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THE IMPACT OF FRANC CFA ON THE DEVELOPMENT IN THE MEMBER'S COUNTRIES OF CFA ZONES

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ABSTRACT

When these countries of the CFA Zone gained independence at the dawn of the 1960s, France managed a formidable sleight of hand. It officially recognized the political sovereignty of the new states while maintaining control over their economies thanks to a weapon as powerful as it was invisible: their monetary system. Since its creation in 1945 of the franc of the French colonies of Africa (CFA), the acronym has evolved and now designates two currencies: that of the "African financial community" in West Africa and that of "financial cooperation in Central Africa". But it is always Paris that decides the external value of these currencies. And the franc zone, which ensured the economic control of the colonies, still guarantees the French economy a comparative advantage on the African continent. The authors dissect these monetary mechanisms and tell how French leaders fought all those, experts or African leaders, who rose up against this monetary servitude. In recent years, the CFA franc has also become the stake of popular struggles. Aware that economic issues are eminently political, more and more African citizens are demanding their full monetary sovereignty. Several organizations, economists, etc. anti CFA try to oppose this colonial currency which has a negative impact on the development of member countries of the CFA zone. On this paper we tried to analyze and evaluate this currency on its impact on the development of the 14 countries that make up the CFA zone. The problem is therefore as follows: Does this currency have an impact on the development of the member countries of the CFA Zone? To answer this problem, we have analyzed this problem through various comments of some economists or some President of the Republic on this problem which has become a primordial debate on the 14 member countries of this Monetary Zone which is the CFA in particular as well as on the continent in general.

Keywords: CFA franc, CFA Zone, Development Impact , Mechanism .

1. Introduction

The current economic situation in the international sphere, mainly characterized by accelerated financial globalization that accentuates the risks of financial instabilities and exchange rate volatility, has reinforced the article defending the capacity of regional monetary unions to respond adequately to global economic problems. Indeed, taking part in a monetary union has considerable advantages. Whether it is the reduction of transaction costs, as well as the reduction of uncertainties regarding the variation of exchange rates – insofar as it removes the exchange rate between the entities that make up the Union – or the strengthening of confidence in the direction of policies. These theories have served as a basis for the establishment of regional monetary systems, the two largest of which, on a global scale, are the Euro and the CFA Franc. Established in 1945, in the wake of colonization, what was at the time the "franc of the French colonies of Africa" is the currency in service in 14 countries including 8 countries of West Africa and 6 of Central Africa. What distinguishes this currency is much less due to the history of its establishment than to the longevity of its fixed exchange rate regime, which remains, even today, one of the most stable in the world. Remarkably, despite the great shocks and changes that the world has experienced, its rate has changed only once, in 1994. The entire franc zone owes this stability to monetary cooperation with France, through the "mechanism known as the "operating account", which helps to guarantee a fixed parity between the CFA franc and the Euro". For the most part, this mechanism is presented as a kind of assurance of "monetary stability" subscribed to the French treasury, against 50% of the deposit of foreign exchange reserves that each of the central banks, which make up the zone, will have centralized. This situation has led to several controversies surrounding the Franc zone. Some authors and economists who are interested in the issue, find that "this currency is a guarantee of stability and control of inflation", like the Ivorian President Alassane Ouattara. Received onFebruary 16, 2019 by Emmanuel Macron President of France, asked to "stop the false debate"on the CFA franc, which is "a solid currency, well managed and appreciated" and added "Weare very, very happy to have this currency that is stabilizing", while for others, the argumentas an instrument of underdevelopment and poverty of the countries of the CFA zone. LikeNdongo Samba Sylla, economist, researcher at the Rosa Luxembourg Foundation who said onthe latest UNDP report on the Human Development Index (education, health...) that "With theCFA franc, there is point of emergence". These authors focus their criticism on the CFA francas a tool for development. Most of their arguments seek to demonstrate that the CFA franc as conceived is not compatible with a possible development of Africa. Others, on the other hand,are interested in the more economic dimension of money. Their criticisms refer to the historical foundations of the Franco-African relationship. By supporting the modus operandi of the colonizing power in Africa, this current maintains that the tutelary power of the French treasury is only a reinvention of the paternalism of the French authorities. They use the term "monetary servitude" to define this neocolonial survival. Faced with them, we find economists and authors of liberal obedience for whom, what the precedents wrongly present as the perpetration of an asymmetrical relationship, is nothing other than "the expression of multilateral solidarity". FCFA is the currency used in 14 countries in Africa, impacting on development on member countries of the CFA zone. Indeed, while the African continent is registering a breakthrough of powers through countries which are outside the CFA Zone such as Nigeria, South Africa, Rwanda, etc. which take their example from a country like China which has become one of the greatest world powers in several areas, namely economically, military, etc. and that in everyone's imagination, French companies are becoming more and more powerful and numerous in the member countries of the CFA Franc zone and retain generally a significant share of the market in CFA Zone. Also, in the current state of things, France is very present in the daily functioning of the CFA Franc. Its public treasury guarantees its convertibility and therefore enjoys privileged access to the board of directors of each of the central banks issuing the FCFA. This raises questions, especially since in the immediate post-independence period, the currency, like official development assistance, took on the image of the pivot guaranteeing French subsidiaries in Africa major infrastructure. In view of all the above, the author judged that the conditions which would justify an analysis of the question surrounding the currency were met. This research is undertaken by using a qualitative research method which is based on a case study. This is the CFA Franc Zone. One element of the monetary system is unique.

The 14 member countries of the CFA are the only countries in the world to have a currency issued by a non-member foreign state. To be more specific, a country that is not on the continent like the CFA states, a country that has historically tied itself to Africa with harsh oppressive patterns. The study questions the meaning of these conditions that have characterized the franc zone since its creation during French colonialism. Because of the important interrelationship between the colonial roots of the FCFA and the enduring impoverishment and subjugation of Francophone Africa, the research initially has an explanation based on historical narrative. This last method is combined with an explanation based on the theory on the last part of the article. The study uses the analytical framework of power colonialism theory to argue whether the FCFA is a good currency for member countries. In fact, colonialist refers to power relations that have remained unchanged from colonialism to the present day and still influence different dimensions, such as culture and economy. In other words, the colonialist subsists independently of colonialism. The sociologist Anibal. Quijano identified four dimensions that are affected by colonialism and two of them, control of the economy and authority, can be read in the balance of power between France and the member states of the CFA. In addition, the theoretical framework of neocolonialism guides us to wonder if the FCFA can be considered as a development tool for member states, which allows France to maintain its economic authority over French-speaking Africa. Due to the textual format, data was gathered from primary and secondary resources through extensive reading. The data collected was in French and English and included government publications, interviews, books and academic journals. A weakness of the article is the limited amount of financial data concerning the FCFA; for example, the IMF result, which shows no country in the CFA Zone, is in the top 5 richest countries in Africa and since 1990, ‘‘intra CFA franc zone’’ trade has remained at a relatively stable level. Indeed, between 1990 and 2016, trade within the WAEMU zone represented just over 10% of the total volume of trade in the zone. Also, CEMAC and UEMOA trade constitutes thesmallest share of intra-regional trade. However, the purpose of our research is not to collect economic data, observe it and test it with formulas. Rather than following empiricist orthodoxy and having only economic variables, the article focuses on understanding the resultsof the economic and political conditions of the area from an interpretative and critical perspective. It is a way of unpacking assumptions about the positive effects of the FCFA, such as monetary stability and low inflation. Taking the work of Robert W. Cox as an example, the article does not aim to limit knowledge of the FCFA to an empirical observation of financial trends. On the contrary, the article aims to contribute to the existing literature with innovative research, which will question the underlying hierarchical andoppressive power structure of Franco-African relations. The latter is deepened in the part of the thesis, which better explains the chosen theoretical frameworks. Although there is little statistical data to prove the causality between the FCFA and the impoverishment and dependence of Africa, this study demonstrates the theoretical relationship through two main analytical frameworks: power colonialism and neo-colonialism. Research can feel flimsy due to lack of rigor, but as Aradau and Huysmans explained in an article: methods can also be seen as acts that critically disrupt assumptions taken for granted or overlooked. In this case, the ignored interdependence between the negative economic trends of the CFA countries and the persistence of the colonial structure of the Franc Zone.

2. Definition of the Term CFA Zone

The CFA zone is a monetary zone that brings together two distinct communities including the West African monetary community which is made up of 8 countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo) and the Central African monetary community consisting of 6 countries (Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon) and it is these 14 African countries that form the CFA zone, which use the same currency which is the CFA Franc, but which do not have the same central bank respectively which is the BCEAO and the BEAC, nor the same monetary notes. All these countries were colonized by France and kept French as an official language with the exception of Equatorial Guinea colonized by Spain whose official languages are Spanish and French and Guinea-Bissau colonized by Portugal is whose official language is Portuguese. The two communities were not created at the same time. The West African Monetary Community was founded on 10 January 1994 and the Central African Monetary Community was founded on 8 December 1964 during the 1964 Treaty of Brazzaville (and revised in 1974) operational on 1 January 1966. The CFA zone represents 14 percent of the African population and 12 percent of gross domestic products. This logic will give birth to the "sterling zones" and "dollar zones". By osmosis effect, the "franc zone" in 1939 in the wake of the measures accompanying the declaration of war. Indeed, while the steps were paced at the pace of war and armies were prepared for combat, it was necessary to protect the economy from possible structural imbalances that could occur in time of war.Thus, decrees were promulgated introducing strict

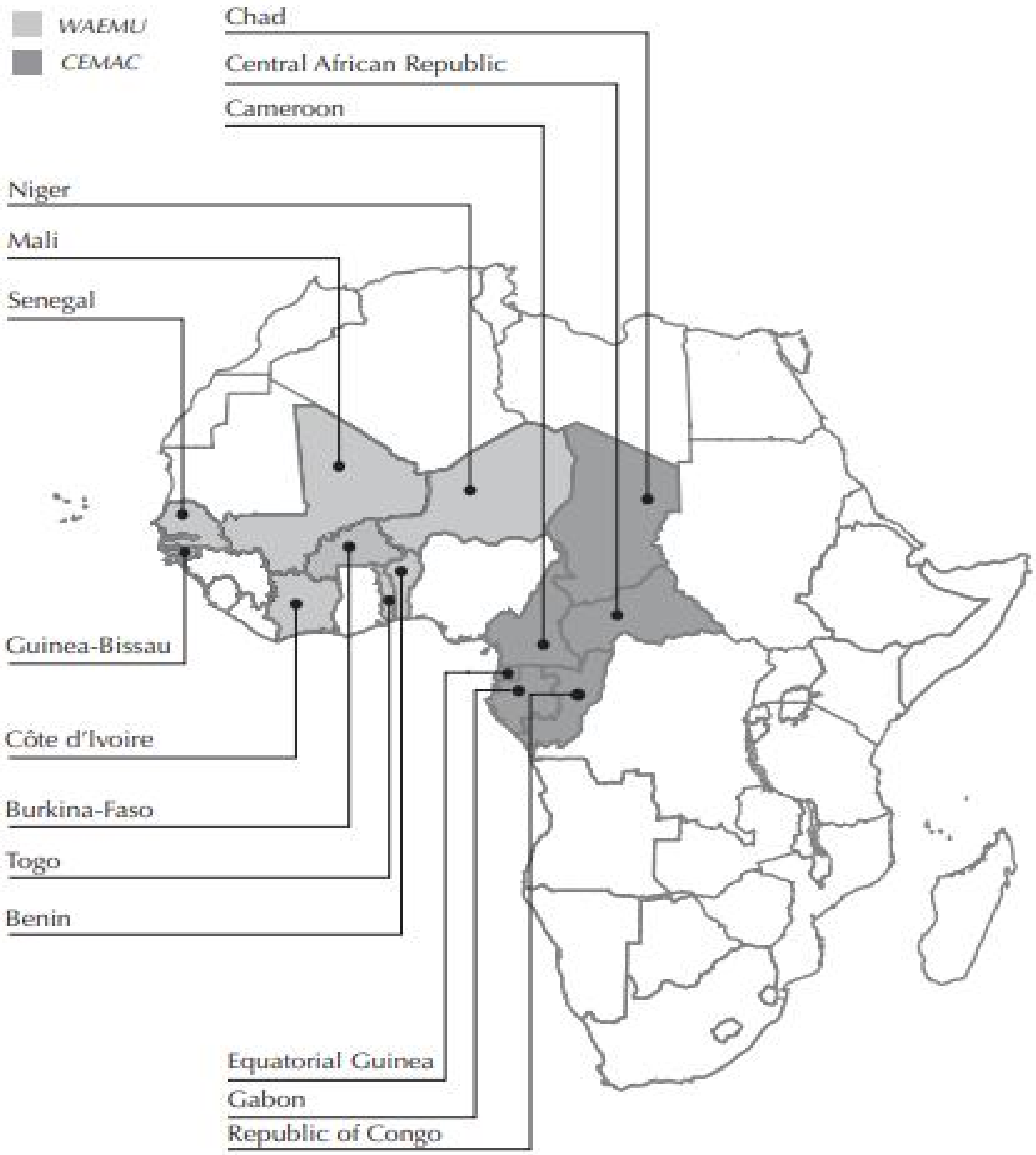

Image 1: The Central and West African Monetary Unions Source: Google

3. Historical evolution

The origins of the Franc zone are generally located at the turn of the twentieth century, in an international context upset by the crisis of 1929, and prone to profound restructuring. Among them, we can mention "the gradual dislocation of the international monetary and trade area, the generalized rise of protectionism and the chain of competitive devaluations" (Yao, 2011). Its various changes led the colonial powers to opt for a form of withdrawal, which manifested itself in the formation of an "imperial economic zone, protected from external competition and based on the complementary of colonial and metropolitan productions" (Yao, 2011) .

Table 1: Evolution of CFA Franc Parity

Parity		
Creation of the CFA Franc	December 26th, 1945	CFA F 1 = FF 1.70
Devaluation of the French franc (FF)	October 17th, 1948	CFA F 1 = FF 2.00
Creation of the new French franc	January 1st, 1960	CFA F 1 = FF 0.02
Devaluation of the CFA	January 12th, 1994	FCFA F 1 = FF 0.01
Pegging of the CFA F to the euro	January 1st, 1999	CFAF 655.957 = 1 euro

Source: BECAO

Table 1 shows us the chronology of the parity from independence to nowadays. (BECAO) issue its own currency before rejoining the franc zone in 1984. Guinea will never gain join the Franc Zone .

4. From decolonization to political-economic emancipation

An evolutionary nomenclature at the turn of 1958, the FCFA will experience a new evolution in its nomenclature. It will become the "franc of the French Community of Africa". This development is not unfounded. It followed the redefinition of the status of the former French colonies in Africa that would have acquired their autonomy, through a series of consultations (Miège, 1993). The latter were to constitute the "community" in accordance with the provisions of the Constitution of the Fifth Republic to that effect. The objective of the community, as prescribed by the Framework Law, was to gradually Africanize "the administration by maintaining the authority of the governors" (Miège, 1993). More simply, the community was to serve to prepare the former colonies for independence. This new nomenclature therefore represents a kind of transition that money has experienced between colonization and independence. By extension, it was to serve to Africanize the currency if not prepare the economic independence of the African countries. In 1960, the independence impulse begun in 1958, had reached a degree of maturation unprecedented in the French colonies of Africa, or at least what had become the African states of the French "community". Like Sékou Touré's Guinea Conakry, which voted 98% no in the referendum (Migani, 2012) and gained independence in 1958, almost all the African states in the community gained their independence in 1960. All decided to keep the currency intact, with the exception of Sékou Touré the first president ofGuinea Conakry, who since 1958 had begun a series of actions marking the rupture consumed from the old colonial order. In a logic of continuity of the actions undertaken, on March 1, 1960 the latter implemented a monetary reform and decided to adopt a new currency the "Guinean Franc" to replace the FCFA. It will later be followed by Mali, in 1962, which will temporarily suspend its participation in the FCFA and issue its own currency before rejoining the franc zone in 1984. Guinea will never again join the Franc Zone.

5. From one franc of the French community to two types of FCFA

Nominal division will take place through monetary unions. For now, we will come back to the formation of these unions. During colonization, the French occupation territories were divided into two distinct zones. French West Africa (AOF) and French Equatorial Africa (AEF), according to the following distribution: Senegal, Mauritania, French Sudan (now Mali), French Guinea, Niger, Upper Volta (now Burkina Faso), Côte d'Ivoire, Dahomey (now Benin) were to make up the AOF and Chad, Oubangui-Chari (Central African Republic), Gabon, French Congo (Republic of Congo) were to compose the AEF. These two federations were set up between the late nineteenth and early twentieth centuries with the aim of "better ensuring the coordination of administrative and economic activities in the colonies" (Ramde, 2004).Our study shows that it appears that these areas of French exploitation later expanded on the evening of the First World War with the Treaty of Versailles. The League of Nations had entrusted the custody of a good part of Cameroon - which will be attached to the AEF - and Togo - which will be grafted to the AOF - to France. However, these remain vague assumptions insofar as a very large part of the authors who have written on the subject contradict this hypothesis and agree on the fact that these two territories have never been part of one or the other of the zones of exploitation. Obviously, and what we must remember above all, these two territories had been placed under French tutelage (Kobila & Sokeng, 1998). Shortly before the wave of decolonization, in 1959, the AOF and the AEF were officially dissolved. However, we will witness their transformation, supported by the colonial power, into new structures bringing together the new autonomous states. The former AEF colonies will be the first to start the process. The latter will opt, from June 29, 1959 (Kobila & Sokeng, 1998) for a customs grouping type AEF, under the acronym UDE to designate the equatorial customs union. This union will initially be mainly composed of the former members of the AEF and will extend to Cameroon during the year 1964 following long negotiations. This expanded grouping will constitute the Central African Customs and Economic Union (UDEAC). In 1962 the former member states of the AOF will also restore the former federation by setting up a West African Monetary Union (WAMU). It should be noted that in 1955, a CFA Franc issuer had been set up in each federation, and an operating account had been opened for them with the French treasury. With the break-up of the federations in 1959, these currency boards were replaced by the Central Bank of West African States (BCEAO) and the Central Bank of equatorial African States and Cameroon (BCEAEC) replacing respectively the currency board of French West Africa and Togo and the currency board of Equatorial Africa and Cameroon. As a result, the currencies that will be issued by each of the banks will adopt a nomenclature specific to the monetary union and the central bank that structures it. The currency issued by the BCEAO will be qualified as the "franc of the African Financial Community" and the currency issued by the BCEAEC will be the "franc of Financial Cooperation in Central Africa".

7. Cooperation agreements

It is through cooperation agreements, especially those initiated at the turn of the 1970s that the "metamorphosis of the Franc zone" (Guillaumont & Jeanneney, 2013) will begin. First, on 22 November 1972, the Central African States, which made up the UDEAC, signed a monetary cooperation agreement with the French Republic. Similarly, in 1973, the West African states that had decided to restore the old order by setting up the WAMU, will ratify the treaty that will institute the union and at the same time sign the monetary cooperation agreement between them and France. All except Mauritania which will decide to leave the ZFCFA. At that time, WAMU found itself with 6 Member States, which carried out the cooperation project to the end. The peculiarity of Agreement 72 is that it provided in Its Article 3 for the establishment of a body, the Bank of Central African States (BEAC), which was to ensure, in tandem with a Joint Monetary Committee, the implementation of monetary cooperation. In fact, this agreement only served to renew the statute and name of the BCEAEC. It acts as an "African multinational institution" and assumes "towards third parties the rights and obligations of the former Central Bank of Equatorial Africa and Cameroon". The objective of these agreements was to change the structure of the economic and monetary relationship that had prevailed until then, and whose origins dated back to colonization, in response to the aspiration of African States for autonomy. They therefore took the form of contracts with voluntary membership (Hugon, 1999). Of course, they were to crown the Africanization efforts that had been undertaken since 1959. We therefore witnessed a series of measures aimed at anchoring the currency in the African wake and thus, leaving the management to the local elites. Starting with the transfer of the headquarters of the central banks. The headquarters of the BEAC had been transferred in 1977, from Paris to Yaoundé in Cameroon and the headquarters of the BCEAO in Dakar in Senegal. It should be noted that these actions was carried out in a rapidly changing international economic dynamic. The Bretton Woods monetary system has indeed just collapsed and the world economy was shaken by the major oil shocks, these events served as an impetus for the implementation of reforms "leading to greater financial liberalization and the creation of a money market" (Hugon, 1999) at both the LEVEL of the BCEAO15 and the BEAC Shortly before these reforms, two states have entered the area. Firstly, Mali decided to return to the area, and which therefore finally signed the convention in 1984. Secondly, Guinea Bissau will swell the ranks of WAMU, effectively expanding the AFFA. The year 1994 played the role of a catalyst that propelled the metamorphosis of the Franc zone to a new stage. What happened that year was that the CFA Franc experienced a devaluation and saw its fixity to the FF change according to the principle: 1 FF = 100. Following this devaluation, the CFZs had decided to put in place medium-term adjustment and growth policies, which should allow the macroeconomic framework to be cleaned up and structural reforms intensified. These policies led to economic convergence. The objective for both zones was to "create the conditions for a dynamic of sustained and sustainable economic and social growth, through the constitution of a vast integrated, homogeneous and solidarity-based sub-regional area" (Kobila & Sokeng, 1998). Thus, the treaties establishing the WAEMU (Hugon, 1999) and the CEMAC (Kobila & Sokeng, 1998) were born. The CEMAC treaty completed two years later by a convention, inspired by Agreement 72, on the Central African Monetary Union. The agreements signed since the 70s still remain today. They brought a certain monetary sovereignty to the signatory parties. The latter have since been free to be part of the agreement and even to modify the terms (Diallo, 2002). The CEMAC also modify its part of the agreement in 2008. Also, in 1997, it extend its area to Equatorial Guinea.

6. Fixing to the euro

The final phase of the transformation of the CFA franc will begin with the introduction of the Euro. Indeed, at the same time as European monetary construction was reaching its peak, the CFA franc was embracing the culmination of its evolution. The Euro, which was set up in 1999, is the culmination of a long process of economic integration that dates back to the European Coal and Steel Community (ECSC), and which has experienced several episodes including the European Monetary System (EMS), or an ECU that was similar to a common currency (Lelart, 1993). Precisely, with regard to the ECU (European Currency Unit), and the EMS, the CFA franc was linked to the FF at the time of this system, so that the CFZ were indirectly part of the community, increasing to 26 the number of countries that benefited from the system. The anchoring to the euro is presented in this order of ideas as a continuity. We are moving from a partial or even indirect peg to the ECU which was actually a basket of currencies, to be attached to a multinational currency. The concept is that it now removes "the disadvantage of exchange rate variability with respect to individual currencies"(Guillaumont & Jeanneney, 2013) and gives the currency "a European status". This anchoring was facilitated by France, which very early undertook negotiations, in accordance with Article 109 of the Maastricht Treaty, with a view to conveying to the Council of the European Union that their commitment to the AFFA was only a matter of the budgetary order and that it was too low to impact the Union's reserves (Guillaumont & Jeanneney, 2013).

8. Current status of CFA Franc

8.1. Current status to WAEMU Zone

On 23rd August 2019, the 42nd session of the Convergence Council of the West African Monetary Area (WAMZ), was held in Conakry, Guinea. The WAMZ brings together ECOWAS member countries that do not use the CFA francs. The meeting focused in particular on the launch of a future West African currency, the "eco" as well as the name of the future ECOWAS Central Bank, the "Central Bank of West Africa". In October 2019, according to the International Monetary Fund, the success of the project to replace the CFA franc in West Africa with a common currency - the eco - will depend on taking into account certain factors both political and economic. It is also concerned about the slowdown in growth south of the Sahara. On November 7th, 2019, the President of Benin Patrice Talon announced, the "withdrawal of the foreign exchange reserves of the CFA franc" which are in France: "The Central Bank of the African countries of the West African Monetary Union (WAMU) will manage all of these foreign exchange reserves and will distribute them to the various partner central banks around the world". On December 3rd, 2019, on Radio France International, Ivorian President Alassane Ouattara defends the fixed parity between the euro and the CFA franc, stressing that it allows the countries of the CFA franc not to have too much problem of debt sustainability. On December 21st, 2019, Ivorian President Alassane Ouattara announced the hypothesis of replacing the CFA franc (WAEMU) by the eco during a joint press conference with French President Emmanuel Macron on an official visit to Côte d'Ivoire. Emmanuel Macron is positive on the subject and says: "I have heard the criticism, I see your youth who reproach us for continuing a relationship that they consider postcolonial. So let's break the moorings." This decision is materialized by the signing of the monetary cooperation agreement in December 2019 in Abidjan between France and WAEMU. A bill approving this monetary cooperation agreement is adopted in France by the National Assembly on 10th November 2020 and by the Senate on 28th January 2021. This reform includes three major developments: the change of the currency and the transition to the Eco, the abolition of the operating account at the France Bank, the abolition of the seats occupied by the French representatives on the BCEAO bodies. The France Bank continues to ensure parity between the Eco and the euro. The reactions are mixed: for Kristalina Georgieva, director of the IMF, these changes "constitute an essential step in the modernization of long-standing agreements between the West African Economic and Monetary Union and France". Conversely, African economists dispute their scope, such as Demba Moussa Dembelé who sees it as a way to "torpedo the ECOWAS project or delay it as much as possible. They cut the grass under the feet of critics by eliminating the symbols that anger without getting to the bottom of the problem. What the African people are asking for is the end of the CFA franc and not its reform. On January 6, 2020 in Dakar, about fifty intellectuals published a statement calling for the opening of a "popular and inclusive" debate on the ongoing reform and recalling that "the question of money is fundamentally political and that the answer cannot be mainly technical". On January 19th, 2020, Senegalese economist Ndongo Samba Sylla declared that the reform of the CFA franc in West Africa, announced on December 21, 2019 by French President Emmanuel Macron and his Ivorian counterpart Alassane Ouattara, is far from being a panacea. Beyond the symbol of renaming the West African single currency "eco", a whole system must be overhauled, he believes. According to him, African states should instead set up sovereign national currencies. As the economist Ndongo Samba Sylla says renaming the CFA Franc to the Eco is not a solution. Because Eco will always be anchored to the Euro and ECOWAS will always be a playground for French companies. Even if the WAEMU zone will no longer give its reserves in the books of the accounts of the French treasury.

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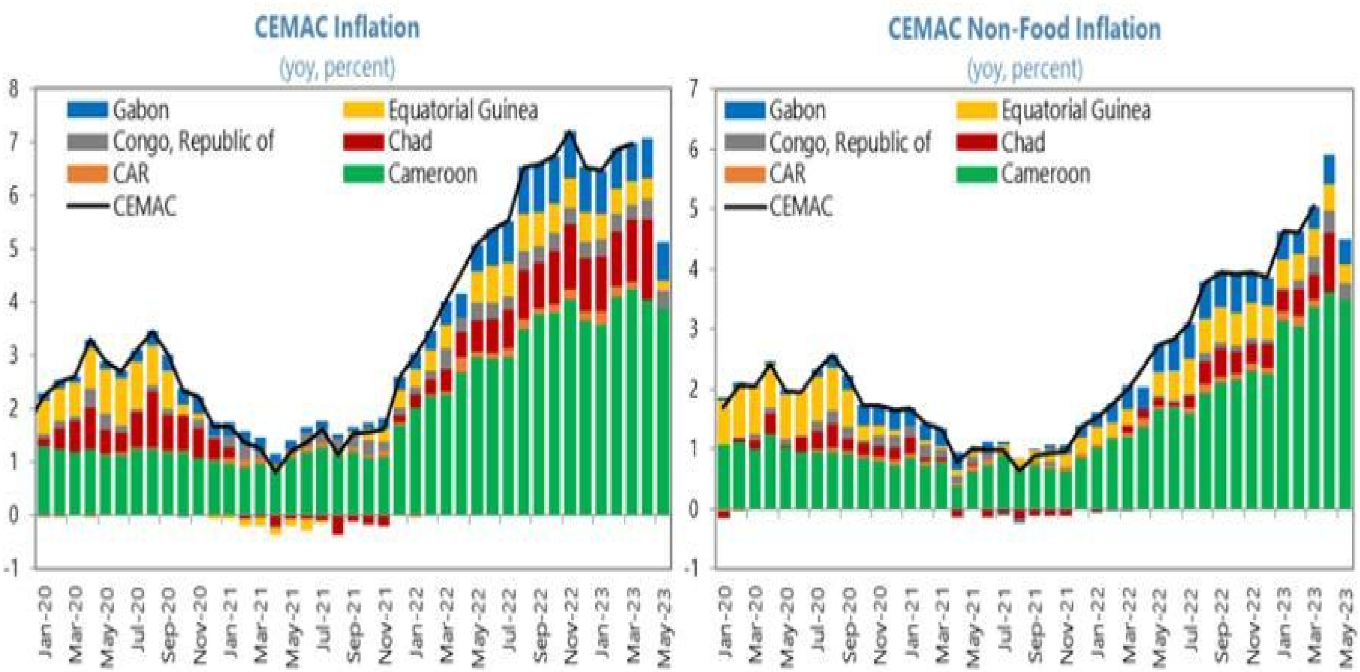
8.2. Current status in the CEMAC zone

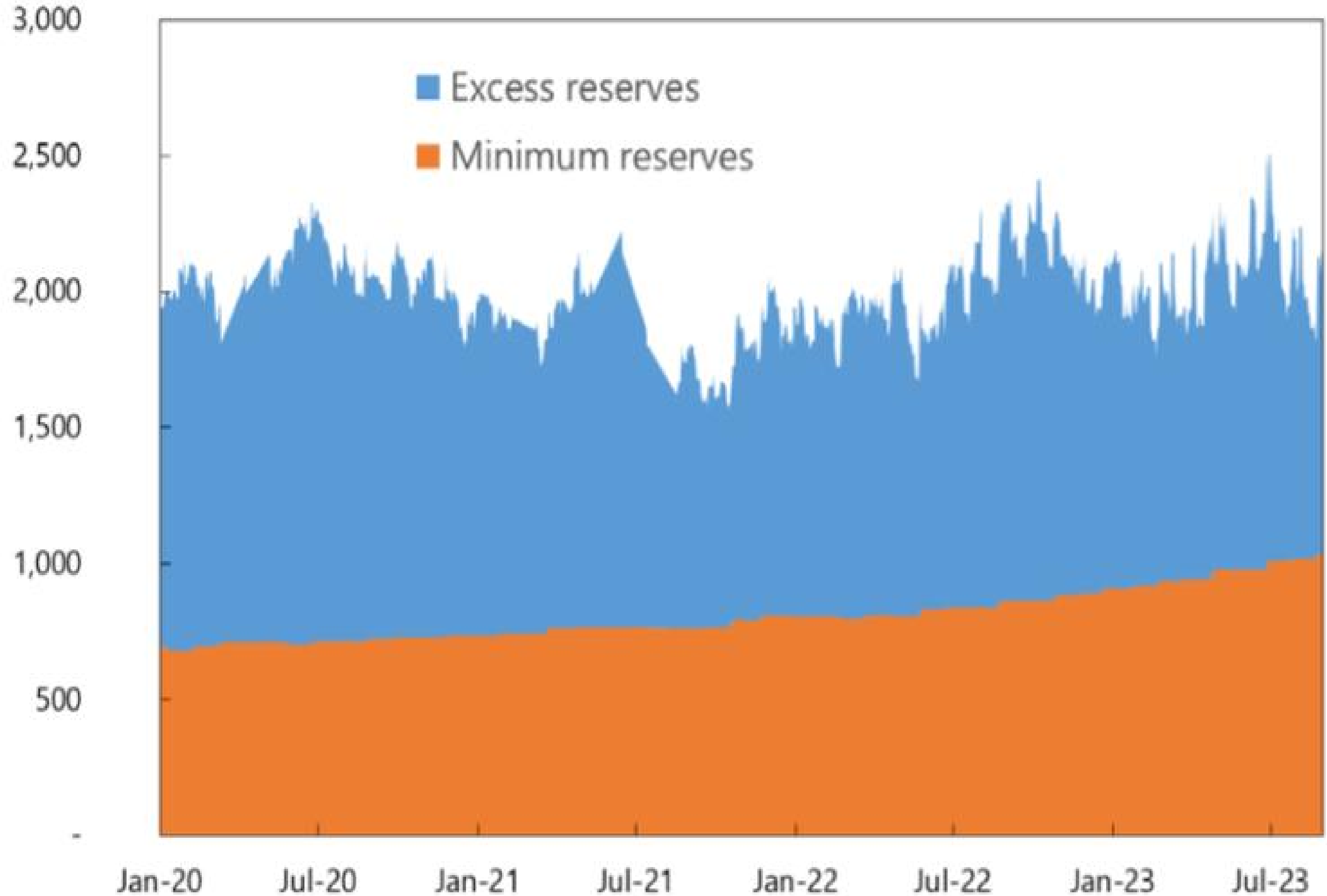
On December 28th, 2019, the President of Equatorial Guinea, Teodoro Obiang Nguema, went to Abidjan, Côte d'Ivoire, to meet Alassane Ouattara and discuss the reform of the CFA franc in the WAEMU zone. The Equatorial Guinean president would like to see the same reform applied in the CEMAC zone and considers the CFA franc "obsolete". The CEMAC Heads of State wish to develop their currency especially since, said Daniel Ona Ondo, "our partner France is ready for an ambitious reform of the CFA franc". In January 2020, according to the BBC, several personalities from the Central African subregion are working to make possible an exit rom the FCFA as was recently the case in the WAEMU zone, AFRIX (AFX) is the name that is being mentioned for the moment. Its possible creation provokes reactions among experts, says the BBC. Further reasoning indicates that the countries concerned by the said currency will have to work to diversify their economy to be up to the new challenges that, at the same time as AFRIX will see the light of day, says the same source. In February 2020, during their meeting, Presidents Ali Bongo and Daniel Ona Ondo also spoke about the decisions taken at the last Conference of Heads of State, marked by "the will of Heads of State to more integration". Their spokesman says that the reforms undertaken are on track and the leaders of the CEMAC zone are studying an appropriate scheme for the future of the CFA franc. Despite these reforms and ambitions, the WAEMU and CEMAC zone have not yet concretized their ideas of leaving the CFA Franc zone, because until today these two economic zones that form the CFA Franc zone, they use this colonial currency. But in the WAEMU zone has already signed decrees with the French Republic regarding the creation of the Eco.

Figure 1: (CEMAC) Recent Inflation Developments



Source: Haver Analytics, CEMAC authorities and IMF

Figure 2: Banking System's Reserves



Source: BEAC

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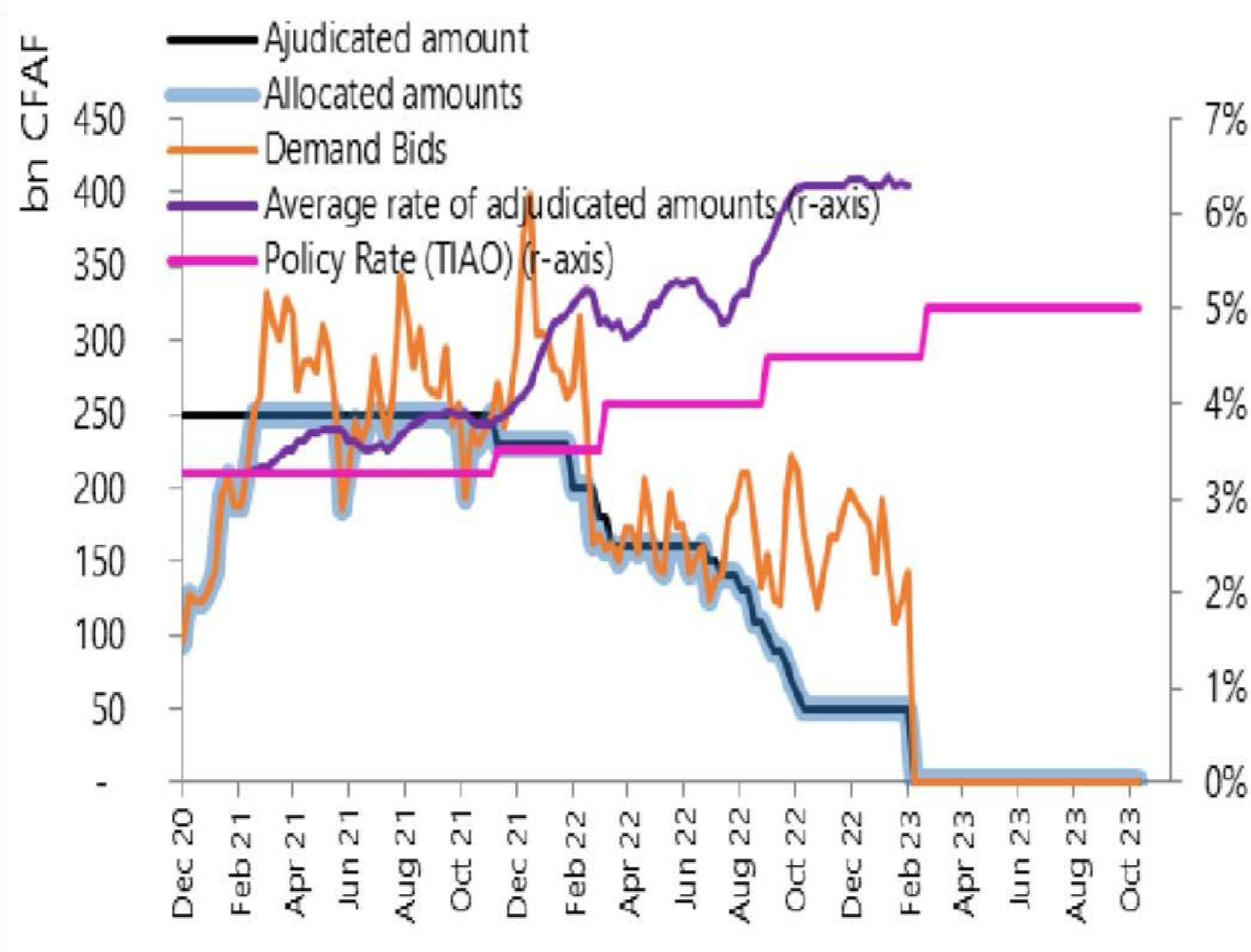
Figure 3: Weekly Liquidity Operations(cfaf billion) and Interest Rates (Percent)



Source: BEAC and IMF staff calculations

Table2:

CEMAC: DSA Ratings Pre- and Post-COVID and Russia's War in Ukraine Shocks

		Risk of external debt distress	Overall risk of debt distress	Granularity in risk rating
Cameroon[1]	2018: Pre shocks	High	High	Sustainable
	2023: Post shocks[1]	High	High	Sustainable
CAR[1]	2019: Pre shocks	High	High	Sustainable
	2023: Post shocks	High	High	Sustainable
Chad[1]	2019: Pre shocks	High	High	Sustainable
	2023: Post shocks	High	High	Sustainable
Republic of Congo[1, 2]	2019: Pre shocks	in debt distress	in debt distress	Unsustainable
	2023: Post shocks	in debt distress	in debt distress	Sustainable
Equtorial Guinea[3, 4]	2019: Pre shocks	N/A	N/A	Sustainable
	2022: Post shocks	N/A	N/A	Sustainable
Gabon [3, 4]	2019: Pre shocks	N/A	N/A	Sustainable
	2022: Post shocks	N/A	N/A	Sustainable

Note: Risk levels follows latest published SR.

Cameroon's DSA was published in July 2023 SR 23/251. CAR's DSA was published in May 2023 SR 23/155. Chad's DSA was published in January 2023 SR 23/7.

Republic of Congo DSA was last published in June 2023 SR 23/271.

Republic of Congo only external arrears on one external commercial debt, disputed debts, and pre-HIPC claims remain while all other external arrears to bilateral and commercial creditors have been resolved.

Equatorial Guinea and Gabon are market access countries, subject to Market Access Country (MAC) DSA framework, different from Low Income Country (LIC) DSA framework.

Risk assessment in Gabon dates from July 2022 DSA SR 22/216. Risk assessment in Eq Guinea dates from August2022 SR 22/267.

The overall fiscal balance (excl. grants) is estimated to have turned into a surplus of 2.5 percent of GDP from a deficit of 1.9 percent of GDP in 2021, mainly owing to higher oil revenue. The public debt-to-GDP ratio dropped from 57.6 percent to 53.4 percent at end-2022 (partly reflecting revisions to historical debt data). Still, debt vulnerabilities remain elevated in some member states .

9. The main problems posed by the CFA Franc and their tools

Why are we discussing this subject on the FCFA which is a currency used by a monetary zone called the “Franc zone”? Because this currency which is the FCFA has an impact on the development of the user countries of the FCFA, and we will try to demonstrate it on 5 main problems posed by this currency. “The CFA Franc today has many detractors. In circulation since 1945, this currency would harm the development of the African countries that use it. This is according to the economist and former Togolese minister Kako Nubukpo.More and more detractors, this opinion of Kako Nubukpo is increasingly widespread on the African continent. Many heads of state or economists, including the late Chadian President Idriss Déby Itno, who saw in this currency which is the CFA franc, which has a fixed parity with the euro, "a brake on development". Criticism of the CFA franc is at the heart of Kako Nubukpo's book, entitled "Sortir l'Afrique de la servitude monetary". He calls money “a tool of voluntary servitude”. Very low exchanges, according to Kako Nubukpo, the use of the CFA franc, produced in France and guaranteed by the French Treasury, poses four main problems.

Problem 1:

Trade between economies in the franc zone is very low, at 25% for the the countries of the Cfa Zone (compared to 60% for the European Union). That is, intra-community trade is very low because the Cfa Zone countries manufacture the same things, thus we don't trade much. These types of trade account for around 10% and 15% of overall trade in Central Africa and West Africa, respectively, while they account for 60% of total trade in Europe.

Problem 2:

Competitiveness is hampered by a currency that is pegged to the euro and hence excessively strong for the local economy. Indeed, the CFA franc is both an export tax and an import subsidy. Furthermore, countries who believe their currency is strong, such as those in the franc zone, prefer to import rather than produce. The tendency is most noticeable in the rice sector, which is primarily imported from Asia. According to the economist, this results in trade balances that are frequently in deficit .

Problem 3: **Funding**

Banks in these countries ration credit and lend very little. This is symptomatic of chronic under-funding. Real interest rates for loans in the CFA franc zone remain extremely high, reaching 15% in some situations, decreasing the volume of loans issued to firms and households who are often unable to borrow at this rate. Faced with poor output levels in our countries, the opening of credit floodgates fuels imports, which are paid in foreign currency. Any scarcity of foreign money, on the other hand, might cause the CFA franc to depreciate.

Problem 4:

The existence of two distinct franc zones for the CFA franc (WAEMU and CEMAC), which require the change of banknotes when passing from one zone to another. This is how the late President Idriss Déby affirmed that “the CFA franc does not give the possibility of placing even a part of the resources in the banking circuit so that they generate interest”. Indeed, the sums at stake would number in the tens of billions, he declared in disagreement with the Ivorian President Alassane Ouattara, as I underlined it in my introduction which praises the CFA franc and sees in it "a solid currency, well managed and appreciated”.

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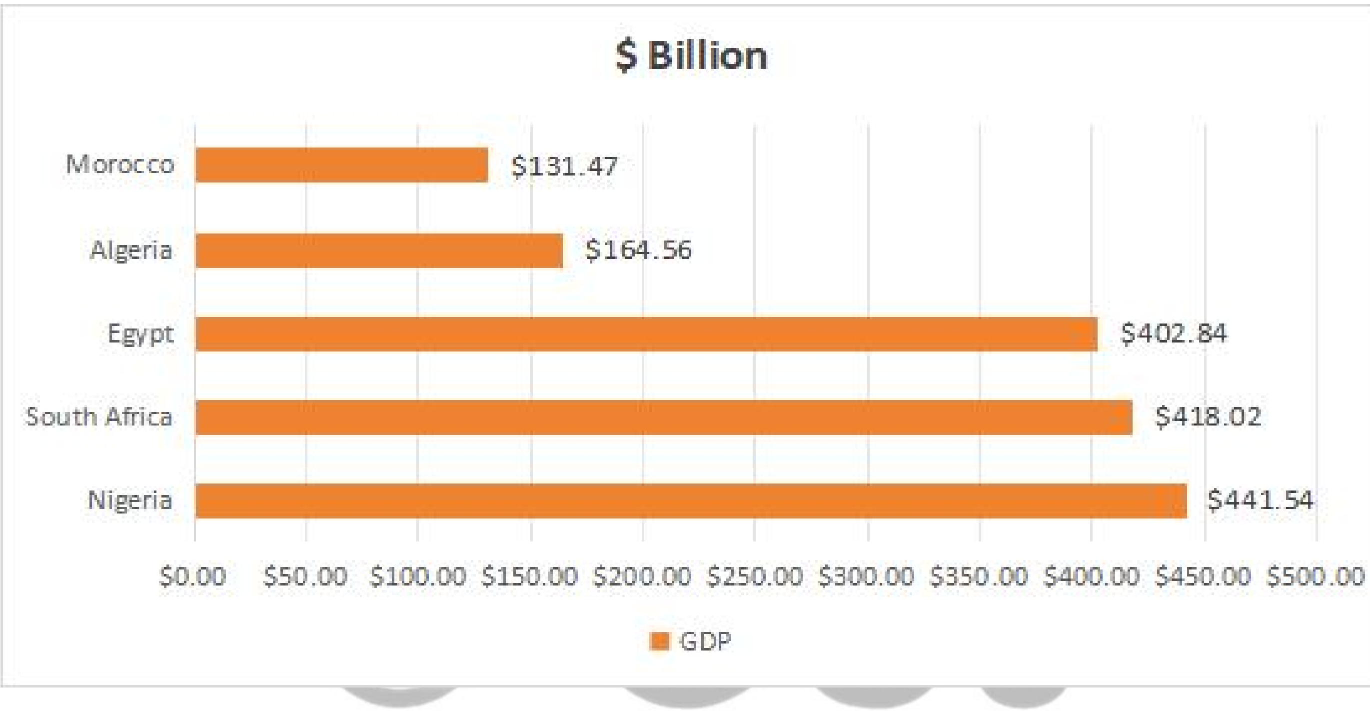
Problem 5:
Since its creation, no FCFA user country has appeared in the Top 5 richest countries in Africa. Richest African Countries by GDP in 2021.



Source: Statista

9.2. Transaction account mechanism
The foreign exchange reserves of each central bank shall be deposited in an operating account in the name of that bank. This account is opened in the books of the French Treasury. The fixity of the exchange rate is thus not ensured by the central banks of the states of the zone but by the Treasury – and therefore the budget of the French state.The operating accounts are remunerated at 0.3% (the ECB's marginal lending facility rate) and have an unlimited overdraft option assumed by the Treasury. According to the texts, this practice of requesting an advance from the Treasury must be an exceptional remedy and involves interest payments. To prevent the accounts from being permanently debtors, the coverage rate of the currency must be greater than 20%. In practice, this threshold serves more as a wake-up call: a "sweep clause" indicates that African central banks must obtain foreign currency from commercial banks or even the IMF before the Treasury makes its currencies available. The only time the situation required it in 1993, the CFA Franc was devalued. The operating accounts can therefore be seen as a monetary indicator replacing the exchange rate to indicate a critical economic situation. The centralization of foreign exchange reserves with the French treasury under the name of operating account, contained in the agreement between France and the countries of the franc zone, is a brake on the development of African countries. This foreign exchange reserve that these countries can use to finance their economies is an oxygen buoy for the French economy. In 1966, for example, the foreign exchange contribution of the countries of the franc zone was 5.51 times that of France.

Africa's foreign exchange reserves account for 99.86% of the total net foreign exchange gain received by France (N. Agbohou, 2013). This led the former Gabonese President, the late Omar BONGO, to assert that "We are in the franc zone. Our operating accounts are managed by the Bank of France in Paris. Who benefits from the interest earned by our money? – France". Second, since any resource in a country's public treasury is a resource it can use as it pleases, the French treasury uses the African reserves stored at home to make up for its own deficits. This is confirmed by Xavier de La Fournière by saying "The advantage that represents for the French Treasury the existence of credit balances in the operating accounts is real, because they are one of the resources used by the French Treasury to finance the burden that results for it from the overdrafts of execution of the finance laws and the amortization of the public debt." And yet, it is a resource of these countries that can be useful for poverty reduction. Finally, operating accounts condemn African populations to misery because they deprive millions of Africans of income that can allow them to live better. According to the World Bank, the average annual income of Africans is about 927,128 CFA francs in 2015 while WAEMU foreign exchange reserves amount to 7,529.9 billion CFA francs in the same year (BCEAO, 2016). This means that, by blocking this sum in account in France, more than eight (08) million West Africans are dispossessed of a potential annual income and are forced to live in misery. And to overcome this problem a little bit, France lends African countries part of their own money as development aid. In total, the CFA franc is a currency that protects countries against exogenous shocks but it is too strong a currency for the economy of the zone. This does not favor production or exports other than raw materials; therefore the well-being of the populations .

10. Conclusion and Suggestions

Conclusion

The CFA franc is a currency created in 1945 for the French colonies in Africa. Its convertibility poses a number of problems. Indeed, according to the definition of money, it is an asset accepted everywhere and which is convertible. Unfortunately, this is not the case with the FCFA. An exchange of goods or services cannot take place freely between the WAEMU and CEMAC zones with the FCFA because there is no free convertibility between the currencies issued by the two central banks despite the fact that they use the same currency. The money issued by each of the central banks is neither interchangeable nor convertible. It is also difficult if not impossible to convert this currency into another even in France. From August 1993, the French bank abolished the free and unlimited convertibility of CFA notes at its counters. At its creation, the CFA franc was worth 1.7 French francs before settling over time at 0.01 French francs, or 100 FCFA for 1 FRF in 1994. Since the changeover of the French franc to the euro in 1999, 1 euro is worth 655,957 FCFA. The value of the CFA franc therefore does not change on a day-to-day basis. It therefore has a fixed exchange rate regime without liability against the euro, formerly the French franc.

Suggestion

After the analysis of the subject, which is the impact of the FCFA on the development of the member countries of the CFA zone, we concluded that this currency is not satisfactory for the economy and the development of these 14 countries which form the CFA zone. To this end, we propose three (3) steps to get out of this colonial currency. The first step is to change the name of the currency and remove France from the monetary authority. The franc countries are no longer French colonies. The region must have African currencies, such as Nigeria's naira, Ghana's Sadi, China's RMB and South Africa's Rand. The currency must indicate the region in which the currency is used.

Second Step, the currency must match the economy of the region. In order to achieve this goal, it is necessary to change the exchange rate system, which affects the external and domestic economic performance of countries. Then, we propose to float a basket of currencies within a range, and these countries have a lot of trade with these currencies. The new system will adapt the value of money to the economic situation and promote exports. This means that it will build productive capacity and create employment opportunities upstream, so as to reduce poverty. In fact, a weak currency helps to reduce imports compared with other currencies, because import prices are higher, but it encourages local production and thus exports. The currency flexibility of African countries will encourage local production and make it more competitive with imported products. These countries can export manufactured goods and foreign exchange instead of only raw materials. China is a good example. For many years, European countries and the United States have accused China of manipulating its currency to benefit its trade balance and harm their interests.

The third stage consists of several parts.First, the principle of pooling foreign exchange reserves must be adhered to, but these reserves should no longer be deposited in the French Treasury, but in its central bank. The interest generated by the investment must be invested in the development of the region. Second, we need to redefine the new monetary policy. The foreign exchange reserve rate must be gradually reduced, taking into account the needs of the region's economy, which must be done by African countries themselves.

Thirdly, the convertibility of the new currency between WAEMU and CEMAC must be ensured. This will promote inter regional exchanges and South South cooperation. In addition, the free flow in the area must be regulated. In this regard, the capital flight of transnational corporations must be limited. In this way, Africa can have more resources to finance its development.

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Abbreviations and Acronyms

CFA: French Colonies of Africa or African Financial Community
WAEMU: West African Economic and Monetary Union
CEMAC: Community Economic and Monetary of Central Africa
ZFCFA: Franc of African Financial Community Zone
ECOWAS Bank: Economic Community of West African States Bank
BEAC: Bank of Central African states
IMF: International Monetary Fund
FF: French Franc
FCFP: Franc of French Colonies of Pacific
AOF: French West Africa
AEF: French Equatorial Africa
UDE: Customs and Economic Union
UDEAC: Customs and Economics Union of Central African
CFZ: Countries of Franc Zone
ECSC: European coal Steel Community
EMS: European Monetary System
ECU: European Currency Unit
WAMZ: West African Monetary Zone
ECOWS: Economic Community of West African States