



The CFA franc zone

KEY FACTS

The CFA franc zone is an economic and monetary area bringing together **France and 15 countries in Sub-Saharan Africa**. This area is built on an **institutional framework** and a **fixed exchange rate**. The CFA franc zone thus fosters economic growth and monetary and financial stability.

The CFA franc zone is an instrument of solidarity and development based on **three principles of monetary cooperation**:

- pegging of the three African currencies to the euro since 1999, to ensure their stability. They were previously pegged to the French franc;
- a guarantee of unlimited convertibility of the three currencies by the French Treasury;
- in return for this guarantee, foreign exchange reserves are centralised by the African states in their central banks, which are required to deposit at least half (100% for Comoros) of these assets with the French Treasury, in a current account.

Three economic regions make up the CFA franc zone in Africa, each with its own currency:

- the West African Economic and Monetary Union (WAEMU) where the CFA franc (*Communauté Financière Africaine*, XOF) is used by Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo and Guinea Bissau. The headquarters of the Central Bank of West African States (BCEAO) are located in Dakar, Senegal;
- the Central African Economic and Monetary Union (CEMAC) where the CFA franc (*Coopération Financière en Afrique Centrale*, XAF) is used by Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic and Chad. The headquarters of the Bank of Central African States (BEAC) are located in Yaoundé, Cameroon;
- the final region comprises the Comoros with the Comorian franc. Its national central bank is located in Moroni.

The Banque de France participates in the operations of the zone's shared institutions. It notably acts on behalf of the state to provide the secretariat for the half-yearly meetings of the finance ministers and governors of the CFA franc zone and draft the CFA franc zone's annual reports. It also produces economic studies of the key issues concerning the region.

KEY FIGURES

16

countries
including France and
15 Sub-Saharan African countries

3

currencies
pegged to the euro

7.2%

GDP growth
2016 forecast for the WAEMU
from the Central Bank
of West African States (BCEAO)
(2.0% for the CEMAC
according to the Bank
of Central African States (BEAC))

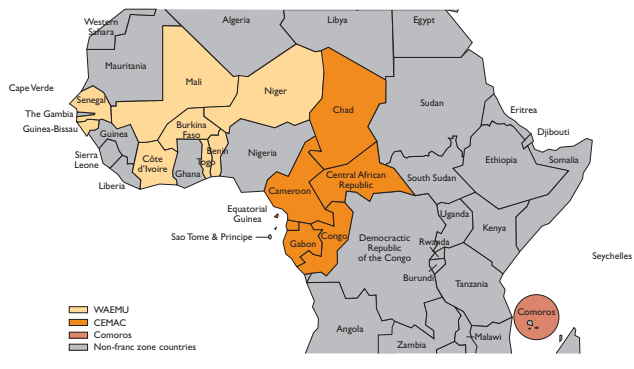
155

million
residents in the African states
of the CFA franc zone

A BRIEF HISTORY

- **1939** Birth of the franc zone in the French overseas territories.
- **1945** Creation of the CFA franc.
- **1954-1962**
Institutional transformation of the CFA franc zone following the independence of its member countries.
- **1972** Monetary cooperation agreements.
- **1976** Creation of the Comorian franc.
- **1977-1978**
Transfer of the central bank headquarters in Africa.
- **1984** Integration of Equatorial Guinea.
- **1994** 50% devaluation of the CFA francs and 33% devaluation of the Comorian franc. Launch of the convergence and economic integration programme (see "Further Insight").
- **1997** Guinea Bissau enters the CFA franc zone.
- **1999** The Council of the European Union recognises the monetary cooperation agreements within the CFA franc zone, ensuring that the transition to the euro would not lead to parity changes.

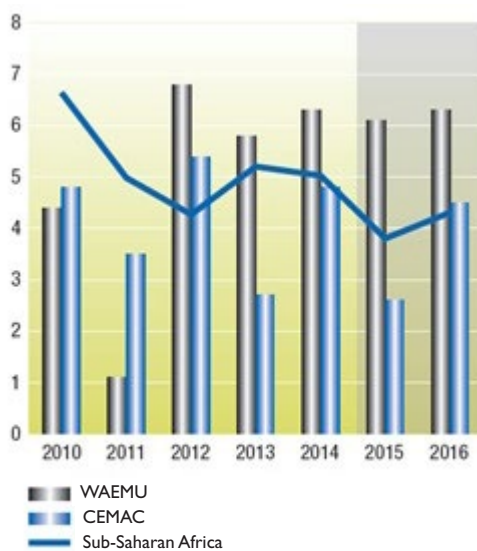
The CFA franc zone, a monetary cooperation between three geographic regions in Africa



10,000 CFA franc banknote from the BCEAO

Economic growth in the CFA franc zone and in Sub-Saharan Africa

(annual moving average)



Source: IMF

Note: The shaded zone corresponds to forecasts for January 2016

Available in La Lettre de la Zone Franc no. 6.

Values of the currencies of the CFA franc zone

The exchange rate between the euro (formerly the franc) and the currencies of the CFA franc zone have remained constant, except for the 1994 devaluations:

- 1 euro = 655.957 FCFA (for the two CFA francs),
- 1 euro = 491.968 KMF (Comorian francs).

FURTHER INSIGHT

Understanding cooperation within the CFA franc zone

Cooperation mechanisms were reinforced after the 1994 devaluation to foster convergence and economic integration within each region and **avoid further crises** that could destabilise the CFA franc zone.

Convergence criteria have been applied to each region since then.

- The West African Economic and Monetary Union (WAEMU) redefined them in 2015. There are three first-level criteria:
 - inflation must remain below 3% per year;
 - public debt must not exceed 70% of GDP;
 - an overall budget deficit less than or equal to 3% of GDP.
- The “first-level” criteria for the CEMAC (Central African Economic and Monetary Union) are identical for inflation and public debt, and also include:
 - an underlying budget balance greater than or equal to 0% of GDP;
 - non-accumulation of internal or external arrears.

A **CFA Franc Zone Convergence Committee** was set up in September 1999 to pursue economic integration and cooperation. This coordinating body includes France, the WAEMU, the CEMAC and Comoros; it prepares the meetings of the ministers and governors of the CFA franc zone.

TO LEARN MORE

Suggested reading:

- [Presentation of the franc zone](#) (Banque de France website)
- [Annual report for the franc zone](#) (Banque de France website)