



BCEAO
CENTRAL BANK OF
WEST AFRICAN STATES

2019

ANNUAL REPORT

(SUMMARISED VERSION)



2019

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(SUMMARISED VERSION)



The Annual Report of the Central Bank of West African States is available on the Bank's website at:
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CONTENTS

GOVERNOR'S MESSAGE.....	V
HIGHLIGHTS OF 2019.....	VI
MEMBERSHIP OF THE STATUTORY BODIES AND ORGANIZATION CHART OF THE BCEAO.....	XIII
OVERVIEW.....	XXI
I - ECONOMIC AND FINANCIAL DEVELOPMENT.....	1
II - MONETARY POLICY IMPLEMENTATION.....	17
III - TRENDS IN THE BANKING AND FINANCIAL SYSTEM AND ACTIONS TO ACHIEVE FINANCIAL STABILITY AND INCLUSION.....	25
IV - MANAGEMENT OF BANKNOTES AND COINS, PAYMENT SYSTEMS AND INSTRUMENTS, AND FOREIGN EXCHANGE RESERVES.....	39
V - INSTITUTIONAL FRAMEWORK AND ADMINISTRATION OF THE BCEAO.....	47
VI - INTERNATIONAL COOPERATION.....	63

LIST OF GRAPHS

Graph 1: Growth in global economic activity	2
Graph 2: Trends in oil prices (NYMEX)	4
Graph 3: Trends in cocoa prices	5
Graph 4: Trends in coffee prices.....	5
Graph 5: Trends in cotton prices	5
Graph 6: Trends in rubber prices	6
Graph 7: Real GDP growth in the Union	9
Graph 8: Coverage of imports by the Union's foreign exchange reserves (in months)	22
Graph 9: Contributions to bank credit growth	23
Graph 10: Counterparty contributions to annual growth in the money supply	24
Graph 11: Concentration of banking risks by line of business	34
Graph 12: Trends in the volume of inter-country trade from 2016 to 2019	42
Graph 13: Trends in the value of inter-country trade from 2016 to 2019	42
Graph 14: Trends in the number of participants in STAR-UEMOA and SICA-UEMOA	43
Graph 15: Changes in the BCEAO's cash position	46
Graph 16: Trends in BCEAO staffing	58

LIST OF TABLES

Table 1: Trends in annual average exchange rates (foreign currency units per 1,000 CFA francs).....	8
Table 2: Trends in quarterly average exchange rates (foreign currency units per 1,000 CFA francs).....	8
Table 3: Trends in consumer prices in 2018 and 2019 (as a %)	12
Table 4: Public finances in 2019	14
Table 5: External debt stock ratio	15
Table 6: Trends in interbank rates in 2019 (weighted average as a percentage)	20
Table 7: Trends in interbank lending within WAMU in 2019 (in millions of CFA F)	20
Table 8: Reserve requirement ratios applicable to banks	21
Table 9: Net claims of depositing institutions on central governments	23
Table 10: Government securities issues (in billions of CFA F)	28
Table 11: Average interest rates on Treasury bills (as a percentage)	29
Table 12: Outstanding government securities at end-December 2019 (in billions of CFA F)	29
Table 13: Trends in outstanding government securities (in billions of CFA F)	29

LIST OF BOXES

Box 1: International Conference on "FinTech: Challenges, Opportunities and Prospects for Developing Countries"	31
Box 2: Revision of the implementing provisions governing the new bank accounting standards.....	33
Box 3: Overview of the project on the interoperability of digital financial services in WAEMU.....	37
Box 4: Activities for the promotion of Islamic finance	38
Box 5: Currency Circulation Management Centre	40
Box 6: Securing and supervision of payment systems and services in the Union	44
Box 7: Trends in export revenue repatriation	46

GOVERNOR'S MESSAGE

The year 2019 was marked by a growing uncertainty, with trade tensions between the United States and China, Brexit, and the geopolitical situation in the Middle East. Global economic growth, which stood at 3.6% in 2018, slowed to 2.9% in 2019.

Despite the unfavourable international context, a positive trend was observed in the economic activities of the West African Economic and Monetary Union (WAEMU) during the period under review. The economies in the zone benefited from a generally supportive socio-political environment, an improving business climate and continuing investments in socio-economic infrastructure. The rate of real growth in the gross domestic product of the Union stood at 6.6% in 2019, as in 2018.

Throughout 2019, the Central Bank continued to work towards a monetary policy designed to achieve price stability. The annual average inflation rate was -0.7% in 2019, against 1.2% the previous year. Against that backdrop, the BCEAO continued its accommodating monetary policy stance, maintaining its principal leading interest rate at 2.50% for the sixth consecutive year.

The Central Bank also pursued its actions to promote financial stability in the 2019 financial year. The mechanism for monitoring systemic risk in the Union was reinforced with the adoption of a methodological framework for identifying systemically important banking institutions. As part of its efforts to enhance the resilience of the banking and financial system, the BCEAO conducted stress tests and strengthened prudential regulations with the entry into force of an Instruction on the Recognition of External Credit Assessment Institutions. At the same time, it pursued the implementation of Basel II and III standards in the Union. Its work in this connection focused on dissemination of regulatory instruments and monitoring of prudential reporting.

The Central Bank also focused on the development of services to the economy, bolstering its actions to promote inclusive finance. To achieve that end, it continued its efforts to support the states in the implementation of the regional financial inclusion strategy in the Union and contributed to the work of the Alliance for Financial Inclusion. The Bank also continued to implement ongoing projects to promote financial inclusion and financial literacy, namely the project on the interoperability of digital financial services in the West African Economic and Monetary Union and the regional financial literacy programme. Thanks to these projects, the people of the Union will have access to faster and more affordable local payment services. In addition, the BCEAO continued to provide support to SMEs/SMIs by accepting claims held by credit institutions on companies eligible for the SME/SMI financing scheme in the Union as collateral for refinancing.

With regard to regional integration, 2019 was marked by significant progress in the implementation of the roadmap for the creation of a single currency for the Economic Community of West African States (ECOWAS). With this in mind, and with a view to promoting the advent of the single currency and facilitating its adoption by the member states of the Union, the WAEMU Heads of State and Government revised their monetary cooperation agreement with France.

The activities implemented by the Central Bank and the results achieved are designed to benefit the people of the Union. The BCEAO will spare no effort to remain a public service that inspires trust and delivers excellence. The statutory obligation of the Central Bank to inform and publish, which is the corollary of its independence, includes a requirement to report on its results, and that is the purpose of this 2019 activity report.

The Governor of the Central Bank of West African States,

President of the Board of Directors.

HIGHLIGHTS OF 2019

THE 2019 FINANCIAL YEAR WAS MARKED BY THE FOLLOWING HIGHLIGHTS.

ECONOMIC AND MONETARY INTEGRATION

Reform of the monetary cooperation agreement between the member states of the Union and France

On 21 December 2019, in Abidjan, the President of the Conference of Heads of State and Government of the Union, His Excellency Mr Alassane Ouattara, acting on behalf of his peers, and the President of the French Republic, Mr Emmanuel Macron, announced a major step forward in the economic and monetary integration of the eight member countries of the West African Monetary Union (WAMU), by laying the groundwork for their participation in the ECO, the single currency programme of the Economic Community of West African States (ECOWAS).

To allow the WAEMU economies to prepare for the ECO, the monetary cooperation agreement between the member states of the zone and France has been extensively reworked. The key elements of the reform can be summarized as follows:

- ☐ changing the name of the currency from CFA franc to ECO, when the WAEMU member states join the new ECOWAS ECO zone,
- ☐ ending the centralization of foreign exchange reserves in the French Treasury, closing the transactions account, and transferring all resources available in that account to the accounts of the BCEAO, and
- ☐ withdrawal of French representatives from the Union's decision-making and management bodies (Board of Directors and Monetary Policy Committee of the BCEAO, WAMU Banking Commission).

Moreover, with a view to ensuring that the ECO serves as the foundation for a vibrant economic union and ensures the prosperity of the populations of the member countries, the highest authorities of WAEMU wished to maintain two key pillars of monetary stability in the zone:

- ☐ a fixed exchange rate against the euro (which ensures the current parity), and
- ☐ a guarantee of unlimited convertibility of the currency by France.

Participation in meetings on the ECOWAS single currency programme

A BCEAO delegation, led by Governor Tiémoko Meyliet Koné, took part in meetings of ECOWAS Ministers of Finance and Governors of Central Banks on the ECOWAS single currency programme, held respectively on 17 and 18 June 2019 in Abidjan and 6 and 7 December 2019 in Abuja. The meetings reviewed the exchange rate regime, the monetary policy framework, the symbol and name of the single currency, the macroeconomic convergence report for the first two quarters of 2019, as well as the status of implementation of the single currency programme roadmap.

Start of work of the regional budget support project technical committee

The regional budget support provided for WAEMU member states by the World Bank is designed to support structural reforms in the countries of the Union. The support consists of loans granted individually to the states at concessional rates to encourage them to implement structural reforms with a view to regional integration.

A tripartite technical committee of the states/BCEAO/World Bank, in charge of monitoring the regional budget support project, was set up by the Council of Ministers during its ordinary session of 22 March 2019.

The BCEAO organized the first meeting of the committee on 20 May 2019 at its headquarters in Dakar. The meeting was attended by representatives of the Ministries of Finance of WAEMU member states and the BCEAO, as well as a delegation from the World Bank. It provided an opportunity to refine the list and contents of the reforms that could be eligible for regional budget support.

International Conference on: "Resolving tensions in correspondent banking relationships in Central and West Africa"

On 27 June 2019, the BCEAO, in collaboration with the International Monetary Fund (IMF), organized a high-level conference at its headquarters on the theme: "Resolving tensions in correspondent banking relationships in Central and West Africa".

The conference brought together senior executives from central banks, bank supervisory bodies and other regulatory institutions, credit institutions from the WAEMU and CEMAC zones and Guinea, as well as international financial institutions.

The event offered an opportunity to examine the causes and implications of the decline in correspondent banking relations in the world, particularly in French-speaking Africa, and to propose appropriate measures that can be implemented by both the banking sector and the regulatory authorities.

BCEAO attendance of the 3rd edition of the International Conference on the Emergence of Africa

A BCEAO delegation, led by Governor Tiémoko Meyliet Koné, took part in the 3rd edition of the International Conference on the Emergence of Africa, held on 17-19 January 2019 in Dakar.

The objective of this Conference was to delve deeper into the subject and find practical solutions for African emergence plans, with a visible commitment of the national private sector supported by strong partnerships with the government, to foster strong inclusive growth and boost the potential of all of the territories.

ACTIONS TOWARDS FINANCIAL INCLUSION

7th Annual Roundtable of the Leaders of the African Financial Inclusion Policy Initiative

The Governor of the BCEAO, Mr Tiémoko Meyliet Koné, took part in the 7th Roundtable of the Leaders of the African Financial Inclusion Policy Initiative (AfPI), organized by the Alliance for Financial Inclusion (AFI) in collaboration with the BCEAO and the Ministry of Economy and Finance of the Republic of Côte d'Ivoire, from 27 February to 1 March 2019 in Abidjan. The meeting was attended by 160 regulators and policy makers from 30 institutions in African countries.

This event afforded the participants with an opportunity to discuss appropriate measures to be implemented to support SMEs and ensure the economic empowerment of women in Africa. At the outcome of the discussions, the Leaders decided that the 8th Roundtable should be organized by the Central Bank of Tanzania in the first quarter of 2020.

Official opening ceremony of the Regional Office of the Alliance for Financial Inclusion

The official opening ceremony of the Regional Office of the Alliance for Financial Inclusion (AFI) for sub-Saharan Africa and the Middle East took place in Abidjan on 27 February 2019. The ceremony was co-chaired by the Minister of the Economy and Finance of the Republic of Côte d'Ivoire, the Governor of the BCEAO and the Executive Director of AFI. The event brought together AFI members as well as WAEMU personalities and was marked by the symbolic cutting of a ribbon to officially open the Office.

The AFI Regional Office, which was equipped by the BCEAO, is hosted by the Ministry of the Economy and Finance of the Republic of Côte d'Ivoire. It is expected to bring new impetus to financial inclusion policies in the countries of the region and facilitate the implementation of the strategic plan of the African Financial Inclusion Policy Initiative (AfPI).

Signing of a framework financing agreement between the BCEAO and the Swiss Confederation

On 13 May 2019, Ms Marion Weichelt Krupski, Ambassador Extraordinary and Plenipotentiary of the Swiss Confederation to the Republic of Senegal, met with Governor Tiémoko Meyliet Koné at BCEAO headquarters.

On the sidelines of the meeting, the eminent personalities signed a financing agreement between the BCEAO and the Swiss Confederation, as part of the implementation of the Regional Strategy for Financial Inclusion in the West African Economic and Monetary Union (WAEMU).

The activities planned under this agreement include the development and deployment of a regional financial literacy programme through the development of innovative tools and the implementation of communication and information campaigns for target populations, particularly women, youth and rural populations, as well as the development of financial literacy modules and their inclusion in school and university curricula.

Plans have also been made to conduct a baseline study on financial services supply and demand in all eight WAEMU member countries, to provide governments and the BCEAO with comprehensive and reliable data to facilitate the development and implementation of policies that promote financial inclusion.

The total amount of the financing agreement stands at CFA F 3.911 billion, 64% of which will be contributed by the Swiss Confederation. The remaining 36% will be provided by the BCEAO. The duration of the agreement is set at five years.

Signing of a framework financing agreement between the BCEAO and the French Development Agency (AFD)

The Central Bank of West African States (BCEAO) and the AFD signed a financing agreement on 3 June 2019 at Central Bank headquarters in Dakar as part of the implementation of the Regional Strategy for Financial Inclusion in WAEMU.

This agreement will formalize the partnership framework defined between the two parties. It sets out the guiding principles and modalities of collaboration between the BCEAO and the AFD for the implementation of the activities provided for under Priority Area 1 of the Regional Strategy, namely "promoting an effective legal, regulatory and supervisory framework", and Priority Area 2 on "enhancing the health and strength of the microfinance sector".

The partnership enshrines the will of both parties to make financial inclusion a catalyst for economic development and a powerful vector for improving the well-being of the people of the West African Economic and Monetary Union. The total financial resources provided for under the agreement, which will run for two years, are estimated at CFA F 2.335 billion. The AFD will contribute 84.3%, i.e. CFA F 1.967 billion, and the remainder will be borne by the BCEAO.

The BCEAO was distinguished for its contribution to the development of financial inclusion

The BCEAO took part in the 11th Global Policy Forum, organized by the Alliance for Financial Inclusion (AFI) in collaboration with the National Bank of Rwanda, on: "Using Technology for Inclusion of Women and Youth", on 9-13 September 2019 in Kigali. The Forum brought together 912 participants from 59 countries, representing 69 institutions, including regulators, policy makers, and Governors and Deputy Governors of central banks. The BCEAO was represented by its Vice-Governor, Mr Norbert Toé.

The objective of the Forum was to provide a platform to share best practices regarding the use of technology to accelerate financial inclusion of disadvantaged groups, including women, youth, the elderly, refugees and the disabled. The 11th AFI Forum was also an opportunity to celebrate the members' dedication to the network and their contributions to the development of financial inclusion around the world.

The BCEAO was nominated and distinguished, respectively for its efforts in implementing the Maya Declaration (commitments made by AFI members to advance financial inclusion) and for the successful organization of the 7th AFI Leaders Roundtable, held in February 2019 in Abidjan, Côte d'Ivoire, jointly with the high-level international conference on the future of financial inclusion and the official opening of the AFI Regional Office for Africa and the Middle East.

Regional consultation workshop on financial literacy

The BCEAO has developed a regional financial literacy programme for the West African Economic and Monetary Union, in line with the plan of action of the regional financial inclusion strategy. The programme aims to improve the financial literacy of all of the people in the Union, including children and youth in school, out-of-school youth, women, public and private sector employees, the elderly, rural populations and small and medium-sized enterprises.

In order to share the programme and exchange views with pioneering countries in the field, the BCEAO organized a regional consultation workshop on financial literacy on 28 and 29 October 2019 at BCEAO headquarters in Dakar. The workshop brought together 76 participants representing regional financial inclusion strategy national implementation monitoring committees (CNSMOs), Bank Al-Maghrib, the WAMU deposit guarantee and resolution fund, banks, public and private institutions, decentralized financial systems as well as technical and financial partners. The meeting provided theoretical and contextual input with a view to developing, implementing and monitoring a financial literacy programme and sharing the financial education experiences of Côte d'Ivoire, Senegal and Morocco.

WAEMU Financial Inclusion Week

The Central Bank organized the 2nd edition of the WAEMU Financial Inclusion Week, which ran from 18 to 23 November 2019, on "Digitalization for financial inclusion: Challenges facing the financial sector and the WAEMU States." This year's edition provided an opportunity to exchange views with stakeholders on the challenges of the digitalization of payments for the financial sector and the WAEMU member states, the risks associated with the use of new financial technologies, as well as the measures to be implemented to strengthen financial education and protect users of financial services.

The event brought together some 300 participants at BCEAO headquarters in Dakar, mostly representing the Ministries in charge of Finance and the Digital Economy of the countries of the Union, banks, Decentralized Financial Systems (DFSs), Electronic Money Issuing Institutions (EMIs), FinTech, Postal Services or partners in development.

FINANCIAL INFRASTRUCTURE DEVELOPMENT

Attendance of a high-level conference on FinTech opportunities and risks

A delegation led by the Governor of the BCEAO took part in a high-level conference on: '**The Digital Transformation: Balancing Fintech Opportunities and Risks – Implementing the "Bali Fintech Agenda"**' organized jointly by the IMF and Bank Al-Maghrib on 13-14 March 2019 in Rabat. The meeting allowed participants to pool their experiences through in-depth reflection on the issues raised by the "Bali Fintech Agenda" and their relevance to the specific context of their respective countries. The Conference was organized around four sessions and a round table on how to include Fintech in national strategies for financial inclusion and digitalization. The Governor of the BCEAO was the keynote speaker in the session on: "Financial Infrastructure for Fintech."

Organization of a conference on "FinTech: Challenges, Opportunities and Prospects for Developing Countries"

In conjunction with the World Bank, the BCEAO organized an international conference on financial technology businesses, commonly referred to as FinTech. The event took place on 30 and 31 October at Central Bank headquarters in Dakar. The main objective of the conference was to create a framework for dialogue among FinTech ecosystem stakeholders, with a view to pooling their regulatory and supervisory experiences.

Some 145 participants attended the conference, including members of the BCEAO Government and the Governors of the central banks of Central African States, Mauritania, The Gambia, Ghana, and Sierra Leone. The conference was also attended by the Chairman of the Regional Council for Public Savings and Financial Markets (CREPMF), the Secretary General of the WAMU Banking Commission, the Secretary General of the Central African Banking Commission, representatives of the Ministries of Finance, BCEAO National Directors and several other leaders and experts from regional and international regulatory and supervisory institutions such as the Alliance for Financial Inclusion (AFI),

Sveriges Riksbank, the European Central Bank (ECB), Bank Al-Maghrib, the Central Bank of Egypt, the Inter-African Conference on Insurance Markets (CIMA), the West African Development Bank (WADB) and the Regional Stock Exchange (BRVM).

In addition to regulators and supervisors, the event was also attended by players from the financial technology business ecosystem, including FinTech firms, associations and organizations operating in the sector, and representatives of credit and microfinance institutions.

The conference was marked by a Governors' roundtable chaired by the Governor of the BEAC. The forum provided an opportunity for senior central bank officials to review the main lessons to be learned from the conference and examine prospects for ensuring FinTech development in their respective jurisdictions.

The following recommendations were issued at the close of the meeting:

→ develop a specific regulatory framework for FinTech operations relating to the payment services and participatory financing segments, in conjunction with the competent authorities, particularly the CREPMF regarding the investment financing component;

→ draft specific provisions on cybersecurity and the protection and confidentiality of the personal data of customers of financial institutions;

→ adopt an experimentation approach to the FinTech regulatory framework, with the creation of a financial innovation laboratory in the Union. This initiative could be preceded by the creation of innovation offices in WAMU countries; and

→ continue BCEAO participation in international exchange forums on FinTech.

All in all, the conference provided a framework for fruitful and fertile exchanges that allowed stakeholders in the WAMU FinTech ecosystem to better understand the issues, challenges, prospects, benefits and risks associated with the emergence of these entities in the Union.

Regional consultation on the implementation of digital financial services interoperability in WAEMU

A regional consultation on the implementation of digital financial services interoperability in WAEMU was held in Dakar from 30 September to 3 October 2019. The objective of the consultation was to review the progress of the interoperability project launched in 2017. The event allowed participants to define the characteristics of the future platform, which should provide total connectivity for all types of digital payments. At the end of the proceedings, a plan for the deployment of the platform was adopted. Its implementation should enable the launch of the first interoperable services in the first half of 2020.

INTERNATIONAL COOPERATION

Visit by the Managing Director of the IMF to BCEAO headquarters

On the occasion of her first trip to Africa following her appointment as Managing Director of the International Monetary Fund (IMF), Ms Kristalina Georgieva took part in a conference on the subject of "Sustainable development, sustainable debt", organized by the Republic of Senegal and the International Monetary Fund (IMF), on 2 December 2019 in Dakar.

On the sidelines of the meeting, the Managing Director of the IMF paid a visit to BCEAO headquarters on 3 December 2019, during which she met with Governor Tiémoko Meyliet Koné. This visit testifies to the excellent relations between the IMF and the BCEAO.

Cooperation between the BCEAO and the Bank of England

On 5 July 2019, the BCEAO entered into a technical partnership with the Bank of England, supported by the Government of the United Kingdom, as part of an economic and financial capacity-building programme. The areas identified by the two institutions covered financial inclusion, FinTech, market infrastructure, the bank credit market and statistical and economic analysis.

Cooperation between the two central banks includes the participation of BCEAO agents in seminars organized by the Bank of England as well as the organization of two training workshops, respectively in 2020 and 2021, in Dakar.

Twenty-fifth Conference of Central Bank Governors of French-speaking Countries

BCEAO Governor Tiémoko Meyliet Koné took part in the twenty-fifth Conference of Central Bank Governors of French-speaking Countries, focusing on “Central banks, governments and public opinion,” organized by Banque de France on 23-25 May 2019, in Bordeaux. The 2019 edition of the conference addressed a number of topics, such as the goals of central banks to better serve their countries, relationships between central banks and governments, policy and communication tools of central banks, and the role of central banks in financial inclusion and economic and financial education. The Governor of the BCEAO chaired the fifth roundtable on “Central banks, financial inclusion and inequalities.”

Participation in the annual meetings of the Association of African Central Banks

In the framework of the annual meetings of the Association of African Central Banks (AACB) for 2019, a BCEAO delegation led by the Governor attended a Governors’ Symposium on the theme: “Rising African Sovereign Debt: Implications for Monetary Policy and Financial Stability” as well as the 42nd Ordinary Meeting of the Assembly of Governors of the Association, respectively on 31 July and 1st August 2019 in Kigali, Rwanda.

Attendance of a conference on "Sustainable development, sustainable debt"

A BCEAO delegation, led by Governor Tiémoko Meyliet Koné, took part in a high-level conference on: “Sustainable development, sustainable debt”, organized by the Republic of Senegal and the International Monetary Fund (IMF), on 2 December 2019 in Dakar.

The objective of the meeting was to identify policy proposals that could address the need for development financing, while resolving debt-related vulnerabilities. The Governor of BCEAO participated in this event as a panelist on the roundtable discussing: “Meeting development needs while addressing debt vulnerabilities - public sector perspectives”.

ADMINISTRATION OF THE BCEAO

Reorganization of BCEAO departments

Decision No. 277-10-2019 of 2 October 2019 by the Governor of the BCEAO ordered the restructuring of Central Bank departments. The decision, which entered into force on 4 November 2019, aimed to address three main concerns:

→ balancing the organization chart by reducing the relative size of support structures in keeping with central bank best practices;

→ making the West African Centre for Bank Training and Studies (COFEB) a centre of excellence of international calibre, capable of supporting the skills development needs of the Central Bank and all of the stakeholders in the monetary and financial sectors;

→ ensuring better integration of bodies with strong synergies and taking account of changes in the Bank’s activities, as well as its major ongoing projects, in the organization chart.

The new organizational structure provides for the possibility of attaching projects or missions with high strategic importance for the Bank to the General Secretariat or the Governor’s Office. With that aim in mind, it appeared necessary to remove support-type activities from the remit of the General Directorate of Economic and Monetary Studies. A new Directorate in charge of Documentation, Publications and Archives was created and attached to the office of the Secretary General.

At the same time, a listening mechanism was set up to identify the needs of the Union’s monetary and financial sector stakeholders. At the outcome of this process, it was deemed appropriate to make COFEB a centre of excellence of international calibre, so that it may play a key role in asserting the Bank’s forward-looking capacities. COFEB’s rescaling was essential to meet the challenges posed by

developments in the banking and financial sectors, which is why it has become a General Directorate, taking over the Bank's research activities, and is now equipped with all the necessary bodies to cover its spheres of activity and enhance its autonomy.

In addition, the operational rollout of the Financial Inclusion Department, created during the previous restructuring, has highlighted strong synergies with the Market Operations Directorate and the Payment Systems Department. As a result, it has been attached to the new Operations and Financial Inclusion Department.

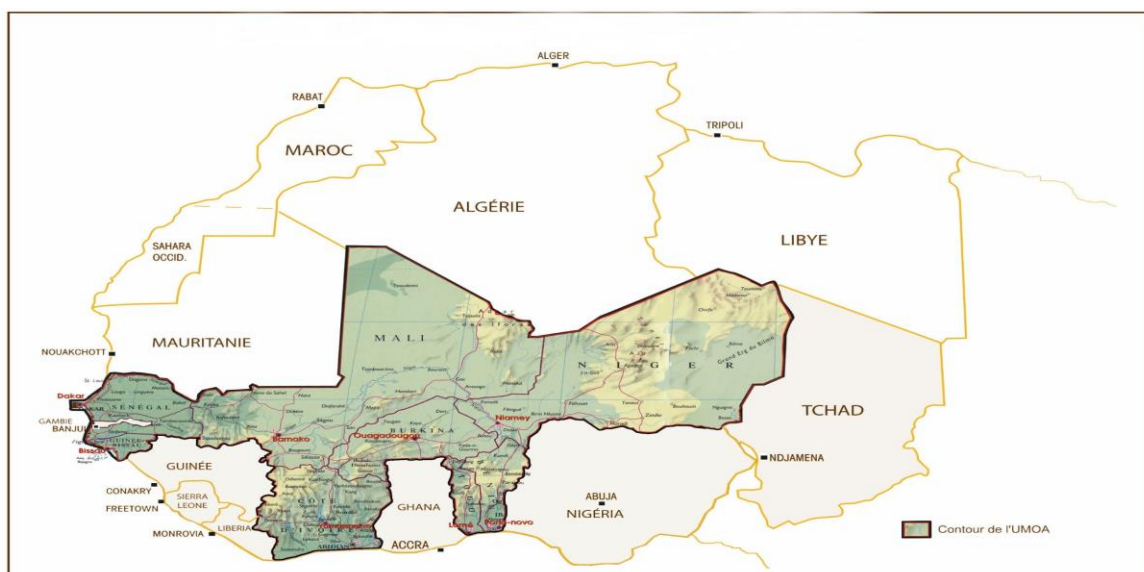
The entry into force of regulations governing Islamic Finance has generated new activities that have enriched the mandate of the Directorate of Credit Institutions and Financing of the Economies, which has now become the Directorate of Banking Activities and Alternative Financing, under the new General Directorate of Financial Stability and Financing of the Economies.

Finally, with the construction of the currency circulation management centre (*Centre de Traitement Fiduciaire* - CTF) nearing completion, a Currency Circulation Management Centre Directorate has been created and attached to the General Directorate of Fiduciary Activities.

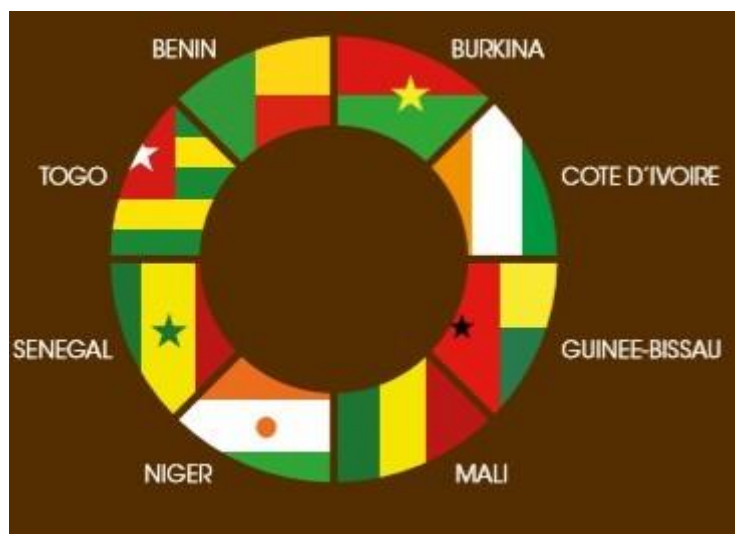
In the National Directorates, certain Main Branch departments will be consolidated into divisions to ensure better coordination of activities. Thus, optionally, where warranted by changes in the volume of work, departments may be consolidated into three divisions: an economic division, a financial division, and an administrative division.

MEMBERSHIP OF THE STATUTORY BODIES AND ORGANIZATION CHART OF THE BCEAO

WEST AFRICAN MONETARY UNION (WAMU)



The West African Monetary Union (WAMU) comprises the following eight member states:



The Monetary Union formed by the aforementioned states recognizes a single common currency, which is issued by the Central Bank of West African States (BCEAO).

The BCEAO is the common central bank of the WAMU member states; it is in charge notably of managing their common currency, the African Financial Community Franc (CFA Franc) and their foreign exchange reserves, as well as implementing their common monetary policy.

N.B. - Unless otherwise specified, all values indicated in this report are expressed in CFA francs.

MEMBERSHIP OF THE WAMU CONFERENCE OF HEADS OF STATE AND GOVERNMENT

as at 31 December 2019

CHAIRMAN: His Excellency **Alassane Ouattara**, President of the Republic of Côte d'Ivoire.

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

His Excellency **Roch Marc Christian Kaboré**, President of the Faso.

His Excellency **Alassane Ouattara**, President of the Republic of Côte d'Ivoire.

His Excellency **José Mário 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 Gnassingbé**, President of the Togolese Republic.

MEMBERSHIP OF THE WAMU COUNCIL OF MINISTERS

as at 31 December 2019

CHAIRMAN: Mr Romuald Wadagni,
Minister of the Economy and Finance of Benin.

REPUBLIC OF BENIN

- **Mr Romuald Wadagni**, Minister of the Economy and Finance;
- **Mr Abdoulaye Bio Tchané**, Senior Minister in charge of Planning and Development.

BURKINA FASO

- **M. Lassané Kaboré**, Minister of the Economy, Finance and Development;
- **Mr Paul Robert Tiendrébéogo**, Minister of African Integration and Burkinabe abroad.

REPUBLIC OF COTE D'IVOIRE

- **Mr Adama Coulibaly**, Minister of the Economy and Finance;
- **Mr Abdourahmane Cissé**, Minister of Petroleum, Energy and Renewable Energy.

REPUBLIC OF GUINEA-BISSAU

- **Mr João Martins**, Minister of the Economy and Finance;
- **Mr Suleimane Seidi**, Treasury Secretary.

REPUBLIC OF MALI

- **Ms Aoua Sylla Barry**, Deputy Minister in charge of the Budget, under the Prime Minister, Head of Government, Minister of the Economy and Finance, in charge of the Budget;
- **Mr Sambou Wagué**, Minister of Energy and Water.

REPUBLIC OF NIGER

- **Mr. Mamadou Diop**, Minister of Finance;
- **Ms Aïchatou Boulama Kane**, Minister of Planning.

REPUBLIC OF SENEGAL

- **Mr Abdoulaye Daouda Diallo**, Minister of Finance and the Budget;
- **Mr Amadou Hott**, Minister of the Economy, Planning and Cooperation.

TOGOLESE REPUBLIC

- **Mr Sani Yaya**, Minister of the Economy and Finance;
- **Ms Demba Tignokpa**, Minister of Planning, Development and Cooperation.

MEMBERSHIP OF THE BCEAO MONETARY POLICY COMMITTEE

as at 31 December 2019

CHAIRMAN: Mr Tiémoko Meyliet Koné, Governor of the BCEAO.

VICE-GOVERNOR: Mr Abdoulaye Diop

VICE-GOVERNOR: Mr Norbert Toé.

MEMBERS REPRESENTING THE STATES

REPUBLIC OF BENIN

Mr Yaovi Clément Aziagnikouda,
Treasury Director.

BURKINA FASO

Mr Ousmane Ouédraogo, former Vice-Governor of the BCEAO, Former Senior Minister of Finance and Planning.

REPUBLIC OF COTE D'IVOIRE

Mr Mama Ouattara, Professor at Université Félix Houphouët-Boigny de Cocody, Director of the economic policy group (*Groupe de Politique Economique - GPE*)

REPUBLIC OF GUINEA-BISSAU

Mr. Rui Duarte Ferreira, Advisor to the Minister of the Economy and Finance, in charge of International Affairs.

REPUBLIC OF MALI

-

REPUBLIC OF NIGER

Mr. Mahamane Annou Mallam, former Minister of Planning, former Chairman of the Study and Research Group on Democracy and Economic and Social Development in Africa (GERDDES).

REPUBLIC OF SENEGAL

Mr Aliou Faye, Director of the centre for development policy studies (*Centre d'Etudes de Politiques pour le Développement - CEPOD*).

REPUBLIC OF SENEGAL

Mr Mongo Aharh-Kpessou, Permanent Secretary for the Monitoring of Reform Policies and Financial Programmes.

FRENCH REPUBLIC

Ms Françoise Drumetz, Director of Microeconomic and Structural Studies, Banque de France.

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• **Mr Maïna Boukar Moussa**, Vice President, Study and Research Group on Democracy and Economic and Social Development (GERDES), Niamey, Republic of Niger;

• **Mr Adama Diaw**, Professor of Economics, Director of the Doctoral school of human and social science (*Ecole Doctorale des Sciences de l'Homme et de la Société*) of Gaston Berger University, Saint-Louis, Republic of Senegal.

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as at 31 December 2019

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Mr Oumara Karimou Assouma, Director General of Treasury and Public Accounting.

BURKINA FASO

Mr Célestin Santéré Sanon, Director General of Treasury and Public Accounting.

REPUBLIC OF COTE D'IVOIRE

Mr Konan Jacques Assahoré, Director General of Treasury and Public Accounting.

REPUBLIC OF GUINEA-BISSAU

Mr Mamadu Baldé, Director General of Treasury and Public Accounting.

REPUBLIC OF MALI

Mr Bangaly N'ko Traoré, Secretary General of the Ministry of the Economy and Finance.

REPUBLIC OF NIGER

Mr Habou Hamidine, Secretary General of the Ministry of Finance.

REPUBLIC OF SENEGAL

Mr Adama Racine Sow, Treasurer General, Chief Accountant of the General Directorate of Public Accounting and the Treasury.

TOGOLESE REPUBLIC

Mr Ekpao Adjabo, Director General of Treasury and Public Accounting.

FRENCH REPUBLIC

Mr Yves Charpentier, Financial Advisor, West Africa, Directorate General of the French Treasury.

MEMBERSHIP OF THE BCEAO AUDIT COMMITTEE

as at 31 December 2019

Chair: Mr Oumara Karimou Assouma, Director General of Treasury and Public Accounting of Benin.

REPUBLIC OF BENIN

Mr Oumara Karimou Assouma, Director General of Treasury and Public Accounting.

BURKINA FASO

Mr Célestin Santéré Sanon, Director General of Treasury and Public Accounting.

REPUBLIC OF SENEGAL

Mr Adama Racine Sow, Treasurer General, Chief Accountant of the General Directorate of Public Accounting and the Treasury.

TOGOLESE REPUBLIC

Mr Ekpao Adjabo, Director General of Treasury and Public Accounting.

CENTRAL BANK OF WEST AFRICAN STATES

as at 31 December 2019

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VICE-GOVERNOR	Mr Norbert Toé
Secretary General	Mr Abdoulaye Seck
Cabinet Director	Mr Siriki Koné
Special Advisor to the Governor	Mr Oumar Tatam Ly
Special Advisor to the Governor	Mr Ismaila Dem

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Advisors to the Comptroller General	Mr Oumar Kabo Mr Djibril Camara

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Director General of Economic and Monetary Studies	Mr Bassambié Bationo
Director General of Operations and Financial Inclusion	Mr Bwaki Kwassi
Director General of Financial Stability and Financing of the Economies	Mr Sourou Antonin Dossou
Director General of Organization and Information Systems	Ms Aminata Fall Niang
Director General of Administration and Human Resources	Mr Alioune Blondin Beye
Director General of the <i>Centre Ouest Africain de Formation et d'Etudes Bancaires</i> (COFEB, West African centre for bank training and studies)	Mr Ousmane Samba Mamadou

ADVISORS TO THE DIRECTORS GENERAL

Advisor to the Director General of Fiduciary Activities	Mr Abdoulaye Mbodj
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Advisor to the Director General of Economic and Monetary Studies

Mr Madani Touré

Advisor to the Director General of Operations and Financial Inclusion

Mr Mahamane Alassane Touré

Advisor to the Director General of Financial Stability and Financing of the Economies

Mr Habib Thiam

Advisor to the Director General of Organization and Information Systems

Mr Horo Coulibaly

Advisors to the Director General of Administration and Human Resources

Ms Marie Evelyne Seabe
Mr Emmanuel Junior Assilamehoo

Advisor to the Director General of the *Centre Ouest Africain de Formation et d'Etudes Bancaires* (COFEB, West African centre for bank training and studies)

Ms Aminata Haidara

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Mr Yamoussa Melargaba Koné

Director, Currency Circulation Management Centre

Mr Salifou Hamani

Director, Statistics

Mr. Madani Touré

Director, Economic Conditions and Monetary Analysis

Mr Bléhoué Toussaint Damoh

Director, Economic Studies and Regional Integration

Mr Patrick Kodjo

Director, Market Operations

Mr Mahamane Alassane Touré

Director, Payment Systems and Instruments

Ms Akuwa Dogbe Azoma Director,

Financial Inclusion

Ms Gisèle Catherine Keny Ndoye

Director, Banking Activities and Alternative Financing

Mr Charlie Jerry Dingui

Director, Financial Stability

Mr Kora Liliou

Director, Accounting and Management Control:

Mr Ekoué Djro Glokpor

Director, Information Systems	Mr Tiéguélé Abdoul F. Coulibaly
Director, the Budget and Procurement	Mr Fama Adama Keita
Director, Administrative and Social Management of Human Resources	Mr Eso-Houna Bale
Director, Career and Skills Management	Mr Theya Jean-Blaise Kouamé
Director, Property and Security	Mr Ali Seini Oumar
Director, Teaching and Training Programmes	Mr Toukou Fernand Aboutou
Director, Research and Partnerships	Ms Ndeye Amy Ngom Seck
Director, Administrative Affairs and Communications	Ms Marième Ka Ndir

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National Director for Côte d'Ivoire	Mr Chalouho Coulibaly
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National Director for Senegal	Mr Ahmadou Al Aminou Lo
National Director for Togo	Mr Kossi Tenou

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Secretary General	Ms Séna Elda Afiwa Kpotsra
Under-Secretary-General	Mr Antoine Traoré
Under-Secretary-General	Mr Adjoumani Kouakou

OVERVIEW

In 2019, the international economic and financial environment was marked by a significant slackening in the pace of growth. The rate of growth in the global economy was 2.9% in 2019 compared to 3.6% in 2018. The main factors affecting global economic performances included trade tensions between the United States and China, uncertainties linked to Brexit and rising geopolitical tensions in the Middle East.

Despite this generally unfavourable environment, economic activity in the Union has been buoyant in 2019. The gross domestic product (GDP) growth of the Union was estimated at 6.6% in 2019, as in 2018, compared to 3.3% for the whole of sub-Saharan Africa. On the domestic front, the economies benefited from a generally favourable socio-political environment and an improving business climate. National economies also benefited from WAEMU member states' continuing investments in socio-economic infrastructure. The annual average inflation rate stood at -0.7% in 2019 against 1.2% in 2018.

In terms of public finances, the overall deficit, based on commitments, including grants, at the end of December 2019, was contained at 2,349.9 billion, i.e. 3.0% of GDP against 2,758.7 billion or 3.8% of GDP in 2018. This decrease reflects an improvement in revenue collection, combined with better control of public expenditure, and particularly current expenditure.

The current account deficit increased by 1.7% to 4,686.5 billion, due to a widening of the balance of goods deficit (+15.4%), linked to procurement of capital and intermediate goods as well as consumer goods. However, this trend was offset by a decrease in imports of petroleum products, against the backdrop of a decline in international prices and the consolidation of current transfers to public administrations. In relation to the GDP, the current account deficit stood at 5.8% in 2019 against 6.2% in 2018. Overall, the balance of external trade in the Union showed a global surplus of 1,659.4 billion, following a surplus of 1,088.2 billion the previous year. This trend was driven by higher net capital inflows into the financial account, which largely covered the current account deficit.

Net foreign assets of monetary institutions increased by 1,940.1 billion to reach 7,315.2 billion at the end of December 2019. This was due to increases of 1,687.9 billion in the Central Bank's net foreign assets and 252.2 billion in those of the banks.

The official foreign exchange reserves of the BCEAO grew by 1,795.9 billion, reaching 10,357.0 billion at the end of December 2019, owing to substantial mobilization of external resources by the states and an improved repatriation profile for export earnings. Repatriation of external resources by the states stood at 4,765.0 billion. This resulted in an improvement in the Central Bank's currency issue coverage, which rose to 78.4%, compared to 77.1% in December 2018, allowing it to cover 5.7 months of imports of goods and services.

2.9% (2019)	6.6% (2019)
3.6% (2018)	6.6% (2018)
The rate of growth in the global economy was 2.9% in 2019 compared to 3.6% in 2018.	The rate of real growth in the gross domestic product of the WAEMU stood at 6.6% in 2019, as in 2018.

Outstanding domestic claims rose by 1,705.7 billion or 5.7% compared to their level at the end of December 2018, reaching 31,727.6 billion at the end of December 2019. This development was driven by the combined impact of the consolidation of net claims on the central government, which stood at 8,116.7 billion at the end of December 2019, up by 6.3 billion compared with their level at the end of December 2018, and the 1,699.4 billion, or 7.8%, increase in loans to other sectors of the Union's economies, which stood at 23,610.8 billion at the end of December 2019, against 21,911.4 billion at the end of December 2018.

The money supply grew by 2,874.0 billion or 10.4%, reaching 30,600.8 billion. Stronger overall liquidity can be attributed to increases of 2,205.1 billion or 10.3% in bank deposits and 668.9 billion or 10.7% in currency outside banks.

In the absence of inflationary pressures, the Central Bank left the accommodating stance of its monetary policy unchanged. The minimum interest rate for bidding on calls for tenders for injection of liquidities and the marginal lending rate respectively remained at 2.50% and 4.50%. The required reserve coefficient applicable to the banks of the Union remained at 3.0%.

The capital markets of the Union were generally buoyant in 2019. On the money market, aggregate outstanding advances on one-week and one-month bid windows stood at 4,410.0 billion at the end of December 2019 against 4,070.0 billion one year prior, for a year-over-year increase of 340.0 billion (+8.3%). The trend in the WAMU interbank market showed an increase in the volume of cash exchanges and a decline in the weekly weighted average interest rate on transactions. The weekly average volume of transactions was CFA F 455 billion in 2019 compared with CFA F 276 billion in 2018 (+65%). On the regional public debt securities market, overall outstanding government securities stood at 10,883.5 billion at the end of December 2019.

With regard to the management of banknotes and coins, withdrawals and deposits at BCEAO windows reached CFA F 36,155.2 billion in 2019 as against CFA F 33,992.7 billion the previous year. Compared to 2018, the proportion of banknotes in circulation outside banks remained virtually unchanged at 97.6%.

-0.7% (2019)	CFA F 455 billions(2019)
1.2% (2018)	CFA F 276 billion (2018)
The annual average inflation rate in the Union stood at -0.7% in 2019 against 1.2% in 2018.	The weekly average volume of transactions on the interbank market was CFA F 455 billion in 2019 compared with CFA F 276 billions in 2018 (+65%).

Where monetary and financial cooperation were concerned, Central Bank and International Monetary Fund (IMF) transactions on behalf of WAEMU member states culminated in net inflows of resources amounting to 159.69 million SDRs in Fiscal Year (FY) 2019, against 206.01 million SDRs the year before. Drawdowns stood at 365.70 million SDRs, compared to 419.98 million SDRs the previous year, showing a decrease of 54.28 million SDRs. Payments dropped by 8.80 million SDRs, decreasing from 210.64 million SDRs to 201.84 million SDRs.

In terms of regional integration, FY 2019 was marked by significant advances in the ECOWAS single currency project. In collaboration with the ECOWAS Commission and the central banks of the member countries, the BCEAO plans to pursue the implementation of the project-related decisions handed down by the Conference of ECOWAS Heads of State and Government on 29 June and 21 December 2019, and to continue monitoring key regional integration initiatives.

In 2019, the Central Bank continued its efforts towards achieving financial stability, by strengthening the Union's systemic risk monitoring mechanism, which culminated in the adoption of a methodological framework for the identification of systemically important banking institutions, as well as the implementation of Basel II and III standards in the WAEMU. As part of the strengthening of prudential regulations, an Instruction was issued on the recognition of external credit assessment bodies for prudential purposes.

In the framework of its actions to promote financial inclusion, the BCEAO pursued its efforts to support the states in implementing the regional financial inclusion strategy (SRIF) in the WAEMU and contributed to the work of the Alliance for Financial Inclusion. It also continued the implementation of projects designed to promote financial inclusion and financial literacy, namely the project for the interoperability of digital financial services in the WAEMU and the regional financial literacy programme.

CFA F 36,155.2 billion (2019)	CFA F 10,357.0 billion (2019)
CFA F 33,992.7 billion (2018)	CFA F 8,561.1 billion (2018)
...withdrawals and payments made at BCEAO windows totalled CFA F 36,155.2 billion in 2019 compared to CFA F 33,992.7 billion the previous year.	From December 2018 to December 2019, the BCEAO's foreign exchange reserves increased by CFA F 1,795.9 billion.

During FY 2019, the Central Bank pursued actions to clean up the microfinance sector, modernize tools for supervising of microfinance activities and control identified vulnerabilities facing Decentralized Financial Systems (DFSs). Against that backdrop, the organization of the second edition of Financial Inclusion Week in WAEMU provided an opportunity to discuss issues pertaining to the challenges of digitalization of payments, the risks involved in using new financial technologies, as well as measures to strengthen financial education and the protection of financial service users.

With regard to the running of the Central Bank, during the 2019 fiscal year, the Organs of the Union and the BCEAO held their meetings in accordance with the provisions of the Treaty of January 20, 2007 establishing the West African Monetary Union and the Statutes of the Central Bank of West African States. In 2019, the Conference of Heads of State and Government of the Union held an ordinary session on 12th July in Abidjan, Republic of Côte d'Ivoire, and an extraordinary session on 3rd December in Dakar, Republic of Senegal. The Council of Ministers held four ordinary meetings and three extraordinary meetings. The BCEAO Monetary Policy Committee held four ordinary meetings and the BCEAO Board of Directors held two ordinary sessions.

In order to continue to deal effectively with its rapidly changing environment, the BCEAO has drawn up a new 2019-2021 Strategic Plan comprising 14 strategic objectives broken down into 39 operational objectives and 69 projects.

The Central Bank has also rolled out a new management application for its general accounts, tailored to developments in its activities, which offers innovative functionalities to enhance the quality and security of financial information.

As at 31st December 2019, the total staff of the Central Bank, including all grades, numbered 3,597 as against 3,615 at the end of December 2018. The figure included 3,541 active staff members deployed on BCEAO sites, and 56 staff members on secondment or leave of absence.

I ECONOMIC AND FINANCIAL DEVELOPMENT	1
1.1 INTERNATIONAL ENVIRONMENT.....	2
1.1.1 - In major industrialized countries	2
1.1.2 - In emerging and developing countries.....	3
1.1.3 - Financial and commodities markets	3
1.1.4 - Employment and inflation in industrialized countries.....	6
1.1.5 - Foreign exchange market and monetary policy measures	6
1.2 - ECONOMIC AND FINANCIAL TRENDS IN WAEMU MEMBER STATES....	9
1.2.1 - Gross domestic product	9
1.2.1.1 - Agricultural production	10
1.2.1.2 - Mine production	11
1.2.1.3 - Industrial production and turnover	11
1.2.2 - Consumer price trends	12
1.2.3 - Public finance and external debt position	12
1.2.3.1 - Trends in state financial transactions	12
1.2.3.2 - Resource mobilization and external debt position.....	14
1.2.4 - Balance of payments	15
1.3 - ECONOMIC INTREGRATION OF WAEMU MEMBER STATES.....	16

1.1 : INTERNATIONAL ENVIRONMENT

OVERALL SLOWDOWN, WITH THE EXCEPTION OF SUB-SAHARAN AFRICA

GLOBAL ECONOMY:

2.9% (2019)

3.6% (2018)

2.9% growth in 2019 compared to 3.6% in 2018

ADVANCED ECONOMIES:

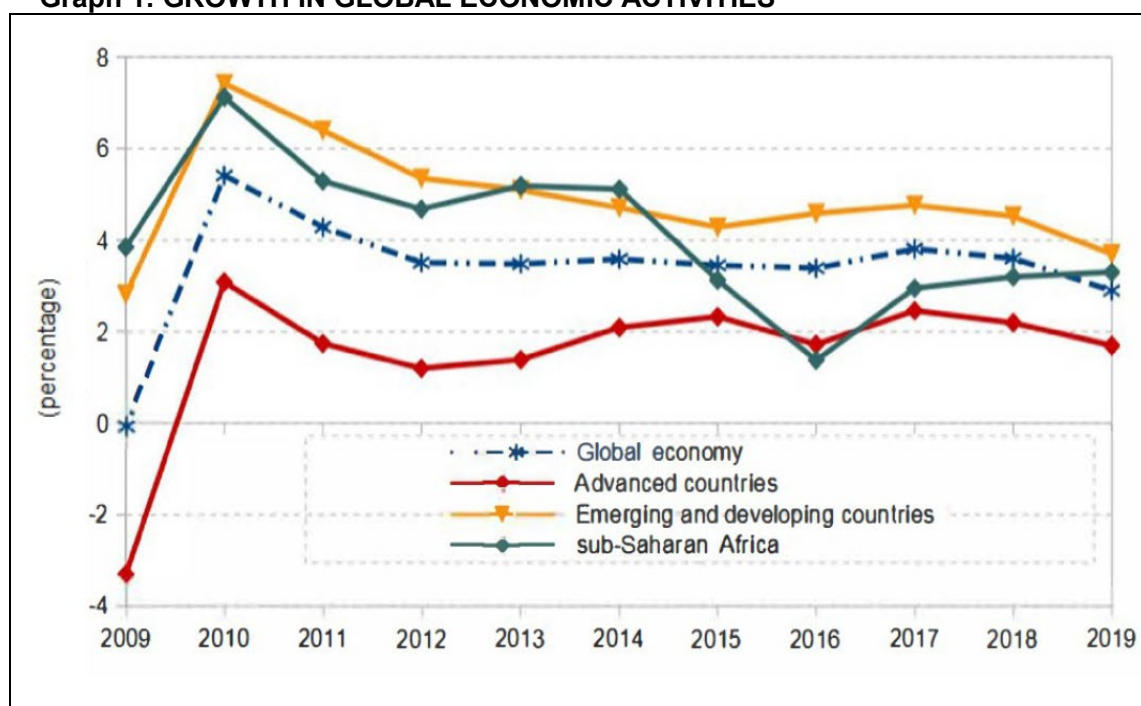
1.7% (2019)

2.2% (2018)

1.7% growth in 2019, against 2.2% in 2018

In 2019, the international economic and financial environment was marked by trade tensions between the United States and China, uncertainties linked to Brexit and rising geopolitical tensions in the Middle East.

Graph 1: GROWTH IN GLOBAL ECONOMIC ACTIVITIES



Source: BCEAO

1.1.1 - IN MAJOR INDUSTRIALIZED COUNTRIES

Growth in advanced economies was 1.7% in 2019, against 2.2% in 2018. In the United States, economic activity remained buoyant in 2019, although US growth slowed to 2.3% after reaching 2.9% in 2018, against a backdrop of trade tensions, with a decline in investment and trade in particular.

In the euro zone, growth slowed from 1.9% in 2018 to 1.2% in 2019. This was mainly due to the slump in industrial activity in Germany, continued stagnation in Italy and uncertainties relating to Brexit.

EURO ZONE	EMERGING AND DEVELOPING COUNTRIES
1.2% (2019)	3.7% (2019)
1.9% (2018)	4.5% (2018)
1.2% growth in 2019 compared to 1.9% in 2018	3.7% growth in 2019 compared to 4.5% in 2018

1.1.2 - IN EMERGING AND DEVELOPING COUNTRIES

The growth rate in emerging and developing countries dropped to 3.7% in 2019 from 4.5% in 2018. In China, growth slowed from 6.6% in 2018 to 6.1% in 2019, against a backdrop of trade tensions with the United States. India's economy grew by 4.8% in 2019, compared to 6.8% in 2018, due to a decrease in agricultural production caused by frequent heavy monsoons in production areas, as well as weak external demand. In Russia, the economic growth rate stood at 1.1% in 2019, against 2.3% in 2018. The Russian economy was adversely affected by the drop in oil prices and the negative impact of the VAT increase on private consumption.

In sub-Saharan Africa, growth improved in 2019. The economy grew by 3.3% in 2019, slightly faster than in 2018 (+3.2%), in line with strong investments and exports. Unfavourable domestic developments in several countries had a dampening effect. Nigeria recorded growth of 2.3% in 2019, after 1.9% in 2018, in line with increased oil production. The economic growth rate in South Africa experienced a decline, with growth at 0.4% in 2019, compared to 0.8% in 2018. This slowdown was linked to low investments, constraints imposed by land reform and the country's limited fiscal room for manoeuvre.

1.1.3 - FINANCIAL AND COMMODITIES MARKETS

In financial markets, the main stock markets recorded contrasting trends in a context marked by commercial tensions, and uncertainties linked to Brexit and the geopolitical situation in the Middle East.

On average, the New York Stock Exchange Dow Jones index rose by 5.3% in 2019 over the previous year's level, thanks in particular to an accommodating United States Federal Reserve (FED) policy. The EuroStoxx 50 progressed by 1.5% compared to its average level in 2018, reaching 3,435.7 points in 2019. By contrast, in Japan, the FTSE index fell by 2.8%, averaging 21,680.8 points in 2019. In the United Kingdom, the FTSE 100 index fell by 1.1% to 7,275.9 points in 2019, due to the impact of uncertainties relating to Brexit.

CHINA	SUB-SAHARAN AFRICA
6.1% (2019)	3.3% (2019)
6.6% (2018)	3.2% (2018)
China: 6.1% growth in 2019 compared to 6.6% in 2018	3.3% growth in 2019 compared to 3.2% in 2018

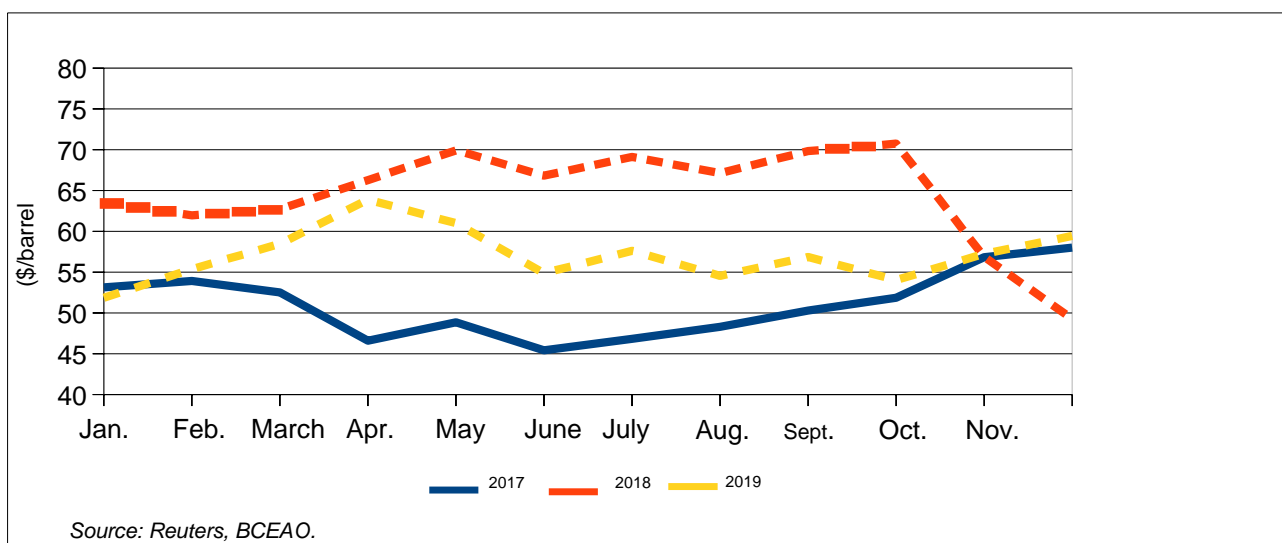
African stock market indexes also experienced downward trends in FY 2019. The annual averages of the GSE index in Ghana and the NSE index in Nigeria recorded respective drops of 22.8% and 21.6%. The FTSE/JSE All-Share Index in South Africa was down by 0.4%, in a context of slow economic recovery. In the WAEMU Zone, the BRVM10 and BRVM composite indexes were also down, respectively by 23.0% and 24.8%.

As for commodities, prices were impacted by a significant slowdown in global growth and international trade tensions. The main export commodity index experienced a drop of 3.5% in 2019, following a 7.1% increase in 2018. On the other hand, the prices of the main imported food commodities continued to rise (+0.6% in 2019, against +1.3% in 2018).

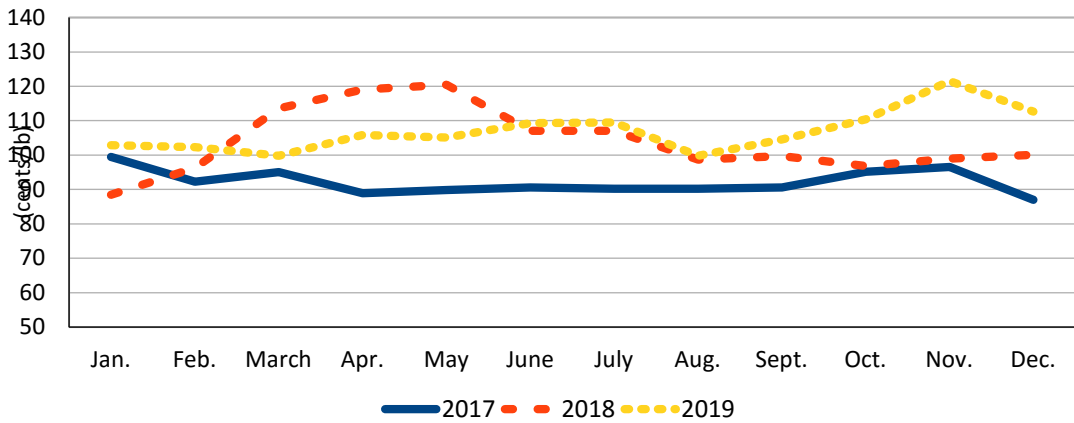
The decline in global prices for the main raw materials exported by the Union was mainly seen in cashew nuts (-33.9%), palm kernel oil (-27.8%), cotton (-17.0%), robusta coffee (-14.1%), crude oil (-11.4%) and palm oil (-7.5%). Increases in the prices of gold (+9.7%), rubber (+8.3%) and cocoa (+2.1%) had a mitigating effect.

Cashew nut prices were adversely affected by weak demand in a context of abundant production. The decline in palm kernel oil and palm oil prices was due to rising stocks and abundant supply at the global level, particularly due to the strong harvest in Malaysia. Cotton prices were driven down by a positive outlook for global production in the face of moderate demand, as well as by trade tensions between the United States and China. Coffee prices, for their part, were penalized by the arrival on the market of new crops from Indonesia and Vietnam and reduced demand. Oil prices fell in 2019 as a result of increased production in the main exporting countries.

Graph 2: TRENDS IN OIL PRICES (NYMEX)

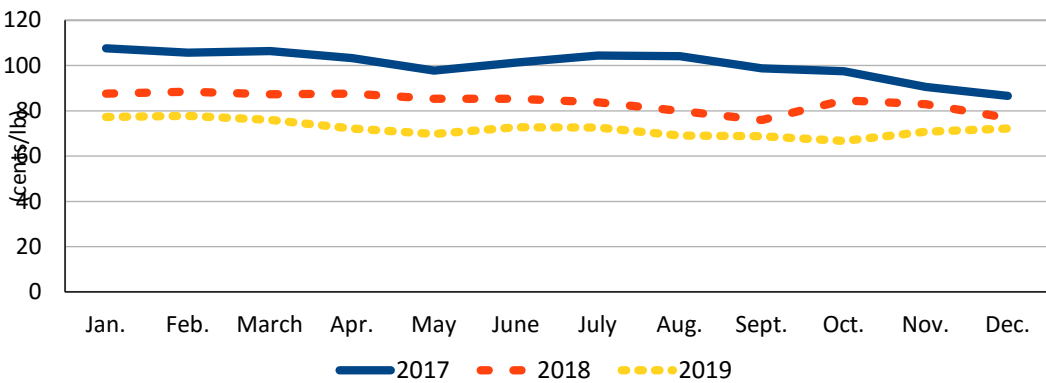


Graph 3: TRENDS IN COCOA PRICES



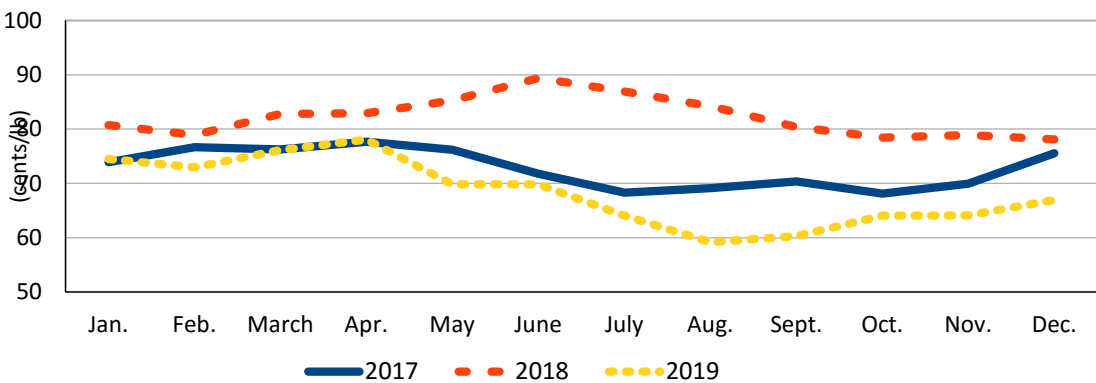
Source: Reuters, BCEAO.

Graph 4: TRENDS IN ROBUSTA COFFEE PRICES



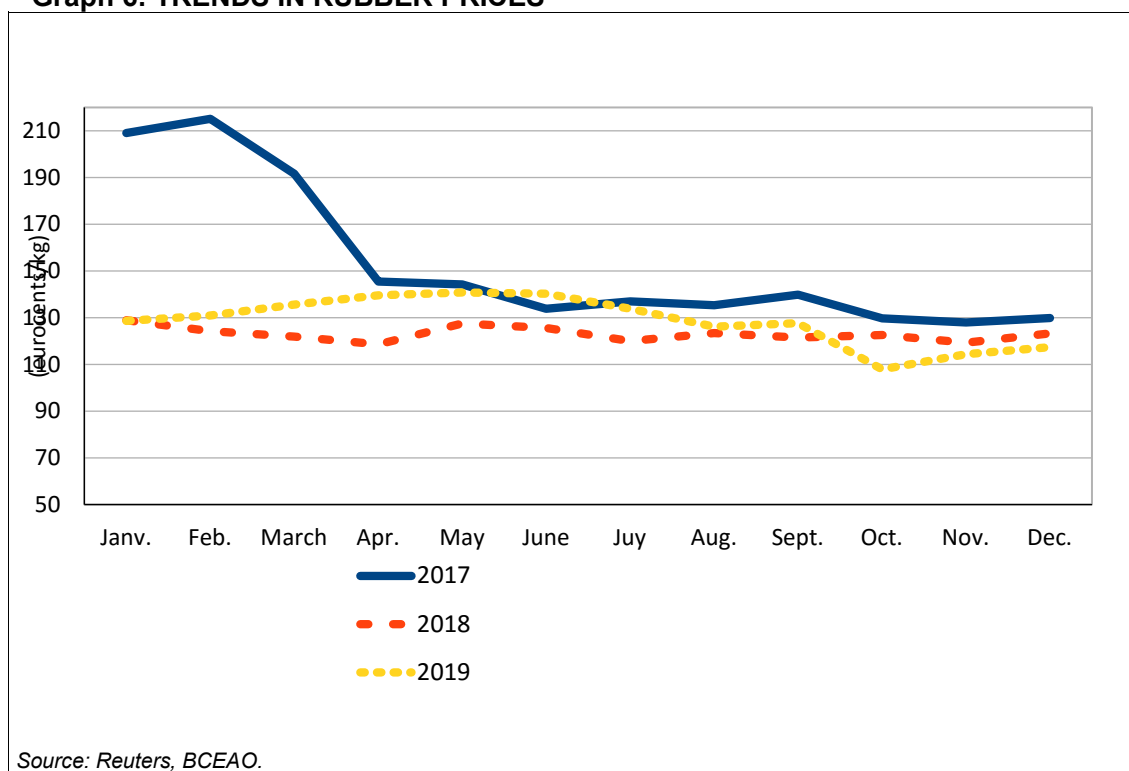
Source: Reuters, BCEAO.

Graph 5: TRENDS IN COTTON PRICES



Source: Reuters, BCEAO.

Graph 6: TRENDS IN RUBBER PRICES



1.1.4 - EMPLOYMENT AND INFLATION IN INDUSTRIALIZED COUNTRIES

- LOWER UNEMPLOYMENT AND OVERALL INFLATION IN MOST MAJOR INDUSTRIALIZED COUNTRIES.
- 1.4% AVERAGE INFLATION RATE IN 2019 AGAINST 2.0% IN 2018
- A RISE IN THE INFLATION RATE IN EMERGING AND DEVELOPING COUNTRIES (+5.1% IN 2019 COMPARED TO +4.8% IN 2018).
- INFLATION RATE ABOVE 10% IN SUB-SAHARAN AFRICA IN 2019, MAINLY DUE TO NIGERIA.

In 2019, unemployment continued to fall in most major industrialized countries. In the United States, the unemployment rate fell from 3.7% in December 2018 to 3.5% in December 2019, a drop of 2 percentage points. In the euro area, the unemployment rate was 7.5% in November 2019 after 7.9% in December 2018, its lowest level since July 2008.

The global inflation rate fell over 2019, driven in particular by declining oil prices. In industrialized countries, the inflation rate stood at 1.4% in 2019 compared to 2.0% in 2018, below the targets set by central banks. In emerging and developing countries, it averaged 5.1% in 2019, after 4.8% in 2018. In sub-Saharan Africa, inflation remained above 10% in 2019, mainly due to Nigeria.

1.1.5 - FOREIGN EXCHANGE MARKET AND MONETARY POLICY MEASURES

With respect to monetary policy, the central banks of the main industrialized countries made gradual changes to their key rates in 2019 to support their economies, which were adversely affected by trade barriers and uncertainties over Brexit.

Easing of monetary policy measures by the central banks of the major industrialized countries.

Depreciation of the European currency against other major currencies in 2019.

Mixed trends in the CFA franc on the West African foreign exchange market in 2019:

- 7.5% appreciation against the Ghanaian cedi and the Sierra Leonean leone
- depreciation against the Nigerian naira (-4.7%), the Guinean franc (-3.5%) and the Gambian dalasi (-1.5%).

The US Federal Reserve (FED) eased its monetary policy. Thus, at the FED's monetary policy committee (FOMC) meetings on 31 July, 18 September and 30 October 2019, the federal fund rate spread was reduced by 25 basis points to [1.50%-1.75%], for a total of 75 basis points over the year. In addition, the FED deemed that the current monetary policy stance remained appropriate as long as new information on the economy was consistent with prospects of moderate economic growth, good labour market dynamics and inflation close to the 2% target.

Against a background of uncertainty surrounding Brexit, the Bank of England (BoE) kept its key interest rate unchanged at 0.75% in 2019. However, it opted to continue the asset buyback programme.

On 12 September 2019, the European Central Bank (ECB) lowered the deposit facility rate from -0.40% to -0.50% due to growing concerns about the slowdown of growth in Europe. In contrast, the rate on the main refinancing operations, which is the ECB's principal monetary policy instrument, remained stable at zero and the marginal lending rate at 0.25%. Furthermore, on 1 November 2019, the ECB relaunched its extensive asset repurchase programme at a rate of 20 billion euros per month. It should be recalled that this programme allowed the ECB to mobilize 2.6 trillion in public and private bonds between March 2015 and December 2018.

The Bank of Japan (BoJ), for its part, maintained an accommodating monetary policy stance, including a commitment to keep long-term rates low. The deposit facility rate (-0.10%) and the 10-year bond yield (0%) remained unchanged. The BoJ intends to keep these rates at their current level until spring 2020. At the same time, the BoJ will continue to buy JPY 80 trillion worth of bonds per year.

Major central banks in emerging markets have changed their monetary policy stance. On 17 November 2019, the People's Bank of China (PBoC) lowered its 7-day repurchase rate, used for money market operations, by 50 basis points to 2.50%, for the first time since October 2015. The PBoC also changed the one-year lending rate, its benchmark policy rate, to 4.15%. Similarly, the 5-year reference rate was lowered, for the first time since its creation, to 4.80% from a previous level of 4.85%. Against a backdrop of uncertainty about the economic outlook and trade tensions with the United States, in January 2019, the People's Bank of China injected a record 560 billion yuans (USD 83 billion or EUR 73 billion) into the financial system to guard against a liquidity shortage that could exacerbate the slowdown in the country's economic activity.

In Brazil, the Central Bank successively lowered its main policy rate by 50 basis points during its meetings on 31 July and 18 September 2019 to reach 5.50%, for an overall decrease of 875 basis points since it began its monetary easing cycle in October 2016.

Among the Union's developing country trading partners, central banks maintained their instruments unchanged, with the exception of the Central Bank of Ghana (BoG) and the Central Bank of Nigeria (CBN). On 28 January 2019, the BoG cut its main policy rate by 100 basis points to 16.0% in a context of easing consumer prices. In total, it has reduced the level of this instrument by 1,000 basis points since it launched its accommodating policy in November 2016. For its part, the CBN lowered its key

rate by 50 basis points to 13.5% on 26 March 2019, in order to stimulate the country's economic growth. The rate had been maintained at 14% since July 2016 to bolster the naira and curb inflation.

On the foreign exchange markets, the European currency depreciated against the other major currencies in 2019. The euro fell by 5.1% to \$1.119 in 2019. It also fell against the Japanese yen (-6.2%), the Swiss franc (-3.5%) and the pound sterling (-1.1%).

On the West African market, the currency of the WAEMU zone countries recorded contrasting trends in 2019. On an annual basis, the CFA franc appreciated by 7.5% against the Ghanaian cedi and the Sierra Leonean leone. On the other hand, it depreciated against the Nigerian naira (-4.7%), the Guinean franc (-3.5%) and the Gambian dalasi (-1.5%). On annual average, CFAF 1,000 was exchanged for 8,870 Ghanaian cedis, 85,105 Gambian dalasis, 15,341,678 Sierra Leonean leones, 321,129 Liberian dollars, 15,657,364 Guinean francs and 524,570 Nigerian naira.

Table 1: TRENDS IN ANNUAL AVERAGE EXCHANGE RATES (FOREIGN CURRENCY UNITS PER 1,000 CFA FRANCS)

Currency	Code	2018	2019	Change (%)
US Dollar	(USD)	1.801	1.702	-5.5
Swiss Franc	(CHF)	1.761	1.689	-4.1
Pound Sterling	(GBP)	1.349	1.331	-1.3
Japanese yen	(JPY)	198.805	185.378	-6.8
Gambian dalasi	(DALASI)	86.441	85.105	-1.5
Ghanaian cedi	(CEDI)	8.252	8.870	7.5
Guinean franc	(FGN)	16,232.491	15,657.364	-3.5
Liberian dollar	(DOLLAR)	258.591	321.129	24.2
Nigerian naira	(NAIRA)	550.387	524.570	-4.7
Sierra Leonean leone	(LEONE)	14,267.467	15,341.678	7.5

Sources: Reuters, Banque de France, BCEAO.

Table 2: TRENDS IN QUARTERLY AVERAGE EXCHANGE RATES (FOREIGN CURRENCY UNITS PER 1,000 CFA FRANCS)

Year 2019	Code	1st quarter	2nd quarter	3rd quarter	4th quarter
US Dollar	(USD)	1.730	1.710	1.676	1.691
Swiss Franc	(CHF)	1.719	1.710	1.662	1.665
Pound Sterling	(GBP)	1.313	1.341	1.372	1.299
Japanese yen	(JPY)	190.355	186.859	180.328	183.971
Gambian dalasi	(DALASI)	85.375	85.583	85.677	83.786
Ghanaian cedi	(CEDI)	8.702	8.808	8.948	9.019
Guinean franc	(FGN)	15760.015	15,640.978	15,575.024	15,653.440
Liberian dollar	(DOLLAR)	278.495	309.101	346.198	350.723
Nigerian naira	(NAIRA)	530.519	524.922	519.682	523.157
Sierra Leonean leone	(LEONE)	14765.717	15,009.559	15,449.440	16,141.994
Year 2018	Code	1st quarter	2nd quarter	3rd quarter	4th quarter

US Dollar	(USD)	1.874	1.817	1.773	1.74
Swiss Franc	(CHF)	1.776	1.79	1.744	1.732
Pound Sterling	(GBP)	1.347	1.336	1.36	1.353
Japanese yen	(JPY)	202.963	198.3	197.66	196.298
Gambian dalasi	(DALASI)	87.114	86.377	85.794	86.479
Ghanaian cedi	(CEDI)	8.274	8.049	8.331	8.355
Guinean franc	(FGN)	16858.331	16,368.15	15,970.36	15,733.123
Liberian dollar	(DOLLAR)	240.105	247.02	273.414	273,824
Nigerian naira	(NAIRA)	571.795	555.241	541.637	532,876
Sierra Leonean leone	(LEONE)	14180.874	13,956.919	14,362.745	14,569.329

Sources: Reuters, Banque de France, BCEAO.

1.2 - ECONOMIC AND FINANCIAL TRENDS IN WAEMU MEMBER STATES

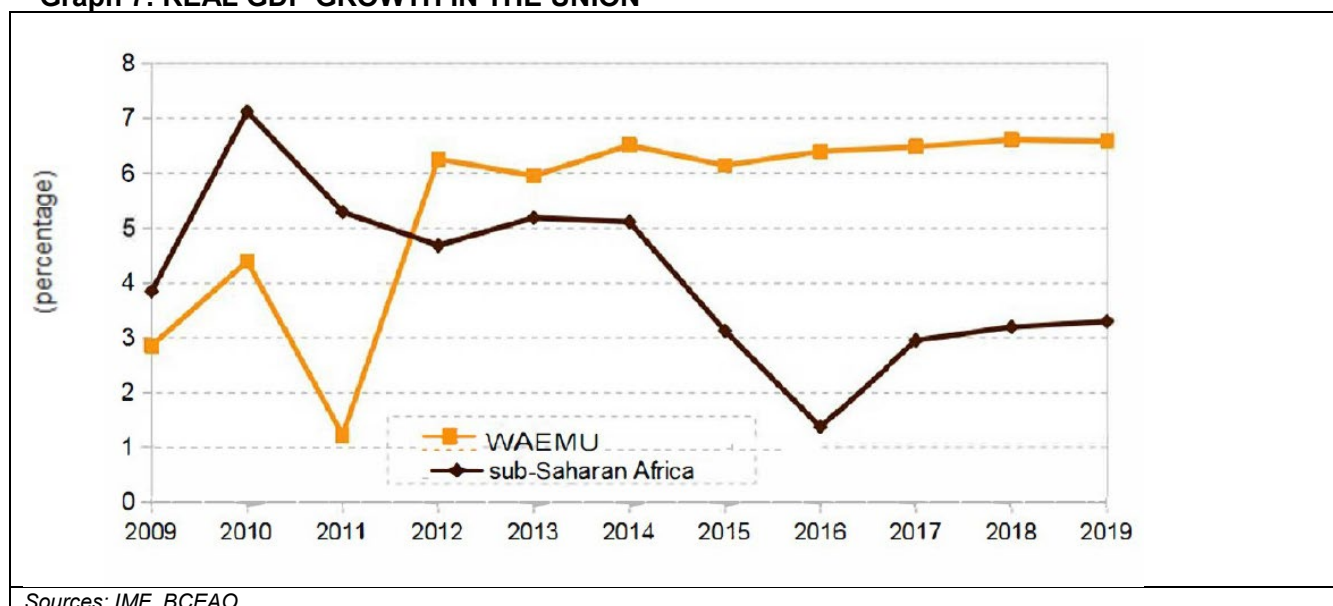
1.2.1 - GROSS DOMESTIC PRODUCT

Economic trends were positive in the Union in 2019, despite a lacklustre international environment, marked by persistent geopolitical and trade tensions. On the domestic front, the economies benefited from a generally favourable socio-political environment and an improving business climate. National economies also benefited from continued investment in socio-economic infrastructure by WAEMU member states.

The rate of real growth in the gross domestic product of the WAEMU stood at 6.6% in 2019, as in 2018, notably due to the strong performance of trade, ports and airports, strong momentum in services, the consolidation of the civil engineering sector, and increased manufacturing and agricultural production. Economic expansion was driven mainly by the tertiary sector, with a contribution of 3.8 points. The contributions of the secondary and primary sectors amounted to 1.7 and 1.1 points, respectively.

By country, economic growth stood at 7.6% in Benin, 7.5% in Côte d'Ivoire, 6.3% in Niger, 6.0% in Senegal and Burkina Faso, 5.6% in Mali, 5.3% in Togo and 5.1% in Guinea-Bissau.

Graph 7: REAL GDP GROWTH IN THE UNION



WAEMU GDP

6.6% (2019)

6.6% (2018)

Growth in the GDP of WAEMU was estimated at 6.6% in 2019, as in 2018.

WAEMU FOOD CROP PRODUCTION

4.7%

4.7% growth in food crop production in WAEMU (initial projections based on generally favourable rainfall conditions).

1.2.1.1 - Agricultural production

The 2019/2018 crop season benefited from generally favourable weather conditions. According to the AGRHYMET regional centre, rainfall levels have been higher than the averages observed over the 1981-2010 period and have contributed to successful sprouting of the main rainfed cereal crops (millet, sorghum, maize).

On this basis, initial projections indicate a 4.7% increase in WAEMU food crop production, estimated at 68,855,629 tonnes during the 2019/2020 season. This increase was mainly driven by cereals (+5.1%) and tubers (+4.3%). Production of other crops (pulses, horticultural plants, etc.) increased by 4.5%.

Compared to the average of the previous five years, current harvests were up by 18.5%. Those of the main export crops, with the exception of cocoa, coffee, and cashew nuts, were also up compared to the previous growing season.

After two years of exceptional harvests, cocoa production fell slightly by 0.5% during the 2019/2020 crop season, when it totalled 2,114,264 tonnes in the Union. This trend was due to the decision of the Ivorian authorities to maintain production at close to 2,000,000 tonnes to limit the supply on the international market and avoid a collapse of international prices.

➔ POSITIVE TRENDS IN GOLD, PETROLEUM AND URANIUM PRODUCTION.

➔ A 6.5% INCREASE IN INDUSTRIAL PRODUCTION IN WAEMU IN 2019.

ANNUAL AVERAGE INFLATION RATE

- 0.7% (2019)
1.2% (2018)

The inflation rate in the Union averaged -0.7% in 2019, compared to 1.2% in 2018.

Coffee production totalled 115,316 tonnes during the 2019/2020 crop year, down 19.4% compared to the previous growing season. This was the result of a dormant period following high crop yields in 2018. It was also due to coppicing in old orchards, as part of a programme to boost plantation productivity, initiated by the cocoa coffee council, with a view to achieving an annual yield of 200,000 tons per year over the medium term.

According to the available data, the Union's seed-cotton harvest in the 2019/2020 crop year was estimated at 2,789,110 tonnes, up 9.7% compared to the previous growing season. This performance reflects satisfactory rainfall in production zones and the strengthening of support measures for producers, in particular the provision of inputs and technical supervision.

The groundnut yield forecast for the 2019/2020 season was 3,655,131 tonnes, up 5.5% over the previous year, owing to the satisfactory distribution of rainfall over time in the main production areas, which has helped increase production in all countries of the Union.

The volume of cashew nuts decreased to 1,189,882 tonnes in the 2019/2020 growing season, down 0.7% compared with the previous year. This was due to a 4.1% drop in harvests in Côte d'Ivoire (the main producer with 63.5% of the overall supply in the Union in 2018), partially offset by increases in Guinea-Bissau (+4.1%), Benin (+7.6%) and Burkina Faso (+5.1%).

Rubber production totalled 665,152 tonnes in the 2019/2020 season, up 6.6% from the previous crop season, reflecting an increase in areas planted.

1.2.1.2 - Mine production

The first available estimates on mining activities in 2019 showed positive trends in the production of gold, oil, and uranium. On the other hand, phosphate production was on a downward trend.

Gold mined in the Union in 2019 was estimated at 160,184.1 kg, up 6.6% compared with 2018. This development can be attributed to increased production in all countries, particularly in Mali, the main WAEMU producer, where 66,739 kg of gold ore was mined, reflecting an annual increase of 9.6%. In Burkina Faso and Côte d'Ivoire, gold production in 2019 was estimated at 52,730 kg (+0.7%) and 26,000 kg (+6.3%) respectively. In Niger, gold production rose from 22 kg in 2018 to 1,208 kg in 2019, due to the gradual resumption of business by Société des Mines du Liptako, the country's leading mining company.

Uranium production also increased by 2.4% to 2,980 tonnes in 2019 due to the opening of new deposits in Niger. Similarly, crude oil extraction rose by 7.5% and 3.3% respectively in Niger and Côte d'Ivoire, mainly due to a return to normal production rates after the maintenance of certain facilities in 2018.

Estimated phosphate production fell by 3.3%, to stand at 2,710,100 tonnes in 2019 against 2,802,121 tonnes the year before, due to a 31.0% decline in extractions in Togo, which was not completely offset by the 7.2% increase recorded in Senegal.

1.2.1.3 - Industrial production and turnover

Industrial production in WAEMU experienced a 6.5% increase in 2019, on the heels of a 4.3% increase the previous year. This positive development in the index was mainly due to the vitality of the "Energy" branch, in connection with the increase in unit production capacity. The sector index rose by 9.5% in 2019, compared with 0.3% the previous year. On the other hand, a slight slowdown in the pace of manufacturing production was noted (+9.1% against +10.3%) and a decrease in mining and quarrying operations (-1.4%).

Retail trade turnover rose in 2019, with an average growth rate of 3.0% in the Union, compared to a 7.3% increase the previous year. This slackening in the pace of growth can be observed in petroleum products (+3.9% vs. +11.3%) and clothing (+12.7% vs. +14.5%). Food trade turnover recorded a 0.5% decrease compared to an 11.5% increase a year earlier.

The turnover indicator on market services (excluding financial services) rose by 2.2% in 2019 against 8.0% in 2018. This deceleration in the pace of growth was mainly due to lower turnover in accommodation and restaurant services as well as information and communication services.

The financial services sector index rose by 8.4% in the period under review, compared with a 7.3% increase one year earlier, mainly due to an increase in the volume of banking transactions (loans, deposits).

1.2.2 - CONSUMER PRICE TRENDS ¹

The overall annual average consumer price level fell by 0.7% in 2019 after rising by 1.2% in 2018. This trend reflected a drop in food prices in most countries in the Union. In particular, a decrease in local cereal prices was observed in the landlocked Sahelian countries, linked to strong market supplies due to higher production in the previous crop year and free food distributions by humanitarian organizations. In addition, a decrease in fruit and vegetable prices was observed in Benin, mainly due to a drop in demand prompted by difficulties in selling the produce following the closing of the land border between Benin and Nigeria.

In 2019, the inflation differential between WAEMU and its key partners was favourable to the Union by 4.1 percentage points. In relation to Nigeria and Ghana, in particular, the inflation differential was respectively 10.8 and 9.2 percentage points.

Table 3: CHANGES IN CONSUMER PRICES IN 2018 AND 2019 (AS A %)

	2018		2019	
	Annual average	Year-over-year change as at end-December	Annual average	Year-over-year change as at end-December
Benin	0.8	-0.1	-0.9	0.3
Burkina	1.9	0.3	-3.2	-2.6
Côte d'Ivoire	0.6	0.6	0.8	1.6
Guinea-Bissau	0.3	2.4	0.2	-0.1
Mali	1.9	0.8	-3.0	-3.3
Niger	2.8	1.6	-2.5	-2.3
Senegal	0.5	1.1	1.0	0.6
Togo	0.9	2.0	0.7	-0.3
WAEMU	1.2	0.8	-0.7	-0.5

Sources: National departments, BCEAO

1.2.3 - PUBLIC FINANCE AND EXTERNAL DEBT POSITION

1.2.3.1 - Trends in state financial transactions

Against a backdrop of satisfactory implementation of programmes with the International Monetary Fund (IMF), WAEMU member state financial operations in 2019 were marked by the continuation of budget consolidation measures, despite security tensions in the Sahel region.

The overall deficit as a percentage of GDP, commitment basis, including grants, deteriorated by 0.8 percentage point, reaching 3.0% in 2019, following a 1.8 percentage point of GDP increase in total revenue and grants, whose impact was offset by a 1.0 percentage point of GDP increase in total expenditure. This trend reflects an improvement in revenue collection, combined with better control of public expenditure, particularly current expenditure.

¹ In compliance with WAEMU Regulation No. 03/CM/UEMOA of 31 March 2017, inflation rates for 2018 and 2019 were calculated using 2014 base HICP data, replacing the 2008 base HICP data previously used.

In terms of fiscal revenue and grants, collections totalled 16,134.6 billion (20.4% of GDP) at the end of December 2019, up 2,462.5 billion (18.0%) compared to the previous year. Similar increases were seen in every country of the Union. The biggest year-over-year increases in fiscal revenue were observed in Mali (+57.2%), Guinea-Bissau (+29.0%) and Burkina (+20.3%). In Mali specifically, the increase in tax revenue reflected a return to normalcy following a poor performance recorded in 2018 in several tax assessment and collection departments in the wake of security troubles in the country.

Tax revenue rose by 16.4% to 12,311.9 billion. The increase was mainly due to the performance of the tax authorities in collecting tax resources, in line with ongoing projects aimed at modernizing the administration and strengthening public finance management in the member states of the Union. In spite of the efforts made by the member states, the tax burden remained low at 15.6%, compared with the minimum Community standard of 20% by the end of 2019. Only Togo met the standard in 2019. In the other countries, the estimated tax burden rate ranged between 8.0% in Guinea-Bissau and 17.8% in Burkina Faso.

Non-tax revenue totalled 1,556.0 billion in 2019, compared to 1,432.1 billion one year previously. Grants totalled 1,853.1 billion over FY 2019, up 28.1% compared to 2018.

Net expenditure and net loans increased by 12.5%, from 16,430.7 billion (22.4% of GDP) at end-December 2018 to 18,484.5 billion (23.4% of GDP) at end-December 2019. This trend reflected control of current spending, which showed an increase of 10.6%, reaching 11,892.8 billion, in conjunction with increases in wages and salaries (+11.5%) and interest charged on the debt (+15.3%).

18% increase in budget revenue and grants, i.e. 20.4% of GDP, in 2019 against 18.0% in 2018.		Low tax burden (15.6% compared to a minimum WAEMU standard of 20% as of 2019).
Increase of 0.8 percentage points of GDP in the budget balance, commitment basis, including grants, to reach 3.0% of GDP in 2019.	Increase of 25.8% in the overall external debt stock of the member states of the Union from 2017 to 2018.	Ratio of outstanding external debt to GDP of 30.1% in 2018 as against 30.6% in 2019.

Capital spending totalled 6,188.1 billion at the end of December 2019, an increase of 695.7 billion (+12.7%), in conjunction with the continued implementation of public investment programmes in infrastructure. As a percentage of GDP, capital expenditure remained relatively stable at 7.8% in 2019 against 7.5% in the previous year. It was 51.6% financed from domestic resources in 2019 against 55.2% in 2018.

In connection with these developments, the overall deficit, based on commitments, including grants, was reduced by 408.8 billion to reach 2,349.9 billion at the end of December 2019, or 3.0% of GDP, below the initial forecasts for the year. It stood at 2,758.7 billion or 3.8% of GDP in 2018. On a cash basis, the deficit stood at 2,470.9 billion, or 3.1% of GDP, and was financed to the tune of 910.8 billion by net issues of government securities on the regional public debt market.

Table 4: PUBLIC FINANCES IN 2019

	December 2018 (1)	December 2019 (2)	Variation (2) – (1)	
			(in billions)	(in %)
Fiscal revenue and grants	13,672.1	16,134.6	2,462.5	18.0
(as a % of the GDP)	18.6	20.4		
Fiscal revenue	12,225.1	14,281.6	2,056.5	16.8
(as a % of the GDP)	16.7	18.1		
including tax revenue	10,576.2	12,311.9	1,735.7	16.4
(as a % of the GDP)	14.4	15.6		
Grants	1,447.0	1,853.1	406.0	28.1
Total expenditures and net loans	16,430.7	18,484.5	2,053.8	12.5
(as a % of the GDP)	22.4	23.4		
including current expenditures	10,756.5	11,892.8	1,136.3	10.6
(as a % of the GDP)	14.7	15.0		
Payroll	4,347.8	4,845.8	498.1	11.5
Grants and transfers	2,229.2	2,434.4	205.1	9.2
Interest on the debt	1,147.3	1,322.3	175.0	15.3
Capital investments	5,492.4	6,188.1	695.7	12.7
(as a % of the GDP)	7.5	7.8		
Other expenditures	196.4	422.4	226.0	115.1
Net loans	-14.5	-18.8	-4.2	29.1
Overall balance commitment basis (including grants)	-2,758.7	-2,349.9	408.8	-14.8
(as a % of the GDP)	-3.8	-3.0		
Overall balance cash basis (including grants)	-3,100.5	-2,470.9	629.6	-20.3
(as a % of the GDP)	-4.2	-3.1		

Sources: National departments, BCEAO.

1.2.3.2 - Resource mobilization and external debt position

In FY 2019, Benin and Côte d'Ivoire leveraged resources on international markets through eurobond issues. Interest rates, which have remained low in these markets for several years, have, among other things, helped African countries gain access to cheap external resources to finance their development policies.

In March 2019, Benin raised resources on the international markets for a nominal amount of 500 million euros, i.e. CFA F 328 billion, with a 5.75% coupon, for a maximum maturity of 7 years. These resources were used to fund its investment programme and buy back part of its domestic debt.

In October 2019, Côte d'Ivoire returned to the international capital markets to mobilize a net amount of EUR 1,690.0 million in the form of Eurobonds, in two tranches. Part of the resources (EUR 1,372.4 million) were used to repurchase Eurobonds maturing in 2024 and 2025 and the remaining EUR 317.6 million were used to finance the 2019 deficit.

In addition, in October 2019, the WADB raised funds on the international markets in the amount of \$830 million at 4.7% maturing in 12 years.

According to the latest available figures, the total outstanding external debt of the member states of the Union stood at CFA F 24,234.2 billion at the end of December 2019 against CFA F 22,051.4 billion at the end of December 2018, an increase of 9.9%. The ratio of outstanding external debt to GDP was 30.6% in 2019 against 30.1% the year before.

The situation by country is summarized in the table below:

Table 5: EXTERNAL DEBT STOCK RATIO

Country	2018	2019
Benin	19.3%	21.6%
Burkina	22.5%	22.6%
Côte d'Ivoire	31.9%	31.9%
Guinea-Bissau	27.4%	36.5%
Mali	20.9%	23.1%
Niger	24.4%	23.8%
Senegal	47.9%	47.7%
Togo	20.2%	29.5%

Source: BCEAO

Thus, thanks to the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) Initiatives, the national debts of the countries of the Union showed a clear improvement in terms of their indebtedness indicators. The updated debt viability analyses carried out in all countries indicated low or moderate risk of over-indebtedness, with the exception of Togo. However, year over year, debt ratios showed an upward trend in certain countries.

1.2.4 - BALANCE OF PAYMENTS

The balance of external trade in the Union showed a total surplus of 1,659.4 billion, following a surplus of 1,088.2 billion one year prior. This trend was driven by higher net capital inflows into the financial account, which largely covered the current account deficit.

The current account deficit rose by 1.7% to 4,686.5 billion, due to an increase in the balance of goods deficit (+15.4%), linked to procurement of capital and intermediate goods as well as consumer goods. However, this trend was offset by a decrease in imports of petroleum products, against the backdrop of a decline in international prices and the consolidation of current transfers to public administrations.

The increase in acquisitions of capital and intermediate goods (+11.1%) was fuelled by capital expenditure in the Union, mainly due to the start of construction work on a pipeline, as well as investments, particularly in airports and hotels in Niger.

Exports of goods grew by 3.1%, reflecting increased sales of cocoa (+10.8%), gold (+11.0%), and rubber (+15.0%), although their impact was mitigated by reduced revenues from cotton (-3.5%), cashew nuts (-19.2%) and re-exports (-40.3%). The increase in cocoa exports was driven by shipments of processed products, following the entry into production of a new processing plant in Côte d'Ivoire. Increases in gold and rubber sales were mainly due to positive trends in the international prices on the products. The downturn in exports of cotton and cashew nuts was mainly due to the slump in international market prices. The downward trend in re-exports reflects a decline in food shipments from Benin and Niger to Nigeria, as the Nigerian authorities have implemented restrictive measures on imports of this category of products.

OVERALL FOREIGN TRADE BALANCE OF WAEMU COUNTRIES
OVERALL FOREIGN TRADE BALANCE OF WAEMU COUNTRIES SHOWED A SURPLUS OF 1,659.4 BILLION IN 2019, AFTER A SURPLUS OF 1,088.2 BILLION A YEAR EARLIER.

<p>➔ INCREASE (+11.1%) IN ACQUISITIONS OF CAPITAL AND INTERMEDIATE GOODS, DRIVEN BY CAPITAL EXPENDITURE IN NIGER (CONSTRUCTION OF A PIPELINE AND INVESTMENTS IN AIRPORTS AND HOTELS).</p> <p>➔ 3.1% INCREASE IN EXPORTS OF GOODS COMPARED TO 2018.</p>
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The deficit in the balance of services deepened by 2.4%, due to a higher freight bill (+10.6%) caused by buoyant imports. The negative balance in primary income increased by 9.1%, driven by interest payments on the public debt and dividends to foreign investors. Secondary income improved by 17.9%, reflecting higher remittances from migrants and budgetary support to the member countries of the Union. As a share of GDP, the current account deficit stood at 5.8% in 2019 compared to 6.2% in 2018.

The capital account surplus increased by 24.3% as against the previous year, mainly due to the increase in project grants in most of the member states of the Union.

Financing requirements, comprising current and capital balances, stood at 3,079.0 billion, down 7.1% compared to 2018. These needs were 157.0% covered by net inflows of capital in the financial account, as against a coverage ratio of 133.6% in 2018, showing an increase of 23.4 points, essentially due to increases in external financing flows (+6.3%).

The increase in net inflows to the financial account in 2019 was mainly due to the strong increase in the external resource mobilization by certain member states such as Côte d'Ivoire, Mali and Niger (+1,054.9 billion) through their partners, particularly the World Bank and the French Development Agency (AFD).

1.3 - ECONOMIC INTREGRATION OF WAEMU MEMBER STATES

The Central Bank made an active contribution to the implementation of integration projects. In that connection, the Bank took part in two meetings of the WAEMU Cotton Textile Agenda, focusing on the lessons learned from cotton sector privatizations and an evaluation of the implementation of the WAEMU cotton-textile strategy. The Central Bank also took an active part in the work of the High-Level Committee on the WAEMU Peace and Security Project, including a periodic review of the security situation in the zone, as well as the efforts made by the Union's institutions to effectively address the problem of persistent terrorism in West Africa.

II MONETARY POLICY IMPLEMENTATION	17
2.1 - MONETARY POLICY OBJECTIVES.....	18
2.2 - MONETARY POLICY INSTRUMENTS	18
2.2.1 - Interest rate policy.....	18
2.2.2 – Reserve requirements system	18
2.3 – MONEY MARKET OPERATIONS	18
2.3.1 - Open market operations	18
2.3.2 - Operations through permanent refinancing windows	19
2.3.3 - Interbank market	19
2.3.4 - Maintenance of minimum reserves.....	21
2.4 - TRENDS IN MONETARY AGGREGATES.....	21
2.4.1 - Net foreign assets	22
2.4.2 - Domestic claims	22
2.4.2.1 - Net claims on the central government.....	22
2.4.2.2 - Bank credit to the economy	23
2.4.3 - Money supply and monetary base.....	23

2.1 - MONETARY POLICY OBJECTIVES

Since the entry into force of the Institutional Reform on 1 April 2010, the main objective of the BCEAO's monetary policy has been to ensure price stability. In this framework, the operational price stability target was defined as an annual inflation rate in the Union within a range of one percentage point (1%) above or below the central value of 2% over the next 24 months. Potential risks affecting price stability and growth were identified during the macroeconomic framework exercise, which provided reference points for the Monetary Policy Committee regarding future trends in the economies of the Union.

2.2 - MONETARY POLICY INSTRUMENTS

MAINTAINING AN ACCOMMODATING MONETARY POLICY

- ➔ Minimum bid rate for cash injection tenders unchanged at 2.50%
- ➔ Marginal lending window interest rate maintained at 4.50%
- ➔ Minimum reserve ratio remained at 3.00% Increase of 10.1% (from 3,350.0 billion to 3,690.0 billion) in the amount tendered at weekly auctions from January to December 2019.

Decreases of 35.7 and 35.1 basis points, respectively, in the average marginal and weighted average interest rates at weekly auctions compared to 2018 levels.

340.0 billion increase as at end-December 2019 in the cumulative outstanding amount of advances at the one-week and one-month tender windows (+8.3% compared to 2018).

In 2019, Central Bank monetary interventions relied on the use of indirect instruments to regulate bank liquidity, notably through key rates, BCEAO refinancing operations and the mandatory reserve system.

2.2.1 - INTEREST RATE POLICY

In light of a medium-term outlook suggesting moderate inflation, the Monetary Policy Committee (MPC) of the BCEAO maintained an accommodating monetary policy stance in 2019 to contribute to the achievement of the economic growth objectives of the WAMU states. As a result, the BCEAO's main policy rate, the minimum bid rate for liquidity injection tenders, remained unchanged at 2.50%, the level in force since 16 September 2013. The marginal lending window interest rate was maintained at 4.50%, the level in force since 16 December 2016. The required reserve coefficient applicable to the Union's banks has remained at 3.00% since 16 March 2017.

2.2.2 - RESERVE REQUIREMENTS SYSTEM

The required reserve mechanism serves as a tool to enhance the effectiveness of the interest rate policy. It is used to create or accentuate a liquidity shortage in the banks, to enhance national central banks' ability to act effectively as liquidity providers. This instrument therefore helps to refine money market interest rate management.

2.3 – MONEY MARKET OPERATIONS

2.3.1 - OPEN MARKET OPERATIONS

In order to provide banks with the necessary resources to ensure the smooth operation of the money market and to support the financing of the economy, the BCEAO continued its weekly and monthly liquidity injection operations. Also, during 2019, liquidity injection operations at the BCEAO's tender windows evolved due to its assessment of the estimated liquidity needs of the Union's banking system over the previous year, i.e. an increase of 340.0 billion (+8.3%).

The amount offered through weekly calls for bids rose from 3,350.0 billion in January 2019 to 3,690.0 billion in December 2019, an increase of 10.1% compared to 7.2% in 2018. The average

amount of weekly liquidity injections in 2019 stood at 3,554.8 billion, up by 504.1 billion from its previous level of 3,050.7 billion in 2018. This trend reflects the Monetary Authorities' commitment to supporting credit institutions in financing the economy.

The average marginal interest rate on weekly tenders stood at 3.2096% in 2019, down 35.7 basis points from the 3.5665% level reached in 2018. The weighted average interest rate for one-week tenders was 3.5112% on average in 2019, down 35.1 basis points from its level in 2018.

The Central Bank kept the amount put up for action through the monthly tender window stable, at 720.0 billion since 2018. Requests satisfied through this compartment stood at 719.3 billion on average, in FY 2019, compared to 711.3 billion in 2018.

On average, the marginal interest rate and the weighted average interest rate decreased in 2019 compared to 2018, respectively by 49.7 and 21.4 basis points, reaching 3.2512% and 3.7649%.

Overall, aggregate outstanding advances on one-week and one-month bid windows stood at 4,410.0 billion at the end of December 2019 against 4,070.0 billion the previous year, for a year-over-year increase of 340.0 billion (+8.3%).

Government treasury bills and bonds from all eight countries of the Union represented most of the assets presented by credit institutions as collateral for refinancing operations.

2.3.2 - OPERATIONS THROUGH PERMANENT REFINANCING WINDOWS

Outstanding loans provided by the Central Bank through the marginal lending window stood at 260.3 billion (5.5% of total outstanding refinancing) at end-December 2019, compared to 153.6 billion (3.6% of total outstanding refinancing) at end-December 2018. As in the case of advances through the one-week window, the increase reflected the Monetary Authorities' response to unexpected cash-flow issues affecting credit institutions on open market windows. However, as the amounts involved were low, the marginal lending window retained its supplemental role. It should be noted that, in December 2016, outstanding amounts on the marginal lending window represented 32.5% of total outstanding refinancing loans, prompting the Monetary Policy Committee (MPC) of the BCEAO to set the cumulative outstanding amount of refinancing granted to the same counterparty on the marginal lending window and the special refinancing window of the BCEAO at a maximum of twice the core capital of the counterparty concerned.

With respect to the special refinancing window², which entered into force in January 2014, no liabilities of credit institutions vis-à-vis the BCEAO were recorded at the end of December 2019.

2.3.3 - INTERBANK MARKET

The trend on the WAMU interbank market showed an increase in the volume of cash exchanges and a decline in the weighted average interest rate on one-week operations.

The weekly average volume of transactions on the interbank market was CFA F 455 billion in 2019 compared to CFA F 276 billion in 2018 (+65%). The operations covered maturities ranging from one day to 12 months. One-week and one-day compartments were the most active, representing respectively 73% and 15% of the average volume of transactions, against 68% and 14% in 2018. On average, total loans with those maturities respectively amounted to CFA F 330 billion and CFA F 70 billion in 2019, compared to CFA F 188 billion and CFA F 40 billion in 2018.

Compared to the average amount of cash injections, the volume of interbank transactions totalled 10.5% in 2019 against 7.5% in 2018.

² The special refinancing window was established by Decision No. 24/2013/CPM amending and supplementing Decision No. 397/12/2010 on the rules, instruments and procedures for the implementation of the monetary and credit policy of the Central Bank of West African States. Credit institutions eligible for refinancing may request advances on maturities ranging from three to twelve months through this window. These advances are backed by public or private securities with a residual maturity ranging between five and twenty years maximum. The window took effect in January 2014 and recorded its first transactions in July 2014.

The one-week compartment's weighted average interest rate fell from 5.20% in 2018 to 4.50% in 2019. All of the financial centres in the Union participated in interbank market transactions. Ouagadougou was the most active in terms of supplying resources (30%), followed by Abidjan (19%), Lomé (17%) and Dakar (15%). The primary beneficiaries were Abidjan (34%), Dakar (15%), Bamako (14%) and Cotonou (13%).

Table 6: TRENDS IN INTERBANK RATES IN 2019 (WEIGHTED AVERAGE AS A PERCENTAGE)

	1 day	1 week	2 weeks	1 month	3 months	6 months	9 months	12 months
January	5.09	5.16	5.52	4.81	6.00			6.00
February	4.94	4.96	5.57	4.47	5.00	5.43	4.50	
March	5.09	5.05	5.41	4.78	4.26			
April	4.38	4.37	5.31	5.60	6.33	5.34		3.45
May	4.35	4.05	5.36	4.43	5.91	4.25		
June	4.01	4.22	5.48	4.29	4.12	4.64		
July	4.54	4.31	5.55	4.91	5.95	5.60		
August	4.36	4.32	5.33	4.56	5.73		3.45	6.50
September	4.50	4.31	5.42	5.06	5.76			
October	4.02	4.22	5.09	4.52	6.46	5.61	6.43	6.43
November	4.59	4.39	5.44	5.04		5.22		
December	4.55	4.43	5.43	4.31	3.80	5.29	5.60	5.29
Average	4.51	4.50	5.40	4.72	4.78	5.20	5.36	5.32

Source: BCEAO.

Table 7: TRENDS IN INTERBANK LENDING IN WAMU IN 2019 (IN MILLIONS OF CFA F FRANCS)

	Average amounts		Average outstanding loans	Rate ranges (as a %)	Loan terms
	Total	Including WAMU			
January	464,815	335,993	625,181	4.81 to 6.00	1 day to 12 months
February	453,797	359,137	585,760	4.47 to 5.57	1 day to 9 months
March	482,233	293,996	631,194	4.26 to 5.41	1 day to 3 months
April	427,472	318,598	660,202	3.45 to 6.33	1 day to 12 months
May	477,395	362,425	638,447	4.05 to 5.91	1 day to 6 months
June	546,902	422,390	655,514	4.01 to 5.48	1 day to 6 months
July	411,562	303,459	572,531	4.31 to 5.95	1 day to 6 months
August	382,565	273,963	483,377	3.45 to 6.50	1 day to 12 months
September	350,933	297,376	489,421	4.31 to 5.76	1 day to 3 months
October	399,597	304,653	503,271	4.02 to 6.46	1 day to 12 months
November	482,458	364,833	584,963	4.39 to 5.44	1 day to 6 months
December	579,712	447,327	681,620	3.80 to 5.60	1 day to 12 months
Average	454,953	340,346	592,623		

Source: BCEAO.

2.3.4 - RESERVE REQUIREMENTS

In the Union, the reserve requirements of the banks are calculated based on:

- sight deposits collected,
- short-, medium- and long-term loans granted, and
- gross external claims.

In the case of financial institutions subject to reserve requirements, such as credit distributors authorized to receive deposits from the general public and credit sales financing institutions, the basis comprises the amount of outstanding loans granted, after deduction of loans obtained from the banking system.

Mandatory reserves are built up by the banks over a one-month period, from the 16th of each month to the 15th of the following month. For financial institutions subject to reserve requirements, they are based on the calendar quarter.

To allow institutions subject to reserve requirements to manage their cash flexibly, reserve holdings are assessed based on average balances on ordinary and settlement accounts over the stipulated period. The institutions are therefore not required to maintain a minimum daily balance in their account with the Central Bank. Each institution endeavours to hold the minimum reserve requirement on an average basis over the specified period.

Central Bank efforts to standardize reserve requirement coefficients have enabled it to set the reserve requirement coefficient applicable to all banks in the Union at a single rate of 3% since 16 March 2017. Standardization aimed to ensure equal treatment of all banks in an increasingly integrated regional market.

Over the period running from 16 November to 15 December 2019, the reserves built up averaged 1,638.8 billion, compared to a required level of 712.0 billion. The banks' free reserves therefore stood at 926.7 billion. The previous year, actual reserves stood at 1,413.0 billion, compared to a required level of 646.9 billion. Free reserves therefore stood at 766.1 billion.

Table 8: RESERVE REQUIREMENT COEFFICIENTS APPLICABLE TO THE BANKS*

	Up to 15 Nov. 1998	16 Nov. - 15 Dec. 1998	16 Dec. 1998 - 15 Apr. 2000	16 Apr. - 15 Aug. 2000	16 Aug. - 15 Sept. 2000	16 Sept. 2000 - 15 Apr. 2002	16 Apr. 2002 - 15 Mar. 2004	16 Mar. 2004 - 15 June 2005	16 June 2005 - 15 June 2009	16 June 2009 - 15 May 2010	16 May - 15 Dec. 2010	16 Dec. 2010 - 15 Mar. 2012	16 Mar. 2012 - 15 Mar. 2017	Since 16 Mar. 2017
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

(*): as a percentage
Source: BCEAO.

2.4 - TRENDS IN MONETARY AGGREGATES

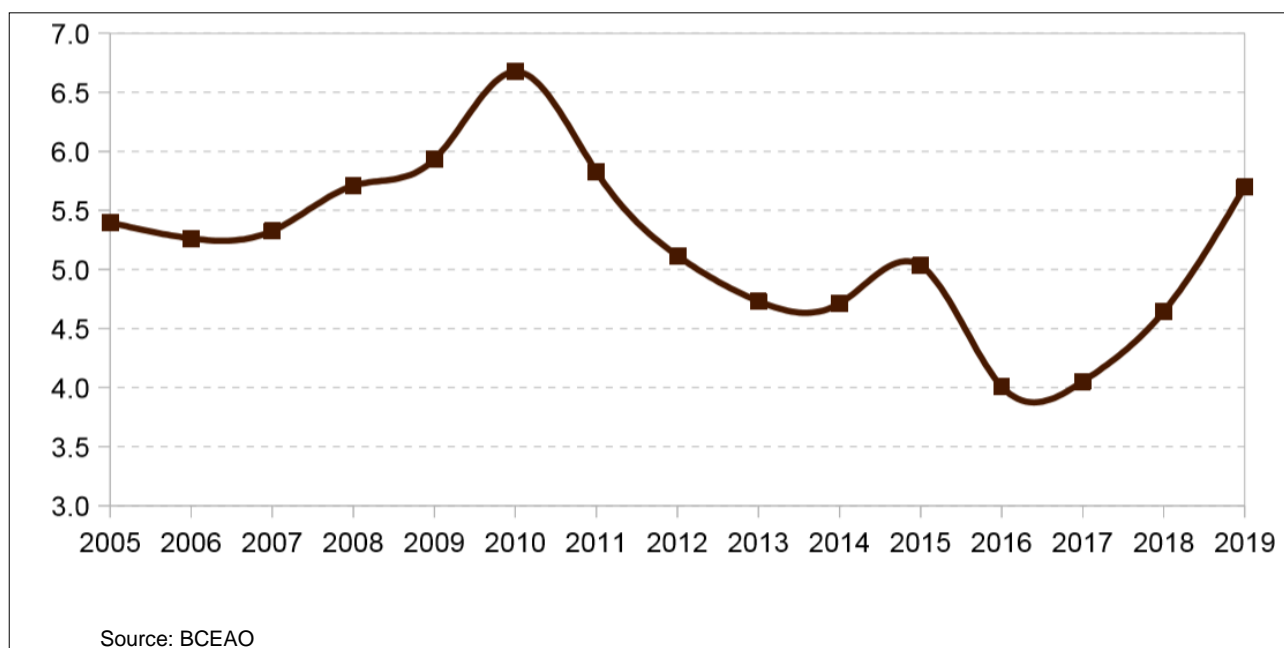
The monetary situation in the Union at the end of December 2019, compared to the end of December 2018, was characterized by an increase in the money supply, subsequent to an increase in domestic claims and net foreign assets.

2.4.1 - NET FOREIGN ASSETS

Net foreign assets of monetary institutions increased by 1,940.1 billion to reach 7,315.2 billion at end-December 2019. This was due to increases of 1,687.9 billion in the Central Bank's net foreign assets and 252.2 billion in those of the banks.

The official stock of foreign exchange reserves of the BCEAO grew by 1,795.9 billion, reaching 10,357.0 billion at the end of December 2019, owing to substantial mobilization of external resources by the states and an improved repatriation profile for export earnings. Repatriation of external resources by the states stood at 4,765.0 billion. This entailed an improvement in the Central Bank's currency issue coverage, which rose to 78.4%, compared to 77.1% in December 2018, allowing it to cover 5.7 months of imports of goods and services.

Graph 8: COVERAGE OF IMPORTS BY THE UNION'S FOREIGN EXCHANGE RESERVES (IN MONTHS)



2.4.2 - DOMESTIC CLAIMS

Outstanding domestic claims rose by 1,705.7 billion or 5.7% compared to their level at end-December 2018, reaching 31,727.6 billion at end-December 2019. This development was due to the combined impact of the consolidation of net claims on central government and credits to other sectors of the economies of the Union.

2.4.2.1 - NET CLAIMS ON THE CENTRAL GOVERNMENT

Net claims of monetary institutions on central governments stood at 8,116.7 billion at the end of December 2019, up by 6.3 billion compared to their level at the end of December 2018. The virtually unchanged trend in net claims on central governments was mainly due to a drop in net claims held by the BCEAO (-253.1 billion), offsetting net acquisitions of government claims by the banks (+259.4 billion). The states' account balances with the Central Bank were consolidated through mobilization of external resources.

Table 9: NET CLAIMS OF DEPOSITING INSTITUTIONS ON CENTRAL GOVERNMENTS

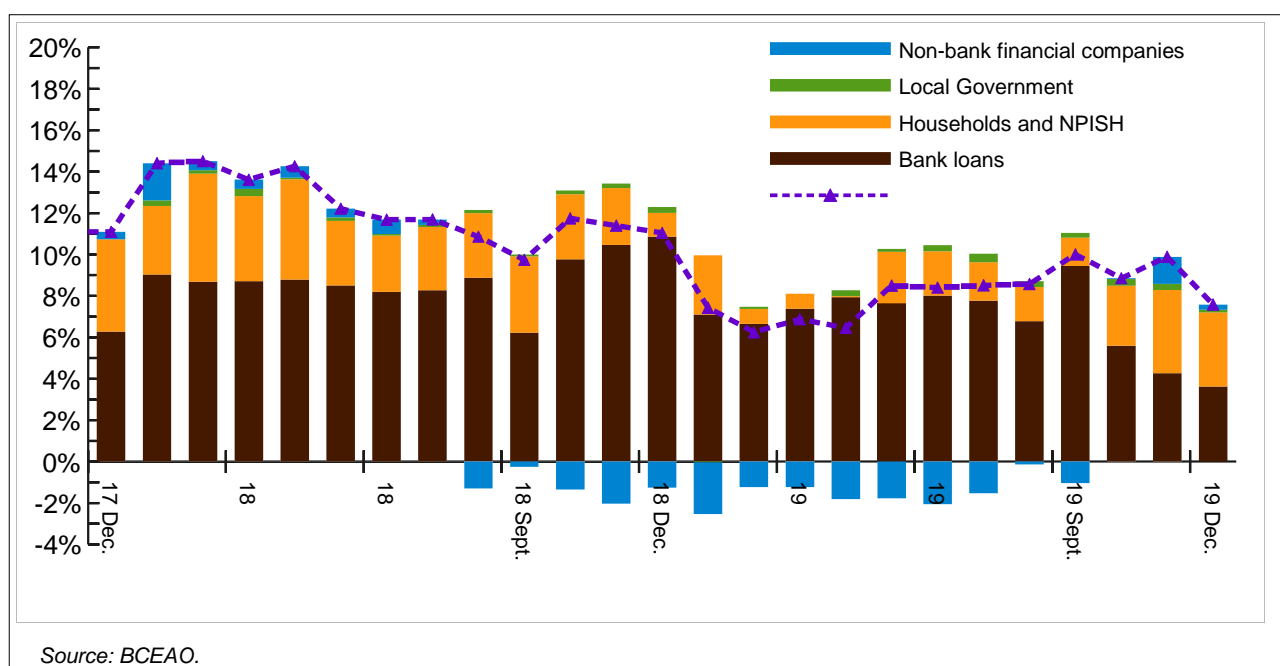
	December 2018	December 2019	Annual variation
Net claims on central governments	8,110.5	8,116.7	6.3
Deposit institution claims	12,108.4	13,158.9	1,050.5
Loans	3,783.9	4,228.2	444.3
Government securities portfolios	8,308.9	8,914.1	605.2
Other claims	15.6	16.1	0.5
Deposit institution commitments	3,998.0	5,042.2	1,044.2
Treasury cash in Central Bank	32.5	32.6	0.1
Deposits	3,882.6	4,915.1	1,032.5
Other commitments	82.9	94.5	11.6

Source: BCEAO.

2.4.2.2 - Bank loans to the economy

Loans by depositing institutions to the economy grew by 1,699.4 billion or 7.8% over FY 2019, reaching 23,610.8 billion at the end of December 2019, compared to 21,911.4 billion at the end of December 2018.

Graph 9: CONTRIBUTIONS TO BANK LOAN GROWTH



2.4.3 - MONEY SUPPLY AND MONETARY BASE

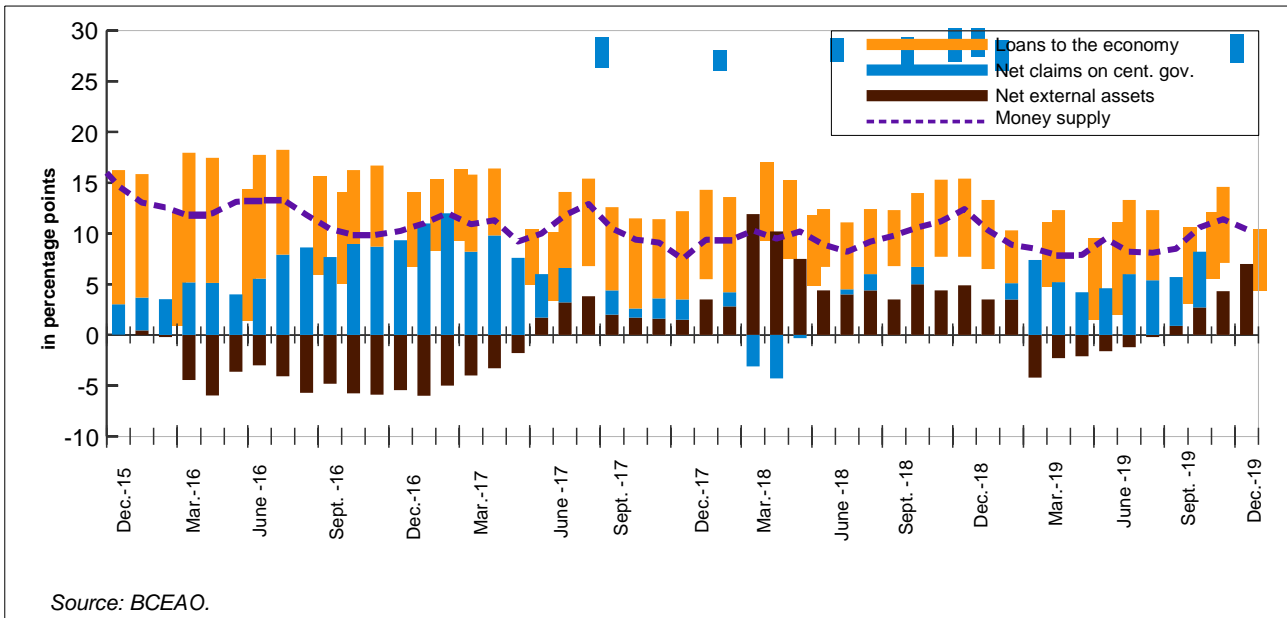
In conjunction with counterpart trends, the **money supply** grew by 2,874.0 billion or 10.4% to stand at 30,600.8 billion. This increase in overall liquidity was reflected in a rise of 2,205.1 billion or 10.3% in deposits and 668.9 billion or 10.7% in currency outside banks.

Compared to its level at end-December 2018, the **monetary base** shrank by 1,598.8 billion or 17.8%, reaching 10,568.3 billion at the end of December 2019. This trend was driven by growth in the various counterparties. Net foreign assets of the Central Bank grew by 1,687.9 billion and loans to banks increased by 512.2 billion. This trend was mitigated by a 253.0 billion decrease in net claims on central government agencies.

THE MONEY SUPPLY GREW BY 2,874.0 BILLION OR 10.4%, REACHING 30,600.8 BILLION

THE MONETARY BASE GREW BY 1,598.8 BILLION OR 17.8%, REACHING 10,568.3 BILLION AT END-DECEMBER 2019

Graph 10: COUNTERPARTY CONTRIBUTIONS TO ANNUAL GROWTH IN THE MONEY SUPPLY



III TRENDS IN THE BANKING AND FINANCIAL SYSTEM AND ACTIONS TO ACHIEVE FINANCIAL STABILITY AND INCLUSION.....	25
3.1 – SITUATION OF CREDIT INSTITUTIONS AND MICROFINANCE INSTITUTIONS.....	26
3.2 – FINANCIAL MARKET	28
3.2.1 - Resources mobilized by the member states on the primary market	28
3.2.1.1 - Resource mobilization on the regional market	28
3.2.1.2 - Outstanding government securities on the regional market.....	29
3.2.2 - Trends on the regional stock exchange (BRVM).....	30
3.3 – FINANCIAL STABILITY AND FINANCIAL INCLUSION	30
3.3.1 - Actions towards financial stability	30
3.3.1.1 - Preserving financial stability	30
3.3.1.2 - Reinforcing banking and financial supervision	32
3.3.2 - Centralization of banking risks	34
3.3.3 - Promotion of Credit Information Bureaus (CIBs).....	35
3.3.4 - Actions to promote financial inclusion in the Union	36
3.3.4.1 - Implementation of a regional strategy on financial inclusion in WAEMU.....	36
3.3.4.2 - Active participation in the work of the Alliance for Financial Inclusion	38

3.1 - SITUATION OF CREDIT AND MICROFINANCE INSTITUTIONS

<p>150 approved credit institutions including 130 banks and 20 bank-like financial institutions.</p>		<p>Uses grew by 3,155.4 billion (+9.7%) reaching 35,815.6 billion driven by an increase in loans (+2,112.2 billion; +10.1%).</p>
<p>88% of regulated institutions were in compliance with the total solvency ratio at end-June 2019 compared to 83% at end-December 2018 and 82% at end-December 2017.</p>	<p>BANKING SECTOR</p>	<p>Significant improvement in institutional compliance with prudential standards.</p>
<p>Increase of 3,353.6 billion (+5.4%) in resources over FY 2019.</p>		
<p>511 Decentralized financial systems (DFSs).</p>	<p>MICROFINANCE SECTOR</p>	<p style="text-align: center;">MICROFINANCE</p> <p>→ 15.2 million beneficiaries of the services of microfinance institutions at end-September 2019 as compared to 13.9 million at end-December 2018.</p> <p>→ 1,454.1 billion in deposits collected at end-September 2019 as compared to 1,243.2 billion at end-December 2018 (+17.0%). These deposits account for some 5.7% of deposits collected by the Union's credit institutions during the reporting period.</p> <p>→ 1,498.9 billion (outstanding) in loans granted by microfinance institutions, at end-September 2019, representing some 6.9% of all assistance granted by credit institutions in the Union.</p>
<p>5,062 service points (+874 service points between end-December 2018 and end-December 2019).</p>		

On 31 December 2019, **the banking sector** in the Union comprised 150 approved credit institutions, including 130 banks and 20 bank-like financial institutions.

The business of credit institutions continued to grow in FY 2019, accompanied by an improvement in the quality of the portfolios of regulated institutions. From December 2018 to December 2019, uses increased by 3,155.4 billion (+9.7%) to reach 35,815.6 billion, driven mainly by an increase of (+2,112.2 billion or +10.1%) in loans to customers, particularly medium-term loans (+1,953.1 billion; +22.4%).

Resources also appreciated by 3,353.6 billion (+5.4%), reaching 32,971.5 billion at the end of December 2019, in conjunction with a concomitant rise in deposits and borrowings (+2,707.8 billion; +11.02%), net equity (+498.8 billion; +15.7%) and miscellaneous resources (147.0 billion; +7.9%).

As a result of these developments, the cash position of banks and financial institutions showed a reduction in its structural deficit (+198.2 billion or 6.5%) at CFA F -2,844 billion against -3,042.2 billion at the end of 2018.

The gross rate of portfolio deterioration fell by one percentage point, to 11.4%. The net rate followed a similar trend, with 4.5% as against 4.7% at the end of December 2018.

At end-June 2019, the situation regarding compliance with prudential standards by regulated institutions under the Decree was as follows:

- The Basel II/III reform generally resulted in an improvement in the level of institutional compliance with prudential standards. The proportion of compliant institutions rose between 2017 and 2018.
- 88% of regulated institutions were in compliance with the total solvency ratio at the end of June 2019 compared to 83% at the end of December 2018 and 82% at the end of 2017.

The cumulative real equity capital of the entire WAMU banking system totalled 3,329.8 billion. Weighted risks were estimated at 28,961.0 billion. The average total solvency ratio (equity over risk-weighted assets) stood at 11.5% against a minimum standard of 9.5%.

The average total solvency ratio of credit institutions (individual minimum standard set at 9.5%), by country, was as follows: Mali (14.2%), Senegal (13.8%), Burkina (13.5%), Niger (12.8%), Togo (11.4%), Benin (9.9%), Côte d'Ivoire (9.7%) and Guinea-Bissau (-4.7%).

All in all, at end-June 2019, the situation of the Union's banking system with regard to the total solvency standard remained satisfactory compared to regulatory requirements. Moreover, it appeared from the declarations of the regulated entities that the other standards were generally complied with. Institutions in breach of the prudential framework of Basel II/III were called to order by the Banking Commission, with a view to imposing urgent measures to remedy the situation.

In terms of brokerage and people's access to financial services, the **WAMU microfinance sector** remained dynamic in 2019. Based on available information, with 511 Decentralized Financial Systems (DFSs), the number of service points rose from 4,188 at end-December 2018 to approximately 5,062 at end-September 2019. The number beneficiaries of services provided by microfinance institutions rose to nearly 15.2 million by end-September 2019, up from 13.9 million at end-December 2018.

The financial intermediation activity of the DFSs was also reinforced, Deposits collected totalled 1,454.1 billion at end-September 2019 compared to 1,243.2 billion at end-December 2018, corresponding to a 17.0% increase. These deposits accounted for approximately 5.7% of deposits collected by the Union's credit institutions during the reporting period. Outstanding loans granted by microfinance institutions increased by 6.0%, from 1,414.5 billion at end-December 2018 to 1,498.9 billion at end-September 2019, representing approximately 6.9% of the loans granted by the Union's credit institutions.

On the other hand, the quality of the DFSs' loan portfolio deteriorated slightly during the period under review. Past due loans stood at 113.4 billion at the end of September 2019 compared to 100.8 billion as at 31 December 2018. The gross portfolio deterioration rate in WAMU's DFSs, measured on the basis of the total amount of delinquent loans relative to the total amount of outstanding loans, stood at 7.6% at the end of September 2019, compared to 7.8% as at 31 December 2018, an increase of 0.5 percentage point. This exceeds the 3% standard generally accepted in the sector.

During FY 2019, the Central Bank pursued actions aimed at cleaning up the microfinance sector, modernizing tools for supervising microfinance activities and controlling identified vulnerabilities facing DFSs. These notably included:

- issuing favourable assent to the withdrawal of the approvals of twenty-one (21) DFSs;
- initiatives aimed at resolving the problem of organizations carrying out microfinance activities outside the regulatory framework. In some countries, those showing signs of sustainability were identified with a view to submitting applications for accreditation in accordance with the applicable regulations. Their applications are analyzed by the BCEAO;

- overhauling the "centralized IT solution for monitoring DFSs (SICS/SFD)" application to facilitate speedier production and processing of financial data;
- continuing efforts to adapt the legal framework in force. This work is being done by a Technical Committee set up for the purpose.

3.2 - FINANCIAL MARKET

Predominance of securities with 3- and 5-year maturities, mobilizing respective totals of **1,146.5 billion** and **474.5 billion**, representing **91.3%** of the total amount of issues by auction.

3.2.1 - RESOURCES MOBILIZED BY THE MEMBER STATES ON THE PRIMARY MARKET

3.2.1.1 - Resource mobilization on the regional market

In 2019, the gross total value of bonds issued on the regional public debt market was 4,112.2 billion compared with 3,277.6 billion in 2018. This increase of 834.6 billion compared to the year before was due to a stronger presence of Côte d'Ivoire and Senegal on the regional financial market, culminating in a net bond issuance of 910.8 billion as against 342.8 billion the previous year.

The share of Treasury bonds in resource mobilization on the market was 60.0% in 2019 compared with 57.3% in 2017. The total volume of issues by auction through the Treasury bond compartment stood at 1,775.1 billion, up 831.2 billion compared to FY 2018. Securities with 3- and 5-year maturities were the most in demand, mobilizing respective totals of 1,146.5 billion and 474.5 billion, representing 91.3% of the total amount of issues by auction.

The volume of bond issues by syndication was down by 152.3 billion compared to 2018, reaching 692.0 billion at the end of December 2019. The states showed a preference for 7- and 8-year maturities, which respectively raised 291.9 billion and 319.2 billion, which represented, taken together, 88.2% of the total volume of bond issues by syndication. Syndicated bonds were issued by Burkina (86.4 billion), Côte d'Ivoire (259.8 billion), Mali (232.8 billion) and Niger (113.0 billion).

The rate of return on bonds issued in 2019 stood at 6.42%, compared to 6.29% the year before.

Table 10: GOVERNMENT SECURITIES ISSUES (IN BILLIONS OF CFA F)

	2017 total					2018 total					2019 total
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Bills	1,578.2	380.2	308.9	471.3	329.0	1,489.4	536.9	546.3	358.3	203.6	1,645.1
Bonds	2,121.9	224.8	374.4	558.6	630.4	1,788.2	555.0	686.4	728.6	497.0	2,467.1
Auction	1,165.2	112.9	218.1	394.0	218.9	943.9	349.5	474.2	454.3	497.0	1,775.1
Syndication	958.8	111.9	156.3	164.6	411.5	844.3	205.5	212.2	274.3	-	692.0
Total	3,700.1	605.0	683.3	1,029.9	959.4	3,277.6	1,091.9	1,232.7	1,086.9	700.6	4,112.2

Sources: BCEAO, WAMU Securities Agency.

In the Treasury bill compartment, 70 issues were carried out in 2019, for a total amount of 1,645.1 billion, compared with an initial forecast of 1,222.0 billion in 2019 and an actual issuance of 1,489.4 billion in 2018. The 12-month maturity was the most commonly requested, with 42 issues for a total value of 885.1 billion, or 53.8% of the total value of bonds issued. During the 2019 financial year, rates

on the Treasury bill compartment generally followed a downward trend. The weighted average interest rate for all maturities stood at 5.36%, compared to 5.90% the previous year.

Table 11: AVERAGE INTEREST RATES ON TREASURY BILLS (AS A PERCENTAGE)

	2017				2017 average	2018				2018 average	2019				2019 average
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
1 month	4.94	4.86	-	-	4.91	-	-	-	3.9	3.9	-	-	-	-	-
3 months	5.5	5.37	5.64	5.62	5.53	6.38	5.81	4.85	6.02	5.46	5	4.98	4.63	-	4.85
6 months	5.37	5.87	5.38	5.96	5.77	6.09	6.17	5.86	5.99	6.06	5.69	5.4	-	4.9	5.52
12 months	5.99	6.12	5.68	5.99	5.99	6.25	6.22	6.11	6.08	6.16	6.07	5.62	5.29	5.11	5.61
24 months	-	-	-	5.78	5.78	-	5.8	-	-	5.8	-	-	-	-	-
Average rates	5.68	5.74	5.58	5.85	5.71	6.22	6	5.61	5.78	5.9	5.78	5.32	4.93	5.08	5.36

Sources: BCEAO, WAMU Securities Agency.

3.2.1.2 - Outstanding government securities on the regional market

Overall outstanding government securities stood at 10,883.5 billion at end-December 2019. The structure of outstanding securities was dominated by bonds, which represented 92.3% of the total.

Table 12: OUTSTANDING GOVERNMENT SECURITIES AT END-DECEMBER 2019 (IN BILLIONS OF CFA F)

	Bills	Bonds	Total
Benin	21.9	1,190.1	1,212.0
Burkina	244.4	1,235.5	1,479.9
Côte d'Ivoire	95.5	3,566.2	3,661.7
Guinea-Bissau	12.8	73.4	86.2
Mali	126.5	1,311.2	1,437.7
Niger	335.0	587.4	922.5
Senegal	0.0	928.0	928.0
Togo	51.4	1,104.1	1,155.4
WAEMU	887.6	9,995.9	10,883.5

(*) These figures only apply to bills and bonds issued on the regional financial market.
Sources: BCEAO, WAMU Securities.

Table 13: TRENDS IN OUTSTANDING GOVERNMENT SECURITIES (IN BILLIONS OF CFA F)

	2012	2013	2014	2015	2016	2017	2018	2019
Outstanding	3023.9	3,743.9	5,043.2	6,388.5	8,621.4	9,629.9	9,972.7	10,883.5
(as a % of the GDP)	7.3	8.4	10.5	12.2	14.6	14.5	14.4	13.6
Relative share								
- bills	39	36.3	30.5	20.3	17.5	12.7	11	7.7
- bonds	61	63.7	69.5	7.7	82.5	87.3	89	92.3

Sources: BCEAO, WAMU Securities Agency.

3.2.2 - TRENDS IN THE REGIONAL STOCK EXCHANGE (BRVM)

Compared with 31 December 2018, regional stock market activity as at 31 December 2019 showed contrasting trends in the main indicators. Market capitalization amounted to 8,973.25 billion on 31 December 2019, compared to 8,274.05 billion at the end of 2018, an increase of 8.45% attributable to a rise in the bonds compartment. Bond market capitalization rose sharply from 3,429.54 billion at the end of December 2018 to 4,232.65 billion on 31 December 2019, up by 23.42%, while stock market capitalization declined over the same period by -2.14%.

The BRVM indexes followed a downward trend in 2019. The BRVM10, which is the main stock market index, and the composite index stood at 149.11 and 159.24 points respectively on 31 December 2019, down 3.40% and of 7.55%, respectively, compared with end-December 2018.

3.3 - FINANCIAL STABILITY AND FINANCIAL INCLUSION

3.3.1 - ACTIONS TOWARDS FINANCIAL STABILITY

Financial stability activities conducted by the BCEAO in 2019 targeted the following key areas:

- preserving the financial stability of the Union, and
- reinforcing banking and financial supervision.

3.3.1.1 - Preserving financial stability

The work accomplished in 2019 with a view to consolidating financial stability focused particularly on the consolidation of the systemic risk monitoring mechanism in the Union.

3.3.1.1.1 - Consolidation of the systemic risk monitoring mechanism in the Union

The enhancement of the systemic risk monitoring mechanism in the Union led to the adoption of a methodological framework for the identification of Systemically Important Financial Institutions (SIFIs) as well as the implementation of recommendations emanating from the WAMU Financial Stability Committee, with a view to taking appropriate actions to ensure the smooth and efficient operation of the financial system.

• Adoption of methodologies for identifying Systemically Important Financial Institutions (SIFIs) and determining the capital surcharge

The methodological framework for identifying SIFIs and determining the capital surcharge applicable to them was drawn up and disseminated to the banking profession in December 2019 via a Central Bank Notification. In accordance with best practices, this tool enables the Banking Supervision Authority to select institutions whose failure could have a significant impact on the financial system and the economies of the member states of the Union. The methodological approach adopted in the Union was presented to the Managing Directors of regulated institutions in a session organized by videoconference on 7 October 2019.

• Work of the WAMU Financial Stability Committee

The BCEAO took part in the proceedings of the 15th ordinary session of the WAMU Financial Stability Committee (CSF-UMOA) on 2 August 2019. During the meeting, the Committee concluded that, in the light of recent developments in the Union's macro-financial environment, the stability of the WAMU financial sector did not give cause for concern. However, it highlighted the principal sources of vulnerability that could affect performances in the Union, including:

- ☐ the high concentration of risks in the different segments of the WAMU financial sector;
- ☐ the significant exposure of the banking sector to credit risk and cybercrime;
- ☐ the deterioration of the Decentralized Financial Systems' portfolio, combined with governance issues, particularly in community-based mutual savings and loan institutions; and

☐ the vulnerability of the financial institutions in the zone, given the low levels of diversification of the economies of the member states of the Union and the persistence of security risks.

Recommendations were made to limit the potential impact of these risk factors.

3.3.1.1.2 - Other actions contributing to financial stability

The BCEAO pursued the implementation of Basel II and III standards in the Union in 2019. In this connection, the work carried out focused on the popularization of regulatory instruments, the monitoring of prudential reporting and the continuing provision of support.

With regard to the popularization of regulatory instruments, the Central Bank organized a roadshow from 11 March to 5 April 2019 to raise awareness about the Banking Commission circulars adopted 27 September 2017 in administrators, managing directors and senior comptrollers of regulated institutions in WAMU.

The purpose of the roadshow was to familiarize the executive management and senior comptrollers of regulated institutions with their roles and responsibilities in terms of governance, risk management and internal controls within their entities. The roadshow allowed the governance bodies of regulated institutions to familiarize themselves with the main changes to the circulars and provided an opportunity for the BCEAO to respond to their concerns, with a view to the proper implementation of the instruments in question.

With regard to prudential reporting, more than 92% of reporting institutions submitted both semi-annual reports due on 30 April 2019 and 31 October 2019, respectively.

Moreover, the process instituted within the BCEAO to provide support for the banking system and other stakeholders was continued in FY 2019, with a view to ensuring the harmonious application of the Banking Chart of Accounts (BCA) and prudential rules by all regulated institutions. This support took the form of responses to the concerns expressed by the interested parties on the addresses dedicated to the two reforms, as well as telephone interviews and hearings during which the BCEAO clarified points of incomprehension for the regulated entities regarding the new standards.

Box 1: INTERNATIONAL CONFERENCE ON: "FINTECH: CHALLENGES, OPPORTUNITIES AND PROSPECTS FOR DEVELOPING COUNTRIES"

The Central Bank of West African States (BCEAO), in collaboration with the World Bank, organized an international conference on Financial Technology (FinTech) businesses at BCEAO headquarters in Dakar on 30-31 October 2019.

The main objective of the conference was to create a framework for exchanges allowing participants to benefit from experience-sharing on FinTech regulation and supervision in order to strengthen their capacities in terms of promotion, coaching and supervision of their organizations.

Participants

Some 145 participants attended the conference, including members of the BCEAO Government and the Governors of the central banks of Central African States, Mauritania, The Gambia, Ghana and Sierra Leone. The conference was also attended by the Chairman of the Regional Council for Public Savings and Financial Markets (CREPMF), the Secretary General of the WAMU Banking Commission, the Secretary General of the Central African Banking Commission, representatives of the Ministries of Finance, BCEAO National Directors and several other leaders and experts from regional and international regulatory and supervisory institutions such as the Alliance for Financial Inclusion (AFI), Sveriges Riksbank, the European Central Bank (ECB), Bank Al-Maghrib, the Central Bank of Egypt, the Inter-African Conference on Insurance Markets (CIMA), the West African Development Bank (WADB) and the Regional Stock Exchange (BRVM).

In addition to regulators and supervisors, the event was also attended by practitioners from the financial technology business ecosystem, including FinTech firms, associations and organizations operating in the sector, as well as representatives of credit and microfinance institutions.

Themes covered by the Conférence

The proceedings were divided into seven sessions, taking the form of panels featuring experts from the organizations in attendance.

The following topics were addressed:

- **Blockchain technology and its applications,**
- **Trends in digital credit: alternative loan platforms and markets,**
- **Digital currency issued by central banks and virtual currencies,**
- **Financial innovation laboratories, also known as Regulatory Sandboxes,**
- **Approaches to FinTech regulation and supervision,**
- **creation of a FinTech ecosystem through stakeholder collaboration, and**
- **FinTech in Africa: challenges, opportunities and outlook.**

The conference was marked by a Governors' roundtable chaired by the Governor of the BEAC. This forum provided an opportunity for senior central bank officials to review the main lessons to be learned from the conference and examine prospects for ensuring FinTech development in their respective jurisdictions.

Main recommendations issued by the conference

The following recommendations were issued at the close of the meeting:

- **develop a specific regulatory framework for FinTech operations relating to the payment services and participatory financing segments in conjunction with the competent authorities, particularly the CREPMF for the investment financing component;**
- **specific provisions on cybersecurity and the protection and confidentiality of the personal data of customers of financial institutions;**
- **take an experimentation approach to the FinTech regulatory framework, through the creation of a financial innovation laboratory in the Union. This initiative could be preceded by the creation of innovation offices in WAMU countries; and**
- **continue BCEAO participation in international exchange forums on FinTech.**

All in all, the conference provided a framework for fruitful and fertile exchanges that allowed stakeholders in the WAMU FinTech ecosystem to better understand the issues, challenges, prospects, benefits and risks associated with the emergence of these entities in the Union.

3.3.1.2 - Reinforcing banking and financial supervision

3.3.1.2.1 Prudential reform

The work carried out to reinforce prudential regulations mainly focused on the promulgation in July 2019 of Instruction No. 003-07-2019 on the recognition of external credit assessment bodies for prudential purposes. The main purpose of the instrument is to set the terms and conditions for Central Bank recognition of external credit assessment bodies, whose ratings could be used for prudential purposes by the Union's regulated institutions.

3.3.1.2.2 - Accounting reform

In the framework of the implementation of the accounting reform which entered into force in 2018, the BCEAO produced the following draft instruments:

- **A Tax Directive harmonizing the tax treatment of losses on non-performing or disputed loans booked by credit institutions in application of banking regulations. This draft was discussed and approved at a workshop organized by the WAEMU Commission in Ouagadougou on 29-31 July 2019; and**
- **A Directive harmonizing the tax regime for financial leasing operations and capital gains realized in the context of the establishment of intermediary financial holding companies. The draft was discussed by representatives of tax authorities and professional associations of banks and financial institutions in WAMU, in meetings held at BCEAO headquarters.**

These draft documents were submitted to the WAEMU Commission, which is the competent body in such matters.

Similarly, the following implementing texts were revised in the light of the new bank accounting standards in force since 1 January 2018:

- **An Instruction on procedures for setting up minimum required reserves with the BCEAO; and**
- **An Instruction on procedures for BCEAO intervention in the conduct of monetary policy.**

Box 2: REVISION OF THE IMPLEMENTING PROVISIONS GOVERNING THE NEW BANK ACCOUNTING STANDARDS

The changes to the aforementioned Instruction No. 005/12/2019 of 31 December 2019, pertaining to the evaluation form for the said reserves, are as follows:

- **inclusion of DFSs, which are treated as credit institutions, under the heading on financial firms and international or foreign financial institutions;**
- **reorganization of the heading on "governments and similar bodies", which is now entitled "Government entities", including the Public Treasury, and the heading on "Other economic actors", which includes Households (i), Other Financial Companies (ii), Non-Financial Companies (iii) and Non-Profit Institutions Serving Households (iv); and**
- **deletion of the heading "Cash in hand with immediate credit" in connection with the implementation of the Automated Bank Clearing System in WAEMU (SICA-UEMOA), reducing the time required to cash securities, particularly cheques, from several weeks to one day at most.**

With regards to Instruction No. 004-12-2019 of 31 December 2019 on procedures for BCEAO intervention in monetary policy conduct, the changes made were:

- **revision of the "other banking uses" components in the statement used to calculate the maximum refinancing ratio. This item essentially includes securities, broken down according to the categories stipulated by the new BCA, namely: trading securities, portfolio securities, marketable securities and investment securities. Cash and cash equivalents are no longer included under this heading. Leasing transactions are now treated as ordinary loans. As such, they can no longer be included under this section; and**
- **inclusion of the impact of the introduction of the West African Monetary Union's automated cash and securities management system (SAGETIL-UMOA) in processing of bids, carried out directly by members via the dedicated platform, rendering certain documents, notably bidding slips, obsolete.**

The item names used under the former chart of accounts were also replaced by those used under the revised BCA on the form used to assess reserve requirements as well as on the statement used to calculate the maximum BCEAO counterpart refinancing ratio.

3.3.1.2.3 - Banking and microfinance legislation in WAMU

In the framework of the revision of the basic legal instruments governing banking and financial activity in WAMU, two technical committees were set up in August 2018 by decision of the Governor of the BCEAO. The committees are respectively in charge of revising the law on banking regulation and the law on the regulation of decentralized financial systems. The preliminary work of the committees has been presented to the BCEAO authorities and will be the focus of regional consultations scheduled during the first quarter of 2020. The draft bills will be submitted to the WAMU Council of Ministers for adoption in 2020.

3.3.1.2.4 - Enforcement of financial penalties imposed by the Banking Commission

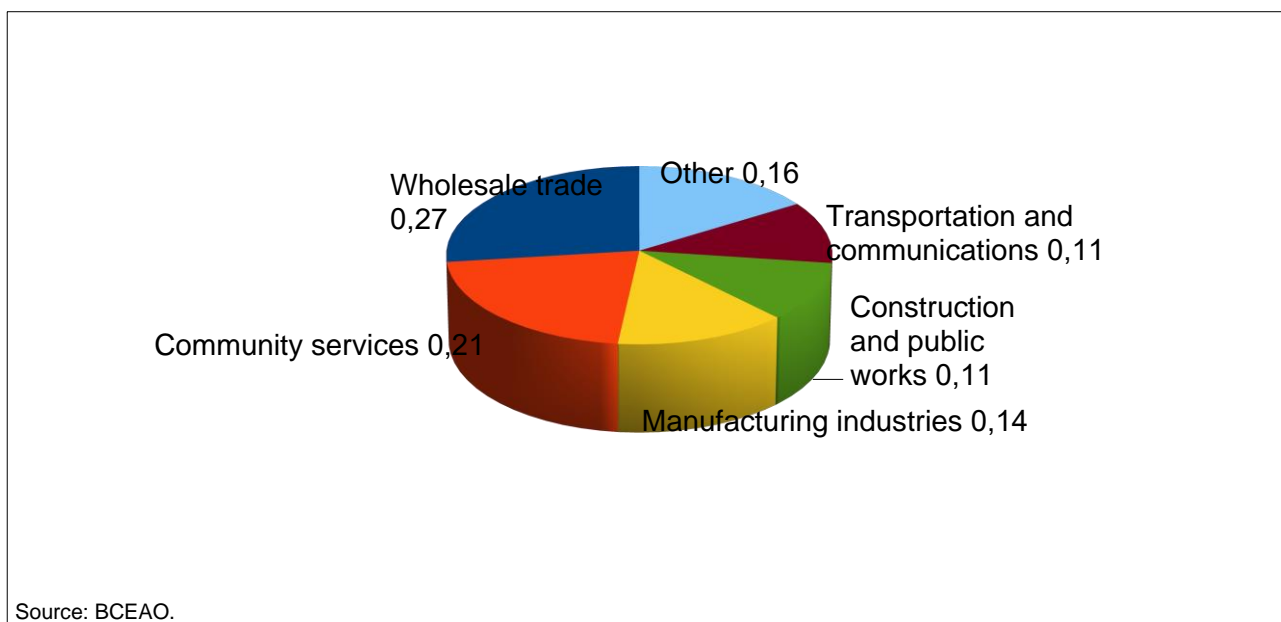
The BCEAO has enacted implementing provisions for the enforcement of financial penalties imposed by the Banking Commission on credit institutions, finance companies, DFSs and Credit Information Bureaus in WAMU countries. These notably include:

- Instruction n°001-03-2019 of 25 March 2019, establishing the terms and conditions of enforcement of financial penalties imposed by the Banking Commission of the West African Monetary Union against finance companies and parent credit institutions; and
- Instruction n°002-03-2019 of March 25, 2019, establishing the terms and conditions of enforcement of financial penalties imposed by the Banking Commission of the West African Monetary Union against electronic money institutions of the West African Monetary Union.

3.3.2 - CENTRALIZATION OF BANKING RISKS

With respect to banking risk centralization, the overall outstanding amount of credit registered with the central credit register was estimated at 14,232.9 billion at the end of December 2019, against 13,340.9 billion on 31 December 2018, an increase of 6.7%. It includes 60.0% short-term loans corresponding to a total outstanding amount of 8,539.7 billion and 40.0% medium and long-term loans, representing a total of 5,693.2 billion.

Graph 11: CONCENTRATION OF BANKING RISKS BY LINE OF BUSINESS



Risks are essentially concentrated in the following sectors: “wholesale trade” (27.0%), “community services” (21.3%), “manufacturing industries” (13.8%), “transportation and communications” (11.3%) and “construction and public works” (10.7%). These five areas of activity alone accounted for more than 4/5 of the loans declared on the central credit register.

3.3.3 - PROMOTION OF CREDIT INFORMATION BUREAUS (CIBs)

CREDITINFO-VOLO, a firm that has been granted approval to act as a Credit Information Bureau (CIB) in WAMU, has been operating throughout the WAMU zone since 1 February 2016.

The number of regulated institutions that were found, based on tests, to be qualified to participate in the credit information sharing system rose from 57 at the end of February 2016 to 119 at the end of February 2017, reaching 196 at the end of December 2019 out of a potential 214. Thus, 91.1% were qualified. Institutions that have yet to complete qualification tests receive close assistance from CREDITINFO-VOLO and BCEAO.

INCREASE IN THE NUMBER OF CUSTOMERS IN THE CIB DATABASE	
30,694 at the end of February 2016	7,192,103 as at 31 December 2019

The number of customers whose data is available in the CIB database rose from 30,694 at the end of February 2016 to 7,192,103 on December 31, 2019, including 139,468 legal entities and 7,052,635 individuals. This substantial increase reflects the impact of the enactment of legislation by Côte d'Ivoire, Senegal, Niger, Togo, Burkina and Mali, which exonerated regulated institutions from the requirement of obtaining consent to share the data of customers who received loans before the date of entry into force of the uniform law. It also reflects the impact of additional provisions implemented by Côte d'Ivoire, Niger, Togo and Benin, authorizing the implementation of automated processing of data from public utilities to be included on the electronic platform for credit information sharing. These measures allowed 15 public utilities, including the main electricity, water, mobile phone and telecommunications companies in all four countries concerned, to be linked to the platform.

This progress was taken into account in the 2020 edition of the Doing Business report on the business environment, particularly in its ranking of the states on the basis of their recent performance in terms of the "getting credit" indicator set. Like Côte d'Ivoire (48th), Niger and Togo have risen in the ranking on this criterion from 144th place in the 2019 edition to 48th place in the 2020 report, while Senegal moved up to 67th place on the "getting credit" indicator set, from 144th place the previous year. Due to a lack of new reforms, the other member states of the Union, namely Benin (152nd vs. 144th), Burkina Faso (152nd vs. 144th), Guinea-Bissau (152nd vs. 144th) and Mali (152nd vs. 144th) dropped in the ranking on this indicator set.

Despite the progress achieved, the credit data-sharing system still faces difficulties, mainly related to the extent and quality of participation of the Union's credit institutions and Decentralized Financial Systems.

In this connection, the BCEAO organized an awareness seminar for Managing Directors of regulated institutions on the credit data sharing system on 2 May 2019 at its headquarters in Dakar. The measures taken following this meeting led to a significant increase in the volume of data in the CIB database. These measures also helped to improve the CIB database consultation rate among regulated institutions. According to statistics provided by CREDITINFO-VOLO, the rate rose from 45.0% at end-December 2018 to nearly 75% at end-December 2019. However, despite this marked increase, the consultation rate still does not reflect systematic use of the CIB database by regulated institutions for each credit operation.

On 12 November 2019, the Central Bank approved a new fee schedule for credit information services to be offered by the CIB in FY 2020. In addition to the continued easing of pricing terms applicable to regulated institutions, as of FY 2019, the main innovation was the implementation of simplified pricing, with the adoption of a flat fee for credit reports. The new fee schedule is also designed to provide an incentive by incorporating a credit risk score into the credit report, which will be a free service throughout FY 2020.

For its part, the CIB is considering launching online services for the public, including an application called "MyCreditinfo" to facilitate claims management and data users' access to consultations.

3.3.4 - ACTIONS TO PROMOTE FINANCIAL INCLUSION IN THE UNION

Actions to promote financial inclusion notably include the implementation of a regional strategy on financial inclusion (SRIF) in WAEMU and BCEAO participation in the activities of the Alliance for Financial Inclusion.

3.3.4.1 - Implementation of a regional strategy on financial inclusion in WAEMU (SRIF)

In the framework of the implementation of the regional financial inclusion strategy in the West African Economic and Monetary Union, the Central Bank continued its actions in support of member states. It also continued the implementation of projects to promote financial inclusion and financial literacy, namely the project for the interoperability of digital financial services in WAEMU and the regional financial literacy programme.

In keeping with the regional strategy's institutional mechanism, the coordination bodies, namely the Regional Steering Committee (RSC), the National Implementation Monitoring Committees (CNSMOs) and the Technical Monitoring Committee (TMC), held their statutory meetings in 2019.

The second meeting of the RSC, held in November 2019, provided an opportunity to review progress in the implementation of the regional strategy as at 30 June 2019 and to examine the 2020 work programme and budget of the Regional Strategy for Financial Inclusion Management and Coordination Unit (UGC-SRIF). The main lines of the WAEMU Regional Financial Literacy Programme document were also discussed.

The CNSMOs held their statutory sessions in all eight countries of the Union. During these sessions, working groups on financial literacy were set up in Côte d'Ivoire, Mali, Niger, Senegal and Togo.

The TMC held its first and second meetings on 11 July and 25 October 2019, respectively. During those meetings, the Committee reviewed the SRIF implementation report as at end-June 2019, the implementation status of the recommendations of the first meeting of the Regional Steering Committee, held on 27 November 2018, and the 2020 work programme for the UGC-SRIF.

With regard to the financing of regional strategy actions, three partners have materialized their commitments by signing financing agreements, thereby bringing up to six the number of donors providing technical and financial support for the implementation of the SRIF. These include the Swiss Confederation, the French Development Agency (AFD), the African Development Bank (AfDB), the Alliance for Financial Inclusion (AFI), the United Nations Capital Development Fund (UNCDF) and the World Bank. Thus, out of an estimated CFA F 29.88 billion, firm financing commitments signed with technical and financial partners amount to CFA F 14.68 billion. The contribution of the Central Bank is estimated at CFA F 2.27 billion. The financing gap that needs to be filled therefore stands at CFA F 12.93 billion. Discussions are ongoing with other donors with a view to mobilizing these additional resources.

In addition, the BCEAO continued its support to the member states through the organization, in July 2019, of an information visit with the CNSMOs to the Ministry of National Education and Vocational Training of Côte d'Ivoire, on the development, implementation and monitoring of a financial education programme. Support to member states was also demonstrated through BCEAO participation in the development of national strategies in certain countries that undertook the exercise, namely Senegal and Togo.

With regard to financial inclusion projects, the Bank has continued to work on the implementation of the Union's Digital Financial Services Interoperability Project. The main activities completed in 2019 focused on assessing the maturity of the market, stakeholder capacity building and the organization of the work of the Thematic Groups, which have put forward operating rules and detailed specifications for interoperability. Finally, proceedings for the procurement of a solution were launched with the pre-qualification phase.

Box 3: OVERVIEW OF THE PROJECT ON THE INTEROPERABILITY OF DIGITAL FINANCIAL SERVICES IN WAEMU

Interoperability is generally defined as the ability of several systems to exchange information amongst themselves without access restrictions.

With respect to payments, interoperability of digital financial services hinges on the ability of a customer affiliated with a specific service provider, to send and receive transfers and payments to the account of a user affiliated with a different service provider.

The Union's Digital Financial Services Interoperability Project was officially launched in April 2017, with the signing of a Grant Agreement between the BCEAO and the African Development Bank (AfDB), with support from the Bill & Melinda Gates Foundation. Its overall cost is estimated at nine million six hundred thousand (9.6 million) US dollars, or roughly five billion six hundred million (5.6 billion) CFA francs.

The Central Bank's vision in this regard involves the installation of infrastructure to enable "account-to-account" exchanges, regardless of the type of account (bank, non-bank) between all financial service providers (banks, decentralized financial systems, electronic money institutions), the integration of all instruments, services and channels used, as well as the pooling of efforts around the GIM-UEMOA SA (*Groupement Interbancaire Monétaire de l'Union Economique et Monétaire Ouest Africaine*) platform.

The key objectives of this project for the BCEAO are:

- **reducing payment services exit costs with a view to increasing the financial inclusion of the general public and small and medium-sized enterprises (SMEs) in the Union, and**
- **controlling the risks associated with the clearing and settlement of inter-network transactions.**

The Central Bank's involvement aims to facilitate the engagement of all stakeholders through a participatory, market-responsive approach.

With this in mind, the following key activities have been carried out:

- **the organization of dedicated meetings with payment ecosystem stakeholders in all eight WAEMU countries;**
- **an assessment of the capacities of GIM-UEMOA's regional interbank electronic payment system and provision of capacity building for stakeholders in the area of digital financial services interoperability;**
- **a market maturity analysis by the PWC Côte d'Ivoire firm. Its main purpose was to take stock of the current state of digital payments in the Union and gauge the maturity of the market for interoperability of payments between the players involved;**
- **the activities of the Thematic Groups in charge of designing the functional and technical specifications as well as the economic model of the interoperable system; and**
- **the organization, in October 2019, of a regional consultation, which culminated in the adoption of a deployment plan. The plan provides for a gradual approach, with the launch, in phase one, of core services consisting of account-to-account transfers and vendor payments.**

The new system will complement and enrich the Union's financial infrastructure and will provide people with local, affordable and faster payment services. Financial inclusion will be boosted by instant services, available 24/7, with key features driven by quality and security requirements.

3.3.4.2 - PARTICIPATION IN THE ACTIVITIES OF THE ALLIANCE FOR FINANCIAL INCLUSION

Among the activities of the Alliance for Financial Inclusion, in addition to its participation in the proceedings of the Board of Directors, the BCEAO took part in the activities of eight working groups on the following themes: Digital Financial Services, Financial Inclusion Policies of the African Regional Initiative on Financial Inclusion Policies, Consumer Empowerment and Market Conduct, National Financial Inclusion Strategies, Global Standards Proportionality, SME Finance, Financial Inclusion Data and Inclusive Green Finance.

Box 4: ACTIVITIES FOR THE PROMOTION OF ISLAMIC FINANCE

Following the enactment of specific provisions on Islamic finance by the Union in 2017 and 2018, the BCEAO worked to promote this new service via a roadshow focusing on explaining the new regulatory provisions. The roadshow helped raise awareness in 466 participants from regulated Decentralized Financial Systems (DFS) and credit institutions in all eight member states of the Union.

The national workshops provided an opportunity for stakeholders:

- **to gain an understanding of Shariah doctrine on business transactions as well as the distinctive features of the Islamic financial system;**
- **to build their capacities by achieving a better grasp of the regulations governing Islamic finance in WAMU; and**
- **to understand the organization of Islamic financing services and operations.**

To date, eight authorizations have been granted to open Islamic finance branches, including seven in the banking sector and one in the microfinance sector.

Ongoing Central Bank initiatives are aimed at making the regulatory framework for enhanced promotion of Islamic financial institutions (IFIs) fully operational. Specifically, these include the institution of accounting and prudential frameworks as well as the establishment of a refinancing mechanism for IFIs in WAMU.

The development of the Islamic finance industry also requires giving thought to tax implications to ensure the competitiveness of Islamic finance with conventional financial services. In this context, the BCEAO is taking an active part in the work led by the WAEMU Commission for the drafting of a community regulation on the harmonization of taxes applicable to operations compliant with the rules and principles of Islamic finance.

Furthermore, in order to consolidate the Islamic finance ecosystem, which requires a dedicated financial market, the Central Bank of West African States is pursuing initiatives to provide the WAEMU zone with a regulatory framework for financial securities compliant with the principles and rules of Islamic finance, under the aegis of the Regional Council for Public Savings and Financial Markets (CREPMF).

IV MANAGEMENT OF BANKNOTES AND COINS, PAYMENT SYSTEMS AND INSTRUMENTS AND FOREIGN EXCHANGE RESERVES.....	39
4.1 – MANAGEMENT OF CURRENCY IN CIRCULATION	40
4.1.1 - Withdrawals and deposits through BCEAO branch windows.....	40
4.1.2 - Structure of currency outside banks	40
4.2 – WAEMU PAYMENT SYSTEMS AND INSTRUMENTS.....	42
4.2.1 – Regional payment systems	42
4.2.2 - Contribution of payment systems and services to enhanced financial inclusion	44
4.2.2.1- Connection of national public treasury departments to WAEMU payment systems.....	44
4.2.2.2 - Promoting Decentralized Financial Systems access to WAEMU regional payment systems.....	45
4.2.2.3 – Promoting access to STAR-UEMOA for brokerage firms to boost participation in the market for government securities issued by auction.....	45
4.3 – FOREIGN EXCHANGE RESERVES.....	45

4.1 - MANAGEMENT OF CURRENCY IN CIRCULATION

During the 2019 financial year, withdrawals of banknotes and coins through the cash desk of the Central Bank reached CFA F 18,468.9 billion (2,906.6 million units). They exceeded deposits received, which stood at CFA F 17,686.3 billion (2,515.3 million units). Currency in circulation resulting from these trends totaled CFA F 7,751.2 billion, up by 18.7%.

4.1.1 - WITHDRAWALS AND DEPOSITS THROUGH BCEAO BRANCH WINDOWS

Movements through Central Bank windows stood at CFA F 36,155.2 billion in 2019 compared to CFA F 33,992.7 billion the previous year.

Over the reporting period, banknote withdrawals totaled CFA F 18,456.5 billion (2,694.2 million units) compared to CFA F 17,144.8 billion (2,417.8 million units) in 2018, which represents an annual increase of 276.4 million units. The largest withdrawals in value terms were recorded in Côte d'Ivoire (32.4%), Burkina Faso (16.6%) and Senegal (15.5%).

Coin withdrawals increased by 120.4% from 96.3 million units in 2018 to 212.4 million in 2019. In value terms, withdrawals totaled 12.3 billion in 2019 compared to 5.7 billion in 2018.

Banknote deposits through the windows of the Central Bank totaled CFA F 17,683.9 billion (2,505.3 million units) in 2019 compared to CFA F 16,858.5 billion (2,329.9 million units) in 2018, which represents an increase of CFA F 825.4 billion (175.3 million units). The largest inflows in value terms were observed in Côte d'Ivoire (29.2%), Burkina Faso (16.6%) and Senegal (15.2%).

During the 2019 fiscal year, coin inflows through the windows of the Central Bank reached CFA F 2.4 billion (10.0 million units) compared to CFA F 1.8 billion (7.5 million units) in 2018, i.e. a 33.3% increase in volume.

4.1.2 - STRUCTURE OF CURRENCY OUTSIDE BANKS

At the end of December 2019, currency in circulation stood at CFA F 7,751.2 billion compared to CFA F 6,529.7 billion a year earlier, i.e. an increase of CFA F 1,221.5 billion. Large denominations accounted for 90.7% of the value of banknotes in circulation compared to 91.3% in 2018. In comparison with 2018, the proportion of banknotes in circulation remained almost stable at 97.6%.

Box 5: CURRENCY CIRCULATION MANAGEMENT CENTRE

Managing circulation of banknotes and coins is one of the BCEAO's core functions as set out in the WAEMU statutory instruments. To this end, the BCEAO provides economies with bank notes and coins in sufficient quantity and quality.

To fulfil this mission, the BCEAO, using withdrawals made through its counters by institutional clients, injects new banknotes and coins into the economic circuit, in addition to the banknotes and coins from deposits received found to be in good condition after sorting.

The sustained growth of the Union's economies and the predominance of the use of banknotes and coins in WAEMU member states have led to an increased demand for banknotes and coins, despite a surge in the use of electronic payments. The number of banknotes in circulation has doubled in a decade, reaching 1.5 billion notes in 2019.

This increase has led to greater outflows through BCEAO windows and, ultimately, to an increase in currency circulation, resulting in an influx of banknotes to be sorted at BCEAO windows.

To meet customers' needs for cash withdrawals through Central Bank windows on a long-term basis, while controlling the costs of managing banknote circulation, the Central Bank decided to build a Currency Circulation Management Centre (CTF) to industrialize the sorting process. As a result, it will be possible to significantly increase the volume of banknotes sorted and hence the production of banknotes in good condition, through highly automated sorting operations.

The centre, which is located in Yamoussoukro, Côte d'Ivoire, comprises a functional unit including an automated banknote processing line, storage vaults and packaging areas, as well as offices and ancillary premises that are essential to its operation.

The construction of the building complex started in March 2018.

During the 2019 financial year, the construction of the building, the outfitting of the premises and the installation of equipment continued. The complex is scheduled for delivery in 2020.

4.2 – WAEMU PAYMENT SYSTEMS AND INSTRUMENTS

As part of its continued modernization efforts, the BCEAO's main objective is to provide WAEMU with secure, efficient and accessible payment systems based on transparent criteria as well as provide economic operators with modern and low-cost payment instruments. This includes promoting payment systems that are consistent with international standards, enabling a wider range of economic operators to use payment systems, and ensuring the public has access to payment instruments that are tailored to their needs.

On 31 December 2019, the running of WAEMU's payment systems was satisfactory, with certain activity indicators showing positive trends.

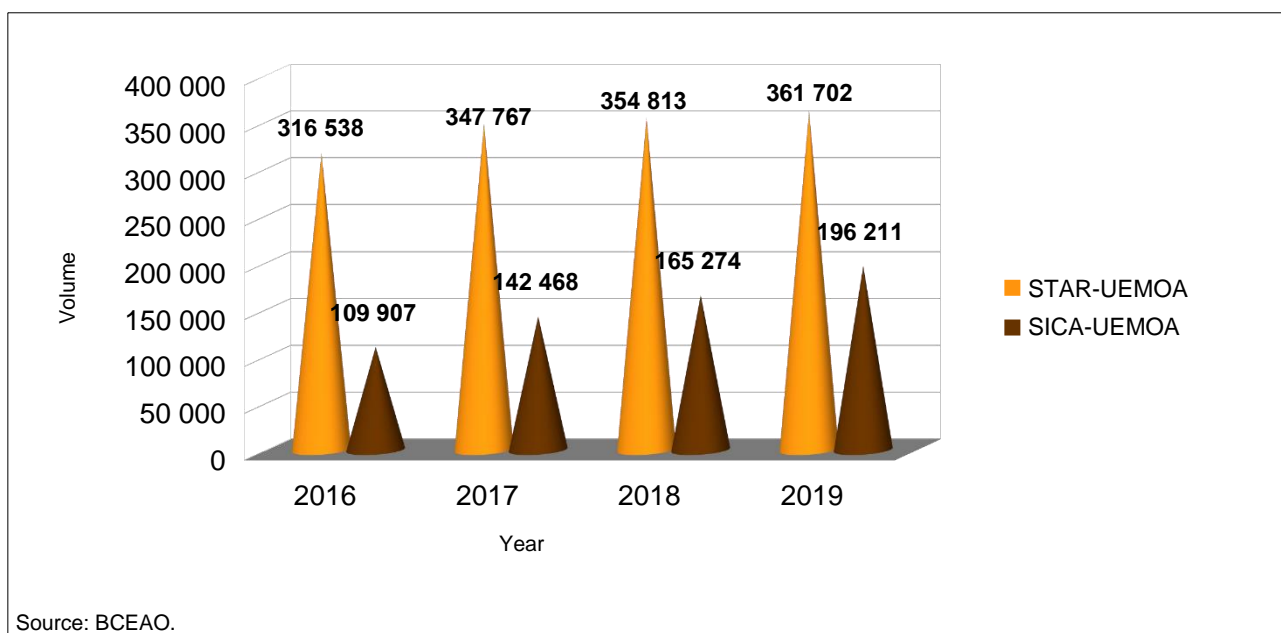
4.2.1 – REGIONAL PAYMENT SYSTEMS

At the end of December 2019, there were 136 participants in the WAEMU Automated Transfer and Settlement System (STAR-UEMOA), against 132 the previous year. In 2019, 1,211,158 transactions were settled through the STAR-UEMOA system, for a transaction value of CFA F 620,798 billion, up 31.02% and 21.35% respectively in volume and value compared to 2018.

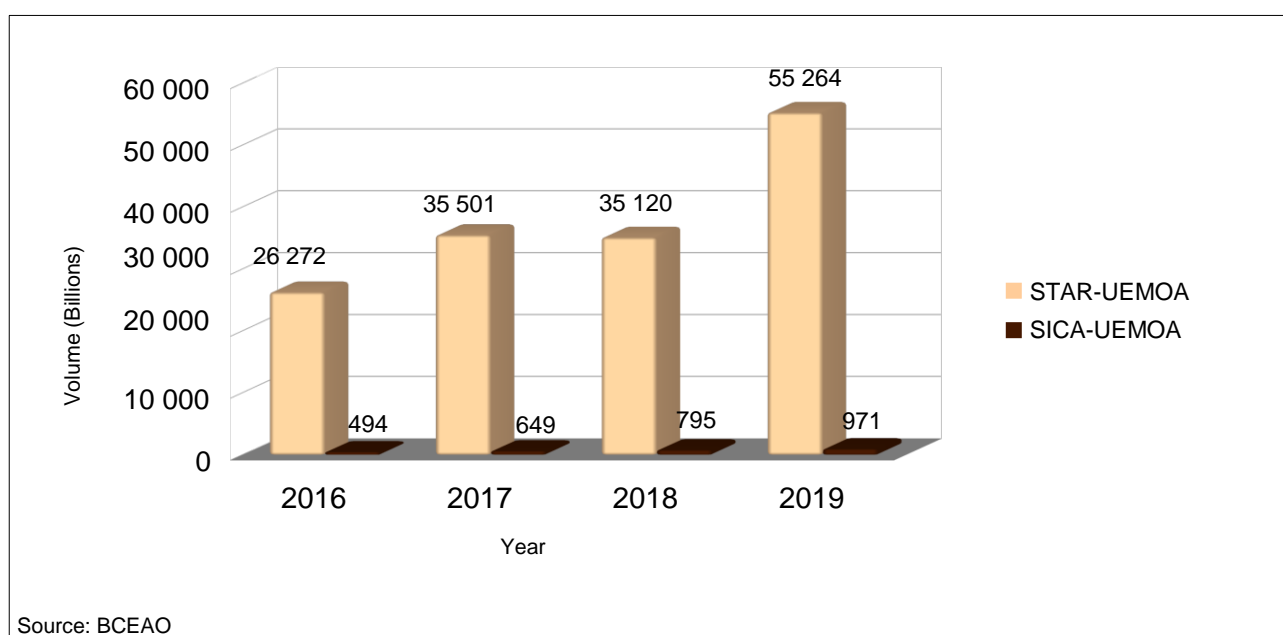
Inter-country flows within the WAEMU region stood at CFA F 55,264 billion in 2019, accounting for 8.9% of the total value of transactions processed through the STAR-WAEMU system. Compared to the previous year, inter-country transactions increased in value by 57.36%.

- ➔ Positive trends in inter-country flows through the STAR-UEMOA system (CFA F 55,264 billion, up 57.36% compared to 2018)
- ➔ Continuation of the upward trend in transfers as compared to cheque-based transactions, observed over the last three years.

Graph 12: INTER-COUNTRY PAYMENT FLOWS IN VOLUME TERMS FROM 2016 TO 2019



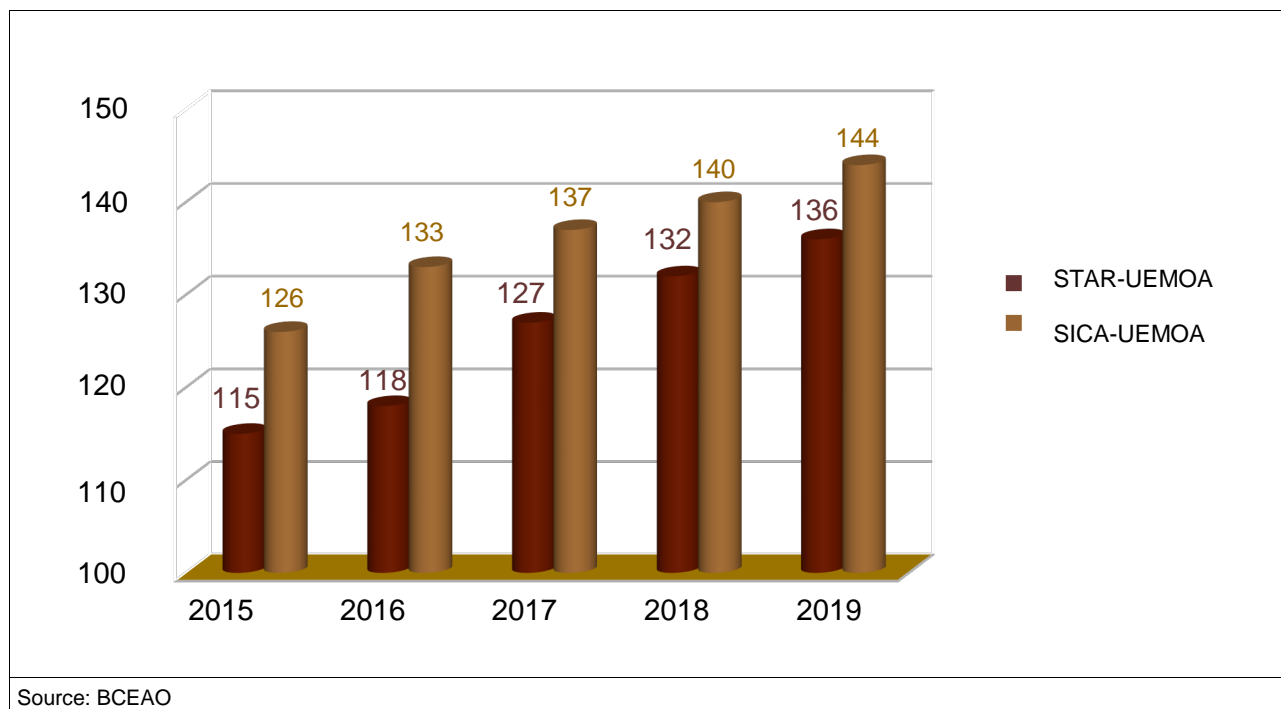
Graph 13: INTER-COUNTRY PAYMENT FLOWS IN VALUE TERMS FROM 2016 TO 2019



At end-December 2019, there were 144 participants in the WAEMU Interbank Automated Clearing System (SICA-UEMOA), compared to 140 in 2018, including banks, the BCEAO and the public treasury departments of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger and Senegal. The volume of payment flows recorded during the reporting period reached 16,052,079 transactions worth CFA F 54,515 billion.

STAR-UEMOA	SICA-UEMOA
136 participants (2019)	144 participants (2019)
132 participants (2018)	140 participants (2018)
136 participants in the WAEMU Automated Transfer and Settlement System (STAR-UEMOA) compared to 132 in 2018.	144 participants in the WAEMU Interbank Automated Clearing System (SICA-UEMOA) compared to 140 in 2018.

Graph 14: TRENDS IN THE NUMBER OF PARTICIPANTS IN STAR-UEMOA AND SICA-UEMOA



Transactions through the SICA-UEMOA system increased by 7.08% year-over-year in terms of cleared payments volumes, although they showed a 5.74% decline in value compared to 2018.

Growth in the value of cleared transactions was particularly robust in Togo (+21.49%), Burkina Faso (+13.20%) and at the sub-regional level (+22.16%). Inter-country payment flows accounted for 1.78% of the overall value of the Union's transactions in 2019 against 1.46% in 2018.

With respect to the distribution of payment instruments processed through the e-clearing system, the relative share of transfers in terms of volume rose by 14.06%, while bills of exchange showed a 4.93% decrease. In 2019, transfers accounted for 46.73% of payment flows while cheques accounted for 52%, compared with 43.02% and 55.65% respectively in 2018. This confirmed the upward trend in transfers over cheques observed in the past three years. The value of cheque-based exchanges rose from 76.22% in 2018 to 78.87% in 2019.

In keeping with its vision to “endow WAEMU with secure, efficient and accessible payment systems based on criteria of transparency and ensure that economic operators have access to modern and affordable payment instruments”, the BCEAO took steps, in 2019, to enhance safety, surveillance and the inclusive impact of payment systems and instruments.

Box 6: SECURING AND MONITORING PAYMENT SYSTEMS AND SERVICES IN THE UNION

The 2019 fiscal year was marked by the implementation of a reporting procedure on securing the platforms used by participants to connect to the payment systems managed by the BCEAO. The data collected made it possible to increase interfacing of banking information systems with the STAR-UEMOA settlement system from 53% in 2018 to 70%. In addition, 88% of the participants were found to perform an automated check of their SWIFT outgoing messages. The Central Bank is considering announcing, during FY 2020, minimum security requirements to be met by institutions participating in its payment systems.

With respect to the monitoring of payment systems and services, the Central Bank adopted an updated mechanism in 2018. Its implementation was reflected in the following results in 2019:

- **monitoring of Electronic Currency-Assisted Payment Services (SPAME) was consolidated during FY 2019, with automated data collection and the deployment of a watchdog mechanism. Thematic studies were conducted on the taxation of digital financial services as part of efforts to promote financial inclusion, fight money laundering and terrorist financing, and control risks related to second-generation financial services, i.e. digital credit, savings and insurance;**
- **a directory of Rapid Money Transfer Services (STRA) was compiled in 2019, as part of the groundwork for the map of risks inherent in these services to be produced in 2020;**
- **the monitoring principles and data collection framework for other payment instruments and services used in the Union (cheques, cards, etc.) were formalized;**
- **a capacity-building seminar was organized on Principles for financial market infrastructures (PFMIs), issued by the Bank for International Settlements on the efficiency and securitization of infrastructure deemed to be of systemic importance in the WAEMU region. These include SICA-UEMOA, STAR-UEMOA, SAGETILUMOA, the regional interbank electronic banking system managed by GIM-UEMOA and the securities settlement-delivery system of the WAEMU Regional Stock Exchange. In FY 2020, work will focus on evaluations of the compliance of these FMIs with respect to the PFMIs.**

During the reporting period, surveillance activities were also marked by interactions with market participants. Four meetings were organized with electronic money institutions affiliated with the Orange and MTN Groups, which hold more than 60% of the Union's market share in mobile financial services. Through this interaction, the Central Bank was able to respond to the concerns of EMIs regarding the regulatory compliance of their products and services. In addition, a working session was held between the Central Bank and representatives of the Mastercard company in order to reaffirm the principle of clearing and settling in CFA F all electronic transactions performed in the WAMU region.

4.2.2 - CONTRIBUTION OF PAYMENT SYSTEMS AND SERVICES TO INCREASED FINANCIAL INCLUSION

In FY 2019, the BCEAO implemented a number of actions aimed at ensuring that national public treasury departments are operationally independent in terms of their direct participation in payment systems, promotion of access of Decentralized Financial Systems (DFSs) to the WAEMU regional payment system, and increased brokerage firm participation in the primary market of securities issued by auction, through the settlement of their bids through the STAR-UEMOA system.

4.2.2.1 - Connection of national public treasury departments to the WAEMU payment systems

Connecting national public treasury departments to the regional payment system will enhance their operational autonomy and help digitalize their payments with a view to increasing efficiency and contributing to the financial inclusion of the Union's populations. In FY 2019, with the connection of the public treasury departments of Guinea-Bissau and Togo, the number of treasury departments

connected to e-clearing and the real-time gross settlement system rose respectively to 7 and 6. In addition to connecting them to payment systems and completing the mapping of the risks inherent in their participation in payment systems, in 2020 the Central Bank is considering implementing a specific support plan for each national treasury department to ensure they are operationally independent.

4.2.2.2 - Promoting access of Decentralized Financial Systems to WAEMU regional payment systems

The support project for the promotion of Decentralized Financial System (DFS) access to the WAEMU regional payment system includes capacity building for DFSs, which started in 2018, and the setting up of two data processing centres, one in Côte d'Ivoire and a second in Niger. The project also aims to roll out a solution to enable DFSs to indirectly access the WAEMU regional payment system, promote the issuance of electronic payment instruments by DFSs, and expand the network accepting new payment instruments.

At the end of December 2019, 80% of the DFSs eligible for indirect access to SICA-UEMOA and STAR-UEMOA had communicated the details of their partner banks to the BCEAO. On that basis, these institutions are due to be indirectly connected by June 2020. With respect to the upgrading of the information and management systems of the DFSs, the selection of a consultancy firm to conduct a study and provide technical assistance for the establishment of the two Data Processing Centres is under way. A study on the functional and technical architecture of the Data Processing Centres is scheduled to start in April 2020, followed by implementation in August 2020.

Procedures to implement issuance of electronic payment instruments by DFSs have been defined in conjunction with eligible DFSs and GIM-UEMOA. In the first half of 2020, the DFSs concerned will decide whether to offer their customers payment/withdrawal cards, prepaid cards and/or electronic wallets, in partnership with GIM-UEMOA.

4.2.2.3 – Promoting access to STAR-UEMOA for brokerage firms to boost participation in the market of government securities issued by auction

As part of efforts to modernize instruments for financing economies and enhance opportunities to broaden and diversify the investor base within the Union, a mechanism has been introduced to settle brokerage firm transactions on the market for government securities issued by auction through the accounts of their partner banks. This new mechanism has been notified to the banks and brokerage firms. It will be launched in the first quarter of 2020.

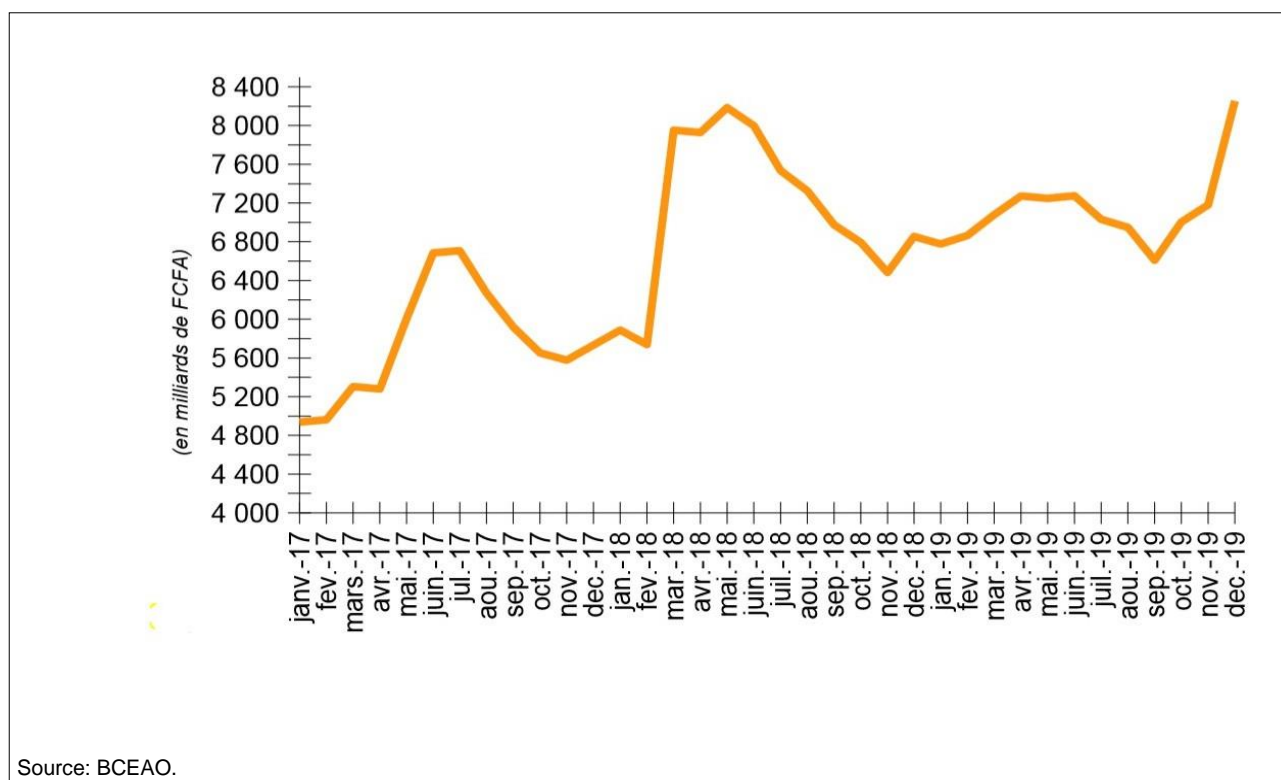
4.3 – FOREIGN EXCHANGE RESERVES

During fiscal year 2019, the BCEAO continued its policy of investing its foreign currency holdings in strict compliance with generally accepted principles and practices for the management of official foreign exchange reserves, in particular the IMF Guidelines on Official Foreign Exchange Reserves.

In this respect, assets diverted from the Operations Account were invested in monetary and bond assets, in light of their liquidity, security and yield criteria, and in accordance with the management framework in place.

At the end of December 2019, the Central Bank's foreign currency holdings stood at CFA F 8,257 billion (EUR 12.6 billion) compared to CFA F 6,854 billion (EUR 10.4 billion) at the end of December 2018, which represents an increase of CFA F 1,403 billion (EUR 2.2 billion) over the period.

Graph 15: BCEAO CASH FLOW TRENDS (2017-2019)



Box 7: EXPORT REVENUE REPATRIATION PROFILE

Non-WAEMU commodities exports are estimated at CFA F 9,435 billion for the first 9 months of 2019, up by CFA F 944 billion (+11%) compared to the same period the year before. Foreign exchange repatriations related to international sales of goods also increased (+1.592 billion or +33%), rising from 4,791 billion at the end of September 2018 to 6,383 billion over the reporting period. The repatriation rate, calculated as a percentage of export earnings, rose to 68% in the first nine months of 2019 compared to 56% a year earlier.

Overall, the increased repatriation rate was mainly due to better regulatory compliance by certified brokers and economic operators. The percentage of export revenue deposited by the Union’s companies in local banks was 77% at the end of September 2019 compared to 68% one year earlier. However, there was a slight drop in the rate of standing orders (declaration) by companies to banks for exports, which stood at 86%, down from 89% a year earlier.

The rate of transfer to the Central Bank of resources received by banks within the Union stood at 88% in the first nine months of 2019 compared to 83% over the same period of the previous year. Thus, the regulatory obligation for banks to repatriate at least 80% of the revenues collected was observed on average in all the countries of the Union.

The amount of export revenues not transferred to the Central Bank amounted to 2,149 billion (23% of exports) versus 2,798 billion over the first nine months of 2018 (33% of foreign sales). Repatriation defaults attributable to economic operators amounted to 2,132 billion (2,725 billion at the end of September 2018) and those attributable to credit institutions amounted to 17 billion (73 billion at the end of September 2018).

Overall, the situation regarding the repatriation of export earnings during the first nine months of 2019 showed positive trends.

V INSTITUTIONAL FRAMEWORK AND ADMINISTRATION OF THE BCEAO.....	47
5.1 – ACTIVITIES OF THE STATUTORY BODIES.....	48
5.1.1 - Conference of WAMU Heads of State and Government.....	48
5.1.2 - WAEMU Council of Ministers.....	50
5.1.3 - BCEAO Monetary Policy Committee	52
5.1.4 - Board of Directors of the BCEAO	55
5.1.5 - BCEAO Audit Committee.....	56
5.2 – ADMINISTRATION OF THE BCEAO	57
5.2.1 - Human resource management	57
5.2.1.1 - Staffing	57
5.2.1.2 - Training	59
5.2.2 - Property assets	59
5.2.3 - Information systems.....	60
5.2.4 - Risk management and control activity mechanisms	60
5.2.5 - Management control mechanism.....	62
5.2.6 - BCEAO quality management system	62
5.2.7 - Accounting information system.....	62

5.1 – ACTIVITIES OF THE STATUTORY BODIES

In FY 2019, the Organs of the Union held their meetings, in accordance with the provisions of the Treaty of 20 January 2007 establishing the West African Monetary Union and the Statutes of the Central Bank of West African States, annexed to this Treaty, of which they form an integral part.

5.1.1 - CONFERENCE OF WAMU HEADS OF STATE AND GOVERNMENT

In 2019, the Conference of WAMU Heads of State and Government held an ordinary session on 12 July in Abidjan, Republic of Côte d'Ivoire and an extraordinary session on 3 December in Dakar, Republic of Senegal, under the chairmanship of His Excellency Mr. Alassane Ouattara, President of the Republic of Côte d'Ivoire, its Statutory President.

During its session of 12 July 2019, the Conference expressed, from a political standpoint, its appreciation for the successful holding of the presidential election in Mali and expressed its wish for a successful outcome. The Conference also welcomed the auspicious developments in Guinea-Bissau, where a new consensus Government was appointed. In this respect, it called on the Government of Guinea-Bissau and all stakeholders to step up their efforts to preserve the progress achieved and hold presidential elections in November 2019. With regard to Togo, the Conference expressed its appreciation for the openness demonstrated by the political class and called on all political actors and civil society organizations to sustain their efforts to ensure stability and ease the social climate.

Discussing the security situation in the sub-region, the Heads of State and Government strongly condemned the terrorist attacks perpetrated in Burkina Faso, Mali and Niger. They reiterated their solidarity with these member states and all countries affected by terrorist acts throughout the world.

With respect to strengthening the integration process, the Conference noted the progress achieved in the work of high-level committees on energy, peace and security, food security, and financing of the economies.

The Conference commended the efforts made by States in implementing the common WAEMU policy on peace and security. It urged the continued implementation of the plan of action and called for the immediate operationalization of the early warning and monitoring mechanism (MEVAP), with a view to better addressing security issues ahead of time.

With regard to multilateral surveillance, the Conference welcomed member state efforts to ensure compliance with the convergence criteria. It urged them to speed up their ongoing efforts to make fiscal consolidation effective in 2019.

The Heads of State and Government took note of actions to promote public-private partnerships (PPPs). They called on the Union's organs and institutions to speed the implementation of the relevant regulatory framework with a view to increasing private sector participation in development financing.

With regard to the annual review of Community reforms, policies, programmes and projects within the Union, the Conference welcomed the significant progress made in transposing and applying Community regulations.

The Conference expressed its satisfaction with the Central Bank's success in implementing the action plan to enhance the viability of the microfinance sector, which made it possible to achieve progress in cleaning up the sector. It also commended the amendment of the Decentralized Financial Systems Regulation Act to allow microfinance institutions to carry out Islamic finance operations. It urged the Union's member states to expedite the domestication of this new legal instrument.

The Conference welcomed the decision of the Monetary Policy Committee of the BCEAO to allow the Central Bank to refinance loans granted by credit institutions to businesses eligible for the SME/SMI financing scheme within the Union. It urged all the actors concerned to implement the measures under their remit to rapidly operationalize the system.

The Heads of State and Government welcomed the steps taken to promote financial stability within the Community, and in particular the adoption of a new Annex to the Convention governing the WAMU

Banking Commission, which makes this body the supranational authority for the supervision and resolution of banking crises within the Union.

They also examined the mechanism deployed by the BCEAO to support credit institutions in the implementation of accounting and prudential reforms in WAEMU. They encouraged the Central Bank to pursue its efforts to consolidate financial stability within the Community.

The Conference commended the progress made with the support of the WAMU-Securities Agency in improving the coverage rate of member states' operations on the regional financial market through the introduction of simultaneous issuance and synthetic bonds offering states an opportunity to issue multiple securities with different maturities on the same day, in order to better meet investors' expectations.

The Conference took note of the gradual consolidation of the activities of the Credit Information Bureau (CIB) in WAEMU countries. It urged the Central Bank to carry on its efforts to significantly increase the volume of data available in the CIB database, for better coverage of the Union's population.

Finally, the Conference extended its congratulations to the President of the WAEMU Commission, the Governor of the Central Bank of West African States, the President of the West African Development Bank, the President of the Regional Council for Public Savings and Financial Markets and the staff of all WAEMU organs and institutions for the results they achieved in implementing community programmes and projects.

During its session of 3 December 2019, the Conference reviewed the security situation in the WAEMU region and expressed great concern over repeated terrorist attacks in Burkina, Mali and Niger.

It extended its heartfelt condolences to the grieving families and wished the wounded a speedy recovery.

Stressing the importance of promoting a concerted and comprehensive approach to address this challenge, the Conference commended the Union's determination to effectively address growing insecurity in the region.

In this regard, the Conference took note of the report presented by the President of the High-Level Committee on the implementation of the Peace and Security project.

It instructed the member states and institutions of the Union to diligently implement the directives emanating from the fourth meeting of the High-Level Committee on the Peace and Security project held on 15 November 2019.

The Conference welcomed the substantial progress made in the implementation of the WAEMU common policy on peace and security.

To urgently contribute to efforts to finance the fight against terrorism within the Community, the Assembly decided to immediately allocate US\$100 million to the three member countries of the G5 Sahel front line.

This contribution falls within the framework of the commitment made by WAEMU to contribute up to 500 million towards the ECOWAS Action Plan to Combat Terrorism in the ECOWAS region over the 2020-2024 period.

To mobilize substantial financial resources over the medium term for the continuing implementation of the Plan of Action, the Conference adopted a Supplementary Act establishing a Regional Security Fund.

Analyzing the political and social situation within the Union, the Conference saluted the successful organization of the first round of the presidential election in Guinea-Bissau, as well as elections held previously in certain member states.

The Conference expressed its hopes that the runoff presidential election in Guinea-Bissau and the forthcoming elections in other countries of the Union would be held in a peaceful atmosphere. It urged

all political actors to prioritize inclusive dialogue, which remains the most reliable way to build a national consensus and bring together all stakeholders.

The Conference extended its appreciation to the President and members of the Union's Council of Ministers, the President of the WAEMU Commission, the Governor of the Central Bank of West African States, the President of the West African Development Bank, the President of the Regional Public Savings and Financial Markets Council, as well as the staff of all WAEMU bodies and institutions, for results achieved in the implementation of community programmes and projects.

5.1.2 - WAEMU COUNCIL OF MINISTERS

In FY 2019, the membership of the WAEMU Council of Ministers underwent the following changes:

With respect to the Republic of Côte d'Ivoire, Mr Adama Coulibaly, Minister of Economy and Finance, was appointed to sit on the Council, as of 4 September 2019, replacing Mr Adama Koné.

With respect to the Republic of Mali, Ms Aoua Sylla Barry, Deputy Minister to the Prime Minister, Head of Government, Minister of Economy and Finance, with responsibility for Budget, was appointed to sit on the Council, with effect from 24 May 2019, replacing Mr Boubou Cissé.

With respect to the Republic of Niger, Mr Mamadou Diop, Minister of Finance, was appointed to sit on the Council, with effect from 31 January 2019, replacing Mr Massaoudou Hassoumi.

With respect to the Republic of Senegal, Mr Abdoulaye Daouda Diallo, Minister of Finance and the Budget, was appointed to sit on the Council, with effect from 25 April 2019, replacing Mr Amadou Ba.

Mr Amadou Hott, Minister of Economy, Planning and Cooperation, was appointed to sit on the Council, with effect from 25 April 2019, replacing Mr Birima Mangara.

With respect to the Republic of Togo, Ms Demba Tignokpa, Minister of Development Planning, was appointed to sit on the Council, with effect from 19 March 2019, replacing Mr Kossi Assimaïdou.

In FY 2019, the Council of Ministers held four ordinary sessions, on 22 March at BCEAO Headquarters in Dakar, on 21 June at the Central Bank Main Branch Office in Cotonou, on 27 September at the Central Bank Main Branch Office in Ouagadougou, and on 20 December at BCEAO Headquarters in Dakar, under the chairmanship of Mr Romuald Wadagni, Minister of the Economy and Finance of the Republic of Benin, its Statutory President.

On 10 July 2019, at the Main Branch Office of the Central Bank in Abidjan, the Council of Ministers also held an extraordinary session to prepare for the 21st Ordinary Session of the Conference of Heads of State and Government on 12 July 2019. An extraordinary session was also held on 25 November 2019, in preparation for the extraordinary session of the Conference of Heads of State and Government on 3 December 2019.

On 27 December 2019, a third extraordinary session was also held at the Main Branch of the Central Bank in Abidjan, Republic of Côte d'Ivoire. On this occasion, the Ministers welcomed the overhaul of the monetary cooperation agreement between the member states of the Union and France, announced on 21 December 2019 by the President of the Conference of Heads of State and Government of the Union, His Excellency Mr Alassane Ouattara, on behalf of his peers, and the President of the Republic of France, His Excellency Mr Emmanuel Macron.

The purpose of the reform is to prepare the economies of the Union for the advent of the ECO, the single currency of the Economic Community of West African States (ECOWAS).

For the record, the main aspects of the reform are as follows:

- **changing the name of the currency from CFA Franc to ECO, when the WAEMU countries join the new ECOWAS ECO zone;**
- **ending the centralization of foreign exchange reserves at the French Treasury, closing the operations account and transferring the resources available in the account to the accounts of the BCEAO;**
- **withdrawing all French representatives from the Union's decision-making and management bodies (BCEAO Board of Directors and Monetary Policy Committee, WAMU Banking Commission).**

Furthermore, in order to consolidate macroeconomic stability and economic growth in the Union's countries, guaranteed currency convertibility and a fixed exchange rate against the euro (at the current parity) have been maintained at this stage of the reform.

Welcoming the historic progress achieved, the Ministers adopted a communication strategy aimed at providing full and appropriate information to economic operators and the people of the Union.

During the ordinary sessions, the Ministers reviewed the current international situation and economic activity in WAEMU member states.

During its ordinary session of 22 March 2019, the Council of Ministers reviewed WAEMU's recent economic situation and prospects. The Council of Ministers noted the increased momentum of activity in the fourth quarter of 2018. The real gross domestic product (GDP) growth rate stood at 6.8% year over year, after reaching 6.6% one quarter earlier. For the whole of 2018, the Union's GDP was estimated to have increased by 6.6%, an identical growth rate to that achieved in 2017, mainly as a result of the positive trend in the services sector as well as in commercial, industrial, port and airport activities. These remarkable performances were consolidated in 2019, with an expected growth rate of 6.8%.

The Council noted a rise in prices, with the inflation rate rising from 0.4% to 0.9% in the fourth quarter of 2018, reflecting higher fuel, rent and communication services prices. These trends were partially offset by lower food prices, due to a strong supply of cereals on the markets. For 2018 as a whole, the inflation rate stood at 0.8%, compared to 2.0% in 2017. The inflation outlook in the Union points to a moderate rise in prices, with inflation standing at below 2.0%. The inflation rate is expected to stand at 1.1% in 2019.

The Ministers also noted that state budget execution would result in a reduced overall deficit of about 3.9% of the GDP in 2018, compared to 4.3% in 2017, on an accrual basis, including grants, reflecting controlled public spending, and current expenditure in particular, coupled with an increased tax burden. As for the current account deficit, it is expected to increase by 0.1 percentage point, from 6.3% of the GDP in 2017 to 6.4% in 2018, as a result of the widening of the trade balance. Given the consolidation of net capital inflows, the WAEMU countries' foreign trade is expected to register an overall surplus of 1,088.2 billion compared to 304.1 billion in 2017. WAEMU's official foreign exchange reserves will cover 4.7 months of imported goods and services, which is unchanged compared to the levels recorded in the third quarter of 2018.

To ensure that the Union's economies continue to grow steadily, against a backdrop of uncertainty surrounding the economic outlook worldwide, the member states will need to continue to take steps to expedite the implementation of the necessary reforms to improve the business environment with a view to attracting more private investors, especially in the agri-food and manufacturing industries. They should also increase their resources, with special emphasis on actions to broaden the tax base and bring the tax burden up to the Community target of 20% by the end of 2019, and further streamline public spending for greater efficiency.

The Ministers approved the BCEAO's financial statements for FY 2018 and proceeded to the allocation of the net income.

The Council of Ministers has decided to renew the terms of office of the *intuitu personæ* members in the Supervisory College of the WAMU Banking Commission.

The Council also delivered a positive opinion regarding the establishment of a tripartite Technical Committee of the states, the BCEAO and the World Bank, which will be chaired by the BCEAO, to discuss the establishment of regional budget support by the World Bank, which would be tied to reforms aimed at improving financial inclusion and the development of the Union's financial system. The Committee's findings will be submitted for appraisal to the Council of Ministers.

The ordinary sessions of 21 June 2019 and 27 September 2019 focused on the review of the items on the agendas of the West African Economic and Monetary Union Commission and the Regional Council for Public Savings and Financial Markets.

During its ordinary session of 20 December 2019, the Council of Ministers analyzed the Union's recent economic and monetary situation. It noted the increased vitality of economic activity in the third quarter of 2019 as well as the positive economic outlook emerging in WAEMU countries. In the third quarter, the real gross domestic product (GDP) growth rate stood at 6.6% year-over-year, compared to 6.4% in the previous quarter, reflecting the renewed vitality of the tertiary and secondary sectors. Economic growth in the Union is estimated at 6.6% in real terms in both 2019 and 2018.

Ministers emphasized the need to step up efforts to consolidate the economic performances of the Union's member states in an international context marked by mounting risks of a downturn. To this end, they called on the member states to continue their efforts to reduce the budget deficit below the Community standard of 3.0% of the GDP, particularly by broadening the tax base and improving the performance and efficiency of tax administrations. Finally, the Ministers recommended that states reinforce cooperation among the national security services with a view to creating a Community environment conducive to the development of economic activities and continued investment in growth-generating sectors.

The Council also noted a drop in overall consumer price levels, with a year-over-year inflation rate of -1.0% in the third quarter of 2019, compared with -0.7% in the previous quarter, reflecting falling food prices spurred by abundant cereal production.

In accordance with its powers, the Council appointed the members of the WAMU Financial Stability Committee.

The Council of Ministers reviewed baseline surveys on the economic situation and household living conditions in WAEMU countries and issued a positive opinion in favour of continuing the surveys. It was also informed of the findings of the Monetary Policy Committee meeting held on 4 December 2019.

5.1.3 - BCEAO MONETARY POLICY COMMITTEE

In FY 2019, the BCEAO Monetary Policy Committee held four ordinary meetings, chaired by Mr Tiémoko Meyliet Koné, Governor and Statutory Chairman of the Central Bank, respectively on 6 March, 5 June, 4 September and 4 December at BCEAO Headquarters in Dakar.

During its session of 6 March 2019, the Committee reviewed the main developments that have marked the international and regional economic situation in recent times, as well as the risk factors that could have a bearing on medium-term inflation and economic growth prospects in the Union.

From an international perspective, the Committee noted that global economic activity continued to expand moderately in the fourth quarter of 2018, against a backdrop of rising uncertainties caused mainly by trade and geopolitical tensions. Based on the latest data published in January 2019 by the International Monetary Fund, the global economic growth is estimated at 3.7% in 2018 and 3.5% in 2019.

On the international markets for the main raw material exported by the countries of the Union, prices fell, with the exception of coffee and gold. Cotton (-6.4%) and cocoa (-3.1%) recorded the sharpest falls.

On the domestic front, economic activity remained robust in the fourth quarter of 2018, at 6.8% year-over-year, compared to 6.6% a quarter earlier. Domestic demand was the main driver of growth in the Union. For FY 2019 as a whole, economic growth is expected to stand at 6.8% compared to 6.6% in 2018.

With regard to public finances, the Committee noted a reduction in the budget deficit, on an accrual basis, including grants, estimated at 3.9% of the GDP in 2018, according to official data, compared to 4.3% in 2017. In these circumstances, the MPC encourages the States to maintain their efforts to implement measures with a view to meeting the Community standard of 3.0% by 2019.

The monetary situation of the Union at the end of December 2018 was marked by a 12.4% year-on-year increase in the money supply, underpinned by a sharp rise of 28.8% in net external assets and a 9.4% increase in domestic claims. On the money market, the average quarterly interest rate stood at 3.45%, compared to 2.50% in the previous quarter. A year earlier, the rate was 4.10%.

The Committee noted a slight year-on-year increase in prices in the fourth quarter of 2018. The inflation rate stood at 0.9%, compared to 0.4% one quarter earlier, mainly due to price increases in the “Transport”, “Housing” and “Communication” sectors. The year-on-year inflation rate is projected to reach 1.5% over a 24-month horizon, which is in line with the Central Bank’s goal of price stability.

Based on these analyses, the Monetary Policy Committee decided to keep the BCEAO’s leading rates unchanged, with the minimum bid rate on cash injection tender transactions remaining unchanged at 2.50%, while the marginal lending rate was kept at 4.50%. The minimum reserve ratio applicable to Union banks remained at 3.0%.

At its meeting of 5 June 2019, the Committee reviewed the main recent trends in the international and regional economic environment, as well as the risk factors that could affect the Union’s medium-term prospects for inflation and economic growth.

At the international level, the Committee noted that economic activity continued to expand moderately in the first quarter of 2019, in an environment marked by persistent uncertainties associated with trade and geopolitical tensions. The latest data published in April 2019 by the International Monetary Fund showed that the global economy was expected to grow by 3.6% in 2018 and 3.3% in 2019.

On the international markets for the main raw materials, the prices of products exported by Union countries experienced contrasting trends in the first three months of 2019. Price increases were recorded for rubber (+8.2%), gold (+6.1%) and cocoa (+3.1%). On the other hand, decreases were recorded for cashew nuts (-7.0%), robusta coffee (-5.4%), cotton (-5.1%) and palm kernel oil (-4.8%).

On the domestic front, economic activity remained buoyant in the first quarter of 2019. Growth in the gross domestic product in real terms, supported mainly by strong domestic demand, totaled 6.3%, year-on-year, after 6.4% in the previous quarter. Economic growth forecast by the Central Bank for FY 2019 is 6.7%, compared to 6.5% in FY 2018.

With regard to public finances, the Committee noted with interest that the budget deficit, on an accrual basis, including grants, for all states was forecast at 2.9% of the GDP in 2019 by official departments, compared to 3.7% in 2018. The MPC strongly encourages the States to continue their efforts to implement the necessary measures to ensure compliance with the Community standard calling for a budget deficit of no more than 3.0% at the end of 2019.

The Union’s monetary situation at the end of March 2019 was marked by a stable money supply, due to a slight decline in domestic claims and the consolidation of foreign exchange reserves. The level of reserves covers 4.9 months of imports of goods and services, compared to 4.7 months at the end of December 2018. On the money market, the average quarterly interest rate stood at 4.50% compared to 3.45% in the previous quarter. However, the Committee noted an easing of interest rates in the first two months of the second quarter of 2019.

The Committee noted a year-on-year slowdown in price rises in the first quarter of 2019. The inflation rate stood at 0.1%, compared to 0.9% in the previous quarter, mainly reflecting continued declines in cereal prices due to satisfactory market supplies. The Central Bank projects the year-on-year inflation rate at 1.3% for the next 24 months, which is consistent with the BCEAO’s objective of price stability.

Based on these analyses, the Monetary Policy Committee decided to keep the BCEAO's leading rates unchanged, with the minimum bid rate on cash injection tender transactions remaining unchanged at 2.50%, while the marginal lending rate was kept at 4.50%. The minimum reserve ratio applicable to Union banks remained at 3.0%

During its regular meeting of September 4, 2019, the Committee reviewed the main recent trends in the international and regional economic environment, as well as the risk factors that could affect the Union's medium-term prospects for inflation and economic growth.

At the international level, the Committee noted that economic activity continued to expand moderately in the second quarter of 2019, in a context characterized by uncertainties associated mainly with increasing trade disputes and rising geopolitical tensions. Based on data published in July 2019 by the International Monetary Fund, growth in the global economy is expected to slow down in 2019 and reach 3.2%, compared to 3.6% in 2018. It is forecast to grow by 3.5% in 2020.

On the international raw materials markets, the prices of commodities exported by the countries of the Union showed contrasting trends between the first and second quarters of 2019. Thus, price drops were recorded for cashew nuts (-23.5%), palm kernel oil (-17.2%), robusta coffee (-7.1%) and cotton (-4.2%). On the other hand, increases were recorded for oil (+8.8%), rubber (+6.5%) and cocoa (+5.0%).

With regard to the domestic situation, the vitality of economic activity in the Union, which has been observed since the beginning of the year, increased in the second quarter of 2019. The real GDP growth rate stood at 6.6% compared to 6.4% in the previous quarter. Based on Central Bank projections for 2019 as a whole, economic growth within the Union is expected to reach 6.7% in 2019, compared to 6.6% in 2018.

During the first six months of FY 2019, the finances of the member states of the Union were marked by a decrease in the budget deficit compared to the same period in the previous year. As a percentage of the GDP, the budget deficit, on an accruals basis, including grants, stood at 1.8% in the first half of 2019 compared to 2.1% a year earlier. In the light of these performances, the Monetary Policy Committee encouraged the states to pursue their efforts to contain the budget deficit below 3.0% of the GDP in 2019, in accordance with Community objectives.

In the second quarter of 2019, the Union's monetary situation was marked by an increase in the money supply, due to the recovery of credits to the economy and increased net foreign assets. The Union's foreign exchange reserves were consolidated, so that they covered 5.0 months of imports of goods and services compared to 4.9 months at the end of March 2019.

Interest rates on the money market have generally eased. The average quarterly money market rate stood at 2.70% compared to 4.50% three months earlier.

Looking into the inflation situation in the Union, the Committee noted a decrease in prices in the second quarter of 2019. The overall level of consumer prices was down 0.3% compared to the same quarter in 2018. This situation was linked to a drop in the prices of cereal products due to a good supply of cereals on the markets. The Central Bank forecasted an inflation rate of 1.3% over 24 months, which is in line with the BCEAO's price stability objective.

Based on these analyses, the Monetary Policy Committee decided to keep the BCEAO's leading rates unchanged, with the minimum bid rate on cash injection tender transactions remaining unchanged at 2.50%, while the marginal lending rate was kept at 4.50%. The minimum reserve ratio applicable to Union banks remained at 3.0%.

At its regular meeting of 4 December 2019, the Committee reviewed the main recent international and regional economic trends, as well as the risk factors that could affect the Union's medium-term inflation and economic growth outlook.

Discussing the international economic situation, the Committee noted that global economic activity in the third quarter of 2019 continued to be affected by uncertainties related to trade conflicts and geopolitical

tensions. According to the International Monetary Fund (IMF), the global economy is expected to grow by 3.0% in 2019, after achieving a 3.6% growth rate in 2018. For 2020, the IMF's forecasts the global economy will grow by 3.4%, based on the assumption of an easing of these tensions.

The price index of non-energy raw materials exported by WAEMU countries rose by 2.4% on international markets between June and September 2019. This increase was mainly driven by higher gold, cashew and uranium prices. This trend was partially offset by lower cotton and cocoa prices.

As regards the domestic economy, the robust economic activity observed in the Union since the beginning of the year gained momentum in the third quarter of 2019. The real GDP growth rate stood at 6.6%, compared to 6.4% in the previous quarter. For FY 2019 as a whole, Central Bank forecasts peg the Union's economic growth rate at 6.6%, as in FY 2018.

The execution of the Union Member States' financial operations during the first nine months of FY 2019 was marked by a faster increase in budget revenue in relation to expenditure (18.3% compared to 12.5%). This led to a reduction in the overall deficit, on an accruals basis, including grants, which stood at 2.7% of the GDP compared to 3.3% over the same period in the previous year. In view of these performances, the Monetary Policy Committee encouraged member states to pursue their efforts to contain the budget deficit below 3.0% of GDP in FY 2019 and to keep it below this threshold for the coming years, in accordance with Community objectives.

In the third quarter of 2019, the Union's monetary situation was marked by a slight deceleration in money supply associated with a downturn in domestic claims. As for the Union's foreign exchange reserves, they were consolidated on an annual basis, covering 4.8 months of goods and services imports at the end of September 2019.

On the currency market, the average quarterly interest rate was virtually stable at 2.70% from one quarter to the next.

With regard to the inflation situation in the Union, the Committee noted that the overall level of consumer prices had fallen in the third quarter of 2019. The inflation rate was -1.0%, down from -0.7% one quarter earlier. This situation was due to a continued fall in food prices – mostly local cereal prices – in most Union countries. Nevertheless, the Central Bank forecasts an inflation rate of 1.6% over 24 months, which is consistent with the BCEAO's price stability objective.

Based on these analyses, the Monetary Policy Committee decided to keep the BCEAO's leading rates unchanged, with the minimum bid rate on cash injection tender transactions remaining at 2.50%, while the marginal lending rate was kept at 4.50%. The minimum reserve ratio applicable to Union banks remained at 3.0%

5.1.4 - BOARD OF DIRECTORS OF THE BCEAO

In 2019, the membership of the Board of Directors of the BCEAO changed as follows:

With respect to the Republic of Mali, Mr Bangaly Nko Traoré, Secretary General of the Ministry of Economy and Finance, was appointed representative of Mali on the Board of Directors of the BCEAO, as of 20 June 2019, replacing Ms Aoua Sylla Barry.

With respect to the Republic of Togo, Mr Ekpao Adjabo, Director General of the Treasury and Public Accounting Department, was appointed member of the Board of Directors of the BCEAO, effective from 29 April 2019, replacing Mr Sévon-Tépé Kodjo Adedze.

As of 31 December 2019, the Board had held two ordinary meetings, respectively on 21 March 2019 and 19 December 2019 at BCEAO Headquarters in Dakar. These meetings were chaired by Mr. Tiémoko Meyliet Koné, Governor of the Central Bank, its Statutory Chairman.

During its ordinary session of 21 March 2019, the Board reviewed the BCEAO's accounts and financial statements prepared as at 31 December 2018, in accordance with International Financial Reporting Standards (IFRS) and the specific accounting rules of the BCEAO. It took note of the Central Bank's Statutory Auditor's reports for FY 2018.

The Board was informed of the findings of the BCEAO Audit Committee, which met on Tuesday, 19 March 2018, at BCEAO Headquarters, to review the financial statements and assess the quality of the internal control system.

The Board also issued a positive opinion on the Central Bank's 2019-2021 Strategic Plan.

Finally, the Board took note of the BCEAO's plans to create a Foundation, and of the Central Bank's 2018 Annual Report.

At the end of its proceedings, the Board of Directors approved the BCEAO's financial statements for the year ended 31 December 2018. It commended the Central Bank for the results achieved and decided to submit the financial statements thus adopted to the Unions' Council of Ministers for approval.

During its ordinary meeting of 19 December 2019, the Board reviewed and approved the budget of the Central Bank for FY 2020.

In addition, the Board was informed of the findings of the BCEAO Audit Committee which met on Monday 16 December 2019 in Dakar.

5.1.5 - BCEAO AUDIT COMMITTEE

During the financial year under review, the Committee's membership changed as follows:

Mr Ekpao Adjabo, an Administrator from the Republic of Togo, was appointed to the BCEAO Audit Committee, effective from 29 April 2019, replacing Mr Sévon-Tépé Kodjo Adedze.

The BCEAO Audit Committee held two ordinary meetings at BCEAO Headquarters in Dakar, respectively on 19 March and 16 December 2019, under the chairmanship of Mr. Oumara Karimou Assouma, its Statutory Chairman.

During its meeting of 19 March 2019, the Committee, after reviewing the financial statements prepared by the Bank and the audit reports presented by the External Auditor, welcomed the achievements of FY 2018, which culminated in a positive net result.

The Committee noted the Statutory Auditor's positive opinion on the regularity and accuracy of the accounts for FY 2018, the quality of the internal control system, and compliance with the provisions of the Operating Account Agreement. It also welcomed the Statutory Auditor-Comptroller's positive assessment of the Bank's implementation of the IFRS 9 standard on financial instruments, which entered into force in January 2018.

The Audit Committee extended its congratulations to the Governor and staff of the Central Bank on their achievements and recommended that the Board of Directors adopt the financial statements for the financial year ended December 31, 2018, as submitted

It followed with interest the presentation of the 2018 annual report on the BCEAO's audit activities.

The Committee took note of the results of the performance evaluation of the Statutory Auditor-Controller and National Auditors for the 2018 financial year.

It also took note of the positive findings of the internal audit's self-assessment for FY 2018.

The Committee also noted the diligent implementation of its recommendations and action plans following internal and external audits.

Finally, the Committee expressed its appreciation to the Central Bank and the Statutory Auditor-Comptroller for the quality of the documents they produced and the clarity of their presentations.

During its meeting on 16 December 2019, the Committee took note of the progress achieved in the implementation of the 2019 internal audit engagement programme and approved the audit engagement programme for 2020, which covers the Bank's main sensitive areas of activity and fraud risks.

The Audit Committee reviewed the draft report on its self-assessment for FY 2019 and actions for improvement identified with a view to aligning its operations with international standards. The final self-assessment report will be submitted to the Board of Directors at its March 2020 meeting.

The Committee has decided to hold at least three meetings a year from now on in order to properly fulfill its mission. In this respect, it adopted its work programme for 2020, with a particular focus on reviewing the BCEAO's financial statements for FY 2019, assessing mid-term progress in the implementation of the internal audit programme for 2020 and approving the three-year audit plan for 2021-2023.

It approved its 2020 training programme, which will be facilitated by an expert recruited for the purpose.

The Committee took note of progress made in the implementation of its recommendations and the recommendations issued by the internal and external audit missions.

It took note of the Statutory Auditor-Comptroller's engagement letter for FY 2019 and the findings of their work on the interim financial statements for the year ended 31 October 2019. It noted that the proposed audit strategy and operations programme for the audit of the accounts were in accordance with contractual provisions. It further welcomed the resources deployed by the Statutory Auditor-Comptroller in performing their mission.

The Committee took note of the recent reorganization of the Central Bank directorates and departments.

5.2 – ADMINISTRATION OF THE BCEAO

5.2.1 - HUMAN RESOURCE MANAGEMENT

5.2.1.1 - Staffing

As at 31 December 2019, the total number of Central Bank staff, across all departments, stood at 3,597, down by 18 staff members compared to 31 December 2018 when there were 3,615 staff, corresponding to a decrease of 0.5%. The workforce comprised 3,541 employees working at BCEAO sites and 56 employees on secondment or standby assignment.

The overall workforce was broken down as follows:

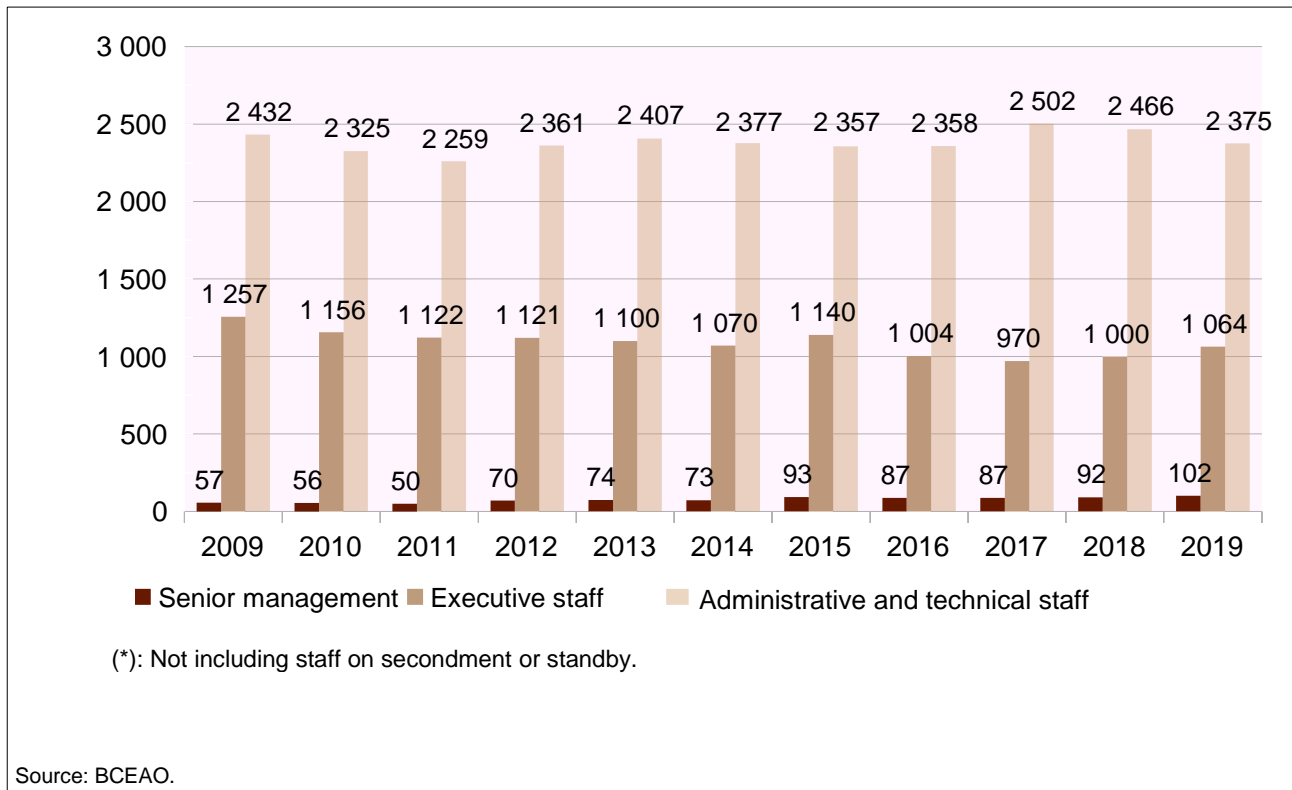
- Senior management and directors: **111**, or **3.09%**.
- Executive staff: **1,108**, or **30.80%**.
- Administrative and technical staff: **2,378**, or **66.11%**.

The proportion of female staff in the active workforce was **40.30%**, or **1,427** staff members, while the proportion of male staff was **59.70%**, i.e. **2,114** staff members.

The number of active staff members in 2019 was 3,541, distributed as follows:

- Headquarters: **731 agents**.
- National Directorates: **2,674 agents**.
- Representation of the Central Bank with European Cooperation Institutions: **4 agents**.
- Secretariat General of the WAMU Banking Commission: **132 agents**.

Graph 16: TRENDS IN BCEAO STAFFING



5.2.1.2 - Training

In FY 2019, the BCEAO's West African centre for banking studies and training (COFEB) implemented various training programmes for Central Bank staff, economic and financial administration agents, WAEMU credit institutions and partner central banks.

As regards the BCEAO staff, training activities took the form of the implementation of the annual training plan as well as other capacity-building activities. As part of ongoing staff training, 134 sessions were delivered during the reporting period, including 67 external training courses and 67 seminars. These training sessions were conducted in collaboration with partner central banks, institutes and organizations.

In addition, COFEB organized a selection test under the second edition of the Qualifying Vocational Training Programme for BCEAO staff. This training programme, which is an important lever in the internal promotion process, aims at raising staff qualification levels significantly, in order to provide the Central Bank with a pool of skilled personnel. At the end of the test, 127 participants qualified for training, including 68 for Course 1, relating to the "Assistance and Logistics" career path, and 59 for Course 2 relating to the "Operations" career path. In addition, English language training courses for Bank staff and four lectures on economic, monetary and financial events aimed at the general public were organized.

With respect to degree courses, during the period under review, COFEB administered the 41st and 42nd cohorts of auditors from Union Member States, the Central Bank of the Republic of Guinea (BCRG) and the Bank of the Republic of Burundi (BRB). It also organized short qualification training courses and regional seminars for credit institutions and economic and financial administrations among the WAEMU member states in partnership with the Financial Technology Transfer Agency (ATTF) of Luxembourg.

In terms of cooperation with partner institutions, COFEB took part in the meeting of the BCEAO/BEAC/BCC Capacity Building Programme Management Committee held in Dakar, on 11 and 12 March 2019, as well as in a training session for the programme's focal points which took place from 9 to 10 May 2019, at the Headquarters of the Bank of Central African States (BEAC) in Yaoundé (Cameroon). The Centre also attended the meeting of the working group of the training directors of francophone countries' central banks in Tunis on 25 and 26 June 2019.

5.2.2 - PROPERTY ASSETS

In FY 2019, the Central Bank continued its programme to renovate and expand the infrastructure of its network of Sub-Branches.

In this regard, the renovation of the buildings of the Maradi and Zinder Sub-Branches in Niger started in the second quarter of 2019, while works to renovate the buildings of the Bobo-Dioulasso Sub-Branch in Burkina continued. In addition, technical studies are being completed to upgrade the buildings of the Sub-Branches of Abengourou in Côte d'Ivoire and Kaolack in Senegal to functional and safety standards. The selection of the companies to be contracted to perform the works will be completed during the first half of 2020.

With respect to the extension of the Sub-Branch network, construction work continued on the Tahoua Branch Office in Niger and the Kayes Branch Office in Mali and should be completed during the second and fourth quarters of 2020, respectively. The construction of the Saint-Louis Sub-Branch started during the third quarter of 2019. Finally, calls for tenders were launched to select service provider groups to be entrusted with the design and construction of the buildings of the new Sub-Branches of Ouahigouya in Burkina Faso and Odienné in Côte d'Ivoire, which should start in the first half of 2020.

At the same time, the construction of a Currency Circulation Management Centre in Yamoussoukro, which started in 2018, is nearing completion.

5.2.3 - INFORMATION SYSTEMS

The BCEAO continued to implement projects to enhance its portfolio of IT applications and enhance the security of its systems and networks.

In this respect, projects initiated in 2018, including the overhaul of the accounting information system, upgrading of the Balance Sheet Centre, and automation of market operations and collection and processing banknote and coin statistics, were completed. In addition, to better monitor export earnings, the BCEAO deployed the SWIFT Scope solution used to collect information on external financial transactions carried out by credit institutions.

In addition, several ongoing projects made significant progress. These included the overhaul of the human resources management information system, the reform of the balance of payments settlement system, the automation of the electronic money issuers supervision system, an overhaul of the banking conditions data collection system, and upgrading of the banking risk control centre and the integrated monetary statistics processing system.

The BCEAO also launched new structural projects, in particular to upgrade and expand the Payment Incidents Centre (CIP), renovate the business survey system and overhaul the platform for collecting data from regulated entities.

With respect to bolstering security in the Information System, work carried out to enhance banking data protection enabled the BCEAO to renew its certification under the PCI DSS payment card security standard in August 2019, thereby laying the foundation for rolling out regional and international interbank electronic payment systems. In addition, to strengthen the Bank's resilience in the event of major disasters, cyber-attack resistance and resilience tests were carried out.

5.2.4 - RISK MANAGEMENT AND CONTROL ACTIVITY MECHANISMS

Actions undertaken in FY 2019 in connection with the risk management and control system focused mainly on updating risk mapping and business continuity management tools, personal and property safety, and enhanced information system security. Various control activities (operational controls, internal audits and external audits) were regularly conducted within the Bank's operational structures.

Risk management was marked by the continued development of harmonized risk environments by process and structure, especially for implementation processes. A process-level risk management guide was also drawn up and applied to two pilot processes before being rolled out to all processes in 2020. In addition, an assessment of Risk Management Approach (DMAR) implementation, including an action plan, was conducted.

At the end of the risk mapping update campaign, an operational risk report was produced for the 2018-2019 period. In addition, a draft global risk management policy, consistent with best practices and international standards, has been prepared and will be submitted shortly for adoption. Finally, the system for collecting and monitoring operational incidents has entered its second year of operation.

Business continuity management was marked by the implementation of a number of actions to maintain the Business Continuity Plan (BCP) in operational condition. To this end, a self-assessment of the system was conducted with a view to aligning it with international standards, especially ISO 22301.

As regards the **security of persons and property**, 2019 was marked by the continued implementation of the action plan resulting from the audit of the Bank's security system. The work conducted under this plan aims to provide all BCEAO sites with a more resilient personal and property security system, taking into account the changing environment. In addition, as part of a proactive approach to managing security risks for people and property, new tools designed to monitor alert levels and country risks have been procured. In addition, the Central Bank has conducted a critical review of the harmonized practical modalities governing its partnership with Public Security Forces, with a view to optimizing site security and efficiently managing the training of security personnel. Finally, it should be noted that all the Bank's structures have been trained to raise awareness on good security practices to take into account the specific context of growing risks of malicious behaviour in the sub-region.

Work relating to **information systems security** focused mainly on updating risk mapping, monitoring the implementation of the cybercrime risk treatment plan, as well as risk monitoring by analyzing the efficiency of the proposed treatments and monitoring risk factors (threats, vulnerabilities). A number of awareness-raising and information activities were undertaken in order to make staff more aware of the risks associated with the use of information systems and better understand their role in strengthening security.

In addition, measures were taken to ensure that security requirements were defined and monitored in IT application development projects.

The necessary actions were also taken to maintain the Bank's compliance with the requirements of the Payment Card Industry Data Security Standard (PCI-DSS) and the security programme for users of the SWIFT financial messaging platform.

In addition, to integrate cyber attack response into the Business Continuity Plan (BCP), scenarios have been identified to be gradually implemented during IT and Telecom Continuity Plan (ITCP) testing starting in 2019. The process for identifying external resources and partners to support this response is under way at all the Bank's sites.

Activities conducted in connection with the **internal control** system focused on the development of internal control frameworks by process and the integration of control requirements in new IT applications. A self-assessment of the system was also carried out.

In addition, transaction compliance was assessed based on an annual control plan and the implementation of recommendations by various control bodies was monitored. These permanent controls were carried out by a team of 60 Operations Controllers as at 31 December 2019 as well as by the Heads of Sub-Branches and their assistants. Quarterly reports based on their interim reports are regularly submitted to the Authorities.

As part of efforts to build the capacity of auditors, staff members newly appointed to the position of Operations Controller were given basic training on internal control and technical assistance in the preparation of the monthly Operational Control report.

Regarding **internal audits**, activities carried out in 2019 focused on the implementation of the annual control programme and on enhancing the effectiveness of the Bank's internal audit.

The audits performed aimed to provide assurance on compliance with legal, regulatory and contractual provisions, effective and efficient transactions, safeguarding the Bank's assets, reliable information and secure information and payment systems.

Overall, the implementation of the 2019 annual programme resulted in 47 out of 50 scheduled or unscheduled audit missions, which translates into an implementation rate of 94%. These 47 completed missions include 12 structural audits, 23 audits of fiduciary activities, one process audit, 3 thematic audits, 4 information systems audits, 2 specific audits of transfers issued and 2 request-based missions.

The structural audits carried out focused on the Payment Systems and Instruments Directorate (DSMP), the Organization and Methods Directorate (DOME), the Management Control Directorate (DCG), the Executive Secretariat of the Association of African Central Banks (ABCA) as well as 8 BCEAO National Branches (DN) for Burkina, Guinea-Bissau, Mali and Togo. These audits focused on governance-related aspects, and in particular on activity steering, operations control and risk management.

The audit of fiduciary activities took place in BCEAO National Branches in Benin, Burkina, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. The purpose of these audits was to assess operations and the conditions under which cash transactions were processed, the verification of cash holdings and the destruction of cancelled banknotes.

Audits of the "S1 - Human Resources" process were conducted in relevant Central Services Departments (Career and Skills Management Department, West African Banking Training and Research Centre, and the Personnel Administrative and Social Management Department).

With regard to information systems, audits covered applications relating to the human resources management information system (SIGRH), the management of the development project for the “Banking Conditions” application and the BCEAO’s SWIFT system security compliance. An on-site audit of the implementation of the recommendations of the internal and external audit missions was also carried out. This specific assignment mainly concerned the Information Systems Directorate (ISD) and the Risk Monitoring and Prevention Directorate (RMSD).

The three thematic audits conducted concerned procurement management, the anti-money laundering and counter financing of terrorism (AML/CFT) system and ethics management.

Two semi-annual compliance audits of transfers issued at the Market Transactions Directorate (DOM) were conducted.

Finally, two unscheduled assignments were completed. These were an external evaluation assignment of the internal audit activity of the West African Development Bank (BOAD) and a fact-finding mission on incidents that occurred at the Main Branch Office in Bissau.

Follow-up on the work of the **external audit** focused on the final stage of FY 2018 and the intermediate stage of FY 2019 audit of the BCEAO’s accounts by the Statutory Auditor-Controller and the National Auditors, as well as on the annual review of the management of foreign reserves by the Operational Account Auditor.

5.2.5 - MANAGEMENT CONTROL MECHANISM

The main actions carried out involved follow up on the BCEAO 2019-2021 Strategic Plan, which entered its implementation phase in 2019. The Plan includes a total of 14 strategic objectives, divided into 39 operational objectives and 69 projects to be carried out over the three years of the Plan.

Six of the 17 projects scheduled for implementation in 2019 had a completion rate of more than 75% as at 30 September 2019. These projects notably involve establishing a financial innovation laboratory, implementing a new macroeconomic forecasting model (DGSE), supervising and monitoring participatory financing platforms, and mapping risks associated with the participation of national public treasuries in payment systems.

5.2.6 - BCEAO QUALITY MANAGEMENT SYSTEM

To ensure continued improvement of its operations and the quality of services provided for its clients and partners, the Central Bank has renewed its ISO 90012015 certification for the 2010-2021 three-year cycle.

In this respect, the BCEAO fulfils the requirements of the Quality policy reference framework in a satisfactory and continuous manner and possesses the necessary means and skills to enable it to achieve its objectives.

5.2.7 - ACCOUNTING INFORMATION SYSTEM

In FY 2019, the Bank launched a new management application for its general accounting system. This application takes into account developments in the Bank’s activities and provides innovative features to enhance the quality and security of financial information.

VI INTERNATIONAL COOPERATION.....	63
6.1 - MONETARY AND FINANCIAL COOPERATION	64
6.1.1 - Relations with the International Monetary Fund (IMF)	64
6.1.2 - Co-operation within the Franc Zone.....	64
6.2 - ECONOMIC AND MONETARY INTEGRATION	65

6.1 - MONETARY AND FINANCIAL COOPERATION

6.1.1 - RELATIONS WITH THE INTERNATIONAL MONETARY FUND (IMF)

In FY 2019, all WAEMU member states, with the exception of Guinea-Bissau, implemented programmes supported by the International Monetary Fund (IMF). These programmes were implemented in a generally satisfactory manner. In Senegal, the programme agreed with the IMF under the Economic Policy Support Instrument (ISPE) was completed in January 2019. Discussions held on 23 September 2019 with the Fund following the implementation of this programme led to an advance agreement under the Economic Policy Coordination Instrument (ICPEI) for a period of three years.

Operations conducted jointly by the Central Bank and the IMF on behalf of WAEMU member states resulted in net resource inflows of SDR 159.69 million in 2019 compared to SDR 206.01 million a year earlier. Drawdowns amounted to 365.70 million SDRs compared to 419.98 million SDRs the previous year, i.e. a decrease of 54.28 million SDRs. Repayments decreased by 8.80 million SDRs, i.e. from 210.64 million SDRs to 201.84 million SDRs.

In FY 2019, charges covered by the BCEAO and member states amounted to 14.92 million SDRs (CFA F 12,074.82 million) compared to 10.81 million SDRs (CFA F 8,560.63 million) the previous year. They applied to commissions paid by the BCEAO and interest charges under the Enlarged Credit Facility (ECF).

As pertains to remuneration of their positive position in 2019, the amount paid by the IMF to WAEMU member states increased by 3.27 million SDRs to 10.75 million SDRs (CFA F 8,157.12 million) compared to 7.48 million SDRs (CFA F 5,868.87 million) the previous year.

6.1.2 - CO-OPERATION WITHIN THE FRANC ZONE

In FY 2019, the BCEAO took part in both meetings of the Finance Ministers of the Franc Zone. The meetings were held in March in Niamey, Niger, and in October in Paris, France. In addition to reviewing economic prospects and the status of convergence within the Franc Zone, the meetings focused on the implementation of anti-money laundering and counter financing of terrorism (AML/CFT) recommendations, as well as on the initiative to promote investment in the Franc Zone and using "Public/Private Partnerships".

On the whole, convergence within the Franc Zone did not appear to be progressing smoothly in 2019. Seven WAEMU countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger and Senegal) did not meet the fiscal balance criterion. However, compared to 2018, the profile of convergence indicators improved in 2019.

With respect to progress in implementing AML/CFT recommendations, the overall take-up rate stood at 35.6% at the end of June 2019 compared to 19.1% at the end of December 2018. This rate stood at 42.1% as at 30 June 2019, compared to 29.0% as at 31 December 2018 for WAEMU countries.

With regard to the initiative to promote investments in the Franc Zone (Investing in the Franc Zone), the platform designed for the purpose, a website, was renovated repeatedly and new portals were created. The site is managed by an association tasked with publicizing the activities of WAEMU and CEMAC bodies and institutions and providing Franc Zone countries with useful information, especially on investment promotion, business opportunities and youth entrepreneurship.

The goal of the "Public/Private Partnership" (PPP) initiative, launched in October 2013 by France and the World Bank at the request of the Franc Zone countries, is to promote the implementation of PPP projects to develop infrastructure and public services, especially through support for the identification and promotion of pilot projects, assistance in the development of a legal and institutional framework and the implementation of appropriate financing tools.

The goal of the "Public/Private Partnership" (PPP) initiative, launched in October 2013 by France and the World Bank at the request of the Franc Zone countries, is to promote the implementation of PPP projects to develop infrastructure and public services, especially through support for the identification and

promotion of pilot projects, assistance in the development of a legal and institutional framework and the implementation of appropriate financing tools. Activities currently being implemented at the WAEMU level have resulted in the designation of the WAEMU Commission to provide support for the development of a strategy and a regional legal and institutional framework for PPPs and the creation, within the West African Development Bank (WADB), of a unit responsible for promoting PPPs, known as the Regional PPP Project Development Unit (URDPPP).

6.2 - ECONOMIC AND MONETARY INTEGRATION

In terms of regional integration, FY 2019 was marked by progress in the implementation of the ECOWAS single currency programme.

In this respect, substantial progress was achieved in the implementation of the activities identified in the revised roadmap adopted on 21 February 2018 in Accra, Ghana, for the creation of the single currency.

In addition, at its 55th and 56th ordinary sessions held on 29 June and 21 December 2019 in Abuja, Nigeria, the ECOWAS Assembly of Heads of State and Government adopted the flexible exchange rate regime for the future currency, along with a monetary policy framework based on inflation targeting and the federal system for the Community Central Bank. It also adopted the term “ECO” to designate the single currency of the ECOWAS.

In addition, the Central Bank will continue to closely monitor all major regional integration initiatives. These include the Agreement Establishing the African Continental Free Trade Agreement (AfCFTA) which entered into force on 30 May 2019. Its implementation should increase intra-African trade flows and boost the economic growth of the countries involved.

