



Moving forward to African Monetary Integration: Lessons from the CFA Franc¹

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Abstract

The CFA franc was established in 1945 as a colonial currency. As such, its rationale was to transfer economic surpluses from the French colonies in West and Central Africa to the metropolis. Despite formal decolonisation, this currency shared by 14 countries still performs the same function and remains under the political control of the French government. Recently, the CFA franc has been increasingly challenged by a growing number of African intellectuals and Pan-Africanist social movements demanding its abolition. The objective of this article is to derive lessons about African monetary integration, building on this special but heuristic case. Following a brief history of the CFA franc currency arrangement and a description of its economic shortcomings, this article discusses the options for moving out of the monetary status quo. The author argues that, in the current circumstances, a system of solidary national currencies is the best way forward for African monetary integration.

Keywords: CFA franc, colonialism, monetary integration, ECOWAS, Eurozone.

Résumé

Le franc CFA a été créé en 1945 comme monnaie coloniale. En tant que telle sa logique était de transférer les surplus économiques des colonies françaises d'Afrique de l'Ouest et centrale vers la métropole. Malgré la décolonisation formelle, cette monnaie partagée par 14 pays remplit toujours le même rôle et reste sous le contrôle politique du gouvernement français. Récemment, le franc CFA a été l'objet de la critique d'un nombre croissant d'intellectuels africains et de mouvements sociaux panafricanistes, qui réclament son abolition. L'objectif de cet article est de tirer des enseignements en vue de l'intégration monétaire en Afrique, en s'appuyant sur ce cas particulier mais heuristique. Après un

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bref retour sur l'histoire de cet arrangement monétaire et une description de ses lacunes économiques, cet article examinera les options de sortie du *statu quo* monétaire. L'auteur soutient que, dans les circonstances actuelles, un système de monnaies nationales solidaires est la meilleure voie à suivre pour l'intégration monétaire africaine.

Mots-clés : franc CFA, colonialisme, intégration monétaire, CEDEAO, zone euro.

Introduction

Issuing a currency is always a political act. The European colonial powers knew that too well. They managed to partition the African continent into different colonial currency blocs cemented by their political rule. While the sterling area, the peseta zone, the Belgian monetary zone and the dollar zone would be dismantled following the decolonisation process in Africa (Mensah 1979), the Franc Zone, originally created in 1939, escaped that fate until now, albeit with minor changes in its membership and in the workings of its organising principles. Created in 1945 as the *franc des Colonies françaises d'Afrique*, the CFA franc is, with its twin – the *franc Pacifique* – the last colonial currency still in use. The West African CFA franc is the currency of the eight West African Economic and Monetary Union (WAEMU) countries, and Central African CFA franc is used by the six belonging to the Central African Economic and Monetary Community (CAEMC). These fourteen countries plus the Comoros constitute the African member countries Franc Zone. The longevity of the African Franc Zone, the oldest monetary zone still in operation, is illustrative of how the promise of African independence was jeopardised at the outset by the particular ways in which independence was achieved. However, this colonial anachronism is increasingly being contested by intellectuals and Pan-Africanist social movements demanding its abolition.

The objective of this article is to derive lessons about African monetary integration, building on the special but heuristic case of the Franc Zone. Following a brief history of the CFA franc currency arrangement and a description of its economic shortcomings, this article discusses the options for moving out of the monetary status quo. The author argues that, in the current circumstances, a system of solidary national currencies is the best way forward for African monetary integration. A single currency for West Africa would be premature, given the minimal level of political unity among African countries at present.

The last colonial currency

When the European powers conquered territories in Africa and seated their political domination, they immediately sought to destroy the indigenous monetary practices and replace them with practices that met the requirements of capitalist accumulation (Guyer and Pallaver 2018; Pallaver 2015). This 'monetary transition' (Saul 2004) was necessary, as the control of the production and exchange circuits required the control of money production and its circuits. French colonialism did not escape the rule. In the wake of the creation of the AOF (*Afrique-Occidentale française*) in 1895 and the AEF (*Afrique-Équatoriale française*) in 1910, the colonial government began by banning the indigenous currencies and then sanctioning anyone who did not accept the French currency in market transactions and the payment of taxes (Saul 2004; Diallo 2005; Pigeaud and Sylla 2018:14–8). Until 1945, the metropolitan franc circulated in the French colonies in Africa, with monetary signs differentiated from one place to another. This situation was referred to as 'monetary unity' (*unicité monétaire*), that is one currency for a whole colonial empire (d'Almeida-Topor 1998; Comité monétaire de la zone franc 1953).

Money in the colonial economy, in the French case as elsewhere, was an instrument to drain economic surpluses from the colonies to the metropolis. Credit production was provided to sectors producing agricultural goods and other raw materials needed by the metropolis, whereas consumption credit was destined to create a colonial demand for the goods exported by the metropolis (Pouemi 1980; Dieng 1982). Metropolitan businesses could invest and disinvest freely, as well as repatriate easily their incomes with limited exchange rate risk. Having a single currency helped reduce monetary transaction costs (Helleiner 2002) for the metropolis administrations and enterprises at the expense of the colonies whose exchange rates were not determined on the basis of their economic needs/ fundamentals.

In the aftermath of the Second World War, the French economy was in ruins. There were frequent shortages. Foreign exchange reserves had decreased considerably. Inflation had reached levels higher than those observed in its African colonies, England and the United States (BCEAO 2000a: 451). A devaluation of the metropolitan franc was needed. The issue then was: should there be a single rate of devaluation in the colonial empire in order to maintain monetary unity? Or should there rather be different rates of devaluation taking into account the fact that the impacts of the war had been uneven in various parts of the empire? The second option was chosen by the French Ministry of Finance (d'Almeida-Topor 1998). And so the CFA franc was born – that is the franc of the French colonies in Africa

(FCFA) – on 26 December 1945, when its parity was declared to the newly established International Monetary Fund. On the same day, the French Constituent Assembly ratified the Bretton Woods agreements. The initial exchange rate was 1 CFA franc to 1.70 francs. In 1948, after a devaluation of the metropolitan currency which was not applied to the colonies, 1 CFA franc was exchanged with 2 francs. The birth of this overvalued colonial currency contributed somewhat to the reconstruction of a weakened French economy (Pigeaud and Sylla 2018).

First, it allowed France to regain control of its African colonies' foreign trade. During the war, the latter had diversified their trading relationships which resulted in a sharp decline of France's share of trade with its colonies (Godeau 1995:35). An overvalued CFA franc, coupled with protectionist trade measures, helped reverse this trend. Second, France could save its scarce foreign exchange reserves by making it possible to pay for its African imports in its own currency (Conseil Economique et Social 1970) and below international market prices (Tadei 2017). Indeed, if France had to pay its African trade partners in US dollars, this would have further damaged the franc, a weak and unstable currency, at a time where France was much more integrated with its colonies than its European neighbours. Finally, the control by the metropolis of the monetary and financial system of its colonies presupposed and reinforced its political control. Economic, commercial, monetary and financial decisions concerning colonial territories were taken in Paris.

At the end of the 1950s, when formal decolonisation appeared inevitable, France made a deal with the leaders of its former colonies in sub-Saharan Africa which had meanwhile been renamed 'Overseas Territories'. Most of those leaders were trained in France and had political connections with the French ruling strata (Stasavage 2003). Independence was granted, provided the newly independent states agreed to sign 'cooperation agreements' in areas such as raw materials, foreign trade, currency, diplomacy, armed forces, higher education, and civil aviation. For France, the objective was to ensure political control of all these areas despite the formal independence of its former colonies. Gabon signed the 'cooperation agreements' on the day it became independent. On the monetary front, France worked hard through repression and cooption to keep most of its former African colonies in the Franc Zone, the only colonial monetary zone to have survived the formal independence wave (Pigeaud and Sylla 2018).

Nevertheless, some countries left the Franc Zone to adopt their own national currencies – Guinea (1960), Mali (1962–1967), Madagascar (1972), and Mauritania (1972). Similarly, from the mid 1970s, the central banks' headquarters were moved to Dakar – Banque Centrale des États de

l'Afrique de l'Ouest (BCEAO), the central bank of West African states, and Yaoundé – the newly renamed Banque des Etats de l'Afrique Centrale (BEAC), the central bank of Central African states, and their staff was Africanised. The monetary signs were Africanised while the acronym CFA had changed meaning: it became 'African financial community' in West Africa and 'financial cooperation in Central Africa' (Pigeaud and Sylla 2018). In 1985, Equatorial Guinea joined the CFA monetary union in Central Africa but Guinea Bissau joined WAEMU in 1997. Despite these changes, the core currency arrangements between France and its former African colonies remain untouched. As in the colonial era, they are still structured by four working principles.

First, the exchange rate of CFA currencies is pegged to the French currency (franc then euro). Second, income transfers and capital movements are free within the Franc Zone. Third, the French Treasury promises to lend francs (now euros) to the central banks of the Franc Zone if their foreign exchange reserves are exhausted. This is the so-called 'convertibility guarantee' of the CFA franc. In exchange for this 'guarantee', since 2005 each central bank of the Franc Zone must deposit at least half of its foreign exchange reserves in a special 'operations account' of the French Treasury (Lelart 1998). In the aftermath of independence, the mandatory deposit ratio was 100 per cent, but this was reduced to 65 per cent between 1973 and 2005. This is the fourth principle: the centralisation of foreign exchange reserves. All euro/CFA franc currency conversions pass through the operations account. When this account is in credit, the French Treasury pays interest. When it is in debit, the French guarantee is active, a scenario which happened only in the 1980–1993 period (Pigeaud and Sylla 2018:114–5).

In addition to the mandatory deposit of part of their foreign exchange reserves, there is another counterpart to the French 'guarantee': France is represented in the organs of the central banks of the Franc Zone. As a matter of fact, it has an implicit veto power over statutory issues and controls the implementation of monetary policy. No major decision can be made without its consent. Since the arrival of the euro, the CFA franc's administrative management has been under the authority of the (European) Economic Monetary Union (EMU). Indeed, in November 1998 France made a deal with its European partners: the value of CFA francs is pegged to the euro, but the EMU authorities will have their say. For example, France must give prior notice to the Economic and Financial Committee if the pegged value of the CFA franc to the euro is to be changed. Likewise, a European consensus is needed if the French convertibility guarantee is to be modified and if the Franc Zone is to be enlarged (Pigeaud and Sylla 2018:117–23).

A constraining currency arrangement

Regarding the socio-economic record of the countries which use the CFA franc as currency, the facts speak for themselves. From a long-term perspective, an inflation rate far lower than for the rest of the continent has been their single 'achievement'. However, they have the world's worst health and education indicators. Five CFA franc countries were in the bottom eight places of the 2017 United Nations Development Programme Human Development Index (HDI), with Niger and Central African Republic having the worst HDI scores of 189 countries (UNDP 2018). Average annual economic growth rates per capita were negative between 1960 and 2014 for some countries (Senegal, Central African Republic and Niger). These rates have been low and very volatile in the other CFA franc countries. Côte d'Ivoire, the biggest economy in the Franc Zone, had a real per capita income in 2014 that was 41 per cent lower than its best level obtained at the end of the 1970s (Sylla 2016). Despite the sharing of a common currency, trade remains very weak within the Franc Zone. In 2017 intra-zone trade stood at 5.3 per cent in the CAEMC and less than 13 per cent in the WAEMU (see Table 3). Currency arrangements do not explain this whole pattern of underdevelopment on their own, but they carry their share of responsibility on three counts.

First, the CFA franc's pegged value to the euro (and the French franc before the advent of the euro) deprives the BCEAO and the BEAC of the possibility of having autonomous monetary policies. Their policies mirror those of the European Central Bank whose anti-inflationary obsession is out of step with the priorities of poor countries that must grow by building local productive capacities. Moreover, the euro, since its birth, has tended to appreciate vis-à-vis the dollar, the currency in which the Franc Zone countries receive their export incomes. Whenever the euro appreciates, the value in CFA francs of export revenues collected in dollars is reduced. As a matter of fact, the WAEMU countries, with the exception of Côte d'Ivoire, have recorded chronic trade deficits since independence, due notably to the overvaluation of the CFA franc, a fact recognised by the BCEAO itself (BCEAO 2000b:47). On the eve of the launch of the euro, African economists warned about such outcomes (Hammouda and Kassé 2001) but neither African heads of state nor France would listen.

Secondly, because they must maintain a fixed peg to the euro, these central banks are forced to restrict the growth of domestic bank credit. As the countries of the Franc Zone have low levels of economic diversification, bank credits will partly stimulate imports, which in turn tend to reduce foreign exchange reserves and put pressure on the capacity to defend the fixed peg with the

euro, so these central banks' reasoning goes. Thus, credits to the economy are relatively low: about 22.9 per cent on average in the WAEMU zone, and about 16.5 per cent in the CAEMC zone in 2016 (Pigeaud and Sylla 2018: 179). In addition to the low volume of bank loans, lending interest rates set by commercial banks are particularly prohibitive, especially when measured in real terms. This is why the latter enjoy the highest interest margins in the world (Diop 2015). Moreover, given the recent restrictions placed on the statutory advances that central banks can provide to states and the existence of ceilings on the volume of domestic bank loans to states refundable at the central bank, states increasingly tend to borrow funds on international financial markets (Magnan-Marionnet 2016).

Finally, the principle of free transfer entails huge financial bleeds. Net income payments, i.e. the difference between Gross Domestic Product (GDP) and Gross National Product (GNP), are of colossal proportions in resource-rich countries of the Franc Zone. For example, in Equatorial Guinea, a small oil-producing country, annual net income payments average nearly 50 per cent of GDP during the decade 2000 (Sylla 2016). Countries of the Franc Zone, despite not ranking among the biggest African economies, suffer terribly from this scourge fuelled significantly by external debt. For Cameroon, for example, illicit financial flows between 1970 and 2008 accounted for almost 13 times the volume of its external debt stock (Ndikumana and Boyce 2012:144).

The reason the CFA franc continues to exist more than 70 years after its creation is that it still suits the needs of both major French enterprises which used to obtain monopoly positions in Francophone Africa – for example, low exchange rate risk, free convertibility and free transfer – and those of the French government (political control of African monetary policy at low cost). Despite its declining competitiveness at the global level, including in the Franc Zone, France continues to maintain regular trade surpluses with Africa, and especially with the Franc Zone. African elites also benefit from the existence of the CFA franc, as they can easily repatriate their financial assets and profit from an overvalued exchanged rate which makes importing luxury goods cheaper. The political longevity of Francophone African heads of state has always been premised on their consent to remain in the Franc Zone. In Central Africa, the long reigns of Paul Biya in Cameroon, Denis Sassou Nguesso in Congo Brazzville, Idriss Deby in Chad, and Obiang Nguema in Equatorial Guinea (a former Spanish colony) would not have been possible without their commitment to the so-called 'Françafrique'. The same goes for the Gnassingbé dynasty in Togo (Verschave 2003; Pigeaud and Sylla 2018; Koddenbrock and Sylla 2019).

Options to exit the status quo

During the last ten years, especially since 2016, the CFA franc has been increasingly challenged by a growing number of African intellectuals and pan-Africanist social movements demanding its abolition (Koulibaly 2009; Mbaye 2009, 2014; Dembélé 2010; Nubukpo, 2011; Yao 2012; Fassassi 2013; Agbohohou 2016; Nubukpo *et al.* 2016). For them, the existence of the CFA franc denotes a lack of sovereignty, both political and economic, and constitutes an obstacle that frustrates democratic aspirations. Having previously been taboo subject, now the CFA franc issue is featuring widely in the public debate in Francophone African countries (Sylla 2017). A November 2017 Afrobarometer opinion poll shows that 66 per cent of Togolese think that the CFA franc benefits chiefly French interests and that it should be abolished (Akinochi 2019). Though there is some unanimity about the need to move out of the current monetary status quo, strong disagreements are observed about what is to be done. Four contending perspectives can be distinguished.

First, there is the perspective I call 'symbolic reformism', which consists in touching only the visible symbols of monetary coloniality without touching the fundamentals of the CFA system. These include proposals such as changing the name of the CFA franc, having banknotes and coins manufactured outside France, and even further reducing the deposit rate of foreign exchange reserves at the French Treasury. During his November 2017 visit to Burkina Faso, French President Emmanuel Macron praised the 'monetary stability' provided by the CFA franc to African countries. After saying that every member country is free to leave the franc zone, he confessed being open to changing the 'name' of the CFA franc and its 'perimeter' – that is enlarging the zone to a country like Ghana! (*Jeune Afrique*, 2017)

Second, there is the perspective I call 'adaptive reformism', that is reforms that aim to adapt the CFA zone to the current context marked by the economic and geopolitical decline of France and Europe, but with the ultimate objective of maintaining it. This is the case, for example, of those who want the CFA franc's exchange rate to be made more flexible. Two arguments are generally made for this reform proposal: on the one hand, the peg to the euro is too rigid and undermines the price competitiveness of African zone franc export products which are denominated in US dollars; on the other hand, the geography of their trade flows is increasingly moving from Europe toward countries trading in US dollar such as China. These well-founded observations provide a rationale for the CFA franc's exchange rate to be pegged to a basket of currencies (Nubukpo 2016; Berenger 2018). The issue with this proposal is that it seems to ignore the functioning of the Franc Zone. Exchange rate

flexibility is not an option in the CFA system because the convertibility guarantee is offered at a fixed rate and in the currency of the guaranteeing authority. The demand for exchange rate flexibility is incompatible with the maintenance of France guardianship. It is one or the other!

A good example of ‘adaptive reformism’ is provided by a 2018 report by Dominique Strauss-Kahn. Sensing that the Franc Zone is no longer sustainable in its current form, the former International Monetary Fund (IMF) managing director and former French Minister of Finance proposes to go beyond ‘symbolic’ reforms of the type described above. The major reforms of his self-declared ‘revolutionary option’ are the following: the CFA franc’s exchange rate moving from a fixed peg to the euro to being pegged to a basket of currencies; the CFA franc’s external convertibility would still be guaranteed by France, but this would be co-managed by African monetary authorities in tandem with chosen independent international managers who would replace the French representatives; a ‘significant part’ of the foreign exchange reserves of the African Franc Zone countries would be held in euros at the Bank of International Settlements rather than the French Treasury; the Franc Zone would be enlarged to include Ghana which he describes as ‘landlocked in the Franc Zone but separated monetarily from its neighbours’, as well as to the other West African countries, but not to Nigeria, as the African economic giant wouldn’t fit (Strauss-Kahn 2018; author’s translation). As usual, this exercise of European wishful thinking pays no consideration to what African themselves think might be best for their continent.

Unlike these reformist proposals, there are two other perspectives articulating an abolitionist agenda in so far as they advocate a project of monetary integration requiring the demise of the Franc Zone. For example, the Heads of State of the Economic Community of West African States (ECOWAS) committed in 2000 to accelerate regional integration through the launching of a regional single currency. This project is often presented as an alternative to the CFA franc, but it raises technical and political issues. Technically, no country yet fulfils the convergence criteria copied from the Maastricht Treaty and defined as prerequisites for entry into the new monetary zone. The lack of ‘nominal convergence’ explains to a certain extent why the initial deadlines have been rescheduled several times (Bakoup and Ndoye 2016). The latest deadline for its launch has been set for 2020. Politically, since 2017 Muhammadu Buhari, the current Nigerian President, has been asking as a prerequisite that the eight West African countries using the CFA franc provide a divorce plan from the French Treasury (Premium Times, 2017). But, until now, the WAEMU countries have remained silent

about his demand. Alassane Ouattara and Macky Sall, the current heads of state of Côte d'Ivoire and Senegal respectively, the two leading WAEMU economies, have adopted an ambiguous stance, as they maintain that the CFA franc is a 'good currency' while declaring their commitment to the ECOWAS single currency. From the perspective of the French government, a single currency for ECOWAS member states would mean the end of the Franc Zone in West Africa. Under these circumstances, the prospect of seeing ECOWAS countries sharing a single currency any time soon seems highly unlikely.

However, even if the major political and technical issues were fixed, a single currency for ECOWAS is not the best option for the region in the current circumstances, not to mention that it would not provide an alternative to the CAEMC countries which are devoid of any similar regional currency project beyond the CFA franc. Indeed, this project is not currently economically justified for at least three reasons.

Table 1: Population of West African countries (in thousands)

Countries	2015	2020	2050
Benin	10576	12123	23930
Burkina Faso	18111	20903	43207
Cabo Verde	533	567	734
Côte d'Ivoire	23108	26172	51375
The Gambia	1978	2293	4562
Ghana	27583	30734	51270
Guinea	12092	13751	26852
Guinea-Bissau	1771	2001	3603
Liberia	4500	5104	9804
Mali	17468	20284	44020
Mauritania	4182	4784	8965
Niger	19897	24075	68454
Nigeria	181182	206153	410638
Senegal	14977	17200	34031
Sierra Leone	7237	8047	12972
Togo	7417	8384	15298
Total	352610	402575	809715

Source: United Nations, <https://population.un.org/wpp/>, accessed 24 March 2019.

First, there is the economic and demographic asymmetry between Nigeria which accounts for half of the population of the region (Mauritania included) and around two-thirds of its GDP (see Tables 1 and 2). This fact implies that the monetary and exchange rate policy within the zone would be dictated by the economic cycle and the needs of Nigeria. It is certainly unrealistic to expect the largest African economy to surrender its formal monetary autonomy to its neighbours or to an ‘independent’ regional central bank. Actually, there is no big state – in economic or demographic terms – that does not issue its own currency, except for the Eurozone countries such as Germany or France. Given also that Nigeria’s population will double between 2020 and 2050 to reach the 400 million mark, it is likely that Nigeria will never be part of a currency area where it does not have the final say.

Table 2: GDP and GDP per capita in West African countries in 2017

Countries	GDP 2017 (in current billion USD)	GDP 2017 per capita (in current USD)
Benin	9.2	827
Burkina Faso	12.3	642
Cabo Verde	1.8	3244
Cote d’Ivoire	37.4	1538
The Gambia	1.5	709
Ghana	59	2046
Guinea	10.5	823
Guinea-Bissau	1.3	724
Liberia	3.3	694
Mali	15.3	827
Mauritania	5	1137
Niger	8.1	378
Nigeria	375.7	1968
Senegal	21.1	1329
Sierra Leone	3.8	500
Togo	4.8	610
Total	570.1	1533

Source: World Bank World Development Indicators, accessed 24 March 2019.

Second, there are differences in economic specialisation between the countries of the region: Nigeria is an oil producer (and this will be soon the case with Senegal) whereas most of ECOWAS member countries are net oil importers (UNCTAD 2017). This implies that economic cycles will not probably be synchronous between net oil exporters and net oil importers. Ideally candidates for a monetary union should face similar economic cycles as they will be subject to a single monetary and exchange rate policy. The differences in economic specialisation are not an insurmountable constraint, provided there are schemes of fiscal transfers allowing countries suffering from asymmetric negative shocks to receive funds to mitigate the fact they would no longer be able to use their nominal exchange rate to adjust. However, for now, such a type of fiscal/political integration is not contemplated. As a result, given the limitations in terms of public deficit and public debt that member States are expected to face, 'internal devaluation' – that is austerity policies or policies that impoverish further already poor countries – would be the main mechanism of adjustment when asymmetric negative shocks occur.

Third, as intra-ECOWAS trade is weak, even lower than intra-WAEMU trade, the benefits of sharing a common currency are very limited (see Table 3). The argument that the sharing of a single currency promotes regional trade by reducing currency transaction costs does not hold empirically, as can be clearly seen in WAEMU and CAEMC after more than 70 years of monetary integration (see Table 3). In the case of the Eurozone, it seems that the arrival of the euro did not stimulate regional trade (Phelan 2015:408). One can also observe that China is more commercially integrated with African countries taken individually – including those of the Franc Zone – than African countries are with each other, despite China not sharing a common currency with any of them.

Overall, one should also note that the ECOWAS single currency project shares the same orthodox/neoliberal conception of monetary management as the CFA system – the 'sound finance' view, a view articulating fiscal conservatism and a preference for so-called 'independent'/non-democratically accountable central banks whose mandate is to fight inflation instead of worrying about unemployment and financing development. Indeed, within the context of the 1994 devaluation of the CFA franc, the WAEMU (distinguished from the West African Monetary Union which began in 1962) and the CAEMC have been set up as frameworks of economic and monetary integration that more or less replicate the Eurozone's institutional parameters, economic methodology, and policies (Hallet 2008). As such, the WAEMU is a compelling case of a 'regional integration as a transfer of rules' (Claeys and Sindzingre 2003).

Table 3: Regional Trade in CAEMC, WAEMU and ECOWAS

	1995		2000		2010		2017	
	Regional Trade (in current million USD)	Share of regional trade (%)	Regional Trade (in current million USD)	Share of regional trade (%)	Regional Trade (in current million USD)	Share of regional trade (%)	Regional Trade (in current million USD)	Share of regional trade (%)
CAEMC	236	2.6	228	1.9	2434	4.3	2164	5.3
WAEMU	1408	10.1	2018	15.1	4774	10.9	7202	12.7
ECOWAS	3725	9.0	5565	11.0	16785	8.4	17487	9.4

Source: UNCTAD online data, accessed 24 March 2019.

To the extent that the ECOWAS single currency project tries to replicate the Eurozone ‘model’, it entails the risk of inheriting all the flaws of the Eurozone (Papadimitriou and Wray 2012) without having already achieved a strong level of trade and financial integration. With hindsight, some European central bank authorities acknowledge the failure of the ‘convergence’ agenda through the observation that ‘nominal convergence’ in the Eurozone (in terms of inflation, public deficits, etc.) – has not proved adequate for achieving ‘real convergence’ (in terms of output growth, unemployment rates, etc.) (Dombret 2017).

A monetary union is not a bad idea in itself, but it is doomed to fail if it is not based on political federalism, and fiscal federalism in particular. Maurice Allais, the French liberal economist and Economics Nobel Prize winner, warned in 1992 that:

The achievement of a monetary union and a single currency is inconceivable without the prior achievement of an appropriate political Community, with limited and expressly specified powers and involving without exception all the Member States of the European Community. If we reject this political community, we must reject the creation of a monetary union and a single currency (Allais 1992: 39, author’s translation).

Recently, the “stubborn” Wolfgang Schäuble, former German Federal Finance Minister, proved him right by acknowledging that: ‘The original mistake was in trying to create a common [i.e. single] currency without a “common economic, employment and social policy” for all Eurozone member States’. (quoted by Chazan 2019) It bears noting that the UK decision not to join the Eurozone also rested on the clear understanding that this move would involve a loss of monetary sovereignty as well as a shrinking democratic space (Phelan 2015).

In West Africa, countries are currently far from the minimal threshold of political unity needed to embark on such a project. Those who want to substitute the CFA franc with an ECOWAS single currency adhere to the ‘neoliberal abolitionism’ perspective, i.e. an exit from the CFA franc that follows the neoliberal monetary integration model as typified by the Eurozone – an experience of monetary integration devised in order to ‘discipline’ European states by submitting them to the vagaries of global finance (Abdelal 2009; Palast 2012).

Finally, there is the extreme minority ‘sovereign abolitionism’ perspective which was advocated in the 1970s and 1980s by some first-rate African economists like Samir Amin (1972) Mamadou Diarra (1972) and Joseph Tchundjang Pouemi (1980). Sovereign abolitionism is an exit from the CFA franc that breaks with the colonial and neoliberal models of monetary

integration while strengthening the sovereignty of African countries individually and collectively. This perspective starts from the observation that the Franc Zone, as a currency area, is a colonial relic that no longer has any economic justification. In their survey of the empirical literature testing the hypothesis of whether the Franc Zone is an optimal currency area (OCA), Laskaridis and Toporowski (2016:11) wrote: 'Most authors who go down the OCA route conclude that the franc zone cannot be assessed in OCA terms [...] The reasons for the franc zone's creation and durability are more adequately explained on political rather than economic grounds'. Therefore, given that economic fundamentals, levels of development and productive dynamism are not the same, and given that it is possible to devise a strong monetary integration based on a system of solidary national currencies, each member country of the Franc Zone should have its own national currency. The author's preferred option is as follows:

- Each country has its own national currency with its national central bank.
- Exchange rate parity is determined according to the fundamentals of each country.
- Each currency is linked by a fixed but adjustable parity to a common unit of account managed by an African Monetary Fund. This will give African countries the possibility of using their exchange rates to make economic adjustments and will also limit the volatility of African exchange rates.
- Countries share a common Pan-African payments and clearing system (see Manders 2018 for initiatives along these lines by Afreximbank). Payments between African countries are settled in the common unit of account, not in dominant foreign currencies. This is intended to create an African demand for African currencies and lessen the dependence of African countries on foreign currencies like the US dollar and the euro.
- There is solidarity in the management of countries' foreign exchange reserves which are partially pooled at the African Monetary Fund level. This is intended to lessen the dependence of African countries facing balance of payment difficulties on IMF loans with their attendant conditionalities, and also to stabilise African exchange rates.
- There are capital and exchange rate controls in respect of the rest of the world.
- There are common policies to ensure energy and food self-sufficiency. In the ECOWAS Zone, energy and food products represent a substantial share of the value of merchandise imports (UNCTAD

2017). Achieving gradual self-sufficiency in these two areas would reinforce financial autonomy and would make large amounts of foreign exchange reserves available for fostering industrialisation.

The advantage of this option of solidary national currencies is that it makes it possible to combine macroeconomic flexibility at the national level – the exchange rate is available as a policy instrument – with solidarity between African countries. It takes into account the differences in levels of development and economic specialisation so that relatively autonomous national policies can proceed at different rhythms, while responding to the imperative for regional and continental monetary coordination and cooperation. It also helps break the Anglophone, Francophone, Arabic and Lusophone divide as well as regional divides because any African country could in principle be part of this framework of monetary integration. However, this is unlikely to emerge because there is resistance from CFA franc advocates, regional African community institutions, and many Pan-Africanists for whom economic integration necessarily means the unconditional sharing of a single currency.

Conclusion

The CFA franc was established as a colonial currency. As such, its rationale was to transfer economic surpluses from French colonies in Sub-Saharan Africa to the metropolis. Despite formal decolonisation, this currency still performs the same function under the political control of the French government. Even though France is no longer the sole beneficiary of this currency/political arrangement which is benefits outside-facing interests in Franc Zone countries (Koddenbrock and Sylla 2019), it is still able to command the loyalty of African political elites. However, this transnational alliance which forms the foundation of so-called 'Françafrique' is being more and more challenged by African intellectuals and Pan-Africanist movements asking for the abolition of this colonial currency. A successful exit from the CFA system certainly requires the liberation of African countries from the French tutelage. It also requires instituting new monetary arrangements at the service of a sovereign and democratic development project. To that end, African integration is certainly the path to follow. However, as this article argues, a distinction must be made between the neoliberal type of monetary integration, as illustrated by the Eurozone and which the ECOWAS single currency project seems to emulate, and the sovereign type which could take the form, in the current circumstances, of solidary national currencies.

Note

1. This article was written in March 2019 before the French President Emmanuel Macron and his Ivorian counterpart Alassane Ouattara announced on 21 December 2019 the reform of the CFA franc currency used in West Africa. The reform was approved on 10 December 2020 by the French National Assembly. It consists of renaming the CFA franc “Eco”, freeing the BCEAO from the obligation to deposit its foreign exchange reserves with the French Treasury and replacing the formal French representation in the organs of the BCEAO with new mechanisms of financial reporting. In other words, only one of the four pillars of this currency system – the centralisation of the foreign exchange reserves – has been affected by this reform. Such a move is in conformity with what I call in this article “symbolic reformism”. See also Sylla (2020).

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