5.5	-4.8	-4.3	-4.2
Burkina Faso	-9.0	-10.7	-11.8	-8.1	-13.4	-11.3	-10.1	-9.7	-9.3	-8.7
Côte d'Ivoire	-0.8	-0.6	0.4	-0.5	0.0	-1.9	-2.7	-3.4	-4.1	-4.5
Guinea-Bissau	-20.3	-18.0	-22.6	-18.4	-39.7	-36.7	-35.5	-34.3	-32.7	-31.7
Mali	-6.5	-7.1	-7.5	-5.3	-9.2	-7.2	-5.2	-5.8	-5.6	-5.6
Niger	-9.0	-6.5	-7.9	-4.2	-10.3	-8.6	-9.1	-8.3	-7.0	-7.3
Senegal	-4.9	-7.2	-6.0	-6.6	-6.7	-5.8	-5.7	-5.7	-5.7	-5.7
Togo	-2.6	-3.3	-1.5	-1.7	-3.7	-5.4	-4.8	-4.8	-4.8	-4.8
WAEMU	-4.3	-4.7	-4.3	-3.9	-6.2	-5.7	-5.6	-5.7	-5.7	-5.7
Overall fiscal balance (including grants)										
Benin	-2.8	-0.9	0.9	-0.8	-6.8	-2.3	-3.0	-2.4	-1.9	-1.8
Burkina Faso	-5.1	16.7	-5.7	-4.4	-6.7	-5.3	-5.3	-5.1	-4.4	-4.5
Côte d'Ivoire	-1.7	-1.8	-0.8	-0.6	-0.8	-2.6	-3.3	-4.1	-4.7	-5.1
Guinea-Bissau	-11.7	-8.3	-10.8	-7.0	-3.2	-2.1	-1.8	-2.6	-1.7	-1.7
Mali	-3.1	31.3	-3.2	-2.2	-4.7	-3.3	-1.2	-1.8	-1.5	-1.5
Niger	-2.0	40.3	-1.0	1.5	-4.8	-3.0	-3.4	-2.8	-1.6	-2.0
Senegal	-3.2	-6.0	-3.9	-4.8	-4.8	-4.0	-4.0	-4.0	-4.0	-4.0
Togo	-3.5	-3.8	-1.9	-1.0	-2.3	-3.7	-1.0	-1.0	-1.0	-1.0
WAEMU	-2.8	6.7	-2.2	-2.0	-3.7	-3.3	-3.3	-3.5	-3.4	-3.6
Government revenue (commitment basis, excluding grants)										
Benin	16.8	16.8	20.6	19.4	20.0	20.7	21.1	21.8	22.4	22.6
Burkina Faso	12.8	13.0	13.6	13.3	13.2	13.6	14.2	14.5	14.8	15.2
Côte d'Ivoire	17.0	18.4	19.2	18.9	19.0	18.6	18.8	19.0	19.6	19.8
Guinea-Bissau	17.6	19.0	14.6	16.8	14.1	14.9	15.4	15.6	16.3	16.6
Mali	17.5	17.3	16.6	15.5	16.8	17.0	17.7	18.2	18.3	18.3
Niger	10.6	13.0	15.2	18.4	13.0	13.6	13.8	13.6	14.8	14.2
Senegal	17.9	18.8	20.7	19.1	18.4	18.6	19.0	19.3	19.7	20.0
Togo	15.7	16.9	17.0	17.1	19.4	17.4	18.2	18.2	18.2	18.2
WAEMU	16.2	17.1	18.2	17.8	17.5	17.5	17.9	18.2	18.7	18.8
Government expenditure										
Benin	21.1	19.5	22.4	22.9	29.7	25.9	26.9	27.0	27.1	27.1
Burkina Faso	22.4	24.3	25.8	21.7	27.0	25.3	24.7	24.6	24.5	24.3
Côte d'Ivoire	19.9	20.8	20.5	21.1	20.6	22.1	23.1	24.3	25.6	26.1
Guinea-Bissau	42.0	38.8	40.2	38.8	56.7	54.1	53.3	52.3	51.3	50.5
Mali	24.6	24.9	24.5	21.2	26.3	24.7	23.3	24.3	24.2	24.3
Niger	20.2	19.8	23.4	22.8	23.6	22.5	23.2	22.2	22.1	21.8
Senegal	23.8	26.9	27.3	26.3	26.1	25.2	25.5	25.9	26.2	26.5
Togo	20.4	22.1	20.6	19.7	24.1	23.7	23.5	23.5	23.5	23.5
WAEMU	21.8	22.8	23.5	22.6	24.6	24.1	24.4	24.9	25.3	25.5

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

Table 6. WAEMU: External Balances, 2005–2014

(Percent of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.	Projection				
Exports of goods and services										
Benin	12.9	12.5	16.8	15.9	13.2	12.8	12.8	12.8	13.0	13.0
Burkina Faso	1.2	1.3	1.4	1.5	1.4	1.4	1.4	1.4	1.3	1.3
Côte d'Ivoire	51.1	52.7	47.8	46.5	43.3	42.2	40.3	39.6	40.1	40.7
Guinea-Bissau	31.3	18.7	28.0	29.8	30.2	27.3	28.5	26.0	26.1	26.1
Mali	24.5	30.0	26.6	25.0	24.7	23.3	21.6	21.0	20.0	19.7
Niger	16.8	16.4	17.6	19.0	18.8	19.6	19.9	25.0	24.4	24.5
Senegal	27.0	25.6	25.5	24.9	23.1	23.7	23.9	23.7	23.5	23.2
Togo	36.9	24.7	26.3	23.5	21.3	21.6	29.9	30.2	30.5	30.9
WAEMU	30.6	30.8	29.1	28.1	26.4	26.0	25.4	25.4	25.4	25.5
Imports of goods and services										
Benin	-22.3	-22.7	-31.6	-29.6	-29.9	-25.6	-24.6	-24.1	-23.6	-23.2
Burkina Faso	-18.9	-18.6	-18.1	-19.7	-19.6	-21.1	-20.0	-19.2	-18.7	-18.1
Côte d'Ivoire	-43.6	-42.4	-41.9	-38.8	-34.0	-35.0	-35.4	-36.1	-38.3	-39.8
Guinea-Bissau	-45.2	-46.7	-44.6	-49.9	-52.0	-49.0	-48.9	-49.6	-49.7	-49.9
Mali	-33.4	-35.1	-35.6	-35.9	-32.9	-33.1	-32.8	-32.1	-31.4	-30.6
Niger	-31.1	-29.5	-29.8	-36.1	-42.1	-44.1	-43.5	-40.2	-39.7	-32.2
Senegal	-42.4	-43.1	-47.9	-47.4	-43.1	-41.9	-41.0	-40.8	-41.3	-41.2
Togo	-40.7	-37.2	-40.0	-41.0	-38.4	-40.4	-39.4	-39.5	-39.7	-39.4
WAEMU	-36.2	-35.8	-37.5	-36.9	-34.4	-34.6	-34.2	-33.9	-34.4	-34.0
External current account (excl. grants)										
Benin	-5.5	-4.6	-9.3	-8.4	-12.3	-8.4	-7.5	-6.9	-6.4	-6.0
Burkina Faso	-11.7	-9.6	-8.3	-12.0	-9.1	-10.9	-8.9	-7.3	-6.8	-6.1
Côte d'Ivoire	0.2	2.8	-0.7	2.4	24.6	1.1	-1.0	-2.2	-3.3	-4.0
Guinea-Bissau	-0.4	-10.2	9.5	-3.3	-3.1	-4.5	-3.1	-6.3	-6.2	-6.4
Mali	-8.6	-4.2	-7.8	-8.4	-7.3	-7.6	-8.9	-8.4	-8.4	-7.9
Niger	-8.9	-8.6	-7.8	-13.3	-21.2	-22.0	-21.1	-13.3	-13.6	-5.1
Senegal	-7.7	-9.5	-11.8	-12.3	-11.7	-10.8	-10.0	-9.8	-10.2	-10.4
Togo	7.8	-2.9	-3.9	-6.6	-6.9	-8.2	0.5	0.3	0.0	0.2
WAEMU	-6.0	-5.2	-7.9	-7.9	-8.0	-8.5	-8.8	-8.5	-8.9	-8.3
External current account (incl. grants)										
Benin	-5.5	-4.6	-9.3	-8.4	-12.6	-8.6	-7.7	-7.1	-6.5	-6.2
Burkina Faso	-11.7	-9.6	-8.3	-11.9	-9.1	-10.9	-8.8	-7.3	-6.8	-6.1
Côte d'Ivoire	0.2	2.8	-0.7	2.4	3.5	1.1	-1.0	-2.2	-3.3	-4.0
Guinea-Bissau	-0.4	-10.2	9.5	-3.3	-3.1	-4.5	-3.1	-6.3	-6.2	-6.4
Mali	-8.6	-4.2	-7.8	-8.4	-7.3	-7.6	-8.9	-8.4	-8.4	-7.9
Niger	-8.9	-8.6	-7.8	-13.3	-21.2	-22.0	-21.1	-13.3	-13.6	-5.1
Senegal	-7.7	-9.5	-11.8	-12.3	-11.7	-10.8	-10.0	-9.8	-10.2	-10.4
Togo	7.8	-2.9	-3.9	-6.6	-6.9	-8.2	0.5	0.3	0.0	0.2
WAEMU	-5.0	-4.3	-6.4	-6.8	-6.9	-7.5	-7.3	-6.6	-6.9	-6.1

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

Table 7. WAEMU: External Public Debt, 2005–2014

(Percent of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.	Projection				
Benin	13.0	10.8	12.3	12.1	15.2	16.7	17.6	18.5	18.5	18.5
Burkina Faso	38.9	21.1	19.8	19.6	24.1	26.7	28.2	29.5	29.5	29.5
Côte d'Ivoire	55.4	59.2	53.7	43.8	40.6	37.3	34.4	29.7	29.7	29.7
Guinea-Bissau	340.0	322.5	269.7	225.3	237.9	90.8	84.2	77.7	77.7	77.7
Mali	46.9	9.9	11.9	13.6	16.1	16.9	21.4	23.2	23.2	23.2
Niger	51.6	15.8	16.0	14.0	16.4	16.9	18.9	19.4	19.4	19.4
Senegal	40.2	18.5	19.0	18.2	24.4	25.3	25.2	25.5	25.5	25.5
Togo	10.3	10.9	84.1	51.9	53.2	29.9	4.9	4.3	4.3	4.3
WAEMU	44.3	30.7	32.3	27.2	29.1	26.9	26.0	25.1	25.1	25.1

Source: IMF, African Department database.

Table 8. WAEMU: Convergence Criteria, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.			Projection		
First-order criteria										
Basic fiscal balance/GDP (≥ 0 percent) 1/										
Benin	-1.6	-0.1	2.9	-1.1	-5.7	-1.3	-0.8	-0.3	0.2	0.2
Burkina Faso	-3.6	-4.5	-5.8	-5.0	-6.8	-5.0	-3.6	-3.4	-2.5	-2.6
Côte d'Ivoire	-1.6	-1.6	-0.6	-1.6	-0.7	-1.3	-1.3	-1.8	-1.8	-1.9
Guinea Bissau	-11.0	-9.1	-13.5	-9.4	-11.2	-10.1	-9.9	-9.8	-9.3	-9.1
Mali	-1.2	-0.4	-1.2	-1.2	-2.3	-1.5	0.6	0.0	0.2	0.1
Niger	-1.5	-1.0	-0.2	1.9	-3.6	-2.5	-2.1	2.2	2.0	1.2
Senegal	-1.0	-4.4	-2.3	-2.2	-3.3	-2.1	-1.8	-1.4	-1.1	-0.8
Togo	-3.1	-3.8	-2.8	-0.8	-1.5	-2.9	-0.3	-0.3	-0.3	-0.3
WAEMU	-1.9	-2.4	-1.6	-1.8	-3.2	-2.3	-1.5	-1.2	-0.9	-1.0
Number of countries violating	*8*	*8*	*7*	*7*	*8*	*8*	*7*	*6*	*5*	*5*
Average consumer price inflation (≤ 3 percent)										
Benin	5.4	3.8	1.3	8.0	4.0	2.8	2.8	2.8	2.8	2.8
Burkina Faso	6.4	2.4	-0.2	10.7	3.4	2.3	2.0	2.0	2.0	2.0
Côte d'Ivoire	3.9	2.5	1.9	6.3	5.9	3.2	2.9	2.7	2.5	2.5
Guinea Bissau	3.3	0.7	4.6	10.4	0.4	2.5	2.8	2.6	2.6	2.6
Mali	6.4	1.5	1.5	9.1	2.5	2.1	2.0	2.1	2.0	2.3
Niger	7.8	0.1	0.1	11.3	4.8	2.3	2.0	2.0	2.0	2.0
Senegal	1.7	2.1	5.9	5.8	-0.9	1.8	2.2	2.2	2.2	2.2
Togo	6.8	2.2	1.0	8.4	2.8	2.1	2.5	2.5	2.5	2.5
WAEMU	4.8	2.2	2.0	8.0	3.4	2.5	2.4	2.4	2.3	2.3
Number of countries violating	*7*	*1*	*2*	*8*	*4*	*1*	*0*	*0*	*0*	*0*
Total debt/GDP (≤ 70 percent)										
Benin	13.6	10.2	11.6	13.1	15.0	16.4	17.4	18.3	19.1	19.8
Burkina Faso	40.9	20.0	18.6	21.0	24.0	27.3	29.1	30.4	32.3	34.3
Côte d'Ivoire	112.7	101.8	90.7	85.4	85.3	83.9	82.1	79.9	78.0	75.8
Guinea Bissau	357.6	306.7	253.8	243.6	243.5	94.3	87.7	81.0	74.6	68.6
Mali	49.3	21.4	20.7	22.9	25.4	26.8	28.1	29.0	30.0	30.6
Niger	54.3	15.0	15.1	15.1	17.0	18.0	20.0	20.4	21.7	22.9
Senegal	62.0	39.8	41.8	44.9	52.5	54.3	54.8	55.3	56.1	57.3
Togo	10.8	10.4	79.1	56.1	54.5	30.7	5.0	4.3	3.7	3.0
WAEMU	66.9	48.4	47.8	46.0	48.5	47.2	46.2	45.8	46.0	46.1
Number of countries violating	*2*	*2*	*3*	*2*	*2*	*2*	*2*	*2*	*2*	*1*
Change in domestic arrears (≤ 0)										
Benin	-19	-15	-48	-15	-20	-15	…	…	…	…
Burkina Faso	0	0	0	0	0	0	…	…	…	…
Côte d'Ivoire	-35	3	-50	-50	-71	-55	…	…	…	…
Guinea Bissau	4	8	7	0	-3	-347	…	…	…	…
Mali	0	0	0	0	-60	0	…	…	…	…
Niger	-12	-14	-15	-15	-20	0	…	…	…	…
Senegal	0	0	0	0	-78	0	…	…	…	…
Togo	21	-5	11	0	-13	-14	…	…	…	…
WAEMU	-42	-23	-96	-80	-265	-431	…	…	…	…
Number of countries violating	*2*	*2*	*2*	*0*	*0*	*0*	…	…	…	…
Change in external arrears (≤ 0)										
Benin	0	0	0	0	0	0	…	…	…	…
Burkina Faso	0	0	0	0	0	0	…	…	…	…
Côte d'Ivoire	409	364	272	-289	-2,484	0	…	…	…	…
Guinea Bissau	17	12	11	10	-1	-347	…	…	…	…
Mali	0	0	0	0	0	0	…	…	…	…
Niger	0	0	0	0	0	0	…	…	…	…
Senegal	0	0	0	0	0	0	…	…	…	…
Togo	40	40	39	14	0	-14	…	…	…	…
WAEMU	467	416	321	-265	-2,485	-361	…	…	…	…
Number of countries violating	*3*	*3*	*3*	*2*	*0*	*0*	…	…	…	…
Primary convergence criteria violations	22	16	17	19	14	11	9	8	7	6

1/ Revenues minus expenditures, excluding foreign financed capital expenditure.

Table 8. WAEMU: Convergence Criteria, 2005–2014(concluded)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.			Projection		
Second-order criteria										
Wages and salaries/fiscal revenue (≤ 35 percent)										
Benin	39.0	35.6	32.0	35.6	43.0	46.4	33.2	31.1	29.4	28.4
Burkina Faso	42.0	44.1	46.3	44.7	49.6	47.3	44.5	42.9	41.2	40.3
Côte d'Ivoire	45.0	42.1	43.6	43.4	42.1	40.7	39.4	37.7	36.1	35.9
Guinea Bissau	115.9	111.0	116.5	106.6	115.9	113.4	109.6	104.0	99.3	93.7
Mali	30.9	30.9	33.4	35.8	36.0	34.9	33.3	32.4	33.0	32.9
Niger	34.8	33.4	31.0	29.8	29.4	30.0	29.5	23.7	22.8	23.3
Senegal	30.0	31.0	30.1	32.0	35.1	32.4	31.8	31.2	30.8	30.3
Togo	30.4	33.1	32.8	32.7	36.2	35.6	36.7	36.7	36.7	36.7
WAEMU	38.4	37.6	37.9	38.5	40.4	39.4	36.8	35.1	34.0	33.6
Number of countries violating	*4*	*4*	*3*	*5*	*7*	*5*	*4*	*4*	*4*	*4*
Capital expenditure domestically financed/fiscal revenue (≥ 20 percent)										
Benin	22.9	12.8	19.1	20.6	46.0	33.6	28.7	29.5	29.9	31.0
Burkina Faso	44.0	43.5	43.3	45.1	56.0	45.7	40.8	41.5	36.5	40.5
Côte d'Ivoire	10.7	15.1	12.5	14.1	12.7	16.9	18.2	20.4	22.8	21.7
Guinea Bissau	9.1	10.7	12.0	7.7	10.9	19.2	21.5	21.0	20.1	19.4
Mali	22.0	23.4	33.1	23.5	26.3	22.7	19.1	24.0	24.3	25.1
Niger	28.1	25.3	31.6	34.4	35.6	34.4	34.4	26.6	31.3	34.8
Senegal	34.1	36.9	36.0	28.9	31.4	32.6	32.4	32.1	33.3	34.2
Togo	8.4	13.1	7.1	10.6	22.3	21.7	11.5	11.5	11.5	11.5
WAEMU	23.8	24.8	26.1	24.9	30.5	28.4	26.6	27.3	28.0	29.0
Number of countries violating	*3*	*4*	*4*	*3*	*2*	*2*	*3*	*1*	*1*	*2*
External current account balance, excluding grants/GDP (≥ -5 percent)										
Benin	-5.5	-4.6	-9.3	-8.4	-12.3	-8.4	-7.5	-6.9	-6.4	-6.0
Burkina Faso	-11.7	-9.6	-8.3	-12.0	-9.1	-10.9	-8.9	-7.3	-6.8	-6.1
Côte d'Ivoire	0.2	2.8	-0.7	2.4	24.6	1.1	-1.0	-2.2	-3.3	-4.0
Guinea Bissau	-0.4	-10.2	9.5	-3.3	-3.1	-4.5	-3.1	-6.3	-6.2	-6.4
Mali	-8.6	-4.2	-7.8	-8.4	-7.3	-7.6	-8.9	-8.4	-8.4	-7.9
Niger	-8.9	-8.6	-7.8	-13.3	-21.2	-22.0	-21.1	-13.3	-13.6	-5.1
Senegal	-7.7	-9.5	-11.8	-12.3	-11.7	-10.8	-10.0	-9.8	-10.2	-10.4
Togo	7.8	-2.9	-3.9	-6.6	-6.9	-8.2	0.5	0.3	0.0	0.2
WAEMU	-6.0	-5.2	-7.9	-7.9	-8.0	-8.5	-8.8	-8.5	-8.9	-8.3
Number of countries violating	*5*	*4*	*5*	*6*	*6*	*6*	*5*	*6*	*6*	*6*
Fiscal revenue/GDP (≥ 17 percent)										
Benin	14.4	15.3	16.8	17.1	17.4	17.8	18.1	18.8	19.4	19.5
Burkina Faso	11.8	12.0	12.5	12.2	12.1	12.5	13.0	13.3	13.6	13.9
Côte d'Ivoire	14.5	15.4	15.5	15.6	16.2	15.9	16.1	16.3	16.8	16.9
Guinea Bissau	11.5	11.1	10.3	10.2	8.9	9.1	9.2	9.4	9.8	10.2
Mali	15.4	14.9	14.2	13.3	14.4	14.7	15.4	15.8	15.9	15.9
Niger	10.2	10.7	11.5	11.7	12.5	13.0	13.3	13.0	14.2	13.6
Senegal	18.5	18.8	20.1	18.3	18.3	18.5	18.9	19.2	19.5	19.8
Togo	14.6	15.4	16.4	16.4	16.0	16.6	17.4	17.4	17.4	17.4
WAEMU	14.6	15.1	15.6	15.1	15.5	15.6	16.0	16.3	16.7	16.8
Number of countries violating	*7*	*7*	*7*	*6*	*6*	*6*	*5*	*5*	*5*	*5*
Total number of criteria violations	41	35	36	39	35	30	42	40	39	39
Benin	5	5	3	4	4	3	4	4	3	3
Burkina Faso	5	4	4	5	5	4	6	6	6	6
Côte d'Ivoire	7	7	6	6	6	6	7	6	6	6
Guinea Bissau	8	8	8	7	5	5	6	7	7	7
Mali	4	2	3	5	4	3	5	4	4	4
Niger	4	3	3	3	4	3	5	4	4	4
Senegal	2	2	3	3	3	2	4	4	4	4
Togo	6	4	6	6	4	4	5	5	5	5

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

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

Table 9. WAEMU: Terms of Trade, 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					Est.	Projection				
					(2000 = 100)					
Benin	72.1	76.5	52.0	58.1	58.7	61.4	64.3	67.2	69.7	71.9
Burkina Faso	75.5	84.7	83.5	81.7	90.1	84.7	85.0	85.7	85.0	85.5
Côte d'Ivoire	96.0	103.6	107.7	131.1	143.6	139.4	134.6	131.0	126.5	126.7
Guinea-Bissau	67.4	65.7	84.1	85.4	89.8	88.3	86.3	85.1	83.7	82.3
Mali	80.8	95.1	99.7	109.4	136.9	126.4	125.4	125.4	122.8	120.2
Niger	105.7	111.2	138.5	167.2	175.3	174.9	176.5	173.3	173.1	173.7
Senegal	96.3	106.8	96.9	104.1	94.6	94.6	94.6	93.6	92.6	92.1
Togo	142.2	121.0	108.7	104.8	105.1	134.3	124.3	122.4	120.6	119.9
WAEMU	96.4	104.8	103.2	116.0	123.6	122.1	120.9	119.9	118.2	118.3
					(Percentage change)					
Benin	-12.1	6.1	-32.0	11.6	1.1	4.5	4.8	4.5	3.7	3.2
Burkina Faso	-26.2	12.1	-1.4	-2.1	10.2	-6.0	0.4	0.8	-0.8	0.6
Côte d'Ivoire	-8.1	7.9	4.0	21.7	9.6	-2.9	-3.5	-2.7	-3.4	0.1
Guinea-Bissau	-26.0	-2.4	27.9	1.6	5.1	-1.6	-2.4	-1.3	-1.7	-1.7
Mali	-16.3	17.8	4.9	9.7	25.1	-7.7	-0.8	0.1	-2.1	-2.1
Niger	4.9	5.2	24.6	20.7	4.8	-0.2	0.9	-1.8	-0.1	0.3
Senegal	-1.3	10.9	-9.2	7.4	-9.1	0.0	-0.1	-1.0	-1.1	-0.5
Togo	44.4	-14.9	-10.1	-3.6	0.3	27.8	-7.4	-1.6	-1.4	-0.6
WAEMU	-7.0	8.7	-1.5	12.4	6.6	-1.2	-1.0	-0.8	-1.4	0.1

Source: IMF, African Department database.

Table 10. WAEMU: Effective Exchange Rates, 2000–2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal effective exchange rates					(2000 = 100)					
Benin	47.8	48.0	49.2	53.6	55.8	55.6	55.4	56.4	57.9	58.1
Burkina Faso	56.6	57.8	60.4	64.7	66.5	66.7	67.1	68.5	70.2	70.8
Côte d'Ivoire	60.3	61.5	63.6	67.6	69.2	68.5	68.2	69.4	71.4	71.7
Guinea-Bissau	30.1	30.4	31.3	33.7	34.9	34.7	34.7	35.1	36.3	37.0
Mali	51.1	51.7	53.1	55.8	57.1	56.9	57.0	58.1	60.5	61.3
Niger	48.4	49.4	50.6	53.9	55.4	55.2	55.2	56.3	58.4	59.0
Senegal	56.1	56.8	58.2	61.2	62.5	62.4	62.5	63.4	65.5	66.1
Togo	58.8	60.7	62.6	68.1	70.8	70.6	70.5	72.0	75.6	77.9
WAEMU	54.8	55.7	57.5	61.2	62.8	62.6	62.6	63.7	65.8	66.3
					(Percentage change)					
Benin	-7.1	0.6	2.5	8.8	4.2	-0.4	-0.3	1.8	2.5	0.4
Burkina Faso	-2.5	2.1	4.5	7.1	2.8	0.3	0.6	2.1	2.5	0.8
Côte d'Ivoire	-5.5	2.0	3.3	6.4	2.3	-1.0	-0.4	1.7	3.0	0.3
Guinea-Bissau	-5.9	0.9	2.9	7.8	3.6	-0.7	0.2	1.2	3.3	1.9
Mali	-4.8	1.1	2.7	5.2	2.3	-0.4	0.2	2.0	4.1	1.3
Niger	-4.9	2.0	2.5	6.5	2.8	-0.5	0.0	2.0	3.8	0.9
Senegal	-4.8	1.2	2.5	5.2	2.0	-0.1	0.2	1.5	3.3	0.9
Togo	-2.2	3.2	3.2	8.7	4.0	-0.3	-0.2	2.2	4.9	3.1
WAEMU	-4.9	1.7	3.1	6.5	2.6	-0.4	0.0	1.8	3.2	0.8
Real effective exchange rates					(2000 = 100)					
Benin	76.0	77.9	80.8	87.6	89.6	91.7	92.7	93.6	98.2	102.4
Burkina Faso	61.7	63.6	65.8	69.2	68.7	70.9	71.0	70.6	75.6	76.0
Côte d'Ivoire	69.6	72.0	74.9	80.0	80.9	81.0	80.7	82.1	85.9	85.7
Guinea-Bissau	97.3	98.5	102.6	104.2	105.8	104.0	105.1	108.3	117.5	113.4
Mali	62.9	64.9	68.3	69.1	66.9	69.1	68.2	68.5	74.1	77.4
Niger	70.1	72.2	74.3	75.9	76.1	79.5	77.5	77.6	85.5	89.3
Senegal	64.6	65.5	67.1	68.8	68.8	68.1	68.0	71.5	74.7	73.2
Togo	79.5	81.3	84.1	87.1	88.1	90.4	89.4	90.2	96.8	98.9
WAEMU	68.0	69.9	72.5	75.9	76.1	77.1	76.8	78.0	79.2	80.0
					(Percentage change)					
Benin	-5.0	2.5	3.7	8.4	2.3	2.4	1.1	0.9	4.9	4.3
Burkina Faso	-6.1	3.2	3.5	5.1	-0.7	3.2	0.2	-0.6	7.1	0.6
Côte d'Ivoire	-5.6	3.4	4.0	6.9	1.2	0.1	-0.4	1.7	4.6	-0.1
Guinea-Bissau	-0.9	1.3	4.2	1.6	1.5	-1.7	1.1	3.1	8.5	-3.4
Mali	-8.0	3.2	5.2	1.3	-3.1	3.2	-1.3	0.4	8.0	4.5
Niger	-4.8	3.1	2.9	2.0	0.4	4.3	-2.4	0.1	10.2	4.5
Senegal	-6.6	1.5	2.5	2.5	-0.1	-1.0	-0.2	5.3	4.4	-2.0
Togo	-3.9	2.3	3.4	3.6	1.1	2.6	-1.1	0.9	7.3	2.2
WAEMU	-5.9	2.8	3.7	4.7	0.2	1.4	-0.4	1.5	1.5	1.1

Source: IMF, Information Notice System (INS).
1/ Terms of trade weighted average.

Table 11. WAEMU: Summary Medium-Term Projections, 2005–2012

	2005	2006	2007	2008	2009	2010	2011	2012
					Est.	Projection		
				(Annual percentage change)				
National income and prices								
Real GDP	4.5	3.2	3.3	4.0	2.8	3.9	4.8	5.9
Real GDP per capita	1.6	0.3	0.5	1.1	0.3	1.2	1.9	3.0
Nominal GDP	8.2	6.5	6.8	12.0	4.5	5.9	6.8	8.3
Consumer prices (average)	4.8	2.2	2.0	7.4	1.2	2.5	2.4	2.4
				(In percent of GDP)				
National accounts								
Gross domestic savings	13.5	13.5	12.2	13.1	21.3	14.4	15.3	16.4
Gross domestic investment	16.8	17.4	18.0	18.7	20.2	21.2	22.1	22.6
Of which: public investment	6.0	6.1	6.7	5.7	7.2	7.5	8.5	8.8
Resource gap	-3.3	-3.9	-5.9	-5.7	1.0	-6.8	-6.7	-6.3
Central government								
Government total revenue, excl. grants	16.2	17.1	18.2	17.8	17.5	17.5	17.9	18.2
Government expenditure	21.8	22.8	23.5	22.6	24.6	24.1	24.4	24.9
Overall fiscal balance, excl. grants	-5.6	-5.8	-5.3	-4.9	-7.1	-6.6	-6.4	-6.7
Official grants	2.8	12.5	3.1	2.9	3.3	3.2	3.2	3.2
Overall fiscal balance, incl. grants	-2.8	6.7	-2.2	-2.0	-3.7	-3.3	-3.3	-3.5
External sector								
Exports of goods and services	30.6	30.8	29.1	28.1	26.4	26.0	25.4	25.4
Imports of goods and services	-36.2	-35.8	-37.5	-36.9	-34.4	-34.6	-34.2	-33.9
Current account, excl. grants	-6.0	-5.2	-7.9	-7.9	-8.0	-8.5	-8.8	-8.5
Current account, incl. grants	-5.0	-4.3	-6.4	-6.8	-6.9	-7.5	-7.3	-6.6
External public debt	44.3	30.7	32.3	27.2	29.1	26.9	26.0	25.1
Memorandum item:								
Nominal GDP (in billions of CFA francs)	24,344	25,901	27,633	30,879	32,242	34,124	36,434	39,429

Sources: IMF, World Economic Outlook database, December 2005; and staff estimates and projections.

Table 12. WAEMU: Monetary Survey, 2005–2010

	2005 Dec	2006 Dec	2007 Dec	2008 Dec	2009 Mar	2009 Jun	2009 Proj	2010 Proj
	(Billions of CFA francs)							
Net foreign assets	3,236	3,812	4,521	4,536	4,403	4,342	4,783	4,843
Net domestic assets	4,932	5,130	5,621	6,632	6,708	7,119	5,202	5,711
Domestic credit	4,603	4,701	5,337	6,080	6,252	6,468	4,651	5,160
Net credit to government	691	456	431	453	648	797	908	1,078
Net credit to the economy	3,912	4,246	4,905	5,627	5,604	5,670	3,743	4,082
Claims on private sector	3,911	4,245	4,904	5,626	5,603	5,668	3,742	4,081
Claims on other financial institutior	1	1	1	1	1	2	1	1
Other items, net	329	429	284	552	457	651	552	552
Broad money	6,305	6,976	8,301	9,020	8,979	9,221	9,985	10,554
Money	4,261	4,719	5,596	5,989	5,831	5,929	6,630	7,008
of which : Currency in circulation	2,036	2,229	2,544	2,776	2,659	2,575	3,073	3,249
Quasi-money	2,044	2,257	2,705	3,031	3,148	3,292	3,355	3,546
Long-term foreign liabilities	44	59	59	62	74	72	72	72
Other items, net	-329	-429	-284	-552	-457	-651	-547	n.a.
	(year to year percent change)							
Net foreign assets	3.7	17.8	18.6	0.3	1.9	-4.3	5.4	1.3
Net domestic assets	11.7	4.0	9.6	18.0	10.0	7.4	-21.6	9.8
Domestic credit	10.2	2.1	13.5	13.9	8.6	6.4	-23.5	10.9
Net credit to government	4.8	-34.0	-5.3	5.0	91.5	76.0	100.4	18.7
Net credit to the economy	11.2	8.5	15.5	14.7	3.5	0.8	-33.5	9.1
Claims on private sector	11.3	8.5	15.5	14.7	3.5	0.8	-33.5	9.1
Claims on other financial institutior	-11.0	-10.8	0.0	0.0	0.0	90.9	0.0	0.0
Other items, net	36.6	30.3	-33.7	94.1	32.6	18.1	0.0	0.0
Broad money	8.3	10.7	19.0	8.7	6.3	2.2	10.7	5.7

Source: IMF, *International Financial Statistics* .

Table 13. WAEMU: Summary Accounts of the Central Bank, 2005–2010

(Billions of CFA francs)

	2005 Sep	2005 Dec	2006 Sep	2006 Dec	2007 Sep	2007 Dec	2008 Sep	2008 Dec	2009 Sep	2009 Proj	2010 Proj
Net foreign assets	3,024	3,090	3,553	3,629	4,195	4,338	4,288	4,426	4,435	4,583	4,643
Gross foreign assets	3,731	3,736	3,964	4,030	4,695	4,796	4,825	5,030	5,616	5,640	5,700
Foreign liabilities	707	646	411	401	500	458	537	603	1,181	1,056	1,056
Net domestic assets	737	814	476	475	230	101	106	-563	509	-307	-212
Net credit to the government	464	538	137	146	-138	-30	-63	-14	210	301	324
Claims on central government	885	870	538	517	514	496	530	560	1,062	1,069	1,124
Central government deposits	420	332	401	371	652	526	593	574	851	768	800
Net claims on banks and other financial institutions	3	12	3	25	38	129	227	366	256	307	379
Net claims on deposit money banks	2	11	1	24	37	128	226	365	255	306	379
Net claims on other financial ins	1	1	1	1	1	1	1	1	1	1	1
Other items, net	270	265	336	304	330	3	-58	-915	43	-915	-915
Monetary base	2,623	2,730	2,814	2,923	3,216	3,487	3,435	3,863	3,871	4,276	4,432
of which: Currency in circulation	1,780	2,036	1,931	2,229	2,157	2,544	2,411	2,776	2,569	3,073	3,249
Memorandum items:											
Short term domestic liabilities	3,167	3,133	3,357	3,429	3,923	4,027	4,065	4,396	4,493	…	…
Foreign exchange cover ratio 1/	118	119	118	118	120	119	119	114	125	…	…

Source: IMF, *International Financial Statistics* .

1/ Gross official reserves divided by short term domestic liabilities.

Table 14. WAEMU: Summary Accounts of Commercial Banks, 2005–09

(Billions of CFA francs)

	2005 Sep	2005 Dec	2006 Sep	2006 Dec	2007 Sep	2007 Dec	2008 Sep	2008 Dec	2009 Sep
Reserves	823	651	813	649	992	878	923	973	1,193
Net foreign assets	92	146	36	183	-41	184	60	33	-47
Gross foreign assets	505	495	473	597	561	617	608	608	535
Foreign liabilities	414	349	437	414	602	433	548	575	582
Net domestic assets	3,868	4,107	4,324	4,661	5,167	5,618	5,999	6,195	6,816
Net credit to the government	87	119	259	286	436	417	468	368	652
Claims on central government	847	877	981	1,053	1,377	1,413	1,472	1,399	1,610
Central government deposits	760	758	722	767	941	996	1,004	1,031	958
Net credit to the economy	3,669	3,893	3,929	4,227	4,434	4,888	5,121	5,404	5,657
Claims on private sector	3,669	3,893	3,929	4,227	4,434	4,888	5,121	5,404	5,657
Claims on other financial institutions	0	0	0	0	0	0	0	0	0
Other items, net	111	95	136	149	298	314	411	423	507
Net refinancing from the central bank	-816	-639	-812	-626	-957	-750	-731	-756	-959
Borrowing	7	12	1	23	36	128	192	217	233
Reserves	823	651	813	649	992	878	923	973	1,193
Deposits	4,097	4,203	4,416	4,685	5,221	5,663	5,819	5,968	6,561
Demand deposits	2,080	2,159	2,204	2,427	2,708	2,958	2,979	2,963	3,269
Time deposits	2,017	2,044	2,212	2,257	2,514	2,705	2,841	3,005	3,292
Foreign liabilities	369	305	386	355	541	375	492	519	510
Long-term foreign liabilities	45	44	51	59	61	59	56	55	72
Central government deposits	760	758	722	767	941	996	1,004	1,031	958
Credit from monetary authorities	7	12	1	23	36	128	192	217	233
Other items, net	-111	-95	-136	-149	-298	-314	-411	-423	-507

Source: IMF, *International Financial Statistics* .

Table 15. WAEMU: Foreign Assets of BCEAO, 2005–09 1/

(Billions of CFA francs, unless otherwise indicated)

	2005 Sep	2005 Dec	2006 Sep	2006 Dec	2007 Sep	2007 Dec	2008 Sep	2008 Dec	2009 Sep
Net foreign assets									
Benin	291	320	397	438	505	523	540	575	509
Burkina Faso	166	163	227	204	433	357	292	296	386
Côte d'Ivoire	581	614	729	783	933	1,005	928	892	890
Guinea Bissau	37	36	38	34	44	45	64	51	61
Guinea Bissau	37,324	36,053	37,508	34,041	43,831	44,848	64,115	50,788	60,933
Mali	375	398	408	462	468	463	466	420	467
Niger	59	57	140	162	181	236	339	305	290
Senegal	531	484	591	574	638	649	623	547	693
Togo	96	83	147	155	181	165	166	195	159
Unallocated	889	935	875	817	812	895	882	1,008	933
BCEAO	3,024	3,090	3,553	3,629	4,195	4,338	4,299	4,288	4,389
Foreign assets									
Benin	337	365	412	454	532	539	562	601	543
Burkina Faso	254	244	285	276	515	459	411	407	527
Côte d'Ivoire	740	762	850	896	1,057	1,123	1,056	1,024	1,117
Guinea Bissau	48	44	43	41	48	50	69	57	67
Guinea Bissau	47,887	44,380	43,006	40,854	48,399	50,301	68,616	56,864	67,385
Mali	459	475	436	483	489	484	497	452	503
Niger	133	139	166	185	213	264	369	335	336
Senegal	711	662	694	665	754	740	768	649	863
Togo	153	108	202	187	228	195	234	266	243
Unallocated	896	936	876	843	859	941	912	1,034	982
BCEAO	3,731	3,736	3,964	4,030	4,695	4,796	4,878	4,825	5,181
Foreign liabilities									
Benin	47	45	15	16	27	16	22	26	33
Burkina Faso	88	81	58	72	82	102	119	111	141
Côte d'Ivoire	160	149	121	114	124	118	128	132	227
Guinea Bissau	11	8	5	7	5	5	5	6	6
Guinea Bissau	10,563	8,327	5,498	6,813	4,568	5,453	4,501	6,077	6,452
Mali	84	77	27	21	20	21	31	32	36
Niger	74	81	26	22	32	28	30	30	45
Senegal	180	178	103	90	117	90	144	102	170
Togo	56	25	55	32	47	30	69	72	84
Unallocated	7	1	1	26	47	46	30	26	49
BCEAO	707	646	411	401	500	458	579	537	792
Memorandum items:									
Short term domestic liabilities	3,167	3,133	3,357	3,429	4,107	4,204	4,396	4,250	4,712
Cover ratio (in percent) 2/	117.8	119.2	118.1	117.5	114.3	114.1	111.0	113.5	110.0

Source: IMF, *International Financial Statistics* .

1/ Central Bank of West African States (BCEAO).
2/ Gross official reserves divided by short term domestic liabilities.

Table 16. WAEMU: Monetary Survey by Country, 2005–09
(Billions of CFA francs)

	2005 Sep.	2005 Dec.	2006 Sep.	2006 Dec.	2007 Sep.	2007 Dec.	2008 Sep.	2008 Dec.	2009 Sep.
Net foreign assets	3,116	3,236	3,589	3,812	4,153	4,521	4,321	4,536	4,367
Benin	341	375	450	521	595	659	765	689	667
Burkina Faso	171	167	227	222	459	411	332	367	519
Côte d'Ivoire	615	700	798	828	971	1,048	891	1,005	710
Guinea-Bissau	39	35	43	43	43	50	55	63	70
Mali	397	423	441	531	477	547	435	493	656
Niger	64	70	129	155	163	227	283	283	214
Senegal	734	666	751	786	774	856	679	757	748
Togo	139	136	198	209	215	201	244	236	257
Unallocated	617	665	552	515	456	522	638	644	526
Net domestic assets	4,622	4,932	4,779	5,130	5,378	5,621	6,099	6,632	7,228
Benin	208	259	204	205	167	211	254	411	517
Burkina Faso	365	388	357	394	299	353	458	490	453
Côte d'Ivoire	1,292	1,381	1,214	1,466	1,492	1,789	1,877	1,992	2,115
Guinea-Bissau	12	18	13	12	21	19	54	24	27
Mali	408	419	357	361	385	467	548	506	391
Niger	167	179	144	130	144	129	103	115	246
Senegal	784	884	878	956	1,043	1,114	1,242	1,250	1,378
Togo	167	178	165	176	236	248	257	296	304
Unallocated	1,220	1,225	1,447	1,429	1,591	1,291	1,306	1,547	1,798
Net credit to government	567	691	419	456	339	431	338	453	841
Benin	-81	-76	-141	-160	-260	-288	-228	-182	-78
Burkina Faso	-37	-33	-101	-75	-191	-143	-107	-112	-149
Côte d'Ivoire	387	379	323	345	365	431	415	400	562
Guinea-Bissau	10	11	9	10	11	12	16	11	7
Mali	-33	-26	-79	-109	-112	-129	-118	-155	-293
Niger	54	71	17	-8	-16	-50	-149	-115	-42
Senegal	-95	-34	-53	7	46	93	34	28	133
Togo	0	5	5	5	-2	8	-25	79	78
Unallocated	362	394	440	441	498	497	499	500	622
Credit to the economy	3,688	3,912	3,945	4,246	4,450	4,905	5,416	5,627	5,840
Benin	322	375	386	416	460	520	551	624	656
Burkina Faso	446	474	531	541	536	547	633	663	679
Côte d'Ivoire	1,104	1,190	1,072	1,290	1,309	1,532	1,557	1,704	1,706
Guinea-Bissau	3	3	6	6	12	10	35	18	27
Mali	496	516	525	528	546	619	654	671	730
Niger	114	121	149	159	193	192	262	263	311
Senegal	1,021	1,036	1,099	1,110	1,160	1,230	1,447	1,440	1,465
Togo	182	195	176	195	235	255	296	243	269
Unallocated	0	0	0	0	0	0	-17	1	-3
Broad money 1/	5,921	6,305	6,398	6,976	7,461	8,301	8,444	9,020	9,331
Benin	548	635	654	727	762	869	1,019	1,100	1,184
Burkina Faso	536	556	584	617	758	764	790	857	971
Côte d'Ivoire	1,907	2,081	2,011	2,295	2,462	2,837	2,767	2,997	2,825
Guinea-Bissau	51	53	56	55	71	69	95	89	96
Mali	804	842	798	892	862	1,015	983	999	1,047
Niger	231	248	273	285	307	356	386	398	459
Senegal	1,519	1,549	1,629	1,743	1,817	1,970	1,921	2,006	2,127
Togo	306	314	363	385	451	449	500	531	561
Unallocated	20	27	29	-22	-29	-27	-18	41	61

Source: IMF, *International Financial Statistics* .

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

2010

Appendices

West African Economic and Monetary Union

Appendix I. Fund Relations with WAEMU Member Countries (1)

I. MEMBERSHIP STATUS

- Senegal and Togo joined the IMF in 1962; Benin, Burkina Faso, Cote d'Ivoire, Niger, and Mali in 1963; and Guinea-Bissau in 1977. Each of these members of WAEMU accepted the obligation of Article VIII on June 1996, except for Guinea-Bissau, which accepted them on January 1, 1997.

II. MEMBER COUNTRY RELATIONS WITH THE FUND

- **Benin:** The Executive Board approved a three-year ECF arrangement in August 2005, which was later extended through August 2009. In concluding the sixth review in June 2009, the Executive Board approved the request for an additional augmentation of access of 15 percent of the quota (about $14 million) to mitigate the impact of the global economic crisis. The most recent Article IV consultation was concluded in June 2008. Benin reached the HIPC completion point in March 2003 and received debt relief under the Multilateral Debt Relief Initiative (MDRI) in January 2006.
- **Burkina Faso:** The Executive Board approved a three-year ECF arrangement in April 2007 to support the government's economic reform program for 2007-10. On December 14, 2009 the Board concluded the Article IV consultation and the fifth review of economic performance under the ECF arrangement. Burkina Faso reached the HIPC completion point in April 2002 and received debt relief under the MDRI in January 2006.
- **Côte d'Ivoire:** A three-year ECF arrangement was approved by the Executive Board in March 2009 to support the authorities economic program aimed at achieving sustainable growth, reducing poverty and advancing the country's economic reform agenda. On November 18, 2009, the Article IV Consultations and the first review of the ECF arrangement were concluded.
- **Guinea-Bissau:** Guinea-Bissau reached the decision point under the HIPC initiative in December 2000, but the ECF arrangement went off-track and expired without completion of a review. In the last two years, the Fund has provided support to Guinea-Bissau through Emergency Post-Conflict Assistance (EPCA). The Executive Board approved the first EPCA in January 2008, and the third and last one in June 2009. The authorities of Guinea-Bissau have requested the support of the Fund for a medium term program of reforms.
- **Mali:** On May 28, 2008 the Executive Board concluded the 2008 Article IV Consultation and approved a new three-year ECF arrangement. The second review of the current ECF was concluded in July 2009. Mali reached the completion point under the enhanced HIPC in March 2003 and received debt relief under the MDRI in January 2006.

Appendix I. Fund Relations with WAEMU Member Countries (2)

- **Niger:** On May 29, 2008 the Executive Board approved a new three-year ECF arrangement, the second review of which was concluded in May 2009. The Board completed the most recent Article IV Consultation for Niger on December 19, 2008. Niger reached the completion point under the enhanced HIPC in April 2004 and received debt relief under the MDRI in January 2006.
- **Senegal:** On December 16, 2009, the Executive Board completed the fourth review under the Policy Support Instrument (PSI) which was approved in November 2007, and the second review under the Exogenous Shocks Facility (ESF) which was approved in December 2008. The Board also approved an increase in ESF access from 30 percent to 75 percent of quota and an extension of the ESF arrangement from 12 to 18 months. The most recent Article IV Consultation was concluded in June 2008. Senegal reached the completion point under the enhanced HIPC in April 2004 and received debt relief under the MDRI in January 2006.
- **Togo:** The Executive Board approved a three-year ECF for Togo in April 2008. The board completed the 3rd ECF review on a lapse of time basis on November 18, 2009 and concluded the Article IV consultations and 2nd ECF review in April 2009. The HIPC decision point was reached in November 2008.

III. Safeguards Assessments

- The Central Bank of West African States (BCEAO) is the central bank of the West African Monetary Union (WAMU). The updated safeguards assessment of the BCEAO is near completion. The assessment indicated that the BCEAO continues to have controls in place at the operational level. The overall governance framework should nonetheless be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The upcoming implementation (2010) of the Institutional Reform of the WAEMU and the BCEAO should help correct that situation. Efforts to implement fully the International Financial Reporting Standards (IFRS) reporting framework should also be pursued.

IV. Exchange System

- The regional currency is the CFA franc. From 1948 to 1999 it was pegged to the French franc. Since January 1, 1999, it has been pegged to the euro at the rate of CFAF 655.957 per euro.

Appendix I. Fund Relations with WAEMU Member Countries (3)

V. **REGIONAL DISCUSSIONS**

- Regional Article IV consultation discussions take place annually. With the Board decision (Decision No. 13656-(06/1)) on January 6, 2006, consultations with WAEMU formally became an integral part of Article IV consultations with WAEMU member countries.

VI. **FSAP PARTICIPATION AND ROSCS**

- A regional WAEMU FSAP was conducted in 2007/08. Follow-up country FSAPs have been conducted for Mali and Burkina Faso in 2008 and for Niger and Cote d'Ivoire in 2009. Senegal had an FSAP in 2001, with an update in 2004.

VII. **TECHNICAL ASSISTANCE TO WAEMU/BCEAO**

- AFRITAC does not provide direct technical assistance to WAEMU/BCEAO. However, technical assistance to individual WAEMU countries covers policies set at the regional level.
- There has been no MCM technical assistance to the BCEAO in recent years.

2000	Fiscal Affairs Department (FAD) mission to WAEMU on harmonizing taxation of petroleum products
2001	Three FAD mission to WAEMU on tax administration
2001	FAD visit to WAEMU for workshop on customs exemptions
2001-02	Two FAD missions to WAEMU on public expenditure management
2001-02	Two FAD missions to WAEMU on tax policy
2001-03	Long-term resident advisor on government finance statistic
2004	FAD mission to WAEMU on public finance management directives
2005	Two FAD missions to WAEMU on public finance management directives
2005	WAEMU seminar on Taxation and development
2008-09	Six FAD missions to WAEMU on the revisions of public financial management directives
2009	One FAD mission to WAEMU on the action plan for dissemination and implementation of the PFM directives
2010	STA mission to WAEMU on Government Finance Statistics

Appendix II. External sustainability in the WAEMU (1)

This study finds a modest over-valuation of the exchange rate

- The assessment of external sustainability in this report uses the equilibrium real effective exchange rate (EREER), the macroeconomic balance (MB) and the external sustainability (ES) approaches, in line with the Fund preferred methodology.[1] All three approaches find a modest overvaluation of the exchange rate, slightly higher than the one found in previous staff assessments.[2]

- The **EREER approach** is based on the econometric estimation of an exchange rate equation over the period 1990-2008. Long-term fluctuations of the real effective exchange rate are found to be driven by variations in the region's *terms of trade*, *real per capita income* compared to that of the regions' partners (a proxy for relative productivity), *government consumption* and *investment* as a share of GDP (a higher share of the former appreciates the real exchange rate to the extent that it translates into a higher demand for nontradable goods relative to tradable ones, a higher share of the latter has the opposite impact), and *openness* relative to the rest of the world (unilateral trade liberalization may require a real exchange rate depreciation to rebalance the external current account). To minimize uncertainty surrounding EREERs estimates, we applied cointegration techniques to a single regional aggregated exchange rate equation (Johansen's technique) and to seven WAEMU countries' exchange rates (Pedroni's panel data technique). Estimates of these two equations are summarized in Table II.1.

- The **MB approach** is based on the calculation of an underlying external current account balance (CA) at the prevailing exchange rate and a CA norm based on the estimation of a CA equation. The REER assessment is then derived as the adjustment needed to bring the underlying CA in line with the CA norm, using long-term price-elasticity derived from export and import functions.

1/ "Methodology for CGER Exchange Rate Assessments" IMF Research Department, 2006 .
2/ This updates the 2008 external sustainability assessment that was presented in the context of the 2008 regional consultation (see the first section of WAEMU—Selected Issues, SM/08/137). A more detailed paper is available on demand (cahokpossi@imf.org). The paper also discusses the WAEMU countries performance on structural competitiveness indicators like Global Competitiveness Report, Doing Business and Human Development Index.
3/ The analysis excludes Guinea-Bissau, which joined the Union more recently.

Appendix II. External sustainability in the WAEMU (2)

The assessment uses the equilibrium real effective exchange rate (EREER), the macro-economic balance (MB) and the external sustaina-bility (ES) approaches

Table II.1: Results of Cointegration Estimation

	Johansen	Pedroni
Estimates of the Long Run Coefficients		
ln (terms of trade)	0.3 *	0.09 **
	[1.83]	[2.15]
ln(government consumption)	0.97 ***	0.26 ***
	[8.91]	[4.93]
ln(technological progress)	0.13	0.26 ***
	[1.38]	[6.71]
ln(investment)	-0.33 ***	-0.09 ***
	[-2.83]	[-4.66]
ln(openess)	-0.01	-0.25 ***
	[-0.06]	[-3.35]
Constant	1.89	
ECM coefficients	-0.13 *	
	[-1.92]	

Note: Three, two, and one asterisks, denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively; t-statistics in brackets

Table II.2: Macroeconomic balance regression estimates

	Dependent variable: CA/GDP	
	Coefficient	Standard Error
Fiscal balance	0.1893	0.0426
Old-age dependency	-0.1234	0.0483
Population growth	-1.0285	0.4035
Oil balance	0.1688	0.0300
Relative income	0.0196	0.0109
Output growth	-0.1570	0.0789
Asia crisis dummy	0.0345	0.0058
Banking crisis dummy	0.0103	0.0065
Financial center dummy	0.0311	0.0037
Lagged CA/GDP	0.3656	0.0883
Constant	-0.0029	0.0039

Source: How to apply CGER methodologies to non-CGER countries, SPR Notes, 2008

Appendix II. External sustainability in the WAEMU (3)

Various reference levels have been explored, to test the robustness of the External Sustain-ability approach.

- The elasticity used in this report (-0.65) is taken from Tokarick [4] and is based on the reasonable hypothesis that the member countries of the WAEMU are too small to influence world trade and prices. The underlying CA is approximated by the external CA projected over the medium term (assuming constant REER and smoothing over time of short-term fluctuations). The CA equation features as explanatory variables *fiscal balances*, *net exports of petroleum products*, *relative output growth* (stronger economic growth relative to trading partners is likely to be associated with a lower current account balance), and long-term determinants of investment such as *real per capita income* (at relatively low stages of development, increase in relative income will tend to increase the country's access to foreign capital and finance higher investment), or national savings such as o*ld-age dependency* and *population growth*. The equation has been estimated (see Table II.2) using panel data techniques over a sample of 45 developed, emerging and developing countries.
- **The ES approach** is similar to the MB approach except that the CA norm is now defined as the CA that stabilizes the region's net foreign assets position (NFAP) at a reference level. Various reference levels have been explored, to test the robustness of this approach. The results are presented here for the least favorable case (the baseline scenario of stabilizing NFAP at its end-2008 level) and the most favorable scenario (the alternative scenario). In this alternative scenario, the WAEMU's net stocks of FDI and portfolio investments reach the upper bound of low middle-income countries in the medium term (this is very plausible if FDI flows maintain their recent trend in the region); the debt level is kept at the end-2008 level (while Côte d'Ivoire, the largest country in the region, is expected to reduce its debt when it reaches the HIPC completion point (CP), other post-HIPC CP countries are projected to increase their external debt); and reserves are kept around 5 months of imports. Under this alternative scenario, the WAEMU region's NFA position will be -55 percent of GDP in the medium-term.

4/ Tokarick, Stephen. 2009, "A method for calculating export supply and import demand elasticities", IMF Research Department.

Appendix II. External sustainability in the WAEMU (4)

While the gap between the underlying and the NFA stabilizing current accounts appears to be large, the correspon-ding REER over-valuation is modest

- The current account that stabilizes NFA at the reference level is calculated as : $CA_S = \frac{g - \pi}{(1-g)*(1-\pi)} NFA_S$

  where NFAs is a reference level for the region's NFA, g the region's real GDP growth and π the medium-term U.S. inflation.

- While the gap between the underlying and the NFA stabilizing current accounts appears to be large, the corresponding REER overvaluation is modest, because of the elasticity of the current account to REER shocks is relatively high.

Table II.3: Benchmark NFAPs for External Sustainability Assessment

Benchmark	NFAP	Current Account Underlying	Current Account Stabilizing NFAP
	(Percent of GDP)		
Baseline: End-2008	-33.2	-7.1	-2.0
Alternative scenario (see description above)	-55	-7.1	-3.4

Table II.4: Summary of overvaluation from different approaches

	2007 Report	2008
EREER Approach		
Single Equation Technique (Johansen)	9.9	11.3
Panel Data Technique (Pedroni)	0.7	3.9
MB Approach		5.1
ES Approach		
Baseline: End-2008		7.7
Alternative scenario (see description above)		5.7

Appendix III. Status of Implementation of Recommendations from 2008 FSAP

Recommendations	Status of Implementation
Supervision and Operational Framework of the Banking Sector	
Gradually align prudential norms to international best practice: i.e., CAR, credit exposure, delinquent loan classification threshold	Not implemented – but implementation scheduled to begin in 2010
Enforce the minimum statutory capital requirement to encourage bank mergers and end BCEAO and government participation in the capital structure of banks	In progress
Strengthen the BC-WAEMU and make it accountable for (i) more strictly enforcing regulations; (ii) putting in place early warning procedures for when prudential action is needed in response to distress in a credit institution; and (iii) establishing a procedure resolving banking crises, especially in a systemic case	In progress
Open Market Operations and Public Securities Markets	
Enhance the effectiveness of the operational framework for monetary policy by, e.g., open market operations are collectivized with prime quality assets, a bank liquidity monitoring committee to provide daily forecasts, and active national cash committees	In progress
Produce reliable annual schedules of issues	In progress
Issue all public debt securities by auction	Implemented
Put in place a network of primary dealers	In progress
Establish a regional legal framework for repurchase operations	Not implemented
Set up a government bond issues coordination committee under the authority of the Council of Ministers	Not implemented
Securities and Exchange Market and Accounting and Audit Framework	
Complete the study to restructure the market and address the following issues: (i) number of enterprises that can be listed; (ii) potential for venture capital; (iii) possibility of platforms shared by several exchanges (Nigeria, Ghana); (iv) potential afforded by institutional savings; and (v) incentives to attract foreign investment	Not implemented
Gradually align bank accounting and auditing with international standards (IFRS and ISA) while maintaining financial reporting in accordance with the prudential rules	Not implemented
Ease accounting requirements for companies that wish to list their shares on the exchange by reducing the number of audited fiscal years required from five to three	Not implemented
Encourage training in public accounting and finance in the union, harmonize CPA and Financial Analyst diplomas, and improve the quality of published information	In progress – should be operational in 2010
Determine under what conditions the guarantee system could be replaced with ratings	Not implemented
Harmonize securities taxation in the WAEMU. Review pricing of services with a view to significantly lowering the cost of transactions	Not implemented – should be adopted in 2010
Ease or abolish the 25 percent limit on the lending portfolio of the BOAD and the other regional financial institutions that can be financed through bond issuances on the regional market.	Not implemented – but under review

Statement by Laurean Rutayisire on WAEMU
March 3, 2010

1. My WAEMU authorities would like to thank the Executive Board, management and staff for the opportunity to discuss the Union's common policies in relation to the 2010 regional consultations. My authorities broadly share the thrust of the staff report which gives a fair reflection of the fruitful discussions held with the WAEMU institutions in December 2009. The Fund assistance and advice is valuable to my authorities, especially at a time when member countries of the WAEMU are exploring ways to stimulate their economies after suffering over the past period, the consequences of at least two major shocks, the food and oil prices crisis and the global slowdown.

2. After implementing a variety of policy responses to weather the impact of the crises, my authorities are committed to fostering reforms with the view to renewing with pre-crises economic indicators, and consolidating achievements resulting from decades-long effort in macroeconomic management. The challenges ahead are daunting; they range from enhancing fiscal sustainability to reducing poverty, not to mention improving the quality of spending to enhance growth, strengthening the Union's institutional framework, deepening the financial sector, improving the business environment and removing barriers to trade. In the communiqué of the 14th Heads of states' summit held in Bamako on February 20, 2010, my WAEMU authorities have committed to taking on these challenges and to furthering the integration agenda of their union.

Recent Developments and Macroeconomic Policies

3. Unlike the food and oil prices crisis, the global crisis has had relatively limited impact on the WAEMU region. Staff estimates economic growth to have declined only by 1percent in 2009, to 3 percent. To post this result, the region benefitted from favorable terms of trade and the recovery taking hold in Côte d'Ivoire. After being pushed upward by the food and fuel price hikes, reaching 7.4 percent in 2008, inflation was subdued in 2009, declining to 1.1 percent, and is expected to remain close to the union target of 2 percent in 2010. On the external front, the Union posted a comfortable level of international reserves of 5 months of imports.

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Fiscal policy

4. Fiscal policy in many WAEMU countries over the past period has been dominated by measures to offset the effects of the 2007–08 food and fuel crisis. Those measures which consisted for governments to give up important tax revenue, while spending was on the rise, contributed to deteriorate the deficit within the region from 2 percent in 2008 to 3.7 percent of GDP in 2009 (including grants). My authorities are cognizant of the effort ahead to reverse this trend and enhance fiscal sustainability. They shared the staff concern that a failure to unwind the fiscal expansion in a timely manner could dampen long-term growth prospects. However, my authorities would like to stress the need to carefully strike a balance between macroeconomic stability considerations and accommodating public spending in infrastructures which are equally critical to support recovery from the economic crisis. As a matter of fact, many countries in the region have experienced severe electricity shortages in the past years, with huge adverse impact on the economy. For instance, the lack of new investment in the energy sector in Côte d'Ivoire, causing deficits in production, has led to electricity outages since the beginning of February 2010 and the private sector is facing the consequences which will undoubtedly decline domestic output and push growth prospects downward.

5. **The accumulation of domestic arrears** is one of the key issues of fiscal policy in the region. That is why my WAEMU authorities have taken exceptional steps in September 2009 to help governments reduce arrears. Measures included direct financing of member governments by the regional central bank, BCEAO, following the Fund general SDR allocation; and the issuance of government bonds to be refinanced by BCEAO, for arrears clearance. At year-end 2009, CFAF 700 billion have been injected in the regional economy as a result of this effort. Going forward, we share staff concerns about the domestic arrears issue, especially with regard to the threat it poses to the banking sector. But, addressing it requires to rightly identify the causes of the accumulation of arrears. Staff attributes the causes to the lack of proper coordination of fiscal and monetary policies, weak management of liquidity on the regional financial market, and weak public financial management. While we concur that a combination of these factors contributes to the accumulation of domestic arrears, we would like to emphasize the effort of fiscal consolidation as the main cause of the accumulation of domestic arrears. Indeed, in the face of scarce resources, the concern of fiscal consolidation, over years, has come at the expense both of capital spending and payments to government suppliers and hence contributing to the building up of domestic arrears.

6. In our view, the trade off that the authorities have to make during budget preparation, between socially charged expenditure like wage bills and the payments to the private sector government suppliers is the main cause of the accumulation of domestic arrears. It is our view that to give a better chance to post-crisis recovery, the Fund should help our authorities appropriately balance the apparently competing objectives of preserving fiscal sustainability and stimulating the economy by clearing arrears and hence injecting fresh resources into the private sector. We concur with staff that the recent action plan to reduce government domestic arrears will improve the liquidity of the private sector and commercial bank balance sheets. My authorities are cognizant of the need to foster public financial management and, as noted by staff, they have launched, with Fund technical assistance, an ambitious program of PFM reform in the region, which will help improve budget procedures, institutions and planning capacities. **As regards the debt issue**, it is our belief that the different crises faced by countries over the recent period, especially LICs, give a special weight to the already heavy burden of the public debt. Three WAEMU countries – Côte d'Ivoire, Guinea Bissau and Togo – have not yet benefitted from the HIPC Initiative. My authorities believe that, given the constraint that servicing the debt entails for fiscal policy, the international financial community especially the Fund and the World Bank should give a big push to the HIPC-MDRI processes with the view to steadfastly granting debt relief to the remaining countries. This should come as a supplementary element to the toolkit the Fund has designed as response to the global crisis.

Monetary policy and financial sector development

7. In line with BCEAO's policy of inflation targeting, my authorities have pursued a monetary policy which kept inflation in check during the food and fuel price hikes. The good management of these developments have globally prevented the WAEMU region from suffering further second round effects, and helped maintain investment and growth. My authorities are closely monitoring the developments of the real effective exchange rate. In that regard, while expressing reservations about some of the assumptions underlying the staff assessment of this issue, they take good note of the staff view that the WAEMU REER overvaluation is modest and, given the margin of error, does not warrant any adjustment. My authorities are fully aware of the fact that **the WAEMU financial sector** still trails its peers of SSA. Though their efforts of reforms and the relative insulation from the financial systems of advanced countries have helped the region weather the global crisis well, we share staff views on the way to strengthen WAEMU financial indicators. The authorities are making progress on a number of reforms recommended by the 2008 FSAP, with the implementation of some key measures scheduled for 2010 as countries exit from the past crises. Future actions cover many aspects including supervision and operational frameworks of the banking sector, open market operations and public securities markets, and accounting and audit framework.

8. Going forward, it is my authorities' belief that the development of the financial sector within the WAEMU embodies fundamental issues that might need more than regular reforms, and we thank staff for putting this topic forward for discussions. Indeed, there might be a yet-to-find out structural difference between countries like Ghana, Kenya, and Nigeria where credit to the private sector surpassed 30 percent of GDP in 2008, and WAEMU countries where the ratio of private credit to GDP continued below 20 percent. We believe that the time has come for a strong effort of diversification of financial products and the introduction of innovative intermediation institutions in the WAEMU region. In that regard, my authorities would appreciate to benefit from successful experiences from other parts of the world, notably in financing start-ups, new investment ideas and SMEs. For many years, a non-dynamic and risk-averse banking sector has restricted credit only to bigcompanies and cash crop dealers, excluding SMEs and individual promoters. My authorities are committed to turning this trend around, by enabling the creation of a dynamic and diversified financial sector capable of broadening credit opportunities to all demanders, with the view to unleashing the region's growth potential.

9. As regards the **coordination of fiscal and monetary policy**, my authorities have taken decisive steps to improve the financing of the economies of the region, by adopting in November 2009, a series of measures to improve the coordination of government bond issuance on the regional market and improve its liquidity. This is an important move to put an end to regrettable past experiences whereby the excess supply of bonds has precluded governments from raising enough liquidity as they needed; or the frequent and late interventions of governments on the market has pushed interest rates up. Moreover, my authorities believe that the development of the regional financial market will help reduce or eliminate costly types of financing or indirect financing such as the accumulation of domestic arrears, which adversely impact the economy. In the same vein, the issuance of bonds should prevent government recourse to commercial bank financing and hence risks of crowding out the private sector.

Other Structural Reforms and Development Issues

10. The weak structural competitiveness of the WAEMU economies is a concern to my authorities. We share staff view that high factor costs in the region represent a drag to productivity and growth. My authorities are taking actions in that regard. Many countries are stepping up reforms in various sectors including in the judicial system to reduce red tape, streamline procedures through one-shop investment centers, with the view to reducing the cost of starting and operating business and improving the business environment. Furthermore, WAEMU countries are fostering integration so as to better balance supply of production factors, especially energy, within the region and avoid shortages. The Regional Economic Plan worth CFAF 2900 billion, of which 40 percent had been secured at end-July 2009, will help boost investment and growth within the region. Going forward, we believe that, with the help of development partners including the Fund and the World Bank, the issue of high factor costs should be addressed in a more sustainable manner through two channels. Firstly, there is a need to thoroughly assess and enforce current contracts in the WAEMU energy, telephone, and water sectors, with the aim of making the necessary new and bold investments to replace aging infrastructures. Secondly, in the face of national infrastructure failing to deliver substantive and low cost production factors, there is a need to move towards giant regional infrastructures, which can supply those goods within the region. My WAEMU authorities are engaged on many fronts both to enlarge regional integration to the ECOWAS and negotiate partnership agreement with the EU. With ECOWAS, two main projects are under discussion. The first one is the ECOWAS-wide Common External Tariff, which should replace the current WAEMU CET. If well designed, this reform should enhance trade and create opportunities of a greater market for the economies. The second project is the creation of an ECOWAS-wide common currency. After experiencing delays, the ECOWAS commission is strengthening its teams to enhance the preparatory studies on this issue. The same approach of deepening the analysis is being followed by my authorities at the ECOWAS level before moving forward with the Economic Partnership Agreement with the EU.

Conclusion

11. The experience of recent crises and the successful coordination of regional policy responses have proved once more the dire need for integration and renewed my WAEMU authorities' commitment to create a well functioning organization instrumental in building a strong and viable regional economy. Thanks to the common effort, the zone-wide economic prospects have suffered little from the global slowdown. Still, my authorities are fully aware of the hurdles ahead and the reforms needed to unleash further the region's potential and give a better chance to the fight against poverty.

12. The recent summit of WAEMU Heads of states has given the opportunity to my authorities to assess the results achieved so far and to lay down the policy agenda for the coming period. The continuous improvement of regional institutions as well as the designing of a variety of specific policy instruments will help implement the bold agenda set forth. In their endeavors, my WAEMU authorities continue to welcome the Fund support.