NEW REGIONAL SINGLE CURRENCY IN WEST AFRICA: IS "ECO" THE END OF CFA FRANC?

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ABSTRACT

Since the adoption of "ECO" as the name of the West African single Currency by the authorities of ECOWAS in June 2019, some economists and activists started asking questions and making controversial comments on the future of the ECO and the CFA franc. Thus, the main purpose of this study is to investigate the process of creating a new single currency (ECO) that will be implemented by ECOWAS by 2020 and if it can replace the CFA franc of the eight WAEMU countries. To do so, we will examine the economic integration performances of West African countries and the achievement of the four primary convergence criteria set out by the West African Monetary Institute (WAMI) for the implementation of the "ECO". The study will also examine the current monetary situation of WAEMU countries by providing more information about the CFA Franc. The study concludes that ECOWAS has met about 75% of primary criteria in average. However some countries performance is below the target. That is why much remains to be done regarding the implementation of this single currency. The results also show that the UEMOA countries will agree to join the creation of the ECO currency if and only if it will ensure the same stability that the CFA franc provides for their economies. The study suggests that each country works in the same direction with all the monetary institutions and provide them all the necessary assistances for the achievements of ECOWAS monetary integration and the primary convergence criteria. The study suggests also that the various ECOWAS institutions must harmonize their methodology, their convergence criteria and the statistical computing systems.

Keywords: Single currency, Regional monetary integration, West Africa, ECOWAS

JEL Codes: F33, F53, N17

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INTRODUCTION

In order to promote cooperation and integration in the perspective of an economic union of their states, 16 West African countries have decided to create the Economic Community of West African States (ECOWAS) on 28 May 1975. Considered as one of the pillars of the African Economic Community, ECOWAS currently has fifteen (15) member countries, which are: Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo. The treaty of ECOWAS was mandated to eliminate customs duties and other charges of equivalent effect on imports and exports; the quantitative and administrative restrictions on trade among members; also the obstacles restricting the free movement of persons, services and capital between member countries. Treaty also projects to harmonize monetary policies of member states and establish a fund for cooperation, compensation and development. In this context, one of ECOWAS objective is to establish a regional monetary zone and implement a common currency (ECOWAS, 1993; ECOWAS, 2019)

To accelerate the regional integration, on April 20, 2000, the Heads of State of five West African countries (Gambia, Ghana, Guinea, Nigeria and Sierra Leone), decided to establish the West African Monetary Zone (WAMZ) in Accra by signing the 'Accra Declaration' which defined the objectives of the Zone as well as, an action plan and institutional arrangements. It is planned to merge this zone with the West African Economic and Monetary Union (WAEMU) to form a single monetary zone in West Africa. The eight (8) French-speaking members of WAEMU are using the CFA franc since 1945.

The five countries of WAMZ, Gambia, Ghana, Guinea, Nigeria and Sierra Leone, adopted a number of important documents relating to the institutional, administrative and legal framework for establishing the Zone during the second summit of Heads of State and Government of the Zone held in Bamako, on December 15, 2000. The said documents are: the Agreement of the West African Monetary Zone (WAMZ); the Statute of the West African Monetary Institute (WAMI); the Statute of the West African Central Bank (WACB); and the Provisions on the Stabilization and Cooperation Fund (SCF). The West African single currency was initially planned to be launched in January 2003. However, this was postponed several times, to 2005, 2010 and 2014 due to Member States' inability to maintain a single-digit inflation rate at the end of each year; a fiscal deficit of no more than 4% of the GDP; a central bank deficit-financing of no more than 10% of the previous year's tax revenues and a gross external reserves that can give import cover for a minimum of three months as the four primary criteria for the single currency to be implemented.

The Authority of Heads of State and Government of the Economic Community of

West African States (ECOWAS) have adopted the "ECO" as the name of the ECOWAS single Currency at the 55th Ordinary Session of the Authority (ECOWAS) held on 29th June 2019 in Abuja, Nigeria. ECOWAS planned to introduce the currency from 2020 regrouping all the 15 countries members including the eight CFA franc countries. Will the WAEMU countries put an end to the CFA Franc in favor of the ECO? Are all the 15 countries ready for the implementation of this currency in 2020? Did they achieve the four primary convergence criteria and most of the six secondary criteria? Is the African population ready for a such change?

The main purpose of this study is to investigate the process of creating a new single currency (ECO) that will be implemented by ECOWAS by 2020 and if it can replace the CFA franc of the eight (8) WAEMU member countries. To do so, we will examine the economic integration performances of West African countries and the achievement of the four (4) primary convergence criteria set out by the West African Monetary Institute (WAMI) for the implementation of the "ECO". The study will also examine the current monetary situation of WAEMU countries by providing the key macroeconomic indicators.

We organized this study in five (5) sections. The first section will provide theoretical framework and historical background about ECOWAS integration. We analyzed the monetary integration in West Africa in the second section. The third section discusses the CFA Franc management and its relationship with ECO by comparing the characteristics of these two currencies. In the fourth section, we will answer the question of whether the new currency will come into being or not. The fifth section will provide the conclusion and recommendations.

1. THEORETICAL FRAMEWORK AND HISTORICAL BACKGROUND

1.1. Theorical Framework

The aims of integration process is to create a larger and more competitive market for producers, distributors and consumers, thereby lowering prices for goods and services. Talking about the common currency will also bring us to talk about economic integration, the optimal currency area and international trade. A currency union or monetary union is an agreement that involves countries that have same currency. A monetary zone constitutes the basic benchmark of the economic study (Onyemaechi, 2011). According to the classic theory of regional integration, integration can be in many different forms. However, this depends on the degree of political and economic commitment of the member countries. These countries can do arrangements like a simple reduction of customs duties or a common monetary and fiscal policy. The Table-1 below, provides the characteristics of regional integration. The degrees of integration can be identified as free trade area, customs union, common market, economic union, and total economic integration. Where the total economic integration is the outcome of a process of unifying the economic policies of the various member countries and implies the establishment of a common monetary union, the complete removal of obstacles to cross-border economic activities relating to trade, and the free movement of labor and services, as well as of capital (UNECA & ECOWAS, 2015, pp. 20-22).

We can define monetary integration as a process whereby two or more countries come together, and subject themselves to a single monetary authority or central bank. It is about harmonizing the policies of different countries through the total or partial elimination of trade and non-tariff restrictions that existed between member states. The countries that accept the conditions of this process form the Monetary Union. A monetary union can also concerns a process where member countries use several currencies. (Fwangkwal, 2014).

Table-1: Characteristics of regional integration

Type of arrangement	Free trade among members	Common trade policy	Free factor mobility	Common monetary and fiscal policies	One government
Preferential trade area	No	No	No	No	No
Free trade area	Yes	No	No	No	No
Customs union	Yes	Yes	No	No	No
Common market	Yes	Yes	Yes	No	No
Economic union	Yes	Yes	Yes	Yes	No
Political union	Yes	Yes	Yes	Yes	Yes

Source: (ECOWAS; UNECA, 2019)

In practice, it is possible to establish the institution of a single currency (monetary union) before the implementation of an economic union (which consist of a common market and the harmonization of economic and sectoral policies of member countries). We can show the West African Economic and Monetary Union (WAEMU) as example in this situation. Based on the special and historical considerations, the WAEMU started by instituting a common central bank and currency before engaging in the process of economic unification, as from 1994. However, the European Union (EU) has applied the reverse process; the common market that preceded the introduction of the euro and the European Central Bank in 1999 (UNECA & ECOWAS, 2015). In the Werner Report (1970), we can identify the "necessary conditions" set to define a monetary union: 1) within the area of a monetary union, currencies must be fully and irreversibly convertible each other; 2) par values must be irrevocably fixed; 3) fluctuation margins around these parities must be eliminated; 4) capital movements must be completely free. Some studies simply call the first set condition "monetary integration". However other authors emphasize that monetary integration is more than that. According to one of them, Corden (1972), monetary integration consist of two elements: 1) "complete exchange-rate union and 2) "convertibility", namely complete elimination of any control on international (within the area) transactions on both current and capital accounts (Gandolfo, 2004).

Mundell (1961) introduced the notion of “Optimum Currency Area (OCA)” which is an evolution of the concept of currency area or currency union. McKinnon (1963) extended the OCA, an area in which exchange rates are fixed or which has a common currency. We already defined the currency area above as an agreement that involves countries that have same currency. The currency area do not necessarily consist of national frontiers as they might include part of a nation only (case not viable). The adjective “optimum” implies that the issue consists in determining the most appropriate domain of currency area and whether the adhesion of a country to the area or its remaining in one is beneficial (Gandolfo, 2004; Alesina & Barro., 2002, pp. 409-411).

1.2. Historical Background

The ECOWAS was established with the Treaty of Lagos in 1975 (Lagos Treaty, 28 May 1975, revised in Cotonou on 24 July 1993). . Considered as one of the pillars of the African Economic Community, ECOWAS currently has fifteen (15) member countries, which are: Benin, Burkina Faso, Cape Verde, Cote d’Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo. Before the establishment of ECOWAS, West Africa has two (2) monetary union: the first one made up of Anglophone countries like Gambia, Ghana, British Cameroon, Nigeria and Sierra Leone, which used the British West African pound managed by the West African Currency board; and the second one made up of francophone countries like Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal, and Togo, that formed the West African Economic and Monetary Union(WAEMU) and used a common currency: the CFA franc inherited from France, the colonial rulers of these countries in the past time. After that Ghana created her own national currency the Cedi in 1958; and Nigeria issued the Naira as its national currency, the British West African Pound collapsed in 1968.The francophone countries established the Central Bank of West African States (Banque Centraledes Etats de l’Afrique de l’Ouest - BCEAO) and a common currency, the CFA Franc which was fully convertible with the French Franc.

Immediately after the establishment of ECOWAS, a multilateral payment system called West African Clearing House (WACH), was set up in the same year in order to provide settlement services among the central banks and to facilitate the monetary integration process in the whole of West Africa. In 1987, for the main purpose of creating a single monetary zone and introducing a common currency, a more comprehensive program called the ECOWAS Monetary Cooperation Program (EMCP) was launched. In the first time, the idea consisted of introducing a single currency for all the ECOWAS members. After the idea was changed to the formation of a second monetary zone with a single currency, called the *"ECO"*, when during the Accra Declaration, four (4) Anglophone members of ECOWAS (Gambia, Ghana, Nigeria, Sierra Leone) and one (1) francophone member Guinea launched an initiative to establish the second monetary zone in West Africa. In 1996, the WACH has been transformed into the West African Monetary Agency (WAMA) (Harvey & Cushing, 2015).

On April 20th, 2000, the Heads of State of these five West African countries, decided to establish the West African Monetary Zone (WAMZ) in Accra by signing the 'Accra Declaration' which defined the objectives of the Zone as well as, an action plan and institutional arrangements. It is planned to merge this zone with the West African Economic and Monetary Union (WAEMU) to form a single monetary zone in West Africa. The eight (8) French-speaking members of WAEMU are using the CFA franc since 1945. The five countries of WAMZ, Gambia, Ghana, Guinea, Nigeria and Sierra Leone, adopted a number of important documents relating to the institutional, administrative and legal framework for establishing the Zone during the second summit of Heads of State and Government of the Zone held in Bamako, on December 15, 2000. The said documents are: the Agreement of the West African Monetary Zone (WAMZ); the Statute of the West African Monetary Institute (WAMI); the Statute of the West African Central Bank (WACB); and the Provisions on the Stabilization and Cooperation Fund (SCF). The West African single currency was initially planned to be launched in January 2003 and to work toward merging the planned monetary union with the WAEMU by January 2004. In February 2010, Liberia joined the WAMZ which now has 6 members with Cape Verde as an observer. The Authority of Heads of State and Government ECOWAS have adopted the "ECO" as the name of the ECOWAS single Currency at the 55th Ordinary Session of the Authority held on 29th June 2019 in Abuja, Nigeria. ECOWAS planned to introduce the currency from 2020 regrouping all the 15 countries members including the eight CFA franc countries. However, this was postponed several times, to 2005, 2010 and 2014 due to Member States' inability to maintain a single-digit inflation rate at the end of each year; a fiscal deficit of no more than 4% of the GDP; a central bank deficit-financing of no more than 10% of the previous year's tax revenues and a gross external reserves that can give import cover for a minimum of three months as the four primary criteria for the single currency to be implemented (ECOWAS, 2019; WAMI, 2019).

2. MONETARY INTEGRATION OF WEST AFRICAN COUNTRIES

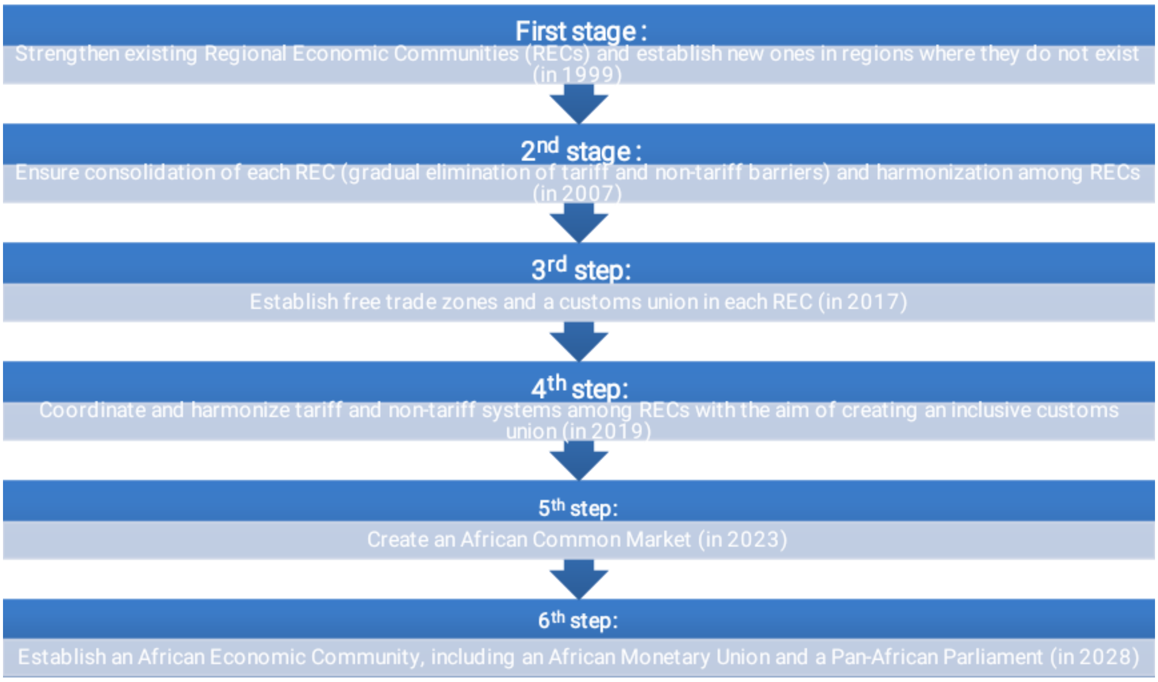
We provided the historical background of monetary integration in ECOWAS. Now we will provide the specification of monetary integrations of ECOWAS countries. Before this, let us provide some specification about monetary integration and the situation of African integration.

We can list various phases of monetary integration, ranging from limited currency convertibility to single common currency (monetary union). Partial monetary union; parallel currency union; single common currency; limited and full currency convertibility; and full monetary union are the different types of monetary integration arrangements that we can identify. Since partial monetary union approach involves the harmonization of exchange rates through cooperative intervention in foreign exchange markets to eliminate or minimize exchange risks in trade and other economic relations, we can refer it to the European monetary system (EMS) model. The single common currency model which implies the establishment of a single currency, consist of a common monetary authority that is responsible for issuing a common currency, holding and managing the external assets of the members in a common pool, and managing the monetary and some aspects of the fiscal policies of the member countries (Ogunkola, 2005, pp. 12-18).

The monetary history of the world has experienced several monetary unification, but the one that has attracted the attention of the world is that of the European Union. Nineteen (19) members out of the 28 EU members constitute the European Monetary Union (EMU). ECOWAS can be seen as a follower of EU’s footsteps in term of structure and operation (Mati, Civcir, & Ozdeser, 2019, pp. 90-92).

According to the Figure-1, the African economic Community (economic unification of all Africa), including the African Monetary Union is planned to be established by 2028. However, each Regional Economic Community (REC) must reach the regional objectives for the African economic Community to be established.

Figure-1: Roadmap towards an African Economic Community



Source: (UNECA; African Union; AfDB, 2017)

Regarding the establishment of an African Economic Community, ECOWAS has provided the most effort than any other region.

Table-2: State of Regional Economic Integration, by Regional Economic Community (REC)

REC	Free trade	Customs union	Single market	Countries that have applied the protocol on freedom of movement	Economic and monetary union
EAC	✔	✔	✔	3 out of 5 countries	✘
COMESA	✔	✘	✘	Only Burundi has ratified the protocol; Rwanda would be about to do it	✘
ECOWAS	✔	✔	✘	The 15 countries	✘
SADC	✔	✘	✘	7 out of 15 countries	✘
ECCAS	✔	✘	✘	4 out of 11 countries	✔
CEN-SAD	✘	✘	✘	Poorly defined situation	✘
IGAD	✘	✘	✘	No protocol	✘
AMU	✘	✘	✘	3 out of 5 countries	✘

Source: UNECA; AfDB; African Union Commission (AUC), 2019

According to the Table-2, it is only in ECOWAS that all the countries have applied the protocol on freedom of movement. In the ECOWAS zone, there was already a functioning monetary union (the West African Economic and Monetary Union (WAEMU)) and a planned monetary zone, (the West African Monetary Zone (WAMZ)) whose project was to unify with WAEMU. The WAEMU member countries are Benin (Founding Member), Burkina Faso (Founding Member), Ivory Coast (Founding Member), Guinea-Bissau (Joined on 2 May 1997), Mali (Founding Member), Niger (Founding Member), Senegal (Founding Member) and Togo

(Founding Member). Additionally, all these countries are also members of ECOWAS so we can conclude that the WAEMU is inside the ECOWAS.

Remember that, the West African Clearing House (WACH) was established in the same year after the establishment of ECOWAS (1975), in order to facilitate the monetary integration process in the whole of West Africa. In 1987, the Abuja summit of the ECOWAS's Authority of Heads of State and Government adopted the ECOWAS Monetary Cooperation Program (EMCP). The main objective was to achieve a harmonized monetary system by respecting a set of macroeconomic convergence criteria that would lead to the homogenization of the economies of the Member States.

In 1999, it was recognized that the pace of implementation of the EMCP, especially the creation of the single currency area, did not match expectations. At that time, the main obstacle to the implementation of the program were: lack of political will and commitment, inconsistency in adoption of the macroeconomic framework, and lack of policy coordination and harmonization between the countries concerned. That is why a two-track "fast-track" approach was adopted for the implementation of the EMCP, which initially provided for the launch of the single currency WAMZ and, secondly, the merger between the WAMZ and WAEMU for the launch of the ECOWAS single currency. Thus, the Bamako summit decided to establish the WAMZ with the mandate of creating a common central bank and launching a common currency in 2003; the merger between the two monetary unions was initially planned in 2004. Then this project of merger between WAMZ and WAEMU and the creation of single currency suffered several postponements (2005, 2009, 2013 and 2015) mainly due to the inability of WAMZ members to meet the convergence criteria. Since 2015, all the strategies was set to ensure the establishment of new single currency for member countries that will meet the primary convergence criterias (Laffiteau & Samaké-Konaté, 2016).

3. ECO VS CFA FRANC: WILL THE NEW CURRENCY SUCCEED?

Since we are examining the new currency of ECOWAS, we need to know about the currencies actually in use inside West Africa. We have three group of countries by currency; eight (8) WAEMU countries have CFA Franc as currency; six (6) WAMZ countries (Nigeria, Ghana, Liberia, Gambia, Sierra Leone and Guinea) have their own currencies respectively Naira (NGN), Ghanaian Cedis (GHS), Liberian Dollar (LRD), Dalasi (GMD), Leone (SLL) and Guinean Franc (GNF); and Cape Verde which has Escudo (CVE) as currency. We can also summarize this into two groups, CFA countries and non-CFA countries. According to tabl-3, the two currencies with fixed parity with the euro are CFA Franc (XOF) and Escudo (CVE) respectively in WAEMU countries and Cape Verde. Cape Verde with its Escudo (CVE) is an observer in WAMZ. The other six currencies belong to the six members of WAMZ and have flexible exchange rate in the market. Ghana has a very strong currency in the market, even if Nigeria is the biggest economy in the region and Africa in general (*see Table-3*).

Table-3: Issuing institutions and currencies of African ECOWAS countries

Countries	Issuing Institute	Currency	Exchange rate regime	Parity
Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal, Togo	Central Bank of West African States (BCEAO)	CFA Franc (XOF)	Fixed parity with the euro	1 EUR = 655.957 XOF
Cape Verde	Central Bank of Cape Verde	Escudo (CVE)	Fixed parity with the euro	1 EUR = 110.270 CVE
Gambia	Central Bank of The Gambia	Dalasi (GMD)	Flexible currency	1 EUR = 56.7915 GMD
Ghana	Bank of Ghana	Ghanaian Cedis (GHS)	Flexible currency	1 EUR = 6.11979 GHS
Guinea	Central Bank of the Republic of Guinea	Guinean Franc (GNF)	Flexible currency	1 EUR = 10,316.62 GNF
Liberia	Central Bank of Liberia	Liberian Dollar (LRD)	Flexible currency	1 EUR = 235.188 LRD
Nigeria	Central Bank of Nigeria	Naira (NGN)	Flexible currency	1 EUR = 401.278 NGN
Sierra Leone	Bank of Sierra Leone	Leone (SLL)	Flexible currency	1 EUR = 10,623.33 SLL

Source: (XE, 2019)

We can ask the following questions: Will Nigeria, Ghana, Cape Verde, Liberia, Gambia, Sierra Leone and Guinea ready to put an end to their own currencies and joint the implementation of “ECO”? Will WAEMU countries put an end to the CFA franc for the establishment of the new single currency (ECO)? The answer of the first question might be “Yes”, because according to the historical background of ECOWAS integration, at the beginning, these WAMZ countries are the ones who proposed to merger with WAEMU in order to create single currency. About the second question, we need to analyze the trend and specifications of CFA Franc.

3.1. The New Single Currency “ECO” and Controversy

During the 55th Ordinary Session of the Authority on June 29th, 2019 in Abuja, ECOWAS countries adopted “ECO” as the name of the ECOWAS single Currency decided to implement the new single currency by 2020. One of the criticisms made of this ECOWAS decision was that the date is too close. That is to say, that the new currency cannot be put in place in just one year, as the EU has spent years preparing for the creation of the Euro. That means that ECO will replace the currencies of countries ready to its implementation. However, this implementation will concern the countries that meet the primary convergence criteria, as it is indicated by WAMA. The West African Monetary Institute (WAMI) set out ten convergence criteria divided into four primary and six secondary criteria. These criteria must be met for the implementation of the "ECO". Let us analyze these convergence criteria for West African economies (Bakoup & Ndoye, 2016).

According to the Table-4, WAEMU countries show more inclination to respect their primary convergence criteria. And another issue is that, some African economies think that "ECO" will not emerge, since anything concerning the new currency is not set up, the exchange rate regime, the parity, the institutions (like central bank) status and the documentation about the currency.

Table-4: Convergence criteria for the economies of West Africa

WAEMU (UEMOA)	WAMZ	ECOWAS
BENIN, BURKINA FASO, COTE D'IVOIRE, GUINEA BISSAU, MALI, NIGER, SENEGAL, TOGO	THE GAMBIA, GHANA, GUINEA, LIBERIA, NIGERIA, SIERRA LEONE	UEMOA + WAMZ + CABO VERDE
Primary criteria		
• Ratio basic budget balance over nominal GDP (key criteria) ≥ 0%; • Average rate of annual inflation: ≤ 3% per year; • Ratio of exceptional domestic and foreign debt in relation to nominal GDP ≤ 70%; • Payment arrears: *Domestic arrears:* non-accumulation of arrears during the current functioning period *External arrears:* non-accumulation of arrears during the current functioning period.	• Budget deficit, excluding grants in % nominal GDP ≤ 4% • Inflation rate (end of period) <10% • Funding by the central bank of the budget deficit in relation to the fiscal revenues of the previous year ≤ 10% • Gross reserves (in months of imports) ≥ 3 months	• Inflation rate (annual average) ≤ 5% • Budget deficit in % of nominal GDP (including grants) ≤ 3% • Funding by the central bank of the budget deficit in relation to the fiscal revenues of the previous year ≤ 10% • Gross external reserves ≥ 6 months
Secondary criteria		
• Ratio wage bill over fiscal revenues ≤ 35%; • Ratio of public investments financed on internal resources in relation to fiscal revenues ≥ 20%; • Ratio of the current account deficit in relation to nominal GDP ≤ 5%; • Rate of fiscal pressure ≥ 17%.	• Fiscal revenues in percentage of GDP ≥ 20%; • Wage bill in % of nominal GDP ≤ 35%; • Public investments financed at national level in % of fiscal revenues ≥ 20%; • Real interest rate > 0%; • Nominal exchange rate +/- 15 %; • Non-accumulation of arrears.	• Non-accumulation of domestic and external arrears under current management. • Ratio of wage bill over fiscal revenues ≤ 35%; • Ratio of public investments s financed on internal resources in relation to fiscal revenues ≥ 20%; • Rate of fiscal pressure ≥ 20%; • Real interest rate > 0%; • Stability of the nominal exchange rate (+/- 10%);

Source: (UNECA & ECOWAS, 2015)

One of this economist is Professor Mamadou Koulibaly[84], who emphasize that the future single currency "ECO" is not different from the CFA Franc. According to him, this currency will be only on paper and it will not replace the CFA Franc, it is the CFA Franc that

[84] *Mamadou Koulibaly (born April 21, 1957) is an Ivorian politician, president of LIDER (Freedom and Democracy for the Republic). He obtained his agrégation of economics in 1987 at Aix-Marseille III University (France) as one of the youngest graduates of his country at the age of 30, Mamadou Koulibaly teaches in several faculties in Abidjan (Faseg , Cires, Ensea, University of Cocody) as well as at the University of Versailles and the University of Lille (France), before administering the CODESRIA economic policy research network in Dakar.*

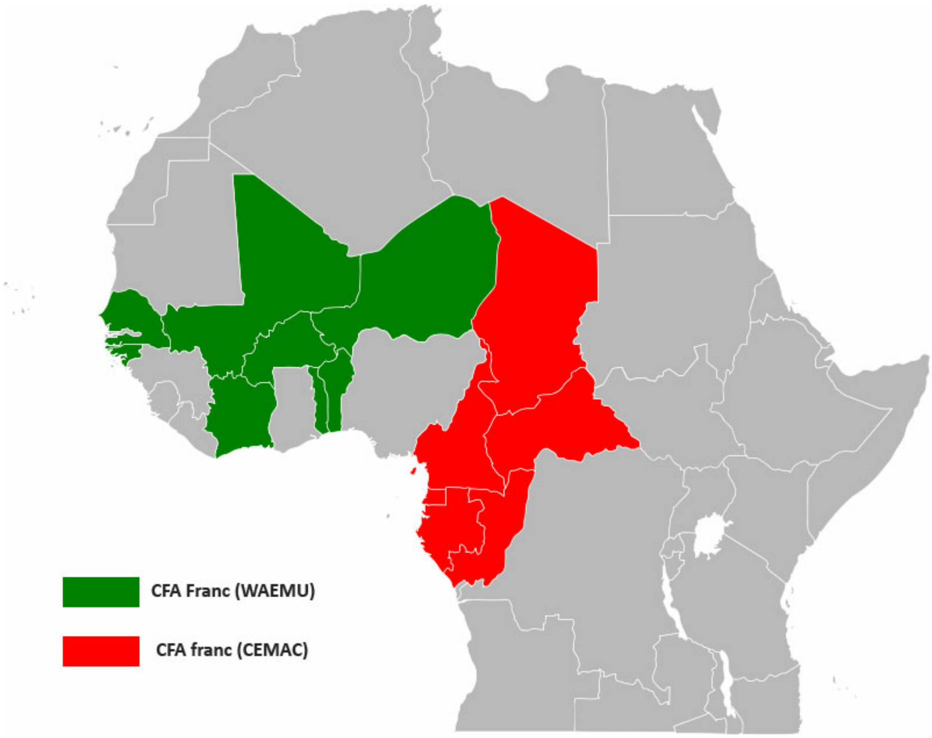
will only change its name to the "ECO". According to Koulibaly, ECOWAS authority must reassure us on the issue, but the last summit ended without us being told clearly, what the latest decisions were about the future currency. "It was simply said that it is in 2020 that the schedule will be held". He said (Ouattara, 2019).

Actually, most of francophone Africans are fighting against CFA Franc and need a Panafrican currency instead of colonial money. The new generation of youth in West Africa know that the colonial currency "CFA Franc" is an obstacle for the economic development of African countries. Some of them think that it is the relation of African leaders with France that block the development of Africans. That is why they are fighting for the destruction of what they are calling "Françafrique"; the Africa of France.

3.2. West African CFA Franc

What is really the CFA Franc of West Africa? Why people are against the CFA Franc? Indeed, the CFA franc, officially franc of the African Financial Community (Communauté Financière Africaine - CFA), is the name of two (2) common currencies inherited from French colonization and used by 14 African countries constituting what we called "the franc zone". The first one is the Franc of the financial community in West Africa (XOF), issued by the Central Bank of West African States (BCEAO) for the Member States of the West African Economic and Monetary Union (UEMOA) constituting eight (8) countries namely: Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo. The second one is the Central African Financial Cooperation Franc (XAF), issued by the Bank of Central African States (BEAC) for the six member states of the Central African Economic and Monetary Community (CEMAC) (namely: Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic and Chad) (*see Figure-2*).

Figure-2: Map of Franc Zone (CFA Franc)



Source: Retrieved from Wikipedia (2019) and modified by author

The CFA franc was created in 1945 by France following the ratification of the Bretton Woods agreements, under the name Franc of the French Community of Africa – *"Communauté Française d'Afrique"* (in 1958) and in 1960, the name changes to the Franc of the Franc of the African Financial Community – *"Communauté Financière Africain".* The CFA franc is pegged to the euro according to a fixed parity guaranteed by France. In return, the countries of the Franc Zone are obliged to deposit 50% of their foreign exchange reserves in the French Treasury in a remunerated account. Every year, the *Banque de France* transfers the bond interest on their reserves to African countries. It is also in France that are printed CFA franc banknotes. The system guarantees to the African countries concerned, the possibility of converting the Franc into any other currency as well as the stability of the currency CFA. According to economists, CFA Franc is a very stable currency and it helps countries of Franc Zone to fight with inflation and unemployment (*see Table-5*). As you can see in Table-5, all the member countries have inflation rate below 3% in 2017. This is due to the minimum criteria requirement that BCEAO set for all member countries. This minimum requirement concern an inflation rate below to 3% (BCEAO, 2019; Barthélémy, 1963).

Table-5: GDP inflation and Trade data of WAEMU countries (2017)

Countries	GDP growth (annual %)	GDP per capita (current US$)	Inflation %	Exports (% of SSA total)	Imports (% of SSA total)
Benin	5.8	827.4	0.1	0.6	0.8
Burkina Faso	6.3	642.0	0.4	0.6	0.7
Cote	7.7	1557.2	0.7	3.1	2.9

d'Ivoire					
Guinea-Bissau	5.9	736.7	1.4	0.0	0.1
Mali	5.4	828.6	1.8	0.6	2.4
Niger	4.9	375.9	2.8	0.3	0.6
Senegal	7.1	1367.2	1.3	0.8	1.8
Togo	4.4	619.1	-1.0	0.4	1.1

Source: World Bank, World Development Indicators (2019)

However, currently Franc CFA is a boycott target by Panafrican activists. The most known activist is Kémi Séba, his real name: Stellio (Stélio) Gilles Robert Capo Chichi. According to Séba, France uses African funds deposited inside the Banque de France, and the countries of the Franc Zone are still paying colonial taxes to France. According to official from both side (France and Franc Zone), the French State does not make use of these funds and the countries of the Franc Zone do not pay a colonial tax. However, the reality is that the poorest countries in Africa are in the Franc Zone and there is any country using CFA Franc in the list of top ten most developed countries in Africa. As you can see in Table-5, all the WAEMU countries have a GDP per capita less than 1600 US$ and their share in the total trade of Sub-Saharan Africa is very low compared to those of non-CFA countries. That's why most of economists are thinking that CFA Franc is an obstacle to the development of Franc Zone countries. However, some of these economists emphasize that, the obstacle of development of these countries is the agreements and relationship between them and France. African leaders are used to obeying France in the fear that France will create a destabilization of their political mandate. For instance, the president of Ivory Coast H.E.M. Alassane Ouatara, said that CFA Franc is a very good currency and it is the better think that WAEMU countries have. That's why people are thinking that the future currency "ECO" will not be implemented and replace the CFA Franc.

4. WILL THE NEW SINGLE CURRENCY "ECO" BE IMPLEMENTED SUCCESSFULLY?

So now that we provide information about CFA Franc of West African countries, let us investigate whether the future currency "ECO" will be implemented as the authorities of ECOWAS projected. The West African Monetary Agency (WAMA) is publishing analyzing the report of macroeconomic convergences in order to help member countries to respect the primary convergence criteria for the implementation of "ECO" by 2020.

Table-6: Primary criteria compliance levels by country

COUNTRY	2008	2009	2010	2011	2012	2013*
UEMOA						
BENIN	2	3	4	4	2	3
BURKINA FASO	1	3	3	4	2	2
COTE D'IVOIRE	2	4	4	3	2	3

GUINÉA-BISSAU	1	4	4	3	3	3
MALI	2	3	4	3	2	3
NIGER	2	3	4	4	3	2
SENEGAL	2	3	3	3	2	2
TOGO	2	4	4	4	2	2
WAMZ + Cabo Verde						
CABOVERDE	2	2	2	2	2	2
GAMBIA, THE	2	2	3	2	2	1
GHANA	0	1	1	1	0	1
GUINEA	2	1	0	2	2	2
LIBERIA	2	2	1	2	2	2
NIGERIA	3	2	2	2	3	3
SIERRA LEONE	1	1	0	1	1	2
Number of countries which have complied with all primary criteria	0	3	6	4	0	3

Source: (UNECA & ECOWAS, 2015) * Estimates

According to Table-6, WAEMU (UEMOA) countries respect the most these convergence criteria. This is due to the stability of CFA Franc. As we can see also in Table-7, in average half of member countries met the convergence criteria about ratio of budget deficit in ECOWAS and almost all the countries met the primary criteria about gross external reserves. In average, 75% of primary convergence criteria are met in all the 15 countries of ECOWAS.

Table-7: Number of Countries that Met the Convergence Criteria in ECOWAS

CRITERIA	TARGET	2011	2012	2013	2014	2015	2016	2017	2018*
Primary Criteria									
Ratio of Budget deficit (including grants on commitment basis, including grants)	*≤3%*	*9*	*6*	*9*	*6*	*6*	*3*	*7*	*5*
Average annual inflation rate	*≤10%*	*12*	*12*	*12*	*14*	*14*	*12*	*11*	*11*
Central Bank financing of the Budget Deficit	*≥10%*	*12*	*13*	*14*	*13*	*12*	*13*	*12*	*15*
Gross external reserves	*≥3*	*14*	*13*	*13*	*14*	*12*	*13*	*14*	*14*
Secondary Criteria									
Nominal exchange rate variation	*±10%*	*13*	*14*	*14*	*13*	*13*	*12*	*12*	*13*
Ratio of Public debt to GDP	*≤70%*	*13*	*13*	*13*	*11*	*11*	*11*	*12*	*11*

Source: (WAMA, 2017)

The average of inflation rates in the Table-8 is about 5.6% which is a single-digit inflation rate in accordance with the first primary criteria. However, there is four countries that have two-digit inflation rate (Sierra Leone (18.2%), Nigeria (16.5%), Ghana (12.4%) and Liberia (12.4%)). Nigeria is the biggest economy in Africa regarding the real GDP so it is a giant inside ECOWAS. That is why some economists argue that Nigeria may refuse to be part of single currency project unless she will be the big boss. However, I think that Nigeria will be part of "ECO" currency project since she is already the leader country in ECOWAS (see Tabl-8).

Table-8: Number of Countries that Met the Convergence Criteria in ECOWAS

Countries	GDP (Billion US$)	GDP growth (annual %)	GDP per capita (current US$)	Inflation %	Trade (% of GDP)	Exports (Billion US$)	Imports (Billion US$)	Trade Volume (Billion US$)	Exports (% of SSA total)	Imports (% of SSA total)	Trade Volume (% of SSA total)
Benin	9,6	5,8	827,4	0,1	67,6	3,1	3,9	7,1	0,6	0,8	0,7
Burkina Faso	13,2	6,3	642,0	0,4	52,3	3,2	3,2	6,4	0,6	0,7	0,6
Cabo Verde	2,0	4,0	3295,3	0,8	113,1	0,9	1,3	2,2	0,2	0,3	0,2
Cote d'Ivoire	39,5	7,7	1557,2	0,7	64,8	16,3	13,5	29,8	3,1	2,9	3,0
Gambia, The	1,1	4,6	672,8	8,0	62,1	0,3	0,6	0,9	0,1	0,1	0,1
Ghana	50,6	8,1	2025,9	12,4	73,6	20,3	23,5	43,8	3,8	5,0	4,4
Guinea	10,8	13,4	821,7	8,9	107,5	4,8	7,2	12,0	0,9	1,5	1,2
Guinea-Bissau	1,1	5,9	736,7	1,4	60,8	0,2	0,5	0,6	0,0	0,1	0,1
Liberia	2,6	2,5	698,7	12,4	123,0	0,4	2,1	2,5	0,1	0,5	0,2
Mali	14,1	5,4	828,6	1,8	61,7	3,3	11,4	14,7	0,6	2,4	1,5
Niger	8,5	4,9	375,9	2,8	49,6	1,5	2,9	4,3	0,3	0,6	0,4
Nigeria	460,5	0,8	1968,6	16,5	26,3	133,3	32,9	166,2	25,1	7,1	16,7
Senegal	23,0	7,1	1367,2	1,3	57,4	4,3	8,4	12,8	0,8	1,8	1,3
Sierra Leone	3,5	4,2	499,4	18,2	74,1	1,6	2,4	4,1	0,3	0,5	0,4
Togo	5,1	4,4	619,1	-1,0	77,4	2,3	5,2	7,5	0,4	1,1	0,8
Sub-Saharan Africa	**1745,3**	**2,5**	**1599,0**	**5,3**	**51,0**	**530,6**	**466,4**	**997,0**	**100**	**100**	**100**

Source: World Bank, World Development Indicators (2019)

According to the Optimum Currency Area (OCA) approach, the appropriate currency area is the one which totally met the convergence criteria. According to the International Monetary Fund (IMF), ECOWAS countries need to take into account certain factors both political and economic in order to successfully replace the CFA Franc with a common currency – "the ECO" in West Africa (Wikipedia, 2019). The political factors are the boycotts of CFA Franc by West African Youth and well known activists; also the accusations concerning the payment of colonial tax to France by Francophone countries. Also ECOWAS is known as the pillars of regional integration in Africa, so it needs to success its monetary integration order to open a door for the establishment of African Single Currency by 2028 has activists wished. The economic factor are very important, because they can increase the cost of establishment of single currency in the region. However, ECOWAS can implement the "ECO" for the countries that are ready for it.

CONCLUSION AND RECOMMENDATIONS

In this study, we investigate the process of creating a new single currency (ECO) that will be implemented by ECOWAS by 2020 and if it can replace the CFA franc of the eight (8)

WAEMU member countries. To do so, we examined the economic integration performances of West African countries and the achievement of the four (4) primary convergence criteria set out by the West African Monetary Institute (WAMI) for the implementation of the “ECO”. We also examined the current monetary situation of WAEMU countries by providing more information about the CFA Franc.

The study focused on the convergence criteria in order to know whether ECOWAS countries are ready for the implementation the future currency the “ECO” or not. According to the results, ECOWAS has met about 75% of primary criteria. However some countries performance is below the target. The study concludes that even if some WAEMU countries achieved almost all the convergence criteria for the implementation of “ECO”, much remains to be done regarding the implementation of this single currency. However, ECOWAS can implement this currency for the members who met the convergence criteria required, then after the remaining countries can work on the improvement of their economic performances and joint the single currency area later. The results also show that the UEMOA countries will agree to join the creation of the "ECO" currency if and only if it will ensure the same stability that the CFA franc provides for their economies. Since most of ECOWAS countries are facing budget deficit and public debt issues, the study suggests that each country work in the same direction with all the monetary institutions and provide them all the necessary assistances for the achievements of ECOWAS monetary integration and the primary convergence criteria. The study suggests also that the various ECOWAS institutions must harmonize their methodology, their convergence criteria and the statistical computing systems.

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