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From CFA to ECO: Opportunities and Challenges of Economic and Monetary Cooperation in West Africa

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From CFA to ECO: Opportunities and Challenges of Economic and Monetary Cooperation in West Africa

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Dr. Emmanuel Pinto Moreira is the Director of the Economic Department of the African Development Bank. He is in charge of establishing a strong department as well as genuinely conducting policy dialogue with policy makers of the region while heavily focusing on new growth strategies, challenges facing middle income countries, fiscal policies and debt reduction strategies. He served previously as regional lead economist for the MENA region at the World Bank. His mission was geared towards first conducting policy dialogue with Maghreb authorities' and helping them design their vision papers; second, he provided strategic advice on major economic challenges facing these countries, more precisely. Furthermore, Dr. Pinto Moreira was in charge of preparing country reports on the macroeconomic perspectives of 18 countries, and reviewing reports on Economics and Finance of the MENA region; he also managed the knowledge program for the MENA region. As a team leader of the Global Practice in charge of Macroeconomics, Trade and Investment (MTI), Dr. Pinto Moreira was in charge of conceiving the working agenda for economists and guaranteeing deliverables that are insightful and have sound impact on countries' development. He has published numerous research papers in the areas of growth policies, trade and competitiveness, public financial management, fiscal and exchange rate policies.

Before joining the World Bank, Dr. Pinto Moreira worked at the International Monetary Fund as a senior economist within the Middle East and Central Asia with a focus on fiscal policies. He was also a senior advisor to the executive director of the 24 French-speaking African countries.

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Abstract

The major announcement of December 21, 2019, of the shift from the CFA franc to the Eco led to major changes in the monetary landscape and institutional setting of the West African states. This paper analyzes the benefits and challenges for economic and monetary cooperation in West Africa of this new development. While this new initiative has many advantages, establishing a new currency at the West African region, as a whole faces unresolved issues that may compromise its success. The paper sheds light on these issues and represents a major contribution to the policy debate on the readiness of West African states to create a single currency.

From CFA to ECO: Opportunities and Challenges of Economic and Monetary Cooperation in West Africa

Introduction

Establishing a single currency has been one of the key objectives of the Economic Community for West Africa States (ECOWAS). To this end, ECOWAS has put in place a roadmap and supportive institutional mechanisms for implementation of the macroeconomic convergence criteria, including core primary indicator targets relating to the size of fiscal deficits, levels of gross international reserves, annual average inflation and central bank financing of the deficit. The Community has also initiated a process for setting up a regional Central Bank to conduct regional monetary policy. Performance and compliance with the criteria for each country is evaluated through an institutionalized multilateral surveillance mechanism known as the Macroeconomic Convergence and Stability Pact.

On December 21, 2020, West African Economic and Monetary Union (WAEMU) countries and France announced the change of the name of the CFA (Communauté financière d'Afrique) franc into the Eco, and major reforms to the CFA franc system starting in 2020. The shift came in the wake of repeated concerns arising primarily from the absence of monetary sovereignty, with France holding a de-facto veto on the board of the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest, BCEAO), despite the reforms of 2010 which assigned the conduct of monetary policy to a monetary policy committee. The French Treasury retained voting membership of the committee. Furthermore, given the CFA franc/euro fixed exchange rate, the exchange rate policy of the West African Economic and Monetary Union (WAEMU) countries is dictated by the European Central Bank. Proponents of the CFA franc point to some International Monetary Fund studies supporting the view that the current parity between the CFA franc and the euro is in line with the equilibrium exchange rate and has helped the region maintain macroeconomic stability and achieve higher growth.

The announcement of the major reform will shape the future of the WAEMU and more broadly regional integration within ECOWAS. The plan to adopt a single currency may be underpinned by the potential benefits that would accrue to such an arrangement. The main benefit is that the single currency is seen as a precursor to deeper regional economic and monetary integration and increased trade. A common currency reduces transaction costs and volatility in the exchange rate across the region, thereby enhancing trade flows. For instance, countries in the CFA franc zone do not incur transaction costs emanating from exchange rate movements.

The key economic cost of membership of the common currency is that individual countries forego autonomy in monetary policy. The significance of loss of monetary independence depends on how well countries were implementing monetary policy previously. In West African countries, independent monetary policy in most countries is undermined by fiscal dominance. A number of countries consistently meet the convergence criteria of limiting central bank financing of the fiscal deficit to less than 10 percent of the previous year's revenues. Membership of a common currency may therefore lead to countries with weak track records in implementing monetary policy making binding commitments to greater macroeconomic stability.

This paper aims to shed light on the major issues facing monetary cooperation in the West African region, with a focus on the opportunities and challenges involved in a move towards a single currency.

The paper is organized in three parts. Section 1 provides the historical background of the CFA franc and the institutional architecture of economic and monetary cooperation in the West African region. Section 2 discusses the recent changes introduced in the CFA/WAEMU region with the announcement of the creation of the Eco and the issues West African countries face in establishing a single currency. Section 3 discusses the determining factors for success of the shift towards the Eco. The paper then concludes with few remarks on the future of economic and monetary union in West Africa.

1. History of the CFA Franc and the Creation of the Eco

1.1. Brief History of the CFA Zone

When they became independent in the 1960s, France's former colonies in the West African region faced two major issues: (i) how to preserve the monetary union which existed de facto in West Africa; and (ii) how to retain the French treasury's guarantee of the common currency of these newly independent countries, taking into account their economic specificities. In this spirit, the Agreement on Monetary Cooperation and the treaty of the monetary union were signed with the French Republic on May 12, 1962, and November 14, 1963, respectively. The Agreement on Monetary Cooperation was then revised in December 1973 in Dakar, and was amended in 1984 to account for the evolution of the socio-political and economic context.

Despite the profound changes that have been made, the fundamental elements of the agreement have been maintained since 1962, including: (i) maintaining the monetary union between West African States, former French colonies; and (ii) maintaining the links between the union and the France Republic, backed by the guarantee of the convertibility of the West African common currency and the fixed exchange rate against the French franc. The changes focused on: (i) change of the parity vis-à-vis the French franc; (ii) change of the status of the monetary institution with the possibility of providing resources in advance to member countries; (iii) exit and entrance of members; (iv) the reduction of the French presence in the decision bodies of the BCEAO; and (iv) the change of the name of the currency.

Economic integration in the region took a decisive step with the creation of the Economic Community of West African States (ECOWAS), which comprises 15 countries[1]. It was established in 1975 following the signing of the Treaty of Lagos. The Community was initially established to forge economic progress in West Africa, but the unfolding political events within the region led to revision of its scope in the 1993 revised Treaty[2]. The revised treaty recognized that economic and monetary integration remained central to the goals of ECOWAS. Earlier regional cooperation efforts in West Africa were reflected in the launch of the CFA franc zone in 1945. Currently, ECOWAS comprises two blocs—the CFA franc zone officially known as the West African Monetary Union (WAEMU), and the non-WAEMU countries. The WAEMU was formed in 1994 as a customs and currency union between eight francophone ECOWAS member states, except Guinea, to deepen economic integration.

Until the launch of the euro in 1999, the CFA franc was pegged to the French franc and its value was underwritten by reserve accumulation held at the French treasury (see Guillaumont P. and Guillaumont J., 2013). In 1999, the CFA franc was pegged to the euro with transferable backing of half of the countries' foreign reserves deposited with the French treasury. The non-WAEMU countries, except Cabo Verde, form the West African Monetary Zone (WAMZ), an alliance that, sought to establish a monetary union parallel to the WAEMU.

1.2. Institutional Architecture

The single currency has long been the objective of ECOWAS, following the revised Treaty. The idea for the common currency was revived following the launch of the euro in 1999, which highlighted the appeal of a single currency in promoting regional trade and economic growth, and in uniting people around a common goal. To facilitate the adoption and implementation of the common currency, the Community had established an institutional and legal architecture and a roadmap for implementation of the 10 convergence criteria, as well as the process for setting up a regional Central Bank. Four of these criteria—the size of fiscal deficit, level of gross international reserves, annual average inflation, and central bank financing of the deficit—are known as primary criteria while the remaining six are secondary criteria. Each year, the ECOWAS assesses the performance of each country through an institutionalized multilateral surveillance mechanism—Macroeconomic Convergence and Stability Pact—to ensure compliance with these criteria. Establishment of a single currency is one of the key objectives of the ECOWAS Vision 2020, launched in June 2010, and is seen as a precursor to deeper regional economic and monetary integration.

The domestication of, and compliance with, the criteria are key to successful implementation of the common currency. The initial date for the launch of the single currency was January 2003 but the roadmap has been changed several times due to breaches of the convergence criteria. The WAMZ was scheduled for launch in 2015, existing alongside the WAEMU, with the two blocs eventually merging in 2020 to form a common currency. However, the bipolar currency arrangement was abandoned,

1. The Economic Community of West African States (ECOWAS) Treaty is a multilateral agreement signed by the member states that made up the Economic Community of West African States. The initial treaty was signed by the Heads of States and Governments of the then 16 member states in 1975 in Lagos, Nigeria. It comprises Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.
2. With new developments and mandates for the Community a revised treaty was signed in Cotonou, Benin Republic in July, 1993 by the heads of states and government of the now 15 member states. The signing of the revised treaty further bound the sovereign states into agreeing on 93 different Articles, which they have agreed to work together as a single regional economic block. By signing the revised treaty member states reaffirmed the Treaty establishing the Economic Community of West African States signed in Lagos on 28 May, 1975 and considered its achievements.

with the ECOWAS opting for a single-track roadmap leading to adoption of the Eco in 2020. In July 2019, the Heads of State and Government meeting in Abidjan, Côte d'Ivoire, agreed on the name for the currency—Eco—to demonstrate their resolve to comply with revised roadmap for the launch of the single currency in 2020.

2. Major Changes and Key Issues in the Adoption of the Eco

2.1 Major Changes

The major announcement of December 21, 2019, of the shift from the CFA franc to the Eco led to four major changes[3] in the monetary landscape and institutional setting of the West African states (see Financial Afrik, December 2019, Guillaumont P. and Guillaumont J. 2020):

- The West African CFA franc would become the Eco in 2020;
- The foreign exchange reserves of WAEMU countries would be transferred to the BCEAO;
- France would no longer participate in the management of the CFA franc, renamed the Eco;
- France would continue to play the role of a financial guarantor for the WAEMU region.

The fixed peg between the CFA franc/Eco and the euro was to be maintained. According to the WAEMU countries and France, this fixed peg is needed to maintain financial stability and economic dynamism in the WAEMU area. The fixed peg plays the role of essential anchor for investments, favors low inflation, and promotes strong growth (more than 6 percent per year since 2012) in the WAEMU area. No devaluation of the CFA franc/Eco is envisaged at this time. WAEMU member countries have pointed out some results of IMF studies supporting the idea that the current parity between the CFA franc and the euro is in line with the equilibrium exchange rate.

The end of the centralization of foreign exchange reserves at the French treasury and the abolition of the operating account imply that the BCEAO will no longer have any special obligation in the future to place its foreign exchange reserves at the French treasury. BCEAO will be free to allocate its foreign exchange reserves to assets of its choice, accounting for their expected returns and risks.

The convertibility guarantee provided by France will not change. Its functioning will remain the same as before. This implies that if the BCEAO faces a foreign exchange shortage, it will be able to obtain the necessary euros from France to cover its foreign commitments.

To anticipate and prevent the risk taken by exiting French representatives from the BCEAO bodies, France and the WAEMU have defined a new set of mechanisms for information sharing and policy dialogue[4]. Relevant technical information will be regularly transmitted by the BCEAO to enable France monitor the risks (e.g. changes in foreign exchange reserves, forecasts, etc.).

In the event of a crisis, France may appoint a representative with deliberate vote on the Monetary Policy Committee. At stake for France is ensuring the best possible use of its funds and providing the

3. The new Eco and these major changes were scheduled to operate in 2020. Yet, the reform has been postponed to 2027.
4. There are concerns that the exit of French representatives from the BCEAO bodies limit the effective implementation of rigorous monetary and fiscal policies undermining the credibility of the monetary union.

right type of assistance to resolve any crisis as quickly as possible. The monetary policy committee will continue to include an independent and qualified representative appointed jointly by WAEMU and France.

The concrete implementation of the reform will be triggered by the signing of two documents: a new monetary cooperation agreement, which will replace the current agreement of 1973, and a guarantee agreement, which will specify the technical modalities of activation of the convertibility guarantee.

2.2 Major Issues in the Establishment of an ECOWAS Single Currency

Over the past decade, economic growth in West Africa has been relatively strong, despite the headwinds buffeting the region. The growth momentum decelerated because of the outbreak of the Ebola virus and the commodity price shock in 2014, which eventually led to a recession in Nigeria in 2016. Nigeria accounts for between 65 percent and 75 percent of regional output. Accordingly, the contraction in real output affected overall regional growth, dipping from an average of 7.1 percent during 2001-2014 to 0.6 percent in 2016. The Ebola crisis severely impacted the four affected countries, creating a twin fiscal and current account crisis, as core revenues shrunk. The domino effect on other countries was mainly reflected in reduced tourist arrivals, and hence earnings, causing macroeconomic imbalances. Growth has however picked up, with Nigeria exiting its recession, and on the strength of continued sustained high growth in a majority of countries in the WAEMU region.

However, COVID-19 has severely hit Africa, with the continent entering its worst recession in 50 years. According to the African Development Bank, the continent's real GDP growth shrank to -2.1 percent in 2020 from 3.3 percent in 2019. Real GDP in West Africa is estimated to have contracted by 1.5 percent in 2020. Many West African countries, including Cabo Verde (-8.9 percent), Liberia (-3.1 percent), and Nigeria (-3 percent) went into recession in 2020. Some countries maintained positive growth in 2020 thanks to more-targeted and less-restrictive lockdowns—including Benin (2.3 percent), Cote d'Ivoire (1.8 percent), and Niger (1.2 percent). Growth in the region is projected at 2.8 percent in 2021 and 3.9 percent in 2022, as lockdowns are eased and commodity prices rebound.

It is in this new context of the COVID-19 pandemic that implementation of the single currency is to take place. The implementation process is to follow a gradual approach under the ECOWAS revised roadmap. This is to allow countries that would have satisfactorily met the convergence criteria to adopt the use of the currency while others catch up. The problem with this approach is that it does not stipulate the transition period for the non-compliant countries to observe the convergence criteria. Moreover, when an enforcement mechanism is lacking, there is little incentive for course correction of macroeconomic imbalances to guarantee membership of the Eco.

Lack of institutional mechanisms to prevent regional contagion of potential fiscal or debt crises could undermine the success of the Eco. This situation is further complicated by the unilateral decision of the WAEMU countries to adopt the Eco, replacing the CFA franc under the reforms announced with France, which has provided parity guarantee with the euro. As stated above, an important part of the reform is that the WAEMU countries will no longer be required to deposit 50 percent of their foreign exchange reserves in an account at the French treasury. However, the Eco, as envisaged by the WAEMU countries, will maintain the peg with the euro. This decision came as a shock to WAMZ countries, suggesting that there was minimal, if any, consultation prior to the announcement. Crucially, adoption of the WAEMU version of the Eco is not necessarily supported by compliance with the macroeconomic convergence criteria, as required under the ECOWAS roadmap. It is therefore unclear how the WAEMU version of the Eco fits into the broader scheme of the proposed ECOWAS single currency. This issue needs to be clarified.

With the exception of the European Economic and Monetary Union and euro, there is very little global empirical evidence to inform the choice of a suitable exchange rate system for a monetary union. As a reference point, the euro, with its own unique challenges, provides no lessons for success of a single currency in a developing-economy context. Hence, ECOWAS will be the only low-income region adopting a single common currency, without much to learn from the experience of the European Economic and Monetary Union.

Three main competing regions could bring together the different exchange rate systems prevailing in the ECOWAS region. These are the fixed peg of the CFA franc to the euro, and the flexible exchange rate practiced in Ghana, at the two extremes, and the middle ground defined by the managed float system in other WAMZ countries, and the ‘stabilized’ managed exchange-rate regime in Nigeria. Each of these systems presents different benefits and costs, and success depends on certain conditions.

If the choice is for the peg, the central bank should assure the market that it will defend the currency when necessary. The loss of market confidence if there is no intervention could result in the run on the currency. In the case of a flexible exchange rate system, the costs of policy profligacy are revealed quickly and the market loses confidence long before the authorities figure out how to mitigate the problem. The middle ground may provide some safety, but optimality cannot be judged independently of the implied costs of either exchange rate arrangement.

Whether any of the three systems will be an optimal exchange rate policy for the common currency is an empirical issue. Ultimately and crucially, the optimality of the exchange rate arrangement for the Eco, in either version—ECOWAS or solely for the WAEMU—will depend on sound fiscal and monetary policies and the strength of the supportive institutional architecture. Reasonable stability in financial markets and political economy considerations may also come into play in choosing the exchange rate regime for the single currency. Thus, participating countries will have to assess the balance of costs and benefits of each of the three exchange-rate systems.

Quantifying the costs and benefits of a single currency a priori is empirically challenging and depends on a number of factors. The benefits will accrue and/or the costs will reduce with (i) greater flexibility in wages and prices among participating countries, (ii) greater mobility of labor and capital across countries, (iii) more symmetric shocks across countries, (iv) more openness among the economies within the union, and (iv) a larger share of trade among the countries of the region.

Strict adherence to these requirements is however difficult in practice and may present additional challenges to successful implementation of the Eco. For instance, ECOWAS citizens can in principle move freely across borders. However, in practice, many face border harassments while movement of capital is subject to strict national laws. Similarly, because of subsidies, prices of key commodities such as oil do not adjust in line with market fundamentals. A 2019 study[5] also found that business

5. ‘Policy harmonization and business cycle synchronization in the ECOWAS region’, paper presented at the Annual Meetings of the West Africa Monetary Institute, February 10-14, 2019, Freetown.

cycles are less synchronized in the ECOWAS region, suggesting that shocks may be asymmetric. Furthermore, intra-regional trade in ECOWAS in estimated at about 16 percent. Some large countries such as Nigeria account for less than 5 percent of regional trade. The low trade intensity among the ECOWAS nations highlights weak integration. However, adoption of a common currency may facilitate trade, although the benefits will depend on the composition of products traded within the region.

3. Determining Factors for Success of the Eco

The success of the ECOWAS single currency project will rest on overcoming the political economy dimension, by marshalling support and ownership from all stakeholders. The key question is what exchange-rate regime the new currency will assume following the launch. The revised roadmap does not stipulate the exchange rate policy or arrangement for the single currency. As a general principle, however, a common exchange rate policy depends on the strength of macroeconomic fundamentals. The choice of the exchange rate policy will also hinge on the transition from CFA franc zone to the WAEMU version of the Eco and ultimately into the ECOWAS Eco. Given that WAEMU countries will not be required to deposit foreign reserves with the French treasury under the announced reforms establishing the WAEMU Eco, will the BCEAO as a central bank of the WAEMU region be one of the federated branches of the proposed ECOWAS central bank, once its location is determined? Furthermore, how would the region's large economies such as Côte d'Ivoire, Ghana, and Nigeria, be treated in such an arrangement? Particularly for Côte d'Ivoire, it would be instructive to know how the membership of the WAEMU Eco will be reconciled with the ECOWAS Eco, especially if the country does not satisfy the convergence criteria established for adoption of the ECOWAS single currency.

There have been numerous propositions on the conditions that will guarantee the successful adoption and use of the single currency. Under the revised roadmap, implementation of the single currency is to follow a gradual approach, allowing countries that have satisfactorily met the convergence criteria to adopt the use of the currency, while others catch up in terms of compliance. This approach is faulty on one major front. It does not stipulate the transition period for the errant countries to put their houses in order so they can join the few compliant countries. To the extent that observance of the convergence criteria is not strictly enforced, there will be little incentive for such countries to correct macroeconomic imbalances and thus guarantee membership of the Eco. Performance on the convergence criteria has been erratic, and no country has consistently met all the four primary criteria on a consistent basis. This is problematic and it undermines credibility of the monetary union.

Financial system innovation and efficient payment systems in West Africa are key to the success of the Eco. A number of large economies in West Africa have made strides with technological innovation but the level remains below the global average. In part, this is because of competition triggered by increased penetration of pan-African banks (especially those from Nigeria) in the rest of the region. The presence of foreign banks has transformed the financial ecosystem across West Africa. Nigerian banks account for a significant share of the banking sector total assets in some host countries, especially in the West African sub-region, where local banks are significantly small. For instance, in 2018, five of the 14 banks in the Gambia were from Nigeria, and accounted for 40 percent of total banking assets. In Sierra Leone, half of the 14 banks were from Nigeria, and contributed about 45 percent of total banking assets held in the country. Six of the 31 banks in Ghana were of Nigerian descent, with an asset share of 17 percent. Although increased foreign bank presence leads to greater competition and efficiency, it could also introduce new challenges for local financial regulators, especially where the regulatory framework lags the entry of foreign banks. Strengthening the payment system will facilitate real-time settlement of cross-border trade and other transactions within the region.

A regional central bank with both institutional and policy autonomy to set monetary and exchange rate policy is critical to the success of the single currency. There is still a decision to be made on structure and location of the proposed regional central bank. The Banque Centrale des Etats de l'Afrique de l'Ouest (BCAEO) for the WAEMU region located in Dakar has an existing structure. Will the new format be based on this established institution or take another form? The choice of monetary policy and exchange-rate regime depends to a great extent on the model of the ECOWAS Central Bank. The model of the ECOWAS central bank is also critical to the allocation of foreign-exchange reserves. What status would central banks in large economies assume once the model of the central bank is determined?

A common exchange rate policy depends on strong macroeconomic fundamentals. ECOWAS has four types of exchange rate arrangements—the peg for the WAEMU, stabilised float for Nigeria, floating regime for Ghana and managed float for the rest of the WAMZ members. Each of these exchange rate arrangements has different effects on macroeconomic outcomes. In general, there is no optimal exchange-rate arrangement. Thus, the choice of the exchange-rate regime for the new currency should be based on underlying macroeconomic fundamentals, which in turn are affected by country policy and non-policy circumstances. Exchange rate convergence is a prerequisite for a successful monetary union. Thus, the timing and sequencing of preparatory activities and compliance with the established macroeconomic convergence criteria and model of exchange rate arrangement is critical to the success of the Eco.

The choice of exchange rate policy hinges on the transition from CFA franc zone to the Eco and treatment of the foreign reserves deposited with the French treasury. The treatment of reserves applies to other countries as well, particularly large economies such as Nigeria. There are competing theories that the Eco could morph from the CFA or the Nigerian naira. For the CFA franc zone, untangling from such a complex and historic agreement with the French will likely be a long and difficult process. It is also likely to be a difficult decision to pool Nigeria's foreign exchange reserves into a common reserve fund. In 2018, Nigeria had more than $40 billion in foreign exchange reserves, nearly 40 times the size of the economy of The Gambia. Agreement on the pooling of reserves and the exchange rate to anchor the new currency will be critical. Pooling monetary resources and working for common objectives is optimal for ECOWAS member states, and the single currency provides a unique opportunity in a world characterized by rapid trade and other disruptions. To succeed, the project will require overcoming the political economy dimension, by marshalling support and ownership of the key players: Cote d'Ivoire, Ghana, Guinea, Nigeria, and Senegal.

A key argument for the launch of the Eco is that it will boost trade in ECOWAS. Trade can be a powerful tool to unleash the potential of the regional economy, but increased trade across members in a regional economic community does not necessarily require a single currency. Compliance and enforcement of the trade facilitation protocols and improved regional infrastructure, and sound macroeconomic conditions, are more fundamental. Thus, to be effective, regional trade policy instruments need to be aligned and consistent with continental and global rules. Within ECOWAS, noncompliance with the ECOWAS Trade Liberalization Scheme (ETLS), including through imposition of non-tariff barriers and blatant border closures, undermines the very foundation of integration and trade in the region.

The low quality of infrastructure is another factor. The region needs to explore opportunities in trade in manufactured goods and in services—health, education, tourism, financial, etc.—driven by the digital revolution. This will require addressing many challenges, including, but not limited to, archaic regulations and rent-seeking practices at border posts and along transport corridors that increase costs, reduce trade flows, and encourage informality. Furthermore, continued dependence on primary commodities for revenues and exports reflects the weak state of industrialization in the region. This is further compounded by inadequate infrastructure, which translates into a high cost of trade and difficult overall business environment.

Conclusion

The shift from CFA franc to Eco opens up a new era of economic and monetary cooperation in West Africa. The advantages of this evolution are numerous, as discussed above, and call for support for this important project. Yet, the challenges that face the implementation of this initiative calls for caution. The current context of COVID-19 and its severe impact on West African economies may have brought change in policy priorities in the region. Governments of the West African states are dealing with the health situation and the recovery of their economies, leading economic and monetary cooperation to be relegated down their priority lists. It is not therefore surprising that the adoption of the Eco as a single currency in West Africa has been postponed to 2027[6]. Leaders of the region will need to seize the opportunity of the current pandemic to rethink the Eco project. A first step could be the redefinition of the convergence criteria, the modification of the calendar of the establishment of the Eco, and decisive political actions by the key players to overcome the political economy dimension of this project. The Eco could be the major building block of a new era of development in African states, which could position the West African countries and the continent as a whole as a new growth pole leading the world economy.

6. On June 19th 2021, the 15-nation Economic Community of West African States (ECOWAS) announced 2027 as the new date to launch its single currency, the "eco".

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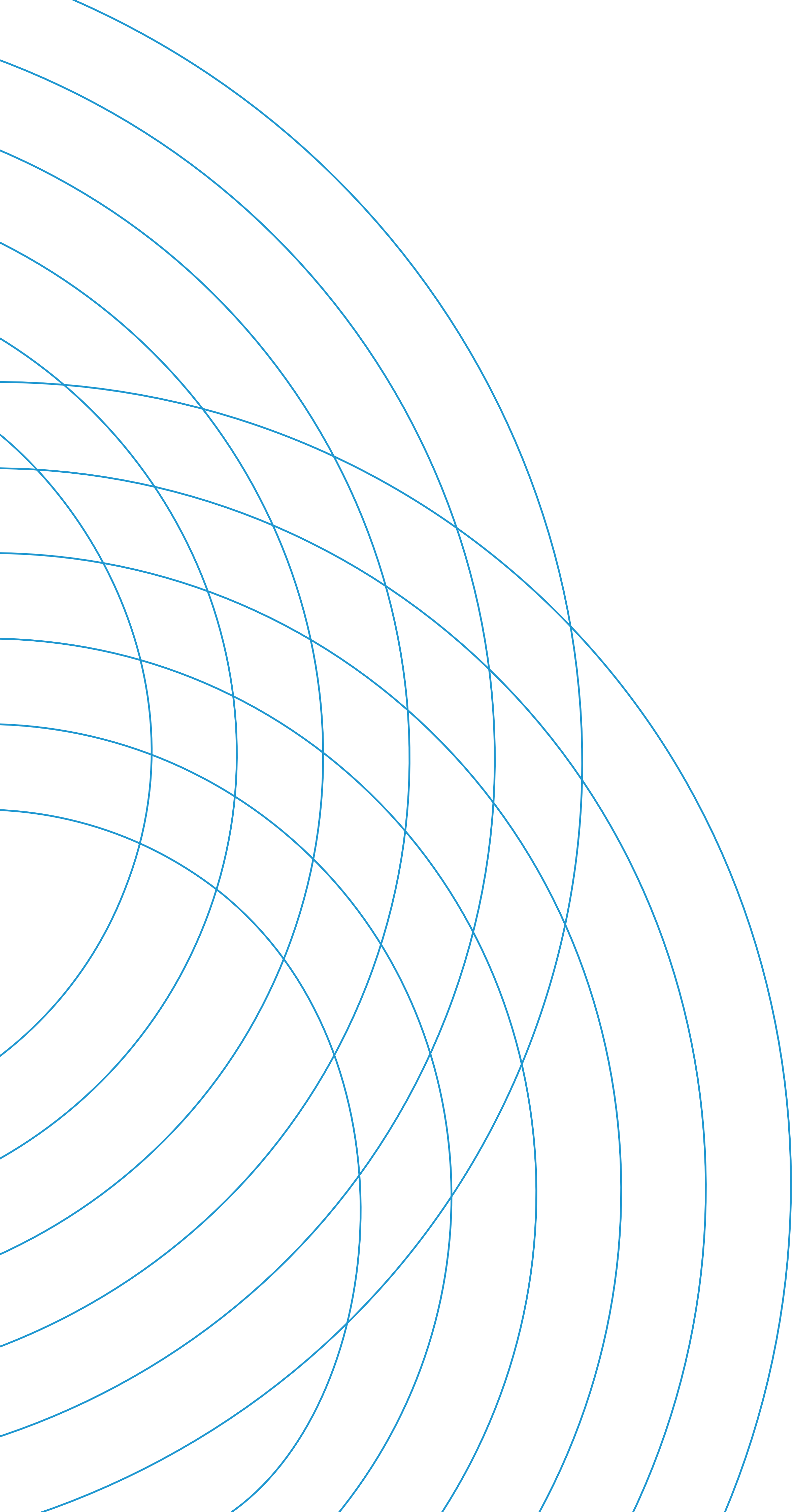

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