

# The CFA Franc Zone

Common Currency, Uncommon Challenges

Editors

Anne-Marie Gulde

Charalambos Tsangarides

I N T E R N A T I O N A L M O N E T A R Y F U N D

# Contents

Foreword. . . . .	v
Acknowledgments . . . . .	vii
Abbreviations. . . . .	ix
1. Overview	
<i>Anne-Marie Gulde</i> . . . . .	1

## Part I. Sustainability of Macroeconomic Policies

2. Monetary Policy in a Currency Union?	
The Case of CEMAC	
<i>Corinne Deléchat, Gustavo Ramirez, and Romain Veyrune</i> . . . . .	27
3. Long-Run Determinants of Inflation in WAEMU	
<i>Abdoulaye Diop, Gilles Dufrénot, and Gilles Sanon</i> . . . . .	54
4. Fiscal Reaction Functions in the CFA Franc Zone	
<i>Oumuyiwa S. Adedeji and Oral Williams</i> . . . . .	77
5. Reserve Adequacy in the CFA Franc Zone	
<i>Corinne Deléchat and Jan Kees Martijn</i> . . . . .	90

## Part II. Capacity to Adjust to Changes in External Conditions

6. Economic Fundamentals and the CFA Franc Zone Real	
Exchange Rates	
<i>Yasser Abdih and Charalambos Tsangarides</i> . . . . .	123
7. Competitiveness in the CFA Franc Zone	
<i>Gustavo Ramirez and Charambos Tsangarides</i> . . . . .	154
8. What Is Fuzzy About Clustering in West Africa?	
<i>Mahwash Saeed Qureshi and Charalambos Tsangarides</i> . . . . .	200

### Part III. Integration and Growth

9. Financial Sector Integration in WAEMU <i>Amadou Sy</i> .....	251
10. Banking Sector Integration and Competition in CEMAC <i>Samer Saab and Jérôme Vacher</i> .....	274
11. Growth and Convergence in the CFA Franc Zone <i>Catherine Pattillo, Charalambos Tsangarides, and Pierre van den Boogaerde</i> .....	299
12. Trade in CEMAC: Developments and Reform Opportunities <i>Jan Kees Martijn and Charalambos Tsangarides</i> .....	335
13. Trade in WAEMU: Developments and Reform Opportunities <i>Manuela Goretti and Hans Weisfeld</i> .....	364
About the Authors .....	393

The following conventions are used in this publication:

- In tables, a blank cell indicates “not applicable,” ellipsis points ( . . . ) indicate “not available,” and 0 or 0.0 indicates “zero” or “negligible.” Minor discrepancies between sums of constituent figures and totals are due to rounding.
- An en dash (–) between years or months (for example, 2005–06 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2005/06) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2006).
- “Billion” means a thousand million; “trillion” means a thousand billion.
- “Basis points” refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to  $\frac{1}{4}$  of 1 percentage point).

As used in this publication, the term “country” does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.