



BCEAO
CENTRAL BANK OF
WEST AFRICAN STATES

ANNUAL REPORT

2020

(SUMMARISED VERSION)



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(SUMMARISED VERSION)



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2020



The Annual Report of the Central Bank of West African States is available on the BCEAO website at <https://www.bceao.int/fr/publications/>

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CONTENTS

	GOVERNOR'S MESSAGE	VII
	HIGHLIGHTS OF 2020	IX
	MEMBERSHIP OF BCEAO STATUTORY BODIES AND ORGANIZATION	XIII
	OVERVIEW	XIX
I	ECONOMIC AND FINANCIAL DEVELOPMENT	1
II	MONETARY POLICY IMPLEMENTATION	19
III	TRENDS IN THE BANKING AND FINANCIAL SYSTEM, FINANCIAL STABILITY AND INCLUSION	31
IV	MANAGEMENT OF BANKNOTES AND COINS, PAYMENT SYSTEMS AND FOREX RESERVES	43
V	STATUTORY BODIES AND ADMINISTRATION OF THE BCEAO	51
VI	INTERNATIONAL COOPERATION	75

LIST OF GRAPHS

Graph 1: Growth in the global economic activity	3
Graph 2: Trends in oil prices	4
Graph 3: Trends in cocoa prices	4
Graph 4: Trends in robusta coffee prices	5
Graph 5: Trends in cotton prices	5
Graph 6: Trends in rubber prices	6
Graph 7: Reserve requirements of WAMU banks	23
Graph 8: Coverage of imports by the Union's foreign exchange reserves (in months)	27
Graph 9: Contributions to annual bank loan growth (in percentage points)	29
Graph 10: Counterparty contributions to annual growth in the money supply (in percentage points)	30
Graph 11: Quarterly trends in Treasury bills and bonds in 2019 and 2020	34
Graph 12: Concentration of banking risks by line of business	39
Graph 13: Trends in the number of participants in SICA-UEMOA and STAR-UEMOA	45
Graph 14: Trends in the volume of inter-country transactions from 2017 to 2020	46
Graph 15: Trends in the value of inter-country transactions from 2017 to 2020	46
Graph 16: Trends in BCEAO staffing	66

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)	9
Table 3: Trends in contributions to growth in the gross domestic product of the Union	10
Table 4: Trends in consumer prices in 2019 and 2020 (as a percentage)	12
Table 5: Trends in public finance in 2020	14
Table 6: Trends in the balance of payments over the 2018-2020 period (in billions of CFA francs)	16
Table 7: Reserve requirement ratios applicable to banks	23
Table 8: Trends in interbank rates in 2020 (weighted average as a percentage)	25
Table 9: Trends in interbank lending within WAMU in 2020 (in millions of CFA francs)	26
Table 10: Net claims of deposit-taking institutions on central governments (in billions)	28
Table 11: Average interest rates on Treasury bills (as a percentage)	35
Table 12: Gross issues of public securities by auction and syndication on the regional public securities market (in billions of CFA francs)	35
Table 13: Outstanding public securities on the regional financial market at the end of December 2020 (in billions of CFA francs)	36

LIST OF BOXES

Box 1: Measures implemented by the BCEAO in response to COVID-19	21
Box 2: COVID-19: Regulatory easing for credit institutions and decentralized financial systems (DFSs)	38
Box 3: Measures taken by the Central Bank to promote electronic payment methods as part of the fight against COVID-19	42
Box 4: Currency Circulation Management Center (CTF)	44
Box 5: Export revenue repatriation trends	49

LIST OF ACRONYMS AND ABBREVIATIONS

AFI	Alliance for Financial Inclusion
AfPI	African Financial Inclusion Policy Initiative
APBEF	Professional associations of banks and financial institutions
APSPD	Professional associations of Decentralized Financial Systems
TRAs	Telecom Regulatory Authorities
AfDB	African Development Bank
ECB	European Central Bank
BCEAO	Central Bank of West African States
BCRG	Central Bank of the Republic of Guinea
BEAC	Bank of Central African States
CIB	Credit Information Bureau
WADB	West African Development Bank
BoG	Bank of Ghana
BRB	Bank of the Republic of Burundi
BRVM	Regional stock exchange
BIS	Bank for International Settlements
CBN	Central Bank of Nigeria
CEMAC	Central African Economic and Monetary Community
CESAG	<i>Centre Africain d'Etudes Supérieures en Gestion</i> (African center for advanced studies in management)
CFA	African Financial Community
CFPB	<i>Centre de Formation de la Profession Bancaire</i>
CIBAFI	General Council for Islamic Banks and Financial institutions
CIEREA	Conference of African Institutions for Economic Education and Research
CIP	Payment Incidents Centre
IMFC	International Monetary and Financial Committee
COFEB	West African Centre for Bank Training and Studies
CONOBAFI	West African Committee for the Organization and Standardization of Banking and Financial Activities
CPMP	Macroprudential policy committee
CREPMF	Regional Council for Public Savings and Financial Markets
WAMU-FSC	WAMU Financial Stability Committee
CTF	Currency Circulation Management Centre
DRP	Directorate of Research and Partnership
SDRs	Special Drawing Rights
DSGE	Dynamic Stochastic General Equilibrium
EGFIP	Experts Group on Financial Inclusion Policy
EMIs	Electronic Money Institutions
ADF	African Development Fund
RCF	Rapid Credit Facility
FED	United States Federal Reserve
FERDI	Foundation for Studies and Research on International Development

CCRT	Catastrophe Containment and Relief Trust
FGDR-UMOA	West African Monetary Union Deposit Guarantee and Resolution Scheme
FISEC	<i>Fichier de la Situation des Établissements de Crédits</i> (database on credit institutions)
IMF	International Monetary Fund
FODEP	Prudential Declaration Form
FORTUNA	Financial management of transactions, settlements and transfers outside the WAEMU Union
GERDDES	Study and Research Group on Democracy and Economic and Social Development in Africa
GPE	Gestion de la Politique Economique
IFC	International Finance Corporation
RFI	Rapid Financing Instrument
FMI s	Financial Market Infrastructures
NSI s	National Statistical Institutes
DSSI	Debt Service Suspension Initiative
ITB	<i>Institut Technique de Banque</i> (degree in banking)
AML/CTF	Anti-Money Laundering/Counter Terrorist Financing
EFF	Extended Fund Facility
OMVS	Senegal River Basin Development Organization
OMVG	Gambia River Basin Development Organization
PAF	Abdoulaye Fadiga Prize
PBoC	People's Bank of China
PCI-DDS	Payment Card Industry Data Security Standard
GDP	Gross Domestic Product
PFMI	Principles for Financial Market Infrastructures
HIPC	Heavily Indebted Poor Countries
ISP	Information Security Policy
PTCI	<i>Programme de Troisième Cycle Interuniversitaire</i> (Inter-University Postgraduate Program)
PWC	Price Waterhouse Coopers
REM -EMR	<i>Revue Economique et Monétaire</i> - Economic and Monetary Journal
STLR	Short-Term Liquidity Ratio
LTLR	Long-Term Liquidity Ratio
SESRIC	Statistical, Economic and Social Research and Training Centre for Islamic Countries
DFSs	Decentralized Financial Systems
SICA-UEMOA	WAEMU Interbank Automated Clearing System
QMS	Quality Management System
SOMAIR	<i>Société des Mines de l'Air</i>
SRIF	Regional financial inclusion strategy
STAR-UEMOA	WAEMU Automated Transfer and Settlement System
SWIFT	Society for Worldwide Interbank Financial Telecommunication
WAEMU	West African Economic and Monetary Union
WAMU	West African Monetary Union

GOVERNOR'S MESSAGE

The year 2020 was marked by a health crisis due to COVID-19, which evolved into a pandemic in the space of a few months. The public health measures implemented to contain the spread of the disease triggered a simultaneous supply and demand shock worldwide, on a scale not seen since the Second World War. The combined effects of these shocks resulted in a -3.5% decline in global gross domestic product (GDP).

The economies of West African Monetary Union (WAMU) Member States have not been spared from the impact of this crisis. The economy has experienced a dramatic slowdown. The GDP growth rate plummeted from 5.7% in 2019 to 0.9% in 2020.

In this context of uncertainty, the Central Bank continued to carry out its fundamental mission, namely the implementation of its monetary policy, with a view to maintaining price stability, while supporting the economic policies of the Member States.

The Central Bank also continued to implement reforms aimed at consolidating banking and financial stability in the Union, promoting financial inclusion and ensuring the smooth functioning of payment systems.

In the absence of inflationary pressures likely to compromise price stability in the Union and in the face of the threats to economic growth, the Central Bank relaxed its monetary policy. It increased the volume of cash made available to banks in order to ease pressures on their cash flows and enable them to continue to play an effective role in financing the economy. As of March 2020, the Central Bank decided to meet all the liquidity needs expressed by banks through its refinancing windows. The volume of financing thus granted reached 5,798.3 billion at the end of December 2020, up by 29.2% compared to the end of March 2020. The interest rate applied to such loans fell from an average of 2.7% in March to a fixed rate of 2.5% in April, and then to 2.0% since 24 June 2020, following the decision taken by the Monetary Policy Committee to reduce the main Central Bank rate by 50 basis points. This rate is one of the lowest in Africa and historically the lowest applied by the BCEAO.

The difficulties experienced by some customers in meeting their bank debt obligations, following the sudden drop in economic activity, were also liable to create risks that could affect financial stability. The major challenge was to preserve their production facilities and safeguard jobs. To this end, the BCEAO authorized banks and microfinance institutions to grant extensions on loan maturities, without charge or penalty, to customers affected by the crisis and experiencing difficulties in repaying debts, without these extensions affecting the prudential situation of these financial institutions. Preliminary analyses of the impact of this initiative show that it has helped to preserve the quality of the credit institutions' portfolios. In addition to these cyclical measures, the Central Bank continued work on the implementation of macroprudential policy in the Union, which notably led to the adoption of indicators for monitoring of systemic risks and validation of the instruments required to manage those risks. Particular emphasis was laid on the work done to calibrate the countercyclical buffer.

Actions undertaken to promote financial inclusion focused on the implementation of the regional financial inclusion strategy and the digital financial services interoperability project. To facilitate the application of social distancing measures by the population, the BCEAO has taken measures to boost the use of electronic payment methods. Electronic money issuers and banks have been asked to reduce the costs of digital financial services, merchant fees on merchant payments, bank card withdrawal fees and customer transfer fees. In addition, the conditions for opening e-money accounts have been relaxed and the upper limit for e-wallets has been raised. These measures have contributed to increasing financial inclusion, as shown by the sharp increase in the number of new e-money accounts opened over the period. In addition, the BCEAO has continued to support governments in digitalizing payments, offering opportunities to carry out transactions more quickly and more securely for the benefit of the target populations.

In 2020, Member States of WAEMU were faced with the imperative of increasing the mobilization of financial resources on the markets, with a view to financing urgent expenses related to the health and economic crisis. These unforeseen expenditures greatly exceeded the available budgetary resources, leading to an increase in public deficits, which had to be financed through the regional financial market. On the initiative of the Central Bank, the States were assisted by the WAMU Securities Agency for the

issuance of Treasury bills called "Bons COVID-19" (COVID-19 bonds) with a three-month maturity. Within the framework of this initiative, public treasuries were able to mobilize a cumulative amount of approximately CFA francs 3,200 billion over the year 2020. The liquidity of these securities was ensured by the opening of a special three-month refinancing window by the BCEAO, at a fixed rate of 2.50% from the end of March, then 2.0% from June 2020.

In terms of capacity building, the BCEAO continued to provide assistance to States, financial institutions of the Union and selected Central Banks through training programs provided for their executives by the West African Center for Bank Training and Studies. As of April 2020, the programs have been redesigned and delivered remotely through distance learning for diploma courses and webinars for shorter courses or conferences.

In the area of regional integration, the negative impacts of the health crisis did not allow for the necessary conditions to be met for the launch of the ECOWAS single currency, which was scheduled for 2020. Consequently, the Heads of State and Government decided to postpone the launch of the ECOWAS monetary union to a later date.

These were the main actions undertaken by the BCEAO in 2020, described in this report. True to its missions, the Central Bank will continue to provide assistance to support the economic recovery programs of WAMU Member States in 2021 and create enabling conditions for the consolidation of price stability and adequate financing of productive sectors, with a view to rapidly restoring growth potential, which is a prerequisite for improving the well-being of the people.

The Governor of the Central Bank of West African States and Chairperson of the Board of Directors.

HIGHLIGHTS OF 2020

IMPORTANT EVENTS

MANAGEMENT OF THE BCEAO

08/17/2020

Reappointment of Mr Tiémoko Meyliet Koné as Governor of the BCEAO

The Conference of Heads of State and Government, which is the supreme organ of the West African Monetary Union (WAMU), has decided to reappoint Mr. Tiémoko Meyliet Koné as Governor of the Central Bank of West African States (BCEAO) for a six-year term of office starting from August 17, 2020.

On that occasion, His Excellency Alassane Ouattara, President of the Republic of Côte d'Ivoire and current Chairperson of the Conference of Heads of State and Government of the Union, on behalf of his peers, extended his warm congratulations to the Governor for his reappointment, which reflects the full satisfaction of the Conference with the results achieved further to the actions initiated under his leadership, thus enabling the States of the Union to meet the challenges of economic growth.

The Conference of Heads of State and Government wished the Governor every success in the performance of his new mandate.

ECONOMIC AND MONETARY INTEGRATION

09/10/2020

Visit to the BCEAO by Mr. Serge Ekué, the new President of the WADB

On September 10, 2020, the Governor granted an audience to Mr. Serge Ekué, the new President of the West African Development Bank (WADB), appointed on 18 August 2020 by the Council of Ministers of the West African Monetary Union (WAMU).

For his first visit to an institution of the Union, the President of the WADB chose the Central Bank, its main shareholder.

Mr. Ekué was welcomed by Governor Koné, in the presence of Vice-Governor Norbert Toé.

FINANCIAL INCLUSION

09/09/2020

Fifth Annual General Meeting of the Alliance for Financial Inclusion

On September 9, 2020, the Central Bank chaired the 5th Annual General Meeting of the Alliance for Financial Inclusion (AFI), organized by videoconference. The meeting gave members the opportunity to discuss the Alliance's strategic outlook and adopt policy templates and a declaration to strengthen AFI's

commitment to implementing policies to mitigate risks that could jeopardize financial inclusion objectives, such as those generated by the COVID-19 health crisis.

08/19/2020

Eighth Annual African Financial Inclusion Policy Initiative (AfPI) Leaders Roundtable

On August 19, 2020, the BCEAO took part in the 8th African Financial Inclusion Policy Initiative (AfPI) Leaders Roundtable, organized by videoconference in collaboration with the Central Bank of Tanzania, on the theme of “Strengthening Catalysts to Accelerate Financial Inclusion across Africa”. In the run-up to the meeting, a meeting of the Experts Group on Financial Inclusion Policies (EGFIP) was held on 18-19 August 2020, as well as a capacity-building session for representatives of the network’s African member institutions. The session focused on approaches to enhancing the MSME financing ecosystem in Africa, strengthening agent networks for digital financial services in Africa, and adapting financial sector supervision during the COVID-19 pandemic.

09/03/2020 and 11/26/2020

Workshops presenting Research Studies for Payment Ecosystem Stakeholders

- ***Study on the maturity of the WAEMU financial market in the context of interoperability of digital financial services***

On 3 September 2020, the BCEAO, in conjunction with the African Development Bank (AfDB), organized a virtual workshop to share the findings of the study on the maturity of the WAEMU market, in the context of implementing the digital financial services interoperability system. The study provided an overview of the Union’s digital payment ecosystem and the maturity of the various Member States, as well as identifying the constraints and challenges to be overcome in order to implement digital financial services interoperability.

- ***Pricing of digital financial services in the Union***

On 26 November 2020, the Central Bank hosted a virtual workshop on the findings of a study on the pricing of digital financial services in the WAEMU Union. The purpose of the study was to provide an overview of the digital financial services offered by e-money issuers in the Union and to compare the pricing of the services between the countries of the Union and other African countries.

The study also aimed to make recommendations with a view to lowering tariffs and setting up a tariff monitoring tool for greater transparency regarding the cost of such services.

INTERNATIONAL COOPERATION

04/16-19/2020 and 10/12-20/2020

Annual Meetings of International Financial Institutions

The Governor of the BCEAO took part in the Spring Meetings and Annual Meetings of the Bretton Woods Institutions, held respectively from April 16 to 19 and from October 12 to 20, 2020. The main highlights were the plenary sessions of the International Monetary and Financial Committee (IMFC) of the IMF Board of Governors, and the Development Committee (DC) of the World Bank.

05/25-29/2020

2020 Annual Meetings of the Boards of Governors of the African Development Bank (AfDB) Group and the African Development Fund (ADF)

The Governor attended the 2020 Annual Meetings of the Boards of Governors of the African Development Bank (AfDB) Group and the African Development Fund (ADF), held from May 25 to 29, 2020, by videoconference.

The central theme of these meetings was: “*Creating decent jobs for Africa’s youth in the midst of a demographic boom*”. The AfDB, which has placed this issue at the heart of its actions, has developed a strategy on “*Jobs for Youth in Africa 2016-2025*”. It aims to create 25 million jobs for African youth over the next decade. The strategy’s implementation is expected to increase youth employability and entrepreneurial success rate.

11/02/2020

Meeting of Finance Ministers and Central Bank Governors of France, CEMAC, WAEMU and Comoros

As part of the cooperation between WAEMU, CEMAC, the Union of the Comoros and France, the Governor of the BCEAO attended the meeting of Ministers of Finance and Governors organized by the Banque de France on November 2, 2020. The meeting was an opportunity to discuss the macroeconomic measures to be promoted to boost growth and regional integration, the results of the debt service suspension initiative (DSI) launched by the G20 and the multilateral response to the COVID-19 crisis, as well as reforms to ensure the long-term sustainability of public debt in the economies of the said regions.

12/1/2020

Audience granted to Her Majesty's Trade Commissioner for Africa

The Governor granted an audience to Ms Emma WADE-SMITH, Her Majesty's Trade Commissioner for Africa, on December 1, 2020. The meeting was organized as part of the cooperation between the BCEAO and the Bank of England (BoE), formalized in July 2019. It focused on the strengthening of the economic partnership between the United Kingdom and Africa, as well as on new investment opportunities for British companies on the continent.

12/03/2020

Annual meeting between the Governors of the BCEAO and Banque de France

The Governor of the BCEAO met on 3 December 2020 with his counterpart Mr. François Villeroy de Galhau, Governor of the Banque de France, in the framework of the implementation of the Cooperation Agreement between the two central banks.

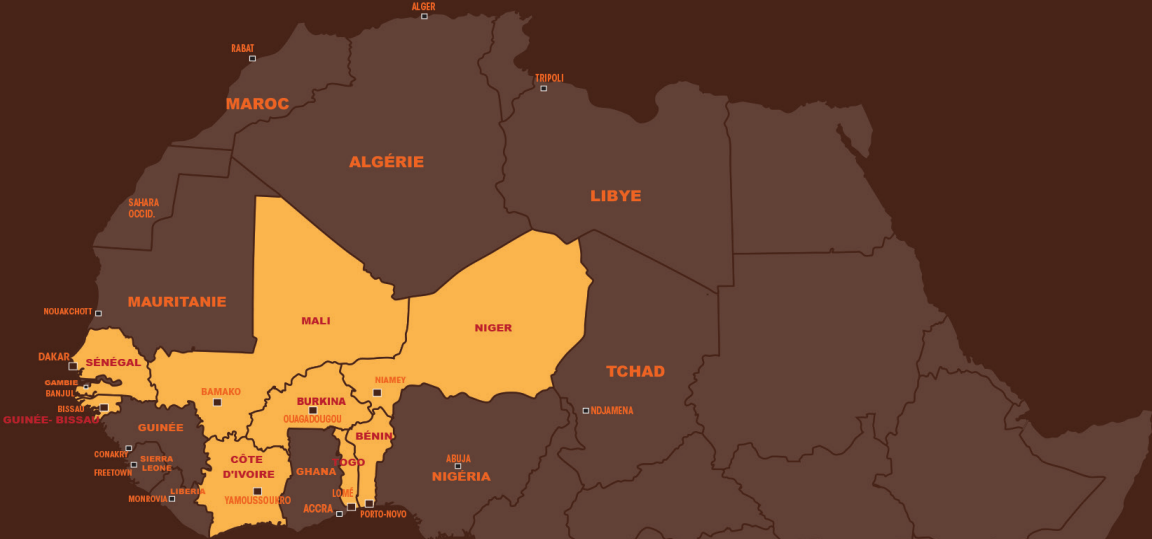
The meeting provided an opportunity to take stock of the actions carried out since 2012 and to define partnership priorities for the 2021-2022 period. The two Governors also exchanged views on the measures implemented by the central banks in response to the COVID-19 crisis. Their discussions provided an opportunity to review the main actions taken by the institutions in response to the health crisis and identify the main lessons to be learned from the situation, the challenges ahead, and the policy direction to be taken.

12/18/2020

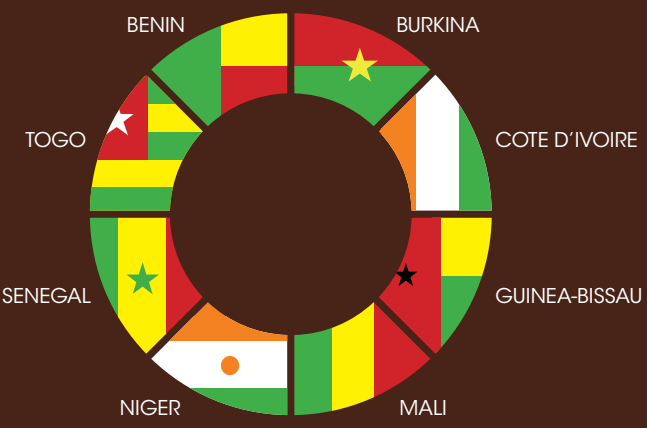
Audience granted to Her Majesty Queen Máxima of the Netherlands

On 18 December 2020, the Governor granted an audience to Her Majesty Queen Máxima of the Kingdom of the Netherlands, in her capacity as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA). The purpose of the meeting was to allow the UNSGSA to present her work to the Governor of the BCEAO and to discuss relevant financial inclusion policies and programs that could be carried out jointly with the BCEAO, to promote the public's access to financial services.

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).

managing their common currency, the African Financial Community Franc (CFA Franc) and their foreign exchange reserves, as well as implementing their common monetary policy.

The BCEAO is the common central bank of the WAMU member states; it is in charge notably of

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

CONFERENCE OF WAMU HEADS OF STATE AND GOVERNMENT

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

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

His Excellency **Doctor Alassane Ouattara**,
President of the Republic of Côte d'Ivoire and current Chairperson of the
Conference.

His Excellency **Umaro Sissoco Embaló**,
President of the Republic of Guinea-Bissau.

His Excellency **Bah N'Daw**,
Transitional 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.

WAMU COUNCIL OF MINISTERS

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

Mr. Lassané Kaboré, Minister of Economy, Finance and Development;

Mr. Paul Robert Tiendrébéogo, Minister of African Integration and Burkinabè Abroad.

REPUBLIC OF COTE D'IVOIRE

Mr. Adama Coulibaly, Minister of the Economy and Finance;

Mr. Abdourahmane Cissé, Minister of Petroleum, Energy and Renewable Energies.

REPUBLIC OF GUINEA-BISSAU

Mr. João Alage Mamadu Fadia, Minister of Finance;

Ms. Mónica Buaró Da Costa, Secretary of State for Planning and Regional Integration.

REPUBLIC OF MALI

Mr. Alousséni Sanou, Minister of the Economy and Finance;

Mr. Harouna Niang, Minister of Industry, Trade and Investment Promotion.

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 Budget;

Mr. Amadou Hott, Minister of the Economy, Planning and Cooperation.

TOGOLESE REPUBLIC

Mr. Sani Yaya, Minister of the Economy and Finance, Chairperson of the Council of Ministers;

Mr. Simféitchéou Pré, Minister, Advisor to the President of the Republic.

BCEAO MONETARY POLICY COMMITTEE

Mr. Tiémoko Meyliet Koné,
Governor of the BCEAO,
Chairperson of the Committee.

Mr. Abdoulaye Diop, Vice-Governor

Mr. Norbert Toé, Vice-Governor

MEMBERS REPRESENTING THE STATES

REPUBLIC OF BENIN

Mr. Yaovi Clément Aziagnikouda,
Treasury Director.

REPUBLIC OF MALI

Mr. Sidiki Traoré, Director General for the
Budget at the Ministry of Economy and
Finance.

BURKINA FASO

Mr. Tertius Zongo, Director of the Sahel
Chair of the Foundation for Studies and
Research on International Development
(FERDI).

REPUBLIC OF NIGER

Mr. Ibrahim Mahamane Dan Sounsou,
Consultant at the *Maison de l'Entreprise* (CPA
Laureate Coach), Administrator at SAHFI
Tanyo, financial guarantee institution.

REPUBLIC OF COTE D'IVOIRE

Mr. Mama Ouattara, Professor at Université
Félix Houphouët-Boigny de Cocody, Director
of the training program on economic policy
management (GPE).

REPUBLIC OF SENEGAL

Mr. Moussa Touré, Director of Money and
Credit at the Ministry of Finance and Budget.

REPUBLIC OF GUINEA-BISSAU

Mr. José Biai, Advisor to the Prime Minister
and Coordinator of the WAEMU Technical
Assistance Program.

TOGOLESE REPUBLIC

Mr. Mohamed Takpara-Khoura, retired
instructor and researcher.

MEMBERS APPOINTED INTUITU PERSONAE

• **Mr. Lansina Bakary,** Chairperson of the
Supervisory Board of the *Caisse des Dépôts et
Consignations de Côte d'Ivoire*;

• **Mr. Maïna Boukar Moussa,** Vice President,
Study and Research Group on Democracy and
Economic and Social Development in Africa
(GERDDES), 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;

• **Mr. Kodzo Mawuena Dossa,**
Economist, Lomé, Togolese Republic;

• **Mr. Michel Lazare,**
Economist, Chevy Chase, USA.

BCEAO BOARD OF DIRECTORS

Mr. Tiémoko Meyliet Koné,
Governor of the BCEAO, Chairperson
of the Board of Directors.

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 COTE D'IVOIRE

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

REPUBLIC OF GUINEA-BISSAU

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

REPUBLIC OF MALI

Mr. Soussourou Dembele, 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. Abdoulaye Fall, Treasurer General,
Chief Accountant of the General Directorate
of Public Accounting and the Treasury.

TOGOLESE REPUBLIC

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

BCEAO AUDIT COMMITTEE

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.

TOGOLESE REPUBLIC

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

OVERVIEW

-3.5% (2020) 2.8% (2019)	0.9% (2020) 5.7% (2019)
The rate of growth in the global economy stood at -3.5% in 2020 compared to 2.9% in 2019.	The rate of growth in the economy of the Union was estimated at 0.9% in 2020 against 5.7% in 2019.

The global economic and financial environment was marked by negative growth in 2019 due to the economic and financial consequences of the coronavirus crisis, trade tensions between the United States and China and uncertainties related to the United States elections. The growth rate for the global economy was estimated at -3.5% in 2020 compared to 2.8% in 2019.

In this adverse climate, economic activity in the Union was severely affected by the measures taken by Member States to limit the spread of the pandemic, in particular the closure of borders, the temporary suspension of international road and air traffic, and lockdown. The growth rate in the Union's gross domestic product was estimated at 0.9% in 2020 as against 5.7% in 2019. This sharp decline in growth resulted from the general decline in economic activity in the manufacturing, financial, tourism, hotel and restaurant sectors. The annual average inflation rate was estimated at 2.1% in 2020, compared with -0.7% in 2019.

In terms of public finance, the overall deficit on a commitment basis, including grants, at the end of December 2020, deepened by 3,052.3 billion to stand at 5,220.5 billion, or 5.7% of the GDP, compared to a deficit of 2,168.2 billion or 2.4% of the GDP over the same period the previous year.

The balance-of-payments current account balance stood at -5,101.9 billion, i.e. a deterioration of 16.7% in one year, in connection with the worsening of the deficit in the balance of goods and services (-1,017.7 billion), partly offset by the recovery of net receipts on the primary and secondary income accounts (+288.8 billion). As a proportion of GDP, the current account deficit stood at 5.6% in 2020 after 4.9% in 2019. The external trade of the Union's countries culminated in a balance of payments surplus of 15.8 billion in 2020 compared to 1,635.1 billion one year earlier. This development was due to lower net capital flows on the financial account, combined with an increase in the current account deficit, whose impact was partially offset by the consolidation of the capital account surplus.

Net foreign assets of monetary institutions increased by 198.0 billion to reach 7,137.5 billion at the end of December 2020. The official foreign exchange reserves of the BCEAO grew by 1,374.2 billion, reaching 11,731.2 billion at the end of December 2020. This exceptional development reflected substantial mobilization of external resources by the States, particularly in the context of donor support to deal with the health crisis due to the Coronavirus. As a result, the Central Bank's currency issue coverage stood at 77.3%, despite strong monetary easing measures.

Outstanding domestic claims rose by 5,352.2 billion or 16.9% compared to their level at the end of December 2019. It reached 36,978.5 billion at the end of December 2020. This development was due to the combined impact of the consolidation of net claims on central public administrations and credits to other sectors of the economies of the Union. The net claims of deposit-taking institutions on central government administrations increased by 4,223.6 billion to 12,341.7 billion in December 2020, due to an increase of 3,138.5 billion or 38.7% in the banking system's loans to governments. The increase in the BCEAO's net claims was due to disbursements of IMF financial support to governments.

The rate of growth in loans by deposit-taking institutions to sectors of the economy other than central government stood at 4.8%, slowing down in relation to the 7.3% growth recorded in 2019. However, it should be noted that the growth rate in bank loans to businesses rose from 5.5% in 2019 to 7.6% in 2020. On the other hand, loans to households increased more slowly, by 2.1% in 2020 compared to 11.2% in 2019.

2.1% (2020) -0.7% (2019)	CFA F 5,798.3 billion (2020) CFA F 4,712.6 billion (2019)
The annual inflation rate in the Union stood at 2.1% in 2020, compared to -0.7% in 2019.	Outstanding advances through refinancing windows stood at 5,798.3 billion at the end of December 2020, compared to 4,712.6 billion the year before.

The money supply increased by 5,012.3 billion or 16.4% to 35,612.8 billion. This increase in overall liquidity was reflected in a rise of 3,630.0 billion or 15.3% in deposits and 1,382.3 billion or 19.9% in currency outside banks.

In order to limit the impact of the health crisis on the banking sector, the BCEAO adopted the fixed rate auction method to cover all the banks' needs. In addition, the key interest rates were reduced by 50 basis points on June 24, 2020. The minimum bid rate for open market operations was reduced from 2.5% to 2.0% and the marginal lending rate was lowered from 4.5% to 4.0%. The required reserve coefficient applicable to the banks of the Union remained unchanged, at 3.0%.

On the Union's capital markets, trends varied from one segment to another. On the money market, outstanding advances on the one-week and one-month tender windows stood at 5,702.0 billion at the end of December 2020.

The trend in activity on the WAMU interbank market was marked by a drop in the volume of liquidity exchanges and the easing of the weighted average interest rate for one-week operations. The average volume of transactions across all maturities amounted to CFA F 275 billion in 2020, compared with CFA F 455 billion in 2019. On the regional public debt market, the total outstanding amount of public securities stood at CFA F 15,064.6 billion at the end of December 2020, representing 16.6% of GDP.

Movements of banknotes and coins through the windows of the Central Bank reached CFA F 39,759.2 in 2020 compared to CFA F 36,155.2 one year prior. Compared to 2019, the share of banknotes in circulation outside banks remained stable at 97.8%.

The BCEAO's efforts in the area of financial stability have resulted in the adoption of indicators to monitor systemic risks, which can affect the banking sector and the economies of the Union, as well as the validation of instruments available in WAMU that can be used for macroprudential purposes to reduce systemic risk. The Central Bank also undertook work to calibrate the countercyclical cushion, its primary macroprudential tool.

In the area of financial inclusion, the BCEAO continued its efforts to support the States in the implementation of the regional financial inclusion strategy (SRIF) in the Union and participated in the activities of the Alliance for Financial Inclusion. It also continued the implementation of projects initiated to promote financial inclusion and education, namely the project on the interoperability of digital financial services in WAEMU and the regional financial education program. In this regard, in order to promote the harmonious development of FinTech in the Union, a FinTech Committee was established on 18 February 2020. In addition, the Central Bank adopted a regional financial education program in 2020 and undertook the development of an accounting and prudential framework for Islamic finance.

The BCEAO has continued to take action to clean up the microfinance sector, modernize tools for supervising microfinance activities and control the threats facing decentralized financial systems (DFSs).

Where international cooperation is concerned, transactions carried out by the Central Bank and the IMF on behalf of WAEMU Member States culminated, in financial year 2020, in net inflows of resources amounting to 897.19 million SDRs against 159.69 million SDRs one year prior. Drawdowns stood at 1,036.01 million SDRs in 2014, compared to 365.70 million SDRs the previous year, showing an increase of 670.30 million SDRs. Payments of IMF claims dropped slightly by 3.09 million SDRs, falling from 201.84 million SDRs to 198.75 million SDRs. Debt service relief amounted to SDR 67.40 million.

CFA F 275 billion (2020) CFA F 455 billion (2019)	CFA F 39,759.2 billion (2020) CFA F 36,155.2 billion (2019)
Average volume of transactions on the interbank market: CFA F 275 billion in 2020, against CFA F 455 billion in 2019.	Movements of banknotes and coins through the windows of the Central Bank reached CFA F 39,759.2 in 2020 compared to CFA F 36,155.2 one year prior.

In the area of regional integration, the year 2020 was marked by a significant deterioration in the convergence profile of the Member States, in connection with the impact on the budget deficit of the response plans and emergency measures implemented to mitigate the consequences of the pandemic. In this context, the Conference of Heads of State and Government of Member States of the West African Economic and Monetary Union (WAEMU), at its extraordinary session of April 27, 2020, temporarily suspended the application of the Union's Convergence, Stability, Growth and Solidarity Pact, while urging Member States to continue implementing budgetary policies that would allow for a return to budgetary consolidation after the crisis. In this context, the WAEMU Commission has initiated reflection aimed at reforming the multilateral surveillance mechanism with a new pact.

In addition, given the delays in the implementation of certain key activities in the roadmap of the ECOWAS single currency program in 2020, the ECOWAS Heads of State and Government decided to postpone the launch of the single currency to a later date, to prepare a new roadmap for the ECOWAS Single Currency Programme, to exempt Member States from complying with the macroeconomic convergence criteria in 2020, to conclude a new Macroeconomic Convergence Pact among ECOWAS Member States and to maintain a gradual approach to the launch of the ECO.

With regards to the management of the Central Bank, the Organs of the Union and the BCEAO held their meetings in conformity 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. The Conference of Heads of State and Government of the Union held an extraordinary session on April 27, 2020. The Council of Ministers of the Union and the Monetary Policy Committee of the BCEAO held four ordinary meetings. The BCEAO Board of Directors held two ordinary sessions. All these sessions of the Union's bodies were held by videoconference.

In the context of the global health crisis, the Central Bank also implemented a series of measures to protect its human capital, while ensuring business continuity and the performance of its fundamental missions.

As at December 31, 2020, the total number of BCEAO staff stood at 3,517 compared to 3,597 at the end of December 2019. This number includes 3,460 active staff members at BCEAO sites and 57 staff members on secondment or leave of absence.

I ECONOMIC AND FINANCIAL DEVELOPMENT

1.1 – INTERNATIONAL ENVIRONMENT	2
1.1.1 - In major industrialized countries.....	2
1.1.2 - In emerging and developing countries	2
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	10
1.2.1 - Gross domestic product	10
1.2.1.1 - Agricultural production	10
1.2.1.2 - Mine production	11
1.2.1.3 - Industrial production and retail trade turnover	12
1.2.2 - Trends in consumer prices	12
1.2.3 - Public finance and external debt position	13
1.2.3.1 - Trends in State financial transactions	13
1.2.3.2 - Resource mobilization outside the Union and external debt position	15
1.2.4 - Balance of payments	16

1.1 - INTERNATIONAL ENVIRONMENT

GLOBAL ECONOMY	ADVANCED ECONOMIES
-3.5% (2020) 2.8% (2019)	-4.9% (2020) 1.6% (2019)
-3.5% growth in 2020 compared to 2.8% in 2019	-4.9% growth in 2020 compared to 1.6% in 2019

EURO ZONE	EMERGING AND DEVELOPING COUNTRIES
-7.2% (2020) 1.3% (2019)	-2.4% (2020) 3.6% (2019)
-7.2% growth in 2020 compared to 1.3% in 2019	-2.4% growth in 2020 compared to 3.6% in 2019

CHINA	SUB-SAHARAN AFRICA
2.3% (2020) 6.0% (2019)	-2.6% (2020) 3.6% (2019)
2.3% growth in 2020 compared to 6.0% in 2019	-2.6% growth in 2020 compared to 3.6% in 2019

The international economic and financial environment was affected by the COVID-19 crisis and its major economic and financial consequences. It was also affected by trade tensions between the U.S. and China and uncertainties related to the U.S. elections. According to IMF estimates published in January 2021, the growth rate for the global economy came out negative at -3.5% in 2020 compared to 2.8% in 2019.

1.1.1 - IN MAJOR INDUSTRIALIZED COUNTRIES

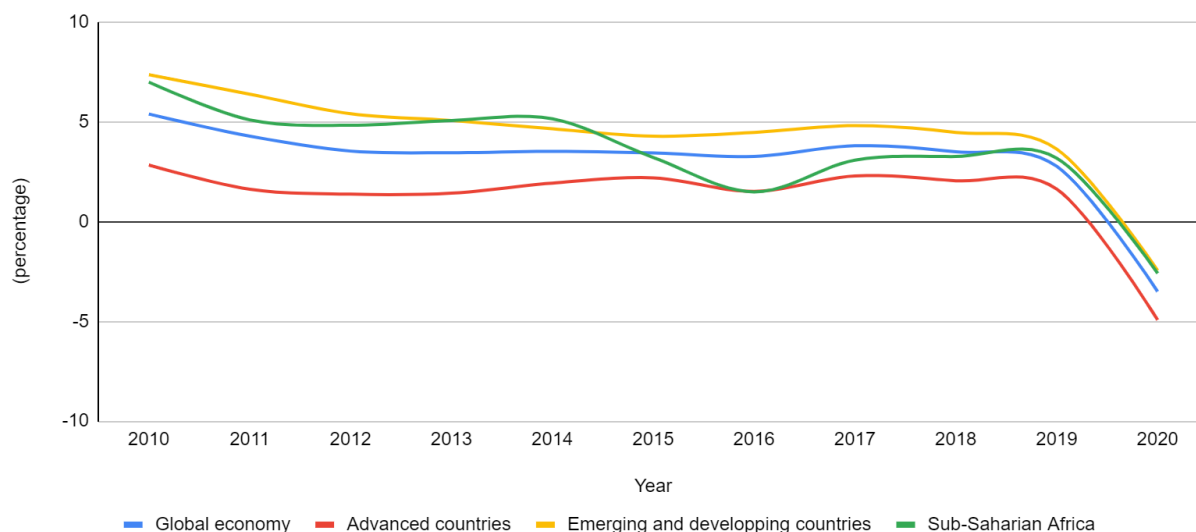
Advanced economies recorded negative growth at -4.9% in 2020 compared to 1.6% in 2019. In the United States, it shrunk by -3.4% after progressing by 2.2% in 2019. In the euro zone, growth was negative, at -7.2% in 2020 compared to 1.3% in 2019.

1.1.2 - IN EMERGING AND DEVELOPING COUNTRIES

The growth rate in emerging and developing countries, the growth rate stood at -2.4% in 2020 compared to 3.6% in 2019. Growth experienced a slowdown in China, falling from 6.0% in 2019 to 2.3% in 2020. The Indian economy recorded a growth rate of -8.0% in 2020 compared to 4.2% in 2019. In Brazil, the growth rate stood at -4.5% in 2020 after 1.4% in 2019. In Russia, it was -3.6% in 2020 after 1.3% in 2019.

Sub-Saharan Africa recorded a -2.6% drop in the gross domestic product in 2020. Nigeria experienced a recession, with a -3.2% decline in economic activity in 2020 on the heels of 2.2% growth in 2019. In South African, the economy declined by -7.5% of GDP in 2020.

Graph 1: GROWTH IN GLOBAL ECONOMIC ACTIVITY



Source : IMF.

1.1.3 - FINANCIAL AND COMMODITIES MARKETS

On the financial markets, the major stock exchanges experienced diverse trends.

On average, New York's Dow Jones stock market index rose by 2.0% in 2020 compared to the previous year. The Nasdaq technology stock index jumped significantly by 28.3%, in line with the increased use of new information technologies during the pandemic. The EuroStoxx 50 dropped by 4.8% from its average level in 2019 to settle at 3,271.7 points in 2020. In contrast, in Japan, the NIKKEI index rose by 4.6% to an average level of 22,683.8 points in 2020. In the United Kingdom, the FTSE 100 index fell by 13.8% to an average level of 6,272.2 points in 2020, affected by Brexit-related uncertainties in addition to the COVID-19 crisis.

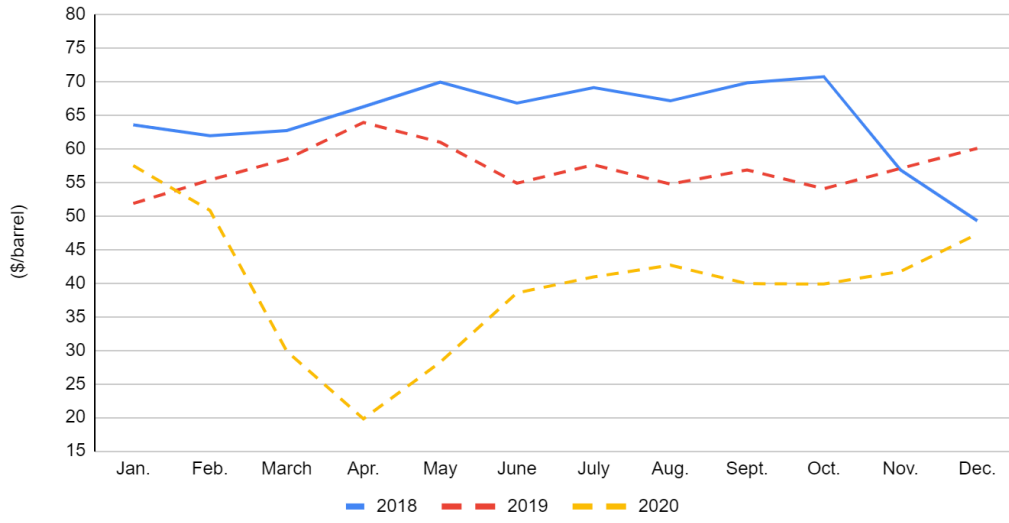
On African stock markets, the indices experienced downward trends over the course of 2020. On an annual average basis, the GSE index in Ghana and the NSE index in Nigeria fell by 14.7% and 6.3% respectively. South Africa's FTSE/JSE All Share index fell by 5.2%, against the backdrop of the economic crisis. In the WAEMU zone, the BRVM 10 and BRVM composite indices fell by 17.2% and 14.8% respectively.

Commodity prices were affected by the scale of the global economic crisis in 2020 combined with the impact of international trade tensions. The key export commodity index posted an increase of 1.2% in 2020 after 0.16% in 2019.

The rise in international prices for the major raw materials exported by the Union was concentrated in non-energy products, notably oils (+22.9%), cocoa (+1.4%), uranium (+13.5%), gold (+27.0%) and log timber (+1.1%). Declines in the prices of energy products (-32.3%) and certain non-energy products such as coffee (-7.9%), cashew nuts (-41.2%), cotton (-5.6%), rubber (-6.3%), zinc (11.1%) and phosphates (-13.6%) had a mitigating effect.

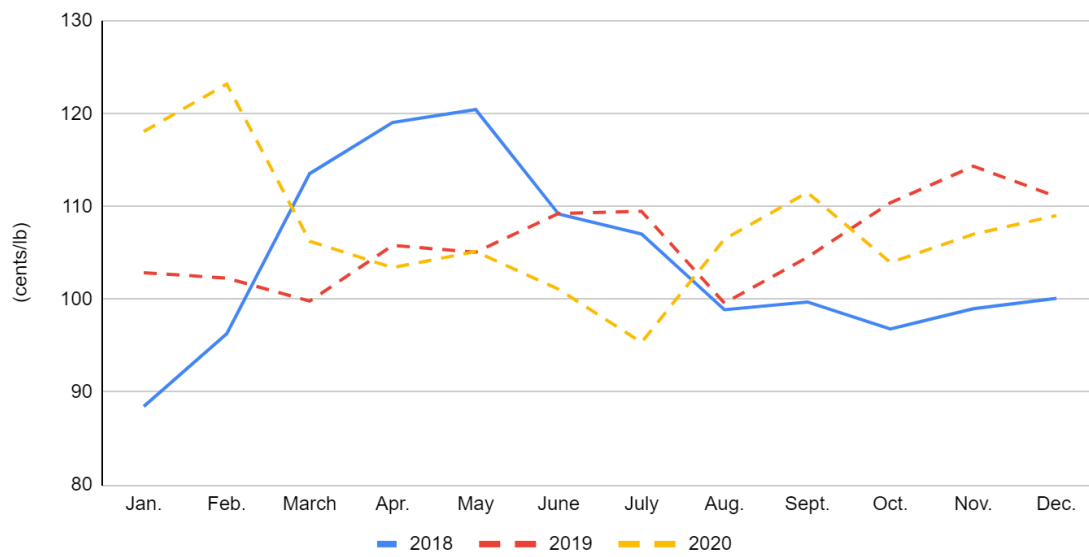
The prices of the major imported food commodities maintained a similar rate of increase (+3.3% in 2020, after +5.2% in 2019). The price increases applied to all commodities, with the exception of maize (-5.6%). They included rice (+12.7%), wheat (+10.4%), soya oil (+6.7%) and sugar (+2.1%).

Graph 2: TRENDS IN OIL PRICES



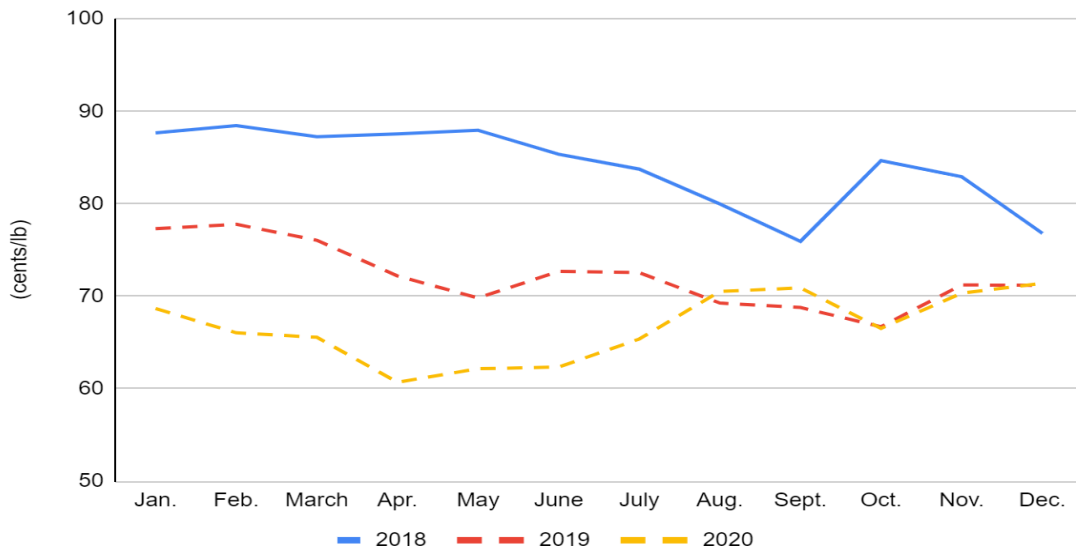
Source : Reuters, BCEAO.

Graph 3: TRENDS IN COCOA PRICES



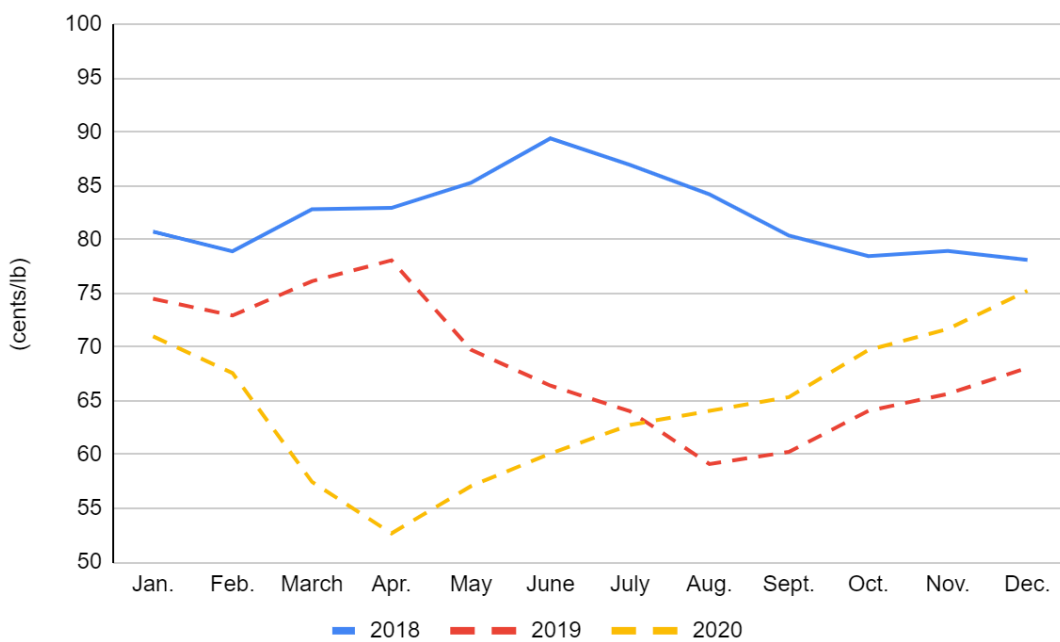
Source : Reuters, BCEAO.

Graph 4: TRENDS IN ROBUSTA COFFEE PRICES



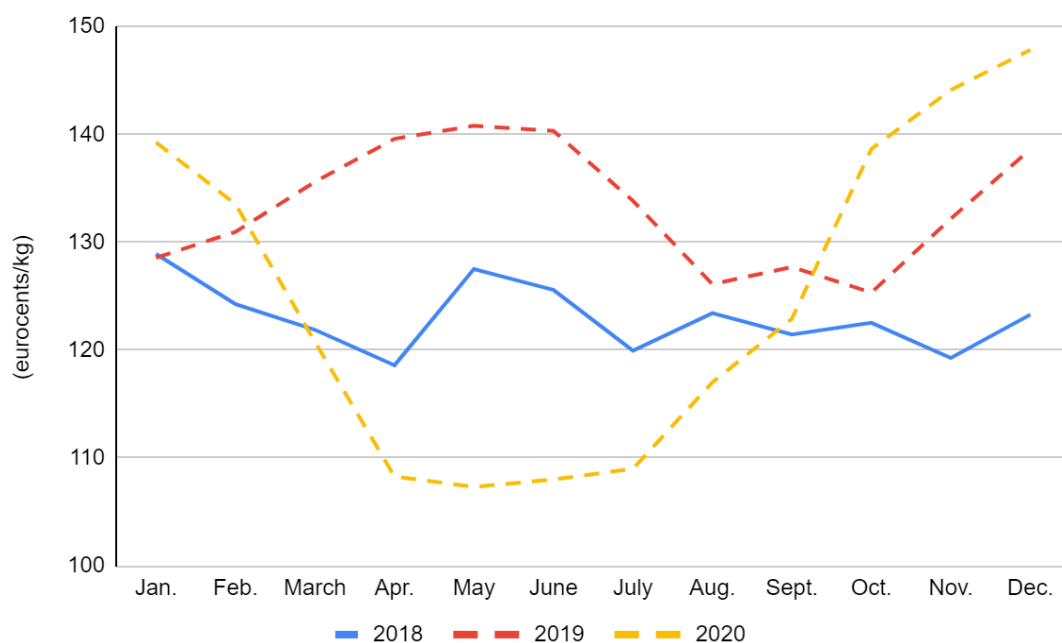
Source : Reuters, BCEAO.

Graph 5: TRENDS IN COTTON PRICES



Source : Reuters, BCEAO.

Graph 6: TRENDS IN RUBBER PRICES



Source : Reuters, BCEAO.

1.1.4 - EMPLOYMENT AND INFLATION IN INDUSTRIALIZED COUNTRIES

- HIGHER UNEMPLOYMENT IN MOST MAJOR INDUSTRIALIZED COUNTRIES.
- OVERALL INFLATION OF 0.9% IN 2020 COMPARED TO 1.5% IN 2019.
- DROPS IN THE AVERAGE INFLATION RATE IN EMERGING AND DEVELOPING COUNTRIES (3.6% IN 2020 AGAINST 5.1% IN 2019).

In 2020, unemployment resumed an upward trend in most major industrialized countries. In the U.S., the unemployment rate rose from 3.5% in December 2019 to 6.7% in December 2020, an increase of 3.2 percentage points. In the euro zone, the unemployment rate also rose by 0.9 percentage points to stand at 8.3% in December 2020, after reaching 7.4% in December 2019, its lowest level since 2008.

Inflation slowed in 2020, mainly as a result of the drop in oil prices. The inflation rate in industrialized countries stood at 0.9% in 2020 compared to 1.5% in 2019, below the targets set by central banks. In emerging and developing countries, inflation averaged 3.6% in 2020, down from 5.1% in 2019, in line with the decline in aggregate demand. In sub-Saharan Africa, inflation was 10.6% in 2020..

1.1.5 - FOREIGN EXCHANGE MARKET AND MONETARY POLICY MEASURES

In terms of monetary policy, in response to the deterioration of the economic and financial context following the COVID-19 health crisis, the central banks of the major industrialized countries lowered their key interest rates to support economic activity in 2020.

The U.S. Federal Reserve (Fed) eased its monetary policy. It lowered the range for federal funds rates to 0.00%-0.25% at its March 3 and 15, 2020 Monetary Policy Committee meetings, a decrease of 150 basis points over the year. In addition, the Fed considers that the current monetary policy stance will remain appropriate as long as new information on the economy is consistent with an outlook of moderate economic growth, strong labor market momentum and inflation close to the 2% target.

<p>EASING OF MONETARY POLICY MEASURES BY THE CENTRAL BANKS OF MAJOR INDUSTRIALIZED COUNTRIES.</p>	<p>APPRECIATION OF THE EURO AGAINST OTHER MAJOR CURRENCIES IN 2020.</p>	<p>APPRECIATION OF THE CFA FRANC ON THE WEST AFRICAN FOREIGN EXCHANGE MARKET:</p> <ul style="list-style-type: none"> → 12.7% AGAINST THE NIGERIAN NAIRA → 11.3% AGAINST THE SIERRA LEONEAN LEONE → 9.5% AGAINST THE GHANAIAAN CEDI → 6.3% AGAINST THE GUINEAN FRANC → 3.7% AGAINST THE GAMBIAAN DALASI.
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The Bank of England (BoE) decided at its Monetary Policy Committee meetings on 11 and 19 March 2020 to lower its key interest rate from 0.75% to 0.10%, a historic low. It also increased its asset purchase program to £895 billion (€996 billion) by the end of 2020.

While the ECB has not changed its key rates, with the bank refinancing rate already at 0.0% and the bank cash deposit rate at -0.5%, it has further eased the cost of long-term refinancing for banking institutions. During its refinancing operations (TLTROs), banks can obtain refinancing on a portion of the increase in loans granted to companies and households (excluding real estate loans) at rates that are 50 basis points lower than in previous operations and can go as low as 1%.

The Bank of Japan (BoJ) maintained its accommodating monetary policy stance, reflected in its commitment to keeping long-term rates low. The deposit facility rate (-0.10%) and the 10-year bond yield (0%) remained unchanged. In December 2020, the BoJ opted for a six-month extension of the financial assistance scheme it deployed from March to May 2020 to address the impact of the COVID-19 pandemic. The Japanese central bank has said it was prepared to extend the timeframe of the assistance package further, should this prove necessary to support the economy.

The main central banks of emerging countries changed the orientation of their monetary policy. The People's Bank of China (PBoC) lowered its 7-day reverse repo rate by 20 basis points (bps) to 2.2%. The PBoC also changed its one-year lending rate, which is its key benchmark rate, to 3.85% in April 2020. In Brazil, the Central Bank kept the policy rate at its historical low of 2.00% after a cycle of nine consecutive cuts, in order to revive an economy hard hit by the pandemic. In India, the central bank (RBI) maintained its key policy rate at 4.00%, after two cuts during 2020. In Russia, the Central Bank lowered its key policy rate to 4.25% on 24 July 2020. It believes that its current monetary policy stance should allow for a gradual recovery of the economy towards its potential level, while keeping inflation close to target.

In West Africa, the Bank of Ghana (BoG) reduced its policy rate by 150 basis points, from 16% to 14.5%, at the March 18, 2020, Monetary Policy Committee meeting. Similarly, in May and September 2020, the Central Bank of Nigeria (CBN) made cumulative cuts of 100 basis points in its main policy rate, which now stands at 11.50%.

In the CEMAC zone, the BEAC lowered the interest rate on tenders by 25 basis points and the marginal lending rate by 100 basis points to 3.25% and 5.00% respectively in March 2020. The BEAC's easing measures are expected to continue in 2021, notably through the extension of two major initiatives: the extension of the government securities purchase program for an additional six months, starting on 1 March 2021, and the reduction of discounts on private instruments accepted as collateral for refinancing operations.

On the foreign exchange markets, the euro appreciated against the other major currencies in 2020. The euro exchange rate rose by 1.9% against the U.S. dollar to \$1.1413 in 2020. The European currency also rose against the Canadian dollar (+2.9%) and the British pound (+1.4%). The euro also gained value against the currencies of emerging countries. It appreciated by 14.1% against the Russian ruble, 7.3% against the Indian rupee and 1.8% against the Chinese Yuan. On the other hand, the euro zone currency depreciated against the Swiss franc (-3.8%) and the Japanese yen (-0.2%).

Within ECOWAS, the CFA franc rose against all the member countries' currencies. On an annual basis, the CFA franc appreciated against the currencies of West African countries, notably by 12.7% against the Nigerian naira, by 11.3% against the Sierra Leonean leone and by 9.5% against the Ghanaian cedi. The common currency of the countries of the Union also gained value against the Guinean franc (+6.3%), the Liberian dollar (+4.0%) and the Gambian dalasi (+3.7%). On average over the year, CFA F 1,000 was exchanged for 9.74 Ghanaian cedis, 88.53 Gambian dalasis, 17,102.40 Sierra Leonean leones, 332.59 Liberian dollars, 16,648.60 Guinean francs and 585.69 Nigerian naira.

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

Currency	Code	2019	2020	Change (%)*
Special drawing rights	SDRs	1.24	1.25	+1.0
US Dollar	USD	1.71	1.74	+1.9
Swiss Franc	CHF	1.70	1.63	-3.8
Pound Sterling	GBP	1.34	1.36	+1.4
Japanese yen	JPY	186.07	185.65	-0.2
Chinese Yuan	CNY	11.80	12.00	+1.8
Russian ruble	RUB	110.51	126.05	+14.1
Indian rupee	INR	120.26	129.00	+7.3
Gambian dalasi	GMD	85.40	88.53	+3.7
Ghanaian cedi	GHS	8.89	9.74	+9.5
Guinean franc	FGN	15,662.05	16,648.60	+6.3
Liberian dollar	LRD	319.83	332.59	+4.0
Nigerian naira	NGN	519.65	585.69	+12.7
Sierra Leonean leone	SLL	15,365.07	17,102.40	+11.30

Sources: Reuters, Banque de France, WAMA, BCEAO.

* The (-) sign indicates a depreciation of the CFA franc compared to the foreign currency

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

Currency	Code	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Year 2020					
Special drawing rights	SDRs	1.25	1.24	1.20	1.20
US Dollar	USD	1.68	1.68	1.78	1.82
Swiss Franc	CHF	1.63	1.62	1.64	1.64
Pound Sterling	GBP	1.31	1.35	1.38	1.38
Japanese yen	JPY	183.14	180.51	189.15	189.98
Chinese Yuan	CNY	11.73	11.90	12.34	12.51
Russian ruble	RUB	112.41	121.50	131.66	138.63
Indian rupee	INR	121.79	127.36	132.61	134.24
Gambian dalasi	GMD	86.29	85.49	90.23	92.91
Ghanaian cedi	GHS	9.09	9.37	10.13	10.37
Guinean franc	FGN	15,765.34	15,846.06	17,154.28	17,828.71
Liberian dollar	LRD	328.39	333.07	355.00	313.88
Nigerian naira	NGN	515.41	514.01	624.04	689.29
Sierra Leonean leone	SLL	16,390.86	16,341.63	17,472.71	18,204.42
Year 2019					
	Code	1st quarter	2nd quarter	3rd quarter	4th quarter
Special drawing rights	SDRs	1.24	1.24	1.23	1.23
US Dollar	USD	1.73	1.71	1.70	1.69
Swiss Franc	CHF	1.73	1.72	1.67	1.67
Pound Sterling	GBP	1.33	1.33	1.38	1.31
Japanese yen	JPY	190.71	188.26	181.84	183.49
Chinese Yuan	CNY	11.69	11.70	11.90	1.90
Russian ruble	RUB	114.21	110.67	109.58	107.60
Indian rupee	INR	122.13	119.21	119.41	120.29
Gambian dalasi	GMD	85.53	85.53	85.68	85.03
Ghanaian cedi	GHS	8.69	8.81	8.95	9.12
Guinean franc	FGN	15,738.20	15,635.99	15,575.02	15,698.97
Liberian dollar	LRD	278.44	314.37	346.20	340.29
Nigerian naira	NGN	530.18	511.55	519.68	517.21
Sierra Leonean leone	SLL	14,774.84	15,012.98	15,449.44	16,223.04

Sources: Reuters, Banque de France, WAMA, BCEAO.

1.2 - ECONOMIC AND FINANCIAL TRENDS IN WAEMU MEMBER STATES

1.2.1 - GROSS DOMESTIC PRODUCT

REAL GDP GROWTH IN THE UNION
0.9% (2020)
5.7% (2019)

During the year 2020, the economies of the WAEMU Union evolved against the backdrop of an international environment marked by the negative effects of the coronavirus pandemic (COVID-19) worldwide and by persistent trade tensions at the global level, particularly between the United States and China. Domestically, economic activity was strongly affected by the measures taken by Member States to limit the spread of the pandemic, including partial lockdown measures and border closures involving the suspension of international road and air traffic.

The growth rate in the Union's gross domestic product was estimated at 0.9% in 2020 after 5.7% in 2019, due to the decline in economic activity, particularly in the manufacturing, tourism, hotel and restaurant sectors. The slight strengthening of economic activity in the Union was mainly driven by the tertiary sector, which contributed 0.5 percentage points to growth in 2020. The contributions of the secondary and primary sectors amounted to 0.3 and 0.1 percentage points, respectively.

By country, economic growth was 2.3% in Benin, 2.5% in Burkina Faso, 1.8% in Côte d'Ivoire, 2.3% in Guinea-Bissau, -2.0% in Mali, 1.2% in Niger, -0.7% in Senegal and 0.7% in Togo.

Table 3 : TRENDS IN CONTRIBUTIONS TO GROWTH IN THE GROSS DOMESTIC PRODUCT OF THE UNION

	2018	2019	2020
Primary sector	1.5	1.2	0.1
Secondary sector	0.9	1.4	0.3
incl.			
- Manufacturing industries	0.8	0.5	0.11
- Public works and civil engineering	0.2	0.6	0.157
Tertiary sector	4.0	3.1	0.5
Real GDP	6.4	5.7	0.9
End consumption	4.9	3.6	0.7
Investment	2.5	1.3	0.7
Foreign sector	-1.0	0.8	-0.5
incl.			
Exports	1.2	2.1	-2.0

Sources: National departments, BCEAO calculations.

1.2.1.1 - Agricultural Production

FOOD CROP PRODUCTION: UP 5.1%

The 2020/2021 crop season benefitted from favorable rainfall conditions overall. According to the AGRHYMET regional center, rainfall levels were higher than the averages observed over the 1981/2010 period. Against that backdrop, WAEMU food crop production, estimated at 69,675,000 tonnes during the 2020/2021 season, an increase of 5.1%, mainly driven by tubers (+3.9%) and cereals (+3.8%). Production of other crops (pulses, horticultural plants, fruit, etc.) increased by 10.0%.

Compared to the average production over the previous five years, harvests of food crops in 2020 were up by 14.8%.

Production of the main export crops, with the exception of cocoa, coffee, and seed cotton, was also up compared to the previous growing season.

After three years of exceptional harvests, cocoa production fell by 8.2% during the 2020/2021 crop season, when it totaled 2,065,690 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 in international prices.

Coffee production stood at 103,884 tonnes, down 10.0% compared to the previous crop year. This situation is due to an aging coffee orchard in Côte d'Ivoire.

It also reflects producers' lack of interest in the crop, given the 21.4% drop in the producer price.

Available data puts the Union's seed cotton harvest at 1,981,352 tonnes for the 2020/2021 season, down 23.3% compared to the previous season. This result is ascribable to the 75.1% and 5.6% production drops recorded in Mali and Benin respectively, mitigated by a 2.9% increase in the harvest in Burkina Faso. The significant drop in production in Mali was caused by a reduction in acreage planted, following a disagreement with rural communities over the reduction in producer prices. In Benin, the drop in seed cotton harvests was due to poor rainfall conditions at the beginning of the season and, later, to floods in some production areas in the north of the country.

Groundnut production for the 2020/2021 season totaled 3,777,859 tonnes, up 9.1% over the previous year, due to the favorable distribution of rainfall in the main production areas, which facilitated an increase in production in all of the Union's countries except Mali.

The volume of cashew nuts produced rose to 1,353,622 tonnes in the 2020/2021 season, up 24.6% compared to the previous growing season. This development is attributable to the 42.1% increase in the harvest in Côte d'Ivoire, which is the main producer with 56.8% of the Union's total supply of cashew nuts.

Rubber production stood at 526,186 tonnes in the 2020/2021 season, an increase of 10.0% compared to the previous crop year, due to the increase in the area planted.

1.2.1.2 - Mine production

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">→ INCREASES IN PRODUCTION OF GOLD, URANIUM AND PHOSPHATE→ DECREASE IN OIL PRODUCTION |
|-----------------------------------------------------------------------------------------------------------------------------------------------|

According to the data available on extractive industries in 2020, gold, uranium and phosphate production performed well. In contrast, oil production was down.

The total amount of gold mined in the Union in 2020 was estimated at 183,246 kg, up 7.5% compared to 2019 after a more marked increase of 10.0% in 2019. The positive trend was due to increased production in Burkina Faso (+10.8%), Côte d'Ivoire (+2.9%), Senegal (+1.0%), and Mali (+6.7%), partially offset by a decline in production in Niger (-88.9%). The estimated volume of gold produced in 2020 was 62,138 kg in Burkina Faso, 33,500 kg in Côte d'Ivoire and 16,237 kg in Senegal. In Mali and Niger, production figures amounted to 71,237 kg and 134 kg, respectively.

Phosphate production also increased by 23.5% to 2,970,345 tonnes in 2020, due to an 87.8% increase in Togo's offering, estimated at 1,321,345 tonnes, mitigated by a 3.1% drop in Senegal's offering.

Uranium production increased very slightly by 0.3%, to stand at 2,991 tonnes in 2020 compared to 2,981 tonnes in 2019, due to a drop in production by SOMAIR following unfavorable conditions on the international market.

In contrast, crude oil production fell by 13.9%, due to the 18.3% and 5.1% declines in supplies from Côte d'Ivoire and Niger, respectively.

1.2.1.3 - Industrial production and retail trade turnover

Industrial production in the WAEMU Union grew moderately by 1.3% in 2020, on the heels of a 6.5% increase the year before. This slowdown was due to a 3.9% decline in production in food industries, linked to a drop in their production capacity and the disruption of distribution channels. This was partially offset by an increase in output in the mining and quarrying industry (+8.1% compared to -1.5%).

Retail trade turnover in the Union fell by 5.9% on average in 2020, compared with an increase of 2.5% the previous year. The decline was visible in the trade in foodstuffs (-13.8% against -3.8%), clothing (-13.3% against +14.5%) and petroleum products (-7.3% against 4.2%). The turnover of other types of retail trade saw a decrease of 1.4% compared to the previous year.

The turnover indicator for market services (excluding financial services) fell by 0.6% in 2020, compared with a rise of 2.8% in 2019. This development was mainly due to lower turnover in transport, accommodation and food services, particularly in connection with the closure of hotel complexes.

The financial services activity index rose by 8.3% during the period under review after a 7.7% increase a year earlier, mainly due to the increase in the volume of banking transactions such as loans and deposits.

1.2.2 - TRENDS IN CONSUMER PRICES

The annual average inflation rate in the Union stood at 2.1% in 2020, compared to a performance of -0.7% in 2019. The rise in prices was primarily due to tensions on food prices, linked on the one hand to decreased cereal production in the 2019/2020 season and, on the other hand, to disruptions in distribution channels resulting from the COVID-19 pandemic. Higher food prices were primarily reported for local cereals in Burkina, Mali and Niger, and for fresh vegetables, tubers and plantains in most countries.

In 2020, the inflation differential between the Union and its main partners was found to favor the Union by 1.5 percentage points. In particular, the inflation differential with Nigeria and Ghana was 11.2 and 7.9 percentage points, respectively.

Table 4 : TRENDS IN CONSUMER PRICES IN 2019 AND 2020 (AS A PERCENTAGE)

	2019		2020	
	Annual average	Year-over-year change as at the end of December	Annual average	Year-over-year change as at the end of December
Benin	-0.9	0.3	3.0	1.1
Burkina Faso	-3.2	-2.6	1.9	2.3
Côte d'Ivoire	0.8	1.6	2.4	2.3
Guinea-Bissau	0.2	-0.1	1.5	1.5
Mali	-3.0	-3.3	0.5	0.7
Niger	-2.5	-2.3	2.9	3.1
Senegal	1.0	0.6	2.5	2.4
Togo	0.7	-0.3	1.8	3.6
WAEMU	-0.7	-0.5	2.1	2.2

Sources: National Statistics Institutes, BCEAO.

1.2.3 - PUBLIC FINANCE AND EXTERNAL DEBT POSITION

1.2.3.1 - Trends in State financial transactions

FISCAL REVENUE AND GRANTS:

➔ **16,131.7 BILLION (17.7% OF GDP)** AS AT THE END OF DECEMBER 2020. UP BY 629.0 BILLION OR 4.1% COMPARED TO THE PREVIOUS YEAR

➔ **TAX BURDEN RATE: 12.7%**, BELOW THE COMMUNITY STANDARD OF 20% OF GDP.

TOTAL EXPENDITURES AND NET LOANS:

➔ **21,352.2 BILLION (23.5% OF GDP)** AS AT THE END OF DECEMBER 2020

➔ UP BY **20.8%** COMPARED TO 2019.

OVERALL DEFICIT, COMMITMENT BASIS, INCLUSIVE OF GRANTS:

➔ **5,220.5 BILLION** AS AT THE END OF DECEMBER 2020, (**5.7% OF GDP**) COMPARED WITH 2,168.2 BILLION (2.4% OF GDP) IN 2019.

OVERALL OUTSTANDING EXTERNAL PUBLIC DEBT OF ALL UNION MEMBER STATES:

➔ **25,731.0 BILLION** AS AT THE END OF DECEMBER 2019, AGAINST 22,094.2 BILLION AS AT THE END OF DECEMBER 2018 (+16.5%).

The execution of the budgets of the WAEMU Member States was impacted by the repercussions of the health crisis. The government authorities responded vigorously to the COVID-19 pandemic by implementing various measures to contain the spread of the virus and limit its economic and social impact.

The implementation of these measures resulted in a sharp deterioration of the budget deficit by 3.3 percentage points in 2019 to reach 5.7% of GDP at the end of December 2020. This situation reflected a larger increase in public expenditure of 3.6 percentage points relative to the modest increase of 0.2 percentage points in total revenue and grants, driven by the impact of the health crisis and response measures.

In terms of fiscal revenue and grants, 16,131.7 billion or 17.7% of GDP had been collected by the end of December 2020, an increase of 629.0 billion or 4.1% compared to the previous year. This small increase in budgetary resources was due to an increase in grants, partially offset by a decline in tax revenue.

Tax revenue fell by 149.1 billion or 1.3% compared to the previous year's figures, reaching 11,536.2 billion. The decrease was due to the impact of the downturn in the economy and the granting of tax exemptions and rebates. The tax burden rate fell to 12.7%, more than 7 percentage points below the community standard of 20% of GDP. The tax burden rate in the Union ranges from 7.4% to 17.0% depending on the country.

Non-tax revenue totaled 1,401.5 billion in 2020 compared with 1,567.8 billion one year prior. Budget grants totaled 2,540.0 billion over financial year 2020, up 60.4% compared to 2019. This trend was

mainly due to support received from technical and financial partners outside the Union, in the context of the response to the COVID-19 pandemic.

Total expenditure and net loans increased by 20.8% from 17,670.9 billion or 19.9% of GDP in 2019 to 21,352.2 billion or 23.5% of GDP at the end of December 2020, driven by current expenditure and capital expenditure. Current expenditure recorded a rise of 12.1% to reach 12,983.5 billion, in conjunction with increases in wages and salaries (+8.9%), transfers and subsidies (+12.9%) as well as interest charges on the debt (+23.0%). They also reflected the social assistance measures adopted by the governments, notably partial or total coverage of water and electricity bills, as well as food aid and cash transfers to vulnerable populations due to the health crisis.

Capital expenditure amounted to 7,204.3 billion at the end of December 2020, an increase of 1,818.3 billion (+33.8%), in connection with the continued disbursement of projects in the field of infrastructure as well as certain investments in the framework of COVID-19 response plans, particularly in the health sector. As a percentage of the GDP, it stood at 7.9% in 2020, compared to 6.1% the previous year. Capital expenditure was financed at a rate of 51.9% from domestic resources in 2020, compared with 58.6% in 2019.

The overall deficit, on an accrual basis, including grants, increased by 3,052.3 billion to 5,220.5 billion at the end of December 2020, i.e. 5.7% of GDP, well above the initial forecast for the year set at 2.7% of GDP. It was 2,168.2 billion or 2.4% of GDP in 2019. On a cash basis, the deficit amounted to 5,224.8 billion or 5.7% of GDP and was financed on the regional financial market and through external partners.

Table 5 : TRENDS IN PUBLIC FINANCE IN 2020

	December 2019 (1)	December 2020 (2)	Change (2) – (1)	
			(in billions)	(in %)
Fiscal revenue and grants	15,502.7	16,131.7	629.0	4.1
(as a % of the GDP)	17.5	17.7	-	-
Fiscal revenue	13,919.1	13,591.7	-327.4	-2.4
(as a % of the GDP)	15.7	15.0	-	-
<i>including tax revenue</i>	11,685.3	11,536.2	-149.1	-1.3
(as a % of the GDP)	13.2	12.7	-	-
Grants	1,583.6	2,540.0	956.4	60.4
Total expenditures and net loans	17,670.9	21,352.2	3,681.3	20.8
(as a % of the GDP)	19.9	23.5	-	-
<i>including current expenditures</i>	11,580.4	12,983.5	1,403.1	12.1
(as a % of the GDP)	13.1	14.3		
<i>Payroll</i>	4,709.4	5,127.9	418.5	8.9
<i>Grants and transfers</i>	2,694.9	3,041.3	346.4	12.9
<i>Interest on the debt</i>	1,316.7	1,619.5	302.8	23.0
Capital investments	5,386.0	7,204.3	1,818.3	33.8
(as a % of the GDP)	6.1	7.9		
Other expenditures	737.9	1,180.0	442.1	59.9
Net loans	0.0	-9.6	-9.6	-
Overall balance commitment basis (including grants)	-2,168.2	-5,220.5	-3,052.3	140.8
(as a % of the GDP)	-2.4	-5.7	-	-
Overall balance cash basis (including grants)	-2,283.4	-5,224.8	-2,941.4	128.8
(as a % of the GDP)	-2.6	-5.7	-	-

Sources: National departments, BCEAO.

1.2.3.2 - Resource mobilization outside the Union and external debt position

WAEMU countries have received support from technical and financial partners in the fight against the pandemic. Several international institutions have announced support measures to limit the negative impact of the crisis on the public finances of developing countries. These measures primarily involve credit facilities or deferrals of external debt service payments.

Specifically, the IMF has modified the eligibility criteria for its Catastrophe Containment and Relief Trust (CCRT) to enable the Fund to provide debt service relief to the most vulnerable countries. The Fund also provided emergency funding to its members to address the economic consequences of the pandemic. For its part, the World Bank has agreed to disburse financial resources to support countries heavily affected by the pandemic through projects. In addition to supporting countries in their development projects, the World Bank has provided resources in the form of grants or concessional loans to support the efforts of WAEMU countries in responding to the COVID-19 pandemic and to help them respond to public health emergencies. The G20 countries have decided to partially suspend debt servicing in order to allow countries to free up resources for the fight against the pandemic.

Based on available data, the total amount of IMF disbursements for WAEMU countries in 2020 was CFA F 1,543.1 billion, including CFA F 386.7 billion granted under programs drawn up with the States and CFA F 1,156.4 billion under emergency financing for Covid-19.¹

The Member States of the Union also obtained relief under the CCRT for a total amount of about CFA F 54.4 billion. Drawings from the World Bank and other donors amounted to CFA F 2,886.0 billion.

In addition, three States of the Union raised resources on international financial markets in 2020. Niger contracted a loan in a nominal amount of 200 million dollars, i.e. CFA F 117 billion, from the Deutsche Bank with a 10-year maturity at an interest rate of 5.24%. Togo, for its part, raised external resources from private commercial banks, headed by Société Générale, with a 10-year maturity and a 2-year grace period, in June 2020, for an amount of 145.5 million euros, i.e. CFA F 95.5 billion, at an interest rate of 4.54%. In November 2020, Côte d'Ivoire floated a 10-year Eurobond issue in the amount of one billion euros, i.e. approximately 656 billion CFA francs with a coupon of 4.875%. The yield on this issue was 4.924%.

The latest available data on external debt pertain to 2019. Based on the latest available figures, the overall outstanding external public debt of all Union Member States stood at 25,731.0 billion CFA francs at the end of December 2019, compared to 22,094.2 billion CFA francs at the end of December 2018, representing an increase of 16.5%. The ratio of outstanding external debt to GDP was estimated at 29.0% in 2019 against 26.5% a year earlier.

It should be recalled that the debt profile of the Union's Member States had improved considerably under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives (MDRI). Public debt began to rise again in the early 2010s due to increased debt capacity and financing needs. In addition to the relief granted, the increased debt capacity was also made possible by changes in the macroeconomic fundamentals of the States and by favorable international financing conditions.

On an individual country basis, the ratio was 24.0% in 2019 compared to 19.4% in 2018 in Benin, 22.8% compared to 21.4% in Burkina Faso, 25.9% compared to 23.6% in Côte d'Ivoire, 40.5% compared to 34.3% in Guinea-Bissau, 23.5% compared to 24.1% in Mali, 25.4% compared to 24.3% in Niger, 53.5% compared to 47.7% in Senegal and 17.7% compared to 15.2% in Togo. No country in the Union had accumulated arrears on its external debt in 2020.

The latest debt sustainability analyses show that the risk of external debt distress is moderate for all Member States of the Union, except for Guinea-Bissau and Togo, which present a high risk of debt distress for total debt (external and domestic).

¹ IMF disbursing programs include the Extended Credit Facility (ECF), the Extended Fund Facility (EFF), emergency financing under the Fund's Rapid Financing Instrument (RFI) and Rapid Credit Facility (RCF).

1.2.4 - BALANCE OF PAYMENTS

THE OVERALL EXTERNAL TRADE BALANCE OF THE WAEMU COUNTRIES SHOWED A SURPLUS OF **15.8 BILLION** IN 2020 AFTER A SURPLUS OF **1,635.1 BILLION** IN 2019.

The WAEMU countries' external trade took place in an environment marked by the global COVID19 health crisis. In this context, the overall balance of payments showed a surplus of EUR 15.8 billion in 2020, following a surplus of EUR 1,635.1 billion one year ago. This development was linked to the drop in net capital inflows on the financial account, combined with a deepening of the current account deficit, whose impact was cushioned by the consolidation of the capital account surplus.

**Table 6 : TRENDS IN THE BALANCE OF PAYMENTS OVER THE 2018-2020 PERIOD
(IN BILLIONS OF CFA FRANCS)**

	2018	2019	2020 (Estimate)
Trade balance	-1,886.2	-1,461.2	-1,676.0
Balance of services	-3,418.4	-3,599.6	-4,402.4
Balance of current account transactions	-4,604.1	-4,373.1	-5,101.9
Balance of the current transactions account (as a % of GDP)	-5.5	-4.9	-5.6
Balance of the current transactions account exclusive of grants (as a % of GDP)	-6.1	-5.6	-6.8
Balance of the capital account	1,293.1	1,235.5	1,764.4
Balance of the financial account	-4,632.7	-5,265.1	-3,734.7
Overall balance	982.3	1,635.1	15.8
Revaluations	114.5	171.8	182.3
Change in NFA	-1,096.8	-1,806.9	-198.0
Nominal GDP	82,400.9	87,552.2	89,930.8

Source : BCEAO.

The current account balance stood at -5,101.9 billion, i.e. a deterioration of 16.7% in one year, mainly due to the worsening of the deficit in the balance of goods and services (-1,017.7 billion), partially offset by a recovery of net inflows in the primary and secondary income accounts (+288.8 billion).

The deficit in the trade balance increased by 14.7%, due to a drop in exports (-6.9%) that was more pronounced than that in imports (-5.2%). The trend in exports was mainly due to the decline in reexports (-46.0%), as well as sales of oil (-38.6%), cotton (-16.0%), cocoa (-5.3%) and cashew nuts (-0.4%) against a backdrop of declining global demand. The impact of the downturn in sales of those items was, however, mitigated by the strong performance of gold exports (+15.6%).

More specifically, the contraction in oil and cashew nut shipments was caused by the drop in the prices of these products on the international markets. The fall in cocoa and cotton sales was linked to the contraction in the volume of exports of those commodities. In the case of cocoa, the reduction in the volume of exports was due to the decline in production in Côte d'Ivoire. The decline in the volume of cotton exported was a consequence of the decreased production of the crop in the Union. As for gold exports, their vitality reflected developments in international prices.

With regard to imports, their contraction was mainly due to the reduction of the oil bill (-21.5%) and, to a lesser extent, to a decrease in purchases of capital and intermediate goods (-1.5%), whose impact was moderated by an increase in the purchase of everyday consumer goods abroad (+3.8%). The reduction of the oil bill was in line with the drop in international prices, due to reduced global demand. The

decrease in purchases of capital and intermediate goods was caused by the slowdown in work on the major projects planned for 2020. These primarily included British Petroleum's (BP) Grand Tortue Ahmeyim (GTA) gas project planned between Senegal and Mauritania, as well as the construction of an oil transport pipeline in Niger and Benin. Imports of consumer goods continued the upward trend observed since 2012.

The deficit in the balance of services increased by 22.3%, mainly due to the decline in tourist flows (-40.3%), following the adoption of barrier measures as part of the fight against the COVID-19 pandemic. However, the reduction in the freight bill (-2.2%), following the drop in imports, helped to mitigate the increase in debt servicing.

The balance of the primary revenue account stood at -2,281.7 billion, down by 2.7% due to the rise in interest payments on the public debt and dividends to foreign investors. The surplus on the secondary income account rose by 11.9%, due to the increase in budgetary aid received by the countries of the Union and, to a lesser extent, to growth in migrant remittances, whose flows to the WAEMU Union proved resilient despite the global health crisis. As a percentage of GDP, the current deficit rose to 5.6% in 2020 from 4.9% in 2019.

The capital account surplus increased by 42.8% compared with the previous year, mainly due to the increase in project grants in most of the Union's Member States.

Taking account of capital transactions, financing needs stood at 3,337.6 billion, a 6.4% increase. 111.9% of these needs were covered by net inflows of capital in the financial account, down from a coverage ratio of 167.8% in 2019, a decrease of 55.9 percentage points, essentially due to reduced net capital flows in the financial account (-29.1%).

The decrease in net capital inflows in 2020 was mainly due to the decline in portfolio investments, in line with the low level of Eurobond issuance in 2020 compared to 2019. The significant decrease in foreign direct investment (-44.6%), resulting from the slowdown in work on the Grand Tortue Ahmeyim (GTA) gas project planned between Senegal and Mauritania and the construction of the Niger-Benin pipeline, also explains the change in the financial account.

II MONETARY POLICY IMPLEMENTATION

2.1 – MONETARY POLICY OBJECTIVES	20
2.2 – MONETARY ACTION	20
2.2.1 - Interest rate policy	22
2.2.2 – Reserve requirements system	22
2.3 – MONEY MARKET OPERATIONS	24
2.3.1 - Open market operations	24
2.3.2 - Operations through permanent refinancing windows	24
2.3.3 - Interbank market	25
2.4 – TRENDS IN MONETARY AGGREGATES	26
2.4.1 - Net foreign assets	26
2.4.2 - Domestic claims	27
2.4.2.1- Net claims on central government	27
2.4.2.2 - Bank loans to the economy	28
2.4.3 - Money supply and monetary base	29

2.1 - MONETARY POLICY OBJECTIVES

The institutional reform which took effect on April 1st, 2010, established the maintenance of price stability as the primary objective of the BCEAO's monetary policy. Within this framework, without prejudice to the achievement of this objective, monetary policy will support the economic policies of WAEMU member states, with a view to achieving sound and sustainable growth.

In this framework, the operational price stability target has been 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.

In carrying out this task, the potential risks to price stability and growth are assessed during the macroeconomic framing exercise carried out by the Bank. This exercise provides the members of the Monetary Policy Committee with an analysis of the economic and financial situation of the Union's economies as well as the medium-term outlook.

2.2 - MONETARY ACTION

MONETARY POLICY EASING

- The main policy rate was revised downwards from 2.50% to 2.00% as of June 2020
- Reserve requirements were maintained at 3.00% throughout 2020
- Fixed-rate auctions were organized

A 1,085.7 billion increase in loans to banks in 2020, i.e. +23.0% compared to the level in 2019.

A decrease in the weighted average interest rate for one-week tenders by 116.06 basis points to 2.35% in 2020.

The one-week interbank rate remained within the corridor formed by the minimum bid rate for open market operations and the marginal lending rate throughout 2020.

The uncertainties caused by the COVID-19 pandemic led the BCEAO to maintain an accommodating monetary policy stance in 2020. In a context of low inflation, it reduced its leading rate to its lowest historical level and substantially increased support for banks as soon as the health crisis broke out.

To strengthen its monetary action and preserve the financing of the economy, the BCEAO also took strong measures in favor of several economic players.

BOX 1 : MEASURES IMPLEMENTED BY THE BCEAO IN RESPONSE TO COVID-19

Measures to support banks

The BCEAO increased the liquidity made available to banks to enable them to deal with high cash-flow risks. Since March 2020, all of the banks' liquidity needs were met by the BCEAO, first at an interest rate of 2.50%, then at 2.00% since June 24, 2020, the lowest level ever applied to its refinancing windows.

The measures taken have eased banks' fears of a potential liquidity shortage and resulted in a significant increase in lending to the banks. Lending to banks rose from 4,488.9 billion on March 17 to 5,798.3 billion at the end of December 2020, an increase of 29.2%. Banks were thus able to maintain and increase loans to customers, despite the uncertainties created by the pandemic. Credit arrangements for the private sector continued, with a monthly average of 1,235.2 billion between March and December 2020 compared to 1,203.6 billion over the same period in 2019. Consequently, outstanding loans by the Union's banks to the private sector maintained a positive growth rate, increasing by 4.3% between the end of March and the end of December 2020. Moreover, the average lending rate for loans granted during the period stood at 6.7%, slightly below the level of 6.8% recorded in the corresponding period in 2019, despite the increase in the risk premium due to the uncertainty generated by the health crisis.

Extensions on maturities helped to preserve the quality of the credit institutions' portfolios. At the end of December 2020, the cumulative amount of maturities extended by credit institutions was estimated at 380.4 billion, out of an outstanding loan portfolio of 769.4 billion. These concessionary terms were granted to 11,713 beneficiaries, namely 9,025 individuals, 2,671 companies and 17 DFSs. The implementation of the maturity deferral measure made it possible to contain the portfolio deterioration rate at 11.0%, thereby avoiding an increase of 0.6 percentage points in this indicator.

Measures to support microfinance institutions

The BCEAO authorized DFSs to grant extensions on their loan maturities to customers who suffered from the impact of the COVID-19 pandemic. In addition, to help DFSs experiencing cash flow difficulties, the BCEAO called on credit institutions to grant them deferrals on the loans granted to them.

Finally, to facilitate access to bank liquidity for microfinance institutions, the mechanism for refinancing bank loans to larger DFSs, which was set up in 2011, was improved. From now on, bank bills for this category of DFSs will benefit from the refinancing conditions granted under the SME financing support scheme. These measures aim to further facilitate access to bank resources for DFSs at affordable costs.

At the end of December 2020, based on the reports submitted by the larger DFSs, close to half (51%) of them had extended the maturities of loans granted to their customers. Thus, approximately 54,267 customers benefited from the measure, for an outstanding amount of 92.4 billion.

Finally, since the outbreak of the health crisis, thirteen (13) of the fifteen (15) credit requests made by larger DFSs to credit institutions were granted for a total amount of CFA F 32.5 billion and at an average lending rate of 7.4%.

Measures to support businesses affected by the COVID-19 crisis

The BCEAO urged banks and microfinance institutions to grant deferrals on their loans to affected businesses for a renewable three-month period, without interest charges, fees or lateness penalties. To facilitate the implementation of this measure by banks and microfinance institutions, the BCEAO granted them incentives by easing the application of the prudential and accounting framework in force. Credit institutions were thus authorized to classify as sound loans all loans whose maturities were extended due to the consequences of the health crisis. Similarly, DFSs were authorized to keep these loans in the fixed asset category, so as not to record them as overdue.

As an extension of the business support measures, the WADB, in consultation with the BCEAO, has set up a refinancing line of 100 billion for loans to banks with a term of up to seven years, including a two-year grace period.

In addition, claims on all A-rated companies and B-rated companies benefiting from partial credit guarantee mechanisms granted to companies impacted by the crisis, set up by some states in partnership with the banking sector, are henceforth automatically eligible for refinancing by the Central Bank.

Measures to support households

In addition to the directives given to banks and microfinance institutions to extend payment deadlines for the benefit of households, the BCEAO has taken steps to facilitate social distancing by increasing use of digital payment methods. In agreement with electronic money issuers, the costs of using digital payment methods were reduced. The measures introduced included free national electronic money transfers for amounts up to CFA F 5,000 and free payment of water and electricity bills via mobile phones for amounts up to CFA F 50,000, as well as higher ceilings for topping up e-wallets and more flexible conditions for opening electronic money accounts.

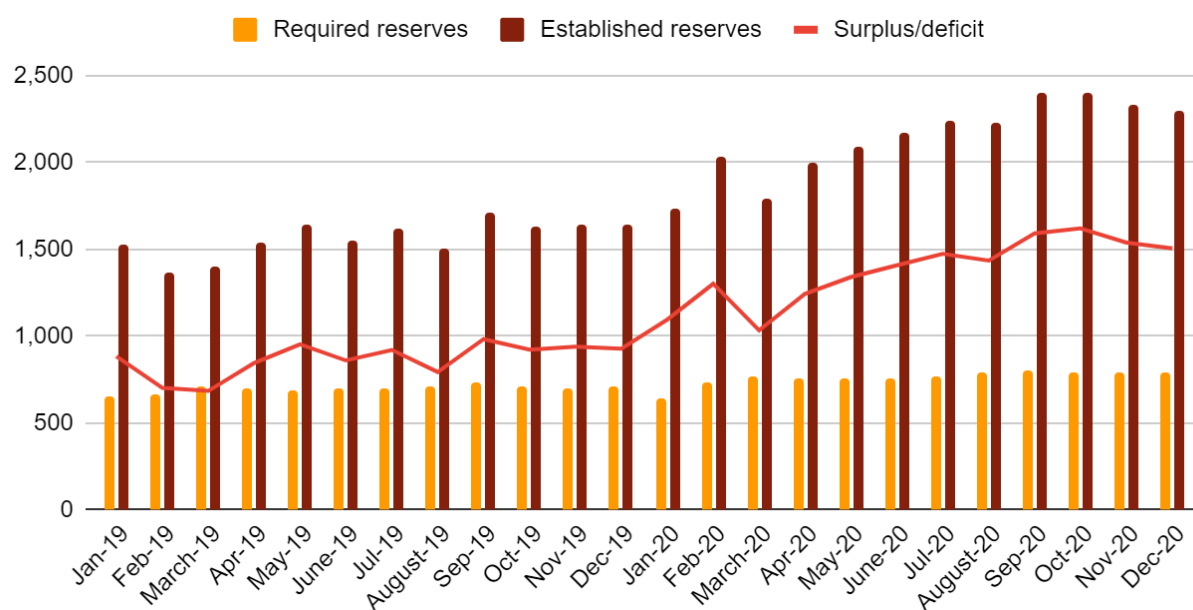
2.2.1 - INTEREST RATE POLICY

To limit the impact of the crisis on bank liquidity, the BCEAO adopted the fixed-rate auction method to meet all the banks' needs. It reduced its key rates by 50 basis points on 24 June 2020. The minimum bid rate for open market operations was lowered from 2.5% to 2.0% and the marginal lending rate was reduced from 4.5% to 4.0%.

2.2.2 - RESERVE REQUIREMENTS SYSTEM

The Central Bank maintained the reserve requirement ratio applicable to the Union's banks unchanged at 3.00%. During the year 2020, the reserves actually built up by the Union's banks represented, on average, 280% of the reserves required by the regulations, reflecting the creation of liquidity cushions that were necessary in the light of the uncertainties linked to the unfolding crisis.

Graph 7 : RESERVE REQUIREMENTS OF WAMU BANKS



Source : BCEAO.

It should be recalled that the Central Bank has opted for a single reserve requirement rate applicable to all banks in the Union since 16 December 2010, at the outcome of the Monetary Policy Committee meeting. The table below shows the history of the reserve requirement rates applied by the Central Bank.

Table 7 : RESERVE REQUIREMENT RATIOS APPLICABLE TO BANKS

	Up to Nov. 15, 1998	Nov. 16 to Dec. 15 1998	Dec. 16, 1998 to April 15, 2000	Apr. 16 to Aug. 15, 2000	Aug. 16 to Sept. 15 2000	Sept. 16 2000 to April 15, 2002	April 16, 2002 to March 15, 2004	March 16, 2004 to June 15, 2005	16 June 2005 to June 15, 2009	16 June 2009 to May 15, 2010	May 16 to Dec. 15, 2010	Dec. 16, 2010 to March 15, 2012	March 16, 2012 to March 15, 2017	Since March 16, 2017
As a percentage (%)														
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	7.0	7.0	7.0	7.0	5.0	3.0
Togo	9.0	3.0	1.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0	7.0	5.0	3.0

Source : BCEAO.

2.3 - MONEY MARKET OPERATIONS

2.3.1 - OPEN MARKET OPERATIONS

Open market operations constituted the bulk of the BCEAO's interventions during the year 2020. During the first two months, before the appearance of the first cases of COVID-19 in the countries of the Union, the supply of liquidity on the open market windows of the BCEAO was stable at around 4,448.5 billion. It was based on the Central Bank's appraisal of the banking system's liquidity needs.

Subsequently, in order to allow the banking system to continue financing the economy in the context of the health crisis, the BCEAO initially increased its liquidity offer by 340 billion in one week, before deciding to meet all the liquidity needs of the banks at the minimum rate commencing with the auction of 31 March 2020. This decision led to a significant increase in Central Bank interventions during the health crisis. The amounts offered on its open market windows rose from 4,396.0 billion on 23 March 2020 to 5,702.0 billion on 31 December 2020, an increase of 29.7%. In total, over the whole of 2020, the amounts offered on the open market windows rose by 1,292.0 billion (+29.3%).

On the weekly tender window, the amount injected rose from 3,690.0 billion in January 2020 to 3,893.9 billion in December 2020, an increase of 5.52% compared with 10.1% in 2019. The average amount of weekly cash injections in 2020 stood at 3,562.0 billion, up by 7.2 billion compared to a level of 3,554.8 billion in 2019. This development reflects the monetary authorities' commitment to supporting credit institutions in financing economic activity.

The average marginal rate on weekly auctions stood at 2.25% in 2020, down 96.27 basis points from the level of 3.21% reached in 2019. The weighted average interest rate on weekly tenders was 2.35% on average in 2020, down 116.06 basis points compared to its level in 2019.

On the monthly tender window, the amount injected by the Central Bank stood at 1,808.0 billion at the end of December 2020 as against 720.0 billion a year earlier, an increase of 1,088.0 billion (151.1%). Requests satisfied averaged 1,429.0 billion in 2020, compared to 719.3 billion in 2019. The marginal interest rate and the weighted average interest rate decreased in 2020 compared to 2019, respectively by 101.1 and 146.2 basis points, reaching 2.20% and 2.30%.

Overall, aggregate outstanding advances on one-week and one-month bid windows stood at 5,702,0 billion at the end of December 2020 against 4,410,0 billion one year prior, for a year-over year increase of 1,292.0 billion (+29.3%). 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

In response to developments resulting from the health crisis, the Central Bank changed the architecture of its permanent windows. In addition to the traditional windows opened at the initiative of the banks, a special permanent window was created for the refinancing of COVID-19 bonds issued by the States of the Union.

Through the special COVID-19 window, banks could obtain liquidity from the BCEAO with a three month maturity, at the minimum bidding rate. This mechanism allowed the States to mobilize a total of 1,172.6 billion on the regional financial market, at a weighted average rate of 3.14%. At the end of the first phase, the COVID-19 bonds were partially renewed three times for respective amounts of 831.1 billion, 683.6 billion and 548.1 billion at weighted average rates of 2.28%, 2.49% and 2.35%. Outstanding loans through this window stood at 96.3 billion at the end of December 2020.

The marginal lending window was only used in the first two months of 2020. With the decision to cover all of the banks' needs at the minimum rate through the tender windows as of March 2020, the banks withdrew from the marginal lending window to cover all of their needs through the tender compartments. Moreover, the drop in rates on the interbank market, due mainly to the accommodating monetary policy stance, offered an alternative to banks to finance their needs between two auctions, on preferential terms.

With regard to the special refinancing window, which came into force in January 2014, allowing banks to raise resources on their own initiative for periods ranging from three to twelve months, no commitments to the BCEAO were recorded in 2020.

2.3.3 - INTERBANK MARKET

The trend in the WAMU interbank market showed a drop in the volume of cash exchanges and an easing of the weekly weighted average interest rate on transactions. The volume of transactions suffered from uncertainties due to the health crisis and its impact on banking activity, while rates fluctuated under the influence of monetary easing measures implemented by the Central Bank throughout 2020.

The average volume of transactions across all maturities amounted to CFA F 275 billion in 2020 compared to CFA F 455 billion in 2019 (-40%). These transactions included maturities ranging from one (1) day to twelve (12) months. The one-week and one-day compartments were the most active, accounting for 69% and 15% respectively of the average volume of transactions compared to 73% and 15% in 2019. On these maturities, loans reached respective totals of CFA F 191 billion and CFA F 40 billion in 2020 compared to CFA F 330 billion and CFA F 70 billion in 2019.

In relation to the average amount of liquidity injections, the volume of interbank operations stood at 5.0% in 2020 compared to 10.5% in 2019.

With regard to interest rates, the one-week compartment recorded an easing of the weighted average interest rate from 4.50% in 2019 to 3.48% in 2020. All of the financial centers in the Union participated in interbank market transactions. Abidjan was the most active in terms of supplying resources (29%), followed Ouagadougou (27%), Cotonou and Dakar (13%). The main beneficiaries were Dakar (24%), Abidjan (19%), Cotonou (17%) and Bamako (16%).

Table 8 : TRENDS IN INTERBANK RATES IN 2020 (WEIGHTED AVERAGE AS A PERCENTAGE)

	1 day	1 week	2 weeks	1 month	3 months	6 months	9 months	12 months
January	4.23	4.38	5.72	4.47	3.64	5.78	-	5.75
February	3.57	3.82	5.36	4.30	4.23	4.71	-	-
March	3.82	3.94	5.28	5.35	6.32	5.38	5.50	-
April	3.39	3.78	5.32	4.05	3.90	5.59	-	-
May	3.21	3.41	4.43	4.62	2.50	5.45	-	6.20
June	3.10	3.22	4.09	4.41	4.90	5.80	-	5.90
July	2.78	2.83	3.87	3.18	3.66	4.57	6.20	-
August	2.44	2.65	4.47	3.58	4.25	-	-	-
September	2.37	2.68	4.23	4.49	4.00	5.00	-	-
October	2.67	2.75	4.39	4.34	4.57	5.56	-	-
November	2.46	2.76	3.77	5.09	3.81	4.25	-	-
December	2.36	2.45	3.98	4.12	5.17	4.35	-	-
Average	3.31	3.48	5.06	4.59	4.29	5.55	6.09	5.94

Source : BCEAO.

**Table 9 : TRENDS IN INTERBANK LENDING WITHIN WAMU IN 2020
(IN MILLIONS OF CFA FRANCS)**

	Average amounts*		Average outstanding loans	Rate ranges (as a %)	Loan Terms ***
	Total	Incl. WAMU **			
January	469,315	362,402	607,988	3.64 à 5.75	1 day to 12 months
February	276,081	223,192	474,777	3.57 à 5.36	1 day to 6 months
March	283,025	217,449	495,583	3.82 à 6.32	1 day to 9 months
April	213,582	168,880	391,656	3.39 à 5.59	1 day to 6 months
May	236,538	195,449	445,807	3.21 à 6.20	1 day to 12 months
June	236,849	203,115	443,567	3.10 à 5.90	1 day to 12 months
July	278,767	224,351	523,871	2.78 à 6.20	1 day to 9 months
August	224,321	192,059	401,223	2.44 à 4.47	1 day to 3 months
September	189,425	151,688	405,449	2.37 à 5.00	1 day to 6 months
October	248,285	191,614	453,416	2.67 à 5.56	1 day to 6 months
November	284,103	219,703	454,960	2.46 à 5.09	1 day to 6 months
December	363,166	279,031	533,213	2.36 à 5.17	1 day to 6 months
Average	275,288	219,078	469,292		

* Average weekly volumes of new interbank loans

** Volume of transactions between banks from different countries in the Union

*** Maturities of new loans

Source: BCEAO.

2.4 - TRENDS IN MONETARY AGGREGATES

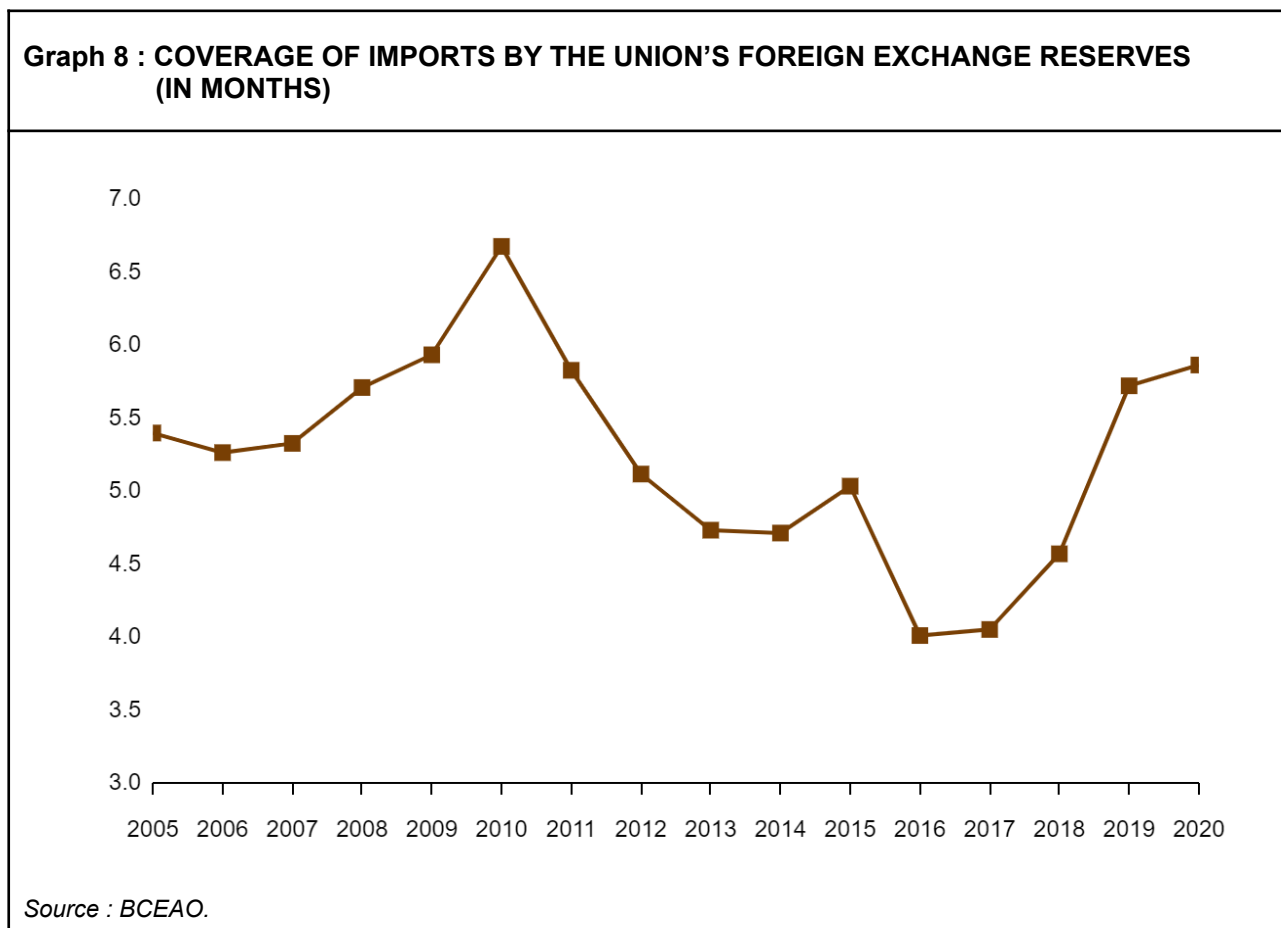
The monetary situation in the Union was marked in 2020 by an increase of 16.4% in the broad money aggregate after 10.4% in 2019. The subscription by banks of debt securities issued by the States, to finance unplanned expenditure in the context of the response to the COVID-19 pandemic, contributed to this monetary expansion.

2.4.1 - NET FOREIGN ASSETS

Net foreign assets of monetary institutions increased by 198.0 billion to reach 7,137.5 billion at the end of December 2020. This trend was due to an increase of 150.8 billion in the Central Bank's net foreign assets and of 47.2 billion in those of the banks.

The official foreign exchange reserves of the BCEAO grew by 1,374.2 billion, reaching 11,731.2 billion at the end of December 2020. This increase is attributable to the significant mobilization of external resources by the States in the framework of donor support to deal with the health crisis. The States raised 1,543.1 billion from the IMF and 2,381.2 billion from other financial partners. On the foreign capital markets, Côte d'Ivoire issued Eurobonds worth 655.0 billion in December 2020. Niger also raised resources on the international markets for a nominal amount of 117.0 billion. Togo issued bonds through syndication in June for an amount of 95.5 billion. Resources actually repatriated by the States amounted to 1,611.1 billion.

As a result, the Central Bank's monetary issue coverage rate was established at a comfortable level (77.3%), despite the Central Bank's strong monetary easing measures, which made it possible to cover 5.9 months of imports of goods and services.



2.4.2 - DOMESTIC CLAIMS

Outstanding domestic claims rose by 5,352.2 billion or 16.9% compared to their level at the end of December 2019, reaching 36,978.5 billion at the end of December 2020. This development was due to the combined impact of the consolidation of net claims on central government and loans to other sectors of the economies of the Union.

2.4.2.1 - Net claims on the central government

During the year 2020, the regional public debt market was heavily used to finance a portion of the new needs arising from the health crisis. This situation resulted in a sustained increase in banking system lending to governments. Net claims of banks on central governments grew by 3,138.5 billion, i.e. an increase of 38.7%. In particular, their outstanding portfolio of government securities increased by 35.5% in 2020, from 8,828.0 billion to 11,959.4 billion. In terms of the BCEAO's net claims, the increase was driven by the implementation of IMF support for the States. All in all, the net claims of all deposit-taking institutions on central governments increased by 4,223.6 billion, or 52.0%.

**Table 10 : NET CLAIMS OF DEPOSIT-TAKING INSTITUTIONS ON CENTRAL GOVERNMENTS
(IN BILLIONS)**

	December 2019	December 2020	Annual variation
Net claims on central governments	8,118.1	12,341.7	4,223.6
Claims of deposit-taking institutions	13,109.2	18,240.1	5,130.9
Loans	4,264.6	6,264.6	2,000.1
Public securities portfolios	8,828.0	11,959.4	3,131.4
Other claims	16.6	16.1	-0.5
Deposit institution commitments	4,991.1	5,898.4	907.4
Treasury cash in Central Bank	29.2	34.7	5.5
Deposits	4,892.9	5,790.6	897.7
Other commitments	69.0	73.1	4.1

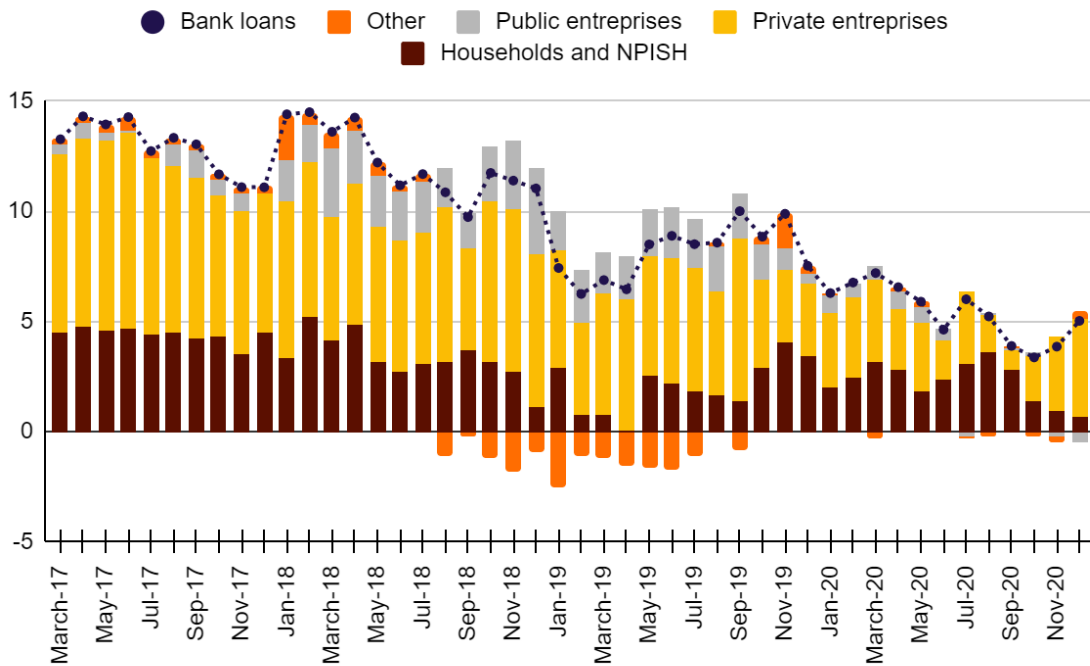
Source : BCEAO.

2.4.2.2 - Bank loans to the economy

Due to the impact of the health crisis, particularly the loss of momentum in WAEMU countries, the pace of growth of financing by deposit-taking institutions for sectors of the economy other than central government slowed in 2020. The growth rate stood at 4.8%, compared with 7.3% in 2019. This change was mainly driven by the development of bank loans, which contributed 4.9 percentage points. The financing of the economy by banks in the form of the purchasing of shares and equity interests in businesses made a negative contribution to growth in bank loans.

An analysis of loan distribution by institutional sector shows that the slowdown was most severe at the household level. Loans granted by banks to households grew by only 2.1% in 2020 compared to 11.2% the previous year. With regard to private non-financial companies, the provisions put in place by the Central Bank to assist banks and the application of the extended maturity measure in particular made it possible to maintain the momentum of loans. The growth rate of bank loans to businesses rose from 5.5% in 2019 to 7.6% in 2020.

Graph 9 : CONTRIBUTIONS TO ANNUAL BANK LOAN GROWTH (IN PERCENTAGE POINTS)



Source : BCEAO.

2.4.3 - MONEY SUPPLY AND MONETARY BASE

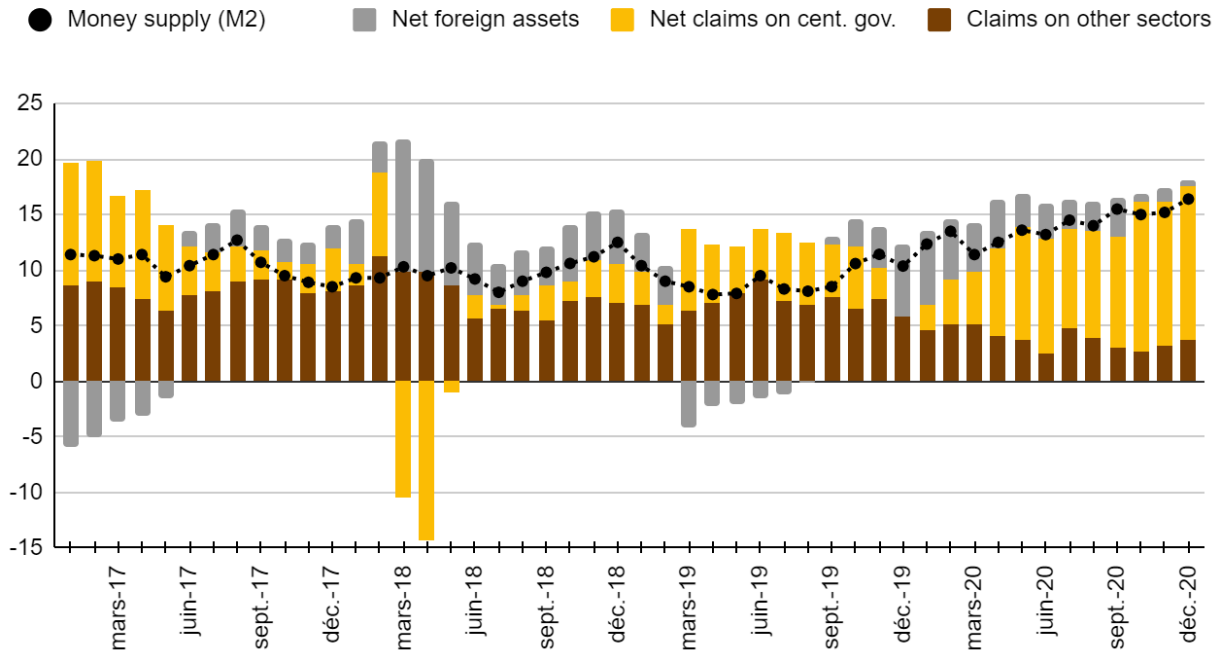
THE MONEY SUPPLY GREW BY **5,012.3** BILLION OR **16.4%**, REACHING **35,612.8** BILLION

THE MONETARY BASE GREW BY **2,156.2** BILLION OR **20.4%**, REACHING **12,724.6** BILLION AT END-DECEMBER 2020.

In conjunction with the trends in its counterparts, the money supply grew by 5,012.3 billion or 16.4%, to stand at 35,612.8 billion. This increase in overall liquidity was reflected in a rise of 3,630.0 billion or 15.3% in deposits and 1,382.3 billion or 19.9% in currency outside banks.

Compared to its level at the end of December 2019, the monetary base grew by 2,156.2 billion or 20.4%, reaching 12,724.6 billion at the end of December 2020. This growth was driven by growth in the various counterparts. Loans to banks increased by 1,084.9 billion and net foreign assets of the Central Bank grew by 150.8 billion. With support from the IMF and Member States, net claims on central governments increased by 1,090.6 billion.

Graph 10 : COUNTERPARTY CONTRIBUTIONS TO ANNUAL GROWTH IN THE MONEY SUPPLY (IN PERCENTAGE POINTS)



Source : BCEAO.

III TRENDS IN THE BANKING AND FINANCIAL SYSTEM, FINANCIAL STABILITY AND INCLUSION

3.1 – SITUATION OF CREDIT AND MICROFINANCE INSTITUTIONS	32
3.2 – FINANCIAL MARKET	34
3.2.1 - Resources mobilized by the member states on the primary market	34
3.2.1.1 - Resource mobilization on the regional market	34
3.2.1.2 - Outstanding public securities on the regional market	35
3.2.2 - Trends on the regional stock exchange	36
3.3 – FINANCIAL STABILITY AND INCLUSION	36
3.3.1 - Actions aimed at consolidating financial stability	36
3.3.1.1 - Preserving financial stability	36
3.3.1.2 - Reinforcing banking and financial supervision	37
3.3.1.3 - FinTech promotion and supervision	37
3.3.2 - Centralization of banking risks	38
3.3.3 - Promotion of Credit Information Bureaus (CIBs)	39
3.3.4 - Promotion of financial inclusion in the Union	40
3.3.4.1 - Implementation of the regional strategy on financial inclusion (SRIF) in WAEMU	40
3.3.4.2 - Support for the States in the digitalization of payments	40
3.3.4.3 - Strengthening of the microfinance sector	41
3.3.4.4 - Implementation of the WAEMU Union's Digital Financial Services Interoperability Project	41
3.3.4.5 - Establishment of a framework for cooperation with the Telecommunications Regulatory Authorities	41
3.3.4.6 - Development of the electronic money sector	42
3.3.4.7 - Participation in the activities of the Alliance for Financial Inclusion	42

3.1 - SITUATION OF CREDIT AND MICROFINANCE INSTITUTIONS

BANKING SECTOR

- **152** approved credit institutions including **131** banks and **21** bank-like financial institutions.
- Resources increased by **5,203.7 billion** (+15.7%) in annual variation, reaching **38,333.4 billion** at the end of December 2020.
- Uses grew by **5,152.7 billion** (+14.4%) compared to December 31, 2019, reaching **41,055.7 billion**.
- The solvency ratio (**11.6%**) was above the minimum requirement of **9.5%** set by the WAMU Council of Ministers.

MICROFINANCE SECTOR

- **521** Decentralized Financial Systems (DFSs).
- The number of service points rose from **4,258** at the end of December 2019 to **4,299** at the end of December 2020.
- The number of beneficiaries of the services of microfinance institutions stood at **15.9 million** at the end of December 2020 compared to **13.5 million** at the end of December 2019 (**16.9%**).
- **1,650.5 billion** deposits collected as at the end of December 2020 compared to **1,431.0 billion** at the end of December 2019, representing a **15.3%** increase.
- An increase in loans granted (**12.1%**), which rose from **1,483.2 billion** at the end of December 2019 to **1,662.2 billion** at the end of December 2020.

ISLAMIC FINANCE

- **10** operating licenses were granted to:
 - **2** banks operating exclusively in Islamic finance
 - **6** banks with an Islamic finance branch
 - **1** DFS operating exclusively in Islamic finance and
 - **1** DFS with an Islamic finance branch.

As at December 31, 2020, the banking sector in the Union comprised 152 approved credit institutions, including 131 banks and 21 bank-like financial institutions.

The business of credit institutions continued to grow, accompanied by an improvement in the quality of the portfolios of regulated institutions. On a year-over-year basis, uses increased by 5,953.8 billion (+14.4%) to reach 47,212.4 billion at the end of December 2020.

Other uses increased by 5,152.7 billion (+14.4%) to reach 41,055.7 billion. The business model focusing on credit operations was maintained in 2020, despite a slight change in the structure of uses. Loans to customers increased by 1,682.7 billion (+7.3%), especially long-term loans (+2,687.2 billion; +237.5%). Similarly, other uses progressed by 3,469.9 billion, i.e. +26.7%, in connection with an increase in investment securities (+2,447.9 billion; +29.9%), which experienced stronger growth than that usually observed.

Banking uses comprised 59.9% loans to customers and 40.1% other uses. In 2019, these ratios stood at 64.0% and 36.0% respectively.

Resources increased by 5,203.7 billion (+15.7%) year over year to reach 38,333.4 billion at the end of December 2020, owing to the simultaneous increase in deposits and borrowings (+4,660.2 billion; +16.7%), net equity (+409.0 billion; +11.0%) and other resources (+134.6 billion; +8.6%). The structure

of these resources remained in line with the dominant business model in the region, namely retail banking. They were made up of 84.8% customer deposits, 10.8% net equity and 4.4% other resources.

The cash position of the banks and financial institutions improved, the structural deficit having been reduced by 51.1 billion to stand at -2,722.4 billion.

The quality of the portfolio improved slightly by 0.5 percentage points, on the basis of the gross rate, to stand at 11.0%. The net rate followed a similar trend, at 3.9% against 4.6% at the end of December 2019.

The solvency of the banking sector had been strengthened by the end of December 2020. Based on reports from credit institutions, the actual equity of the entire WAMU banking system was estimated at 2,591.9 billion at the end of December 2020, compared with 2,873.4 billion a year earlier. Weighted risks were estimated at 22,383.0 billion against 24,865.1 billion in 2019. As a result, the average total solvency ratio (equity over risk-weighted assets), which was 11.6% as at December 31, 2020, was virtually unchanged from the level recorded in December 2019. The solvency ratio was above the required minimum standard ratio of 9.5% established by the WAMU Council of Ministers.

In terms of brokering and the general public's access to financial services, the WAMU microfinance sector remained dynamic in 2020. Based on available information, the number of service points of the 521 Decentralized Financial Systems (DFSs) in the Union rose from 4,258 at the end of December 2019 to approximately 4,299 at the end of December 2020. The number of beneficiaries of services provided by microfinance institutions rose to nearly 15.9 million at the end of December 2020, up from 13.6 million at the end of December 2019, corresponding to a 16.9% increase.

The financial intermediation activity of the DFSs was also reinforced, Deposits collected totaled 1,650.5 billion at the end of December 2020 compared to 1,431.0 billion at the end of December 2019, corresponding to a 15.3% increase. These deposits accounted for some 5.1% of deposits collected by the Union's credit institutions during the reporting period. The proportion of demand deposits remained relatively stable compared to the previous year, representing 60.3% of the savings collected by DFSs. Term deposits and other deposits represented 18.1% and 21.6% respectively.

Outstanding loans granted by microfinance institutions rose (+12.3%) from 1,483.2 billion at end December 2019 to 1,662.2 billion at end December 2020. They represented 6.8% of the loans granted by the Union's credit institutions. Short-term loans represented 50.1% of all loans granted by the DFSs. Medium- and long-term loans represented 30.0% and 19.9% respectively. The average outstanding loans of DFSs per member fell by 4.1% to CFA F 104,217 from CFA F 108,666 in 2019.

Actions aimed at cleaning up the microfinance sector, modernizing supervision tools for microfinance activities and controlling the threats faced by DFSs continued in 2020. They were reflected by a deterioration in the quality of the DFSs' loan portfolio, owing to the impact of the health crisis on the business activities of the customers of these financial institutions. Indeed, outstanding loans stood at 133.9 billion at the end of December 2020 against 96.4 billion at 31 December 2019. Thus, the gross deterioration rate of the portfolio of WAMU DFSs, measured by the sum of overdue loans compared to outstanding loans, stood at 8.1% at the end of December 2020 against 6.5% at the end of December 2019, an increase of 1.6 percentage points. This figure was above the norm of 3% generally accepted in the sector.

With regard to Islamic finance, several applications for authorizations have been submitted, one of which was approved by the BCEAO in 2020, with a view to carrying out Islamic finance operations only, in Niger. To date, 10 operating licenses have been granted for two banks operating exclusively in Islamic finance, six banks with an Islamic branch, one exclusively Islamic DFS and one DFS with an Islamic branch.

Online training was organized for the benefit of the Professional Associations of Decentralized Financial Systems (APSF) of WAMU, on November 5 and 6, 2020, on the legal and operational aspects of Islamic finance in the Union.

3.2 - FINANCIAL MARKET

- The total amount of gross issues on the regional public debt market amounted to **10,486.8** billion against **4,428.9** billion in 2019, an increase of **136.8%**.
- The Treasury bill segment accounted for **52.8%** of interventions, in connection with the issuance of “**COVID-19 bonds**”.

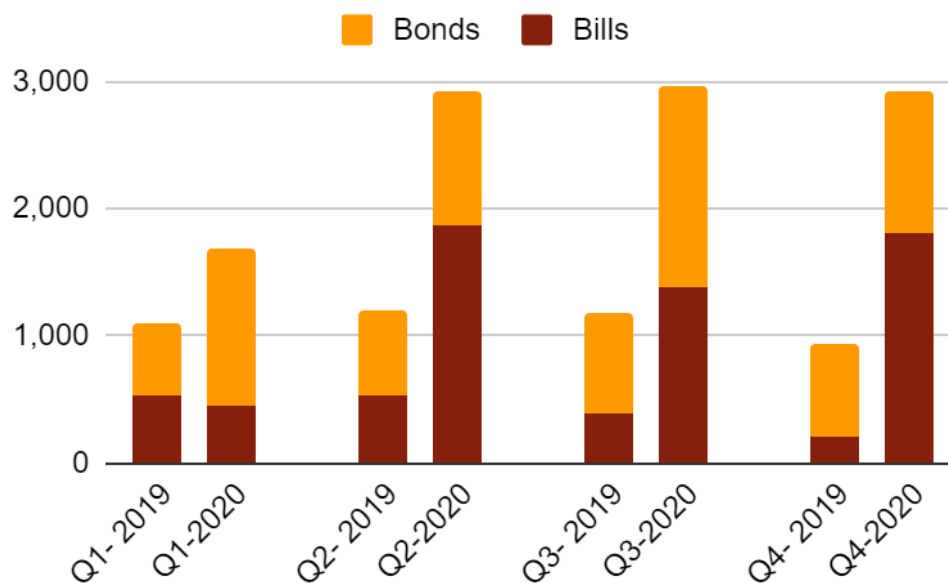
3.2.1 - RESOURCES MOBILIZED BY THE MEMBER STATES ON THE PRIMARY MARKET

3.2.1.1 - Resource mobilization on the regional market

In 2020, the total gross amount of bonds issued on the regional public debt market was 10,486.8 billion, compared with 4,428.9 in 2019, representing an increase of 136.8%. The increase of 6,057.9 billion over the previous year was attributable to the stronger presence of member countries on the regional financial market to meet their financing needs. Consequently, net bond issues stood at 4,181.1 billion against 910.8 billion the previous year.

The Member States showed a preference for short-term securities. The Treasury bill segment accounted for 52.8% of interventions, in connection with the issuance of “**COVID-19 bonds**”. These operations, which had a maturity of three months, were partially renewed three times after the initial operation in April 2020 for an amount of 1,172.6 billion. Excluding this special operation, the States raised 2,268.6 billion in bonds for financial year 2020 compared to 1,645.1 billion one year earlier.

Graph 11 : QUARTERLY TRENDS IN TREASURY BILLS AND BONDS IN 2019 AND 2020



Sources: WAMU Securities Agency, CREPMF, BCEAO.

The average cost of resources raised by governments in the Treasury bill segment was lower in 2020 than in 2019. The weighted average interest rate was 3.28% in 2020 compared with 5.36% the previous year. This easing was due to the reduction in the BCEAO’s key rates in June 2020 and to the facilities put in place to accompany the issuance of special bonds known as “COVID-19 bonds”, particularly the opening of a special window for the refinancing of these securities at a rate of 2.00%. Specifically, output rates on Treasury bills showed a downward trend for all maturities compared to 2019.

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

	Average 2018	2019				Average 2019	2020				Average 2020
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
1 month	3.90	-	-	-	-	-	-	-	-	2.43	2.43
3 months	5.46	5.00	4.98	4.63	-	4.85	3.88	3.22	2.45	3.28	2.96
6 months	6.06	5.69	5.40	-	4.90	5.52	4.38	4.49	4.20	2.96	4.34
12 months	6.16	6.07	5.62	5.29	5.11	5.61	4.94	4.91	4.89	4.06	4.68
24 months	5.80	-	-	-	-	-	-	-	-	-	-
Average rates	5.90	5.78	5.32	4.93	5.08	5.36	4.46	3.63	4.93	3.09	3.28

Sources: BCEAO, WAMU Securities Agency.

The total amount of bonds issued by auction amounted to 3,237.7 billion in 2020, up by 1,462.6 billion compared to 2019. The 3-year and 5-year maturities were the most in demand, raising 1,666.9 billion and 1,091.9 billion respectively, representing 85.2% of the total amount of resources raised through this instrument.

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

Overall, the average bond yield declined in 2020 compared to 2019. It averaged 6.29% for all maturities in 2020 compared to 6.60% one year earlier.

Table 12 : GROSS ISSUES OF PUBLIC SECURITIES BY AUCTION AND SYNDICATION ON THE REGIONAL PUBLIC SECURITIES MARKET (IN BILLIONS OF CFA FRANCS)

	2019				Total 2019	2020				Total 2020
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Bills	536.9	524.3	380.3	203.6	1,645.1	446.1	1,864.4	1,392.5	1,801.1	5,504.1
Bonds	555.0	686.4	808.9	733.5	2,783.8	1,232.1	1,056.5	1,565.6	1,128.5	4,982.7
By auction	349.5	474.2	454.3	497.0	1,775.1	851.7	807.7	884.9	693.4	3,237.7
By syndication	205.5	212.2	354.6	236.5	1,008.8	380.4	248.8	680.7	435.1	1,745.0
Total	1,091.9	1,210.7	1,189.2	937.1	4,428.9	1,678.2	2,920.9	2,958.1	2,929.6	10,486.8

Sources: BCEAO, WAMU Securities Agency.

3.2.1.2 - Outstanding public securities on the regional market

Overall outstanding public securities stood at 15,064.6 billion at the end of December 2020, representing 16.6% of GDP. The structure of the outstanding securities was dominated by Treasury bonds, which represented 90.8% of the total.

Table 13 : OUTSTANDING PUBLIC SECURITIES ON THE REGIONAL FINANCIAL MARKET AT THE END OF DECEMBER 2020 (IN BILLIONS OF CFA FRANCS)

	2015	2016	2017	2018	2019	2020
Outstanding	6,388.5	8,621.4	9,629.9	9,972.7	10,883.5	15,064.6
(as a % of GDP)	9.3	11.8	12.4	12.0	12.3	16.6
Relative share						
- bills	20.3	17.5	12.7	11.0	8.2	9.2
- bonds	79.7	82.5	87.3	89.0	91.8	90.8

Sources: BCEAO, WAMU Securities Agency, CREPMF.

3.2.2 – TRENDS ON THE REGIONAL STOCK EXCHANGE

Developments on the regional financial market on December 31, 2020, compared with December 31, 2019, showed contrasting trends in the main indicators. Market capitalization amounted to 10,419.08 billion, compared to 8,973.25 billion at the end of 2019, an increase of 16.1% attributable to the strong performance of the bonds compartment. Bond market capitalization rose sharply from 4,232.65 billion to 6,051.4 billion on December 31, 2020, up by 43.0%, while stock market capitalization declined over the same period by 7.9%.

Reflecting this trend, the BRVM indexes experienced a downward trend in 2020. The BRVM10, which is the main stock market index, and the composite index stood at 130.88 points and 145.37 points respectively on December 31, 2020, down -12.2% and -8.7%, respectively, compared with the end of December 2019.

3.3 - FINANCIAL STABILITY AND INCLUSION

3.3.1 - ACTIONS AIMED AT CONSOLIDATING FINANCIAL STABILITY

In 2020, the Central Bank continued the implementation of the activities it launched to increase financial stability in the Union, in a context marked by the COVID-19 pandemic crisis. The activities carried out focused on preserving the financial stability of the Union and reinforcing banking and financial supervision.

3.3.1.1 – Preserving financial stability

- **Work continued on the operationalization of the macroprudential policy in the Union**

The BCEAO Monetary Policy Committee held its first meeting in March 2020. The Committee, which is responsible for defining and implementing macroprudential policy, adopted indicators for the monitoring of systemic risks that could impact the banking sector and the economies of the Union. The Committee also validated the list of instruments available in the WAMU Union that could be used for macroprudential purposes to limit systemic risk. The BCEAO also started work on the calibration of the countercyclical cushion, which is the main macroprudential instrument.

- **Work of the WAMU Financial Stability Committee**

The WAMU Financial Stability Committee (CSF-UMOA) held its 16th, 17th and 18th ordinary sessions on March 5, August 26 and December 3, 2020. During the meetings, the Committee appreciated the resilience of the WAMU financial sector faced with the impact of the COVID-19 pandemic, in the light of recent developments in the Union's macro-financial environment, particularly due to the timely

measures implemented by the regulatory and supervisory authorities of the various segments of the financial system.

However, the Committee highlighted the principal sources of vulnerability that could affect performances in the Union, including:

- Medium and long-term impact of COVID-19;
- The significant exposure of the banking sector to credit risk;
- The high concentration of risks in the various segments of the WAMU financial sector;
- Exposure to cybersecurity risks;
- The deterioration of the Decentralized Financial Systems' loan portfolio, combined with governance issues; and
- Security risks.

The Committee made recommendations, in particular to the regulatory and supervisory authorities, to limit the potential impact of the identified risk factors, while calling for increased vigilance with regard to the implications of the COVID-19 crisis for the financial sector.

3.3.1.2 - Reinforcing banking and financial supervision

With a view to the development of electronic money operations within WAMU, the Central Bank issued Instruction No. 01-01-2020 of January 31, 2020, aimed at harmonizing the way transactions are recorded within the banking and microfinance sector. The implementation of this Instruction will also ensure better monitoring of e-money activities. In this regard, as part of the support program for regulated entities in the implementation of the regulatory reform, an outreach seminar was held on December 21 and 22, 2020. The seminar was attended by representatives of credit institutions, WAMU microfinance institutions and BCEAO officials, including those of the General Secretariat of the Banking Commission in charge of monitoring electronic money institutions in the zone.

In addition, as part of the implementation of the prudential reform inspired by the Basel standards, the BCEAO has undertaken work to define the calculation and reporting methods for the new liquidity standards, namely the liquidity coverage ratio (LCR) and the longer-term structural liquidity ratio (LTLR).

In addition, to take into account the specificities of credit institutions involved in Islamic finance, the Central Bank has undertaken the development of a specific accounting and prudential framework for those institutions. The objective is to provide institutions wishing to carry out Islamic finance operations with adequate tools to assess their financial performance and soundness, with a view to contributing to the healthy financing of the Member States' economies.

3.3.1.3 - FinTech promotion and supervision

In order to promote FinTech development in the Union under secure conditions, the Governor established a FinTech Committee within the BCEAO on February 18, 2020.

The FinTech Committee is responsible for ensuring the consistency of its interventions with the actions implemented by the regulatory and supervisory authorities at national levels (Telecommunications and Postal Regulatory Authorities, Personal Data Commissions, ministries responsible for the digital economy, etc.), while taking into account the sphere of competence of each of the actors in order to avoid possible overlaps in their respective powers.

As part of its agenda, the FinTech Committee has identified three (3) areas of intervention: FinTech knowledge and monitoring, regulation and supervision, as well as capacity building and technology watch.

In this respect, meetings were held with digital financial service providers involved in the payment digitalization chain. They aimed to identify the activities of these organizations, the challenges they face

and their expectations vis-à-vis the BCEAO. The conclusions of the meetings helped to identify lessons that should lead to the establishment of a regulatory framework conducive to the development of digital financial services in the Union. They also contributed to ongoing reflection within the FinTech Committee.

Following the consultations, an online survey conducted in June 2020 made it possible to identify 156 FinTechs established in the WAEMU Union, divided into three (3) categories, covering six (6) lines of business, namely digital financial services, insurance, development of digital platforms, participatory finance, digital money and financial education. The survey has made it possible to map these organizations and to develop a dynamic directory that will be accessible to the general public.

BOX 2 : COVID-19: REGULATORY EASING FOR CREDIT INSTITUTIONS AND DECENTRALIZED FINANCIAL SYSTEMS (DFSs)

The BCEAO issued four (4) Notifications aimed at reducing the impact of the COVID-19 health crisis on the financial and prudential situation of the WAMU banking sector and on the financing of the economy.

- **Notification No. 005-04-2020 and No. 011-10-2020: Accounting and prudential measures relating to the extension of bank loan maturities**

Through Notification No. 005-04-2020, the Central Bank authorized credit institutions to grant businesses, employees and DFSs affected by the COVID-19 pandemic who so request, an extension of their loan maturities, for a three-month period, once renewable, without interest charges, fees or lateness penalties. This decision to extend loan maturities was renewed by Notification No. 011-10-2020, until 31 December 2020.

From an accounting standpoint, credit institutions were also authorized to classify healthy loans whose maturities had been extended under a specific account in the category of sound loans rather than under overdue loans.

- **Notification No. 010-08-2020: Prudential measure relating to the extension by one year of the implementation schedule of the transitional provisions**

On proposal by the BCEAO, the Council of Ministers of the Union, at its ordinary session held on June 26, 2020, extended by one year the timetable for the implementation of the transitional provisions of the prudential framework applicable to credit institutions and financial companies in the Union. This decision, notified to the regulated institutions by BCEAO through Notification No. 010-08-2020, provides for the maintenance in 2020 of the prudential requirements for 2019 and the postponement by one year of those relating to the following years. This measure provides regulated institutions with financial leeway which can be used to promote a rapid economic recovery in the Union's Member States.

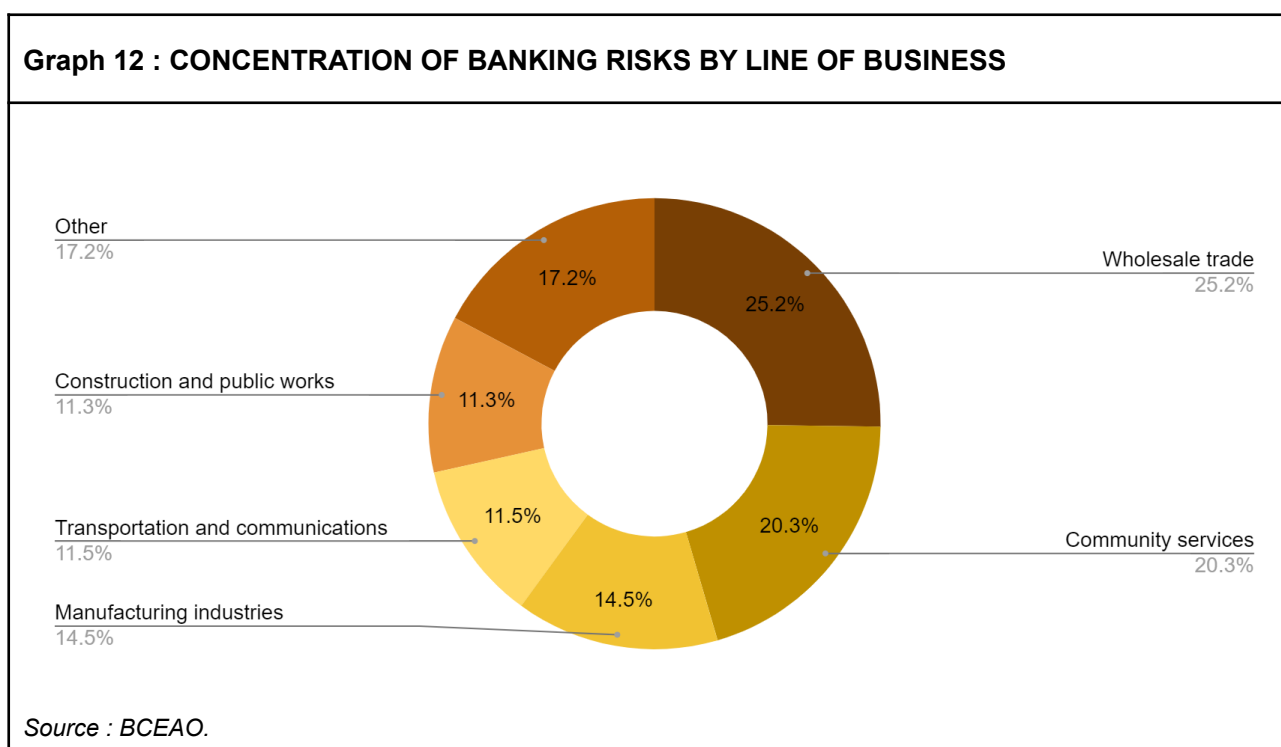
- **Notification No. 008-04-2020: Accounting measures relating to the extension of maturities for DFS customers**

The BCEAO authorized microfinance institutions to classify loans affected by the crisis as fixed assets, with their maturities to be deferred. The DFSs have the option of granting extensions on both sound loans and loans already classified under the "fixed assets" category. Given the specific nature of their clientele, the purpose of this measure was to avoid the consequences of a massive downgrading of sound loans or fixed assets to the category of overdue loans.

3.3.2 - CENTRALIZATION OF BANKING RISKS

The overall outstanding amount of loans registered with the central credit register stood at 14,781.6 billion at the end of December 2020, against 13,665.9 billion on December 31, 2019, an increase of

8.2%. Short-term loans stood at 8,165.4 billion, or 55.2% of the outstanding total, while medium- and long-term loans represented 6,616.2 billion, or 44.8% of the total outstanding amount.



3.3.3 - PROMOTION OF CREDIT INFORMATION BUREAUS (CIBs)

215 (2020) 196 (2019)	INCREASE IN THE NUMBER OF CUSTOMERS IN THE CIB DATABASE	
<ul style="list-style-type: none"> → Number of regulated institutions deemed eligible to participate in the credit information sharing system: 215 at the end of December 2020, compared to 196 at the end of December 2019. → Number of customers whose information is available in the CIB database: 10,495,233 as at 31 December 2020 (241,409 legal entities and 10,253,824 private individuals) compared to 7,192,103 at the end of December 2019. 	7,192,103 AS AT DECEMBER 31, 2019	10,495,233 AS AT DECEMBER 31, 2020

The BCEAO monitors developments in the activities of the CIB, whose purpose is to help reduce the asymmetry of information between lenders and borrowers in order to improve the public's access to financial services at reduced costs.

As of December 31, 2020, 215 of the 225 regulated institutions, i.e. 95.5%, participated in the credit information sharing system. In addition, twenty-one (21) public utilities, including the main electricity, water, mobile phone and telecommunication companies in Benin, Côte d'Ivoire, Niger, Senegal and Togo are connected to the credit information sharing system and report data to the WAMU CIB.

The number of clients on whom information is available in the CIB database increased from 7,192,103 at the end of December 2019 to 10,495,233 as at December 31, 2020, comprising 241,409 legal entities and 10,253,824 individuals. This development can be explained by the adoption of legislation

by all the Member States of the Union, which exempts regulated institutions from the obligation of obtaining prior consent to share the data of customers who received loans before the date of entry into force of the uniform law. In addition to these provisions, most of the countries have adopted complementary instruments authorizing the automated processing of the data of public utilities to be integrated into the electronic platform for sharing credit information.

On December 6, 2019, the BCEAO signed a Consultancy Service Agreement with the International Finance Corporation (IFC) for the implementation of a public awareness program on CIBs in the Member States, with a view to making the credit information sharing system better known to the population of the Union. The expected results of this program should ultimately contribute to an improvement in the quality of credit data and information for the clients of credit institutions. The effective start of the public awareness campaign in all eight (8) Member States of the Union took place on December 10, 2020.

3.3.4 - PROMOTION OF FINANCIAL INCLUSION IN THE UNION

Actions undertaken to promote financial inclusion in 2020 notably included the implementation of a regional strategy on financial inclusion (SRIF) in WAEMU and the digital financial services interoperability project, as well as the development of the electronic money and microfinance sector in the Union.

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

The BCEAO finalized the regional financial education program and began the process of conducting studies on financial services supply and demand in WAEMU countries.

Adopted in April 2020, the program is designed to provide people with useful information on financial matters, so that they can make informed choices and enlightened decisions in full knowledge of the facts. A roadmap has been drawn up to serve as a reference framework for the Member States of the Union in the process of developing their national financial education programs. In this regard, it should be noted that Côte d'Ivoire has adopted its national financial education program and that the process is well underway in Burkina Faso and Togo. In Burkina Faso, a financial education program validated by stakeholders is being adopted by the national authorities. In Togo, a project that was the focus of an initial consultation is being finalized with a view to its submission to the authorities.

As part of the operationalization of the regional program, working groups on financial education have been set up in all the countries of the Union, except Guinea-Bissau.

Regarding the studies on financial services supply and demand, aimed at improving knowledge of the markets for financial products and services and deepening financial inclusion, it should be noted that the preparatory documents for the studies, which will be conducted in collaboration with the National Statistics Institutes (NSIs), have been prepared and validated. The next steps include the recruitment of consultants and the launch of the studies.

3.3.4.2 - Support for the States in digitalization of payments

The BCEAO continued its actions to promote the digitalization of public payments and the use of digital payments with a view to providing the people of the Union with local payment services at affordable costs. In this regard, the BCEAO has launched two projects, namely support for the connection of national treasuries to the GIM-UEMOA platform and the development of a guide on the digitalization of payments in WAEMU Member States.

In addition to a direct connection to STAR-UEMOA and SICA-UEMOA, the participation of National Treasuries in the regional electronic money platform will allow them to issue electronic money and innovative payment instruments for the payment of government benefits, particularly for students and pensioners. It is also expected to contribute to the profitability and competitiveness of their financial authorities and to help public financial administrations transition to a technical infrastructure that facilitates transactions with the people. Finally, the project promotes greater autonomy for public treasuries in the management of their financial activities and the expansion of acceptance and distribution networks for digital means of payment.

The guide on the digitalization of payments is intended to support the States in this process by highlighting the main lines of the process. This document is intended for all stakeholders involved in activities connected with public payments in WAEMU Member States, such as financial administrations, public institutions and public utilities. It is based in particular on the findings of a study, published in July 2019 by the BCEAO and the World Bank, on the status of the digitalization of payments in WAEMU Member States from 2016 to 2018.

3.3.4.3 - Strengthening of the microfinance sector

As part of the implementation of the second axis of the regional financial inclusion strategy focusing on the “rehabilitation and development of the microfinance sector”, the BCEAO has initiated and pursued several projects.

The Central Bank put in place a mechanism to automate the participation of microfinance institutions in the Union’s payment systems. This mechanism will reduce both the execution time and costs of customer transactions. The managers of decentralized financial systems will be provided with appropriate training by the BCEAO and GIM-UEMOA.

In addition, preparatory work has been undertaken within the BCEAO for the implementation of a capacity-building program on governance and risk management for managers of microfinance institutions in 2021. These training sessions are aimed at improving governance as well as compliance, financial monitoring, internal control and reporting mechanisms. A similar program based essentially on supervision tools and methodologies is planned for the employees of ministerial structures in charge of monitoring microfinance institutions.

In addition, the Central Bank has carried out an inventory of DFSs in difficulty with a view to conducting evaluation missions with a view to defining a sustainable recovery plan. La solution d’interopérabilité des services financiers numériques dans l’UEMOA, ont été lancés en 2020.

3.3.4.4 - Implementation of the WAEMU Union’s Digital Financial Services Interoperability Project

Launched in 2017, the project on digital financial services interoperability in the WAEMU Union was particularly marked in 2020 by the setting up of National Monitoring Units at the BCEAO’s main branches, to improve project deployment.

In addition, as part of the preparation of the pre-deployment phase of the new platform, meetings were organized in the first quarter of 2020 between the BCEAO and all the stakeholders concerned, in order to present them with the prerequisites, security requirements and technical and operational specifications necessary for connection. These exchanges also made it possible to identify stakeholder concerns and to establish a permanent communication link with the focal points of the organizations concerned.

In addition, the draft regulatory framework documents governing the operational aspects of interoperability as well as the business plan were drawn up. The main provisions of these draft documents set out the conditions for access to the interoperable system, the rules for processing interoperable transactions, the obligations of the platform manager and participants, as well as measures for customer protection. They also contain rules for the management of the guarantee fund for the settlement of clearing balances of interoperable transactions.

The business plan sets out pricing proposals for interoperable services based on an economic model that allows costs to be covered, in line with international principles for retail payment systems.

Finally, all the calls for tenders included in the project’s roadmap, notably the tender for the purchase and deployment of an interoperable digital financial services solution for WAEMU, were launched in 2020.

3.3.4.5 - Establishment of a framework for cooperation with the Telecommunications Regulatory Authorities

The Central Bank continued its exchanges with the Telecommunications Regulatory Authorities (TRAs) of the Union’s Member States, with a view to defining conditions conducive to the proper functioning of

the interoperability of digital financial services and to ensuring the quality of these services in the Union. These exchanges resulted in the active participation of the TRAs in the work of the interoperability project and in the formulation of quality requirements for the operation of telecommunications infrastructures.

In this regard, the TRAs have adopted a policy of liberalizing the USSD channel to promote financial inclusion and have also reduced the associated pricing.

3.3.4.6 - Development of the electronic money sector

Five (5) electronic money issuers, namely three (3) banks and two (2) electronic money institutions approved by the Central Bank, were added to the Union's electronic money sector in 2020, bringing the total number of electronic money issuers in the Union to 43, compared to 38 the year before.

In order to support promoters wishing to invest in the sector, the BCEAO drew up a guide for applying for approval or authorization as an e-money issuer in the Member States of the Union. This guide aims to assist them in the process of obtaining approval or authorization, by recalling the essential conditions for the exercise of this activity and the components making up the application to be submitted to the Central Bank.

3.3.4.7 - Participation in the activities of the Alliance for Financial Inclusion

As part of its participation in the activities of the Alliance, the Central Bank participated actively in the meetings of AFI's bodies, as well as in the work of its eight (8) working groups on specific themes, including digital financial services, financial inclusion policies for the network at the African level, national financial inclusion strategies, consumer protection and inclusive green finance.

The Central Bank also received training on inclusive FinTech ecosystems and cybersecurity, data, monitoring and evaluation of national financial inclusion strategies, strengthening of agent networks for digital financial services and regulatory outlooks, financial inclusion policies and the design, implementation and monitoring of a national financial education strategy.

Finally, the Central Bank organized training on the interoperability of digital financial services in collaboration with AFI from September 21 to 24, 2020. The objective of the training was to enable senior officials from AFI member institutions to identify the key criteria to be considered when developing or improving their policies and regulations on the interoperability of digital financial services.

BOX 3 : MEASURES TAKEN BY THE CENTRAL BANK TO PROMOTE ELECTRONIC PAYMENT METHODS AS PART OF THE FIGHT AGAINST COVID-19

As part of the fight against COVID-19, the Central Bank has taken measures to facilitate the settlement of transactions for the public. These measures, which are the focus of Notifications No. 004-03-2020 of April 3, 2020, and No. 009-05-2020 of April 30, 2020, pertain to:

- no fees for transfers of small amounts (less than 5,000 francs) backed by electronic money;
- no fees for payment of water and electricity bills, via mobile phones, for amounts not exceeding CFA F 50,000;
- raising the ceilings for topping up electronic wallets from two (2) to three (3) million CFA francs and the maximum monthly total top-up amount from ten (10) to twelve (12) million CFA francs;
- easing of the conditions for opening electronic money accounts;
- a 50% reduction in fees applied to bank card payments, customer transfers processed via SICA-UEMOA and ATM withdrawals from the GIM-UEMOA network.

IV MANAGEMENT OF BANKNOTES AND COINS, PAYMENT SYSTEMS AND FOREX RESERVES

4.1 – MANAGEMENT OF FIDUCIARY CIRCULATION	44
4.1.1 - Withdrawals and deposits through BCEAO branch windows	44
4.1.2 - Structure of currency outside banks	44
4.2 – WAEMU PAYMENT SYSTEMS AND INSTRUMENTS	44
4.2.1 - Regional payment systems	45
4.2.2 - Contribution of payment systems and services to increased financial inclusion	47
4.2.2.1- Connection of national public treasury departments to the WAEMU payment systems	48
4.2.2.2 - Promoting access for Decentralized Financial Systems to WAEMU regional payment systems	48
4.2.2.3 – Promoting access to STAR-UEMOA for brokerage firms to boost participation in the market of government securities issued by auction	48
4.3 – FOREIGN EXCHANGE RESERVES	48

4.1 - MANAGEMENT OF FIDUCIARY CIRCULATION

During financial year 2020, withdrawals of banknotes and coins at the Central Bank amounted to CFA F 20,612.0 billion (3,219.9 million units of banknotes and coins), exceeding deposits received, which stood at CFA F 19,147.2 billion (2,723.4 million units of banknotes and coins). As a result of these developments, cash in circulation stood at CFA F 9,215.7 billion.

4.1.1 - WITHDRAWALS AND DEPOSITS THROUGH BCEAO BRANCH WINDOWS

Movements (deposits and withdrawals) through Central Bank windows stood at CFA F 39,759.2 billion in banknotes and coins in 2020 compared to CFA F 36,155.2 billion the previous year.

Banknote withdrawals totaled CFA F 20,600.3 billion (3,002.1 million units) compared to CFA F 18,456.6 billion (2,694.2 million units) in 2019, representing an annual increase of 11.6% in terms of value. The largest withdrawals in terms of value were recorded in Côte d'Ivoire (32.8%), Senegal (16.6%) and Burkina Faso (16.2%).

Coin withdrawals through bank windows decreased in value by 5.4%, from 12.3 billion in 2019 (212.4 million units) to 11.7 billion CFA F one year later (217.8 million units).

Banknote deposits through the windows of the Central Bank totaled CFA F 19,145.0 billion (2,713.9 million units) in 2020 compared to CFA F 17,683.9 billion (2,505.3 million units) in 2019, representing an increase of CFA F 8.3% in terms of value. The largest inflows in value terms were observed in Côte d'Ivoire (30.7%), Burkina Faso (17.1%) and Senegal (16.4%).

During the 2020 fiscal year, coin inflows through the windows of the Central Bank reached CFA F 2.2 billion (9.5 million units) compared to CFA F 2.4 billion (10.0 million units) in 2019, representing an 8.2% decrease in value.

4.1.2 - STRUCTURE OF CURRENCY OUTSIDE BANKS

As at the end of December 2020, fiduciary circulation stood at 9,215.7 billion CFA francs against 7,751.2 billion CFA francs at the end of December 2019, an increase of CFA F 18.9%. Large denominations made up 90.7% of the value of banknotes in circulation, compared to 90.3% in 2019. The relative shares of banknotes and coins in the value of currency outside banks remained virtually unchanged between the two years, at respectively 97.8% and 2.2%.

BOX 4 : CURRENCY CIRCULATION MANAGEMENT CENTER

Construction work on the Currency Circulation Management Center (CTF) building complex in Yamoussoukro, Côte d'Ivoire, began in March 2018 and was completed in September 2020.

The layout of the cash storage areas, the execution of security services and the tests on the technical installations are currently being completed and will allow the start of testing of the currency management chain before the commissioning of the CTF, scheduled for 2021.

By increasing the production of valid banknotes, this industrial unit aims to improve the quality of currency in circulation outside banks and to sustainably meet the cash withdrawal needs of customers at Central Bank counters. It will thus contribute to controlling the spending on purchases of issuing equipment.

4.2 - WAEMU PAYMENT SYSTEMS AND INSTRUMENTS

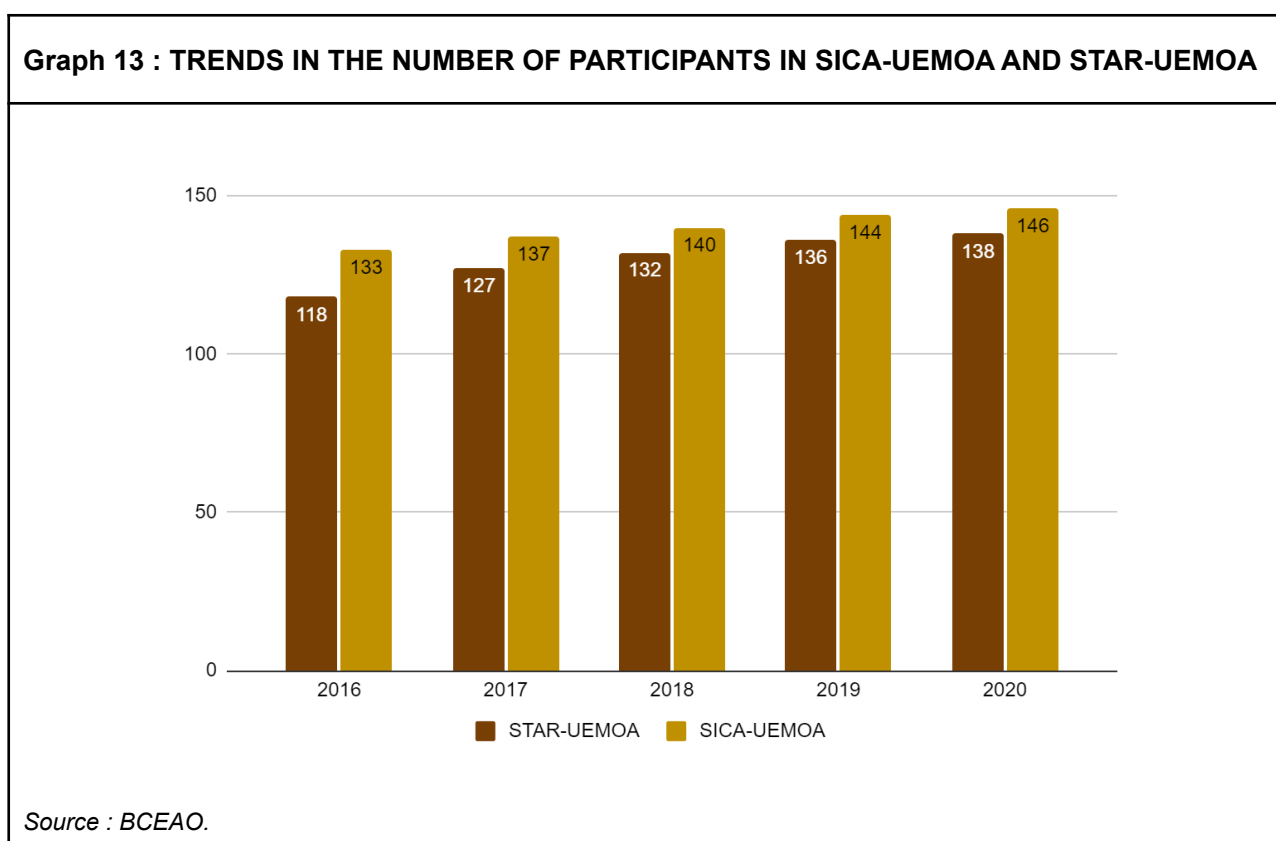
During the 2020 financial year, the performance of the Union's payment systems was marked by upward trends in the main activity indicators.

4.2.1 - REGIONAL PAYMENT SYSTEMS

STAR-UEMOA	SICA-UEMOA
138 participants (2020) 136 participants (2019)	146 participants (2020) 144 participants (2019)
138 participants in the WAEMU Automated Transfer and Settlement System (STARUEMOA) compared to 136 in 2019.	146 participants in the WAEMU Automated Interbank Clearing System (SICA-UEMOA) compared to 144 in 2019.

At the end of December 2020, there were 138 participants in the WAEMU Automated Transfer and Settlement System (STAR-UEMOA), against 136 the previous year. The number of transactions settled through STAR-UEMOA rose from 1,211,158 transactions with a value of CFA F 620,798 billion in 2019, to 1,495,501 transactions worth CFA F 655.868 billion, up 23.48% and 5.65% respectively in volume and value compared to the year before.

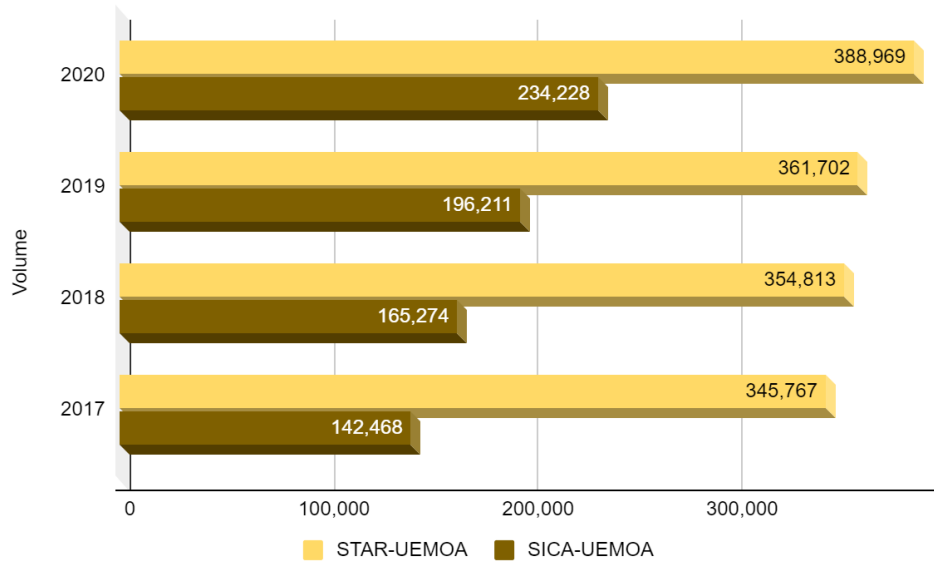
At the end of December 2020, there were 146 participants in the WAEMU Automated Interbank Clearing System (SICA-UEMOA), compared to 144 in 2019, including banks, the BCEAO and the public treasury departments of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger and Senegal. The number of transactions stood at 18,992,429, with a total value of CFA F 53,813 billion. Compared to 2019, activity in SICA-UEMOA showed increases of 20.76% in the volume and 4.32% in the value of payments cleared.



Inter-country exchanges within WAEMU were worth CFA F 52,450 billion in 2020, compared to CFA F 55,264 billion in 2019, accounting for 8% of the total volume of transactions processed through STAR-UEMOA. Year over year, a decrease of 5.09% was observed in the value of intercountry transactions. This trend can be explained by the slowdown in intra-community transactions as a result of the restrictive measures introduced by government authorities to limit the spread of COVID-19. A similar trend was observed in SICA-UEMOA, with a reduction in the rate of intercountry transactions from 1.79% in 2019 to 1.23% in 2020. In addition, in 2020, the volume of inter-country transactions was

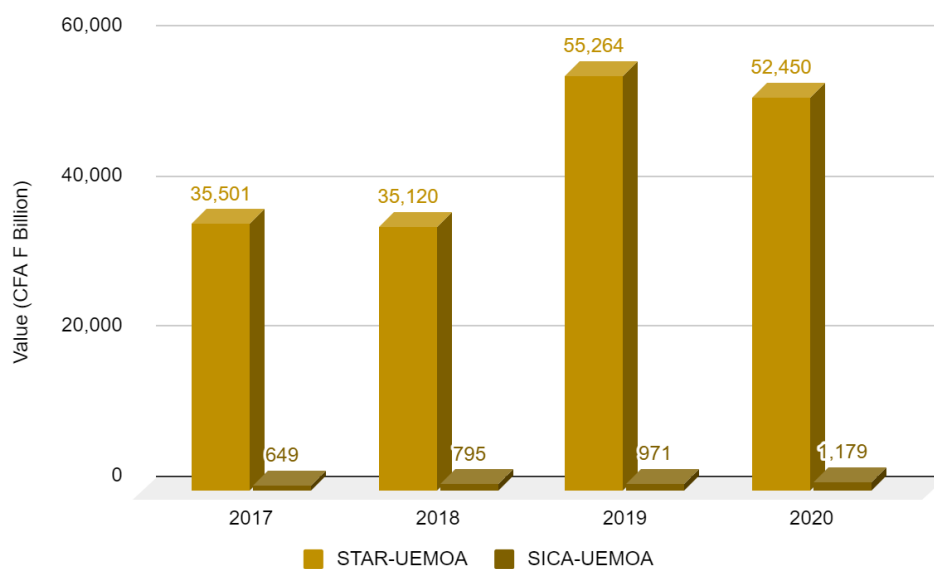
388,969 for STAR-UEMOA and 234,228 for SICA-UEMOA, representing year-over-year increases of 7.54% and 19.38% respectively.

Graph 14 : TRENDS IN THE VOLUME OF INTER-COUNTRY TRANSACTIONS FROM 2017 TO 2020



Source : BCEAO.

Graph 15 : TRENDS IN THE VALUE OF INTER-COUNTRY TRANSACTIONS FROM 2017 TO 2020



Source : BCEAO.

In terms of payment instruments processed in the e-clearing system in 2020, the relative share in the volume of transfers stood at 58.71%, up by 11.98% compared to the previous year. The use of cheques amounted to 40.20% of the volume of exchanges, down by 11.79% compared to 2019. In terms of value, cheque transactions accounted for 76.06% of total transactions in 2020, down by 2.81% compared to the previous year. The gradual decline in the use of this type of payment instrument, noted since 2017, illustrates the preference of users for electronic transfers, which was accentuated in 2020 when the BCEAO took incentive measures to promote electronic payment methods, as part of the response to the COVID-19 pandemic.

Securing and Modernizing Payment Systems and Services

Regulations and minimum requirements, as well as a self-assessment guide on platforms security levels for participants in financial market infrastructure managed by the BCEAO were issued and disseminated to all stakeholders in the first quarter of 2020.

In addition, the rate of interface of participants' banking information systems with devices used to connect to the STAR-UEMOA settlement system to reduce the time taken to post funds to customers' accounts, rose from 70% in December 2019 to 84% at the end of December 2020.

With regard to the modernization of payment infrastructure, the year 2020 was marked by:

- the drafting of a new Instruction setting out the modalities for the supervision of financial market infrastructure, as well as payment methods and services in the Member States of the West African Economic and Monetary Union (WAEMU). The Instruction includes Principles for financial market infrastructures (PFMIs) and takes account of payment methods and services and processing systems;
- a compliance assessment of the FMIs managed by the BCEAO, notably the automated cash and securities management system (SAGETIL-UEMOA), the WAEMU Automated Interbank Clearing System (SICA-UEMOA) and the Automated Transfer and Settlement System (STAR-UEMOA), was conducted using the PFMIs defined by the Bank for International Settlements (BIS) to promote efficient approaches to FMI design and operation.

In addition, meetings were held with electronic money institutions (EMIs) to help them improve the regulatory compliance of their products and services. It should be recalled that the activities of emoney issuers, operating mainly in Benin, Burkina Faso, Côte d'Ivoire, Mali and Senegal, account for more than 70% of the Union's e-money activities.

Finally, Instruction No. 002-12-2020 issued on December 18, 2020, by the Governor of the BCEAO authorized the entry into force of the new standards governing commercial bills drawn up by the West African Committee of Banking and Financial Organization and Standardization (CONOBAFI). The implementation of the revised standards will contribute to improving the security of bills of exchange and promissory notes and automating their processing.

CONOBAFI has also launched work on the standardization of a regional Quick Response Code (QR Code) for interoperable contactless payments. This solution allows users to make payments for goods and services from a retailer by scanning a QR Code with their mobile phones. The work initiated in March 2020 should lead to the approval of the functional and technical specifications of a standardized QR-Code throughout the Union during the first quarter of 2021.

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

The BCEAO has taken action to increase the operational autonomy of national public treasury departments in terms of their direct participation in payment systems. It also undertook to promote access for Decentralized Financial Systems (DFSs) and increased brokerage firm participation in the primary market of securities issued by auction, through the settlement of their bids via the STAR-UEMOA system.

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

In 2020, the number of public treasury departments connected to the e-clearing and real-time gross settlement system reached 7, following the entry into production of the Public Treasury of Burkina Faso in STAR-UEMOA.

Beyond the direct participation of public treasuries in WAEMU payment systems, BCEAO services continue to support them in the implementation of action plans aimed at strengthening the automation of their payment circuits and consequently their operational autonomy. The next steps will be focused on:

- monitoring the implementation of the consolidated risk management system related to the participation of the national public treasuries in payment systems. The risk analyses carried out by the public treasuries have been consolidated into a sectoral map that will serve as a reference for risk management at the level of each national public treasury department;
- developing dedicated solutions for national treasuries, so they can have a global view of all their assets on the books of the BCEAO and process their payment instructions in complete autonomy; and
- building the capacity of national treasuries to adopt new tools for managing their assets and payments.

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

Meetings were held in with the stakeholders of the mechanism set in place for DFS participation in the SICA-UEMOA and STAR-UEMOA payment systems through partner banks. The work carried out has enabled the first DFS to become operational in SICA-UEMOA, via a partner bank, in November 2020.

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

A mechanism to settle brokerage firm transactions on the market for government securities issued by auction through STAR-UEMOA, via the accounts of their partner banks was officially launched on February 14, 2020, with a view to modernizing instruments for financing of the economies and diversifying the investor base within the Union.

4.3 - FOREIGN EXCHANGE RESERVES

The official reserve holdings of the Central Bank stood at CFA F 11,731 billion (EUR 17.9 billion) at the end of December 2020, compared with CFA F 10,357 billion (EUR 15.8 billion) at the end of December 2019, an increase of CFA F 1,374 billion (EUR 2.1 billion) over the period.

During financial year 2020, the BCEAO pursued its policy of investing its foreign currency assets in strict compliance with the principles and practices commonly accepted for the management of official foreign exchange reserves. In this respect, reserve holdings were invested in monetary and bond assets, based on their liquidity and security criteria.

BOX 5 : EXPORT REVENUE REPATRIATION TRENDS

Non-WAEMU commodities exports were estimated at CFA F 13,215 billion for 2020, up by CFA F 706 billion (+5.7%) compared to the same period the year before. Foreign exchange repatriations from international sales of commodities were down, however, falling from 8,632 in 2019 to 8,542 billion over the period under review (-90 billion or -1%). The repatriation rate, calculated as a percentage of export earnings, stood at 65% compared to 69% one year earlier.

The decline in the repatriation rate resulted from a combination of a drop in the rate of collection by economic operators and the rate of transfer to the BCEAO of the corresponding currencies by accredited intermediaries. Indeed, the rate of collection of export earnings by businesses in the Union, on the books of local banks, stood at 75% at the end of December 2020 against 78% the year before. The rate of transfer to the Central Bank of resources collected by the Union's banks was 86% in 2020 against 89% in 2019. Thus, the regulatory obligation for banks to repatriate at least 80% of the revenue collected was respected on average in all the countries of the Union.

The amount of export revenue not transferred to the Central Bank amounted to 3,349 billion (25% of exports) compared with 2,794 billion in 2019 (22% of foreign sales). Non-repatriated amounts due to economic operators stood at 3,324 billion (2,776 billion in 2019) and those due to credit institutions amounted to 25 billion (18 billion in 2019).

The overall performance in terms of repatriation of revenue was deemed satisfactory despite the emergency situation due to the COVID-19 pandemic.

V STATUTORY BODIES AND ADMINISTRATION OF THE BCEAO

5.1 – ACTIVITIES OF THE STATUTORY BODIES	52
5.1.1 - Conference of WAMU Heads of State and Government	52
5.1.2 - WAMU Council of Ministers	53
5.1.3 - BCEAO Monetary Policy Committee	55
5.1.4 - Board of Directors of the BCEAO	60
5.1.5 - BCEAO Audit Committee	60
5.2 – ADMINISTRATION OF THE BCEAO	62
5.2.1 - Governance and operational structure of the BCEAO	62
5.2.2 - Human resource management	65
5.2.2.1 - Staffing	65
5.2.2.2 - Training, research and partnerships	66
5.2.3 - Property assets	70
5.2.4 - Information systems	70
5.2.5 - Risk management and control activity mechanisms	71
5.2.6 - Management control mechanism	72
5.2.7 - BCEAO Quality Management System	73
5.2.8 - Accounting information system	73

5.1 - ACTIVITIES OF THE STATUTORY BODIES

In financial year 2020, the Organs of the Union and the BCEAO held their meetings in conformity with the provisions of the West African Monetary Union Treaty of January 20, 2007, and the Statutes of the Central Bank of West African States, annexed to the said Treaty, of which they are an integral part.

5.1.1 - CONFERENCE OF WAMU HEADS OF STATE AND GOVERNMENT

The Conference of WAMU Heads of State and Government held an extraordinary meeting on April 27, 2020, by videoconference, presided by His Excellency Alassane Ouattara, President of the Republic of Côte d'Ivoire, its current Chairman.

During this session, reviewing the health situation in the countries of the Union, the Conference expressed its deep concern at the speed with which the Coronavirus disease was spreading and the human, economic and financial risks it posed to the world in general and the WAEMU countries in particular.

The Conference commended the vigorous response of the Member States since the outbreak of the epidemic and the efforts they continued to make to implement response plans to deal with the spread of the disease, protect the most vulnerable segments of the population and limit the impact of the pandemic. The Conference urged the Member States to continue to raise awareness of the need to comply strictly with prevention measures and paid tribute to health professionals for their tireless efforts to save lives. The Conference thanked all the men and women of goodwill striving to relieve the suffering of the sick and assist those in need.

It congratulated the Council of Ministers and the Institutions of the Union for the decisions and measures taken at the end of the Council's extraordinary session of March 20, 2020, to contribute to the financing of national response plans and welcomed in particular the granting of:

- concessional loans to the States, in the amount of 120 billion, through the allocation, by the BCEAO and the WAEMU Commission, of 40 billion to the WADB subsidy fund; and
- the coverage by the BCEAO of liquidity needs expressed by banks.

The Conference took note of the new support measures for governments and the private sector to strengthen the resilience of all actors to cope with the current and foreseeable consequences of COVID-19 over the short and medium term, and particularly the imminent launch of "COVID-19 Bonds".

The Conference also commended the ongoing actions of the BCEAO and WADB aimed at implementing, in conjunction with the banking system, mechanisms for the financing of Decentralized Financial Systems (DFSs), which are the main sources of financing for the informal sector in the Member States.

The Conference noted that, as in other countries, the coronavirus pandemic was having a profound effect on the economies of the Member States. Accordingly, in 2020, the macroeconomic situation of the Union was expected to deteriorate significantly, with an average growth rate of 2.7%, nearly four percentage points lower than the initial forecast of 6.6%. The Heads of State and Government therefore encouraged the Member States to rapidly implement measures to stabilize and stimulate their economies.

In this connection, the Conference assessed the financial resources required by the States to meet health infrastructure needs, ensure the effective implementation of welfare measures, and revive the economy. These needs were estimated at CFA F 5,284.9 billion. This would result in a worsening of the budget deficit, including grants, to reach 5.5% of GDP against an initial forecast of 2.7%.

In the context of the COVID-19 health crisis, the Conference supported the African Union initiative on the national debt of African countries.

The Conference thanked all of its partners, in particular the African Union, the African Development Bank, the International Monetary Fund, the World Bank and the G20 for the initiatives that had already

been undertaken and invited them to further support the African continent in its fight against the pandemic.

The Conference noted with concern the particularly difficult food and nutrition situation for a certain section of the population of the Union, which would require immediate food and nutrition assistance during the hungry season (June-August 2020). This food vulnerability, essentially linked to the security situation, would be further aggravated by the COVID-19 health crisis.

The Conference also noted that constraints related to imports, market closures, lockdown measures and quarantines in areas affected by the pandemic could deprive rural producers of easy access to agricultural inputs and negatively affect the results of the 2020-2021 crop year, which was already threatened by locusts with the impending onset of the rainy season. This situation could lead to the deterioration of the food and nutrition situation in the region in 2021.

The Conference, aware that the vulnerable segments of the population were heavily affected by the measures taken to limit the spread of the coronavirus pandemic, recommended that the Member States expedite the implementation of mitigation measures on their behalf.

The Conference decided to take the following measures and called on the Member States and Community Institutions to implement them:

- greater coordination within the Community framework on health measures relating to the management of the Union's internal and external borders;
- the development and implementation of a regional plan to strengthen health systems' capacities to respond to epidemics;
- the adoption of a Declaration on the temporary suspension of the application of the Convergence, Stability, Growth and Solidarity Pact; and
- the timely implementation of all necessary measures to reduce the impact of the pandemic on the population and bolster the economy both during and after the crisis.

The Conference expressed deep concern at the continuing escalation of acts of terrorism and banditry against the countries of the Union and reiterated the determination of the Member States to strengthen their cooperation in the fight against terrorism. It condemned the kidnapping of Mr. Soumaila Cissé, leader of the opposition in Mali, and reassured the Malian government of its support and encouragement for all ongoing initiatives to secure his release as soon as possible and without conditions.

Regarding the political situation in the Union, the Heads of State and Government applauded the successful conduct of the presidential elections in Guinea-Bissau and Togo.

The Heads of State and Government extended their warm congratulations to His Excellency Umaro Sissoco Embaló on his accession to the highest office in Guinea-Bissau and to His Excellency Faure Essozimna Gnassingbé on his re-election as President of the Togolese Republic.

The Conference expressed its satisfaction to the President of the WAEMU Commission, to the Governor of the Central Bank of West African States, to the President of the West African Development Bank, to the President of the Regional Council for Public Savings and Financial Markets, as well as to the staff of all the WAEMU bodies and institutions, for the results achieved in the implementation of the Community's programs and projects.

5.1.2 - WAMU COUNCIL OF MINISTERS

The following changes were made to the membership of the Council in the 2020 financial year:

With respect to the Republic of Guinea-Bissau, Mr. João Alage Mamadu Fadia was appointed Minister of Finance, with effect from April 16, 2020, replacing Mr. Geraldo João Martins.

Ms. Mónica Buaró da Costa, Secretary of State for Planning and Regional Integration, was appointed as a member of the Council, with effect from April 16, 2020, replacing Mr. Suleimane Seidi.

With respect to the Republic of Mali, Mr Alousséni Sanou was appointed Minister of Economy and Finance, with effect from October 5, 2020, replacing Ms. Aoua Sylla Barry.

Mr. Harouna Niang, Minister of Industry, Trade and Investment Promotion, was appointed to the Council as from October 16, 2020, replacing Mr. Sambou Wagué.

On behalf of the Togolese Republic, Mr. Simféitchéou Pré, Minister, Adviser to the President of the Togolese Republic, was appointed to the Council as from December 2, 2020, replacing Mrs. Demba Tignokpa.

The Council of Ministers held four (04) ordinary sessions in 2020.

A meeting of the Council of Ministers was held on 30 March, by videoconference, from the premises of the Main Branches and the Headquarters of the BCEAO, under the chairmanship of Mr. Romuald Wadagni, Minister of the Economy and Finance of the Republic of Benin, its statutory President. On June 26, September 28 and December 10, the Council of Ministers held its sessions by videoconference from the premises of the Main Branches and the Headquarters of the BCEAO, under the chairmanship of Mr. Sani Yaya, Minister of the Economy and Finance of the Togolese Republic, its statutory President as of April 1, 2020.

The Council of Ministers also held four (4) extraordinary sessions on March 16 and 20, April 20 and September 3, respectively, by videoconference from the premises of the Main Branches and the Headquarters of the BCEAO.

During its ordinary session of March 30, 2020, the Council of Ministers approved the BCEAO's accounts for the 2019 financial year and proceeded with the distribution of the earnings.

The Council appointed the candidates nominated by the Republic of Mali and the Republic of Niger as representatives of the States on the Board of Directors of the West African Monetary Union Deposit Guarantee and Resolution Fund (FGDR-UMOA), for the period 2020-2021.

The Ministers also took note of the progress of the regional budget support project proposed by the World Bank to the Member States of the Union.

In application of Article 68 of the BCEAO Statutes, the Council appointed the members representing the States to the BCEAO Monetary Policy Committee for a five-year term starting from 1 June 2020.

The ordinary sessions of June 26, 2020 and September 28, 2020 were primarily devoted to the examination of items submitted by the West African Economic and Monetary Union Commission and the Regional Council for Public Savings and Financial Markets.

Exceptionally, the Council also discussed items submitted by the BCEAO at its session of June 26. It commended the measures already implemented by the Central Bank to mitigate the impact of the COVID-19 pandemic on the banking system and the financing of the economy. In addition to these measures, and in order to preserve the financing of the Union's economies as well as the soundness of credit institutions and the financial stability of the zone, the Council decided to extend by one year the period of implementation of the transitional provisions of the prudential framework applicable to the credit institutions and financial companies of the West African Monetary Union.

During its ordinary session of December 10, 2020, the Council examined the recent situation and outlook of the Union.

The Ministers hailed the resilience of the economies in the face of the COVID-19 crisis. This resilience was linked, on the one hand, to the efforts made by the Member States over the past several years to reform the macroeconomic framework, thereby creating scope for fiscal and monetary policies to cope with the economic crisis. This resilience was also the result of the proactive response of Union's bodies and institutions that have supported and assisted the response measures implemented by the public authorities.

The Council of Ministers noted a recovery in the economy in the third quarter of 2020 due to the lifting of mobility restrictions and the impact of public policies put in place to support the economy. Indeed, the Union's Gross Domestic Product (GDP) grew by 0.6% compared to the same period in 2019. For the year 2020 as a whole, the latest forecasts put the Union's GDP growth rate at 0.9% compared with 5.8% in 2019.

The Council noted that the disruption of distribution channels in the context of the COVID-19 pandemic and the virtual stagnation of cereal production in the 2019/2020 growing season had accelerated increases in the overall price level. The Union's inflation rate averaged 2.9% in the third quarter, after 1.7% in the previous quarter. For the year 2020 as a whole, the inflation rate is expected to reach 2.2% after -0.7% in 2019.

The Council of Ministers also noted that the overall budget deficit for the Union, estimated at 3,742.1 billion (or 5.5% of GDP) at the end of September 2020, had more than doubled from its level of 1,576.3 billion (2.4% of GDP) a year earlier. Internationally coordinated efforts to support the economies in the context of COVID-19 have made it possible to finance the needs arising from the crisis and maintain the Union's foreign exchange reserves at adequate levels.

The Council of Ministers stressed that despite the favorable health situation in the Zone, the economic outlook for 2021 remained uncertain. It therefore urged the Member States to ramp up efforts to improve the performance of fiscal administrations and reduce public spending to free up resources to increase the capacity of the national health systems, maintain welfare spending and continue priority investments in infrastructure.

Furthermore, the Council of Ministers of the Union examined and adopted a draft uniform act on factoring in the WAMU Member States. This instrument aims at providing the Union with an appropriate legal framework, which should help boost financing for companies facing cash flow difficulties, particularly to fund their operating cycle.

Finally, the Council of Ministers was informed of the conclusions of the Monetary Policy Committee meeting of December 2, 2020 as well as those of the Regional Consultations with the International Monetary Fund, held from November 6 to 20, 2020. The Central Bank also informed the Council of Ministers of ongoing initiatives to deepen the regional financial market and broaden the investor base to enable economic agents to finance their needs on concessional terms.

5.1.3 - BCEAO MONETARY POLICY COMMITTEE

The following changes were made to the membership of the Council during the 2020 financial year:

With respect to Burkina Faso, Mr. Tertius Zongo, Director of the Sahel Chair of the Foundation for Studies and Research on International Development (FERDI), was appointed as a member of the Committee, effective June 1, 2020, replacing Mr. Ousmane Ouédraogo.

With respect to the Republic of Guinea-Bissau, Mr. José Biai, Adviser to the Prime Minister and Coordinator of the WAEMU Technical Assistance Program, was appointed as a member of the Committee, with effect from June 1, 2020, replacing Mr. Rui Duarte Ferreira.

With respect to the Republic of Mali, Mr. Sidiki Traoré, Director General of the Budget at the Ministry of Economy and Finance, was appointed as a member of the Committee, effective June 1, 2020, replacing Mr. Bangaly N'ko Traoré.

With respect to the Republic of Niger, Mr. Ibrahim Mahamane Dan Sounsou, Consultant at the Maison de l'Entreprise (CPA Laureate Coach), Administrator at SAHFI Tanyo, a financial guarantee institution, was appointed member of the Committee, effective June 1, 2020, replacing Mr. Mahamane Annou Mallam.

With respect to the Republic Senegal, Mr. Moussa Touré, Director of Money and Credit at the Ministry of Finance and Budget, was appointed as a member of the Committee, effective June 1, 2020, replacing Mr. Aliou Faye.

With respect to the Togolese Republic, Mr. Mohamed Takpara-Khoura, retired teacher and researcher, was appointed to the Committee, effective June 1, 2020, replacing Mr. Mongo Aharh-Kpessou.

As regards the members appointed intuitu personæ:

- Mr. Kodzo Mawuena Dossa, Economist, Lomé, Togolese Republic.
- Mr. Michel Lazare, Economist, Chevy Chase, USA.

The BCEAO Monetary Policy Committee held four (4) ordinary meetings in 2020, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank and statutory chairman, respectively on March 18, June 22, September 21 and December 2, from the Main Branches and BCEAO Headquarters.

During its session of March 18, 2020, the Committee reviewed the main trends unfolding recently in the international and regional economy and assessed the risk factors that could affect the medium-term outlook in terms of inflation and economic growth in the Union.

Reviewing the international situation, the Committee observed a slowdown in economic activity in the fourth quarter of 2019 in the main advanced countries, with the exception of the United States. The growth of the world economy was estimated by the International Monetary Fund (IMF) at 2.9% in 2019, following a performance of 3.6% in 2018. With regard to the outlook for 2020, the Committee expressed concern about the consequences of the COVID-19 pandemic, which, in addition to the loss of many human lives, was negatively affecting the world economy.

On the international commodity markets, energy prices (oil and gas) rose by 1.7% in the fourth quarter of 2019 before starting a sharp decline in early 2020, reflecting the economic downturn caused by the COVID-19 pandemic. In the wake of falling energy prices and sluggish demand, non-energy commodity prices also declined. The price index for non-energy commodities exported by WAEMU countries rose by 2.5% between September and December 2019, driven mainly by the increase in cotton, cocoa, rubber and gold prices. At the end of February 2020, the index showed a decline of 2.7% compared to December 2019.

In terms of the internal situation, the Union's economy remained buoyant in the fourth quarter of 2019. The growth rate in the GDP, in real terms, stood at 6.5% after 6.7% in the previous quarter. For 2019 as a whole, the Central Bank estimates the Union's economic growth rate at 6.6%, as in 2018. The global health crisis and the appearance of the first cases of COVID-19 in several WAEMU countries raised fears of adverse consequences for health and the economy.

The financial operations of the Union's Member States were marked in 2019 by a higher increase in budgetary revenue than in expenditure (18.0% against 12.5%). These developments led to a decrease in the overall deficit, based on commitments, including grants, which stood at 3.0% of GDP, after 3.8% in 2018.

The monetary situation in the Union was marked in the fourth quarter of 2019 by an acceleration in money supply, in conjunction with the recovery in net external assets as well as the increase in domestic claims. The Union's foreign exchange reserves grew on an annual basis, covering nearly 6 months of imports of goods and services as at the end of December 2019.

The quarterly average interest rate for weekly cash injection tenders rose slightly to 2.98% from 2.70% in the previous quarter. Over the month of January 2020, it declined to 2.60%, reflecting the improvement in bank liquidity.

Addressing the inflation situation in the Union, the Committee noted that the general level of consumer prices had declined during the fourth quarter of 2019. The inflation rate stood at -0.6%, after -1.0% the previous quarter. This situation was linked to the continued decline in food prices in most of the countries of the Union, particularly the prices of local cereals. On the other hand, in January 2020, the inflation rate increased to 0.8%, mainly due to higher food and energy prices. According to short-term forecasts, the inflation rate was expected to rise to 0.9% at the end of February 2020 and 1.0% at the end of March 2020. Over the next 24 months, the Central Bank expects the inflation rate to reach 1.6%, in line with its objective of price stability.

Based on these analyses, the Monetary Policy Committee decided to keep the minimum interest rate for tenders for cash injection operations unchanged at 2.50% and the interest rate for the marginal lending window at 4.50%. The reserve requirement ratio for banks in the Union remained at 3.0%.

The Committee announced that the Central Bank was closely monitoring the developments of the COVID-19 pandemic in the Member States and would take all appropriate measures to ensure that adequate liquidity was available to finance the needs of the Union's economies.

The Monetary Policy Committee stressed its resolve to expeditiously implement any decision it deemed necessary to counter the impact of the COVID-19 pandemic on the economies of the Union, within the scope of its mandate.

During its session of June 22, 2020, the Committee reviewed the main trends unfolding recently in the international and regional economy and assessed the risk factors that could affect the medium term outlook in terms of inflation and economic growth in the Union.

In its review of the international environment, the Committee noted the rapid spread of the coronavirus disease worldwide and the scope of the measures taken to contain it. The economy was severely impacted by disruptions in the production, distribution and marketing chains, as well as by growing uncertainties surrounding the future. According to the International Monetary Fund, the rate of growth in the global economy was -3.0% in 2020 compared to 2.9% in 2019. This marked recession illustrates the extent of the impact of the COVID-19 pandemic on the global economy.

On the international markets, commodity prices, with the exception of gold, fell sharply in the early months of 2020, in connection with the COVID-19 health crisis. The measures taken by governments around the world to limit the spread of the disease, including border closures and lockdown measures, severely disrupted international production chains, leading to a fall in demand for commodities. Energy prices fell by 18.4% in the first quarter of 2020, after rising by 1.7% in the previous quarter. Non-energy commodity prices also fell by 0.7% in the first quarter of 2020, after rising by 1.9% in the previous quarter.

In terms of the internal situation, the Committee noted that economic activity had slowed down significantly. The Union's GDP grew by 3.3% year over year in the first quarter of 2020, after 6.5% the previous quarter. The slowdown in economic activity was primarily linked to the tertiary sector, whose contribution to growth fell by half compared to the previous quarter, reflecting the initial impact of the spread of the pandemic, particularly in the tourism, hotel, transport and trade sectors. For the 2020 financial year as a whole, current forecasts by the Central Bank assume an economic growth rate of 2.6% for the Union, against an initial forecast of 6.6%.

Budget execution in the WAEMU Member States was strongly impacted by the COVID-19 pandemic in the first quarter of 2020. Government response plans resulted in a drop in revenue and an increase in expenditure, leading to a deepening of the budget deficit. The budget deficit, on a commitment basis, including grants, was estimated at 922.1 billion or 4.5% of GDP at the end of March 2020, compared with 222.5 billion or 1.1% of GDP at the same period the previous year.

The monetary situation in the Union was marked in the first quarter of 2020 by a slight acceleration in the rate of growth of the money supply, year over year, in conjunction with the recovery in net external assets and the increase in domestic claims. The Union's foreign exchange reserves grew on an annual basis, covering nearly 6.3 months of imports of goods and services as at the end of December 2020.

The quarterly average interest rate for weekly cash injection tenders showed a clear downward trend, standing at 2.69% after 2.98% the previous quarter. Since the month of April 2020, it has stood at 2.50%, in line with the cash injections at the fixed rate of 2.50% launched by the Central Bank to combat the negative effects of the health crisis.

Addressing the inflation situation in the Union, the Committee noted that the general level of consumer prices had increased during the first quarter of 2020. The inflation rate rose to 1.2% following -0.6% the previous quarter. This increase was driven by higher food prices. Looking ahead eight quarters, the inflation rate is expected to reach 2.2% year over year, a level in phase with the Central Bank's goal of price stability.

Noting that the stimulus plans put in place by the States and the gradual easing of travel restrictions should lead to a revival of production, the members of the Monetary Policy Committee decided to support this momentum by lowering the Central Bank's key rates by 50 basis points. The minimum interest rate for bidding on calls for tenders for injection of liquidities and the marginal lending rate were respectively lowered from 2.50% to 2.00% and from 4.50% to 4.00%. This decision came into force on June 24, 2020.

In addition, the Monetary Policy Committee noted that the status of mandatory reserves held by the banks remained comfortable. On that basis, the Committee decided to maintain the minimum reserve ratio applicable to banks in the Union unchanged at 3.0%.

During its ordinary session of September 21, 2020, the Committee reviewed the main trends unfolding recently in the international and regional economy and assessed the risk factors that could affect the medium-term outlook in terms of inflation and economic growth in the Union.

With regard to the international environment, the Committee noted that the worldwide spread of the coronavirus pandemic and the measures taken to contain it had led to a sharp decline in global growth. Against that backdrop, the economy in most countries of the world contracted more markedly in the second quarter of 2020 than in the first quarter. Moreover, the prospects for recovery, supported by the gradual easing of mobility restrictions beginning in June 2020 and the stimulus policies implemented by governments, continued to be undermined by fears of a second wave of the pandemic. According to the International Monetary Fund, global economic activity was expected to experience a severe recession in 2020, with world production down by 4.4%, after growth of 2.9% in 2019.

On the international markets, the downward trend in commodity prices observed in the first quarter of 2020 intensified in the second quarter, due to the negative impact of the pandemic on production chains and global demand for goods and services. According to World Bank data, energy prices contracted by 35.8% in the second quarter of 2020, following a decline of 18.4% in the previous quarter. Non-energy commodity prices also fell by 4.5% in the second quarter of 2020, following a 1.1% decline in the first quarter. However, precious metals, including gold, continued to rise, with prices increasing by 6.2%, after 5.4% in the previous quarter.

Reviewing the domestic situation, the Committee noted that economic activity in the Union was also affected by the spread of the pandemic as from March 2020 in all the Member States. The GDP fell by 2.0% in the second quarter of 2020 compared to the same period of the previous year, after rising by 3.2% a quarter earlier. The decline in economic activity in the Union was mainly driven by the tertiary and secondary sectors, whose added value fell by 3.4% and 3.6% respectively in the second quarter of 2020. In contrast, the added value of the primary sector increased by 3.1%, due to the strong performance of agricultural production. Overall, for the 2020 financial year as a whole, the Union is expected to show economic growth of 1.3%, following a performance of 6.1% in 2019.

The execution of the budgets of the Union's Member States in the first half of 2020 was affected, as in most countries of the world, by the measures taken to contain the spread of the virus and limit its economic and social fallout. The first available estimates showed a significant deepening of the budget deficit, on an accruals basis, including grants, compared with its level in the same period of 2019. Indeed, it represented 6.1% of GDP at the end of June 2020 compared to 2.7% one year prior.

The Union's money supply continued to grow, with an increase of 13.2% at the end of June 2020, driven mainly by loans to Member States, which grew by 43.2% in connection with the financing of major expenditures incurred in response to the health crisis. The Union's foreign exchange reserves grew on an annual basis, covering 6.2 months of imports of goods and services as at the end of June 2020.

The average interest rate on liquidity injection operations through the BCEAO's one-week refinancing window stood at 2.46% in the second quarter of 2020, compared with 2.90% the previous quarter. Since June 24, 2020, it has been stable at 2.00%.

Addressing the inflation situation in the Union, the Committee noted that the general level of consumer prices had increased slightly during the second quarter of 2020. The inflation rate rose to 1.7% following 1.2% the previous quarter. This situation was mainly due to the increase in the prices of local

cereals, fishery products, fresh vegetables and tubers and plantains, due to the disruption in distribution channels caused by the COVID-19 pandemic. According to the latest projections, the inflation rate was expected to average 1.8% in 2020 and 2.0% in 2021.

Looking ahead eight quarters, i.e. to the end of June 2022, the inflation rate was expected to stand at 2.3%, within the target range (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy.

Based on these analyses, the Monetary Policy Committee decided to keep the minimum interest rate for tenders for cash injection operations unchanged at 2.00% and the interest rate for the marginal lending window unchanged at 4.00%, the levels in force since June 24, 2020. The reserve requirement ratio for the Union's banks also remained unchanged, at 3.0%.

During its ordinary session of December 2, 2020, the Committee reviewed the main trends unfolding recently in the international and regional economy and assessed the risk factors that could affect the medium-term outlook in terms of inflation and economic growth in the Union.

With regard to the international environment, the Committee noted that the global economy had entered a phase of gradual recovery in the third quarter, linked to the lifting of containment measures and the implementation of expansionary fiscal and monetary policies in response to the economic and health crisis. However, the outlook remained highly uncertain due to the recent resurgence of coronavirus infections in many countries, leading to the reinstatement of mobility restrictions. According to the International Monetary Fund, global economic activity was expected to experience a severe recession in 2020, with world production down by 4.4%, after growth of 2.9% in 2019.

On the international markets, commodity prices recovered during the quarter under review, in conjunction with the gradual improvement in economic activity observed during the period. According to World Bank data, energy prices recovered by 33.9% in the third quarter of 2020 after falling sharply in the previous quarter. Non-energy commodity prices also picked up, rising by 7.4% in the third quarter of 2020, after dropping by 0.9% and 4.7% in the first and second quarters of 2020, respectively. This favorable trend reflected increases of 5.7% in agricultural commodity prices, 16.5% in precious metals and 19.5% in other metals and minerals.

Looking at the domestic situation, the Committee noted that economic activity in the WAEMU increased slightly in the third quarter of 2020, in connection with the lifting of mobility restrictions and the positive impact of the public support policies put in place. The Union's GDP grew by 0.6% compared to the same period in 2019, after a 2.0% decline a quarter earlier. For financial year 2020 as a whole, the latest forecasts put the Union's GDP growth rate at 0.9%, compared with 5.6% in 2019.

The execution of national budgets for the first nine (9) months of the year 2020 shows a worsening of deficits compared to the same period of the previous year, due to the impact of the pandemic on revenue as well as the response and recovery measures implemented by the States. The budget deficit, on a commitment basis, including grants, stood at 3,742.1 billion or 5.5% of GDP at the end of September 2020, against 1,576.3 billion or 2.4% of GDP one year prior.

On the monetary front, the money supply grew by 15.5% compared to 13.2% in the same quarter of the previous year. This acceleration was driven by increases in net external assets (+19.3%) and domestic claims (+11.8%). The Union's foreign exchange reserves were established at a comfortable level, covering 5.6 months of imports of goods and services. This corresponds to a coverage rate of 74.7% of the currency issue compared to 75.3% the previous quarter.

On the money market, financing conditions continued to ease, in keeping with the liquidity injection operations at fixed rates since the end of March 2020 and the impact of the decision to cut key rates on June 24, 2020. Thus, the weighted average rate for weekly liquidity operations was 2.00% in the third quarter of 2020, compared with 2.46% in the previous quarter and 3.15% a year earlier.

Addressing the inflation situation in the Union, the Committee noted that the overall level of consumer prices averaged 2.9% in the third quarter, following an increase of 1.7% in the previous quarter. The acceleration in the rate of increase of the overall price level was mainly due to higher prices for local cereals, fishery products, fresh vegetables and tubers and plantains. This evolution can be explained by

the disruption of distribution channels in the context of the COVID-19 pandemic, and the drop in cereal production for the 2019/2020 crop year. The underlying inflation rate rose to 1.6%, after increasing by 1.2% a quarter earlier. For 2020 as a whole, the inflation rate was forecast at 2.2% after -0.7% in 2019. Looking ahead eight quarters to the end of September 2022, the forecasts place the inflation rate in the comfort zone (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy.

Based on these analyses, the Monetary Policy Committee decided to keep the minimum interest rate for tenders for cash injection operations unchanged at 2.00% and the interest rate for the marginal lending window unchanged at 4.00%, the levels in force since June 24, 2020. The reserve requirement ratio for the Union's banks also remained unchanged, at 3.0%.

5.1.4 - BOARD OF DIRECTORS OF THE BCEAO

The following changes were made to the membership of the Board of Directors of the BCEAO during the 2020 financial year:

With respect to the Republic of Mali, Mr. Soussourou Dembélé, Secretary General of the Ministry of Economy and Finance, was appointed as a member of the Board, effective November 24, 2020, replacing Mr. Bangaly N'ko Traoré.

With respect to the Republic of Senegal, Mr. Abdoulaye Fall, Treasurer General of the General Directorate of Public Accounting and Treasury, was appointed to the Board of Directors of the BCEAO, effective July 24, 2020, replacing Mr. Adama Racine Sow.

The Board held two (02) ordinary sessions, on March 26 and December 7, by videoconference, from the premises of the BCEAO's Main Agencies and Headquarters, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank, its statutory Chairman.

During its ordinary session of March 26, 2020, the Board approved the accounts of the BCEAO for the financial year 2019.

Furthermore, the Board took note of the self-assessment report of the Audit Committee for the 2019 financial year as well as BCEAO Annual Report.

The members of the BCEAO Board of Directors were informed of the measures taken by the Union's organs and institutions to mitigate the impact of the COVID-19 pandemic on the banking system and the economies of the Member States of the Union.

At its ordinary session on December 7, 2020, the Board reviewed and approved the budget of the Central Bank for the year 2021.

Furthermore, the Board was informed of the conclusions of the work of the BCEAO Audit Committee which met on Saturday December 5, 2020.

5.1.5 - BCEAO AUDIT COMMITTEE

The following changes were made to the membership of the Committee in financial year 2020: Since April 1, 2020, the Audit Committee has been made up of the Directors representing the following Member States:

Togo	: Chairman;
Burkina Faso	: Member;
Côte d'Ivoire	: Member;
Guinea-Bissau	: Member.

The BCEAO Audit Committee held three (3) ordinary meetings by videoconference on March 24, August 25 and December 5, from the premises of the Main Branches and BCEAO headquarters.

The session of March 24 was chaired by Mr. Oumara Karimou Assouma, the statutory Chairman, and those of August 25 and December 5, by Mr. Ekpaou Adjabo, statutory Chairman as from April 1, 2020.

During its session of March 24, 2020, the Committee, after examining the financial statements prepared by the Bank's Services and the audit reports presented by the Statutory Auditor, noted with satisfaction the increase in the Bank's total balance sheet (+15%) and net result (+3%) in 2019.

It noted the positive opinion of the Statutory Auditor on the fairness and accuracy of the accounts for financial year 2019, on the quality of the internal control system as well as on compliance with the provisions of the Operations Account Agreement.

The Audit Committee warmly commended the Governor and the staff of the Central Bank for the results achieved and recommended to the Board of Directors to adopt the accounts for the financial year ending 31 December 2019, as submitted to it.

The Committee took note of the annual report on BCEAO's control activities as well as the results of the evaluation of the performance of the Commissioner Comptroller and National Comptrollers for the year 2019.

It also noted the diligent handling, during 2019, of its recommendations and those made by the internal and external audit missions.

During its session of August 25, 2020, the Committee took note of the progress of the program of internal audit missions as of July 31, 2020. In this regard, it noted that due to the COVID-19 health crisis, fourteen (14) missions out of the sixteen (16) planned for this period were suspended and two (2) were completed.

It approved the revised mission schedule for the year 2020. This schedule, developed with a view to returning to business as usual, covers the Bank's main sensitive areas and major risks.

It took note of the progress achieved in the implementation of its recommendations and in the internal and external audit missions.

The Audit Committee was informed of the results of the self-assessment of the internal audit activity for the year 2019 as well as the results of the satisfaction survey on the services of the internal audit missions carried out in 2018 and 2019. It congratulated the Central Bank for its performance and encouraged it to implement the areas of improvement identified.

It took note of the annual report on operational risks for financial year 2019. It acknowledged the relevance of the report, which provided assurance on the quality of risk management at the BCEAO.

Lastly, the Audit Committee held discussions with the Internal Audit Mission. It congratulated them on the quality of their work and encouraged them to carry out the missions entrusted to them.

During its session of December 5, 2020, the Committee took note of the implementation status of the Central Bank's 2018-2020 three-year audit plan, whose implementation was impacted, during its final year, by the COVID-19 health crisis.

The Committee approved the internal audit plan for the 2021-2023 period, which covers the Bank's main areas of activity and emerging risks, including those related to cybersecurity. To this end, it encouraged the Central Bank to use remote audit techniques to prevent the suspension of audit missions in the event of a crisis.

The Committee adopted its annual progress report for the year 2020 as well as the status of implementation of the action plan based on the self-assessment conducted in 2019. The annual progress report will be submitted to the Board of Directors for approval at its March 2021 session.

The Committee also adopted its work program for the 2021, focusing notably on the examination of BCEAO's financial statements for 2020, the monitoring of the implementation of the internal audit mission program for 2021 and the approval of the internal audit program for 2022.

It took due note of the progress achieved in the implementation of the recommendations issued by the internal and external audit missions.

It reviewed the engagement letter of the Statutory Auditor for the 2020 financial year and noted that the audit strategy as well as the proposed agenda for the audit of the accounts were in conformity with the contractual provisions. It also expressed its satisfaction with the methods used by the Statutory Auditor in performing his mission.

Finally, the Audit Committee approved the renewal, for the year 2021, of the contract of the audit and financial reporting expert responsible for assisting it in the performance of its mission.

5.2 – ADMINISTRATION OF THE BCEAO

5.2.1 - GOVERNANCE AND OPERATIONAL STRUCTURE OF THE BCEAO

MEMBERS OF THE GOVERNMENT

GOVERNOR	Mr. Tiémoko Meyliet Koné
DEPUTY GOVERNOR	Mr. Abdoulaye Diop
DEPUTY 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

CABINET OF THE GOVERNOR

Advisor to the Governor	Ms. Danielle Benoist
Managing Director of the BCEAO's Abdoulaye Fadiga Foundation	Ms. Sylviane Mensah
Chief of Staff to the Governor	Mr. Abdoulaye Traoré

OFFICE OF THE SECRETARY GENERAL

Managing Director, WAEMU Financial Stability Fund	Mr. Armand Badiel
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GENERAL CONTROL

Comptroller General	Mr. Gbégnon Alain Michel Komaclo
Advisor to the Comptroller General	Mr. Sama Mamane

GENERAL DIRECTORATES

Director General, Fiduciary Activities	Ms. Zenaida M. Lopes Cassama
Director General, Economic and Monetary Affairs	Mr. Bassambié Franck Bationo
Director General, Operations and Financial Inclusion	Mr. Bwaki Kwassi
Director General, Financial Stability and Financing of the Economies	Mr. Sourou Antonin Dossou
Director General, Organization and Information Systems	Ms. Aminata Fall Niang
Director General, Administration and Human Resources	Mr. Alioune Blondin Beye
Director General, <i>Centre Ouest Africain de Formation et d'Etudes Bancaires</i> (COFEB, West African Center for Bank Training and Studies)	Mr. Ousmane Samba Mamadou

ADVISORS TO THE DIRECTORS GENERAL

Advisor to the Director General, Fiduciary Activities	Mr. Siaka Keita
Advisor to the Director General, Economic and Monetary Affairs	Mr. Madani Touré
Advisor to the Director General, Operations and Financial Inclusion	Mr. Mahamane Alassane Touré
Advisor to the Director General, Financial Stability and Financing of the Economies	Mr. Habib Thiam
Advisor to the Director General, Organization and Information Systems	Mr. Coulibaly Horo
Advisor to the Director General, Administration and Human Resources	Ms. Marie Evelyne Séabé
Advisor to the Director General, <i>Centre Ouest Africain de Formation et d'Etudes Bancaires</i> (COFEB, West African Center for Bank Training and Studies)	- Ms. Aminata Haïdara - Ms. Amenan Justine Tano Beugre

CENTRAL SERVICES DEPARTMENTS

Director, Legal and Institutional Affairs	Mr. Vincent Sedalo
Director, Documentation, Publications and Archives	Mr. Kabola Aubin Seth Odah
Director, Inspection and Audits	Ms. Boury Ndaw Diallo
Director, Surveillance and Risk Prevention	Mr. Kora Liliou

Director, Fiduciary Studies	Mr. Mohamed Almountaka Alfidja
Director, Cash Transactions	Mr. Yamoussa Mélérgaba Koné
Director, Currency Circulation Management Center	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 Transactions	Mr. Mahamane Alassane Touré
Director, Payment Systems and Methods	Ms. Akuwa Dogbé Azoma
Director, Financial Inclusion	Ms. Gisèle Catherine Keny Ndoye
Director, Banking Activities and Alternative Financing	Mr. Charlie Jerry Dingui
Director, Financial Stability	Ms. Yaye Aminata Seck Mbow
Director, Accounting and Management Control	Mr. Ekoué Djro Glokpor
Director, Information Systems	Mr. Tiéguélé Abdoul F. Coulibaly
Director, 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 Programs	Mr. Toukou Fernand Aboutou
Director, Research and Partnerships	Ms. Ndeye Amy Ngom Seck
Director, Administrative Affairs and Communications	Ms. KA Marième Ndir

NATIONAL DIRECTORS

National Director for Benin	Mr. Emmanuel Junior Assilamehoo
National Director for Burkina Faso	Mr. Charles Luanga Ki-Zerbo
National Director for Côte d'Ivoire	Mr. Chalouho Coulibaly
National Director for Guinea-Bissau	Ms Helena Maria José Nosolini Embalo
National Director for Mali	Mr. Konzo Traoré

National Director for Niger	Mr. Maman Laouane Karim
National Director for Senegal	Mr. Ahmadou Al Aminou Lo
National Director for Togo	Mr. Kossi Ténou

SECRETARIAT GENERAL DE LA COMMISSION BANCAIRE DE L'UMOA (CBUMOA)

Secretary General	M. Antoine Traoré
Deputy Secretary General	Mr. Adjoumani Kouakou
Director, Crisis Resolution and Legal Affairs	Mr. Thierry Toffa
Director, International Relations and Studies	Mr. Babacar Fall
Director, Permanent Supervision	Mr. Josephate Zola
Director, On-Site Inspection of Credit Institutions and Electronic Money Institutions	Mr. Malick Diarra
Director, On-Site Inspection of Decentralized Financial Systems	Mr. Kalidou Assane Thiam
Director, General Resources	Mr. Moussa Diarra

5.2.2 - HUMAN RESOURCE MANAGEMENT

5.2.2.1 - Staffing

As at December 31, 2020, the total number of Central Bank staff, across all departments, stood at 3,517, down by 80 staff members compared to December 31, 2019, when there were 3,597 staff, representing a decrease of 2.22%. The workforce included 57 employees on secondment or standby assignment.

The overall workforce was broken down as follows:

- Senior management and directors: 99, or **2.86%**
- Executive staff: 1,135, or **32.80%**
- Administrative and technical staff: 2,226, or **64.34%**

The proportion of female staff in the active workforce was **39.98%**, or **1,383** staff members, while the proportion of male staff was **60.02%**, i.e. **2,077** staff members.

The distribution of staff by site was as follows:

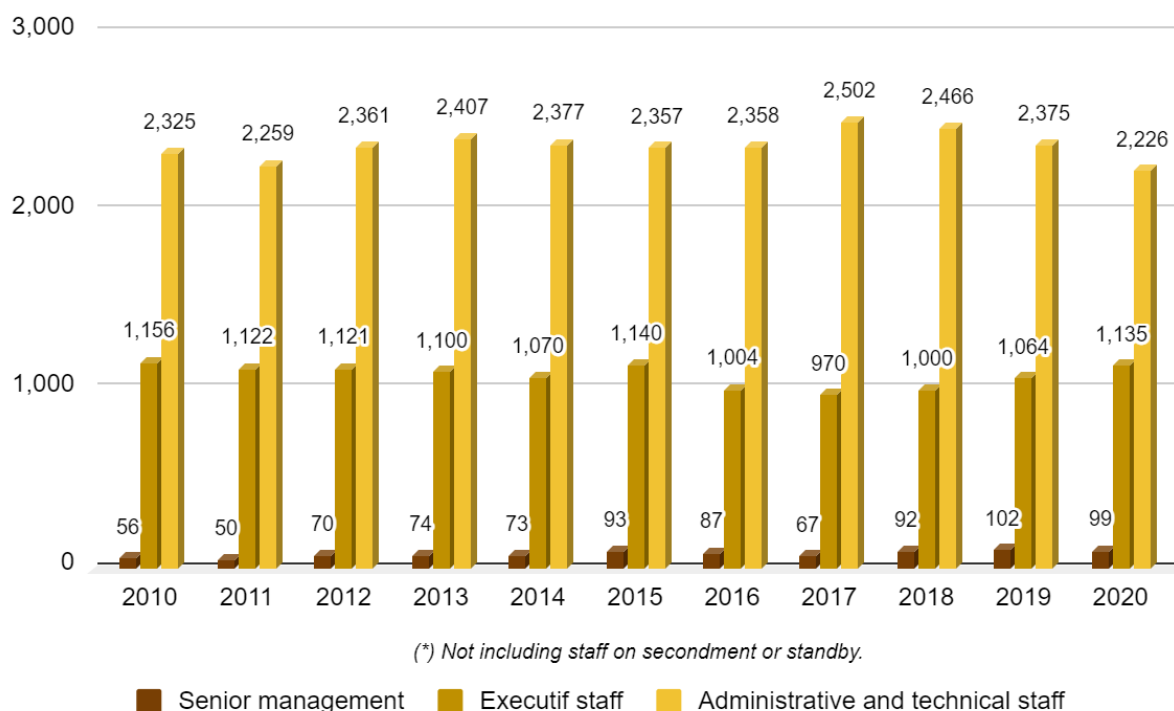
Headquarters: 765 staff members, or **22.11%**;

National Directorates: 2,560 staff members, or **73.99%**;

BCEAO Representation with European Cooperation Institutions: 4 staff members, or **0.11%**;

Office of the Secretary General of the WAMU Banking Commission: 131 staff members, or **3.79%**.

Graph 16 : TRENDS IN BCEAO STAFFING



Source : BCEAO.

5.2.2.2 - Training, research and partnerships

5.2.2.2.1 Training and Capacity Building

In 2020, training activities took place under constrained circumstances due to the COVID-19 pandemic.

The West African center for bank training and studies (COFEB) had to adapt its arrangements for implementing the teaching and training activities, which were initially planned to be classroom-based. Thus, beginning from April 2020, the entire COFEB teaching and training program was redesigned and delivered remotely: distance learning for diploma courses and webinars for short courses and conferences.

In keeping with its mission, COFEB implemented various training programs for BCEAO staff members and officers of economic and financial administrations, credit institutions and DFSs.

➤ Training of BCEAO Staff

8 TRAINING SESSIONS CONDUCTED: 2 IN-PERSON SESSIONS AND 6 VIDEOCONFERENCE SESSIONS

127 BCEAO EMPLOYEES PROMOTED INTERNALLY, TRAINED UNDER THE SECOND EDITION OF THE PROFESSIONAL QUALIFICATION PROGRAM

470 EMPLOYEES ATTENDED ENGLISH LANGUAGE COURSES

Training of BCEAO staff revolved around refresher courses, the second round of the professional qualification program and English language training.

With respect to refresher and professional development training, eight (8) training sessions were conducted in 2020, including two (2) in-person sessions and six (6) videoconference sessions. One hundred and sixty-six (166) BCEAO staff members attended online training sessions on thirty-four (34) topics related to the Bank's activities.

In addition, under the internal promotion process, the courses organized as part of the second round of the professional qualification program were completed during the first quarter of 2020. One hundred and twenty-seven (127) employees who passed the selection test took part in the second round, with sixty-eight (68) attending Course 1 for the "Assistance and Logistics" career path, and fifty-nine (59) taking Course 2, on the "Operations" career path.

After the theory phase was completed, the program moved on to the finalization of tutored dissertations. The learners who successfully completed the theory phase were given practical work experience in some of the Bank's structures between May and July 2020. They took up their new positions in August 2020.

With respect to English language training, the 2019/2020 edition was completed in September for four hundred and seventy (470) staff members. The activities of the 2020/2021 edition, which will be attended by seven hundred and ninety-three (793) staff members, started in November 2020.

➤ Degree Courses

During the reporting period, COFEB trained the 41st and 42nd cohorts of auditors from the Union's Member States, the Central Bank of the Republic of Guinea (BCRG) and the Bank of the Republic of Burundi (BRB), respectively for the 2018/2019 and 2019/2020 academic years. All thirty-two (32) auditors of the 41st cohort successfully completed the training and were awarded a master's degree in Finance and Banking Management.

The 43rd cohort started classes under academic year 2020/2021 on December 14, 2020. This cohort consisted of fourteen (14) auditors from the Union's Member States.

➤ Program to support banks in managing the COVID-19 crisis

Partnering with HEC Paris, COFEB set up a capacity-building program to support and complement measures taken by the BCEAO to help the banking sector respond to the COVID-19 crisis. The program, whose central theme was "Impact of the COVID-19 crisis on banks in the Union", allowed credit institutions to:

- establish a diagnosis of the current crisis in relation to banks;
- identify future economic and financial scenarios facing banks;
- adapt their risk management strategy; and
- identify crisis-recovery opportunities and assumptions for banks.

The program was launched on June 18, 2020, during an international webinar chaired by the Governor of the BCEAO. The event, which was open to the public, was attended by nearly seven hundred (700) people, including the Central Bank's senior management and staff, representatives of partner central banks, the Union's Professional Associations of Banks and Financial Institutions (APBEF), community organizations, regional financial institutions, as well as executives of credit institutions.

Following the request for applications to attend the training sessions, ninety-five (95) applications from credit institutions within the Union were registered. In order to meet the demand, four (04) webinar sessions were scheduled, as the number of participants at each session was limited to thirty (30) to ensure the training was properly conducted.

All four (4) sessions were successfully organized between June 26 and September 04, 2020. The first session was attended by twenty-two (22) senior managers, including fourteen (14) Directors General and eight (8) Deputy Directors General.

➤ **Skills training program for credit institutions**

As part of its role in building the technical and professional skills of actors in the Union's banking and financial sector, COFEB continued to organize short seminars for credit and microfinance institutions, and also for electronic money institutions. As a result, seventeen (17) training sessions were organized.

The skills training activities conducted focused on the following subject areas: cybersecurity and information security, IFRS standards, cash management in WAMU banks and money market, audit and internal control, training and coaching in the context of domestication of Basel II and III standards in the WAEMU regulatory framework, legal and operational aspects of Islamic finance, governance and compliance, digital transformation, and rules and procedures for accounting for electronic money operations.

➤ **COFEB/HEC Paris program to strengthen managerial capacities in the banking sector**

Two (2) certification courses, delivered in collaboration with HEC Paris, i.e., the Certificate on Executive Management of Banking Activities (CEMGAB) and the Certificate on Executive Management of Human Resources (CEMRH), were revised to adapt their content to changes in the banking environment and implementation procedures in light of the physical distancing measures introduced.

The eighth edition of the CEMGAB Course was launched during a webinar held on August 24 and 25, 2020, for twenty-five (25) executives and members of the management committees of credit institutions in the Union. All seven (7) modules of this Course were delivered, ending on February 4, 2021.

As for the CEMRH Course, its fifth edition was entirely conducted online from October 20, 2020 to December 8, 2020. It was attended by eleven (11) human resources managers.

➤ **Topical conferences**

To raise public awareness on topics related to economic, monetary and financial news, COFEB organized five (5) topical conferences, including:

● **Two (2) face-to-face events on the following topics:**

- *"Making good use of the category of Least Developed Countries (LDCs) and ways to graduation"*, by Professor Patrick Guillaumont, FERDI Chairman; and
- *"Optimal taxation and tax reforms in WAEMU"*, by Abdoulaye Ndiaye, Professor at the Stern School of Business of New York University and Researcher in Economics at the Federal Reserve Bank of Chicago (USA);

● **Three (3) online events on the following topics:**

- *"Modeling the macroeconomic effects of the COVID-19 pandemic"* by Mbaye Diene, Associate Professor at COFEB;
- *"Rethinking macroeconomic policy: an Islamic model of stability and growth"*, by Dr. Adama Dieye, Expert in Islamic finance and former Department Head at the BCEAO; and
- *"Emergence of crypto-currencies: fears and controversies"*, by Michel Ruimy, Professor at the Paris Institute of Political Studies (Sciences Po) and Director of Studies at the Ecole Supérieure de Commerce de Paris (ESCP-Europe).

5.2.2.2 Research and Partnerships

Research activities focused on the preparation of five (5) Study and Research Papers on the following topics:

- Construction of a systemic risk index for WAEMU and contagion analysis in the WAEMU banking system;

- Design of a macro-prudential stress test model for WAEMU;
- Determination of the threshold for defining large decentralized financial systems (DFSs) in the WAEMU region;
- Public debt sustainability of WAEMU Member States: new approach based on repayment capacity; and
- Alignment of the currencies of ECOWAS Member States in the context of the transition to a single currency in the Community.

In addition, a study entitled “*Economic shock and systemic risk in WAMU: an attempt to assess the impact of COVID-19 using a network model*” and a methodological note on Dynamic Stochastic General Equilibrium (DSGE) models for Bank staff were produced.

The seventh edition of the Abdoulaye FADIGA Prize (PAF) was organized in 2020. However, this edition did not result in the selection of a candidate, since the articles submitted were deemed to be of lower quality than those submitted during previous editions. Nevertheless, feedback on the three (3) papers with the highest scores was shared with the authors for them to address in preparation for their potential publication in the Economic and Monetary Review (EMR).

Several related activities, including meetings, were conducted to support research efforts. As part of this process, COFEB’s team of researchers and officers from the relevant Departments took part in a capacity-building seminar held from March 4 to 6, 2020 at BCEAO headquarters to discuss the “*Monte Carlo simulations applied to finance*”. This seminar was facilitated by Professor Issouf Soumaré of Université Laval in Quebec City, Canada, under a partnership agreement established in 2019 with this renowned university

The outbreak of the COVID-19 crisis has led to changes in the way the research program is conducted. COFEB launched a call for contributions for the publication of a special edition of the BCEAO Economic and Monetary Review (EMR) based on the following theme: “*WAEMU economies facing the COVID-19 pandemic: economic policies and outlooks*”. The purpose of this special edition was to identify the critical aspects of the crisis as well as its impact on the WAEMU economies and propose guidelines for recovery in terms of economic policy recommendations.

In addition, two (2) online research and discussion workshops (webinars) were organized to discuss the following COVID-19-related topics:

- “*Impact of the COVID-19 pandemic on the microfinance sector*” on July 17, 2020, in collaboration with the International Association of Francophone Microfinance Researchers (AICFM). This workshop was facilitated by Professor Thierry Montalieu of the University of Orleans, France; Professor Célestin Mayoukou of the University of Rouen, France; and Professor Denis Acclassato Houensou and Professor Magloire Lantha of the University of Abomey-Calavi, in Cotonou, Benin;
- “*Implementing the monetary policy in the context of the COVID-19 crisis*”, held on July 24, 2020. This workshop was facilitated by Professor Léonard Wantchekon of Princeton University, USA, and Professor Adama Diaw of Gaston Berger University of Saint-Louis, Senegal.

With respect to cooperation, some activities were conducted around two (2) focus areas: revitalizing existing partnerships and developing new partnerships, including by signing an agreement with a renowned Anglo-Saxon institution.

In the framework of the revitalization process, a working session took place on February 7, 2020 between a delegation from Paris Dauphine-Paris Sciences et Lettres (UPD-PSL) University and COFEB. During this meeting, the institutions agreed to set up training modules and consider conducting joint research.

COFEB pursued its cooperation with the African Center for Advanced Studies in Management (CESAG), whose Board of Directors is chaired by the BCEAO. In this regard, it contributed to the

sessions organized by the CESAG on August 17 and December 17, 2020. It also provided logistical support to certain bodies, including:

- the Banking Industry Training Center (CFPB), requesting logistical support from the BCEAO to organize the jury for the award of the *Institut Technique de Banque* (ITS) diploma;
- the Economic Policy Management (GPE) program of Abidjan to organize the selection of the 2020-2021 cohort;
- SESRIC, to hire an expert auditor to lead a training workshop on “*Internal Audit and Governance*” in Conakry, for the staff of the Central Bank of the Republic of Guinea (BCRG);
- CIBAFI, to jointly organize a workshop on “*Governance, Risks and Compliance for Islamic Financial Institutions*”; and
- the Executive Committee of the Conference of Economic and Management Education and Research Institutions in Africa (CIEREA), for BCEAO support to the Inter-University Postgraduate Program (PTCI) in economics.

As part of efforts to strengthen partnerships, discussions were initiated with Princeton University and Harvard Kennedy School in the United States. These discussions made it possible to identify potential cooperation areas and procedures and prepare draft memoranda of understanding. Discussions were also initiated with the AICFM. An agreement in principle for the establishment of a partnership between this organization and COFEB was reached and discussions on cooperation procedures are still underway.

With regard to publications, the twenty-seventh edition of the BCEAO Economic and Monetary Review (EMR) was published online on June 30, 2020. This edition addressed issues related to the implementation of monetary and fiscal policies in WAEMU countries, through the two (2) articles below:

- *What inflation target to aim for in for the West African Economic and Monetary Union?*
- *Evaluation and analysis of Togo’s VAT gap over the period from 2007 to 2015.*

As part of its efforts to modernize its activities, COFEB also started developing its editorial policy and acquired a plagiarism detection software to be used to manage its publications. Steps have also been taken to register the EMR in distinguished virtual libraries, such as JSTOR and CAIRN INFO.

5.2.3 - PROPERTY ASSETS

In 2020, the Central Bank continued its program to consolidate and extend the infrastructure of its network of Branch Offices.

In this respect, the refurbishment of the Branch Office buildings in Maradi and Zinder, Niger, as well as in Bobo-Dioulasso, Burkina Faso continued. At the same time, the process of selecting contractors to bring the Abengourou Branch Office in Côte d’Ivoire up to standard was organized, while technical studies for the extension of the Kaolack Branch Office buildings are being completed.

In terms of network extension, construction work continued on the Tahoua branch in Niger, the Kayes branch in Mali and the Saint-Louis branch in Senegal. Construction of the Odienné branch in Côte d’Ivoire started in December 2020. The selection process for the consortium of service providers to design and erect buildings for the Ouahigouya Agency in Burkina Faso is nearing completion.

In addition, construction work began on a Currency Circulation Management Center in 2018, and the Center was completed in September 2020.

5.2.4 - INFORMATION SYSTEMS

In 2020, the BCEAO continued the implementation of the COBIT framework as part of the governance and management of its Information System (IS), which has become critical to the internal operations of

the Central Bank, and also to smooth banking and financial activities in the Union. In this respect, some twenty processes out of a total of thirty (30) identified were deployed.

With respect to securing its IT infrastructure, the BCEAO started the process of establishing an Operational Supervision and Cybersecurity Center (COSC), which should make it possible to fully operate the system for collecting, monitoring and auditing security events on IT systems and networks.

With respect to business continuity, the Bank regularly and successfully carried out switchover tests between its various production and backup IT sites.

As far as enhancing security and resilience to cyberattacks was concerned, the Bank, after being certified to the PCI DSS standard on payment card industry security in 2017, embarked on a similar process to enhance the security of the SWIFT financial messaging platform in accordance with the “*Swift Security Program*”.

Regarding the applications portfolio, it is worth noting that new versions of the platform for collecting data from the Union’s credit and microfinance institutions for purposes of reporting to the BCEAO, and the applications of the central information system (FISEC, FODEP, CIP, etc.) were put into production, especially in order to address issues due to risks of obsolete underlying systems. BCEAO also commissioned a new version of its market operation and transfer management system (FORTUNA).

Finally, it should be noted that collaboration and communication functions for management staff was switched over to the Google G Suite cloud platform, in line with steps taken to encourage teleworking.

5.2.5 - RISK MANAGEMENT AND CONTROL ACTIVITY MECHANISMS

The risk management and control activities conducted in 2020 were part of the process of consolidating the BCEAO’s risk monitoring and prevention framework. In particular, they focused on improving operational risk management tools and the Bank’s resilience to crisis situations. They also focused on controlling activities in the BCEAO’s operational units.

Regarding the operational risk management system, the focus was, firstly, on implementing an automated risk monitoring system and harmonizing the Central Bank’s risk universe and, secondly, on monitoring the action plans drawn up after the risk map was updated in 2019.

Financial year 2020 was devoted to a review of anti-money laundering and countering financing of terrorism (AML/CFT) procedures and operating methods, with a view to strengthening the operational effectiveness of the internal system and aligning it with relevant international standards and best practices. In addition, training sessions were organized for agents involved in operations at risk for money laundering. In addition, the system was audited, and no malfunctions were detected.

With respect to security of people and property, it should be noted that the implementation of the action plan that emerged from the audit of the Bank’s security system continued. The work conducted in this area was aimed at ensuring that all BCEAO sites were equipped with a more resilient system, to respond to a changing security environment. Meanwhile, a review of the Central Bank’s security framework for people and property was carried out, with a view to adapting security strategies to changes in the sites’ security environment as well as in security equipment and facilities.

Actions relating to information systems security focused mainly on the revision of the Information Security Policy (ISP) and of the overall framework for managing access to information systems, along with a review of the BCEAO’s information system risk map for financial year 2020. A platform for managing awareness campaigns was rolled out to ensure quality and consistency in internal communication activities.

The external resources and partners required to support the response to cyberattacks were identified at all sites of the Bank. In addition, the Bank’s compliance with the requirements of the Payment Card Industry Data Security Standard (PCI-DSS) and with the requirements of the security program for users of the SWIFT financial messaging platform was maintained during the year.

With regard to business continuity management, a gap analysis against internationally adopted best practices and standards was conducted in order to improve the Bank’s solution. Further, as part of its

response to the COVID-19 pandemic, the BCEAO successfully introduced teleworking procedures to ensure business continuity and minimize the risk of staff being exposed to the virus, by limiting staff footprint at its sites. This approach helped the BCEAO become more resilient to the health crisis.

With regard to operational controls, the actions taken focused mainly on reviewing the Bank's internal control system, conducting a self-assessment of the system at the pilot process level, finalizing internal control guidelines for each process and following up on the recommendations made by the various control bodies.

In terms of internal auditing, the activities carried out in 2020 focused on implementing the annual control program and reinforcing the efficiency of the internal audits of the Bank. However, this program was impacted by the COVID-19 pandemic and its associated response measures, including travel restrictions within and between the Union's Member States.

The controls carried out were aimed at ensuring compliance with legal, regulatory and contractual provisions, effective and efficient operations, safeguarding the Bank's assets, reliable information and secure and reliable information and payment systems.

Due to the major changes that occurred in the business environment as a result of the health crisis and in compliance with the relevant standards, the Audit Committee approved a revised program of the Bank's internal audit assignments at its ordinary session of August 25, 2020. This included twenty-three (23) assignments to be carried out in 2020, rather than the forty-six (46) initially planned.

In all, the implementation of the 2020 annual program resulted in the completion of twenty-one (21) out of twenty-three (23) audit assignments, corresponding to a revised implementation rate of 91.3%. Two (2) assignments related to an IT audit of teleworking and an evaluation of the cash operations of a partner central bank were postponed until 2021. Completed assignments include thirteen (13) fiduciary audits, one (1) thematic audit on fixed assets management, three (3) information systems audits, three (3) specific assignments and one (1) audit of a BCEAO-affiliated entity conducted upon request.

Fiduciary activities were audited at the branches of six (6) National Directorates of the BCEAO. At three of them, the focus was on cash audits, on the destruction of cancelled banknotes, and on managing the risk of fraud inherent in cash activities. At the other three branches, cash audits and the destruction of cancelled banknotes were accompanied by controls on cash transaction processing procedures.

With respect to information systems, the audits made it possible to assess the SWIFT financial data exchange platform, compliance by a BCEAO service provider with the PCI-DSS standard for bank card security, and the compliance of an accounting application that was brought into production on July 1, 2019.

In relation to specific assignments, one (1) semi-annual audit on the compliance of transfers issued, one (1) audit of transfers issued during the teleworking period and one (1) organizational audit of teleworking were performed. Among other things, the organizational audit of teleworking assessed human resources protection and awareness, the effectiveness of teleworking controls in place, and the fail-soft procedures implemented to ensure the continuity of the Bank's critical activities.

With regard to capacity building, four (4) internal auditors took part in training sessions organized in Paris on the protection of bank card data, the implementation and management of an ISO 27001:2013 project relating to the Information Security Management System and network audit and analysis.

Monitoring of external audits focused on the final and interim phases of the audit of the BCEAO's accounts by the Statutory Auditor-Comptroller and the National Comptrollers, respectively for financial years 2019 and 2020, as well as on the annual review of foreign exchange reserves management by the operating account auditor for financial year 2019.

5.2.6 - MANAGEMENT CONTROL MECHANISM

In 2020, the Central Bank continued to implement its 2019-2021 Strategic Plan comprising 14 strategic objectives divided into 39 operational objectives and 70 projects to be implemented.

In this regard, nine (9) of the projects slated for completion during the fiscal year were completed. They consisted of the following:

- development of a security supervision system for the platforms connecting participants to BCEAO-managed payment systems;
- mapping of risks inherent in electronic money payment services;
- preparation of a draft regulatory instrument on participatory financing;
- establishment of an online data collection system for businesses;
- establishment of a system for monitoring household living conditions;
- development of systemic risk monitoring tools;
- revision of transport methods for banknotes and coins;
- reducing the consumption of paper and other consumables;
- designing an external communication plan for the West African Centre for Bank Training and Studies (COFEB).

5.2.7 - BCEAO QUALITY MANAGEMENT SYSTEM

On January 16, 2020, the Central Bank renewed the ISO 9001:2015 certification of its Quality Management System (QMS) for the 2020-2022 three-year cycle in order to maintain the impetus of continuous improvement of its operations and quality services to its clients and partners. The QMS of the BCEAO meets all the requirements of the standard.

Furthermore, the following strengths were noted:

- the commitment of both Management and the audited parties to take ownership of the quality approach, marked by a genuine desire for continuous improvement;
- staff members' professionalism and proficiency in their trades;
- a commitment to the automation of operations and a substantial number of computer applications available;
- sound handling of external customer complaints (banks and account-holding institutions);
- a strong focus on customers;
- a quality QMS monitoring and follow-up system; and
- automated tools dedicated to integrated personnel management and follow-up of evaluations.

5.2.8 - ACCOUNTING INFORMATION SYSTEM

There were no major changes in the Bank's accounting information system during the reporting year. Work to optimize the automatic processing of operations, which was initiated through various IT projects, is still in progress.

VI INTERNATIONAL COOPERATION

6.1 - RELATIONS WITH THE INTERNATIONAL MONETARY FUND 76

6.2 - MONETARY COOPERATION WITHIN ECOWAS 76

6.1 - RELATIONS WITH THE INTERNATIONAL MONETARY FUND

Where the relations between the WAEMU Member States and the International Monetary Fund (IMF) were concerned, discussions on the annual consultations with regional institutions under Article IV of the Fund's Articles of Agreement were held virtually from November 2 to 20, 2020. During those discussions, the BCEAO and IMF delegations expressed convergent views on economic trends in the WAEMU Member States in 2019 and 2020, and on prospects for 2021 and 2022. They also shared similar analyses on risks bearing on macroeconomic forecasts. At the end of the session, a high-level meeting was held between the IMF's Africa Department and the BCEAO.

On reviewing the report submitted by the IMF on WAEMU Union joint policies and regional consultations for 2020 under Article IV, during its meeting of February 8, 2021, the Fund's Board of Directors commended the steps taken by the BCEAO in response to the COVID-19 pandemic. The Board considered that these measures made it possible to meet banks' liquidity requirements under difficult circumstances and avoid financial conditions becoming more stringent within the Union.

In financial year 2020, all WAEMU Member States, with the exception of Guinea-Bissau, implemented IMF-supported programs. In the context of the COVID-19 pandemic crisis, the States benefited from emergency support measures under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI). In addition, under the Disaster Response and Assistance Trust Fund (DRTF), debt relief was granted to EU countries, with the exception of Côte d'Ivoire and Senegal.

Operations conducted jointly by the Central Bank and the IMF on behalf of WAEMU Member States resulted in net resource inflows of SDR 897.19 million in 2019 compared to SDR 159.69 million a year earlier. Drawdowns stood at 1,036.01 million SDRs, compared to 365.70 million SDRs the previous year, representing an increase of 670.30 million SDRs. Payments dropped slightly by 3.09 million SDRs, from 201.84 million SDRs to 198.75 million SDRs. Debt service relief amounted to 67.40 million SDRs.

In FY 2020, charges covered by the BCEAO and Member States amounted to 12.41 million SDRs compared to 14.92 million SDRs. They applied to commissions paid by the BCEAO and interest charges under the Enlarged Credit Facility (ECF) and the RFI.

As pertains to remuneration for their positive position in 2020, the amount paid by the IMF to WAEMU Member States decreased by 5.80 million SDRs to 4.95 million SDRs compared to 10.75 million SDRs the previous year.

6.2 MONETARY COOPERATION WITHIN ECOWAS

On the heels of substantial progress achieved in 2019, recent developments precluded the launch of the ECOWAS Single Currency Program. Failure to meet the requirements for entry into the stability phase by the end of 2019 under the ECOWAS Convergence Pact, the negative impact of COVID-19 on Member States' compliance with the 2020 convergence criteria, and delays in the implementation of some important roadmap activities led to a situation that was not conducive to the launch of the single currency. The key issues yet to be resolved include the adoption of specific legal instruments establishing the ECOWAS Monetary Union, the selection of the country to host the headquarters of the future Central Bank, arrangements for the operationalization of the federal central bank model, the monetary policy framework and the flexible currency exchange regime.

Faced with this situation and in order to consolidate the progress achieved under the Single Currency Program, the ECOWAS Heads of State and Government decided, in September 2020, to postpone the launch of the single currency to a later date, to draw up a new roadmap for the Program and to waive the 2020 macroeconomic convergence criteria for Member States. In addition, they agreed to enter into a new macroeconomic convergence pact by and between the ECOWAS Member States and maintain a gradual approach to launching the ECO.



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