



BCEAO
CENTRAL BANK OF
WEST AFRICAN STATES

2022

ANNUAL REPORT



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(SUMMARISED VERSION)



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WEST AFRICAN STATES

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The Annual Report of the Central Bank of West African States is available on the BCEAO website at <https://www.bceao.int/fr/publications/>

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LIST OF ACRONYMS AND ABBREVIATIONS

AERC:	African Economic Research Consortium
AFI:	Alliance for Financial Inclusion
AFREXIMBANK:	African Export-Import Bank
AICFM:	International association of francophone researchers in microfinance
AMF-UMOA:	WAMU Financial Markets Authority
AML/CTF:	Anti-Money Laundering and Counter-Terrorism Financing
ARDL:	AutoRegressive Distributed Lag
ATTF:	Financial Technology Transfer Agency
BCEAO:	Central Bank of West African States
BCP:	Business continuity plan
BCSF:	WAEMU FinTech Knowledge and Monitoring Office (BCSF)
BEAC:	Bank of Central African States
BIS:	Bank for International Settlements
BoE:	Bank of England
BoG:	Bank of Ghana
BoJ:	Bank of Japan
BP:	British Petroleum
BRVM:	Regional stock exchange
BSR:	Support and resilience bonds
CAP 2025	Priority Action Framework 2025
CBDC:	Central bank digital currency
CBN:	Central Bank of Nigeria
CEB2D:	Banking Executive Management Certificate for Managers in the Digital Age
CEMAC:	Central African Economic and Monetary Community
CEMSTRAT:	Executive Certificate in Strategic Banking Management
CFA:	African Financial Community
CIB:	Credit Information Bureau
CIBAFI:	General Council for Islamic Banks and Financial Institutions
CIWA:	CREDITINFO WEST AFRICA
COFEB:	West African Centre for Bank Training and Studies
COSC:	Operational Supervision and Cybersecurity Centre
CRAEF:	Reporting Framework for the Financial Statements of WAMU Credit Institutions et Financial Companies
CSDs:	Central Services Directorates
CSP:	Customer Security Program
DC/BR:	Dépositaire Central/Central Depository/Settlement Bank
DFS:	Decentralised Financial System
DOM:	Directorate of Market Operations
ECB:	European Central Bank
ECF:	Extended Credit Facility

ECOWAS:	Economic Community of West African States
EFF:	Extended Fund Facility
EFP:	Economic and Financial Program
EME:	Electronic money issuers
ENSEA:	National School of Statistics and Applied Economics
EPSS:	ECOWAS Payment Settlement Systems
FAIR:	Replenishment of Structural Fund Reserves
FATF:	Financial Action Task Force
FCI:	Factors Chain International
FDI:	Foreign Direct Investments
FED:	United States Federal Reserve
FERDI:	Foundation for Studies and Research on International Development
FGDR-UMOA:	Deposit Guarantee and Resolution Fund-WAMU
FinTech:	Financial technology company
FRS:	Regional Security Fund
FSAP:	Financial Sector Assessment Program
FTSE:	Financial Times Stock Exchange
GAMA:	Audit assignments and recommendations management
GDP:	Gross Domestic Product
GERDDES:	Study and Research Group on Democracy and Economic and Social Development in Africa
GIABA:	Intergovernmental Action Group against Money Laundering in West Africa
GIM-UEMOA:	Interbank Electronic Banking Group of the West African Economic and Monetary Union
GOREH:	Human Resources and Payroll Management
GPE:	Economic Policy Management
GSE:	Ghana Stock Exchange
GTA:	Grand Tortue Ahmeyim
HEC:	Ecole des Hautes Etudes Commerciales
HKS:	Harvard Kennedy School
IFI:	Islamic financial institution
IFRS:	International Financial Reporting Standards
IMF:	International Monetary Fund
IsDBI:	Islamic Development Bank Institute
IS:	Information System
ISP:	Information Security Policy
ITTCP:	IT and telecom continuity plan
JRCPPF:	Julis Rabinowitch Centre for Public Policy and Finance
LIF:	Financial Innovation Laboratory
LPR:	Loan Prime Rate
ML/TF:	Money Laundering and Terrorism Financing
MSCI:	Morgan Stanley Capital International
NIKKEI:	Nihon keizai shinbun

NSE:	National Stock Exchange
NYMEX:	New York Mercantile Exchange
OdR:	Stimulus bonds
OECD:	Organisation for Economic Co-operation and Development
PAFLA:	Accelerated English Language Training Program
PBoC:	People's Bank of China
PCI-DSS:	Payment Card Industry Data Security Standard
PCIT:	IT and telecommunications continuity plan
PFMIs:	Principles for Financial Market Infrastructures
PRDEN:	Regional Digital Economy Development Program
QMS:	Quality Management System
RBI:	Reserve Bank of India
REM:	Revue Economique et Monétaire (Economic and Monetary Review)
RFI:	Rapid Financing Instrument
RTGS:	Real Time Gross Settlement
SBA:	Stand-By Arrangement
SDPE:	Energy Pole Development Strategy
SDRs:	Special Drawing Rights
SESRIC:	Statistical, Economic and Social Research and Training Centre for Islamic Countries
SGCB-UMOA:	Secretariat-General of the WAMU Banking Commission
SIAR:	Regional Agricultural Information System
SIB:	Banking Information System
SICA-UEMOA:	Automated Interbank Clearing System of the West African Economic and Monetary Union
SIGMA:	Activity planning and management system
SIMARIS:	Computerized risk management system
SME/SMI:	Small and medium-sized enterprise/Small and medium-sized industry
SPAME:	Electronic Money Based Payment Services
SRIF:	Regional financial inclusion strategy
STAR-UEMOA:	Automated Transfer and Settlement System in the West African Economic and Monetary Union
SWIFT:	Society for Worldwide Interbank Financial Telecommunication
TMoney:	Trésor Money
UAP:	User Access Platform
VSAT:	Very Small Aperture Terminal
WAEMU:	West African Economic and Monetary Union
WAMU:	West African Monetary Union
WAMU-FSC:	WAMU Financial Stability Committee
WPS:	Working Paper Series

GOVERNOR'S MESSAGE

The 2022 financial year, which was expected to consolidate the global economic recovery that had begun the previous year, instead faced a challenging macroeconomic environment with increasing inflationary pressures due to the consequences of the Russia-Ukraine conflict. Global inflation rose to 8.8% in 2022 from 4.7% in 2021. The global economic growth rate, estimated at 3.4% in 2022, notably slowed down compared to the 6.2% level recorded in 2021.

In the Member States of the West African Economic and Monetary Union (WAEMU), this new inflationary shock has refocused attention on controlling inflation, which has been strongly influenced by global tensions affecting the prices of energy, commodities, and foodstuffs. The average annual inflation rate is projected to reach 7.4% in 2022, compared with 3.6% in 2021. In view of the risks to the macroeconomic framework stability of the Union posed by rising inflation, the Central Bank of West African States (BCEAO) initiated a gradual normalization of its monetary policy on June 22, 2022, by raising its key rates by 25 bps on three separate occasions.

On the other hand, the Central Bank has maintained liquidity auctions on its refinancing windows at a fixed rate to ensure a smooth adjustment in the money and financial markets. Additionally, in 2022, to facilitate the mobilization of the resources needed to finance economic stimulus plans and guarantee the best financial conditions for the issuance of Treasury securities to meet the urgent needs of governments, the Central Bank extended the stimulus bond (OdR) and support and resilience bond (BSR) issuance programs, both of which were established in 2021. The Central Bank's special refinancing windows, which were launched to support these programs, have helped national Treasuries mobilize resources at relatively low cost while encouraging longer maturities on the securities issued.

In a global environment characterized by the tightening of financing conditions in financial markets, maintaining these liquidity regulation measures has allowed Member States to mobilize domestic resources to mitigate the economic and social consequences of external shocks and address the challenges posed by climate change. Outstanding bank loans to governments increased by 22.9% in 2022. Bank lending to private companies and households, as well as non-profit institutions serving households, rose by 14.7% and 13.6% respectively, compared with 11.4% and 13.3% in 2021.

Under these conditions, the projected gross domestic product growth rate for all eight WAEMU Member States stood at 5.6% in 2022, compared with 6.1% a year earlier. This performance confirms the resilience of their economies in the face of successive external shocks since 2020.

The key actions taken by the Central Bank, which are outlined in this report, are part of a drive to preserve monetary and financial stability, which is a prerequisite for consolidating the economic progress achieved over the past decade. The Central Bank remains fully committed to supporting its Member States in addressing the risks arising from a global environment that remains uncertain, as well as to supporting efforts to achieve more inclusive and resilient development models.

**The Governor of the Central Bank of West African States,
Chairman of the Board of Directors.**

HIGHLIGHTS OF 2022

IMPORTANT EVENTS

June 03, 2022

BCEAO staff bid farewell to Governor Tiémoko Meyliet Koné

Governor Tiémoko Meyliet Koné, who was appointed Vice President of the Republic of Côte d'Ivoire on April 19, 2022, by His Excellency Mr. Alassane Ouattara, President of the Republic of Côte d'Ivoire, bid farewell to the BCEAO staff during a ceremony held on Friday, June 3, 2022, at the Central Bank's head office in Dakar. The ceremony was broadcast via videoconference to all BCEAO sites. The staff wished to pay Mr. Koné a tribute worthy of the exceptional figure he embodied as head of the Central Bank. Governor Koné took the opportunity to express his sincere gratitude to all the staff, whose commitment and determination at his side had enabled him to rise to the challenges and raise high the torch of the Central Bank. He urged the staff to remain united and committed to the ongoing pursuit of excellence at the service of the community ideal.

June 04, 2022

Appointment of Mr. Jean-Claude Kassi Brou, Governor of the BCEAO

At its extraordinary summit held on June 4, 2022, the Conference of Heads of State and Government of the West African Economic and Monetary Union (WAEMU), in accordance with article 56 of the Statutes of the BCEAO, appointed Mr. Jean-Claude Kassi Brou as Governor of the Central Bank of West African States (BCEAO) for a six-year term, starting on July 4, 2022. Mr. Brou will take up the position in replacement of Tiémoko Meyliet Koné, who was appointed Vice President of the Republic of Côte d'Ivoire on April 19, 2022.

July 08, 2022

Swearing-in ceremony of Governor Jean-Claude Kassi Brou

Pursuant to the provisions of Article 57 of the Statutes of the Central Bank, Mr. Jean-Claude Kassi Brou, the new Governor of the BCEAO, was sworn in on Friday July 8, 2022, by the Chairman of the Council of Ministers of the West African Monetary Union (WAMU), Mr. Sani Yaya, Minister of Economy and Finance for the Republic of Togo.

The ceremony took place at the Bank's headquarters in Dakar, in the presence of Mr. Tiémoko Meyliet Koné, Vice President of the Republic of Côte d'Ivoire, members of the WAMU Council of Ministers and the Deputy Governors.

The swearing-in ceremony was followed by the handover of office between Mr. Jean-Claude Kassi Brou and his predecessor, Mr. Tiémoko Meyliet Koné.

November 24, 2022

Celebration of the 60th anniversary of the Central Bank of West African States

The Central Bank of West African States celebrated its 60th anniversary on November 24, 2022. In 1962, seven independent West African states decided to join forces to create a monetary union as a solid foundation for their economic development. The Treaty signed on May 12, 1962, establishing the West African Monetary Union (WAMU) came into force on November 1, 1962.

The decision to create a common currency immediately upon gaining independence was a particularly bold one. This is a sovereign privilege par excellence, as it constitutes an essential attribute of a state's sovereignty. Our countries chose to embark on an authentic integration process leading to the establishment of the West African Monetary Union.

This celebration took place against a backdrop of profound changes in the economic and financial environment, both regionally and internationally. Now, as in the past, the Central Bank must adapt to the changing times and face up to complex challenges.

This landmark in the life of the institution afforded an opportunity for strategic reflection, with the organization of an international symposium at the Abdou Diouf International Conference Center (CICAD) in Diamniadio on Thursday, November 24, 2022, focusing on the theme of *"Central Banks in a Changing World"*. The symposium brought together national authorities, eminent figures from the economic, financial, and academic worlds, as well as national and international players.

The opening ceremony was chaired by Prime Minister Amadou Ba, on behalf of the President of the Republic of Senegal. Also taking part were Mr. Tiémoko Meyliet Koné, Vice President of the Republic of Côte d'Ivoire, Mr. Sani Yaya, Minister of Economy and Finance of the Republic of Togo and President of the Union's Council of Ministers, Mr. Abdoulaye Diop, President of the WAEMU Commission, Mr. Serge Ekué, President of the West African Development Bank, and Mr. Badanam Patoki, President of the WAMU Financial Markets Authority (AMF-UMOA), as well as other distinguished guests including Governors of African and European central banks, and former senior Central Bank officials such as Dr. Boni Yayi, former President of the Republic of Benin.

In their addresses, the Prime Minister of the Republic of Senegal, the Vice President of the Republic of Côte d'Ivoire and the Governor of Central Bank of West African States underscored the importance of such a gathering, the aim of which was to engage in thought-provoking reflection on the complex challenges facing the Union's Member States and the financial world.

Over the course of the day, the participants discussed the symposium's three sub-themes: *"Monetary policy and shock management"*, *"Financial stability, vulnerability, and emerging risks"* and *"Digitalization and financial inclusion: what levers for increasing the use of financial services?"*.

Investiture of Mr. Jean-Claude Kassi Brou, Governor of the BCEAO

On the sidelines of the celebration of the BCEAO's 60th anniversary, Governor Jean-Claude Kassi Brou was officially inaugurated as the top official of the Central Bank on Friday, November 25, 2022, during a formal ceremony at the Bank's headquarters.

The ceremony was attended by the Minister of Economy and Finance of the Republic of Togo, Mr. Sani Yaya, Chairman of the Council of Ministers of the Union, Ms. Oulimata Sarr, Senegal's Minister of Economy, Planning and Cooperation, representing the host country, and other distinguished personalities.

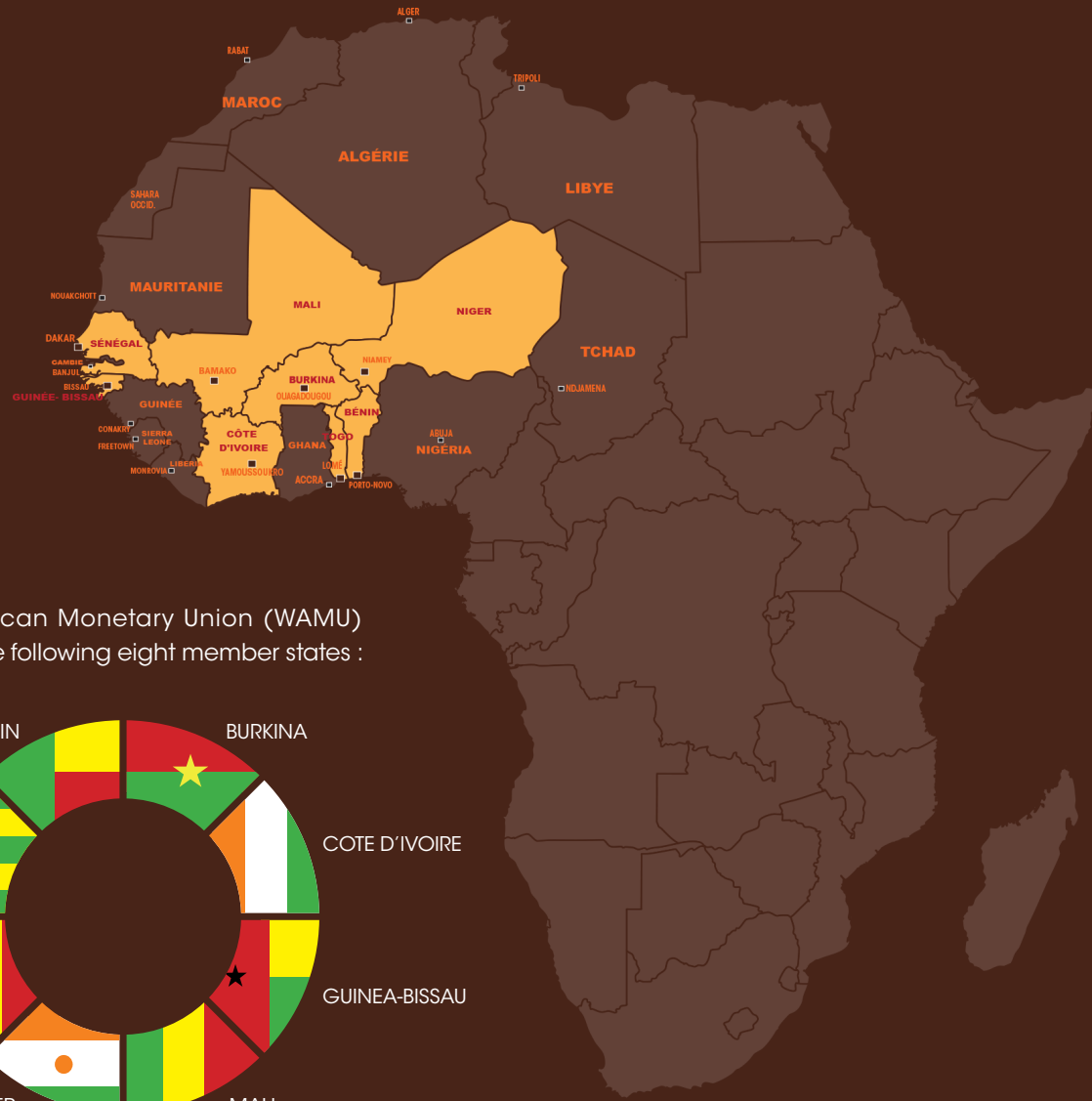
In her address, Ms. Oulimata Sarr welcomed the guests to the ceremony and wished them a pleasant stay, before emphasizing the historic nature of the Governor's appointment, which took place in an international context marked by inflationary tensions and enduring health and security crises. On behalf of President Macky Sall and the Senegalese people, she reiterated her warm congratulations to Governor Jean-Claude Kassi Brou.

Speaking after the Senegalese Minister of Economy, Planning and Cooperation, Mr. Sani Yaya, President of the Union's Council of Ministers, recalled Governor Jean-Claude Kassi Brou's oath of office, which he took on July 8, 2022, and observed that this official inauguration ceremony, which was a tradition at the BCEAO, provided an opportunity to introduce the incoming Governor to the regional and international financial community. Recalling the obligations of the office of Governor, the President of the Union's Council of Ministers called on Mr. Jean-Claude Kassi Brou to perpetuate and consolidate the work started by his predecessors 60 years ago.

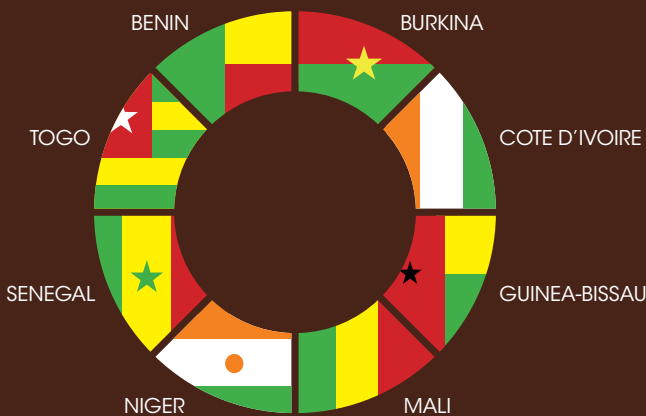
In his address, Governor Jean-Claude Kassi Brou expressed his gratitude to the Heads of State and Government of the Union, and in particular to the President of the Republic of Côte d'Ivoire, His Excellency Mr. Alassane Ouattara, and to His Excellency Mr. Macky Sall, President of Senegal where the headquarters of the BCEAO are located. He also thanked the members of the Union's Council of Ministers, as well as his fellow central bank Governors and Deputy Governors, who graced the ceremony with their presence. Finally, he rendered a glowing tribute to his illustrious predecessors and thanked the staff of the Central Bank for their commitment to the institution.

MEMBERSHIP OF THE STATUTORY BODIES AND ORGANIZATION
CHART OF THE BCEAO

WEST AFRICAN MONETARY UNION (WAMU)



The West African Monetary Union (WAMU) comprises the following eight member states :



The Monetary Union formed by the aforementioned states recognizes a single common currency, which is issued by the Central Bank of West African States (BCEAO).

managing their common currency, the African Financial Community Franc (CFA Franc) and their foreign exchange reserves, as well as implementing their common monetary policy.

The BCEAO is the common central bank of the WAMU member states; it is in charge notably of

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

MEMBERSHIP OF THE STATUTORY BODIES OF WAMU AND THE BCEAO
CONFERENCE OF WAMU HEADS OF STATE AND GOVERNMENT

CHAIRPERSON: His Excellency **Mohamed Bazoum**,
President of the Republic of Niger.

His Excellency **Patrice Athanase Guillaume Talon**,
President of the Republic of Benin.

His Excellency Captain **Ibrahim Traore**,
President of Faso.

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

His Excellency **Umaro Sissoco Embaló**,
President of the Republic of Guinea-Bissau.

His Excellency **Assimi Goïta**,
Transitional President and Head of State of the Republic of Mali.

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

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

WAMU COUNCIL OF MINISTERS

REPUBLIC OF BENIN		REPUBLIC OF MALI
<ul style="list-style-type: none"> • Mr Romuald Wadagni, Minister of State in charge of the Economy and Finance 		-
BURKINA FASO		REPUBLIC OF NIGER
<ul style="list-style-type: none"> • Mr Aboubakar Nacanabo, Minister of the Economy, Finance and Prospective • Mr Karamoko Jean Marie Traore, Minister Delegate to the Minister of Foreign Affairs, Regional Cooperation and Burkinabè Abroad, in charge of Regional Cooperation 		<ul style="list-style-type: none"> • Mr Ahmat Jihoud, Minister of Finance • Mr Rabiou Abdou, Minister of Planning
REPUBLIC OF COTE D'IVOIRE		REPUBLIC OF SENEGAL
<ul style="list-style-type: none"> • Mr Adama Coulibaly, Minister of the Economy and Finance • Mr Abdourahmane Cissé, Minister, Secretary General to the Office of the President of the Republic 		<ul style="list-style-type: none"> • Mr Mamadou Moustapha Ba, Minister of Finance and Budget • Ms Oulimata Sarr, Minister of Economy, Planning and Cooperation
REPUBLIC OF GUINEA-BISSAU		TOGOLESE REPUBLIC
<ul style="list-style-type: none"> • Mr Ilidio Viera Te, Minister of Finance • Ms Mónica Buaró Da Costa, Secretary of State for Planning and Regional Integration 		<ul style="list-style-type: none"> • Mr Sani Yaya, Minister of the Economy and Finance, Chairperson of the Council of Ministers • Mr Simféitchéou Pré, Minister, Advisor to the President of the Republic

BCEAO MONETARY POLICY COMMITTEE

Mr Jean-Claude Kassi Brou,
Governor of the BCEAO,
Chairperson of the Committee.

Mr Norbert Toé, Deputy Governor

Mr Mamadou Diop, Deputy Governor

MEMBERS REPRESENTING THE STATES

REPUBLIC OF BENIN	REPUBLIC OF MALI
Mr Yaovi Clément Aziagnikouda, Director of Monetary and Financial Affairs	-
BURKINA FASO	REPUBLIC OF NIGER
Mr Tertius Zongo, Director of the Sahel Chair of the Foundation for Studies and Research on International Development (FERDI)	Mr Ibrahim Mahamane Dan Sounsou, Consultant at the Maison de l'Entreprise (CPA Laureate Coach), Administrator at SAHFI Tanyo financial guarantee institution
REPUBLIC OF COTE D'IVOIRE	REPUBLIC OF SENEGAL
Dr Mama Ouattara, Professor at Université Félix Houphouët-Boigny de Cocody, Director of the training program on economic policy management (GPE)	Mr Moussa Touré, Director of Money and Credit at the Ministry of Finance and Budget
REPUBLIC OF GUINEA-BISSAU	TOGOLESE REPUBLIC
Mr José Biai, Advisor to the Prime Minister and Coordinator of the WAEMU Technical Assistance Program	Mr Mohamed Takpara-Khoura, retired teacher and researcher

MEMBERS APPOINTED INTUITU PERSONAE

• Mr Lansina Bakary, Chairperson of the Supervisory Board of the Caisse des Dépôts et Consignations de Côte d'Ivoire	• Mr Adama Diaw, Full University Professor in economics Director of the Doctoral School of Human and Social Sciences Gaston Berger University, Saint-Louis, Republic of Senegal
• Mr Maïna Boukar Moussa, Vice President, Study and Research Group on Democracy and Economic and Social Development in Africa (GERDDES), Niamey, Republic of Niger	• Mr Kodzo Mawuena Dossa, Economist, Lomé, Togolese Republic
	• Mr Michel Lazare, Economist, Chevy Chase, USA

BCEAO BOARD OF DIRECTORS

Mr Jean-Claude Kassi Brou,
Governor of the BCEAO,
Chairperson of the Committee.

REPUBLIC OF BENIN		REPUBLIC OF MALI
Mr Oumara Karimou Assouma, Director General of Treasury and Public Accounting		-
BURKINA FASO		REPUBLIC OF NIGER
Mr Célestin Santéré Sanon, Director General of Treasury and Public Accounting		Mr Mamane Boukari, Secretary General of the Ministry of Finance
REPUBLIC OF COTE D'IVOIRE		REPUBLIC OF SENEGAL
Mr Konan Jacques Assahoré, Director General of Treasury and Public Accounting		Mr Abdoulaye Fall, Treasurer General, Chief Accountant of the General Directorate of Public Accounting and the Treasury
REPUBLIC OF GUINEA-BISSAU		TOGOLESE REPUBLIC
Mr Carlos Gomes, Director General of Treasury		Mr Ekpao Adjabo, Director General of Treasury and Public Accounting

BCEAO AUDIT COMMITTEE

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REPUBLIC OF COTE D'IVOIRE		TOGOLESE REPUBLIC
Mr Konan Jacques Assahoré, Director General of Treasury and Public Accounting		Mr Ekpao Adjabo, Director General of Treasury and Public Accounting

OVERVIEW

3.4% (2022) 6.2% (2021)
The rate of growth in the global economy stood at 3.4% in 2022, compared to 6.2% in 2021.

5.6% (2022) 6.1% (2021)
In the Union, it was 5.6% in 2022, after 6.1% in 2021.

Global economic environment

In 2022, the global economic environment experienced a significant slowdown in its recovery that began in 2021. Estimates published by the International Monetary Fund (IMF) put global economic growth at 3.4% in 2022, down from 6.2% a year earlier. This slowdown reflects a combination of several shocks, including strong inflationary pressures induced by the negative repercussions of the war in Ukraine and rapid interest rate hikes triggered by monetary policy tightening in many countries in a bid to counter soaring inflation.

In 2022, inflation rates reached exceptionally high levels, well above the targets set by central banks in many countries around the world. Overall, the general level of consumer prices worldwide rose by an average of 8.8% in 2022, compared with 4.7% in 2021. This acceleration in inflation is the result of a combination of demand and supply factors. The inflationary shock has been driven in particular by tensions on food and energy prices, exacerbated by the conflict between Russia and Ukraine.

Economic activity and inflation in WAEMU

Despite a persistently sluggish international environment and domestic security problems, economic activity in WAEMU remained buoyant in 2022. While the contribution of the external sector was negative, the growth rate reached 5.6% in 2022, compared with 6.1% in 2021. This growth was mainly driven by investment in several infrastructure construction projects, as well as in the hydrocarbon sector.

The average annual inflation rate rose to 7.4% in 2022, compared with 3.6% in 2021. The increase in overall consumer price levels in 2022 was due to tensions on food prices caused by a drop in the production of cereals in 2021/2022, to difficulties in supplying markets in a tenuous security context, as well as to soaring imported food and energy prices.

Government financial operations

Pressures on public finances did not ease in 2022. The WAEMU Member States' fiscal responses, which aimed to cushion the impact of the global inflationary shock on the populations' purchasing power, resulted in an increase in the wage bill, subsidies and, by extension, current expenditure. Meanwhile, reflecting the desire to revive national economies in the wake of the shock caused by the COVID-19 pandemic, capital expenditure rose by 23.8%. Under these conditions, the overall deficit, based on commitments, including grants, widened from 5.4% in 2021 to 6.4% of GDP.

7.4% (2022)
3.6% (2021)

The annual inflation rate in the Union rose from 3.6% in 2021 to 7.4% in 2022.

6.4% (2022)
5.4% (2021)

The overall deficit, on an accrual basis, inclusive of grants, stood at 6.4% in 2022 against 5.4% in 2021.

To meet their financing needs, the Union's Member States raised 8,326.7 billion in 2022 on the regional financial market, i.e., 1,058.7 billion more than in 2021, in addition to contributions from bilateral and multilateral partners. Against this backdrop, the public debt stock increased to 62,464.8 billion, i.e., 56.9% of GDP, compared with 54,845.5 billion, or 54.8% of GDP, a year earlier.

Balance of payments

In 2022, foreign trade posted a worsening current account deficit caused by a rise in the import bill (+24.0% year over year) and a drop of around 824.0 billion in net capital inflows on the financial account. The balance of payments decreased by 3,343.2 billion in 2022, after recording a surplus of 475.7 billion in 2021.

Monetary situation

The Union's monetary situation bears the hallmark of deteriorating external accounts, as evidenced by the broad money aggregate's declining growth rate in 2022 (down to 11.3% from 16.3% in 2021). The money supply (M2) totaled 46,161.8 billion in 2022 against 41,458.8 billion one year prior.

Net foreign assets of monetary institutions of the Union dropped by 3,288.7 billion to stand at 4,458.0 billion at the end of December 2022. This drop in the money supply was offset by an 8,680.0 billion increase in domestic receivables to 51,760.0 billion. Net claims by deposit-taking institutions on central governments, whose largest constituent is loans extended to governments through the banking system, increased by 4,729.1 billion to 20,380.0 billion in 2022. Claims of deposit-taking institutions on various sectors of the economy other than the central government showed an increase of 14.4% in 2022, standing at 31,380.0 billion, or 28.7% of the GDP. At the same time, the monetary base grew by 720.3 billion or 4.7% in 2022, reaching 15,933.6 billion. This development was driven by growth in its various counterparts. The Bank's lending to banks and financial institutions increased by 3,064.7 billion, while its net external assets fell by 3,064.1 billion. Net claims on central governments increased by 792.8 billion, including 340.8 billion in IMF loans.

Monetary policy: Central Bank leading rates and refinancing rates

Increasing inflationary pressures in 2021 represented a major risk to price stability in the Union. Addressing this situation, the Central Bank initiated a process to regularize its monetary policy. In 2022, it raised its key rates by 25 basis points on three occasions. The minimum bid rate for BCEAO auctions was raised from 2.00% to 2.25% on June 16, 2022, from 2.25% to 2.50% on September 16, 2022, and from 2.50% to 2.75% on December 16, 2022. On the other hand, the reserve requirement ratio applicable to banks remained unchanged at 3.0%.

CFA F -3,343.2 billion (2022)
CFA F 475.7 billion (2021)

The overall balance of payments showed a deficit of 3,343.2 billion, after recording a surplus of 475.7 billion a year earlier.

CFA F 11,427.9 billion (2022)
CFA F 10,406.7 billion (2021)

As at end-December 2022, the total amount of banknotes and coins issued by the BCEAO stood at 11,427.9 billion, up by 1,021.2 billion year over year.

In terms of refinancing, the Central Bank has kept the special six-month maturity window open for the refinancing of stimulus bonds (OdR). The OdR were structured and a dedicated window was opened to allow the States to raise long-term resources at favorable interest rates to cover financing needs related to the health crisis and the implementation of stimulus measures. The BCEAO also kept a special twelve-month maturity window open for the refinancing of support and resilience bonds (BSR) with a twelve-month maturity. The objective of the BSR issuance program was to enable States to raise resources at favorable interest rates to meet emergency cash needs. All refinancing windows met all the volumes requested by banks in 2022, at a fixed rate corresponding to the minimum bid rate. Official foreign exchange reserves grew by 3,060.1 billion over the financial year, reaching 9,355.9 billion at the end of December 2022.

Interbank market transactions

On the interbank market, liquidity exchanges between banks increased in volume. The average volume of transactions across all maturities was CFA F 595.0 billion in 2022, compared to CFA F 428.0 billion in 2021 (+39%). With regard to rates on resources, the one-week segment recorded an increase in the weighted average interest rate, from 2.36% in 2021 to 2.87% in 2022.

Management of banknotes and coins

In connection with the management of banknotes and coins, movements at Central Bank counters reached CFA F 50,257.9 billion in 2022. Banknote withdrawals amounted to 25,624.1 billion, while over-the-counter payments totaled CFA F 24,615.7 billion in 2022. At end-December 2022, the total amount of banknotes and coins released into circulation by the BCEAO stood at CFA F 11,427.9 billion, up by CFA F 1,021.2 billion year on year.

Relations of the States with the IMF

Transactions carried out by the Central Bank and the IMF on behalf of WAEMU Member States culminated in net inflows of resources totaling 388.04 million SDRs (CFA F 328.82 billion), as against 134.68 million SDRs (CFA F 108.42 billion) the previous year. This increase was due to a significant increase in the volume of drawdowns, which amounted to SDR 586.78 million (CFA F 486.51 billion), compared to 223.08 million SDRs (CFA F 179.59 billion) the previous year. Repayments rose by 50.52 million SDRs, from 133.44 million SDRs (CFA F 91.32 billion) to 183.96 million SDRs (CFA F 145.74 billion). In 2022, no Member States were granted debt relief.

Monetary cooperation within ECOWAS

In terms of regional integration, the macroeconomic performance review conducted under the new Macroeconomic Convergence and Stability Pact between the ECOWAS Member States adopted in June 2021 revealed that none of the Member States had met all the macroeconomic convergence criteria in 2022. This is because performance has been adversely affected by rising food and energy prices and tighter financial conditions following measures taken by central banks to regularize monetary policy. On July 3, 2022, the Conference of Heads of State and Government adopted the legal framework for the ECOWAS-wide interconnection of payment and settlement systems (EPSS).

Central Bank operations

The organs of the Union and the BCEAO held their meetings in compliance with the provisions of the Treaty of January 20, 2007, establishing the West African Monetary Union and the Statutes of the Central Bank of West African States. The Conference of WAEMU Heads of State and Government held two extraordinary sessions in 2022. The Council of Ministers of the Union held four ordinary meetings and three extraordinary meetings. The Monetary Policy Committee met in four ordinary sessions. The Board of Directors held two ordinary meetings.

As at 31 December 2022, the total number of BCEAO staff stood at 3,401 compared with 3,443 at the end of December 2021. This number included 3,333 active staff members at all Central Bank sites and 68 staff members on secondment or leave of absence. Women represented 39% of the total staff.

I ECONOMIC AND FINANCIAL DEVELOPMENT

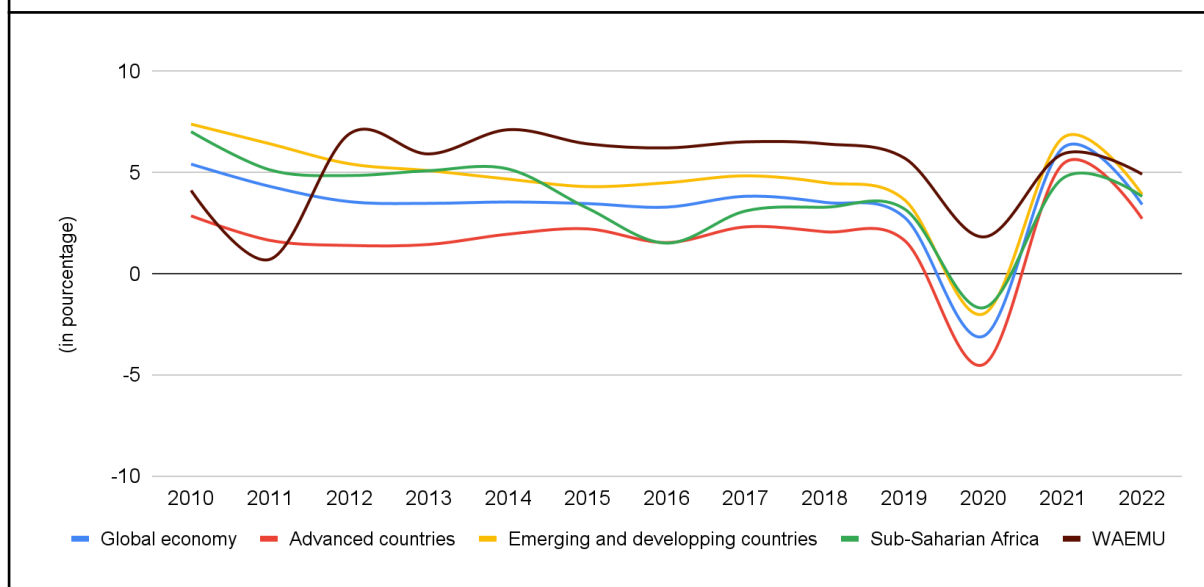
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1.1 - INTERNATIONAL ENVIRONMENT

GLOBAL ECONOMY	ADVANCED ECONOMIES
3.4% (2022) 6.2% (2021)	2.7% (2021) 5.4% (2021)
3.4% growth in 2022, compared to 6.2% in 2021	2.7% growth in 2022, compared to 5.4% in 2021
EUROZONE	EMERGING AND DEVELOPING COUNTRIES
3.5% (2022) 5.3% (2021)	3.9% (2022) 6.7% (2021)
3.5% growth in 2022, compared to 5.3% in 2021	3.9% growth in 2022, compared to 6.7% in 2021
CHINA	SUB-SAHARAN AFRICA
3.0% (2022) 8.4% (2021)	3.8% (2022) 4.7% (2021)
3.0% growth in 2022, compared to 8.4% in 2021	3.8% growth in 2022, compared to 4.7% in 2021

The international economic and financial environment was marked by a slowdown in global production, following a resurgence in demand in 2021. The slowdown in economic activity in 2022 is associated with a number of shocks: high inflation worldwide, tighter financing conditions, a more severe slowdown in China (due to a surge in COVID-19 cases and lockdowns and a crisis in the real estate sector) and the negative repercussions of the war in Ukraine. Estimates by the International Monetary Fund (IMF) put global economic growth at 3.4% in 2022, following the 6.2% rise recorded in 2021.

Figure 1: GROWTH IN GLOBAL ECONOMIC ACTIVITY



Sources: World Bank, IMF, OECD.

1.1.1 - GROWTH IN MAJOR INDUSTRIALIZED COUNTRIES

Year	USA	Eurozone	Great Britain	Japan
2022	2.0%	3.5%	4.1%	1.4%
2021	5.9%	5.3%	7.6%	2.1%

Source: IMF

Growth in advanced economies rang in at 2.7% in 2022, after 5.4% in 2021. In the United States, economic growth dropped from 5.9% in 2021 to 2.0% in 2022. This slowdown was due to a decline in households' purchasing power and tightening monetary policy.

In the Eurozone, growth in the gross domestic product (GDP) dropped from 5.3% in 2021 to 3.5% in 2022, impacted by the spillover effects of the war in Ukraine, as well as tighter financial conditions. In a number of European countries, the European Union's stimulus package, NextGenerationEU¹, boosted economic activity.

1.1.2 - EMERGING AND DEVELOPING COUNTRIES

Year	Emerging countries			
	China	India	Brazil	Russia
2022	3.00%	6.80%	3.10%	-2.20%
2021	8.40%	8.70%	5.00%	4.70%

¹ A European recovery plan to help repair the immediate economic and social damage brought about by the COVID-19 pandemic.

	Sub-Saharan Africa			
Year	Nigeria	South Africa	Ghana	CEMAC
2022	3.00%	2.60%	3.50%	2.90%
2021	3.60%	4.90%	5.40%	1.20%

In emerging and developing countries, the rate of growth stood at 3.9% in 2022, compared to 6.7% in 2021. In China, growth slowed down from 8.4% in 2021 to 3.0% in 2022, against a backdrop of lockdowns triggered by the Zero-COVID-19 policy and a deepening housing crisis. The Indian economy showed growth of 6.8% in 2022, compared to 8.7% in 2021. In Brazil, the growth rate stood at 3.1% in 2022 after a performance of 5.0% in 2021. Economic activity in Russia was impacted by Western sanctions following the country's offensive in Ukraine. The country therefore experienced negative growth of 2.2% in 2022, after growth of 4.7% in 2021.

In sub-Saharan Africa, growth in the GDP stood at 3.8% in 2022, after an increase of 4.7% in 2021. Despite slowing down, growth remained high in some commodity-exporting countries, driven by high fossil fuel and metal prices. Growth in production in Nigeria slowed from 3.6% in 2021 to 3.0% in 2022, mainly due to issues with hydrocarbon production. In South Africa, the economy recorded a smaller increase in its GDP, with a growth rate of 2.6% in 2022 after growth of 4.9% in 2021. The decline in growth in South Africa is attributable to worsening electricity shortages and tighter policies introduced to rein in inflation, in addition to disruptions caused by flooding and strikes in 2022.

Reflecting the slowdown in economic activity, global trade flows rose slightly, by 5.4% in 2022, following 10.4% growth the previous year. Trade downturn was common across emerging and developing countries (+3.4% in 2022 versus +12.1% in 2021) as well as advanced economies (+6.6% in 2022, after +9.4% in 2021).

1.1.3 - FINANCIAL AND COMMODITY MARKETS

On the financial markets, the main stock markets recorded downward trends in a context marked by the slowing of global economic activity, due to the conflict between Russia and the Ukraine and restrictive measures aimed at slowing the spread of the COVID-19 pandemic in China.

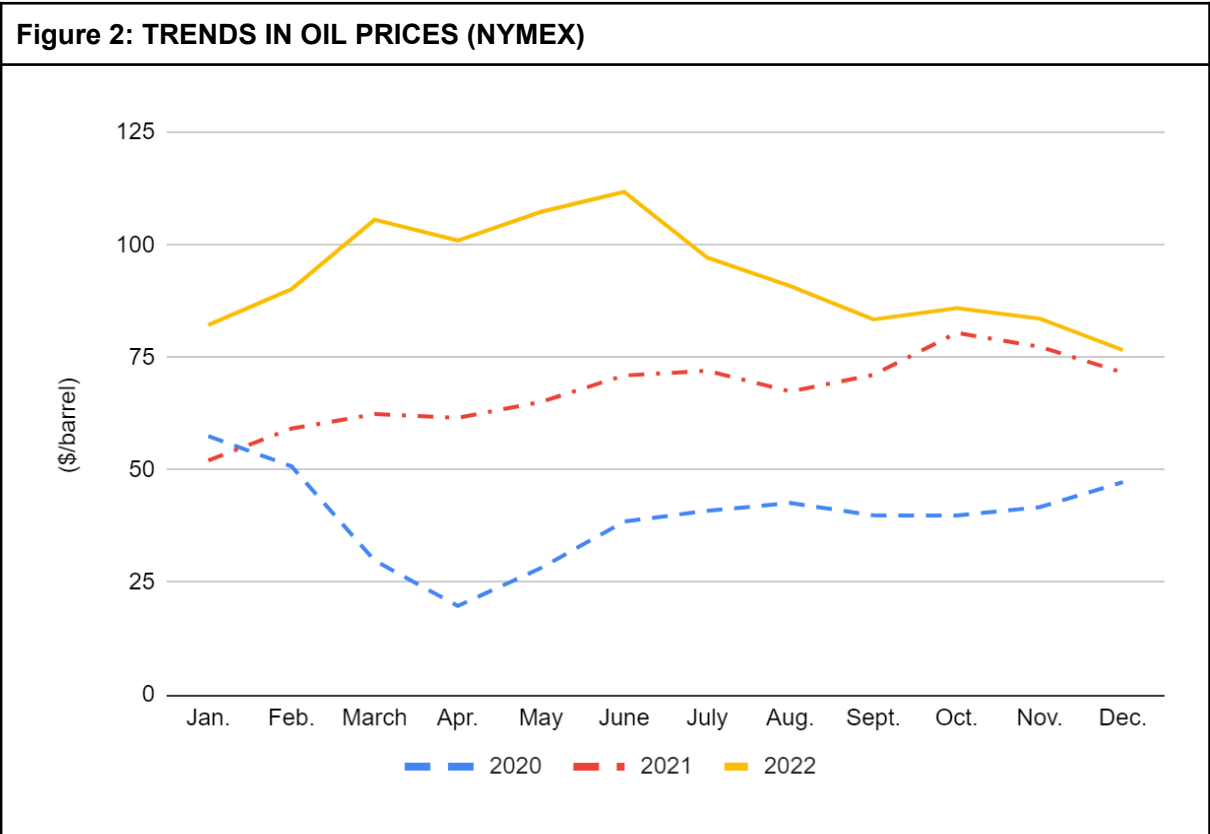
On average, the MSCI World Index deteriorated by 7.9% compared to its average in 2021, standing at 2,754.4 points. In the United States, on the New York Stock Exchange, the Dow Jones index was down by 3.4% in 2022 compared to the previous year. The Nasdaq technology stock index fell by a significant 14.8%. In the euro zone, the EuroStoxx 50 declined by 6.6% compared to its average level in 2021 and stood at 3,759.5 points in 2022. Similarly, in Japan, the NIKKEI 225 index declined by 5.5% to stand at an average level of 27,267.3 points in 2022. On the other hand, the United Kingdom's FTSE 100 index rose by 5.1% to an average level of 7,364.2 points in 2022.

On the African stock markets, the leading indices showed upward trends in 2022. In the WAEMU zone, the BRVM composite and BRVM10 indices recorded year-on-year gains of 26.4% and 21.0% respectively. Nigeria's NSE index rose by 21.4%. Ghana's GSE index rose by 1.0% in 2022 compared with its average value in 2021. In South Africa, the FTSE index rose by 2.7% to stand at 3,815.3 points in 2022.

Commodity prices continued their recovery, which started in 2021, reflecting constraints on market offerings and supplies caused by the conflict between Russia and Ukraine. The key export commodity index, as calculated by the BCEAO, posted an increase of 11.6% in 2022, after rising by 16.8% in 2021. The price of major imported foodstuffs also showed a significant increase (+22.0% in 2022, following +14.5% in 2021).

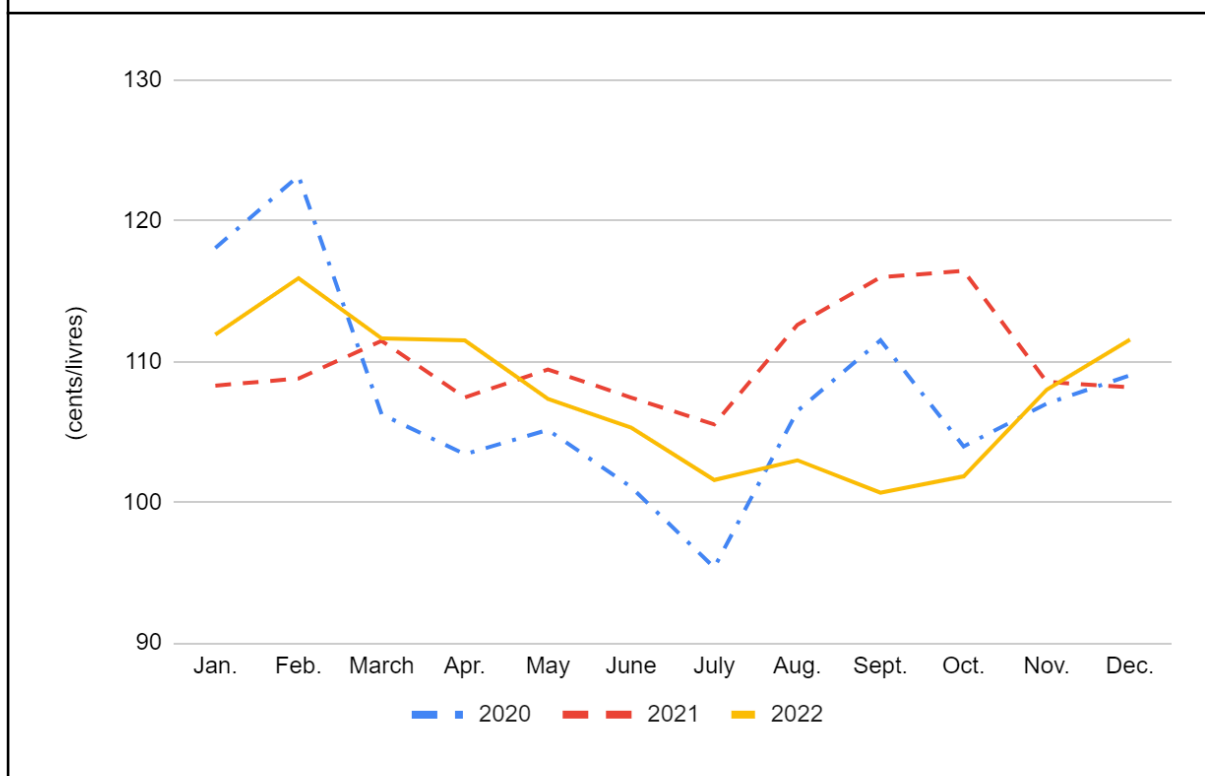
The rise in international prices for major commodities exported by the Union was concentrated in energy products, notably gas (+104.2%) and oil (+40.0%), as well as non-energy products such as phosphates (+116.0%), uranium (+24.1%), coffee (+17.9%), cotton (+16.7%), vegetable oils (+8.8%), and rubber (+6.9%). By contrast, the prices of zinc (-28.2%), cashew nuts (-12.8%), cocoa (-2.3%) and timber (-2.2%) dropped over the period.

Price increases applied to all key import commodities, with the exception of sugar (-2.7%). The most significant price increases occurred with respect to wheat (+28.3%), rice (+23.6%) and vegetable oils (+22.8%).



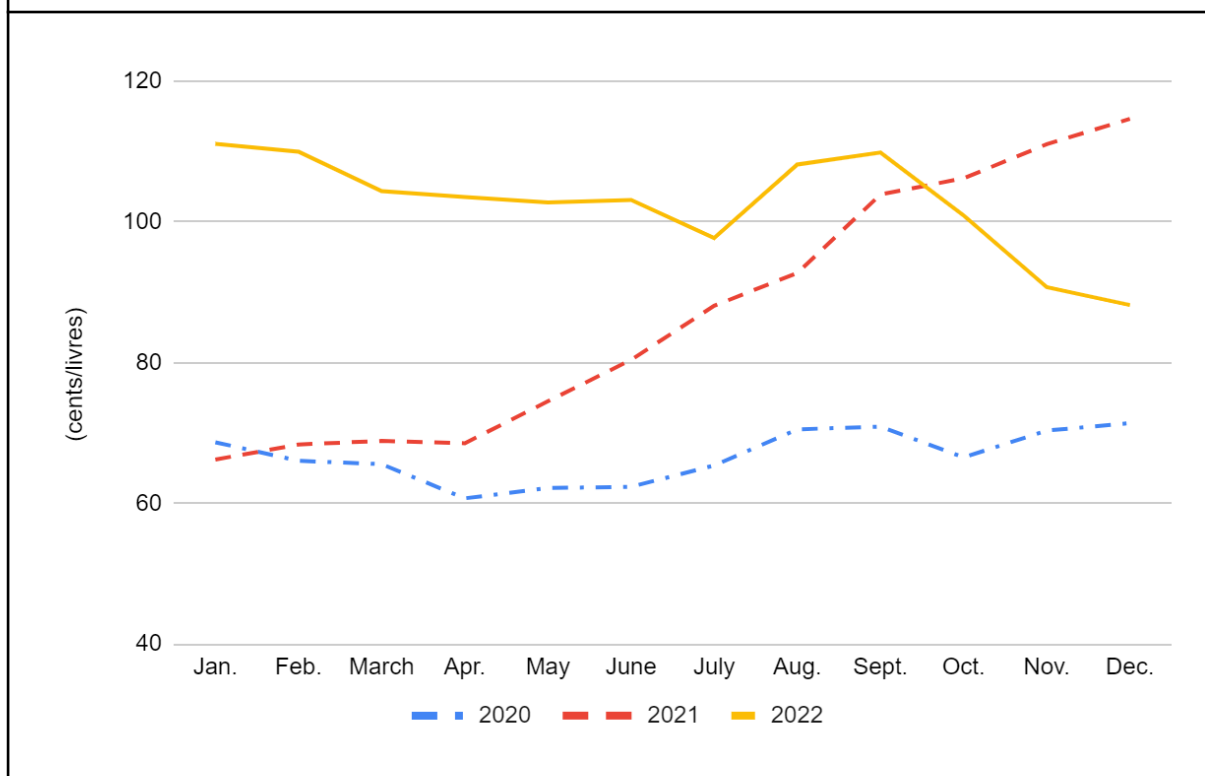
Source: Reuters, BCEAO.

Figure 3: TRENDS IN COCOA PRICES



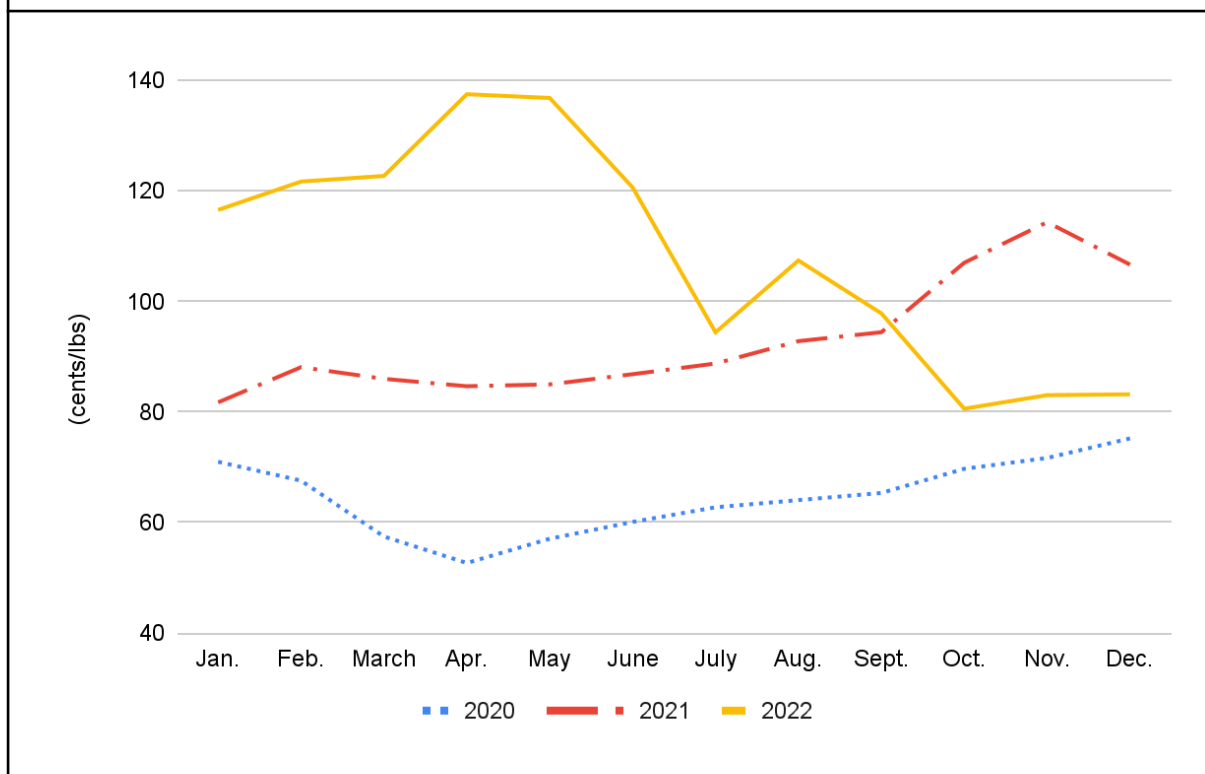
Source: Reuters, BCEAO.

Figure 4: TRENDS IN COFFEE PRICES



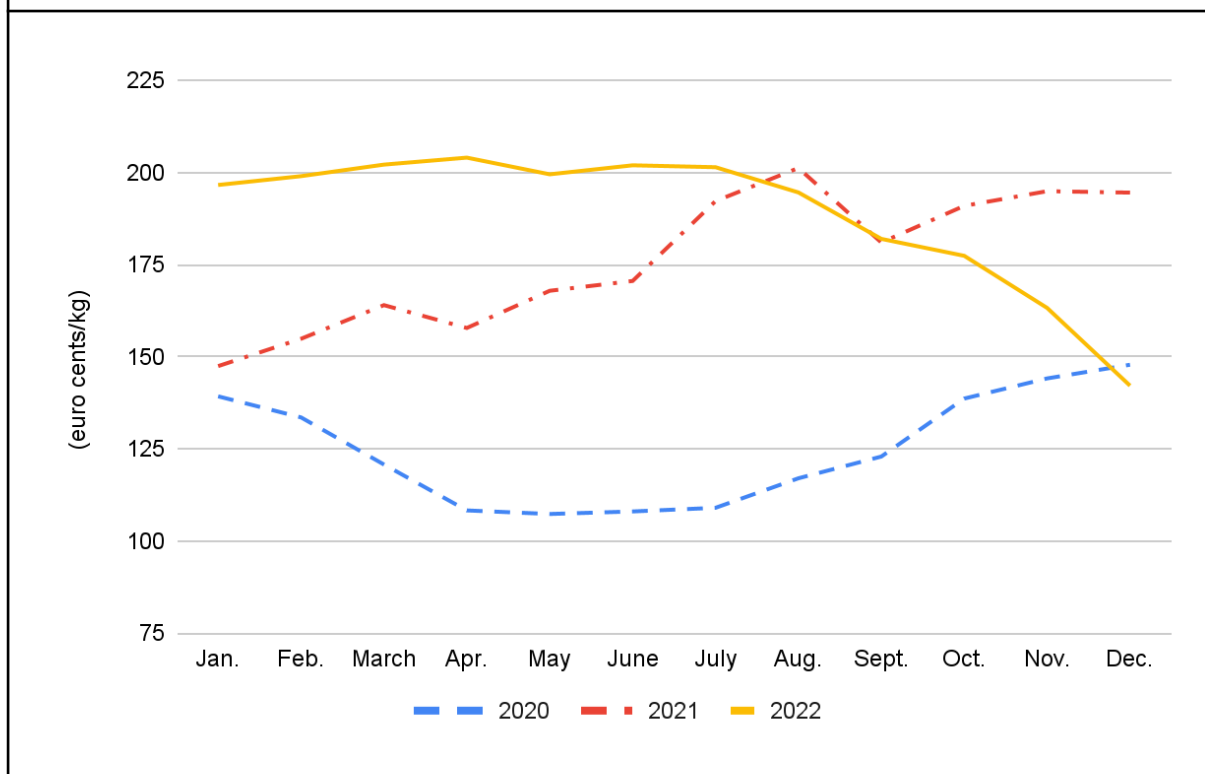
Source: Reuters, BCEAO.

Figure 5: TRENDS IN COTTON PRICES



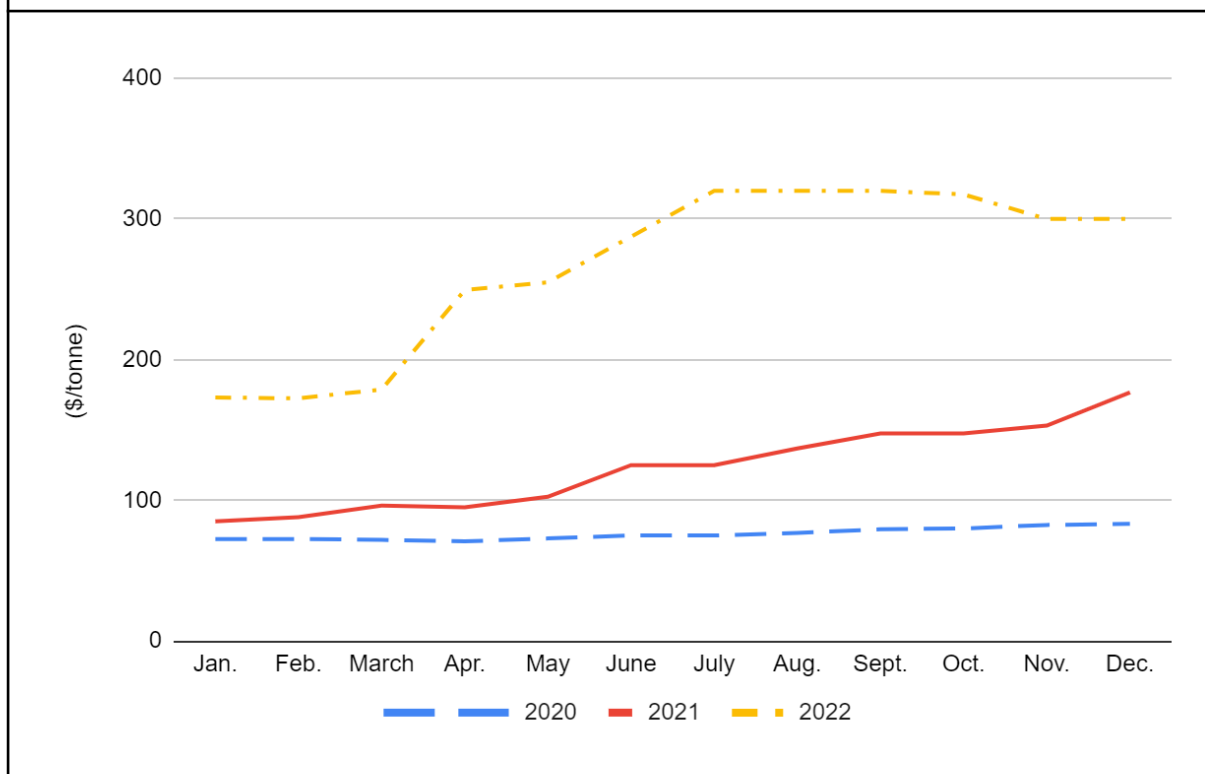
Source: Reuters, BCEAO.

Figure 6: TRENDS IN RUBBER PRICES



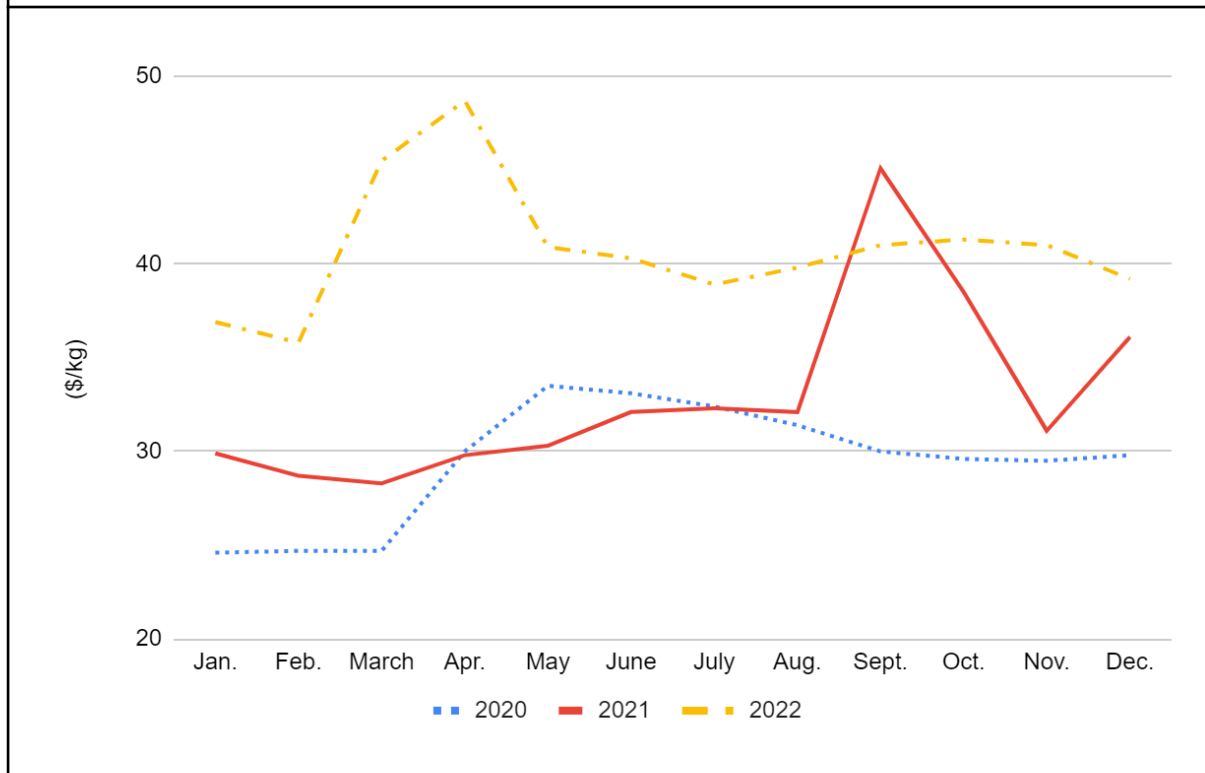
Source: Reuters, BCEAO.

Figure 7: TRENDS IN PHOSPHATES PRICES



Source: Reuters, BCEAO.

Figure 8: TRENDS IN URANIUM PRICES



Source: Reuters, BCEAO.

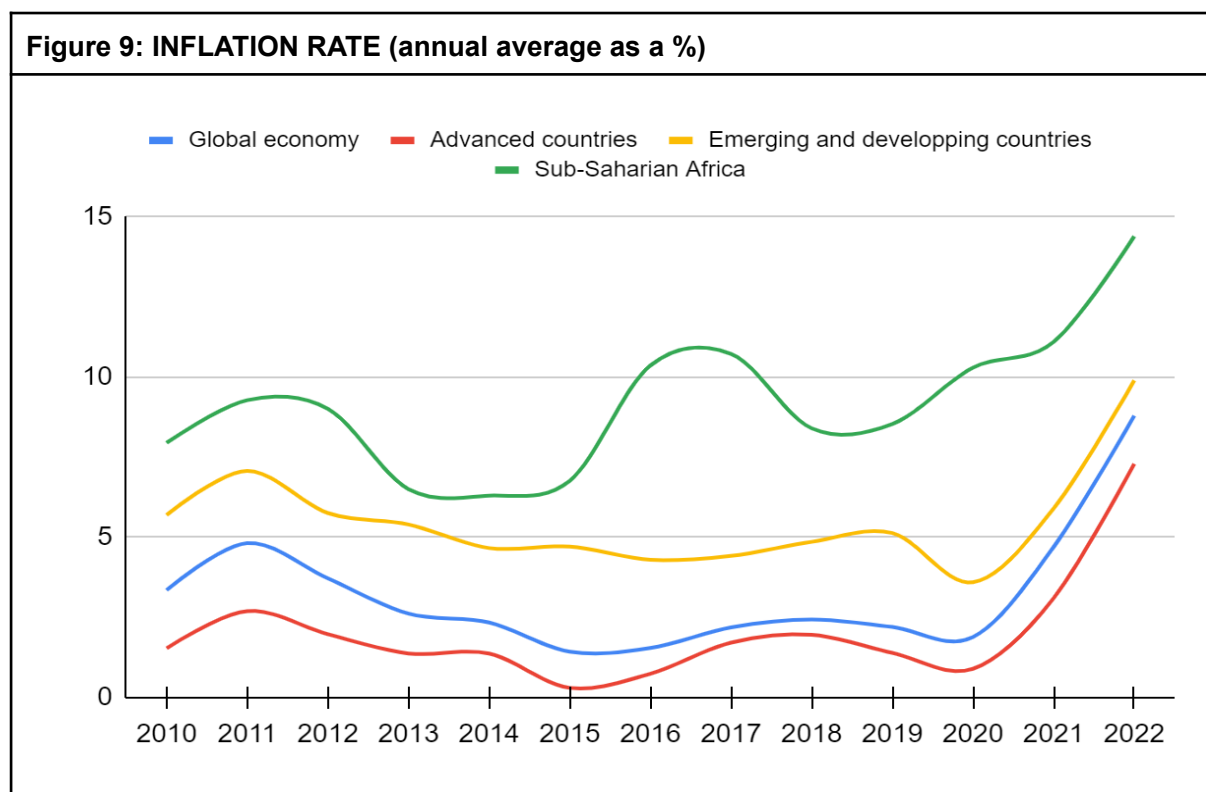
1.1.4 - EMPLOYMENT AND INFLATION

- ➔ DROP IN THE UNEMPLOYMENT RATE.
- ➔ RISE IN THE INFLATION RATE (HEADLINE INFLATION OF 8.8% IN 2022 COMPARED TO 4.7% IN 2021).
- ➔ RISE IN THE AVERAGE INFLATION RATE IN EMERGING AND DEVELOPING COUNTRIES (+9.9% IN 2022, AFTER +5.9% IN 2021).
- ➔ INFLATION REMAINED HIGH AT 14.4% IN 2022, COMPARED WITH +11.1% IN 2021, IN SUB-SAHARAN AFRICA.

In 2022, unemployment returned to a downward trend in most major industrialized countries. In the United States, the unemployment rate fell from 3.9% in December 2021 to 3.5% in December 2022, down 0.4 percentage point. In the Eurozone, the unemployment rate also fell by 0.6 percentage point to stand at 6.6% in December 2022, its lowest historical level.

Headline inflation rose over the course of 2022, exceeding the targets set by central banks in most countries. The rise in inflation in 2022 reflects a combination of demand and supply factors. On the demand side, faster growth during the post-recession upswing in 2020 and the lagged effects of government fiscal and monetary support contributed to persistent price pressures. On the supply side, commodity shortages, exacerbated by the conflict between Russia and Ukraine, contributed to higher energy and food prices. In industrialized countries, inflation was estimated at 7.3% in 2022, compared with 3.1% in 2021. In emerging and developing countries, inflation averaged 9.9% in 2022, compared with 5.9% in 2021, reflecting rising global demand and higher fuel prices. In sub-Saharan Africa, inflation stood at 14.4% in 2022.

Inflationary pressures in Africa were exacerbated by currency depreciations triggered by adverse terms-of-trade shocks, a loss of foreign exchange reserves, capital outflows, and high debt levels.



Source: BCEAO.

1.1.5 - MONETARY POLICY MEASURES AND FOREIGN EXCHANGE MARKETS

ACROSS-THE-BOARD TIGHTENING OF MONETARY POLICY

DEPRECIATION OF THE EURO AGAINST MAJOR CURRENCIES IN 2022

CONTRASTING TRENDS FOR THE CFA FRANC ON THE WEST AFRICAN MARKET

The monetary policy of the world's leading central banks was restrictive, on the whole, in 2022. Central banks in advanced economies, with the exception of the Bank of Japan, continued to raise their key rates, with a view to keeping a lid on rising inflation, which reached record levels, and anchoring medium-term inflation expectations. In emerging and developing economies, central banks tightened their monetary policies in response to persistent inflationary pressures.

The Federal Reserve (FED) raised its target range for the federal funds rate by 425 basis points (bps), through six consecutive rate hikes, bringing it to 4.25% - 4.50% for the entire 2022 financial year, its highest level since 2008.

The European Central Bank (ECB) also undertook to regularize its monetary policy over the course of 2022. Over the course of the 2022 financial year, the ECB raised its rates by 250 bps. The main refinancing rate rose from 0.00% in June 2022 to 2.50% in December 2022.

The Bank of England (BoE) raised interest rates by 325 basis points in 2022 to 3.50%, taking the cost of borrowing to its highest level since late 2008, as policymakers attempted to contain inflation amid fears of an imminent economic recession.

The Bank of Japan (BoJ) maintained its key short-term interest rate at -0.10% and 10-year bond yields at around 0.00% over the course of 2022, despite inflation reaching 4.0% in December 2022. However, on December 20, 2022, it adjusted its monetary instruments by widening the tolerated range of fluctuations for ten-year government bond yields (now +0.50%, instead of +0.25% in 2021). This decision was taken to mitigate the impact of its monetary easing policy.

In emerging markets, the main central banks, with the exception of China and Turkey, changed their monetary policy stance. On December 7, 2022, the Reserve Bank of India (RBI) raised its key rate by 225 basis points to 6.25%. The People's Bank of China (PBoC) lowered its main policy rate, the one-year loan prime rate (LPR), used for loans to businesses and households, by 15 bps to 3.65%. The Central Bank of Brazil raised its key rate by a total of 450 bps in 2022, to reach 13.75%. It also announced that future monetary policy measures could be adjusted, and that it would raise rates again if the disinflation process did not go according to plan. The Central Bank of Russia, after enforcing a series of hikes (+1,150 bps), which raised its key rate to 20.00% in March 2022, set off an easing cycle (-1,250 bps) by reducing the rate to 7.50% on September 16, 2022. The Central Bank of Turkey cut its key rate by 500 bps to 9.00% in 2022, despite a rise in inflation, which climbed to 86.0% in October 2022 before dropping back to 64.0% in December 2022.

With regard to the WAEMU's trading partner countries in the West African sub-region, the Central Bank of Nigeria (CBN) raised its key rate (+500 bps) over the year to reach 16.5%, effective since November 22, 2022. In Ghana, the Bank of Ghana (BoG) raised its key rate by 1,250 bps to 27.00% in November 2022, in a bid to curb inflation, which stood at 54.1% in December 2022. In the CEMAC zone, the BEAC raised its main key rates by 100 bps in 2022, due to rising inflation.

On the foreign exchange markets, the euro lost value against other major currencies in 2022, reflecting the European Central Bank's (ECB) delay in normalizing its monetary policy and the risks of recession weighing on the zone's main economies. The exchange rate index for the Eurozone currency, as calculated by the ECB, deteriorated by 3.4%. The exchange rate of the euro against the US dollar fell by 11.0% to stand at \$1.0539 in 2022. The Eurozone's currency also fell against the Swiss franc (-7.0%), the Canadian dollar (-7.6%), the Australian dollar (-3.6%) and the British pound (-0.9%). The euro also lost value against the currencies of emerging countries. It depreciated by 16.5% against the Russian ruble, by 7.3% against the Chinese yuan, and by 5.5% against the Indian rupee. In contrast, the European currency appreciated compared to the Turkish lira (+66.1%) and the Japanese yen (+6.3%).

On the West African market, the currency of the WAEMU Union gained in value over the year against the Ghanaian cedi (+25.8%) and the Sierra Leonean leone (+18.9%). Conversely, the CFA franc depreciated against other West African currencies, notably by 20.7% against the Guinean franc, 18.2% against the Liberian dollar, 5.3% against the Nigerian naira and 3.2% against the Gambian dalasi. On average over the year, CFA F 1,000 was exchanged for 13.17 Ghanaian cedis, 88.82 Gambian dalasis, 22,366.99 Sierra Leonean leones, 245.68 Liberian dollars, 13,983.77 Guinean francs and 679.50 Nigerian naira.

Table 1: TRENDS IN ANNUAL AVERAGE EXCHANGE RATES (FOREIGN CURRENCY UNITS PER 1,000 CFA FRANCS)

Currency	Code	2021	2022	Change (%)*
Special drawing rights	SDRs	1.27	1.20	-5.4
US dollar	USD	1.80	1.61	-11.0
Swiss franc	CHF	1.65	1.53	-7.0
Pound sterling	GBP	1.31	1.30	-0.9
Japanese yen	JPY	197.97	210.39	6.3
Chinese yuan	CNY	11.64	10.79	-7.3
Russian ruble	RUB	132.86	110.97	-16.5
Indian rupee	INR	133.37	126.10	-5.5
Gambian dalasi	GMD	91.74	88.82	-3.2
Ghanaian cedi	GHS	10.47	13.17	25.8
Guinean franc	FGN	17,631.00	13,983.77	-20.7
Liberian dollar	LRD	300.26	245.68	-18.2
Nigerian naira	NGN	717.61	679.50	-5.3
Sierra Leonean leone	SLL	18,814.67	22,366.99	18.9

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

* The (-) sign indicates a depreciation of the CFA franc compared to the foreign currency

Table 2: TRENDS IN QUARTERLY AVERAGE EXCHANGE RATES (FOREIGN CURRENCY UNITS PER 1,000 CFA FRANCS)

Currency	Code	1st quarter		2nd quarter		3rd quarter		4th quarter	
		2021	2022	2021	2022	2021	2022	2021	2022
Special drawing rights	SDRs	1.28	1.23	1.28	1.20	1.26	1.17	1.24	1.19
US dollar	USD	1.84	1.71	1.84	1.62	1.80	1.54	1.74	1.56
Swiss franc	CHF	1.66	1.58	1.67	1.57	1.65	1.48	1.61	1.50
Pound sterling	GBP	1.33	1.28	1.31	1.29	1.30	1.31	1.29	1.33
Japanese yen	JPY	194.72	198.88	201.08	210.59	197.82	212.20	198.25	219.87
Chinese yuan	CNY	11.91	10.86	11.87	10.73	11.63	10.52	11.15	11.06
Russian ruble	RUB	136.78	133.73	136.43	109.21	132.01	92.34	126.72	98.27
Indian rupee	INR	134.01	128.69	135.66	125.36	133.14	122.48	130.67	127.85
Gambian dalasi	GMD	92.08	89.86	92.37	88.61	91.67	86.27	90.87	90.52
Ghanaian cedi	GHS	10.57	11.01	10.54	11.61	10.46	12.32	10.31	17.75
Guinean franc	FGN	18,481.20	15,306.09	18,052.05	14,103.52	17,498.58	13,228.96	16,492.17	13,296.51
Liberian dollar	LRD	315.05	260.63	315.72	246.94	308.37	235.99	261.91	239.17
Nigerian naira	NGN	697.72	711.11	719.66	674.97	736.61	646.82	716.45	685.09
Sierra Leonean leone	SLL	18,752.23	19,736.38	18,805.07	20,660.19	18,593.26	21,536.91	19,108.13	27,534.47

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

1.2 - ECONOMIC AND FINANCIAL TRENDS IN WAEMU MEMBER STATES

REAL GDP GROWTH IN THE UNION:	5.6% (2022)	6.1% (2021)
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1.2.1 - GROSS DOMESTIC PRODUCT

Economic activity in the WAEMU region remained buoyant in 2022, despite a sluggish international environment and persistent internal security issues.

Recent estimates put the Union's GDP growth rate at 5.6% in 2022, compared with 6.1% in 2021. This growth was driven in particular by the tertiary sector, reflecting a robust performance in trade and services. The contribution of the tertiary sector to growth was 3.6 percentage points (pps). Secondary and primary sector activities accounted for 1.1 pp and 0.9 pp respectively, as a result of stronger manufacturing output and higher agricultural production in 2022/2023.

From a jobs perspective, economic expansion was mainly driven by investments, whose contribution is estimated at 4.2 percentage points (pps), thanks to the execution of several infrastructure construction projects and the completion of projects in the energy sector. It was also supported by households' final consumption, which contributed 2.3 pps, compared with 5.2 pps in 2021, due to the erosion of households' purchasing power as a result of the strong inflationary pressures observed since the beginning of 2022. The contribution of the external sector was negative, just as it was in 2021, reflecting the sharp rise in imports, in a context marked by the execution of major projects by Member States.

Table 3: TRENDS IN CONTRIBUTIONS TO GROWTH IN THE GROSS DOMESTIC PRODUCT OF THE UNION

	2020	2021	2022
Primary sector	0.7	0.1	0.9
Secondary sector	0.4	1.2	1.1
incl.			
- Manufacturing industries	-0.1	0.5	0.7
- Public works and civil engineering	0.7	0.4	0.4
Tertiary sector	0.7	4.8	3.6
Real GDP	1.8	6.1	5.6
End consumption	1.9	5.2	2.3
Investment	1.7	2.8	4.2
External sector	-1.8	-1.9	-0.9
incl.			
- Exports of goods and services	-1.2	2.1	2.5

Sources: National departments, BCEAO.

1.2.1.1 - Agricultural production

FOOD CROP PRODUCTION: **72,310,948** METRIC TONS, UP BY **9.1%**

Based on available estimates, food crop production in the Union was up 9.1% over the previous season, reaching an estimated 72,310,948 metric tons. The estimated increase in harvests was driven mainly by cereals (+4,551,983 metric tons, i.e., +16.7%) and tubers (+622,245 metric tons, i.e., +2.4%). The harvests for the 2022/2023 crop season were 7.7% higher than the average for the previous five years.

With the exception of cocoa and seed cotton, export crops also increased in the 2022/2023 crop season compared with the previous season.

Coffee production totaled 129,492 metric tons in the 2022/2023 crop season, up 53.4% compared to the previous year. This trend can be attributed in part to the return to normal conditions following the crop rest period, which led to a drop in harvests during the 2021/2022 crop season.

Groundnut production reached 3,916,773 metric tons during the 2022/2023 season, up 7.8% compared to the previous season, due to a favorable spatial and temporal distribution of rainfall in the majority of the Union's Member States.

The quantity of cashew nuts produced during the 2022/2023 season was estimated at 1,529,529 MT, an increase of 8.1% compared to the previous season. This increase can mainly be ascribed to the 7.2% increase in the harvest in Côte d'Ivoire, the largest producer of cashew nuts, which accounted for 67.6% of the Union's total supply during the 2021/2022 season.

Rubber production totaled 1,347,900 MT in 2022/2023, a 22.5% increase compared to the previous crop year, due to an upward trend in the number of mature trees.

On the other hand, cocoa production fell by 5.7% in the 2022/2023 season, totaling 2,116.729 metric tons in the Union. This situation may reflect the impact of actions taken by the authorities in Côte d'Ivoire to control increases in bean supply, in order to forestall an excessive drop in world prices.

Seed cotton harvests are estimated at 2,472,226 metric tons, down 7.6% compared to the 2021/2022 campaign, due to farms, especially in Burkina Faso and Mali, being infested by jassids (parasitic insects that cause yellowing of cotton leaves).

1.2.1.2 - Mine production

INCREASES IN URANIUM AND PHOSPHATE PRODUCTION

DECREASES IN GOLD AND OIL PRODUCTION

According to available estimates on mining industries in 2022, uranium and phosphate production showed an increase. In contrast, production of oil and gold was down.

The supply of phosphates also saw an increase of 1.2%, at 3,110,423 metric tons in 2022, due to a 5.9% increase in Togo's supply, evaluated at 1,541,772 metric tons, which was partially offset by a 3.1% decline in Senegal's production.

Uranium production also rose by 5.4% to 2,409 metric tons in 2022, due to the increase in global demand.

On the other hand, crude oil extraction decreased by 1.2%, due to a 5.5% drop in production by Côte d'Ivoire, partially offset by a 5.4% increase in Niger's oil production.

The quantity of gold extracted in the Union in 2022 was estimated at 194,749 kg, an increase of 0.6% over 2021 after a 4.0% increase one year previous. This trend was caused by lower production in Burkina Faso (-6.3%) and Senegal (-3.1%), offset by higher production in Mali (+1.0%), Côte d'Ivoire (+7.5%) and Niger (+5.4%). Gold production in 2022 was estimated at 70,130 kg in Mali, 62,653 kg in Burkina Faso, 43,000 kg in Côte d'Ivoire, 18,537 kg in Senegal, and 429 kg in Niger.

1.2.1.3 - Industrial production and retail trade turnover

Industrial production in the WAEMU Union grew by 3.2% in 2022, after a gain of 5.9% the year before. This development is a result of the slowdown in manufacturing production (+2.9% compared to +8.2%), partially offset by the increase in the rate of growth of energy production (+8.7% compared to +6.5%). The trend in the manufacturing industry reflected the drops in production of food commodities and refined oil. In the energy sector, electricity production increased slightly, rising by 8.9% in 2022, following a 6.2% increase in 2021.

Retail trade turnover in WAEMU increased by 13.2% in 2022, as compared to progress of 12.5% the previous year.

This trend, which is occurring against a backdrop of inflationary pressures, is mainly due to higher sales by petroleum product marketing companies (+22.6 versus +9.9%), partially offset by a slowdown in sales of food products (+7.4% versus +11.3%) and automobiles and spare parts (+9.8% versus +20.4%).

The turnover index in market services (excluding financial services) was up by 8.0% in 2022, after 15.1% growth in 2021. The slowdown in growth was partly due to slower business in information and communications services, as well as in transportation, accommodations, and food and beverage services.

The financial services activity index rose by 13.8% during the reporting period, following an 8.7% increase a year earlier, mainly due to an increase in the volume of banking transactions (loans in particular), combined with higher lending rates.

1.2.2 - CONSUMER PRICE TRENDS

AVERAGE ANNUAL INFLATION RATE	CAUSES OF PRICE INCREASES:
<hr/> <p>7.4% (2022) 3.6% (2021)</p> <hr/> <p>The average annual inflation rate rose to 7.4% in 2022 from 3.6% in 2021.</p> <hr/>	<ul style="list-style-type: none"> ➔ DECREASED CEREAL PRODUCTION, ➔ MARKET SUPPLY ISSUES, ➔ SOARING INTERNATIONAL FOOD PRICES, AND ➔ THE DEPRECIATION OF THE EURO AGAINST THE DOLLAR.

The average annual inflation rate in the Union was estimated at 7.4% in 2022, compared to an actual figure of 3.6% in 2021. The rise in price levels in 2022 was mainly due to tensions on food prices (up by 12.5% versus 6.2% a year earlier) and, to a lesser extent, increases in "Transportation" (5.6% versus 0.7%) and "Housing" (4.8% versus 1.8%). The rise in prices for the food component of the index was essentially due to a 13.3% drop in cereal production in the Union during the 2021/2022 agricultural season, coupled with market supply issues caused by the impact of the security crises in Burkina Faso, Mali and Niger. These factors were compounded by external shocks associated with soaring international prices for foodstuffs imported by the Union, which were further exacerbated by the Russian-Ukrainian war, as well as the depreciation of the euro against the dollar.

The increase noted in the "Transportation" component can be linked to the soaring oil prices on international markets, which led to higher pump prices for fuels (gasoline and diesel) in most of the countries in the Union. The increase in the "Housing" function is attributable to higher prices for solid fuels (wood and charcoal in particular) and liquid fuels (kerosene), due to the higher cost of transporting fuel to major urban centers and the rise in crude oil prices.

Notwithstanding the foregoing, the inflation differential between the WAEMU Union and its main partners was found to be favorable to the Union by 1.3 percentage point in 2022. In particular, the inflation differentials with Nigeria and Ghana were 11.4 and 24.1 percentage points respectively.

Table 4: TRENDS IN CONSUMER PRICES IN 2021 AND 2022 (AS A%)

	2021		2022	
	Annual average	Year-over-year change as at end December	Annual average	Year-over-year change as at end December
Benin	1.7	5.0	1.4	2.8
Burkina Faso	3.9	8.0	14.1	9.6
Côte d'Ivoire	4.2	5.6	5.2	5.1
Guinea Bissau	3.3	5.8	7.9	9.5
Mali	3.9	8.8	9.7	7.7
Niger	3.8	4.9	4.2	3.1
Senegal	2.2	3.8	9.7	12.8
Togo	4.5	6.1	7.6	7.7
WAEMU	3.6	6.0	7.4	7.0

Sources: National Statistics Institutes, BCEAO.

1.2.3 - PUBLIC FINANCE AND EXTERNAL DEBT POSITION

1.2.3.1 - Trends in State financial transactions

After a period of two years of intense pressure on public finances, due in particular to the scale of spending associated with the response to the COVID-19 crisis and post-COVID recovery measures, budget execution in WAEMU Member States in 2022 took place against a backdrop of consumer price pressures. Member States had to postpone the budget consolidation policy initially planned in their initial Finance Acts, in order to preserve their populations' purchasing power and consolidate economic recovery through the implementation of growth-generating projects.

FISCAL REVENUE AND GRANTS:

➔ **19,360.7** BILLION AT THE END OF DECEMBER 2022. UP BY **1,729.3** BILLION OR **9.8%** COMPARED TO THE PREVIOUS YEAR.

➔ TAX BURDEN RATIO: **13.7%**, BELOW THE COMMUNITY STANDARD OF AT LEAST **20%** OF THE GDP.

NET EXPENDITURES AND LOANS:

➔ **26,332.3** BILLION AT THE END OF DECEMBER 2022. UP BY **14.2%** COMPARED TO 2021.

OVERALL DEFICIT, ACCRUAL BASIS, INCLUSIVE OF GRANTS:

➔ **6,971.7** BILLION AT END DECEMBER 2022, (**6.4%** OF GDP) COMPARED TO **5,435.5** BILLION (5.4% OF GDP) IN 2021.

OVERALL OUTSTANDING EXTERNAL PUBLIC DEBT OF THE UNION MEMBER STATES:

➔ **38,028.5** BILLION AT END DECEMBER 2022, UP BY **13.3%**, COMPARED TO AN INCREASE OF **19.1%** IN 2021 REPRESENTING **34.7%** OF GDP IN 2022 COMPARED TO **33.5%** ONE YEAR PRIOR.

Budgetary revenue totaled 17,645.8 billion at the end of December 2022, up 1,490.7 billion or 9.2% compared to the previous year. This increase was mainly due to tax revenues, which rose by 1,427.6 billion or 10.5%, mainly as a result of the continuing economic recovery. Reflecting this trend, the tax ratio rose to 13.7%, compared with 13.6% a year earlier. Grants rose by 238.6 billion or 16.2% to stand at 1,714.9 billion, driven by increased support from technical and financial partners to help economic recovery. In total, the fiscal revenue and grants of the Union's Member States rose by 9.8% year over year.

Net expenditure and loans amounted to 26,332.3 billion, up 3,265.6 billion or 14.2% as compared to December 2021. This trend is attributable to higher capital expenditure (+23.8%) and current expenses (+9.5%). The increase in capital expenditure is mainly due to continued investment in national development plans. As a percentage of the GDP, it is expected to reach 8.5% in 2022, compared with 7.5% the previous year. The rise in current expenditure was driven by interest payments on public debt (+16.7%), personnel costs (+10.7%), and transfers and subsidies (+22.8%). The increase in personnel costs and subsidies and transfers reflects, among other things, the measures taken by governments to preserve people's purchasing power in the framework of efforts to curb inflation.

Against this backdrop, the overall deficit (based on commitments, including grants) widened by 1,536.2 billion to 6,971.7 billion at end-December 2022, or 6.4% of the GDP. This compares with 5,435.5 billion or 5.4% of the GDP in 2021.

Table 5: TRENDS IN PUBLIC FINANCE IN 2021 AND 2022

	December 2021 (1)	December 2022(*) (2)	Change (2) – (1)	
			in billions	in %
Fiscal revenue and grants	17,631.4	19,360.7	1,729.3	9.8
(in % of GDP)	17.6	17.6	-	-
Fiscal revenue	16,155.1	17,645.8	1,490.7	9.2
Tax revenue	13,613.5	15,041.1	1,427.6	10.5
(in % of GDP)	13.6	13.7	-	-
Other revenue (including non-tax)	2,541.6	2,604.7	63.1	2.5
Grants	1,476.3	1,714.9	238.6	16.2
Total expenditures and net loans	23,066.7	26,332.3	3,265.6	14.2
(in % of GDP)	23.0	24.0	-	-
Current expenses	14,503.6	15,881.6	1,378.0	9.5
payroll	5,498.3	6,087.4	589.1	10.7
grants and transfers	3,493.9	4,288.9	795.0	22.8
interest on the debt	1,864.8	2,175.8	311.0	16.7
other current expenses	3,646.6	3,329.5	-317.1	-8.7
Capital expenditures	7,501.7	9,289.5	1,787.8	23.8
(in % of GDP)	7.5	8.5	-	-
Other expenditures	1,024.8	1,117.8	93.0	9.1
Net loans	36.5	43.5	7.0	19.2
Balance, accrual basis (including grants)	-5,435.5	-6,971.7	-1,536.2	-28.3
(in % of GDP)	-5.4	-6.4	-	-

(*) Estimates

Sources: National departments, BCEAO.

1.2.3.2 - External resource mobilization and external debts

In 2022, the countries of the Union mobilized external resources, notably from the World Bank (1,752.9 billion) and the French Development Agency (405.0 billion). They also received financial support totaling CFA F 486.5 billion extended by the IMF to support their economic and financial programs. Out of this total, Benin was granted 181.6 billion under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF). Niger received 65.5 billion under the Extended Credit Facility (ECF). Senegal received disbursements worth 239.4 billion under the Standby Credit Facility and the ongoing Standby Arrangement.

None of the Union Member States issued Eurobonds in 2022. As a reminder, in 2021, three Member States of the Union (Benin, Côte d'Ivoire, and Senegal) mobilized resources on the international financial markets for a cumulative amount of CFA F 2,099.9 billion.

With regard to external debt, the data showed a 13.3% or 38,028.5 billion increase in the Union's outstanding external commitments in 2022, compared with a 19.1% increase the previous year. As a percentage of the GDP, the external debt represented 34.7% in 2022, against 33.5% the year before.

The situation by country is summarised in Table 6 below:

Table 6: EXTERNAL DEBT RATIOS IN 2021 AND 2022 (as a % of GDP)

Countries	2021	2022*
Benin	34.1	35.3
Burkina Faso	25.3	25.3
Côte d'Ivoire	31.4	34.3
Guinea-Bissau	37.8	41.1
Mali	30.6	28.7
Niger	32.9	37.0
Senegal	49.8	47.9
Togo	23.0	23.3
WAEMU	33.5	34.7

Source: BCEAO.

1.2.4 - BALANCE OF PAYMENTS

THE OVERALL EXTERNAL TRADE BALANCE OF THE COUNTRIES OF THE UNION SHOWED A **3,343.2** BILLION DEFICIT, COMPARED WITH A **475.7** BILLION SURPLUS THE PREVIOUS YEAR.

In 2022, foreign trade showed a sharp deterioration in the overall balance, reflecting the worsening current account deficit, coupled with a fall in capital inflows on the financial account.

A deterioration in trade terms, combined with a stronger dollar, weighed heavily on the Union's foreign trade in 2022. Domestic demand in the Member States was relatively strong but was largely covered by external supply. Imports of goods and services rose steadily at the end of the year (+24.0%), while exports grew relatively moderately (+16.2%). The current account deficit stood at 7.8% of the GDP, up 2.2 points compared to 2021. Capital inflows to the financial account, which fell sharply, were unable to meet the resulting financing needs.

Table 7: TRENDS IN THE BALANCE OF PAYMENTS OVER THE 2019-2021 PERIOD (IN BILLIONS OF CFA FRANCS, except where otherwise indicated)

	2020	2021	2022 (Estimate)
Trade balance	-138.8	-863.1	-3,587.7
Balance of services	-4,689.3	-5,444.2	-6,048.3
Balance of the current transactions account	-4,057.8	-5,619.2	-8,484.2
Balance of the current transactions account (as a % of GDP)	-4.4	-5.6	-7.8
Balance of the current transactions account exclusive of grants (as a % of GDP)	-5.3	-6.0	-8.3
Balance of the capital account	1,307.4	1,461.5	1,656.2
Balance of the financial account	-3,162.7	-4,688.8	-3,864.9
Overall balance	15.8	475.7	-3,343.2
Revaluations	182.3	133.5	54.5
Change in NEA	-198.0	-609.2	3,288.7
Nominal GDP	91,860.7	100,159.6	109,282.3

Source: BCEAO.

Depending on its components, the current account deficit widened by 51.0% to 8,484.2 billion in 2022, due to worsening deficits in the balance of goods and services (+52.8%) and primary income (+3.8%), the effects of which were mitigated by the positive trend in the surplus balance of secondary income (+17.2%).

The widening trade deficit (-2,724.6 billion) was associated with a higher rise in imports (+28.5%) than in exports (+16.5%). The dynamics of the import situation were mainly due to the rise in the energy bill (+73.5%), coupled with a clear upturn in demand for consumer goods (+27.0%), against a backdrop of soaring international oil and food prices. The trend was also intensified by a rise in purchases of capital and intermediate goods (+9.3%), reflecting ongoing public infrastructure projects and major construction projects in WAEMU countries, notably British Petroleum's (BP) Grand Tortue Ahmeyim (GTA) gas project between Senegal and Mauritania, and the construction of an oil pipeline in Niger and Benin.

Trends in exports were mainly driven by strong sales of oil (+59.1%), cotton (+55.6%), rubber (+37.3%), gold (+12.1%) and cocoa (+4.2%). Increases in exports of agricultural commodities were driven by the upward trends in prices on international markets on the one hand and, on the other, by the increased volumes shipped due to high levels of production, except in the case of cocoa. Trends in gold and petroleum product exports, for their part, were mainly driven by higher prices on international markets.

The deficit in the balance of services widened by 11.1%, mainly due to the increase in the freight bill (+18.9%), due to rising imports in 2022 and soaring petroleum product prices. The negative balance in primary income worsened by 3.8%, driven by interest payments on the public debt (+12.9%). The secondary income surplus improved by 17.2%, reflecting the robust budgetary aid received by WAEMU countries (+32.7%), coupled with increased migrant remittances (+6.2%).

Taking into account the surplus on the capital account, estimated at 1,656.2 billion, the financing requirement stood at 6,828.1 billion, up 64.2% on 2021. Only 51.0% of this requirement compared with 111.6% in 2021 was covered by capital inflows on the financial account, which fell sharply in 2022.

Net capital inflows to the financial account decreased by 17.6% to stand at 3,864.9 billion in 2022, as compared to 4,688.8 billion in 2021. The decrease in net financial account flows is consistent with the contraction in portfolio investment inflows, which was partially offset by higher foreign direct investment (FDI) and net public borrowings. Net portfolio investment inflows (-97.9%) fell significantly to 31.1 billion in 2022, compared with 1,503.3 billion a year earlier, reflecting the absence of Eurobond issues by Union Member States, compared with net issuance of 2,087 billion a year earlier.

Net FDI flows amounted to 2,824.0 billion in 2022 against 2,748.8 billion in 2021, an increase of 2.7%. This development was connected with the recovery of economic activity in the Union combined with continuing mining, oil and gas exploration in Côte d'Ivoire and Senegal, as well as the construction of a pipeline between Niger and Benin.

Net inflows under other investments rose in 2022, in line with the increase in net government drawdowns (+40.2%), on the heels of the drop in mobilizations recorded in 2021.

Under these conditions, the overall balance of payments showed a deficit of 3,343.2 billion in 2022, after posting a surplus of 475.7 billion in 2021.

II MONETARY POLICY IMPLEMENTATION

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2.1 - MONETARY POLICY OBJECTIVES

The institutional reform that came into effect in April 2010 established the maintenance of price stability as the primary objective of the Central Bank’s monetary policy. In addition to this objective, monetary policy also aims to support the economic policies of the WAEMU Member States, with a view to achieving sustainable growth.

In operational terms, the price stability objective is defined as an inflation rate of 2% with a margin of more or less 1% over a 24-month period. To achieve this objective, the Central Bank assesses potential risks to price stability and growth using the internal and external macroeconomic environment analyzed each quarter in its monetary policy report.

2.2 - MONETARY ACTION

MONETARY POLICY MEASURES IN 2022:

- ➔ Three increases of 25 bps each in key rates, totaling 75 basis points, were implemented. The minimum bid rate for BCEAO auctions was raised from 2.00% to 2.25% on June 16, 2022, from 2.25% to 2.50% on September 16, 2022, and from 2.50% to 2.75% on December 16, 2022.
- ➔ Reserve requirement ratios for banks were maintained. The rate remained at 3.00% in 2022, the level at which it stood since March 16, 2017.

BANK LIQUIDITY REGULATION MEASURES:

- ➔ Continuing fixed-rate and full-service auctions on all conventional bidding windows, namely the weekly and monthly windows.
- ➔ Keeping a special, six-month maturity, full-service window open for the refinancing of stimulus bonds (OdR²). These bonds were structured, and a dedicated window was opened to allow the States to raise long-term resources at favorable interest rates to cover financing needs related to the health crisis and the implementation of stimulus measures.
- ➔ Keeping a special full-service, twelve-month maturity window open for the refinancing of twelve-month maturity Support and Resilience Bonds (BSR). The objective of the BSR issuance program was to enable States to raise resources at favorable interest rates to meet emergency cash needs.

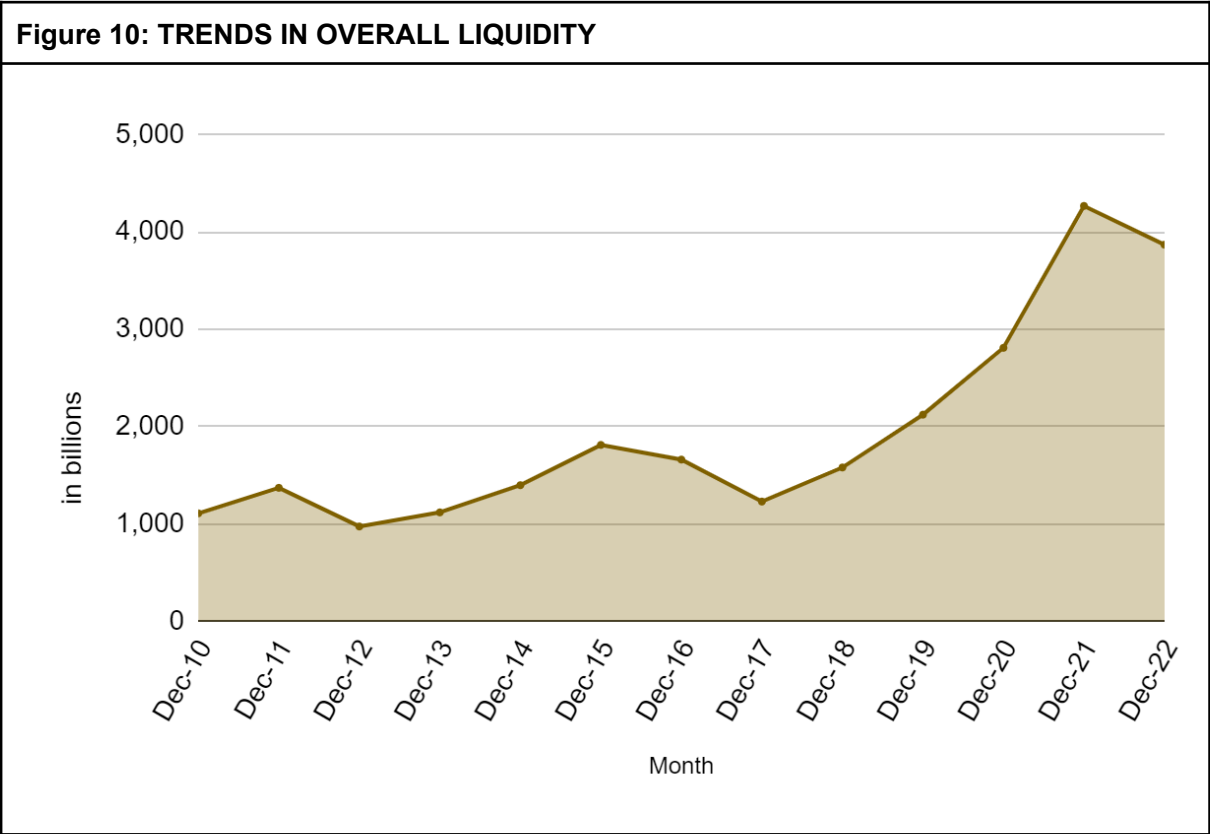
2.2.1 - INTEREST RATE POLICY

In 2022, the macroeconomic environment in the WAEMU Union was beset by uncertainties associated with the international situation and developments in the region’s socio-political and security environments. More specifically, the inflationary pressures observed in the region since 2021 intensified in 2022. Rising staple food, and transportation prices—combined with the adjustment of pump prices for oil products by the countries of the Union following the surge in oil prices on international markets—exerted strong pressure on overall price levels, posing new challenges for the Central Bank. The inflation rate, which has been outside the [1%-3%] target

² Stimulus bonds or OdR are "medium and long maturity Treasury bonds (3 years, 5 years, 7 years, 10 years, 12 years or more), which were issued throughout 2021 and 2022 by open auction on the WAEMU Public Securities Market".

range set by the Monetary Policy Committee as part of the definition of price stability for more than a year now, rose to 7.4% in 2022, compared with 3.6% in 2021.

In the light of those developments, the Monetary Policy Committee decided, in June 2022, to gradually regularize the Central Bank’s monetary policy. Accordingly, it raised its key rates three times in 2022, by 25 bps each, bringing the total increase to 75 basis points. The first increase took place on June 16, 2022, the second on September 16, 2022, and the last on December 16, 2022. As a result, the minimum bid rate for BCEAO auctions rose from 2.00% to 2.25%, from 2.25% to 2.50% and finally from 2.50% to 2.75%. The Central Bank continued its fixed-rate auctions on its refinancing windows throughout 2022.



Source: BCEAO.

2.2.2 - RESERVE REQUIREMENTS SYSTEM

The Central Bank maintained the reserve requirement ratio applicable to the Union’s banks unchanged at 3.00%. During financial year 2022, actual reserves built up by the Union’s banks represented on average 304.25% of the reserves required by the regulations, as compared to 313.5% the year before.

It should be recalled that the Central Bank has opted for a single reserve requirement rate applicable to all banks in the Union since 16 December 2010, at the outcome of the Monetary Policy Committee meeting. The table below shows the history of the reserve requirement ratios applied by the Central Bank.

Table 8: RESERVE REQUIREMENT RATIOS APPLICABLE TO BANKS

	Up to 15 Nov. 1998	16 Nov. - 15 Dec. 1998	16 Dec. 1998 - 15 April 2000	16 April - 15 Aug. 2000	16 Aug. - 15 Sept. 2000	16 Sept. 2000 - 15 April 2002	16 April 2002 - 15 March 2004	16 March 2004 - 15 June 2005	16 June 2005 - 15 June 2009	16 June 2009 - 15 May 2010	16 May - 15 Dec. 2010	16 Dec. 2010 - 15 March 2012	16 March 2012 - 15 March 2017	since 16 March 2017
As a percentage (%)														
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	3.0
Burkina Faso	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	3.0
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	3.0
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	3.0
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	3.0
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	3.0
Senegal	5.0	1.5	1.5	3.0	9.0	9.0	9.0	9.0	7.0	7.0	7.0	7.0	5.0	3.0
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	3.0

Source: BCEAO.

2.3 - MONEY MARKET OPERATIONS

2.3.1 - OPEN MARKET OPERATIONS

In 2022, open market operations on the weekly, monthly, and stimulus windows were conducted at fixed rates, covering all the needs expressed by the banks. Because the Central Bank has continued to implement this measure since March 2020, banks have been able to secure sufficient resources to provide intermediation services.

On the weekly tender window, the amount injected reached a record volume of 6,554.7 billion in December 2022, up from 4,440.5 billion a year earlier, an increase of 47.6%. The average amount of weekly liquidity injections in 2022 was 4,649.3 billion, an increase of 1,257.5 billion (or 37.1%) from the figure of 3,391.8 billion recorded in 2021. The annual average rate on the weekly window stood at 2.22% in 2022, compared to 2.00% in 2021.

On the monthly tender window, the amount injected by the Central Bank stood at 2,132.7 billion at the end of December 2022, versus 1,503.6 billion a year earlier, representing a decrease of 629.1 billion (41.8%). On average, in 2022, requests satisfied stood at 1,700.2 billion, compared to 1,644.8 billion in 2021. The annual average rate on the monthly window stood at 2.21% in 2022, compared to 2.00% in 2021.

The volumes auctioned on the stimulus bond (OdR) window averaged 438.8 billion in 2022, compared with 126.0 billion in 2021. Banks' outstanding commitments on this 6-month maturity window rose to 655.8 billion at the end of December 2022, compared with 239.7 billion in the same period the year before. Maintaining this window with the BSR window, whose outstanding amount stood at 12.6 billion at the end of December 2022, compared with 115.6 billion one year earlier, contributed to maintaining favorable conditions on the public debt market.

2.3.2 - TRANSACTIONS THROUGH PERMANENT REFINANCING WINDOWS

In connection with the continued implementation of the full liquidity allocation measure adopted since March 2020, the marginal lending window was not used in 2022. Banks covered the bulk of their needs through tender windows, and the buoyancy of the interbank market over the year enabled them to absorb their unanticipated needs without resorting to marginal lending.

With regard to the special refinancing window, which has been in force since January 2014 and from which banks can raise resources on their own initiative for periods ranging from three to twelve months, at the marginal lending window rate, using funds with a residual maturity of more than five years, no commitments to BCEAO were noted in 2022.

2.3.3 - INTERBANK MARKET

The trend in the WAMU interbank market showed an increase in the volume of cash exchanges and in the weighted average interest rate on one-week transactions. Rates were raised due to the impact of the increases in the marginal lending and minimum bidding rates implemented by the Central Bank in the second half of 2022.

The average volume of transactions, all maturities combined, totaled CFA F 595 billion in 2022 against CFA F 428 billion in 2021, representing an increase of 39%. These transactions included maturities ranging from one (1) day to twelve (12) months. The one-week and one-day segments were the most active, accounting for 62% and 16% of the average transaction volume respectively, compared to 66% and 18% in 2021. These maturities represented average loan amounts of CFA F 369 billion and CFA F 92 billion, respectively, in 2022, versus CFA F 284 billion and CFA F 77 billion in 2021.

In relation to the average amount of liquidity injections, the volume of interbank operations stood 9.0% in 2022 against 8.0% in 2021.

With regard to interest rates, the one-week segment recorded an increase in the weighted average interest rate from 2.36% in 2021 to 2.87% in 2022. All the Union's markets participated in the interbank market. Abidjan was the most active in terms of supplying resources (41%), followed by Dakar (16%), Lomé (16%), and Ouagadougou (12%). The principal beneficiaries were Abidjan (27%), Cotonou (20%), Dakar (16%), Lomé (15%), and Ouagadougou (8%).

Table 9: TRENDS IN INTERBANK RATES IN 2022 (WEIGHTED AVERAGE AS A PERCENTAGE)

	1 day	1 week	2 weeks	1 month	3 months	6 months	9 months	12 months
January	2.47	2.32	3.43	3.87	4.18	6.00	-	-
February	2.61	2.26	3.33	3.27	2.55	3.00	1.85	-
March	2.45	2.33	3.32	2.89	3.60	2.75	-	4.15
April	2.56	2.28	3.29	3.44	4.25	5.30	-	-
May	2.50	2.33	3.21	2.99	5.33	4.25	-	-
June	2.87	2.51	3.41	3.17	3.52	2.75	-	-
July	2.60	2.69	3.54	3.27	3.92	-	-	-
August	2.59	2.81	3.40	3.50	5.24	3.25	-	4.00
September	2.87	2.94	3.56	3.41	3.69	3.25	-	4.00
October	2.76	2.91	3.66	3.81	4.20	-	-	-
November	2.87	03.01	3.77	3.80	5.00	3.60	-	3.53
December	3.13	3.44	3.88	4.13	5.42	5.66	-	4.56
Average	3.21	2.87	3.92	3.98	5.13	4.22	1.85	4.48

Source: BCEAO.

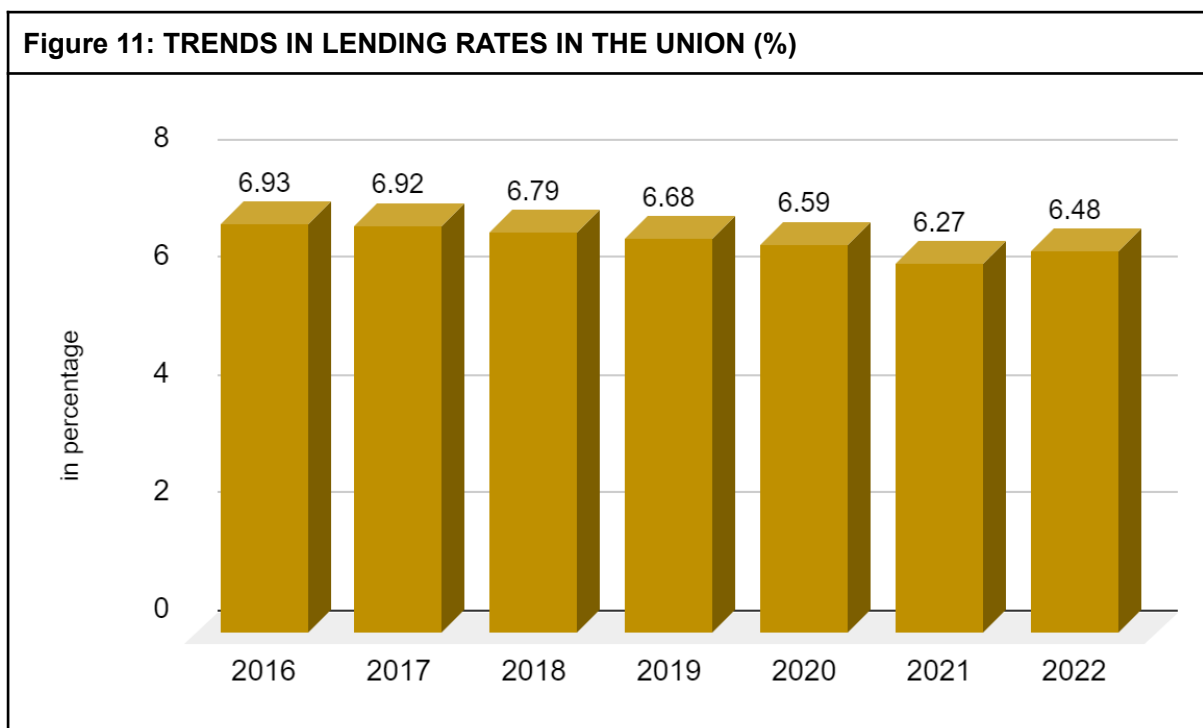
Table 10: TRENDS IN INTERBANK LENDING WITHIN WAMU IN 2020 (IN MILLIONS OF CFA FRANCS)

	Average amounts		Average outstanding loans	Rate ranges (%)	Loan terms
	Total	Including WAMU			
January	528,167	378,852	668,757	2.32 à 6.00	1 day to 6 months
February	579,550	397,716	731,810	1.85 à 3.33	1 day to 9 months
March	577,462	377,297	781,334	2.33 à 4.15	1 day to 12 months
April	518,571	308,503	749,482	2.28 à 5.30	1 day to 6 months
May	575,184	338,497	812,364	2.50 à 5.33	1 day to 6 months
June	593,944	326,812	801,825	2.51 à 3.52	1 day to 6 months
July	544,437	345,745	772,483	2.60 à 3.92	1 day to 3 months
August	649,449	408,484	859,618	2.59 à 4.00	1 day to 12 months
September	698,517	474,296	897,182	2.87 à 4.00	1 day to 12 months
October	672,400	467,422	956,789	2.76 à 4.20	1 day to 3 months
November	628,869	402,694	898,053	2.87 à 5.00	1 day to 12 months
December	568,433	370,596	708,745	3.13 à 5.66	1 day to 12 months
Average	594,582	383,076	803,204		

Source: BCEAO.

2.3.4 - TRENDS IN LENDING RATES

As far as the monitoring of banking conditions is concerned, an increase in the cost of credit was observed in most WAEMU countries in 2022, against a backdrop of successive increases in the key BCEAO interest rates. The average lending rate in the Union rose from 6.27% in 2021 to 6.48% in 2022, an increase of 21 basis points.



Source: BCEAO.

2.4 - TRENDS IN MONETARY AGGREGATES

The monetary situation in the Union in 2022 was marked by a slowdown in growth in the broad monetary aggregate, which stood at 11.3% compared with 16.3% in 2020. The negative trend in external accounts, driven by higher prices for imported foodstuffs and energy products, has led to significant outflows of resources outside the Union, slowing the money supply dynamics.

2.4.1 - NET FOREIGN ASSETS

Net foreign assets of monetary institutions recorded a drop of 3,288.7 billion, reaching 4,458.0 billion at the end of December 2022. This trend was due to a decrease of 3,064.1 billion in the Central Bank's net foreign assets, as well as a drop of 224.6 billion in those of the banks.

The increase in the oil bill (+73.5%) and the food bill (+45.3%) severely worsened the position of the Union's current account in 2022. In addition, tightening financial conditions, induced by the regularization of monetary policies in advanced countries, have had a dampening effect on the mobilization of external resources by governments. Specifically, the absence of Eurobond issuance by governments over the year impacted the profile of foreign exchange reserves.

2.4.2 - DOMESTIC CLAIMS

Outstanding domestic claims rose by 8,680.0 billion or 20.1% compared to their level at the end of December 2021, reaching 51,760.0 billion at the end of December 2022. This development was due to the combined impact of the consolidation of net loans to central governments and loans to other sectors of the economies of the Union.

2.4.2.1 - Net loans to central governments

In 2022, the regional public debt market was heavily solicited to finance the economic stimulus plans drawn up by the governments of the Union's countries. This situation led to an increase in banking system lending to governments. Banks' net loans to central governments increased by 3,936.0 billion, an increase of 29.6%. In particular, their outstanding portfolio of government securities increased by 18.6% in 2022, from 14,873.4 billion to 17,637.7 billion. At the BCEAO, net receivables rose by 793.2 billion (+34.0%), reflecting the IMF's lending to governments (+340.8 billion) and the drop in Treasury deposits with the Central Bank (-470.3 billion). On the whole, the net loans of all deposit-taking institutions to central governments increased by 4,729.1 billion over the year, or 30.2%.

**Table 11: NET LOANS OF DEPOSIT-TAKING INSTITUTIONS TO CENTRAL GOVERNMENTS
(IN BILLIONS OF CFA FRANCS)**

	December 2021	December 2022	Annual change
Net loans to central governments	15,650.9	20,380.0	4,729.1
Loans by deposit-taking institutions	22,658.6	27,100.2	4,441.6
Loans	7,769.4	9,446.3	1,676.9
Public securities portfolios	14,873.4	17,637.7	2,764.3
Other loans	15.9	16.2	0.3
Deposit institution commitments	7,007.8	6,720.2	-287.6
Treasury cash in Central Bank	30.7	30.4	-0.3
Deposits	2,304.3	1,834.0	-470.3
Other commitments	4,672.7	4,855.8	183.1

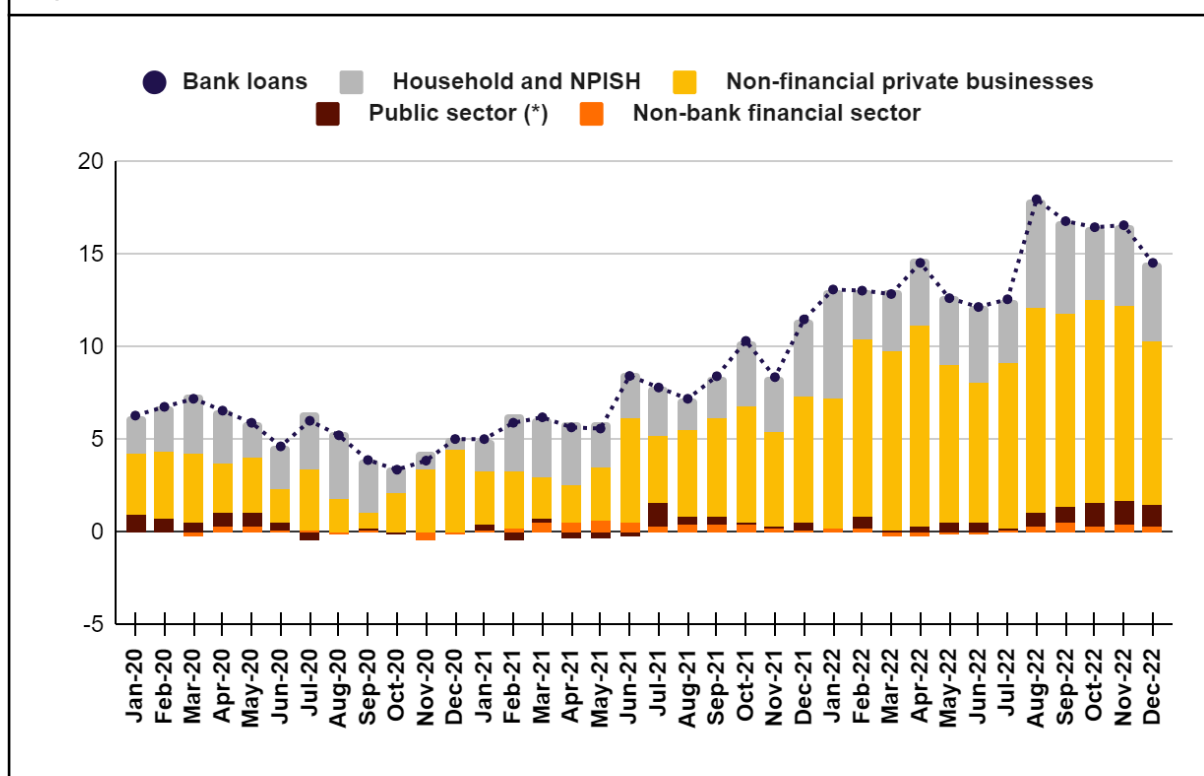
Source: BCEAO.

2.4.2.2 - Claims on the economy

The growth rate for claims by deposit-taking institutions on sectors of the economy other than central government is estimated at 14.4% for 2022, up from 11.3% in 2021. This trend is associated with the renewed vitality of economic activity in WAEMU countries, which is largely due to the continued implementation of stimulus plans.

The increase in credit was mainly driven by growth in bank loans to the private sector (+3,407.5 billion), which contributed 13.0 percentage points. Loans to private businesses increased by 14.7% and loans to households and non-profit institutions serving households grew by 13.6%.

Figure 12: ANNUAL BANK LOAN GROWTH (IN PERCENTAGE POINTS)



Source: BCEAO.

2.4.3 - MONEY SUPPLY AND MONETARY BASE

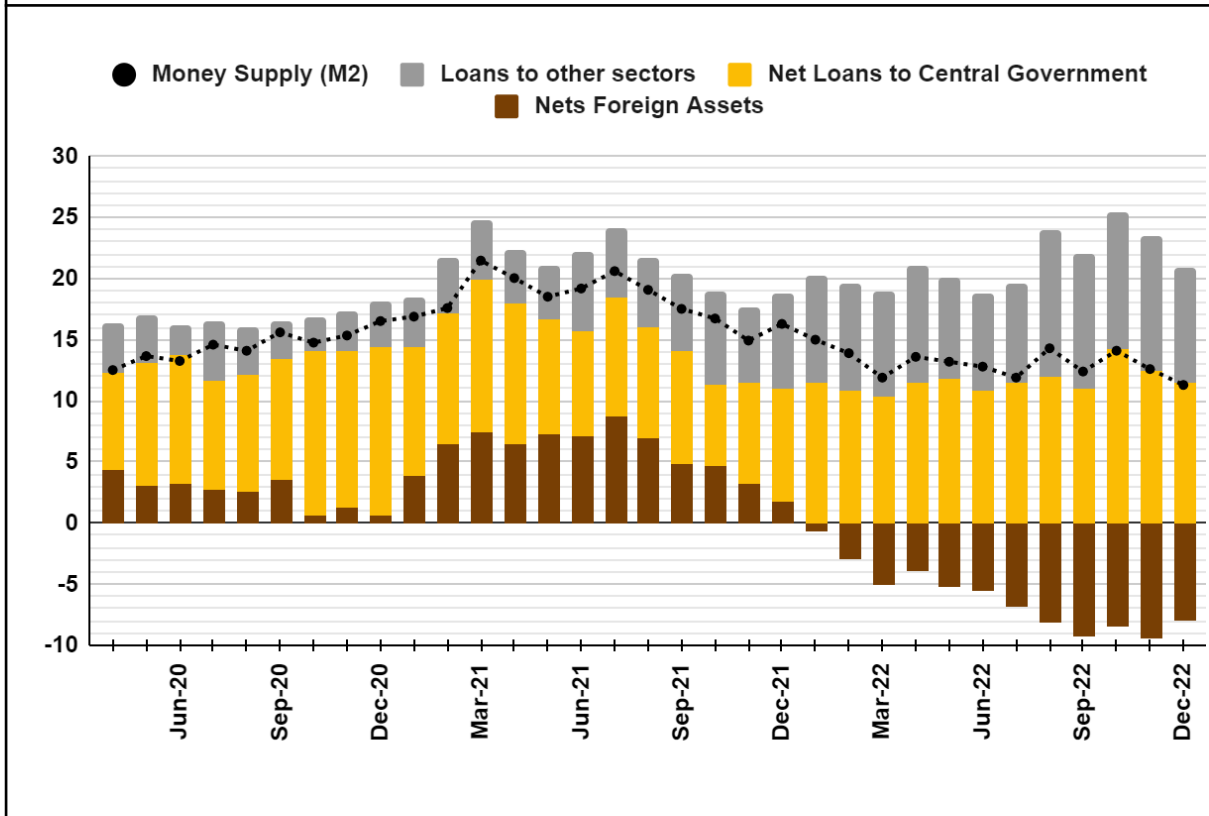
THE MONEY SUPPLY GREW BY **4,703.0** BILLION OR **11.3%**, YEAR OVER YEAR, TO STAND AT **46,161.8** BILLION AT THE END OF DECEMBER 2022.

THE MONETARY BASE GREW BY **720.3** BILLION OR **4.7%** IN 2022, REACHING **15,933.6** BILLION AT THE END OF DECEMBER 2022.

In conjunction with the trends in its counterparts, the money supply grew by 4,703.0 billion or 11.3% year over year, to stand at 46,161.8 billion at the end of December 2022. This increase in overall liquidity was reflected in a rise of 3,789.7 billion or 11.8% in deposits and 913.3 billion or 9.7% in currency outside banks, reaching 10,338.0 billion.

Similarly, the monetary base grew by 720.3 billion or 4.7% in 2022, reaching 15,933.6 billion at the end of December 2022. This development was driven by growth in its various counterparts. Lending to banks and financial institutions grew by 3,064.7 billion and the net external assets of the Central Bank dropped by 3,064.1 billion. Net receivables from central governments rose by 792.8 billion, including 340.8 billion in loans from the IMF and a reduction in government commitments to the Central Bank.

Figure 13: ANNUAL GROWTH IN THE MONEY SUPPLY



Source: BCEAO.

III TRENDS IN THE BANKING AND FINANCIAL SYSTEM, FINANCIAL STABILITY AND INCLUSION

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3.1 - SITUATION OF CREDIT AND MICROFINANCE INSTITUTIONS

3.1.1 FINANCIAL SITUATION OF CREDIT INSTITUTIONS

<p>155 active institutions, comprising 132 banks and 23 bank-like financial institutions.</p>	<p>Uses increased: (+19.8%) +9,264.8 billion, reaching 56,135.8 billion.</p>
<p>BANKING SECTOR</p>	
<p>Average solvency ratio “<i>equity over risk-weighted assets</i>” 12.9% on 31 December 2022, above the minimum requirement of 11.25% established by the WAMU Council of Ministers.</p>	<p>Resources increased by (+12.5%) +5,691.4 billion, reaching 51,185.2 billion.</p>

As at December 31, 2022, the banking sector in the Union comprised 158 approved credit institutions, 155 of which were active, including 132 banks and 23 bank-like financial institutions.

Credit institutions continued to report year-on-year growth, against a backdrop of gradual lifting of the travel restrictions introduced by governments to control the COVID-19 pandemic and the outbreak of the Russian-Ukrainian war.

In 2022, the Union's credit institutions demonstrated their willingness to continue financing economic activity. Thus, at the end of December 2022, resources and uses increased by 5,691.4 billion (+12.5%) and 9,264.8 billion (+19.8%) respectively, compared with the figures for December 2021, reaching respective totals of 51,185.2 billion and 56,135.8 billion.

The increase in resources was driven by all components, i.e., deposits and borrowings (+12.2%; +4,692.4 billion), net equity (+16.3%; +766.4 billion) and sundry other resources (+10.3%; +232.6 billion). The structure of these resources, which reflects that of retail banks, consists of 84.4% customer deposits, 10.7% net equity capital and 4.9% other resources.

The increase in uses was mainly due to customer loans (+19.1%; +5,239.7 billion), the securities portfolio (+22.5%; +3,612.1 billion) and other assets (+12.4%; +413.0 billion). The rise in securities acquisitions reflects the sustained efforts deployed by credit institutions to support economic recovery by consolidating their equity capital and increasing government financing via bond and bill issues. The increase in government securities issuance, associated with post-COVID stimulus measures (OdR, BdR, etc.), led to substantial growth in securities outstanding (+22.5%; +3,612.1 billion), following similar relative growth over the same period in 2021 (+20.3%; +2,710.3 billion) and 2020 (+33.3%; +3,326.6 billion). As a result, at the end of December 2022, 58.3% of banking assets were made up of customer loans, 35.0% of securities and 6.7% of other uses. In December 2021, these figures stood at 58.7%, 34.2% and 7.1% respectively.

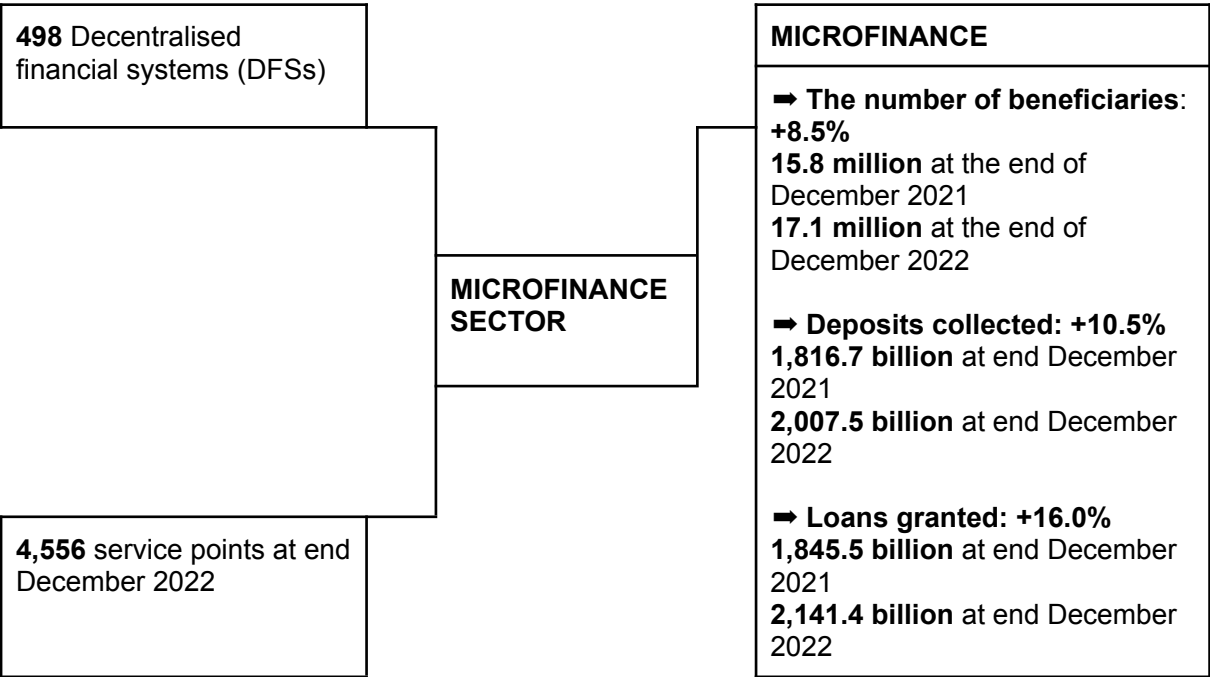
The cash position of credit institutions, which has been structurally in deficit for several years, stood at -4,950.6 billion compared with -1,377.2 billion a year earlier. The deficit therefore grew by 3,573.4 billion, compared to the end of December 2021.

The quality of the banking sector's portfolio also improved. The gross portfolio deterioration rate fell by 2.1 percentage points to 8.4%, compared with 10.5% at end-December 2021. The net rate stood at 2.9%, compared to 4.1% in 2021.

In prudential terms, the banking sector remained solvent and resilient. Based on credit institutions' disclosures at the end of December 2022, the overall solvency ratio stood at 12.9%, well above the minimum standard of 11.25% required by the prudential framework. The compliance rate for reporting credit institutions was 91.2%.

Nevertheless, some banks are still in a precarious situation, with their capital levels still negative. In this respect, as part of efforts to monitor the implementation of the prudential framework and banking and financial regulations, a number of proposed solutions were submitted to the Council of Ministers in March 2022 for an opinion on the situation of public banks with negative equity. These involved calling for restructuring measures (implementing recapitalization plans, defining an improved strategic direction, creating hive-off structures, implementing better risk management) and liquidation measures (liquidation and activation of the FGDR-UMOA).

3.1.2 FINANCIAL SITUATION OF MICROFINANCE INSTITUTIONS



In 2022, the WAMU microfinance sector continued to grow in terms of intermediation and access to financial services. Based on available information, the number of beneficiaries of the services provided by microfinance institutions stood at 17.1 million at the end of December 2022, compared with 15.8 million at the end of December 2021, up 8.5%. The number of points of service also rose, from 4,439 at end-December 2021 to 4,556 at end-December 2022, an increase of 2.6%. This trend reflects the continued penetration of decentralized financial services among target the populations. Meanwhile, the number of microfinance institutions fell over the period under review, as a result of initiatives being undertaken to clean up the sector and tighten

entry requirements. The number of microfinance institutions stood at 498 at end-December 2022, compared with 506 at end-December 2021.

The financial intermediation activity of microfinance institutions increased as a result of trends in outstanding deposits and loans. Deposits collected by microfinance institutions amounted to 2,007.5 billion at end-December 2022, compared with 1,816.7 billion at end-December 2021, up 10.5%. They represent 4.6% of total deposits collected by the Union's credit institutions over the period. The breakdown of deposits by term remains characterized by the predominance of demand deposits (57.0%). Fixed-term deposits and other deposits accounted for 21.0% and 22.0% of the total, respectively. Men accounted for 48.3% of savings mobilized by microfinance institutions, groups for 26.4%, and women for 25.3%. Average deposits per customer stood at CFA F 117,370 at the end of December 2022, compared with CFA F 115,297 at the end of December 2021, an increase of +1.8%.

Outstanding loans granted by microfinance institutions rose (+16.0%) from 1,845.5 billion at end-December 2021 to 2,141.4 billion at end-December 2022. This represented 6.5% of outstanding loans granted by the Union's credit institutions at end-December 2022. Short-term loans accounted for 50.3% of all loans granted by microfinance institutions. Medium- and long-term loans accounted for 31.8% and 17.9%, respectively. Average outstanding loans by microfinance institutions per member rose by +6.9% to CFA F 125,195 at the end of December 2022, compared with CFA F 117,122 in 2021.

The quality of the decentralized financial system loan portfolio improved during the period under review. The gross deterioration rate of the portfolio of microfinance institutions in WAMU, measured by the ratio of total overdue loans to outstanding loans, stood at 7.2% at end-December 2022, compared with 8.2% at end-December 2021. This situation resulted from a smaller increase in past-due receivables than in outstanding loans. Past-due receivables rose from 151.5 billion at end-December 2021 to 153.8 billion at end-December 2022, an increase of +1.5%. However, the gross deterioration rate of the decentralized financial system portfolio remains above the regulatory maximum of 3%.

With regard to actions to clean up the sector, 2022 was marked by the drafting of a framework document outlining the priority measures to be considered to strengthen the microfinance sector in the WAMU Union. Furthermore, it was observed that work had begun to turn around or restructure troubled institutions that had received diagnostic assessments, to design an early warning system, and to draw up a capacity-building program for microfinance institution supervisors. A specific diagnostic visit was also conducted in Guinea-Bissau, in the light of the persistent difficulties facing the country's microfinance sector, which have led to the closure of almost all of its microfinance institutions. In addition, in view of the obstacles encountered in the performance of their duties, guidelines were drawn up for interim administrators of microfinance institutions in the Union's Member States. The introduction of this guide should help improve the turnaround process for institutions subject to this regime. Finally, work continued on finalizing the draft law regulating microfinance, with a view to its presentation to the Central Bank Executive Committee in November 2022.

3.1.3 THE STATUS OF ISLAMIC FINANCE

ISLAMIC FINANCE:

17 licenses have been granted to:

- 2 banks operating exclusively in Islamic finance
- 7 banks with an Islamic finance branch
- 7 microfinance institutions operating solely in Islamic finance
- 1 microfinance institution with an Islamic finance branch.

The BCEAO continued its efforts to promote Islamic finance in 2022. To facilitate access to the sector, the Central Bank opted to support initiatives to create Islamic Financial Institutions (IFIs). In this respect, several applications for approval to engage in Islamic finance activities were considered, and the applicants were asked to improve their files. So far, 17 licenses have been granted to 2 banks operating exclusively in the Islamic finance sector, 7 banks with an Islamic branch, 7 exclusively Islamic microfinance institutions and 1 microfinance institution with an Islamic branch.

As part of its efforts to promote the specific instruments governing Islamic finance, the Central Bank organized two (2) online training sessions on the legal and operational aspects of Islamic finance in the Union, for the benefit of credit institutions (November 15 and 16, 2022) and microfinance institutions (November 17 and 18, 2022).

In addition, the Central Bank has initiated work to provide IFIs with Sharia-compliant governance tools and standard contracts to help manage the risks associated with Sharia compliance. To this end, a feedback and training workshop brought together IFI managers, the Consultants Group and the BCEAO on November 29 and 30, 2022 in Dakar, at the headquarters of the Central Bank.

A study is also underway to examine the services that fintech could provide for IFIs, as well as the refinancing mechanism for IFIs in WAMU.

3.2 - FINANCIAL MARKET

3.2.1 - RESOURCES RAISED BY THE MEMBER STATES ON THE PRIMARY MARKET

3.2.1.1 - Resource mobilization on the regional market

Resources raised by WAEMU Member States on the regional public debt market amounted to 8,326.7 billion in 2022, up by 1,058.7 billion compared to the end of December 2021. This increase reflected the rise in Treasury bonds (+26.1%), partially offset by the decline in Treasury bills (-14.6%). Net issuance stood at 4,338.0 billion at the end of December 2022, compared with 3,015.9 billion the previous year.

In the Treasury bills segment, Member States mobilized 1,755.8 billion in 2022, representing 21.1% of the resources raised on the regional financial market against 2,055.9 billion one year prior. Support and Resilience Bonds (BSR) accounted for 38.7% of the resources mobilized in the segment, i.e., 679.0 billion. Issues with 12-month maturities were the most highly sought after, with a total value of 883.2 billion, or 50.3% of all bills issued during the period.

As for the bond segment, national Treasuries raised 6,570.9 billion in 2022, compared to 5,212.1 billion the previous year. The total amount of OdR stimulus bonds³ issued during the period amounted to 2,533.6 billion, representing 41.4% of total bond issues. OdR bonds were issued in 3-year (997.8 billion), 5-year (948.1 billion), 7-year (408.1 billion), 10-year (168.6 billion), and 15-year (11.0 billion) maturities.

RESOURCES RAISED BY WAEMU STATES ON THE REGIONAL PUBLIC DEBT MARKET STOOD AT **8,326.7** BILLION (AN INCREASE OF **1,058.7** BILLION COMPARED WITH END-DECEMBER 2021).

Table 12: GROSS ISSUES OF PUBLIC SECURITIES BY AUCTION AND SYNDICATION ON THE REGIONAL PUBLIC SECURITIES MARKET (IN BILLIONS OF CFA FRANCS)

Instrument	2021				Total 2021	2022				Total 2022
	T1	T2	T3	T4		T1	T2	T3	T4	
Bills	575.3	469.0	571.8	439.8	2,055.9	572.5	413.9	479.9	289.5	1,755.8
Bonds	1,285.3	1,789.5	1,218.5	918.8	5,212.1	1,331.2	1,559.6	2,009.6	1,670.5	6,570.9
By auction	957.8	1,331.5	811.5	394.8	3,495.6	805.0	983.2	1,227.1	483.6	3,498.9
By syndication (*)	327.5	458.0	407.0	524.0	1,716.5	526.2	576.4	782.5	1,186.9	3,072.0
Total	1,860.6	2,258.5	1,790.3	1,358.6	7,268.0	1,903.7	1,973.5	2,489.5	1,960.0	8,326.7

Sources: WAMU-Securities, AMF-UMOA.

(*) provisional situation regarding syndication

Financing conditions on the public debt market eased overall in 2022 compared with the previous year. The average cost of resources raised by Member States generally fell for most maturities, in both the Treasury bills and bonds segments. The decline in weighted average rates was 0.47 points and 0.12 points respectively for 6-month and 12-month maturities. Bond yields also fell on 5-year (-0.23 points), 10-year (-0.25 points) and 15-year (-0.17 points) maturities.

The improvement in financing conditions was mainly attributable to the low exit rates on BSR and OdR bonds, thanks to measures taken by the Central Bank to structure them. However, the costs associated with issuing Treasury bills and bonds on the regional financial market increased, following successive increases of 25 basis points in the Central Bank's key rate in June, September and December 2022. Weighted rates and yields rose overall following the gradual regularization of monetary policy. Weighted average rates on Treasury bills rose, on average, from 2.63% in the first quarter to 3.28% in the fourth quarter of 2022. Bond yields stood at 5.98% in the final quarter, up 59 basis points compared to the first quarter.

³ Stimulus bonds (OdR) were designed to enable WAEMU Member States to raise the necessary resources to finance their economic recovery plans, following the COVID-19 shock in 2020. To assist the issuance of these securities under optimal conditions for investors and governments, the BCEAO decided to create a special refinancing window called a stimulus window, or "*Guichet de relance*". In addition to being eligible for the Central Bank's traditional refinancing windows, OdR bonds were the only securities eligible for the stimulus window, which allowed investors to obtain liquidity in the form of loans with a renewable six-month term, at the minimum bid rate for BCEAO auctions, which was 2.75% as at December 31, 2022.

Table 13: WEIGHTED AVERAGE RATES AND YIELDS

	2021				2021 Average	2022				2022 Average
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
1 month	-	-	-	-	-	-	-	-	2.51	2.51
3 months	2.90	2.58	2.47	-	2.60	2.41	2.60	2.81	-	2.63
6 months	3.24	2.86	-	-	3.07	2.58	2.53	3.30	2.96	2.60
12 months	4.31	3.99	3.01	2.62	3.27	2.84	2.89	3.32	3.40	3.15
Weighted average rates on the bills	3.60	3.27	2.82	2.62	3.10	2.63	2.71	3.09	3.28	2.88
3 yrs	5.79	5.37	4.98	3.72	5.35	4.39	4.86	5.58	5.51	5.35
5 yrs	6.03	5.76	5.29	4.56	5.63	4.55	5.27	5.90	5.84	5.40
7 yrs	6.08	5.96	5.63	5.58	5.90	5.33	5.92	5.95	6.06	5.92
8 yrs	6.50	-	-	-	6.50	-	-	-	-	-
10 yrs	5.90	6.27	6.19	5.89	6.15	5.78	5.78	6.09	6.03	5.90
12 yrs	-	6.11	-	-	6.11	-	6.15	6.30	6.25	6.25
15 yrs	-	-	-	5.97	5.97	5.77	5.76	5.75	6.00	5.80
20 yrs	-	-	-	-	-	5.85	-	5.85	-	5.85
Weighted average yields on the bonds	6.03	5.88	5.82	5.11	5.85	5.39	5.55	5.84	5.98	5.72

Sources: WAMU Securities Agency, AMF-UMOA

3.2.1.2 - Outstanding public securities on the regional market

Overall outstanding public securities were estimated at 21,335.5 billion or 19.4% of the GDP at the end of December 2022, compared with 16,997.5 billion or 17.0% of the GDP in 2021. The structure of the outstanding securities was dominated by Treasury bonds, which represented 95.7% of the total.

Table 14: OUTSTANDING PUBLIC SECURITIES ON THE REGIONAL FINANCIAL MARKET AT THE END OF DECEMBER 2022 (IN BILLIONS OF CFA FRANCS)

	2017	2018	2019	2020	2021	2022(*)
Outstanding	9,629.9	9,972.7	10,883.5	13,981.6	16,997.5	21,335.5
(in % of GDP)	12.4	12.0	12.3	15.2	17.0	19.4
Relative share (in %)						
- bills	12.7	11.0	8.2	9.9	7.2	4.3
- bonds	87.3	89.0	91.8	90.1	92.8	95.7

Source: WAMU Securities Agency.

(*) provisional situation

3.2.2 - TRENDS ON THE REGIONAL STOCK EXCHANGE

On the Regional Stock Exchange, indexes were up in 2022 compared with 2021. The BRVM10, which is the main stock market index, and the composite index, stood at 165.6 and 203.2 points respectively at the end of December 2022, up 7.9% and 0.5%, respectively, compared with December 31, 2021.

Market capitalization amounted to 16,487.1 billion at the end of December 2022, compared to 13,332.5 billion at the end of 2021, an increase of 23.7% reflecting the strong performance of stocks and bonds. Capitalization of the equity market increased by 1,474.8 billion (24.2%) to 7,560.2 billion as at December 30, 2022. On the bond market, it stood at 8,926.9 billion at the end of 2022, against 7,247.0 billion on December 31, 2021, an increase of 1,679.9 billion or 23.2%.

3.3 - FINANCIAL STABILITY AND FINANCIAL INCLUSION

3.3.1 - ACTIONS AIMED AT CONSOLIDATING FINANCIAL STABILITY

In addition to the conduct of monetary policy, the Central Bank focused its priorities on the deepening and development of the WAEMU financial system as well as on the consolidation of financial stability and activities in the banking and microfinance sectors within the Member States of the Union.

3.3.1.1 - Preserving financial stability

• Activities of the WAMU Financial Stability Committee

The BCEAO took part in the 21st and 22nd ordinary sessions of the WAMU Financial Stability Committee (CSF-UMOA), held on June 9 and December 15, 2022, respectively. During these meetings, the Committee noted that the economic recovery witnessed in the Union in 2021 was maintained in 2022, despite the increased uncertainties associated with the deteriorating global economic outlook stemming in particular from the Russian-Ukrainian conflict and the persistent socio-political and security instability observed in the region. He also noted that the regional financial sector had so far proved relatively resilient to those shocks.

However, the Committee identified the main vulnerabilities likely to affect macroeconomic performance and financial stability in the Union, including:

- persistent inflationary pressures and tighter financial conditions,
- the repercussions of socio-political unrest and acts of terrorism in certain Union Member States, which adversely affected economic activities and the continuing investment in growth-generating sectors,
- an increase in sovereign risk borne by banks, combined with the persistence of credit and asset concentration risks for banking and financial institutions,
- money laundering and terrorist financing (ML/FT) risks and their impact on the banking and financial system, especially on correspondent banking relationships,
- governance problems and the low quality of microfinance institutions' credit portfolios,

- a rise in the level of premium arrears for insurers and reinsurers, with negative repercussions on their cash flow, the coverage of their regulated commitments and their solvency,
- a lack of diversification in the investment portfolios of certain social security organizations and their concentration on the banking sector, and
- risks related to cyber-attacks and fraud on virtual currency transactions, and crypto assets in particular.

The Committee made recommendations, especially to member regulatory and supervisory authorities, aimed at mitigating the risks identified, in particular those risks that could arise from uncertainties over economic growth, money laundering and terrorist financing, as well as the digitalization of financial services.

● **Work on the Financial Sector Assessment Program (FSAP)**

The Union's Financial Sector Assessment Program (FSAP) was updated by the International Monetary Fund (IMF) and the World Bank following an assessment carried out in 2007. The purpose of this exercise was to carry out an in-depth review of the financial sector in order to measure its stability and estimate its potential contribution to growth and development. The assessments carried out from January 21, 2021, to February 2, 2022, mainly covered financial stability and financial sector development.

The results of the work done to update the FSAP, which was finalized in November 2022, highlighted the impact of the reforms undertaken on the consolidation of the regional financial sector, and identified emerging vulnerabilities as well as current needs for its development, with a view to strengthening its stability. Among the major advances made, the meeting noted the alignment of the regulatory framework with the best international standards, in particular (i) the transition to Basel II and Basel III standards, (ii) the development of WAEMU's credit infrastructure, with the establishment of the Credit Information Bureau (CIB), (iii) the improvement of financial inclusion, (iv) the introduction of risk-based supervision, (v) the resilience of the banking sector to recent crises, and (vi) the strengthening of the regional payment system.

They also highlighted areas for improvement to be addressed by the Union's relevant authorities, with a view to addressing emerging vulnerabilities and ensuring sound, inclusive financing of the Zone's economies. These recommendations related to (i) finalizing the operationalization of the banking crisis resolution framework, (ii) accelerating the implementation of Basel II and III rules, (iii) improving the governance of public banks, (iv) strengthening access to financing, (v) establishing a regulatory framework for fintech, (vi) better managing climate risks, and (vii) reviewing the regulatory and operational frameworks governing Social Security Organizations (SSOs).

3.3.1.2 - Reinforcement of banking and financial regulation and supervision

The Central Bank continued its work on finalizing the Banking and Microfinance Regulatory Acts, with a view to adapting them to the various changes taking place in the banking and financial environment. In addition, amendments were made to the Convention governing the Banking Commission and its Annex, to reinforce the independence of the supervisory authority and clarify its powers, especially in terms of crisis resolution for banking sector institutions.

As part of its financial inclusion policy and the introduction of alternative financing for the benefit of the economies of the Union's countries, the Central Bank continued its drive to promote Islamic finance by consolidating the regulatory framework for that activity, notably through the issuance of four (4) instructions on the accounting and reporting procedures for credit institutions and microfinance institutions conducting Islamic finance operations in WAMU.

In addition, following the evaluations of the AML/CFT systems of the Union's Member States carried out by the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), as well as recommendations resulting from the FSAP, the AML/CFT Act was reviewed in order to reinforce the Union's compliance with the standards of the Financial Action Task Force (FATF).

Looking ahead, 2023 will see the finalization of major regulatory reforms in the banking and microfinance sectors. These include the finalization of the revision and adoption of the following instruments:

- the banking regulation act,
- the Convention governing the WAMU Banking Commission and its Annex,
- the microfinance regulation act,
- the law against money laundering and the financing of terrorism in WAMU Member States,
- the regulation on the external financial relations of WAEMU Member States,
- instructions on accounting and reporting procedures for Islamic finance institutions,
- the regulatory framework for financial penalties imposed by the WAMU Banking Commission,
- Covered bond regulations,
- the regulation on negotiable debt securities, and
- implementing regulations on liquidity standards, stress testing and financial communications, as well as the internal capital adequacy assessment process.

Work will also continue on overhauling the regulatory framework for the microfinance sector, by revising the accounting and prudential standards applicable to microfinance institutions. In addition, work will begin on crisis prevention and crisis resolution for small microfinance institutions.

As part of the WAMU banking sector's transition to IFRS standards (International Financial Reporting Standards), a study is planned to assess the quantitative impact of implementing "IFRS 9 - Financial Instruments" on the situation of credit institutions and finance companies.

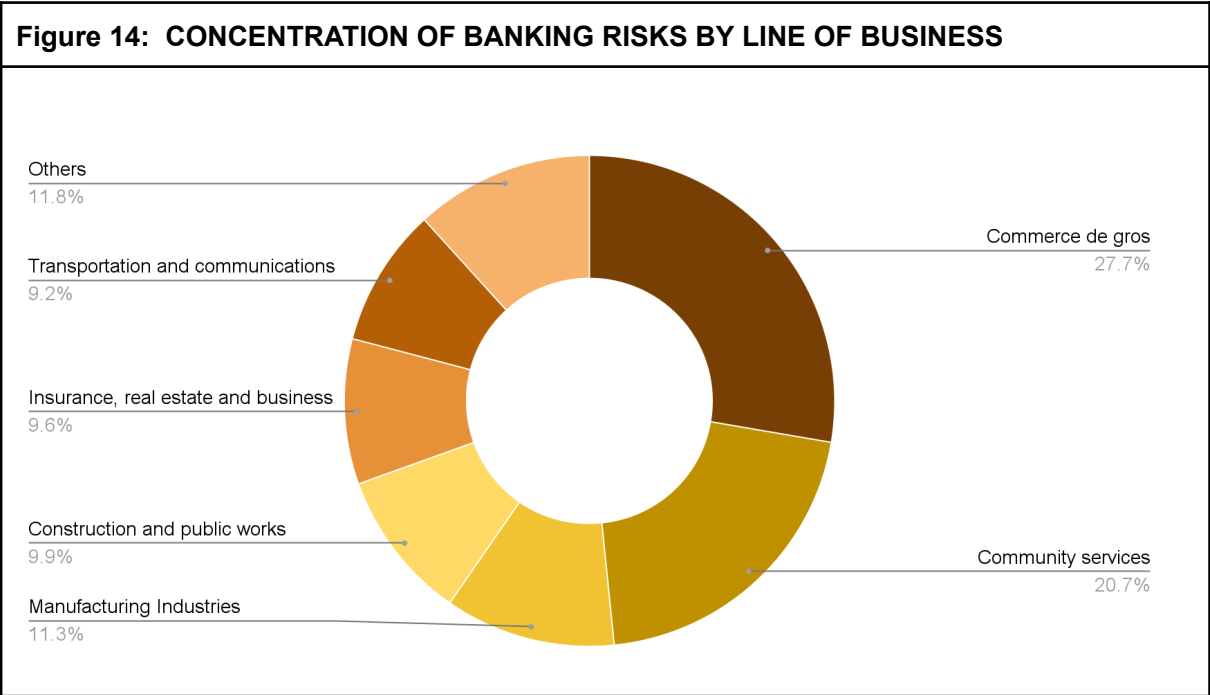
Finally, in 2023, efforts will continue to focus on emerging issues that have an impact on monetary policy and/or financial stability. These include cybersecurity, financial innovation and the IFRS transition strategy for the WAMU banking sector.

To improve the quality of financial information provided by the banking sector, the BCEAO will set up an automated reporting framework for the financial statements of WAMU credit institutions and financial companies, known as “CRAEF”. The Central Bank will also implement a framework for monitoring climate risks within the WAMU banking sector, through the development of a data collection report.

3.3.2 - CENTRALIZATION OF BANKING RISKS

With regard to the centralization of banking risks, total credit utilization recorded at the Central Credit Register was estimated at 17,771.8 billion at the end of December 2022, compared with 15,455.0 billion as at December 31, 2021, representing an increase of 15.0%. Of this, 59.3%, or 10,537.1 billion, corresponds to short-term loans, while 40.7%, equivalent to 7,234.7 billion, corresponds to medium- and long-term loans.

These risks are mainly concentrated in the “Wholesale trade” (27.7%), “Community services” (20.7%), “Manufacturing industries” (11.3%), “Building and public works” (9.9%), “Insurance, real estate and business services” (9.6%), and “Transportation and communications” (9.2%) sectors. These six (6) branches of activity account for almost 90% of the loans reported to Central Credit Register.



Source: BCEAO.

3.3.3 - SCORING OF NON-FINANCIAL FIRMS

In 2020, the Central Bank set up a rating system for non-financial companies in the Union, with a view to increasing the volume of private bills eligible for refinancing. Following the launch of the system, investigations were carried out to broaden its scope to include scoring, with a view to linking each risk profile with the probability of default of non-financial companies in the Union. Thus, since 2021, the rating system has been migrated to a scoring system.

The scoring system is based on the quantification of default probabilities using financial data extracted from the Central Balance Sheet Office, supplemented by qualitative information on the

company's payment performance, available from other central information systems. In 2022, thanks to lessons learned from various experience-sharing exercises, the basic statistical model was disaggregated to refine the probability of default within one (1) year for non-financial companies in the Union based on their size, measured in terms of annual sales, thereby differentiating between larger enterprises (LSEs) and small and medium-sized enterprises (SMEs).

Based on the scoring model in place and considering information available at the Central Balance Sheet Office, 7,850 non-financial companies within the Union that have received loans from the banking system for a total outstanding amount of CFA F 11,229.6 billion, were evaluated. These 7,850 companies can be broken down into 3,032 class A companies, including 746 large companies and 2,286 small and medium-sized enterprises, and 4,818 companies in classes B and E. In view of the possibility of qualifying for refinancing under the sovereign guarantee, the number of eligible companies amounted to 4,476, with total declared outstanding loans of CFA F 5,680.7 billion.

3.3.4 - PROMOTION OF CREDIT INFORMATION BUREAUS (CIBs)

CIB 92.9%	GROWTH IN THE NUMBER OF CUSTOMERS IN THE CIB DATABASE	
As at December 31, 2022, 236 of the 254 regulated institutions in the Union, or 92.9%, were participating in the credit information sharing system.	30,694 AT THE END OF FEBRUARY 2016	13,367,638 AS AT 31 DECEMBER 2022

The BCEAO monitors the activities of the Credit Information Bureau (CIB) whose aim is to help reduce information asymmetry between lenders and borrowers, thereby improving people's access to financial services at reduced cost.

As at December 31, 2022, 236 of the 254 regulated institutions in the Union, or 92.9%, were participating in the credit information sharing system, following qualification tests. In addition, twenty-one (21) major utilities, including the main electricity, water, cell phone and telecommunications companies in Benin, Côte d'Ivoire, Niger, Senegal, and Togo, had joined the credit information sharing system and reported data to the WAMU CIB. In Burkina and Mali, following the adoption of decrees No. 2020-0726/PRES/PM/MINEFID/MDENP/MCIA of August 24, 2020, and No. 2021-0778/PT-RM of November 9, 2021, work is currently underway to integrate data from these countries' major utilities into the CIB data-sharing platform.

The number of customers for whom information is available in the CIB database rose from 30,694 at the end of February 2016, when CREDITINFO WEST AFRICA (CIWA) began its operations, to 13,367,638 on December 31, 2022, including 314,618 legal entities and 13,053,020 individuals. This progress was made possible thanks to all the Union's Member States passing legislative instruments exempting regulated institutions from the obligation to obtain prior consent to share the data of clients who received loans before the date of entry into force of the uniform law. In addition to these provisions, most of the countries have adopted supplementary instruments authorizing the automated processing of data from major utilities to be integrated into the electronic platform for credit information sharing.

CIWA has also proposed a new fee schedule for credit information services for 2023, which was approved by the BCEAO on November 22, 2022. The new fee schedule will continue to offer incentives, with a downward revision of score report fees for nano-credits to take account of the specific nature of this type of financing, which usually involves relatively small amounts granted over short periods.

3.3.5 - PROMOTION OF FINANCIAL INCLUSION IN THE WAEMU UNION

In 2022, actions in favor of financial inclusion focused on the implementation of the regional financial inclusion strategy (SRIF) and on initiatives aimed at developing the e-money and microfinance sectors in the Union. They also focused on the WAEMU digital financial services interoperability project.

3.3.5.1 - Implementation of the regional financial inclusion strategy (SRIF) in WAEMU

As part of efforts to implement the regional financial inclusion strategy, the Central Bank continued work aimed at rolling out the regional financial education program adopted in 2020.

These efforts focused on gathering information from the relevant stakeholders, designing financial education courses and training modules, and drawing up a financial education communication strategy and plan. For the record, the regional financial education program aims to (i) equip the education system of the Union's Member States with tools to improve financial education in schools, (ii) coordinate actions to strengthen people's financial knowledge beyond the classroom, and (iii) implement sessions to strengthen financial skills for small and very small businesses.

The study on the needs of micro-businesses and underserved populations for innovative financial products and services, launched in February 2022, has also been finalized. The interim reports of all eight countries have been validated, and the main recommendations call for a range of innovative financial services to be developed, including innovative, locally based digital services that are accessible to underserved populations.

Efforts also continued to complete a feasibility study for the implementation of a unique identification system for financial services users in WAEMU. The unique financial services user identification project aims to create a centralized, reliable database of all financial services users, to ensure transaction traceability and security. As such, it would provide an opportunity to reinforce the use of electronic payment methods and contribute to improving financial inclusion. The feasibility study should make it possible to propose a method for setting up such a system in WAEMU, based on various implementation scenarios, along with an estimate of the resources required for its implementation. In 2022, the main activities carried out within the framework of this study included an in-depth analysis of unique identification systems in the Union, an international benchmark and a report on various implementation scenarios.

In addition, the process of selecting an international firm to conduct baseline studies on the status of financial inclusion in the Union was finalized.

Finally, the implementation of the action plan of the regional financial inclusion strategy, over the period 2016-2021, was reviewed. Overall, most of the projects have been launched or are in the process of being implemented. The actions undertaken should be finalized in 2023, especially those associated with the reform of banking and microfinance laws, financial education of the

populations, understanding the needs of the populations, and interoperability of financial services at the regional level.

In terms of outlook, the updating of the regional strategy will begin in 2023, with the participation of the States in particular, in order to capitalize on what has already been achieved and to address the new challenges arising as a result of developments in the Union's socio-economic and financial environment.

In addition, baseline studies on the state of financial inclusion are due to be launched in the first quarter of 2023. These studies should provide a better understanding of the market and establish a baseline situation for the Union in this area, through national surveys on the demand for and supply of formal and informal financial services.

3.3.5.2 - Support for States in the digitalization of payments

The Bank continued to promote the digitalization of public payments, supporting national Treasuries in connecting to the GIM-UEMOA regional electronic payment platform, and issuing electronic money.

It should be noted that, as part of a drive to digitalize government cash receipts and payments, a project to connect national Treasuries to the GIM-UEMOA platform and issue electronic money was approved by the BCEAO authorities in November 2019⁴. Prepaid card issuance will, however, be limited to beneficiaries of government allowances (civil servants, scholarship holders, pensioners, etc.).

The Central Bank presented the framework for issuing e-money to representatives of the Union's Member States and drew up a Guide to facilitate the preparation of e-money issuance applications by these players.

In addition, the Central Bank continued its revision of the instruments governing the terms and conditions of electronic money issuers' activities in WAEMU Member States, with a view to including national Treasuries in the scope of these instruments. To this end, a specific framework has been set up to oversee the electronic money issuing activities of national Treasuries.

Finally, in anticipation of their connection to the e-money platform, the national Treasuries have continued to deal with the administrative, technical, and regulatory prerequisites.

As a result, in October 2022, Côte d'Ivoire's Treasury received the BCEAO's approval to issue electronic money via the "TresorPay" product. In the other countries, preparations are underway to submit applications for authorization to issue e-money and connect to the electronic banking platform.

3.3.5.3 - Strengthening of the microfinance sector

The Central Bank continued to diagnose struggling microfinance institutions, with a view to their restructuring or recovery. In 2022, a field mission was carried out in Guinea-Bissau, increasing the number of institutions diagnosed from 40 to 46.

⁴ The favorable opinion was issued to the States of the Union on the basis of the provisions of articles 42 and 131 of Regulation No. 15/2002/CM/WAEMU of September 19, 2002, relating to payment systems in WAEMU Member States.

In addition, training sessions organized in 2021 for WAEMU microfinance managers on improving governance, and on compliance, financial monitoring, and reporting systems, have been extended to other microfinance staff in 2022.

3.3.5.4 - Implementation of the Union's digital financial services interoperability project

In 2022, the WAEMU digital financial services interoperability project was marked by the publication of the functional specifications documentation, the start of development work and the production of the “prototype” or (proof of concept), enabling end-to-end processing of credit transfers, and the organization of special meetings with stakeholders. It should be remembered that the new infrastructure should enable instant payments between different types of accounts (bank and non-bank), regardless of the institution, instruments, or payment channels used.

In terms of outlook, the completion of the interoperable solution development work, the organization of the pilot phase and the production launch of the new services, the launch of the communication campaign, and the establishment of the regulatory framework are scheduled for 2023.

3.3.5.5 - Participation in the activities of the Alliance for Financial Inclusion

As part of its participation in the activities of the Alliance for Financial Inclusion (AFI), the Bank has taken an active part in the discussions held by the various AFI working groups set up around the following themes: (1) digital financial services, (2) financial inclusion policies in Africa, (3) consumer empowerment and market conduct, (4) national financial inclusion strategies, (5) proportional application of international standards, (6) SME financing, (7) financial inclusion data and (8) inclusive green finance.

The Bank also received training on (i) digital identification and e-KYC, (ii) inclusive financial integrity, (iii) financial inclusion data, (iv) financial inclusion of forcibly displaced persons, (v) inclusive gender policies and (vi) inclusive green finance.

3.3.6 - PROMOTION AND SUPERVISION OF FINANCIAL TECHNOLOGY (FINTECH) FIRMS IN THE UNION

As part of its efforts to support fintechs, the BCEAO's main actions have focused on: conducting a census of this type of organization, making the WAEMU Fintech Knowledge and Monitoring Office (BCSF-UEMOA) operational, and preparing for the introduction of a regulatory framework.

The fintech census had identified over one hundred and eighty (180) organizations by the end of December 2022. Capitalizing on new technologies and their intrinsic characteristics, notably agility, flexibility and creativity, fintechs are simultaneously positioning themselves in several areas of intervention in the financial system. More than 75% of them focus their activities on the payment sector, with innovative and groundbreaking offerings that enable them to rethink the financial sector's traditional business model, radically change the way banking products and services are distributed and reach a critical mass of people quickly and sustainably.

During the reporting period, the BCSF-UEMOA was in contact with ninety-six (96) fintech project developers, requesting information or interviews mainly regarding the conditions and procedures for conducting payment and credit business, and issuing e-money and virtual currencies in WAEMU. These exchanges also covered the provision of digital financial platforms,

interoperability, and banking activities. They identified the challenges facing fintech project developers, including (i) the absence of a legal status applicable to fintechs, mainly those operating in the payments sector, (ii) disintermediation and the exercise of banking or financial activities without authorization or a supervisory framework, (iii) increased cybercrime, fraud, money laundering and terrorist financing (ML/TF), (iv) interconnection with existing payment systems, (v) competition with financial players and mobile operators, (vi) access to financing, and (vii) excessive pricing of financial services.

In terms of regulatory support for fintechs, the Central Bank has initiated a number of major projects aimed at harnessing the benefits of these innovations, while strengthening financial inclusion and stability in the Union. These projects include:

- the revision of Instruction No. 008-05-2015 governing the exercise of the activities of electronic money issuers in WAMU, with a view to taking into account the new services and products ushered in by the advent of fintech in the sector,
- updating the legal framework for payment infrastructures, instruments, and services in WAEMU. This project should make it possible to meet the challenges associated in particular with (i) the emergence of non-banking players involved in offering new payment services based on new technologies, (ii) the implementation of payment system interconnection projects at regional and continental levels, and (iii) the efficiency and security of modern payment instruments and payment services, which guarantee continued public confidence and effective use of the instruments,
- the drafting of a bill on participative loan financing or crowdlending to enable SMEs, SMIs and individuals to diversify their financing sources,
- the finalization of the legal framework regulating payment services in WAMU, and
- the creation of a Regulatory Sandbox or Financial Innovation Laboratory (LIF-BCEAO) at the BCEAO, to enable innovative project developers to test their products or services in a secure environment supervised by the Central Bank.

BOX 1: DIGITALIZATION OF MICROFINANCE TRANSACTIONS IN WAEMU

The BCEAO has drawn up and published a Guide for the digitalization of financial operations by decentralized financial systems (microfinance institutions) in WAEMU.

The Guide is designed to support these institutions in the process of digitally transforming their transactions with customers, especially through the development or acquisition of secure and accessible digital solutions.

It is part of a strategy to support microfinance institutions, as set out in Areas 2 and 3 of the WAEMU Regional Financial Inclusion Strategy. These focus, firstly, on reorganizing and strengthening the microfinance sector and, secondly, on promoting innovations conducive to the financial inclusion of the populations.

The digitalization approach proposed in this document is built around three models, namely: (i) the use of cell phones and various technological devices to carry out financial transactions, (ii) the development of partnerships with IT providers, fintech companies, and e-money institutions, and (iii) the issuance of e-money by microfinance institutions themselves.

The Guide thus supports the BCEAO's existing efforts to help microfinance institutions, especially by promoting their access to the regional payment system and building the capacity of their managers.

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

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4.1 - MANAGEMENT OF BANKNOTES AND COINS

In 2022, withdrawals of banknotes and coins at Central Bank counters totaled CFA F 25,639.8 billion (3,695.5 million units of bills and coins), and were higher than payments received, which stood at CFA F 24,618.1 billion (3,366.2 million units of bills and coins). Cash in circulation, resulting from these trends, stood at CFA F 11,427.9 billion, up 9.8%.

4.1.1 - WITHDRAWALS AND DEPOSITS THROUGH BCEAO BRANCH WINDOWS

Movements (withdrawals and payments) at Central Bank counters reached CFA F 50,257.9 billion in bills and coins in 2022, compared with CFA F 45,641.6 billion the year before.

Outflows of banknotes during the period under review totaled CFA F 25,624.1 billion, against CFA F 23,400.6 billion in 2021, representing a 9.5% increase in value. The largest withdrawals were recorded in Côte d'Ivoire (32.3%), Senegal (19.8%), and Burkina Faso (15.4%).

The value of **coin withdrawals** dropped by 0.6%, from CFA F 15.8 billion in 2021 (276.6 million units) to CFA F 15.7 billion the following year (236.3 million units).

Banknote deposits through Central Bank windows totaled CFA F 24,615.7 billion (3,354.4 million units) in 2022, compared to CFA F 22,223.3 billion (3,240.2 million units) in 2021, representing a 10.8% increase in terms of value. The largest inflows by value were recorded in Côte d'Ivoire (30.6%), Senegal (19.0%), and Burkina Faso (16.8%).

Coin deposits through BCEAO counters reached CFA F 2.5 billion in 2022 (11.8 million units) versus CFA F 1.9 billion (8.5 million units) in 2021, reflecting a 23.7% increase in value.

4.1.2 - STRUCTURE OF CURRENCY OUTSIDE BANKS

At the end of December 2022, banknote circulation stood at CFA F 11,427.9 billion, compared with CFA F 10,406.7 billion a year earlier, up CFA F 1,021.2 billion.

High-denomination banknotes accounted for 92.2% of the value of banknotes in circulation, compared with 91.6% in 2021. Compared with 2021, the relative shares of banknotes and coins in circulation remained virtually stable at 98.0% and 2.0% respectively.

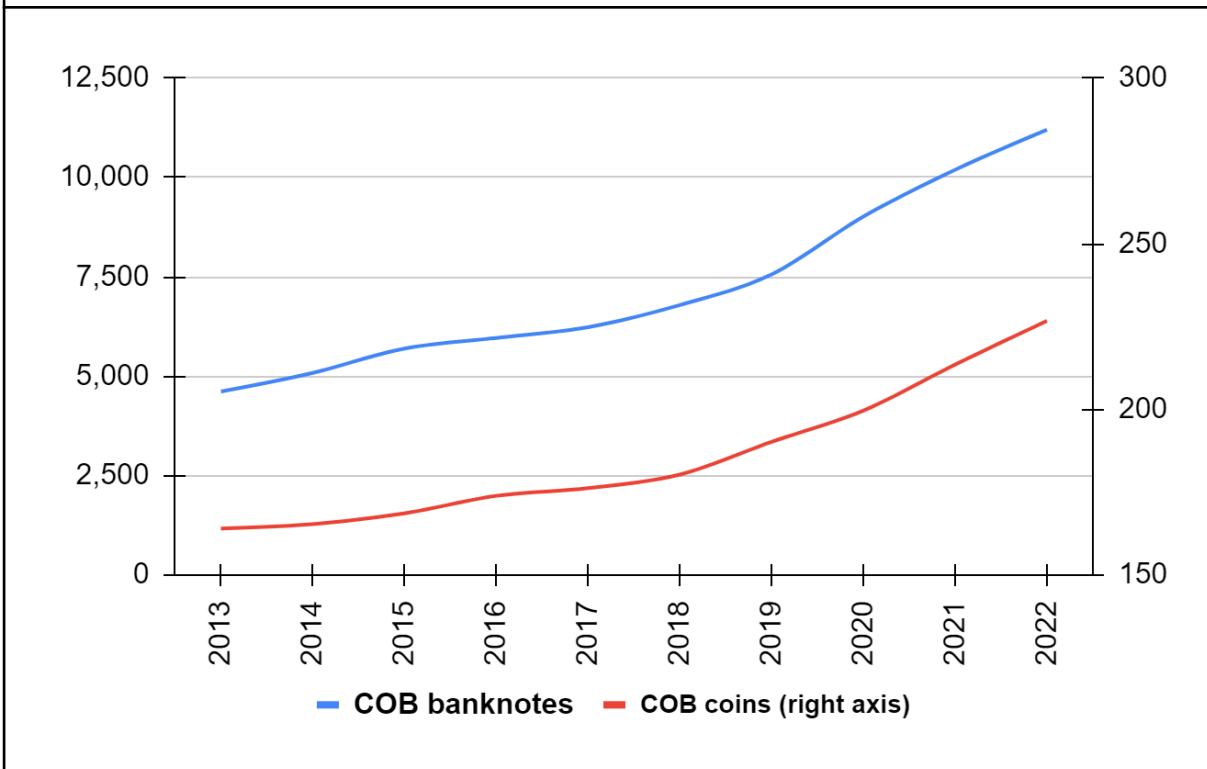
BOX 2: SYSTEM TO COVER CUSTOMERS' NEEDS IN LOW-DENOMINATION BANKNOTES AND COINS

To distribute the supply of low-denomination banknotes and coins more effectively throughout the economies of the West African Monetary Union, the BCEAO has set up a system to monitor the extent to which customers' needs for low-denomination banknotes and coins are being met.

In 2022, for the fourth year running, the Central Bank continued its efforts to increase the availability of low-denomination banknotes to make transactions more fluid for economic agents, by maintaining the high volumes of these denominations ordered and put into circulation.

Thanks to our proactive policy, through our demand coverage system, we were able to meet 73.0% of customer demand for low-denomination banknotes and 93.8% of the demand for coins, against a backdrop of rising costs for the inputs used in the banknote and coin production process.

Figure 15: TRENDS IN CURRENCY OUTSIDE BANKS FROM 2013 TO 2022 (BILLIONS OF CFA FRANCS)



Source: BCEAO.

4.2 - PAYMENT SYSTEMS AND INSTRUMENTS IN THE WAEMU UNION

As at December 31, 2022, the main activity indicators of payment systems in WAEMU showed an upward trend.

STAR-UEMOA	SICA-UEMOA
146 participants (2022) 145 participants (2021)	148 participants (2022) 145 participants (2021)
146 participants in the WAEMU Automated Transfer and Settlement System (STAR-UEMOA) at end December 2022, against 146 the previous year.	148 participants in the WAEMU Automated Interbank Clearing System (SICA-UEMOA) at end December 2022, compared to 145 in 2021.
Number of transactions: 1.6 million Value of transactions: CFA F 842,363 billion Intercountry exchanges: - Number of transactions: 467,406 - Value of transactions: CFA F 77,807 billion	Number of transactions: 27.2 million Value of transactions: CFA F 71,267 billion Number of transactions per payment instrument (in millions): - Cheques: 8 - Transfers: 18.83 - Bills of exchange: 0.13 - Promissory notes: 0.004 - Withdrawals: 0.19 Value of transactions per payment instrument (in billions of CFA F): - Cheques: 52,257 - Transfers: 12,734 - Bills of exchange: 4,031 - Promissory notes: 195 - Withdrawals: 2,050 Intercountry exchanges: - Number of transactions: 0.3 million - Value of transactions: 1.4 billion

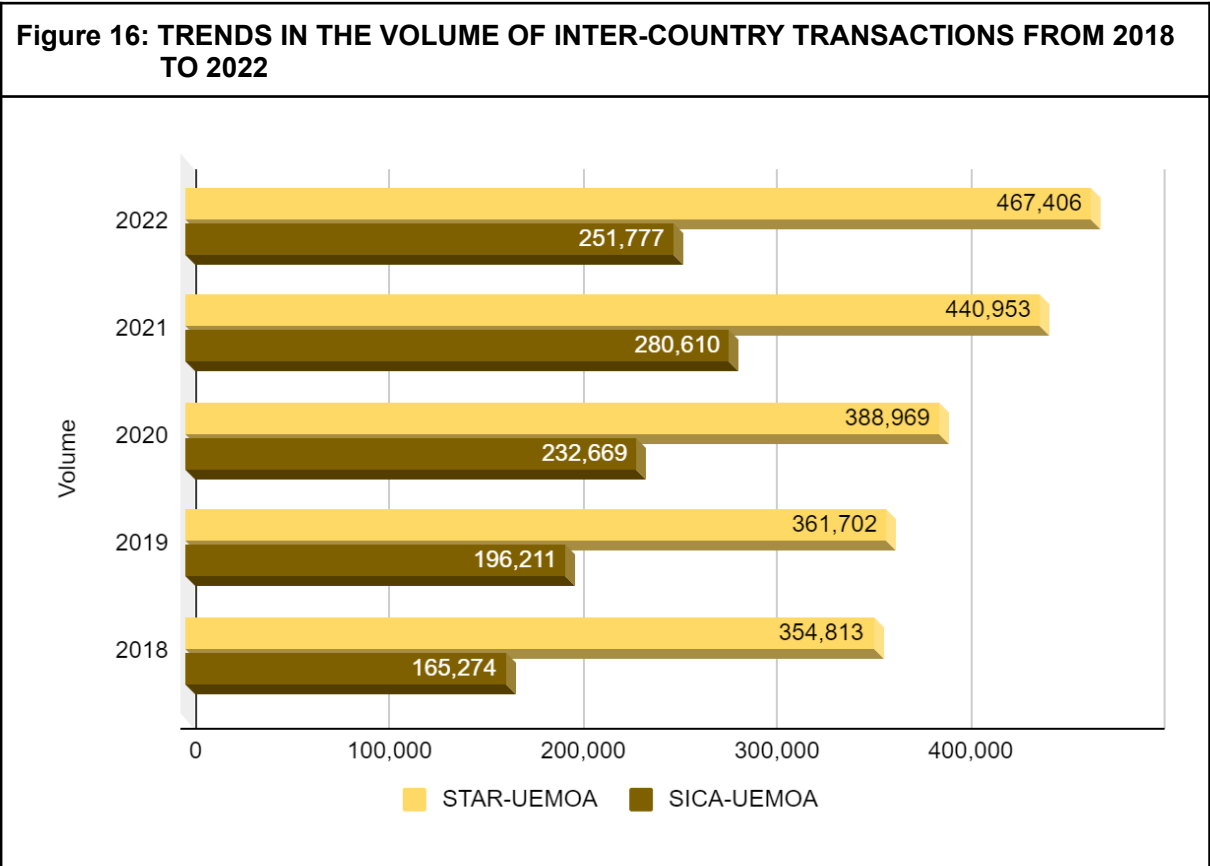
4.2.1 - REGIONAL PAYMENT SYSTEMS

At the end of December 2022, the WAEMU Automated Transfer and Settlement System (STAR-UEMOA) had 146 participants, compared with 145 in 2021.

The number of transactions settled in STAR-UEMOA rose from 1,487,361 transactions worth CFA F 677,342 billion in 2021 to 1,637,468 transactions worth CFA F 842,363 billion in 2022, representing increases of 10.1% and 24.36% respectively in volume and value compared with the previous year.

The WAEMU Automated Interbank Clearing System (SICA-UEMOA) totaled 148 participants by the end of December 2022, compared with 145 in 2021, including banks, the BCEAO and the Treasuries of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, and Senegal.

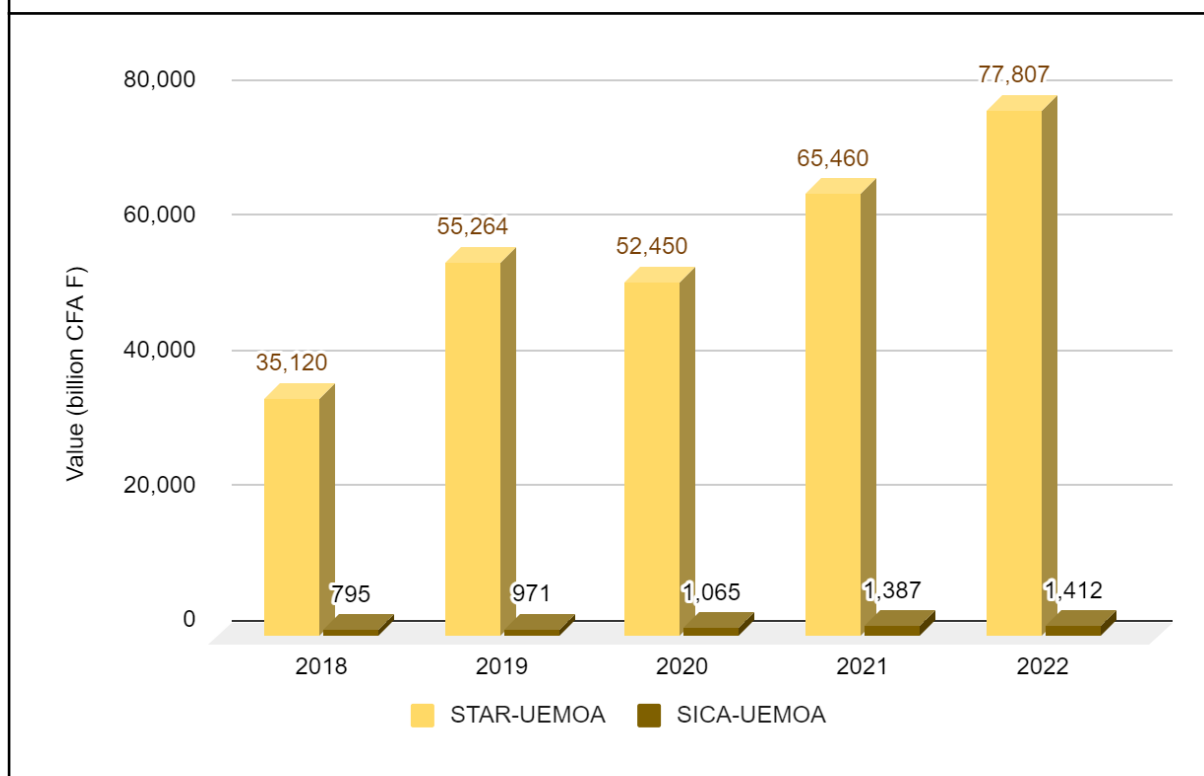
During the reporting period, the volume of payments cleared stood at 27,171,381 transactions for a total amount of CFA F 71,267 billion. Compared with 2021, SICA-UEMOA's activity showed a 6.59% increase in volume and a 11.26% increase in the value of payments cleared. In fact, the volume and value of transactions exchanged in 2021 stood at 25,491,043 transactions and CFA F 64,057 billion respectively.



Source: BCEAO.

Inter-country trade within WAEMU stood at CFA F 77,807 billion in 2022, compared with CFA F 65,460 billion in 2021, representing 9% of the overall value of transactions processed in STAR-UEMOA. Compared with the previous year, when the value of inter-country trade represented 10% of the total value of transactions, the share of inter-country trade was maintained. This confirms the positive impact of the upturn in sub-regional economic activity following the decrease in the spread of the coronavirus from 2021 onwards.

Figure 17: TRENDS IN THE VALUE OF INTER-COUNTRY TRANSACTIONS FROM 2018 TO 2022



Source: BCEAO.

In relation to the breakdown of payment instruments processed in the e-clearing system, in 2022, the relative share of transfers in terms of volume stood at 69.32%, up 10% compared to the previous year. Check usage accounted for 29.5% of the volume of transactions, broadly maintaining its 2021 level. Nevertheless, in terms of value, check transactions accounted for 73.33% of the total in 2022, up 10% compared to the previous year.

In 2022, users' preference for credit transfers was confirmed, while the use of checks stabilized compared with the previous year.

In terms of relative share of payment volume, direct debits rose from 0.6% in 2021 to 0.7% in 2022. In terms of value, they stood at 2.9%, compared with 2.7% the previous year. Thus, use of direct debits continued to grow. This confirms the growing interest of economic operators in this instrument, particularly national treasury departments, which use it to collect tax revenues.

With regard to commercial bills (bills of exchange and promissory notes), a 15.6% drop in volume and a 12.9% rise in value were observed between 2021 and 2022. This trend reflects the use of these payment instruments for larger-value transactions.

The BCEAO took steps to enhance the security, modernization, and inclusive impact of WAEMU payment systems, instruments, and services over the course of 2022.

Securing and Modernizing Payment Systems and Services

With regard to securing payment systems, awareness-raising campaigns to ensure compliance with minimum security requirements and rules applicable to participants' connection platforms continued. In 2023, participants will be asked to provide a self-assessment of the degree of security of their connection to the Financial Market Infrastructures (FMIs) managed by the Central Bank.

In the same vein, in 2022, monitoring activities were characterized by raising awareness among all FMI participants, regarding payment frauds and cyber-attacks.

In addition, oversight of systemically important FMIs not managed by BCEAO, namely the interbank electronic payment system operated by GIM-UEMOA and the securities settlement system of the Regional Stock Exchange known as Central Depository/Settlement Bank (DC/BR), was strengthened.

On this last point, work is underway on the following:

- **operationalization of the monitoring of infrastructure managed by GIM-UEMOA, which will consist of: (i) analyzing the volume of transactions processed and the risks inherent in the regional interbank electronic payment system, and (ii) assessing the infrastructure's compliance with the Principles for Financial Market Infrastructures issued by the Bank for International Settlements (BIS), and**
- **organization of a workshop with AMF-UMOA and DC/BR to discuss the operation of the securities settlement system and the regulation and supervision of the regional financial market.**

In 2022, the Central Bank reviewed the implementation of the WAEMU Payment Systems Modernization Policy covering the 2013-2022 period. This review showed that the Central Bank's vision for 2022 had been achieved, with a 90% completion rate for the related strategic action plan.

It should be noted that the General Policy for 2013-2022 aimed to ***"Equip the WAEMU Union with secure, efficient, and accessible payment systems based on transparent criteria, and providing economic agents with modern, low-cost payment instruments"***.

Over the 2013-2022 period, the technical and financial security of payment systems was enhanced by improving the incident prevention system. The financial security of SICA-UEMOA was also strengthened through the implementation of a Guarantee Fund for the settlement of clearing balances.

A satisfaction rate of over 90% among participants using e-clearing and RTGS services (based on survey findings), a substantial increase in the volume of transactions processed and a 38% reduction in maintenance costs for SICA-UEMOA and 9% for STAR-UEMOA all point to the consolidation of the efficiency of these systems over the course of the decade.

Access to payment systems was extended on a differentiated basis to National Public Treasuries (NPTs), the ECOWAS Investment and Development Bank and other non-bank financial institutions such as the Deposit Guarantee and Resolution Fund in WAMU, as well as several brokerage companies and decentralized financial systems.

The development of interbank electronic payments and payment services backed by electronic money has helped to modernize the payment methods used in the sub-region.

Based on this assessment, and with a view to formulating a new general policy, a diagnosis of FMI, payment instruments and services highlighted a number of strengths in relation to (i) the resilience of the current legal framework, (ii) the compliance of payment systems with the Principles for Financial Market Infrastructures (PFMIs), (iii) the development of innovative payment instruments, and (iv) the inclusive impact of payment systems, (ii) the compliance of payment systems with the Principles for Financial Market Infrastructures (PFMIs), (iii) the development of innovative payment instruments, and (iv) the inclusive impact of the regional payment infrastructure, in line with the importance of e-money's contribution to the overall rate of financial inclusion.

Weaknesses were also identified in relation to (i) the obsolescence of payment regulations in a context of emerging new activities and new players, (ii) the Central Bank's heavy reliance on payment system suppliers and, more broadly speaking, technologies, and (iii) the non-existence of a permanent study and research mechanism in the field of payments.

In addition to the diagnosis of strengths and weaknesses, the environmental analysis highlighted profound changes in the payment ecosystem, in particular (i) the arrival of new non-account-holding players, namely financial technology companies (fintechs), (ii) the implementation of several projects to integrate payment and settlement systems at regional and continental levels, and (iii) the proliferation of new technologies reinforcing the efficiency of FMIs (speed, cost reduction, etc.).

In 2023, the Central Bank will formulate a new general policy for FMIs, payment instruments and services for the 2023-2027 period, taking into account the findings and conclusions of the diagnostic study carried out in 2022.

In addition, emerging issues associated with these developments now need to be considered, in particular (i) the low acceptance of payments, (ii) the proliferation of interoperable public and private platforms within WAEMU, (iii) the resurgence of cybercrime, and (iv) the development of crypto assets.

Faced with the rise of crypto assets, and following the example of most central banks, the BCEAO has conducted preliminary studies as part of its monitoring activities on (i) the challenges and opportunities of issuing CBDCs in WAMU, (ii) the use of distributed ledger technologies by central banks, and (iii) the opportunities and challenges posed by the use of wholesale CBDCs to strengthen the efficiency and security of regional payment infrastructures. As part of this process, workshops were organized with the Banque de France on its experiments in issuing CBDCs, and its monitoring of financial innovations in France and the European Union.

In 2023, the next steps include identifying use cases and impacts of retail CBDC issuance on financial inclusion and stability, as well as on monetary policy, prior to a planned experiment in 2024.

4.2.2 - CONTRIBUTION OF PAYMENT SYSTEMS AND INSTRUMENTS TO INCREASED FINANCIAL INCLUSION

The Central Bank's actions on payment-related aspects of financial inclusion have focused on supporting National Public Treasuries, Decentralized Financial Systems, and brokerage firms in the process of improving their payment circuits.

It should be noted that these initiatives are part of the Central Bank's vision to strengthen the national treasuries' payment circuit automation and operational autonomy.

4.2.2.1 - Connection of national treasury departments to WAEMU payment systems

In 2022, the total number of public treasury departments connected to e-clearing and the real-time gross settlement system was seven for each of the aforementioned systems, the same number as in 2021.

2023 should mark (i) the achievement of a 100% rate of connection of National Public Treasuries to the above-mentioned systems, based on the progress of the work initiated by the entities that have yet to be connected, as well as (ii) the deployment of the solution designed to provide NPTs with a global view of all their assets on the books of the BCEAO.

In addition, as part of efforts to assist States in digitalizing public payments, the Union's National Public Treasuries have been authorized to offer payment services backed by limited electronic money to recipients of State benefits, as well as to entities and individuals with tax obligations.

Against this backdrop, a specific supervisory framework for electronic money-backed payment services (SPAME) offered by national treasury departments has been drawn up. It has two (2) major objectives: (i) efficiency of payment services offered by national treasury departments, and (ii) control of related risks, such as the issuance of uncovered e-money and the integrity of bearer funds. The specific monitoring system is based on documentary monitoring and exchanges to facilitate the implementation of recommendations and the handling of any non-compliances that may be identified.

To take advantage of these provisions, the Côte d'Ivoire Treasury launched its "Trésor Money" (also known as "TMoney") electronic money issuance project in 2022.

4.2.2.2 - Promoting access of microfinance institutions to WAEMU regional payment systems

As part of the project to promote access to the WAEMU regional payment system for microfinance institutions, the BCEAO has provided technical support to microfinance institutions for their connection to SICA-UEMOA via partner banks and the improvement of their information systems, by setting up a shared Computer Processing Center (CPC) in Côte d'Ivoire and Niger.

The work carried out enabled one (1) microfinance institution to enter into production in SICA-UEMOA in 2022. As at the end of December 2022, seven (7) microfinance institutions were connected to SICA-UEMOA via partner banks.

Significant progress was made in validating the functional and technical architecture of the centers, setting up steering bodies including ministerial monitoring structures, decentralized financial systems and their professional associations, and establishing the centers as legal

entities. The centers aim to provide decentralized financial systems with a high-performance, secure technical infrastructure, supporting the automation of their operations, the production of regulatory-compliant reports and their connection to WAEMU payment systems.

In 2023, the focus will be on continuing to assist microfinance institutions with their connection to WAEMU payment systems and the effective implementation of CPCs, with a particular emphasis on equipment acquisition and recruitment.

4.2.2.3 - Access to STAR-UEMOA for brokerage firms

Support for the participation of brokerage firms in the system enabling them to settle their transactions on the market for public securities issued by auction, from the settlement accounts of their partner banks, continued in 2022, with the configuration of two additional brokerage firms, bringing the total number of configured brokerage firms to fourteen. However, only two of the fourteen brokerage firms configured are active participants in the system.

Actions to facilitate the effective connection of brokerage firms configured in the system will be stepped up in 2023.

4.3 - FOREIGN EXCHANGE RESERVES

In 2022, the BCEAO's foreign exchange reserves were managed in an extremely volatile financial environment, with rising interest rates and an increase in external payments via the Central Bank, due, in particular, to the higher cost of imports into the Union. This situation required actions aimed at consolidating the level of reserve assets and optimizing the income generated by their management.

Against this backdrop, the BCEAO pursued its policy of investing its foreign currency assets in strict compliance with generally accepted principles and practices for the management of official foreign exchange reserves, particularly the IMF Guidelines on the subject. Accordingly, reserve assets have been invested in monetary and bond assets, in consideration of their liquidity and security criteria.

BOX 3: EXPORT REVENUE REPATRIATION

Non-WAEMU commodities exports were estimated at CFA F 16,578 billion in 2022, up by CFA F 1,769 billion (+12%) compared to the year before. Repatriation of foreign currency from external sales of goods also increased from 10,401 billion in 2021 to 11,419 billion in the period under review (+1,018 billion or +10%). The repatriation rate, as a percentage of export earnings, stood at 69% for 2022 compared to 70% one year earlier.

For the most part, the decline in the repatriation rate was due to the poor performance of the Union's credit institutions. The rate of transfer to the Central Bank of resources collected by the Union's banks was 85% in 2022, compared with 87% for the same period the previous year. However, the regulatory obligation for banks to repatriate at least 80% of the revenues collected was respected on average in all countries of the Union, with the exception of Togo.

The collection rate for economic operators remained unchanged at 81%.

The amount of export revenue not transferred to the Central Bank stood at 3,213 billion (19% of exports) compared with 2,828 billion the previous year (19% of foreign sales). Non-repatriated amounts due to economic operators stood at 3,088 billion (2,810 billion in 2021) and those due to credit institutions amounted to 125 billion (19 billion in 2021).

Overall, the rate of repatriation of export revenues showed a decrease in 2022 compared with the previous year. This was mainly due to a decline in the proceeds transferred to the BCEAO by banks, in a context where the rate at which economic operators collected the proceeds of foreign sales remained unchanged.

V STATUTORY BODIES AND ADMINISTRATION OF THE BCEAO

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5.1 - ACTIVITIES OF THE STATUTORY BODIES

During the 2022 financial year, the Union's bodies held their meetings in accordance with the provisions of the West African Monetary Union Treaty of January 20, 2007, and the Statutes of the Central Bank of West African States.

5.1.1 - CONFERENCE OF HEADS OF STATE AND GOVERNMENT OF THE WAMU UNION

In 2022, the Conference of Heads of State and Government of the Union held two extraordinary sessions, respectively on January 9, 2022, by videoconference, under the chairmanship of His Excellency Mr. Roch Marc Christian Kaboré, President of Burkina Faso, its statutory Chairman, and on June 4, 2022 in Accra, Ghana, as well as an ordinary session on December 5, 2022, in Abidjan, Côte d'Ivoire, under the chairmanship of His Excellency Mr. Alassane Ouattara, President of the Republic of Côte d'Ivoire.

At its January 9, 2022, session, the Conference addressed the political situation in Mali.

It took note of the report on political developments in Mali presented by the President of the ECOWAS Commission.

The Conference noted the lack of progress in the process of restoring a normal constitutional and democratic order in Mali.

The Heads of State and Government decided to endorse the sanctions decided by the ECOWAS Conference of Heads of State and Government at its extraordinary sessions of September 12, 2021, and November 7, 2021.

The Heads of State and Government imposed additional sanctions, including economic and financial sanctions.

The Conference remained in solidarity with the sanctions taken by the ECOWAS Conference of Heads of State and Government at its Extraordinary Summit on January 9, 2022.

The Conference also suspended Mali from WAEMU bodies and institutions.

It also suspended financial assistance to Mali from WAEMU financing institutions.

The Conference instructed the Community Institutions to apply the sanctions immediately.

These sanctions will be re-examined once a credible timetable for the organization of presidential and legislative elections has been drawn up with the participation of all partners and unanimously validated.

At their June 4, 2022, session, examining the security situation in the sub-region, the Heads of State and Government condemned the terrorist attacks perpetrated in certain Member States. They reiterated their solidarity with these brother countries and expressed their condolences to the families of the civilian and military victims.

The Conference of Heads of State and Government discussed the situation in Mali and Burkina Faso.

Turning to the security, economic and financial situation in Burkina Faso and Mali, the Conference took due note of the presentations made by the two delegations from these brother countries. The Conference shared the concerns and recommendations of the ECOWAS Conference of Heads of State and Government.

With regard to the governance of the Union's bodies and institutions, the Conference welcomed the appointment of former BCEAO Governor Tiémoko Meyliet Koné as Vice President of the Republic of Côte d'Ivoire.

The Heads of State and Government extended their congratulations to Mr. Tiémoko Meyliet Koné on the reforms he had implemented as head of the Central Bank, in particular the reform relating to the CFA franc, and on the remarkable results achieved, which have contributed to the economic and monetary stability of the Union.

The Heads of State and Government unanimously decided to appoint Mr. Jean-Claude Kassi Brou as Governor of the BCEAO with effect from July 4, 2022, and expressed their warm congratulations and best wishes for his success.

At its December 5, 2022, session, the Conference reviewed the security situation in the sub-region, vigorously condemned the terrorist attacks perpetrated in certain Member States and reiterated its solidarity and compassion towards these brother countries and the affected populations. It reaffirmed its firm determination to counter the spread of terrorism in the Union.

Taking into account the slowdown in the global economy, associated with the negative consequences of the war in Ukraine, the Conference welcomed the considerable efforts made by the States to cope with the rising cost of food and energy products, in order to preserve the purchasing power of their populations.

With regard to the financial integration process, the Conference of Heads of State and government welcomed the measures taken by the Central Bank to guarantee financing for the private sector and for the economic recovery of the States of the Union. It urged the BCEAO to pursue its actions aimed at controlling inflation.

The Conference noted with satisfaction the measures taken by the BCEAO to enhance the effectiveness of the support mechanism for SME/SMI financing in WAEMU Member States. It encouraged the various stakeholders in this scheme to become more involved, with a view to making it fully operational.

The Heads of State and Government took note of the work carried out by the Central Bank as part of efforts to update the WAEMU Financial Sector Assessment Program. They encouraged the Union's institutions to implement the recommendations arising from this work, with a view to endowing the Union with a more robust and resilient financial sector.

The Conference encouraged the Central Bank to persist in its efforts to improve the financial inclusion of the populations, and to consolidate the security and modernization of the Union's payment systems and payment instruments.

The Heads of State and Government took note of the actions undertaken by the BCEAO to reorganize the microfinance sector and modernize the activities of decentralized financial

systems. They encouraged the Central Bank to pursue these efforts to enable the sector to contribute more effectively to financial inclusion in the Union.

The Conference welcomed the Central Bank's deployment of the Regional Financial Education Program. It urged the Bank to consolidate its initiatives to support governments in the digitalization of their payments, and to set up a system for identifying and monitoring fintechs.

In terms of strengthening the economic integration process, the Conference commended the efforts of the WAEMU Commission in driving forward and monitoring community reforms.

The Conference also noted with satisfaction the progress made in implementing the projects led by the Heads of State through the High-Level Committees on Peace and Security, Energy, Food and Nutritional Security, and Financing of Economies. It warmly lauded the Heads of State and Chairmen of these Committees for their leadership.

The Conference praised the structuring reforms initiated by the Commission, especially in the key areas of energy, the digital economy, agriculture, the environment and support for the private sector.

It welcomed the adoption by the Council of Ministers of important instruments on the Energy Pole Development Strategy (SDPE), the Public-Private Partnership Framework Strategy, and the marine and coastal environment.

The Conference also welcomed the Commission's design of a Regional Digital Economy Development Program (PRDEN) and the implementation of the Regional Agricultural Information System (SIAR).

The Conference welcomed the approval, by the seventh ministerial meeting on security in the WAEMU region, of the project to computerize and interconnect border police stations, under the auspices of the WAEMU Commission.

It also urged the WAEMU Commission to speed up the operationalization of the Union's Early Warning and Monitoring Mechanism, in synergy with the ECOWAS Commission.

Regarding the Annual Review of Community Policies, Programs and Projects, the Conference noted with interest the findings of the seventh edition, which indicated a 77.5% average rate of implementation of Community reforms in 2021 compared with 76% in 2020, up 1.5 percentage points. It strongly encouraged the finalization of the work in progress on the eighth (2022) edition.

Regarding the governance of the Union's bodies and institutions, the Conference noted with satisfaction the adoption, by the WAEMU Commission, of the Priority Action Framework (CAP 2025) and the continued implementation of the BOAD's 2021-2025 Strategic Plan, known as the "DJOLIBA Plan", with a view to sustainably driving forward the objectives of integration and development.

The Conference unanimously appointed His Excellency Mr. Mohamed Bazoum, President of the Republic of Niger, as the new Chairman of the WAEMU Conference of Heads of State and Government.

The Conference expressed its satisfaction to the President of the Commission of the West African Economic and Monetary Union, the Governor of the Central Bank of West African States, the

President of the West African Development Bank, the President of the Financial Markets Authority of the West African Monetary Union, and the staff of all the Union's bodies and institutions, for the results achieved in implementing community programs and projects.

5.1.2 - WAMU COUNCIL OF MINISTERS

The following changes were made to the membership of the Council in the 2022 financial year:

Representing Burkina Faso, Mr. Aboubakar Nacanabo, Minister of the Economy, Finance and Prospective, was appointed member of the Council, with effect from October 25, 2022, to replace Mr. Abel Some.

Representing the Republic of Guinea-Bissau, Mr. Ilidio Viera Te, Minister of Finance, was appointed member of the Council, with effect from July 4, 2022, to replace Mr. João Alage Mamadu Fadia.

Representing the Republic of Senegal, Mr. Mamadou Moustapha Ba, Minister of Finance and Budget, was appointed member of the Council, with effect from September 17, 2022, to replace Mr. Abdoulaye Daouda Diallo.

Mrs. Oulimata Sarr, Minister of Economy, Planning and Cooperation, was appointed member of the Council, with effect from September 27, 2022, to replace Mr. Amadou Hott.

In 2022, the Council of Ministers held four (4) ordinary sessions, on March 18 at the Central Bank's main branch in Lomé, and on June 24, September 29, on December 19, 2022, at the BCEAO headquarters. It also held two (2) extraordinary sessions, on December 2 and 30, 2022, by videoconference, under the chairmanship of Mr. Sani Yaya, Minister of Economy and Finance of the Togolese Republic, its statutory Chairman.

At its ordinary session held on March 18, 2022, discussing the economic situation in WAEMU, the Ministers expressed satisfaction at the stronger economic activity in 2021, following the sharp slowdown in 2020 induced by the COVID-19 pandemic. The gross domestic product (GDP) growth rate, in real terms, was estimated at 5.5% for 2021, up from 1.8% in 2020, thanks to the implementation of economic stimulus measures by Member States as well as the accommodating monetary policy maintained by the BCEAO.

The Ministers noted that, like in other regions around the world, inflationary pressures in the Union intensified in the fourth quarter of 2021 and in the first few months of 2022. The overall price level rose by 5.0% in the fourth quarter of 2021 compared with the same period the previous year, following a 3.8% increase a quarter earlier. This rise in prices was essentially attributable to lower local agricultural production, higher prices for imported food products, and market supply difficulties caused by health crises and security crises in certain countries. For 2021 as a whole, the inflation rate stood at 3.6%, up from 2.1% in 2020.

The Council of Ministers also noted that the overall public deficit, based on commitments, including grants, was 5.9% of the GDP in 2021 compared with 5.6% in 2020. This situation reflected the acceleration of public investment as part of the stimulus plans implemented by Member States to raise the Union's economic growth to its pre-COVID-19-health-crisis level.

The Council emphasized that the Union's economic outlook remained favorable overall, with growth expected to reach 6.1% in 2022 and 7.9% in 2023. It noted, however, that the Union faced risks associated with the security environment, rising prices for oil and food imported by Member States, and the impact of geopolitical tensions around the world. Against this backdrop, the Council urged Member States to accelerate reforms to mobilize more fiscal resources, ensure efficient public spending and promote better programming in budget management. The Ministers stressed the need to take appropriate measures to strengthen local production capacities and improve market availability of essential products.

The Council welcomed the support measures taken by the BCEAO and its current monetary policy stance, which should help consolidate economic recovery in the Union's countries in 2022.

The Ministers also approved the BCEAO's accounts for the 2021 financial year and allocated the financial result.

In addition, the Council of Ministers was informed of the main conclusions and recommendations of the WAMU Financial Sector Assessment Program (FSAP), jointly conducted by the World Bank and the International Monetary Fund (IMF), from January 2021 to February 2022.

The Council expressed its satisfaction with the significant progress achieved and approved the avenues for improvement identified with a view to consolidating the resilience of the Union's financial sector.

The Council of Ministers renewed, for the first time, the terms of office of certain members of the Supervisory College and appointed a new member, for a period of three (3) years from April 1, 2022, to March 31, 2025, in accordance with the provisions of Articles 4 and 8 of the Annex to the Convention governing the WAMU Banking Commission.

The ordinary sessions of June 24 and September 29, 2022, focused on items submitted by the Commission of the West African Economic and Monetary Union and the Regional Public Savings and Financial Markets Council.

The extraordinary session held on December 2, 2022, enabled Council members to decide on the preliminary draft agenda and the documents to be submitted to the Conference of Heads of State and Government on December 5, 2022.

At the ordinary meeting held on December 19, 2022, reviewing recent developments in the Union's economies, the Ministers expressed their satisfaction with the continued recovery in economic activity in the third quarter of 2022, with year-over-year growth in the real gross domestic product (GDP) at 5.7%, the same level as in the previous quarter. This trend was driven by higher value added across all production sectors, underpinned by stronger domestic demand.

The Council noted that the Union's economic outlook remained favorable, despite the persistence of certain risk factors whose materialization could have a downward impact on the Union's performance. Overall, the growth rate was expected to stand at 5.7% in 2022 compared with 6.1% in 2021, driven by substantial public investment, with the implementation of several large-scale projects, notably in the oil and gas sectors. Estimated growth for 2023 and 2024, was expected to reach 6.6% and 6.8% respectively, in line with stronger activity in all sectors, notably the tertiary and secondary sectors.

The Ministers noted the persistence of inflationary pressures in the zone. Price rises in the quarter in 2022 reached 8.4% compared with 7.0% a quarter earlier. This increase was mainly due to higher staple food and transportation prices, following the adjustment of pump prices for petroleum products by the Union's countries due to soaring world oil prices. Inflation was expected to fall from 7.5% in 2022 to 5.6% in 2023 and 2.9% in 2024. This projected trend would be driven by the continued regularization of monetary policy since June 2022, improved food production in the 2022/2023 crop season, and the easing of world commodity prices, notably for energy and food.

Reviewing the Union's budgetary situation, the Council of Ministers highlighted the widening of the public deficit from 5.4% of GDP in 2021 to 5.9% in 2022, in connection with the measures taken to curb inflation as well as to deal with the security challenge and the growing infrastructure needs to consolidate the foundation for growth. Against this backdrop, the Council urged Member States to continue reforms, mobilize more fiscal resources, ensure efficient public spending, and promote better programming in budget management. The Ministers stressed the need to take appropriate measures to strengthen local production capacities and improve the availability of essential products on local markets.

The Ministers also approved the Draft Decision amending the prudential framework applicable to credit institutions and financial companies, as well as the draft decisions appointing State representatives to the Board of Directors of the Deposit Guarantee and Resolution Fund in WAMU. However, they agreed to examine, within one year, an assessment of the implementation of the prudential framework adopted.

The Ministers also appointed a new Chairman of the Council of Ministers, in application of Article 11 of the WAMU Treaty.

The Council of Ministers also voiced a favorable opinion and support for the application of measures relating to the repatriation of export earnings in WAEMU and the consolidation of foreign exchange reserves, as well as for the continued implementation of the ECOWAS single currency program.

Regarding the West African Development Bank (BOAD)

After approving the BOAD items on the agenda, the Ministers adopted the minutes of the ordinary sessions of the WAMU Council of Ministers held on March 18, 2022, in Lomé and September 30, 2022, in Dakar.

Regarding the WAEMU Commission

The Council of Ministers examined the budget of the Union's Organs for the 2023 financial year, which stood at CFA F 146.1 billion in revenue and expenditure compared with a revised forecast of CFA F 123.8 billion for 2022, hence a CFA F 22.3 billion increase.

This increase will primarily go to the continued implementation of the Priority Action Framework (CAP 2025) and the replenishment of structural fund reserves (FAIR, FRDA and FRS).

The Union's budget also included increased financial support for the Member States.

The Council adopted the Regulation governing the budget of the Union's organs for the 2023 financial year and the subsequent decisions.

Reviewing the semi-annual multilateral surveillance report for December 2022, the Council of Ministers noted the consolidation of Member States' economic performance in 2022, despite persistent inflationary pressures in almost all Member States. The Council encouraged the States to pursue their efforts to contain price rises, especially food product prices.

The Council expressed its satisfaction with the Union's medium-term economic outlook, which remained generally positive, with improvements in the main macroeconomic indicators. However, it expressed some concern regarding the risk factors surrounding them, notably the repercussions of the Russian-Ukrainian crisis, the global growth slowdown, the further tightening of international monetary conditions, and the persistence of the security crisis in the Sahel zone.

To ensure viability within the Union and strengthen the resilience of its economies, the Council noted that it was imperative to preserve the conditions for a peaceful socio-political climate in all Member States, and to pursue efforts to mobilize both internal and external resources.

The Council accordingly adopted the Recommendation on the economic and financial outlook for the Member States of the Union for the 2023-2027 period.

Regarding the Financial Markets Authority

The Union's Council of Ministers approved the budget of the Financial Markets Authority of the West African Monetary Union for the 2023 financial year.

It adopted the draft Decision amending Decision No. CM/13/12/2011 setting the Regional Council's rates.

The Council also adopted a law relating to the governance of AMF-UMOA.

The extraordinary session of December 30, 2022, allowed the members of the Council to rule on the proposed increase in the BOAD's capital and the subsequent amendment to its Statutes.

5.1.3 - BCEAO MONETARY POLICY COMMITTEE

In financial year 2022, the BCEAO Monetary Policy Committee held four (04) ordinary meetings: one on March 2 by videoconference, from the premises of the BCEAO's Main Branches and Head Office, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank, its statutory Chairman; one on June 1, 2022, by videoconference, from the premises of the BCEAO's Main Branches and Head Office, under the chairmanship of Mr. Mamadou Diop, Deputy Governor of the Central Bank, acting Governor; and two on September 14 and December 9, 2022, respectively, at the BCEAO's Head Office in Dakar, under the chairmanship of Mr. Jean-Claude Kassi Brou, Governor of the Central Bank, its new statutory Chairman.

At its meeting held on March 2, 2022, the Committee reviewed the main developments in international and regional economic conditions over the recent period, as well as the risk factors that could affect the medium-term outlook for inflation and economic growth in the Union.

Regarding the international economic situation, the Committee noted that the recovery in global economic activity continued in the fourth quarter of 2021, notwithstanding the persistence of

supply constraints and the appearance of the Omicron variant of the coronavirus. According to the International Monetary Fund, the global economy was set to rebound by 5.9% in 2021, after contracting by 3.1% in 2020. It was expected to grow by 4.4% in 2022 and 3.8% in 2023. These outlooks were surrounded by downside risks relating to the emergence of new variants of the coronavirus, persistent disruptions in global supply chains, rising commodity prices, and heightened geopolitical tensions.

On the international commodity markets, energy product prices continued to rise in the final quarter of 2021, driven by the ongoing strengthening of global demand. Oil prices rose by 9.3% quarter on quarter, following a 6.9% increase in the previous quarter, as did non-energy products, which rebounded from a slight decline in the third quarter of 2021. In addition, world prices for basic foodstuffs rose by 20.6% in the final quarter of 2021 compared with the same period of the previous year. Basic foodstuffs imported by the Union's countries recorded an overall rise of 22.2% in the fourth quarter. This was mainly due to a 29.8% increase in international wheat prices, a 21.9% rise in sugar prices, and an 11.9% increase in rice prices.

In this context of rising commodity prices, inflationary pressures intensified in all regions of the world during the recent period.

Looking into economic conditions in WAEMU, the Committee noted a strengthening of economic activity in the fourth quarter of 2021, with annual growth of 5.1% compared with 5.8% in the previous quarter. This trend was due to strong domestic demand. For 2021 as a whole, the Union's GDP, in real terms, was expected to grow by 5.5% compared with 1.8% in 2020, in line with the implementation of economic stimulus projects by the Member States and the accommodating monetary policy maintained by the BCEAO.

Forecasts for 2022 point to 6.1% economic growth for the Union. The Monetary Policy Committee noted, however, that this outlook remained fragile and surrounded by downside risks, due to major uncertainties regarding developments in the health crisis, the security environment in the Union, oil price trends, and the impact of geopolitical tensions around the world.

The financial operations of WAEMU Member States for 2021 showed a deterioration in the budget deficit compared with 2020, due to countries' implementation of economic stimulus plans. The overall deficit based on commitments, including grants, stood at 5.9% of the GDP compared with 5.6% a year earlier.

On the money market, interest rates continued to ease in the fourth quarter of 2021, in line with the continued accommodating monetary policy. The Central Bank covered all liquidity needs expressed by the banks at its counters at its minimum rate of 2%. On the interbank market, the weighted average interest rate across all maturities fell slightly to 2.51% in the fourth quarter of 2021 compared with 2.60% a quarter earlier. The average lending rate, excluding taxes and fees, applied by banks to their customers was 6.22% in the fourth quarter of 2021, which was stable compared to the previous quarter.

The money supply grew at an annual rate of 16.3% at the end of December 2021, reflecting counterpart trends. Loans to the economy grew at an annual rate of 11.3%, as at the end of December 2021. The net external assets of the Union's monetary institutions also increased by 609.1 billion at the end of 2021. The Union's foreign exchange reserves rose by 2,308.7 billion to stand at 14,039.9 billion at the end of December 2021. They corresponded to a monetary issue

coverage rate of 79.3% and provided the Union with coverage for 6.0 months of imports of goods and services.

The Monetary Policy Committee noted heightened inflationary pressures in the Union. The overall price level rose by 5.0% year over year in the fourth quarter of 2021 compared with 3.8% a quarter earlier. This price trend was essentially due to a decrease in local food production, the higher cost of imported food products, and market supply difficulties caused by the health crisis and security crises in certain countries.

The forecast for growth in consumer prices showed a progressive slowdown, and the target range of 1% to 3% was expected to be reached in the next eight quarters. This trend would be driven by more moderate trends in food and oil prices compared with 2021, an expected increase in food production for the next crop year (2022/2023), and a further deceleration in freight costs.

However, the balance of risks surrounding this inflation outlook is optimistic, due to uncertainties associated with global inflation trends, the impact of insecurity on production, and the impact of geopolitical tensions.

Based on these analyses, the Monetary Policy Committee decided to maintain the Central Bank's monetary policy stance unchanged. Thus, the minimum bid rate for liquidity injection tenders remains at 2.00% and the marginal lending rate at 4.00%, these levels being in force since June 24, 2020. The minimum reserve ratio applicable to the Union's banks has remained unchanged at 3.0% since March 16, 2017.

In the months ahead, the BCEAO's Monetary Policy Committee will continue to pay close attention to inflation dynamics and will take any necessary measures to ensure price stability.

At its meeting held on June 1, 2022, the Committee reviewed the main developments in international and regional economic conditions, as well as the risk factors that could affect the medium-term outlook for inflation and economic growth in the Union.

Regarding international economic conditions, the Committee noted that the recovery in global economic activity was hampered since the start of 2022 by a further deterioration in the health situation, mainly in the Asia-Pacific regions, and by the consequences of the conflict between Russia and Ukraine. Based on projections published by the International Monetary Fund in April 2022, the global economic recovery was expected to continue, albeit at a slower pace, with growth set to reach 3.6% in 2022 and 2023. Nevertheless, the prolongation of geopolitical tensions, the tightening of international monetary conditions, and the slowdown in the growth of the Chinese economy induced by its “zero COVID-19” strategy could weigh negatively on this outlook.

On the commodity markets, the rise in energy prices accelerated in the first quarter of 2022, due to the impact of supply disruptions and declining production. Similarly, prices of non-energy products rose, driven by higher food prices.

Against that backdrop, inflation rates reached record levels, both in advanced economies and in emerging and developing countries, prompting virtually all central banks to begin or accelerate raising their key interest rates.

Discussing the economic situation in WAEMU, the Committee noted the continued recovery in economic activity in the first quarter of 2022, with real GDP growing at an annual rate of 5.6% compared with 5.7% in the previous quarter. The forecast calls for GDP growth in the Union in 2022 and 2023 of 5.9% and 7.2% respectively. The Monetary Policy Committee noted, however, that the recovery remained fragile and surrounded by essentially downside risks, in connection with developments in the security and socio-political situation in the sub-region, persistent geopolitical tensions and tighter international financing conditions.

The execution of financial operations by WAEMU Member States during the first quarter of 2022 showed a slight improvement in the budget deficit compared with the same period of the previous year. The overall deficit based on commitments, including grants, stood at 979.2 billion in the first quarter of 2022 compared with 1,059.5 billion a year earlier.

Monetary conditions remained favorable during the first quarter of 2022, in line with the continued accommodative stance of the BCEAO's monetary policy. Refinancing requests from banks in the Union were fully met at the minimum rate of 2.00%. The Central Bank also renewed, for 2022, its initiatives launched in 2021 to refinance at its minimum interest rate the stimulus bonds (OdR) and resilience bonds (BSR) issued by governments on the regional financial market, with a view to financing their stimulus plans.

Outstanding claims on the economy rose by 13.0% year over year as at end-March 2022. On the other hand, the net external assets of the Union's monetary institutions contracted by 1,876.2 billion in one year, mainly because of higher energy bills and increased food purchases. Reflecting these developments, the money supply grew by 11.9%, year over year, as at the end of March 2022. Official reserve assets stood at 13,501.9 billion on the same date, corresponding to a coverage rate of 79.9% compared with 79.3% three months earlier. These reserves provide the Union with coverage for 5.2 months' worth of imports of goods and services compared with 5.5 months in the previous quarter.

The Monetary Policy Committee noted an increase in inflationary pressures in the Union. The general price level rose by 6.4% year over year in the first quarter of 2022 compared with 5.0% a quarter earlier. This acceleration was mainly attributable to higher food prices and higher prices for solid and liquid fuels.

Since the second quarter of 2021, inflation in the Union has been above 3.0%. While inflation is expected to remain high in the short term, increases in consumer prices should gradually slow in line with an expected rise in food production in the 2022/2023 crop season and the impact of fiscal measures taken by the States to counter the recent rise in inflation. The inflation rate in the Union is projected to average 6.2% in 2022 and 3.2% in 2023 compared with 3.6% in 2021.

The Monetary Policy Committee stressed that the persistent deviation of inflation from target posed risks to the anchoring of inflation expectations in the Union. While deeming it appropriate to maintain an accommodating monetary policy, the Committee decided to raise the BCEAO's key rates by 25 basis points to promote the gradual return of inflation to the target zone, an essential condition for healthy and inclusive economic growth. As a result, the minimum bid rate for liquidity injection tenders was raised from 2.00% to 2.25%, and the marginal lending rate from 4.00% to 4.25%, with effect from June 16, 2022. The minimum reserve ratio applicable to banks in the Union remained unchanged at 3.0%.

At its meeting of September 14, 2022, the Committee reviewed the main developments in international and regional economic conditions, as well as the risk factors that could affect the medium-term outlook for inflation and economic growth in the Union.

With regard to international economic conditions, the Committee noted a marked slowdown in global economic activity in the second quarter of 2022. According to the IMF's latest projections, published in July 2022, global economic growth was expected to average 3.2% in 2022 and 2.9% in 2023 compared with a 3.6% forecast in April 2022 for both years. The outlook is surrounded by generally bearish risk factors, linked mainly to the consequences of the Russian-Ukrainian conflict, the tightening of monetary conditions by central banks and the emergence of new, more contagious variants of the coronavirus.

Energy product prices on international commodity markets rose sharply in the second quarter of 2022, driven by supply chain disruptions and supply constraints induced by heightened geopolitical tensions. Similarly, prices of non-energy products rose, driven by higher food and fertilizer prices.

Against this backdrop, inflationary pressures have intensified both in advanced economies and in emerging and developing countries, prompting virtually all central banks to begin or accelerate raising their key interest rates.

Examining the economic situation in WAEMU, the Committee noted that economic activity continued to recover in the second quarter of 2022, with year-on-year real GDP growth of 5.7%, following 5.6% in the previous quarter. Overall, growth in the Union was expected to average 5.8% in 2022 and 7.0% in 2023. The Monetary Policy Committee noted, however, that this recovery remained surrounded by predominantly downside risks, associated with developments in the security and socio-political situation in the sub-region, persistent geopolitical tensions, worsening weather conditions, and tighter international financing conditions.

The financial operations of WAEMU Member States in the first half of 2022 resulted in an increase in the budget deficit compared with the same period of the previous year. The overall deficit on a commitment basis, including grants, stood at 2,201.4 billion at the end of the first half of 2022 compared with 1,854.9 billion one year prior.

Monetary conditions remained favorable during the second quarter of 2022. Refinancing requests submitted to the Central Bank by the banks of the Union were served at the minimum rate of 2.00% until June 15, 2022, and 2.25% from June 16, 2022. The interest rate at which banks lend money to other banks stood at 2.62% compared with 2.53% a quarter earlier. Specifically, for one-week loans between banks, the interest rate was 2.37% compared with 2.30% in the previous quarter and 2.34% a year earlier. The interest rate on loans granted by banks to their customers, excluding taxes and fees, stood at 6.35% in the second quarter of 2022 compared with 6.27% in the first quarter of 2022.

Outstanding loans to the economy grew at an annual rate of 11.9% to the end of June 2022. On the other hand, the Union's net foreign assets contracted by 2,135.5 billion, essentially because of the higher import bill for energy and food products. These developments led to a 12.7% year-on-year increase in the money supply, as at the end of June 2022. At the same date, foreign exchange reserves stood at 13,422.0 billion, corresponding to a currency coverage ratio of 77.8% versus 79.9% in the previous quarter. These foreign exchange reserves provided the Union with coverage for 5.1 months' worth of imports of goods and services, as in the previous quarter.

The Monetary Policy Committee noted an increase in inflationary pressures in the Union. The general price level rose by 7.0% year over year in the second quarter compared with 6.4% in the first quarter of 2022. In July 2022, it rose by 8.1%. Similarly, core inflation (inflation excluding products with volatile prices) remained high at 4.6% in the second quarter of 2022 compared with 4.3% the previous quarter. These trends were essentially attributable to the rise in food prices, at 12.3% in the second quarter compared with 11.9% the previous quarter. They were also caused by higher prices for housing and transportation services, which rose by 4.7% and 3.9% respectively.

Estimates put the inflation rate at 8.1% in the third quarter of 2022, reflecting the repercussions of higher international prices and the impact of the lean season in Sahelian countries. On the other hand, price pressures were expected to ease beginning in the final quarter of 2022, due to the anticipated rise in production for the new agricultural season and targeted measures taken by governments to combat the high cost of living.

The Monetary Policy Committee stressed that the persistent deviation of inflation from its target range of between 1% and 3% posed risks to the anchoring of inflation expectations in the Union and could lead to second-round effects. The Committee therefore decided to raise the BCEAO's key rates by 25 basis points, to promote a gradual return of inflation to the target zone. As a result, the minimum interest rate for tenders for liquidity injections was raised from 2.25% to 2.50%, and the interest rate for the marginal lending window was raised from 4.25% to 4.50%. This decision entered into force as of September 16, 2022. The minimum reserve ratio applicable to banks in the Union remained unchanged at 3.0%.

Over the ensuing months, the BCEAO Monetary Policy Committee would remain vigilant to inflation trends and would take every necessary measure to ensure price stability, while supporting continued economic growth.

At its meeting on December 9, 2022, the Committee reviewed the main developments in international and regional economic conditions, as well as the risk factors that could affect the medium-term outlook for inflation and economic growth in the Union.

Regarding international economic conditions, the Committee noted the continued slowdown in global economic activity in the third quarter of 2022. According to projections published by the IMF in October 2022, global economic growth is expected to slow from 6.1% in 2021 to 3.2% in 2022 and 2.7% in 2023. This outlook is surrounded by generally bearish risk factors, linked primarily to the disruption induced by the war in Ukraine, persistent inflationary pressures, the tightening of monetary policies in the major economies and the global energy crisis.

On international commodity markets, prices were down overall in the third quarter of 2022, against a backdrop of slowing global economic activity.

Despite the easing of commodity prices, inflationary pressures persisted in most regions of the world. Given those circumstances, several central banks in both advanced and emerging/developing economies tightened their monetary policy further by raising their key rates.

Reviewing the economic situation in the WAEMU Union, the Committee noted the continued vitality of activity in the third quarter of 2022, with GDP up by 5.7% year over year, the same growth rate as recorded in the previous quarter. Overall, growth in the Union was expected to stand at 5.7% in 2022 and 6.6% in 2023. The Monetary Policy Committee noted, however, that

these positive outlooks for the Union were surrounded by essentially downside risks, associated with uncertainties over the international economic situation, a deterioration in the security climate in the region, delays in the completion of oil and gas infrastructure in certain countries, and adverse weather conditions.

The financial operations of WAEMU Member States during the first nine months of 2022 showed an increase of 830.3 billion in the deficit, on a commitment basis, including grants, from 4.4% of the GDP to 4.8%, due to a less pronounced increase in revenues than in expenditure.

Monetary conditions in the Union were marked in the third quarter of 2022 by a slight rise in interest rates, following the transmission of the effects of the BCEAO key rate hikes in June and September 2022. Refinancing requests from banks in the Union have been served at a minimum rate of 2.5% since September 2022. The lending interest rate between banks averaged 2.97% across all maturities compared with 2.62% one quarter earlier. In particular, the interest rate on one-week loans between banks was 2.80% compared with 2.37% in the previous quarter and 2.36% one year prior. The interest rate on loans granted by banks to their customers, excluding taxes and fees, stood at 6.51% in the third quarter of 2022 compared with 6.35% in the second quarter of 2022.

Annual growth in outstanding loans to the economy stood at 16.5% at the end of September 2022. On the other hand, the Union's net foreign assets contracted by 3,554.0 billion. These developments led to year-on-year money supply growth of 12.4% as at end-September 2022. At the same date, foreign exchange reserves fell to 11,811.1 billion, corresponding to a coverage rate of 67.9%, as against 77.8% one quarter earlier. These foreign exchange reserves provided the Union with coverage for 4.6 months' worth of imports of goods and services compared with 5.1 months in the previous quarter.

The Monetary Policy Committee noted that inflationary pressures in the Union were increasing. The inflation rate rose to 8.4% in the third quarter of 2022. This was mainly due to the increases in staple food and transportation prices, as the Union's countries adjusted pump prices for petroleum products following the surge in oil prices on international markets. Similarly, core inflation, i.e., inflation excluding products with volatile prices, rose to 5.4% in the third quarter of 2022 compared with 4.6% one quarter earlier. These trends essentially reflected the gradual spread of inflation, with a growing number of goods and services recording significant increases. The proportion of products with significant increases rose from 45.2% in June 2022 to 52.4% in September 2022. In October 2022, inflation stood at 8.4%.

Inflation was forecast to remain high - above 3.0% - but to trend downwards beginning in the fourth quarter of the year. This slowdown is expected to be driven by the continued normalization of monetary policy since June 2022, increased food production in the 2022/2023 crop season, and easing of world commodity prices, especially energy and food prices.

This inflation outlook was, however, accompanied by predominantly bullish risks. The Monetary Policy Committee pointed out that the increasing spread of inflation to a number of products and services heightened the risks of inflation expectations becoming unanchored and price pressures exacerbated. In view of those risks, and of recent developments in the level of foreign exchange reserves, the Committee decided to raise the BCEAO's key rates by 25 basis points, with a view to further anchoring inflation expectations and preserving monetary stability. As a result, the minimum interest rate for tenders for liquidity injections was raised from 2.50% to 2.75%, and the

interest rate for the marginal lending window was raised from 4.50% to 4.75%. The decision entered into force as of December 16, 2022. The minimum reserve ratio applicable to the Union's banks remained unchanged at 3.0%.

Over the coming months, the BCEAO Monetary Policy Committee will take all appropriate measures to ensure monetary stability, on an as-needed basis.

5.1.4 - BOARD OF DIRECTORS OF THE BCEAO

In 2022, the composition of the Board of Directors of the BCEAO changed as follows:

Representing the Republic of Guinea-Bissau, Mr. Carlos Gomes, Director General of the Treasury Department, was appointed as the representative of Guinea-Bissau on the BCEAO Board of Directors, with effect from August 8, 2022, replacing Mr. Mamadu Baldé.

On December 31, 2022, the Board of Directors held two (02) ordinary sessions, one on March 9, 2022, by videoconference, from the premises of the BCEAO Main Branches and Head Office, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank and statutory Chairman of the Board, and one on December 16, 2022, at the BCEAO Head Office in Dakar, under the chairmanship of Mr. Jean-Claude Kassi Brou, Governor of the Central Bank and new statutory Chairman of the Board.

At its ordinary meeting on March 9, 2022, the Board reviewed the financial statements of the BCEAO for the year ended December 31, 2021, in accordance with International Financial Reporting Standards (IFRS) and the BCEAO's specific rules. It also reviewed the reports of the Central Bank's Statutory Auditor for the 2021 financial year.

The Board was informed of the conclusions of the audits conducted by the BCEAO's Audit Committee, which met on March 7, 2022, by videoconference from the Central Bank's premises, for the purpose of reviewing the financial statements and assessing the quality of the internal control system.

At the close of the proceedings, the Board of Directors approved the BCEAO's financial statements for the year ended December 31, 2021, certified without reservation by the Statutory Auditor. The Board congratulated the Central Bank on its performance and decided to submit the financial statements to the Union's Council of Ministers for approval.

The Board of Directors also approved the implementation of the BCEAO's Strategic Plan for the 2022-2024 period.

Lastly, the members of the Board were informed of the Audit Committee's plans to draw up an annual activity report for the 2021 financial year.

At its ordinary session on December 16, 2022, the Board reviewed the BCEAO's draft budget for the 2023 financial year, as well as its participation in the capital increase of the West African Development Bank (BOAD).

The Board expressed its opinion on the Summaries of the conclusions of the BCEAO Audit Committee meetings held in July and December 2022, and on the draft updated Audit Committee Rules of Procedure.

At the end of the proceedings, the Board of Directors adopted the BCEAO's budget for the 2023 financial year and approved the Central Bank's participation in the BOAD capital increase.

The Board also approved the summaries of the conclusions of the BCEAO Audit Committee meetings held in July and December 2022. The Board also approved the draft updated Rules of Procedure of the Audit Committee.

5.1.5 - BCEAO AUDIT COMMITTEE

As at December 31, 2022, the BCEAO Audit Committee had held three (03) ordinary meetings by videoconference over the year, from the premises of the BCEAO Main Branches and Head Office, on March 7, July 22 and December 15, 2022, respectively, under the chairmanship of Mr. Ekpao Adjabo, its statutory Chairman.

During its March 7, 2022, session, the Committee, after examining the financial statements prepared by the relevant Central Bank departments and the audit reports presented by the Statutory Auditor, noted with satisfaction that, despite the continuing negative effects of the COVID-19 pandemic on economic activity at the global and regional levels, the Central Bank's operations generated a net surplus of 55.315 billion.

The Audit Committee took due note of the opinion issued by the Statutory Auditor on the financial statements, which resulted in his unqualified certification of the BCEAO's financial statements for the year ended December 31, 2021. The Statutory Auditor also indicated that the Central Bank's internal control system was satisfactory. However, he made several recommendations aimed at strengthening it.

The Audit Committee extended its warm congratulations to the Governor and staff of the Central Bank for the performance achieved and recommended that the Board of Directors be pleased to approve the financial statements for the year ended December 31, 2021, as submitted. In addition, it was informed of the implementation status of the action plan resulting from its self-assessment carried out in 2019 and noted the diligent handling of its recommendations.

It also took cognizance of ongoing affairs, in particular the letter of affirmation of the Statutory Auditor, the annual report on the BCEAO's control activities, the results of the assessment of the performance of the Statutory Auditor and the National Auditors for the 2021 financial year, as well as the implementation status of the recommendations made by the internal and external audits.

The Committee congratulated the relevant Central Bank departments and the Statutory Auditor on the quality of the documents produced and the clarity of the presentations.

At its meeting on July 22, 2022, the Committee noted with satisfaction the successful execution of the internal audit program for the first half of 2022 and congratulated the BCEAO on its successful conduct of the program.

It also revised its rules of procedure and proposed that the amended draft be submitted to the BCEAO Board of Directors for approval.

The Committee also took note of the tools for preparing a self-assessment of its operations, based on the best international standards.

The Committee was also informed of the organization and functioning of the operational control systems of the Budget and Procurement Department and the Information Systems Department. The Committee was impressed by the relevancy of the current systems, which provided reasonable assurance that risks relating to information systems, budget management and purchasing were under control.

Finally, the Committee congratulated the Central Bank on the quality of the documents produced and the clarity of the presentations.

At its session on December 15, 2022, the Committee reviewed the draft report on its self-assessment for the 2022 financial year, and the remedial actions identified with a view to aligning its operations more closely with international standards.

It also adopted its annual activity report for the 2022 financial year and took note of the implementation status of the action plan based on its previous self-assessment, which took place in 2019.

The Committee's final self-assessment report and annual activity report for 2022 will be submitted to the Board of Directors for approval at its March 2023 meeting.

The Committee also adopted its work program for 2023, which includes reviewing the BCEAO's financial statements for the year ended December 31, 2022, monitoring the execution of the internal audit program for 2023, and approving the three-year audit plan for 2024-2026. In addition, it selected two (2) training sessions as part of capacity-building activities for its members.

It noted with satisfaction the successful completion of the internal audit assignment program for the 2022 financial year and approved the internal audit assignment program for the year 2023, which covers the Bank's main areas of activity and takes into account emerging risks, notably those related to cybercrime.

The Committee also took note of the progress made in implementing the recommendations it had made previously, as well as those of the internal and external auditors.

It reviewed the Statutory Auditor's engagement letter for the 2022 financial year and noted that the proposed audit strategy and audit program were in compliance with contractual provisions. It also appreciated the Statutory Auditor's presentation on the interim account statements as at October 31, 2022, and on the internal audit.

Finally, the Committee congratulated the Central Bank on the quality of the documents produced and the clarity of the presentations.

In addition, to ensure the preservation of the Central Bank's institutional memory, the proceedings issued by the various BCEAO and Union bodies were regularly recorded, and a system was set up to monitor the centralization and conservation of those proceedings on a daily basis.

5.2 - ADMINISTRATION OF THE BCEAO

5.2. 1- GOVERNANCE AND OPERATIONAL STRUCTURE OF THE BCEAO

MEMBERS OF THE GOVERNMENT

GOVERNOR	Mr Jean-Claude Kassi Brou
DEPUTY GOVERNOR	Mr Norbert Toé
DEPUTY GOVERNOR	Mr Mamadou Diop
Secretary General	Mr Abdoulaye Seck
Cabinet Director	-
Special Advisor to the Governor	Mr Oumar Tatam Ly
Advisor to the Governor	Mr Antoine Traoré
Advisor to the Governor	Mr Gbégnon Alain M. Komaclo
Advisor to the Governor	Mr Ahmadou Al Aminou Lo
Advisor to the Governor	Mr Kossi Tenou
Advisor to the Governor	Mr Chalouho Coulibaly

CABINET OF THE GOVERNOR

Managing Director of the BCEAO's Abdoulaye Fadiga Foundation:	Mrs Sylviane Mensah
Chief of Staff to the Governor:	Mr Abdoulaye Traoré

OFFICE OF THE SECRETARY GENERAL

Secretary General	Mr Abdoulaye Seck
Managing Director, WAEMU Financial Stability Fund:	Mr Armand Badiel
Advisor to the Secretary General	Mr Sourou Antonin Dossou
Chief of Staff to the Secretary General	Mr Madani Toure

GENERAL CONTROL

Comptroller General	Mr Gbégnon Alain Michel Komaclo
Advisors to the Comptroller General	Mr Coulibaly Horo
	Mr Kora Liliou
	Mr Mahamadou Ali Issifou

GENERAL DIRECTORATES

Director General, Fiduciary Activities	Mr Bwaki Kwassi
Director General, Economic and Monetary Affairs	Mr Bassambié Franck Bationo
Director General, Operations and Financial Inclusion	Mr Mahamane Alassane Toure
Director General, Financial Stability and Financing of the Economies	Mr Adrien Diouf
Director General, Organisation and Information Systems	Mr Ekoué Djro Glokpor
Director General, Administration and Human Resources	Mr Alioune Blondin Bèye
Director General, Centre Ouest Africain de Formation et d'Etudes Bancaires (COFEB, West African Center for Bank Training and Studies)	Mr Ousmane Samba Mamadou

ADVISORS TO THE DIRECTORS GENERAL

Advisor to the Director General, Fiduciary Activities	Mr Siaka Keita
Advisor to the Director General, Economic and Monetary Affairs	Mr Bléhoué Toussaint Damoh
Advisor to the Director General, Operations and Financial Inclusion	Mrs Akuwa Dogbe Azoma
Advisor to the Director General, Financial Stability and Financing of the Economies	Mr Charlie Jerry Dingui
Advisor to the Director General, Organisation and Information Systems	Mr Tiéguélé Abdoul F. Coulibaly
Advisors to the Director General, Administration and Human Resources	- Mr Fama Adama Keita - Mr Eso-Houna Bale
Advisor to the Director General, Centre Ouest Africain de Formation et d'Etudes Bancaires (COFEB, West African Center for Bank Training and Studies)	Mr Patrick Kodjo

CENTRAL SERVICES DEPARTMENTS

Director, Legal and Institutional Affairs	Mr Vincent Sedalo
Director, Documentation, Publications and Archives	Mr Seth Aubin Odah
Director, Inspection and Audits	Mr Mouhamed Diop
Director, Surveillance and Risk Prevention	Mrs Anastasie Carvalho Kodjo
Director, Fiduciary Studies	Mr Mohamed Almountaka Alfidja
Director, Cash Transactions	Mr Yamoussa M. Kone
Director, Currency Circulation Management Center	Mr Salifou Hamani
Director, Statistics	Mr Mahaman Tahir Hamani
Director, Economic Conditions and Monetary Analysis	Mr Bléhoué Toussaint Damoh
Director, Economic Studies and Regional Integration	Mr Modibo Kamate
Director, Market Transactions	Mr Djibril Diaw

Director, Payment Systems and Instruments	Mrs Akuwa Dogbe Azoma
Director, Financial Inclusion	Mrs Gisèle C. Keny Ndoye
Director, Banking Activities and Alternative Financing	Mr Charlie Jerry Dingui
Director, Financial Stability	Mrs Yaye Aminata Seck Mbow
Director, Accounting and Management Control	Mr Noël Houndji
Director, Information Systems	Mr Tiéguélé Abdoul F. Coulibaly
Director, Budget and Procurement	Mr Jean-François Jossou
Director, Administrative and Social Management of Human Resources	Mrs Ndèye Fatou Diop Seck
Director, Career and Skills Management	Mr Jean-Blaise Kouamé
Director, Property and Security	Mr Ali Seini Oumar
Director, Teaching and Training Programmes	Mr Toukou Fernand Aboutou
Director, Research and Partnerships	Mrs Ndèye Amy Ngom Seck
Director, Administrative Affairs and Communications	Mrs Adja Yelly Kone

NATIONAL DIRECTORS

National Director for Benin	Mr Emmanuel Assilamehoo
National Director for Burkina Faso	Mr Charles Luanga Ki-Zerbo
National Director for Côte d'Ivoire	Mr Chalouho Coulibaly
National Director for Guinea-Bissau	Mrs Zenaida M. Lopes Cassama
National Director for Mali	Mr Konzo Traoré
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	Mr Antoine Traoré
Advisor to the Secretary General	Mr Megbegnon Thierry Toffa
Under-Secretary-General	Mr Habib Thiam
Director, Crisis Resolution and Legal Affairs	Mrs Fatou Sy Mangane Antwi-Gyampem
Director, International Relations and Studies	Mr Babacar Fall
Director, Permanent Supervision	Mr Josephate Zola
Director, On-Site Inspection of Credit Institutions and Electronic Money Institutions	Mr Malick Diarra
Director, On-Site Inspection of Decentralised Financial Systems	Mr Kalidou Assane Thiam
Director, General Resources	-

5.2.2 - HUMAN RESOURCE MANAGEMENT

5.2.2.1 - Staffing

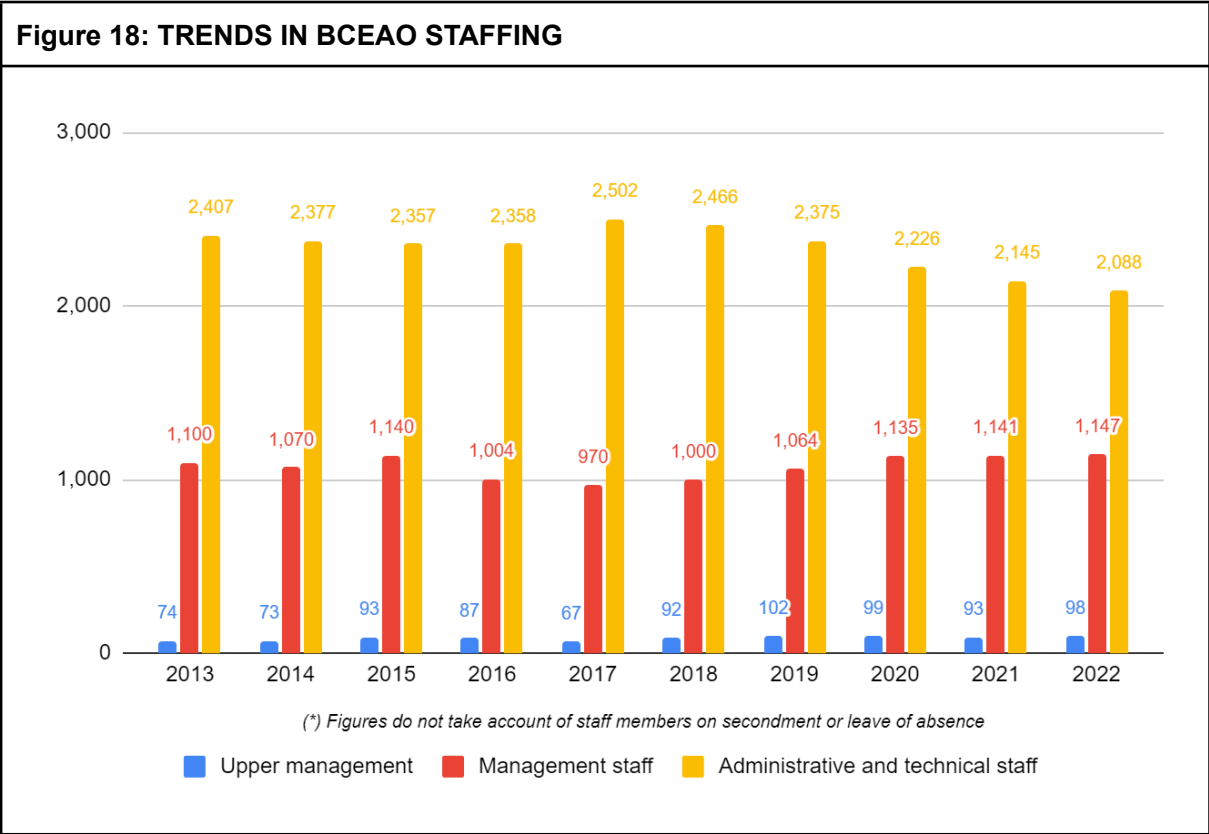
At the end of December 2022, the total staff of the Central Bank, including all grades, numbered 3,401 against 3,443 on December 31, 2021.

The figure included 3,333 active staff members deployed on BCEAO sites, and 68 staff members on secondment or leaves of absence.

The proportion of female staff members in the active workforce was **39%**, or **1,295 staff members**, while the proportion of male staff members was **61%**, i.e. **2,038 staff members**.

The distribution of active staff members by site was as follows:

- Headquarters (including the Currency Circulation Management Center: 79) : **789 staff members, or 23.6%**,
- National Branches (8 Main Branches and 15 Sub-Branche)s: **2,399 staff members, or 71.98%**,
- General Secretariat of the WAMU Banking Commission: **141 staff members, or 4.23%**,
- BCEAO Representation with European Cooperation Institutions: **4 staff members, or 0.12%**.



Source: BCEAO.

5.2.2.2 - Training, research and partnerships

5.2.2.2.1 Training and capacity building

In 2022, COFEB continued to implement its training program in keeping with the guidelines issued under the reform initiated in the final quarter of 2019 and the innovations in the contents of its training curriculum. On that basis, the Center provided capacity-building support to BCEAO staff, governments of WAEMU Member States, credit institutions, e-money issuers and decentralized financial systems (microfinance institutions). The provided training placed particular emphasis on strengthening the managerial capacities of BCEAO managers, as well as supporting the Union's banking and financial system, as part of the popularization of reforms initiated on the regional and international scale.

As part of a drive to modernize logistics and the training system, COFEB continued to organize training courses mainly by videoconference. This option has made it possible to better manage the constraints brought about by the distancing measures taken against the COVID-19 pandemic. To this end, the Center used various platforms such as Google Meet, Microsoft Teams, and Zoom, and developed an online training platform using Moodle. The improvement in the health situation, especially in the second half of the year, enabled COFEB to organize some of its training sessions face-to-face.

- ➔ **44** TRAINING SESSIONS WERE ORGANIZED
- ➔ **1,363** PARTICIPANTS WERE REGISTERED AMONG CENTRAL BANK STAFF
- ➔ **76** NEWLY RECRUITED STAFF MEMBERS WERE TRAINED BY DISTANCE LEARNING USING THE E-LEARNING PLATFORM, AS A PRELUDE TO FACE-TO-FACE TRAINING DURING THE ON-SITE GROUP SESSION.

• Training and retraining of BCEAO staff

During 2022, the Central Bank's staff benefited from seminars organized by COFEB as part of the implementation of the in-house training plan. Forty-four (44) training sessions were organized during the year. They were attended by 1,363 staff members. In addition, 73 BCEAO staff members took part in training sessions organized by COFEB for external targets.

COFEB has also undertaken a reform of induction training for newly hired staff, which used to take the form of seminars, to reflect the current continuous recruitment process. The new induction training scheme is designed to enable all new hires to begin training as soon as they take up their positions. It comprises two (2) stages:

- a distance learning phase, via an online training platform (e-learning), developed by COFEB using the Moodle application. The distance learning modules, which focus on BCEAO culture, have been designed in an interactive e-learning format, accompanied by introductory videos by facilitators, and
- a residential seminar at COFEB, organized at the beginning of the year for all staff members hired the previous year.

The scheme was launched in June 2022. Seventy-six (76) newly recruited staff members have completed the first stage, which takes the form of asynchronous self-training.

Initiatives have also been taken to improve English-language training. A new program, known as the Accelerated English Language Training Program (PAFLA), was set up in 2022 for the benefit of Central Bank staff. This program is a complement to the existing English language program and is aimed at enabling participants to become autonomous and operational in the use of the English language over the medium term.

• Degree courses

In 2022, COFEB taught the 43rd and 44th graduating cohorts.

For the 43rd cohort, who completed the theory phase of their training at the end of August 2021, dissertations were defended between December 2021 and January 2022. The meeting of the pedagogical unit to validate the end-of-cycle results for the cohort, held on March 9, 2022, announced that the success rate was 100%.

Courses taught to the twenty-three (23) auditors of the 44th graduating class of the COFEB diploma cycle ran from December 27, 2021, to August 25, 2022. The practical phase of the training, focusing on internships and the writing of final dissertations, began on September 19, 2022. Their thesis defenses are scheduled for January 2023.

Alongside the classes taught for trainees from the 44th class, a pre-requisite test was organized on June 13, 2022, with a view to selecting auditors for the 45th COFEB graduating class, who begin training in the 2022/2023 academic year. The class, made up of twenty-six (26) auditors from WAMU Member States, began their academic year on November 2, 2022. Classes started on November 7, 2022, with a pre-session refresher course.

• Executive training program

The program includes a support component for BCEAO managers and another for executives and senior managers of credit institutions and national governments.

With regard to the in-house staff development program (management and leadership), 402 BCEAO managers took part in 26 training sessions. The aim was to strengthen their managerial skills and equip them with the tools they needed to better supervise their colleagues. These training sessions focused on the following issues: “*The manager-coach approach*”, “*How to coach employees with confidence*”, “*Decision-making techniques*”, “*How to be an inspiring, high-performance manager*” and “*How to be a proximity manager*”.

Actions aimed at external target audiences were articulated around two (2) certification courses jointly set up by COFEB and HEC Paris:

- Strategic Banking Executive Management Certificate (CEMSTRAT) for General Managers of banks and financial institutions and senior officials from public administrations and regional organizations. A total of forty-six (46) participants divided into two classes attended the 2022 edition.

- Banking Executive Management Certificate for Managers in the Digital Age (CEB2D) for managers of technical departments and executives of banking and financial institutions. Nineteen (19) bank executives attended this course.

In addition, COFEB and HEC Paris launched a program of short *à la carte* online training courses known as “*Live webinars*”, aimed at managers and executives from banking and financial institutions. This program comprised sixteen (16) one-day modules divided into three (3) universes, namely “*finance*”, “*strategy and digital*” and “*management and leadership*”. Seventy-six (76) executives took part.

- **Support program for WAEMU credit institutions and economic and financial administrations**

In 2022, COFEB organized short qualifying and certifying training courses for credit institutions, decentralized financial systems (microfinance institutions), electronic money issuers (EME) and public administrations. These training courses have helped to raise awareness about the regulatory instrument relating to the Basel 2/3 prudential framework, financial reporting statements, financial market infrastructures managed by the BCEAO, Islamic finance, governance and internal control. The Center also organized training sessions to prepare the banking ecosystem for digital transformation and the transition to IFRS accounting standards.

COFEB also continued its awareness-raising activities focusing on the uniform law on factoring adopted by the Union’s Council of Ministers at its December 2020 meeting. From August 30 to 31, 2022, COFEB, in collaboration with AFREXIMBANK and Factors Chain International (FCI), organized a continent-wide seminar on the subject of factoring for central banks, credit institutions and microfinance institutions. Following the seminar, a practical workshop on setting up an operational factoring business was organized by COFEB and FCI at BCEAO headquarters from November 28 to December 2, 2022.

From October 26 to 28, 2022, COFEB and the Legal and Institutional Affairs Directorate organized the 2022 edition of the seminar on the popularization of the fundamental WAMU and BCEAO instruments at BCEAO headquarters, for the benefit of magistrates working in civil, commercial or criminal courts, and trainers from the judicial training centers of WAMU Member States. The aim of the meeting was to facilitate the appropriation of the institutional framework of the WAMU Union and the BCEAO, as well as monetary, banking and financial law, with a view to further improving the business climate in the Union.

A total of thirty (30) sessions were organized in 2022, for 1,175 participants.

- **Other training activities**

COFEB organized four (4) online news conferences in 2022, with a view to raising public awareness on topics related to economic, monetary and financial news. This cycle of conferences also allowed the Center to meet its goals of spreading knowledge and monitoring strategic and emerging issues. These conferences focused on the following themes:

- “*Blockchain: an opportunity for African economies?*” (February 24, 2022),
- “*Banking in the digital revolution: the new rules of the game*” (June 14, 2022),

- “*Post COVID-19 revival: what economic policies for African countries*” (June 16, 2022), and
- “*SYSCOA, from its origins to the present day*” (July 13, 2022).

On October 27, 2022, the Centre organized a conference to coincide with the IMF’s presentation of the October 2022 edition of the Regional Economic Outlook for Sub-Saharan Africa.

5.2.2.2 Research, partnerships, and publications

In 2022, efforts to develop new partnerships continued with the signing on March 1, 2022, of a partnership agreement between the BCEAO and the Abidjan National School of Statistics and Applied Economics (ENSEA). The agreement focuses on setting up a certification training program entitled “*Dissemination of Basel 2/3 standards*” for banking professionals and students in the WAEMU region, and on conducting joint research activities (studies, research visits, modeling workshops, scientific events, etc.).

In the same vein, exchanges with various Islamic finance organizations led to the identification of the Islamic Development Bank Institute (IsDBI) of the Islamic Development Bank (IsDB), the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) and the General Council for Islamic Banks and Financial Institutions (CIBAFI), with a view to developing partnerships in the field. This cooperation would involve setting up capacity-building programs for Central Bank staff, regulated entities (credit institutions, microfinance institutions, electronic money issuers) and public administrations. It should also include a research component to better grasp the principles and practices of Islamic finance, and to ultimately conduct research on issues of interest to the Union.

In addition, various cooperative activities were carried out with COFEB partners during the period under review, including the organization of two modeling workshops using MATLAB and R software, in collaboration with Princeton University’s Julis-Rabinowitch Center for Public Policy and Finance (JRCPPF), and joint studies with FERDI and ENSEA on “*Competitiveness and structural transformation in WAEMU*” and “*Comparative analysis of oil price volatility on economic growth in WAEMU*” respectively. In addition, a senior Central Bank manager had the opportunity to spend a short time at the Harvard Kennedy School as part of a seminar on “*Investment Decision and Behavioral Finance*”. Finally, a number of Central Bank staff members took part in a seminar at the financial engineering laboratory of Université Laval du Québec on “*Financial modeling using Python*”, as well as a “*Financial markets - short course*” training session, and the annual conference on “*Evidence to Action: Achieving the Net-Zero 2050 Targets*” organized by the JRCPPF.

The Central Bank also organized the second edition of its capacity-building program for WAEMU researchers in research methodology, led by professors from FERDI, the African Economic Research Consortium (AERC) the *Association Internationale des Chercheurs Francophones en Microfinance* (AICFM), and the Universities of Abomey-Calavi, Yaoundé II, Orléans, Ottawa, Cheikh Anta Diop in Dakar, and Gaston Berger in Saint Louis. The program, which aims to contribute to improving the quality of scientific research in the Union, comprises a theoretical component on “*The fundamentals of research methodology in economics and the writing of a research proposal*”, and a practical component consisting of evaluation sessions for article proposals selected following a call for submissions.

Finally, preliminary exchanges were underway with the Centre for International Development at Harvard Kennedy School (HKS) with a view to developing joint collaborations on economic growth issues.

In the area of training, COFEB implemented several cooperative initiatives during the period under review, in collaboration with HEC Paris and the Financial Technology Transfer Agency (ATTF - Luxembourg).

In terms of research, COFEB conducted studies in line with its activity program for 2022. The topics covered were as follows:

(i) *climate change and the Central Bank's price stability objective and production in the WAEMU zone*

The study assessed the impact of the climate shock on inflation and output in WAEMU countries exposed to it. For a central bank that aims to achieve price stability and support economic growth, this study shed light on inflation and growth dynamics and yielded valuable insights into the conduct of monetary policy.

(ii) *Fiscal transition in the WAEMU zone and analysis of the impact on the budget deficit*

This study focused on questions relating to the fiscal transition underway in the WAEMU zone and its impact on resource mobilization, on the one hand, and, on the budget deficit of the countries in the Union, on the other.

(iii) *Total factor productivity of SMEs and sustainability of economic growth in WAEMU*

The study analyzes the determining factors of SME productivity in the Union using the World Bank database (Enterprise Surveys, 2021).

(iv) *Monetary policy and financial cycles in WAEMU: should we intervene before or after a credit boom?*

The study sheds light on the role monetary policy could play in the pursuit of financial stability and outlines the advantages and disadvantages of intervention strategies by monetary authorities, based on data from the WAEMU Union.

During the year, COFEB launched the 2022 edition of the Abdoulaye FADIGA Award for the promotion of economic research in WAEMU, for which it acted as Secretariat. It evaluated the articles submitted for the Award and organized the meetings of the Preselection Committee and Reading Committee in November 2022. COFEB also acted as Secretariat to the Scientific Committee set up to organize the symposium celebrating the sixtieth anniversary of the BCEAO.

Several research workshops were also organized during the year under review. Theoretical and practical workshop sessions were held as part of the WAEMU researcher capacity-building program. These sessions were led by professors belonging to the Scientific Committee of the BCEAO's *Revue Economique et Monétaire* (REM), or from partner institutions and research centers.

As part of its publishing activities, COFEB produced and distributed to the general public both research studies and several other documents on current and emerging economic topics. It also managed the BCEAO's *Revue Economique et Monétaire* (REM).

To this end, the Working Paper Series (WPS) produced in 2020 and 2021 has been published on the COFEB website. The related Abstracts, which present the main findings of the studies in simplified terms, making them accessible to a wide readership, have also been drawn up and published. In the same vein, two Thematic Study Notes entitled (i) *Monetary policy and financial cycle analysis in WAEMU: leaning against the wind or cleaning up afterwards?* and (ii) *Monetary policy and zero lower bound: lessons for BCEAO* were published online. In addition, the Center coordinated the preparation and publication of a Précis on the theme of "*Fintech: Definition, issues and central bank supervision*".

Issues 31 and 32 of the REM were published at the end of June and December 2022. As usual, each issue contains two articles. The articles in the June 30 issue are entitled (i) *Determining the debt ratio rule in the WAEMU zone by breaking down the term structure of implicit sovereign premiums*, and (ii) *Impacts of bank concentration on the stability of the WAEMU financial system*. The articles in REM No. 32 deal with (i) *Determining the debt ratio rule in the WAEMU zone by breaking down the term structure of implicit sovereign premiums* and (ii) *Analyzing the stability of the WAEMU banking system: an approach based on banking market segmentation*.

In addition, as part of the strengthening of its management tools, COFEB's Anti-Plagiarism Charter went into production on April 4, 2022.

5.2.3 - PROPERTY ASSETS

In 2022, the Central Bank continued its program to consolidate and extend the Auxiliary Branch network infrastructure.

In this respect, the rate of completion of rehabilitation work on the buildings of the Bobo-Dioulasso Auxiliary Branches in Burkina Faso, Abengourou in Côte d'Ivoire, and Maradi and Zinder in Niger was satisfactory.

In terms of expanding the network of Auxiliary Branches, construction work has also progressed on the building complexes for the Odienné Auxiliary Branch in Côte d'Ivoire, the Kayes Auxiliary Branch in Mali, the Tahoua Auxiliary Branch in Niger and the Saint-Louis Auxiliary Branch in Senegal, while work on the design and construction of the buildings for the new Ouahigouya Auxiliary Branch in Burkina Faso began in June 2022.

In addition, work to raise the functional building of the General Secretariat of the WAMU Banking Commission in Abidjan began in April 2022.

5.2.4 - INFORMATION SYSTEMS

In 2022, as part of the development of applications and the securing of systems and networks, the BCEAO continued to work towards the maturity of its critical processes, in line with the control of risks associated with IT assets obsolescence and cybersecurity. In this respect, the Central Bank has rolled out its program to retire obsolete systems, mainly through the launch of a project to renew the VSAT satellite telecommunications infrastructure.

With regard to cybersecurity, the BCEAO deployed the organizational framework of its Operational Cybersecurity and Supervision Center (COSC), which was developed in 2021. It has also begun implementing complementary tools to consolidate its incident response and vulnerability remediation systems, notably for managing special accounts, as well as orchestrating the handling of security incidents and their detection based on behavioral analysis.

With regard to the application portfolio, the Bank has consolidated its business applications, with a view to optimizing the efficiency of its internal processes and improving the productivity and quality of the services offered. To this end, it has integrated the e-clearing connection platform (UAP) into the Banking Information System (SIB), with a view to simplifying its technical architecture, and has undertaken the overhaul of applications relating to the monitoring of decentralized financial systems and human resources and payroll management (GOREH).

In addition, new applications are currently being deployed or finalized, notably the SIGMA activity planning and management system, the GAMA audit assignments and recommendations management system, and the SIMARIS operational risk management system.

The Central Bank has also launched a project aimed at integrating the securities and liquidity management functions of BCEAO monetary policy into a dedicated application. The new application should improve WAMU money market analysis.

Finally, the Bank renewed the certification of its Information System (IS) to the payment card industry's PCI DSS security standard. Similarly, the SWIFT financial messaging platform's security features were validated as compliant with the relevant standards following a dedicated audit.

Plans for 2023 include reinforcing the management of access to the Bank's Information System, with the implementation of a unified platform for managing identities and public encryption keys, with a view to reinforcing the confidentiality, authenticity, integrity and traceability of information, both within the BCEAO and during exchanges of information with external parties.

In addition, a personal data protection system is planned to ensure transparency vis-à-vis interested parties, with regard to the purpose of the data collected and the mechanisms adopted to guarantee its security and confidentiality, in accordance with the legislation in force within WAMU.

Finally, plans have been made to integrate the functionalities of the cheque scanning platform and the electronic banking interface into the SIB, in order to gain total control over this sensitive system of the BCEAO IS.

5.2.5 - RISK MANAGEMENT AND CONTROL ACTIVITY MECHANISMS

Risk monitoring and prevention activities in 2022 will mainly involve continuing work to strengthen the Bank's resilience in the face of crisis situations, controlling operational risks, cyber risks, business continuity and consolidating the internal control system.

As cybersecurity is a key issue for financial stability, given the risks posed by cyberattacks on financial market infrastructures, steps are underway to set up a platform for collaboration and information sharing on cyber incidents with major national and international financial and

non-financial players that are qualified and experienced in this field. This collaboration is vital to the Bank's resilience in response to financial and cross-border cybercrime threats.

In addition, the process of revising the Bank's Information Security Policy (ISP) has entered its final phase. The revision of the ISP is necessary in view of the Central Bank's strategic orientations, changes in the BCEAO's internal and external environments, and developments in international norms and standards relating to information system security. It aims to consolidate the security measures of the Central Bank's Information System, to enable the institution to deal with emerging threats and vulnerabilities.

Work has also been carried out to ensure that the Central Bank's environment complies with the requirements of the SWIFT Customer Security Program (CSP) and the Payment Card Industry Data Security Standard (PCI DSS).

In addition, information security awareness-raising and training initiatives for staff were stepped up throughout 2022. To this end, a training and awareness-raising platform was put online, with the aim of providing all staff with the cybersecurity knowledge they need to protect the Bank's infrastructure and data.

To improve the management of operational risks, the BCEAO is rolling out an application to all its sites in 2022. The aim of this application is to facilitate risk assessment and the monitoring of action plans. It also contributes to the collection and follow-up of operational incidents.

In the area of personal and property security, 2022 was marked by the completion of renovation work on security facilities and equipment at the Bank's sites. In addition, the use of tools to monitor alert levels and country risks remained effective.

The internal control system was strengthened by the operational implementation of the audit recommendation follow-up module in the application dedicated to the management of internal audit assignments. This made it possible to step up the monitoring of the implementation of recommendations made by the various control bodies. The strengthening of the internal control system was accompanied by training initiatives on control tools and techniques for Operational Controllers throughout 2022.

In terms of business continuity, the BCEAO deployed new documentation templates for the Business Continuity Plan (BCP) at all its remote sites, via a dematerialized platform. By using this platform, the Bank has contributed to more effective control and monitoring of BCP documentation and tools.

Finally, with regard to the external audit of the BCEAO's financial statements for the year ended December 31, 2021, which were approved by the Board of Directors in March 2022, it was found that the financial statements were true and fair and provided an accurate picture, in all material respects, of the Central Bank's financial position, financial performance, and cash flows as at December 31, 2021.

In the area of internal audits, activities in 2022 focused mainly on implementing the annual audit program and strengthening the effectiveness of the Bank's internal audit function.

The controls carried out aimed to provide assurance on compliance with legal, regulatory and contractual provisions, the effectiveness and efficiency of operations, the safeguarding of the

Bank's assets, and the appropriate protection of the confidentiality, integrity and availability of BCEAO data, with a view to guaranteeing the reliability of the information processed by the information systems. The 46 scheduled assignments were completed.

They include 11 structural audits, 24 audits of fiduciary activities, 2 process audits, 5 information systems audits, and 4 special assignments.

The structural audits carried out concerned 9 branches in 4 BCEAO National Directorates, the *Groupement Interbancaire Monétique de l'UEMOA* (GIM-UEMOA) and the on-site control departments of the General Secretariat of the Banking Commission (SGCB-UMOA).

Cash audits and destruction of canceled banknotes, as well as audits of fiduciary activities, were carried out in all BCEAO National Directorates and at the Fiduciary Processing Center. The purpose of these missions was to assess the conduct of activities and the conditions under which cash operations are processed, as well as to audit cash holdings and destroy banknotes.

Process audits covered the "R3: Issuing" process and the "R8: Payment systems" process. They involved, on the one hand, the Directorate of Cash Operations, the Directorate of Fiduciary Studies, and the national directorates of Burkina Faso and Côte d'Ivoire and, on the other hand, the Directorate of Payment Systems and Instruments, the Directorate of Market Operations, the Directorate of Financial Inclusion, the Information Systems Directorate, the Directorate of Surveillance and Risk Prevention as well as two BCEAO National Directorates.

With regard to information systems, the audits covered the IT and Telecommunications Continuity Plan (PCIT), the cybersecurity system, the financial messaging platform, the management of in-house IT projects within SGCB-UMOA, and compliance with the PCI DSS standard for bank card security.

Specific audits focused on the compliance of transfers issued to the Market Operations Directorate (DOM) and on verifying the implementation of audit recommendations in two Central Services Directorates.

With regard to capacity building, it should be recalled that internal auditors are members of professional organizations dedicated to the control and internal audit professions. As such, they benefit from the opportunities for skills enhancement offered by these bodies (training courses, experience sharing, conferences, etc.). In addition, our auditors regularly take part in training courses and workshops organized as part of our cooperation activities with other central banks.

5.2.6 - MANAGEMENT CONTROL MECHANISM

In 2022, the Central Bank began implementing its new 2022-2024 Strategic Plan, which comprises fourteen strategic objectives, broken down into fifty-eight operational objectives and seventy-one projects. These projects should ultimately enable the Institution to equip itself with modern tools to face emerging threats, and to contribute, in particular, to strengthening knowledge of the dynamics of the Union's economies, as well as the resilience and solidity of the banking and financial system.

As at December 31, 2022, the seven projects due for completion had been completed. These projects focused on improving the AML/CFT risk-based supervision system, developing a national accounts database in accordance with the provisions of the 2008 SNA, completing a study on the

implementation within the Union of an emergency liquidity supply system by the Central Bank, and drafting a concept note indicating the approach that the BCEAO could adopt to address the impacts of climate change on the conduct of monetary policy. The other projects are proceeding normally and present no particular difficulties.

5.2.7 - BCEAO QUALITY MANAGEMENT SYSTEM

In October 2022, following an audit carried out by Bureau Veritas, the BCEAO renewed the ISO 9001-2015 certification of its Quality Management System (QMS) for a new three-year cycle (2022-2024), with the aim of ensuring continuous improvement in its operations and the quality of services provided to its customers and partners. The successive renewals of the certificate, since the introduction of the quality approach in January 2010, confirm BCEAO's compliance with all the requirements of the standard, as well as the effective and efficient operation of its processes.

In addition to the assessment by an external firm, quality monitoring continued internally, with internal quality audits of certain processes in the Central Services Directorates (CSDs) and National Directorates. These audits made it possible to assess the performance of the QMS and contribute to reinforcing its effectiveness.

5.2.8 - ACCOUNTING INFORMATION SYSTEM

There were no major changes in the Bank's accounting information system during the reporting year. Work to optimize the automatic processing of transactions, initiated through various IT projects, continued.

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6.1 - RELATIONS WITH THE INTERNATIONAL MONETARY FUND

In 2022, three WAEMU Member States, namely Benin, Niger, and Senegal, implemented programs supported by the International Monetary Fund (IMF). In July 2022, the IMF Executive Board approved a 42-month arrangement for Benin under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) for a total amount of SDR 484.1 million, equivalent to 391% of the country's quota. Niger and Senegal continued to implement their respective programs under the ECF and combined agreements (Confirmation Credit Facility and SBA). Mali's ECF-supported program for the 2019-2022 period was completed at the end of August 2022, although the final reviews have not yet been completed. The other countries of the Union (Burkina Faso, Côte d'Ivoire, Guinea-Bissau, and Togo) continued talks with the Fund over the period, with a view to reaching agreement on an economic and financial program (EFP) supported by IMF financing instruments.

Transactions carried out by the Central Bank and the IMF on behalf of WAEMU Member States culminated in net inflows of resources totaling SDR 388.04 million (CFA F 328.82 billion), as against SDR 134.68 million (CFA F 108.42 billion) the previous year. This increase was due to a significant rise in the volume of drawdowns, which amounted to SDR 586.78 million (CFA F 486.51 billion) compared to SDR 223.08 million (CFA F 179.59 billion) the previous year. Repayments rose by SDR 50.52 million, from SDR 133.44 million (CFA F 91.32 billion) to SDR 183.96 million (CFA F 145.74 billion). Furthermore, no debt reductions were granted to any of the countries of the Union.

Charges covered by the BCEAO and the Member States amounted to SDR 45.54 million (CFA F 36.57 billion) in 2022 compared to SDR 14.46 million (CFA F 11.64 billion) the previous year. They applied to commissions paid by the BCEAO and interest charges under the Extended Fund Facility (EFF), the Rapid Financing Instrument (RFI) and the Standby Arrangement.

As remuneration for their asset positions in 2022, the amount paid by the IMF to WAEMU Member States rose by SDR 28.94 million to SDR 30.76 million (CFA F 25.61 billion) compared with SDR 1.82 million (CFA F 1.46 billion) the previous year. These resources come from interest on assets and interest on the reserve position.

6.2 - MONETARY COOPERATION WITHIN ECOWAS

With regard to regional integration, the macroeconomic performance assessment resumed in 2022, following the adoption of the new ECOWAS Member State Convergence and Macroeconomic Stability Pact in June 2021. The available data indicate that in 2022, none of the Member States had met all the macroeconomic convergence criteria. Member States' convergence performance was adversely affected by rising food and energy prices and tighter financial conditions, following monetary policy normalization measures taken by central banks.

The main advance in regional integration was the adoption, on July 3, 2022, by the Conference of Heads of State and Government of the legal framework for the interconnection of payment and settlement systems throughout ECOWAS (EPSS). Other issues on the roadmap for the launch of the Eco, to be examined in 2022, mainly focused on the pooling of foreign exchange reserves for the future common Central Bank, and the proposal to set up a solidarity and stabilization fund within the Community.

The BCEAO will continue to participate, along with all other stakeholders, in all major economic and monetary integration initiatives involving the WAEMU Member States within ECOWAS.