



BCEAO

BANQUE CENTRALE DES ETATS
DE L'AFRIQUE DE L'OUEST

2018 ANNUAL REPORT

SUMMARISED VERSION



**2018 ANNUAL REPORT
(Summarised Version)**

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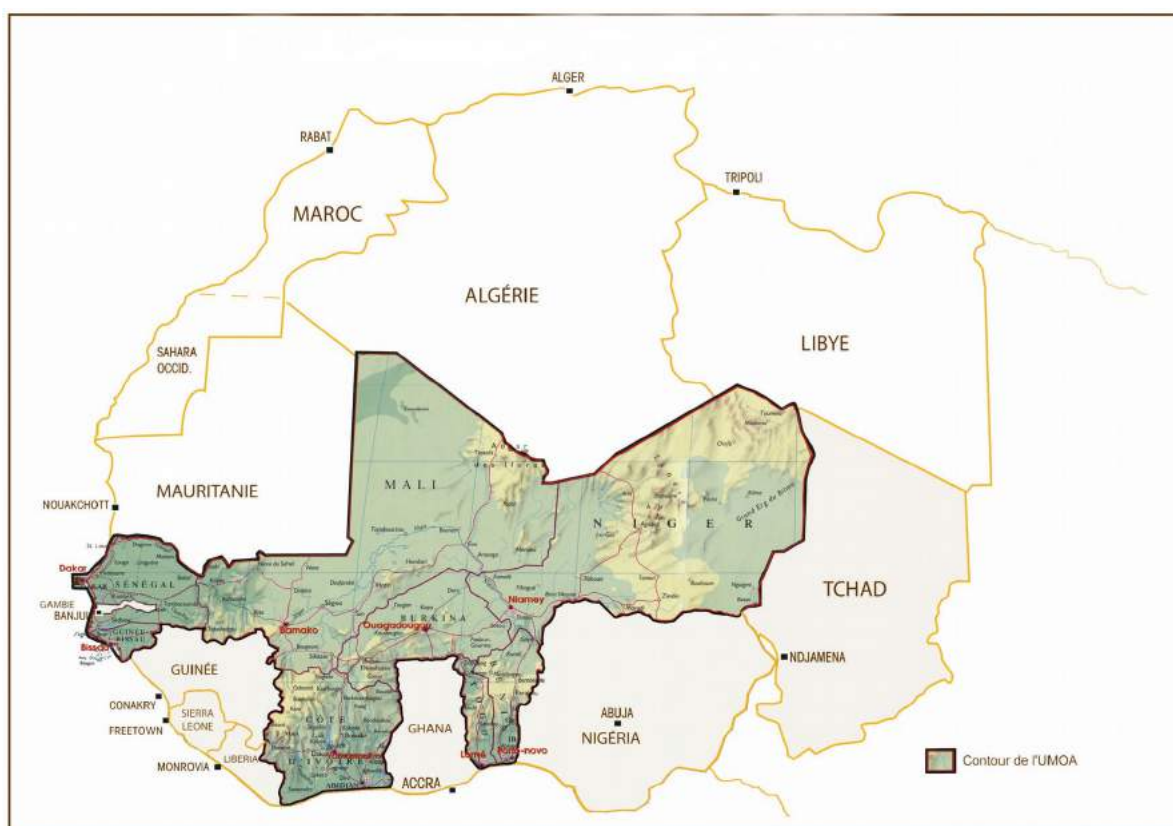
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WEST AFRICAN MONETARY UNION (WAMU)



Instituted by the May 12, 1962 Treaty, later replaced by those of November 14, 1973 and January 20, 2007, the West African Monetary Union (WAMU) is made up of the following member States:



The Central Bank of West African States (BCEAO) the fifty-sixth financial year of which is reported hereinafter, is the common Bank of Issue for WAMU member States, notably charged with managing their common currency, that is, the African Financial Community Franc (CFAF), their foreign exchange reserves as well as implementing their common monetary policy.

Note: - Unless otherwise indicated the figures reported herein are expressed in CFA francs.

HIGHLIGHTS OF BCEAO IN 2018

This past BCEAO financial year was marked by the following events.

ON THE MONETARY AND FINANCIAL FRONT

6th Round Table of Leaders of the African Financial Inclusion Policy Initiative

On May 10 and 11, 2018, Governor Tiémoko Meyliet KONE attended the 6th Round Table of Leaders of the African Financial Inclusion Policy Initiative (AfPI) which was organized in Conakry by the Central Bank of the Republic of Guinea, in collaboration with Alliance for Financial Inclusion (AFI).

The meeting allowed the participants to review the appropriate measures that needed to be implemented to expand financial inclusion and empower women economically in Africa. There were therefore sessions organized to discuss the regulatory approaches to backing cross border money transfers via digital channels, the types of interventions that will facilitate the interoperability of digital financial services, the loan infrastructure needed for small and medium-sized enterprises owned by women and regulators' role in optimizing digital loan impact in Africa.

6th Edition of Regional Electronic Banking Exhibition

The 6th Edition of Regional Electronic Banking Exhibition organized by GIM-WAEMU on the theme "*Digitalization of Payments and Technological Innovations for the Development of Financial inclusion*" was held on June 21 and 22, 2018 at the King Fahd Palace Hotel, in Dakar.

Regional Electronic Banking Exhibition is a bi-annual event that provides an important framework for decision makers, professionals and whoever were involved in the financial service and information technology ecosystem to exchange and share. It showcases the latest innovations in electronic banking and digital finance, globally and regionally.

Placed under the aegis of Mr. Tiémoko Meyliet KONE, Governor of BCEAO, the 2018 edition was attended by more than one thousand five hundred (1,500) participants, fifty (50) exhibitors, regulating authorities and professionals from WEAMU member countries, other parts of Africa, Europe, China and India.

During this meeting, the Central Bank was awarded First Prize for compliance with quality standard in its electronic banking services to staff including the automatic teller installed at the Headquarters and BCEAO National Branches.

Launching Small and Medium-sized Enterprise / Small and Medium-sized Industry Funding Support Mechanism

On July 25, 2018 BCEAO launched at the regional level the Small and Medium-sized Enterprise / Small and Medium-sized Industry Funding Support Mechanism (SME/SMI) in the West African Economic and Monetary Union (WAEMU) or "*SME Mechanism*".

The official ceremony marking the launch of SME/SMI Funding Support Mechanism took place in Abidjan, Bamako, Bissau, Cotonou, Dakar, Lomé, Niamey, Ouagadougou and Senegal, in regions hosting economic hubs such as Sine-Saloum (Kaolack, Fatick, Kaffrine) and Diourbel.

The mechanism was established pursuant to the mandate conferred on the Central Bank by the WAEMU Conference of Heads of State and Government under the Economy Financing Action Plan adopted in June 2012.

Alliance for Financial Inclusion (AFI)'s 10th Annual Forum

The Governor of BCEAO, Tiémoko Meyliet KONE, attended from September 3 to 7, 2018, the 10th Global Financial Inclusion Policy Forum organized by AFI in Sochi, Russia, in collaboration with the Central Bank of Russia Federation on the theme: *“Innovation, Inclusion, Impact”*.

This edition coincided with AFI's 10th anniversary, offering an opportunity to reward network members' pledge to contribute to the development of financial inclusion worldwide. Subsequently, seven distinctions were awarded during a ceremony organized on September 4, 2018 under the chairmanship of Elvira Nabiullina, Governor of the Central Bank of Russia Federation.

As one of the laureates, BCEAO received a prize in the Maya Declaration category out of the six institutions nominated. The Maya Declaration is a number of measurable commitments adopted by AFI members in 2011, in Mexico, in which they pledged to promote financial inclusion and contribute to the attainment of Sustainable Development Goals (SDGs) by searching for appropriate solutions for unbanked people across the world, who now number 1.7 billion, to access financial services.

BCEAO's distinction was meant to reward its financial inclusion promotion efforts and recent progress made by the Union including the revision in 2015 of the directive governing electronic currency issue in WAEMU, with the incorporation of consumer protection measures; the adoption by the WAMU Council of Ministers in June 2016, of the framework document for regional financial inclusion policy and strategy in WAEMU; the launching in 2017 of digital financial services interoperability and its promotion of decentralized financial systems' access to WAEMU payment systems; and lastly, the launching in July, 2018 of SME funding support mechanism.

Financial Inclusion Week in WAEMU, 2018 Edition

The BCEAO organized from November 26 to December 1st, 2018 at its Headquarters in Dakar and in all eight WAEMU countries, the first edition of Financial Inclusion Week on the theme: *“Financial Inclusion: an Economic and Social Development Lever”*.

This event aimed primarily at bringing together whoever were involved in the financial sector to discuss important topical issues causing specific concerns and challenges for each of the Union countries in terms of financial inclusion. It helped to raise among those concerned awareness that financial inclusion can play a role in the economic and social development of WAEMU countries, because it brings to light how generalized use of financial services can potentially contribute to development. It was also an opportunity to update the public on the initiatives taken by BCEAO to promote financial inclusion in WAEMU countries.

About 300 hundred people participated in this gathering at BCEAO Headquarters and included participants from several institutions such as Finance Ministries, banks, decentralized financial systems (DFS), e-money institutions (EMI), postal services, bank operations intermediaries, telecom regulators, Professional Associations of Credit Institutions and DFS, Small and Medium-sized Enterprises (SMEs), GIM-WAEMU and the Union universities. The Representatives of partner institutions and international organizations also took part in the event.

Thematic Workshop on Prudential Declaration Form

Organized from November 19 to December 6, 2018 at BCEAO Headquarters, the thematic workshop on Prudential Declaration Form (FODEP) was designed to develop the skills of those whose job it is to fill, control and operate the FODEP form and make sure prudential declarations are reliable and consistent. About a hundred reporting institutions participated in it. Reporting institutions have to fill the form and forward it to the Central Bank via its computer platform. Under current regulation, the form allows them to report on their prudential status and also on compliance with the minimum working capital requirements to cover (credit, market and operational) the risks they are exposed to.

ON THE ECONOMIC INTEGRATION AND MONETARY COOPERATION FRONT

Participation of BCEAO in the Franc Zone Anti-Money Laundering Liaison Committee (CLAB) Meeting

A delegation headed by Mr. Tiémoko Meyliet KONE, Governor of BCEAO, attended the Franc Zone Anti-Money Laundering Liaison Committee (CLAB) meeting held on January 29, 2018 in Paris. The meeting deliberations focused on: (i) *“derisking” and reducing bank correspondence relations globally and in the Franc Zone*, (ii) combating money laundering and terrorism financing (LBC-FT), and (iii) diagnosing LBC-FT mechanisms in the Franc Zone. BCEAO Governor made a presentation on the theme: *“Status of Applicable Legislation against LBC-FT in the Union”*.

A Bank Al-Maghrib Delegation’s Friendly and Working Visit to BCEAO

The Governor of BCEAO welcomed a Bank Al-Maghrib delegation headed by its Governor, Mr. Abdellatif JOUAHRI, on a friendly and working visit in Abidjan on February 8 and 9, 2018. The visit was an opportunity for both Governors to assess cooperation between the two Central Banks since their previous meeting in November 2016, agree on areas of partnership for the 2018-2019 period including bank supervision, financial stability, payment systems and means of payment as well as monetary policy and macroeconomic forecasting. At the end of their deliberations both Governors decided to align their cooperation program with their strategic plans, starting with the one for the 2019-2021 period.

Presidential Task Force Meetings on ECOWAS Single Currency Program

The Governor of BCEAO participated in the Presidential Task Force meetings organized by the ECOWAS Commission on February 21, 2018, in Accra and December 17, 2018, in Niamey. The first meeting was to propose a roadmap for expediting the single currency creation in 2020.

The second meeting assessed progress made in implementing the roadmap activities and the proposed foreign exchange regime, monetary policy framework, central bank model and name and logo of ECOWAS single currency.

Bureau of Association of African Central Banks (AACB) Meeting

The Bureau of the Association of African Central Banks (AACB) held its first regular meeting of the year on February 23rd, 2018 in Dakar, Senegal, at the Headquarters of the Central Bank of West African States (BCEAO). The meeting was attended by ten (10) member central banks of the

Bureau and the African Union Commission (AUC). It was chaired by Mr. Lesetja KGANYAGO, Governor of the South African Reserve Bank (SARB) and President of AACB.

Breakfast with Ivorian Employers

The Governor of BCEAO, Mr. Tiémoko Meyliet KONE, was host to the *Confédération Générale des Entreprises de Côte d'Ivoire (CGECI)*, on March 1st, 2018, at the *Maison de l'Entreprise* in Abidjan. He made a presentation on the theme: *“Role of BCEAO in the Development of WAMU Private Sector: Achievements and Prospects”*. This presentation took place within the second edition of Exchange between the private sector and actors of the economic or political ecosystem.

Participation of BCEAO in the Spring Meetings and Joint Annual Meetings of Bretton Woods Institutions

A BCEAO delegation headed by the Governor participated in the Spring meetings and joint annual meetings of the Bretton Woods Institutions, held from April 16 to 23, 2018, in Washington D.C. and from October 9 to 14, 2018, in Bali, Indonesia respectively. These were mainly marked by the IMF Governors' International Monetary and Financial Committee (IMFC) half-yearly sessions and World Bank Development Committee (DC) meetings as well as the high-level meeting on WAEMU organized by the IMF Africa Department on the theme: *“Maintaining Macroeconomic and Financial Stability and Preserving Growth Dynamics in WAEMU”*.

Round Table of Governors of African Central Banks alongside the 2018 Annual General Assembly of Bank of International Settlements (BIS)

The Governor of BCEAO, Mr. Tiémoko Meyliet KONE, participated on June 23 and 24, 2018 in the Round Table of Governors of African Central Banks, held in Basle, on the theme: *“Central Banking and Debt: Emerging Threats to Monetary Policy Efficacy in Africa”* alongside the 2018 Annual General Assembly of Bank of International Settlements (BIS).

The purpose of the meeting was to exchange views on the role of central banking in debt management. The talking points focused on recent increase in African debt and its impact on monetary policy, measures taken by central banks and future prospects.

Participation of BCEAO in Ministers of Finance of Franc Zone Countries Meeting

A BCEAO delegation headed by Governor Tiémoko Meyliet KONE participated in the Ministers of Finance of Franc Zone countries meeting, held on October 8, 2018 in Paris. The meeting proposed priority measures relating to national risk assessments (NRAs) in member States, regulatory asset freeze mechanisms, reinforcement of financial intelligence units (FIUs), systematic gathering of data on closing of bank correspondence relations, raising awareness among all actors involved of the struggle against money laundering and terrorism financing (LBC-FT) and to the establishment of relevant criminal policy. These measures were adopted by the Ministers, Governors and Presidents of Franc Zone institutions.

Forum commemorating the 45th Anniversary of West African Development Bank (BOAD)

The Governor of BCEAO, Mr. Tiémoko Meyliet KONE, participated in the commemoration of the 45th anniversary of BOAD, held on November 14 and 15, 2018, in Lomé. This ceremony was an opportunity for participants to reflect on the development of member countries of the West African

Economic and Monetary Union (WAEMU) and particularly the role of solar energy in this process. During the opening ceremony, the Governor of BCEAO delivered a speech in which he recalled the financial aid and support of BCEAO as a reference shareholder in BOAD's major projects, and the challenge posed by funding National Development Programs (NDPs) which the institution must overcome.

Task Force Consultative Meeting on ECOWAS Single Currency

The Governor of BCEAO participated in the Task Force Consultative Meeting on monetary and foreign exchange policy matters as part of working towards the establishment of proposed Monetary Union, held on December 11, 2018 in Abuja. The meeting convened in pursuance of directives issued by the 53rd Conference of Heads of State and Government, held in Lomé, on July 31st, 2018 which mandated the President of ECOWAS Commission to organize consultations and meetings with the Task Force and submit proposals on foreign exchange regime, monetary policy framework and model of proposed ECOWAS central bank.

2018 Consultative Group on Funding of Phase 2 of the 2019-2023 Priority Actions Plan under Emerging Senegal Plan or Plan Sénégal Emergent (PSE)

A BCEAO delegation, headed by Governor Tiémoko Meyliet KONE, participated in the 2018 Consultative Group meeting on Funding of Phase 2 of the 2019-2023 Priority Actions Plan under Emerging Senegal Plan (PSE), held on December 17 and 18, 2018, in Paris.

The aim of the Consultative Group was to present private investors as well as technical and financial partners with Phase 2 of PSE and investment opportunities in Senegal and mobilize complementary resources to finance the country's development over the 2019-2023 period.

In his address, the Governor of BCEAO indicated that the Central Bank was determined to accompany Senegal and beyond, the Union economies, in their emergence quest. Subsequently, the Bank of Issue adopted, during the past few years, several reforms contributing to economic prospect enhancement in the region. Implementing since January 2018, Basle II and Basle III provisions in the Union to ensure a more solid banking system, establishing a support mechanism for funding SMEs/SMIs, creating a credit information desk (BIC) to reduce credit cost, developing Islamic finance, creating a bank crisis settlement mechanism and reinforcing bank financing capacity by raising their equities and a more effective mobilization of domestic savings, were part of these measures. Additionally, the Central Bank has created a WAMU-Security Agent which has enabled Union member States to mobilize significant resources on regional and global market at moderate costs. It also contributed to financial inclusion promotion in WAEMU by putting in place a Regional Financial Inclusion Strategy (SRIF).

ON BCEAO GOVERNANCE

Nomination of Two New Vice-Governors for BCEAO

At its 3rd regular meeting, held on September 21, 2018 in Abidjan, the WAEMU Council of Ministers nominated, pursuant to Article 56 of BCEAO Statutes, Messrs. Norbert TOE and Abdoulaye DIOP, as Vice-Governors of the Central Bank for terms of office, effective from October 1st, 2018.

Establishment of a Panel of Mediators

As part of consolidating corporate governance and continued observance of best practices in staff management, the Central Bank endowed itself with a mediating body run by a panel of three mediators appointed by the Governor for a 3-year term renewable once.

The first Panel of Mediators was put in place during this 2018 financial year. In accordance with Governor's Decision n° 214-06-2018 appointing members of the first Panel, their term of office became effective on June 18, 2018. Pursuant to relevant regulatory texts, the Senior Mediator shall serve a first term of four years, the term of office for the other two mediators-assessors being 3 years.

The Panel of Mediators' mandates are essentially to:

- facilitate mediation or any other appropriate means to settle any potential disputes that might occur between the Central Bank and one or more of its staff members in connection with their conditions of service;
- issue notices and make recommendations to the Governor on ways to plug the gaps or loopholes identified in policies, procedures and practices of the Central Bank as regards the conditions of service of staff.

Thematic Meeting with the Press: BCEAO is allowing-in economic journalists

The Central Bank organized a series of meetings with the media in an effort to familiarize the participants with its missions and improve economic and financial information coverage in the Union.

These thematic meetings aim in particular at deepening participants' knowledge of the role and missions of BCEAO. The ultimate goal being to make Central Bank's actions more effective through quality and visibility of its messages as relayed to the public.

In this connection, BCEAO hosted at its Headquarters on September 13 and December 4, 2018 respectively the first two pedagogic meetings with Senegal economic journalists on themes relating to monetary policy and financial inclusion in WAEMU.

Abdoulaye FADIGA Prize Award for Promotion of Economic Research Ceremony, 2018 Edition

Governor Tiémoko Meyliet KONE chaired on November 21, 2018 at the Conference Hall of BCEAO Headquarters the Abdoulaye FADIGA Prize Award for Promotion of Economic Research Ceremony. This 6th edition was sponsored by Mrs. Marie Elizabeth ZUNON KIPRE and Mrs. Ndèye Elisabeth DIAW, two outstanding figures in the history of BCEAO now retired after a long and brilliant career within the institution.

The Abdoulaye FADIGA Prize is meant to prompt reflections on economic, monetary and financial issues linked to the development of WAEMU member States. Through the prize, the Central Bank intends to increase its contribution in confronting the economic and social development challenges the Union member States are grappling with.

The ceremony which coincided with the 30th anniversary of the death of Governor Abdoulaye FADIGA was enhanced by the showing of a documentary footage displaying his human and professional qualities, his vision and accomplishments which have left a permanent mark on the life of the Bank of Issue.

The prized article of this edition is titled “*Survival of WAEMU Banks: Are the New Equity Requirements Relevant*”. It is an analysis of the role of regulatory equity in the survival of WAEMU Banks, with an emphasis on the relevance of the new Basle standards enforced on January 1st, 2018. It is authored by Mr. Vigninou GAMMADIGBE, a Togolese National and PhD student in Economics at the University of Lomé.

The Incentive Award was attributed to Messrs. Aboudou OUATTARA, Kouamé Désiré KANGA, engineers specialized in statistics and economics (Côte d’Ivoire) and Ruben Barnabas DJOGBENOU, engineer specialized in statistics and economics (Benin), who are co-authors of the article titled “*Heterogeneity of ECOWAS Economies: what a Challenge for Collective Monetary Policy!*”. The article addresses the issue of monetary policy optimality in a monetary Union by considering the prospects for an enabling environment that will enhance the effectiveness of a collective policy on an ECOWAS scale as compared to their heterogenous economies.

PCI/DSS-Certified BCEAO

During the Abdoulaye FADIGA Prize Award Ceremony, held on November 21, 2018, at BCEAO Headquarters, Governor Tiémoko Meyliet KONE was handed a certificate for compliance of Central Bank’s information systems with the requirements of Payment *Card Industry Data Security Standard* (PCI-DSS) Version 3.2, by Mr. Karim HAMDAROU, President and CEO of LMPS GROUP. The acronym designates the data security standards applicable to payment cards industry. Designed by the PCI Security Standards Council, PCI-DSS standard aims to reduce online fraud.

**MEMBERSHIP OF BCEAO STATUTORY ORGANS
AND ORGANIZATION CHART**

**MEMBERSHIP OF WAMU CONFERENCE OF HEADS
OF STATE AND GOVERNMENT**

as at December 31st, 2018

PRESIDENT: His Excellency **Alassane OUATTARA (PhD)**,
President of the Republic of Côte d'Ivoire.

His Excellency **Patrice TALON**,
President of the Republic of Benin.

His Excellency **Roch Marc Christian KABORE**,
President of Faso.

His Excellency **Alassane OUATTARA (PhD)**,
President of the Republic of Côte d'Ivoire.

His Excellency **José Mario VAZ**,
President of the Republic of Guinea-Bissau.

His Excellency **Ibrahim Boubacar KEÏTA**,
President of the Republic of Mali

His Excellency **Issoufou MAHAMADOU**,
President of the Republic of Niger.

His Excellency **Macky SALL**,
President of the Republic of Senegal.

His Excellency **Faure Essozimna GNASSINGBE**,
President of Togolese Republic.

MEMBERSHIP OF WAMU COUNCIL OF MINISTERS

as at December 31st, 2018

PRESIDENT: ROMUALD WADAGNI,

Minister of Economy and Finance of Benin,

Republic of Benin

MSSRS Romuald WADAGNI, Minister of Economy and Finance;

Abdoulaye BIO TCHANE, Minister of State in charge of Planning and Development.

Burkina Faso

Mrs. COULIBALY Hadizatou Rosine SORI, Minister of Economy, Finance and Development;

Mr. Paul Robert TIENDREBEOGO, Minister of African Integration and Burkinabe Abroad.

Republic of Côte d'Ivoire

MSSRS Adama KONE, Minister of Economy and Finance;

Abdourahmane CISSE, Minister of Petroleum, Energy and Renewable Energies, Special Adviser to the President of the Republic of Côte d'Ivoire.

Republic of Guinea-Bissau

MSSRS Aristides GOMES, Prime Minister, Minister of Economy and Finance;

Suleimane SEIDI, State Secretary to the Treasury.

Republic of Mali

Boubou CISSE (PhD), Minister of economy and Finance;

Mr. Sambou WAGUE, Minister of Energy and Water.

Republic of Niger

Mr. Massoudou HASSOUMI, Minister of Finance;

Mrs. KANE Aïchatou BOULAMA, Minister of Planning.

Republic of Senegal

MSSRS Amadou BA, Minister of Economy, Finance and Planning;

Birima MANGARA, Minister attached to the Minister of Economy, Finance and Planning, in charge of Budget.

Togolese Republic

MSSRS Sani YAYA, Minister of Economy and Finance;

Kossi ASSIMAÏDOU, Minister of Development Planning.

MEMBERSHIP OF BCEAO MONETRAY POLICY COMMITTEE

as at December 31st, 2018

CHAIRPERSON: M. Tiémoko Meyliet KONE

Governor of BCEAO.

Vice-Governors of BCEAO

Mr. Abdoulaye DIOP;

Mr. Norbert TOE.

MEMBERS REPRESENTING THE STATES

Republic of Benin

Mr. Yaovi Clément AZIAGNIKOUDA, Director of Treasury.

Burkina Faso

Mr. Ousmane OUEDRAOGO, former Vice-Governor of BCEAO, former State Minister for Finance and Planning.

Republic of Côte d'Ivoire

Mr. Mama OUATTARA, Professor, Félix Houphouët-Boigny University in Cocody, Head of Economic Policy Team (GPE).

Republic of Guinea-Bissau

Mr. Rui Duarte FERREIRA, Adviser to Minister of Economy and Finance in charge of International Matters.

Republic of Mali

Mr. Bangaly N'ko TRAORE, President of Aid Harmonization Secretariat (SHA).

Republic of Niger

Mr. Mahamane ANNOU MALLAM, former Chair, Democracy and Economic and Social Development Task Force (GERDDES).

Republic of Senegal

Mr. Aliou FAYE, Director, Center for Development Policy Study (CEPOD).

Togolese Republic

Mr. Mongo AHARH-KPESSOU, Permanent Secretary, Reform Policy and Financial Programing Monitoring

French Republic

Mrs. Françoise DRUMETZ, Manager, Macroeconomic and Structural Studies, Banque of France.

MEMBERS NOMINATED INTUITU PERSONAE

Mr. Lansina BAKARY, Consultant, former Economic Adviser to Governor of BCEAO, Abidjan (Republic of Côte d'Ivoire) ;

Mr. Maïna Boukar MOUSSA, Vice-Chair, Economic and Social Development Research Task Force (GERDDES), Niamey (Republic of Niger) ;

Mr. Adama DIAW, Professor of Economics, Director of Doctorate School of Humanities and Social Science, Gaston Berger University in Saint-Louis (Republic of Senegal).

MEMBERSHIP OF BCEAO BOARD OF DIRECTORS

as at December 31st, 2018

PRESIDENT: Mr. Tiémoko Meyliet KONE,
Governor of BCEAO.

Republic of Benin

Mr. Oumara KARIMOU ASSOUMA, Managing Director, Treasury and Public Accounting.

Burkina Faso

Mr. Célestin Santéré SANON, Managing Director, Treasury and Public Accounting.

Republic of Côte d'Ivoire

Mr. Konan Jacques ASSAHORE, Managing Director, Treasury and Public Accounting.

Republic of Guinea-Bissau

Mr. Mamadu BALDE, Managing Director, Treasury and Public Accounting.

Republic of Mali

Mrs. Aoua SYLLA BARRY, Secretary General, Ministry of Economy and Finance.

Republic of Niger

Mr. Habou HAMIDINE, Secretary General, Ministry of Finance.

Republic of Senegal

Mr. Adama Racine SOW, Treasurer General, Central Accounting Officer, Public Accounting and Treasury Head Office.

Togolese Republic

Mr. Sévon-Tépé Kodjo ADEDZE, Commissioner General, Togo Revenue Office.

French Republic

Mr. Yves CHARPENTIER, Financial Adviser for West Africa, Treasury Head Office.

MEMBERSHIP OF BCEAO AUDIT COMMITTEE

as at December 31st, 2018

Chairperson: Mr. Oumara KARIMOU ASSOUMA, Managing Director, Treasury and Public Accounting.

Republic of Benin

Mr. Oumara KARIMOU ASSOUMA, Managing Director, Treasury and Public Accounting.

Burkina Faso

Mr. Célestin Santéré SANON, Managing Director, Treasury and Public Accounting.

Republic of Senegal

Mr. Adama Racine SOW, Treasurer General, Central Accounting Officer, Public Accounting and Treasury Head Office.

Togolese Republic

Mr. Kodjo Sévon-Tépé ADEDZE, Commissioner General, Togo Revenue Office.

CENTRAL BANK OF WEST AFRICAN STATES (BCEAO)

as at December 31st, 2018

GOVERNMENT

Governor:	Mr. Tiémoko Meyliet KONE
Vice- Governor:	Mr. Abdoulaye DIOP
Vice-Governor:	Mr. Norbert TOE
Secretary General:	Mr. Abdoulaye SECK
Cabinet Director:	Mr. Siriki KONE
Special adviser to Governor:	Mr. Oumar Tatam LY
Special adviser to Governor:	Mr. Ismaila DEM

GENERAL CONTROL

Comptroller General:	Mr. Kadjemna Guy GO-MARO
Adviser to Comptroller General:	Mr. Oumar KABO

HEAD DEPARTMENTS

Directeur General, Administration and Property:	Mr. Alioune Blondin BEYE
Directeur General, Economy and Currency:	Mr. Bassambié BATIONO
Director General Market Operations and Payment Systems:	Mr. Bwaki KWASSI
Director General, Fiduciary and Cash Activities:	Mrs. Zenaida M. Lopes CASSAMA
Director General, Organization and Information Systems:	Mrs. Aminata FALL NIANG
Director General, Human Resources:	Mrs. Akouélé Sylviane MENSAH
Director General, Financial Stability and Inclusion:	Mr. Ousmane SAMBA MAMADOU

Advisers to Directors General

Adviser to Director General, Administration and Property:	Mr. Emmanuel Junior ASSILAMEHOO
Adviser to Director General, Economy and Currency:	Mr. Madani TOURE
Adviser to Director General, Fiduciary Activities and Cash:	Mr. Abdoulaye MBODJ

Adviser to Director General, Market Operations and Payment Systems:

Mr. Djibril CAMARA

Adviser to Director General, Organization and Information Systems:

Mr. Coulibaly HORO

Adviser to Director General, Human Resources:

Mrs. Marie Evelyne SEABE

Adviser to Director General, Financial Stability and Inclusion:

Mr. Sourou Antonin DOSSOU

DEPARTMENTS OF CENTRAL SERVICES

Director, West African Training Center for Banking Studies (COFEB):

Mrs. Aminata HAIDARA

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Mr. Vincent SEDALO

Director, Inspection and Audits:

Mr. Kadjemna Guy GO-MARO

Director, Risk Prevention:

Mr. Sama MAMANE

Director, Budget and Procurement:

Mr. Fama Adama KEITA

Director, Property:

Mr. Ali SEINI OUMAR

Director, General Services:

Mr. Emmanuel Junior ASSILAMEHOO

Director, Security:

Mr. Ezzo-houna BALE

Director, Economic Outlook and Monetary Analyses:

Mr. Bléhoué Toussaint DAMOH

Director, Studies and Research:

Mr. Patrick KODJO

Director, Statistics:

Mr. Madani TOURE

Director, Research and Fiduciary Production:

Mr. Jean-Joachim SENE

Director, Cash Operations:

Mr. Salifou HAMANI

Director, Market Operations:

Mr. Mahamane Alassane TOURE

Director, Payment Systems and Means of Payment:

Mrs. Akuwa DOGBE AZOMA

Director, Accounting:

Mr. Ekoué Djro GLOKPOR

Director, Management Control:

Mr. Kora LILIOU

Director, Organization and Methods:	Mr. Jean-François JOSSOU
Director, Information Systems:	Mr. Tiéguélé Abdoul F. COULIBALY
Director, Administrative and Social Management of Staff:	Mrs. Marie Evelyne SEABE
Director, Career and Skill Management:	Mr. Mohamed Almountaka ALFIDJA
Director, Credit and Economy Financing Institutions:	Mr. Charlie Jerry DINGUI
Director, Financial Inclusion:	Mrs. Gisèle Catherine Keny NDOYE
Director, Financial Stability:	Mr. Habib THIAM

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Residing Representative of Governor with the West African Economic and Monetary Union (WAEMU) Commission:	Mr. Charles Luanga KI-ZERBO
Representative of BCEAO with European Cooperation Institutions:	vacant

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National Director for Benin:	Mr. Gbégnon Alain Michel KOMACLO
National Director for Burkina Faso:	Mr. Charles Luanga KI-ZERBO
National Director for Côte d'Ivoire:	Mr. Chalouho COULIBALY
National Director for Guinea-Bissau:	Mrs. Helena Maria José NOSOLINI EMBALO
National Director for Mali:	Mr. Konzo TRAORE
National Director for Niger:	Mr. Maman Laouane KARIM
National Director for Senegal:	Mr. Ahmadou Al Aminou LO
National Director for Togo:	Mr. Kossi TENOU

GENERAL SECRETARIAT FOR WAMU BANK COMMISSION (CBUMOA)

Secretary General:	Mrs. Séna Elda Afiwa KPOTSRA
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Tiémoko Meyliet KONE
Governor of the Central Bank of West
African States

GOVERNOR'S MESSAGE

In 2018, international economic activity was characterized by growth stability despite a context where the uncertainties linked to trade and geopolitical tensions and tightening of financial conditionalities resurface. Thus, global GDP growth rate was 3.7% in 2018, like in 2017.

The West African Economic and Monetary Union (WAEMU) showed sustainable activity, with Union GDP growth rate at 6.6%, in real terms like in 2017. Annual average inflation was moderate at 1.1% in 2018 compared to 1.0% in 2017.

The long-lasting investment efforts made by member States while also improving social climate and business environment and more dynamic trade with some of the neighboring countries have largely contributed to raising activity level.

In an overall context marked by generally favorable inflation and growth prospects, the Central Bank continued to implement growth-friendly monetary policy in member States, as it maintained its key base rate or minimum auction rate for liquidity injection at 2.50%, a percentage which has been in force since September 16, 2013.

BCEAO also continued to take actions to make the banking and financial system more solid; enforcing the revised bank accounting chart (BAC) on January 1st, 2018 and the new prudential mechanism applicable to credit institutions and financial companies operating in WAMU were part of such actions both of which conform to international standards, notably the Basle II and III standards.

Of special interest to the Central Bank was implementing the initiatives taken to reinforce financial inclusion in WAEMU. Accordingly, it diligently continued implementing the actions contained in the Action Plan of Regional Financial Inclusion Strategy (RFIS) adopted in 2016 and the institutional steering mechanism of which was put in place in 2018.

Also, in accordance with its basic mandates, as defined under article 9 of its Statutes annexed to the WAEMU Treaty, which require it, among other things, to ensure the stability of the banking and financial system, the Bank of Issue set up a Committee charged with defining and operationalizing macroprudential policy.

With the new internal body, BCEAO is expected to consolidate its previous actions and develop its ability to act proactively and intervene in financial inclusion exercise. Indeed, detecting, assessing, managing and controlling in particular, the systemic risks that can potentially jeopardize the Union financial stability are part of the assigned objectives of the Committee. It is expected to start operating in 2019, in particular, once the systemic risk analytical framework is validated, and the macroprudential instruments designed to mitigate such risks are defined and calibrated.

From August 2 to September 10, 2018, the Central Bank also launched the Small and Medium-sized Enterprise/Small and Medium-sized Industries (SME/SMI) Funding Support Mechanism in each of WAEMU member States, in coordination with their relevant Ministries.

Adopted by the WAMU Council of Ministers at its ordinary meeting of September 29, 2015, in Dakar, as part of implementing the economy financing action plan and validated by the Conference of Heads of State and Government in June 2012, the new mechanism aims at allowing SMEs and SMIs to have easier access to bank funding and eventually creating an enabling ecosystem for performing, wealth-and job-generating enterprises to prosper.

For the mechanism to be fully operationalized and successful, the States, the support and supervising structures as well as the banking and financial system all need to act synergistically. On its part, the Central Bank is willing to act on SME/SMI funding conditionalities by making bank lending more attractive to this category of production units making up between 80 and 95% of the Union enterprises. The Bank of Issue has already decided to accept to refinance the claims of credit institutions on eligible SMEs/SMIs.

Lastly, under its continuing policy to deepen, diversify and maintain the stability of the financial system, BCEAO will spare no effort in creating a sound environment conducive to the development of these enterprises and their transformation into a growth engine.

**Governor of the Central Bank of West
African States,
Chair of the Board of Directors**

OVERVIEW

Global economic and financial environment unfolded in a context marked by a relative heightening of trade tensions between USA and its trade partners, tighter financial conditionalities, growing geopolitical threats and rising oil prices. Global economy grew at 3.7% in 2018 as it did in 2017 according to IMF latest estimates published in January, 2019.

This notwithstanding, economic activity remained vigorous within the West African Economic and Monetary Union (WAEMU) in 2018, as a result of both growing domestic demand in some industrialized countries and improved social and business environment. Economic activity was also boosted by more dynamic trade with Nigeria, the main trade partner of many of WAEMU countries and, as member States continued to invest in socioeconomic infrastructures. In this context, the Union gross domestic product (GDP) grew at 6.6% in real terms in 2018 as it did in 2017.

As far as public finances are concerned, the overall deficit including commitments and donations, by end of December 2018, declined by 66.1 billion to 2,695.1 billion, or 3.9% of GDP compared to a deficit of 2,761.2 billion or 4.3% of GDP, in same period of previous year. This relative improvement was the result of a 0.3 percentage point of GDP drop in total spending and a 0.1-point percentage point of GDP increase in total revenue and donations between 2017 and 2018.

According to estimates, current deficit grew 10.2% to 4,470.2 billion in 2018 compared to a 716.0 billion decline in the balance of balance of goods. As a percentage of GDP, this deficit is estimated at 6.4%, compared to 6.3% in 2017. Overall, total external trade of WAEMU countries recorded an overall excess balance of 1,142.5 billion in 2018 compared to 304.1 billion a year earlier. External balances consolidation was linked to higher net resource inflows under capital account (+149.3 billion or 12.3%) and financial account (+702.3 billion or 21.2%), which helped to finance a year to year increase in current deficit.

As at end of December, 2018, the external net assets of monetary institutions increased by 1,202.7 billion compared to end of December 2017, to 5,375.1 billion. The official foreign exchange reserves of BCEAO rose by 1,376.8 billion to 8,561.0 billion as at end of December 2018, as a result of repatriated proceeds from the Eurobonds issued on international markets in March 2018, driving Central Bank's currency issue coverage rate up to 77.1% from 73.4% in December, 2017.

Outstanding domestic claims increased by 2,585.7 billion or 9.4% to 30,023.8 billion as at end of December, 2018. This improvement was induced by the combined effect of consolidated net claims on Central Public Administration (APUC) which stood at 7,960.8 billion as at end of December, 2018, up by 684.0 billion compared to their level as at end of December 2017 and a 1,901.7 billion increase, raising credits to other sectors of the economy to 22,063,0 billion as at end of December, 2018, compared to 20,161.2 billion a year earlier. As a result of an increase in its counterparts, money supply rose by 3,065.4 billion or 12.4% to 27,715.1 billion as at end of December, 2018.

In an overall context marked by weak inflationary pressures, the Central Bank maintained monetary policy instruments unchanged in 2018. Thus, minimum auction rate and marginal lending window rate have remained at 2.50% and 4.50%, respectively since September 16, 2013 and December 16, 2016.

By and large, activity was well directed to the Union capital markets during 2018. On monetary market, outstanding cumulative advances through 1-week and 1-month auction windows stood at 4,070.0 billion as at end of December, 2018 compared to 3,845.0 billion a year earlier, or an increase of 225.0 billion (+5.8%). Developments on the interbank market as at end of December, 2018 was marked by a decline in volume of liquidity trading and an increase in interest rate on 1-week transactions. Outstanding loan stood on average at 532.4 billion, as at end of December, 2018 compared to 497.4 billion a year earlier. Concerning the regional market of public debt, outstanding public securities totaled 9,937.6 billion or 14.3% of GDP as at end of December, 2018 compared to 9,629.8 billion or 14.5% of GDP a year earlier.

Regarding management of monetary signs, the withdrawals and payments made through Central Bank windows amounted to 4,851.4 million of bank notes and coins in 2018 compared to 4,830.5 million units the previous year, or a 0.43% increase. Compared to 2017, the share of bank notes in money in circulation has remained almost stable at 97.3%.

On international cooperation, Central Bank's operations with the IMF on account of WAEMU member States resulted, as at end of December, 2018, in net resource incomes of SDR 206.01 million compared to SDR 143.25 million a year earlier. The charges borne by BCEAO as at end of December, 2018, under operations with the IMF, stood at SDR 10.81 million (CFAF 8,560.63 million) compared to SDR 4.62 million (CFAF 3,697.53 million) the previous year.

With regard to the functioning of the Central Bank, during 2018 financial year, the Union Organs held their meetings, in accordance with the provisions of the January 20, 2007 Treaty establishing the West African Monetary Union and the Statutes of the Central Bank of West African States.

The Union Conference of Heads of State and Government held, in 2018, an ordinary meeting on July 30, 2018 in Lomé, Togolese Republic. The Council of Ministers held four (4) ordinary meetings and one (1) extraordinary meeting. BCEAO Monetary Policy Committee organized four (4) ordinary meetings while the BCEAO Board of Directors held two (2) ordinary meetings.

The Central Bank pursued effort to make more and quality funding available to finance the economy, with the launching of SME/SMI funding support mechanism in WAEMU. The operation was relayed across each of the Union member States through a joint ceremony chaired by the Minister of Finance and the one in charge of SMEs, held from August 2 through September 10, 2018.

It also continued actions to make the banking and financial system more solid by enforcing on January 1st, 2018 the revised bank accounting chart (PCB) and the new prudential mechanism applicable to credit institutions and financial companies in WAMU, all of which complied with international standards notably Basle II and III.

While preserving financial stability, the Central Bank also worked at setting up an institutional macroprudential policy framework in WAMU which led to the creation of an internal committee to handle that matter, notably by defining and operationalizing an appropriate strategy through detection, assessment, management and control of systemic risks.

Under the 2016-2018 Strategic Plan, the execution of planned projects was periodically monitored through their status review on a quarterly basis. By and large, the Bank Structures' planned strategic projects were properly handled.

It is also noteworthy that BCEAO has embarked on designing its new 2019-2021 Strategic Plan so that it could continue to deal effectively with the uncertainties and rapid changes affecting its environment. Shifting the focus of prospective reflection to the themes that might potentially turn into significant challenges for the Central Bank in the coming years, was one major innovation. Reflection thus centered on the following four (4) areas: *"Process and Risk Governance"*, *"Monetary Stability"*, *"Financial Stability and Inclusion vs Economy Financing"*, *"Resource Effectiveness"*.

On risk management and control activities, the main concern in 2018 was to act and maintain alignment with international standards. Some of those actions, in particular, were to update risk mapping and the management tools designed to ensure activity continuity, establish incidents database and enhance safety of information systems. Various controls were regularly undertaken by the operational structures of the Bank.

2018 was also the year in which the 6th edition of Abdoulaye FADIGA prize award ceremony for the Promotion of Economic Research was organized. The ceremony took place on November 21st, 2018, in the wake of a day-long commemoration of October 11, 2018 marking the 30th anniversary of the death of the first Governor of the institution.

Alongside the prize award ceremony, Mr. Tiémoko Meyliet KONE, Governor of BCEAO, was handed a certificate for compliance of Central Bank's information systems with the requirements of Payment Card Industry Data Security Standard (PCI-DSS) Version 3.2., by the President and CEO of Lmps Group. The success of the Bank of Issue's actions to enhance safety of its information system, in general and consolidate the protection of bank data, in particular, climaxed with this award.

As at December 31st, 2018, the Central Bank's overall staff including all services numbered 3,615 compared to 3,633 as at end of December 2017. The staff is made up of 3,558 employees on active duty in BCEAO network and 57 employees on secondment or leave of absence.

I – ECONOMIC AND FINANCIAL ENVIRONMENT

1.1 – GLOBAL ECONOMIC AND FINANCIAL ENVIRONMENT

The global economic and financial environment was marked in 2018 by trade tensions between USA and its trade partners, more severe financial conditionalities, geopolitical tensions and rising oil import bill. As a result, global economy grew at 3.7% in 2018 as it did in 2017.

1.1.1 – Economic Activity in Major Industrialized Countries

Industrialized economies grew at 2.4% in 2018 as they did in 2017. In USA, economic expansion remained vigorous at 2.9%, driven notably by private sector activity which was boosted through fiscal stimulus.

In Euro Zone, growth dropped from 2.4% in 2017 to 2.0% in 2018, as a result of steeper than projected drop in economic activity during the first quarter of 2018 in Germany, France and Italy. This was due to sluggish export growth, rising energy prices that weighed down demand in energy importing countries as well as domestic political and social uncertainties in some countries and those linked to *Brexit*.

1.1.2 – Economic Activity in Emerging and Developing Countries

Emerging and developing countries recorded a 4.7% growth in 2018 as they did in 2017. China recorded slower growth, down from 6.9% in 2017 to 6.6% in 2018, in a context of trade tensions with USA. India's economy grew at 7.3% in 2018 compared to 6.7% in 2017; growth was driven by domestic demand after reaching an all-time low in four years in 2017. Russia recorded a growth rate of 1.7% in 2018, up from 1.5% in 2017. Russian economy benefited from the upward trend in oil prices.

In sub-Saharan Africa, growth continued to be firm in 2018. The economy grew at 3.1% in 2018, a clear acceleration from the 2017 growth rate of 2.7%. The growth was underpinned by different factors including lower inflation and fiscal streamlining in most of the countries. Nigeria recorded a 1.9% growth rate in 2018, up from 0.8% in 2017, to be related with increased oil production and recovery in non-oil economy. South African economy exhibited slower growth at 0.8% in 2018 down from 1.3% in 2017.

1.1.3 – Financial and Commodity Markets

On the financial markets, there were contrasted developments on the major stock exchanges, in a context marked by more severe financial conditionalities and the pursuit of more stringent monetary policy in USA.

On average, the New York Stock Exchange index, the Dow Jones, was up 15.2% compared to previous year, driven by a vigorous US economy following the application of fiscal stimulus measures. In Japan, the Nikkei 225 index increased by 10.9% to an average level of 22,317.7 points in 2018. In contrast, the Euro Zone EuroStoxx 50 index dropped 86.0 points from its average level of 2017 to 3,383.5 points in 2018. Also, the United Kingdom Footsie 100 index dropped slightly by 0.2% to 7,359.3 points in 2018, with debt crisis looming in the Euro Zone and the uncertainties surrounding the outcome of *Brexit* negotiations.

The African Stock Exchange indexes also showed contrasted developments during 2018. Thus, in terms of their annual averages, Ghana GSE and Nigeria NSE indexes increased by 41.4% and 17.6% respectively. The South Africa FTSE / JSE All Share index, was up 2.9%, in a context of slow recovery of economic activity. In contrast, WAEMU Zone BRVM10 index of securities dropped 14.0%.

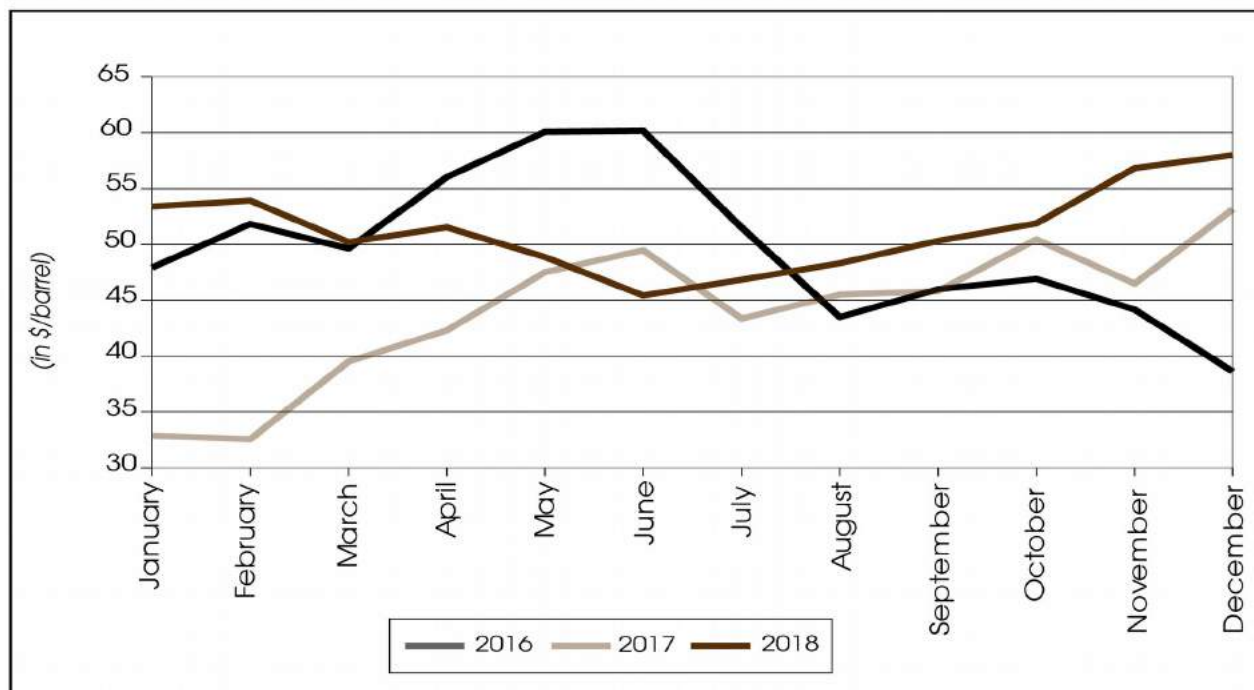
Commodity prices were affected by trade tensions, global growth concerns and lower demand from China.

The world market prices of major export commodities of the Union took a downward turn on a yearly basis except for oil prices (+26.8%), cocoa (+13.0%), cotton (+12.7%) and gold (+1,1%). The prices of palm kernel oil (-27.8%), rubber (-19.7%), Robusta coffee (-16.2%) and palm oil (-14.4%) recorded the most significant declines.

Lower prices of palm kernel oil and palm oil was linked to significant pile-up of stocks and higher global production, notably in Malaysia and Indonesia, combined with sluggish demand. Rubber prices were affected by higher market supply and weak global demand while abundant global supply from major production zones, notably Bresil, Vietnam, Uganda and India drove coffee prices down.

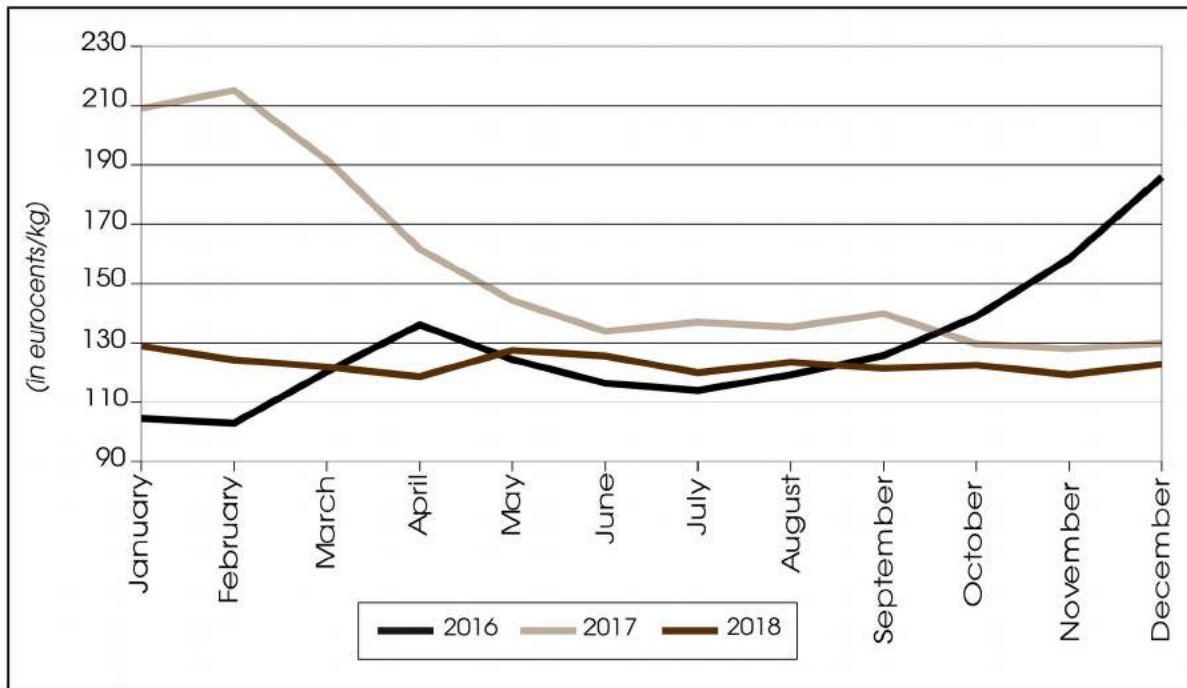
By contrast, oil prices continued their upward trend started in 2017, driven by investors' optimism that oil market will re-balance, if OPEC-set production quota objectives are complied, with the uncertainties around supply from Venezuela, Russia and Iran. This appeared to be a logical development in the aftermath of US sanctions against Iran oil sector coming into force in November 2018. Cocoa prices were driven up by both vigorous demand from Asia, Europe and USA and the uncertainties around global supply. Cotton prices benefited from vigorous demand combined with dwindling stocks.

Graph 1: Trends in Oil Prices (NYMEX)



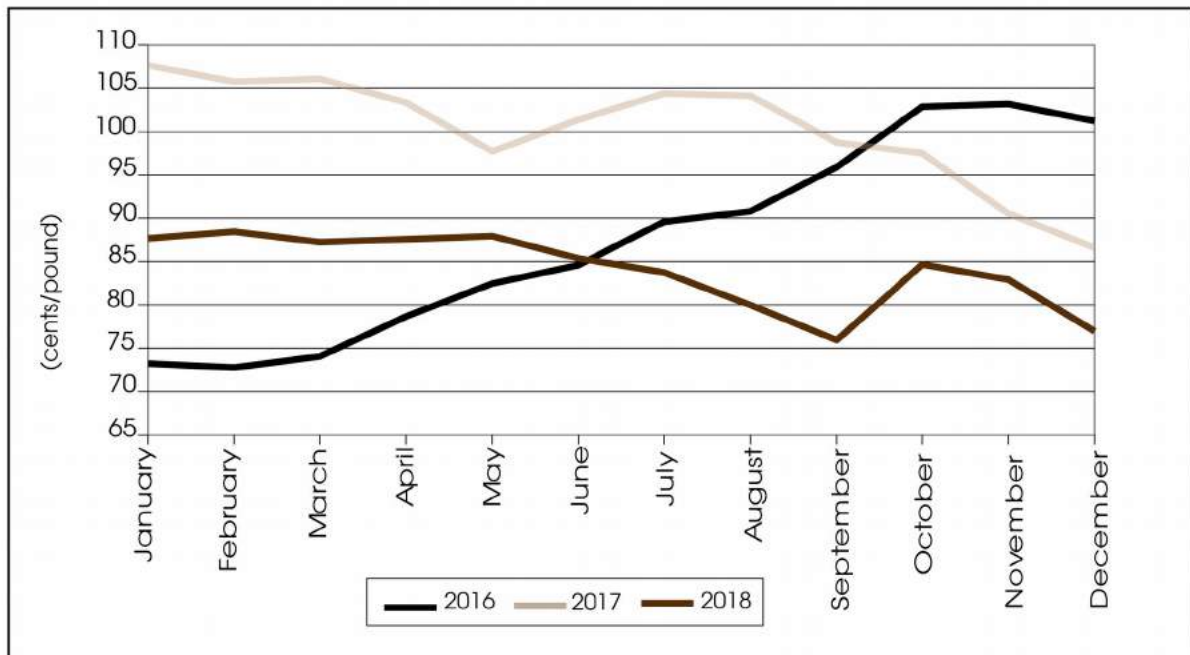
Sources: Reuters, BCEAO.

Graph 2: Trends in Rubber Price



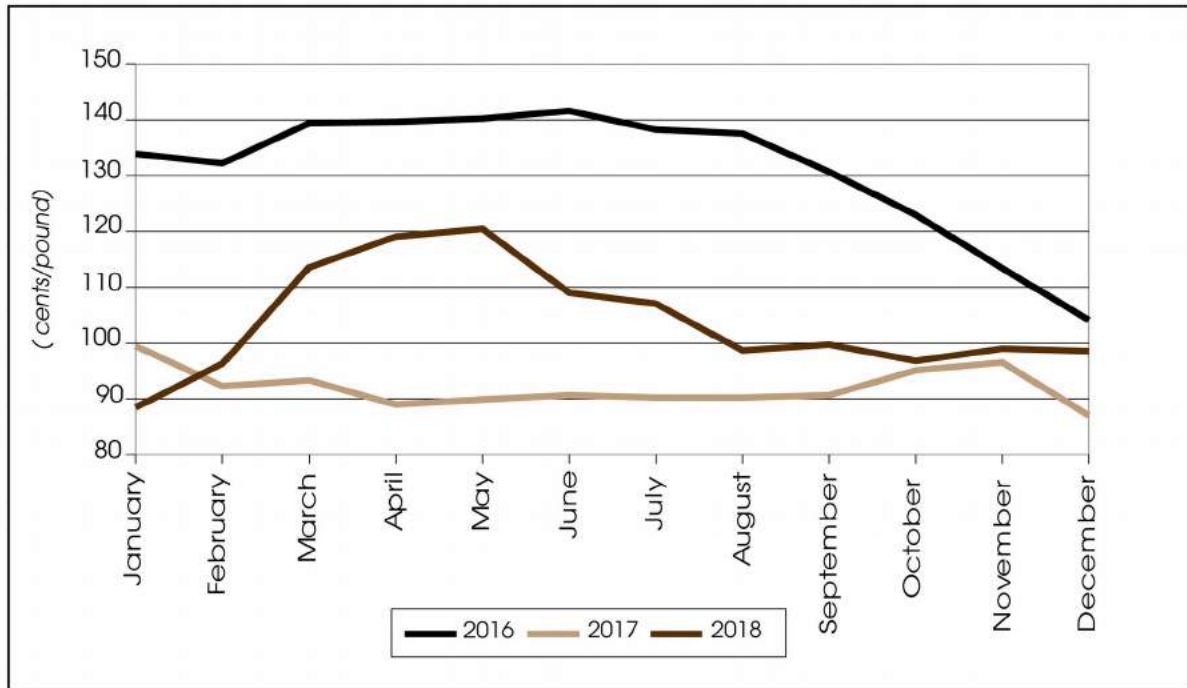
Sources: Reuters, BCEAO.

Graph 3: Trends in Robusta Coffee Prices



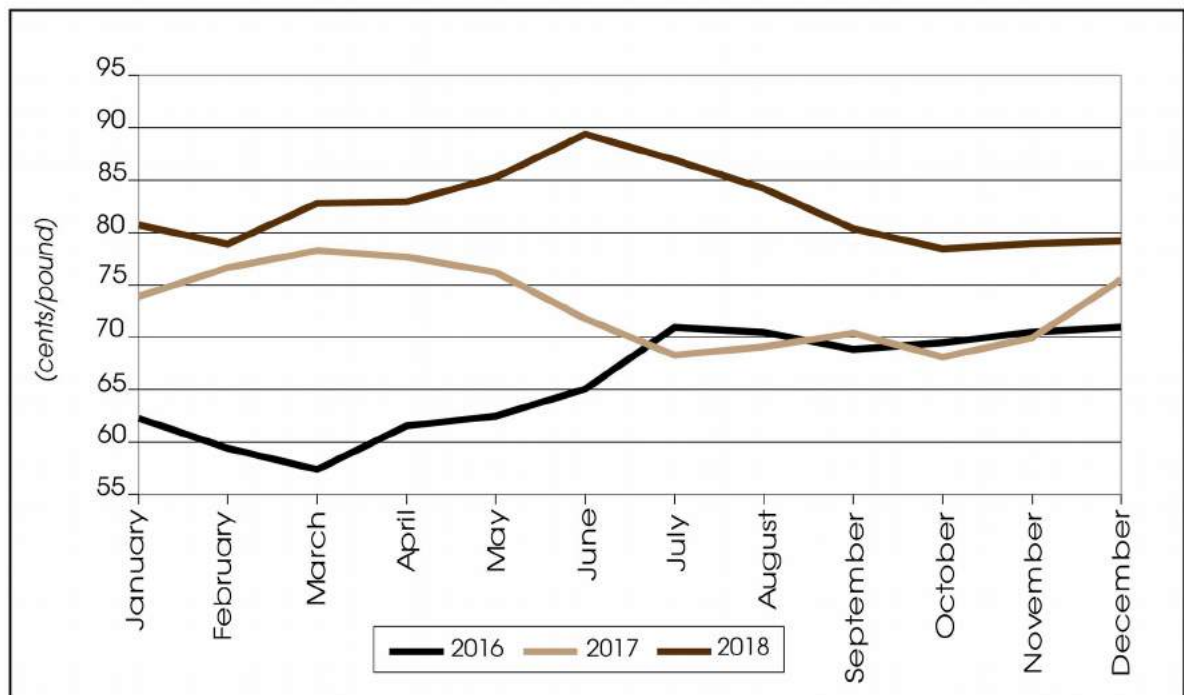
Sources: Reuters, BCEAO.

Graph 4: Trends in Cocoa Prices (ICCO) (cents/pound)



Sources: Reuters, BCEAO.

Graph 5: Trends in Cotton Prices



Source: Reuters, BCEAO.

1.1.4 – Monetary Policy Measures and Foreign Exchange Markets

The central banks of major industrialized countries increasingly tightened their policies including the US Federal Reserve (FED), as it continued the restoration process initiated in December, 2015.

Indeed, still optimistic about US strong economy, US Federal Reserve continued to tighten monetary policy during 2018. At its Monetary Policy Committee meetings of March 21, June 13, September 26 and December 19, 2018, the FED increased by 25 base points the target range of interest rates on federal funds to 2.25% - 2.50%, or a cumulative 100 base points for 2018 and nine increases totaling 225 points since December, 2015. It further declared it will continue to reduce the size of its balance sheet at the same rate, or US\$ 50 billion monthly. The FED indicated that the new increases in target rate on federal funds should reflect an expanding economic activity, solid labor market conditions and a close to 2% inflation target.

In an environment marked by the uncertainties around Brexit, the Bank of England (BoE) increased on August 2, 2018, its reference rate by 25 base points to 0.75%, or the second rate increase since August 2016. The BoE indicated that it was appropriate to continue to tighten monetary policy in order to bring down inflation to around the 2.0% target, as long as the economy continued to grow as planned. It added, however, that monetary policy orientation would depend on the nature and implications of Great Britain exiting the European Union (EU).

The European Central Bank (ECB) maintained its reference rates unchanged in 2018. The interest rate on major refinancing operations, a key instrument of ECB's monetary policy, remained stable at zero, deposit facility rate at -0.40% and marginal lending rate at 0.25%. According to ECB, these rates will remain at their current levels at least until the Summer of 2019 and as long as necessary in order to ensure sustainable convergence of inflation towards lower levels but close to 2%.

This notwithstanding, ECB continued to reduce the monthly amount of its asset buybacks started in April 2017 under its Quantitative Easing Program (QE), from a monthly 80 billion euros as at end of 2016 to 60 billion euros in April 2017, then down again to 30 billion euros in January, 2018 and finally to 15 billion between September, 2018 and end of December, 2018, when these purchases were discontinued. ECB said it was committed to pursuing the financing of Euro Zone economy even as it faced unexpected slowdown and political disturbances by reinvesting all amounts received on maturity of its security holding.

The Bank of Japan (BoJ) pursued monetary policy with an accommodating orientation and also pledging to keep long term rates low. The deposit facility rate (-0.10%) and the asset purchase program worth about Yen 80,000 billion annually thus remained unchanged. BoJ indicated that its priority was to maintain rates very low in order to support inflation upturn towards the 2% target.

In emerging countries, the major central banks reoriented their monetary policy. On March 22, 2018, the Popular Bank of China (PBoC) increased by 5 base points its 7-day buyback rate, used for operations on monetary market, to 2.55%. PBoC, however, maintained unchanged 1-year lending rate, its reference key rate at 4.35%, effective since October 2015. In a context of uncertainties surrounding economic prospects and trade tensions with USA, the Popular Bank of China left its key instruments unchanged over the remainder of the year. But it adopted targeted measures including issuing special bonds for private enterprises, extending the range of warranties

and reducing reserve requirements rate (RRR), in order to better support the expansion of private enterprises as well as small and micro enterprises.

In Bresil, the Central Bank successively lowered its key reference rate by 25 base points during the meetings of February 7 and March 21st, 2018, to 6.50%, or a drop of 775 base points since commencing its cycle of monetary easing in October, 2016. In developing countries in trade partnership with the Union, central banks maintained their instruments unchanged, with the exception of Central Bank of Ghana (BoG) and Bank of Central African States BEAC). At its Monetary Policy Committee meeting of May 16 to 18, 2018, BoG lowered its reference rate by 100 base points to 17.0%, in a context of reduced inflationary pressures. As a result, BoG reduced the level of this instrument by 900 base points, since initiating its accommodating policy in November, 2016. At its Monetary Policy Committee meeting of October 31st, 2018, BEAC raised by 55 base points the auction rate (TIAO), its key reference rate, to 2.95 % - 3.5%. The increase was meant to expand CEMAC Zone's foreign exchange reserves.

The Central Bank of Nigeria (CBN) maintained unchanged its reference rate at 14.0% during 2018. The reference rate thus remained at 14%, a level which has been in force since July 26, 2016.

On **foreign exchange markets**, the European currency appreciated against major currencies in 2018. Euro exchange rate rose 4.6% to \$1.181 in 2018. The European currency also increased in value against the Swiss franc (+3.9%), Japanese Yen (+3.0%) and Pound Sterling (+1 %).

On the West African Market, the currency of WAEMU Zone countries appreciated against major currencies of the sub-region in 2018. On annual average, CFAF1.000 were exchanged for 8.250 Ghanaian cedi, 86.438 Gambian dalasis, 14,263.886 Sierra Leonian Leones, 257.69 Liberian dollars, 16,221.371 Guinean francs and 549.997 Nigerian Naira. On an annual basis, the increase in value of CFAF varied between 3.9% and 34.0% against the Guinean franc and the Liberian dollar respectively.

Table 1: Trends in annual average exchange rates (foreign currency units per 1,000 CFA francs)

Currency	Abbreviations and Acronyms	2017	2018	Variation (%)
Special Drawing Right	(SDR)	1,240	1,272	2,6
US dollar	(US\$)	1,722	1,801	4,6
Swiss franc	(CHF)	1,695	1,761	3,9
Pound sterling	(GBP)	1,336	1,349	1,0
Japanese yen	(JPY)	193,084	198,805	3,0
Gambian Dalasi	(DALASI)	79,442	86,438	8,8
Ghana Cedi	(CEDI)	7,460	8,250	10,6
Guinean franc	(FGN)	15 608,884	16 221,371	3,9
Liberian dollar	(DOLLAR)	192,299	257,690	34,0
Nigerian Naira	(NAIRA)	524,038	549,997	5,0
Sierra-Leonian Leone	(LEONE)	12 650,378	14 263,886	12,8

Sources: Banque de France, WAMA / AMAO, IMF, BCEAO.

Table 2: Trends in quarterly average exchange rates (foreign currency units per 1,000 CFA francs)

ANNEE 2017	Sigle	1^{er} trimestre	2^e trimestre	3^e trimestre	4^e trimestre
Special Drawing Right	(SDR)	1,199	1,221	1,270	1,272
US dollar	(US\$)	1,623	1,677	1,790	1,795
Swiss franc	(CHF)	1,630	1,652	1,724	1,772
Pound sterling	(GBP)	1,311	1,312	1,368	1,352
Japanese yen	(JPY)	184,453	186,482	198,747	202,652
Gambian Dalasi	(DALASI)	73,295	77,550	83,212	84,778
Ghana Cedi	(CEDI)	7,080	7,112	7,842	7,887
Guinean franc	(FGN)	15 062,709	15 191,737	16 097,152	16 148,007
Liberian dollar	(DOLLAR)	167,459	184,982	205,750	219,148
Nigerian Naira	(NAIRA)	495,364	510,646	546,134	547,955
Sierra-Leonian Leone	(LEONE)	11 767,118	12 204,359	13 281,950	13 516,176
YEAR 2018		1st Quarter	2nd Quarter	3rd Quarter	4^e trimestre
Special Drawing Right	SDR	1,294	1,271	1,266	1,256
US dollar	(US\$)	1,874	1,817	1,773	1,740
Swiss franc	(CHF)	1,776	1,790	1,744	1,732
Pound sterling	(GBP)	1,347	1,336	1,360	1,353
Japanese yen	(JPY)	202,963	198,300	197,660	196,298
Gambian Dalasi	(DALASI)	87,114	86,377	85,794	86,479
Ghana Cedi	(CEDI)	8,274	8,049	8,331	8,355
Guinean franc	(FGN)	16 858,331	16 368,150	15 970,360	15 733,123
Liberian dollar	(DOLLAR)	240,105	247,020	273,414	273,824
Nigerian Naira	(NAIRA)	571,795	555,241	541,637	532,876
Sierra-Leonian Leone	(LEONE)	14 180,874	13 956,919	14 362,745	14 569,329

Sources: Banque de France, WAMA / AMAO, IMF, BCEAO.

1.1.5 – Jobs and inflation in industrialized Countries

Job applications dropped in number in most industrialized countries. In USA, unemployment rate dropped from 4.1% in December, 2017 to 3.7% in November, 2018, that is, four (4) percentage points. In the Euro Zone, unemployment rate continued to fall and reached 7.9% in November, 2018 from 8.6% in December, 2017.

Overall inflation increased in 2018, driven notably by higher oil prices. In industrialized countries, inflation rate was 2.0% in 2018, compared to 1.7% in 2017, and remained within the objective set by the central banks. In emerging and developing countries, inflation was 5.0% on average in 2018, up from 4.3% in 2017, in a context where stringent monetary policies were pursued in most emerging countries to counter inflationary pressures. In sub-Saharan Africa, inflation was always above 10% in 2018, mainly in Nigeria and Ghana.

1.2 – ECONOMIC AND FINANCIAL ENVIRONMENT OF WAEMU MEMBER STATES

1.2.1 – Gross Domestic Product (GDP) and Real Sector Developments in WAEMU

Economic activity remained vigorous in WAEMU in 2018, as a result of the consolidation at the global level of domestic demand in industrialized countries. Domestically, the economies took advantage of a generally favorable sociopolitical environment and a better business climate as evidenced by Côte d'Ivoire, WAEMU main economy, jumping up 17 places between 2017 and 2018, in the 2018 edition of World Bank Doing Business Report. Economic activity also benefited both from re-dynamized trade with Nigeria, main trade partner of some of the Union member States and continued investments in socioeconomic infrastructures.

The Union gross domestic product (GDP) grew in real terms by 6.6% in 2018 like in 2017, according to estimates by the Official Services of its member States. Economic growth was driven mainly by the tertiary sector which accounted for 3.7 points due notably to the good performance of trading, port, airport and transport activities as well as services. Economic expansion was also attributable to the secondary sector, second pillar of growth, which accounted for 1.6 point. It benefited also from sustained implementation of far-reaching basic infrastructural works, improved electric power supply and more intense activities in mining industries notably, with the FEKOLA company, second largest gold mine in Mali, starting production. The primary sector accounted for 1.3 point in economic growth, as a result of higher agricultural production thanks to good rainfall.

On a country basis, economic growth was 7.7% in Côte d'Ivoire, 6.8% in Benin and Senegal, 6.6% in Burkina, 5.2% in Niger, 4.9% in Mali, 4.8% in Togo and 3.8% in Guinea-Bissau.

1.2.1.1 – Agricultural Production

The 2018/2019 agricultural season benefited from generally favorable weather and rainfall conditions which, according to the regional center AGRHYMET, made it possible to finalize seedlings and contribute to the successful outcome of young shoots of major rainfed cereals (millet, sorghum, maize). Besides, millet productivities improved in many production zones within the Union.

On this basis, the preliminary estimates by the Official Services showed for the 2018/2019 season an 8.3% increase in WAEMU food-crop production to 64,829,714 tons. Cereals were estimated to mainly account for this increase (+10,9%) and other crops (+15.4%), with horticultural products accounting for the largest share.

Compared to the average of previous five years, food-crop production during the 2018/2019 agricultural season increased by 19.5%.

The production of major export crop was also on the rise during the 2018/2019 agricultural season compared to previous season, except for the production of cocoa.

After a record harvest of 2,045,112 tons in the Union during the 2017/2018 season, cocoa production was estimated at 1,969,746 tons under 2018/2019 season notably because of the devastation caused by Swollen Shoot disease to orchards. Despite a 3.7% drop, this volume, however, remained the second largest quantity ever produced in the Union after that of the previous season.

Coffee production at the end of 2018/2019 season showed an exceptional 167.3% increase which was indicative of a return to normal following the sharp fall in production the previous season due to the loss of most of the flowering because of heavy rains. An estimated 137,726 tons were harvested compared to harvests of 51,523 tons and 122,611 tons in 2017/2018 and 2016/2017 seasons respectively.

Preliminary figures put harvest of cottonseed in the Union at 2,509,970 tons during 2018/2019 season, up by 3.1% from previous season. This result was attributable to satisfactory rainfall and more incentives being granted to producers including making inputs available to them and provision of technical supervision.

Peanut production at the end of 2018/2019 season was estimated at 3,302,448 tons in the Union, up by 3.7% from previous year, partly due to an increase in production in all Union member countries.

Cashew production was estimated at 1,186,832 tons during 2018/2019 season, up by 4.0% from previous season partly due in particular to satisfactory weather conditions in the production zones of Côte d'Ivoire and Benin.

Rubber production was put at 613,900 tons during 2018/2019 season, up by 5.8% from previous season as a result of the expansion of cultivated areas.

1.2.1.2 – Mining Production

Available preliminary estimates on mining activities during 2018 showed main mining productions recorded contrasted developments. Gold and phosphate production were up while that of petroleum and uranium dropped.

The Union gold production in 2018 was estimated at 140,886.9 kg, up by 15.4% from 2017 level. The same trend was observed across all producing countries with the exception of Niger. In Mali, the main WAEMU producer, gold production in 2018 was 60,883 kg, up 22.7% annually; the increase followed FEKOLA company, which operates the second largest gold mine in the country, starting production with an annual production capacity of 13 tons. Burkina Faso and Côte d'Ivoire recorded increases of 12.0% and 10.8% in gold mining to an estimated production of 51,972 kg and 28,000 kg in 2018 respectively. Inversely, gold production in Niger dropped from 843 kg in 2017 to 22 kg in 2018 as a result of the main mining company, *Société des Mines du Liptako*, discontinuing operation following a change of shareholders.

Phosphate production also went up by 18.6% to 2,738,100 tons in 2018 from 2,307,900 tons, a year earlier. The increase followed the good performance of demand and was driven by increases of 28.5% and 14.1% in the productions of Togo and Senegal respectively.

Uranium production dropped by 17.4%, to 2,879.8 tons in 2018 partly due to unfavorable developments on the global market. Raw oil production also declined by 17.2% and 16.3% in Côte d'Ivoire and Niger respectively due notably to maintenance work on some installations sites.

1.2.1.3 - Industrial Production and Trade Turn-over

The industrial production of WAEMU increased by 4.3% in 2018 compared to an increase of 3.5% recorded a year earlier, reflecting mainly an acceleration in pace of manufacturing production which was up 9.5% in 2018 compared to 5.0% the previous year, in the wake notably of higher production of chemical industry (+24.2% compared to +3.7%). Inversely, over the same period, there was a deceleration in pace of power production (+1.7% compared to + 3.5%) and a drop in mining industry (-9.1%).

On a country basis, in 2018 industrial production index is noted to have increased in all member States with the exception of Niger (-10.1%) and Togo (-7.5%).

Retail trade turn-over index (RTT) increased at a rate of 7.3% on average in WAEMU compared to a growth rate of 10.0% the previous year, reflecting a deceleration mainly due to slower pace in sales of foodstuff (+2.5% compared to +5.9%), building materials (+8.5% compared to +11.5%) as well as automobiles and motorcycles (-8.4% compared to +14.5%).

On a country basis, retail trade turn-over index increased in most member States with quite some sharp differences: Benin (+18.5%), Senegal (+9.4%) and Côte d'Ivoire (+8.9%).

Trade services turn-over index indicator (excluding financial services) increased by 8.0% in 2018, notably driven by transport, accommodation and catering services. As for financial service activity indicator, it went up by 8.6% in the review period compared to a growth rate of 12.3% a year earlier, in the wake notably of an increase in volume of bank transactions (loans, deposits), moderated by higher cost of resources (loan rate).

On a country basis, in 2018, turn-over was noted to have increased in trade services sector in all States with the exception of Guinea-Bissau, both in trade services turn-over index excluding financial services (-14.9%) and financial services turn-over index (-11.3%).

1.2.2 – Inflation¹ Trends

Annual average inflation was 1.1% in 2018 compared to 1.0% in 2017. This followed a gradual increase in the pump prices of fuel in most of the Union countries viz. Benin, Burkina, Côte d'Ivoire, Mali and Togo.

In 2018, inflation differential between WAEMU and its major partners was 2.9 percentage points in favor of the Union. In particular, vis-à-vis Nigeria and Ghana, inflation differential even reached 11.0 and 8.8 percentage points respectively.

1: Pursuant to Rule n° 03/CM/UJEMOA dated march 31, 2017, inflation rates in 2017 and 2018 were computed based on IHPC base 2014, in replacement of IHPC base 2008.

Table 3: variation in Consumer Prices in 2017 and 2018 (in percentage)

	2017		2018	
	Annual Average	Annual Slide as at End of December	Annual Average	Annual Slide as at End of December
Bénin	1.8	3.0	0.8	-0.1
Burkina	2.9	4.7	1.9	0.3
Côte d'Ivoire	0.4	1.2	0.6	0.6
Guinea-Bissau	1.0	-1.2	0.4	2.4
Mali	2.2	0.2	0.9	2.5
Niger	0.1	1.7	2.8	1.6
Senegal	2.2	0.5	0.5	1.1
Togo	-0.2	-0.7	0.9	2.0
WAEMU	1.0	1.1	1.1	1,1

Sources : Country National Statistics Institutes, BCEAO.

1.2.3 – Status of Public Finances and External Debt

1.2.3.1 – Trends in Country Financial Operations

In 2018, in a context where the programs with the IMF were implemented in a satisfactory way, the Union member States continued to focus on fiscal consolidation. The downward trend in public deficit was an indication that public spending was under control, especially current expenditure and that tax pressure improved slightly.

Overall deficit, including commitments and donations, increased as a percentage of GDP by 0.4 point to 3.9% in 2018, following a 0.3 percentage point of GDP drop in overall spending between 2017 and 2018 and a 0.1 percentage point of GDP increase in total revenue and donations.

Under budgetary revenue, recoveries amounted to 12,832.7 billion (18.4% of GDP) as at end of December, 2018, up by 1,094.0 billion or 9.3% from previous year. The increase was recorded in all the Union countries. The sharpest year-to-year increases in budgetary revenue were recorded in Niger (+23.5%), Togo (+13.4%) and Burkina (+12.3%).

Despite improved revenue recovery, tax pressure remained weak at 15.7% in 2018, below the community objective of a minimum 20% targeted by 2019.

Non-tax revenue stood at 1,525.3 billion in 2018, compared to 1,340.6 billion a year earlier. These donations amounted to 1,475.5 billion over 2018, up 5.4% from 2017.

Net expenditure and loans increased by 6.9% from 15,899.8 billion (24.8% of GDP) as at end of December, 2017, to 17,003.3 billion as at end of December, 2018 (24,4% of GDP). This was an indication that public spending was under control especially current expenditure. Current expenditure rose by 7.2% in 2018 to 10,600.1 billion, partly as a result of an increase in salaries and wages (+10,1%) as well as interest charges (+18,7%).

Capital expenditure amounted to 5,980.2 billion as at end of December, 2018, or an increase of 438.3 billion or 7.9%, to be related to continued public investments in infrastructure programs. As a percentage of GDP, they remained stable at 8.6%. The capital expenditure funded from domestic resources represented 56.2% in 2018 compared to 59.9% in 2017.

With these developments, overall deficit including commitments and donations as at end of December, 2018 declined by 66.1 billion to 2,695.1 billion or 3.9% of GDP compared to a deficit of 2,761.2 billion or 4.3% of GDP in the corresponding period of previous year. On cash basis, the deficit was 2,843.4 billion and was financed up to 342.9 billion by net public security issues on regional public debt market.

Tableau 4 : situation des finances publiques en 2018

	Décembre 2017 (1)	Décembre 2018 (2)	Variation (2) – (1)	
			(en milliards)	(en %)
Budgetary Revenue and Donations	13138.6	14308.2	1169.6	8.9
(as a % of GDP)	20.5	20.6		
Budgetary Revenue	11738.7	12832.7	1094.0	9.3
(as a % of GDP)	18.3	18.4		
<i>of which Tax revenue</i>	9872.0	10922.8	1050.7	10.6
(as a % of GDP)	15.4	15.7		
Donations	1399.9	1475.5	75.6	5.4
Total Expenditure and Net Loans	15899.8	17003.3	1103.5	6.9
(as a % of GDP)	24.8	24.4		
<i>of which Current Expenditure</i>	9890.5	10600.1	709.6	7.2
(as a % of GDP)	15.4	15.2		
<i>Salaries and Wages</i>	3997.8	4402.8	405.0	10.1
<i>Transfers and Grants</i>	2196.8	2144.3	-52.5	-2.4
<i>Interests on Debts</i>	966.3	1146.6	180.3	18.7
Capital Expenses	5541.8	5980.2	438.3	7.9
(as a % of GDP)	8.6	8.6		
Other Expenses	474.5	437.6	-37.0	-7.8
Net Loans	-7.0	-14.5	-7.5	107.3
Overall Balance, Commitment and Donation-based	-2761.2	-2695.1	66.1	-2.4
(as a % of GDP)	-4.3	-3.9		
Overall Balance, Cash and Donation-based	-2768.8	-2843.4	-74.6	2.7
(as a % of GDP)	-4.3	-4.1		

Sources : National Services, BCEAO.

1.2.3.2 – Resource Mobilization and External Debt Status

In 2018, Côte d'Ivoire and Senegal raised funds on international markets by issuing Eurobonds. In the case of Côte d'Ivoire, the overall amount mobilized stood at 1.7 billion euros or CFAF 1,115.0 billion. In Senegal, it was a 2-tranche issue the first of which was in US\$ worth 1.0 billion or about CFAF 531.2 billion and the second one, in euro worth 1.0 billion or CFAF 656.0.

Based on the latest data available, the overall outstanding external debt of the Union member States, as at end of December 2017, stood at CFAF 17,656.4 billion compared to CFAF 15,658.6 billion as at end of December 2016, or a 12.8% increase. The ratio of outstanding external debt to GDP was 27.5% in 2017 compared to 26.1% a year earlier.

On a country basis, the ratio was 22.1% compared to 22.4% in 2016 in Benin, 24.0% compared to 27.4% in Burkina Faso, 24.5% compared to 23.1% in Côte d'Ivoire, 47.% compared to 42.9% in Guinea-Bissau, 24.4% compared to 25.0% in Mali, 29.7% compared to 28.2% in Niger, 36.6% compared to 32.1% in Senegal and 19.2% compared to 19.4% in Togo. No Union country accumulated payment arrears on its external debt in 2017.

Analyzing the debt of the Union countries, in the light of Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief (MDR) Initiative, their indebtedness indicator profile appeared to have improved slightly. Apart from Togo, the debt sustainability analyses updated for these countries revealed a low to moderate risk of over-indebtedness.

So, the perspective is that these States should pursue structural reforms to increase their growth potential and also lead a public indebtedness strategy that is consistent with the preservation of public debt sustainability in the medium and long-term.

1.2.4 – Trends in Balance of Payments

WAEMU countries' external trade showed in 2018 an overall excess balance of 1,142.5 billion, following a surplus of 304.1 billion a year earlier. The consolidation of external balances followed an increase in net resource inflows under capital and financial accounts which more than offset the impact of deteriorating current account.

Current account deficit increased by 10.2%, to 4,470.2 billion in 2018 as a result of the balance of goods deteriorating by 716.0 billion. As a percentage of GDP, the deficit represented 6.4%, compared to 6.3% in 2017.

Under goods account, trade deficit increased because imports increased at a higher rate (+8.3%) than exports (+4.3). The dynamics behind imports was linked notably to inflating oil bill, following an upturn in the prices of petroleum products combined with more purchases of capital and intermediary goods. Higher investment spending in the Union notably in construction work accounted for most of the increase in purchases of capital and intermediary goods.

Under exports, the increase in export volumes was attributable to higher sales of cotton (+32.2%), oil (+26.1%) and gold (+9.2%). Cotton performance was linked to the impact of reforms in the Union countries notably in Benin where its volume was expected to increase by 32.6% in 2018. The increase in external oil sales was due to an upward trend in oil prices. Gold volume was impacted in a context of falling prices. The increase in the Union exports in 2018 was moderated by lower revenue from cocoa (-6.8%), uranium (-34.1%), rubber (-14.0%), coffee (-10.7%) and cashew (-7.2%), subsequent to falling prices on international market, with an economic environment characterized by higher volumes of rubber, coffee and cashew. Cocoa performance was affected by lower production after hitting record levels in 2017.

The deficit in the balance of services deteriorated by 2.1% due to increasing freight bill (+14.5%). Inversely, the deficit in the balance of primary revenue was reduced by 1.0%, in connection with lower dividend being paid to foreign investors. This development was, however, cushioned by higher interest payments under public debt. Secondary revenue increased by 13.9% with expectations of an increase in migrants' remittances.

Capital account surplus increased by 12.3% compared to previous year, in connection notably with the consolidation of donations-projects in most of the Union member States.

Financing need stood at 3,109.8 billion, up 9.4% from previous year. The need was covered up to 129.2%, compared to 116.6% in 2017, by net capital inflows under financial account which increased by 21.2% within a year.

The sharp increase in financial account in 2018 was attributable to Eurobond issues by Côte d'Ivoire and Senegal in the net amount of CFAF 2,010.9 billion. Financial account consolidation also benefited from an increase in public withdrawals (+26.5%), notably in Benin. Under private capital inflows, foreign direct investments especially in mining and oil sectors were also on the rise (+13.8%).

II – IMPLEMENTATION OF MONETARY POLICY

2.1 – MONETARY POLICY OBJECTIVES

Since Institutional Reform came into effect on April 1st, 2010, the main objective assigned to Central Bank's monetary policy is to ensure price stability. Accordingly, the operational price stability objective is defined as the Union annual inflation rate within a range of more or less one percentage point (1%) on either side of a central value of 2% in 24 months. The potential risks for price stability and growth were captured during macroeconomic framing exercise during which Monetary Policy Committee members are given indicators on the prospective evolution of the Union economies.

2.2 – MONETARY ACTION

During 2018, the Central Bank mostly acted through indirect bank liquidity regulating instruments, notably base rates, refinancing operations and reserve requirements mechanism to conduct monetary actions.

2.2.1 – Interest Rate Policy

In a general context marked by low inflationary pressures, the dynamic economic activity in the Union and generally favorable inflation and growth prospects, monetary policy instruments were maintained unchanged throughout 2018. Thus, the minimum auction rate, marginal lending window rate and reserve requirements ratio remained unchanged at 2.50%, 4.50% and 3.00% respectively.

2.2.2 – Open Market Operations

BCEAO pursued weekly and monthly liquidity injection operations to supply banks with resources necessary to ensure a smooth functioning of the monetary market and act on interest rates. In 2018, the estimated liquidity needs of the Union banking system led to an increase in liquidity injection operations through 1-week and 1-month auction windows.

On the weekly auction window, **the monies auctioned increased from 3,125.0 billion in January, 2018 to 3,350.0 billion in December, 2018, or an increase of 7.2%** compared to 45.3% in 2017. On average, weekly liquidity injections in 2018 amounted to 3,044.9 billion and remained almost stable compared to its level of 3,013.2 billion in 2017 and up by 64.9% from its level of 2016. By maintaining this relatively high level of 1-week advances, Monetary Authorities manifested their will to accompany credit institutions in the financing of the Union economic activity.

The average marginal rate of weekly auctions was 3.5486% in 2018, up by 21.7 base points compared to 3.3319% in 2017. The weighted average rate of 1-week auction was on average 3.8499% in 2018, up by 19.4 base points compared to its level of 2017.

On the monthly auction window, the Central Bank maintained the amount put up for auction stable at 720.0 billion in 2018. A year earlier between January and December 2017, this amount had dropped 15.3%. In this category, satisfied demand in 2018 amounted on average to 710.7 billion compared to 788.8 billion in 2017.

Marginal interest rate and weighted average rate both increased on average in 2018 compared to 2017 by 10.1 and 5.3 base points to 3.6909% and 3.9388% respectively.

Outstanding cumulative advances through 1-week and 1-month auction window totaled 4,070.0 billion as at end of December 2018 compared to 3,845.0 billion a year earlier or an increase of 225.0 billion (+5,8%).

Treasury bills and bonds issued by the Treasuries of the eight Union countries represented most of the securities presented by credit institutions in support of refinancing operations.

2.2.3 – Action on Permanent Refinancing Windows

At its December 6, 2016 meeting, BCEAO Monetary Policy Committee (CPM) set outstanding cumulative refinancing granted a single counterpart through marginal lending window and BCEAO's special refinancing window at a maximum of twice the basic equity of the counterpart concerned starting from December 16, 2016. The measure brought more consistency in the liquidity management mechanism, thereby restoring the initial character of the marginal lending window as a supplemental window. Accordingly, financial support through this window was noted to have dropped significantly though gradually, with an outstanding amount of 123.6 billion (2.9% of total outstanding refinancing as at end of December, 2018 compared to 251.5 billion (6.1% of total outstanding) as at end of December, 2017 and 1,503.6 billion (32.5% of total outstanding) as at end of December, 2016.

The Special Refinancing² Window became effective in January, 2014 and no commitment of credit institutions vis-à-vis BCEAO was reported under it as at end of December, 2018. The amount outstanding at the beginning of the year was 10.3 billion.

2.2.4 – Reserve Requirement Mechanism

The reserve requirement ratio applicable to the Union banks which was set at 5.00% since March 16, 2012, was brought down to 3.00%, effective March 16, 2017. The purpose of the measure was *(i) to alleviate cash pressures on banks so they could meet the mandatory buildup of reserve requirements, and (ii) to give banks a margin of liquidity they might possibly recycle on the inter-bank market as a way of contributing to bringing 1-week interbank market rate (reference target rate) below the marginal lending window interest rate and close to the minimum auction rate.*

From November 16 through December 15, 2018, reserves build-up amounted to 1,413.0 billion on average compared to the mandatory 646.9 billion. The Banks' free reserves therefore amounted to 766.1 billion. A year earlier, actual reserve build-up stood at 1,312.6 billion compared to the mandatory 591.4 billion. Free reserves amounted to 721.2 billion.

2. The special refinancing window was established by Decision n° 24/2013/CPM amending and supplementing Decision n° 97/12/2010 creating the rules, instruments and procedures regarding the implementation of the Central Bank of West African States' monetary and credit policy. This is the window through which credit institutions eligible for refinancing may apply for advances with 3-to-12-month maturities. These advances are backed by public or private securities with residual life span of between five (5) and a maximum of twenty (20) years. This window entered into force in January, 2014 and registered its first operations in July, 2014.

Tableau 5: Reserve Requirement Ratios applicable to Banks

	Up until Nov, 15, 1998	Nov, 16 to Dec, 15, 1998	Dec, 16, 1998 to April 15, 2000	April 16 to Aug, 15, 2000	Aug, 16 to Sept 15, 2000	16 sept. 2000 au 15 avril 2002	April 16, 2002 to March 15, 2004	March 16, 2004 to June 15, 2005	June 16, 2005 to June 15, 2009	June 16, 2009 to May 15, 2010	May 16, to Dec, 15, 2010	Dec, 16, 2010 to March 15, 2012	March 16, 2012 to March 15, 2017	Since March 16, 2017
<i>(as a percentage)</i>														
Benin	9,0	9,0	3,0	3,0	9,0	9,0	9,0	13,0	15,0	9,0	7,0	7,0	5,0	3,0
Burkina	9,0	9,0	3,0	3,0	3,0	3,0	3,0	3,0	7,0	7,0	7,0	7,0	5,0	3,0
Côte d'Ivoire	9,0	1,5	1,5	3,0	3,0	5,0	5,0	5,0	5,0	5,0	5,0	7,0	5,0	3,0
Guinea-Bissau	5,0	5,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	5,0	7,0	5,0	3,0
Mali	9,0	9,0	3,0	3,0	3,0	3,0	9,0	9,0	9,0	7,0	7,0	7,0	5,0	3,0
Niger	5,0	5,0	1,5	3,0	5,0	5,0	5,0	5,0	9,0	7,0	7,0	7,0	5,0	3,0
Senegal	5,0	1,5	1,5	3,0	9,0	9,0	9,0	9,0	9,0	7,0	7,0	7,0	5,0	3,0
Togo	9,0	3,0	1,5	3,0	3,0	3,0	3,0	3,0	3,0	3,0	5,0	7,0	5,0	3,0

Source : BCEAO.

2.3 – DEVELOPMENTS IN MONETARY AGREGATES

The Union monetary situation **as at end of December, 2018** in relation to end of December, 2017 was characterized by an increase in money supply following an increase in domestic claims and net external assets.

2.3.1 – Net External Assets

The **net external assets** of monetary institutions increased by 1,202.7 billion to 5,375.1 billion as at end of December, 2018. This followed an increase of 1,279.9 billion in the net external assets of the Central Bank the impact of which was moderated by a 77.2 billion drop in those of the banks.

BCEAO's overall official foreign exchange reserves increased by 1,376.8 billion during the year to 8,561.0 billion as at end of December, 2018 compared to 7,184.2 billion as at end of December, 2017. As a result, Central Bank's currency issue coverage rate improved to 77.1% compared to 73.4% in December 2017. The Bank of Issue's external commitments also increased by 97.0 billion to 1,981.2 billion as at end of December, 2018 compared to 1,884.2 billion as at end of December, 2017.

2.3.2 – Domestic Claims

Outstanding domestic claims increased by 2,585.7 billion or 9.4% from the level reached as at end of December, 2017 to 30,023.8 billion as at end of December, 2018. This was the result of the combined effect of consolidation of net claims on Central Public Administration (APUC) and lending to other sectors of the Union economies.

2.3.2.1 – Net Claims on Central Public Administration

The net claims of monetary institutions on Central Public Administration stood at 7,960.8 billion as at end of December, 2018, up by 684.0 billion from the level reached as end of December, 2017. This followed notably an increase in the debts owed banks by the States (890.8 billion). Over the same period a year earlier, banks' net claims on the States had risen by 949.1 billion.

2.3.2.2 – Claims on Other Sectors

The deposit institutions' contributions to the economy increased as at end of 2018 by 1,901.7 billion or 9.4%, to 22,063.0 billion as at end of December, 2018 compared to 20,161.2 billion as at end of December, 2017.

In **Benin**, outstanding credits to the economy went up by 253.0 billion or 19.0% to 1,584.0 billion.

In **Burkina**, contributions to the economy increased by 295.9 billion or 12.5% to 2,666.1 billion as at end of December, 2018 compared to 2,370.2 billion as at end of December, 2017.

In **Côte d'Ivoire**, deposit institutions' contributions to the economy increased by 708.7 billion or 11.2% to 7,018.3 billion. At the end of December, 2017, they amounted to 6,309.6 billion.

In **Guinea-Bissau**, deposit institutions' claims on the other resident sectors were on the rise (+2.6%) at 103.0 billion as at end of December, 2018.

In **Mali**, credits to the economy declined by 0.1% from 2,560.0 billion in December, 2017 to 2,557.0 billion in December, 2018.

In **Niger**, claims on the economy also shrunk by 4.5%, to 851.0 billion in December, 2018.

In **Senegal**, outstanding claims on resident sectors other than Central Administration increased by 66.0 billion to 4,275.0 billion as at end of December, 2018 compared to 4,209.1 billion as at end of December 2017.

In **Togo**, contributions to the economy rose by 48.8 billion or 4.1% to 1,225.7.

2.3.2.3 – Centralization of Banking Risks

Under centralization of banking risks, the overall credit uses registered with the Risk Management Center was estimated at 12,921.0 billion as at end of December, 2018 compared to 12,655.8 billion as at end of December, 2017, or an increase of 2.1%. Short term credits made up, up to 60.1% of those credits, or an overall outstanding amount of 7,767.9 billion, and medium- and long-term credits, 39.9% or 5,153.1 billion.

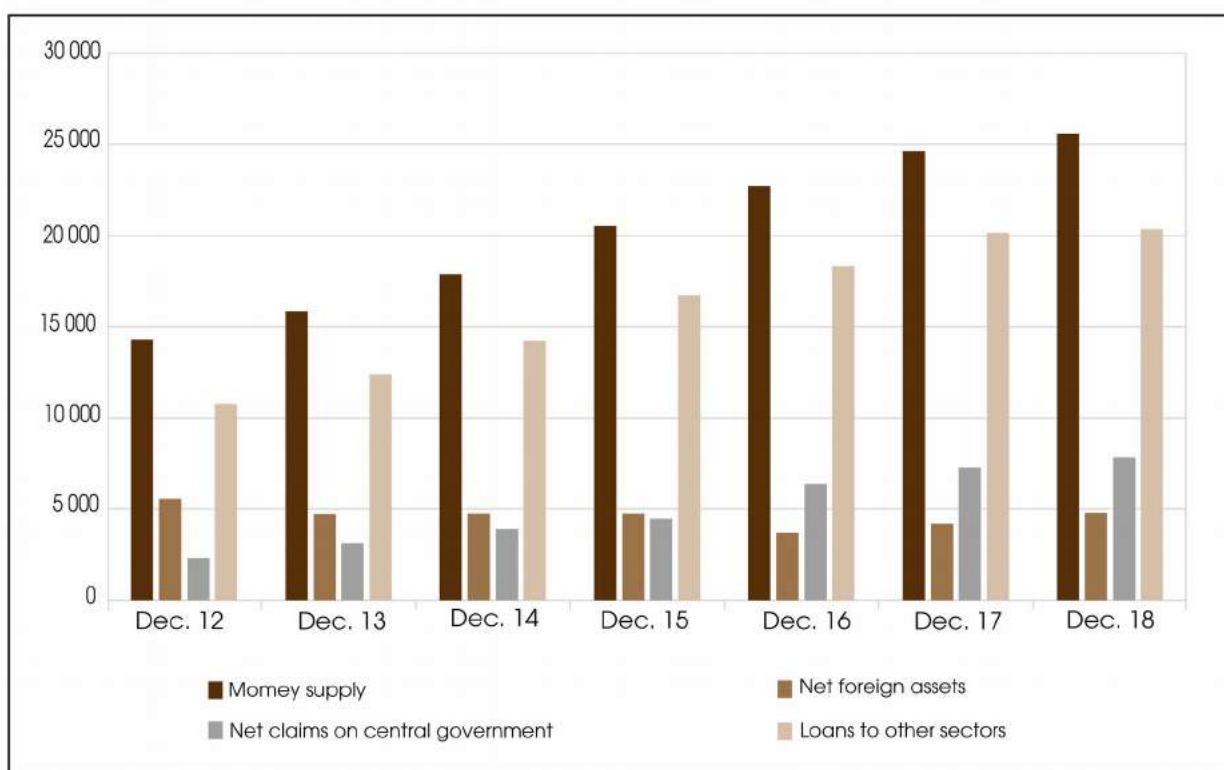
Most of the risks are found in "wholesale" sectors (26.4%), "services to community" (18.9%), "manufacturing industries" (15.0%), "transport and communications" (12.2%) and "construction and public works" (10.0%). These five (5) categories of activities alone attracted over 4/5 of credits reported to the risk management center.

2.3.3 – Money Supply and Monetary Base

In relation to an increase in its counterparts, **money supply** went up by 3,065.4 billion or 12.4% to 27,715.1 billion. The increase in overall liquidity led to deposits rising by 2,572.3 billion, or 13.6% and the amount of money in circulation, by 493.1 billion, or 8.5%.

Compared to the level reached as at end of December, 2017, **monetary base** expanded by 953.4 billion or 11.9% to 8,969.5 billion as at end of December, 2018. This followed a surge in Central Bank's net external assets by 1,279.9 billion moderated by a drop of 207.9 billion in net claims on central public administrations and 15.3 billion drop in financial assistance to credit institutions.

Graph 6 : WAMU Monetary Aggregates (in billions of CFAF)



Source: BCEAO.

Table 6: WAMU – Monetary Aggregates (in billions of CFAF)

	2016	2017	2018
<i>Money in Circulation fiduciaire</i>	5509.2	5778.2	6271.2
<i>Demand Deposits</i>	9668.2	10660.6	12182.2
M1	15177.4	16 438,8	18453.5
<i>Other Deposits included in Money Supply (1)</i>	7539.9	8211.0	9261.7
MONEY SUPPLY (M2)	22717.3	24649.8	27715.1
Net External Assets	3696.8	4172.5	5 375,1
<i>Central Bank</i>	4565.3	5304.6	6584.5
<i>Banks</i>	-868.5	-1132.2	-1209.4
Domestic Claims	23114.5	27438.0	30023.8
<i>Net Claims on Central Administration</i>	6387.2	7276.8	7960.8
<i>Claims on Other Sectors</i>	16727.2	20161.2	22063.0
Non-monetary Liabilities (2)	5628.5	6290.4	7177.3
Other Net Items (3)	-1534.5	670.3	506.4
TOTAL OF M2 (4) COUNTERPARTS	22717.3	24649.8	27715.1

(1) *Time deposits and special regime savings accounts opened with banks, remunerated deposits opened in Central Bank books*

(2) *Consisting of shares and other contributions in deposit institutions and their non-monetary pledges to other sectors.*

(3) *Consisting of consolidation adjustments and the net balance of unclassified assets including sundry elements and non-financial assets*

(4) *Total counterparts = Net External Assets + Domestic Claims – Non-monetary Liabilities – Other Net Items*

Source: BCEAO.

III – DEVELOPMENTS IN THE BANKING AND FINANCIAL SYSTEM AND FINANCIAL STABILITY AND INCLUSION-FRIENDLY ACTIONS

3.1 – STATUS OF CREDIT INSTITUTIONS AND MICRO FINANCE INSTITUTIONS

As at September 30, 2018, the **Union banking system** had 144 licensed institutions of which 126 banks and 18 bank-like financial institutions.

During the first three quarters of 2018, the activity of credit institutions continued to expand followed by an improved quality of the reporting institutions' portfolio. Indeed, from December, 2017 to September, 2018, uses increased by 165.5 billion (+0.5%) to 30,729.7 billion. This followed an increase in credits (+204.1 billion; +1,1%). Inversely, there was a 38.6 billion or 0.3%, drop in the other uses to be related to a reduction in volume of various uses (-315.0 billion; -22.6%) and investment securities (-214.1 billion; -2.8%).

Resources also expanded by 875.8 billion (+3.2%) over the first nine (9) months of 2018 to 28,059.3 billion. This followed a 569.8 billion (+2.5%) increase in deposits and borrowings, and 360.5 billion (+13.5%) in net equities, despite a 54.5 billion (2.9%) fall in a variety of resources.

Credit institutions' cash deficit stood at -2,670.4 billion as at end of September, 2018 compared to -3,380.7 billion as at December 31st, 2017 or a 710.3 billion drop in resource needs.

The gross rate of outstanding receivables improved by 1.7 percentage point to 13.4%. Net rate, taking provisions into account, also dropped by 1.5 point to 4.7% as at September, 2018.

The analysis of the status of banking system in the light of new prudential mechanism (Basle II/III), as at June 30, 2018 involved 117 operating credit institutions (106 banks and 11 bank-like financial institutions). The reporting institutions reported the following observations:

- Equity ratio CET 1 (standard: $\geq 5.625\%$): 81.2% of all credit institutions complied with this standard, that is, 85 banks and 10 bank-like financial institutions;
- Basic equity ratio T1 (standard: $\geq 6.625\%$): 77.8% of all credit institutions complied with this standard, that is, 81 banks and 10 bank-like financial institutions;
- Total creditworthiness (standard: $\geq 8.625\%$): 76.1% of all credit institutions complied with this standard, that is, 79 banks and 10 bank-like financial institutions.

The actual cumulative equities of the whole WAMU banking system stood at 2,275.7 billion. Weighted risks were estimated at 22,619.0 billion, revealing an average total creditworthiness ratio (Equity to Weighted Assets as a function of Risk) of 10.1%, at a minimum standard of 8.625%. As a reminder, creditworthiness ratios, based on former prudential mechanism, were 10.8% as at end of December, 2017 and 9.1% in 2016.

The average total creditworthiness ratio of credit institutions (individual minimum standard set at 8.625%) was as follows on a country basis: Niger (13.3%), Burkina (11.8%), Senegal (11.7%), Mali (10.6%), Côte d'Ivoire (9.2%), Benin (7.6%), Togo (6.0%) and Guinea-Bissau (0.7%).

On the whole, the status of the Union banking system in light of total creditworthiness as at end of June, 2018 remained satisfactory under regulatory prescriptions. It also appeared from the reporting institutions' statements that the other standards were by and large complied with. Institutions in violation of Basle II and III prudential mechanism were called to order for them to urgently return their situation to normal.

WAMU microfinance sector continued to be dynamic during 2018, in terms of intermediation and populations' access to financial services. Indeed, based on available data, with 593 Decentralized Financial Systems (DFS) in all, service outlets increased in number from 4,177 as at end of December, 2017 to about 5,028 as at end of June, 2018. The number of people benefiting from the services of microfinance institutions was close to 15,0 million as at end of June 2018 compared to 12.5 million as at end December, 2017.

DFS' financial intermediation activity also expanded, as deposits collected stood at 1,307.0 billion as at end of June, 2018 compared to 1,149.4 billion as at end of December, 2017 or a 13.7% increase. They represented about 5.6% of deposits collected by the Union credit institutions over the review period. As for outstanding credits issued by microfinance institutions, they went up by 6.4% from 1,197.3 billion as at end of December, 2017 to 1,274.1 billion as at end of June, 2018, representing about 6.7% of credits issued by the Union credit institutions.

The quality of DFS' credit portfolio, however, relatively deteriorated during the period under review. Indeed, outstanding receivables amounted to 113.4 billion as at end of June, 2018 compared to 72.9 billion as at end of December 31st, 2017. Thus, the gross rate of WAMU DFS' portfolio deterioration as measured by the ratio of outstanding receivables to outstanding credits, was 8.9% as at end of June, 2018 compared to 6.1% as at end of December, 2017 or an increase of 2.8 percentage points. It was above the 3% standard generally accepted in the sector.

During 2018, the Central Bank continued to take actions to streamline the microfinance sector, modernize the activities of microfinance institutions and bring the identified vulnerabilities of DFS under control. The following were part of the actions taken:

- delivery of approval notice for withdrawing the licenses of eighteen DFS;
- initiatives to settle the problem posed by structures engaging in microfinance activity in violation of regulation. In some countries, those showing signs of viability were identified and applied for licensing in accordance with current regulation. Their applications were subject to analysis by BCEAO services;
- pursuing operationalization of the new version of application "*Centralized Computer Solution for DFS Monitoring*" (SICS/SFD) in order to ease up speedy production and processing of financial data;
- consolidating sector professionalization through ongoing review of legal framework in force. In this connection, a Technical Committee on revision of the law regulating decentralized financial systems was set up;
- increasing the number of onsite controls made by the General Secretariat of WAMU Bank Commission (11 inspections were effected during 2018 compared to 9 in 2017).

3.2 – INTER-BANK MARKET

The WAMU inter-bank market was marked by lower average volume of liquidity trading and higher interest rates on 1-week operations.

The average volume of transactions dropped to CFAF 276 billion in 2018 from CFAF 296 billion in 2017 (-7%). Transactions covered maturities ranging from one (1) day to twelve (12) months. 1-week and 2-week categories were most active, representing 68% and 14% of average volume of transactions respectively compared to 69% and 16% in 2017. These windows combined on average loans worth CFAF 188 billion and CFAF 40 billion respectively in 2018 compared to 208 billion and 46 billion in 2017.

Compared to liquidity injections, the volume of inter-bank transactions dropped to 7.4% in 2018 from 7.8% in 2107.

As regards interest rates, 1-week category saw its weighted average interest rate increase from 4.90% in 2017 to 5.20% in 2018. All Union sites participated in the activity of inter-bank market. The Abidjan site was most active in terms of resource offer (24%) followed by Ouagadougou (20%), Lomé (17%) and Dakar (16%) sites. The main beneficiaries were Dakar (25%), Abidjan (19%), Bamako (16%) and Lomé (15%) sites.

Table 7: Variations in Interbank Rates in 2018 (weighted average as a percentage)

	1 Day	1 Week	2 Weeks	1 Month	3 Months	6 Months	9 Months	12 Months
January	5.39	5.70	5.53	5.23	5.50			
February	5.21	5.76	5.68	5.50	7.35	3.91		5.58
March	5.44	5.73	5.46	5.49	6.00			5.00
April	5.26	5.57	5.51	5.36		5.52		
May	5.18	5.37	5.45	5.42	5.08	5.14		
June	5.50	4.62	5.38	4.06	4.44	4.66		5.75
July	5.12	4.36	5.05	3.84		5.40		
August	4.63	4.48	5.40	4.08		5.48		
September	4.68	4.41	5.10	3.59	5.27			
October	4.58	4.94	5.16	4.55	5.83			
November	4.94	5.14	5.60	4.46	6.00	5.17	5,5	
December	5.18	5.25	5.57	4.87	4.38	4.48		4.50
Average	5.05	5.20	5.39	4.59	5.13	4.77	5,5	5.54

Source: BCEAO.

Table 8: Trends in Interbank Lending in WAMU in 2018 (in millions of CFAF)

	Average Amounts		Average Outstanding Loans	Interest Rate Ranges (in %)	Loan Maturities
	Total	of which UMOA			
January	307 826	130 200	518 444	5.23 to 5.70	1 Day to 3 Months
February	325 763	228 239	552 860	3.91 to 7.35	1 Day to 12 Months
March	295 290	120 380	593 175	5.44 to 6.00	1 Day to 12 Months
April	227 789	109 464	532 567	5.26 to 5.57	1 Day to 6 Months
May	177 577	151 340	448 173	5.08 to 5.45	1 Day to 6 Months
June	193 258	164 660	453 607	4.06 to 5.75	1 Day to 12 Months
July	239 734	198 279	588 668	3.84 to 5.40	1 Day to 6 Months
August	181 880	142 610	475 505	4.08 to 5.48	1 Day to 6 Months
September	266 733	208 945	520 241	3.59 to 5.27	1 Day to 3 Months
October	338 124	243 938	615 694	4.55 to 5,83	1 Day to 3 Months
November	298 656	214 666	510 579	4.46 to 6.00	1 Day to 9 Months
December	463 998	323 570	579 953	4.38 to 5.57	1 Day to 12 Months
Average	276 386	186 357	532 450		

Source: BCEAO.

3.3 – FINANCIAL MARKET

3.3.1 – Resource Mobilization by the States

3.3.1.1 – Resource Mobilization on Regional market

During 2018, the overall value of gross issues on regional public debt market dropped to 3,277.6 billion from 3,700.1 billion in 2017 as a result of lower issues by Côte d'Ivoire and Senegal not resorting to regional financial market during 2018.

Net issues declined to 342.9 billion from 1,008.4 billion a year earlier. The yearly downward trend in net issues was linked to the high amounts of declines during the period under review which totaled 2.934,7 billion.

The share of Treasury bonds in resource mobilization on the market dropped to 54.6% in 2018 from 57.3% in 2017 and 65.1% in 2016. The lower amount of issues highlighted the fact that States had difficulty mobilizing long term maturities, as pressures built on bank liquidity in the past few years.

Table 9: Issues on Government Security Market (in billions of CFAF)

	2016	2017				Total 2017	2018				Total 2018
		T1	T2	T3	T4		T1	T2	T3	T4	
Bills	1541.0	618.6	434.4	253.9	271.3	1578.2	380.2	308.9	471.3	329.0	1489.4
Bonds	2871.0	191.4	486.6	767.5	676.4	2121.9	224.8	374.4	558.6	630.4	1788.2
<i>Auctioned</i>	1969.7	54.3	215.2	645.5	250.2	1165.2	112.9	218.1	394.0	218.9	943.9
<i>syndicated</i>	901.3	137.1	271.5	122.0	426.2	956.8	111.9	156.3	164.6	411.5	844.3
Total	4412.0	810.0	921.0	1021.4	947.7	3700.1	605.0	683.3	1029.9	959.4	3277.6

Source: BCEAO.

Regarding Treasury bills, seventy-one issues were made totaling 1,489.4 billion. The 12-month maturity category was most in demand, with forty-six issues totaling 937.4 billion or 62.9% of total value of bills issued in 2018. Weighted average interest rate on Treasury bills increased to 5.90% in 2018 from 5.71% a year earlier.

Table 10: Average Interest Rate on Treasury Bills (in percentage)

Durées	Total 2017	2017				Total 2017	2018				Total 2018
		T1	T2	T3	T4		T1	T2	T3	T4	
1 Month	3.52	4.94	4.86	-	-	4.91	-	-	-	3.90	3.90
3 Months	3.75	5.50	5.37	5.64	5.62	5.53	6.38	5.81	4.85	6.02	5.46
6 Months	4.75	5.37	5.87	5.38	5.86	5.77	6.09	6.17	5.86	5.99	6.06
12 Months	4.90	5.99	6.12	5.68	5.99	5.99	6.25	6.22	6.11	6.08	6.16
24 Months	5.30	-	-	-	5.78	5.78	-	5.80	-	-	5.80
Average Rate	4.72	5.68	5.74	5.58	5.85	5.71	6.22	6.00	5.61	5.78	5.90

Source: BCEAO, WAMU Agency-Security

3.3.1.2 – Outstanding Public Securities on Regional Market

Outstanding public securities totaled 9,972.7 billion as at end of December 2018. The structure of this outstanding amount was dominated by bonds which accounted for 89.0% of total.

Table 11: Outstanding Government Securities as at End of December 2018 (in billions of CFAF)

	Benin	Burkina	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU
Bills	160.1	282.7	113.8	20.6	185.8	202.5	0.0	126.6	1092.1
Bonds	1267.0	966.4	3345.6	39.3	1022.9	476.8	825.0	937.6	8880.6
Total	1427.1	1249.1	3459.4	59.9	1208.7	679.3	825.0	1064.2	9972.7

Source: BCEAO, WAMU Agency-Security.

Table 12 : Trends in Outstanding Government Securities (in billions of CFAF)

	2012	2013	2014	2015	2016	2017	2018
Outstanding	3023.9	3743.9	5043.2	6388.5	8621.4	9629.8	9972.7
<i>(as a % of GDP)</i>	7.3	8.4	10.5	12.2	14.6	14.5	14.4
Relative Share (in %)							
- Bills	39.0	36.3	30.5	20.3	17.5	12.7	11.0
- Bonds	61.0	63.7	69.5	79.7	82.5	87.3	89.0

Sources: BCEAO, WAMU Agency- Security

3.3.2 – Regional Stock Exchange (BRVM)

The activity of regional stock exchange as at December 31st, 2018 compared to December 29, 2017, was characterized by a drop in the main indicators. Market capitalization dropped to 8,274.05 billion as at December 31st, 2018 from 9,805.8 billion as at December 29, 2017, or a 15.6% fall attributable to a decline in share category. Indeed, capitalization of share market dropped from 6,836.2 billion as at end of December, 2017 to 4,844.5 billion as at December 31st, 2018, down by 29.13% while that of bond market increased in the same period by 460.0 billion to

3,429.5 billion as at December 31st, 2018. Transactions volume also fell in the period under review from 362,640 traded securities as at December 29, 2017 to 295,584 traded securities as at end of December, 2018.

BRVM indexes also took a downward turn in 2018. BRVM, the main stock exchange indicator and composite index stood at 154.36 points and 172.24 points respectively as at end of December, 2018, down by 29.72% and 29.14% compared to end of December, 2017.

3.4 – FINANCIAL STABILITY AND INCLUSION-FRIENDLY ACTIONS

3.4.1 – Financial Stability-Friendly Actions

Financial stability-friendly actions taken by BCEAO in 2018 aimed at the following major objectives:

- financial stability preservation;
- tighter banking and financial supervision.

3.4.1.1- Financial Stability Preservation

3.4.1.1.1 - Reinforcing the Union Systemic Risk Monitoring Mechanism

The main actions taken in 2018 to consolidate financial stability focused mostly on reinforcing the Union systemic risk monitoring mechanism including:

- the creation within BCEAO of a Macroprudential Policy Committee

Working on establishing a macroprudential policy framework in WAMU led to the creation of a Committee within BCEAO in charge of defining and operationalizing macroprudential policy through detection, assessment, management and control of systemic risk.

This Committee which is made up of senior officials of the Bank and General Secretariat of WAMU Bank Commission, is expected to take measures applicable to institutions under BCEAO when it comes to the conclusion that risk trend within the financial system may affect Union stability. The creation of this institutional framework marked the commencement of macroprudential policy implementation by BCEAO, in line with the banking and financial system preservation mission conferred on it by article 9 of its Statutes as appended to the WAMU Treaty.

The Committee will start work during 2019 notably when the systemic risk analytical framework is validated and the macroprudential instruments designed to mitigate the risks defined and calibrated.

- Production of WAMU Financial Solidity Indicators (FSI)

The work on the WAMU Financial Solidity Indicators (FSI), in accordance with IMF guide, undertaken under the project named “*Project JSA-ISF 2013-2016*” was finalized during the first quarter of 2018. Project “*Project JSA-ISF 2013-2016*” is an IMF 3-year technical assistance program funded by the Government of Japan and aimed at developing and disseminating financial solidity indicators in African, Asian and Pacific countries.

These indicators look at equity adequacy, asset quality, profitability, liquidity and sensitivity to market risk.

Finalizing this project enabled BCEAO to produce comparable data between countries and in compliance with IFM Establishment Guide. The indicators will be incorporated in the tools designed to monitor the risks associated with financial system in the Union.

3.4.1.1.2 – Other Financial Stability-Friendly Actions

BCEAO continued in 2018 to monitor the implementation of prudential reform. In this connection, it accompanied the institutions undergoing that reform in filling the Prudential Declaration Form (FODEP), for the first two regulatory reportings made in April and October, 2018. Most of its actions went into establishing an accompanying mechanism based on exchanges through telephone or via prudential reform-dedicated messaging between BCEAO teams and those of the institutions so as to be able to respond to all concerns and identify inconsistencies detected in feedbacks. This accompaniment contributed to bringing institutions to meet regulatory reporting requirements.

The exchanges made via dedicated messaging also helped to assist institutions in uniformly applying the new Circular Letters of WAMU Bank Commission, which took effect on July 2, 2018.

Regarding accounting reform, the accompanying mechanism put in place by BCEAO for the banking sector made it easier to monitor accounting reform implementation. From this perspective, 2018 was successful as the year of migration to the revised Bank Accounting Chart, with the first feedback having been correctly made by banks and bank-like financial institutions for January and March, 2018 respectively.

BCEAO also took part in the work of the West African Banking and Financial Standards Committee in 2018. The concerns raised or reported by credit institutions for that matter were answered by members of WAMU Bank Accounting Standards Committee through the representatives of the accounting profession and the Professional Associations of Banks and Financial Institutions (APBEF) in different WAMU countries.

3.4.1.2 – Reinforcing Bank and Financial Supervision

3.4.1.2.1 – Prudential Reform

Regulation action in this area consisted of two circular letters addressed to credit institutions introducing a provisional mechanism for implementing new liquidity standards as transposed into the prudential mechanism applicable to the WAMU credit institutions and financial companies as well as the main provisions required for the first FODEP (Prudential Declaration Form) form reporting.

The purpose of the note introducing the provisional mechanism for implementing new liquidity standards as transposed into the prudential mechanism applicable to the WAMU credit institutions and financial companies was to ensure continuity in the supervision of liquidity risk in the WAMU institutions, until the texts relating to new standards are finalized. Thus, effective from April, 2018, these institutions are required to forward to BCEAO information on liquidity ratios under former prudential mechanism viz. liquidity ratio and coverage ratio of medium and long term uses by

stable resources, based on the new Bank Accounting Chart (PCB). A table of correspondence between items of former and new bank accounting chart (PCB) was drawn up for that purpose.

The note detailing the main requirements for the first FODEP reporting which should be done not later than April 30, 2018, brought some clarifications to the institutions notably on:

- the consistency and likelihood probe rules which they ought to comply with in their declarations;
- the terms and conditions of application of customer consent criterion which indicates customers' approval for transmission of their information to the Credit Information Desk for calculating minimum equity requirements under credit risk;
- the terms and conditions for FODEP transmission through BCEAO computer platform as well as those of certificates to be attached to FODEP.

The tightening of bank supervision was further marked by the coming into effect on July 2, 2018 of the five (5) circular letters adopted by the Bank Commission at its ordinary meeting of September 27, 2017 which focused on governance, terms attached to position of director and leadership, internal inspection, risk management as well as management of compliance with standards in force by the WAMU credit institutions and financial companies

3.4.1.2.2 - Auditor's Audit Mission with the West African Monetary Union (WAMU)'s Credit Institutions

Following the coming into force of accounting and prudential reforms on January 1st, 2018, it was necessary to update the Circular Letter establishing the actions expected from auditors of institutions subject to those reforms in WAMU, within the framework of their legal audit assignment.

Besides, out of concern for convergence with international auditing standards, new provisions were introduced particularly regarding renewal of auditors' mandate. The revision of said-Circular Letter was also mindful of ensuring better convergence with OHADA provisions.

Additionally, more stringent demands regarding notably the communication of information to the Bank Commission were instituted for auditors, in order to optimize the supervision of reporting institutions and control the information they produce.

INSET 1: Overview of Circular Letter relating to terms and conditions of auditorship with WAMU credit institutions and financial companies

The main innovations of Circular n° 02-2018/CB/C relating to terms and conditions of auditorship with WAMU credit institutions and financial companies, adopted at the Bank Commission meeting of September 18, 2018 mostly focused on the following aspects:

- **extending the scope of application of Circular Letter to financial companies:** since supervision on a consolidated basis induced consideration being taken of these new actors in an area subject to Bank Commission's control, this subsequently adds new obligations and requirements in the auditing of these structures;
- **unrestricting consideration of financial statements as at end of first semester:** this action is an innovation for both credit institutions and financial companies. Indeed, auditors are required to deliver a certificate for financial statements as at end of first semester prior to publishing them in the official gazette;
- **ormalizing the determination that Auditors took account of the adjustments requested by Bank Commission:** this is to ascertain that the reprocessing requested by the Supervisory Authority while carrying out its onsite inspections are actually implemented by reporting subjects;

- **introducing provisions on rotation of Auditors:** this aims at strengthening Auditors' independence within the framework of their audit assignment and limiting potential conflict of interest-related risks that might result from long term relations between the parties;
- **forwarding Auditors' assignment letter to Bank Commission:** this aims at informing the Supervisory Authority of the terms and conditions of auditorship, with a view to taking the measures necessary to limit audit risks where necessary;
- **mandatory communication of any unfavorable or reserved opinion project to Bank Commission:** this aims at alerting supervisor on corrections necessary to improve on quality of financial statements which provide the basis for the prudential monitoring of reporting institutions;
- **instituting a duty to inform for Auditors:** the duty to inform is to ensure communication to Bank Commission of the criminal or other offences that are likely to disrupt the continuity of an institution, in accordance with principle 27 of BCP³.

3.4.1.2.3 – Banking and Microfinance Law in WAMU

As part of revising the basic texts governing banking and financial activity in WAMU, in August 2018, two Technical Committees were instituted by decision of the Governor of BCEAO and charged with revising the law establishing bank regulation and that regulating decentralized financial systems in WAMU.

These Committees relied on the preliminary work done by the Financial Stability Department, with support from relevant Central Services Department. It involved mainly synthesizing the actors' concerns about both laws, which were obtained through National Branches and the General Secretariat of the Bank Commission. The Committees' reports were submitted to the Central Bank Authorities on November 30, 2018.

3.4.1.2.4 – Financial Penalties handed down by the Bank Commission

In accordance with article 31 of the Appendix to the Convention governing WAMU Bank Commission (WAMU BC), BCEAO issued two directives defining the terms and conditions of implementing the financial penalties handed down against the WAMU⁴ credit institutions and decentralized financial systems⁵. Each of these directives classified the offences committed by the institutions concerned into three categories depending on their nature and gravity. Each directive also indicated the amount of financial penalties per category of offences.

3.4.1.2.5 – Rules on External Financial Relations and Payment Systems

A Technical Committee was set up by Decision n° 289-08-2018 dated August 20, 2018 of the Governor of BCEAO and charged with making proposals on amendments to the External Financial Relations legal framework.

As an update on the legal texts applicable to the payment systems and the means of payment and in order to reconcile financial inclusion requirements, a revision of Rule N° 15/2002/CM/UEMOA, on payment systems in WAEMU member States, was initiated. The revision work will continue into 2019.

3. *Basel Core Principles.*

4. *Directive n° 006-05-2018 dated May 16, 2018.*

5. *Directive n° 007-05-2018 dated May 16, 2018.*

3.4.1.2.6 – Identifying Banks of Systemic Significance

BCEAO continued its work on determining a methodological framework for identifying banks of systemic significance (BSS). The mechanism was designed for bank sector regulating and supervisory authorities to enable them to select reporting institutions whose failure might have a significant negative impact on the financial system and economy of WAEMU member States, and therefore warrant specific supervision. It will be tested in 2019 as part of an effort to set up a methodological framework for identifying national and regional BSS and also calculate the additional surcharges in equity terms that will be applicable to them.

3.4.2 – Financial Inclusion-Friendly Actions in WAEMU

Taking advantage of a re-organization of BCEAO structures in April, 2018, the Central Bank Authorities created a Financial Inclusion Department, thereby reaffirming their will to adapt the organization of the Bank of Issue to the new challenges of the Union economic and financial environment. The Financial Inclusion Department assigned objectives include implementing and expanding the visibility of BCEAO's financial inclusion promotion policies and making them more understandable in order to assure interested stakeholders of regular, relevant and accessible information on progress made in the area.

Prompted by BCEAO, the institutional mechanism for implementing Regional Financial Inclusion Strategy (RFIS) in WAEMU was put in place in 2018. Subsequently, the Strategy Management and Coordinating Unit (MCU-RFIS) and the Technical Monitoring Committee (TMC) were operationalized at the regional level. A Technical and Financial Partner Consultative Committee (TFP-CC) was also established, providing an exchange and consultation framework for all partners involved in strategy implementation.

BCEAO also organized the first meeting of Regional Steering Committee (RSC) in November, 2018 alongside the 2018 edition of Financial Inclusion in WAMU Week. The meeting reviewed progress made in implementing regional strategy and provided the strategic orientations necessary for future actions.

In all Union countries, the National Strategy Implementation Monitoring Committees (NSIMCs) launched their activities and held their first meetings between December 2017 and October 2018.

Besides, the Bank of Issue accompanied the States in ensuring the harmonious and effective implementation of regional financial inclusion strategy. In this connection, it organized in October, 2018, a capacity development workshop for NIMC members and briefing stay with the Central Bank of Nigeria in September, 2018 for purposes of sharing experiences with the implementation of financial inclusion strategy.

The Bank also held on May, 28 2018, in Dakar, Senegal, in collaboration with the World Bank as part of its technical assistance in strategy implementation, a regional consultative meeting on the activities of Bank Operations Intermediaries (BOIs). The purpose of this meeting was to understand the root causes behind the insignificant development of BOIs in WAEMU despite the profession practice requirements set in the Directive n° 015-12/2010/RB of BCEAO dated September 13, 2010 and identify ways to solve this problem. It also afforded an opportunity to discuss the conditions of operationalizing microfinance operations intermediaries in WAEMU. The

main recommendations made at the end of this workshop were notably to expand the populations' physical accessibility to financial services by adapting regulation, raise banks' awareness of the importance of resorting to BOIs, operationalize bank and microfinance correspondents as well as develop the actual use of financial services offered through mobile phone.

As far as the funding of actions of the regional financial inclusion strategy is concerned, the CFAF 20.00 billion budget retained in the framework document was re-valued at CFAF 29.88 billion taking into account the CFAF 9.88 billion mobilized with the African Development Bank (ADB) under the interoperability of digital financial services in WAEMU and support to promotion of decentralized financial systems' access to the Union payment system.

As at December 31st, 2018, the firm financing commitments concluded with the technical and financial partners amounted to CFAF 14.68 billion of which 10.21 were mobilized with the ADB, 2.50 billion with the Swiss Cooperation and 1.97 billion with the French Development Agency (FDA).

The funding gap to be sought amounted therefore to CFAF 15.20 billion. Discussions are underway with other funders on mobilizing additional resources.

The financial inclusion-friendly actions included the participation of BCEAO in the activities of Alliance for Financial Inclusion (AFI) which is materialized through its active involvement in the work of the seven working groups set up on the following themes: (1) digital financial services, (2) financial inclusion policies of African financial inclusion policy Initiative (AFIPI), (3) consumer empowerment and market behavior, (4) national financial inclusion strategies, (5) proportionate application of international standards, (6) SME financing; and (7) financial inclusion data.

The participation of BCEAO in the activities of Alliance for Financial Inclusion was prompted by the capacity development and watchdog needs induced by the Central Bank-led projects which included (i) surveillance tightening and periodic adaptation of digital financial service regulation, FinTech and microfinance institutions, (ii) implementation of regional financial inclusion strategy in WAEMU, and (iii) financing of small and medium-sized enterprises.

The Bank of Issue also participated in the Sixth Roundtable of Leaders of African Financial Inclusion Policy Initiative (AFIPI), held on May 10 and 11, 2018, in Conakry, Guinea, on the theme "*Favoring Financial Inclusion in an ever-changing Digital Financial Ecosystem*".

It also benefited from mixed learning programs on financial inclusion evaluation and future prospects in the digital era, from June 4 to 8, 2018, in Accra, Ghana and on financial inclusion strategies and data, from July 30 to August 3, 2018, in Kuala Lumpur, Malaysia.

The Central Bank also took part in a workshop on the theme: "*Innovation in digital financial inclusion*", from October 29 to November 2, 2018 in Rabat, Morocco and also in a training seminar on the theme "*Fight against Money Laundering and Financing of Terrorism*" from November 12 to 16, 2018 in Kuala Lumpur, Malaysia.

3.4.3 - Promotion of Credit Information Desks (BIC)

The CREDITINFO-VOLO company, licensed as a Credit Information Desk (BIC) in WAMU was operational since February 1st, 2016 across the whole of WAMU space.

Following qualification tests, the number of reporting institutions found eligible for participating in credit information-sharing system rose from 57 as at end of February 2016, when activities of CREDITINFO-VOLO were launched, to 119 as at end of February 2017 and reached 169 as at end of December, 2018, out of the 199 reporting institutions concerned, or 84.9%. The institutions that were yet to complete their tests were mostly confronted with difficulties extracting data from their information systems in the data format to be forwarded to BIC. A permanent close assistance mechanism designed for the institutions concerned was put in place by CREDITINFO-VOLO for test completion.

The number of customers whose information were available in BIC data base increased from 30,694 as at end of February, 2016, when activities of CREDITINFOVOLO were launched, to 752,134 as at end of February, 2017, 1,898,697 as at end of February, 2018 and 4,071,052 as at end of December, 2018 of whom 39,126 were legal entities and 4,031,926 natural persons. This positive development followed the adoption of legislative texts by Côte d'Ivoire, Niger, Senegal and Togo, which exempted the reporting institutions of these States from an obligation to obtain prior customer consent for sharing data on customers who received loans before the coming into force of the uniform law. For similar reasons, Burkina and Mali also initiated a process to amend BIC uniform law.

The strong acceleration recorded during 2018 mainly reflected the impact of the adoption of supplementary texts by Côte d'Ivoire, Niger and Togo to the effect of authorizing the implementation of automated processing of confidential data and integrating public utilities into the electronic credit information-sharing platform. The provision allowed a linkage between this platform and public utilities such as *Compagnie Ivoirienne d'Electricité (CIE)*, *Société de Distribution d'Eau de Côte d'Ivoire (SODECI)*, *ORANGE COTE D'IVOIRE*, *MOOV COTE D'IVOIRE*, *Société Nigérienne d'Electricité (NIGELEC)*, *Société d'Exploitation des Eaux du Niger (SEEN)*, *AIRTEL NIGER*, *ORANGE NIGER*, *NIGERTELECOMS*, *Compagnie Energie Electrique du Togo*, *Société Togolaise des Eaux (TdE)*, *MOOV TOGO* as well as *TOGOCOM*. Actions are also underway to ensure linkage with telecom companies such as *MOOV NIGER* and *MTN COTE D'IVOIRE*.

The positive developments mentioned above were taken into account in the 2019 edition of Doing Business report on business environment under the “obtaining loans” criterion. This criterion included as a key indicator, “scope of credit information” which measured country percentage of adult population covered by BIC.

Côte d'Ivoire obtained a 8 out of 8 mark on its scorecard because the State complied with this standard indicator set at a minimum threshold of 5%. Other States that did not meet this threshold obtained a 0 mark. However, owing to efforts made, they obtained bonuses. Thus, Senegal obtained a 2.7 point bonus compared to 2.4 points the previous year, followed by Mali (1.6 point compared to 0.8 point), Burkina (1.1 point compared to 0.3 point), Guinea-Bissau (0.5 point compared to 0.3 point), Niger (0.5 point compared to 0.2 point) and Togo (0.4 point compared to 0.0 point).

Despite these advancements, the credit information-sharing system continued to face some constraints including low consent collection by reporting institutions, poor quality of data to be forwarded to BIC, inexistence or inadequacy of the instruments used to extract and dispatch data as well as insufficient number of loans in BIC data base and consultations of credit reports by reporting institutions.

To remedy these weaknesses, BCEAO deployed a program to check the quality of participation by credit institutions in the credit information-sharing industry. For the reporting banks, the initial missions unfolded in Côte d'Ivoire, Mali and Senegal.

Furthermore, as proposed by CREDITINFOVOLO, the Central Bank confirmed the new tariff grid for 2019 which eased off tariff conditions applicable to Decentralized Financial Systems (DFS) and financial guarantee institutions. It should contribute to better a inclusion of data suppliers and users in WAMU credit information-sharing system.

BIC, for its part, developed and deployed charge-free a solution named “*Batch Transformation Module (BTM)*” which allowed reporting institutions that wished so to use it to extract their customer data. Additionally, to ease off the use of credit reports by reporting institutions, BIC started to produce a statistical borrower creditworthiness assessment methodology (scoring).

This product was deployed to all Union member States.

IV – MANAGING MONETARY SIGNS, PAYMENT SYSTEMS AND MEANS OF PAYMENT AS WELL AS FOREIGN EXCHANGE RESERVES

4.1 – MANAGING MONEY IN CIRCULATION

During 2018⁶, the operations effected through Central Bank windows were marked by withdrawals of monetary signs reaching CFAF 17,150.5 billion (2,514.0 million vignettes) or higher than payments received which amounted to 16,860.3 billion (2,337.4 vignettes). As a result, money in circulation was up 1.9%.

4.1.1 – Withdrawals and Payments through BCEAO Branches

Movements through Central Bank windows stood at 4,851.4 million of banknotes and coins in 2018 compared to 4,830.5 million units the previous year.

Banknote **withdrawals** over the review period stood at CFAF 17,144.8 billion (2,417.8 million vignettes) compared to 17,064.6 billion (2,372.8 million vignettes) in 2017 or an annual increase of 45.0 million vignettes. The highest withdrawals were made in Côte d'Ivoire (28.72%), Senegal (16.1%) Burkina Faso (16.0%).

Coin **withdrawals** were up 0.7%, from 95.6 million units in 2017 to 96.3 million in 2018. In value, withdrawals amounted to 5.7 billion in 2018 compared to 5.3 billion in 2017.

Banknote **payments** through Central Bank windows stood at CFAF 16,858.5 billion (2,329.9 million units) in 2018 compared to 16,794.5 billion (2,351,0 million units) in 2017 or an annual decline of 21.1 million vignettes. The highest inflows in value occurred in Côte d'Ivoire (26.8%), Burkina Faso (16.1%) and Senegal (15.4%).

During 2018, coin inflows through Central Bank windows reached CFAF 1.8 billion (7.5 million units) compared to 3.0 billion (11.0 million units) in 2017 or a drop in volume of 31.8%.

4.1.2 - Composition of Money in Circulation

As at end of December, 2018, money in circulation was estimated at 6,529.7 billion compared to 6,407.6 billion a year earlier, or an increase of 122.1 billion. Large denominations made up 91.3% of the value of notes in circulation compared to 91.4% in 2017. In comparison with 2017, the share of banknotes in money in circulation remained almost stable at 97.3%.

4.1.3 – Banknote Movements outside of BCEAO Branches' Windows

As at end of December, 2018, the movements of external⁷ banknotes identified following sorting operations stood at CFAF 2,491.7 billion compared to 2,083.1 billion in previous year or an increase of 19.6%.

6. *Estimates*

7. *These are notes identified from sorting operations in the Subsidiary Agency of a given State but not issued by it.*

Most of the notes displaced were issued by Côte d'Ivoire Branch (29.2%), Burkina Branch (14.9%), Senegal Branch (12.4%) and Benin Branch (11.3%). Togo, Benin, Burkina, Mali and Côte d'Ivoire Branches recorded through their windows the highest amounts of external notes with respective shares of 27.5%, 18.7%, 14.8%, 10.8% and 9.7%.

Tableau 13 : mouvements de billets externes aux guichets des Agences de la BCEAO (en milliards FCFA)

	Exercice 2017			Exercice 2018			Variation		
	(1)			(2)			(3)=(2)-(1)		
	Entrées	Sorties	Soldes	Entrées	Sorties	Soldes	Entrées	Sorties	Soldes
BENIN	574,5	276,8	297,7	466,1	281,5	184,6	-108,4	4,8	-86,7
BURKINA	231,2	311,3	-80,1	369,4	371,7	-2,3	138,2	60,4	-58,7
COTE D'IVOIRE	136,0	620,9	-485,0	241,5	726,6	-485,0	105,6	105,6	-386,1
GUINNE-BISSAU	23,2	105,1	-81,9	92,2	137,5	-45,3	69,0	32,4	-51,9
MALI	254,1	213,1	41,0	269,4	247,3	22,1	15,3	34,2	132,3
NIGER	97,1	125,5	-28,5	149,2	212,4	-63,2	52,1	86,8	51,6
SENEGAL	188,3	169,1	19,2	219,2	308,7	-89,5	30,8	139,6	66,1
TOGO	578,8	261,2	317,5	684,7	206,1	478,7	106,0	-55,2	333,3
UMOA	2 083,1	2 083,1	0,0	2 491,7	2 491,7	0,0	408,6	408,6	0,0

Source : BCEAO.

4.2 – PAYMENT SYSTEMS AND MEANS OF PAYMENT

As at end of December, 2018, the operation of WAEMU payment systems was satisfactory, with some of the activity indicators showing an upward trend.

4.2.1 – WAEMU Regional Payment Systems

The WAEMU Automated Transfer and Settlement System (STAR-UEMOA) was made up of 132 participants, as at end of December, 2018 compared to 127 the previous year. In 2018, the number of operations settled through STAR-UEMOA totaled 924,404 and valued at 511,588 billion or an increase of 11.48% in volume and 5.35% drop in value compared to 2017.

Inter-country trade within WAEMU showed 354.120 operations valued at 35,120 billion in 2018, representing 38.38% of overall volume of operations processed through STARUEMOA. In comparison with 2017, there was a favorable development with 2.62% increase in volume and a 1.08% drop in value of inter-country operations.

WAEMU Automated Inter-Bank Clearing System (SICA-UEMOA) was made up of 140 participants, as at end of December, 2018 compared to 137 in 2017 and included banks, BCEAO as well as Public Treasuries of Benin, Burkina, Côte d'Ivoire, Mali, Niger and Senegal. During the review period, trade volume figures represented 14,536,605 operations valued at 56,394 billion.

SICA-UEMOA activity was marked by increases of 6.68% in cleared payments volume and 16.04% in value compared to 2017.

The growing value of cleared transactions was particularly dynamic in Côte d'Ivoire (+35.06%), Guinea-Bissau (+20.19%), Burkina (+15.01%) and at the sub-regional level (+19.31%). Inter-country trade accounted for 1.46% of overall value of the Union's transactions in 2018 compared to 3.46 % in 2017.

Concerning the distribution of the means of payments processed through the teleclearing system, the relative share in volume of transfers increased by 3.17% as opposed to cheques which declined by 3.23%, thus confirming a pattern noted over the past two years. Indeed, in 2018, transfers represented 42.51% of trade and cheques, 56.15% . In 2017 for example, the respective share of these instruments were 38.24% and 60.53%. In terms of value, 76.17% of trade were done by cheque in 2018.

In line with its vision of “endowing WAEMU with reliable, efficient and accessible payment systems based on transparent criteria and make available modern and affordable means of payment to economic units”, BCEAO took during 2018 actions to enhance safety, modernization and inclusive impact of payment systems and means of payment.

4.2.2 – Securing and Modernizing Payment Systems and Services

The actions taken in 2018 to secure and modernize payment systems and services contributed to an improved efficiency of the SICA-UEMOA and STAR-UEMOA payment systems and included:

- notifying measures to secure the platforms connecting participants to payment systems in order to ensure their reliability, integrity and reduce risks associated with internal and external threats. It was recommended to tighten control of access to key resources of information systems and require an automated interfacing with BCEAO-managed payment systems;
- assessing the status of platforms connecting National Public Treasuries (NPT) to payment systems in order to identify built-in risks;
- Specific measures to bring such risks under control will be implemented during 2019;
- having participants sign Rider 1 to the Convention relating to the creation of a Fund to guarantee payment of SICA-UEMOA clearing balances. The rider was prepared to respond to the compelling need to ensure more justice in the calculation of members' contributions by making often failing participants to pay into the Fund a contribution proportionate to the level of risk they were exposing the teleclearing system to;
- revising SICA-UEMOA and STAR-UEMOA conventions: work involving re-reading done in conjunction with the participants allowed updates on conventional provisions to conform to functional progress in payment systems and international standards;
- pursuing actions for direct participation of National Public Treasuries (NPT) in payment systems and enhancing safety of their operations. In this connection, out of the eight (8) Union NPT, six (6) were directly connected to STAR-UEMOA and SICA-UEMOA, with their own settlement account just like commercial banks so that they could centralize their liquidities. These include Benin, Côte d'Ivoire, Mali, Niger, Senegal and Togo. NPTs of Burkina and Guinea-Bissau were at a preparatory stage pending their connection.

In 2018, the Regional Guarantee Fund for settling SICA-UEMOA clearing balances recorded eighty (80) interventions under cash advances compared to sixty-two (62) in 2017 or an increase of 29% in volume compared to previous year, highlighting heavier cashflow pressures on participants.

As at end of December, 2018, average advances amounted to about 509 million compared to 710 million in 2017. In all, interventions by the Regional Guarantee Fund were used in 2018 to settle about 40.79 billion clearing debtor balances, down 28% compared to 2017.

As part of securing payment services, the monitoring mechanism was tightened through :

- implementing the payment services monitoring framework, hinged on e-money which was crafted in 2017;
- developing a fast money transfer service-monitoring framework.

The payment services monitoring framework hinged on e-money was meant to endow the Central Bank with the analytical tools necessary to bring the built-in risks of said-services and of related innovations under control, with a focus on efficiency and safety of the payment services underpinned by e-money.

In this prospect, BCEAO analyzed trends in the use of services linked to e-money based on transactions volume and value data. It also made sure that issuance mechanisms conform to regulatory provisions while also analyzing the actual conditions of operation by monitoring incidents and fraud.

In monitoring fast money transfer services, the concerns addressed included the following:

- reliability and safety of fast money transfer platforms, in terms of availability, integrity, privacy and traceability of transactions data;
- control of built-in financial risks of clearing and settlement of transactions linked to fast money transfer;
- protection of fast money transfer service users' funds;
- efficiency of pricing of customer service offer.

4.2.3 - Contribution of Payment Systems and Services to the Expansion of Financial Inclusion

The major actions taken in 2018 to increase the contribution of regional payment system to greater financial inclusion were part of implementing a project to support the promotion of Decentralized Financial Systems' (DFS) access to regional payment system. In this regard, it is important to note the following:

- DFS staff and Ministerial Monitoring Structures' (MMS) capacities in Cote d'Ivoire and Burkina Faso were developed. The purpose was to develop DFS' skills to manage new payment instruments, clearing and transactions settlement as well as control of built-in risks;

- a firm was contracted to assist BCEAO in establishing two (2) Data Processing Centers (DPC) for Niger and Cote d'Ivoire's DFSs. The purpose of this action was to consolidate the Integrated Systems Management (ISM) of DFSs and ensure a better distribution of Data Processing Centers within the Union so as to enhance quality of service and the activities of Microfinance institutions;
- the terms and conditions of DFS' indirect access to WAEMU regional payment system as well as organizing exchanges on the subject with said-structures were defined.

4.3 – MANAGING FOREIGN EXCHANGE RESERVES

During financial year 2018, BCEAO pursued its policy of diversifying its foreign exchange holdings in strict compliance with generally-accepted principles and practices in management of official foreign exchange reserves, notably IMF Guidelines on the matter.

Foreign exchange holdings stood at 10.4 billion euros as at 31st December, 2018, up from 8.7 billion euros as at end of December 2017, or an increase of 1.7 billion euros over the period. As at 31st December, 2018, the share of BCEAO's foreign exchange holdings deposited in the Operations Account stood at 67.4%, up from 58.1% as at end of 2017.

V – INSTITUTIONNEL FRAMEWORK, GOVERNING BCEAO AND INTERNATIONAL COOPERATION

5.1 – ACTIVITES OF STATUTORY ORGANS

During financial year 2018, the Union Organs held their ordinary meetings, in accordance with the provisions of the January 20, 2007 Treaty establishing the West African Monetary Union and the Statutes of the Central Bank of West African States.

5.1.1 – WAMU Conference of Heads of State and Government

The Conference of the Union Heads of State and Government held in 2018 an ordinary session on July 30, 2018, in Lomé, Togolese Republic under the Chairmanship of His Excellency Mr. Alassane OUATTARA, President of the Republic of Côte d'Ivoire, its statutory Chair.

During this ordinary session, the Conference appreciated, from a political standpoint, the proper unfolding of presidential election in Mali and wished it a happy ending. It also commended some positive developments in Guinea-Bissau with the formation of a new consensual Government. In this regard, it appealed to the Government of Guinea-Bissau and all actors to make further efforts to safeguard the country's achievements and hold legislative elections in November 2018. On Togo, the Conference appreciated the open-mindedness of the political class and requested all political actors and the civil society to stick to their pledge to ensure stability and an appeased social climate.

Reviewing the security status of the sub-region, the Heads of State and Government vigorously condemned the terrorist attacks in Burkina Faso, Mali and Niger. They reiterated their solidarity with these brotherly countries and all other countries affected by terrorist actions across the world.

Under acceleration of integration process, the Conference noted some progress in the workstreams led by the high-level Committees on energy, peace and security, food self-sufficiency and economy financing.

The Conference commended efforts made by the States in implementing WAEMU common peace and security policy. It encouraged the continued implementation of the action plans and called for the immediate operationalization of the monitoring and early-warning system (MEVAP) so that security matters could be better addressed upstream.

Under multilateral surveillance, the Conference commended the efforts made by member States to comply with the convergence criteria. It urged them to speed up on-going efforts to achieve budget consolidation in 2019.

The Heads of State and Government took note of the actions taken to promote Public-Private Partnerships (PPP). They requested the Union organs and institutions to speed up the establishment of related framework so as to broaden private sector participation in development financing.

With respect to the annual review of community reforms, policies, programs and projects within the Union, the Conference commended the notable breakthroughs in the transposition and implementation of community texts.

The Conference appreciated the results obtained by the Central Bank in implementing the action plan designed to consolidate microfinance sector viability, as they allowed significant progress in streamlining the sector. It also praised the amendment of the Law regulating Decentralized Financial Systems so that microfinance institutions can be allowed to practice Islamic finance operations. It requested the Union member States to exercise due diligence in transposing this new text into their domestic legal order.

The Conference expressed satisfaction at BCEAO Monetary Policy Committee's decision to admit as eligible for Central Bank refinancing, claims detained by credit institutions on enterprises eligible for SME/SMI financing mechanism in the Union. It urged all actors involved to take the actions required of them to quickly operationalize the mechanism.

The Heads of State and Government commended the actions taken to ensure financial stability in the community space, in particular, the adoption of a new Annex to the Convention governing WAMU Bank Commission which makes of this Body, the Supranational Supervisory and Bank Crisis Resolution Authority within the Union.

They also took cognizance of the mechanism deployed by BCEAO to accompany credit institutions in implementing accounting and prudential reforms in WAEMU. They urged the Central Bank to pursue its actions to consolidate financial stability in the community space.

The Conference appreciated the breakthroughs made, with the support of WAMU Security Agency, to improve the coverage rate of member States' operations on the regional financial market, through the establishment of simultaneous issuances and synthetic bonds, providing an opportunity for a State to issue on the same day several differential maturity securities in order to better meet the investors' expectations.

The Conference took note of the gradual consolidation of the Credit Information Desk (BIC) in WAEMU. It urged the Central Bank to pursue its actions to increase significantly the volume of data available in BIC's database in order to enhance coverage of the Union's population.

Lastly, the Conference commended the WAEMU Commission Chair, the Governor of the Central Bank of West African States, the President of the West African Development Bank, the Chair of the Regional Public Savings and Capital Markets Council as well as the staff of all WAEMU Organs and Institutions, for the results achieved under community program and project implementation.

5.1.2 - Council of Ministers

During financial year 2018, the membership of the Council of Ministers underwent the following changes.

- Under Burkina Faso, Mr. Paul Robert TIENDREBEOGO, Minister of African Integration and Burkinabe Abroad, was designated as Council member, effective from June 1st, 2018, in replacement of Mr. Eric W. BOUGOUMA.

- Under the Republic of Guinea-Bissau, Mr. Aristide GOMES, Prime Minister, Minister of Economy and Finance, was designated Council member, effective from April 25, 2018, in replacement of Mr. Joao Alage Mamadu FADIA.
- Monsieur Suleimane SEIDI, State Secretary for Treasury, was designated as Council member, effective from May 16, 2018, in replacement of Mr. José BIAL.
- Under the Republic of Mali, Mr. Sambou WAGUE, Minister of Energy and Water was designated as Council member, effective from September 17, 2018, in replacement of Mr. Abdel Karim KONATE.

During 2018, the Council of Ministers held four (4) ordinary sessions including the one in Dakar on March 23, 2018, under the Chairmanship of Mr. Amadou BA, Minister of Economy, Finance and Planning of the Republic of Senegal, its outgoing statutory Chair. The Council later convened on June 29, 2018 at BCEAO Headquarters, in Dakar; on September 21, 2018 at BCEAO Main Branch in Abidjan; and December 21, 2018 at BCEAO Headquarters, in Dakar, under the Chairmanship of Mr. Romuald WADAGNI, Minister of Economy and Finance of the Republic of Benin, its incoming statutory Chair.

The Council of Ministers also held on June 29, 2018 at BCEAO Headquarters, in Dakar, an extraordinary session in preparation of the 20th ordinary session of the Conference of Heads of State and Government of July 30, 2018.

During the ordinary sessions, the Ministers reviewed developments on the global stage as well as economic activity in WAEMU member States.

During its ordinary session of March 23, 2018, the Council of Ministers noted the good dynamics behind economic activity in fourth quarter of 2017. Indeed, Real GDP (Gross Domestic Product) growth rate dropped to 6.5% on an annual basis, in fourth quarter of 2017 from 6.7% the previous quarter. For the whole of 2017, the Union GDP rose by 6.7%, compared to 6.6% in 2016. Prospectively, the economic growth rate is expected to be 6.8% in 2018.

The Council noted inflation to have dropped to 0.9% in fourth quarter of 2017, from 1.2% a quarter earlier.

The Ministers also pointed to the growing budget and external deficits of the Union countries. Indeed, the implementation of State budgets showed an estimated negative balance of 4.6% of GDP in 2017, up from 4.4% in 2016. Current external transactions resulted in a GDP deficit of 7.2%, up from 5.3% in 2016. To evolve budget deficit towards community standard of 3.0% of GDP in 2019 and consolidate the external viability of the Union economies, the Council of Ministers notably recommended streamlining public expenditure and greater mobilization of tax revenue. To support external deficit financing, the Council also recommended the actual repatriation of export earnings.

Furthermore, the Ministers approved BCEAO accounts under fiscal year 2017 and allocated the profits.

The Council also approved the proposed revision of BCEAO's External Auditors selection policy and put in place the Supervisory and Resolution Colleges instituted by the revised Annex to the Convention governing WAMU Bank Commission.

The Council of Ministers was updated on the conclusions reached by the March 7, 2018 meeting of BCEAO Monetary Policy Committee, the revised prospects for the Union economies in 2018 and 2019, the conclusions reached by the regional consultations under Article IV of IMF Statutes, held in Dakar, from January 18 to 24, 2018 and progress in the Credit Information Desks (BIC) promotion project. It also took cognizance of the conclusions reached, following consideration by the IMF Board of Directors, of IMF services' report on program design in monetary unions and the status of export earnings repatriation in WAEMU member countries under 2017.

During its ordinary session of June 29, 2018, the Council of Ministers noted the continuing good trend in economic activity. Indeed, real GDP growth rate was 6.5%, showing an annual upturn, in first quarter of 2018 from 6.4% the previous quarter. Under 2017, the Union GDP rose by 6.6% compared to 6.5% in 2016. For 2018, economic growth is predicted at 6.8%.

The Council noted the prices to have generally increased at a moderate 0.9% in first quarter of 2018.

The Ministers also observed that the implementation of WAEMU countries' budgets would result in a budget deficit of 3.8% of GDP in 2018, down from 4.2% in 2017. Current external transactions were expected to show a deficit of 7.0% of GDP in 2018 compared to 6.7% in 2017. To support effort to consolidate budget and move it towards community standard of 3.0% of GDP in 2019, the Council of Ministers notably recommended greater mobilization of tax revenue and more effective public expenditure in the Union.

The Ministers approved the designation of Representatives of member States on the Deposit Guarantee Fund Board of Directors in WAMU.

Furthermore, the Council of Ministers was updated on the conclusions reached by the Monetary Policy Committee (MPC) meeting of June 6, 2018; progress in the Credit Information Desks (BIC) promotion project and developments in the balance of payments and overall external position of the region under 2016. The Ministers also took cognizance of the activities of the National Financial Data Processing Units (CENTIF) under 2017.

During its ordinary session of September 21, 2018, the Council of Ministers noted the favorable dynamics driving the economic, monetary and financial situation. Indeed, real GDP growth rate remained at 6.5% in an annual downturn, in second quarter of 2018. The Union GDP is expected to increase by 6.8% in 2018 compared to 6.7 in 2017.

The Council took note of inflation deceleration. On an annual basis, inflation dropped to 0.7% in second quarter of 2018 from 0.9% the previous quarter.

The Ministers also noted that the implementation of State budgets resulted in a mitigated budget deficit, with commitment-and-donation-based ratio standing at 2.2% of GDP in first half of 2018 compared to 2.6% in the corresponding period of last year. Current external transactions were expected to show a deficit of 7.0% of GDP in 2018 compared to 7.2% in 2017.

To support the Union economic performances, in a context of aggravated trade tensions, WAEMU member States will have to continue implementing measures designed to improve budgetary space, strengthen human capital and maintain an appeased sociopolitical climate.

Pursuant to Article 56 of BCEAO's Statutes, the Council of Ministers appointed Messrs. Norbert TOE and Abdoulaye DIOP, as Vice-Governors of the Central Bank, for terms starting from October 1st, 2018.

The Ministers approved the list of BCEAO's external auditors for financial years 2018 to 2023.

Besides, the Council of Ministers was updated on the conclusions reached by the Monetary Policy Committee meeting of September 12, 2018; progress in the Credit Information Desks (BIC) promotion project in the West African Monetary Union (WAMU); the status of WAMU banking system under 2017 and efforts to repatriate export earnings in WAEMU member countries in recent period.

During its ordinary session of December 21st, 2018, the Council of Ministers noted the continuing favorable dynamics driving economic, monetary and financial situation in third quarter of 2018. Indeed, real GDP growth rate was 6.7% in an annual upturn from 6.5% a quarter earlier. The Union GDP is expected to increase by 6.6% in 2018 like in 2017.

The Council noted a slight price hike. On an annual basis, inflation was 0.9% in third quarter of 2018, up from 0.7% the previous quarter.

The Ministers also observed that the implementation of State budgets would result in a mitigated overall commitment-and-donation-based deficit of 3.8% of GDP in 2018, down from 4.3% in 2017. The deficit in the balance of current transactions is expected to decline by 0.2 percentage point from 6.6% of GDP in 2017 to 6.4% in 2018. Additionally, as a result of consolidated net capital inflows, the WEAMU countries' external trade was expected to show an overall surplus of 909.5 billion compared to 304.1 billion in 2017.

To support the Union economic performances, in a global context of aggravated trade tensions, the States should continue implementing measures designed to ensure the sustainable strengthening of production bases and the driving forces behind economic growth, the consolidation of budgetary space as well as maintain an appeased sociopolitical and secure climate.

Furthermore, the Ministers approved the designation of the representative of the Republic of Senegal as a member of WAMU Financial Stability Committee.

5.1.3 – BCEAO Monetary Policy Committee

During the 2018 financial year, the membership of BCEAO Monetary Policy Committee underwent the following changes:

- Under BCEAO, Mr. Norbert TOE, the new Vice-Governor of the Institution, is a de facto member of BCEAO Monetary Policy Committee, effective from October 1st, 2018, in replacement of Mr. Jean-Baptiste COMPAORE, the outgoing Vice-Governor;

- Mr. Abdoulaye DIOP, the new Vice-Governor of BCEAO, is a de facto member of BCEAO Monetary Policy Committee, effective from October 1st, 2018, in replacement of Mr. Mamadou DIOP, the outgoing Vice-Governor.

BCEAO Monetary Policy Committee held, as at end of December, 2018, four (4) ordinary meetings under the Chairmanship of Mr. Tiémoko Meyliet KONE, Governor of the Central Bank, its statutory Chair, on March 7, 2018; June 5, 2018; September 12, 2018 and December 5, 2018 at BCEAO Headquarters, in Dakar.

During its session of March 7, 2018, the Committee reviewed major developments in global and regional economic situation in recent period as well as the risk factors that could affect medium term prospects for price stability and economic growth in the Union.

On the global stage, the Committee noted that economic activity continued to consolidate globally in fourth quarter of 2017. According to the International Monetary Fund's Economic Outlook, published in January, 2018, global production was expected to increase by 3.9% in 2018, up from 3.6% in 2017. However, the international prices of major commodities exported by the Union countries, showed contrasted tendencies in fourth quarter of 2017. While the prices of palm kernel oil, cocoa, cotton and palm oil increased, those of coffee, rubber, cashew and gold declined.

The Committee observed that economic activity in the Union remained well oriented in fourth quarter of 2017. GDP growth rate, on an annual basis, dropped to 6.5% from 6.7% the previous quarter. For the whole of 2017, economic growth was estimated at 6.7%, compared to 6.6% in 2016.

The Committee noted that for the whole of 2017, commitment-and-donation-based budget deficit represented 4.6% of GDP compared to 4.4% in 2016, with the community targeting 3.0% by 2019. Under such circumstances, efforts to mobilize tax revenue and streamline public spending should be pursued.

The Committee noted money supply in the Union to have increased by 7.5% on an annual basis, in fourth quarter of 2017, reflecting the consolidation of domestic claims (9.9%) and an increase in net external assets (9.0%). Quarterly average interest rate on monetary market was 4.12%, up from 3.20%, the previous quarter and 3.59% a year earlier.

The Committee noted inflation to have dropped to 0.9% on an annual basis, in fourth quarter of 2017 from 1.2% the previous quarter. For the following 24 months, inflation was projected at 1.5% on an annual basis.

In view of these developments, the Monetary Policy Committee decided to maintain unchanged the minimum auction interest rate for liquidity injection at 2.50% and marginal lending window interest rate at 4.50%. The reserve requirements coverage ratio applicable to the Union banks remained set at 3.0%.

During its session of June 5, 2018, the Committee reviewed major developments in global and regional economic situation in recent period as well as the risk factors that could affect inflation and economic growth prospects in the Union.

On the global stage, the Committee noted economic activity to have remained dynamic globally in first quarter of 2018. Over the whole year, the economy was expected to grow at 3.9%, up from 3.8% in 2017, according to IMF estimates published in April, 2018. The international prices of major commodities showed contrasted tendencies in first quarter of 2018. While the prices of oil, cashew, cotton, cocoa and gold increased, those of palm kernel oil, palm oil, coffee and rubber declined.

The Committee noted the economic activity of the Union to have remained vigorous in first quarter of 2018. Real GDP growth which was mainly driven by domestic demand was 6.5% on an annual basis, up from 6.4% the previous quarter.

The Committee noted the money supply of the Union to have grown at 8.8% on an annual basis, in first quarter of 2018, reflecting the consolidation of net external assets (+66.1%) and an increase in domestic claims (+3.8%). Quarterly average interest rate of monetary market was 4.50%, up from 4.10% the previous quarter. However, the Committee noted the downward trend of monetary market rates over the first two months of second quarter of 2018.

The Committee noted that while inflation dropped to 0.9% on an annual basis, in first quarter of 2018, it remained stable compared to previous quarter. For the following twenty-four months, inflation was projected at 1.5%, on annual basis which was consistent with the price stability target pursued by the Central Bank

The Committee noted that the commitment-and-donation-based budget deficit anticipated by the States for the whole of 2018 was estimated at 3.8% of GDP, down from 4.2% in 2017, with the community target set at 3.0% by 2019. Under such circumstances, efforts to mobilize revenue and streamline public spending should be pursued.

In view of these developments, the Monetary Policy Committee decided to maintain unchanged the minimum auction interest rate for liquidity injection at 2.50% and marginal lending window interest rate at 4.50%. The reserve requirements coverage ratio applicable to the Union banks remained set at 3.0%

During its ordinary session of September 12, 2018, the Committee reviewed major developments in the global and regional economic situation in recent period as well as the risk factors that could affect medium term inflation and economic growth prospects in the Union.

On the global stage, the Committee noted global economic activity to be generally well oriented in second quarter of 2018. According to IMF's latest estimates, global economy was expected to grow at 3.9% in 2018 compared to 3.8% in 2017. The international prices of major export commodities of the Union countries showed differential trends in second quarter of 2018. While the prices of oil, cocoa and cotton increased, those of palm kernel oil, cashew, palm oil, gold, coffee and rubber declined.

Within the Union, the Committee noted economic activity to have remained vigorous in second quarter of 2018. Real GDP growth which was mainly driven by domestic demand was 6.5% on an annual basis remaining at the same level as in previous quarter.

The Committee noted that commitment-and-donation-based budget deficit was expected to be 3.8% of GDP in 2018, according to data from official sources compared to 4.2% in 2017, with the community targeting 3.0% by 2019. Under such circumstances, the Monetary Policy Committee recommended that States expedite the implementation of measures designed to ensure compliance with community standard.

Reviewing the Union's monetary situation, the Committee noted money supply to have increased by 9.2% on annual basis, in second quarter of 2018, reflecting the consolidation of net external assets (+23,9%) and an increase in domestic claims (+7,4%). It observed by and large a downward trend in monetary market interest rates in second quarter of 2018. Quarterly average interest rate of monetary market was 3.77% compared to 4.50% the previous quarter.

The Committee noted inflation to have dropped to 0.7% in second quarter of 2018, from 0.9% the previous quarter. For the following twenty-four months, inflation was predicted at 1.4% on an annual basis which is consistent with the price stability target pursued by the Central Bank.

In view of these developments, the Monetary Policy Committee decided to maintain unchanged the minimum auction rate for liquidity injection at 2.50% and the marginal lending window rate at 4.50%. The reserve requirements coverage ratio applicable to the Union banks remained set at 3.0%.

During its ordinary session of December 5, 2018, the Committee reviewed the major developments that marked global and regional economic situation in recent period as well as the risk factors that could affect medium term inflation and economic growth prospects in the Union.

On the global stage, the Committee noted that by and large global economic activity expanded at a moderate rate in third quarter of 2018, in a context characterized by heightened tensions in trade relations and on capital markets. According to the latest figures published in October 2018 by the International Monetary Fund, global economy growth rate was put at 3.7% in 2018 and 2019. On the international major commodity markets, the prices of the export commodities of the Union countries declined in third quarter of 2018, with the exception of oil prices. Cashew, palm oil, cocoa, coffee, gold and palm kernel oil prices recorded the sharpest drop.

Domestically, economic activity growth rate remained robust in third quarter of 2018 at 6.7% on an annual basis, up from 6.5% the previous quarter. For the whole of 2018, economic growth was projected at 6.6% like in 2017.

Under public finance, the Committee noted that commitment-and-donation-based budget deficit to have been mitigated at 3.9% of GDP in 2018 based on data from Official Sources compared to 4.3% in 2017. Under such circumstances, the Committee recommended that States pursue efforts to implement measures designed to ensure compliance with the community standard of 3.0% by 2019.

The Union's monetary situation in third quarter of 2018 was marked by money supply increasing by 9.8% on an annual basis, driven by an increase in domestic claims (+8,0%), while net external assets declined. On the monetary market, the downward trend in rates continued for the second consecutive quarter. Quarterly average interest rate of monetary market was 2.50% down from 3.77% the previous quarter.

The Committee noted a slight price hike, on an annual basis, in third quarter of 2018. Inflation stood at 0.9%, up from 0.7% a quarter earlier. For the following twenty-four months, inflation was projected at 1.4%, on an annual basis which is consistent with the price stability target pursued by the Central Bank.

Based on these analyses, the Monetary Policy Committee decided to maintain unchanged the minimum auction rate for liquidity injection at 2.50% and the marginal lending window rate at 4.50%. the reserve requirements coverage ration applicable to the Union banks remained set at 3.0%.

5.1.4 – BCEAO BOARD OF DIRECTORS

In 2018, the membership of BCEAO Board of Directors underwent the following changes:

- Under Burkina Faso, Mr. Célestin Santéré SANON, Director General of the Treasury and Public Accounting, was appointed as representative of Burkina Faso on the Board of Directors of the Central Bank of West African States, effective from November 5, 2018, in replacement of Mr. Naby Abraham OUATTARA.

- Under the Republic of Mali, Mrs. Aoua SYLLA BARRY, Secretary General, Ministry of Economy and Finance, was appointed as representative of Mali on BCEAO Board of Directors, effective from November 21st, 2018, in replacement of Mrs. Zamilatou CISSE SIDIBE.

- Under the Republic of Niger, Mr. Habou HAMIDINE, Secretary General, Ministry of Finance, was appointed as representative of Niger on BCEAO Board of Directors, effective from January 5, 2018, in replacement of Mr. Taher HASSANE.

- Under the French Republic, Mr. Yves CHARPENTIER, Financial Adviser for West Africa at the Treasury Head Office, was appointed as representative of France on BCEAO Board of Directors, effective from December 12, 2018, in replacement of Mr. Cyril ROUSSEAU.

As at December 31st, 2018, the Board held two (2) ordinary sessions on March 22 and December 20, 2018 at BCEAO Headquarters, in Dakar, under the Chairmanship of Mr. Tiémoko Meyliet KONE, Governor of the Central Bank and its statutory Chair.

During its ordinary session of March 22, 2018, the Board notably reviewed BCEAO's accounts and financial statements closed on December 31st, 2017, in accordance with International Financial Reporting Standards (IFRS) and BCEAO's Specific Accounting Rules. It took cognizance of the Central Bank's Commissioner, Comptroller's reports for financial year 2017.

The Board was also updated on the conclusions reached by the BCEAO Audit Committee meeting held on March 20, 2017 at BCEAO Headquarters, notably to review the financial statements and assess the effectiveness of the internal control mechanism.

The Board further approved the revision of Central Bank's external auditor selection policy. Lastly, the Board was informed of BCEAO's 2017 Annual Report.

At the end of its deliberations, the Board of Directors closed BCEAO's accounts as at 31st, December, 2017. In this regard, it commended the Central Bank for the results achieved and decided to submit the financial statements thus closed to the Union Council of Ministers for approval.

During its ordinary session of December 20, 2018, the Board reviewed and approved the budget of the Bank of Issue for the 2019 financial year.

It also approved the proposed recourse to an audit and financial information expert to assist the Audit Committee.

The Board took cognizance of the suspension by the Central Bank of the process of repurchasing Société Africaine de Raffinage's shares in the joint ownership building located in Dakar, Senegal.

Besides, following BCEAO Audit Committee's proceedings of December 18, 2018, in Dakar, the Board took note of its work program for 2019.

5.1.5 – BCEAO Audit Committee

During the financial year under review, the Audit Committee membership underwent the following changes:

- Mr. Naby Abraham OUATTARA, Burkina Faso Administrator, was appointed as BCEAO Audit Committee member, effective from April 1st, 2018, in replacement of Mr. Habou HAMIDINE, outgoing member of the Republic of Niger.
- Mr. Célestin Santéré SANON, Burkina Faso Administrator, was appointed as BCEAO Audit Committee member, effective November 5, 2018, in replacement of Mr. Naby Abraham OUATTARA.

The BCEAO Audit Committee held as at 31st, December, 2018, two (2) ordinary sessions at BCEAO Headquarters, in Dakar, on March 20, 2018, under the chairmanship of Mr. Adama Racine SOW, its outgoing statutory chair and December 18, 2018 under the chairmanship of Mr. Oumara KARIMOU ASSOUMA, its new statutory chair. Members of the Committee also held an extraordinary meeting on August 29, 2018 through videoconferencing, under the chairmanship of Mr. Oumara KARIMOU ASSOUMA. This session was dedicated to a review of matters relating the designation of BCEAO's External Auditors.

During its session of March 20, 2018, the Committee noted with satisfaction, following the presentation of financial statements by the Bank services and audit reports, by the Commissioner, Comptroller, the sharp increase in the Bank's net income in 2017 (+22%), for the second consecutive year. This performance was induced by an increase in net interest proceeds (+15%), mainly attributable to contributions to credit institutions.

The Committee took note of the Commissioner, Comptroller's positive opinion on the regularity and sincerity of the accounts closed as at December 31st, 2017, the effectiveness of the Bank's internal control mechanism and of compliance with the provisions of the Operations Account Convention.

After reviewing the financial statements, the Audit Committee strongly commended the Governor and the Bank staff for the results achieved and recommended that the Board of Directors clear the accounts of financial year closed as at December 31st, 2017, as submitted to it.

The Committee took note of the outcome of the evaluation effected by the Commissioner, Comptroller and the National Auditors' services at the end of their mandate which covered financial years 2015, 2016 and 2017.

It issued a favorable opinion on BCEAO's external auditor selection policy project which took account of the Bank's changing internal environment and best international practices for that matter.

It approved the revised Internal Audit Charter which incorporated recent progress in the international standards governing internal auditorship.

The Committee also took cognizance of the satisfactory outcome of self-assessed internal audit and the quality of service survey produced by the audit assignments carried out in 2017, under the program to assure of and enhance the quality of Central Bank's internal audit.

It reviewed the audit report for 2017 as well as the annual report on the risks of previous financial year. It took good note of the Department of Market Operations' operation control mechanism. Overall, it noted with satisfaction the actions taken by the Bank to bring the built-in risks of its activities under control.

The Committee noted how promptly its previous recommendations were addressed and the satisfactory implementation of those made at the end of the internal and external audit.

Lastly, the Committee commended the Central Bank Services, the Commissioner, Comptroller and the National Auditors for the quality of documents produced and the clarity of presentations.

During its session of December 18, 2018, the Committee praised the Bank's performances in implementing its audits program for 2018. It also approved the 2019 annual audits program which covered the Bank's main areas of sensitive activities and emerging risks including those associated with cyber security. It urged the Bank to make provisions necessary to maintain the pace of undertaking internal audit assignments.

The Audit Committee further adopted its work program for 2019. The program included two ordinary sessions in March and December dedicated notably to reviewing BCEAO's financial statements under 2018 and internal audit assignments program for 2020.

It took note of progress made in implementing its recommendations as well as those made by the internal and external auditors.

The Committee took cognizance of the Commissioner, Comptroller's audit engagement letter under 2018 and of the findings of his work as at October 31st, 2018. It noted that the intervention program and organization of work proposed for accounts checking were consistent with the contract provisions. It expressed satisfaction at the resources deployed by the Commissioner, Comptroller to carry out its mission.

The Committee endowed itself with a framework for self-assessment of own operation, based on best international practices.

The Committee further considered the proposal to resort to an audit and financial information expert to assist in the execution of its mission. It approved this proposal and recommended that BCEAO Board of Directors should authorize its implementation.

Lastly, the Audit Committee took cognizance of the annual report on the operational risks under 2017. It appreciated the relevance of the report which provided reasonable assurances on the quality of risk management at the BCEAO.

5.2 – BCEAO ADMINISTRATION

5.2.1 – Human Resource Management

5.2.1.1 - Staffing

As at December 31st, 2018, all Central Bank's staff numbered 3,615, down by 18 persons from the December 31st, 2017 figure which was 3,633, or a 0.5% drop and included 3,558 active employees working in BCEAO network and 57 employees on secondment or leave of absence.

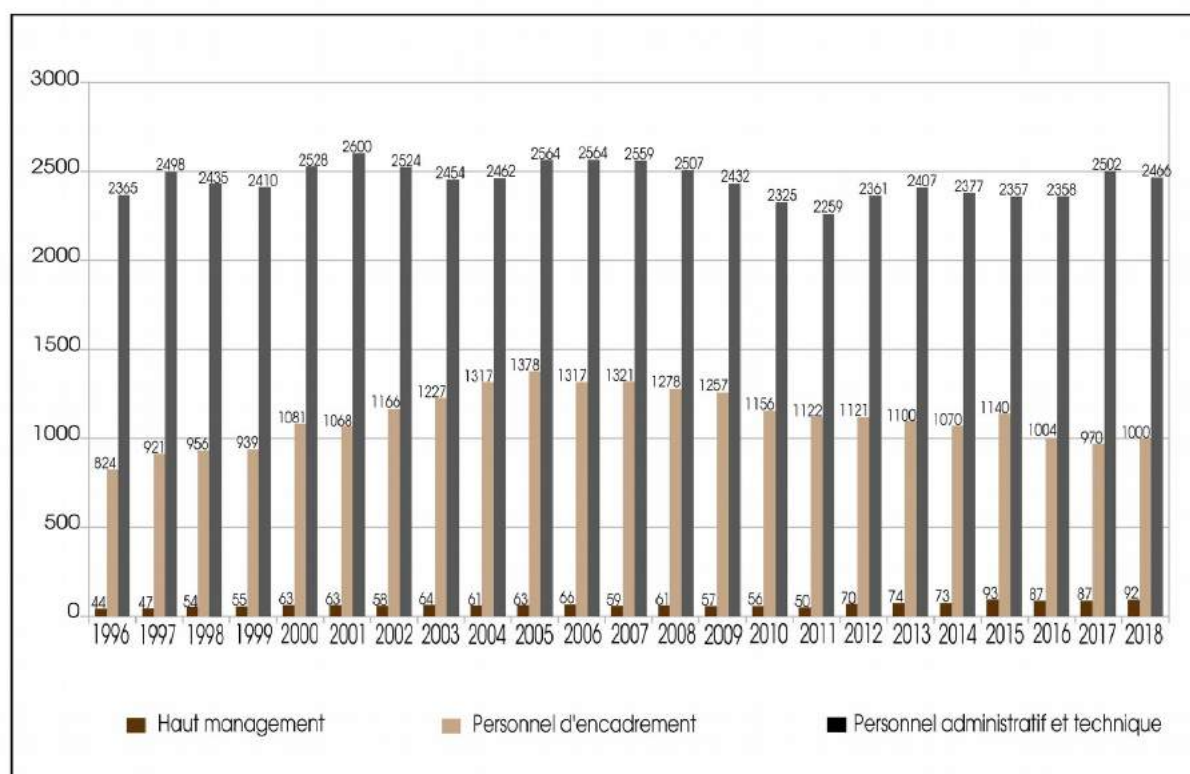
The overall staff number is distributed as follows:

- Senior Management and Directors: 100, or 2.8%;
- Senior Staff: 1,045, or 28.9%;
- Administrative and Technical Staff (ATS): 2,470, or 68.3%;
- Female Staff: 1,451, or 40.1%;
- Male Staff: 2,164, or 59.9%.

The number of staff on active duty (3,558), down by 22 persons (0.6%) from the December 31st, 2017 figure is distributed as follows:

- Headquarters: 712;
- National Head Offices (Main Branches and Subsidiary Agencies): 2,706;
- Representation of Central Bank with European Cooperation Institutions: 4, including an ATS member;
- General Secretariat of WAMU Bank Commission: 136.

Graphique 7 : évolution des effectifs de la BCEAO de 1996 à 2018



(*) : Effectifs ne tenant pas compte des agents en position de détachement et de disponibilité.

Source : BCEAO.

5.2.1.2 - Training

5.2.1.2.1 – Capacity Development and Training Actions

During the 2018 financial year, the BCEAO West African Training Center for Banking Studies (COFEB) implemented, in accordance with its assigned mandate, the various training programs designed for BCEAO staff as well as employees from economic and financial administrations, WAEMU credit institutions and partner central banks.

Regarding **BCEAO's staff training**, the activities were reflected as implementing the annual training program, qualifying training, integrative training as well as other capacity development actions not included in the training program.

Under **In-Service Staff Training**, a hundred and thirty (130) training sessions were carried out over the review period of which fifty-nine (59) external trainings, sixty-three (63) seminars including thirty-seven (37) classroom-based trainings, sixteen (16) through videoconferencing and eight (8) decentralized trainings.

The themes addressed mainly focused on financial operations, writing skills, IFRS (International Financial Reporting Standards) practice, accounting standards of decentralized financial systems, requirements of new ISO 9001 standard version: 2015, fundamentals of SWIFT messaging, management of counterfeit and stained banknotes, low income country debt viability framework,

information systems, financial inclusion strategy and data, macroeconomic diagnoses, practical aspects of establishing direct investment statistics, financial sector monitoring, inclusive growth, analysis of financial inclusion data, technical ways to fight against malevolence, procurement procedures, programming and financial policies, foreign exchange reserve management, regional integration economic issues and bond portfolio management.

These trainings were carried out in partnership with several institutions including Bank of Portugal, Bank of England, International Monetary Fund (IMF) Africa Training Institute (IFA), International Banking and Finance Institute (IBFI) of the Bank of France, World Bank (WB), Bank of International Settlements (BIS), Federal Reserve Bank of New York (FED), Alliance for Financial Inclusion (AFI), WAEMU E-money Inter-Bank Group (GIM-UEMOA), West AFRITAC, as well as other private training structures such as French *Compagnie Nationale des Commissaires aux Comptes (CNCC)*, DEMOS Institute, Schneider Electric group, Cabinet UNIDEV firm, *Service d'Accompagnement de l'Humanité dans les Actions de Recherche Appliquée (SAHARA)* as well as *Centre National de Prévention et de Protection (CNPP)*.

The integrative training of newly-recruited staff by BCEAO was attended by sixty-two (62) staff members recruited by the Bank under financial years 2016, 2017 and 2018. The training unfolded in two stages: stage one was through videoconferencing and took place from June 4 to 13, 2018 and stage two was classroom-based and lasted from June 18 to 22, 2018. The purpose of the training was to get the newly-recruited to familiarize themselves with the Central Bank's corporate culture.

Regarding Qualifying Vocational Training, it started on March 30, 2017 and ended on March 15, 2018 for the eighty (80) laureates retained after the test. The purpose of this training was to significantly enhance employees' qualification level and endow them with skills necessary to enable them to access senior positions based on the reformed employment policy which now favored internal recruitment to fill senior position needs.

On **Graduate Education**, COFEB administered the 40th class whose theoretical training lasted from November 6, 2017 to July 27, 2018, in accordance with the standards of international academic system "Bachelor Degree-Master's Degree-Doctorate Degree" (LMD).

Thirty (30) auditors participated in this training, twenty-five (25) of whom were Nationals of the Union member States, three (3) were from the Central Bank of the Republic of Guinea (BCRG) and two (2) from the Central Bank of Congo (BCC).

On the 41st class of COFEB graduating cycle, a hundred and seven (107) out of the hundred and sixteen (116) candidates anticipated actually participated in the prerequisite test held on June 12, 2018, or a participation rate of 92.24%.

The pre-session teachings started on November 5, 2018 for the thirty-two (32) auditors retained thirty-one (31) of whom came from the Union member States and one (1) from the Central Bank of the Republic of Guinea (BCRG).

5.2.1.2.2 – Conference- News

As part of raising public awareness of economic, monetary and financial developments, COFEB organized four (4) news conferences on the following themes:

- *“Tax Resource Mobilization and Fighting Poverty and Inequalities in Developing Countries”*, presented by Professor Anne Sophie ROBILLARD, Research Officer at UMR DIAL (Development, Institutions and Globalization), Development Research Institute (IRD) and University Paris-Dauphine, on June 14, 2018;
- *“Modeling and Simulating Human Capital and Tax Impact on Economic Growth and Well-Being”* presented by Mr. Mbaye DIENE, Professor of Economics at the Economics and Management Faculty (FASEG) of Cheikh Anta DIOP University (UCAD) in Dakar, a Professor associated with COFEB, on July 13, 2018;
- *“Sub-Saharan Africa vs. its Regional Integration Management”*, presented by Professor Patrick PLANE, Senior Lecturer at the Clermont-Ferrand-based Center for International Development Study and Research (CERDI) , on July 25, 2018;
- *“Cross-Border Banking and Financial Innovation: New Trends and Implications for Financial Inclusion in WAEMU”*, presented by Professor Issouf SOUMARE, Professor at the Administration Science Faculty, University Laval (Canada), on November 22, 2018.

5.2.1.2.3 – Training of Employees from Economic and Financial Administrations, Credit Institutions, Decentralized Financial Systems and Partner Institutions

Short term qualifying trainings were organized, in accordance with the needs collected from credit institutions. These were carried out in a context of broad overture to the Luxemburg-based Financial Technology Transfer Agency (ATTF), University Paris-Dauphine and *Ecole des Hautes Etudes Commerciales de Paris (HEC-Paris)*.

Subsequently, a training and coaching Course aimed at accompanying credit institutions in transposing Basle II and Basle III agreements into the WAEMU Zone, was jointly organized with ATTF. The course which comprised of four sessions brought together senior staff from thirty-four (34) credit institutions in eight (8) Union member States.

A meeting dedicated to members of governance structures was held on May 28, 2018, in the presence of forty-six (46) Directors Generals and the Banks’ Board members. The course ended with feedback from group work during a plenary session held from December 3 to 5, 2018, in Dakar, Senegal, in the presence of Directors Generals and the Banks’ Board members.

In addition to this Course, an internal control and audit seminar was organized from June 25 to 29, 2018, in Dakar, Senegal, for the Union credit institutions. The session which brought together thirty (30) participants, was led by a Luxemburg ATTF consultant. Another seminar was organized on Introduction to Cybersecurity, from December 3 to 5, 2018, in the premises of the Central Bank, in Dakar.

Under BCEAO/HEC-Paris Managerial Capacity Development Program for the Union banking sector, a General Management Course (PGM) of the type “*Certificat Executive Management Général des Activités Bancaires (CEMGAB)*” and a Course of the type “*Certificat Executive de Management des Ressources Humaines (CEMRH)*” were implemented in Dakar and Abidjan respectively.

As part of implementing BCEAO/BEAC/BCC Program designed to develop the capacities of employees from economic and financial administrations and the central banks of West African States, Central Africa and Comoros, two regional seminars were organized on the following themes:

- “*Economic Evaluation of Projects : A Cost/Benefit Analysis (CBA)*”, in collaboration with Ecole des Hautes Etudes Commerciales (HEC) de Montréal (Canada), in Dakar, from April 9 to 13, 2018;
- *Debt Viability Analysis (DVA)*”, in Douala, from July 30 to August 3, 2018.

In addition to this Program’s regional seminars, a sub-regional seminar on the theme “*Capital Markets and Development Financing in WAEMU member States*” was organized in Dakar from December 17 to 21, 2018. It brought together twenty-six (26) participants from the economic and financial administrations of WAEMU member States and a BCEAO staff.

Adding to actions under this Program, two seminars on the themes “*Risk-based Approach to Credit Risk Supervision*” and “*Financial Programming and Policies*” were jointly organized with West AFRITAC.

For Magistrates of Union member States, COFEB jointly organized with the Bank’s Department of Legal Matters (DAJ), a trainer training session on the dissemination of WAMU and BCEAO’s basic texts, from October 17 to 19, 2018, at the Headquarters.

Furthermore, at the request of the Department of Economic Outlook and Monetary Analyses, COFEB implemented a joint training with University Paris-Dauphine on cash management in WAEMU banks and monetary market, from December 4 to 8, 2018, in the premises of the Central Bank. This session brought together forty (40) Treasurers from credit institutions and two BCEAO staff.

5.2.1.2.4 - Cooperation with Partner Institutes

Under cooperation with partner institutes, COFEB took part in the Training Center for Banking Profession (CFPB)’s Microfinance Training Program Executive Committee’s annual meeting held on April 5, in Paris, France; the annual meeting of Training Directors of French-speaking Central Banks held, in August, in Nouakchott as well as the forum of partner countries of the Financial Technology Transfer Agency (ATTF) held, in Luxembourg, from October 1st to 3rd, 2018. A delegation of this Agency paid a working visit to BCEAO Headquarters, from December 4 to 6, 2018.

Besides, a delegation of the Central Bank of Congo, on a visit at the BCEAO Headquarters, had several working sessions notably with COFEB, on cooperation modalities between the two institutions and with the Department of Career and Skill Management (DGCC) on managerial training actions to be undertaken in 2019.

As regards the monitoring of the activities of the African Center for Higher Studies and Management (CESAG), the 5th extraordinary meeting and 36th ordinary session of its Board of Directors were held under the chairmanship of the Governor of BCEAO and Chair of CESAG Board of Directors.

5.2.2 – Property Assets

The Central Bank pursued in 2018 its program to consolidate and extend the infrastructures of the Subsidiary Agency network as well as establish its Fiduciary Processing Center.

With respect to the extension of Subsidiary Agency network, the companies entrusted with building the Subsidiary Agencies in Kayes, Mali; Tahoua, Niger and Saint-Louis, Senegal were shortlisted through an organized bidding. The construction work has started in Kayes and Tahoua. For the Saint Louis Subsidiary Agency, the relevant services of the Republic of Senegal have been approached on the availability of the piece of land attributed to the Central Bank.

As part of consolidating property assets, the extension and rehabilitation of the Bobo-Dioulasso Subsidiary Agency buildings started during the second quarter of 2018 following company selection through bidding. Regarding the rehabilitation and extension of the Maradi and Zinder Subsidiary Agency buildings, the companies shortlisted through organized bidding will start work during the first quarter of 2019. Additionally, technical surveys are being carried out to bring the Abengourou and Kaolack Subsidiary Agencies buildings up to operational and security standard, with the prospect of selecting the companies that will carry out the works during 2019.

As regards the Yamoussoukro Fiduciary Processing Center, the works started on March 26, 2018 and should be completed in the last quarter of 2019.

5.2.3 – Information and Communication System

In 2018, BCEAO continued to implement the projects designed to consolidate its portfolio of data processing applications and tighten security in and around its systems and networks. In this connection, a new procurement management application was put into production in replacement of part of the Oracle Applications software package modules. Furthermore, the tools used to collect data from Reporting units were upgraded as a result of the progress induced by the revision of Bank Accounting Chart (PCB) and by the adoption of Basle II and III. Several on-going projects including redesign of accounting information system, modernization of Central Balance Sheets, automating market operations and e-money issuer supervision, also recorded noticeable breakthroughs.

On tightening safety of Information System, the work done to tighten bank data protection was successful with the obtention in April 2018 of a certificate for compliance with Payment Card Industry Data Security Standard (PCI-DSS). The Bank's resiliency to major disasters was reinforced with the interconnection of production processing centers through optic fiber, in Dakar and that of emergency response in Abidjan. The new infrastructure significantly improved the annual testing of Data Processing Continuity and Telecommunications Plan (PCIT).

5.2.4 – Risk Management Mechanism and Control Activities

The actions taken during 2018 under risk management mechanism and control activities, were part of a continuing effort to upgrade and align them with international standards. These actions focused in particular on updating **risk mapping** and the managerial tools needed to ensure activity continuity, setting up an incident data base as well as tightening information systems safety. The various control activities (operations control, internal audit and external control) were regularly carried out by the Bank's operational structures.

The annual updating of the operational risk mapping was done in 2018. Sessions designed to accompany Headquarters structures and remote sites as well as the Process Enhancement Groups (GAP) were organized to this effect. The annual risk report for financial year 2017 was also reviewed by the Operational Risk Committee (CRO) and submitted to the Bank's Audit Committee. Besides, the operational incident gathering and monitoring mechanism was functional.

Under **activity continuity management**, the actions taken as part of maintaining Activity Continuity Plan (PCA) in operational condition, allowed an updating of the crisis and continuity management tools of each structure of the Bank. Technical and user emergency response mechanisms were also tested in order to determine how aligned available tools were with its resiliency needs and the Bank's Services preparedness. The awareness program designed for different crisis units was pursued.

With regard to **information systems safety**, the management and supervision of the anti-cybercrime mechanism enabled the Bank to make significant breakthroughs in continuous tightening and enhancement of safety of Central Bank's operations.

The information security risk mechanism was managed and monitored through the coordinated actions of the various entities involved in risk identification and evaluation as well as by accompanying the operational structures in their choice of risk processing options and selection of appropriate mitigating measures. Mapping the risks associated with information security as well as the corresponding processing plan were the subject of regular communication by the Data Processing Strategy Committee (CSI).

Important work was also done under SWIFT Customer Security Program (CSP), certification to PCI DSS standard, tightening of security of payment systems operated by BCEAO and reform of the application used to process transfer operations outside WAMU (TRANSFERTS). It allowed significant improvements on clearance review mechanism and watchdog for vulnerabilities and threats as well as financial messaging platforms.

Besides, several actions to train on and raise awareness of information safety were organized at the Headquarters and remote sites for users of BCEAO's information systems.

Other more specific awareness actions were led in favor of users of financial messaging platforms and all agents involved in automated payment systems. Training sessions through videoconferencing on internal control of structures in charge of information systems were also organized for officials of the said-structures, Controllers of Operations of Main Branches and Heads of Subsidiary Agencies.

Work relating to **operations control** activities focused on verification of operations conformity, based on an annual control plan and monitoring of the implementation of recommendations made by various control bodies. The work was done by Operations Controllers involving sixty (60) staff, as at December 31st, 2018 as well as by Heads of Subsidiary Agencies and their Assistants.

As part of controlling BCEAO's foreign exchange reserve management, the quarterly reviews of compliance with laid down rules governing investment of foreign exchange were regularly effected on behalf of the Foreign Exchange Management Orientation and Supervision Committee (COSGRC).

Under **internal audit**, the activities led in 2018 consisted in implementing the annual control program and enhancing the effectiveness of the Bank's internal audit.

The controls effected aimed at assuring of compliance with legal, regulatory and contract provisions, operations effectiveness and efficiency, preservation of the Bank's wealth, information reliability as well as safety of information and payment systems.

In sum, the implementation of the 2018 annual program translated into the realization of forty-eight (48) missions of which seventeen (17) were structure audits; twenty-one (21), fiduciary activity audits; one (1) process audit (on-going); one (1) theme audit; four (4) information systems audits; two (2) audits of transfers issued at the Market Operations Department and two (2) inquiries.

Structure audits concerned fifteen (15) Subsidiary Agencies of BCEAO's National Branches for Benin, Côte d'Ivoire, Niger and Senegal, the Department of General Services (DSG) as well as the General Secretariat of WAMU Bank Commission. These audits involved aspects linked to governance, in particular, activity management, operations control and risk management.

The twenty-one (21) fiduciary activity audits unfolded in the Subsidiary Agencies of all National Branches with the exception of that for Benin and involved assessment of how activities were led and the circumstances under which cash operations were processed. These missions also checked the cash in hand, and destroyed cancelled notes.

The on-going audit concerns process R1-Monetary Policy. It seeks to assure of the level of control of the built-in risks of activities of said-process. The theme audit which has already been done concerned the management of the Bank's insurance contracts.

With respect to information systems, the proposed redesign of TRANSFERT application was audited, the safety of the Bank's systems and networks was evaluated along with an audit of the security of local platform of SWIFT financial transactions. Compliance with the PCI-DSS bank card security standard was also audited with one Bank's service provider.

Under specific missions, two (2) half-yearly audits of regularity of transfers issued at the Market Operations Department (DOM), were carried out and two inquiries effected at the Abidjan Main Branch and Parakou Subsidiary Agency, at the request of Bank Authorities.

During the review period, internal audit capacity development continued through various training actions carried out in favor of Internal Auditors. Thus, many Internal Auditors participated in seminars organized by the West African Training Center for Banking Studies (COFEB). The

trainings focused on themes such as risk management, monetary policy, stained note management and payment systems in WAMU. Individual training internships with training institutes abroad were also organized for Internal Auditors from the *“Information Systems Audit”* center,

External control monitoring concerned auditing of BCEAO’s accounts for the 2018 financial year by the Commissioner, Comptroller and National Auditors as well as an annual review of foreign exchange reserve management by the Operations Account Commissioner.

5.2.5 – Management Control Mechanism

The major actions taken during 2018 included monitoring the implementation of BCEAO’s 2016-2018 Strategic Plan and the structure pilot mechanism as well as the continued implementation of the Bank’s analytical accounting. Besides, a new Strategic Plan covering 2019-2021 was drawn up.

Under the 2016-2018 Strategic Plan, the implementation of planned projects was monitored periodically during 2018 through quarterly review of said-projects status by the Strategic Plan Steering Committee. Overall, the strategic projects programmed by the Bank’s structures were correctly handled.

During the financial year under review, the Bank also embarked on preparing its new 2019-2021 Strategic Plan in order to keep coping effectively with uncertainties and its fast-changing environment. The plan was designed based on the strategic diagnoses of all Bank’s processes, underpinned by weakness and strength analyses as well as the threats and opportunities of said-processes. Determined by structure leadership and senior management with the strong involvement of process pilots, the diagnoses allowed updates on challenges identified during the previous Plan. The major innovation in 2018 is to have directed prospective reflection to the topical themes that were likely to constitute major challenges for the Bank in the coming years.

At the end of this work, effected from March to November, 2018, the major challenges in store for the Bank in the coming years were identified and classified into four strategic categories as follows:

- Category 1 related to *“Process and Risk Governance”*;
- Category 2 related to *“Monetary Stability”*;
- Category 3 centered on *“Stability and Financial Inclusion, Economy Financing”*;
- Category 4 focused on *“Resource Effectiveness” Challenge*.

To address all the challenges associated with the 2019-2021 Strategic Plan, thirteen (13) strategic objectives distributed into thirty-nine (39) operational objectives were identified. The indicators determining that these objectives were attained through planned projects, were also defined. For each project, the structure in charge drew up a detailed action plan which clearly identified the distribution of its implementation timeline for each year of the Strategic Plan.

The additional resources needed to achieve the objectives of next Strategic Plan were estimated for each structure. The Plan’s financial sustainability was taken into account based on a multi-year budget framework covering the 2019-2021 period.

Concerning the structure pilot mechanism destined to the Bank's structure leadership and seeking for performance, most of the actions needed to improve it, identified in the aftermath of the balance sheet in 2017 of the four (4) years of operation of said-mechanism, were implemented. It continued to be monitored in order to ensure the actors concerned get more familiarized with the methodology.

As for the analytical accounting aspect, the accompanying work of the process is on-going.

5.2.6 – BCEAO's Quality Management System

As part of monitoring the certification of its Quality Management System (SMQ) to Version 2015 of ISO 9001 Standard, the Central Bank submitted said-system for an annual surveillance audit. The external evaluation effected by Cabinet Bureau Veritas from September 17 to 21, 2018, covered all processes at the Headquarters and a sample of processes at the General Secretariat of WAMU Bank Commission, at the Lomé Main Branch as well as at the Subsidiary Agencies in Kaolack, San Pedro and Kara.

The audit came to the conclusion that the Central Bank's quality management system (SMQ) continued to respond in a satisfactory way to standard requirements and that it had the required means and skills to attain its objectives.

5.3 – INTERNATIONAL COOPERATION

5.3.1 - Monetary and Financial Cooperation

5.3.1.1 - Relations with the International Monetary Fund (IMF)

During 2018, all WAEMU member States implemented programs supported by the International Monetary Fund.

The operations effected by the Central Bank with the IMF on the account of WAEMU member States translated during 2018 into net resource inflows worth SDR 206.01 million compared to SDR 143.25 million a year earlier. This situation followed the increasing drawings made on the IMF resources which were mitigated to some extent by higher reimbursements. Indeed, drawings stood at SDR 419.98 million compared to SDR 320.96 million the previous year, or an increase of SDR 99.02 million. Reimbursements rose by SDR 34.48 million, from SDR 176.16 million to SDR 210.64 million. Moreover, no debt write-off was granted to the Union member States under 2018 nor the previous year.

The charges borne by BCEAO and member States in 2018 stood at SDR 10.81 million (CFAF 8,560.63 million) compared to SDR 4.62 million (CFAF 3,697.53 million), the previous year. They concerned commissions paid by BCEAO and interest charges under Extended Credit Mechanism (MEDC).

Under remuneration of their creditor positions in 2018, the amount paid by the IMF to WAMU member States increased by SDR 4.42 million to SDR 7.48 million (CFAF 5,868.87 million) compared to SDR 3.06 million (CFAF 2,456.61 million) the previous year. As at December 31st, 2018 the stock of acquired SDRs was worth SDR 752,79 million (CFAF 602.53 billion), up 40.45% from end of December 2017 figure.

5.3.1.2 - Relations with Other Institutions

BCEAO participated in two ordinary meetings of the Ministers of Finance of the Franc Zone under 2018, in April and October, 2018, in Brazzaville, Congo and Paris, France respectively. Following a review of the economic outlook and status of convergence in the Zone, these meetings notably deliberated on the challenges associated with domestic resource mobilization and reflected on ways to fight money laundering and terrorism financing.

By and large, the convergence status in the Franc Zone improved slightly, three member countries all of which are WAEMU members (Guinea-Bissau, Mali and Senegal) having complied with all first level criteria.

On the challenges associated with domestic resource mobilization, the following main recommendations were made : (i) to improve the performance of tax and customs administrations, (ii) to streamline tax expenditure, (iii) to address the tax evasion challenge in a better way, and (iv) to factually modernize the taxation and tax and duty payment system. On reflections about ways to fight terrorism financing, it was noted that the Franc Zone still faced a double threat in form of growing illegal financial flows and resurgence of terrorism financing. To address these threats, five (5) lines of actions were identified, viz.: (i) coordination between national and regional actors in dealing with the Financial Action Task Force (FATF)'s recommendations, (ii) improve the legal and institutional frameworks by incorporating the risk factor, (iii) strengthening coordination of Supervisory Authorities and financial intelligence units' action, (iv) consolidating on-going initiatives between the States, and (v) design of criminal and customs policies.

5.3.2 – Economic and Monetary Integration

The Bank of Issue took an active part in the implementation of the Union's integrative projects. In this connection, it participated in three meetings of WAEMU's Cotton Textile Agenda, dedicated to revitalizing the industry competitiveness and local processing of cotton. It also took part in the groundwork work on the design of phase 3 of Regional Economic Program (PER).

The Central Bank also pursued, in collaboration with WAEMU Commission and the West African Development Bank (BOAD), the implementation of the Regional Initiative for Sustainable Energy (IRED) as well as monitoring of the implementation of projects funded under this Initiative. It also took part in re-reading the texts establishing the Energy Development Fund (FDE) for the purpose of endowing it with legal personality.

Under monetary integration within the Economic Community of West African States (ECOWAS), BCEAO took part, in February 2017, in Banjul, Gambia and in September 2018, in Abuja, Nigeria, in the statutory meetings of the West African Monetary Agency (WAMA). The main points discussed during these meetings concerned the implementation of ECOWAS Monetary Cooperation Program (EMCP) and administrative matters.

On implementation of EMCP, it appeared that macroeconomic situation within the Community had improved, with a 2.3% growth rate (6.6% for WAEMU) in 2017 compared to 0.2% (6.4% for WAEMU) a year earlier. ECOWAS annual average inflation reached 13.8% (0.3 for the Union) 2017 compared to 13.2% (0.8 for the Union), a year earlier, due mainly to shortage of external reserves and foreign exchange gains. In this context, four countries: Guinea-Bissau, Mali, Senegal

and Togo complied with all first level criteria compared to only a single country, Liberia in 2016. Budget deficit and inflation standards turned out to be most difficult to observe. Seven and eleven countries respectively were able to meet them in 2017 compared to three and twelve countries in 2016. Potential risks seemed to threaten the medium economic outlook of the region viz.:

- (i) non-inclusive character of growth and the economies are dependent on export products;
- (ii) limited production capacity and sluggish structural reforms needed to improve business environment;
- (iii) persistent difficulty in bringing budget deficit under control due to insufficient income mobilization and swollen operating expenses including for grants and interest payments.

With respect to the harmonization of economic and financial policies in anticipation of the creation of ECOWAS single currency in 2020, actions were taken towards adopting a common monetary policy framework and foreign exchange regime. In this connection, BCEAO took part in the technical meetings organized on these matters.

Administrative matters mostly concerned the proposed transformation of WAMA into ECOWAS Monetary Institute (EMI). The transformation was to make WAMA stronger for it to play a more effective role in the regional integration process, which included preparing all the groundwork necessary to establish the future ECOWAS Central Bank and put in place the West African single currency.

As part of an effort to finance the revised roadmap activities that should lead to the establishment of the ECOWAS single currency, a Special Fund was set up by Decision n° A/DEC.3/07/18, dated July 31st, 2018 of ECOWAS Conference of Heads of State and Government, held in Lomé. The Fund was endowed with six million US\$ (US\$ 6,000,000), distributed between the Central Bank of Nigeria, BCEAO and the Bank of Ghana. BCEAO has started paying its share of the Fund, which is administered by a Management Committee made up of seven (7) members designated by the Ministerial Council of the Presidential Task Force. The 7-member Management Committee comprises of one (1) representative of the President of ECOWAS Commission who heads it, (3) representatives of central banks, two (2) representatives of the Ministers of Finance of member States and one (1) representative of ECOWAS Commission in charge of the Secretariat. The Fund Management Committee held its first meeting on November 16, 2018, in Abidjan, Côte d'Ivoire.

APPENDICE

LIST OF MAJOR PUBLICATIONS BY BCEAO

PERIODICALS

Annual Publications

- 1 - Directory of Banks and Financial Institutions
- 2 - Statistics Yearbook
- 3 - BCEAO Financial Statements
- 4 - Balance of Payments and Overall External Position of WAMU Member States
- 5 - Balance Sheets and Profit and Loss Accounts of Banks and Financial Institutions
- 6 - Economic Outlook of WAEMU States
- 7 - BCEAO Annual Report
- 8 - WAMU Bank Commission Annual Report
- 9 - Annual Report on BCEAO Payment Systems
- 10 - Report on Consumer Price Trends in WAEMU and Prospects
- 11 - Report on WAEMU External Trade
- 12 - Report on WAMU Economy Competitiveness
- 13 - Report on Bank Requirements in WAEMU
- 14 - Status of Financial Services Via Mobile Phone in WAEMU

Half-Yearly Publication

- 15 - Economic and Monetary Journal

Quarterly Publications

- 16 - Quarterly Statistics
- 17 - Information Note
- 18 - Monetary Policy Report

Monthly Publication

- 19 - Monthly Statistics

BOOKS

- 20 - Billets et pièces de monnaie dans la Zone UMOA (des origines à 2012). BCEAO, Dakar, 2012.
- 21 - Histoire de l'UMOA (3 tomes en français et en anglais). Georges Israël Editeur, Paris, 2000.
- 22 - Intégration monétaire et mutations du système financier international : défis et perspectives. BCEAO, L'Harmattan, Dakar, 2014.
- 23 - Méthodologie d'analyse financière. BCEAO, Dakar, 2004.

- 24 - Plan Comptable Bancaire de l'UMOA (4 volumes). BCEAO, Dakar, 1994.
- 25 - Quel secteur bancaire pour le financement des économies de l'UEMOA. Editions BCEAO, L'Harmattan, Dakar, 2011.
- 26 - Recueil des textes légaux et réglementaires régissant l'activité bancaire et financière dans l'UMOA. BCEAO, 1^{ère} éd. 2003, 2^e éd. 2016.
- 27 - Recueil des textes législatifs et réglementaires applicables aux systèmes financiers décentralisés dans l'UMOA. BCEAO, 2013.
- 28 - Référentiel comptable spécifique des systèmes financiers décentralisés de l'UMOA. BCEAO, 2009.
- 29 - Système Comptable Ouest Africain (SYSCOA) (4 tomes).
- Plan comptable général des entreprises. Edition Foucher, Paris, 1996.
 - Guide d'application. Edition Foucher, Paris, 1997.
 - Système minimal de trésorerie. Edition Foucher, Paris, 1997.
 - Tableaux de passage. Edition Foucher, Paris, 1997.
- 30 - Système Comptable Ouest Africain (SYSCOA). Liste intégrale des comptes et états financiers BCEAO, Dakar, 2005.
- 31 - Livre d'or du 40^e anniversaire de la BCEAO. Georges Israël Editeur, Paris, 2004.
- 32 - Collection des œuvres d'art contemporain de la BCEAO. Georges Israël Editeur, Paris, 2005.



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