



BCEAO

BANQUE CENTRALE DES ETATS
DE L'AFRIQUE DE L'OUEST

2016 ANNUAL REPORT

SUMMARISED VERSION



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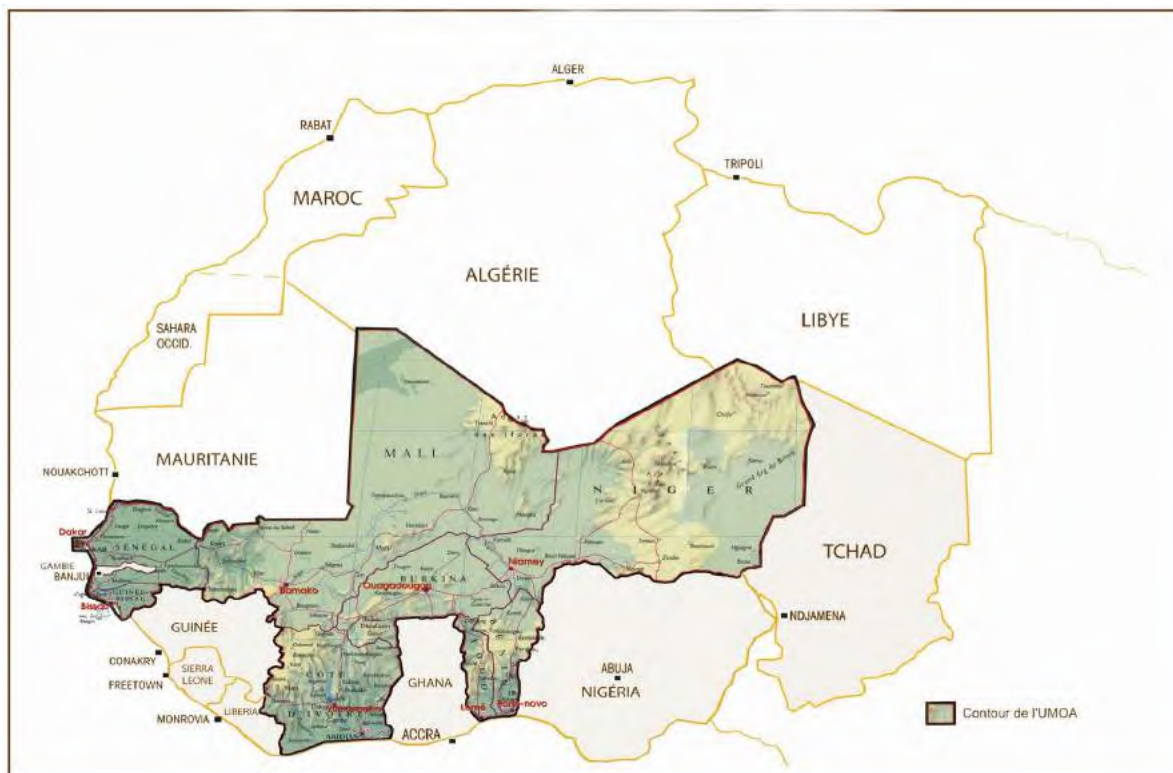
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WEST AFRICAN MONETARY UNION (WAMU)



The West African Monetary Union (WAMU), established by the Treaty of May 12, 1962 which was subsequently replaced by the treaties of November 14, 1973, and January 20, 2007, comprises the following eight member countries:



The Central Bank of West African States (BCEAO), whose fifty-fourth year of activity is described herein, is the common central bank of the WAMU member states; it is in charge notably of managing their common currency, the African Financial Community Franc (CFA Franc), and their foreign exchange reserves, as well as implementing their common monetary policy.

N.B.: - Unless otherwise specified, all values indicated in this report are expressed in CFA francs.

BCEAO HIGHLIGHTS IN 2016

The following are the highlights that marked the past financial year for the BCEAO.

AT MONETARY AND FINANCIAL LEVELS

Meeting between the Governor of the BCEAO and the presidents of professional associations of banks and financial institutions

The first semi-annual meeting for financial year 2016 took place between the Governor of the BCEAO, Mr. Tiémoko Meyliet Koné, and the federation and presidents of professional associations of banks and financial institutions of WAMU (APBEF) on February 29, 2016, at BCEAO headquarters in Dakar.

The meeting, which took place in the framework of ongoing relations between the Central Bank and the banking profession, focused on the SMEs/SMIs funding support mechanism adopted by the WAMU Council of Ministers during its session of September 29, 2015 and the modalities of its operationalization. It also served as a framework for dialogue on the concerns of the banking profession, notably in relation to funding for social housing, the establishment of Credit Information Bureaus (BICs) in WAMU, the transition to the new Basel II/III standards and the revision of the Banking Chart of Accounts.

Joint BCEAO/Banque de France IBFI seminar

In the framework of the implementation of the 2016 capacity-building program, the BCEAO, in conjunction with the Banque de France's Institut Bancaire et Financier International (IBFI), organized a seminar on the theme of "Central Bank Accounting and Budget Management" in its headquarters in Dakar, on April 6-7, 2016.

The training, provided for seventeen (17) participants in charge of accounting and budgets at the BCEAO and partner institutions such as the central banks of Algeria, Burundi, Djibouti, Guinea, Madagascar, Mauritania, Morocco, Tunisia as well as the Bank of Central African States (BEAC), was aimed at enhancing their understanding of general accounting in the central bank context.

Information and awareness seminar for the members of the WAMU Banking Commission on the Basel II and Basel III standards

On June 15, 2016, in Abidjan, an information and awareness seminar was held for the Commissioners on the Basel II and Basel III standards on the premises of the office of the Secretary General of the Banking Commission of the West African Monetary Union. The session was chaired by Mr. Tiémoko Meyliet Koné, Governor of the BCEAO and Chairman of the WAMU Banking Commission.

The aim of the meeting was to present the findings of the studies on the transposition of the Basel II and Basel III provisions into WAMU legislation, specifically the new prudential mechanism and the draft consolidated bank supervisory framework, which are applicable to credit institutions and financial companies operating in WAMU, to the members of the Banking Commission.

Presentation of the revised WAMU Banking Chart of Accounts

On August 1-5, 2016, a presentation session was held on the revised WAMU Banking Chart of Accounts (BCA), in Abidjan, at the office of the Secretary General of the Banking Commission of

the West African Monetary Union. During this session, the principal reforms of the BCA were presented to the Executive Committee of the Banking Commission and staff in charge of supervision. These reforms were dictated by the need for convergence with IFRS standards and integration of changes in credit institution regulations and activities since the entry into force of the WAMU BCA in 1996.

Regional consultation on Islamic finance

On September 5-7, 2016, the Central Bank organized a regional consultation on draft regulatory instruments governing Islamic finance in WAMU in its headquarters. The aim of this meeting was to review the interim report and the draft instruments developed with a view to setting up a regulatory framework for Islamic finance in the Union.

The meeting was attended by sixty-six (66) participants from the Directorates-General of the Treasury and Internal Revenue, professional associations of decentralized financial systems (PA-DFS), professional associations of banks and financial institutions (APBEF), the Islamic Development Bank (IsDB), the Regional Council for Public Savings and Financial Markets (CREPMF), Banque Islamique du Sénégal, Groupe Coris Bank, the office of the Secretary General of the WAMU Banking Commission, and the National Branches and Headquarters of the BCEAO.

BCEAO/IMF High-level regional conference on financial inclusion

The BCEAO organized a regional conference on financial inclusion in collaboration with the International Monetary Fund (IMF), on September 20, 2016, at BCEAO headquarters in Dakar, on the topic of: “Finance for all: promoting financial inclusion in West Africa”.

The main objective of this meeting was to provide a platform for discussion of the issues and challenges raised by this concept, particularly the best strategies to broaden popular access to financial services within the Economic Community of West African States (ECOWAS).

The conference was attended by decision-makers in charge of designing and implementing economic policies, namely Ministers of Finance, Central Bank Governors of ECOWAS member countries, private sector operators, non-governmental organizations and civil society stakeholders.

A large delegation from the International Monetary Fund (IMF), led by its Deputy Managing Director, Mr. Mitsuhiro Furusawa, participated in the event. The opening ceremony was chaired by Mr. Amadou Ba, Minister of the Economy, Finance and Planning of the Republic of Senegal, and Chairman of the WAEMU Council of Ministers.

The proceedings included four thematic sessions, followed by a closing panel. Consensus was achieved on a certain number of points. The first pertained to the primordial role of financial inclusion in the development process. In this regard, a financial system that is robust, inclusive, developed and competitive is viewed as an essential condition for the achievement of steady, sustainable and inclusive growth that can reduce poverty, inequality and exclusion.

Discussions also revealed that actions, policies and programs to promote financial inclusion were underway in almost every region of the world. The strategies adopted are built on the promotion of microfinance, digital finance—especially mobile banking—, as well as alternative and social finance, particularly Islamic finance. These actions aimed at people excluded from the traditional

financial system, and particularly at low-income households, youth, women and rural dwellers. The discussions also revealed that digital finance, and especially mobile phone financial services, had the greatest potential in terms of financial inclusion.

As for SMEs/SMIs, which represent the bulk of productive activity in most economies, it was noted that they faced the same financing issues as low-income individuals. In this regard, the central banks and public authorities should undertake the necessary initiatives, with a view to setting up instruments such as credit information bureaus, deposit guarantee funds, leasing, factoring, venture capital, as well as the creation of financial market compartments dedicated to the financing of SMEs/SMIs.

Finally, the proceedings provided an opportunity to point out that the policies implemented in the framework of financial inclusion as well as the proposed or adopted strategies cannot achieve the expected success without a stable and secure financial system overall. In this regard, central banks should fully play their supervisory and audit role in the framework of promoting microfinance and digital finance, in order to ensure a sound environment for financial inclusion, while ensuring continuous adaptation of the regulatory framework.

Awareness seminar on the reform to domesticate the Basel II and Basel III rules in the West African Monetary Union

On September 21, 2016, an awareness seminar on the reform aimed at transposing the Basel II and Basel III rules into the West African Monetary Union was held at BCEAO headquarters, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the BCEAO. The event, which was attended by one hundred and sixty-six (166) participants, including Managing Directors of credit institutions and parent companies of banking groups operating in the Union, was aimed at presenting the stakes of the reform and the innovations in the instruments adopted by the Council of Ministers of the Union in its session of June 24, 2016, to wit:

- The new prudential mechanism applicable to credit institutions and financial companies in the Union, which will enter into force on January 1st, 2018;
- the mechanism for supervision on a consolidated basis, which has been in force since its adoption.

AT THE ECONOMIC INTEGRATION AND MONETARY COOPERATION LEVELS

Signing of a memorandum of understanding on cooperation between the WAMU Banking Commission and the Central Bank of Congo

On January 12, 2016, at the BCEAO Representation in Paris, the Governor of the BCEAO, Mr. Tiémoko Meyliet Koné, and the Governor of the Central Bank of Congo, Mr. Deogratias Mutombo Mwana Nyembo, signed a memorandum of understanding on cooperation between the banking supervisory authorities of the zones. The aim of the memorandum of understanding is to preserve the stability and robustness of the financial systems of the West African Monetary Union (WAMU) and the Democratic Republic of the Congo (DRC), in the light of the expansion of cross-border banking and financial transactions and the related risks. To take one example, Ecobank Transnational Incorporated (ETI), a holding company originating in the WAMU zone, has a banking subsidiary in the DRC. In addition, both jurisdictions (WAMU and DRC) host subsidiaries of the First Bank of Nigeria, Nigeria's foremost bank. These are the Banque Internationale de Crédit in the DRC and the International Commercial Bank in Senegal.

Fourth African Mobile Phone Financial Services Policy Initiative Leaders Round Table

The fourth round table of African Mobile Phone Financial Services Policy Initiative Leaders (AMPI), co-organized by the BCEAO and the Alliance for Financial Inclusion (AFI), took place in Dakar on February 4-5, 2016.

The event was attended by approximately one hundred participants from twenty-two (22) African countries, notably the Governors and Deputy Governors of the central banks belonging to the AFI, as well as representatives of African states, the banking and microfinance sectors, payment services providers, and partners in development.

The proceedings of the round table essentially focused on the means of promoting access to digital financial services for a larger proportion of the population as well as in terms of action aimed at ensuring a physical presence for AMPI in Africa, by setting up a regional office with a view to reinforcing its effectiveness.

At the outcome of the meeting, Mr. Ernesto Gouveia Gove, Governor of the Central Bank of Mozambique, and Dr. Louncény Nabé, Governor of the Central Bank of the Republic of Guinea, were respectively elected to the positions of Chairperson and Deputy Chairperson of AMPI.

Meeting of the Executive of the Association of African Central Banks (AACB)

The first ordinary meeting of the Executive of the Association of African Central Banks (AACB) took place on March 3, 2016, at BCEAO headquarters, under the chairmanship of Mr. Lucas Abaga Nchama, Governor of the Bank of Central African States (BEAC), its current chairperson. The aim of this meeting was to hold an in-depth discussion on the implementation of the monetary and financial integration process on the African continent, particularly the decisions pronounced by the 38th session of the Committee of Governors held in Malabo in August 2015.

Participation in the African Union Conferences of Ministers of Economy and Finance

The Central Bank also attended the 9th joint annual meeting of the AU Conference of African Ministers of Economy and Finance (CAMEF) and the Conference of African Ministers of Finance, Planning and Economic Development of the United Nations Economic Commission for Africa (CM-ECA), held on April 4-5, 2016, at ECA headquarters in Addis Ababa, Ethiopia. The meeting focused on the following theme: "Towards an integrated and coherent approach for the implementation, monitoring and evaluation of Agenda 2063 and the Sustainable Development Goals".

At the outcome of the meeting, it was apparent, inter alia, that the progress achieved by African countries in terms of meeting the Millennium Development Goals (MDGs) was considerable, but that it remained insufficient to achieve equitable and inclusive development. In addition, African countries were urged to explore South-South cooperation, in order to take advantage of the opportunities provided by emerging economic powers.

Participation in the twenty-third conference of central bank governors of francophone countries

A BCEAO delegation, led by the Governor, took part in the 23rd conference of central bank governors of francophone countries in Equatorial Guinea, on May 11-13, 2016. This edition provided an opportunity to examine the report of the working group set up by the Governors on the status of financial inclusion in the French-speaking member countries.

Participation in the meetings of the Ministers of Finance of the Franc Zone countries

The BCEAO attended both meetings of the Ministers of Finance of the Franc Zone countries organized in 2016, respectively in April in Yaoundé, Cameroon, and in September in Paris, France. The meetings focused on several themes, in addition to a review of the status of convergence in the Zone. These notably included the reinforcement of follow-up on the recommendations issued by meetings of Franc Zone Ministers, measures to improve the efficiency of public investments, credit development, public policies to deal with declining prices of extractive raw materials and trade integration in the Franc Zone.

Semi-annual meeting of the Franc Zone Liaison Committee on Money Laundering

The first semi-annual meeting of the Liaison Committee on Money Laundering (CLAB) for the year 2016 was held at BCEAO headquarters on March 16, 2016. It was attended by 23 participants from the BCEAO, Banque de France, the Central Bank of the Comoros, the Bank of Central African States (BEAC), the Action Group against Money Laundering in Central Africa (GABAC), the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), the Financial Action Task Force (FATF-GAFI), the WAEMU Commission and the offices of the Secretaries General of the Central Africa and WAMU Banking Commissions.

The meeting also focused on the situation with regard to the fight against money laundering and terrorist financing in the economic and monetary unions of the Franc Zone (CEMAC, WAEMU and Comoros), as well as on the changes in the regulations and the actions conducted by the banking sector supervisory authorities and regional organizations.

Meetings on the sidelines of the spring meetings of the Bretton Woods Institutions

In the framework of increasing integration between the West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CEMAC), the BCEAO and the Bank of Central African States (BEAC) continued concertation on plans to interconnect the payment systems and regulations of the two zones and the CFA franc notes exchange program restricted to tourist allowances in foreign currencies.

With this in mind, the Governors of both Institutions met on the sidelines of the spring meetings of the Bretton Woods Institutions to ensure the effective implementation of these two areas of cooperation. At the current stage, the technical discussions have been completed. They culminated in the production of draft instruments whose signing remains conditional on the approval of the CEMAC authorities.

The Governor of the BCEAO also met with Mr. Mohammed Laksaci, Governor of the Central Bank of Algeria. The two Governors discussed the prospects for enhanced cooperation between the two central banks.

Participation in the meeting of the advisory group for the funding of the national development plan of Côte d'Ivoire

On May 17-18, 2016, the Governor attended the meeting of the advisory group for the funding of the national development plan of Côte d'Ivoire, organized in Paris by the Ministry of Planning and Development of the Republic of Côte d'Ivoire. The aim of the meeting was to present the economic and social development program for Côte d'Ivoire contained in the 2016-2020 national

development plan to all of the country's technical and financial partners with a view to securing the public and private foreign financing required for its implementation.

Annual meetings of the Alliance for Financial Inclusion

The Governor of the BCEAO participated in the annual meetings of the Alliance for Financial Inclusion (AFI) in Nadi, Fiji, on September 7-9, 2016. The events included the Annual General Meeting (AGM) of the Alliance and the Global Policy Forum on financial inclusion (GPF). The General Meeting chiefly focused on a review of the revised statutes of AFI and the plan of action of Denarau aimed at closing the gender gap in terms of financial inclusion. The 2016 edition of the Forum on financial inclusion focused on the theme of: "Building the Pillars of Sustainable Inclusion." The various sessions that made up the proceedings provided an opportunity to examine the links between financial inclusion and sustainable development, recognized worldwide in the form of the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on financing for development.

Tenth meeting of the sub-regional unit in charge of reconciling data on intra-WAEMU exchanges

The tenth meeting of the sub-regional unit in charge of reconciling data on intra-WAEMU exchanges was held at Central Bank headquarters in Dakar, on September 19 and 20, 2016. The goal of the meeting was to correct the asymmetries in the data on the trade in goods, the flow of tourists, remittance payments and foreign direct investments.

The meeting brought together participants from the statistical administrations and customs departments of the member states of the Union, the WAEMU Commission and the BCEAO National Branches. The findings of the proceedings pointed to an increase in intra-Community trade, confirming the consolidation of the economic integration process between the member states of the Union.

The meeting also offered an opportunity to discuss the new method for preparing the quarterly external accounts of the member states of the Union, which should help facilitate their compliance with the Special Data Dissemination Standard (SDDS). It also enabled the participants to agree on the means of ensuring consistency between the data on foreign direct investments declared by businesses.

Working visit by the Governor of the BCEAO to Bank Al-Maghrib

Mr. Tiémoko Meyliet Koné, Governor of the BCEAO, paid a working visit to his counterpart at Bank Al-Maghrib, Mr. Abdellatif Jouahri, on November 2-6, 2016. Their meeting afforded the Governors with an opportunity to discuss recent changes and outlooks for the economic and financial situation in WAEMU and in Morocco as well as to address means of strengthening and deepening the special cooperation and partnership ties between the two central banks. At the end of the meeting, the Governors signed the new version of the Convention on cooperation in banking supervisory matters, exchanges of information and general cooperation, the original version of which was ratified in Marrakesh in May 2009. The Governors also agreed to continue organizing regular formal meetings between the two Institutions, with a view to continuing and strengthening exchanges of experiences and capitalizing on their respective achievements.

Donor round table on the financing of the regional financial inclusion strategy in the West African Economic and Monetary Union

A donor round table on the financing of the regional financial inclusion strategy in the Union was organized at BCEAO headquarters in Dakar on November 17, 2016, in partnership with the United Nations Capital Development Fund (UNCDF). The meeting was held in follow-up to the adoption by the WAMU Council of Ministers of a regional policy and strategy framework document on financial inclusion in the Union, on June 24, 2016.

The purpose of the round table was to obtain firm financing commitments from technical and financial partners, with a view to mobilizing the necessary resources to implement the regional strategy. The event was chaired by the Governor of the BCEAO, and was notably attended by the Executive Secretary of UNCDF, Ms. Judith Karl, in addition to technical and financial partners from some thirty institutions desirous of supporting the work of the Central Bank with a view to improving access for population groups traditionally excluded from the financial system of the Union (i.e. women, youth, rural dwellers, small and medium-sized enterprises and people with limited financial education) to a variety of financial products and services that are affordable and tailored to their needs.

The proceedings took the form of a plenary session during which commitments totalling some 12 billion CFA francs were made, pending the finalization of the process. The next steps included the establishment of an operational architecture for the implementation of the strategy, through the creation of a project management and coordination unit (UGC) and the signing of specific partnership agreements with the potential donors.

Participation in the Burkina Faso Development Partners Conference for the financing of the national social and economic development plan (PNDES)

The Governor of the BCEAO took part in the conference organized by the Government of Burkina Faso for the financing of the national social and economic development plan (PNDES), held in Paris on December 7-8, 2016, on the theme of: "PNDES 2016-2020: structural transformation of the Burkinabe economy and well-being of the people". The conference was aimed, on the one hand, at providing the Government of Burkina Faso with an international platform to present its vision and strategic orientations to its partners with a view to achieving its 2016-2020 development goals and, on the other hand, at registering their agreements in principle with a view to mobilizing the necessary resources for the implementation of the PNDES.

IN TERMS OF THE MANAGEMENT OF THE BCEAO

Entry into force of the new BCEAO staff regulations

The new BCEAO staff regulations entered into force on January 1, 2016. The regulations, based on a revision of the regulatory arrangements applicable to Central Bank staff since 2011, take account of the changes arising from the human resources management modernization project. These changes mostly pertain to the staff performance evaluation system and rules governing staff classification, which have been replaced by career paths. The aim was to align the Central Bank human resources management policy with the highest international standards and the practices of institutions of a similar nature. Furthermore, the revision of the BCEAO staff regulations provided an opportunity to integrate the amendments pertaining to the improvement of the Central Bank staff management system and a better enforcement of the instruments and harmonization of the practices.

The Governor of the BCEAO, recipient of the French Legion of Honour

The Governor of the BCEAO, Mr. Tiémoko Meyliet Koné, was made an Officer of the French Legion of Honour on May 4, 2016, in Paris, during a formal ceremony at Hôtel Matignon, the official residence of the French Prime Minister. Surrounded by his family, friends and some of his colleagues, and in the presence of the Ambassador of the Republic of Côte d'Ivoire in France and several other distinguished guests, including Mr. Jean-Claude Trichet, Mr. Michel Camdessus and Mr. Christian Noyer, former Governors of the Banque de France, the prestigious distinction was presented to Mr. Koné by French Prime Minister Manuel Valls.

Reviewing the illustrious career and the many qualities of the Governor of the BCEAO, the Prime Minister stated the reasons that led the highest authorities of the French Republic to award him the honour. Mr. Valls stressed the personal and professional merits of Governor Koné.

In return, the Governor of the BCEAO thanked the Prime Minister for the high honour bestowed upon him and asked him to express his deep gratitude to the President of the French Republic, Mr. François Hollande, in whose name the insignia of Officer of the Legion of Honour were conferred on him.

The Governor of the BCEAO, Commander of the International Order of Academic Palms of the African and Malagasy Council for Higher Education

Governor Tiémoko Meyliet Koné was also given the title of Commander of the International Order of Academic Palms (OIPA) of the African and Malagasy Council for Higher Education (CAMES), during the 33rd meeting of the Council of Ministers of the CAMES, on May 6, 2016. This distinction followed from resolutions taken by the CAMES during its December 7-11, 2015, meeting in Brazzaville, Congo, during which the Council decided to grant Governor Tiémoko Meyliet Koné the title of Commander of the OIPA in recognition of his initiatives for the promotion of higher education and research, particularly in the field of economics.

During his speech, the Secretary General of the CAMES, Prof. Bertrand Mbatchi, stated that the nomination was due to the positive impact of the activities of the BCEAO in terms of training, particularly the COFEB degree programs and qualifying seminars, as well as the organization of high-level topical conferences.

The distinction was also awarded in recognition for the support provided for the African Center for Higher Education in Management (CESAG) and all of the actions conducted by the BCEAO for the promotion, enhancement and dissemination of research in Africa, notably, the Abdoulaye Fadiga Prize for the promotion of economic research, the Economic and Monetary Review, the conferences co-organized by the BCEAO and universities and research centers, and fellowship programs.

It should be recalled that the Academic palms were created in 2002 as a means of expressing the CAMES' gratitude to personalities who contributed to the growth and overall development of quality education systems on the continent. The order grants five honorary distinctions, including three ranks (Knight, Officer and Commander) and two dignities (Grand Officer and Grand Cross).

**MEMBERSHIP OF THE STATUTORY BODIES AND
ORGANIZATION CHART OF THE BCEAO**

MEMBERSHIP OF THE WAMU CONFERENCE OF HEADS OF STATE AND GOVERNMENT

As at December 31, 2016

CHAIRMAN: His Excellency Doctor **Alassane OUATTARA**,
President of the Republic of Côte d'Ivoire.

His Excellency **Patrice TALON**,
President of the Republic of Benin.

His Excellency **Roch Marc Christian KABORE**,
President of Burkina Faso.

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

His Excellency **José Mario VAZ**,
President of the Republic of Guinea-Bissau.

His Excellency **Ibrahim Boubacar KEÏTA**,
President of the Republic of Mali.

His Excellency **Issoufou MAHAMADOU**,
President of the Republic of Niger.

His Excellency **Macky SALL**,
President of the Republic of Senegal.

His Excellency **Faure Essozimna GNASSINGBE**,
President of the Togolese Republic.

MEMBERSHIP OF THE WAMU COUNCIL OF MINISTERS

As at December 31, 2016

CHAIRMAN: Mr. Amadou BA,

Minister of the Economy, Finance and Planning of the Republic of Senegal.

Republic of Benin

Mr. Romuald WADAGNI, Minister of the Economy and Finance;

Mr. Abdoulaye BIO TCHANE, Senior Minister in charge of Planning and Development.

Burkina Faso

Ms. Hadizatou Rosine SORI COULIBALY, Minister of the Economy, Finance and Development;

Mr. Eric Wendenmanegha BOUGOUMA, Minister of Infrastructure.

Republic of Côte d'Ivoire

Mr. Adama KONE, Minister in charge of the Economy and Finance;

Mr. Abdourahmane CISSE, State Budget and Portfolio Minister under the Prime Minister.

Republic of Guinea-Bissau

Mr. Joao Alage Mamadu FADIA, Senior Minister of the Economy and Finance;

Mr. Victor Luis Pinto Fernandes MANDINGA, Minister of Commerce and the Promotion of Entrepreneurship.

Republic of Mali

Dr. Boubou CISSE, Minister of the Economy and Finance;

Mr. Abdel Karim KONATE, Minister of Commerce.

Republic of Niger

Mr. Massoudou HASSOUMI, Minister of Finance;

Ms. Aïchatou BOULAMA KANE, Minister of Planning.

Republic of Senegal

Mr. Amadou BA, Minister of the Economy, Finance and Planning;

Mr. Birima MANGARA, Deputy Minister in charge of the Budget, Ministry of the Economy, Finance and Planning, in charge of the Budget.

Togolese Republic

Mr. Sani YAYA, Minister of the Economy and Finance;

Mr. Kossi ASSIMAÏDOU, Minister of Planning and Development.

MEMBERSHIP OF THE BCEAO MONETARY POLICY COMMITTEE

As at December 31, 2016

CHAIRMAN: Mr. Tiémoko Meyliet KONE

Governor of the BCEAO.

Vice-Governors of the BCEAO

Mr. Jean-Baptiste COMPAORE;

Mr. Mamadou DIOP.

MEMBERS REPRESENTING THE STATES

Republic of Benin

Mr. Houéssou Yaovi HADONOU, Director of Monetary and Financial Affairs.

Burkina Faso

Mr. Ousmane OUEDRAOGO, Former Vice Governor of the BCEAO, Former Senior Minister of Finance and Planning.

Republic of Côte d'Ivoire

Mr. Mama OUATTARA, Professor at Université Félix Houphouët-Boigny de Cocody, Director of the economic policy group (Groupe de Politique Economique - GPE).

Republic of Guinea-Bissau

Mr. Rui Duarte FERREIRA, Advisor to the Minister of the Economy and Finance, in charge of International Affairs.

Republic of Mali

Mr. Bangaly N'ko TRAORE, Director General of the Public Debt Management Office.

Republic of Niger

Mr. Mahamane Annou MALLAM, Former Chairman of the Study and Research Group on Democracy and Economic and Social Development in Africa (GERDDES).

Republic of Senegal

Mr. Aliou FAYE, Director of the centre for development policy studies (Centre d'Etudes de Politiques pour le Développement - CEPOD).

Togolese Republic

Mr. Mongo AHARH-KPESSOU, Permanent Secretary for the Monitoring of Reform Policies and Financial Programs.

French Republic

Ms. Françoise DRUMETZ, Director of Microeconomic and Structural Studies, Banque de France.

MEMBERS APPOINTED INTUITU PERSONAE

Mr. Lansina BAKARY, Expert Consultant, former Economic Advisor to the Governor of the BCEAO, Abidjan (Republic of Côte d'Ivoire);

Mr. Maïna Boukar MOUSSA, Vice President, Study and Research Group on Democracy and Economic and Social Development in Africa (GERDDES), Niamey, Republic of Niger;

Dr. Adama DIAW, Professor of Economics, Director of the Doctoral school of human and social science (Ecole Doctorale des Sciences de l'Homme et de la Société) of Gaston Berger University, Saint-Louis, Republic of Senegal.

MEMBERSHIP OF THE BCEAO BOARD OF DIRECTORS

MEMBERSHIP OF THE BCEAO BOARD OF DIRECTORS

As at December 31, 2016

CHAIRMAN: Mr. Tiémoko Meyliet KONE

Governor of the BCEAO.

Republic of Benin

Mr. Oumara Karimou ASSOUMA, Director General of Treasury and Public Accounting.

Burkina Faso

Mr. Naby Abraham OUATTARA, Director General of Treasury and Public Accounting.

Republic of Côte d'Ivoire

Mr. Konan Jacques ASSAHORE, Director General of Treasury and Public Accounting.

Republic of Guinea-Bissau

-

Republic of Mali

Ms. Sidibé Zamilatou CISSE, Secretary General of the Ministry of the Economy and Finance.

Republic of Niger

Mr. Taher HASSANE, Secretary General of the Ministry of the Economy and Finance.

Republic of Senegal

Mr. Adama Racine SOW, Treasurer General, Chief Accountant of the General Directorate of Public Accounting and the Treasury.

Togolese Republic

Mr. Sévon-Tépé Kodjo ADEDZE, Director General of Togo Customs (Togolese Revenue Office).

French Republic

Mr. Cyril ROUSSEAU, Deputy Director in charge of Multilateral Financial Affairs and Development at the General Directorate of the Treasury.

MEMBERSHIP OF THE BCEAO AUDIT COMMITTEE

As at December 31, 2016

Chair: Mr. Adama Racine SOW,

Treasurer General, Chief Accountant of the General Directorate of Public Accounting and the Treasury, Republic of Senegal.

Republic of Benin

Mr. Oumara Karimou ASSOUMA, Director General of Treasury and Public Accounting.

Republic of Niger

Mr. Taher HASSANE, Secretary General of the Ministry of the Economy and Finance.

Republic of Senegal

Mr. Adama Racine SOW, Treasurer General, Chief Accountant of the General Directorate of Public Accounting and the Treasury.

Togolese Republic

Mr. Kodjo Sévon-Tépé ADEDZE, Director General of Togo Customs (Togolese Revenue Office).

CENTRAL BANK OF WEST AFRICAN STATES

As at December 31, 2016

GOVERNMENT

Governor:	Mr. Tiémoko Meyliet KONE
Vice-Governor:	Mr. Jean-Baptiste M. P. COMPAORE
Vice-Governor:	Mr. Mamadou DIOP
Secretary General:	Mr. Abdoulaye SECK
Cabinet Director:	Mr. Siriki KONE
Special Advisor to the Governor:	Mr. Oumar Tatam LY
Advisor to the Governor:	Mr. Jean-Baptiste Ayayé AMAN

GENERAL CONTROL

Comptroller General:	Mr. Jean-Baptiste Ayayé AMAN
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GENERAL DIRECTORATES

Director General of Administration and Property:	Mr. Alioune Blondin BEYE
Director General of Economic and Monetary Studies:	Mr. Ismaïla DEM
Director General of Cash Transactions and Activities:	Mr. Armand BADIEL
Director General of Organization and Information Systems:	Ms. Aminata FALL NIANG
Director General of Human Resources, Training and Legal Affairs:	Ms. Akouélé Sylviane MENSAH
Director General of Financial Stability and Inclusion:	Mr. Ousmane Samba MAMADOU
Advisor to the Comptroller General:	Mr. Kadjemna Guy GO-MARO
Advisors to the Directors General	
Advisor to the Director General of Administration and Property:	Mr. Ibrahima SYLLA
Advisor to the Director General of Economic and Monetary Studies:	Mr. Bassambié BATIONO
Advisor to the Director General of Organization and Information Systems:	Mr. Horo COULIBALY
Advisor to the Director General of Human Resources, Training and Legal Affairs:	Mr. Abdoulaye TRAORE
Advisor to the Director General of Financial Stability and Inclusion:	Vacant

CENTRAL SERVICES DEPARTMENTS

Director, the Budget and Procurement:	Mr. Fama Adama KEÏTA
Director, Property:	Mr. Ali SEINI OUMAR
Director, Security:	Ms. Flora Madja ZOHOUN
Director, General Services:	Mr. Emmanuel Junior ASSILAMEHOO
Director, Economic Conditions and Monetary Analysis:	Vacant
Director, Studies and Research:	Mr. Clément ADOBY
Director, Statistics:	Mr. Madani TOURE
Director, Fiduciary Activities:	Mr. Djibril CAMARA
Director, Market Transactions:	Mr. Habib THIAM
Director, Payment Systems and Instruments:	Ms. Akuwa DOGBE AZOMA
Director of Accounting:	Mr. Ekoué Djro GLOKPOR
Director, Management Control:	Mr. Kora LILIOU
Director, Organization and Methods:	Mr. Mohamed Almountaka ALFIDJA
Director, Information Systems:	Mr. Tiéguélé Abdoul F. COULIBALY
Director, Centre Ouest Africain de Formation et d'Etudes Bancaires (COFEB, West African centre for bank training and studies):	Ms. Aminata HAIDARA
Director, Legal Affairs:	Vacant
Director, Administrative and Social Management of Human Resources:	Ms. Marie Evelyne SEABE
Director, Career and Skills Management:	Ms. Helena Maria José Nosolini EMBALO
Director, Banking Activities and Financing of the Economies:	Mr. Antoine TRAORE
Director, Microfinance and Financial Inclusion:	Mr. Patrick KODJO
Director, Financial Stability:	Mr. Thierry TOFFA
Director, Inspection and Audits:	Mr. Kadjemna Guy GO-MARO
Director, Risk Prevention:	Mr. Diaffra HAROUNA

REPRESENTATIONS

Resident Representative of the Governor with
the West African Economic and Monetary
Union (WAEMU) Commission:

Mr. Charles Luanga KI-ZERBO

Representative of the BCEAO with the
European cooperation institutions:

Vacant

NATIONAL DIRECTORS

National Director for Benin:

Mr. Gbégnon Alain Michel KOMACLO

National Director for Burkina Faso:

Mr. Charles Luanga KI-ZERBO

National Director for Côte d'Ivoire:

Mr. Chalouho COULIBALY

National Director for Guinea-Bissau:

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National Director for Mali:

Mr. Konzo TRAORE

National Director for Niger:

Mr. Maman Laouane KARIM

National Director for Senegal:

Mr. Ahmadou Al Aminou LO

National Director for Togo:

Mr. Kossi TENOU

OFFICE OF THE SECRETARY GENERAL OF THE WAMU BANKING COMMISSION

Secretary General:

Ms. Séna Eida KPOTSRA

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Tiémoko Meyliet Koné
Governor of the Central Bank of
West African States

GOVERNOR'S MESSAGE

The economies of the member states of the West African Economic and Monetary Union (WAEMU), showed renewed vitality in 2016. In real terms, the rate of growth in the gross domestic product of the Union stood at 6.8% in 2016, up from 6.6% in 2015 and 2014.

Strong public and private investments, a boost in agricultural production and high prices in the principal exported raw materials were conducive to growth, which was also driven by the secondary and tertiary sectors. The inflation rate averaged 0.3% in 2015, compared to 1.0% in 2015.

The 2016 financial year was also marked by the continued execution of the work undertaken by the Central Bank to improve funding of the economies of the Union, notably through the promotion of leasing, investment capital and Islamic finance. The Central Bank also worked to enhance the stability of the financial system, particularly through the implementation of the Basel II and Basel III provisions in the Union, and its actions to promote the strengthening of banking crisis resolution mechanisms and depositor protection.

In addition, to further stimulate the growth dynamic observed over the past four years and allow for sustainable sharing of its benefits, the member states of the Union decided to boost their actions in the area of financial inclusion. Accordingly, during its regular session of June 24-25, 2016, the Council of Ministers of the Union adopted the regional policy and strategy framework document on financial inclusion in WAEMU and the corresponding plan of action and budget.

This community-wide initiative is founded on the need to create synergy between the growing number of activities carried out by the Central Bank and the WAEMU member states for the promotion of financial inclusion. It constitutes a frame of reference for a shared vision, notably with regard to ensuring access to and use of a wide range of appropriate and affordable financial products and services for 75% of the adult population of the West African Economic and Monetary Union, within five years.

The Union thereby intends to enhance the financial culture of its people, notably through the use of new technologies, and facilitate access to formal financial services for people without bank accounts and facilitate funding for small and medium enterprises and, beyond that, create income-generating activities to effectively and sustainably fight poverty.

It is in this spirit that the Central Bank organized a high-level regional conference on September 20, 2016, at its headquarters in Dakar, on the theme of: "*Finance for all: promoting financial inclusion in West Africa*".

Organized jointly with the International Monetary Fund (IMF), the meeting allowed the participants, who came from all of the Economic Community of West African States (ECOWAS) member states, to reach a certain consensus at the outcome of their sharing of experiences and best practices.

In this regard, a financial system that is inclusive, competitive and high in quality has been identified as an essential condition for the achievement of steady, sustainable growth that can reduce poverty,

inequality and social exclusion. In addition, the proceedings provided an opportunity to point out that the policies implemented in the framework of financial inclusion as well as most of the proposed or adopted strategies could not achieve their expected success without a stable and secure financial system overall.

With this in mind, the Central Bank intends to play a full-fledged supervisory and audit role in the framework of promoting microfinance and digital finance, in order to ensure a sound environment for financial inclusion, without standing in the way of innovation.

**The Governor of the Central Bank
of West African States,**

Chairman of the Board of Directors

OVERVIEW

In 2016, the global economy was less buoyant than in 2015. An economic slowdown was visible in industrialized countries, contrasting with a slight upturn in activity in emerging economies. The growth rate of the global economy stood at 3.1% in 2016, after 3.2% in 2015 according to International Monetary Fund (IMF) estimates established in January 2017.

In this overall context, the economies of the West African Economic and Monetary Union (WAEMU) member states showed resilience. The gross internal product of the Union was estimated to have increased by 6.8% in 2016, following 6.6% growth in 2015. This growth was driven by all sectors, although the strongest contribution was made by the tertiary sector, followed by the secondary sector.

The inflation rate in the Union averaged 0.3% in 2016, compared to 1.0% the previous year. The slowdown in inflation reflected a smaller increase in food prices and a drop in the prices of petroleum products.

In terms of the execution of the financial operations of the member states of the Union, the overall deficit, based on commitments and including grants, stood at 2,341.9 billion at the end of December 2016, against 2,205.4 billion one year prior. As a percentage of the GDP, the deficit improved slightly by 0.1 point, reaching 4.0% in 2016, following a drop of 0.2 percentage point of the GDP in total spending between 2015 and 2016, partially offset by the drop of 0.1 percentage point of the GDP in total revenue and grants.

The overall outstanding foreign debt of all Union member states was estimated at 13,328.1 billion CFA Francs at the end of December 2015, compared to 11,347.2 billion CFA Francs at the end of December 2014, an increase of 17.5%. The trend reflects increased drawdowns on loans, which stood at 1,947.0 billion in 2015, up 53.7% compared to 2014. The ratio of outstanding debt to GDP was 24.9% in 2015 compared to 23.0% the previous year.

The current account deficit stood at 4.8% of the GDP, compared to a level of 6.0% one year prior, for an improvement of 1.2 percentage point of the GDP. This development was essentially due to a drop in deficits in goods and services (+1.5% of the GDP), whose impact was offset by a deterioration in the balance of the primary income account (-0.2% of the GDP). Foreign trade in FY 2016 culminated in an overall deficit of 951.2 billion compared to a deficit of 191.5 billion in 2015. This situation was essentially due to the drop in net flows into the financial account, notably due to decreased foreign resource mobilization and a drop in foreign direct investments.

As at the end of December 2016, the net foreign assets of the monetary institutions stood at 3,648.9 billion, down 1,102.4 billion or 23.2% compared to the end of December 2015. The official foreign exchange reserves of the BCEAO dropped by 1,032.2 billion, reaching 6,490.5 billion. The Central Bank's currency issue coverage fell to 68.2% compared to 80.2% in December 2015.

Outstanding domestic claims rose by 3,373.6 billion or 17.2% compared to their level at the end of December 2015, reaching 22,989.1 billion at the end of December 2015. This trend was driven by the increase of 1,887.6 billion in net depositing institution receivables owed to central governments, pertaining to bank subscriptions to public securities issued on the regional market. Bank assistance

to sectors other than the central government progressed by 1,486.0 billion to stand at 16,795.8 billion. Reflecting the trends in its counterparties, the money supply grew by 10.2%, reaching 22,316.6 billion in the 2016 financial year.

In a context of moderate inflation and in order to support the economy, the BCEAO continued to implement an accommodating monetary policy. Its principal leading interest rate remained unchanged, and the minimum bid rate on regular cash injection tender transactions also remained unchanged at its historic low of 2.50% since September 16, 2013. On the other hand, it increased the interest rate on its marginal lending window from 3.50% to 4.50% as of December 16, 2016, to take account of the imperfections of the interbank market as well as the need to enhance the effectiveness of the liquidity management policy. The required reserve coefficient applicable to the banks of the Union was also kept unchanged at 5.0%, the level that has been in force since March 16, 2012.

In 2016, the WAEMU banking network grew by one (1) unit compared to the previous year, reaching a total of one hundred and thirty-eight (138) units.

Trends were generally positive on the capital markets of the Union. On the money market, aggregate outstanding advances on Central Bank windows stood at 3,000.0 billion at the end of December 2016 against 2,570.0 billion at the end of December 2015, for a year-over-year increase of 430.0 billion (+16.7%). On the interbank market, the average volume of loans stood at 381.5 billion at the end of December 2016, compared to 310.7 billion in December 2015. On the regional public debt securities market, overall outstanding public securities stood at 8,621.4 billion or 14.8% of the GDP at the end of December 2016, compared to 6,388.5 billion or 12.2% of the GDP one year prior.

In terms of the management of banknotes and coins, the volume of withdrawal and deposit transactions through Central Bank windows in FY 2016 totalled 4,853.8 million in banknotes and coins, against 4,819.8 million units in FY 2015, an increase of 0.7%. Compared to 2015, the share of banknotes in circulation outside banks remained virtually unchanged at 97.2%.

Where international cooperation is concerned, transactions carried out by the Central Bank and the IMF on behalf of WAEMU member states culminated, in FY 2016, in net inflows of resources amounting to 23.6 million SDRs against 62.3 million SDRs one year prior. Costs covered by the BCEAO in the framework of its transactions with the IMF amounted to 0.5 million SDRs (401.8 million CFA Francs) against 0.4 million SDRs (350.7 million CFA Francs) the year before.

With regards to the running of the Central Bank, during the 2016 financial year, the Organs of the Union held their meetings in conformity with the provisions of the Treaty of 20 January 2007 establishing the West African Monetary Union and the Statutes of the Central Bank of West African States. The Conference of Heads of State and Government of the Union held its 19th ordinary session on January 8, 2016, in Cotonou, Republic of Benin. It also held an extraordinary session on June 5, 2016, in Dakar, Senegal. The Council of Ministers held three (3) ordinary sessions and one (1) extraordinary session, while the Monetary Policy Committee of the BCEAO and its Board of Directors respectively held four (04) and two (02) ordinary meetings.

In keeping with the mechanisms set in place, monitoring was carried out on the projects under the Bank's 2016-2018 Strategic Plan. Overall, the implementation status of the strategic projects of the Bank organizations was deemed satisfactory in FY 2016. In addition, in the framework of updating of the detailed plans of action for each body, the strategic diagnosis was brought up to date in order to identify new issues that could impact the strategic vision of the Bank.

During the 2016 financial year, the Central Bank continued to execute the work undertaken to improve funding of the economies of the Union, notably through the promotion of leasing, investment capital and Islamic finance. The Bank also worked to enhance the stability of the financial system, particularly through the implementation of the Basel II and Basel III provisions in the Union, and its actions aimed at enhancing resilience in crisis situations. In addition, the Central Bank also consolidated its initiatives to promote financial inclusion in WAEMU with the drafting of regional policy and strategy framework document. It also obtained the renewal of the ISO certification of its Quality Management System (QMS), in keeping with the 2008 version of the ISO 9001 standard.

The Central Bank also enhanced its information system by bringing it into line with best practices in the field. Information system governance and management were brought into compliance with the COBIT (Control Objectives for Information and Related Technologies) framework. The Information and Communications Technology Continuity Plan (ICTCP) and security and cyber attack resiliency were also consolidated.

Work continued with a view to reinforcing Central Bank internal audit and risk management mechanisms, to align them with international standards in that area. The focus should be on updating risk mapping and business continuity management tools as well as taking account of security needs in IT project management. Various monitoring activities (operational controls, internal audits and external audits) were regularly conducted in the Bank's operational structures.

As at December 31, 2016, the total staff of the Central Bank, including all grades, numbered 3,505 against 3,545 at the end of December 2015. The figure included 3,449 active staff members deployed on BCEAO sites, and 56 staff members on secondment or leave of absence.

I - ECONOMIC AND FINANCIAL ENVIRONMENT

1.1 - INTERNATIONAL ECONOMIC AND FINANCIAL ENVIRONMENT

During the 2016 financial year, the international economic and financial environment was marked by the economic difficulties observed in major industrialized countries, particularly the decline in investments, the drop in oil prices and uncertainties linked to “Brexit”, the decision by the United Kingdom to leave the European Union. Against this backdrop, the global economy experienced a slight slowdown. According to International Monetary Fund (IMF) estimates in January 2017, the growth rate stood at 3.1% in 2016, after 3.2% in 2015.

1.1.1 - Economic activity in the major industrialized countries

In **industrialized countries**, economic growth slowed to 1.6% in 2016, after 2.1% in 2015, despite the accommodating monetary policies of the central banks and the drop in oil prices. Real GDP growth in the United States stood at 1.6% in 2016, after 2.6% in 2015, due to lower-than-expected activity in the first half of the year. The economy was hurt by a strong dollar and persistent low investments in businesses, particularly in the manufacturing sector. In the euro zone, GDP growth was only 1.7% in 2016, after a performance of 2.0% in 2015. Growth in private consumption remained modest and private investments waned, despite support in the form of easing of financing conditions. Fears linked to Brexit also had a dampening effect on the economy.

1.1.2- Economic activity in emerging and developing countries

In **emerging and developing countries**, the economic growth rate remained stable, at 4.1% in 2016. In China, growth in economic activity stood at 6.7% in 2016, compared to 6.9% in 2015. The new policy of the Chinese authorities, consisting of gearing growth to domestic consumption and services, continued its dampening effect on short-term activity, while contributing to the establishment of the necessary conditions for sustainable, long-term growth. Economic growth in India slowed to reach 6.6% in 2016, after 7.6% in 2015. The slowdown could be seen in virtually every area of activity. Growth in investments, which was already negative, deteriorated even further. In addition, the replacement of 86% of the bank notes in circulation caused a liquidity shortage and a drop in consumption. Brazil remained in recession, with a contraction of 3.5% in activity in 2016, due to the impact of shocks linked to low commodity prices and socio-political tensions. In Russia, the economy stabilized with a slight downward movement of 0.6% following a 3.7% decline in 2015, linked to the recovery in oil prices, the removal of international sanctions and the easing of financing conditions.

In **sub-Saharan Africa**, growth stood at 1.6% in 2016, compared to 3.4% in 2015, its lowest level since 1993. Low commodity prices contributed to the deterioration of economic performances in the region, particularly in its two largest economies, namely Nigeria and South Africa, as well as the CEMAC Zone. In Nigeria, the economy contracted by 1.5%. The country’s economy continues to be affected by foreign currency shortages due to the drop in oil revenue, low production of electrical power and the loss of investor confidence. In South Africa, growth slowed to a level of 0.3% after 1.3% in 2015.

The South African economy was penalized by low commodity prices, a power deficit and socio-political tensions. In the CEMAC Zone, growth stood at 1.6% in 2016 compared to 2.8% in 2015.

1.1.3 - Financial and commodities markets

The leading financial markets experienced contrasting trends. Monetary and financial conditions tightened early in the first quarter of 2016, due to market fears of a more pronounced global economic slowdown and volatile financial markets. Monetary and financial conditions eased in the second quarter, despite uncertainty surrounding the outcome of the referendum of June 23, 2016, on whether the United Kingdom would remain in the European Union, in line with the accommodating monetary policies of the principal central banks.

In the United States, on average, the principal New York stock market indexes, namely the Dow Jones and NASDAQ, rose respectively by 1.9% and 0.9% compared to the previous year. The unexpected outcome of the US election and the recovery plan proposed by the new President elect sparked an upward trend on the American financial markets, particularly in the final quarter of 2016. On the other hand, in Japan, the Nikkei index declined by 11.9% to stand at 16,920.5 points in 2016. In the euro zone, the EuroStoxx 50 index fell by 440.4 points compared to its average level in 2015, reaching 3,003.7 points in 2016. In the United Kingdom, the Footsie 100 index dropped by 1.8% to stand at 6,474.4 points in 2016.

At the level of the African stock markets, the indexes experienced contrasting trends according to the direction taken by the principal sectors of the economy. Thus, the indexes of the Accra and Lagos stock exchanges respectively slumped by 13.8% and 16.3%. In addition, the leading index in South Africa, the FTSE/JSE All-Share Index declined by 0.7% in a context of sluggish economic activity, affected by low demand, insufficient energy production and socio-political risks.

Regarding **commodities**, uncertainties surrounding the global recovery and gradual adjustments in the supply and demand of several products, and fluctuations in exchange rates weighed on the markets. The indexes calculated by the IMF showed drops, on an annual average basis, in the prices of energy products (16.8%) and industrial products (6.5%). On the other hand, food prices rose by 1.9%.

Global prices for the main commodities exported by the Union showed contrasting trends on an annual basis. The prices of oil (-11.3%), cocoa (-7.7%) and rubber (-1.1%) declined, while prices for cashew nuts (+13.3%), palm kernel oil (+21.7%), palm kernel oil (+13.8%), gold (+8.0%) and cotton (+3.3%) rose.

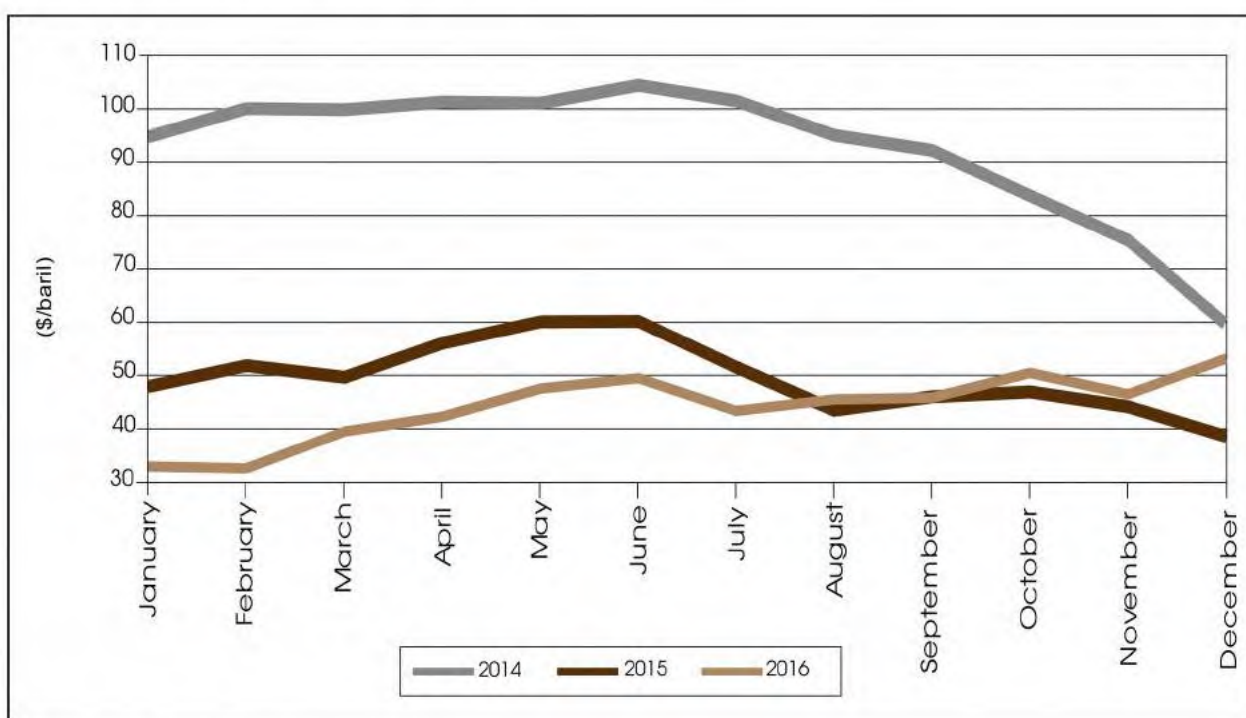
The most significant drop was seen in oil prices. In 2016, the average NYMEX oil price stood at 44.1 dollars per barrel, against 53.0 dollars in 2015, and more than 100 dollars a barrel in 2014. The drop in oil prices was essentially due to the increase in the supply of oil in a context of weak demand. The growth in the supply was due to an increase in stocks in the United States and the return of Iranian oil to international markets, following the agreement reached on the country's nuclear program. However, a moderating effect was exerted by disruptions affecting major producers and exporters (Iraq and Nigeria), market concerns over global growth and an agreement to reduce petroleum production signed between OPEC members and non-members towards the year's end.

Cocoa prices, which were also down, were adversely affected by the favourable production outlook in the 2016-2017 growing season, especially in Côte d'Ivoire, while rubber prices slumped due to the impact of a contraction in Chinese demand.

On the other hand, cashew nut prices improved following an increase in demand. Increased prices for palm kernel oil and palm oil were chiefly due to low levels of international reserves, declining global stocks and concerns over production prospects due to the “*El Niño*” weather phenomenon, which had a negative impact on yields. Gold prices rose, thanks to the metal’s status as a safe investment in a context marked by increasingly volatile financial markets and uncertainties about economic recovery in the euro zone.

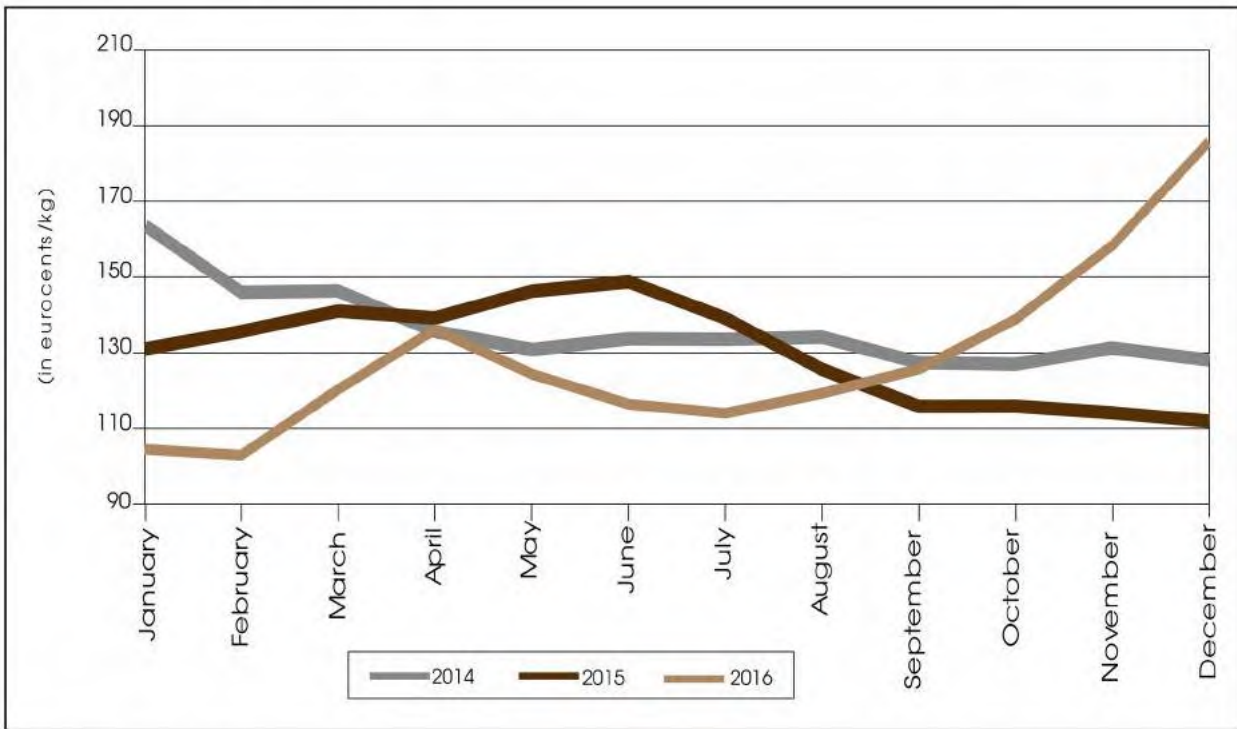
Cotton prices were buoyed by an anticipated drop in production, particularly in the United States, which is the world’s largest exporter, and reduced international reserves due to decreasing stocks in China.

Graph 1: Trends in oil prices (NYMEX)



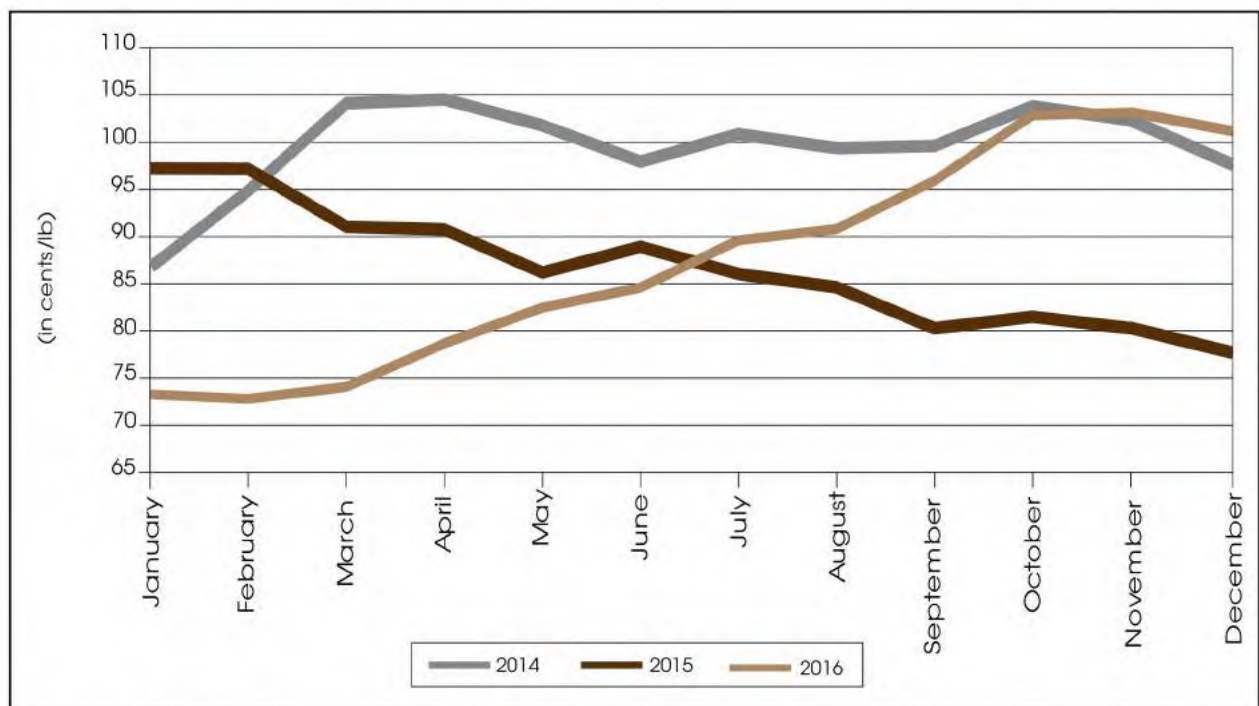
Sources: Reuters, BCEAO.

Graph 2: Trends in rubber prices



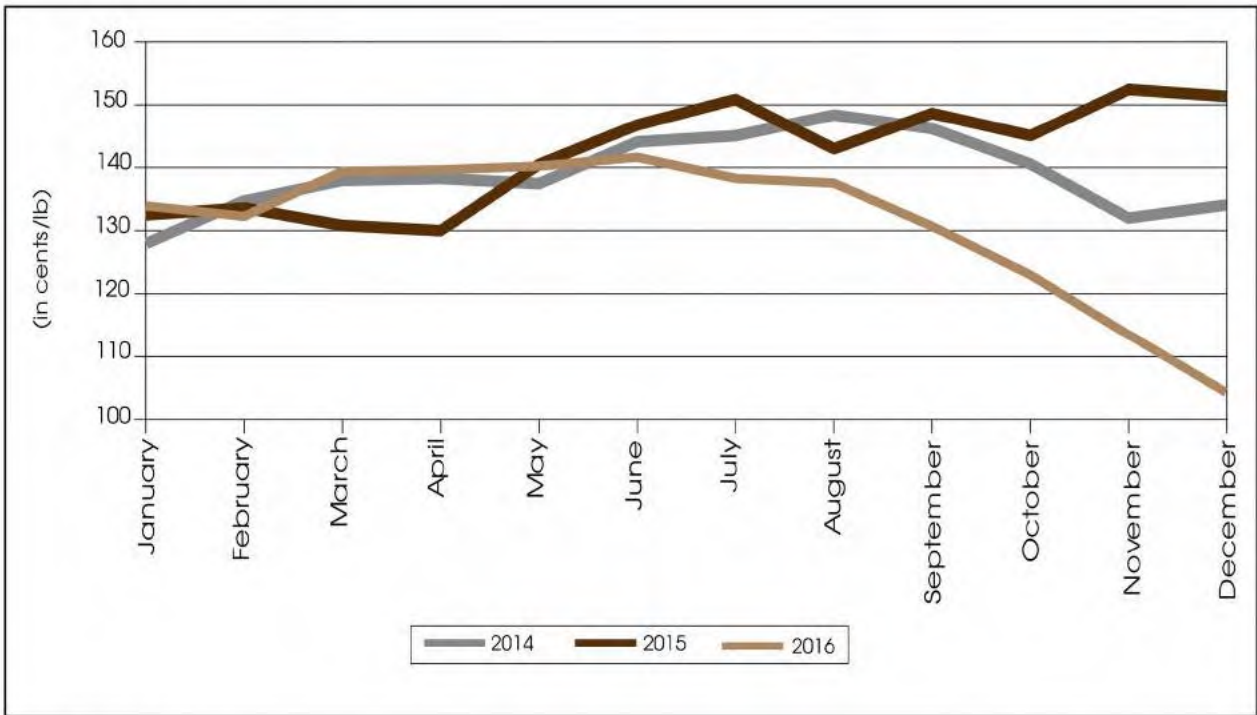
Sources: Reuters, BCEAO.

Graph 3: Trends in coffee prices



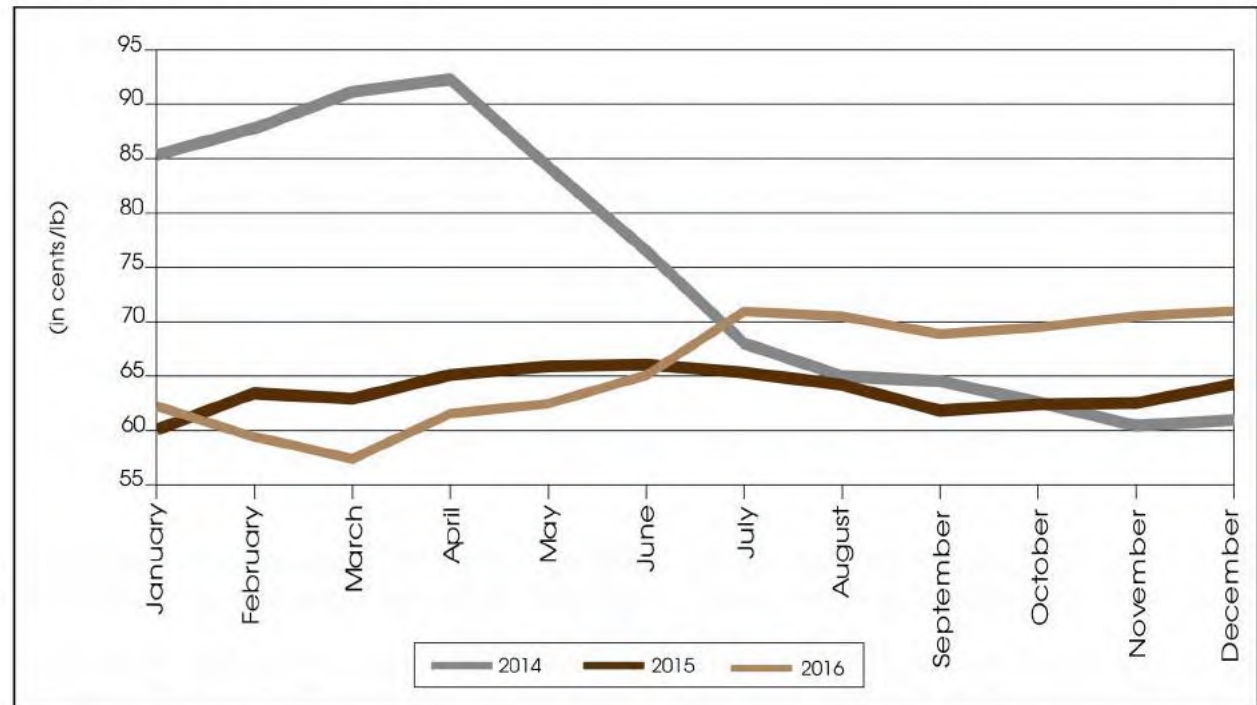
Sources: Reuters, BCEAO.

Graph 4: Trends in cocoa prices



Sources: Reuters, BCEAO.

Graph 5: Trends in cotton prices



Sources: Reuters, BCEAO.

1.1.4 - Foreign exchange market and monetary policy measures

In terms of **monetary policy**, in a context of low inflation, the central banks of the major industrialized countries either maintained or enhanced the accommodating direction of their monetary policies, with the exception of the FED, which continued progressive tightening of its monetary policy, which began in 2015, toward the end of the financial year.

The European Central Bank (ECB) implemented new measures in 2016 to reinforce its accommodating stance on monetary policy in order to stimulate inflation and enhance the economic recovery in the euro zone. The ECB lowered its leading rates on March 10, 2016. It reduced interest rates on the main refinancing transactions, as well as on the marginal lending facility, by 5 basis points, setting them respectively at 0.00% and 0.25%. Similarly, the ECB lowered the deposit facility rate by 10 basis points to -0.40%. Furthermore, it expanded its debt security repurchase program (quantitative easing) by increasing the amount of monthly repurchases of assets from 20 billion euros to 80 billion euros per month, beginning in April 2016. In this framework, investment-grade bonds issued by non-financial companies based in the euro zone are included in the list of debt instruments eligible for the regular asset buyback program. Furthermore, it decided to launch four new, targeted, long-term refinancing operations (4-year loans granted by the ECB to the banks), on a quarterly basis. The European Central Bank also launched a new series of targeted long-term refinancing operations on June 22, 2016, known as “*Targeted Longer-Term Refinancing Operations (TLTRO-1)*”, one of the measures announced in March 2016. The ECB also decided, in its Committee of Governors meeting of October 20, 2016, to prolong its asset purchasing program until the end of March 2017 and beyond if necessary, until it observes a sustainable adjustment of inflation in the direction of the 2% target.

The United States Federal Reserve (FED), counting on the stability of the American economy, a dynamic labour market and a trend in inflation moving towards its target of 2%, continued to tighten its monetary policy at year's end. On December 14, 2016, the FED increased the federal funds rate target range by 25 basis points, to 0.50%-0.75%.

The Bank of Japan (BoJ) kept its leading rates unchanged, while reinforcing its quantitative easing mechanism, with a view to increasing the monetary base by 80,000 billion yen per annum, or nearly 600.0 billion euros, via a significant asset buyback program. On July 29, 2016, the BoJ adopted a new monetary easing policy focusing on the virtual doubling of ET² (Exchange Traded Fund) buybacks, from 3,300 billion yen to 6,000 billion yen annually.

In a meeting on Thursday, August 4, 2016, the Bank of England (BoE) decided to lower its leading rate from 0.50% to 0.25% for the first time since 2009, in a bid to cope with the impact of Brexit on the national economy. It also reinforced its quantitative easing program. To this end, the BoE increased its state bond buyback program from 60 billion to 435 billion pounds sterling over the September 2016 to February 2017 period. In September 2016, it began its program of corporate bond buybacks denominated in pounds sterling, for a cumulative amount of 10 billion pounds over 18 months. It also launched a new program, in an amount totalling 100 billion pounds, aimed at

¹ In the framework of TLTRO-II, four operations are planned on a quarterly basis, with respective maturities of four years each. The first operation took place on June 22, 2016, and the last one will take place on March 21, 2017. Financing is granted to the banks at the main refinancing rate of 0%.

² ETFs are securities investment funds that follow the rise and fall of a stock market index.

providing inexpensive financing for the banks and incite them to increase financing for the economy.

The principal central banks of emerging countries changed the orientation of their monetary policy. The Central Bank of India lowered its lead rate by 25 basis points twice during the financial year, bringing it down to 6.25%. These decisions were part of a monetary easing cycle that began in January 2015. The aim was to ensure that inflation converges with the 5% trajectory by the fourth quarter of 2017.

The Central Bank of Russia lowered its lead rate by 50 basis points to 10%, with a view to stimulating economic recovery in a context of slowing inflation.

In China, the Central Bank lowered the benchmark rate for the yuan on Monday, October 10, 2016, in order to reduce its volatility against the dollar. It was set at a rate of 6.7008 yuan to one dollar, down 0.3% compared to its level on September 30, 2016. This was the central rate around which the yuan is allowed to fluctuate against the dollar within a range of +/- 2%.

In Brazil, for the first time in four years, the Central Bank lowered its lead rate by 25 basis points to 14%. It also began a monetary easing cycle, aimed at lifting the country out of the worst recession it had ever experienced. The Central Bank stated that it would begin a moderate and gradual cycle of rate reductions. The scope of the monetary easing and its potential acceleration will depend on the trends in inflation. The South African Reserve Bank raised its lead rate twice during the first quarter of 2016, increasing it to 7.0% on March 17, 2016, in a bid to stop the fall of the rand, which depreciated sharply against the American dollar.

In developing countries that are WAEMU trading partners, the central banks' monetary policies did not change over the period, except in Nigeria. On March 22, 2016, the Central Bank of Nigeria unexpectedly increased its key leading interest rate by 100 basis points, from 11.0% to 12.0% in order to contain inflation, which stood at 11.4% at the end of February 2016, above the level of the leading rate. It also raised the cash reserve ratio applicable to commercial banks to 22.5%. On July 26, 2016, it increased its lead interest rate again, by 200 basis points, from 12% to 14%, with a view to fighting inflation, which reached a record level of 16.5% in June 2016. Previously, in May 2016, the Central Bank of Nigeria introduced exchange rate flexibility on its currency, the naira, on the interbank market as of June 20, 2016.

On forex markets, the euro depreciated against other major currencies in 2016, with the exception of the pound sterling, in conjunction with the reinforcement of the monetary policy easing measures implemented by the ECB and the tightening of the Fed's monetary policy. The euro exchange rate fell by 3.1%, reaching 1.0543 dollar in December 2016. The European currency also fell against the Japanese yen and the Swiss franc, respectively by 7.5% and 0.7%. On the other hand, the euro rose by 16.3% and 4.0% respectively against the pound sterling and the Chinese yuan.

On the West African market, the WAEMU zone currency increased in value compared to the major currencies of the sub-region. On average, in 2016, 1,000 CFA F were traded against 6.6 Ghanaian cedis, 74.3 Gambian dalasis, 10,572.0 Sierra Leonean leones, 159.1 Liberian dollars, 14,901.8 Guinean francs and 423.4 Nigerian nairas. On an annual basis, the appreciation in the CFA franc ranged from 2.9% to 23.2% against the Gambian dalasi and the Nigerian naira.

Table 1: Trends in annual average exchange rates (CFA francs per currency unit)

	Unit	2015	2016	Change (%)
Special drawing rights	(1 SDR)	820.1188	823.6122	0.43
US Dollar	(1 USD)	591.1520	592.7635	0.27
Swiss Franc	(1 CHF)	614.4077	601.6850	-2.07
Pound Sterling	(1 GBP)	903.5117	801.0254	-11.34
Japanese yen	(1 JPY)	4.8848	5.4521	11.61
Gambian dalasi	(1 DALASI)	13.8656	13.4589	-2.93
Ghanaian cedi	(1 CEDI)	159.3542	151.7136	-4.79
Guinean franc	(1FGN)	0.0792	0.0671	-15.25
Liberian dollar	(1 DOLLAR)	6.5522	6.2840	-4.09
Nigerian naira	(1 NAIRA)	3.0742	2.3619	-23.17
Sierra Leonean leone	(1 LEONE)	0.1171	0.0946	-19.19

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

Table 2: Changes in quarterly average exchange rates (CFA francs per currency unit)

YEAR 2015		1st quarter	2nd quarter	3rd quarter	4th quarter
Special drawing rights	(1 SDR)	821.1003	829.2365	827.1184	803.0201
US Dollar	(1 USD)	582.0554	593.7695	589.9601	599.0840
Swiss Franc	(1 CHF)	611.7860	630.2229	611.4819	604.7173
Pound Sterling	(1 GBP)	882.0974	909.6196	914.3107	908.7375
Japanese yen	(1 JPY)	4.8883	4.8901	4.8273	4.9346
Gambian dalasi	(1 DALASI)	12.1858	13.9551	14.8767	14.8052
Ghanaian cedi	(1 CEDI)	171.9493	150.1421	158.8986	157.9289
Guinean franc	(1FGN)	0.0802	0.0804	0.0785	0.0777
Liberian dollar	(1 DOLLAR)	5.7940	7.0088	6.7563	6.7933
Nigerian naira	(1 NAIRA)	3.2459	3.0230	3.0044	3.0355
Sierra Leonean leone	(1 LEONE)	0.1187	0.1223	0.1177	0.1102
YEAR 2016		1st quarter	2nd quarter	3rd quarter	4th quarter
Special drawing rights	(1 SDR)	827.6036	817.1208	819.7999	829.9244
US Dollar	(1 USD)	595.3683	580.8527	587.5470	607.9681
Swiss Franc	(1 CHF)	598.5191	598.4463	602.4033	607.4613
Pound Sterling	(1 GBP)	851.7521	833.6388	772.1532	754.7688
Japanese yen	(1 JPY)	5.1642	5.3774	5.7379	5.5623
Gambian dalasi	(1 DALASI)	14.1074	13.6110	12.9532	13.2198
Ghanaian cedi	(1 CEDI)	155.0006	151.2717	149.1474	151.5501
Guinean franc	(1FGN)	0.0712	0.0651	0.0656	0.0668
Liberian dollar	(1 DOLLAR)	6.6074	6.3179	6.1304	6.1053
Nigerian naira	(1 NAIRA)	3.0304	2.8588	1.9508	1.9954
Sierra Leonean leone	(1 LEONE)	0.1033	0.0956	0.0946	0.0863

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

1.1.5 - Employment and inflation in industrialized countries

Demand for employment decreased in most industrialized countries. In the United States, the unemployment rate dropped by 0.3 percentage point compared to 2015, to reach 4.7% in December 2016. In the euro zone, the unemployment rate, while it remained high, decreased from 10.4% in 2015 to 9.3% in 2016. Similarly, in Japan, the number of job-seekers dropped by 0.2 percentage point, to stand at 3.1% in 2016.

Global inflation resumed in FY 2016, due to the mitigation of energy price decreases, especially where oil prices were concerned. In industrialized countries, the inflation rate stood at 0.7% in 2016, against 0.3% in 2015, remaining below the target rates set by the world's central banks. In emerging and developing countries, it averaged 4.5% in 2016, after 4.7% in 2015, in a context marked by fluctuating exchange rates in most countries, as the impact of previous depreciations was mitigated.

1.2 – ECONOMIC AND FINANCIAL ENVIRONMENT OF WAEMU MEMBER STATES

Economic activity in the West African Economic and Monetary Union (WAEMU) took place in a sub-regional environment marked by a deteriorating economic outlook in Nigeria, a key trade partner for certain countries in the zone. However, the economies of the Union showed resilience thanks to continuing investments in basic infrastructure, a strong performance by agricultural production and an improved socio-political and security climate.

1.2.1 - Gross domestic product and real sector trends in WAEMU

According to the latest estimates, the real growth rate in the **gross domestic product (GDP)** of the Union stood at 6.8% in 2016, against 6.6% in 2015. Economic expansion was driven by the tertiary sector, the main factor in growth, which made a contribution of 3.8 points to the GDP, thanks to strong performances in trade and transportation and the vitality of financial services and telecommunications. The secondary sector was the second most important pillar of economic growth, with a contribution of 2.2 points essentially due to strong public and private investments, which respectively progressed by 13.4% and 3.7% in 2016. The contribution made by the primary sector stood at 0.8 point, up 0.1 point compared to 2015, due to increased food-crop production (+7.5%) and higher production of the main commodity crops (cottonseed, groundnuts and rubber).

In FY 2016, trends in economic activity remained positive in most of the member states of the Union, particularly in Côte d'Ivoire and Senegal, where real GDP growth was respectively 9.3% and 6.7%.

1.2.1.1 - Agricultural Production

The 2016-2017 crop season was satisfactory overall. Rainfall was abundant and favourably distributed in both time and space, causing flooding in some areas, with, however, a limited impact on crops. The phytosanitary situation was quiet and under control, except in Burkina Faso and Benin, where damage due to caterpillar infestations was observed on maize crops. Based on this observation, during its regional technical concertation on agricultural and food-industry outlooks in the Sahel and West Africa, on September 19-21, 2016 in Lomé, Togo, the Permanent Interstate Committee for Drought Control in the Sahel (CILSS) reckoned on good to very good harvests.

The data available from official Departments showed a 7.5% increase in **food-crop production**, which stood at 58,201,501 tonnes. The increase, which is visible across all of the member states of the Union, was mainly driven by harvests of tubers (+10.7%). Cereals and other produce respectively saw growth of 6.0% and 4.3% year over year.

Compared to the average over the past five years, current harvests were up by 20.2%.

On the other hand, **cocoa** and **coffee**, grown mainly in Côte d'Ivoire, saw performances respectively down by 8.5% and 16.3%, essentially due to the vegetative rest period. Cocoa and coffee harvests were respectively 1,681,284 and 122,010 tonnes in the 2016-2017 crop year, compared to 1,836,800 and 145,700 tonnes during the previous crop year.

Cashew production stood at 1,227,834 tonnes during the 2016-2017 crop season, down 2.5%, due to a drop in harvests in Côte d'Ivoire in the area of 6.0%. This situation was due to a decrease in planted areas.

1.2.1.2 - Mine Production

Mine production experienced contrasting developments in the Union in FY 2016. Gold and crude oil production increased, contrary to the other ores extracted in the zone. The production index of the “extraction activities” sector decreased by 1.1% in terms of average variation across FY 2016, mainly due to the impact of decreased production in Mali, Niger and Togo.

Gold extraction experienced an estimated increase of 2.6%, reaching 110,349.1 kg in 2016, mainly due to increased production in Burkina Faso (+6.0%), Côte d'Ivoire (+2.1%) and Mali (+0.9%). In Niger, the amount of gold produced fell by 26.9% in 2016.

Phosphate production was consolidated in Senegal, thanks to an upturn in the activities of Industries Chimiques du Sénégal (ICS). It was estimated at 1,384,000 tonnes in FY 2016, 37.6% higher than production in 2015. In Togo, available figures showed a 26.7% drop in phosphate extraction in FY 2016, due to the negative trend in external demand. Overall, quantities extracted in the Union in 2016 totalled 2,227,466 tonnes, up 3.3% compared to production in FY 2015.

Uranium production suffered from sluggish global demand. It totalled 3,495.0 tonnes in FY 2016, down 15.1% compared to the previous year.

Crude oil production experienced an overall increase of 43.0% in the Union. In Côte d'Ivoire, production was estimated at 16,058.0 thousand barrels, for an annual increase of 61.0%. In Niger, the available data estimate oil production at 6,013.9 thousand barrels in 2016, up 10.2% compared to the figure in 2015.

1.2.1.3 - Industrial production and retail trade turn-over

Industrial production in WAEMU countries continued to show a positive trend in 2016, despite a slight slowdown. On average, industrial production experienced an 8.8% increase in 2016, on the heels of 9.5% growth the previous year. The slight moderation of the growth rate chiefly reflected a decrease in manufacturing sector production rates, which showed 6.5% growth in 2016, compared to 14.0% one year prior. The slowdown observed in the sector was largely due to decreases in food production (-3.4%) and refined petroleum production (-0.4%) in 2016.

On the other hand, an increase was observed in production rates in the “Electricity, gas and water” sub-sector, whose growth rate was estimated at 17.1% in 2016, compared to 6.0% in 2015.

Breaking the data down by country, an increase in industrial production was observed in all countries except Benin (-8.3).

The retail sales figure also improved, although less spectacularly, with an average growth rate of 1.4% in WAEMU compared to 6.6% growth the previous year. This trend was mostly due to a steady increase in sales of petroleum products (+3.3% compared to +4.1% the year before), and pharmaceuticals and medical goods (+5.8% compared to +15.1% in 2015) as well as transportation equipment (+4.6% against +9.0% the previous year). The limited increase in the retail sales figure was also a result of a decline in textiles and apparel (-10.5% compared to +11.8% in 2015) and foodstuffs (-3.4% compared to -0.8% last year).

On an individual country basis, retail trade turnover was up in Mali (+20.5%) and Burkina (+17.7%). On the other hand, sales contracted in Benin (-26.5%), Senegal (-8.5%), Niger (-6.7%), Togo (-4.0%), Guinea-Bissau (-3.0%) and Côte d'Ivoire (-0.9%).

1.2.2 - Price trends

The inflation rate in the Union averaged 0.3% in 2016, compared to 1.0% the previous year. General price trends in 2016 essentially reflected a slowdown in foodstuff price increases due to growth in the local supply of cereals. The slower pace of inflation in food prices was further accentuated by the drop in petroleum prices, linked to the downward trend in international crude oil prices, which has been observed since 2014.

The core inflation rate, calculated excluding the most volatile prices, was also down, from an annual average of 0.8% in 2015 to 0.3% in 2016. The slowdown was mainly due to services, with stable prices in 2016 after a 0.8% increase in 2015.

In 2016, the inflation differential between WAEMU and its principal partners favoured the Union by 3.0 percentage points. In relation to Ghana and Nigeria, the inflation differential was respectively 17.2 and 15.3 percentage points.

Table 3: Trends in consumer prices in 2015 and 2016 (as a %)				
	2015		2016	
	Annual average	Year-over-year change as at the end of December	Annual average	Year-over-year change as at the end of December
Benin	0.3	2.3	-0.8	-2.8
Burkina	0.9	1.3	-0.2	-1.7
Côte d'Ivoire	1.2	1.4	0.7	-0.2
Guinea-Bissau	1.5	2.4	1.5	1.6
Mali	1.4	1.0	-1.7	-0.8
Niger	1.0	2.2	0.2	-2.2
Senegal	0.1	0.4	0.8	2.1
Togo	1.8	1.6	0.9	0.4
WAEMU	1.0	1.3	0.3	-0.2

Sources: National Institutes of BCEAO States in charge of Statistics.

1.2.3 - Public finance and external debt position

1.2.3.1 - Trends in state financial transactions

The public finance profile of the member states of the Union in 2016 was marked by continuing investments in the social and infrastructure sectors, with a view to creating the conditions for sustainable and inclusive growth, as well as increasing current expenditure. In this context, state financial transactions culminated in a deterioration of the budget deficit compared to FY 2015.

The overall deficit, based on commitments and including grants, stood at 2,341.9 billion at the end of December 2016, against 2,205.4 billion one year prior. As a percentage of the GDP, the deficit improved slightly by 0.1 point, reaching 4.0% in 2016, following a drop of 0.2 percentage point of the GDP in total spending between 2015 and 2016, offset by the drop of 0.1 percentage point of the GDP in total revenue and grants.

In terms of fiscal revenue, collections totalled 11,246.8 billion (19.3% of GDP) at the end of December 2016, up 954.4 billion (9.3%) compared to the previous year. Growth was registered in all of the countries in the Union, with the exception of Niger, which experienced a decline of 5.3%. The biggest year-over-year increases in fiscal revenue were observed in Burkina Faso (+16.0%), Côte d'Ivoire (+13.4%) and Mali (+9.6%).

However, despite increased recovery of tax revenue, the tax ratio remained low. It rose slightly from 16.6% in 2014 to 17.1% in 2016, remaining below the community target of at least 20% by 2019. Non-tax revenue totalled 1,004.9 billion in 2016, against 1,227.9 billion one year prior. Budget grants totalled 1,321.7 billion over FY 2016, up 0.8% compared to 2015.

Net expenditure and loans increased by 8.0%, from 13,808.6 billion (25.9% of GDP) at the end of December 2015 to 14,910.4 billion (25.6% of GDP) at the end of December 2016. The trend in public spending reflected the rate of increase in current spending, along with significant growth in capital expenditure during the year. Current expenditure showed an increase of 6.2% in 2015, reaching 9,041.9 billion, in conjunction with increases in wages and salaries (+7.5%) and interest expenses (+21.3%).

Capital spending totalled 5,550.7 billion at the end of December 2016, an increase of 648.1 billion or 13.2%, in conjunction with the continued implementation of public investment programs in the area of infrastructure. As a percentage of the GDP, it stood at 9.5% in 2016, compared to 9.2% in 2015. 62.0% of capital expenditure was financed by domestic resources in 2016 against 60.5% in 2015.

Public investment efforts, broken down by country, were highest in Burkina Faso (9.5% of GDP in 2016 against 6.9% in 2015), Mali (9.3% of GDP in 2016 compared to 7.3% in 2015), Côte d'Ivoire (7.5% of GDP in 2016 compared to 6.6% in 2014) and Senegal (12.0% of the GDP in 2016, compared to 11.3% in 2015).

In conjunction with these trends, the overall deficit on a commitment basis, including grants, at the end of December 2016, deepened by 136.5 billion to stand at 2,341.9 billion, or 4.0% of the GDP, compared to a deficit of 2,205.4 billion or 4.1% of the GDP over the same period the previous year. On a cash basis, the deficit was 2,421.7 billion, 1,934.0 billion (or 79.9%) of which was financed by net issues of public securities on the regional public debt securities market.

Table 4: Trends in public finance in 2016				
	December 2015	December 2016	Gap (2) – (1)	
			(In billions of CFA francs)	%
	(1)	(2)		
Total revenue	10,292.5	11,246.8	954.3	9.3
including tax revenue	8,839.8	9,981.4	1,141.6	12.9
non-tax revenue	1,227.9	1,004.9	-223.0	-18.2
Grants	1,310.7	1,321.7	11.0	0.8
Total expenditures and net loans	13,808.6	14,910.4	1,101.8	8.0
including current expenditure	8,511.0	9,041.9	530.9	6.2
Payroll	3,480.7	3,741.5	260.8	7.5
Grants and transfers	2,069.9	1,927.2	-142.7	-6.9
Interest on the debt	656.4	795.9	139.5	21.3
Capital investments	4,902.6	5,550.7	648.1	13.2
Other expenditure	355.9	314.9	-41.0	-11.5
Net loans	39.1	2.9	-36.2	-92.6
Overall balance commitment basis (including grants)	-2,205.4	-2,341.9	-136.5	6.2
(as a % of the GDP)	4.1	4.0		
Overall balance cash basis (including grants)	-2,390.5	-2,421.7	-31.2	1.3
(as a % of the GDP)	4.4	4.1		

Sources: National departments, BCEAO.

1.2.3.2 - Resource mobilization and external debt position

In 2016, due to unfavourable conditions on international markets, none of the member states of the Union took action to mobilize resources through eurobond issues.

Based on the latest available figures, the overall outstanding external public debt of all Union member states stood at 13,328.1 billion CFA francs at the end of December 2015, compared to 11,347.2 billion CFA francs at the end of December 2014, an increase of 17.5%. The trend reflects increased drawdowns on loans, which stood at 1,947.0 billion in 2015, up 53.7% compared to 2014.

The ratio of outstanding debt to GDP was 24.9% in 2015 compared to 23.0% the year before. On an individual country basis, it was 20.8% in Benin against 18.2% in 2014, 24.6% against 22.8% in Burkina Faso, 20.1% against 19.6% in Côte d'Ivoire, 32.2% against 34.5% in Guinea-Bissau, 22.7% against 20.9% in Mali, 26.6% against 18.6% in Niger, 39.5% against 38.0% in Senegal and 25.5% against 21.2% in Togo. None of the countries in the Union accumulated payment arrears on their external debts in 2015.

Thus, thanks to the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) Initiatives, the national debts of the countries of the Union showed a clear improvement in terms of their indebtedness indicators. The updated debt viability analyses carried out in most of the countries indicated low or moderate risk of over-indebtedness. However, year over year, debt ratios experienced upward trends in certain countries.

In future, the member states of the Union should continue structural reforms aimed at increasing their growth potential and implement public debt management strategies compatible with preserving medium- and long-term sustainability of the public debt.

1.2.4 - Trends in the balance of payments

The external situation of the Union was characterized by a deficit in the current balance that was not entirely covered by mobilization of external savings, for the second year in a row. In 2016, the overall balance of external payments in WAEMU showed a deficit of 951.2 billion.

The current account deficit stood at 4.8% of GDP, compared to a level of 6.0% one year prior, for an improvement of 1.2 percentage point of GDP. This development was essentially due to a drop in deficits in goods and services (+1.5% of GDP), whose impact was offset by a deterioration in the balance of the primary income account (-0.2% of GDP).

The improvement in the balance of goods was due to a drop in imports, and particularly to a net reduction in the oil bill (-1.1% of GDP), in line with the drop in international oil prices. Where exports are concerned, the strongest trends were seen in gold and cashews, with sales respectively up by 9.4% and 12.8% due to the strong performance of international prices for those commodities. However, those trends were offset by a drop in income from exports of cocoa (-5.6%) and uranium (-12.5%) and re-exports to Nigeria (-20.5%).

The deficit balance in services also improved by 0.6 percentage point of GDP, chiefly in line with the slowdown in payments on the specialized services and freight bill.

The deficit in primary income compared to the GDP stood at 2.5%, down 0.2 GDP point, essentially due to the increase in payments of dividends and interest payments on the external debt.

The current account deficit, exclusive of grants, stood at 5.5% of GDP, compared to a level of 6.8% one year prior, for an improvement of 1.3 percentage point of GDP.

Taking account of capital transactions, whose net flows showed a surplus of 1,191.4 billion compared to 1,158.1 billion the year before, financing needs stood at 1.630.0 billion, down 415.7 billion. 41.6% of the needs were covered by net inflows of capital, compared to a coverage ratio of 90.6% in 2015, down 49.0 percentage points. This trend was essentially due to the decline in net inflows in the financial account (-48.4%).

The drop in net inflows in the financial account is reflected in all of the components. Portfolio investments declined by 34.5%, as the states did not call on the international capital markets in 2016. Foreign direct investments were down by 18.8%, particularly in the area of petroleum, due to uncertainties regarding trends in petroleum prices. The accumulation of foreign trade debts by the private sector also contributed to this negative trend.

Overall, in 2016, economic and financial transactions between WAEMU and the rest of the world were marked by the deterioration of the aggregate deficit, which stood at 951.2 billion, compared to their performance in 2015, when the deficit was 191.5 billion.

II - MONETARY POLICY IMPLEMENTATION

2.1 - MONETARY POLICY OBJECTIVES

Since the entry into force of the Institutional Reform on April 1, 2010, the main objective of the monetary policy of the BCEAO has been to ensure price stability. In this framework, the operational price stability target has been defined as an annual inflation rate in the Union within a range of one percentage point (1%) above or below the central value of 2% over the next 24 months. Potential risks affecting price stability and growth were identified during the macroeconomic framework exercise that provided reference points for the Monetary Policy Committee regarding future trends in the economies of the Union.

2.2 - MONETARY ACTION

The Central Bank's actions in 2016 relied mainly on use of indirect tools to regulate liquidity, specifically the leading rate, refinancing operations and the required reserve system.

2.2.1 - Interest rate policy

In a context marked by an overall moderate level of inflation and the lack of any particular tensions in terms of future price trends over the medium term, the BCEAO Monetary Policy Committee maintained the minimum bid rate on Central Bank cash injection tenders unchanged, in order to better support the member states' efforts at achieving economic growth. The repo rate remained at 2.50%, its level since September 16, 2013. On the other hand, in the light of the imperfections of the interbank market and to enable the BCEAO to enhance the effectiveness of its cash management policy, the Monetary Policy Committee decided on December 6, 2016, to raise the Central Bank's marginal lending window interest rate by one hundred (100) basis points from 3.50% to 4.50% as of December 16, 2016, thereby enshrining the broadening of the corridor formed by the minimum bid rate on cash injection tenders and the marginal lending window rate.

2.2.2 - Open market operations

During FY 2016, cash injection operations through the BCEAO's weekly and monthly bidding windows increased sharply. The amounts put up for adjudication through both windows increased, following a step function pattern that followed the cash needs forecasts of the Union's banks.

The amounts offered through weekly calls for bids rose from 1,730.0 billion in January 2016 to 2,150 billion in December 2016, an increase of 24.3% compared to 8.1% in 2015. Overall, the increase was observed beginning in the second quarter of 2016, when the amounts of the bids rose from 1,900.0 billion in August 2016 to 2,100.0 billion in November 2016 and subsequently reached 2,150.0 billion as of December 12, 2016. Weekly average advances granted by the Central Bank through its weekly window totalled 1,854.6 billion in 2016 after 1,479.0 billion in 2015.

The amounts offered through monthly calls for bids rose from 840.0 billion in January 2016 to 850.0 billion at the end of December 2016, an annual increase of 1.2% compared to 8.4% the previous year. In this compartment, requests filled averaged 846.9 billion in 2016, compared to 884.7 billion 2015.

An analysis of the trends in interest rates across both tender windows showed a general upward trend.

Through the weekly window, the average marginal interest rate for weekly bids stood at 3.23% in FY 2016, and the weighted average rate was 3.39%, compared respectively to 2.53% and 2.56% in 2015.

Through the monthly tender window, the weighted average rate on transactions also rose slightly, from 2.62% in 2015 to 3.36% in 2016, while the marginal rate was 3.30% after 2.57% in 2015.

Overall, aggregate outstanding advances on one-week and one-month bid windows stood at 3,000.0 billion at the end of December 2016 against 2,570.0 billion at the end of December 2014, for a year-over-year increase of 430.0 billion (+16.7%).

Government treasury bills and bonds from all eight countries of the Union represented most of the assets presented by credit institutions as collateral for refinancing operations.

2.2.3 - Actions through permanent refinancing windows

Loans provided by the Central Bank through the marginal lending window, at the initiative of the banks, rose from a level of 648.3 billion at the end of December 2015 to 1,584.5 billion at the end of December 2016, essentially due to the fact that the banks turned to that window after capping of interventions through the weekly window at 1,730.0 billion during the period running from October 26, 2015 to August 22, 2016.

With respect to the special refinancing window³, which entered into force in January 2014, the volume of loans granted by the Central Bank to the banks stood at 122.8 billion at the end of December 2016 compared to 74.7 billion in December 2015.

2.2.4 - Reserve requirements system

The required reserve coefficient applicable to the banks of the Union was set at 5.0%, the level that has been in force since March 16, 2012. In 2016, the average amount of mandatory reserves to be set up by the banks of the Union stood at 846.3 billion compared to 771.9 billion in 2015. The average deficit in the constitution of required reserves stood at 8.9 billion during the financial year, compared to 8.6 billion in 2015 and applied to an average of ten (10) banks compared to seven (7) in 2015, per reserve maintenance period.

³ The special refinancing window was established by Decision No. 24/2013/CPM amending and supplementing Decision No. 397/12/2010 on the rules, instruments and procedures for the implementation of the monetary and credit policy of the Central Bank of West African States. Credit institutions eligible for refinancing can request advances on maturities ranging from three to twelve months through this window. These advances are backed by public or private securities with a residual maturity ranging between five and twenty years maximum. This window took effect in January 2014 and recorded its first transactions in July 2014.

Table 5: Reserve requirement ratios applicable to banks

	Up to Nov. 15, 1998	Nov. 16 - Dec. 15 1998	Dec. 16, 1998 - Apr. 15, 2000	Apr. 16 - Aug. 15, 2000	ug. 16 - Sept. 15, 2000	Sept. 16, 00 - Apr. 15, 2002	April 16, 2002 - March 15, 2004	March 16, 2004 - June 15, 2005	June 16, 2005 - June 15, 2009	June 16, 2009 - May 15, 2010	May 16 - Dec. 15, 2010	Dec. 16, 2010 - March 15, 2012	Since 16 March 2012
<i>(en pourcentage)</i>													
Benin	9,0	9,0	3,0	3,0	9,0	9,0	9,0	13,0	15,0	9,0	7,0	7,0	5,0
Burkina	9,0	9,0	3,0	3,0	3,0	3,0	3,0	3,0	7,0	7,0	7,0	7,0	5,0
Côte d'Ivoire	9,0	1,5	1,5	3,0	3,0	5,0	5,0	5,0	5,0	5,0	5,0	7,0	5,0
Guinea- Bissau	5,0	5,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	5,0	7,0	5,0
Mali	9,0	9,0	3,0	3,0	3,0	3,0	9,0	9,0	9,0	7,0	7,0	7,0	5,0
Niger	5,0	5,0	1,5	3,0	5,0	5,0	5,0	5,0	9,0	7,0	7,0	7,0	5,0
Senegal	5,0	1,5	1,5	3,0	9,0	9,0	9,0	9,0	9,0	7,0	7,0	7,0	5,0
Togo	9,0	3,0	1,5	3,0	3,0	3,0	3,0	3,0	3,0	3,0	5,0	7,0	5,0

2.3 - TRENDS IN MONETARY AGGREGATES⁴

The monetary situation in the Union at the end of December 2016, compared to the end of December 2015, was characterized by an increase in the money supply, subsequent to an increase in domestic claims. The net foreign assets of monetary institutions contracted over the period.

2.3.1 - Net foreign assets

The net foreign assets of monetary institutions showed a decrease of 1,102.4 billion or -23.2%, in 2016 reaching 3,648.9 billion at the end of December 2016. This development was due to the combined contraction of the net foreign assets of the Central Bank (-952.8 billion) and those of the banks (-149.5 billion).

The official foreign exchange reserves of the BCEAO decreased by 1,032.2 billion, reaching 6,490.5 billion at the end of December 2016, compared to 7,522.7 billion at the end of December 2015. As a result, the Central Bank's currency issue coverage fell to 68.2% compared to 80.2% in December 2015. The external commitments of the Central Bank decreased slightly by 96.8 billion, to stand at 1,969.0 billion at the end of December 2016, compared to 2,065.8 billion at the end of December 2015.

2.3.2 - Domestic claims

Outstanding domestic claims stood at 22,989.1 billion at the end of December 2016, up 3,373.6 billion or 17.2% compared to their level at the end of December 2015. This trend was due to the

⁴ In 2016, the BCEAO implemented the migration of its monetary statistics to comply with the international standards set forth in the IMF Monetary and Financial Statistics Manual. This migration established new concepts and a new data classification. Accordingly, the presentation of the monetary aggregates in this report is different from that found in the previous editions.

increase in net claims of monetary institutions on the central government of the member states, which progressed more quickly over the period than the other resident sectors.

2.3.2.1 - Net claims on the central government

Net claims of monetary institutions on the central government stood at 6,193.4 billion at the end of December 2016, down 1,887.6 billion compared to their level at the end of December 2015. This development was essentially due to an increase in bank claims on the member states (2,015.3 billion), linked to an increase in net issues of public securities, which stood at 2,232.9 in 2016 compared to 1,345.3 billion in 2015.

2.3.2.2 - Claims on other sectors

Outstanding claims on other resident sectors (other than the central government) increased by 9.7% over the year, reaching 16,795.8 billion at the end of December 2016, after 15,309.8 billion at the end of December 2015. This development followed increased bank claims on other resident sectors, which grew by 1,497.9 billion to reach 16,589.1 billion at the end of December 2016.

In **Benin**, outstanding claims on other resident sectors had increased by 38.5 billion (3.3%) by the end of FY 2016, reaching 1,210.6 billion.

In **Burkina Faso**, outstanding claims on other resident sectors stood at 2,097.3 billion at the end of December 2016, showing an increase of 124.3 billion or 6.3% compared to December 2015.

In **Côte d'Ivoire**, outstanding claims on other resident sectors were up by 663.2 billion or 14.5% compared to the level recorded at the end of December 2015, to reach 5,226.1 billion at the end of December 2016.

In **Guinea-Bissau**, the volume of claims on other resident sectors stood at 88.3 billion at the end of December 2016, down by 2.0 billion or 2.2% compared to December 2015.

In **Mali**, outstanding claims on other resident sectors grew by 298.2 billion or 15.4%, reaching 2,232.9 billion at the end of December 2016.

In **Niger**, outstanding claims on other resident sectors stood at 684.4 billion for the period under review, down 10.0 billion or 1.4% compared to their level in December 2015.

In **Senegal**, the amount of claims on other resident sectors showed an increase of 292.8 billion or 9.8% at the end FY 2016, reaching 3,271.9 billion.

In **Togo**, outstanding claims on other resident sectors grew by 136.5 billion or 14.2%, reaching 1,098.4 billion at the end of December 2016.

2.3.2.3 - Trends in loans registered with the central credit register

With respect to banking risk centralization, the overall outstanding amount of credit registered with the central credit register stood at 12,330.1 billion at the end of December 2016, against 10,853.9 billion on 31 December 2015, an increase of 13.6%. Over that period, short-term credit increased by 14.3% and medium/long-term credit, by 12.0%.

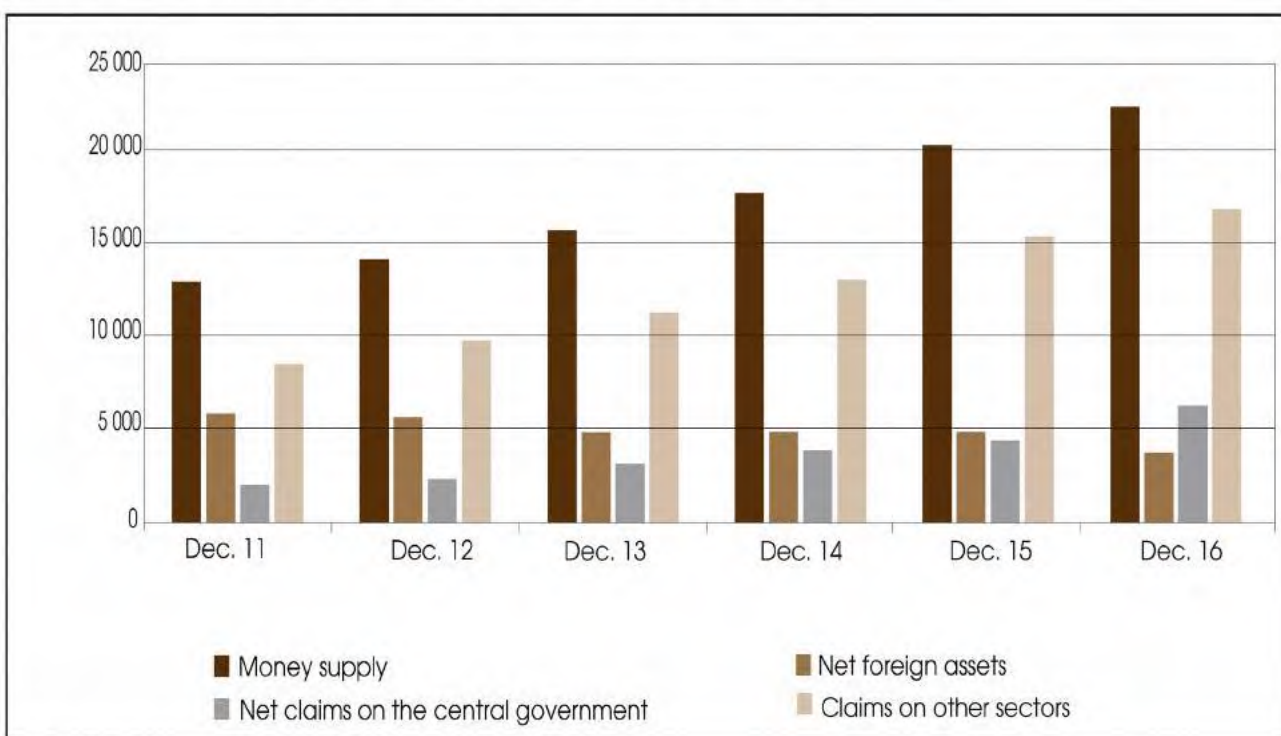
The increase in overall outstanding claims identified in 2016 by the central credit register was notably due to an increase in loans granted to the “Wholesale trade” (34.7%), “Manufacturing industry” (18.1%) and “Community and social services” (14.6%) sectors.

2.3.3 - Money supply and monetary base

In conjunction with trends in counterparties, the **money stock** grew by 10.2% to reach 22,316.6 billion in 2016 compared to 14.7% growth in FY 2015. The growth slowdown was reflected in the slight deceleration in demand deposits (13.5%) and currency in circulation (5.5%) compared to growth recorded in 2015, when deposits increased by 18.5% and currency in circulation by 12.0%.

Compared to its level at the end of December 2015, the **monetary base** grew by 1.9%, reaching 8,128.7 billion at the end of December 2016, essentially due to the simultaneous 1,417.1 billion upswing in Central Bank loans to credit institutions, and 73.3 billion increase in states’ deposits with the Central Bank.

Graph 6 : Monetary aggregates (In billions of CFA francs)



Source : BCEAO.

Table 6: WAMU - Monetary aggregates			
	2014	2015	2016
	<i>As at the end of December</i>		
	<i>In billions of CFA francs</i>		
Currency outside banks	4,666.0	5,227.3	5,515.6
Demand deposits	6,816.0	8,075.9	9,162.3
M1	11,482.0	13,303.2	14,677.9
Other deposits included in the money supply (1)	6,168.2	6,939.3	7,638.7
MONEY SUPPLY (M2)	17,650.3	20,242.6	22,316.6
Net foreign assets	4,746.8	4,751.3	3,648.9
<i>Central Bank</i>	5,237.9	5,482.2	4,529.4
<i>Banks</i>	-491.1	-730.9	-880.4
Domestic claims	16,753.3	19,615.6	22,989.1
<i>Net claims on the central government</i>	3,775.8	4,305.8	6,193.4
<i>Claims on other sectors</i>	12,977.4	15,309.8	16,795.8
Non-monetary liabilities (2)	4,865.1	5,301.1	5,615.2
Other items (net) (3)	-1,015.3	-1,176.7	-1,293.7
TOTAL COUNTERPARTIES OF M2 (4)	17,650.3	20,242.6	22,316.6

(1) Term deposits and special savings accounts opened in banks, interest-bearing deposits opened in the books of the Central Bank.

(2) Comprising shares and other interests in deposit institutions and their non-monetary commitments to other sectors.

(3) Comprising consolidation adjustments and the net balance of non-classified assets, particularly miscellaneous items and non-financial assets.

(4) Total counterparties = Net foreign assets + Domestic claims - Non-monetary liabilities - Other items (net).

Source: BCEAO.

III - TRENDS IN THE BANKING AND FINANCIAL SYSTEM AND ACTIONS WITH REGARD TO FINANCIAL STABILITY AND INCLUSION

3.1 - SITUATION OF CREDIT AND MICROFINANCE INSTITUTIONS

In 2016, the WAMU **banking network** grew by one (1) unit compared to the previous year. Thus, the total number of approved credit institutions stood at 138 units as of December 31, 2016, compared to 137 on December 31, 2015.

Based on activities, between December 2015 and December 2016, developments within the Union's banking system were marked by 9.6% growth in resources and 16.8% in uses.

In credit institutions, resources stood at 24,385.0 billion at the end of December 2016 against 22,242.3 billion in December 2015, showing an appreciation of 2,142.7 billion. This trend was chiefly due to an increase of 1,775.8 billion (+9.5%) in deposits and loans, 259.0 billion (+19.0%) in miscellaneous resources and 108.0 billion (5.2%) in net equity capital.

Uses increased by 3,956.7 billion (+16.8%). This development was essentially due to increases in credit (+1,874.9 billion; +12.6%) and in other uses (+2,081.8 billion; +24.0%). Medium-term and long-term credit grew by 1,315.6 billion (+20.9%) and short-term credit by 527.0 billion (+7.0%). Increases in other uses, namely investment securities and financial investments, respectively grew by 1,594.5 billion (+27.6%) and 169.0 billion (+17.2%), reaching 7,377.9 billion and 1,154.2 billion.

The deficit in the cash flow of banks and financial institutions deepened by 1,814.0 billion, reaching 3,150.8 billion at the end of December 2016, linked to a sharper increase in uses as compared to resources. During the period under review, this situation induced credit institutions to more extensive use of central bank monetary assistance.

The quality of the portfolio of the Union's banks and bank-like financial institutions improved during the period under review. The gross rate and the net rate of deterioration in portfolio quality respectively stood at 13.9% and 5.3% compared to 15.6% and 6.5% in December 2015.

In **prudential terms**, based on the available data as at June 30, 2016, the effective combined equity of the WAMU banking system as a whole stood at 1,536.0 billion, including 1,454.0 billion in the banks. The weighted risks were assessed at 15,457.2 billion, 98.4% of which were borne by the banks. The average "capital-risk ratio" for the banking system as a whole stood at 9.94%, against a minimum standard of 8.0%, up 0.31 percentage point compared to the level recorded at the end of December 2015. Approximately 79% of all credit institutions complied with the ratio.

Furthermore, on June 30, 2016, 81% of banks and bank-like financial institutions were in compliance with the liquidity ratio, compared to 76% at the end of December 2015, an increase of 5.0 percentage point.

In all, from a prudential standpoint, the status of the Union's banking system with respect to the solvency standard had improved slightly as at the end of June 2016, due to greater increases in equity capital than in weighted risks.

In FY 2016, **the microfinance sector** continued its strong momentum with a view to increasing the populations' access to financial services. Based on the available data, the number of

decentralized financial systems (DFS / SFD) increased by 32 units, to reach approximately seven hundred and two (702) at the end of December 2016, compared to six hundred and seventy (670) at the end of December 2015. The number of beneficiaries of these services was approximately 12.7 million during the period under review, up 2.3%.

In terms of financial intermediation, the activities of the DFS / SFD of the Union were also reinforced. Outstanding deposits collected by microfinance institutions grew by 15.6%, reaching 1,079.1 billion at the end of December 2016, compared to 933.2 billion at the end of December 2015. They represented 6.4% of all deposits collected by credit institutions as of that date. Outstanding loans granted by DFS / SFD stood at 1,072.6 billion at the end of December 2016, compared to 904.5 billion at the end of December 2015, reflecting an increase of 18.6%. It represented 6.4% of all assistance granted by credit institutions in the Union.

During the period under review, the quality of the DFS portfolios in the Union deteriorated slightly. The gross rate of deterioration of the portfolio, measured based on the ratio of overdue claims to outstanding loans, increased by 0.1 percentage point compared to the end of December 2015, reaching 5.7% in December 2016, against a generally accepted standard of 3.0% in the sector.

In 2016, in addition to continuing actions with a view to reforming the microfinance sector and reinforcing its supervision, the Central Bank launched major projects aimed at boosting the decentralized financial sector. These notably included the development of a guide for the provisional administration of DFS in WAMU member states, an institutional framework for DFS supervision, a DFS risk map, and the conduct of a study on the institutional transformation or the necessary framework for growth in larger DFS in the Union.

Thus, in the framework of the modernization of the sector, reflection was carried out through studies on the adjustments that needed to be made to the legal framework governing the sector as well as those required for the inclusion of Islamic finance in microfinance activities.

As pertains to the improvement of the quality of financial information, the BCEAO organized a training seminar in July 2016, on the “centralized computer DFS monitoring solution” to help users familiarize themselves with the application to accelerate financial data production and processing.

These various initiatives were intended to prepare DFS for the new issues and challenges facing them.

3.2 - INTERBANK MARKET

The trend in the WAMU interbank market showed a concomitant increase in the volume of cash exchanges and in the weekly weighted average interest rate on transactions.

The average weekly volume of transactions stood at 169 billion CFA F in 2016 against 107 billion CFA F in 2015 (+58%). These transactions included maturities ranging from one (1) day to twelve (12) months. One-week and two-week compartments were the most active, representing respectively 44.7% and 32.5% of the average volume of transactions, against 39.9% and 31.2% in 2015. On average, these windows cumulated loans totalling respectively 76 billion and 55 billion in 2016, compared to 43 billion and 33 billion in 2015.

Compared to the average amount of cash injections, the volume of interbank transactions rose to 6.3% in 2016 against 4.5% in 2015.

Regarding interest rates, an increase was observed in the weighted average rate on the main one-week compartment, which rose from 3.68% in 2015 to 4.21% in 2016 in conjunction with an increase in rates on BCEAO tender windows. All of the financial centres in the Union participated in interbank market transactions. Dakar was the most active centre in terms of supplying resources (28.4%), followed by Abidjan (24.1%) and Lomé (14.7%). The principal beneficiaries were financial centres in Dakar (42.3%), Cotonou (15.9%) and Abidjan (13.1%).

	1 day	1 week	2 weeks	1 month	3 months	6 months	12 months
January	4.27	3.71	5.03	4.60	4.16	4.92	
February	4.43	3.80	5.04	4.86	4.86	4.00	4.40
March	3.65	4.05	5.26	4.74	4.75	4.97	
April	4.04	4.01	5.17	4.98	5.35		
May	4.47	4.02	5.08	4.92	5.51		
June	4.42	4.20	5.03	4.77	5.46	5.10	5.75
July	4.57	4.60	5.06	5.20	4.78	4.93	
August	4.29	4.15	5.13	4.86	5.73	5.55	
September	4.51	4.43	5.15	4.68	3.96		
October	4.95	4.40	5.19	4.88	5.15	5.00	
November	4.71	4.26	5.26	4.63	5.89	5.00	2.50
December	4.25	4.80	5.28	5.13	4.19		2.92
Average	4.42	4.21	5.15	4.84	4.68	5.00	3.66

Source: BCEAO.

	Average amounts		Average outstanding loans	Rate ranges (as a %)	Loan terms
	Total	Including WAMU			
January	158,060	128,040	359,140	3.20 to 6.10	1 day to 6 months
February	196,245	160,907	363,157	3.60 to 6.00	1 day to 12 months
March	128,613	96,825	369,438	3.30 to 5.35	1 day to 6 months
April	133,381	98,407	339,690	3.76 to 5.83	1 day to 3 months
May	128,676	93,201	282,819	3.78 to 6.00	1 day to 3 months
June	143,195	99,408	301,694	3.91 to 5.75	1 day to 12 months
July	152,309	105,614	348,286	4.08 to 6.10	1 day to 6 months
August	159,070	116,145	381,584	3.92 to 6.00	1 day to 6 months
September	187,681	141,141	443,576	4.21 to 5.41	1 day to 3 months
October	191,170	132,326	470,789	3.47 to 6.00	1 day to 6 months
November	233,370	173,599	485,905	2.50 to 6.25	1 day to 12 months
December	220,755	161,465	432,110	2.92 to 5.66	1 day to 12 months
Average	169,377	125,611	381,516		

Source: BCEAO.

3.3 - FINANCIAL MARKET

3.3.1 - Resource mobilization by the states

3.3.1.1 - Resource mobilization on the regional market

The regional public debt securities market remained the primary source of internal funding for Governments during FY 2016. Net issues of public securities amounted to 2,232.9 billion, against 1,345.3 billion in 2015. Gross issues totalled 4,412.1 billion, including 1,541.0 billion in treasury bills and 2,871.1 billion in bonds⁵.

3.3.1.1.1 - Issues of bills and bonds by auction

Over the year, thirty-eight (38) issues of Treasury Bills were carried out for a total amount of 1,541.0 billion, compared to 1,127.3 billion one year prior. 12-month and 24-month maturities were the most commonly requested, with twenty-five (25) issues for a total value of 986.7 billion, or 64.0% of the total value of bills issued.

During the 2016 financial year, rates on the Treasury bill compartment generally followed a downward trend. The weighted average interest rate stood at 4.72% over the period under review, compared to 4.93% one year prior. The most significant drops were in 3-month terms (-1.17 percentage point) and 12-month terms (-0.16 percentage point).

In 2016, issues by auction through the Treasury bond compartment stood at 1,789.0 billion, up 161.5 billion compared to FY 2015. The states preferred 5-year and 7-year maturities, which respectively raised 680.3 billion and 577.3 billion, representing a total of 70.3% of the total volume of bond issues by auction.

Table 9: Public securities issues (in billions of CFA F)											
	2014	2015				Total 2015	2016				Total 2016
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Bills	1,466.7	447.7	259.8	185.9	234.0	1,127.3	481.1	271.3	404.8	383.9	1,541.0
Bonds	1,603.8	221.9	568.8	403.3	983.0	2,177.0	366.7	851.1	988.1	665.2	2,871.1
Auction	1,049.0	221.9	435.5	403.3	575.8	1,636.5	366.7	465.8	472.1	484.4	1,789.0
Syndication	554.8	-	133.3	-	407.2	540.5	-	385.3	516.0	180.8	1,082.1
Total	3,070.5	669.6	828.6	589.2	1,227.0	3,304.3	847.8	1,122.3	1,392.9	1,049.1	4,412.1

Source: BCEAO.

3.3.1.1.2 - Issues of bills and bonds by syndication on the regional financial market

Issues by syndication through the Treasury bond compartment stood at 1,082.1 billion in 2016, up 541.6 billion compared to 2015. The states preferred the 10-year maturity, which raised a sum of 656.8 billion, or 60.7% of the total volume of bond issues by syndication. Bond issues by syndication were carried out by Côte d'Ivoire (587.3 billion including 160.0 billion in Islamic "Sukuk" bonds), Mali (100.0 billion), Niger (38.8 billion), Senegal (200.0 billion in Sukuk) and Togo (156.0 billion in Sukuk).

⁵ This amount includes Islamic "Sukuk" bonds issued by the treasury departments of Côte d'Ivoire, Senegal and Togo.

	2015				Total	2016				Total
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
1 month	-	-	-	-	-	-	-	-	3.52	3.52
3 months	4.92	-	-	-	4.92	4.03	4.11	3.33	4.66	3.75
6 months	5.11	4.59	4.32	4.59	4.63	4.67	4.81	-	-	4.75
9 months	-	-	-	-	-					
12 months	5.36	5.07	4.30	4.69	5.06	5.14	4.65	5.06	4.54	4.90
24 months	5.27	5.04	4.65	4.72	5.02	5.10	5.76	5.07	5.62	5.30
Average rate	5.27	4.93	4.43	4.67	4.93	4.92	4.72	4.38	4.82	4.72

Source: BCEAO.

3.3.1.1.3 - Outstanding public securities on the regional market

Overall outstanding public securities stood at 8,621.4 billion or 14.8% of the GDP at the end of December 2016, compared to 6,388.5 billion or 12.2% of the GDP one year prior. The structure of the outstanding securities was dominated by bonds, which represented 82.8% of the total.

The year-over-year increase of more than 2,232.9 billion in outstanding public securities was due to the fact that the member states made intensive use of the long-term compartment of the regional market with a view to financing their investment projects, particularly in infrastructure.

	Bills (1)	Bonds (2)			Total (1)+(2)	Relative share by country (%)
		Auction	Syndication	Total		
Benin	161.5	849.8	-	849.8	1,011.3	11.8
Burkina	225.0	319.4	97.3	416.7	641.7	7.4
Côte d'Ivoire	413.6	1,475.3	1,433.8	2,909.1	3,322.7	38.5
Guinea-Bissau	29.3	11.0	-	11.0	40.3	0.5
Mali	236.3	573.4	100.0	673.4	909.7	10.6
Niger	78.1	344.0	38.8	382.9	461.0	5.3
Senegal	147.7	744.2	580.6	1,324.8	1,472.5	17.1
Togo	188.5	417.6	156.0	573.6	762.1	8.8
WAEMU	1,480.0	4,734.8	2,406.5	7,141.4	8,621.4	100.0

(*) These figures only apply to bills and bonds issued on the regional financial market.

Source: BCEAO.

	2011	2012	2013	2014	2015	2016
Outstanding	2,601.7	3,023.9	3,743.9	5,043.2	6,388.5	8,621.4
(as a % of the GDP)	7.1	7.5	8.3	10.5	12.2	14.8
Relative share (in %)						
- bills	36.7	39	36.3	30.6	20.6	17.2
- bonds	63.3	61	63.7	69.4	79.4	82.8

Source: BCEAO.

3.3.2 - Regional stock exchange (BRVM)

On the regional financial market, market capitalization stood at 10,215.5 billion as at December 30, 2016, compared to 9,078.9 on December 31, 2015, an increase of 12.5% due to the introduction of four (4) new capital securities and bond lines on the BRVM exchange. Stock market capitalization rose from 7,499.67 billion at the end of December 2015 to 7,706.27 billion on December 30, 2016, whereas bond capitalization over the same period rose from 930.03 billion to reach 2,509.26 billion on December 30, 2016.

The volume of transactions also registered an increase over the year, growing from 62,766 transactions as at December 31, 2015, to 2,315.818 securities traded by the end of FY 2016.

On the other hand, the BRVM indexes showed a downward trend in 2016. The main stock exchange index, the BRVM10, and the composite index, which respectively stood at 261.95 points and 292.17 points on December 30, 2016, declined by 9.8% and 3.9% compared to the end of December 2015.

3.4 - ACTIONS TOWARDS FINANCIAL STABILITY

The activities carried out by the BCEAO in 2016 with regard to financial stability essentially focused on:

- reinforcing bank crisis resolution and depositor protection mechanisms;
- reinforcing banking and financial regulations and supervision;
- promoting Credit Information Bureaus; and
- other actions aimed at promoting financial stability.

3.4.1 - Reinforcing bank crisis resolution and depositor protection mechanisms

In the framework of the preservation of the stability of the regional financial system, in financial year 2016, the BCEAO continued its actions aimed at reinforcing the banking crisis resolution mechanism in force in the Union. It should be noted that the studies were founded on the Decision adopted by the WAMU Council of Ministers during its session on July 2, 2015, in Bissau, which instituted a WAMU banking crisis resolution mechanism structured around an authority, namely the WAMU Banking Commission, and a fund for financing crisis resolution actions, under the responsibility of the WAMU deposit guarantee fund (FGD-UMOA).

In relation to the crisis-resolution authority, draft amendments to the Annex to the Convention governing the WAMU Banking Commission were formulated in order to insert provisions enabling the body to fully play its role. The draft text is expected to be submitted to the authorities in 2017.

Regarding work on the operationalization of the WAMU deposit guarantee fund, the progress achieved mainly involved the setting in place of the administrative and organizational structure, the finalization of the recruitment of the first employees, the appointment of a statutory auditor and the submission of draft circulars to the Council of Ministers on membership terms and conditions, contributions and compensation.

The next steps notably involved the approval of the contribution rate, membership formalities and the establishment of a process for collecting members' contributions.

Reflection is underway on the extension of the powers of the FGD-UMOA to funding of banking crisis resolution activities.

3.4.2 - Reinforcing banking and financial regulations and supervision

The activities carried out in this framework focused on improving financial regulation in the Union and designing and implementing tools for banking and financial supervision.

As pertains to the improvement of financial regulation, during its ordinary session held in Lomé on June 24, 2016, the WAMU Council of Ministers adopted instruments domesticating the Basel II and Basel III rules into the Union, namely:

- Decision No. 013/24/06/2016/CM/UMOA on the prudential mechanism applicable to credit institutions and financial companies in the Union, and its Annex, which is to enter into force on January 1st, 2018;
- and Decision No. 014/24/06/2016/CM/UMOA on the supervision on a consolidated basis of parent credit institutions and financial companies in WAMU, which entered into force upon its adoption.

The new prudential mechanism is aimed at preserving a strong, resilient banking system, with a controlled risk profile, that meets the financing needs of the member state economies.

The decision on supervision on a consolidated basis establishes the principle and the terms and conditions under which banking groups operating in the Union are subject to the mechanism, as well as the applicable prudential rules.

These instruments ensure the convergence of the prudential regulations of the Union with international standards, particularly the Basel II and Basel III rules, while taking account of the unique features of the banking system in the Zone.

The process of the dissemination of the new instruments, which began with an awareness session for the institutions affected on September 21, 2016, is expected to continue in 2017 through planned seminars in each member state of the Union, for the benefit of the staff of the institutions subject to the mechanism and the staff of the BCEAO.

The Central Bank also set up a mechanism to support the affected institutions, with a view to ensuring the harmonious and organized implementation of this reform in the Union. In this framework, the institutions were informed of the main obligations incumbent upon them as well as the availability of the Departments of the BCEAO to provide technical support throughout the migration process.

In addition, work was conducted with a view to revising the Union's Banking Chart of Accounts (Plan Comptable Bancaire or PCB, in French). During the session held in Lomé on June 24, 2016, the Council of Ministers approved the entry into force of the new banking chart of accounts, effective as of January 1, 2018. With this in mind, the Governor's Decision establishing the revised

chart of accounts, its implementing instruments and the notification specifying the obligations incumbent upon the institutions subject to the mechanism were disseminated to the banking profession. A travelling outreach mission on the new accounting system was organized in the countries of the Union, taking the form of awareness sessions for all stakeholders, particularly the banking and accounting professions and the tax authorities. This reform has made it possible to equip the banking sector with a new reporting mechanism in phase with the needs of the institutions as well as those of the monetary and auditing authorities. FY 2017 should be devoted to the execution of the transition phase, whose goal is to ensure the implementation, by the different stakeholders, of measures aimed at facilitating the organized application of the new provisions.

Regarding the reinforcement of the supervisory mechanism for credit institutions, the BCEAO continued its work aimed at defining and setting up a macroprudential policy framework in the Union and identifying systemically important banking institutions. This latter project meets the need to make the financial system more secure. The failure of systemically important institutions could have a significant negative impact on the financial system as a whole and on the economies of the Union. The ultimate goal is to subject them to closer supervision and additional minimum capital requirements.

In the framework of the annual assessment of banking system resilience in WAMU in the event of severe shocks that are likely to take place, the BCEAO conducted a stress test on the sector in December 2016. The findings of the tests generally showed that the banking sector was resilient overall, despite a few points of vulnerability, notably related to its concentrated credit portfolio.

Furthermore, the Central Bank took part in the proceedings of the 10th ordinary session of the WAMU Financial Stability Committee (WAMU-FSC), on June 2, 2016. During the meeting, the Committee highlighted the main risks that required specific supervision by the financial system regulatory organs and institutions and by the member states of the Union.

The BCEAO also participated in the 83rd, 84th, 85th and 86th ordinary meetings of the regional commission for insurance supervision (CRCA) under the auspices of the Inter-African Conference on Insurance Markets (CIMA), which were respectively held on April 25-29, 2016, in Dakar; on July 18-22, 2016, in Douala; on October 24-28, 2016, in Ouagadougou and on December 12-16, 2016, in Libreville. It also took part in the first ordinary session of the year organized by the social security supervisory board (CSPS) of the Inter-African Conference on Social Security (CIPRES), in Lomé in April.

3.4.3 - Promotion of Credit Information Bureaus (BICs)

The Central Bank continued to move ahead on the project initiated by the Central Bank with a view to promoting Credit Information Bureaus (BICs) in the Union, with a view to reducing the asymmetry of information between banks and their customers, as the BICs will ensure the availability of economic and financial information on customers.

Significant progress was achieved in FY 2016 in terms of the reinforcement of the legal framework for the activities of the Credit Information Bureaus. The uniform act on the regulation of BICs has been adopted by the National Assembly in all three of the member states of the Union that had yet to domesticate the act (Benin, Burkina Faso and Togo). In addition, the BCEAO issued five (5) new

instructions for the enforcement of the act. The instructions notably focused on how to set up internal audit systems, compliance audit systems and provisional administration for BICs. They also defined the sanctions applicable to BICs and set the amounts required to set up a special reserve to ensure their long-term viability.

3.4.4 - Other actions aimed at promoting financial stability

In conjunction with the member states of the Union, the BCEAO continued to implement actions aimed at ensuring the compliance of the Union's mechanism for the fight against money laundering and terrorist financing (ML/TF) with the new international standards issued by the Financial Action Task Force (FATF) and ensuring its effectiveness. It should be noted that the Council of Ministers took Decision No. 26 of 02/07/2015/CM/UMOA on the adoption of a draft uniform act on the fight against ML/TF, recommending that the member states domesticate the act by December 31, 2015 at the latest. As at December 31, 2016, the draft instrument had been adopted by the National Assembly in four countries (Burkina, Côte d'Ivoire, Mali and Niger) and had already been enacted in two (Burkina and Mali). With a view to enforcing the new uniform act as soon as it has been effectively domesticated in the member states, the BCEAO produced four (4) draft instructions for the enforcement of said law, which were enriched by contributions from the concerned structures in the states. The draft instructions notably specified modalities for the enforcement of the uniform act by the financial institutions as well as certain thresholds pertaining to cash transactions.

In the framework of the execution of the project to reform the reporting system of institutions subject to the Central Bank, the Governor of the BCEAO issued Instruction No. 022-11-2016 of November 15, 2016 on reporting procedures for the financial statements of credit institutions submitted to the Central Bank.

The purpose of the instrument is to promote the implementation of the actions undertaken by the BCEAO with a view to rationalizing and automating the collection and processing of the necessary data for monetary policy and supervision of the banking and financial system. The goal is to increase the reliability of the data gathered and reduce the time required to make the necessary data available.

3.5 - ACTIONS TOWARDS FINANCIAL INCLUSION

In the framework of the promotion and development of financial inclusion in the Union, the BCEAO continued to implement actions aimed at setting up a regional financial inclusion strategy (SRIF) in WAEMU.

In partnership with the United Nations Capital Development Fund (UNCDF), the Bank made a major step forward with the adoption of the regional policy and strategy framework document on financial inclusion by the WAMU Council of Ministers in its meeting in Lomé on June 24, 2016, along with a plan of action and a budget to finance it. The document is intended to bring together all of the initiatives underway within the Bank, along with those conducted by the member states. It serves as a frame of reference that provides a shared vision of financial inclusion and defines priorities to reinforce the access of the populations to financial services in the Union. The Bank also organized a donor round table on November 17, 2016, at its headquarters in Dakar, to obtain financial commitments from the technical and financial partners with a view to raising funds for the implementation of the activities identified.

In addition, the Central Bank continued the proceedings of the working group of central banks of French-speaking countries on financial inclusion. It prepared an interim report on the state of financial inclusion in the member countries and submitted it to the 23rd conference of central bank governors of francophone countries, held in Equatorial Guinea on May 11-13, 2016.

The Bank also organized a high-level regional conference on September 20, 2016, on the subject of: "*Finance for all: promoting financial inclusion in West Africa*", in collaboration with the International Monetary Fund. The meeting served as a platform for exchanges on the issues and challenges faced by central banks and public authorities where financial inclusion is concerned. The conference also provided an opportunity to draw inspiration from practices in other ECOWAS member countries where the promotion of financial inclusion is concerned. It promoted exchanges about the issues and challenges of financial inclusion and how to take advantage of experience sharing and sharing of best practices in effect in West Africa.

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

4.1 - MANAGEMENT OF FIDUCIARY CIRCULATION

During the 2016 financial year, transactions through the windows of the Central Bank were marked by a higher volume of withdrawals of banknotes and coins (2,383.8 million units) than of deposits received (2,331.5 million units). Compared to 2015, the share of banknotes in circulation outside banks remained virtually unchanged at 97.2%.

4.1.1 - Withdrawals and deposits through BCEAO branch windows

Movements through Central Bank windows stood at 4,853.8 million banknotes and coins in 2016 compared to 4,819.8 million units the previous year.

Outflows of banknotes during the period under review totalled 2,383.8 million units (16,123.1 billion CFA francs), against 2,385.8 million units in 2015 (15,786.5 billion CFA francs), for an annual decrease of 2 million units. The largest withdrawals were recorded in Côte d'Ivoire (29.0%), Senegal (16.6%), Burkina Faso (15.4%) and Mali (12.8%).

Withdrawals of coins experienced a 9.0% decrease over the period, from 141.8 million units in 2015 to 129.0 million units in 2016. Outflows of coins remained virtually stable at 7.6 billion CFA francs from one year to the next.

Inflows of banknotes through Central Bank windows totalled 2,331.5 million units (15,855.8 billion CFA francs) in 2016, against 2,295.3 million units in 2015 (15,174.1 billion CFA francs), for an annual increase of 36.2 million units. The largest inflows in value were observed in Côte d'Ivoire (28.0%), Burkina Faso (17.0%), Senegal (13.6%) and Mali (13.4%).

Deposits of coins through Central Bank windows decreased by 2.9 million units, from 12.4 units in 2015 to 9.5 million units in 2016, representing a 30.5% decrease in volume, essentially due to the reduction in deposits of 500 CFA franc coins at bank windows. The value of deposits of coins stood at 2,348.8 million CFA francs in 2016 against 4,329.6 million CFA francs the previous year.

4.1.2 - Structure of currency outside banks

As at the end of December 2016, fiduciary circulation stood at 6,135.7 billion CFA francs against 5,863.0 billion CFA francs one year prior, for an increase of 4.7%. Large denominations made up 91.2% of banknotes in circulation, the same proportion as in 2015.

4.1.3 - Cross-border flows of banknotes through BCEAO branch windows

Cross-border flows of banknotes⁶ resulting from sorting operations during the 2016 financial year totalled 2,130.5 billion CFA francs against 1,766.0 billion CFA francs the previous financial year, for an increase of 20.6%.

⁶ The banknotes resulted from sorting operations in the Branches of states in which they were not issued.

The banknotes moved principally included those issued by the branches in Côte d'Ivoire (36.8%), Burkina Faso (15.2%), Benin (12.6%), Mali (9.6%) and Togo (8.2%). The Togo, Benin, Mali and Burkina branches registered the largest cross-border inflows of banknotes, with respective shares of 30.6%, 19.4%, 15.4%, and 11.8%.

Table 13: Cross-border flows of banknotes through BCEAO branch windows (in billions of CFA francs)									
	FY 2015			FY 2016			Change		
	(1)			(2)			(3)=(2)-(1)		
	Inflows	Outflows	Balance	Inflows	Outflows	Balance	Inflows	Outflows	Balance
BENIN	512.1	280.6	231.5	414.1	269.4	144.8	-97.9	-11.2	-86.7
BURKINA FASO	256.6	270.2	-13.6	251.8	324.1	-72.3	-4.8	53.9	-58.7
COTE D'IVOIRE	195.8	441.5	-245.6	153.1	784.9	-631.7	-42.7	343.4	-386.1
GUINEA-BISSAU	25.7	27.0	-1.3	24.9	78.1	-53.2	-0.8	51.1	-51.9
MALI	105.8	113.1	-7.4	329.2	204.2	124.9	223.4	91.1	132.3
NIGER	87.8	182.0	-94.2	107.2	149.8	-42.6	19.4	-32.2	51.6
SENEGAL	57.8	71.1	-13.3	198.2	145.5	52.7	140.4	74.3	66.1
TOGO	524.4	380.4	144.0	651.9	174.6	477.3	127.5	-205.8	333.3
WAMU	1,766.0	1,766.0	-	2,130.5	2,130.5	-	364.5	364.5	-

Source : BCEAO.

4.2 - PAYMENT SYSTEMS AND INSTRUMENTS

As at 31 December 2016, the performance of the WAEMU payment systems was generally satisfactory, with increases in the major activity indicators.

4.2.1 - Functioning of payment systems

As at the end of December 2016, there were 118 participants in the **WAEMU Automated Transfer and Settlement System (STAR-UEMOA)** thanks to the entry into production of three (3) new participants including the national treasury department of Senegal.

In 2016, 758,995 transactions were settled through STAR-UEMOA for a value of 457,831 billion CFA francs, for an increase of 49.25% in value and 11.14% in volume compared to the 2015 financial year.

The increase in transactions in FY 2016 was due to an increase in the number of participants and an increase in the volume of Central Bank transactions.

Inter-country exchanges within WAEMU rang in at 316,538 transactions and a value of 26,272 billion CFA francs in 2016, totalling 41.70% of the overall volume of transactions processed through STAR-UEMOA. The positive trend (8.92 % in volume and 15.25% in value) in inter-country exchanges within WAEMU highlighted the increase in financial exchanges between WAEMU countries.

At the end 2016, there were 133 participants in the **WAEMU Automated Interbank Clearing System (SICA-UEMOA)**, including the banks, the National Branches of the BCEAO and the public treasury departments of Benin, Burkina Faso, Côte d'Ivoire, Mali and Senegal. In 2016, the activity of SICA-UEMOA was marked by respective increases of 2.90% in the volume of transactions and 2.45% in the value of transactions compared to 2015. The volume of transactions stood at 12,583,759 worth a total of 43,609 billion CFA francs.

This increase in the value of transactions was due to changes in levels of activity in Mali (+16.96%), Senegal (+11.06%) and across the sub-region (+14.33%). Inter-country exchanges within WAEMU made up 1.13% of the total volume of transactions in the Union.

In terms of the distribution of payment instruments handled by the teleclearing system, the relative share of transfers increased by 2.68% to the detriment of cheques. In 2016, transfers represented 34.32% of exchanges compared to close to 64.51% for cheques. It should be recalled that the respective shares of these instruments were 31.64% and 67.15% in 2015. In terms of value, cheques represented 84.57% of exchanges in 2016.

4.2.2 - Securing, promoting and modernizing payment systems and instruments

With respect to the management of the SICA-UEMOA clearing balance settlement guarantee fund (FDG), the 2016 financial year recorded fifty (50) cash advances compared to seventy (70) in 2015, a decrease of 28.60% in volume compared to the previous year. Advances granted in the financial year under review were estimated at nearly 21 billion CFA francs.

At the end of December 2016, the average amount of advances stood at approximately 420 million CFA francs, against 930 million CFA francs in 2015. In all, interventions by the guarantee fund allowed nearly 68 billion CFA francs in negative balances to be settled in clearance in 2016.

This contraction observed in the use of the guarantee fund was due to the impact of ongoing awareness-raising for participants on the need to improve their cash management.

In its management role, the BCEAO carried out the following actions during the period under review with a view to increasing the efficiency of the SICA-UEMOA and STAR-UEMOA systems:

- technical centralization of all nine (9) national and regional clearance systems at BCEAO headquarters. The implementation of this project culminated in the production launch of a new version of the Automated Interbank Clearing System (SICAUEMOA V4) during the month of July 2016. The benefits of SICAUEMOA V4 are linked to the reinforcement of the capacity of the system, due to increased volumes of business and the implementation of technological innovations that increase the fluidity and security of transactions;
- the development of a practical guide for the verification of the platform for participants in the payment systems aimed at controlling the risks arising from participation in WAEMU payment systems and improving conditions for carrying out interbank payment transactions;
- the development of a new guide for the operation of the SICA-UEMOA and STAR-UEMOA Users Group to enable it to better deal with issues linked to the payment systems;

- the organization of a training session for payment systems participants with a view to reinforcing their STAR-UEMOA and SICA-UEMOA transactions management skills;
- the finalization of work to launch the production of an intra-day advance module (AIJ) to manage the liquidity risks of STAR-UEMOA participants. This new mechanism optimizes the deadlines for the execution of payment orders in STAR-UEMOA, by enabling all participants with temporary cash needs to obtain cash advances from the Central Bank, which they undertake to reimburse before the end of the day's trading. Reimbursement is guaranteed by an adequate provision of securities in SAGETIL- UMOA, WAMU's automated cash and securities management system.

Furthermore, in 2016, the Central Bank continued monitoring the implementation of action plans for the active participation of national treasury departments in payment systems. In this respect, progress was made in every country, particularly in Côte d'Ivoire and Senegal, whose respective treasury departments have been directly connected to STAR-UEMOA since November 2015 and October 2016. The treasury departments of Benin, Burkina Faso, Côte d'Ivoire, Mali and Senegal are also participants in SICA-UEMOA.

In 2016, in the framework of reinforced supervision for issuers of electronic money, the Central Bank developed a guide on documentary and on-site supervision using a risk-based approach aimed at enhancing the security of financial services backed by electronic money and ensuring the protection of users' funds. The guide was tested in the framework of two on-site audit missions in Côte d'Ivoire and Senegal.

In addition, in the framework of the implementation of the 2016-2018 Strategic Plan, an automated data collection project on the payment systems and instruments used in the Union was launched in 2016. The project, known as "Collecte Consolidation Traitement Informatique et Elaboration de Reporting (COCOTIER)" (collection, consolidation, computer processing and reporting) is aimed at enhancing the supervision of payment systems and instruments in the Union, notably by facilitating the collection, reliability and processing of the relevant data.

In order to promote increased ownership of Instruction No. 008-05-2015 of May 21, 2015, governing the terms and conditions of the exercise of electronic money activities in WAEMU member states, the Central Bank initiated awareness activities in all of its National Branches for credit institutions, decentralized financial systems, national treasury departments, mobile telephone operators, consumers' associations and telecommunications sector regulatory authorities, in addition to the general public. These communication activities were reinforced by developing a FAQ page on the Central Bank website and putting it online.

With regard to the modernization of payment systems and instruments and their contribution to financial inclusion, the actions implemented notably focused on:

- the organization of an African Mobile Phone Financial Services Policy Initiative (AMPI) Leaders Round Table;
- work continued on the launching of projects relating to the promotion of access to payment systems for decentralized financial systems and interoperability of digital payments; and

- the formulation of a draft instruction on the conditions under which clearing and settlement of electronic transactions are carried out in the Union.

In his role as Chair of the African Mobile Phone Financial Services Policy Initiative (AMPI), the Governor of the BCEAO hosted the AMPI Leaders Round Table for the second time, in Dakar on February 4-5, 2016, following the third edition organized in Yamoussoukro, Côte d'Ivoire, on July 23-24, 2015. The discussions during the fourth round table focused on the central theme of: "Transformational digital financial services". The round table was attended by some one hundred and fifty (150) participants, including the Governors and Deputy Governors of the African central banks belonging to the Alliance for Financial Inclusion (AFI), representatives of African governments and the banking and microfinance sectors, payment services providers and partners in development.

The round table made it possible to:

- assess successful digital financial service integration experiences in the community finance sector;
- measure the scope of the regulator's role in promoting remittances by foreign migrants as well as the major constraints to be overcome with a view to implementing interoperability of mobile telephone financial services in Africa, to the benefit of all stakeholders;
- identify future prospects for AMPI, particularly the institutionalization of AMPI by setting up an AFI Regional Office in Africa.

As pertains to the promotion of access to payment systems for decentralized financial systems, during the period under review, the Central Bank continued its work with the African Development Bank (AfDB) with a view to mobilizing the necessary financial resources. Thus, a grant agreement was signed in December 2016. The project will be officially launched in January 2017 for a term of three (3) years,

The Central Bank also initiated exchanges with payment market actors and the AfDB for the implementation of overall interoperability of digital payments across all stakeholders, payment instruments and payment channels. The project should make it possible to deal with the risks involved in the development of digital payment services as well as the vulnerabilities of the bilateral clearance settlement mechanisms implemented in the framework of certain partnerships between the stakeholders. The official launching of the project will be embodied by the signing of the financing agreement with the AfDB in January 2017.

Furthermore, in application of the measures of Decision No. 31 of 29/09/2015/CM/UMOA pertaining to clearance and settlement of electronic banking transactions carried out in WAMU in CFA francs, the Central Bank undertook the drafting of an Instruction to specify licensing terms and conditions and the conditions for carrying out electronic banking clearance and settlement activities in the Union. It is expected to enter into force in the first half of 2017. In addition, work has been launched on the revision of Regulation No. 15/2002/CM/UEMOA of September 19, 2002, on payment systems.

4.3 - MANAGEMENT OF FOREIGN EXCHANGE RESERVES

In 2016, the BCEAO continued its policy of diversification of investment supports to foreign exchange assets not deposited in the Operating Account, in strict compliance with the prudential principles and practices generally allowed for the management of official exchange reserves, and particularly IMF Guidelines in this regard.

On average, assets in foreign currency stood at 9.20 billion euros during FY 2016, compared to an average of 9.52 billion euros in 2015. On December 31, 2016, BCEAO foreign exchange reserves deposited in its Operating Account represented 53.00% of overall reserves against 55.00% at the end of FY 2015.

Foreign assets not deposited in the Operating Account were held in the form of monetary assets and debt instruments distributed among actively and passively managed funds.

All in all, the exchange reserve management policy implemented by the BCEAO in FY 2016 was governed by the imperatives of security, liquidity and profitability.

5.1 ACTIVITIES OF THE STATUTORY BODIES

During the 2016 financial year, the Organs of the Union held their meetings in conformity with the provisions of the Treaty of 20 January 2007 establishing the West African Monetary Union (WAMU) and the Statutes of the Central Bank of West African States.

5.1.1 - Conference of WAMU Heads of State and Government

The Conference of Heads of State and Government of the Union held its 19th ordinary session in FY 2016, on January 8, 2016, in Cotonou, Republic of Benin, under the chairmanship of his Excellency Doctor Boni Yayi, President of the Republic of Benin, as well as an extraordinary session on June 5, 2016, in Dakar, Republic of Senegal, under the chairmanship of His Excellency Alassane Ouattara, President of the Republic of Côte d'Ivoire.

During its 19th ordinary session, the Conference expressed its pleasure at the sound organization of the presidential elections in Côte d'Ivoire, Togo and Burkina Faso. It extended its warm congratulations to their Excellencies Alassane Ouattara and Faure Essozimna Gnassingbé for their re-election to the respective positions of President of the Republic of Côte d'Ivoire and President of the Togolese Republic. The Conference also extended its warm congratulations to His Excellency Roch Marc Christian Kaboré, for his election to the position of President of Burkina Faso. The Conference congratulated the actors in the transition and the people of Burkina Faso for the maturity they had shown during the period.

Taking note of the findings of the second edition of the annual review of community projects, reforms, policies and programs in the Union, the Conference encouraged the Organs and Institutions to pursue this activity with a view to consolidating the foundations of the Union, for the well-being of its people.

Regarding the status of integration in the Union, the Heads of State and Government reviewed matters of common interest to WAEMU and ECOWAS. They appreciated the strong coordination of the actions of these two institutions, through regular organization of sessions of the joint technical secretariat, with a view to the effective execution of community projects and programs.

The Conference was also pleased with the actions undertaken by the Union through its high-level committees in charge of projects pertaining to energy, peace and security, the financing of the economies and food security. It saluted the actions implemented to improve the financing of the economies of the Union, through the implementation of the second phase of reinforcement of the intervention capacities of banks and financial institutions and the promotion of credit information bureaus. It urged the member states that had yet to domesticate the uniform act on the regulation of credit information bureaus to do so promptly in order to allow the activities of these organizations to begin throughout the community.

The Conference also appreciated the actions initiated by the Central Bank with a view to setting up a mechanism to support funding of SMEs/SMLs in the Union. It invited all of the stakeholders in the promotion of SMEs/SMLs to work towards the achievement of the goals of the mechanism.

Furthermore, the Conference was informed of the revision of the instruments in force in the member states of the Union with regard to the fight against money laundering and terrorist financing, with a view to ensuring their compliance with international standards. It urged the community organs and institutions to closely monitor the implementation of the new legal instruments.

The Heads of State and Government were also informed of the actions undertaken by the Central Bank to reinforce financial stability in the Union, particularly those aimed at setting up a banking crisis resolution mechanism. They encouraged the community organs and institutions to complete that project.

The Heads of State and Government also appreciated the actions undertaken to regulate the electronic money sector, with a view to improving monitoring and reinforcing the people's confidence in that type of money, which makes a significant contribution to the improvement of financial inclusion in the Union.

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

During the extraordinary session of June 5, 2016, which focused mainly on the specific items on the agenda, the Conference expressed its pleasure at the smooth organization of the presidential elections in Benin and Niger and extended its warm congratulations to His Excellency Patrice Talon, who was elected President of the Republic of Benin, as well as to His Excellency Issoufou Mahamadou for his re-election to the supreme office of Niger.

The Conference also lauded the high-level committee on peace and security chaired by His Excellency Macky Sall for the work it accomplished. It urged the organs and Institutions of the Union to make the instruments pertaining to the project operational. It also adopted a Declaration on peace and security in the West African Economic and Monetary Union, as well as a plan of action on the operationalization of the project.

The Conference also reviewed the findings of the studies undertaken at its request by the Commission, on the rationalization of the organs of the Union and the community solidarity tax (Prélèvement Communautaire de Solidarité - PCS). It instructed the Council of Ministers to deepen its reflection on these studies with a view to submitting concrete proposals on the appropriate decisions to be made.

5.1.2 – WAMU Council of Ministers

The following changes were made to the membership of the Council in FY 2016:

- **As regards the Republic of Benin**, Mr. Romuald Wadagni, Minister of the Economy and Finance, was appointed to the Council of Ministers of the Union as of April 6, 2016, replacing Mr. Komi Koutché.

Mr. Abdoulaye Bio Tchané, Minister of State for Planning and Development, was appointed to the WAMU Council of Ministers as of April 18, 2016, replacing Mr. Pocoun Damè Kombienou.

- **As regards Burkina Faso**, Ms. Coulibaly Hadizatou Rosine Sori, Minister of the Economy, Finance and Development, was appointed to the Council of Ministers of the Union as of January 12, 2016, replacing Mr. Jean Gustave Sanon.

Mr. Eric Wendenmanegha Bougouma, Minister of Infrastructure, was appointed to the Council of Ministers of the Union as of February 4, 2016, replacing Mr. Bédializoun Moussa Nébié.

- **As regards the Republic of Côte d'Ivoire**, Mr. Adama Koné, Minister of the Economy and Finance attached to the Office of the Prime Minister, was appointed to the Council of Ministers of the Union as of January 12, 2016, replacing Ms. Nialé Kaba;

- **As regards the Republic of Guinea-Bissau**, Mr. Henrique Horta Dos Santos, Minister of the Economy and Finance, was appointed to the WAMU Council of Ministers as of June 20, 2016, replacing Mr. Geraldo João Martins.

Mr. Doménico Oliveira Sanca, Secretary of State in charge of Planning and Regional Integration, was appointed to the WAMU Council of Ministers as of June 20, 2016, replacing Mr. Degol Mendes.

Mr. João Alage Mamadu Fadia, Minister of State for the Economy and Finance, was appointed to the WAMU Council of Ministers as of December 12, 2016, replacing Mr. Henrique Horta Dos Santos.

Mr. Victor Luis Pinto Fernandes Mandinga, Minister for Trade and Business Promotion, was appointed to the WAMU Council of Ministers as of December 22, 2016, replacing Mr. Doménico Oliveira Sanca.

- **As regards the Republic of Mali**, Dr. Boubou Cissé, Minister of the Economy and Finance, was appointed to the Council of Ministers of the Union as of January 15, 2016, replacing Mr. Mamadou Igor Diarra.

- **As regards the Republic of Niger**, Mr. Massoudou Hassoumi, Minister of Finance, was appointed to the Council of Ministers of the Union as of October 19, 2016, replacing Mr. Saidou Sidibé.

Ms. Aichatou Boulama Kane, Minister of Planning, was appointed to the Council of Ministers of the Union as of May 9, 2016, replacing Mr. Mohamed Boucha.

- **As regards the Togolese Republic**, Mr. Sani Yaya, Minister of the Economy and Finance, was appointed to the Council of Ministers of the Union as of August 1, 2016, replacing Mr. Adji Otèth Ayassor.

During the 2016 financial year, the Council of Ministers, held three (03) ordinary sessions, respectively on March 24, 2016, at BCEAO headquarters in Dakar, on June 24-25, 2016, the Central Bank Main Branch Office in Lomé, and on September 26, 2016, at the Central Bank Main Branch Office in Ouagadougou, under the chairmanship of Mr. Amadou Ba, Minister of the Economy, Finance and Planning of the Republic of Senegal, its statutory President.

The Council of Ministers also held an extraordinary session on June 3 at BCEAO headquarters, in the run up to the extraordinary session of the Conference of Heads of State and Government of the Union, which took place on June 5, 2016, in Dakar.

During these meetings, the Ministers reviewed the international economic situation as well as the economy in the WAEMU member states.

During its ordinary session of March 24, 2016, the Council pointed out that the economy remained strong in the final quarter of 2015. Year-over-year growth in the gross domestic product (GDP) stood at 6.7%, following 6.4% the previous quarter, mainly due to good harvests in the 2015/2016 crop season. Economic growth in the Union over FY 2015 was estimated at 6.6%, a level identical to the one registered in 2014. Projections for FY 2016 predict growth of 7.2% in the Union.

The Ministers noted that the budget deficit in the Union deepened in 2015, reaching 3.8% of the GDP, compared to 3.3% in 2014. In this regard, they urged the member states to increase their efforts to optimize the efficiency of their spending and increase their tax revenue in order to achieve a fiscal pressure rate of 20% by 2019. They also stressed the need to preserve the sustainability of the public debts of the member countries.

The members of the Council also noted that the inflation rate remained low, reflecting a lack of inflationist tension. The year-over-year inflation rate stood at 1.3% at the end of December 2015, compared to 1.1% at the end of September 2015. This trend was essentially driven by the increase in local food prices. On average over FY 2015, the inflation rate was 1.0%.

The Council also approved the WAEMU financial market reform proposals formulated by the BCEAO and instructed the organs and institutions concerned to diligently implement the actions incumbent upon them.

The members of the Council also stated their agreement for the West African Development Bank (WADB) to open accounts in foreign currency on the books of the BCEAO, as per its request, in the framework of the implementation of its currency risk hedging mechanism.

Finally, the Board urged those states that had not already done so to accelerate the procedure of domestication of the uniform law on the regulation of Credit Information Bureaus (BICs) in WAMU.

During its ordinary session of June 24-25, 2016, the Council of Ministers took note of the strong performance of the economy in the first quarter of FY 2016 and the positive economic outlook for WAEMU countries in the rest of the financial year. Growth in the real gross domestic product (GDP) of the Union stood at 7.1% year over year, compared to 7.2% the previous quarter, due to the impact of strong performances in the secondary and tertiary sectors. Over FY 2016, the performance of the economy reached 7.2%, compared to 7.0% in 2015. The Council also noted with satisfaction that the inflation rate had slowed, from 1.3% in December 2015 to 0.8% in March 2016, due to the availability of cereals on the market and the repercussions of the drop in international crude oil prices on fuel prices at the pump in certain countries of the Union.

However, the Ministers stressed the need for proper management of risks linked to security issues, the negative trend in export commodity prices and the deterioration of international financial terms,

with a view to sustainably enhancing growth in the member countries. They also urged the member states to continue their efforts to mobilize fiscal revenue and rationalize public spending with a view to reducing the budget deficit and bringing it into line with the community standard of 3.0% of GDP by 2019. Finally, they stressed the need to implement an appropriate domestic and foreign debt policy with a view to preserving macro-economic viability in the states.

The Council also adopted two draft uniform acts. The first pertained to the repression of counterfeiting and other currency offences in the member states of the Union. The second focused on leasing in the member states of the West African Monetary Union. A recommendation was issued for the member states of the Union to domesticate the instruments within six (6) months.

The Ministers also adopted the regional policy and strategy framework document on financial inclusion in WAEMU, and the plan of action and budget pertaining thereto. This strategy, developed in a context marked by the dominant role of microfinance and the significant expansion of mobile phone financial services, aims to ensure that 75% of the adult population of the Union has access to and uses a diversified range of suitable financial products and services, at affordable costs, within the next five (5) years.

The Council of Ministers adopted the Decision on the supervision on a consolidated basis of parent credit institutions and financial companies in WAMU, as well as the decision on the prudential mechanism applicable to credit institutions and financial companies in the Union, which will enter into force as of January 1, 2018.

It also appointed representatives of the states to the WAMU Financial Stability Committee (CSF-UMOA) and renewed the terms in office that had reached their expiration date. It granted the Chairman of the Council of Ministers a mandate to appoint representatives of Benin, Burkina Faso and Niger to the WAMU Financial Stability Committee.

The Council of Ministers also approved the entry into force of the revised WAMU Banking Chart of Accounts and its implementation instructions as of January 1, 2018.

Finally, the Council of Ministers was informed of the findings of the meeting of the Monetary Policy Committee on June 1, 2016, on the trend in the balance of payments and the international investment position of the region in FY 2014 as well as the start-up of the activities of Credit Information Bureaus in the member countries.

During its ordinary session of September 26, 2016, the Council of Ministers took note of the strong performance of the economy in the second quarter of FY 2016 as well as the positive economic outlook for WAEMU countries in the rest of the financial year. Year over year, the rate of growth in the gross domestic product (GDP) in the Union stood at 7.2% compared to 7.5% the previous quarter. Throughout the 2016 financial year, the economy, buoyed by strong momentum in the secondary and tertiary sectors, should improve overall, with expected growth at 7.1% following a performance of 7.0% in 2015. The Council noted a decline in inflation, which dropped from a rate of 0.8% in March 2016 to 0.5% at the end of June 2016, in conjunction with the drop in fuel prices at the pump and the decrease in the price of food.

The Council of Ministers also recalled the need for the states to consolidate the momentum of the economy and ensure that sustainability is maintained in the public finances of the Union. To this

end, the Council asked for reflection to be conducted at the regional level to enhance the efficiency of the fiscal authorities, improve the quality of public investments and put appropriate strategies in place to deal with the public debt. Reflection should also be focused on compliance with the regulatory provisions pertaining to domiciliation of exports. In addition, the Council urged the member states to continue their efforts with a view to diversification of the productive base and the structural transformation of the economies in order to sustainably consolidate economic growth.

Finally, the Council of Ministers was informed of the findings of the Monetary Policy Committee meeting held on September 1, 2016, of the progress of the project for the promotion of Credit Information Bureaus in WAMU and the status of the implementation of the second phase of the measure to increase the minimum registered capital of credit institutions.

5.1.3 - BCEAO Monetary Policy Committee

The BCEAO Monetary Policy Committee held four ordinary meetings under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank and statutory chairman of the Committee, respectively on March 2, June 1, September 1 and December 1, 2016, at BCEAO headquarters in Dakar.

During its meeting of March 2, 2016, the Committee reviewed the main trends unfolding recently in the economy and assessed the risk factors that could affect the outlook for price stability and economic growth in the Union.

On the international scene, the Committee noted that the global economy was marked by moderate growth in most industrialized countries and a continuing slowdown in the principal emerging economies, particularly in China. In this context, global prices for most commodities, notably those exported by the countries of the Union, continued on their downward trend in the final quarter of 2015, with the exception of cocoa and palm kernel oil prices.

Reviewing the domestic situation of the Union, the Committee noted that the performance of the economy continued to be strong in the final quarter of 2015, due to the impact of increased momentum in the primary sector. The year over year growth rate in the gross domestic product (GDP) in the Union stood at 6.7% compared to 6.4% the previous quarter. For 2015 as a whole, the gross domestic product of the Union grew by 6.6%, as in 2014.

Reviewing the state of public finance in the member states of the Union, the Committee took note of a deterioration in the budgetary balance on a commitments basis, including grants, estimated at 3.8% of the GDP compared to 3.3% one year prior. The increase in the budget deficit was due to the fact that the increase in public spending was larger than the increase in revenue. In this regard, the Monetary Policy Committee reiterated its exhortation to the states to increase tax revenue and continue efforts to rationalize public spending.

The members of the Monetary Policy Committee observed that inflation stood at 1.3% year over year at the end of December 2015 compared to 1.1% at the end of September 2015. This trend was chiefly due to the decrease in the price of local food products, notably vegetables, tubers and cereals. In 24 months' time, the year-over-year inflation rate is forecast at 1.9%, in phase with the Central Bank's goal of price stability.

With regard to monetary conditions, the Committee observed the easing of interest rates on the one-week interbank market compartment, where the weighted average rate dropped by 34 basis points the previous quarter, reaching 3.49% in the final quarter of 2015. Conversely, the weighted average rate of weekly cash injection transactions increased by 4 basis points, reaching 2.59% compared to 2.55% the previous quarter.

Based on these analyses, the Monetary Policy Committee decided to maintain both the minimum bid rate on cash injection tender transactions and the marginal lending rate unchanged, at respectively 2.50% and 3.50%, the levels in force since September 16, 2013. The required reserve coefficient applicable to the banks of the Union remained at 5.0%, the level that has been in force since March 16, 2012.

During its meeting of June 1, 2016, the Committee reviewed the main trends unfolding recently in the economy and assessed the risk factors that could affect the outlook for price stability and economic growth in the Union.

In international terms, the Committee noted that the trend in the global economy remained moderate in the first quarter of 2016, with low growth rates in most industrialized countries and a slowdown in emerging countries. Against this backdrop, global prices for major raw materials, particularly those exported by WAEMU countries, fell, with the exception of prices for palm oil, palm kernel oil, cashew nuts and gold.

In terms of the internal situation within the Union, the Committee pointed out that the trend in the performance of the economy remained strong, driven by the recovery in the secondary and tertiary sectors. The year over year growth rate in the gross domestic product (GDP) in the Union stood at 7.1% compared to 7.2% the previous quarter. In FY 2016, economic growth in the Union is expected to average 7.2% compared to a revised level of 7.0% in 2015. This development is chiefly due to the consolidation of activity in the secondary sector as well as the strong performance by the tertiary sector.

The members of the Monetary Policy Committee noted that, over the first three months of FY 2016, the execution of the budgets of the WAEMU member states resulted in an overall deficit, based on commitments, including grants, of 251.7 billion compared to 355.1 billion one year prior. The reduction in the budget deficit was due to the fact that the increase in revenue was larger than the increase in spending. The Committee encouraged the states to continue their efforts to mobilize tax revenue and rationalize public spending.

Analysing price trends in the Union, the Committee observed that year-over-year inflation in WAEMU had slowed to 0.8% at the end of March 2016, compared to a figure of 1.3% at the end of December 2015. This trend was chiefly due to the decrease in the price of food products, particularly vegetables and cereals. In 24 months' time, the year-over-year inflation rate is forecast at 1.9%, in phase with the Central Bank's goal of price stability.

The Committee noted that monetary conditions were tense in the Union in the first quarter of 2016. On the one-week interbank market compartment, the weighted average rate stood at 3.82% compared to 3.49% the previous quarter, while the weighted average rate for weekly cash injection transactions stood at 3.13% compared to 2.59% the previous quarter.

Based on these analyses, the Monetary Policy Committee decided to maintain both the minimum bid rate on cash injection tender transactions and the marginal lending rate unchanged, at the levels in force since September 16, 2013, respectively 2.50% and 3.50%. The required reserve coefficient applicable to the banks of the Union remained at 5.0%, the rate that has been in force since March 16, 2012.

During its meeting of September 1, 2016, the Committee reviewed the main trends unfolding in the economy during the previous quarter, as well as the risk factors that could affect the outlook for price stability and economic growth in the Union over the medium term.

In international terms, the Committee noted that the recovery of the global economy remained moderate during the second quarter of 2016, with lower-than-expected growth rates in most industrialized countries and a slight improvement in certain emerging countries. International prices for the principal commodities, particularly those exported by WAEMU countries, improved. The largest quarterly increases pertained to the prices of the barrel of crude oil, rubber, palm oil, coffee and cashew nuts.

Regarding the internal situation within the Union, the Committee pointed out that the performance of the economy remained strong. The year-over-year growth rate in the gross domestic product (GDP) in the Union stood at 7.2% against 7.5% the previous quarter. Economic growth in the Union is expected to average 7.1% in FY 2016, compared to a revised level of 7.0% in 2015.

The Monetary Policy Committee noted that, over the first three months of FY 2016, the execution of the budgets of the WAEMU member states resulted in an overall deficit, based on commitments, including grants, of 678.1 billion or 2.3% of the GDP, against 879.8 billion or 3.4% of the GDP one year prior. The reduction in the budget deficit was due to the fact that the increase in revenue was larger than the increase in spending. However, the states should continue their efforts to mobilize tax revenue and rationalize public spending with a view to reducing the budget deficit and bringing it into line with the community standard of 3.0% of the GDP by 2019.

Reviewing the trend in prices in the Union, the Committee noted that year-over-year inflation in WAEMU slowed down to reach 0.5% at the end of June 2016 compared to 0.8% at the end of March 2016, in conjunction with the drop in fuel prices at the pump and the decrease in the prices of food products. In 24 months' time, the year-over-year inflation rate is forecast at 1.6%, in phase with the Central Bank's goal of price stability.

Monetary conditions tightened slightly in the Union during the second quarter of 2016. On the one-week interbank market compartment, the weighted average rate stood at 4.08% compared to 3.82% the previous quarter. The weighted average rate for weekly cash injection transactions stood at 3.46% compared to 3.13% one quarter previously.

Based on these analyses, the Monetary Policy Committee decided to maintain both the minimum bid rate on cash injection tender transactions and the marginal lending rate unchanged, at respectively 2.50% and 3.50%, the levels in force since September 16, 2013. The required reserve coefficient applicable to the banks of the Union remained at 5.0% since March 16, 2012.

During its meeting of December 6, 2016, the Committee reviewed the main trends unfolding recently in the economy and assessed the risk factors that could affect the outlook for price stability and economic growth in the Union.

In international terms, the Committee noted that the trend in the global economy improved during the third quarter of 2016, with a recovery in growth in most industrialized countries as well as in the emerging countries. International commodities prices showed upward trends overall during the quarter under review. For their part, the price indexes of the main commodities exported by the WAEMU countries showed contrasting trends. The largest quarterly increases pertained to robusta coffee, cotton and palm oil, while the prices of cashew nuts, rubber, cocoa and crude oil experienced the most substantial drops.

In terms of the internal situation in the Union, the Committee pointed out the strong performance of the economy. Year over year, the rate of growth in the gross domestic product (GDP) in the Union stood at 7.1% compared to 6.8% the previous quarter. Over FY 2016, economic growth is expected to reach 6.9%, compared to 6.6% in 2015.

The Monetary Policy Committee noted that, over the first nine months of FY 2016, the execution of the budgets of the WAEMU member states resulted in an overall deficit, based on commitments, including grants, of 4.1% of the GDP as at the end of September 2016, against 3.2% of the GDP one year prior. The increase in the budget deficit was due to the fact that the increase in spending was larger than the increase in revenue. Under those conditions, the states should continue their efforts to mobilize tax revenue and rationalize public spending with a view to bringing the budget deficit into line with the community standard of 3.0% of the GDP by 2019.

Analysing price trends in the Union, the Committee noted that the year-over-year inflation rate in WAEMU stood at 0.1% in the third quarter of 2016 compared to a level of 1.2% the previous quarter. This drop in the general price level is due to the increase in the supply of foodstuffs during the period under review. In 24 months' time, the year-over-year inflation rate is forecast at 1.6%, in phase with the Central Bank's goal of price stability.

In monetary terms, the Committee noted the easing of refinancing conditions on the one-week tender window. The weighted average rate for weekly cash injection transactions stood at 3.37% compared to 3.46% one quarter previously and 2.55% one year prior. On the one-week interbank market compartment, the weighted average rate rose, however, reaching 4.39% compared to 4.07% the previous quarter.

In the light of these trends, the Monetary Policy Committee decided to maintain the minimum bid rate on cash injection tender transactions unchanged, at 2.50%, the level in force since September 16, 2013, thus confirming the accommodating orientation of the monetary policy of the BCEAO.

On the other hand, with a view to boosting the interbank market and generally improving the functioning of the money market in the Union, the Committee decided to broaden the corridor formed by the minimum tender rate on cash injection transactions and the marginal lending window to one (1) percentage point. Thus, the marginal lending window rate was raised from 3.50% to 4.50% as of December 16, 2016.

The required reserve coefficient applicable to the banks of the Union has remained at 5.0% since March 16, 2012.

5.1.4 - Board of Directors of the BCEAO

The following changes were made to the membership of the Board of Directors of the BCEAO in FY 2016:

- **regarding the Republic of Benin**, Mr. Oumara Karimou Assouma, Director General of the Treasury and Public Accounting, was appointed to the Board of the BCEAO, as of October 31, 2016, replacing Mr. Job Olou.

- **regarding the Republic of Côte d'Ivoire**, Mr. Konan Jacques Assahoré, Director General of Public Accounting and the Treasury, was appointed to the Board of the BCEAO, as of September 22, 2016, replacing Mr. Adama Koné.

- **regarding the French Republic**, Mr. Samuel Goldstein, Director of the Office in charge of sub-Saharan Africa and the French Development Agency at the Treasury Directorate General, was appointed as the French representative on the Board of Directors, as of December 15, 2016, replacing Mr. Cyril Rousseau, who was unavailable;

During the financial year under review, the Board of Directors of the BCEAO held two ordinary meetings, respectively on March 23, 2016, at BCEAO headquarters in Dakar and on December 15, 2016, at the Main Branch in Bamako, chaired by Mr. Tiémoko Meyliet Koné, Governor of the Central Bank and statutory Chairman of the Board.

During the ordinary meeting of March 23, 2016, the Board reviewed the accounts of the BCEAO established as at December 31, 2015, in keeping with the International Financial Reporting Standards (IFRS) and the specific accounting rules of the BCEAO. The Board members took note of the reports of the Statutory Auditor-Comptroller of the Central Bank for financial year 2015.

The Board was also informed of the findings of the audits conducted by the BCEAO Audit Committee, which met on March 21, 2016, at BCEAO headquarters, notably to review its financial statements and assess the quality of its internal audit mechanism.

On completion of its audit, the Board of Directors approved the accounts of the BCEAO as at December 31, 2015. The Board commended the Central Bank for the results it had achieved in a difficult economic and financial environment. It decided to submit the financial statements thus approved to the Council of Ministers of the Union, for its approval.

During the ordinary session of December 15, 2016, the Board reviewed and approved the budget of the Central Bank for financial year 2017. It also took note of the Central Bank's 2016-2018 Strategic Plan.

5.1.5 - BCEAO Audit Committee

During the financial year under review, the composition of the Audit Committee underwent the following changes:

regarding the Republic of Benin, Mr. Oumara Karimou Assouma, Director General of the Treasury and Public Accounting, was appointed to the Audit Committee of the BCEAO, as of October 31, 2016, replacing Mr. Job Olou.

The BCEAO Audit Committee held two (02) ordinary meetings under the chairmanship of its statutory chairman, Mr. Adama Racine Sow, respectively on March 21, 2016, at BCEAO headquarters in Dakar and on December 13, 2016, on the premises of the BCEAO Main Branch in Bamako.

During its meeting of March 21, 2016, the Committee noted with satisfaction that the net result of the Central Bank had increased by 58% and that the Statutory Auditor-Comptroller had positively assessed the quality of the Bank's internal audit system. The Committee was also pleased to note the positive opinion of the Statutory Auditor-Comptroller on the accuracy and reliability of the accounts of FY 2015.

The Audit Committee congratulated the Central Bank, the Statutory Auditor-Comptroller and the National Auditors for the quality of the statements presented to it.

At the outcome of the review of the financial statements, prepared in accordance with IFRS international financial reporting standards and the accounting rules specific to the BCEAO, the Audit Committee recommended that the Board of Directors approve, as submitted, the accounts of the financial year ending on December 31, 2015.

The Committee took due note of the status of the implementation of its recommendations and suggested new actions to improve the Bank's internal audit mechanism and information system.

The Committee also took due note of the satisfactory findings of the report on Central Bank audit activities pertaining to the 2015 financial year and urged the Bank to preserve the soundness of its audit mechanism by implementing planned improvements and maintaining adequate staff in its internal audit structures.

The Committee also applauded the completion in November 2015 of a survey on the quality of the audits missions conducted in the framework of the Central Bank's internal audit quality assurance and improvement program.

In addition, the Audit Committee took note of the organization and operation of a control mechanism pertaining to the transactions of the Budget and Procurement Directorate, and of the Central Bank's procurement policy and the inherent risk control measures.

Finally, the members of the Audit Committee applauded the successful organization of the second training session organized for them on March 17-18, 2016, in Dakar.

During its ordinary meeting of December 13, 2016, the Committee approved the BCEAO's 2017 internal audit schedule and its 2017 work program.

The Committee also reviewed the findings of the external evaluation of the internal audit of the Bank and the status of the implementation of the recommendations issued by the Statutory Auditor-Comptroller, the internal audit and the Audit Committee. It also took note of the mission statement of the Statutory Auditor-Comptroller for financial year 2016 as well as the BCEAO operational risk control mechanism.

The Committee saluted the performance of the Bank with regard to the completion of its internal audit program for the current year. It approved the internal audit program for FY 2017, which

covers the Bank's principal sensitive areas of activity, and it encouraged the Bank to take the necessary steps to maintain the rate of completion of the audit missions.

The Audit Committee also adopted its working program for FY 2017. The program included two main sessions in March and December, respectively focusing on the review of the financial statements of the BCEAO for FY 2016 and the approval of the annual audit program for FY 2018.

The Committee took note of the satisfactory rates of implementation pertaining to the recommendations issued by the Statutory Auditor-Comptroller as at September 30, 2016, and the recommendations of the internal audit. Furthermore, the Committee noted the execution of the recommendations issued during its previous session, particularly with regard to increasing internal audit staff, which grew from 32 to 34 staff members.

The Committee also took due note of the satisfactory findings of the external evaluation of the internal audit of the BCEAO, which was carried out during the financial year by a leading central bank, in keeping with the relevant international standards.

Finally, in order to inform the Committee, the National Branch of Mali presented the organization and operation of its internal control mechanism. The Committee appreciated the quality of the control mechanism set in place.

5.2 - ADMINISTRATION OF THE BCEAO

5.2.1 - Human resource management

5.2.1.1 - Staffing

As at December 31, 2016, the total staff of the Central Bank, including all grades, numbered 3,505 against 3,545 at the end of December 2015. The figure included 3,449 active staff members deployed on BCEAO sites, and 56 staff members on secondment or leave of absence.

The active staff, distributed among Headquarters, the eight National Branches (Main Branches and Sub-Branches), the Representations and the Office of the Secretary General of the WAMU Banking Commission, was smaller by 48 members, a 1.39% decrease compared to its level of 3,497 staff members on December 31, 2015.

Numbering 1,091, including 87 top management staff members and Board Members, executive staff represented 31.63% of active personnel. Their number decreased by 49 since December 31, 2015.

Administrative and technical staff represented 68.37% of the active staff as at December 31, 2016. Their numbers increased by one staff member, compared to the level recorded on December 31 of the previous year.

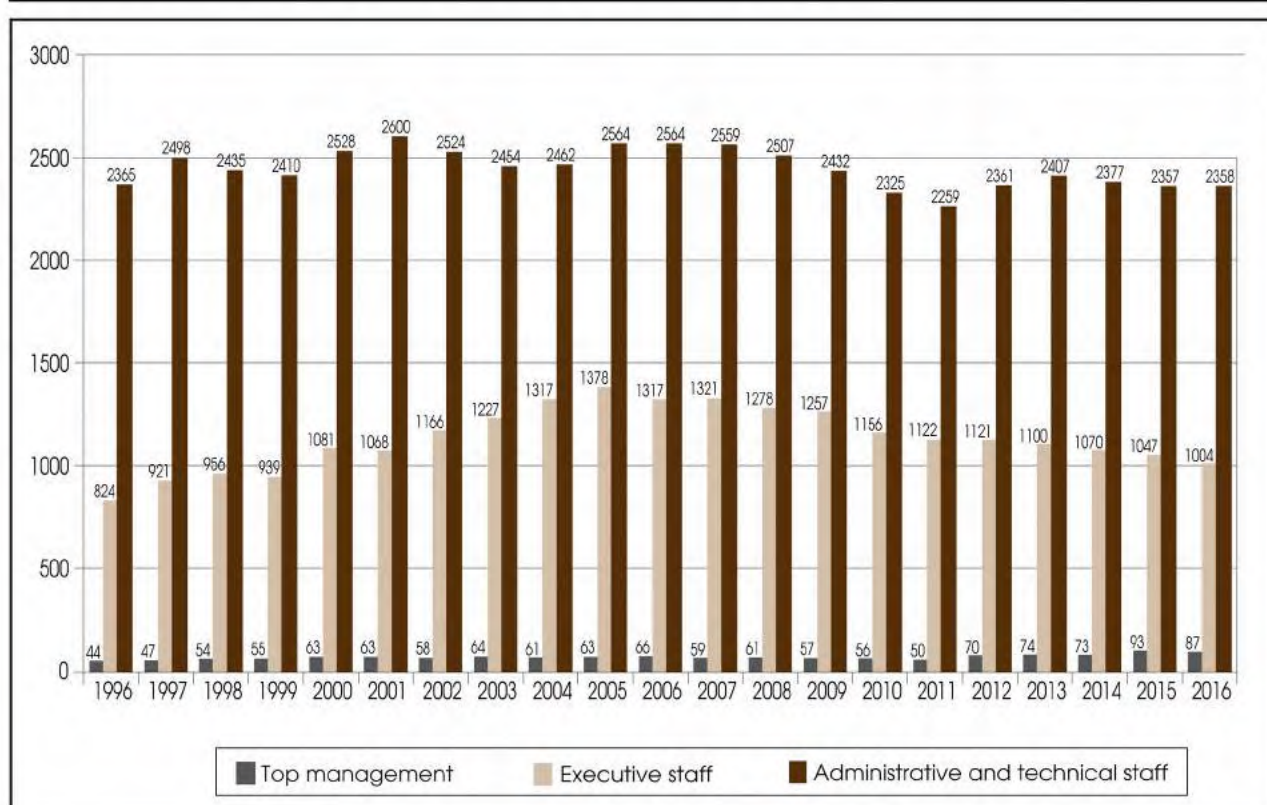
Broken down by site, active staff members as at December 31, 2016 were distributed as follows:

- Headquarters: 686;
- National Branches (Main Branches and Sub-Branches): 2,630;

- BCEAO Representation with European Cooperation Institutions: 4;
- Representation of the Governor with the WAEMU Commission: 9;
- Office of the Secretary General of the WAMU Banking Commission: 120.

In terms of the gender breakdown in the total staff of the BCEAO as at December 31, 2016, male staff numbered 2,049 or 58.46%, while women numbered 1,456 or 41.54%.

Graph 7: Trends in BCEAO staffing from 1996 to 2016(*)



(*) : Without staff members on secondment or leave of absence.

Source : BCEAO.

5.2.1.2 - Training

During the 2016 financial year, the implementation of the activity program of the BCEAO's West African Centre for Banking Studies and Training (COFEB) took the form of the provision of training for Central Bank staff, economic and financial administration employees, and staff of WAEMU credit institutions and partner central banks.

With respect to specific activities, the validation by the BCEAO of the certifying professional training program for its staff on September 23, 2015, should be noted.

This training, sanctioned by a professional qualification certificate (PQC), aimed to significantly enhance the level of qualification of the staff members and equip them with the necessary skills to

promote their access to management positions, based on an employment policy reform emphasizing internal recruitment to fill management staff needs. With this goal in mind, a selection test was organized on October 18, 2016.

During the period under review, 1,143 participants took part in eighty-one (81) training activities implemented by the Centre via videoconference, in person and in the form of internships, with a view to enhancing the capacities of BCEAO personnel. The training activities organized by COFEB focused on information technology, financial transactions, electronic banking, fundamental BCEAO and WAMU instruments, corporate culture, new measures to fight money laundering, auditing the monetary policy process, IFRS standards, training careers, decentralized financial systems, etc. Regarding internships and training organized by other training institutions or organizations, the themes addressed essentially focused on audits, credit risk management, risk management, financial policy and programming, accounting and financial instruments in relation to IFRS. They also pertained to the balance of payments, mobile money and financial inclusion, management of foreign exchange reserves, creation of online training modules and information systems. External training was provided by longstanding partners of the Bank, notably including the World Bank, the Bank of International Settlements (BIS), the International Monetary Fund (IMF) Institute for Capacity Development (ICD), the Joint Partnership for Africa (JPA), AFRITAC West, the Alliance for Financial Inclusion (AFI), the Scientific and Technical Centre for Building (CSTB) as well as other private training organizations such as the Compagnie Nationale des Commissaires aux Comptes (CNCC - French National association of Auditors), the Cegos Group and Futuris Formations.

In terms of diploma courses, the Centre provided training for the 38th cohort and took in and processed applications for the 39th cohort. Theory classes began on November 3, 2015, for forty-five (45) trainees, including thirty-seven (37) nationals of member states of the Union, five (5) from the Central Bank of the Republic of Guinea (BCRG), two (2) from the Central Bank of the Congo (BCC) and one (1) from the Bank of the Republic of Burundi (BRB).

Regarding short-term training, eight (8) training activities were organized during the period under review. In all, they recorded one hundred and ninety-seven (197) participations. These activities were carried out in a context of openness, in conjunction with Luxembourg's Financial Technology Transfer Agency (ATTF), Paris Dauphine University, the International Banking and Finance Institute (IBFI) of Banque de France, and HEC Paris. The following themes were covered: "Fundamental principals of banking risk management", "Treasury management", and "Internal audit and control, SME financing: from business plans to bank loans". Training also including two (2) additional modules of the general management plus program (Parcours de Management Général Plus - PMG+), and seven (7) modules of the higher business education program on banking business management (Parcours du Cycle d'Etudes Supérieures des Affaires en Management des Activités Bancaires – CESA-MAB).

In addition, in the framework of cooperation with other central banks, COFEB, in collaboration with IBFI, organized a training session on "Central bank accounting and budget management" in Dakar on April 6-7, 2016. The training session was attended by fourteen (14) staff members from partner central banks and three (3) from the BCEAO, in charge of accounting and budget matters. The session was facilitated by experts from the Banque de France and officials from the BCEAO's Market Transactions Directorate (DOM) and Budget and Procurement Directorate (DBA).

In addition, one hundred and nineteen (119) government employees took part in three (3) training sessions organized in the framework of the BCEAO/BEAC/BCC capacity-building program and the partnership with AFRITAC West and the IMF Institute. The themes addressed pertained to: “Better risk control for responsible finance”, “Integration of statistics on the balance of payments into annual and quarterly national accounts” and “The legal framework and the various legal instruments of the IMF in its cooperation relationships with the member countries”.

It should be noted that a delegation from HEC Montréal, led by its Director, Mr. Michel Patry, paid a working visit to BCEAO headquarters in Dakar on February 15, 2016. This meeting took place in the framework of the partnership between the BCEAO and HEC Montréal, aimed at organizing middle management training activities for BCEAO managers and executives.

5.2.2 - Property assets

As pertains to consolidation of the real estate property consolidation process, reconstruction work on the Sub-Branch buildings in Bouaké, Korhogo and Man, in Côte d’Ivoire, were completed and approved.

The studies undertaken in the framework of the rehabilitation and expansion of Sub-Branch buildings in Bobo Dioulasso, Burkina, and Maradi and Zinder, Niger, continued.

In addition, preliminary studies were launched for the design of buildings for new Sub-Branches in Kayes, Mali; Tahoua, Niger; and Saint-Louis, Senegal, as well as a currency circulation management centre in Yamoussoukro, Côte d’Ivoire.

5.2.3 - Information and communication system

During FY 2016, the Central Bank continued the work begun several years with a view to reinforcing its information system by bringing it into line with relevant best practices. These activities focused on improving information system governance and management in keeping with the COBIT (Control Objectives for Information and Related Technology) standard of best practices, the Information and Communications Technology Continuity Plan (ICTCP) as well as security and resilience to cyber attacks.

With regard to the governance and management of its information system, the BCEAO has made significant progress in terms of alignment with the COBIT standard. To this end, a state of the art study was conducted, at the outcome of which a new BCEAO information system activity standard was defined. Five (5) pilot activities relating to information system governance and alignment with the corporate strategy, information system risk management and security and project steering and implementation were identified, formalized and are currently in the process of deployment. In addition, the formalization of eleven (11) other activities deemed to be critical has been undertaken.

As pertains to business continuity, the Bank continued work aimed at making its IT backup plan operational. To this end, satisfactory tests were conducted on the changeover of the Bank’s information system to its high availability site and its backup site.

In order to enhance security and resilience to cyber attacks, the Bank carried out an evaluation of its information system with respect to the PCI-DSS standard (Payment Card Industry Data Security Standard) and planned on certification of compliance with the standard for FY 2017.

With respect to the enhancement and automation of mandatory reporting by subject institutions, achievements included the start-up of distant collection of data on the accounting status of credit institutions and microfinance institutions in the Union at the BCEAO and the completion of a project on the management of dormant deposits transferred to the BCEAO in compliance with the regulations in force in the West African Economic and Monetary Union.

Finally, the BCEAO put the new version of its banking information system into production in August 2016.

5.2.4 - Risk management and control activity mechanisms

The work accomplished in financial year 2016, in terms of the risk management system and control activities, was a continuation of the process of alignment with international standards. These actions specifically focused on updating risk mapping and business continuity management tools as well as taking account of security needs in IT project management. Various monitoring activities (operational controls and external audits) were regularly conducted in the Bank's operational structures.

Work was carried out with a view to annual updating of **risk mapping** in 2016. Coaching sessions were organized to that purpose for structures based at headquarters and remote sites. The risk control process was also deployed at the Representation to European Cooperation Institutions (RIEC) in Paris and the Operational Risks Committee reviewed the results of the 2015 risk mapping process.

With regards to **business continuity management**, thanks to work done to ensure that the business continuity plan (Plan de Continuité d'Activité - PCA) remained in operational condition, the crisis management and business continuity tools of every structure of the Bank were updated. The operational crisis and security committee held its two semi-annual meetings and an awareness program for its crisis units was initiated in December 2016.

In terms of **information system security**, the BCEAO made efforts to ensure the ongoing reinforcement and improvement of the security of its operations. The work accomplished during the 2016 financial year made it possible to systematically integrate a security process into all IT projects, with a view to ensuring data availability, integrity, confidentiality and traceability. In addition, the scope of supervisory work in IT projects was broadened to better take account of the needs of the supervisory body in its applications to the Central Bank.

Indeed, in addition to the security needs inherent in the technologies implemented, it appeared necessary to automate trade-specific controls that are indispensable to manage risks linked to the business of the Bank. During the financial year, awareness sessions on data security were organized for IT personnel on all Central Bank sites.

Audit work pertaining to **operational control activities** focused on verifying the compliance of operations and monitoring the implementation of the recommendations issued by the different supervisory bodies.

Capacity-building for supervisory personnel took the form of the organization, in November 2016, of a seminar on internal audits and fraud detection, facilitated by a consultant from the French

Internal Audit and Control Institute (IFACI) for Operation Controllers and Deputy Sub-Branch Heads.

Finally, quarterly reviews on compliance with the rules on investment of BCEAO foreign exchange reserves were regularly produced and submitted to the exchange reserve management policy and supervision committee (COSGRC).

Regarding the internal audit, the activities carried out in 2016 focused on the implementation of the annual control program and the reinforcement of the efficiency of the internal audits of the Bank.

The purpose of the controls carried out was to provide assurance on the safeguard of the property of the Bank, the effectiveness and efficiency of its operations, the reliability of its information and compliance with the provisions in force. In all, the implementation of the 2016 annual program resulted in the completion of fifty-two (52) audits, including sixteen (16) organizational audits, twenty-one (21) process audits, seven (7) thematic audits, four (4) information systems audits and four (4) specialized or specially requested audits.

The organizational audits focused on thirteen (13) Branches in the National Directorates of Benin, Côte d'Ivoire, Niger and Senegal, as well as three (3) Central Services Directorates. These audits notably focused on issues linked to governance, and particularly the handling of ethics; steering of activities; operational controls and risk management; communications and quality management.

Process audits essentially focused on fiduciary activities. These audits took place in the National Directorate Branches and their purpose was to assess the conduct of activities and conditions of transaction processing at the cash desks. The audits also included cash audits and checks on the destruction of cancelled banknotes.

With regard to thematic audits, four (4) quarterly audits were carried out on the conformity of transfers at the Market Operations Directorate (Direction des Opérations de Marché - DOM). Three (3) other audits focused on themes pertaining to management of market activities, repatriation of export income and the business continuity plan (not including the IT aspect) are underway.

Information system audits focused on the information and communications technology continuity plan, the SAGETIL-UEMOA application, the Oracle and MYSQL databases and LINUX systems.

Specialized or specially requested audits pertained to investigations of incidents and the implementation of recommendations issued by the Information Systems Directorate.

In addition, work to ensure the compliance of internal audits with international standards continued in 2016, with the implementation of a Quality Assurance and Improvement Program (QAIP). The program is intended to guarantee that internal audit activities are conducted in compliance with international standards. It includes continuous monitoring and periodic internal and external evaluations of the activities. Under the program, internal audit activities were the focus of an external audit by a peer, based on international standards.

With regard to capacity building, various training activities were carried out for internal auditors during the period under review. Accordingly, in collaboration with the West African Centre for Banking Studies and Training (COFEB), the Directorate of Inspections and Audits (DIA) organized,

for all auditors, one (1) seminar on the subject of preparing auditors for part 3 of the Certified Internal Auditors (CIA) exam. In addition, briefing activities were organized within the internal audit directorates of the partner central banks and training internships were organized in conjunction with French training institutes.

The members of the Audit Committee also received an additional training session in the framework of the reinforcement of their supervisory mission. The session was facilitated by a specialized firm in March 2016.

Monitoring of **external audits** focused on the audit of BCEAO accounts for financial year 2016 by the Statutory Auditor-Controller and the National Comptrollers as well as on the annual review of foreign exchange reserves management by the operating account auditor. It also focused on the implementation of the recommendations issued by the IMF Safeguards Assessment of the BCEAO.

5.2.5 - Management control mechanism

In financial year 2016, the principal activities carried out focused on the implementation of the BCEAO 2016-2018 BCEAO Strategic Plan, steering of the organization and continued monitoring of the implementation of cost accounting in certain Quality Management System (QMS) processes.

In order to ensure appropriate steering of the Bank's Strategic Plan, a new reporting framework was implemented during the financial year under review, notably based on strategic dashboards indicating the completion status of the activities and projects included in the Plan.

In compliance with the mechanism in place, monitoring of the projects included in the Bank's 2016-2018 Strategic Plan took place on a regular basis through the Strategic Plan Steering Committee that evaluated the progress of the projects on a quarterly basis. Overall, the implementation status of the strategic projects of the Bank organizations in FY 2016 was deemed satisfactory. Furthermore, in the framework of the updating of the detailed plans of action of the individual bodies, the strategic diagnosis was updated to identify new issues that could impact the strategic vision of the Bank.

Regarding the implementation of the steering mechanism, the monthly organization of steering meetings with tools in compliance with the body's steering methodology was monitored on a regular basis and deemed satisfactory. Overall, the methodology was applied at BCEAO headquarters, on all remote sites and at the Office of the Secretary General of the WAMU Banking Commission.

As for the cost accounting component, work begun on three pilot processes was continued. Support was provided for new processes in order to determine and refine cost accounting needs.

5.2.6 - BCEAO Quality Management System

Upon the expiry of ISO 9001 2008 version certification of its Quality Management System (QMS) across all of its activities and all of its sites, the BCEAO was subjected to a renewal audit on July 25-29, 2016. Based on that audit, a decision was made to maintain 2008 version QMS certification for the Bank.

The new certification cycle coincided with the entry into force, in September 2015, of the ISO 9001:2015 standard, which notably focuses on risk control and knowledge management. Organizations certified under the previous version have three years to transform their QMS to meet the standard of the new version, and each organization must define its own strategy to ensure the transition by September 2018 at the latest.

In compliance with the requirements of the ISO 9001 standard, the BCEAO developed a new Quality Policy aimed at consolidating its performance in this area, structured around the following three (3) points: (i) reinforcing the “internal and external client” satisfaction and “stakeholder” satisfaction approach, (ii) reinforcing operational efficiency, and (iii) reinforcing human capital.

5.3 - INTERNATIONAL COOPERATION

5.3.1 - Monetary and financial cooperation

5.3.1.1 - Relations with the International Monetary Fund (IMF)

In FY 2016, six (6) WAEMU member states, namely Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger and Senegal, implemented programs supported by the International Monetary Fund (IMF). For their part, Benin and Togo continued negotiations with the Fund to sign on to new programs.

Transactions carried out by the Central Bank and the IMF in FY 2016 on behalf of WAEMU member states culminated in net inflows of resources amounting to 23.6 million SDRs against 62.3 million SDRs one year prior. This decrease was notably due to the combined impact of a net increase in reimbursements and a decline in drawdowns. Payments stood at 124.4 million SDRs in 2016, compared to 108.1 million SDRs the previous year, for an increase of 16.3 million SDRs. Drawings decreased by 22.2 million SDRs, dropping from 170.4 million SDRs in 2015 to 148.2 million SDRs in 2016. Furthermore, as in the previous financial year, no debt reductions were granted to any of the member states of the Union in FY 2016.

In 2016, costs covered by the BCEAO in the framework of its transactions with the IMF amounted to 0.5 million SDRs (401.8 million CFA francs) against 0.4 million SDRs (350.7 million CFA francs) the year before. They applied solely to commissions paid under the general resource use facility. No interest fees were paid over the period, due to measures implemented by the IMF in July 2009 in reaction to the global financial crisis, regarding exceptional relief on interest on loans granted by the International Monetary Fund to low-income countries.

As pertains to remuneration of their positive positions in 2016, the amount paid by the IMF to the WAEMU member states increased slightly, by 36,484 SDRs, reaching 438,766 SDRs (360.5 million CFA francs) against 402,282 SDRs (332.6 million CFA francs) the previous year.

On December 31, 2016, the stock of purchases of SDRs stood at 357.9 million SDRs (294.7 billion CFA francs), down by 48.9% compared to the end of December 2015.

5.3.1.2 - Relations with other institutions

The BCEAO attended both meetings of the Ministers of Finance of the Franc Zone countries organized in 2016, respectively in April in Yaoundé, Cameroon, and in September in Paris, France.

The meetings focused on several themes, in addition to a review of the status of convergence in the Zone. These notably included the reinforcement of follow-up on the recommendations issued by meetings of Franc Zone Ministers, measures to improve the efficiency of public investments, credit development, public policies to deal with declining prices of extractive raw materials and trade integration in the Franc Zone.

The Central Bank also attended the 9th joint annual meeting of the African Union Conference of African Ministers of Economy and Finance (CAMEF) and the Conference of African Ministers of Finance, Planning and Economic Development of the United Nations Economic Commission for Africa (CM-ECA), held on April 4-5, 2016, at ECA headquarters in Addis Ababa, Ethiopia. The main theme of the event was "Towards an integrated and coherent approach for the implementation, monitoring and evaluation of Agenda 2063 and the Sustainable Development Goals". At the outcome of the meeting, it was noted that the progress achieved by African countries in terms of meeting the Millennium Development Goals (MDGs) was considerable, but that it remained insufficient to achieve equitable and inclusive development on the continent. In addition, African countries were urged to explore South-South cooperation in order to take advantage of the opportunities provided by emerging economic powers.

5.3.2 - Economic and monetary integration

With respect to monetary integration in the Economic Community of West African States (ECOWAS), the BCEAO attended the annual statutory meetings of the West African Monetary Agency (WAMA) for FY 2015, held on January 8-15, 2016, in Accra, Ghana. It also attended the Agency's mid-year statutory meetings held on July 29 and August 4, 2016, in Conakry, Republic of Guinea. The main points reviewed during the meetings focused on the activities of the Agency, the implementation of the ECOWAS Monetary Cooperation Program (EMCP) and administrative issues. It notably emerged from the meetings that the performance of the member states of the Community, in terms of convergence, deteriorated in 2015, in conjunction with the drop in commodities prices, security issues and the Ebola virus epidemic. Regarding administrative issues, a sub-committee comprising the Bank of Sierra Leone, the BCEAO and the Central Bank of Liberia was set up to supervise the execution of the project for the construction of the new WAMA headquarters. The Bank of Sierra Leone was responsible for chairing the activities of the sub-committee, suggesting an architecture for the premises and defining the terms and conditions for financing the work. Another important administrative point was the appointment of Mr. Momodou Bamba Saho, as the new Director General of WAMA. The new Director General took office on August 8, 2016.

In addition, the new ECOWAS convergence criteria, of which there are six (6), entered into force on December 16, 2016. The four (4) first-level criteria that are mandatory for the transition to the single currency are: (i) An overall fiscal deficit to GDP ratio, including grants (on a commitments basis) $\leq 3\%$, (ii) Average inflation rate $< 10\%$ with a target of 5% maximum in December 2019, (iii) Financing of the budget deficit by the Central Bank $\leq 10\%$ of fiscal revenue of the previous year and (iv) Gross foreign exchange reserves ≥ 3 months of imports. Second-level criteria included a public debt-to-GDP ratio $\leq 70\%$ and stability in the nominal exchange rate, with variation not to exceed $\pm 10\%$.

Compared to the WAEMU convergence criteria adopted in January 2015, of which there were five (5), it was noted that there were three (3) common indicators between the two multilateral

surveillance frameworks, namely: (i) the budget deficit, identical in both cases, (ii) inflation, with a ceiling of 3% as per the Union and less than 10%, followed by 5%, as per ECOWAS, and (iii) the public debt-to-GDP ratio, which is a first-level criterion for WAEMU and a second-level indicator for ECOWAS. On the other hand, the tax pressure rate and the wage bill as a percentage of tax revenue, which are second-level indicators in the WAEMU Pact, are not taken into account by ECOWAS. Conversely, the capping of the monetary financing of the budget deficit and reserves in months of imports (which are first-level criteria) as well as exchange rate stability are included in the ECOWAS Pact on Convergence, but not in the Pact of the Union.

The BCEAO also took part in the 9th meeting of the ECOWAS Convergence Council, on December 8-9 in Abuja, Nigeria. This meeting provided an opportunity to review the 2015 ECOWAS convergence report and the completion status of the activities included in the road map for the creation of a single currency in West Africa in 2020. It notably emerged from this meeting that the status of macroeconomic convergence deteriorated in 2015. Furthermore, as pertains to the ECOWAS Common External Tariff (CET), which entered into force on January 1, 2015, it was noted that at the end of October 2016, ten (10) Community member states, including all eight (8) WAEMU member states, effectively enforced it. However, its enforcement met with certain challenges, including the lack of training of certain officials and the failure to harmonize Customs exemptions.

LIST OF THE PRINCIPAL DOCUMENTS PUBLISHED BY THE BCEAO

PERIODICAL PUBLICATIONS

Annual Publications

- 1 - Banks and financial institutions directory
- 2 - Statistical yearbook
- 3 - BCEAO financial statements
- 4 - Balance of payments and overall external position of WAMU member states
- 5 - Balance sheets and profit and loss accounts of banks and financial institutions
- 6 - Economic outlooks of WAEMU member states
- 7 - BCEAO Annual Report
- 8 - Annual Report of the WAMU Banking Commission
- 9 - Annual report on BCEAO payment systems
- 10 - Report on trends in consumer prices in the Union and outlooks
- 11 - Report on foreign trade in the Union
- 12 - Report on the competitiveness of the economies of the Union
- 13 - Report on banking conditions in the Union
- 14 - Status of mobile phone financial services in WAEMU

Semi-annual Publications

- 15 - Revue Economique et Monétaire (economic and monetary journal)

Quarterly Publications

- 16 - Quarterly statistical bulletin
- 17 - Briefing note
- 18 - Report on monetary policy

Monthly Publications

- 19 - Monthly bulletin of WAEMU economic statistics
- 20 - Monetary and financial statistics bulletin

BOOKS

- 21 - Billets et pièces de monnaie dans la Zone UMOA (des origines à 2012) (WAMU Zone banknotes and coins from inception to 2012). BCEAO, Dakar, 2012.
- 22 - History of the West African Monetary Union (3 volumes in French and English) Georges Israël, Publisher, Paris, 2000.
- 23 - Intégration monétaire et mutations du système financier international : défis et perspectives (monetary integration and changes in the international financial system: challenges and outlook). BCEAO, L'Harmattan, Dakar, 2014.
- 24 - Méthodologie d'analyse financière (methodology of financial analysis). BCEAO, Dakar, 2004.
- 25 - Plan Comptable Bancaire de l'UMOA (WAMU Banking Chart of Accounts) (4 volumes). BCEAO, Dakar, 1994.
- 26 - Quel secteur bancaire pour le financement des économies de l'UEMOA (what banking sector to finance WAEMU economies). Editions BCEAO, L'Harmattan, Dakar, 2011.
- 27 - Recueil des textes légaux et réglementaires régissant l'activité bancaire et financière dans l'UMOA (Compendium of legislative and regulatory texts governing banking and financial activities in WAMU). BCEAO, 1st ed. 2003, 2nd ed. 2016.
- 28 - Recueil des textes législatifs et réglementaires applicables aux systèmes financiers décentralisés dans l'UMOA (Compendium of legislative and regulatory texts applicable to decentralized financial systems in WAMU). BCEAO, 2013.
- 29 - Référentiel comptable spécifique des systèmes financiers décentralisés de l'UMOA (Specific accounting standard for the decentralized financial systems of WAMU). BCEAO, 2009.
- 30 - Système Comptable Ouest Africain (SYSCOA - West African Accounting System) (4 volumes).
- Plan comptable général des entreprises (Company General Chart of Accounts). Edition Foucher, Paris, 1996.
 - Guide d'application (Implementation Guide). Edition Foucher, Paris, 1997.
 - Système minimal de trésorerie (Minimum Cash System). Edition Foucher, Paris, 1997.
 - Tableaux de passage (Reconciliation tables). Edition Foucher, Paris, 1997.
- 31 - Système Comptable Ouest Africain (SYSCOA - West African Chart of Accounts). Liste intégrale des comptes et états financiers (Complete list of accounts and financial statements) BCEAO, Dakar, 2005.
- 32 - Livre d'or du 40^e anniversaire de la BCEAO. (Guest book of the 40th anniversary of the BCEAO). Georges Israël, Publisher, Paris, 2004.
- 33 - Collection des œuvres d'art contemporain de la BCEAO (Collection of contemporary artwork of the BCEAO). Georges Israël, Publisher, Paris, 2005.



BCEAO

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