



BCEAO
CENTRAL BANK OF
WEST AFRICAN STATES

2021

ANNUAL REPORT



2021

ANNUAL REPORT

(SUMMARISED VERSION)



2021

ANNUAL REPORT



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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LIST OF ACRONYMS AND ABBREVIATIONS

AfCFTA:	African Continental Free Trade Area
AFD:	Agence française de développement (French cooperation)
AfDB:	African Development Bank
AFI:	Alliance for Financial Inclusion
AfPI:	African Financial Inclusion Policy Initiative
AICFM:	International association of francophone researchers in microfinance
AML/CTF:	Anti-Money Laundering and Counter-Terrorism Financing
APBEF:	Professional associations of banks and financial institutions
APSFD:	Professional associations of decentralized financial systems
ASE:	African School of Economics
ATTF:	Financial Technology Transfer Agency
BCEAO:	Central Bank of West African States
BCP:	Business continuity plan
BCRG:	Central Bank of the Republic of Guinea
BCSF:	WAEMU FinTech Knowledge and Monitoring Office (BCSF)
BEAC:	Bank of Central African States
BIS:	Bank for International Settlements
BoG:	Bank of Ghana
BRB:	Bank of the Republic of Burundi
BRVM:	Regional stock exchange
BSR:	Support and resilience bonds
BSC:	Balance sheet centre
CBDC:	Central bank digital currency
CBN:	Central Bank of Nigeria
CCBS:	Center for Central Banking Studies
CCRT:	Catastrophe Containment and Relief Trust
CEMAC:	Central African Economic and Monetary Community
CEMSTRAT:	Executive Certificate in Strategic Banking Management
CEMTDB:	Executive Management Certificate in Digital Banking Transformation
CFA:	African Financial Community
CIB:	Credit Information Bureau
CIP:	Payment Incidents Centre
COFEB:	West African Centre for Bank Training and Studies
COMINAK:	Compagnie Minière d'Akouta (Akouta mining company)
COSC:	Operational Supervision and Cybersecurity Centre
CRB:	Banking credit information bureau
CREA:	Consortium for Economic Research in Africa
CREPMF:	Regional Council for Public Savings and Financial Markets

CRRAE-UMOA:	WAEMU retirement fund
CTF:	Currency Circulation Management Centre
DC/BR:	<i>Dépositaire Central/Banque de Règlement</i> (Central Depository/Settlement Bank)
DFS:	Decentralised Financial System
ECB:	European Central Bank
ECF:	Extended Credit Facility
EGFIP:	Experts Group on Financial Inclusion Policy
EMI:	Electronic Money Institution
ENSAE:	<i>Ecole Nationale Supérieure de Statistique et d'Economie Appliquée d'Abidjan</i> (National school of statistics and applied economics, Abidjan)
eKYC:	Electronic Know Your Customer
FAPBEF-UEMOA:	Federation of Professional Associations of Banks and Financial Institutions of WAEMU
FED:	United States Federal Reserve
FERDI:	Foundation for Studies and Research on International Development
FinTech:	Financial technology company
FISEC:	<i>Fichier de la Situation des Établissements de Crédit</i> (database on credit institutions)
FODEP:	Prudential Declaration Form
FOPAO:	Federation of West African Employers' Organisations
FSAP:	Financial Sector Assessment Program
FSD Africa:	Financial Sector Deepening Africa
FTSE:	Financial Times Stock Exchange
GDP:	Gross Domestic Product
GERDDES:	Study and Research Group on Democracy and Economic and Social Development in Africa
GIM-UEMOA:	Interbank Electronic Banking Group of the West African Economic and Monetary Union
GPE:	Economic Policy Management
HEC:	Ecole des Hautes Etudes Commerciales
HKS:	Harvard Kennedy School
IAMS:	Internal audit management system
IFC:	International Finance Corporation
IFI:	Islamic financial institution
IMF:	International Monetary Fund
ITTCP:	IT and telecom continuity plan
LIF:	Financial Innovation Laboratory
MEDC:	Extended Credit Mechanism
MSME:	Micro, small and medium-sized enterprises
NYMEX:	New York Mercantile Exchange

OdR:	Stimulus bonds
OECD:	Organisation for Economic Co-operation and Development
OSB:	Official Settlements Balance
PAF:	Abdoulaye Fadiga Prize
PBoC:	People's Bank of China
PCI-DSS:	Payment Card Industry Data Security Standard
PEPP:	Pandemic Emergency Purchase Programme
PFMIs:	Principles for Financial Market Infrastructures
PPP:	Public-private partnership
QMS:	Quality Management System
QR:	Quick Response
RCF:	Rapid Credit Facility
REM:	Revue Economique et Monétaire (economic and monetary journal)
RFI:	Rapid Financing Instrument
SAGETIL-UMOA:	Automated Cash and Securities Management System of the West African Monetary Union
SCF:	Standby Credit Facility
SDRs:	Special Drawing Rights
SGCB:	Secretariat-General of the WAMU Banking Commission
SG-COBAC:	General Secretariat of the Central African Banking Commission
SICA-UEMOA:	Automated Interbank Clearing System of the West African Economic and Monetary Union
SIFI:	Systemically Important Financial Institution
SIMARIS:	Computerized risk management system
SMS:	Ministerial monitoring structures
SRIF:	Regional financial inclusion strategy
STAR-UEMOA:	Automated Transfer and Settlement System in the West African Economic and Monetary Union
SWIFT:	Society for Worldwide Interbank Financial Telecommunication
TIAO:	Tender interest rate
WADB:	West African Development Bank
WAEMU:	West African Economic and Monetary Union
WAMU:	West African Monetary Union
WAMU-FSC:	WAMU Financial Stability Committee
UNCDF:	United Nations Capital Development Fund
UNSGSA:	United Nations Secretary-General's Special Advocate for Inclusive Finance for Development

GOVERNOR'S MESSAGE

After the recession caused by the COVID-19 pandemic in 2020, 2021 showed a relatively robust recovery in global and regional economic activity, despite persistent health uncertainties. After dropping by 3.1% in 2020, global production recovered, rising by 6.1% in 2021 due to a strong recovery in demand. This recovery was followed by a rise in inflation in most parts of the world, fuelled in particular by rising energy costs and food prices as well as supply chain disruptions.

The improvement in the economic and health environment has allowed the member countries of the West African Economic and Monetary Union (WAEMU) to resume the steady pace of economic growth that prevailed prior to the health crisis. Indeed, the growth rate in the Union's gross domestic product, which had fallen to 1.8% in 2020, recorded a real increase of 6.0% in 2021. The upsurge in economic activity was due to the spillover effect from economic recovery policies and programmes implemented by the States, as well as improved access to financing thanks to actions undertaken by the Central Bank.

To facilitate the mobilisation of the resources needed to finance economic recovery plans, the Central Bank opened a special window dedicated to refinancing of stimulus bonds (OdR) issued by the countries of the Union, in February 2021. In addition, to ensure the best financial conditions for the issuance of Treasury bills for the urgent cash needs of the Member States, the BCEAO set up a special refinancing window in August 2021, known as the "*Guichet de Soutien et de Résilience*", or support and resilience window. The facilities offered through these new windows significantly reduced the cost of raising resources for national treasuries and extended the maturities of the securities issued up to 15 years.

Alongside these special measures, the Central Bank continued to support the Union's economies through its accommodative monetary policy stance in a context of moderate inflationary pressures. The minimum bid rate, which is the key BCEAO rate, remained unchanged at 2.00%, its lowest historical level. Under those conditions, the Union's economies enjoyed increased funding at relatively favourable rates.

Financial inclusion has remained a strategic focus for the Central Bank in its efforts to promote more inclusive growth within the WAEMU. Accordingly, a regional financial education programme has been designed for the Union and will be deployed in all Member States for the benefit of the relevant segments of the population. Efforts have also been focused on an in-depth assessment of the needs of micro-enterprises and underserved populations for innovative financial products and services, as well as the establishment of a unique identification system for financial service users in the Union.

In addition, the Central Bank has developed a device to support States in the process of digitalising public payments.

As part of its initiatives to promote financial innovations and FinTech activities, the BCEAO has set up a framework to organise exchanges between the financial innovation industry and the regulatory body.

Over the year, the Central Bank also continued actions aimed at diversifying sources of financing for the economies, focusing on the promotion of Islamic finance by supporting initiatives to create Islamic Financial institutions (IFIs). As of 31 December 2021, the banking and microfinance sectors of the Union reported a total of nine (9) banks and three (3) DFSs active in Islamic

finance. The Central Bank also took steps to equip IFIs with Sharia governance tools, as well as model contracts designed to prevent risks related to compliance with the standards in force.

In 2021, a new milestone was laid in the process of ensuring a sound microfinance sector and consolidating the gains achieved in that area, thanks to the organisation of diagnostic assessments for decentralised financial systems (DFSs) in difficulty. Actions were also taken to modernise DFS monitoring tools.

Actions initiated by BCEAO under the project to support the promotion of DFS access to the WAEMU regional payment system culminated in the end-to-end automation of interbank processing in six (6) DFSs in 2021, through the SICA-UEMOA regional automated clearing system, via banks. The immediate benefit expected is the reduction of customer payment processing times.

The BCEAO supported these reforms by setting up a capacity-building programme for administrations and financial institutions in WAEMU Member States, aimed at enhancing ownership of regulatory instruments and dealing with specific issues related to financial innovations and changes in the international environment. With this in mind, the Central Bank has established partnerships with world-renowned institutions to add value to its training and research programmes. In 2021, the target population for the training actions initiated by BCEAO was expanded to include decentralised financial systems (DFSs), electronic money institutions (EMIs) and partner African central banks.

In line with its missions, the Central Bank will continue to work toward creating the conditions to promote the development of an innovative financial environment, while maintaining price stability and achieving robust growth.

The Governor of the Central Bank of West African States,

Chairperson of the Board of Directors.

HIGHLIGHTS OF 2021

IMPORTANT EVENTS

BANKING SECTOR

05/21/2021

First meeting between the General Secretariat of the WAMU Banking Commission and the Directors General of major decentralised financial systems

The General Secretariat of the WAMU Banking Commission held a meeting on 21 May 2021 with the Directors General of large decentralised financial systems (DFSs). The main purpose of the meeting was to discuss sector risks and the expectations of the regulatory and the supervisory authorities with microfinance actors. The meeting was preceded by a consultation with top officials from the ministerial monitoring structures (SMS) responsible for the Union's decentralised financial systems on 18 May 2021.

In his opening address, Mr Tiémoko Meyliet Koné, Governor of the BCEAO and Chair of the WAMU Banking Commission, stressed the importance that the Central Bank attaches to the microfinance sector. He welcomed the significant progress achieved thanks to the contribution of microfinance actors in terms of financial inclusion and financing of projects with a high social impact.

Under the guidance of the Secretary General of the Banking Commission, talks with top officials from the DFSs subject to Article 44 of the DFS regulation act mainly focused on the situation of the sector and awareness of the need for strict application of the regulatory framework governing microfinance activities in the Union.

FINANCIAL INCLUSION

January, April and June 2021

Meetings with Her Majesty Queen Máxima of the Netherlands

Over the course of 2021, three virtual meetings were organised between the Governor of the BCEAO and Her Majesty Queen Máxima of the Netherlands, in her capacity as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA). These meetings were held in January, April and June 2021, following the Queen's visits to Senegal, Togo and Ivory Coast respectively.

The purpose of the meetings was to discuss ongoing initiatives and opportunities to accelerate political and strategic reforms to support digital financial inclusion, particularly as part of the response to COVID-19. The Governor and the Queen reviewed initiatives by the BCEAO and the WAEMU States aimed at modernising the legal and regulatory frameworks of microfinance

institutions, the implementation of the Regional Financial Inclusion Strategy, the development and supervision of financial technology companies (FinTech), the implementation of the Digital Financial Services Interoperability Project, the promotion of financial inclusion of women, rural producers and micro, small and medium-sized enterprises, as well as regional and national initiatives on the digitalisation of payments with a view to the digital transformation of the Union's economies.

08/12/2021

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

On August 12, 2021, the BCEAO took part in the Ninth African Financial Inclusion Policy Initiative (AfPI) Leaders Roundtable, organised by videoconference, on the theme of “*Innovative regulatory approaches to address the risk of exclusion of women, youth and micro, small and medium-sized enterprises (MSMEs) during the COVID-19 pandemic in Africa*”.

In prelude to the meeting, a meeting of the Experts' Group on Financial Inclusion Policies (EGFIP) and a capacity-building session for representatives of African institutions belonging to the digital payment innovations network were organised on 9 and 10 August 2021. The meeting focused on the steps taken by the Central Bank to mitigate the risks of financial exclusion of women and MSMEs during the pandemic, by promoting the use of electronic money and reducing the use of paper money or cash.

09/08/2021

Sixth Annual General Meeting of the Alliance for Financial Inclusion

On September 8, 2021, the Central Bank participated in the 6th Annual General Meeting of the Alliance for Financial Inclusion (AFI), organised by videoconference. The meeting allowed members to adopt two policy models, namely:

- a strategic policy framework on the financing of micro, small and medium-sized enterprises (MSMEs), aimed at providing basic foundations and principles as well as high-level recommendations for MSMEs' policies. These recommendations should help to overcome the obstacles faced by MSMEs in accessing formal financial services; and
- A Digital ID and Electronic Know Your Customer (eKYC) model, aimed at facilitating the building of inclusive, robust and sustainable interoperable systems, thereby helping to meet the objectives of financial inclusion and integrity.

The meeting coincided with the end of the second term in office of the Governor of the BCEAO on AFI's Board of Directors. At the end of these two consecutive terms, AFI members expressed their appreciation and thanks to the Governor for the substantial contribution made by the BCEAO to the work of the organisation and to the strengthening of global financial inclusion.

03/17/2021 - 09/23/2021

Capacity building for DFS management

As part of the implementation of the Regional Financial Inclusion Strategy, the Central Bank organised capacity-building workshops for the leaders of WAEMU microfinance institutions at country level, within the framework of the partnership between the BCEAO and the African Development Bank (AfDB). The workshops were held from 17 March to 23 September 2021 in all eight (8) countries of the Union. They covered “*risk management, internal control and financial supervision*” as well as “*overall performance management and rating*”, and were attended by 445 senior executives from the Union’s DFSs.

The workshops helped to strengthen the participants’ performance in terms of risk management and the implementation of internal control mechanisms that could improve the governance of microfinance institutions. The workshops also afforded them with an opportunity to familiarise themselves with the use of compliance function benchmarking, which is expected to facilitate their implementation of financial supervision rules.

11/18/2021

Creation of a FinTech Knowledge and Monitoring Office (BCSF)

As part of its initiatives to promote financial innovations and FinTech activities, the Central Bank set up a FinTech Knowledge and Monitoring Office (BCSF) in November 2021. The Office’s mission is to promote and organise dialogue between the regulatory body and FinTechs, which have become key players in digital transformation and the promotion of financial inclusion.

CAPACITY BUILDING

05/25/2021

Launch of the joint COFEB/HEC Paris programme to support WAEMU credit institutions - 2021 edition

As part of the launch of the 2021 edition of the programme to support and strengthen the managerial capacities of executives from the Union’s credit institutions, COFEB, in partnership with the Ecole des Hautes Etudes Commerciales de Paris (HEC Paris), organised a high-level international webinar on the theme of “*The challenges of digital transformation for African banks*” on 25 May 2021.

The session was chaired by Governor Tiémoko Meyliet Koné, in the presence of Mr Cheikh El Kébir Moulaye Taher and Mr Younoussa Imani, Governor of the Central Bank of Mauritania and Governor of the Central Bank of the Comoros, respectively. Participants at the session included senior officials of African central banks (BEAC, Mauritania, Comoros, Morocco and Burundi), professional associations of banks and financial institutions of the Union, community organisations, regional financial institutions and bank executives.

INTERNATIONAL COOPERATION

03/10-11/2021

Africa CEO Forum/International Finance Corporation Summit on the theme: “Transform, digitalise and recover: reinventing African finance post-Covid”

A BCEAO delegation, led by the Governor, took part in the summit organised by the Africa CEO Forum and the International Finance Corporation on 10 and 11 March 2021. The videoconference afforded its participants with an opportunity to reflect on the expected contributions of the creation of an African Continental Free Trade Area (AfCFTA) to the financial sphere, along with measures to make the AfCFTA an essential link in the transformation of the African financial industry. The main conclusions of the meeting focused on how important it is for the regulatory authorities to maintain dialogue with the players in the pan-African financial industry, on designing sustainable financial inclusion strategies involving all ecosystem actors, and on the willingness of the authorities to adapt the regulatory framework in times of crisis, building on the management of the COVID-19 crisis.

07/08/2021

Audience granted by the Governor of the BCEAO to the Director of the Africa Department of the IMF

On 8 July 2021, Governor Tiémoko Meyliet Koné granted an audience to Mr Abebe Aemro Selassie, Director of the IMF's Africa Department. The meeting revolved around common points of interest, including the main conclusions of the IMF staff working session with the BCEAO in June 2021, the state of relations between the Fund and the WAEMU member states, and the upcoming general SDR allocation from the IMF to the countries of the Union.

08/09/2021

High-level meeting on the IMF's general SDR allocation to the WAMU Member States

Mr Tiémoko Meyliet Koné, Governor of the BCEAO, led the Central Bank delegation at the high-level meeting organised by the IMF on 9 August 2021. The purpose of the meeting was to discuss the general SDR allocation to the Member States, approved by the IMF Board of Governors. It also provided an opportunity to discuss the priorities of the States and the projects they planned to implement using those resources.

10/18/2021

Research and training partnerships

On 18 October 2021, the BCEAO signed a memorandum of understanding on a research and training partnership with Princeton University and the African School of Economics (ASE). A similar memorandum of understanding has been drawn up with the Ecole Nationale Supérieure de Statistique et d'Economie Appliquée (ENSEA) in Abidjan, with a view to establishing a

partnership. These agreements will enable the Central Bank to provide its staff, regulated institutions and the public financial administrations of the Union with opportunities to access high-level training and research programs.

In addition, cooperation with Harvard Kennedy School was expanded with the organisation of training activities for the Bank's senior management.

11/30/2021

2021 Roundtable of Governors of African Central Banks

The Governor of the BCEAO took part in the 2021 roundtable of governors of African central banks on the subject of: "*Interactions between monetary and fiscal policies in Africa*", organised by the Bank for International Settlements (BIS) on 30 November 2021. During the meeting, discussions focused on the economic and monetary outlook in Africa, as well as on the lessons and implications for central banks of the closer interaction between monetary and fiscal policies during the COVID-19 pandemic.

12/10/2021

Working visit to BCEAO Headquarters by the Managing Director of the IMF

Ms Kristalina Georgieva, Managing Director of the IMF, paid a courtesy and working visit to the BCEAO on 10 December 2021.

The meeting included a private audience between the heads of the two institutions as well as a working session with the heads of WAEMU community bodies and institutions (WAEMU Commission, WADB, CREPMF). The meeting was also attended by the President of the Federation of Professional Associations of Banks and Financial Institutions of WAEMU (FAPBEF-UEMOA) and the First Vice-President of the Federation of West African Employers' Organisations (FOPAO).

During the private audience with the Managing Director, the Governor acknowledged the excellent cooperation between the two institutions and underscored the exceptional assistance provided by the IMF to WAEMU Member States in managing the consequences of the COVID-19 pandemic. He also discussed the Union's economic outlook and the risks surrounding it. Ms Georgieva praised the measures implemented by the BCEAO to address the impact of the health crisis, which had increased resilience and contributed to the recovery of the Union's economies.

The working session with the other heads of WAEMU institutions and the heads of the FAPBEF and FOPAO allowed them to review their concerns. They took note of the strong performance of the WAEMU economies despite the ongoing uncertainties, and called on the IMF to take into account the difficult context linked to COVID-19 in the implementation of economic and financial programmes involving the States.

BCEAO EVENTS

April 2021

Appointment of Mr Mamadou Diop to the position of Deputy Governor of the BCEAO

The Council of Ministers of the West African Economic and Monetary Union, during its extraordinary session on 29 April 2021, appointed Mr Mamadou Diop to the position of Deputy Governor of the BCEAO for a term of five (5) years, running from 1 May 2021.

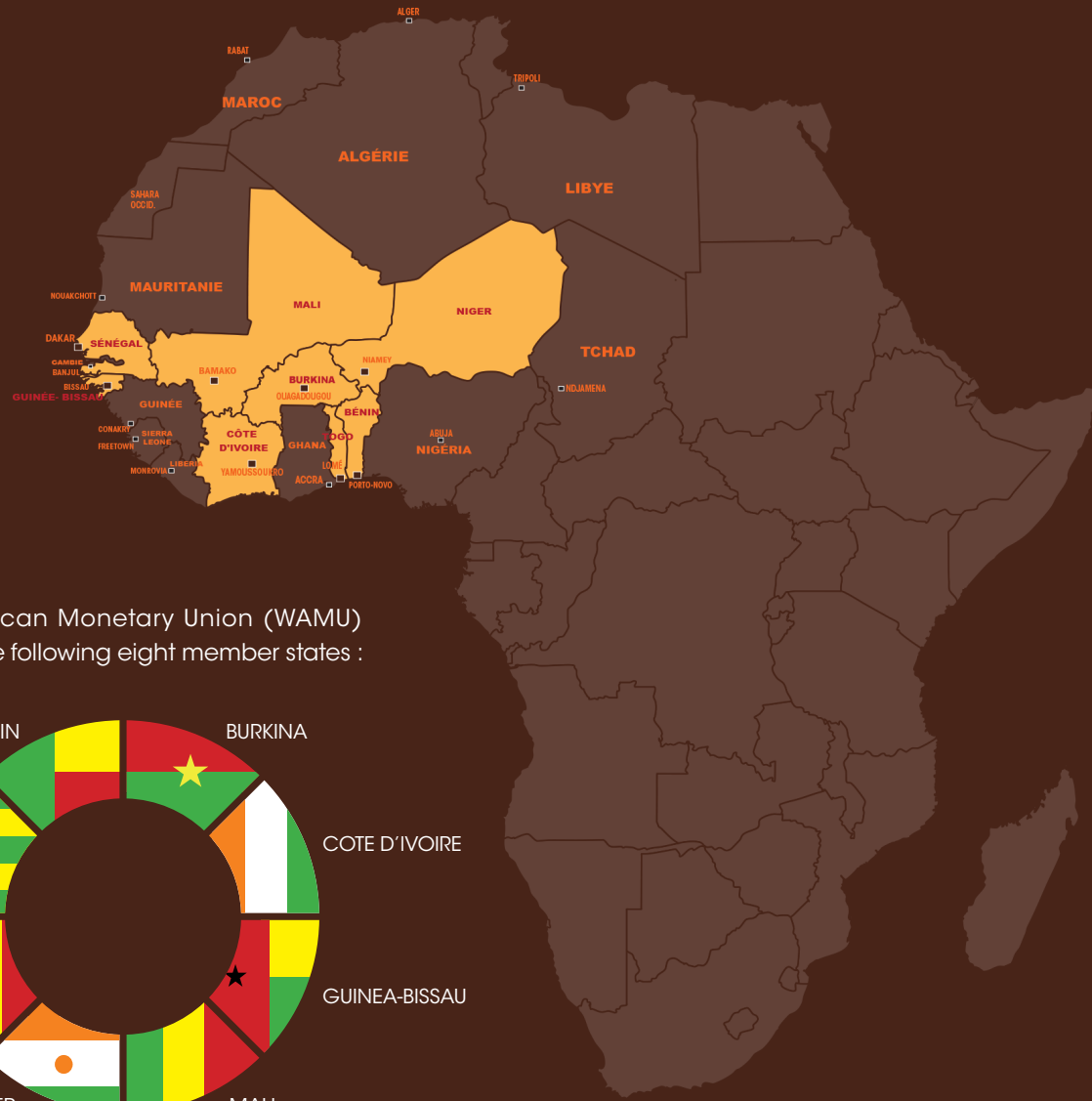
10/07/2021

Participation of the BCEAO in the tribute ceremony organised following the death of Mr Charles Konan Banny, former Governor of the BCEAO

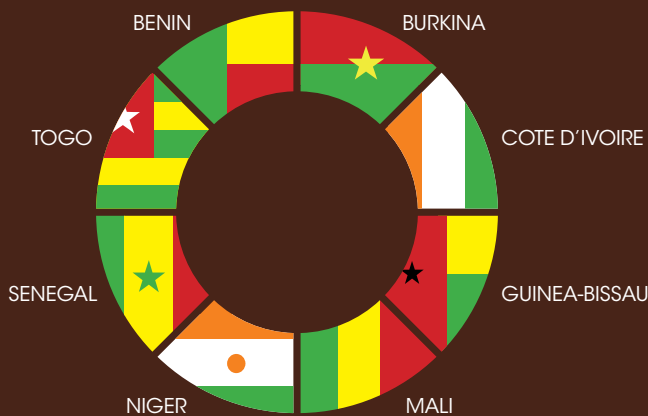
On 7 October 2021, Governor Tiémoko Meyliet Koné, accompanied by a sizeable delegation, took part in a ceremony organised in the Republic of Côte d'Ivoire to honour the memory of Mr Charles Konan Banny, former Governor of the BCEAO, former Prime Minister of the Republic of Côte d'Ivoire and former Chairperson of the Dialogue, Truth and Reconciliation Commission in Côte d'Ivoire, who passed away on 10 September 2021. During the ceremony, Governor Tiémoko Meyliet Koné expressed the "*deep emotion and infinite sadness of the BCEAO family which has lost one of its own and not the least*", before presenting the condolences of the entire Central Bank to the bereaved family as well as to the whole country, whose pain was shared by the BCEAO.

MEMBERSHIP OF THE STATUTORY BODIES AND ORGANIZATION
CHART OF THE BCEAO

WEST AFRICAN MONETARY UNION (WAMU)



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



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

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.

MEMBERSHIP OF THE STATUTORY BODIES OF WAMU AND THE BCEAO
CONFERENCE OF WAMU HEADS OF STATE AND GOVERNMENT

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

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

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

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

His Excellency **Assimi Goïta**,
Transitional President and Head of State of the Republic of Mali.

His Excellency **Mohamed Bazoum**,
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 State in charge of the Economy and Finance
- **Mr Hamet Aguemon**, Minister-Counsellor in Investments to the President of the Republic

BURKINA FASO

- **Mr Lassané Kaboré**, Minister of Economy, Finance and Planning

REPUBLIC OF COTE D'IVOIRE

- **Mr Adama Coulibaly**, Minister of the Economy and Finance
- **Mr Abdourahmane Cissé**, Minister, Secretary General to the Office of the President of the Republic

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 Lamine Seydou Traoré**, Minister of Mines, Energy and Water

REPUBLIC OF NIGER

- **Mr Ahmat Jihoud**, Minister of Finance
- **Mr Rabiou Abdou**, 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 Norbert Toé, Deputy Governor

Mr Mamadou Diop, Deputy Governor

MEMBERS REPRESENTING THE STATES

REPUBLIC OF BENIN

Mr Yaovi Clément Aziagnikouda,
Director of Monetary and Financial Affairs,
Directorate-General of the Treasury and
Public Accounting

REPUBLIC OF MALI

Mr Sidiki Traoré, Treasury Inspector

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

Dr 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
teacher 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 Adama Diaw,** Full University
Professor
Gaston Berger University, Saint-Louis,
Republic of Senegal

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OVERVIEW

6.1% (2021)	6.0% (2021)	3.6% (2021)
-3.1% (2020)	1.8% (2020)	2.1% (2020)
The rate of growth in the global economy rose from -3.1% in 2020 to 6.1% in 2021.	In the Union, it was 6.0% in 2021 after 1.8% in 2020.	The annual inflation rate in the Union stood at 3.6% in 2021, compared to 2.1% in 2020.

A significant recovery in economic activity was observed in 2021, following the recession recorded in 2020 due to the COVID-19 crisis. According to estimates published in April 2022 by the International Monetary Fund (IMF), the world economy grew by 6.1% in 2021 after the shrinking by 3.1% in 2020. This recovery, which took place in countries around the world, was driven by the resurgence in demand following the loosening of health restrictions.

The economic recovery in 2021 was followed by a rapid rise in inflation around the world. The global annual inflation rate averaged 3.5% in 2021, compared to 1.9% in 2020. This increase in inflation was due to a temporary decoupling of the dynamics of global supply and demand. Its impact has been particularly felt in the areas of energy and foodstuffs, as witnessed by the surge in world prices for these commodities.

Reflecting the recovery in economic activity, global trade flows rose by 10.2% in 2021, following a drop of almost 7.2% the previous year.

The economies of WAEMU Member States have shown signs of resilience in the wake of the pandemic, as evidenced by the steady improvement in economic activity after the shock suffered in 2020. According to recent estimates, the Union's GDP growth rate reached 6.0% in 2021, after 1.8% the year before. This recovery reflected the knock-on effects of a marked improvement in the international economic situation, the implementation of economic recovery projects by the Member States, and the unexpectedly strong recovery in the transport, hotel and restaurant sectors.

In 2021, inflation increased sharply, with the general price level rising on average by 3.6% after 2.1% in 2020. This was due to the impact of international inflationary pressures on the consumer shopping basket, largely driven by higher food prices. The inflation differential between the WAEMU and its main partners remained in favour of the Union by 0.9 percentage points.

5.5% (2021)	475.6 billion (2021)	14,040 billion (6 months of coverage of imports of goods and services)
5.6% (2020)	15.8 billion (2020)	
The overall deficit, on an accrual basis, inclusive of grants, stood at 5.5% in 2021 against 5.6% in 2020.	The balance of payments showed a surplus of 475.6 billion in 2021 (0.48% of the GDP) after 15.8 billion in 2020 (0.02% of the GDP).	At the end of December 2021, the stock of foreign reserves reached 14,040 billion, covering 6 months of imports of goods and services, compared with 5.6 months at the end of December 2020.

The pressure on public finances continued, due to the high level of expenditure in the implementation of the Member States' economic recovery actions. The overall deficit, on an accrual basis, including grants, remained high, at 5.5% in 2021, compared to 5.6% in 2020, as against the community standard of 3.0% in force before the COVID-19 crisis. The current account deficit widened by 1,578.4 billion to reach 5,752.4 billion in 2021, due to the deepening of the deficit in the balance of goods and services (+29.8%), and the primary income deficit (+6.3%). The current account deficit rose to 5.8% of the gross domestic product, after 4.5% in 2020. As a whole, the external trade of the Union's countries generated a balance of payments surplus of 475.6 billion, after 15.8 billion in 2020.

In 2021, the monetary situation of the Union was characterised by an increase in the net external assets of its monetary institutions and stock of official foreign exchange reserves. These assets increased by 609.2 billion to stand at 7,746.6 billion at the end of December 2021. The stock of official foreign exchange reserves of the BCEAO reached 14,040 billion at the end of December 2021, up by 2,309 billion. This performance can be ascribed to a combination of several factors, notably the general SDR allocation of CFA F 1,302.6 billion issued by the IMF to the Member States of the Union, the mobilisation of substantial external resources by the States and the effective repatriation of export earnings. The level of foreign exchange reserves allows the Union to cover six (6) months of imports of goods and services against 5.6 months at the end of December 2020.

The stock of domestic debt increased by 6,099.3 billion or 16.5% compared to its level at the end of December 2020, to stand at 43,080.3 billion. This development was driven by the combined impact of the consolidation of net receivables from central governments and an increase in credits to other resident sectors of the Union's economies. Net loans of deposit-taking institutions to central governments rose by 3,306.9 billion, to stand at 15,651.1 billion at the end of December 2021, driven by an increase of 2,073.7 billion or 18.4% in assistance from the States' banking systems. The growth in the BCEAO's net loans was mainly due to the introduction of new loans backed by IMF SDR allocations on 23 August 2021.

In addition, lending by deposit-taking institutions to sectors of the economy other than central government increased from 24,636.8 billion in 2020 to 27,429.2 billion in 2021, up by 11.3% following 4.8% growth in 2020. This development was mainly driven by the increase in banks' lending to businesses, which rose from 13,958.8 billion in 2020 to 15,556.9 billion in 2021. Loans to households and non-profit institutions serving households (NPISHs) grew by 13.3% over the year, against 2.1% in 2020.

CFA F 5,944.1 billion (2021)

CFA F 5,697.5 billion (2020)

Outstanding advances on the one-week and one-month tender windows stood at 5,944.1 billion at the end of December 2021 against 5,697.5 billion a year earlier.

Reflecting its counterpart trends, the money supply expanded by 5,808.7 billion or 16.3% to reach 41,465.6 billion at the end of December 2021. This improvement in the Union's overall liquidity was reflected in a net increase in deposits (4,704.0 billion or 17.2%) and currency in circulation (1,104.7 billion or 13.3%).

The BCEAO continued its accommodating monetary policy in 2021, with a view to fostering a recovery in economic activity against a backdrop of controlled inflation. It therefore maintained the auction mode at a fixed rate of 2.0% and covered all the banks' needs during the crisis exit phase, when their support for the recovery of the economies was critical. Cumulative outstanding advances on the one-week and one-month tender windows stood at 5,944.1 billion at the end of December 2021 against 5,697.5 billion a year earlier, an increase of 246.6 billion.

Moreover, since February 2021, the Central Bank has opened a special six-month window, dedicated to the refinancing of stimulus bonds (OdR) issued by the States of the Union to finance their stimulus plans. It also set up a special twelve-month refinancing window in August 2021, called the "Support and Resilience Window", with a view to ensuring optimal financial conditions for the issuance of Treasury bills by the Union's States to finance emergency cash needs in the context of the health crisis. Overall outstanding refinancing, including loans granted on special windows, increased by 502.0 billion in one year to reach 6,295.8 billion at the end of December 2021.

Finally, the reserve requirement ratio applicable to banks remained unchanged at 3.0%.

An upturn in liquidity trading was observed on the interbank market. The average volume of weekly transactions, all maturities combined, amounted to 428.0 billion in 2021, compared with 275.0 billion in 2020 (+56.0%). In terms of interest rates, the weighted average interest rate for the one-week segment eased to 2.36% from 3.48% in 2020, reflecting the monetary easing measures implemented by the Central Bank in 2021.

As regards cash circulation, movements of banknotes and coins through Central Bank windows reached CFA F 45,641.6 billion in 2021 against CFA F 39,759.2 billion a year earlier. Compared to 2020, the share of banknotes in cash circulation remained more or less stable at 98.0%.

CFA F 45,641.6 billion (2021)

CFA F 39,759.2 billion (2020)

Movements of banknotes and coins through Central Bank windows reached CFA F 45,641.6 in 2021, compared to CFA F 39,759.2 one year prior.

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 2021, in net inflows of resources amounting to SDR 134.68 million (CFA F 108.42 billion), as against SDR 897.19 million (CFA F 722.29 billion) one year prior. Drawdowns amounted to SDR 223.08 million (CFA F 179.59 billion) compared to SDR 1,036.01 million (CFA F 834.05 billion) the previous year, i.e. a drop of SDR 812.93 million, linked to the gradual suspension of emergency aid provided by the IMF as part of the COVID-19 response. Repayments dropped by SDR 85.31 million, from SDR 198.75 million (CFA F 160 billion) to SDR 113.44 million (CFA F 91.32 billion). Debt service relief amounted to SDR 57.67 million (CFA F 46.42 billion). During the year 2021, the Member States of the Union also benefited from a general SDR allocation from the IMF amounting to CFA F 1,302.6 billion, to support their strategies to combat the COVID-19 pandemic and boost their economies.

With regard to regional integration, the persistence of the COVID-19 pandemic resulted in a slowdown in the implementation of the ECOWAS Single Currency Programme in 2021. The measures taken by ECOWAS Member States to combat the pandemic and revive national economies caused a deterioration in the performance of Member States in terms of macroeconomic convergence. Taking into account the difficulties faced by the Member States, the Conference of ECOWAS Heads of State and Government decided, at their 58th Ordinary Session held on 23 January 2021, to suspend the Convergence Pact among Member States in order to exempt them from compliance with its criteria. In the same vein, on 19 June 2021, the ECOWAS Conference of Heads of State and Government adopted a new roadmap for the launch of the Eco and a new Convergence Pact. Under this Pact, the convergence phase of the West African economies will cover the period running from 2022 to 2026. The Conference also took note of the new roadmap for the launch of the Eco by 2027. It instructed the Ministerial Committee to continue to make every effort to resolve all outstanding issues.

With regards to the Central Bank, the organs of the Union and the BCEAO held their meetings in compliance 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 WAEMU Heads of State and Government held one ordinary session in 2021. The Council of Ministers of the Union held four ordinary and three extraordinary meetings. The Monetary Policy Committee met in four ordinary sessions and one extraordinary session. The Board of Directors held two ordinary meetings. All these sessions were held by videoconference.

As at 31 December 2021, the total number of BCEAO staff stood at 3,443 compared with 3,517 at the end of December 2020. This number included 3,379 active staff members at all Central Bank sites and 64 staff members on secondment or leave of absence.

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1.1 - INTERNATIONAL ENVIRONMENT

GDP growth rates

GLOBAL ECONOMY

6.1% (2021)

-3.1% (2020)

6.1% growth in 2021, compared to -3.1% in 2020

ADVANCED ECONOMIES

5.0% (2021)

-4.5% (2020)

5.0% growth in 2021, compared to -4.5% in 2020

EUROZONE

5.2% (2021)

-6.4% (2020)

5.2% growth in 2021, compared to -6.4% in 2020

EMERGING AND DEVELOPING COUNTRIES

6.5% (2021)

-2.0% (2020)

6.5% growth in 2021, compared to -2.0% in 2020

CHINA

8.1% (2021)

2.3% (2020)

8.1% growth in 2021, compared to 2.3% in 2020

SUB-SAHARAN AFRICA

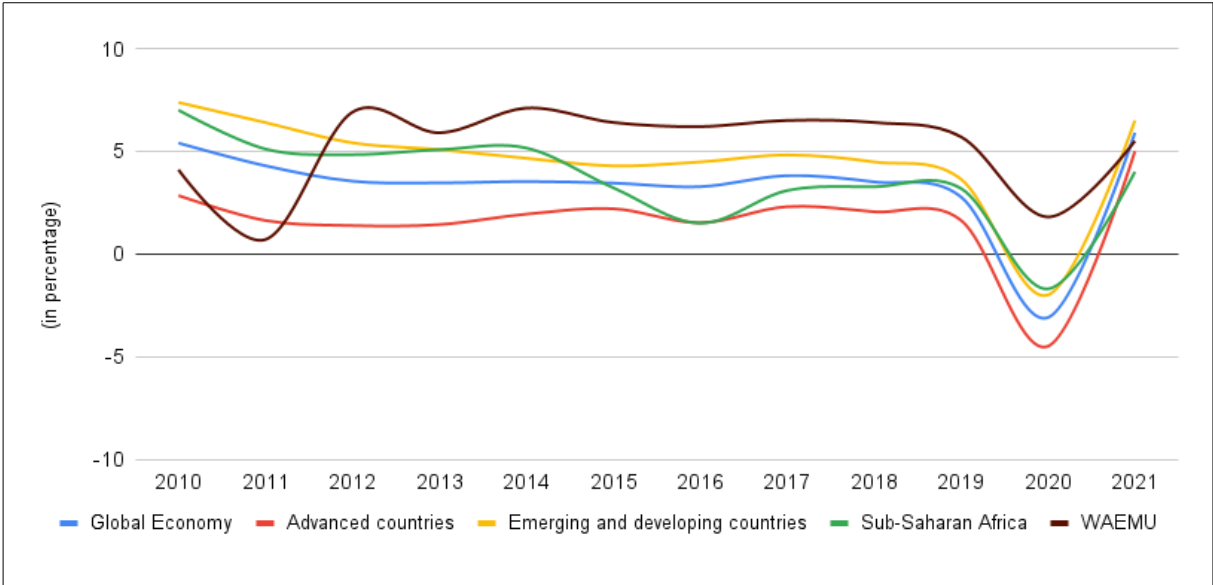
4.0% (2021)

-1.7% (2020)

4.0% growth in 2021, compared to -1.7% in 2020

2021 saw a significant recovery in economic activity, following the recession recorded in 2020 due to the COVID-19 crisis. This recovery, observed in countries around the world, was driven by the resurgence in demand, driven by the resumption of economic activities as well as by fiscal and monetary support. According to International Monetary Fund (IMF) estimates published on 25 January 2022, the global economic growth rate stood at 6.1% in 2021, after a drop of 3.1% recorded in 2020.

Figure 1: GROWTH IN GLOBAL ECONOMIC ACTIVITY (in percentage)



Sources: World Bank, IMF, OECD.

1.1.1 - ADVANCED ECONOMIES

Growth in advanced economies rang in at 5.0% in 2021, after a drop of 4.5% in 2020. In the United States, economic activity progressed by 5.6% after shrinking by 3.4% in 2020. The revival in activity was made possible by the massive recovery plans put in place to support economic resurgence, and rapid progress in the vaccination campaign.

In the Eurozone, GDP growth rose from -6.4% in 2020 to +5.2% in 2021, driven by the resumption of economic activity and the continuation of supportive economic policies by governments and the European Central Bank.

1.12 - EMERGING AND DEVELOPING COUNTRIES

GDP growth rates

Emerging countries			
China	India	Brazil	Russia
8.1 (2021)	9.0 (2021)	4.7 (2021)	4.5 (2021)
2.3 (2020)	-7.3 (2020)	-3.9 (2020)	-2.7 (2020)
8.1% growth in 2021, compared to 2.3% in 2020.	9.0% growth in 2021, compared to -7.3% in 2020.	4.7% growth in 2021, compared to -3.9% in 2020.	4.5% growth in 2021, compared to -2.7% in 2020.
Sub-Saharan Africa			
Nigeria	South Africa	Ghana	CEMAC
3.0 (2021)	4.6 (2021)	4.1 (2021)	2.2 (2021)
-1.8 (2020)	-6.4 (2020)	0.4 (2020)	-2.7 (2020)
3.0% growth in 2021, compared to -1.8% in 2020.	4.6% growth in 2021, compared to -6.4% in 2020.	4.1% growth in 2021, compared to 0.4% in 2020.	2.2% growth in 2021, compared to 2.6% in 2020.

Source: IMF

Growth in emerging and developing countries averaged 6.5% in 2021 after a 2.0% drop in 2020. In China, despite the housing crisis, growth increased from 2.3% in 2020 to 8.1% in 2021, against a backdrop of rising external demand. The Indian economy grew by 9.0% in 2021, after declining by 7.3% in 2020. In Brazil, the growth rate stood at 4.7% in 2021 after a decline of 3.9% in 2020. In Russia, economic activity benefited from higher oil and gas prices triggered by the recovery in global demand, posting a growth rate of 4.5% in 2021 after shrinking by 2.7% in 2020.

In sub-Saharan Africa, growth showed a positive trend in 2021 after a decline of 1.7% in 2020. Increased external demand and higher commodity prices resulted in a growth rate of 4.0% in 2021 for the sub-Saharan African economies. Nigeria experienced growth of 3.0% in 2021 after -1.8% in 2020, in line with the rise in commodity prices, particularly the price of oil. In South Africa, the economy recorded an increase in its GDP, with a growth rate of 4.6% in 2021 after a decline of 6.4% in 2020.

1.1.3 - FINANCIAL AND COMMODITIES MARKETS

On the financial markets, the main stock markets showed positive trends in a context marked by the recovery of global economic activity.

On average, the MSCI World Index improved by 30.0% compared to its average level in 2020, reaching 2,985.7 points. In the United States, on the New York Stock Exchange, the Dow Jones index rose by 26.4% in 2021 over the previous year. The Nasdaq technology stock index jumped significantly by 40.8%, in line with the increased use of new information technologies during the pandemic. In the Eurozone, the EuroStoxx 50 index rose sharply by 22.8% from its average in 2020 to reach 4,018.1 points at the end of December 2021. In Japan, the NIKKEI 225 index rose by 27.1% to an average of 28,843.5 points in 2021. In the United Kingdom, the FTSE 100 index rose by 11.6% to an average of 6,999.8 points in 2021.

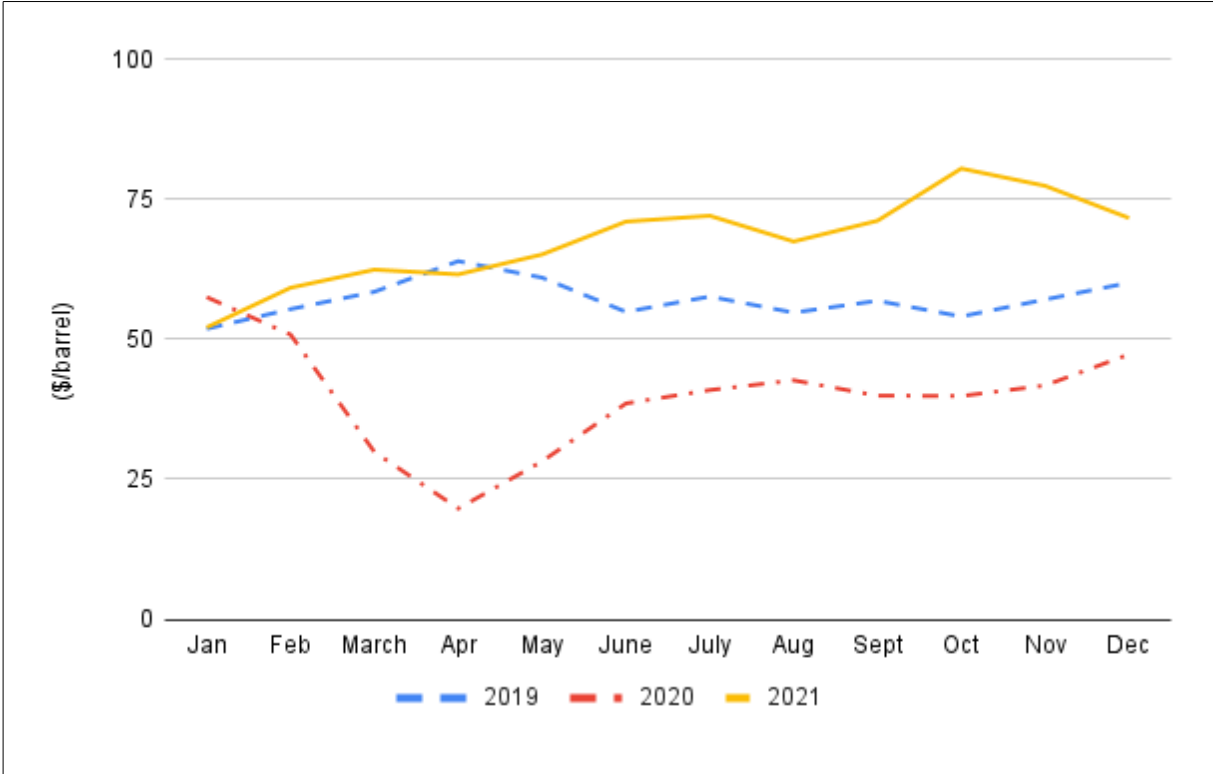
The general upturn in international financial markets was also observed on the African stock markets. The leading indices showed upward trends in 2021. For example, the Nigerian NSE and the Ghanaian GSE recorded annual average increases of 48.0% and 27.9% respectively. South Africa's FTSE/JSE All Share Index rose by 16.7%, against a backdrop of economic recovery. In the WAEMU zone, after several years of continuous declines, the BRVM composite and BRVM 10 indices started to recover, with year-on-year increases of 20.7% and 6.3% respectively.

Commodity prices strengthened significantly on the back of a recovery in global demand, against a backdrop of multiple constraints in terms of supply and market provisioning. The key export commodity index posted an increase of 15.9% in 2021 compared with +1.2% in 2020. The prices of major imported food commodities also showed strong growth (+14.5% in 2021 after +3.3% in 2020).

The rise in international prices for the main commodities exported by the Union was especially concentrated in energy products, notably gas (+131.2%) and oil (+66.3%), as well as non-energy products such as vegetable oils (+61.4%), cotton (+45.0%), rubber (+37.1%), zinc (+32.5%), coffee (+29.0%), uranium (+8.1%), round timber (+8.1%), cocoa (+4.2%), cashew nuts (+1.4%), and fertilisers including phosphate (+52.9%). Gold was the only key export commodity that showed a drop in price (-0.1%). Gold prices were weakened by the strength of the US dollar, the stabilisation of long-term real rates and the reduction of uncertainties, linked to the resumption of economic activities despite the persistence of the COVID-19 pandemic.

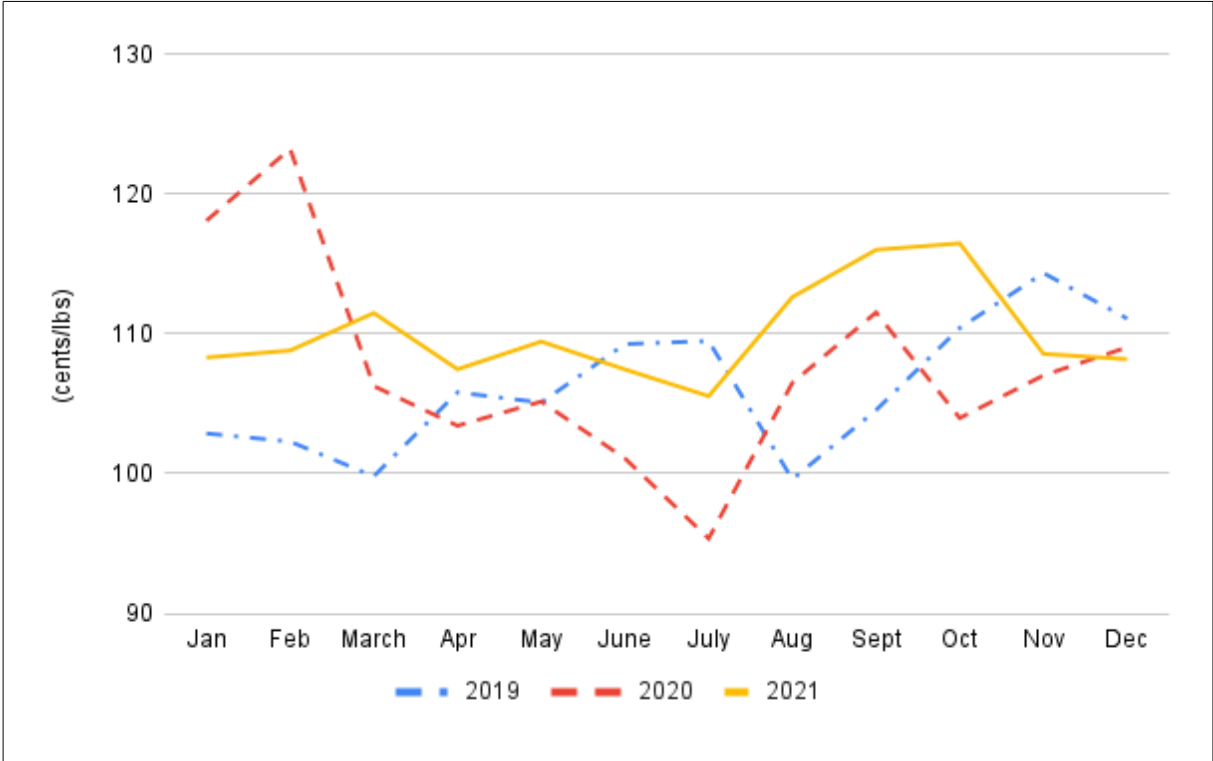
Price increases applied to all key import commodities, with the exception of rice (-1.9%). They notably included vegetable oils (+83.5%), wheat (+28.2%) and sugar (+21.6%).

Figure 2: TRENDS IN OIL PRICES (NYMEX)



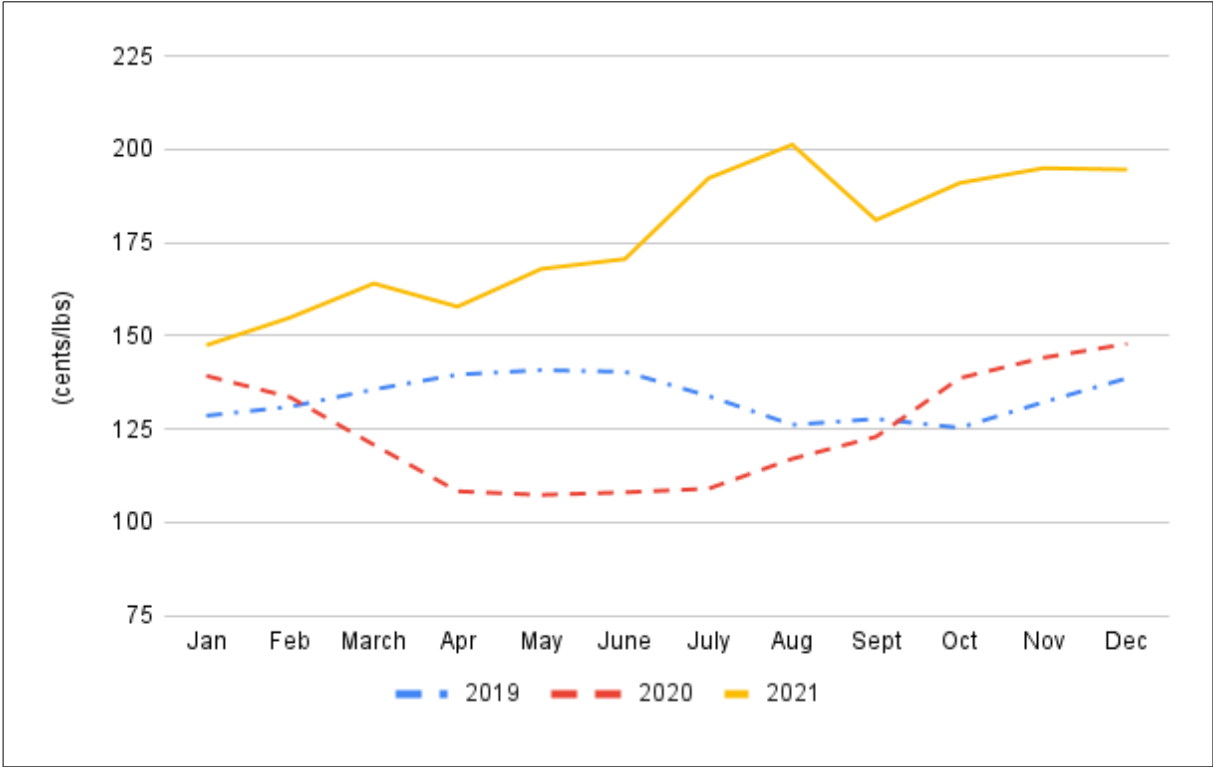
Source: Reuters, BCEAO.

Figure 3: TRENDS IN COCOA PRICES



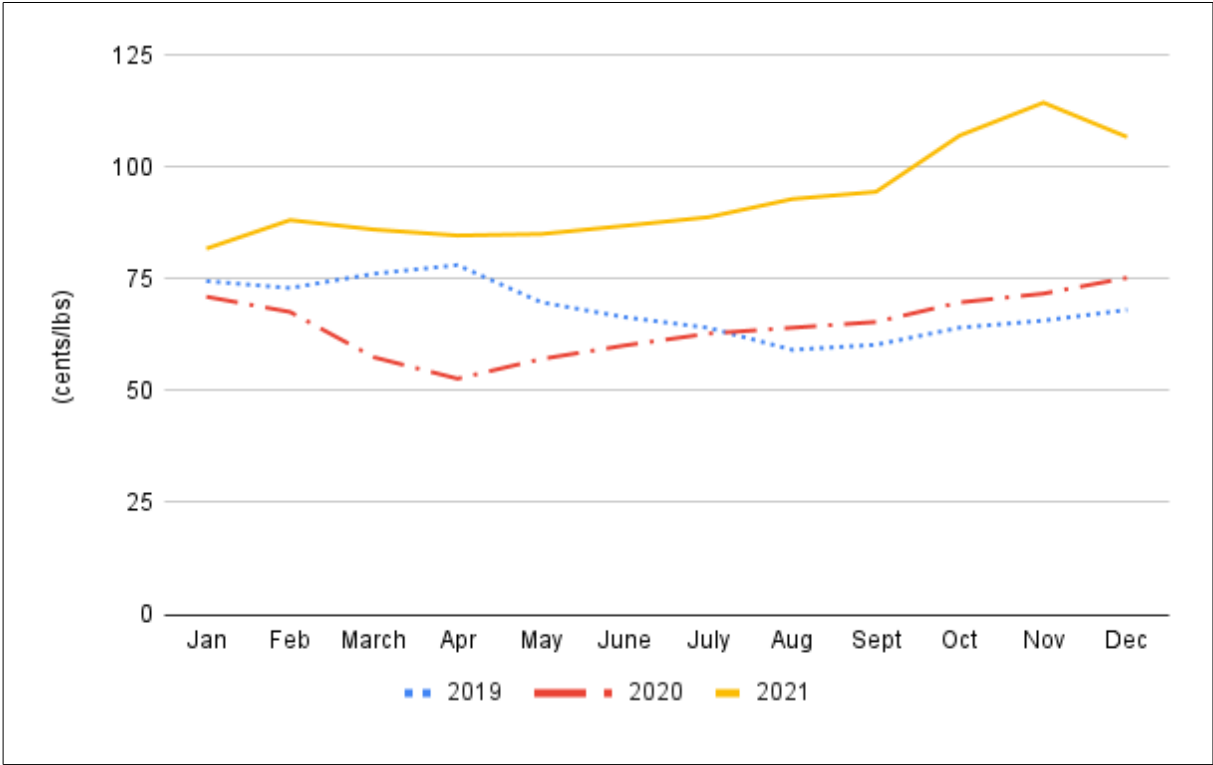
Source: Reuters, BCEAO.

Figure 4: TRENDS IN COFFEE PRICES



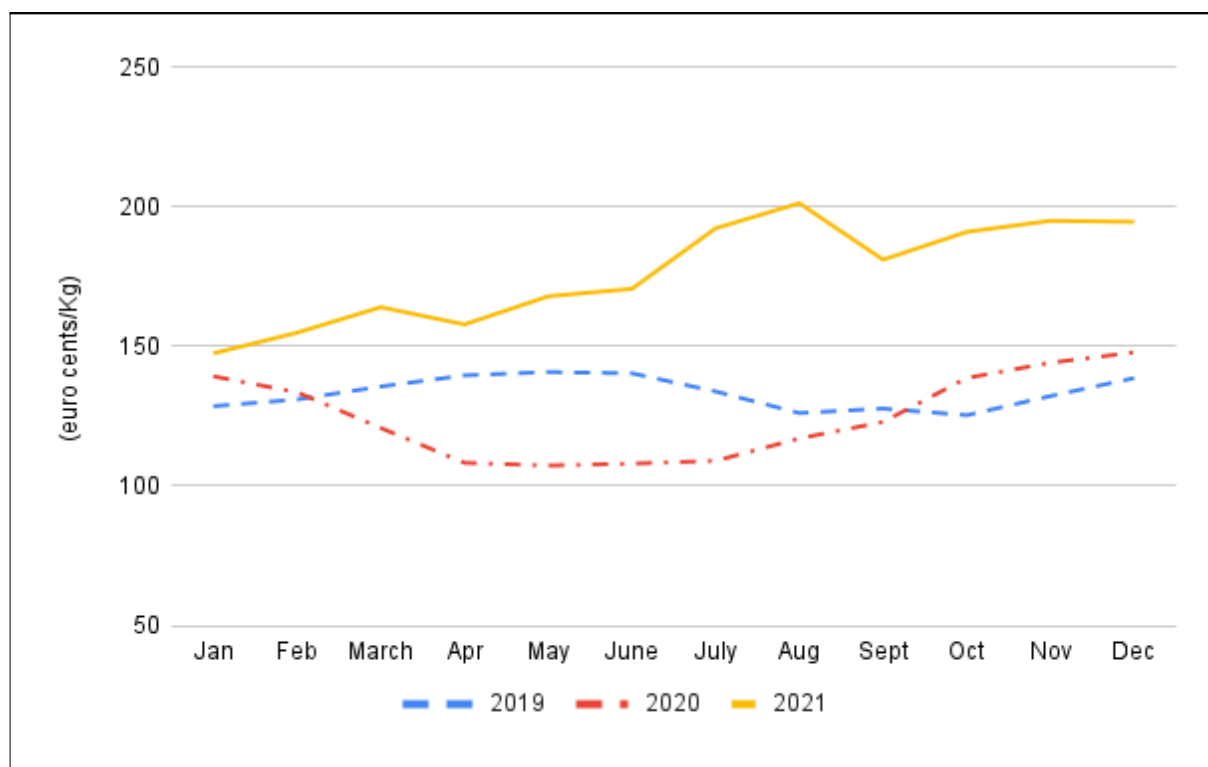
Source: Reuters, BCEAO.

Figure 5: TRENDS IN COTTON PRICES



Source: Reuters, BCEAO.

Figure 6: TRENDS IN RUBBER PRICES



Source: Reuters, BCEAO.

1.1.4 - EMPLOYMENT AND INFLATION

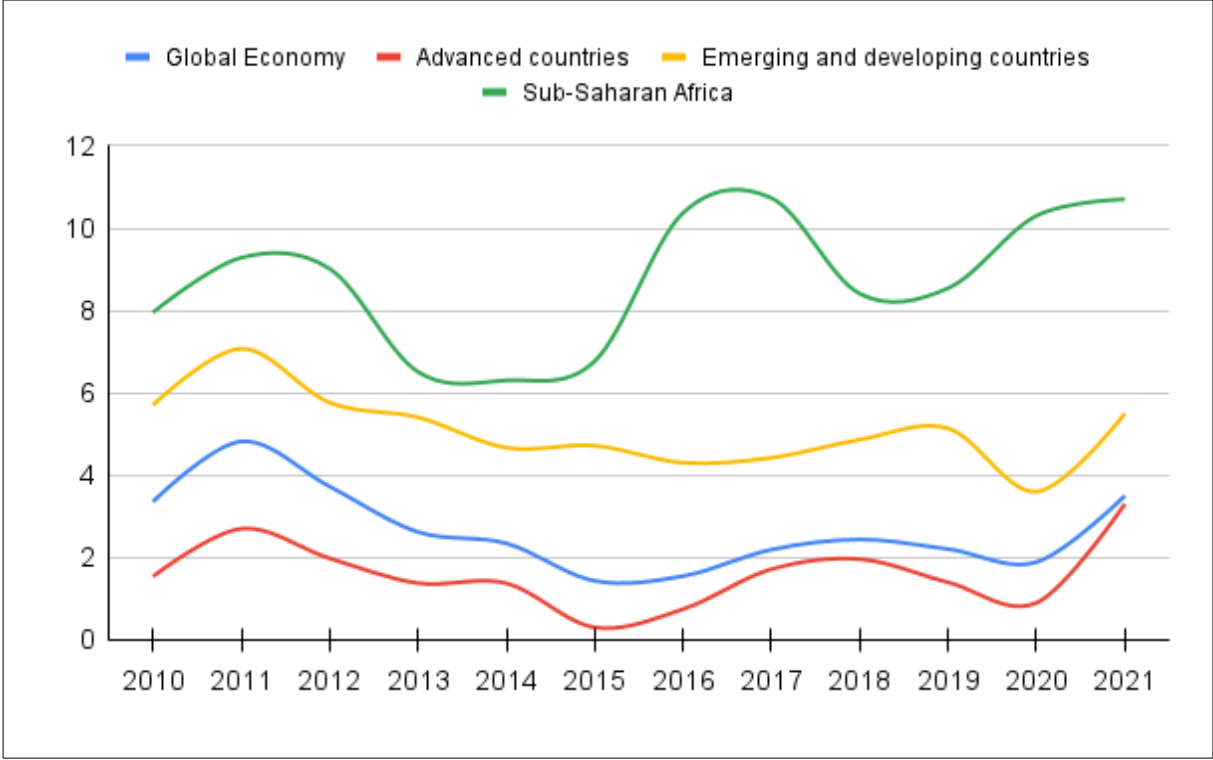
- ➔ LOWER UNEMPLOYMENT AND HIGHER INFLATION IN ADVANCED ECONOMIES.
- ➔ HEADLINE INFLATION OF 3.3% IN 2021 COMPARED TO 0.9% IN 2020.
- ➔ A HIGHER INFLATION RATE IN EMERGING AND DEVELOPING COUNTRIES (5.5% IN 2021 AFTER 3.6% IN 2020).
- ➔ AN INFLATION RATE OF 10.7% IN 2021 COMPARED TO 10.3% IN 2020 FOR SUB-SAHARAN AFRICA.

In 2021, unemployment returned to its downward trend in most advanced economies. In the United States, the unemployment rate fell from 6.7% in December 2020 to 3.9% in December 2021. In the Eurozone, the unemployment rate also fell by 1.1 percentage point to stand at 7.2% in December 2021, its lowest level since 2008. The improvement in labour market conditions in advanced countries in 2021 stemmed from a number of factors, including base effects, the lifting of mobility restrictions due to progress in vaccination campaigns, as well as buoyant demand driven by monetary and fiscal support measures.

Headline inflation rose year on year in all regions of the world. In advanced economies, the inflation rate was estimated at 3.3% in 2021 compared to 0.9% in 2020. This level of inflation exceeded the targets set by central banks. In emerging and developing countries, inflation averaged 5.5% in 2021, up from 3.6% in 2020. In sub-Saharan Africa, inflation was 10.7% in

2021, after 10.3% in 2020. The rise in inflation resulted from supply-demand imbalances, characterised by strong demand in the face of production constraints, disruptions to global logistics and supply chains caused by government mobility restrictions, and base effects.

Figure 7: INFLATION RATE (annual average as a %)



Source: BCEAO

1.1.5 - MONETARY POLICY MEASURES AND FOREIGN EXCHANGE MARKET

<p>MAJOR CENTRAL BANKS CONTINUED TO IMPLEMENT AN ACCOMMODATING MONETARY POLICY.</p>	<p>THE EURO APPRECIATED AGAINST MAJOR CURRENCIES IN BOTH 2021 AND 2020.</p>	<p>APPRECIATION OF THE CFA FRANC ON THE WEST AFRICAN FOREIGN EXCHANGE MARKET:</p> <ul style="list-style-type: none"> ➔ 22.5% AGAINST THE NIGERIAN NAIRA ➔ 10.0% AGAINST THE SIERRA LEONEAN LEONE ➔ 7.5% AGAINST THE GHANAIAN CEDI ➔ 5.9% AGAINST THE GUINEAN FRANC ➔ 4.0% AGAINST THE GAMBIAIAN DALASI
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The monetary policy stance of the world's major central banks remained broadly accommodative in 2021. The aim was to ensure stable, predictable and enabling financing conditions to support the recovery of economic activity after the global recession in 2020. However, in reaction to the sustained price increases that took place throughout 2021, significant divergences have emerged in the monetary policy stance between advanced countries and emerging and developing countries.

Central banks in advanced economies, with the exception of the Bank of England, have kept their monetary policies unchanged.

The US Federal Reserve (FED) kept its target range for the federal funds rate at 0.00% - 0.25%, the same levels in effect since March 2020, despite rapidly rising inflation. In the view of the FED, the inflation was temporary, and reflected transitory factors caused by supply and demand imbalances owing to the persistent COVID-19 pandemic. However, taking into account the substantial improvement of the US economy since December 2020, the FED decided, on 3 November 2021, to start scaling back its monthly net asset purchases. The FED further announced on 15 December 2021 that it would end its bond purchases on the markets as of March 2022. It also announced that it would raise interest rates three times by a quarter of a point by the end of 2022.

The European Central Bank (ECB) maintained its accommodative monetary policy stance throughout 2021, leaving its key rates unchanged. The interest rate on the main refinancing operations, the marginal lending facility and the deposit facility remained unchanged at 0.00%, 0.25% and -0.50% respectively. Given the fragility of the recovery in the Eurozone, the ECB said that rates would remain at their existing levels or could even be lowered until inflation returned to 2% on a sustained basis. The ECB added that a prolonged return to 2% inflation would likely lead to a transition period of slightly higher-than-targeted price increases. However, at its meeting on 16 December 2021, the ECB announced that it would be reducing its net asset purchases under the Pandemic Emergency Purchase Programme (PEPP) in the first quarter of 2022, before ending it as planned in March 2022. It would nevertheless continue its traditional Asset Purchase Programme (APP).

In the United Kingdom, the Bank of England (BoE) maintained its key rate at 0.10%, its lowest level ever, for the first eleven months of 2021, to boost the economic recovery. However, faced with strong inflationary pressures, it raised the rate by fifteen (15) basis points to 0.25% on 16 December 2021.

The Bank of Japan (BoJ) maintained its accommodative monetary policy stance, including its commitment to keep long-term rates low. The deposit facility rate (-0.10%) and the 10-year bond yield target (0%) remained unchanged. At its meeting on 16 December 2021, the BoJ announced that, from April 2022, it would reduce its portfolio of commercial papers and corporate bonds to a total of approximately JPY 5 trillion (EUR 38.8 billion), compared to a previous limit of JPY 20 trillion.

Major emerging market central banks changed their monetary policy stance, with the exception of India, whose central bank (RBI) maintained its key policy rate at 4.00%. On 20 December 2021, the People's Bank of China (PBoC) lowered its policy rate by 0.05 percentage points to 3.80% after keeping it unchanged since April 2020. The Chinese central bank also lowered the reserve requirement ratio for financial institutions. It announced its intention to maintain a flexible

monetary policy in 2022, to stabilise growth and reduce the cost of financing for companies in a context of increasing economic difficulties. From the first half of 2021, in response to the resurgence of inflationary pressures, the central banks of Russia and Brazil raised their key rates by 425 and 650 basis points (bps) respectively. On the other hand, the Turkish Central Bank lowered its key rate by 500 bps from its peak of 19% in the first quarter to 14.00% at the end of December 2021, in order to bolster the economic recovery.

As for the WAEMU's trading partners in the West African sub-region, the Central Bank of Nigeria (CBN) maintained its key rate at 11.5%, the level in force since 22 September 2020. In contrast, the Bank of Ghana (BoG) lowered its policy rate by 100 bps in May 2021 to support economic recovery and raised it again by the same amount in November 2021 to 14.5%. In the CEMAC zone, the BEAC raised its main policy rates by 25 basis points on 25 November 2021, in response to the deterioration of foreign exchange reserves and the risks that could continue to weigh on the currency's external stability. The tender interest rate (TIAO) and the marginal lending facility rate were raised to 3.50% and 5.25% respectively.

On foreign exchange markets, the euro appreciated against the other major currencies in 2021. The exchange rate index for the European currency, as calculated by the ECB, rose by 1.2%. The exchange rate of the euro against the US dollar rose by 3.7% to \$1.1835 in 2021. The Eurozone currency also rose against the Japanese yen (+6.6%) and the Swiss franc (+1.0%). The euro also gained value against the currencies of emerging countries. It rose by 30.1% against the Turkish lira, 5.5% against the Russian ruble and 3.4% against the Indian rupee. In contrast, the European currency depreciated against the Australian dollar (-4.9%), the pound sterling (-3.3%) and the Canadian dollar (-3.0%). The euro also fell by 6.9% compared to the South African rand and by 3.0% against the Chinese yuan.

The CFA franc appreciated against the currencies of the other ECOWAS member countries in 2021, with the exception of the Liberian dollar (-7.5%). On an annual basis, the CFA franc appreciated by 22.5% against the Nigerian naira, 10.0% against the Sierra Leonean leone and 7.5% against the Ghanaian cedi. The currency of the countries of the Union also gained value against the Guinean franc (+5.9%) and the Gambian dalasi (+4.0%). On average over the year, CFA F 1,000 was exchanged for 10.47 Ghanaian cedis, 92.02 Gambian dalasis, 18,814.41 Sierra Leonean leones, 307.61 Liberian dollars, 17,629.73 Guinean francs and 717.68 Nigerian naira.

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

Currency	Code	2020	2021	Change (%)*
Special drawing rights	SDRs	1.22	1.20	-1.5
US dollar	USD	1.14	1.18	3.7
Swiss franc	CHF	1.07	1.08	1.0
Pound sterling	GBP	0.89	0.86	-3.3
Japanese yen	JPY	121.78	129.86	6.6
Chinese yuan	CNY	7.87	7.63	-3.0
Russian ruble	RUB	82.65	87.23	5.5
Indian rupee	INR	84.58	87.49	3.4
Gambian dalasi	GMD	88.53	92.05	4.0
Ghanaian cedi	GHS	9.74	10.47	7.5
Guinean franc	FGN	16,648.60	17,629.73	5.9
Liberian dollar	LRD	332.59	307.61	-7.5
Nigerian naira	NGN	585.69	717.68	22.5
Sierra Leonean leone	SLL	17,102.40	18,814.41	10.0

Sources: WAMA, Banque de France, IMF, 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	1st quarter		2nd quarter		3rd quarter		4th quarter	
		2020	2021	2020	2021	2020	2021	2020	2021
Special drawing rights	SDRs	1.25	1.19	1.24	1.19	1.20	1.21	1.20	1.23
US dollar	USD	1.10	1.20	1.11	1.21	1.18	1.18	1.20	1.14
Swiss franc	CHF	1.06	1.10	1.06	1.10	1.08	1.08	1.08	1.05
Pound sterling	GBP	0.86	0.87	0.89	0.86	0.90	0.86	0.90	0.85
Japanese yen	JPY	119.54	128.60	118.61	132.28	124.85	130.00	124.55	130.40
Chinese yuan	CNY	7.70	7.77	7.84	7.75	8.14	7.61	7.91	7.29
Russian ruble	RUB	76.63	90.30	79.32	89.01	89.26	85.94	91.69	84.08
Indian rupee	INR	87.31	87.94	80.36	88.78	83.45	86.95	87.47	85.58
Gambian dalasi	GMD	86.30	92.06	85.47	92.36	90.23	91.67	92.91	90.86
Ghanaian cedi	GHS	9.08	10.56	9.36	10.54	10.13	10.46	10.47	10.31
Guinean franc	FGN	15,766.27	18,467.09	15,842.02	18,050.09	17,153.07	17,498.42	17,841.52	16,463.13
Liberian dollar	LRD	328.39	315.05	333.01	315.68	354.98	308.37	312.40	260.05
Nigerian naira	NGN	515.42	697.26	513.95	718.82	617.97	736.61	690.84	716.12
Sierra Leonean leone	SLL	16,391.47	18,740.97	16,339.62	18,801.77	17,471.16	18,592.21	18,234.50	19,113.47

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

1.2 - TRENDS IN THE ECONOMIC AND FINANCIAL SITUATION OF WAEMU MEMBER STATES

REAL GDP GROWTH IN THE UNION

6.1% (2021)

1.8% (2020)

1.2.1 - GROSS DOMESTIC PRODUCT

The economies of the Union regained their pre-health-crisis momentum in 2021, after the slowdown recorded in 2020 due to COVID-19. They reaped the benefits of the major economic recovery programmes implemented, the relaunching of projects previously suspended due to the pandemic, as well as the continuation of the Central Bank's accommodating monetary policy to enable credit institutions to better meet the financing needs of economic agents.

According to recent estimates, the growth rate in the Union's GDP stood at 6.0% in 2021 against 1.8% in 2020, driven by all sectors of activity, particularly the tertiary sector in connection with the increase in transport, hotel and restaurant activities. The contribution of the tertiary sector to growth was 4.7 percentage points (pp). The primary and secondary sectors contributed 0.1 and 1.2 pp respectively.

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

	2019	2020	2021
Primary sector	1.3	0.7	0.1
Secondary sector	1.3	0.3	1.2
incl.			
- Manufacturing industries	0.4	-0.1	0.5
- Public works and civil engineering	0.6	0.1	0.4
Tertiary sector	3.2	0.8	4.7
Real GDP	5.8	1.8	6.0
End consumption	3.5	2.0	4.9
Investment	1.8	1.6	2.0
External sector	0.5	-1.8	-0.9
- including Exports	2.2	-1.3	2.1

Sources: National departments, BCEAO

1.2.1.1 - Agricultural production

FOOD CROP PRODUCTION: 66,315,451 MT, DOWN BY 8.1%

Harvests for the 2021/2022 crop year declined in most of the Union's Member States, particularly in the Sahel countries. Based on estimates by national government departments, food crop production in the Union stood at 66,315,451 mt in the 2021/2022 growing season, down 8.1% compared to the previous crop year. This development was due to decreases in cereal crops (13.3%), other crops (9.7%) and tubers (1.1%). The decline in production was caused by unfavourable weather conditions during the season.

Compared to the average of the previous five years, however, harvests for the 2021/2022 crop year showed a moderate increase of 1.0%.

Harvests of export commodities, with the exception of coffee and groundnuts, were up in the 2021/2022 crop year compared to the previous year.

The seed cotton harvest in the 2021/2022 season was estimated at 2,836,625 mt across the Union, an increase of 30.0% compared to the 2020/2021 season. Mali was the main driver of this strong increase in production. In Mali, measures taken to unfreeze fertiliser subsidies, which had previously been suspended, and an increase in the minimum purchase price to producers from CFA F 200 to CFA F 280 CFA, resulted in an unprecedented increase in areas sown, from

160,000 to 790,000 hectares in 2020/2021. These factors combined explain the record production level of 741,184 mt achieved in the country.

The Union's groundnut production totalled 3,602,288 mt in the 2021/2022 season, down 11.7% from the previous season. This was due to a 6.7% drop in the harvest in Senegal, the main producer country.

The quantity of cashew nuts produced during the 2021/2022 season was estimated at 1,432,266 mt, up by 12.9% compared to the previous season. This increase can mainly be ascribed to the 14.1% increase in the harvest in Côte d'Ivoire, the largest producer of the crop, which accounted for 66.9% of the Union's total supply during the 2020/2021 season. In Guinea-Bissau, cashew nut production was estimated at 225,000 mt, up 1.6% compared to the previous season.

Rubber production was estimated at roughly 1,100,386 mt in 2021/2022, a 15.9% increase compared to the previous agricultural season, due to an increase in the number of mature trees.

1.2.1.2 - Mine production

According to available estimates on extractive industries in 2021, gold and phosphate production increased. In contrast, oil and uranium production was down.

Cocoa production rose by 2.6% in the 2021/2022 season, to stand at 2,244,204 mt across the Union. The increase was driven by the 2.6% increase in the harvest in Côte d'Ivoire, despite actions by Ivorian authorities to control the increase in the supply of cocoa beans, in a bid to avoid a collapse in world prices.

On the other hand, coffee production stood at 84,418 tonnes during the 2021/2022 season, down 19.1% compared to the previous season, due in particular to the gradual ageing of the trees and the attractiveness of other crops (mainly rubber).

The quantity of gold extracted in the Union in 2021 was estimated at 195,846 kg, an increase of 4.0% over 2020 after a 10.5% increase the year before. Gold production in 2021 was estimated at 69,460 kg in Mali (-2.5%), 66,859 kg in Burkina Faso (+7.6%), 40,000 kg in Côte d'Ivoire (+3.8%), 19,120 kg in Senegal (+17.8%) and 407 kg in Niger (+203.9%).

The supply of phosphates also saw an increase of 3.5%, at 3,074,368 tonnes in 2021, due to a 10.2% increase in Togo's production, estimated at 1,456,368 tonnes, mitigated by a 0.2% decline in Senegal's production.

On the other hand, crude oil extraction decreased by 3.6% to 16,310.4 thousand barrels, due to a 6.9% drop in production by Côte d'Ivoire, offset by a 2.1% increase Niger's oil production.

Uranium production also fell by 23.6% to 2,285 tonnes in 2021, in line with the decline in global demand.

1.2.1.3 - Industrial production and retail trade turnover

Industrial production in the WAEMU grew by 6.2% in 2021, following growth of 1.8% the year before. This acceleration was driven by the rise in manufacturing output (+8.9% as against -1.2%), mitigated by a slowdown in mining and quarrying output (+0.4% as against +7.4%) and energy production (+5.4% as against +7.8%). The positive trend in the manufacturing industry was linked to increases in the production of food commodities and refined oil. The trend in the

mining and quarrying sector reflected the decline in uranium production and the slowdown in gold production. In the energy sector, the pace of growth in electricity generation slowed somewhat to 5.4% in 2021, from 7.8% in 2020. Hydroelectric power production was affected by lower dam levels and the breakdown of the Azito thermal power plant in Côte d'Ivoire, which generates a third of the national electricity supply.

Retail trade turnover in the Union rose by 12.6% in 2021, against a decline of 5.7% the previous year. This dynamic can be ascribed to the upturn in sales of automobiles (+23.0% against +0.6%), textiles and clothing (+16.8% against -13.6%), foodstuffs (+13.6% against -12.8%) and petroleum products (+9.1% against -7.0%).

The turnover index in market services (excluding financial services) is expected to rise by 15.0% in 2021 after remaining almost stationary in 2020 (+0.4%). This development was mainly due to the upturn in activity in accommodations, restaurants and transport services, which were the most severely affected by the health crisis in 2020, coupled with the renewed momentum of information and communications services in most of the Union's countries.

The financial services index showed an increase of 8.5% in 2021 after rising by 8.4% a year earlier. The volume of banking transactions (including loans and deposits) also increased, while lending rates fell.

1.2.2 - CONSUMER PRICE TRENDS

ANNUAL AVERAGE INFLATION RATE	CAUSES OF PRICE INCREASES:
3.6% (2021) 2.1% (2020)	<ul style="list-style-type: none"> • DROP IN CEREAL PRODUCTION • MARKET SUPPLY ISSUES • SOARING INTERNATIONAL FOOD PRICES • SOARING FREIGHT COSTS.
An average annual inflation rate of 3.6% in 2021, after 2.1% in 2020.	

The average annual inflation rate rose to 3.6% in 2021 from 2.1% in 2020. This rise in inflation was mainly due to pressures on food prices and, to a lesser extent, to the increase observed in housing component prices. The increase in food component prices was primarily due to lower cereal production in the Union, in a context of exacerbated market sourcing difficulties, mainly owing to the impact of the health and security crises. The rise in food prices was further accentuated by a surge in prices of international food imports (+7.3%), coupled with a dramatic increase in freight costs (+296.1%). The rise in the housing component was ascribable to the higher price of charcoal, due to the increased cost of transport to major urban centres, as well as rises in gas and oil prices in some countries, in the wake of crude oil price hikes.

Notwithstanding the foregoing trends, the inflation differential between the WAEMU and its main partners was found to be favourable to the Union by 0.9 percentage point in 2021. In particular, the inflation differential with Nigeria and Ghana stood at 11.4 and 5.7 percentage points respectively.

Table 4: TRENDS IN CONSUMER PRICES IN 2020 AND 2021 (AS A%)

	2020		2021	
	Annual average	Year-over-year change as at end December	Annual average	Year-over-year change as at end December
Benin	3.0	1.1	1.7	5.0
Burkina Faso	1.9	2.3	3.9	8.0
Côte d'Ivoire	2.4	2.3	4.2	5.6
Guinea-Bissau	1.5	1.5	3.3	5.8
Mali	0.5	0.7	3.9	8.9
Niger	2.9	3.1	3.8	4.9
Senegal	2.5	2.4	2.2	3.8
Togo	1.8	3.6	4.5	6.1
WAEMU	2.1	2.2	3.6	6.0

Sources: National Statistics Institutes, BCEAO.

1.2.3 - PUBLIC FINANCE AND EXTERNAL DEBT POSITION

1.2.3.1 - Trends in State financial transactions

In 2021, the execution of WAEMU Member States' financial operations bore the mark of actions designed to bring about economic recovery following the COVID-19 shock in 2020. Fiscal revenue collections amounted to 16,114.4 billion at the end of December 2021, up 2,063.3 billion or 14.7% compared to the previous year. This performance was mainly due to higher tax revenue, which rose by 1,769.7 billion or 15.0%, and an increase in other revenue amounting to 293.6 billion or 12.9%. This level of revenue mobilisation was made possible by the magnitude of the economic recovery. However, the tax burden ratio (13.6%) remained below the community standard of 20% of GDP minimum, which was in force in the Union prior to the COVID-19 crisis. Grants totalled 1,520.2 billion, down 14.1% compared to 2020. In total, the fiscal revenue and grants of the Union's Member States rose by 11.5% year over year.

FISCAL REVENUE AND GRANTS:

→ **\$17,634.6** BILLION (16,114.4 BILLION IN FISCAL REVENUE AND 1,520.2 BILLION IN GRANTS) AT THE END OF DECEMBER 2021. UP BY **11.5%** YEAR OVER YEAR.

→ TAX BURDEN RATIO: 13.6%, BELOW THE COMMUNITY STANDARD OF AT LEAST 20% OF THE GDP, STIPULATED IN THE WAEMU CONVERGENCE PACT IN FORCE PRIOR TO THE COVID-19 CRISIS.

NET EXPENDITURES AND LOANS:

→ **23,125.7** BILLION IN 2021

→ UP BY **10.1%** COMPARED TO 2020.

OVERALL DEFICIT, ACCRUAL BASIS, INCLUSIVE OF GRANTS:

5,491.1 BILLION AT END DECEMBER 2021, (**5.5%** OF GDP) COMPARED WITH 5,187.0 BILLION IN 2020 (5.6% OF GDP).

OVERALL OUTSTANDING EXTERNAL PUBLIC DEBT OF THE UNION:

34,227.1 BILLION AT END DECEMBER 2021, UP BY 14.5%, COMPARED TO AN AVERAGE INCREASE OF 16.2% IN 2020.

REPRESENTING 34.3% OF GDP IN 2021 COMPARED TO 32.5% OF GDP ONE YEAR PRIOR.

Net expenditure and lending rose by 10.1%, from 21,007.4 billion in 2020 to 23,125.7 billion in 2021, driven by increases in current expenses (+8.1%) and capital expenditure (+13.0%). The increase in current expenses was mainly due to the year-on-year rise in interest on Member State debt (+17.0%), the wage bill (+7.1%) and other current expenses (+25.3%), mitigated by a decrease in transfers and grants (-6.9%). The increase in capital expenditure was driven by the implementation of stimulus measures as well as the execution of investments scheduled under national development plans. As a percentage of the GDP, it stood at 7.6% in 2021 against 7.3% a year earlier.

Table 5: TRENDS IN PUBLIC FINANCE IN 2020

	December 2020 (1)	December 2021* (2)	Change (2) - (1)	
			in billions	in %
Fiscal revenue and grants	15,820.4	17,634.6	1,814.2	11.5
(in % of GDP)	17.2	17.7	-	-
Fiscal revenue	14,051.1	16,114.4	2,063.3	14.7
Tax revenue	11,767.6	13,537.3	1,769.7	15.0
(in % of GDP)	12.8	13.6	-	-
Other revenue (including non-tax)	2,283.5	2,577.1	293.6	12.9
Grants	1,769.3	1,520.2	-249.1	-14.1
Total expenditures and net loans	21,007.4	23,125.7	2,118.3	10.1
(in % of GDP)	22.8	23.2	-	-
Current expenses	13,396.1	14,481.4	1,085.3	8.1
payroll	5,129.8	5,495.0	365.2	7.1
grants and transfers	3,858.7	3,594.3	-264.4	-6.9
interest on the debt	1,589.1	1,859.4	270.3	17.0
other current expenses	2,818.5	3,532.7	714.2	25.3
Capital expenditures	6,705.4	7,575.0	869.6	13.0
(in % of GDP)	7.3	7.6	-	-
Other expenditures	874.5	1,022.5	148.0	16.9
Net loans	31.4	46.8	15.4	49.0
Balance, accrual basis (including grants)	-5,187.0	-5,491.1	-304.1	-5.9
(in % of GDP)	-5.6	-5.5	-	-

(*) *Estimates*

Sources: *National departments, BCEAO.*

On this basis, the overall deficit, on an accrual basis, including grants, deteriorated by 304.1 billion, to reach 5,491.1 billion at the end of December 2021. However, as a percentage of the GDP, it improved to 5.5% of the GDP against 5.6% in 2020.

1.2.3.2 - External resource mobilisation and external debt position

The WAEMU Member States continued to receive support from technical and financial partners, as in 2020, to provide financing for the economic recovery and continue the fight against the pandemic. Resources of close to 179.59 billion were raised from the IMF through several instruments (Extended Credit Facility, Rapid Credit Facility and Standby Arrangement) in addition to IMF Special Drawing Rights (SDR) allocations worth a total of 1,302.6 billion.

With the exceptions of Côte d'Ivoire and Senegal, the Member States also qualified for the third and fourth tranches of debt service relief from the IMF under its Catastrophe Containment and Relief Trust (CCRT), for a total amount of some CFA F 46.2 billion, thus bringing the grand total of debt forgiveness in their favour under the initiative to CFA F 100.4 billion.

In addition, three (3) of the Union's countries raised resources on international markets through Eurobond issues. Benin participated in these markets in January and July 2021, raising a total amount of 1.5 billion euros (CFA F 984.0 billion). Côte d'Ivoire raised 926.7 million euros (CFA F 607.9 billion) on the said markets in February 2021. Senegal issued Eurobonds in June 2021 for an amount of EUR 775.0 million, i.e. approximately CFA F 508.0 billion.

Available data on the foreign debt showed an increase of 14.5% in the Union's outstanding foreign debt, i.e. 34,227.1 billion in 2021, compared with an increase of 16.2% the previous year, in connection with loans mobilised to finance the economic recovery and needs pertaining to the health crisis. As a percentage of the GDP, the external debt represented 34.3% in 2021 against 32.5% the previous year.

The situation by country is summarised in Table 6 below:

Table 6: EXTERNAL DEBT RATIOS IN 2020 AND 2021 (as a % of GDP)

Countries	2020	2021
Benin	26.0	34.1
Burkina Faso	24.3	26.3
Côte d'Ivoire	30.5	31.4
Guinea-Bissau	39.6	41.0
Mali	29.8	29.4
Niger	31.0	33.0
Senegal	53.4	55.0
Togo	22.4	22.7
WAEMU	32.5	34.3

Source: BCEAO.

1.2.4 - BALANCE OF PAYMENTS

THE OVERALL EXTERNAL TRADE BALANCE OF THE WAEMU COUNTRIES SHOWED A SURPLUS OF **475.6** BILLION IN 2021, FOLLOWING A SURPLUS OF **15.8** BILLION THE PREVIOUS YEAR

The WAEMU countries' external trade showed an overall surplus balance of 475.6 billion in 2021, after a surplus of 15.8 billion the year before. This performance was due to the increase in net capital inflows to the financial account, which were sufficient to cover the current account deficit. The deficit deteriorated year on year, mainly due to a higher increase in imports of goods and services (+15.7%) than exports (+12.3%).

Table 7: TRENDS IN THE BALANCE OF PAYMENTS OVER THE 2019-2021 PERIOD (IN BILLIONS OF CFA FRANCS, except where otherwise indicated)

	2019	2020	2021 (Estimate)
Trade balance	-1,458.3	-360.3	-1,517.5
Balance of services	-3,599.7	-4,595.5	-4,916.2
Balance of the current transactions account	-4,370.2	-4,174.0	-5,752.4
Balance of the current transactions account (as a % of GDP)	-4.9	-4.5	-5.8
Balance of the current transactions account exclusive of grants (as a % of GDP)	-5.7	-5.4	-6.3
Balance of the capital account	1,235.5	1,307.4	1,734.4
Balance of the financial account	-5,107.0	-3,280.2	-4,731.0
Overall balance	1,635.1	15.8	475.6
Revaluations	171.8	182.3	133.6
Change in NEA	-1,806.9	-198.0	-609.2
Nominal GDP	88,696.2	91,838.0	99,709.8

Source: BCEAO.

The current deficit deepened by 1,578.4 billion to stand at 5,752.4 billion in 2021, due to the worsening of the deficit in the balance of goods and services (+29.8%), as well as the deficit in primary income (+6.3%). As a percentage of the GDP, the current deficit rose to 5.8%, up by 1.3 percentage point compared to 2020.

The deepening of the trade deficit in goods (+1,157.2 billion) was caused by the increase in imports (+18.0%), which was higher than the increase in exports (+12.0%), against a backdrop of a gradual return to normal terms of trade.

The momentum in imports was essentially generated by the oil bill (+38.2%), in a context of soaring international prices, coupled with a clear revival of the demand for consumer goods (+13.4%) and capital and intermediate goods (+14.9%). Purchases of capital and intermediate goods increased due to the resumption of work on major projects underway in WAEMU countries following a slowdown in their implementation rate in 2020. These projects mainly included British Petroleum's (BP) Grand Tortue Ahmeyim (GTA) gas project between Senegal and Mauritania, as well as the construction of an oil pipeline in Niger and Benin.

The trend in exports primarily reflected higher sales of the main products traditionally exported by the Union, mitigated by the decline in uranium shipments due to the closure of the COMINAK mine. The impact of increased sales of agricultural commodities, notably rubber (+50.6%), cotton (+29.8%), cashew nuts (+25.1%) and cocoa (+9.8%), was reinforced by the momentum of oil (+45.2%) and gold (+2.2%) exports. With the exception of cocoa, increases in exports of agricultural commodities were driven by upward trends in prices on international markets on the one hand and, on the other, by increases in volumes shipped in response to strong global demand. The higher volume of cocoa sales was due to the postponement of shipments of 2020/2021 production. The boost in exports of gold and oil products were ascribable to higher

production and higher international prices. The resumption of re-exports (+21.5%) after the disruptions caused by the closure of the Nigerian borders in 2020 should also be noted.

The deficit in the balance of services widened by 7.0%, mainly due to the increase in the freight bill (+21.8%) due to rising imports in 2021 and soaring petroleum product prices. The negative balance in primary income increased by 6.3%, driven by interest payments on the public debt (+7.5%). The secondary income surplus rose by 1.5% due to increased flows of migrant worker remittances to the Union, which rose by 19.6% in 2021. The trend in the secondary income account was, however, offset by a decline in fiscal aid received by the countries of the Union (-42.6%).

The capital account surplus increased by 32.5% to 1,734.4 billion after 1,309.4 billion a year earlier, mainly due to increased project grants in most WAEMU Member States.

Taking account of capital transactions, financing needs stood at 4,018.0 billion, an increase of 40.2%. Financing needs were 111.8% covered by net capital inflows on the financial account, as compared to a coverage rate of 101.0% in 2020, an increase of 10.8 percentage points.

Net capital inflows to the financial account increased by 44.2% to USD 4,731.0 billion from USD 3,729.4 billion in 2020. This was mainly due to net foreign direct investment (FDI) inflows, coupled with net portfolio investment inflows. Net FDI flows amounted to 2,322.5 billion in 2021 against 1,846.1 billion the year before, an increase of 25.8%. This development was connected with the recovery of economic activity in the Union combined with the resumption of mining, oil and gas exploration in Senegal and the construction of a pipeline in Niger after the slowdown observed in 2020. Net portfolio investment inflows stood at 1,594.7 billion in 2021, mainly in connection with issues of Eurobonds for a total net amount of 1,626.0 billion by Member States – namely by Côte d'Ivoire (607.9 billion), Benin (715.5 billion) and Senegal (+276.7 billion)¹ – as well as issues by the WADB (+486.9 billion including a repayment of +461 billion) against a total issuance of 353.2 billion the year before. Net inflows under other investments fell, however, in line with the decline in State drawdowns (-20.2%) in comparison to the significant mobilisations recorded in 2020.

Under these conditions, taking into account the general SDR allocation of 1,302.6 billion as well as additional resources of 179.59 billion from the IMF through various instruments,² the reserve ratio in months of imports rose from 5.6 months in 2020 to 6.0 months in 2021.

1 The net issuance of Eurobonds analysed in this section was assessed after deducting buybacks of previously issued securities, whereas the figures in Section 1.2.3.2 refer to gross issuance.

2 Namely, the Extended Credit Facility, the Rapid Credit Facility and the Standby Arrangement.

II MONETARY POLICY IMPLEMENTATION

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2.1 - MONETARY POLICY OBJECTIVES

Since 1 April 2010, the effective date of agreement of the WAMU and BCEAO institutional reform, the primary objective of the Central Bank's monetary policy has been to maintain price stability. In addition to this objective, monetary policy also supports the economic policies of the WAEMU Member States, with a view to achieving sound and sustainable growth.

In operational terms, the price stability target has been defined as keeping the annual inflation rate in the Union within a range of one percentage point (1%) above or below the target value of 2% over the next 24 months.

In performing this task, potential risks to price stability and growth are addressed during a macroeconomic framing exercise carried out by Central Bank departments. In the context of the health crisis, this exercise, which used to be annual, was carried out on a quarterly basis in 2021, to provide the Monetary Policy Committee with updated analyses of the economic and financial situation of the countries of the Union, as well as the medium-term outlook, which was more volatile as a result of developments in the COVID-19 pandemic.

2.2 - MONETARY ACTION

MONETARY POLICY MEASURES IN 2021:

➔ Maintaining the BCEAO's policy rates stable after the drop in June 2020. The key rate, namely the minimum bidding rate for auctions, remained at 2.00%, its lowest level ever. Similarly, the marginal lending rate remained at 4.00%. The aim was to support the recovery of economic activity, in a context of transitory inflationary pressures.

➔ Keeping the reserve requirement ratio applicable to banks at 3.00% since 16 March 2017, to reinforce the accommodative monetary policy stance.

BANK LIQUIDITY REGULATION MEASURES:

➔ Continuing fixed-rate and full-service auctions on all conventional bidding windows, namely the weekly and monthly windows.

➔ Opening a special, six-month maturity, full-service window for the refinancing of stimulus bonds (OdR³). The OdR were organised and dedicated window was opened to allow States to raise long-term resources at favourable interest rates to cover financing needs related to the health crisis and the implementation of stimulus measures.

➔ Opening a special full-service, twelve-month maturity window for the refinancing of twelve-month maturity Support and Resilience Bonds (BSR). The objective of the BSR issuance programme was to enable States to raise resources at favourable interest rates to meet emergency cash needs.

➔ Ongoing scoring of companies to provide banks with a larger pool of private securities eligible for the BCEAO's refinancing windows.

3 Obligations de Relance or OdR are "medium and long maturity Treasury Bonds (3 years, 5 years, 7 years, 10 years, 12 years or more), which have been issued throughout the year 2021 through open auctions on the WAEMU Public Securities Market".

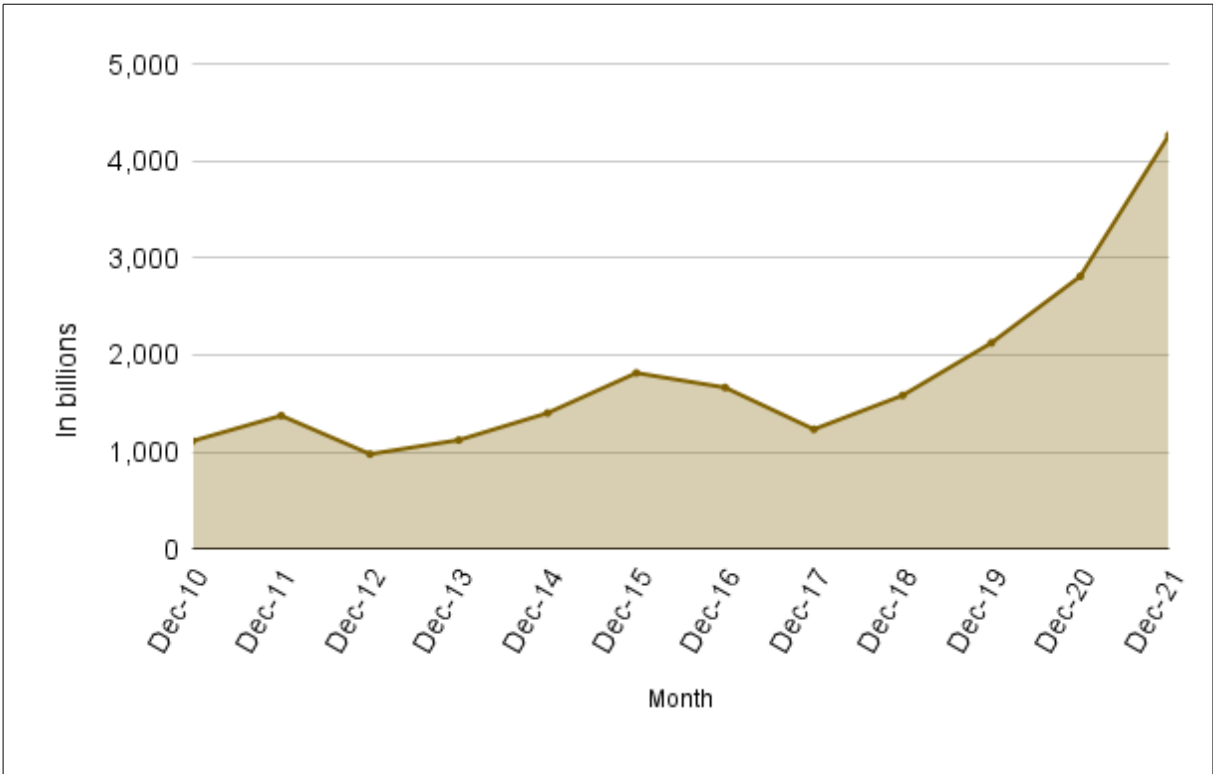
The measures taken by the BCEAO in 2020 to mitigate the effects of the pandemic on the financing of economic activity in the Union, and the easing of mobility restriction measures, contributed to a rapid return of economies to their pre-crisis growth path by 2021.

2.2.1 - INTEREST RATE POLICY

The BCEAO kept its key rates unchanged in 2021. This decision was taken after analysing the strongly bearish risk factors – notably linked to the persistence of the pandemic and the deterioration of the security situation – surrounding the economic recovery in 2021. Recent inflation in the Union was mainly due to supply shocks on food and petroleum products, regarding which an increase in domestic policy rates would have been ineffective or even counterproductive. Thus, the key rate, i.e. the minimum bid rate, remained at 2.00%, its lowest level ever. The marginal lending rate also remained unchanged, at 4.00% since June 2020.

This policy of maintaining the rates unchanged was supported by the provision of liquidity to banks through auctions with a view to satisfying the needs expressed on all the traditional bidding windows, namely the weekly and monthly windows. Under those conditions, overall bank liquidity increased by 1,415.5 billion over 2021, with 502.0 billion of that amount resulting from increased refinancing granted by the Central Bank.

Figure 8: TRENDS IN OVERALL LIQUIDITY



Source: BCEAO

2.2.2 - RESERVE REQUIREMENTS SYSTEM

The Central Bank maintained the reserve requirement ratio applicable to the Union's banks unchanged at 3.00%. The reserves actually built up by the Union's banks in 2021 represented on

average 313.5% of the reserves required by the regulations, as compared to 281.0% the year before.

It should be recalled that the Central Bank has opted for a single reserve requirement rate applicable to all banks in the Union since the Monetary Policy Committee meeting of 16 December 2010. Table 8 shows the history of the reserve requirement ratios applied by the Central Bank.

Table 8: RESERVE REQUIREMENT RATIOS APPLICABLE TO BANKS

	Up to 15 Nov. 1998	16 Nov. - 15 Dec. 1998	16 Dec. - 15 April 2000	16 April - 15 Aug. 2000	16 Aug. - 15 Sept. 2000	16 Sept. - 15 April 2002	16 April - 15 March 2004	16 March - 15 June 2005	16 June - 15 June 2009	16 June - 15 May 2010	16 May - 15 Dec. 2010	16 Dec. - 15 March 2012	16 March - 15 March 2017	since 16 March 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 Faso	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

Full coverage of banks' needs at the minimum bid rate for open market operations helped to promote access to low-cost liquidity, resulting in further easing of money market rates.

On the weekly tender window, the amount injected reached a record volume of 4,440.5 billion in December 2021, up from 3,889.5 billion a year earlier, an increase of 14.2%. The average amount of weekly liquidity injections in 2021 was 3,391.8 billion in 2021, down 182.1 billion, or 5.1%, from the figure of 3,573.9 billion recorded in 2020.

The average marginal rate for weekly auctions was 2.00% in 2021, down 25 basis points from 2.25% in 2020. The weighted average interest rate for one-week tenders was also 2.00% in 2021, compared with an average of 2.35% in 2020, representing a drop of 35 basis points.

On the monthly tender window, the amount injected by the Central Bank stood at 1,503.6 billion at the end of December 2021 versus 1,808.1 billion a year earlier, representing a drop of 304.5 billion (16.8%). Requests fulfilled totalled 1,644.8 billion on average in 2021, compared to 1,483.0 billion in 2020. The marginal interest rate and the weighted average interest rate also

stood at 2.00% on this window in 2021, representing decreases of 20 and 30 basis points respectively over one year.

The health crisis generated substantial budget deficits in 2021 (5.9% of the GDP at the Union level), which had to be covered in part on the regional public debt market. Taking into account the successful experience with the special COVID-19 window, the Bank evolved the architecture of its windows to facilitate the financing of the States' stimulus plan and cash flow needs on the domestic market without substantially degrading the sustainability of their debts.

Since February 2021, the Central Bank has opened a special six-month maturity window dedicated to refinancing of stimulus bonds (OdR) issued by the States of the the Union to finance their economic recovery plans. Since August 2021, it has also set up a special refinancing window with a twelve-month maturity, known as the "Support and Resilience" window, which aims to ensure the best financial conditions for the States of the Union to issue "Support and Resilience Bonds" (BSR) to finance urgent cash-flow needs.

The amounts mobilised through the special windows have changed gradually as new eligible instruments have been issued and secured by the Central Bank. At the end of December 2021, of the 2,984.3 billion OdR bonds issued, 8.9% were refinanced through the stimulus window and 41.2% through the other, traditional windows. In the case of the BSR bonds, of the 705.3 billion issued, 18.2% were refinanced through the support and resilience window and 21.1% through traditional windows. Outstanding refinancing through the stimulus window totalled 139.6 billion at the end of December 2021, while the amount outstanding under the support and resilience window was 112.9 billion.

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

The marginal lending window was not used in 2021. The same applied to the special refinancing window, which was set up in January 2014. This situation was due to the availability of the special windows and the fact that all needs could be satisfied on open market windows.

2.3.3 - INTERBANK MARKET

The trend in the WAMU interbank market showed an increase in the volume of cash exchanges and an easing of the weekly weighted average interest rate on transactions. Rates were lowered pursuant to the monetary easing measures implemented by the Central Bank in 2021.

The average volume of transactions, all maturities combined, totalled CFA F 428 billion in 2021 against CFA F 275 billion in 2020, representing an increase of 56%. 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 66% and 18% of the average transaction volume respectively, compared to 69% and 15% in 2020. These maturities represented average loan amounts of CFA F 284 billion and CFA F 77 billion, respectively, in 2021, versus CFA F 191 billion and CFA F 40 billion in 2020.

In relation to the average amount of liquidity injections, the volume of interbank operations increased by 8.0% in 2021 against 5.0% in 2020.

With regard to interest rates, the one-week segment recorded an easing of the weighted average interest rate from 3.48% in 2020 to 2.36% in 2021. All the Union's markets participated in the interbank market. Abidjan was the most active in terms of supplying resources (37%), followed by Ouagadougou (18%), Dakar (16%) and Cotonou (12%). The principal beneficiaries were Abidjan (33%), Dakar (17%), Lomé (16%), Bamako (12%) and Cotonou (9%).

Table 9: 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	2.48	2.54	3.95	3.64	4.14	4.25	6.95	6.95
February	2.49	2.67	3.74	4.09	4.42	3.47	-	-
March	2.53	2.40	3.53	4.54	4.55	4.59	-	-
April	2.52	2.33	3.37	3.71	3.98	6.01	4.00	2.50
May	2,67	2.37	3.61	4.71	3.79	4.25	-	6.20
June	2.58	2.33	3.88	3.60	4.79	3.56	3.50	-
July	2.47	2.48	3.40	3.60	4.21	6.13	-	-
August	2.39	2.25	3.56	4.38	6.50	3.00	-	5.50
September	2.52	2.32	3.28	4.13	5.48	-	-	-
October	2.30	2.26	3.76	4.16	3.86	-	-	-
November	2.43	2.17	3.49	3.14	5.73	4.25	4.50	-
December	2.31	2.30	3.54	3.60	4.99	4.94	-	3.81
Average	2.47	2.36	3.55	3.81	4.47	4.42	4.22	5.60

Source: BCEAO.

Table 10: TRENDS IN INTERBANK LENDING WITHIN WAMU IN 2020 (IN MILLIONS OF CFA FRANCS)

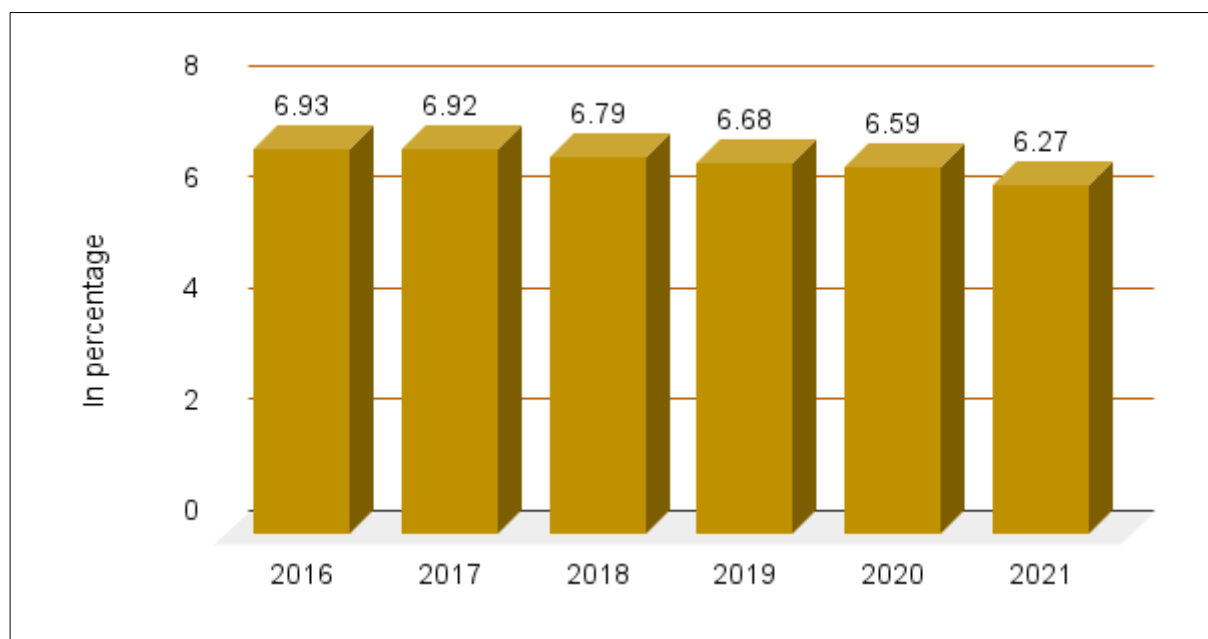
	Average amounts		Average outstanding loans	Rate ranges (%)	Loan terms
	Total	Including WAMU			
January	343,918	249,103	483,066	2.48 to 6.95	1 day to 12 months
February	317,129	247,829	441,278	2.49 to 4.42	1 day to 6 months
March	321,729	206,340	527,209	2.40 to 4.55	1 day to 6 months
April	496,935	355,119	649,774	2.33 to 6.01	1 day to 12 months
May	433,944	267,349	690,452	2.37 to 6.20	1 day to 12 months
June	495,353	335,961	710,403	2.33 to 4.79	1 day to 9 months
July	461,875	317,215	623,780	2.47 to 6.13	1 day to 6 months
August	434,397	311,853	590,247	2.25 to 6.50	1 day to 12 months
September	390,287	284,616	491,749	2.32 to 5.48	1 day to 3 months
October	360,459	264,482	497,407	2.26 to 4.16	1 day to 3 months
November	450,591	309,041	558,853	2.17 to 5.73	1 day to 12 months
December	629,609	426,364	738,264	2.36 to 5.17	1 day to 12 months
Average	428,019	297,939	583,540		

Source: BCEAO.

2.3.4 - TRENDS IN LENDING RATES

Monitoring of banking conditions revealed that the downward trend in the cost of credit in WAEMU member countries continued in 2021. The average lending rate in the Union fell from 6.59% in 2020 to 6.27% in 2021, a drop of 32 basis points.

Figure 9: TRENDS IN LENDING RATES IN THE UNION (%)



Source: BCEAO.

2.4 - TRENDS IN MONETARY AGGREGATES

The money supply in the Union in 2020 was marked by a slowdown in growth in the broad monetary aggregate, which stood at 16.3% compared with 16.5% in 2020. Banks' purchases of debt securities issued by the States to finance spending on the response to the COVID-19 pandemic contributed to monetary growth.

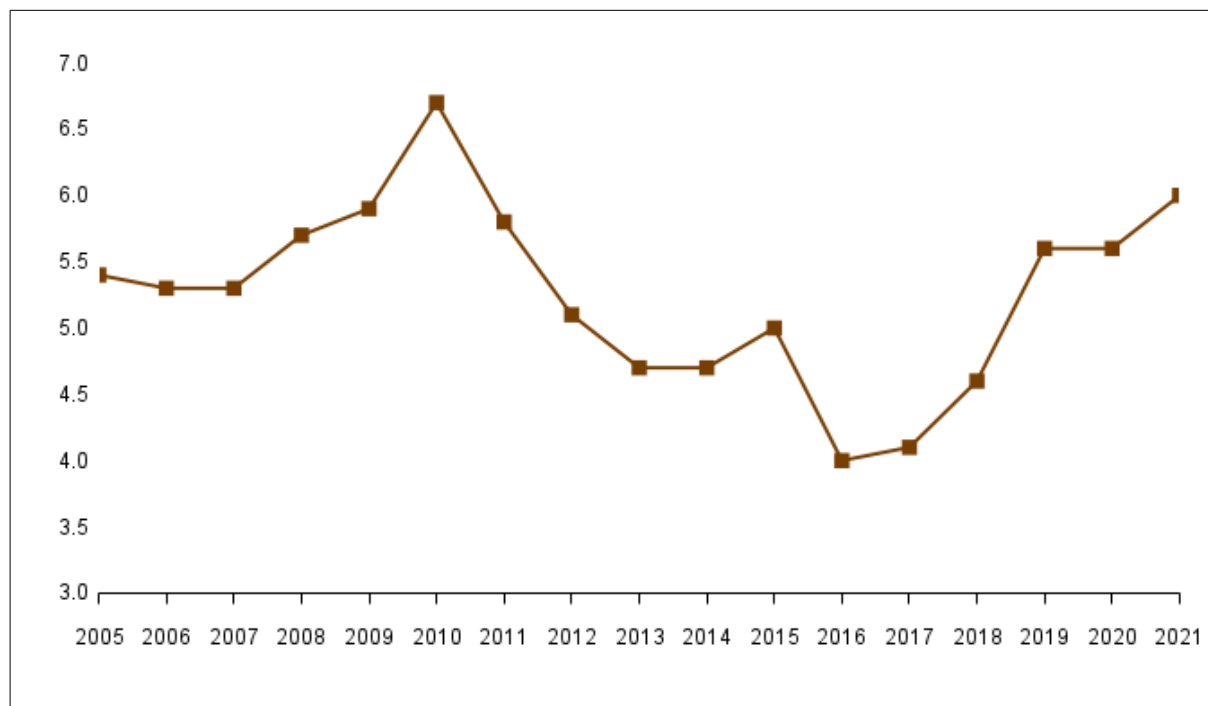
2.4.1 - NET FOREIGN ASSETS

Net foreign assets of monetary institutions increased by 609.2 billion to reach 7,746.6 billion at the end of December 2021. This trend was due to an increase of 806.7 billion in the Central Bank's net foreign assets, while those of the Union's banks declined by 197.5 billion.

The stock of official foreign exchange reserves of the BCEAO increased by 2,309 billion to reach 14,040 billion at the end of December 2021, thanks in particular to the general SDR allocation to the Member States of the Union totalling CFA F 1,302.6 billion, the mobilisation of substantial external resources by the States, and an exceptional performance in terms of repatriation of export earnings. The countries of the Union continued to receive support from external financial partners, in particular the IMF, notably through the mobilisation of resources amounting to nearly 179.59 billion, by means of several instruments (Extended Credit Facility, Rapid Credit Facility and Standby Arrangement). The States also benefited from the third and fourth tranches of debt relief from the IMF, under the Catastrophe Containment and Relief Trust (CCRT), totalling approximately CFA F 46.2 billion, thus bringing the total debt relief they received under this initiative to CFA F 100.4 billion. The resources raised from the World Bank amounted to approximately CFA F 1,149.3 billion for 2021. In addition to these amounts, resources were mobilised by three of the Union's Member States through Eurobond issues.

Consequently, the level of foreign exchange reserves ensured a comfortable coverage rate of 79.3% of the monetary issue and 6.0 months of imports of goods and services against 5.6 months the previous year.

Figure 10: COVERAGE OF IMPORTS BY THE UNION'S FOREIGN EXCHANGE RESERVES (IN MONTHS)



Source: BCEAO.

2.4.2 - DOMESTIC CLAIMS

Outstanding domestic claims rose by 6,099.3 billion or 16.5% compared to their level at the end of December 2020, reaching 43,080.3 billion at the end of December 2021. This development was due to the combined impact of the consolidation of net loans to central governments and loans to other sectors of the economies of the Union.

2.4.2.1 - Net loans to central government administrations

In 2021, the regional public debt market was heavily solicited to finance the economic stimulus plans drawn up by the governments of the Union's member countries. This situation led to a net increase in the banking system's lending to governments. Banks' net loans to central governments grew by 2,073.7 billion, i.e. an increase of 18.4%. In particular, their outstanding portfolio of government securities increased by 24.4% in 2021, from 11,959.4 billion to 14,873.4 billion. In terms of the BCEAO's net loans, the increase was mainly due to onlending to the States of SDRs allocated by the IMF, to the tune of 1,302.6 billion. On the whole, net loans of all deposit-taking institutions to central governments increased by 3,306.9 billion over the year, or 26.8%.

**Table 11: NET LOANS OF DEPOSIT-TAKING INSTITUTIONS TO CENTRAL GOVERNMENTS
(IN BILLIONS)**

	December 2020	December 2021	Annual change
Net loans to central governments	12,344.2	15,651.1	3,306.9
Loans by deposit-taking institutions	18,240.1	22,658.6	4,418.5
Loans	6,264.6	7,769.3	1,504.7
Public securities portfolios	11,959.4	14,873.4	2,914.0
Other loans	16.1	15.9	-0.2
Deposit institution commitments	5,896.0	7,007.5	1,111.6
Treasury cash in Central Bank	32.2	30.5	-1.7
Deposits	5,761.3	6,861.4	1,100.1
Other commitments	102.5	115.6	13.2

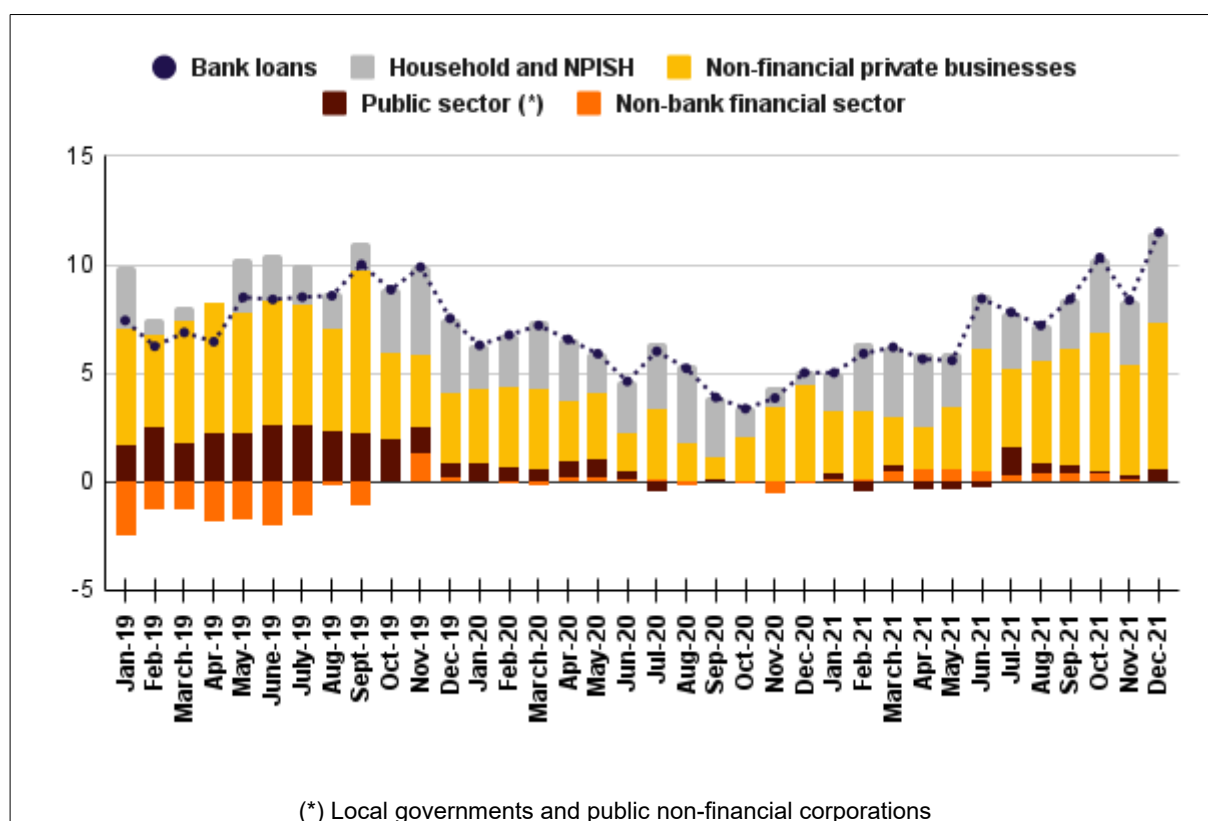
Source: BCEAO.

2.4.2.2 - Bank loans to the economy

The rate of increase in loans by deposit-taking institutions to sectors of the economy other than central governments rose sharply over the course of 2021, reaching 11.3% at the end of December 2021, compared with 4.8% a year earlier. This development reflected the renewed momentum of economic activity in WAEMU countries, driven by the implementation of government stimulus and post-COVID support plans.

An analysis of credit distribution by institutional sector shows that the strong increase in credit was mainly driven by growth in bank loans to the private sector (+2,564.3 billion), which contributed 10.4 percentage points. Loans to private businesses increased by 11.4% and loans to households and non-profit institutions serving households grew by 13.3%.

Figure 11: ANNUAL BANK LOAN GROWTH (in percentage points)



Source: BCEAO.

2.4.3 - MONEY SUPPLY AND MONETARY BASE

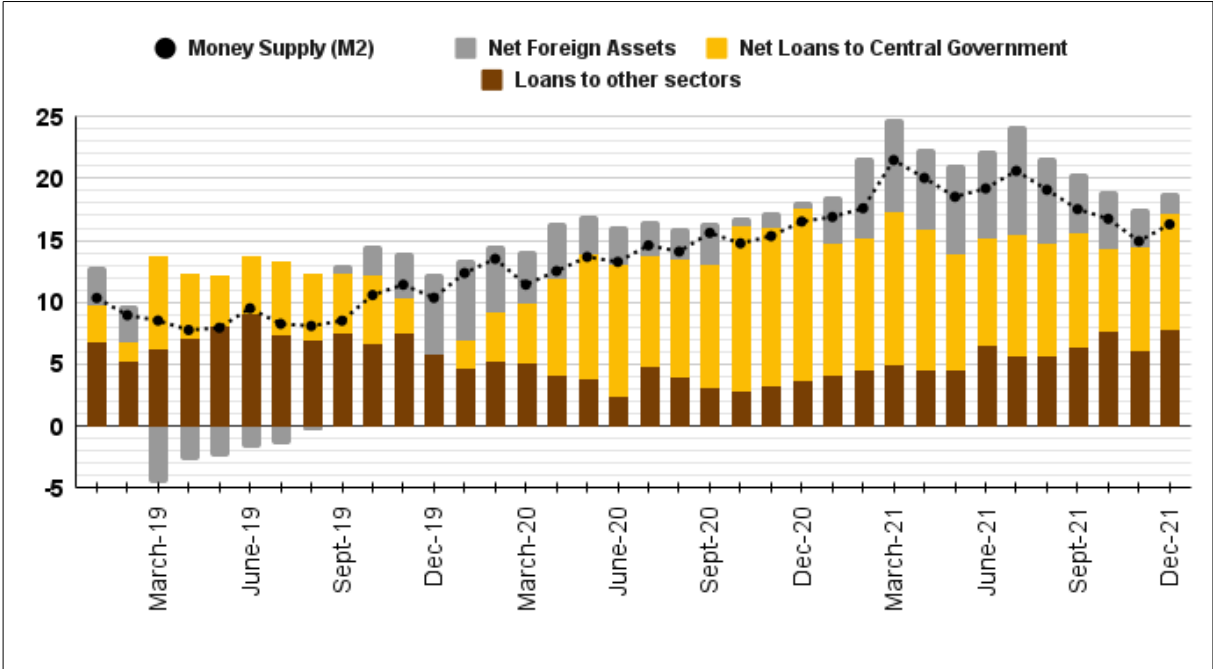
THE MONEY SUPPLY GREW BY **5,802.2** BILLION OR **16.3%**, TO STAND AT **41,465.6** BILLION AT THE END OF DECEMBER 2021

THE MONETARY BASE GREW BY **2,488.6** BILLION OR **19.6%**, REACHING **15,213.2** BILLION AT THE END OF DECEMBER 2021.

The money supply grew by 5,802.2 billion or 16.3% year on year, to stand at 41,459.1 billion at the end of December 2021. The increase in overall liquidity was reflected in the deposit base, which grew by 4,704.0 billion or 17.2%, and in currency in circulation, which grew by 1,098.2 billion or 13.2% to stand at 9,424.9 billion.

Compared to its level at the end of December 2020, the monetary base expanded by 2,488.6 billion, i.e. 19.6%, to reach 15,213.2 billion at the end of December 2021. This development was driven by growth in its various counterparts. Lending to banks increased by 503.6 billion and the net external assets of the Central Bank grew by 806.7 billion. Net loans to central governments rose by 1,231.5 billion, mainly due to the setting up by the BCEAO of loans backed by general SDR allocations, amounting to 1,302.6 billion.

Figure 12: ANNUAL GROWTH IN THE MONEY SUPPLY



Source: BCEAO.

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

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3.1 - SITUATION OF CREDIT AND MICROFINANCE INSTITUTIONS

3.1.1 - FINANCIAL SITUATION OF CREDIT INSTITUTIONS

<p>154 active institutions, comprising 131 banks and 23 bank-like financial institutions.</p>	<p>Uses increased by 5,945.6 billion (14.5%), reaching 47,080.7 billion.</p>
<p>BANKING SECTOR</p>	
<p>Average solvency ratio "<i>equity over risk-weighted assets</i>" (12.6%) on 31 December 2021, above the minimum requirement of 10.375% established by the prudential framework in force for financial year 2021.</p>	<p>Resources increased by 7,346.9 billion (19.2%), reaching 45,631.5 billion at the end of December 2021.</p>

As at December 31, 2021, the banking sector in the Union comprised 155 approved credit institutions, 154 of which were active, including 131 banks and 23 bank-like financial institutions.

In a context marked by the gradual lifting of travel restriction measures taken by States to control the COVID-19 pandemic and the appearance of new variants, the activities of credit institutions continued to grow, accompanied by an improvement in the quality of the portfolio of regulated institutions. The total assets of the banking system increased by 8,087.1 billion (+17.1%) to reach 55,356.0 billion at the end of December 2021 from 47,268.9 billion at the end of December 2020.

Resources and uses grew by 19.2% and 14.5% respectively, year over year, to reach 45,631.5 billion and 47,080.7 billion.

Resources increased by 7,346.9 billion (+19.2%) to reach 45,631.5 billion at the end of December 2021, due to concomitant increases in deposits and loans (+6,416.5 billion; +19.6%), net equity (+720.0 billion; +17.5%) and various other resources (+210.4 billion; +13.9%). The breakdown of the resources was consistent with the continuing role of retail banking as the dominant business model in the sub-region: 85.7% of the resources were made up of customer deposits, 10.6% of net equity and 3.8% of other resources.

Uses increased by 5,945.6 billion (+14.5%), to stand at 47,080.7 billion. Loans to customers were up by 3,066.6 billion (+12.5%), especially short-term loans (+1,764.2 billion; +13.3%). Following the same trend, other uses progressed by 2,879.1 billion, or +17.4%, in connection with an increase in investment securities (+1,901.0 billion; +18.0%). The business model continued to focus on credit transactions in 2021, and the asset structure remained unchanged. Banking uses comprised 58.7% loans to customers and 41.3% other uses. In 2020, the percentages stood at 59.7% and 40.3% respectively.

The cash position of the banks and financial institutions improved, the structural deficit having been reduced by 1,401.3 billion to stand at -1,449.2 billion at the end of December 2021, versus -2,850.4 billion at the end of December 2020.

The quality of the portfolio improved by 1.3 percentage point with a gross portfolio deterioration rate of 10.3%. The net rate, which taking account the provisions built up by credit institutions, stood at 3.9% at the end of December 2021, improving by 0.4 percentage point.

The solvency of the banking sector had improved at the end of December 2021. Based on reports from credit institutions, the actual equity of the entire WAMU banking system was estimated at 3,640.1 billion at the end of December 2021, compared with 3,284.0 billion a year earlier. Weighted risks were estimated at 29,215.5 billion against 26,473.5 billion in 2020. As a result, the average total solvency ratio (equity over risk-weighted assets) was 12.6% as at December 31, 2021, compared to 12.4% in December 2020. The solvency ratio was above the required minimum of 10.375% established by the prudential framework in force for financial year 2021.

Additionally, during 2021, the system put in place by the BCEAO under the maturity deferral measure, which ended in December 2020, was monitored with a view to assessing developments in the stock of deferred debts. It emerged that the stock of deferred debts continued to decline, with only a small proportion of beneficiaries remaining in difficulty, thanks to the measures taken by the BCEAO. The stock of deferred debts, estimated at 769.4 billion at the end of December 2020, stood at 179.0 billion on 31 December 2021, representing a reduction of 76.7%. Overall, a high proportion of the deferred debt continued to be repaid normally.

3.1.2 - FINANCIAL SITUATION OF MICROFINANCE INSTITUTIONS

Decentralised financial systems (DFSs): 508 at end December 2021 514 at end December 2020			MICROFINANCE
		MICROFINANCE SECTOR	<p>→ 1,933.5 billion deposits collected at end December 2021 compared to 1,568.5 billion at end December 2020, representing a +23.3% increase.</p> <p>→ +22.3% increase in outstanding loans from 1,597.4 billion at end December 2020 to 1,953.5 billion at end December 2021.</p> <p>→ The number of beneficiaries of services provided by microfinance institutions rose to nearly 17.0 million at the end of December 2021, up from 14.7 million at the end of December 2020.</p>
The number of service points rose from 4,297 at end December 2020 to 4,366 at end December 2021.			

The microfinance sector in WAMU continued to perform strongly in 2021 in terms of brokerage and access to financial services for the population, notwithstanding the pandemic situation. Based on available data, with 508 decentralised financial systems (DFSs), compared to 514 at the end of 2020, the number of service points rose from 4,297 at end December 2020 to an estimated 4,366 at end December 2021. At the same time, the number of beneficiaries of services provided by microfinance institutions rose to nearly 17.0 million at the end of December 2021, up from 14.7 million at the end of December 2020, corresponding to a 15.9% increase. These indicators reflect the continued penetration of decentralised finance among underprivileged populations.

The financial brokering activities of DFSs also expanded. Deposits collected reached 1,933.5 billion at the end of December 2021 compared to 1,568.5 billion at the end of December 2020, corresponding to a 23.3% increase. They represented 5.1% of all deposits collected by the Union's credit institutions during the reporting period. The proportion of demand deposits fell slightly (-2.87 percentage points) compared to the previous year, representing 57.3% of savings collected. Term deposits and other deposits represented 21.1% and 21.6% respectively. Of the savings mobilised by microfinance institutions, 48.7% were held by men, 26.9% by women and 24.4% by groups.

Outstanding loans granted by microfinance institutions rose (+22.3%) from 1,597.4 billion at end December 2020 to 1,953.5 billion at end December 2021. They represented 7.1% of outstanding loans granted by the Union's credit institutions. The share of short-term loans increased by 0.89 percentage point, to represent 51.8% of all loans granted by DFSs. Medium- and long-term loans accounted for 31.7% and 16.5% respectively. Average outstanding microfinance loans per member rose by 4.2% to CFA F 114,898, compared to CFA F 108,893 in 2020.

Outstanding debts to DFSs also rose (+13.3%), mainly due to the impact of the health crisis on the activities of their clients. They stood at 154.0 billion at the end of December 2021 against 135.9 billion on 31 December 2020. Despite this, the gross deterioration rate of the portfolio of WAMU's microfinance institutions, measured by outstanding loans as a proportion of loans, stood at 7.9% at the end of December 2021, compared to 8.5% at the end of December 2020, representing a drop of 0.6 percentage point. However, the figure was still above the maximum 3% standard generally accepted in the sector.

Throughout 2021, the Central Bank conducted several studies and continued actions designed to increase the soundness of the microfinance sector, modernise tools used to supervise microfinance activities, revise regulatory instruments and contain threats to DFSs. With regard to the soundness of the microfinance sector, the year was notable for the diagnostic assessments carried out on 40 struggling DFSs. The assessments were conducted as part of the implementation of the second component of the regional financial inclusion strategy (SRIF).

3.1.3 - SITUATION OF ISLAMIC FINANCE

ISLAMIC FINANCE LANDSCAPE:

- 2 banks operating exclusively in Islamic finance
- 7 banks with an Islamic finance branch
- 2 microfinance institutions operating solely in Islamic finance
- 1 microfinance institution with an Islamic finance branch.

The BCEAO continued its efforts to promote Islamic finance in 2021. To facilitate access to the sector, the Central Bank has opted to support initiatives to create Islamic Financial Institutions (IFIs). To this end, several applications for approval to conduct Islamic finance activities were reviewed, and the promoters of the institutions were encouraged to improve their applications. To date, 12 licenses have been granted to 2 banks operating exclusively in Islamic finance, 7 banks with an Islamic branch, 2 exclusively Islamic microfinance institutions and 1 microfinance institution with an Islamic branch.

Among its activities aimed at disseminating the specific regulations governing Islamic finance, the Central Bank organised, on 11 and 12 November 2021, an online training course for the Professional Associations of Decentralised Financial Systems (APSFD) of WAMU on the legal and operational aspects of Islamic finance in the Union.

The Central Bank also launched a project to provide IFIs with Sharia governance tools, as well as model contracts designed to prevent risks with regard to their compliance with the standards in force. A study was also undertaken to identify the services that FinTech companies could offer to IFIs and to consider a potential refinancing mechanism for the Union's IFIs.

3.2 - FINANCIAL MARKET

Resources raised by WAEMU Member States on the regional public debt market totalled **7,268.0 billion** (down by **3,218.9 billion** compared to the end of December 2020)

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

3.2.1.1 - Resource mobilisation on the regional market

In financial year 2021, resources raised by WAEMU Member States on the regional public debt market amounted to 7,268.0 billion, down by 3,218.9 billion compared to the end of December 2020. The decrease was primarily due to the drop in bonds issued (-62.6%), due to the end of the COVID-19 bond programme set up by the BCEAO, which was not renewed in 2021. However, this decline was cushioned by growth in Treasury bond issues (+4.6%). Net issuance stood at 3,015.9 billion at the end of December 2021, compared with 3,098.1 billion the previous year.

In the Treasury bills segment, Member States mobilised 2,055.9 billion in 2021, representing 28.3% of the resources raised on the regional financial market against 5,504.1 billion one year prior. Support and Resilience Bonds (BSR) accounted for 32.1% of the resources mobilised in the segment, i.e. 659.8 billion. Issues with 12-month maturities were the most highly sought after, with a total value of 1,221.3 billion, or 59.4% of all bonds issued during the period.

Across the bond segment, Treasuries raised 5,212.1 billion in 2021 compared to 4,982.8 billion the previous year. The total amount of OdR stimulus bonds⁴ issued during the period amounted to 2,984.3 billion, representing 57.3% of total bond issues. OdR issuance included 3-year (697.8 billion), 5-year (773.3 billion), 7-year (763.0 billion), 10-year (608.5 billion), 12-year (11.3 billion) and 15-year (130.4 billion) maturities.

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

Instrument	2020				Total 2020	2021				Total 2021
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Bills	446.1	1,864.4	1,392.5	1,801.1	5,504.1	575.3	469.0	571.8	439.8	2,055.9
Bonds	1,232.1	1,056.6	1,417.9	1,276.2	4,982.8	1,285.3	1,789.5	1,218.5	918.8	5,212.1
By auction	851.7	807.8	884.9	693.4	3,237.8	957.8	1,331.5	811.5	394.8	3,495.6
By syndication	380.4	248.8	533.0	582.8	1,745.0	327.5	458.0	407.0	524.0	1,716.5
Total	1,678.2	2,921.0	2,810.4	3,077.3	10,486.9	1,860.6	2,258.5	1,790.3	1,358.6	7,268.0

Sources: WAMU-Securities, CREPMF.

Financing conditions on the public debt market improved in 2021 compared to the previous year. The average cost of resources raised by Member States generally fell across all maturities, both in the bills and Treasury bonds segments. The decreases in weighted average rates were 0.36 point, 1.27 point and 1.41 point for the 3-month, 6-month and 12-month maturities respectively. As for bonds, declining yields were recorded for most maturities, specifically 3 years (-0.85 point), 5 years (-0.66 point) and 7 years (-0.24 point). The improvement in financing conditions was mainly due to low BSR and OdR exit rates, stemming from measures taken by the Central Bank in structuring the bonds.

⁴ As a reminder, stimulus bonds (OdR) were designed to enable WAEMU Member States to raise the necessary resources to finance their economic recovery plans in 2021, after the COVID-19 shock in 2020. To promote the issuance of the securities under optimal conditions for investors and governments, the BCEAO decided to create a special refinancing window called the stimulus window, or "Guichet de relance". In addition to being eligible for the Central Bank's traditional refinancing windows, OdR are the only securities eligible for the stimulus window, which allows investors to obtain liquidity in the form of loans with a renewable six-month term, at the minimum bid rate for BCEAO auctions, which is currently 2.00%.

Table 13: WEIGHTED AVERAGE RATES AND YIELDS

	2020				2020 Average	2021				2021 Average
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
3 months	3.88	3.22	2.45	3.28	2.96	2.90	2.58	2.47	-	2.60
6 months	4.38	4.49	4.20	2.96	4.34	3.24	2.86	-	-	3.07
12 months	4.94	4.91	4.89	4.06	4.68	4.31	3.99	3.01	2.62	3.27
3 yrs	6.05	6.35	6.32	5.95	6.20	5.79	5.37	4.98	3.72	5.35
5 yrs	6.22	6.45	6.24	6.19	6.29	6.03	5.76	5.29	4.56	5.63
7 yrs	6.19	6.03	6.26	6.12	6.14	6.08	5.96	5.63	5.58	5.90
8 yrs	6.50	-	6.50	-	6.50	6.50	-	-	-	6.50
10 yrs	6.18	6.02	5.90	5.90	5.97	5.90	6.27	6.19	5.89	6.15
11 yrs	-	-	-	-	-	-	-	-	-	-
12 yrs	-	-	-	-	-	-	6.11	-	-	6.11
15 yrs	-	-	-	-	-	-	-	-	5.97	5.97

Sources: BCEAO, WAMU Securities Agency, CREPMF.

3.2.1.2 - Outstanding public securities on the regional market

Overall outstanding public securities were estimated at 16,997.5 billion or 12.5% of the GDP at the end of December 2021, compared to 13,981.6 billion or 15.2% of the GDP in 2020. The structure of the outstanding securities was dominated by Treasury bonds which represented 92.7% of the total.

Table 14: OUTSTANDING PUBLIC SECURITIES ON THE REGIONAL FINANCIAL MARKET AT THE END OF DECEMBER 2021 (IN BILLIONS OF CFA FRANCS)

	2017	2018	2019	2020	2021
Outstanding	9,629.9	9,972.7	10,883.5	13,981.6	16,997.5
(in % of GDP)	12.4	12.0	12.3	15.2	17.2
Relative share (in %)					
- bills	12.7	11.0	8.2	9.9	7.3
- bonds	87.3	89.0	91.8	90.1	92.7

Sources: BCEAO, WAMU Securities Agency, CREPMF.

3.2.2 - TRENDS ON THE REGIONAL STOCK EXCHANGE

On the Regional Securities Exchange, the downturn that started in 2016 was reversed in 2021. All BRVM indices were on the rise. The BRVM10 (the main stock market index) and the composite index stood at 153.5 points and 202.3 points respectively on 31 December 2021, rising by 17.3% and 39.1% respectively compared to the end of December 2020.

Market capitalisation amounted to 13,332.5 billion at the end of December 2021, compared to 10,419.1 billion at the end of 2020, an increase of 28.0% reflecting the strong performance of the stocks and bonds segments. Equity market capitalisation increased by 1,717.7 billion (+39.3%) to stand at 6,085.4 billion on 31 December 2021. On the bond segment, it was 7,247.0 billion at the end of 2021, against 6,051.4 billion on 31 December 2020, representing an increase of 1,195.6 billion or 19.8%.

3.3 - FINANCIAL STABILITY AND FINANCIAL INCLUSION

3.3.1 - ACTIONS AIMED AT CONSOLIDATING FINANCIAL STABILITY

In addition to the conduct of monetary policy, the Central Bank focused its priorities on the deepening and development of the WAEMU financial system as well as on the consolidation of financial stability and banking and microfinance sector activities in the Member States of the Union.

3.3.1.1 - Preserving financial stability

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

The main activities carried out in 2021 with regards to the operational implementation of the macroprudential policy framework in WAMU focused on the development of a dashboard for the monitoring of macroprudential indicators, an assessment of the resilience of the WAMU banking system to extreme but plausible economic and financial shocks, and the monitoring of the vulnerabilities inherent in the Union's financial sector as part of the activities of the WAMU Financial Stability Committee (WAMU-FSC).

In this regard, the BCEAO participated in the 19th and 20th ordinary sessions of the WAMU Financial Stability Committee (WAMU-FSC), held on 29 June and 7 December 2021 respectively. During these meetings, the Committee noted that, despite the macroeconomic impact of the COVID-19 pandemic, the stability of the WAMU financial sector had increased due to the response measures adopted by the Member States and the WAMU financial sector regulatory and supervisory authorities. However, it identified the main vulnerabilities that could affect macroeconomic performance and financial stability in the Union, particularly:

- uncertainties as to the trajectory of the COVID-19 pandemic and the progress of the vaccination campaigns,
- risks linked to money laundering and terrorist financing,
- the increase in the level of indebtedness of economic agents (States, non-financial businesses, households, etc.),
- the failure to meet the goals of mobilising the external resources needed to finance the post-COVID-19 recovery plans of the Union's Member States,

- the high concentration of assets in banking and financial institutions, and
- growing risks related to cybersecurity.

The Committee put forward various recommendations, particularly to member regulatory and supervisory authorities, to mitigate the risks identified, while calling on them to be more vigilant in the face of the evolving COVID-19 crisis.

- ***Implementation of the Financial Sector Assessment Programme (FSAP)***

At the request of the BCEAO, the IMF and the World Bank launched an update of the Financial Sector Assessment Programme (FSAP) in January 2021. This exercise, which follows on from the assessment carried out in the Union in 2007, consists of a comprehensive, in-depth review of the financial sector, aimed at measuring its stability and estimating its potential contribution to economic growth and development in the Union's Member States.

The scope of work included all four components of the complete assessment, namely financial stability, financial sector development, financial sector compliance with international standards, in particular the Basel Committee's Core Principles for Effective Banking Supervision, and anti-money laundering and combating the financing of terrorism (AML/CFT). It was also extended to include an assessment of the cybersecurity management capabilities of the Union's financial sector. All of the Union's financial sector regulatory and supervisory authorities, as well as several other regional financial sector stakeholders, were mobilised to collect the data required to assess the main areas of focus and to participate in technical discussions with the assessment teams.

The work on updating the Union's FSAP will be completed in the first quarter of 2022. The results of the assessments should allow us to identify the strengths and weaknesses of the WAMU financial system as well as the actions that could be implemented to enhance its efficiency and resilience.

3.3.1.2 - Reinforcing banking and financial supervision

Two circulars were issued to operationalise the resolution framework. They respectively focused on procedures for developing and disseminating preventive recovery plans, and conditions and procedures for applying the banking crisis resolution plan. In addition, work continued on the consolidation of the prudential framework following the domestication of the Basel II and III rules in WAMU, in keeping with the gradual and orderly process of implementation of international standards adopted by the Central Bank. In this regard, three implementing instruments pertaining to the prudential system, inspired by the Basel II and Basel III rules, are currently being finalised. They respectively focus on the new liquidity standards, crisis simulation and disclosure by credit institutions and financial companies. In the same vein of convergence towards international legal standards applicable to regulated institutions, the Central Bank has begun work on reviewing regulations on negotiable debt securities and covered bonds.

The BCEAO continues to consolidate the regulatory framework applicable to IFIs by drafting regulations on prudential and accounting standards specific to Islamic finance activities. Consultations on the draft regulations were organised with all the stakeholders in December 2021.

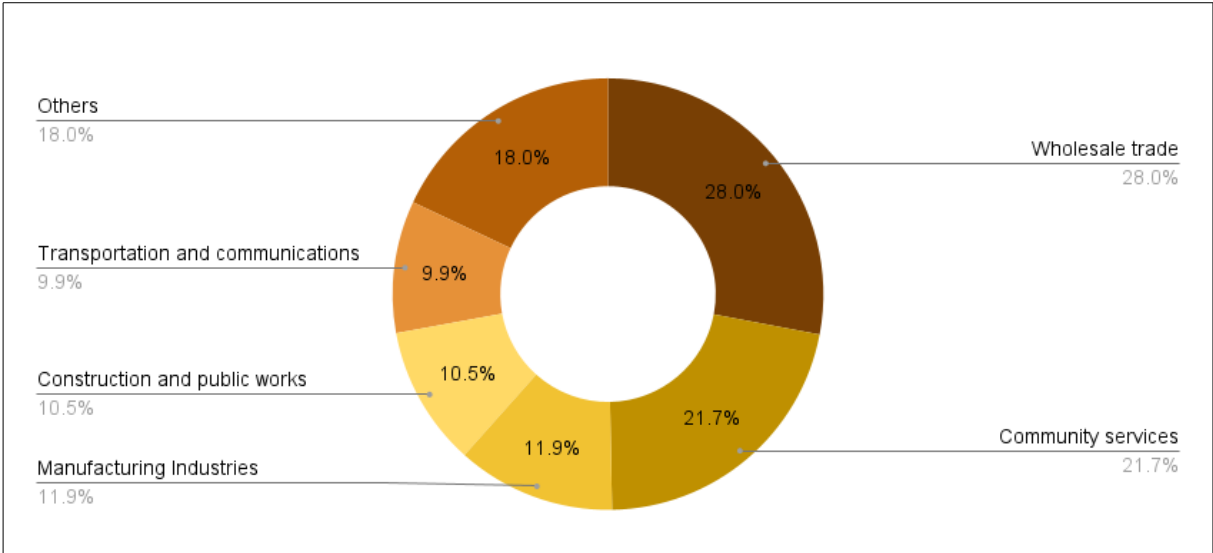
Work was also carried out regarding the transition of the WAMU banking sector to IFRS standards. A study was conducted in this connection, to measure the preparedness of the Union's credit institutions and financial companies for the transition and define a strategy for the orderly implementation of the migration process to IFRS.

3.3.2 - CENTRALISATION OF BANKING RISKS

With respect to banking risk centralisation, the overall outstanding amount of credit registered with the central credit register was estimated at 15,433.5 billion at the end of December 2021, against 14,452.7 billion on 31 December 2013, an increase of 6.8%. It is comprised of short-term loans (60.1%) amounting to 9,273.1 billion, and medium- and long-term loans (39.9%) worth 6,160.4 billion.

These risks were essentially concentrated in the following sectors: “*Wholesale trade*” (28.0%), “*Community services*” (21.7%), “*Manufacturing industries*” (11.9%), “*Public works and civil engineering*” (10.5%) and “*Transportation and communications*” (9.9%). These five (5) areas of activity alone accounted for more than 80% of the loans declared at the central credit register.

Figure 13: CONCENTRATION OF BANKING RISKS BY LINE OF BUSINESS



Source: BCEAO.

3.3.3 - PROMOTION OF CREDIT INFORMATION BUREAUS (CIBs)

3.3.3.1 - Conceptual framework for scoring

After the launch of the rating system in 2020, studies were conducted to extend it to include scoring, which allows risk to be quantified by calculating the probability of default by non-financial corporations.

Based on the lessons learned from a review of the financial literature and the international experiences of central banks, particularly those of the Eurosystem, a statistical model was developed to measure the probability of default by non-financial companies. The model uses financial information from the Balance Sheet Centre and behavioural information available in other central databases.

Based on the default probabilities calculated in this manner, five (5) risk classes were designed, ranging from A (exceptional class with the lowest probability of default) to E (failure class with the highest probability of default).

3.3.3.2 - Scores of non-financial corporations available at the Balance Sheet Centre

Based on the scoring model developed, using the data available from the Balance Sheet Centre, 5,516 non-financial businesses in the Union receiving assistance from the banking system were evaluated, among which 2,921 were rated A and therefore eligible for refinancing by the BCEAO to the tune of 2,744.6 billion. Taking into account the possibility of making class B eligible for refinancing with a sovereign guarantee, the outstanding amount of eligible debt came to CFA F 3,322.4 billion.

3.3.4 - PROMOTION OF FINANCIAL INCLUSION IN THE WAEMU

<p>223 (2021) 215 (2020)</p> <p>➔ Number of regulated institutions deemed eligible to participate in the credit information system.</p> <p>➔ Number of customers whose data is available in the CIB database: 12,106,276 as at 31 December 2021, including 290,491 legal entities and 11,815,785 individuals</p>	<p>GROWTH IN THE NUMBER OF CUSTOMERS IN THE CIB DATABASE FROM 2019 TO 2021</p>		
	<p>7,192,103 AS AT 31 DECEMBER 2019</p>	<p>10,495,233 AS AT 31 DECEMBER 2020</p>	<p>12,106,276 AS AT 31 DECEMBER 2021</p>

The BCEAO monitors the activities of the Credit Information Bureaus (CIBs), whose purpose is to help reduce information asymmetry between lenders and borrowers with a view to improving the public's access to financial services at lower costs.

As at 31 December 2021, 223 (92.9%) of all 240 regulated institutions participated in the credit information sharing system. In addition, twenty-one (21) public utilities, including the main electricity, water, mobile phone and telecommunications 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. As for Burkina and Mali, following the adoption of Decrees No. 2020-0726/PRES/PM/MINEFID/MDENP/MCIA of 24 August 2020 and No. 2021-0778/PT-RM of 9 November 2021, work is underway to integrate the data of major billers in both countries into the CIB data sharing platform.

The number of clients on whom information is available in the CIB database has grown from 30,694 at the end of February 2016, when CREDITINFO WEST AFRICA was launched, to 12,106,276 as at 31 December 2021, and includes 290,491 legal entities and 11,815,785 individuals. This development was made possible by the adoption of legislative instruments in all the Member States of the Union exempting regulated institutions from the obligation to obtain prior consent to share the data of clients who received loans before the date of entry into force of the uniform law. In addition to these provisions, most of these countries have adopted additional instruments authorising the inclusion of automatically processed public utilities data on the electronic credit information platform.

To raise popular awareness of the credit information sharing system in the Union, the BCEAO signed a Consultancy Service Agreement with the International Finance Corporation (IFC) on 6 December 2019 for the implementation of a public awareness programme on CIBs in the WAEMU Member States in 2020. The main results expected from this programme notably included consolidating gains in terms of increasing the volume of credit report consultations with the CIB and customer complaints, which should ultimately help improve the quality of credit data.

The effective start of the public awareness campaign in all eight (8) Member States of the Union took place on 10 December 2020. It continued in 2021 and was conducted in the field by putting up posters and installing display screens in the lobbies of regulated institutions, as well as by broadcasting radio spots in French, Portuguese and the main national languages of the WAEMU Member States. In addition, actions were also carried out by influencers on social networks (especially Facebook and WhatsApp). The main communication materials were also posted on the BCEAO's YouTube channel and website.

Upon CREDITINFO WEST AFRICA's proposal, a new fee schedule for 2022 was approved by the BCEAO. The new schedule continues to provide an incentive by introducing adjustments to the fees for scoring reports for nano-loans in order to take into account the specific nature of this type of financing, which often involves small amounts and short terms.

3.3.5 - PROMOTION OF FINANCIAL INCLUSION IN THE WAMU

Actions undertaken to promote financial inclusion in 2021 notably included the implementation of a regional financial inclusion strategy (SRIF) and the digital financial services interoperability project in WAEMU, as well as the development of the electronic money and microfinance sector in the Union.

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

As part of the implementation of the regional financial inclusion strategy, the Central Bank organised capacity-building workshops for the leaders of microfinance institutions in WAEMU, at country level. The workshops, which took place from 17 March to 23 September 2021, included the participation of 445 senior managers from the Union's DFSs. The training sessions focused on "risk management, internal control and financial supervision" and "overall performance management and scoring" in microfinance institutions.

With regard to the deployment of the regional financial education programme in the WAEMU, the focus in 2021 was on continuing to recruit consultants to design financial education courses and training modules, conduct trainer training sessions, and define a communication strategy for financial education in the Union.

A study on the innovative financial products and services needs of micro-enterprises and underserved populations was launched in 2021. The overall objective of the study was to provide a diagnosis highlighting the main financial product and service needs of regional financial inclusion strategy target groups. It is expected to generate proposals for the development of a range of appropriate, innovative and affordable community-based financial services. The interim report should be available in the first half of 2022.

In May 2021, the Central Bank also launched a feasibility study for the creation of a unique identification system for financial services users in the Union, in partnership with the UNCDF. The aim of the study was to propose a methodology for setting up a customer identification system for

financial institutions in the Union, with implementation scenarios and recommendations, based on an analysis of advantages and disadvantages, as well as an estimate of the resources required for its implementation. To that end, a working group was set up with the participation of the States and the financial system. Similarly, a virtual information visit to the Bank of Central African States (BEAC) was organised to benefit from the institution's experience in setting up a system of that kind.

In terms of the activities leading up to the conduct of baseline studies on the state of financial inclusion in the Union, the process of selecting an international firm to carry out the studies is currently being completed. As a reminder, these studies will help gain a better understanding of the market and establish a baseline for financial inclusion in WAEMU through national surveys on the supply and demand of formal and informal financial services. The lessons learned from the studies are expected to contribute to the development of consistent financial inclusion policies.

3.3.5.2 - Support for States in the digitalisation of payments

The Central Bank continued its efforts to promote the digitalisation of public payments and the use of online payments, notably with support from national treasuries, with a view to connecting them to the GIM-WAEMU regional electronic payments platform. To this end, an experience-sharing session was organised between the Treasury Department of Côte d'Ivoire and those of the other WAEMU Member States, in light of the progress achieved by the Ivorian entity in terms of digitalisation and connection to the regional inter-bank electronic payment platform. In addition, GIM-WAEMU has completed the interface between the regional interbank platform and national treasuries' information systems to record their transactions. A training session for public treasury staff on the technical aspects of electronic banking was also organised.

Finally, the BCEAO published a guide on the digitalisation of public payments in 2021 to assist the States in their digitalisation process. This document was intended for all stakeholders involved in activities connected with public payments in WAEMU Member States, namely financial administrations, public institutions and public utilities.

3.3.5.3 - Strengthening of the microfinance sector

In the framework of the implementation of the second component of the regional financial inclusion strategy (SRIF), entitled "Ensuring a sounder, stronger microfinance sector", 76 struggling microfinance institutions were identified using a model with a total of 37 quantitative indicators (prudential ratios and periodic indicators) and qualitative indicators (location, governance, management information system, internal controls, AML/CFT, and compliance with the recommendations of the supervisory authorities). They were diagnosed with a view to their potential for recovery. Diagnosing these institutions entailed the organisation of on-site inspections to check the actual state of their situation and to match the work done with the statements provided by these entities. To this purpose, diagnostic assessments were jointly conducted by the BCEAO and the ministerial monitoring bodies in 40 microfinance institutions in 2021.

Finally, pursuant to an agreement signed with the French development agency (AFD) based on the conclusions of the diagnostic teams, a programme will be rolled out for the restructuring and recovery of the targeted businesses.

3.3.5.4 - Implementation of the Union's digital financial services interoperability project

In 2021, the WAEMU digital financial services interoperability project was marked by preparations for the deployment of the new platform, and particularly work to set up a regulatory framework, draw up a business plan, prepare the stakeholders and organise procurement procedures.

A draft instruction on the operating guidelines for interoperability in WAMU was in the finalisation process. An agreement on participation in the interoperable system has already been drawn up by the project group responsible for setting up the regulatory framework for interoperability.

With a view to strengthening financial inclusion, a business plan was designed, not only to ensure balance in the operation of the future platform, but also to provide financial services to the public at lower costs.

In terms of stakeholder preparation, National Project Monitoring Units were set up in each country in the Union and 61 financial institutions (banks, e-money institutions and microfinance institutions) were identified and were preparing to participate in the pilot phase prior to the system going live.

In terms of procurement, the main issues addressed were the purchase and installation of computer equipment to host the digital financial services interoperability solution, the organisation of tenders for the provision of the interoperability solution, as well as the recruitment of consultants to assist in project management, auditing of the project's accounts, and defining and implementing the communication strategy in the WAEMU.

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

In the framework of its participation in the activities of the Alliance for Financial Inclusion (AFI), the Central Bank has actively taken part in the proceedings of the various AFI working groups focusing on digital financial services, financial inclusion policies in Africa, consumer empowerment and market conduct, national financial inclusion strategies, proportional application of international standards, SME financing, financial inclusion data management and inclusive green finance.

The Central Bank also received training on digital banking, strengthening the network of digital financial services operators, inclusive green finance and the opportunities and risks of inclusive open finance.

Finally, the BCEAO, in collaboration with AFI, organised virtual training on inclusive green finance and policies to support the financing of micro, small and medium-sized enterprises (MSMEs).

The training on inclusive green finance, organised on 9 June 2021, was designed to build the capacity of Central Bank staff in the development and implementation of inclusive green finance policies.

A training session on policies to support MSME financing was organised from 4 to 7 October 2021 for 119 participants from 44 countries. The purpose of the training was to provide participants with the knowledge and tools to design effective financing policies for MSMEs and develop action plans to improve MSMEs' access to financing. The broad outlines of the strategic policy framework on MSME financing, adopted at the sixth AFI General Assembly, were discussed. During the meeting, the experience of the BCEAO in terms of policies to support SME financing was also shared.

3.3.6 - PROMOTION AND SUPERVISION OF FINANCIAL TECHNOLOGY (FINTECH) FIRMS IN THE UNION

The BCEAO started a program on the supervision and monitoring of FinTechs with a view to promoting the development of these new financial sector operators for the benefit of the people of the Union. This work focused on the drafting of a bill on participatory loan financing or crowdlending whose adoption should enable SMEs and individuals to diversify their sources of financing. It also concentrated on the establishment within the BCEAO of a "*regulatory sandbox*" or Financial Innovation Laboratory (LIF) to enable innovative project developers to test their products or services in a framework supervised by the Central Bank. It also included studies on Open Banking, which refers to new practices connected with the accessibility of personal banking data to companies and individuals, with the aim of enhancing services to customers.

The Central Bank also organised a workshop in July 2021 to exchange views with WAEMU FinTechs. The purpose of the workshop was to assess the state of FinTech initiatives in the WAEMU, analyse the challenges and regulatory constraints associated with the development of FinTech companies and identify regulatory body expectations, particularly as regards their positioning in the WAEMU financial ecosystem.

Box 1: CREATION OF A FINTECH KNOWLEDGE AND MONITORING OFFICE (BCSF) IN THE WAEMU

In the framework of its initiatives to promote financial innovations and FinTech activities, the Central Bank set up a FinTech Committee in November 2020. The Committee aims to promote the harmonious development of financial technology companies in the WAEMU Member States.

By Governor Decision No. 192-11-2021 of 18 November 2021, a FinTech Knowledge and Monitoring Office (BCSF) was created within the Committee. The main objective of the Office is to organise exchanges between the financial innovation industry and the regulating authority.

More specifically, it is tasked with:

- **identifying and analysing financial innovations and their impact on financial inclusion,**
- **collecting and reviewing projects submitted by FinTechs aimed at bringing innovative products to the market. In this framework, the Office tests the companies' projects based on clearly defined eligibility criteria,**
- **providing guidance for projects according to their regulatory compliance to the appropriate legal framework or body to test innovative products and services in a secure environment (Financial Innovation Laboratory),**
- **referring projects whose maturity is deemed unsatisfactory to incubators established in the Union,**
- **organising regular meetings with FinTechs, and**
- **providing a 50% reduction of fees applied to bank card payments, customer transfers processed via SICA-UEMOA and ATM withdrawals from the GIM-UEMOA network.**

Thus organised, the BCSF is expected to promote an improved understanding of FinTechs and their work, through an analysis of trends and issues linked to their activities.

The last census, performed in 2021, identified 170 FinTechs in the WAEMU divided into three (3) categories and covering six (6) areas of business, namely digital financial services, insurance, digital platform development, participatory finance, electronic money and financial education.

IV MANAGEMENT OF BANKNOTES AND COINS, PAYMENT SYSTEMS AND FOREIGN EXCHANGE RESERVES

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4.1 - MANAGEMENT OF BANKNOTES AND COINS

4.1.1 - WITHDRAWALS AND DEPOSITS THROUGH BCEAO BRANCH WINDOWS

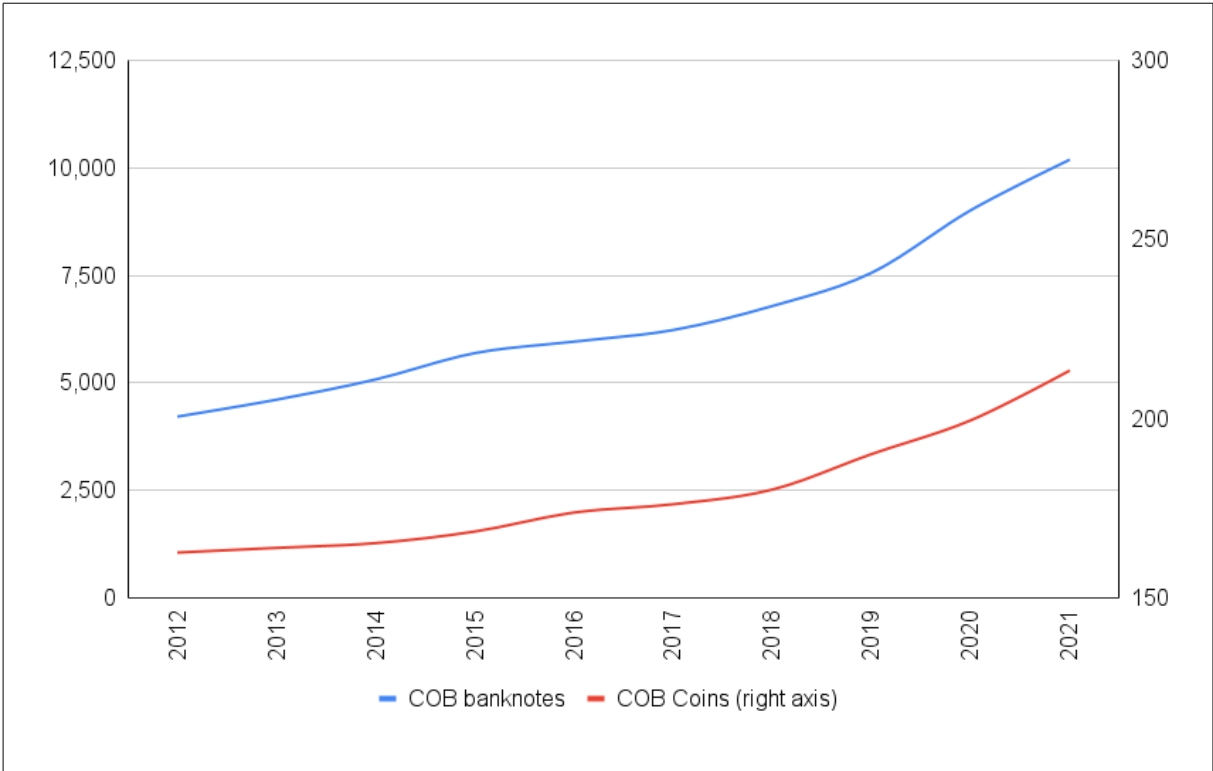
Outflows of banknotes during the period under review totalled CFA F 23,400.6 billion, against CFA F 20,600.3 billion in 2020, representing a 13.6% increase in value. The largest withdrawals were recorded in Côte d'Ivoire (32.7%), Senegal (17.8%) and Burkina Faso (16.1%). The value of **coin withdrawals** increased by 35.0%, from CFA F 11.7 billion in 2020 (217.8 million units) to CFA F 15.8 billion the following year (276.6 million units).

Banknote deposits through the windows of the Central Bank reached CFA F 22,223.3 billion in 2021 compared to CFA F 19,145.0 billion in 2020, representing a 16.0% increase in terms of value. The largest inflows in value terms were observed in Côte d'Ivoire (31.2%), Burkina Faso (17.5%) and Senegal (15.8%). Coin inflows through the windows of the Central Bank reached CFA F 1.9 billion in 2021, compared to CFA F 2.2 billion in 2020, representing a 13.6% decrease in value.

4.1.2 - STRUCTURE OF CURRENCY OUTSIDE BANKS

As at the end of December 2021, currency outside banks stood at CFA F 10,406.7 billion, against CFA F 9,215.7 billion one year prior, for an increase of CFA F 1,191.0 billion. Large denominations made up 91.6% of the value of banknotes in circulation, compared to 90.7% in 2020. Compared to 2020, the relative shares of banknotes and coins in the value of currency outside banks remained virtually unchanged, at 98.0% and 2.0% respectively.

Figure 14: TRENDS IN CURRENCY OUTSIDE BANKS FROM 2012 TO 2021 (BILLIONS OF CFA FRANCS)



Source: BCEAO

4.2 - PAYMENT SYSTEMS AND INSTRUMENTS IN THE WAEMU

The performance of the Union's payment systems in 2021 was marked by contrasting trends in the main activity indicators.

ACTIVITY INDICATORS	
<p>STAR-UEMOA</p> <p>145 participants (2021) 146 participants (2020)</p> <p>145 participants in the WAEMU Automated Transfer and Settlement System (STAR-UEMOA) at end December 2021, against 146 the previous year.</p> <p>Number of transactions: 1.5million</p> <p>Value of transactions: CFA F 677,000 billion</p> <p>Intercountry exchanges:</p> <p>- Number of transactions: 440,953</p> <p>- Value of transactions: CFA F 65,460 billion</p>	<p>SICA-UEMOA</p> <p>145 participants (2021) 146 participants (2020)</p> <p>145 participants in the WAEMU Automated Interbank Clearing System (SICA-UEMOA) at end December 2021, compared to 146 in 2020.</p> <p>Number of transactions: 25.5million</p> <p>Value of transactions: CFA F 64,057 billion</p> <p>Number of transactions per payment instrument (in millions):</p> <p>- Cheques: 8 - Transfers: 17 - Bills of exchange: 0.15 - Promissory notes: 0.002 - Withdrawals: 0.15</p> <p>Value of transactions per payment instrument (in billions of CFA F):</p> <p>- Cheques: 47,246 - Transfers: 10,324 - Bills of exchange: 3,395 - Promissory notes: 110 - Withdrawals: 1.8</p> <p>Intercountry exchanges:</p> <p>- Number of transactions: 0.3 million - Value of transactions: 1.2 billion</p>

4.2.1 - REGIONAL PAYMENT SYSTEMS

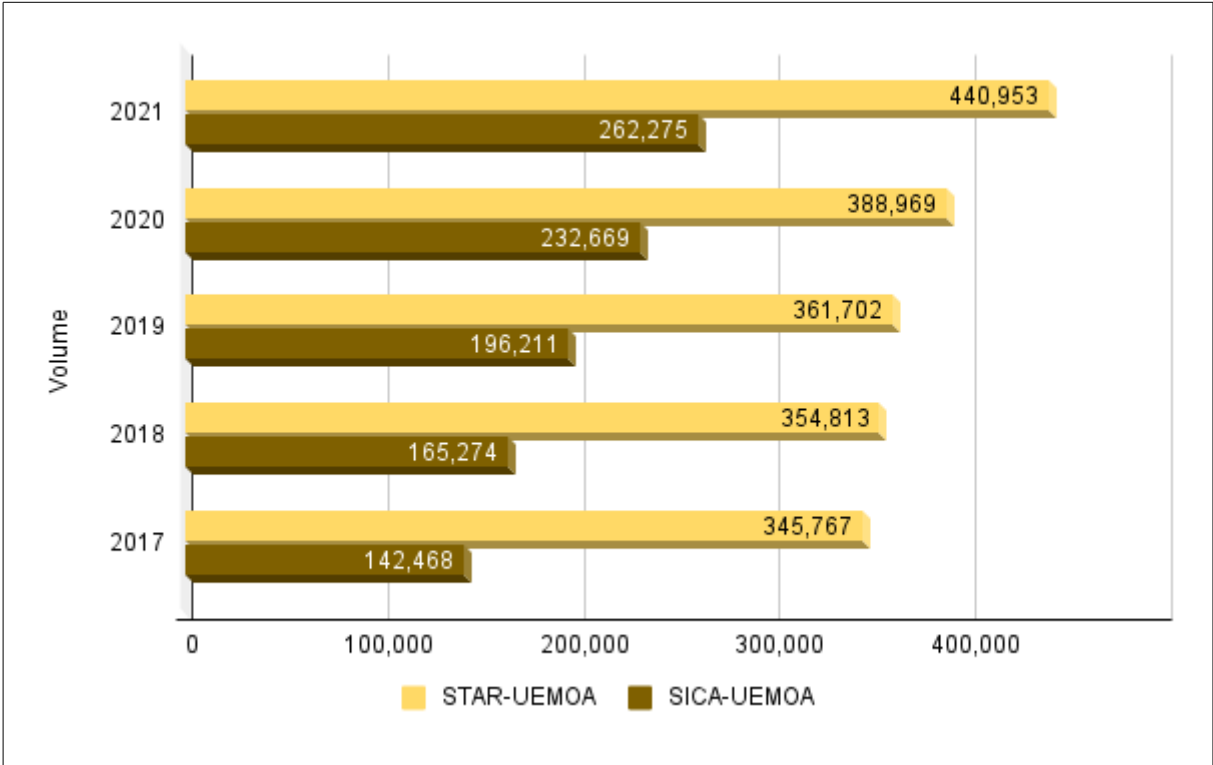
The WAEMU Automated Transfer and Settlement System (STAR-UEMOA) is at the center of the WAEMU sub-regional payment infrastructure. In 2021, STAR-UEMOA was used by the treasury departments of all countries of the Union (except Guinea-Bissau), the BCEAO and 137 credit institutions. The systemically important financial market infrastructures of the UEMOA (SICA-UEMOA, GIM-UEMOA, DC/BR, SAGETIL-UEMOA) also used STAR-UEMOA to settle their

transactions. The value of transactions settled through STAR-UEMOA increased from CFA F 656,000 billion in 2020 to CFA F 677,000 billion in 2021, an increase of 3.3% over the previous year.

The WAEMU Interbank Automated Clearing System (SICA-UEMOA) is used by the treasury departments of all the countries of the Union (except Togo), the BCEAO, 137 credit institutions and the postal financial services of Benin, Senegal and Togo participate. During the period under review, the volume of transactions reached 25.5 million transactions for a total amount of CFA F 64,057 billion, up by 34.2% in volume and 19% in value. The volume and value of transactions in 2020 were respectively CFA F 19 million and CFA F 53,813 billion.

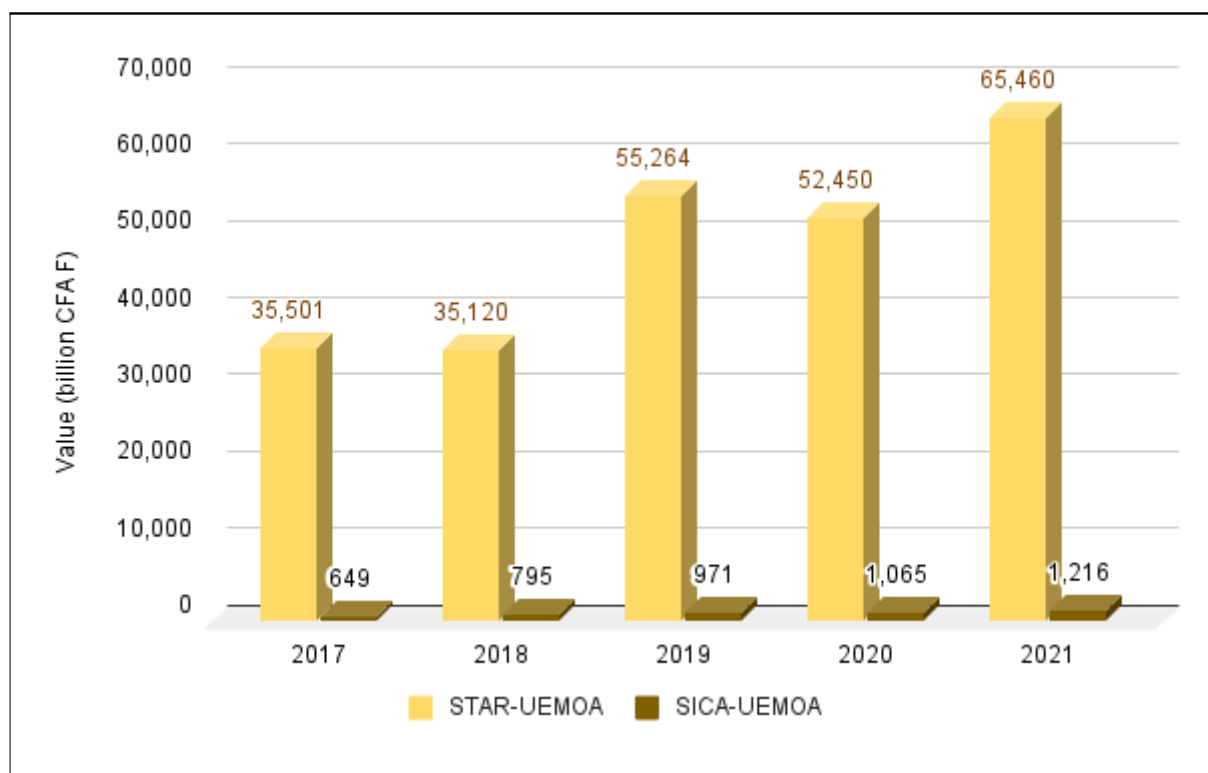
Inter-country transactions within WAEMU stood at CFA F 65,460 billion against CFA F 52,450 billion in 2020, representing 9.7% of the total value of transactions processed through STAR-UEMOA. There was a 24.8% increase in the value of inter-country operations compared to the previous year, as against a 5.1% decrease in the 2019-2020 period. The increase in 2021 can notably be attributed to the recovery in sub-regional economic activity following the decrease in the spread of COVID-19 during the first half of 2021. On the other hand, SICA-UEMOA showed a downward trend, with inter-country transaction volume growth at 1.1% in 2021 compared to 1.2% in 2020.

Figure 15: TRENDS IN THE VOLUME OF INTER-COUNTRY TRANSACTIONS FROM 2017 TO 2021



Source: BCEAO

Figure 16: TRENDS IN THE VALUE OF INTER-COUNTRY TRANSACTIONS FROM 2017 TO 2021



Source: BCEAO

With regard to the breakdown of the different types of payment instruments processed through the e-clearing system, the relative share in the volume of transfers stood at 66.0%, up by 8.5% compared to the previous year. Cheque use represented 31.7% of the volume of transactions, down by 8.5% compared to 2020.

In terms of value, cheques accounted for 73.8% of total transactions in 2021, down by 1.9% compared to the previous year.

In 2021, users once again showed a preference for transfers over cheques, confirming the decline in cheque use observed since 2017.

The relative share of direct debits in the total volume of payments increased from 0.3% in 2020 to 0.6% in 2021. In terms of value, they represented 2.7% compared to 2.3% the previous year. The annual growth rate in direct debit use stood at 140.3% in volume and 41.4% in value, revealing the growing interest of economic operators, especially national treasury departments, in this instrument, particularly in the context of tax revenue collection.

In line with its strategy of "*providing WAEMU with secure, efficient and accessible payment systems based on transparent criteria and providing economic agents with low-cost, modern methods of payment*", the BCEAO carried out actions in 2021 to make WAEMU's payment systems, instruments and services more secure, modern and inclusive.

Several activities were conducted to raise awareness, with a view to ensuring compliance with the minimum security requirements and rules applicable to payment system participants' connection platforms. They included the following highlights:

- the entry into force of Instruction No. 001- 03-2021 of 12 March 2021, issued by the Governor of the BCEAO, setting out the new modalities for the supervision of financial market infrastructure, as well as payment methods and services in the Member States of the West African Monetary Union (WAMU),
- a self-assessment of the conformity of payment systems managed by the BCEAO with the Principles for Financial Market infrastructures (PFMI). The assessment applied to the Public Securities Settlement and Delivery System (SAGETIL-U MOA), the WAEMU Interbank Automated Clearing System (SICA-UEMOA) as well as WAEMU's real-time gross settlement system for systemically important transactions (STAR-UEMOA). The exercise results showed an overall global compliance of the payment systems managed by the BCEAO with the PFMI efficiency and security principles, and
- the signing of a Memorandum of Understanding between the BCEAO and the Regional Council for Public Savings and Financial Markets (CREPMF), with a view to sharing information in the framework of the supervision of the Central Depository/Settlement Bank (DC/BR) payment system.

As regards the modernisation of payment infrastructure, special emphasis will be placed on the work to ensure the application of the Quick Response (QR) Code standard for interoperable payments in the WAEMU Member States. The implementation of this new standard will contribute to the development of contactless electronic payments, whether or not they are backed by a bank account.

Under the aegis of the Central Bank's Fintech Committee, monitoring work was also carried out on the issue of central bank digital currencies (CBDCs). In that framework, the BCEAO reviewed experiences, analysed issues linked to issuing of CBDCs in the sub-regional context and the proposed opportunity studies, with a view to conducting experimental work over the 2022-2023 period.

4.2.2 - CONTRIBUTION OF PAYMENT SYSTEMS AND INSTRUMENTS TO INCREASING FINANCIAL INCLUSION

In connection with the contribution of payment systems to consolidating the financial inclusion of the Union's populations, the BCEAO carried on with the actions undertaken in 2020 to increase the operational autonomy of national treasuries in processing their payment transactions. It also took steps to provide decentralised financial systems with indirect access to the WAEMU regional payment system and enhance the participation of brokerage firms on the primary securities auction market through the settlement of their bids via STAR-UEMOA.

4.2.2.1 - Connection of national treasury departments to WAEMU payment systems

In 2021, the total number of public Treasury Departments connected to e-clearing and the real-time gross settlement system was seven (7), the same number as in 2020. Thus, 87.5% of public treasuries in the Union were connected to the payment systems.

Work was underway to connect the Guinea-Bissau and Togo public Treasury Departments to STAR-UEMOA and SICA-UEMOA, respectively.

As part of the support provided for public Treasury Departments in the implementation of action plans to increase the automation of their payment circuits and their operational autonomy, work

was conducted by the BCEAO to develop a dedicated technical solution allowing public treasuries to have a complete overview of all their assets on the books of the Central Bank and to process their payment instructions independently.

4.2.2.2 - Promoting access of Decentralised Financial Systems (DFS) to WAEMU regional payment systems

In the framework of the project to promote DFS access to the WAEMU regional payment system, the BCEAO provided technical support to DFS to enable them to connect to the regional payment system via partner banks.

The work accomplished allowed five (5) additional DFS to go into operation on SICA-UEMOA via partner banks in 2021, following the transition of the first DFS to SICA-UEMOA in November 2020.

Thus, at the end of December 2021, a total of six (6) DFS were connected to SICA-UEMOA via partner banks.

Two (2) DFS eligible for indirect access to the WAEMU regional payment system plan to finalise their connection processes in 2022.

4.2.2.3 - Access to STAR-UEMOA for brokerage firms

Support continued for the participation of brokerage firms in the system by allowing them to settle their transactions on the public securities auction market via partner bank accounts. Six (6) new brokerage firms were connected to the system in 2021, bringing the total number in the system to twelve (12) at the end of December 2021.

4.3 - FOREIGN EXCHANGE RESERVES

The official reserve holdings of the Central Bank stood at CFA F 14,040 billion (EUR 21.4 billion) at the end of December 2021, compared with CFA F 11,731 billion (EUR 17.9 billion) one year prior, representing an increase of CFA F 2,309 billion (EUR 3.5 billion or +20%), over the period.

Pursuant to the monetary reform adopted by the WAEMU Heads of State, the Operating Account opened in the books of the French Treasury was closed in April 2021. The resources held in the account were transferred to other central bank accounts.

The BCEAO continued its policy of investing its foreign exchange assets in strict compliance with the generally accepted principles and practices for the management of official foreign exchange reserves, and particularly the IMF guidelines on the subject. Accordingly, reserve assets were invested in monetary and bond assets, in keeping with their liquidity and security criteria.

Box 2: EXPORT REVENUE REPATRIATION TRENDS

Non-WAEMU commodities exports were estimated at CFA F 15,002 billion in 2021, up by 1.787 billion (+14%) compared to the previous year. Repatriation of foreign currency from external sales of goods also increased from 8,542 billion in 2020 to 10,366 billion in the period under review (+1,824 billion or +21%). The repatriation rate, as a percentage of export earnings, stood at 69% for 2021 compared to 65% one year earlier.

The sharp improvement in the repatriation rate was due to the progress made by economic operators and authorised brokers in terms of compliance with regulatory requirements. The rate of deposit of export earnings by the Union's companies on the books of local banks was 80% in 2021 against 75% the year before.

The rate of transfer of resources collected by the Union's banks to the Central Bank reached 87% in 2021 against 86% in the same period of the previous year. Thus, the regulatory obligation for banks to repatriate at least 80% of the revenue collected was upheld on average in all the countries of the Union.

The amount of export revenue not transferred to the Central Bank stood at 1,636 billion (11% of exports) compared with 2,030 billion the previous year (15% of foreign sales). Non-repatriated amounts due to economic operators stood at 1,617 billion (2,005 billion in 2020) and those due to credit institutions amounted to 19 billion (compared to 25 billion in 2020).

Overall, the situation with regard to the repatriation of export earnings in 2021 was marked by a strong performance in terms of repatriation indicators, mainly due to an increase in collections by economic operators, combined with an improvement in the banking sector's compliance with the requirement to transfer at least 80% of all earnings collected to the BCEAO.

V STATUTORY BODIES AND ADMINISTRATION OF THE BCEAO

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5.1 - ACTIVITIES OF THE STATUTORY BODIES

During the 2021 financial year, the Bodies of the Union held their meetings in compliance with the provisions of the Treaty of the West African Monetary Union (WAMU) of 20 January 2007 and the Statutes of the Central Bank of West African States.

5.1.1 - CONFERENCE OF HEADS OF STATE AND GOVERNMENT OF THE WAMU

The Conference of Heads of State and Government of the Union held an ordinary session on 25 March 2021, by videoconference, under the chairpersonship of his Excellency Alassane Ouattara, President of the Republic of Côte d'Ivoire, its statutory Chairperson.

During the session, analysing the political and social situation in the Union, the Conference was pleased to acknowledge the serenity that prevailed following the recent presidential elections in the Member States. It commended the politicians in those countries and all stakeholders for their contributions to the consolidation of democratic culture in the Union.

The Conference warmly congratulated Presidents Roch Marc Christian Kaboré and Alassane Ouattara on their re-election and Mr Mohamed Bazoum on his election to the office of President of the Republic of Niger.

Looking at developments in the health situation in the Union since its extraordinary session of 27 April 2020, the Conference noted the progress achieved in controlling the spread of the coronavirus pandemic. It commended the efforts deployed by the States and community organs and institutions to achieve those results.

Having heard the report on the actions implemented to boost economic activity in the context of the pandemic and those planned for 2021, the Conference expressed its satisfaction with the initiatives taken by the community institutions to alleviate the plight of vulnerable populations and support the economy, particularly small and medium-sized enterprises. It urged them to continue their efforts.

The Conference expressed its satisfaction with the WAEMU Commission's report on the status of COVID-19 in the Union and adopted the main recommendations pertaining to the facilitation of cross-border movements of people and goods.

In this regard, it set the validity period for screening tests on entry and departure from airports in Member States at five (5) days from the date of sample collection.

The Conference decided in favour of mutual recognition of the results of COVID-19 tests carried out by recognised national testing facilities. It set the cost of COVID-19 screening for air travellers at twenty-five thousand (25,000) CFA francs beginning in May 2021.

The Conference encouraged the gradual reopening of land borders in full compliance with the necessary health requirements. In due course, the cost of COVID-19 screening would be set at five thousand (5,000) CFA francs for overland travellers.

It urged all Member States to take appropriate steps to implement national strategies for the vaccination of target populations against the coronavirus disease.

With regard to support for private investment, the Heads of State and Government encouraged Member States to simplify procedures for accessing COVID-19 support funds and stimulate investment in enterprises through the introduction of incentives.

The Heads of State and Government commended the Central Bank for the measures it had taken to fight the pandemic, notably the significant increase in liquidity and the reduction in key interest rates to ensure continued adequate financing of the economies by the banks, as well as the launch of COVID-19 Bonds to enable States to raise substantial funds on the regional financial market at a reasonable cost. They encouraged the BCEAO to continue its efforts to promote a rapid economic recovery.

The Heads of State and Government commended the community Institutions for the effective implementation of financing mechanisms for the Member States as well as support for the private sector and microfinance institutions.

They particularly welcomed the decision of the BCEAO authorising banks and microfinance institutions to grant customers affected by the pandemic who so requested a deferral on loan instalments for a period of three months, once renewable, without interest charges, fees or lateness penalties. They also appreciated the measures taken to reduce the cost of using digital payment methods, to further promote their use and thereby contribute to limiting people's movements and physical contacts during the pandemic.

The Conference reiterated its support for the African Union's initiative on African national debts.

It thanked all the 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.

Addressing the situation in the sub-region, the Conference strongly condemned the terrorist attacks in Burkina, Mali and Niger. It expressed its solidarity and compassion for the people of these sister nations, and reaffirmed its firm determination to counter the spread of terrorism and tackle the growing insecurity in the Union.

With regard to the financing of the fight against insecurity in the G5 Sahel, the Conference acknowledged the contributions of the member countries, particularly Burkina Faso, Mali, Niger and Senegal, to the tune of CFA F 1 billion each, and that of Côte d'Ivoire in the amount of CFA F 2 billion. The Conference also decided to grant special funding of CFA F 2 billion to support this initiative. This support came in addition to the USD 100 million already disbursed to the three member countries of the G5 Sahel frontline.

As regards the strengthening of the integration process, the Conference appreciated the efforts of the Commission in promoting and monitoring community reforms.

It noted with satisfaction the progress made in the implementation of the projects conducted by the High Level Committees on Energy, Peace and Security, Food Security, and Financing of the Economies.

With regard to the food and nutrition security project, the Conference noted the satisfactory implementation of ongoing measures and initiatives to strengthen the resilience of the population to cereal deficits and the impact of climate change.

In the context of the financing the economy, the Conference welcomed the actions of the Central Bank, which eased the cost of credit in the Union, strengthened the governance of financial institutions and improved financing mechanisms.

The Conference also noted with satisfaction the funding provided by the West African Development Bank (WADB), which provided considerable support to the States as well as to small and medium-sized enterprises in the Union.

In terms of multilateral surveillance, the Conference noted that the coronavirus pandemic had profoundly affected the economies of the Member States. In 2020, the macroeconomic situation of the Union deteriorated significantly, with an average growth rate of 0.9%, nearly six percentage points lower than the initial forecast of 6.6%.

In this context, after recalling the temporary suspension of the WAEMU Convergence, Growth and Solidarity Pact, the Conference urged the States to take all necessary steps to reduce the impact of the pandemic on the populations and to support the economy during and after the crisis.

In respect of the annual review of community reforms, policies, programmes and projects, the Heads of State and Government welcomed the improvement in the overall rate of implementation of the reforms, which rose from 74% in 2019 to 76% in 2020. They urged the Commission and the Member States to continue their efforts.

The Heads of State and Government welcomed the establishment by the BCEAO of a methodological framework for the identification of systemically important banking institutions (SIBs) and the introduction of stress tests for the banking system in the light of COVID-19 related shocks. They urged the Central Bank to continue its efforts to consolidate financial stability in the Union.

The Conference took due note of the actions initiated by the Central Bank with a view to enhancing the operationalisation of the mechanism to support funding for SMEs/SMLs and the diversification of products for the financing of the economies. It called for strong stakeholder participation to allow the objectives to be met quickly.

The Conference noted with satisfaction the progress made by the BCEAO in the development and promotion of financial inclusion in the Union, through the interoperability of Digital Financial Services, the implementation of the regional financial inclusion strategy, and the promotion and supervision of FinTechs.

The Heads of State and Government appreciated the actions carried out by the Central Bank to strengthen the security of the platforms used to connect participants to the Union's payment systems and disseminate regulatory instruments in the context of the implementation of accounting and prudential reforms for credit institutions.

The Conference welcomed the steps taken by the BCEAO to strengthen the activities of the Credit Information Bureaus (CIBs). It urged the Central Bank to continue its efforts to extend the scope of credit reporting in the Union.

The Conference noted with satisfaction the contribution of the WADB to supporting the development activities of the Member States, particularly in the implementation of their investment projects and programmes, which resulted in the provision of substantial financing.

The Heads of State and Government commended the efforts made by the WADB to harness resources from the financial mechanisms of the United Nations Framework Convention on Climate Change for environmental projects in the Union. They encouraged the Bank to continue and intensify its actions in this area, to help strengthen the resilience of the economies to climate change and improve the living conditions of vulnerable communities.

The Conference congratulated the WADB on the approval of its new 2021-2025 Strategic Plan known as the "DJOLIBA Plan", which will heighten the impact of its investments in terms of development outcomes through job creation, the construction of transportation infrastructure to facilitate movements of people and goods, the facilitation of access to food through agricultural production, and increased energy production capacity.

The Heads of State and Government urged community Organs and Institutions to pursue their efforts to promote Public-Private Partnerships (PPPs), with a view to the successful implementation of infrastructure projects, particularly those of regional scope.

The Conference welcomed the progress achieved on the regulatory front with the adoption of specific instructions to improve the framework for issuing public securities and the introduction of sustainable finance, with a view to bringing the financial market closer to compliance with international standards, especially in a context marked by the rapid development of new technologies. It noted with satisfaction the measures taken to strengthen the prudential and supervisory framework for regional financial market players with a view to protecting investors and ensuring the resilience of the financial system.

The Conference welcomed the signing of financing, technical assistance and partnership agreements between the Regional Council and technical and financial partners such as Financial Sector Deepening Africa (FSD Africa) and the French development agency (AFD) for the implementation of ongoing reform projects, particularly those related to the modernisation of core market regulations, the improvement of market governance, and the strengthening of prudential and investor protection mechanisms in the regional financial market, including the supervision of market operators.

With regard to the process of changing the name of the Regional Council for Public Savings and Financial Markets to the Financial Markets Authority, the Conference called on States to speed up the ratification of the WAMU Treaty.

On the question of the creation of the ECOWAS single currency, the Conference expressed appreciation for the progress made and reaffirmed the determination of the WAEMU Member States to persevere in their commitment to this project.

The Conference expressed its deep gratitude to His Excellency Alassane Ouattara, current Chairperson of the Conference of Heads of State and Government of WAEMU, for his leadership and commitment to obtaining the support of the WAEMU countries for the creation of a single ECOWAS currency.

With regard to the governance of the Union's Organs and Institutions, the Conference took note of the expiry of the mandate of the President of the WADB. It commended the outgoing President, Mr Christian Adovelande, for the remarkable work he had accomplished, as well as the momentum he had created in the development financing process in the WAEMU.

The Heads of State and Government also extended their warm congratulations and best wishes to Mr Tiémoko Meyliet Koné, Governor of the BCEAO, on his reappointment as Head of the Central Bank, and to Mr Serge Ekué, on his appointment as President of the WADB.

The Conference decided to create a second Vice-President's position at the WADB.

The Conference took due note of the end of the mandate of the Chairperson of the Regional Council for Public Savings and Financial Markets (CREPMF) and congratulated Mr Mamadou Ndiaye, the outgoing Chairperson, for the remarkable results obtained in terms of the Regional Financial Market's contribution to the financing of economies.

The Conference also took note of the expiry of the mandates of the Chairperson and members of the Commission as from 8 May 2021.

The Conference congratulated Mr Abdallah Boureima, the outgoing Chairperson of the Commission, for the momentum he had brought to the Union's integration process and for the results achieved by the Commission under his leadership over the past four years.

Finally, the Conference wished to pay tribute to the remarkable work accomplished by all the outgoing Commissioners during their term of office.

The Conference decided to entrust the chairpersonship of the WAEMU Commission to the candidate nominated by the Republic of Senegal.

The appointment of the members of the Commission, on proposal by the Heads of State and Government, will take place no later than 1 May 2021.

The Conference adopted an Additional Act on the reform of the institutional framework for the renewal of the leadership of the institutions of the Union.

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

The Conference warmly congratulated President Issoufou Mahamadou for his leadership in carrying out the projects entrusted to him at the regional and continental levels and for his commitment to the consolidation of democracy in Niger.

With regard to the Presidency-in-Office of the Union, the Conference unanimously elected his Excellency Roch Marc Christian Kaboré, President of Burkina Faso, as the new President in Office of the WAEMU Conference of Heads of State and Government.

The Conference paid a warm tribute to His Excellency Alassane Ouattara for his leadership and commitment to consolidating subregional integration.

The Heads of State and Government of Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal and Togo expressed their condolences to His Excellency Alassane Ouattara, President of the Republic of Côte d'Ivoire, and to the Ivorian people following the death of Prime Minister Hamed Bakayoko. They joined in the tribute paid by the Ivorian people to the distinguished departed. The Heads of State and Government of Benin, Burkina, Guinea-Bissau, Mali, Niger, Senegal and Togo expressed their heartfelt thanks to His Excellency Alassane Ouattara,

President of the Republic of Côte d'Ivoire, for all the efforts he had made to ensure the success of the Conference.

5.1.2 - WAMU COUNCIL OF MINISTERS

The following changes were made to the membership of the Council in the 2021 financial year:

Representing the Republic of Benin, Mr Hamet Aguemon, Minister, Advisor to the President of the Republic, was appointed to the Council effective 4 June 2021, replacing Mr Abdoulaye Bio Tchané.

Representing the Republic of Mali, Mr Lamine Seydou Traoré, Minister of Mines, Energy and Water, was appointed as a member of the Council, effective 16 August 2021, replacing Mr Harouna Niang.

Representing the Republic of Niger, Mr Ahmat Jidoud and Mr Rabiou Abdou, respectively Minister of Finance and Minister of Planning, were appointed as members of the Council, effective 7 April 2021 and 20 April 2021, replacing Mr Mamadou Diop and Mrs Aïchatou Boulama Kane.

The Council of Ministers held four (4) ordinary sessions in 2021. The sessions were organised on 22 March, 28 June, 23 September and 17 December 2021, by videoconference, from the premises of the Main Branches and the Headquarters of the BCEAO, under the chairpersonship of Mr Sani Yaya, Minister of the Economy and Finance of the Togolese Republic, the statutory President of the Council of Ministers.

Three extraordinary sessions were also held on 15 March, 29 April and 20 August 2021, by videoconference from the same premises.

During its ordinary session of 22 March 2021, the Council of Ministers, having reviewed the economic situation and outlook of the Union, noted the beginning of a consolidation of the economic recovery in the fourth quarter of 2020, owing to the revival of domestic demand. The Union's growth rate rose to 1.3%, as against 0.6% a quarter earlier. The growth rate in WAEMU for the whole of 2020 was estimated at 0.9%.

The Council noted that inflation in the Union had slowed slightly to 2.7% in the fourth quarter of 2020, year on year, compared with 2.9% in the previous quarter. The drop in the pace of growth of consumer prices was due to slower growth in food prices, reflecting the improved supply of cereals. For 2020 as a whole, the inflation rate was 2.1%, after -0.7% in 2019.

The Ministers noted that the execution of national budgets in 2020 was marked by the impact of the COVID-19 pandemic. Governments had adopted vigorous measures to contain the spread of the virus, support vulnerable populations, stabilise the economy and preserve the production base. In this context, the budget deficit, on an accrual basis including grants, increased to 5.7% of GDP in 2020, whereas previous efforts undertaken by the States had reduced it to 2.4% in 2019.

This budget deficit was covered through support from technical and financial partners in the context of COVID-19, as well as through fundraising by Member States on the regional and international financial markets.

With regard to external trade, the current account deficit widened in the context of the health crisis, with the slump in tourist flows and the decline in exports from the zone. It stood at 5.6% of the GDP in 2020, against 4.9% in 2019.

Thanks to the measures taken by the Central Bank, the financial sector continued to provide adequate financing for the economy. The Union's foreign exchange reserves remained at an adequate level, providing coverage for 5.9 months of imports of goods and services at the end of December 2020.

In order to facilitate a rapid return to the strong growth trajectory recorded in the last few years before the health crisis, the States undertook not only to increase their capacity to control the pandemic, but also to implement effective economic recovery plans.

The Ministers renewed the mandate of Mr Akuété Santos as a member of the Resolution College for a period of three (3) years ending on 31 March 2024, in accordance with the provisions of Articles 5 and 8 of the Annex to the Convention governing the WAMU Banking Commission.

The Ministers approved the BCEAO's financial statements for the 2020 financial year and proceeded with the allocation of the profit.

The Council of Ministers also approved the conclusions of the meeting of the BCEAO/World Bank Technical Committee held on 16 February 2021 regarding the regional budget support project proposed by the World Bank, which could benefit WAEMU Member States in the framework of the implementation of the regional strategy for financial inclusion in WAEMU.

At its extraordinary session of 29 April 2021, the Council, in application of the guidelines of the Conference of Heads of State and Government of the West African Economic and Monetary Union, appointed officials to the Regional Council for Public Savings and Financial Markets (CREPMF) and to the Central Bank of West African States (BCEAO).

Mr Badanam Patoki was appointed to the position of President of the CREPMF for a three-year term starting from 1 May 2021, and Mr Mamadou Diop was appointed to the position of Deputy Governor of the BCEAO for a five-year term starting from 1 May 2021.

Additionally, the Council of Ministers amended the relevant provisions of the WADB Statutes to appoint a second Vice President.

The ordinary sessions of 28 June and 23 September 2021 were dedicated to agenda items submitted by the West African Economic and Monetary Union Commission and the Regional Council for Public Savings and Financial Markets.

During its ordinary session on 17 December 2021, looking at recent developments in the Union's economies, the Council of Ministers expressed its satisfaction with the consolidation of the economic recovery in the third quarter of 2021. The rate of growth in the real gross domestic product (GDP) stood at 6.7% year over year, after 7.7% in the previous quarter, and a performance of 1.4% one year prior. This positive trend was supported by a gradual strengthening of domestic demand.

The Ministers noted an acceleration in price rises in the region, as in other areas of the world. The inflation rate rose to 3.8% in the third quarter of 2021 following 3.3% the previous quarter. The price increase was mainly due to higher food prices, caused by lower cereal production in

some countries, supply difficulties resulting from health and security crises in other countries, and higher imported inflation. This inflationary surge was expected to fade in the coming months. Inflation was expected to fall below 3.0% in the course of 2022, thanks to the gradual easing of the price pressures on imported products.

The Council of Ministers also remarked on the widening of the overall public deficit, based on commitments, including grants, which stood at 4,492.8 billion at the end of September 2021, compared with 4,388.4 billion a year earlier. This situation was a consequence of increased public investments in the context of the recovery plans implemented by the Member States.

The Council noted that the Union's economic growth prospects remained favourable. Growth was expected to reach 6.4% in 2022 after 6.1% in 2021. This performance reflected the continued implementation of the Member States' recovery plans as well as a return to business as usual in the transport, tourism and leisure sub-sectors, thanks to the alleviation of the COVID-19 health crisis.

The Council of Ministers also approved the renewal of the mandate of Benin's representative, Mr Yaovi Clément Aziagnikouda, on the BCEAO Monetary Policy Committee, for a second five-year term, starting from 1 January 2022.

Finally, the Council issued a favourable opinion on the proposals submitted by the BCEAO with a view to strengthening the effectiveness of the SME/SMI financing support mechanism launched in 2018. In this regard, the various stakeholders of the scheme were encouraged to participate more actively in order to make it fully operational.

5.1.3 - BCEAO MONETARY POLICY COMMITTEE

The following changes were made to the membership of the BCEAO Monetary Policy Committee during the 2021 financial year:

Representing the BCEAO, Mr Mamadou Diop, Deputy Governor of the BCEAO, was appointed as a member of the Committee, effective 29 April 2021, replacing Mr Abdoulaye Diop.

During the 2021 financial year, the BCEAO Monetary Policy Committee held four (4) ordinary meetings by videoconference, under the chairpersonship of Mr Tiémoko Meyliet Koné, Governor of the Central Bank and statutory Chairperson, respectively on 3 March, 9 June, 8 September and 8 December 2021, from the main branches and headquarters of the BCEAO. During these sessions, 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 situation during its session of 3 March 2021, the Committee noted the emergence of new coronavirus variants, with higher rates of contagion. There was therefore a need for additional measures to contain the new wave of the pandemic, undermining the expected economic recovery following the discovery of vaccines against COVID-19. However, the start of vaccination campaigns beginning in December 2020 in several advanced and emerging countries, together with the continuation of supportive fiscal and monetary policies, limited the economic downturn and held out the prospect of a rapid return to normal. According to the International Monetary Fund, the global economy was expected to grow by 5.5% in 2021, despite major uncertainties, after shrinking by 3.5% in 2020.

On the international commodity markets, energy and other commodity prices recovered for the second consecutive quarter after two successive quarters of decline. According to World Bank data, energy prices rose by 8.4% in the fourth quarter of 2020, following a 33.9% increase in the previous quarter. Prices of non-energy commodities maintained an upward trend, with an increase of 9.5% in the fourth quarter of 2020, as in the previous quarter. In particular, the rate of increase in the prices of agricultural commodities exported by the countries of the Union picked up speed, with growth of 10.5% in the fourth quarter of 2020 following 6.0% in the previous quarter.

In its review of the internal situation, the Committee noted that the economic recovery in the WAEMU accelerated in the fourth quarter of 2020, with a 1.3% increase in the GDP compared to the same period of the previous year, following 0.6% in the previous quarter. This revival reflected an acceleration in the rate of growth of value added in all sectors of activity, following the gradual recovery in domestic demand. For 2020 as a whole, the latest estimates put the Union's economic growth rate at 0.9%, compared with 5.7% in 2019. The countries of the Union anticipated a recovery in 2021, with an expected growth rate of 5.8%, driven by continued fiscal stimulus and monetary support measures.

Budgetary execution in the Member States of the Union in 2020 showed a widening of the deficit compared to the previous year. The increase in budget deficits was due to the impact of the COVID-19 pandemic on revenues and the expenditure incurred in the context of the response and recovery plans implemented by the States. Thus, the overall budget deficit, on an accrual basis including grants, more than doubled compared to the GDP, rising from 2.4% in 2019 to 5.7% in 2020.

On the money market, financial conditions remained favourable, thanks to the accommodative stance of the Central Bank's monetary policy. The average cost of the resources offered by the Central Bank on the one-week window remained stable at 2.00%, as in the third quarter of 2020, compared with 3.38% one year earlier. On the one-week maturity of the interbank market, the weighted average interest rate dropped slightly to 2.62%, from 2.73% in the previous quarter. The year before, it stood at 4.36%. The financing conditions of the Member States on the public securities market continued to improve. The weighted average interest rate on Treasury bonds was 3.28% in 2020 compared with 5.36% the previous year.

In monetary terms, growth in the money supply accelerated in the last quarter of 2020, with annual growth of 16.4% at the end of December 2020, compared to 15.5% at the end of September. This consolidation was reflected in the increase in bank loans to States and the private sector and in the strengthening of net external assets. The Union's foreign exchange reserves were strengthened, providing coverage for 5.9 months of imports of goods and services at the end of January 2021, compared with 5.6 months at the end of December 2020 and 5.2 months at the end of September 2020.

The Monetary Policy Committee noted a slight slowdown in the pace of growth of consumer prices in the fourth quarter of 2020, with inflation at 2.7% compared to 2.9% a quarter earlier. The decline in the rate of price growth was mainly due to an improved supply of cereals, vegetables, tubers and plantains. The core inflation rate rose to 1.8%, after rising by 1.6% in the previous quarter. For 2020 as a whole, the inflation rate was 2.1%, after -0.7% in 2019. Looking ahead eight quarters to the end of December 2022, the forecasts placed the inflation rate at 1.8%, 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%.

In its review of the international situation during its session of 9 June 2021, the Committee noted a recovery in economic activity in the first quarter of 2021, after the global crisis in 2020 caused by the COVID-19 pandemic. Advances in vaccination campaigns and the continued implementation of fiscal and monetary support measures had strengthened market confidence and improved the economic outlook. According to the International Monetary Fund, the global economy would experience a strong recovery in 2021, with expected growth at 6.0%, after shrinking by 3.5% in 2020.

On the international markets, commodity prices, on the whole, continued their upward trend for the third consecutive quarter, under the impetus of the recovery in global demand and the persistence of certain supply constraints. According to World Bank data, energy prices increased by 35.3% in the first quarter of 2021, following an 8.4% increase in the previous quarter. At the same time, prices for non-energy commodities rose by 27.8%, after an 11.8% increase. In the same vein, the price index for non-energy commodities exported by WAEMU countries was up by 5.1% in the first quarter of 2021, after rising by 2.7% in the previous quarter. The price index for the main foodstuffs imported by WAEMU countries was up by 19.4% in the first quarter of 2021 after rising by 11.2% in the previous quarter.

Concerning the internal economic situation, the Committee noted a strengthening of the economic recovery in WAEMU in the first quarter of 2021, with a real GDP growth rate of 3.2%, year over year, after 1.8% in the previous quarter. This development was seen in all sectors of activity, due to the revival of domestic demand. The Union's growth rate was projected to reach 5.6% in 2021 after 1.5% in 2020. It was expected that the consolidation of the recovery of economic activity in the Union would be supported by the successful implementation of recovery plans, the continuation of fiscal and monetary support measures, and an improvement in the security situation.

The financial operations of the WAEMU Member States during the first three months of 2021 showed a year-on-year reduction in the overall budget deficit, on an accrual basis, including grants, to 2.9% of GDP compared to 4.5% a year earlier. This development reflected a more marked increase in revenue and grants than in public expenditure.

On the money market, financial conditions remained favourable, in line with the accommodative stance of the Central Bank's monetary policy. The weighted average auction rates on the one-week and one-month segments of the Central Bank's windows remained at 2.00%, compared with 2.90% and 3.55% respectively in the same period of the previous year. The weighted average interest rate on the one-week maturity of the interbank market decreased to 2.53% from 2.62% in the previous quarter. In line with these developments, the average bank lending rate dropped by 16 basis points from the fourth quarter of 2020 to stand at 6.42% in the first quarter of 2021. The Member States' financing conditions on the public securities market remained favourable over the period. The weighted average interest rate on Treasury bonds was 3.6% compared with 4.5% the year before.

In monetary terms, growth in the money supply accelerated in the first quarter of 2021, with year-on-year growth of 21.5%, against 16.5% the previous quarter. This increase was driven by

combined increases in internal receivables and net external assets. In particular, loans to the economy increased by 6.5% over one year. The Union's foreign reserves grew in comparison to the previous quarter, to represent a monetary issue coverage rate of 84.0% at the end of March 2021. They provided coverage for 6.7 months of imports of goods and services, compared to 5.9 months the previous quarter.

Despite inflationary tensions on the global scale, the Monetary Policy Committee noted a slight slowdown in the pace of growth of consumer prices in the first quarter of 2021, with inflation at 2.2% compared to 2.7% a quarter earlier. This decrease in the rate of price growth at the sub-regional level was mainly due to the smaller increase in food prices, due to the improved supply of cereals, vegetables, tubers and plantains. Looking ahead eight quarters to the end of March 2023, the inflation rate was expected to stand at 1.9%, within the comfort zone (1.0% - 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 on 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 8 September 2021, with regard to the international situation, the Committee noted a strong increase in global economic activity in the second quarter of 2021, under the impetus of continued fiscal and monetary support measures and the gradual easing of mobility restrictions, associated with the progress made in vaccination campaigns. This momentum also reflected favourable base effects, following the significant decline in activity recorded in the same period of the previous year. According to IMF publications, the global economy was expected to recover in July 2021 with growth at 6.0%, after shrinking by 3.2% in 2020.

On the international markets, commodity prices continued to rally for the fourth consecutive quarter, reflecting the recovery in global demand, the improved economic outlook, and continuing supply constraints. According to World Bank data, energy prices rose by 12.8% quarter on quarter in the second quarter of 2021, following a sharp 35.2% increase in the previous quarter. At the same time, non-energy commodity prices rose by 8.6% after an 11.8% increase in the previous quarter. The price index for non-energy commodities exported by WAEMU countries also rose by 2.7% in the second quarter of 2021, following a 5.1% increase in the previous quarter. The price index for the main food products imported by WAEMU countries rose by 4.2% in the second quarter of 2021, after increasing by 6.9% a quarter earlier.

Concerning the domestic situation, the Committee noted a consolidation of the economic recovery in the second quarter of 2021, with year-on-year growth at 7.7% after 3.4% in the previous quarter. This development was driven by the increase in value added in all sectors of the economy. The renewed momentum in the Union's growth could also be attributed to the strength of domestic demand.

In terms of outlook, economic growth should resume its pre-pandemic trend, with 5.4% in 2021 and 6.4% in 2022, reflecting the consolidation of the economic recovery in the Union following the successful implementation of stimulus plans and the continuation of fiscal and monetary support measures.

During the first six months of 2021, the execution of the financial operations of the WAEMU Member States led to a reduction in the overall budget deficit, in comparison with the same

period in the previous year. The budget deficit, on an accrual basis, including grants, stood at 4.6% of the GDP against 5.4% the year before.

On the money market, financial conditions remained favourable, in line with the accommodative stance of the Central Bank's monetary policy. The weighted average interest rate on the interbank market's one-week maturity fell to 2.34% from 2.53% the previous quarter. Similarly, the average bank lending rate eased by 6 basis points compared to the first quarter of 2021, to settle at 6.36% in the second quarter of 2021.

The money supply increased by 19.5% year on year at the end of June 2021. This development reflected the consolidation of the Union's foreign exchange reserves and an increase in bank loans to the private sector and public administrations. In particular, foreign exchange reserves provided the Union with coverage for 6.2 months of imports of goods and services at the end of June 2021.

The Monetary Policy Committee noted an acceleration in consumer prices, with the inflation rate rising to 3.3% in the second quarter of 2021 from 2.2% a quarter earlier. This increase in the rate of price growth was mainly due to higher food prices owing to lower cereal production in some countries and market supply issues caused by health and security crises in other countries. The core inflation rate also rose to 2.7% from 1.9% in the previous quarter. However, over a 24-month horizon, the inflation rate was expected to settle at 2.2%, within the target zone of (1.0% - 3.0%) defined for monetary policy in WAMU, in conjunction with the anticipated positive outcomes of the 2021/2022 crop year. This should lead to a drop in local food prices.

Based on these analyses, the Monetary Policy Committee decided to keep the minimum interest rate for tenders for cash injection operations unchanged at 2.0% and the interest rate for the marginal lending window unchanged at 4.0%, 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 8 December 2021, with regard to the international situation, the Committee took note of the continued growth in global economic activity in the third quarter of 2021, albeit at a slower pace than in the previous quarter. The global dynamics of the recovery were uneven, with a stronger base in developed countries than in emerging countries, due in particular to higher vaccination rates and more expansionary fiscal and monetary measures. According to the International Monetary Fund, the global economy was set to recover in 2021, with growth at 5.9%, after shrinking by 3.1% in 2020. However, the emergence of a new variant and the recent wave of coronavirus infection, which began in Europe in October 2021, could lead to renewed travel restrictions, adversely affecting global recovery prospects.

On commodity markets, energy prices continued to rise on the back of the recovery in global demand. Price indices of non-energy commodities exported by WAEMU countries and foodstuffs imported by WAEMU countries also rose during the third quarter of 2021, while prices of non-energy commodities fell slightly.

Inflation picked up in most regions of the world, owing to a stronger-than-expected momentum in demand, linked to fiscal and monetary support measures, as well as to persistent constraints on supplies of goods and services.

Looking at the internal situation, the Committee noted a strengthening of economic activity in the third quarter of 2021, with growth at an annual rate of 6.7% after 7.7% in the previous quarter.

This healthy performance was supported by a gradual strengthening of internal demand and an increase in value added in all sectors of activity.

The execution of the financial operations of the WAEMU Member States during the first nine months of 2021 showed a widening of the overall deficit, on an accrual basis, including grants, which stood at 4,492.8 billion at the end of September 2021 against 4,388.4 billion a year earlier, mainly as a result of the increased pace of public investment under stimulus packages implemented by the Member States.

On the money market, interest rates continued to ease during the third quarter of 2021, in line with the accommodative stance of the Central Bank's monetary policy. On the interbank market, the weighted average interest rate for all maturities was down slightly, reaching 2.60% in the third quarter of 2021, compared to 2.61% in the previous quarter and 3.01% for the same period the year before. The average bank lending rate, excluding taxes and fees, also fell between the second and third quarters of 2021 to 6.22% from 6.36%.

Loans to the economy increased, with an annual growth rate of 8.9% at the end of September 2021. Net external assets also increased by 26.2% in the third quarter of 2021. The money supply increased by 17.5% year on year as at the end of September 2021. The Union's foreign exchange reserves at the end of September 2021 corresponded to a monetary issue coverage rate of 81.7% and provided the Union with coverage for 6.1 months of imports of goods and services.

The Monetary Policy Committee noted an increase in inflation, which stood at 3.8% in the third quarter of 2021, compared to 3.3% in the previous quarter, due mainly to the rise in food prices, as a result of the drop in cereal production in some countries, supply difficulties caused by the health and security crises in other countries, and an increase in imported inflation. The core inflation rate also rose to 3.0% from 2.7% a quarter earlier.

Inflation was forecast to fall below 3.0% in the course of 2022, thanks to the gradual easing of price pressures on imported goods and the strong crop year expected for 2021/2022.

Based on these analyses, the Monetary Policy Committee decided to keep the minimum interest rate for tenders on 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% since 16 March 2017.

In addition to these regular sessions, the Monetary Policy Committee held an extraordinary session on 18 August 2021, by videoconference, dedicated to the review of the operational modalities for the BCEAO's handover to the WAEMU Member States of the general allocation of special drawing rights (SDRs) approved by the Board of Governors of the International Monetary Fund (IMF) on 2 August 2021. The Committee issued a favourable opinion based on its analysis of the impact of the operation on monetary stability in the Union. The Committee also welcomed the IMF decision, which should provide the WAEMU Member States with additional resources to cover spending on the fight against coronavirus pandemic and economic recovery in the Union.

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 in 2021:

Representing the Republic of Mali, Mr Abdoulaye Traoré, Secretary General of the Ministry of Economy and Finance, was appointed as a member of the Board, effective 4 October 2021, replacing Mr Bangaly Soussourou Dembele.

Representing the Republic of Niger, Mr Mamane Boukari, Under-Secretary-General of the Ministry of Finance, was appointed to the Board of Directors of the BCEAO, effective 24 August 2021, replacing Mr Maman Louali Abdou Rafa.

In 2021, the Board held two (02) ordinary sessions by videoconference, on 16 March and 15 December, from the premises of the BCEAO's main national Directions and headquarters, under the chairpersonship of Mr Tiémoko Meyliet Koné, Governor of the Central Bank, and statutory Chairperson of the Board.

During the ordinary session of 16 March 2021, the Board reviewed the financial statements of the BCEAO for the year ending 31 December 2020, in keeping with the International Financial Reporting Standards (IFRS) and the specific rules of the BCEAO. The Board was apprised of the reports of the Statutory Auditor-Comptroller of the Central Bank for financial year 2020.

The Board was also informed of the findings of the audits conducted by the BCEAO Audit Committee which met by videoconference on 11 March 2021 on BCEAO premises, notably to review the financial statements and assess the quality of the internal audit mechanism.

At the outcome of the proceedings, the Board of Directors adopted the financial statements of the BCEAO as at 31 December 2020, certified without reservation by the Statutory Auditor. The latter congratulated the Central Bank on its performance for the year and decided to submit the financial statements thus adopted for approval by the Council of Ministers of the Union.

Finally, the Board of Directors took due note of the annual report of the Audit Committee for financial year 2020.

At its ordinary session on 15 December 2021, the Board reviewed and approved the budget of the Central Bank for financial year 2022.

The Board was also informed of the findings of the audits carried out by the Audit Committee, which met on Friday 10 December 2021.

5.1.5 - BCEAO AUDIT COMMITTEE

In 2021, the BCEAO Audit Committee held three (03) regular meetings by videoconference, from the premises of the main branches and the headquarters of the BCEAO, on 11 March, 7 July and 10 December 2021, under the chairpersonship of Mr Ekpao Adjabo, its Statutory Chairperson. It congratulated and encouraged the Central Bank on the adoption of remote auditing techniques, which allowed all the scheduled audits to be carried out despite the uncertainties surrounding developments in the health situation due to the COVID-19 pandemic.

In its session of 11 March 2021, the Committee, after reviewing the financial statements prepared by the Central Bank and the audit reports presented by the Statutory Auditor, noted with satisfaction that, despite the negative effects of the COVID-19 pandemic on regional and global activities, the Central Bank generated a net surplus of 69.238 billion.

The Committee reported the positive opinion of the Statutory Auditor as to the fairness and accuracy of the financial statements for the 2020 financial year, the quality of the internal control system and compliance with the provisions of the Operations Account Agreement.

The Audit Committee warmly commended the Governor and staff of the Central Bank for the performance achieved and recommended that the Board of Directors adopt the financial statements for the year ended 31 December 2020, as submitted to it.

In addition, the Audit Committee reviewed the implementation status of the action plan based on the self-assessment conducted in 2019 and noted the diligent implementation of its recommendations.

It also took note of the matters under review, in particular the annual report on the control activities of the BCEAO, the results of the performance reviews of the Statutory Auditor and the National Auditors for the 2020 financial year as well as the implementation status of the recommendations made by the internal and external audit teams.

During its session of 7 July 2021, the Committee noted with satisfaction the implementation of the internal audit work plan as of 30 June 2021. It took cognisance of the operational control mechanisms put in place by the Accounting and Management Control Directorate and the Payment Systems and Instruments Directorate to control the risks associated with their activities. The Committee complimented the Central Bank on the insightfulness of the measures set in place, which provided reasonable assurance of the quality of the financial information produced by the BCEAO and the reliability of the payment systems operated by the Central Bank.

During its session of 10 December 2021, the Committee noted with satisfaction the implementation of the internal audit work plan for the year 2021. The Committee adopted its annual progress report for financial year 2021 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 2022 session.

The Audit Committee approved the internal audit agenda for financial year 2022, which covers the Bank's main areas of activity and emerging risks, including those related to cybersecurity.

The Committee also adopted its work plan for 2022, focusing notably on the review of the BCEAO's financial statements for the 2021 financial year, performance assessments of the external auditors involved in external audits of the accounts of financial year 2021 and monitoring of the implementation of the internal audit work plan for 2022. The work plan also provides for a self-assessment of the Audit Committee as part of its continuous improvement process.

The Committee noted the implementation status of its recommendations.

It reviewed the engagement letter of the Statutory Auditor for financial year 2021 and noted that the audit strategy and the proposed agenda for the audit of the accounts were in conformity with the contractual provisions. It also expressed its satisfaction with the resources deployed by the Statutory Auditor in the performance of their mission.

It further took note of the documentation submitted for its consideration, in particular the summary of the results of the 2020-2021 audits, the implementation status, as at 30 September 2021, of the recommendations of the internal and external audits, and a presentation of the BCEAO's cybersecurity system.

The Audit Committee approved the launch of a consultation process for the recruitment of a new audit and financial information expert to assist it in carrying out its mandate.

Finally, the Committee congratulated the Central Bank for the quality of the documents produced, the clarity of the presentations and the performance of the Internal Audit Department in the discharge of its duties for financial year 2021.

At the end of the sessions of 7 July and 10 December 2021, the Audit Committee reiterated its appreciation to the Central Bank regarding the adoption of remote auditing techniques, which allowed all the scheduled audits to be completed, despite the uncertainties surrounding developments in the health situation associated with the COVID-19 pandemic.

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 Norbert Toé
DEPUTY GOVERNOR	Mr Mamadou Diop
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
Advisor to the Governor	Mr Antoine Traoré
Advisor to the Governor	Mr Gbégnon Alain M. Komaclo
Advisor to the Governor	Mr Ahmadou Al Aminou Lo
Advisor to the Governor	Mr Kossi Tenou

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

Advisor to 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 Coulibaly Horo

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, Organisation and Information Systems	Ms Aminata Fall Niang
Director General, Administration and Human Resources	Mr Alioune Blondin Bèye
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, Organisation and Information Systems	Mr Ekoué Djro Glokpor
Advisor to the Director General, Administration and Human Resources	Mr Fama Adama Keïta
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)	Mr Patrick Kodjo

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	Mr Mouhamed Diop
Director, Surveillance and Risk Prevention	Mr Kora Liliou
Director, Fiduciary Studies	Mr Mohamed Almountaka Alfidja

Director, Cash Transactions	Mr Yamoussa Melargaba Koné
Director, Currency Circulation Management Center	Mr Salifou Hamani
Director, Statistics	Mr Mahaman Tahir Hamani
Director, Economic Conditions and Monetary Analysis	Mr Bléhoué Toussaint Damoh
Director, Economic Studies and Regional Integration	Mr Modibo Kamate
Director, Market Transactions	Mr Djibril Diaw
Director, Payment Systems and Instruments	Ms Akuwa Dogbe Azoma
Director, Financial Inclusion	Ms Gisèle Catherine Keny Ndoye
Director, Banking Activities and Alternative Financing	Mr Charlie Jerry Dingui
Director, Financial Stability	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 Jean-François Jossou
Director, Administrative and Social Management of Human Resources	Mr Eso-Houna Bale
Director, Career and Skills Management	Mr Theya Jean-Blaise Kouamé
Director, Property and Security	Mr Ali Seini Oumar
Director, Teaching and Training Programmes	Mr Toukou Fernand Aboutou
Director, Research and Partnerships	Ms Ndèye Amy Ngom Seck
Director, Administrative Affairs and Communications	-

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 Tenou

OFFICE OF THE SECRETARY GENERAL OF THE WAMU BANKING COMMISSION

Secretary General	Mr Antoine Traoré
Under-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 Decentralised 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 31 December 2021, the total number of Central Bank staff, across all departments, stood at 3,443 staff members compared to 3,517 as at 31 December 2020.

This figure included 3,379 active staff members deployed on BCEAO sites and 64 staff members on secondment or leave of absence.

The total number of active employees on BCEAO sites could be broken down follows:

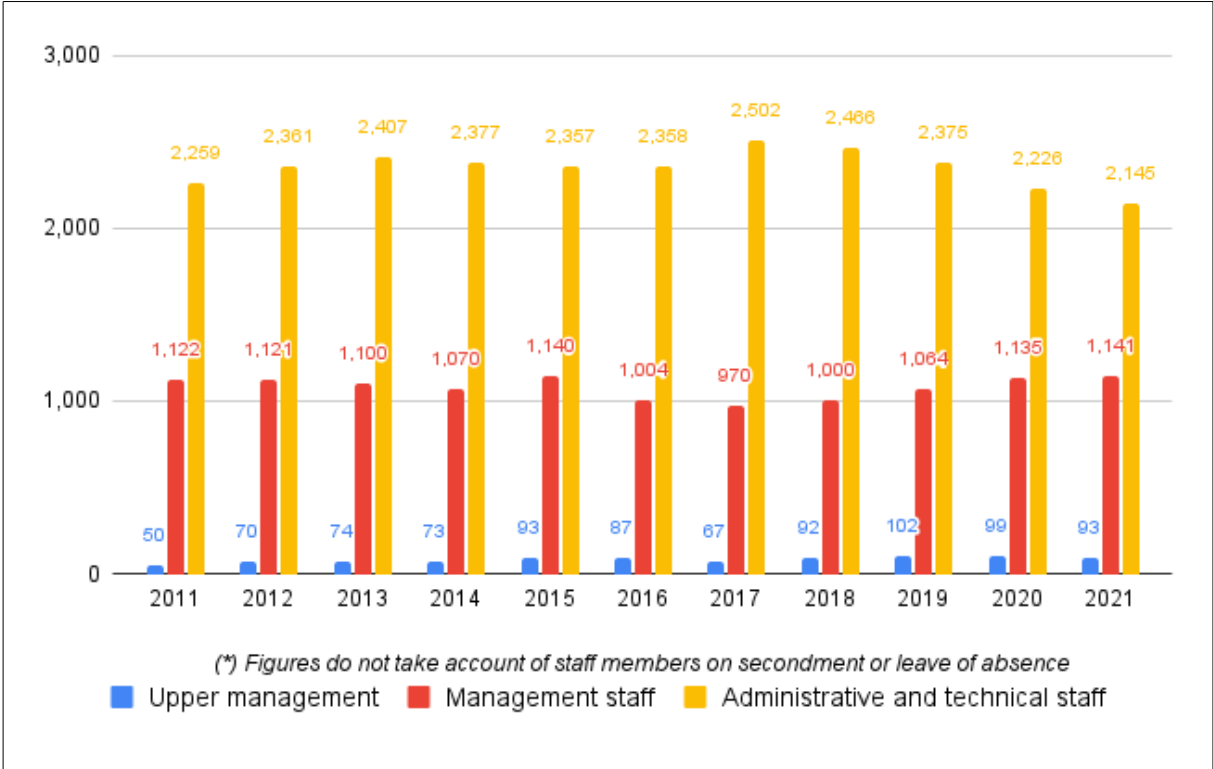
- Upper management and directors: **93 staff members**, or **2.75%**,
- Management staff: **1,141**, or **33.77%**, and
- Administrative and technical staff: **2,145 staff members**, or **63.48%**.

The proportion of female staff members in the active workforce was **39.86%**, or **1,347** staff members, while the proportion of male staff members was **60.14%**, i.e. **2,032** staff members.

The distribution of active staff members by site was as follows:

- Headquarters: **762 staff members**, or **22.55%**,
- National Branches (8 Main Branches and 15 Sub-Branches): **2,476 staff members**, or **73.28%**,
- General Secretariat of the WAMU Banking Commission: **137 staff members**, or **4.05%**
- BCEAO Representation with European Cooperation Institutions: **4 staff members**, or **0.12%**.

Figure 17: TRENDS IN BCEAO STAFFING



Source: BCEAO.

5.2.2.2 - Training, research and partnerships

5.2.2.2.1 Training and Capacity Building

In 2021, COFEB implemented its training program in keeping with the guidelines issued under the reform initiated in the final quarter of 2019. The Training Centre continued to support the WAEMU Member States by organising degree courses for management personnel in economic and financial administrations.

In addition, COFEB continued to provide training and retraining for Central Bank staff, as well as providing training in personal development and coaching for operators in the WAEMU banking and financial system.

Most of the training and education provided was organised online. This option was part of the dynamic of progressive modernisation of COFEB's training system and logistics, notably through accelerated digitalisation. At the same time, these initiatives were dictated by the distancing measures implemented to combat the COVID-19 pandemic. The training activities organised by the Centre are presented below, by area of activity.

- ➔ 108 NEW HIRES RECEIVED INDUCTION TRAINING
- ➔ 2,445 STAFF MEMBERS PARTICIPATED IN TRAINING COURSES FOR BCEAO STAFF
- ➔ 553 STAFF MEMBERS ATTENDED ENGLISH LANGUAGE COURSES

- **Training and retraining of BCEAO staff**

In 2021, staff training activities included the organisation by COFEB of the seminars scheduled under the annual training plan and registration of staff members in training organised by external partners and organisations. The training was attended by a total of two thousand four hundred and forty-five (2,445) BCEAO staff members. It covered a variety of subjects, including cross-cutting skills and professional expertise related to the Bank's core business.

Induction training for newly recruited staff was conducted by videoconference from 6 to 30 April 2021 for one hundred and eight (108) staff members hired at the Bank between June 2018 and March 2021. The training session aimed to facilitate the recipients' integration into the Central Bank by better acquainting them with its environment, organisation and functioning. It was also intended to familiarise them with the corporate culture, values, customs and practices, written and unwritten social rules as well as the code of ethics and professional conduct.

COFEB also continued the implementation of its English language training programme, whose fourth edition started in September 2020, and was attended by five hundred and fifty-three (553) participants. The staff members involved were assigned to learning classes according to their baseline level. The 2020-2021 activities were concluded at the end of June 2021 with a final evaluation for the training participants.

- **Degree Courses**

In 2021, COFEB taught the 42nd and 43rd degree course cohorts from the 2019/2020 and 2020/2021 academic years. All 28 auditors from the 42nd cohort, from seven of the Member States of the Union, as well as the Central Bank of the Republic of Guinea (BCRG) and the Bank of the Republic of Burundi (BRB), successfully completed the training and received their Master's Degree in Finance and Banking Management.

The 43rd cohort was comprised of 12 auditors from WAEMU countries. They completed the theoretical phase of the training in September 2021 and started their practical training.

The auditors from the 44th cohort began their studies on 1 December 2021. This cohort is made up of twenty-three (23) graduates, including twenty-two (22) Union citizens and one (1) from the Central Bank of the Republic of Guinea (BCRG).

- **Executive Training Programme**

The training programme for bank executives and senior managers, designed jointly by COFEB and HEC Paris, is one of the primary manager-training tools.

Its overall aim is to help participants review their professional skills and behaviour, with a view to being able to deploy innovative, proactive and agile strategies in a rapidly changing economic environment. In this framework, on 25 May 2021, COFEB organised a high-level international seminar on "*Digital Strategy Challenges for African Banks*".

Chaired by the Governor of the BCEAO, the seminar was attended by more than six hundred and fifty (650) participants, including BCEAO staff, partner Central Banks, professional associations of banks and financial institutions (APBEF) of the Union, regional financial institutions and credit institutions.

The 2021 programme focused on two (2) certification courses for banking system executives and senior managers, namely the Digital Banking Transformation Executive Management Certificate (CEMTDB) and the Strategic Banking Executive Management Certificate (CEMSTRAT).

In all, the courses were attended by eighty (80) executives and senior managers from banks in WAMU and other French-speaking African countries.

With regard to training for Central Bank managers, a webinar on "*Remote Working Management*" was organised from 23 March to 21 April 2021, in partnership with HEC Montréal. This online seminar, which was designed for the entire BCEAO management chain, was attended by two hundred and nine (209) Central Bank officials. It was designed to equip participants with the distance management skills they needed to shoulder their responsibilities within their organisations. In addition, a training session on "*presentation and public speaking techniques*" was organised for Central Services Directors.

Box 3: 2021 EDITION OF THE CEMSTRAT COURSE

The Strategic Banking Executive Management Certificate (CEMSTRAT) is organised for WAEMU's banks and financial institutions, in partnership with HEC Paris.

The first edition was launched on 25 May 2021, concurrently with the Digital Banking Transformation Executive Management Certificate (CEMTDB) course, in an international webinar chaired by the Governor of the BCEAO.

The main objective of the CEMSTRAT course is to provide senior bank managers with strategic management principles and tools that will allow them to become effective managers for their respective institutions. The course is divided into five (5) modules. The first three (3) were organised online and the last two (2) in person, in Dakar. The closing ceremony, followed by the awarding of the certificates, took place on 11 November 2021, in the presence of the Governor of the BCEAO.

The course was led by a team of nine (09) Professors from HEC Paris, headed by Mr Patrick Provenzano. It was attended by forty-six (46) senior executives and managers of banks and financial institutions from all eight countries of the Union, as well as from Guinea and the Comoros.

- **Programme to support banks in managing the COVID-19 crisis**

The programme to support banking system operators in the implementation of major banking and financial reforms is based on a compendium of expressed training needs. Within this framework, short training courses (seminars) have been organised to strengthen the technical and professional skills of actors in the banking sector, microfinance institutions and electronic money issuing institutions. The challenge is to provide a high level of training, in partnership with leading institutions.

In 2021, twenty-three (23) training sessions were organised for one thousand four hundred and thirty-eight (1,438) executives from credit institutions, microfinance institutions and electronic money issuing institutions. They covered a wide range of relevant topics, namely audit and internal control, governance and compliance, leasing and factoring, cybersecurity, digital transformation and FinTech, accounting for e-money operations, IFRS standards, the Basel II-III prudential frameworks, etc.

Box 4: TRAINING OF CRRAE-UMOA OFFICIALS IN MARKET FINANCE

COFEB organised a training session on market finance for the staff of the West African Monetary Union Pension Fund (CRRAE-UMOA) from October to December 2021. The training targeted the Fund's finance and accounting officers.

It focused on reviewing the essential skills required in market finance, with the aim of helping to build the participants' asset management and investment policy capacities. It was co-facilitated by a multidisciplinary teaching team composed of staff from the BCEAO's Market Operations Directorate, specialists from the WAMU Securities Agency and resource persons with market finance expertise. The sessions offered an opportunity for enriching experience sharing and meaningful exchanges on various market finance topics.

At the end of the training, both parties agreed to continue their collaboration and extend it to other areas, while consolidating their support for the CRRAE-UMOA in market finance.

In order to broaden the scope of its training and awareness-raising activities, COFEB joined forces with AFREXIMBANK and FCI to organise a continental seminar on the theme "*Factoring and financing of receivables in Africa*", from 13 to 15 July 2021, for central banks, credit institutions and microfinance institutions. These sessions fell under the scope of the dissemination of alternative financing instruments and actions designed to promote ownership of the laws on factoring enacted in various jurisdictions on the African continent. In all, more than eight hundred (800) people from Africa, Europe, America and Asia took part.

In partnership with the Luxembourg Financial Technology Transfer Agency (ATTF), COFEB organised the fourth edition of the degree course on training and coaching in the framework of domestication of Basel II and Basel III in WAEMU. The aim of the course is to promote ownership of the prudential reforms among regulated entities and their incorporation into internal procedures. Some forty executives from credit institutions participated and earned their certificates.

From 27 to 29 October 2021, COFEB and the Legal and Institutional Affairs Directorate of the BCEAO organised a regional seminar to familiarise magistrates working in civil, commercial and criminal courts and instructors from the judicial training centres of the WAEMU Member States with the basic laws and regulations of WAMU and the BCEAO. The seminar focused on promoting ownership of the institutional framework of the West African Monetary Union (WAMU) and the Central Bank, as well as monetary, banking and financial law, among the magistrates and their instructors. The session was attended by a total of thirty-one (31) magistrates from the Union's Member States.

- **Other training activities**

COFEB organised four (4) topical conferences during 2021, with a view to raising public awareness on topical economic, monetary and financial issues. They focused on the following topics:

- "*African Eurobonds and COVID-19: Announcement Effects and Global Liquidity*" (16 April 2021),
- "*Digital Transformation and Financial Inclusion: Opportunities and Challenges for the African Banking Sector*" (8 July 2021),

- “*Economic Interactions and Physics*” (27 August 2021), and
- “*Public Debt Sustainability and WAEMU Economic Recovery against a Backdrop of Crisis*” (30 September 2021).

These conferences, facilitated by external resource persons and BCEAO Directors General, were held entirely online. They were attended by 1,449 participants.

5.2.2.2 Research and Partnerships

Research activities in 2021 were organised around the elaboration of several scientific studies and the design of decision support tools. Four (4) studies and research papers were produced on the following themes:

- Banking liquidity and financing of the economy in WAEMU,
- Analysis of the explanatory factors of tax effort and tax potential in WAEMU countries,
- Interconnections and vulnerabilities within the WAEMU banking system: The lessons of the extended network model, and
- Sustainability of the public debt of the WAEMU countries: How relevant is the current community criterium ?

In addition, three (3) thematic study notes were produced to draw insights and economic policy recommendations on subjects of interest to the Central Bank and the Member States. They focused on:

- zero-bound interest rate and monetary policy,
- A method for determining the capital surcharge applicable to banks of regional systemic importance in WAMU, and
- WAEMU financial (loan) cycle analysis.

In addition, as part of its efforts to generate knowledge and disseminate it to a broader audience, with a special focus on current and emerging topics, COFEB wrote an Abstract on “*Cryptocurrencies: What are the Challenges for Central Banks?*”.

In terms of cooperation, priority was given to the development of new partnerships in 2021. The main actions implemented led to the signing of a cooperation agreement, on 18 October 2021, between the BCEAO, Princeton University (USA) and the African School of Economics (Benin). This agreement provides, among other things, for exchanges of techniques and experiences in the fields of economic, monetary and financial research, the implementation of training programmes, the conduct of joint research projects and publications, and the organisation of joint scientific events. COFEB's actions also included cooperation with the Harvard Kennedy School (HKS) in the United States, through the participation of senior Central Bank managers in high-level seminars organised by the institution on the subjects of “*Leadership Decision Making: Optimizing Organizational Performance*” and “*Strategic Management of Regulatory and Enforcement Agencies*”.

Similarly, discussions with the Kenya-based African Economic Research Consortium (AERC) and the Ecole Nationale Supérieure de Statistique et d'Economie Appliquée (ENSEA) in Abidjan led to the development of draft memoranda of understanding, notably covering areas of training and

capacity building on the Basel II and Basel III banking regulations. An agreement was also drafted with the Association Internationale des Chercheurs Francophones en Microfinance (AICFM) on financial inclusion and microfinance.

Furthermore, during the year under review, COFEB carried out several research capacity building activities, including two (2) workshops on macroeconomic modelling and forecasting using EViews and STATA software and two (2) practical workshops on "*Macroeconomic forecasting in times of crisis*" and "*Econometric modelling and forecasting*".

The first two workshops were organised for staff members of the Central Bank and the General Secretariat of the Union's Banking Commission (SGCBU). They were conducted by Professors Robert Freeman McNown (University of Boulder, Colorado) and Christopher Baum (Boston University) and took place on 8 to 11 June 2021 and from 29 June to 2 July 2021, respectively. The latter two workshops were conducted in collaboration with the Banque de France and the Centre for Central Banking Studies (CCBS) of the Bank of England. They were held on 28 to 30 September 2021 and from 11 to 14 October 2021, with the participation of several partner central banks, including Bank Al-Maghrib, the Bank of Central African States (BEAC) as well as the Central Banks of Nigeria, Sierra Leone, Congo and the Republic of Guinea.

The Centre also launched a capacity-building programme on research methodology for researchers from the Union, following the Governor's approval of a request from the reading committee of the Abdoulaye Fadiga Prize (PAF), under the research promotion policy implemented by the BCEAO. Workshops were organised to providing researchers with relevant tools to draft quality scientific articles and have them published in peer-reviewed journals. The theoretical phase of the programme, which took place on 22-23 April and 29-30 April 2021, was led by Professors Théophile Azomahou of the CREA, Patrick Plane of the FERDI and Abdoulaye Seck of Cheikh Anta Diop University. The practical phase was conducted from 14 to 16 December 2021, under the supervision of a panel of facilitators chaired by Professor Adama Diaw of Gaston Berger University in Saint Louis, Senegal. In addition to the facilitators involved in the theoretical phase, the panel included Mr Sanvi Avouyi-Dovi, Senior Advisor at the Bank of France, and Professors Jean-Paul Pollin, a member of the Abdoulaye Fadiga Prize Selection Committee, and Thierry Montalieu, a member of the AICFM and co-editor-in-chief of the journal "*Mondes en Développement*".

As regards publications, COFEB published two special editions of the BCEAO Economic and Monetary Review (EMR) on its website, focusing on the following theme: "*WAEMU economies facing the COVID-19 pandemic: economic policies and outlook*".

In addition, as part of the diversification of its publications and the dissemination of the findings of research conducted by its researchers, COFEB created a new series of papers called "COFEB Abrégés". Light and devoid of complex econometric formulas, this publication aims to convey the main messages and lessons of research findings, in a language that can be readily understood by a wider audience. The first issue of the series was published on the Centre's website on 25 November 2021, following the release of the study and research paper from which it was drawn.

As part of its ongoing efforts to modernise its publications, COFEB is developing an anti-plagiarism charter to provide better guidance and oversight for the publication of the papers produced under its supervision.

5.2.3 - PROPERTY ASSETS

In 2021, the Central Bank continued its programme to consolidate and extend the infrastructure of its network of Branch Offices.

In this respect, rehabilitation and extension work on the buildings of the Abengourou Branch in Côte d'Ivoire began in June 2021, while work continued on the Bobo-Dioulasso Branch in Burkina Faso, and the Maradi and Zinder Branches in Niger.

With regard to the extension of the network of subsidiary branches, the construction sites for the building complexes of the Odienné branch in Côte d'Ivoire, the Kayes branch in Mali, the Tahoua branch in Niger and the Saint-Louis branch in Senegal have also made progress. Finally, the call for tenders for the selection of the group of service providers who will be responsible for the design and construction of the buildings of the new subsidiary branch in Ouahigouya was completed.

In addition, the process of selecting companies for the elevation of the operational building of the General Secretariat of the WAMU Banking Commission in Abidjan is nearing completion.

5.2.4 - INFORMATION SYSTEMS

With regard to the governance and management of its information system (IS), the BCEAO continued its efforts to increase the maturity of critical processes associated with operational controls, risk management, IT infrastructure obsolescence, system availability and capacity, and cybersecurity.

In the area of securing information assets, the BCEAO has defined an organisational framework for its Operational Supervision and Cybersecurity Centre (COSC), in connection with human and technological resources capacities for the collection, monitoring and auditing of security events in IT systems and networks.

With regard to business continuity, the Bank successfully tested the data virtualisation solutions deployed in 2020, to facilitate the automatic switchover of IT applications between its production data centres located in Dakar.

In terms of strengthening security and resilience to cyber-attacks, the Bank renewed the certification of its Information System to the PCI DSS payment card industry security standard. The requirements for strengthening the security of the SWIFT financial messaging platform were also met.

In terms of the application portfolio, the Bank continued with the projects initiated in 2020, tackling the additional functionalities of the business lines and the problems linked to system obsolescence. Thus, a new version of the unified platform for collecting data from regulated entities to be reported to the BCEAO was produced, taking into account the shortcomings of the existing system, in particular the obsolescence of its technical platforms, poor application security and the lack of a operational monitoring dashboard.

Similarly, the central information systems, namely the Credit Institutions Monitoring File (FISEC), the Prudential Declaration Form (FODEP), the Central Payment Incident Database (CIP), the banking credit information bureau (CRB), the Central Balance Sheet Database (CBILANS) and the Balance of Payments in Settlement Terms (BPR), have undergone functional developments and technology refreshes.

The process of collecting and processing data from electronic money issuers (EMIs) was automated and the monitoring of bank conditions was completed.

Finally, note should be taken of the transformation of the business survey management system (ACACIA), in connection with the anticipated use of online electronic forms via the Internet and telephone call centres set up in the main branches.

5.2.5 - RISK MANAGEMENT AND CONTROL ACTIVITY MECHANISMS

Risk management and control activities in 2021 continued with the ongoing work to strengthen the Bank's resilience to crisis situations, manage risk and consolidate the internal control system.

The Bank continued to align its business continuity management system with international standards. The work undertaken made it possible to integrate the 2019 version of the requirements of the ISO 22301 standard into the existing system and migrate the Business Continuity Plan (BCP) documentation onto a dematerialised platform.

In order to ensure that the BCP addressed the threat of cyberattacks, scenarios focusing on critical assets were developed and incorporated into the IT and Telecommunications Continuity Plan (ITCP) tests. These tests were successfully completed, demonstrating the effectiveness of the Bank's cyber risk management systems and its resilience. Similarly, a list of external partners in all the WAEMU Member States who could provide support in response to cyber attacks was drawn up and made available to the teams. In addition, work on setting up centralised public key infrastructure (PKI) and an identity and access management (IAM) solution are expected to substantially consolidate the progress made in terms of the BCEAO's cyber-resilience.

In terms of risk management, a computerised risk management system (SIMARIS) has been set up to improve control of the processes of identifying, assessing, treating and monitoring operational risks by the Bank's structures. Within this framework, risk universes harmonised by process and organisation, as well as reprocessing of data collected on operational incidents have been incorporated into the new application.

With regard to the management of information systems security risks, actions focused mainly on continuing cybersecurity awareness raising and quarterly updates of the BCEAO information systems risk map. In addition, the Bank's environment maintained its compliance with the requirements of the SWIFT Customer Security Program (CSP) and the Payment Card Industry Data Security Standard (PCI DSS).

In the area of safety of persons and property, work was completed on the implementation of the action plan based on the audit of the Bank's safety and security system. This work focused on site safety installations and equipment as well as the implementation of an integrated management system to optimise the resources required to operate the safety and security systems. In addition, as part of the proactive approach to managing safety and security risks, continued use was made of tools for the monitoring of alert levels and country risks.

Training on control tools and techniques for operational controllers at remote sites was organised in two sessions from 14 to 18 June and from 21 to 25 June 2021 respectively, by videoconference, from BCEAO headquarters in Dakar. The various topics presented, supplemented by exercises and practical case studies, helped to strengthen participants' knowledge and ownership of control techniques.

In addition, the internal control system was strengthened through the implementation of the Automated Management of Internal Audit Missions (GAMA) application, which includes a module for planning internal audit missions and another for monitoring the implementation of audit recommendations.

Internal audit activities in 2021 focused on the execution of the annual audit programme and the strengthening of the effectiveness of the Central Bank's internal audit system. The controls carried out were aimed at ensuring compliance with legal, regulatory and contractual provisions, effective and efficient operations, safeguarding the BCEAO's assets, data reliability and secure and reliable information and payment systems.

In all, the implementation of the 2021 annual program resulted in the completion of sixty-one (61) audits.

They included thirteen (13) organisational audits, thirty-five (35) audits of fiduciary activities, one (1) thematic audit, four (4) information system audits and eight (8) special assignments.

The purpose of organisational audits is to assess the effectiveness of the internal control mechanisms put in place to manage the risks inherent in the activities of the audited organisations. The audits notably focused on aspects linked to governance, and particularly the steering of activities, operational controls and risk management.

Audits of fiduciary activities and/or verification of vault cash and destruction of banknotes were focused on assessing business conduct, cash transaction processing conditions, and verifying vault cash and destruction of banknotes withdrawn or to be withdrawn from circulation.

The thematic audit focused on the Business Continuity Plan (BCP). In a context marked by the COVID-19 pandemic, the audit was aimed at providing a reasonable assurance to the Bank's authorities and all stakeholders that the BCP fulfilled its stated business continuity objectives.

With regard to information systems, two (2) compliance audits were carried out to assess the security of the BCEAO SWIFT system and the compliance of a service provider with the PCI-DSS requirements for bank card security. The other two (2) audits focused on the IT and Telecommunications Continuity Plan (ITCP) and the Central Bank's teleworking system.

Special audits addressed the following: compliance of outgoing transfers, one (1) fact-finding mission, an audit of an organisation attached to the BCEAO, a consultancy mission for a partner central bank, as well as the verification of the implementation of internal and external audit recommendations in four (4) BCEAO organisations.

In light of the constraints linked to the COVID-19 pandemic, the Central Bank preferred to conduct the audit assignments remotely. However, cash control and banknote destruction audits, which required on-site presence, were carried out in strict compliance with the distancing measures in force.

In terms of capacity building, the Internal Auditors participated in online training courses, particularly focusing on audits of market activities, fraud detection and prevention, mastering information system governance and an introduction to risk management and internal control.

Monitoring of external audits focused on the final and interim phases of the audit of BCEAO's accounts by the Statutory Auditor and the National Auditors, respectively for the 2020 and 2021

financial years. Thus, based on the external audit of the financial statements of the BCEAO for the 2020 financial year, it emerged that the financial statements were fair and accurate and presented, in all material respects, a true and reliable picture of the BCEAO's financial position, financial performance and cash flows as at 31 December 2020.

5.2.6 - MANAGEMENT CONTROL MECHANISM

The Central Bank continued to implement its 2019-2021 Strategic Plan comprising fourteen (14) strategic objectives, divided into thirty-nine (39) operational objectives and sixty-seven (67) projects .

At the end of 2021, fifty-two (52) projects, or 78% of the total, had been completed or were on track. This performance represented significant progress in the focus areas represented by the strategic priorities.

With regard to "*Governance of processes and risks*", the Plan helped to strengthen the BCEAO's safety monitoring and visibility. The regulatory framework governing the safety of persons and property was also updated.

In terms of the "*Monetary stability*" strategic priority, the continued revamping of the reporting system for regulated institutions (automation of information collection) and the overhaul of the system for compiling the balance of payments in settlement terms improved the coverage, availability and dissemination of economic, financial and monetary information. In addition, a strategic framework to consolidate foreign exchange reserves was proposed, as well as an operational mechanism for active gold management.

With regard to "*Financial stability and inclusion, and financing of the economies*", the consolidation of payment system supervision mechanisms continued. In this respect, the implementation of a security supervision mechanism for platforms connecting participants to payment systems managed by the BCEAO, and the mapping of the risks inherent in payment services backed by electronic money as well as those related to the participation of national treasuries in payment systems, helped to strengthen the resilience of the Union's banking and financial system. In order to address this strategic issue, systemic risk analysis models and a draft regulatory instrument on participatory finance aimed at regulating unregulated companies were developed.

Finally, in the area of "*Resource efficiency*", instruments were drawn up with a view to operationalising the Currency Circulation Management Centre (CTF) and optimising the procedure for dealing with coins and banknotes. The project for the reduction of consumption of paper and other consumables was extended to all the Bank's facilities. The deployment, in 2020, of collaborative work tools in the Google Suite environment, as part of the implementation of teleworking at BCEAO, reinforced the benefits of this project.

Box 5: 2022-2024 STRATEGIC PLAN

BCEAO developed its 2022-2024 Strategic Plan in 2021. Within this framework, a strategic diagnosis was conducted on all the Bank's areas of activity, identifying the strengths and weaknesses in the institution's processes as well as the opportunities and threats in its external environment. Following the strategic diagnosis, which was performed according to a participatory approach involving of all the Bank's entities, ten (10) strategic challenges were identified and classified under four (4) strategic areas, as follows:

Area 1 "*Governance of processes and risks*" with three (3) challenges:

- strengthening the Bank's resilience to emerging threats,
- enhancing the reputation of the BCEAO, and
- improving the fluidity of cash transactions.

Area 2 "*Monetary stability*" with three (3) challenges:

- building knowledge of the dynamics of the Union's economies,
- strengthening monetary stability, and
- improving the adequacy of foreign exchange reserves.

Area 3 "*Financial stability and inclusion, and financing of the economies*" with two (2) challenges:

- diversification and accessibility of financial services for adequate financing of the economies, and
- resilience and soundness of the banking and financial system.

Area 4 "*Resource efficiency*" with two (2) challenges:

- controlling costs and reducing the environmental footprint, and
- adapting to innovative technologies and business developments.

The Strategic Plan will be implemented through fourteen (14) strategic objectives, broken down into fifty-eight (58) operational objectives and seventy-one (71) projects.

The strategic actions envisaged should notably allow the Central Bank to adapt to the current dynamics of digital transformation of payments, in particular the issuance of Central Bank Digital Currency (CBDC); to improve the quality of banknote circulation; to strengthen its resilience to emerging threats and to implement effective policies to support the WAEMU economies.

5.2.7 - BCEAO QUALITY MANAGEMENT SYSTEM

In order to maintain the impetus of continuous improvement of its operations and quality services for its customers and partners, the Central Bank renewed the ISO 9001:2015 certification of its Quality Management System (QMS) for the 2019-2021 three-year cycle in January 2020, following an audit conducted by the Bureau Veritas firm. The fact that certification was maintained following the audit conducted in February 2022 confirms the BCEAO's compliance with all of the requirements of the standard as well as the effective and efficient running of its processes.

The internal quality audits of certain processes at the Central Services Directorates (DSC) and National Directorates conducted during the 2021 financial year helped to assess the performance of the QMS and to strengthen its effectiveness.

5.2.8 - ACCOUNTING INFORMATION SYSTEM

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

VI INTERNATIONAL COOPERATION

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6.1 - RELATIONS WITH THE INTERNATIONAL MONETARY FUND

In 2021, four (4) WAEMU Member States, namely Benin, Guinea-Bissau, Mali, Niger and Senegal, implemented programmes supported by the International Monetary Fund (IMF). As part of the Fund's support for the continuation of efforts to control COVID-19, Guinea-Bissau received emergency assistance under the Rapid Credit Facility (RCF). At the beginning of the year, Mali continued to implement its programme supported by the Extended Credit Facility (ECF). However, due to the socio-political situation in the country, the programme was subsequently discontinued. In November 2021, the authorities of Niger and the IMF signed an agreement under the ECF for the 2021-2024 period. An 18-month agreement under the Standby Credit Facility (SCF) and the Standby Arrangement mechanism was approved for Senegal. In addition, debt relief was granted to all of the countries of the Union except Côte d'Ivoire and Senegal, in the amount of 57.67 million Special Drawing Rights (SDRs) (CFA F 46.42 billion), under the Disaster Assistance and Response Trust Fund (FF-ARC).

Transactions carried out by the Central Bank and the IMF on behalf of WAEMU Member States culminated in net inflows of resources totalling SDR 134.68 million (CFA F 108.42 billion), as against SDR 897.19 million (CFA F 722.29 billion) the previous year. c totalled SDR 223.08 million (CFA F 179.59 billion) compared to SDR 1,036.01 million (CFA F 834.05 billion) the previous year, showing a drop of SDR 812.93 million due to the gradual suspension of emergency aid provided by the IMF as part of the COVID-19 response. Repayments dropped by SDR 85.31 million, from SDR 198.75 million (CFA F 160 billion) to SDR 113.44 million (CFA F 91.32 billion).

In order to support Member States in financing their strategies to combat the COVID-19 pandemic and revive their economies, the IMF granted a general SDR allocation of SDR 456.0 billion (USD 650.0 billion), on the basis of 23 August 2021. Within the framework of this general allocation, WAEMU member countries received a package of SDR 1,640.5 million, the CFA francs equivalent of which was on-lent to them in the form of financial assistance from the BCEAO totalling CFA F 1,302.6 billion.

Charges covered by the BCEAO and the Member States amounted to SDR 14.46 million (CFA F 11.64 billion) in 2021, compared to SDR 12.41 million (CFA F 10 billion) the previous year. They applied to commissions paid by the BCEAO and interest charges under the Extended Fund Facility (EFF), the Rapid Financing Instrument (RFI) and the Standby Arrangement.

In 2021, the total amount paid by the IMF to WAEMU Member States as remuneration for their positive positions decreased by SDR 3.13 million, reaching SDR 1.82 million (CFA F 1.46 billion) compared to SDR 4.95 million (CFA F 3.98 billion) the previous year.

6.2 - MONETARY COOPERATION WITHIN ECOWAS

With regard to regional integration, the persistence of the COVID-19 pandemic resulted in a slowdown in the implementation of the ECOWAS Single Currency Programme in 2021. The impact of the measures taken by the ECOWAS Member States to fight the pandemic and revive their economies notably resulted in a deterioration of the region's macroeconomic convergence status in financial years 2020 and 2021. In this regard, the Conference of Heads of State and Government of ECOWAS decided, in its 57th and 58th ordinary sessions held on 7 September 2020 and 23 January 2021 respectively, to suspend the Convergence Pact between the Member States for those two (2) years, to exempt them from compliance with its criteria. It should also be recalled that the Heads of State and Government decided, in September 2020, to postpone the

launch of the single currency (Eco) and recommended the development of a new roadmap for the creation of the said currency and a new Macroeconomic Convergence and Stability Pact between ECOWAS Member States.

In keeping with those instructions, on 19 June 2021, the ECOWAS Conference of Heads of State and Government adopted a new roadmap for the launch of the Eco and a new Convergence Pact. Under the new Pact, the convergence phase for the West African economies will run from 2022 to 2026, with the start of the stability phase scheduled for 1 January 2027. The Conference also took note of the new roadmap for the launch of the Eco by 2027 and instructed the Ministerial Committee to continue working to resolve all outstanding issues, particularly the definition of the concept of the majority of Member States required for the community to enter the Stability phase and additional funding sources for work under the roadmap for the launch of the Eco that is not covered by the budgets of regional institutions. Accordingly, the Conference instructed the Ministerial Committee to continue its efforts to resolve the foregoing issues.



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