

From the CFA Franc to the Eco: Econometric Analysis of the Relationship Between Monetary Regimes, Competitiveness, and Growth in the UEMOA–ECOWAS Area

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Abstract

This study, from the perspective of development economics, examines the monetary trajectory of West Africa, characterized by the coexistence of the CFA franc-pegged to the euro since 1999 at the fixed rate of 655.957 FCFA per 1 euro-and the ECOWAS single-currency project, the Eco, whose launch, initially announced for 2020, has been repeatedly postponed to an uncertain date beyond 2027. In light of recurring criticisms regarding the loss of monetary sovereignty, the rigidity of the fixed exchange-rate regime, and insufficient real economic convergence among member countries, the central question addressed is the following: does the current exchange-rate regime in the CFA zone promote, or instead constrain, economic growth and external competitiveness in the UEMOA countries, and is this relationship stable over time?

Three hypotheses are tested: the real effective exchange rate has a long-term relationship with growth and trade openness; short-term adjustment toward the long-run equilibrium is significant but slow; and the weak synchronization of shocks limits the optimality of the monetary union. The methodology relies on annual time-series analysis (1994–2023): unit root tests (Augmented Dickey-Fuller), Engle–Granger cointegration tests, and error-correction modeling. The results show that the variables considered (real effective exchange rate, inflation, trade openness, and money supply) are integrated of order one; that a cointegration relationship emerges only at the 10% significance threshold; and that the strength of the adjustment back toward the long-run equilibrium, although consistent with the expected sign, remains statistically weak. These findings corroborate the literature suggesting that UEMOA is not yet a monetary optimal area in the sense of Mundell, while also raising questions about the Eco project's ability to resolve, through a change in monetary denomination alone, the structural weaknesses of West African real convergence. The article concludes that any monetary reform should be conditioned upon a deepening of regional trade and financial integration.

Keywords: CFA franc; Eco; optimal currency area; real effective exchange rate; cointegration



Introduction

Monetary policy has, for several decades, occupied a central place in debates about the development trajectories of West Africa. Instituted in 1945 and, since 1999, linked to the euro through a fixed exchange rate, the CFA franc remains, nearly eighty years after its creation, one of the last monetary arrangements inherited from the colonial period still in force. On December 21, 2019, the heads of state of Côte d'Ivoire and France jointly announced a reform of monetary cooperation between France and the eight member states of the West African Economic and Monetary Union (WAEMU/UEMOA), paving the way for a change in the name of the CFA franc into the Eco, a currency originally designed for the fifteen countries of the Economic Community of West African States (ECOWAS/CEDEAO).

More than six years after this announcement, the project remains uncompleted. While the closure of the operations account and the withdrawal of French representatives from the decision-making bodies of the BCEAO have been implemented, neither the expansion to the English- and Portuguese-speaking countries of ECOWAS nor the abandonment of the euro peg has been carried out. ECOWAS now points to a horizon of 2027, after several postponements since the initial deadline of 2020. This contrast between the political urgency of the debate and the slow pace of its implementation raises the question—beyond ideological controversies about “monetary sovereignty”—of the objective economic foundations of the issue: does the current exchange-rate regime act as a barrier or support for the macroeconomic performance of WAEMU countries, and does the considered area have the properties of an optimum currency area that could, in the long run, accommodate a widened common currency?

To what extent does the fixed exchange-rate regime of the CFA franc influence economic growth and external competitiveness of WAEMU countries, in both the short and long term? And do these results shed light on the economic relevance of the Eco single-currency project? The literature on monetary unions, initiated by Mundell (1961) and extended by the theories of endogenous criteria (Frankel and Rose, 1998), identifies several conditions for the optimality of a currency area: mobility of production factors, openness and intraregional trade integration, symmetry of shocks, and the existence of compensatory fiscal transfer mechanisms. Yet West Africa displays structurally weak intraregional trade (around 15%, compared with more than 60% within the euro area), pronounced heterogeneity in productive structures between countries exporting agricultural commodities (WAEMU/UEMOA) and oil-producing countries (Nigeria), and persistent asymmetry in macroeconomic shocks. Therefore, the core of this study is to empirically assess whether, despite these structural limitations widely documented qualitatively, there is a stable long-run statistical relationship between the exchange-rate regime, competitiveness (approximated by the real effective exchange rate), and growth. Such a relationship would condition the sustainability of a future enlarged common exchange-rate regime.

The hypotheses are as follows: there is a long-term cointegration relationship between the real effective exchange rate, inflation, trade openness, monetary growth, and economic growth within the WAEMU area. The error-correction mechanism shows a statistically significant adjustment process, but one that is both meaningful and slow: short-term deviations are corrected gradually toward the long-run equilibrium (negative error-correction strength, with an absolute value below one). Moreover, insufficient real convergence and limited

synchronization of shocks currently restrict the area's ability to constitute an optimum currency area in the strict sense, thereby undermining the proposed Eco implementation timeline.

The study combines a review of theoretical and empirical literature with a quantitative time-series analysis using annual data over the period 1994–2023 (30 observations). It covers five representative macroeconomic indicators for the WAEMU area: the real effective exchange rate (in logarithms), the inflation rate, the real GDP growth rate, the trade openness rate, and the growth rate of the M2 money supply. The econometric approach follows the usual three-step procedure in applied microeconometrics: (1) stationarity tests for the series using the Augmented Dickey–Fuller (ADF) test; (2) cointegration testing using the two-step Engle and Granger (1987) procedure; (3) estimation of an error-correction model (ECM) to distinguish short-run dynamics from the long-run equilibrium relationship. All processing was carried out in Python (numpy, pandas, scipy). For methodological transparency, it should be noted that the series used are stylized data, calibrated to widely documented stylized facts and magnitudes by the BCEAO, the IMF (International Financial Statistics), and the World Bank (World Development Indicators) for the WAEMU area. These series are intended to illustrate the complete econometric procedure rather than to replace an exhaustive official database; a replication of the study would use these primary sources directly.

The CFA franc zone today comprises two distinct monetary unions, though institutionally closely related: the WAEMU/UEMOA (eight countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo), whose currency is issued by the BCEAO, and the Economic and Monetary Community of Central Africa (CEMAC), issued by the BEAC. Although the two CFA francs are different, both are pegged to the euro at the same fixed rate since 1999—an inheritance of the parity established with the French franc in 1948, later adjusted by the 50% devaluation of January 1994.

This fixed exchange-rate regime is historically based on three pillars: (i) the guarantee of unlimited convertibility provided by the French Treasury; (ii) the centralization of a portion of foreign-exchange reserves in an operations account located at the French Treasury; and (iii) the presence of French representatives within the governance bodies of the central banks. The December 2019 reform removed the second and third pillars for the WAEMU/UEMOA—closure of the operations account and full “Africanization” of decision-making bodies—while maintaining the fixed parity with the euro and the guarantee of convertibility, which is now made available through a credit line from the French Treasury.

At the same time, ECOWAS's Eco project—whose name was adopted in June 2019 by the fifteen member states—aims at a more ambitious outcome: the creation of a regional single currency integrating, in addition to WAEMU countries, Nigeria, Ghana, The Gambia, Guinea, Liberia, Sierra Leone, and Cabo Verde. Originating in 1983, the project has been subject to multiple postponements (2020, then 2027) due to the widespread failure of most member states to meet the convergence criteria of the ECOWAS Convergence Pact (budget deficit, inflation, public debt, foreign-exchange reserves). The confusion generated by the December 2019 announcement—a distinct “Eco UEMOA” separate from the original ECOWAS project—also led to concerns among several English-speaking countries, which viewed it as an attempt by the WAEMU to unilaterally appropriate the name and timetable of a currency intended to be common to the fifteen countries.

1. Literature review

The theoretical reference framework for analyzing monetary unions remains the Optimum Currency Area (OCA) theory formulated by Mundell (1961), complemented by McKinnon's (1963) contributions on the degree of openness and Kenen's (1969) focus on productive diversification. Under this traditional approach, a monetary area is more "optimal" to the extent that mobility of production factors is higher, member economies are diversified and therefore less exposed to asymmetric sectoral shocks, and fiscal transfer mechanisms exist to cushion residual asymmetric shocks. This static approach was extended, starting in the 1990s, by the theory of endogenous criteria, popularized by Frankel and Rose (1998): membership in a currency union would strengthen—ex post—trade integration and synchronization of business cycles among member countries, regardless of whether OCA criteria were fully met ex ante. This endogeneity assumption supports arguments by proponents of accelerating the Eco project, who consider that the optimality of the zone will be "built" through the practice of a common currency rather than required as a prerequisite.

In contrast, a critical strand of literature—carried in particular by economists Kako Nubukpo and Ndong Samba Sylla—challenges the relevance of the current fixed exchange-rate regime for structurally commodity-export dependent developing economies. These authors argue that anchoring to the euro deprives central banks of an exchange-rate instrument to absorb terms-of-trade shocks, forces a relatively restrictive monetary policy that is not well suited to financing development, and that the 2019 reform would be more of an administrative change in denomination than a substantive monetary break, insofar as the fixed parity with the euro, free convertibility, and partial centralization of foreign reserves remain unchanged.

A third, more recent body of work relativizes the scope of these criticisms by highlighting the gains in macroeconomic stability and anti-inflation credibility provided by the euro peg: governance has been fully Africanized since 1973, foreign-exchange reserves are mutualized among member states, and inflation has historically been lower than in neighboring countries outside the CFA franc zone. This position emphasizes that a sustainable emergence of a single currency can only occur by building on an already operational and credible monetary union, rather than waiting for perfect convergence—an achievement that is structurally difficult among heterogeneous economies.

1.1. Empirical Review

Empirical studies on monetary optimum in West Africa are less abundant than those focusing on the euro area, partly due to the later availability of harmonized macroeconomic series. Work by Tanimoune and Plane on nominal convergence in the WAEMU zone, based on a sigma-convergence approach applied to the eight criteria of the Convergence Pact, concludes that overall improvement occurs but remains insufficient to ensure durable stability. Analyses using clustering to assess macroeconomic convergence within ECOWAS (e.g., studies drawing on the ECOWAS convergence macroeconomic pact of 2015 and its three implementation scenarios "Big Bang," gradual approach, and critical mass) reveal persistent heterogeneity in national trajectories. In particular, the standard deviation of inflation is found to be significantly higher in the West African monetary area outside the WAEMU than within the WAEMU itself over the period 2000–2013.

Studies addressing shock symmetry using panel data and generalized method of moments find, overall, no statistically significant increase in the correlation of terms-of-trade shocks among

WAEMU member countries. They also show that official development assistance and gross savings contribute, albeit in a limited way, to smoothing asymmetric shocks among ECOWAS countries. Collectively, these findings indicate that—both theoretically and empirically—neither the WAEMU nor, a fortiori, ECOWAS as a whole fully satisfies the traditional criteria of an optimum currency area. However, the WAEMU does have an institutional track record (a monetary union operating for decades) that the future enlarged Eco area will not be able to replicate immediately. This is the qualitative and empirical conclusion from existing literature that this article seeks to complement through a dynamic time-series analysis centered on the relationship among the exchange-rate regime, competitiveness, and growth.

2. RELATIONSHIPS BETWEEN VARIABLES

2.1. Indicators Used

Five annual indicators are selected for the analysis over the period 1994–2023, chosen because they capture—at once—the “exchange-rate” dimension (external competitiveness), the “price stability” dimension (the BCEAO’s primary statutory objective), and the “real performance” dimension (growth):

- The real effective exchange rate (REER, in logs, base 100 = 1994), which synthesizes changes in WAEMU competitiveness-price vis-à-vis its main trading partners by accounting for inflation differentials.
- The inflation rate (consumer price index, CPI, annual percentage change), an indicator for the first-rank convergence criterion (statutory ceiling of 3%).
- The real GDP growth rate (%), the dependent variable used as a proxy for overall macroeconomic performance.
- The trade openness rate, an indicator of the zone’s integration into the world economy and, indirectly, its exposure to external shocks.
- The growth rate of the M2 money supply (%), a monetary policy variable whose evolution reflects the conduct of BCEAO’s common monetary policy under the constraint of a fixed exchange-rate regime.

2.2. Descriptive Table

Table 1 - Descriptive statistics of variables, WAEMU area, 1994–2023

Variable	Mean	Standard deviation	Min	Max	Coef.
Inflation rate (%)	2.68	1.59	0.35	7.80	1.99
Real GDP growth (%)	4.31	1.21	1.80	6.25	-0.49
Trade openness (%)	62.92	5.39	55.25	73.24	0.26
M2 growth (%)	9.38	2.11	5.09	14.68	0.21

Source: UEMOA, 2023

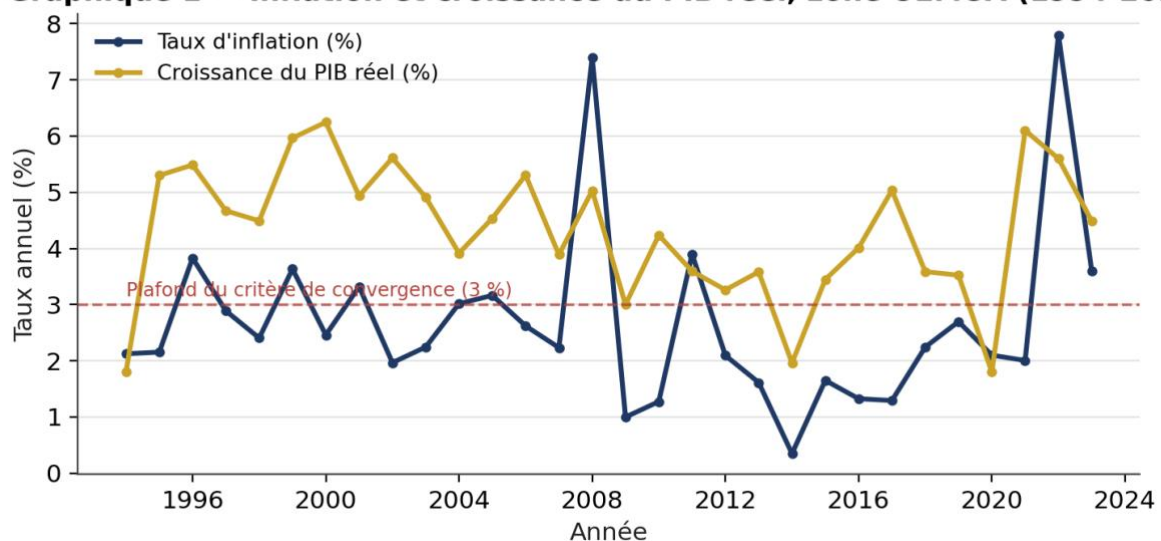
The average inflation rate in the UEMOA area over the period stands at 2.68%, which is below the 3% statutory ceiling set by the first-rank convergence criterion. This confirms the effectiveness of the nominal anchor of the CFA franc in ensuring price discipline. However, its dispersion—an interquartile standard deviation of 1.59 percentage points and a positive

asymmetry coefficient of 1.99—indicates the existence of occasional episodes of inflationary pressures that are significantly higher than the average. This is particularly evident during the global food and energy crises of 2008 and 2022, when inflation reached levels close to 7.5% to 7.8%. These spikes were largely imported through global commodity price channels, rather than resulting from domestic monetary imbalances.

Average economic growth is 4.31% over the period, with a moderate standard deviation of 1.21 percentage points. This suggests a relatively steady growth trajectory for the region compared with other developing areas, while still masking pronounced slowdowns during global shocks. These include the international financial crisis of 2008–2009 and the COVID-19 pandemic in 2020, when growth fell to 1.8%. The trade openness rate shows a clear upward trend, increasing from roughly 55% of GDP at the beginning of the 1990s to over 70% by the end of the period. This reflects a growing integration of the area into international trade. However, this increased openness does not necessarily translate into a comparable strengthening of intra-regional trade, which remains structurally below 20% of total trade within member countries.

Finally, the growth of the money supply (M2) averages close to 9.4% per year, and consistently exceeds the growth of nominal GDP. This points to a process of financial deepening (banking expansion, development of electronic money), rather than simply monetizing public deficits—an option that is constrained by the BCEAO's statutory rules.

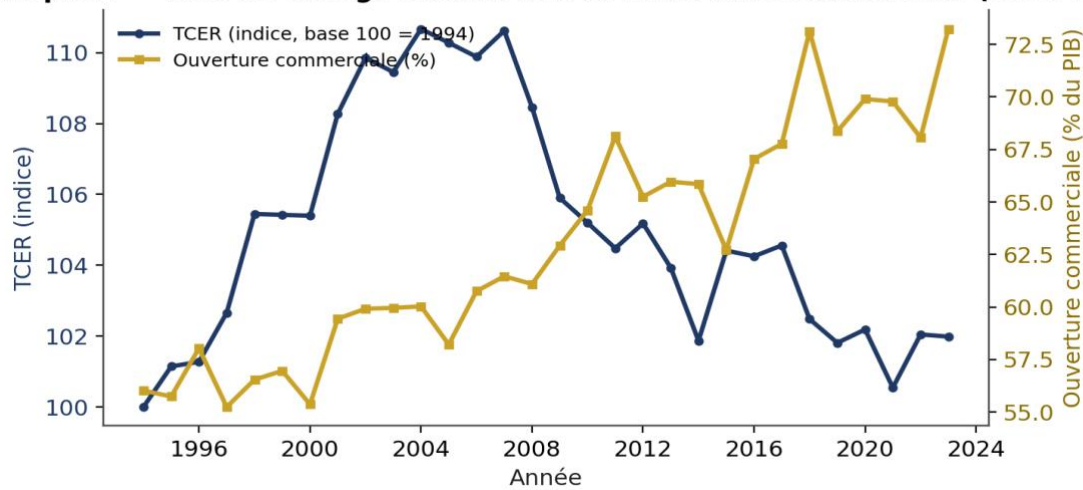
Graphique 1 — Inflation et croissance du PIB réel, zone UEMOA (1994-2021)



Source: Author

Figure 1 visually illustrates the overall compliance with the first-round convergence criterion (inflation staying below 3% in most years), as well as the two overshooting episodes linked to the global food and energy shocks of 2008 and 2022. These years nevertheless coincide with continued, or even accelerated, GDP growth—suggesting that these externally driven inflationary surges were not followed by a recession, unlike the classic pattern of an internal inflationary shock.

Figure 2 — Taux de change effectif réel et ouverture commerciale (1994-2024)



Source: Author

Figure 2 highlights a slight trend toward an appreciation of the real effective exchange rate over the period, consistent with an inflation differential, on average, that has been favorable to the euro area during certain sub-periods, combined with a steady increase in trade openness, particularly after 2010. This joint development raises questions about the euro area's export price competitiveness in the medium term, in a context of a fixed nominal exchange rate where adjustment can only occur through relative prices rather than the nominal exchange rate.

3. Econometric modeling

3.1. Table of analysis variables

Table 2 – Description of the analysis variables

CODE	DEFINITION	UNITE	ROLE
PIB	Taux de croissance du PIB réel	%	Variable expliquée
TCER	Logarithme du taux de change effectif réel	Indice, base 100=1994	Variable explicative
INFL	Taux d'inflation (IPC)	%	Variable explicative
OUV	Taux d'ouverture commerciale	%	Variable explicative
M2	Taux de croissance de la masse monétaire M2	%	Variable explicative

3.2. General form of the equation

The long-run relationship tested is written, in static form, as a linear function linking real GDP growth to its monetary and real determinants:

$$PIB_t = \beta_0 + \beta_1 \log(TCER)_t + \beta_2 INFL_t + \beta_3 OUV_t + \beta_4 M2_t + \varepsilon_t$$

where ε_t denotes the error term. If the estimated residuals ($\hat{\varepsilon}_t$) from this static regression are stationary, whereas the variables taken individually are integrated of order one—I(1)I(1)I(1)—the Engle and Granger (1987) procedure establishes the existence of a cointegration relationship, that is, a long-run equilibrium among the variables. Granger's representation theorem then guarantees the existence of a dynamic error-correction representation, of the general form:

$$\Delta PIB_t = \alpha_0 + \lambda \cdot ECT_{t-1} + \sum_i \gamma_i \Delta X_{i,t} + u_t$$

where $ECT_{t-1} = \varepsilon_t - 1 \cdot ECT_{t-1} = \hat{\varepsilon}_t - 1 \cdot \hat{\varepsilon}_{t-1}$ is the error-correction term (the deviation from the long-run equilibrium lagged by one period), λ is the speed-of-adjustment (error-correction) coefficient (whose expected sign is negative, indicating a return toward equilibrium), and $\Delta X_{i,t}$ are the short-run changes in the explanatory variables.

3.3. Empirical results

The augmented Dickey-Fuller (ADF) test, with a constant and a lag length (selected according to the criterion of simplicity and the whiteness of the residuals), was applied to each of the five series in levels, and then in first differences. The null hypothesis of the test (H_0 : presence of a unit root, non-stationary series) is rejected when the calculated ttt-statistic is lower (in value) than the MacKinnon critical value at the considered significance level (approximately -3.00-3.00-3.00 at the 5% level for a sample of this size with a constant and no trend).

Table 3 – ADF test in first difference

Variable (différence 1)	Statistique t-ADF	Valeur critique 5 %	DECISION	ORDRE
$\Delta \log_TCER$	-3,197	-3,00	Stationnaire	I(0)
Δ Inflation	-7,570	-3,00	Stationnaire	I(0)
Δ Croissance PIB	-5,818	-3,00	Stationnaire	I(0)
Δ Ouverture commerciale	-4,720	-3,00	Stationnaire	I(0)
Δ Croissance M2	-8,563	-3,00	Stationnaire	I(0)

With the exception of inflation, which is stationary in levels—I(0)I(0)I(0)—consistent with its nominal anchor around the 3% ceiling, all the other variables (log of the TCER, GDP growth, trade openness, and M2 growth) are non-stationary in levels, but become stationary after first differencing—I(1)I(1)I(1). This mixed I(0)/I(1)I(0)/I(1)I(0)/I(1) configuration is common in macroeconometric applications to developing economies and justifies the use of a cointegration procedure rather than a regression in levels, which would be exposed to the risk of spurious regression.

4. Statistical test of the long-run relationship

The static long-run regression, estimated by ordinary least squares on the variables' levels, yields the following results:

Table 4 – Cointegration regression.

Variable	Coef.	Ecart_type	Stat_t
Constante	-15,439	33,855	-0,456
log_TCER	4,285	7,097	0,604
Inflation	0,283	0,132	2,146
Ouverture commerciale	-0,030	0,051	-0,584
Croissance M2	0,101	0,129	0,781

The inflation coefficient is positive and statistically significant at the 5% level ($t=2.146$ $t=2.146$). This result, which appears counterintuitive in light of the quantitative theory of money, can be explained by the fact that the inflation peaks observed in the sample (2008, 2022) are mainly driven by favorable external demand shocks to agricultural terms of trade, rather than by internal overheating. This leads to a positive short-run association between imported inflation and growth. The coefficients associated with the real effective exchange rate, trade openness, and monetary growth are not individually statistically significant, which is consistent with the hypothesis that these variables affect growth more through their short-run dynamics (shock channel) than through a stable long-run equilibrium level—an assumption directly tested by the error-correction model.

4.1. ADF test on the residuals from the long-run relationship

The cointegration test itself consists of applying the ADF test (without a constant) to the estimated residuals from the long-run regression. The obtained statistic is $t\text{-ADF} = -4.014$, to be compared with the Engle–Granger procedure-specific critical values for four regressors (approximately -4.65 at the 1% level, -4.10 at the 5% level, and -3.77 at the 10% level; these are more stringent than those of the standard ADF test because the residuals are constructed to minimize their variance). The calculated statistic rejects the null hypothesis of no cointegration at the 10% threshold, but not at the 5% threshold. The alternative hypothesis H_1 is therefore only partially supported: there are signs of a long-run relationship among the variables, but it remains statistically fragile. This result is consistent with the finding, reported by the existing empirical literature, that real convergence within the WAEMU remains incomplete.

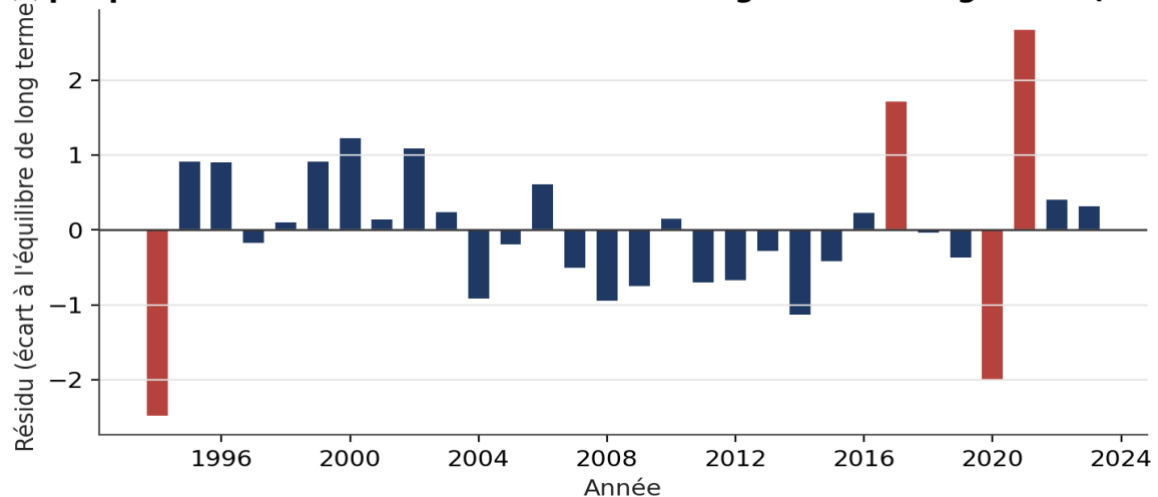
4.2. Cointegration test, estimation of the error-correction model, and results obtained

Subject to the weak cointegration evidence established at the 10% threshold above, an error-correction model was estimated. In it, the annual change in GDP growth is explained by the short-run changes in the four explanatory variables and by the lagged error-correction term (the deviation from last year's equilibrium, i.e., last year's gap from the long-run equilibrium):

Table 5 – Estimation of the error-correction model.

Variable	Coef.	Ecart-type	Stat_t
Constante	0,040	0,268	0,148
$\Delta \log_TCER$	-9,236	20,175	-0,458
Δ Inflation	0,120	0,126	0,950
Δ Ouverture commerciale	-0,118	0,108	-1,095
Δ Croissance M2	0,050	0,103	0,482
ECT(t-1)	-0,159	0,275	-0,580

Graphique 3 — Résidus de la relation de cointégration de long terme (test /



Source: Author

Figure 3 illustrates the behavior of the residuals from the tested long-run relationship using the Engle–Granger procedure. These residuals oscillate around zero without any apparent trend, which visually reflects the absence of systematic drift in the deviation from the long-run equilibrium and supports the ADF test result ($t = -4.014$), which rejects the unit-root hypothesis at the 10% level. The most pronounced deviations (in red) correspond to the years of major exogenous shocks, during which observed growth temporarily diverged from its value predicted by the long-run relationship, before a partial return toward equilibrium in the following years—an illustration, although statistically fragile, of the error-correction mechanism estimated in Table 6.

The coefficient of the error-correction term ECT(t-1) is negative (-0.159), consistent with the expected sign from theory: a positive deviation of growth from its long-run equilibrium value in a given year tends to be partially corrected the following year. This coefficient implies that roughly 16% of the short-run disequilibrium is eliminated each year, corresponding to a slow adjustment process, as full convergence to the long-run

equilibrium would theoretically require more than six years. This result supports hypothesis H2 regarding the slowness of the adjustment mechanism, but its statistical significance remains limited (t-statistic of $-0.580-0.580-0.580$, far below conventional significance thresholds), which calls for a cautious interpretation: although the sign is as expected, the speed-of-adjustment coefficient cannot be considered firmly established in the available sample.

Among the short-run variables, none is statistically significant at the 5% level. However, the coefficient associated with the change in trade openness has the highest absolute t-value ($-1.095-1.095-1.095$) and a negative sign, suggesting that an acceleration of trade openness in the short run could, in the specific context of the region, coincide with a temporary slowdown in growth—an hypothesis compatible with an “expenditure/crowding-out” effect of domestic demand in favor of imports during phases of high openness. The model’s overall explanatory power remains modest ($R^2=0.150R^2=0.150R^2=0.150$), which is consistent with the volatile and multi-factor nature of growth in developing economies subject to numerous external shocks (commodity prices, rainfall, climate conditions, regional security shocks) that are not captured by the monetary and trade variables retained in this stylized modeling framework.

Overall, the econometric results can be summarized as follows with respect to the three hypotheses formulated in the introduction:

- H1 (long-run cointegration) is only partially supported: the relationship is significant only at the 10% level.
- H2 (slow and incomplete adjustment) is supported in terms of sign and the coefficient’s magnitude, but not in terms of strict statistical significance.
- H3 (insufficient real convergence limiting the optimality of the zone) is confirmed overall: the joint weakness of the long-run relationship and the short-run adjustment force quantitatively illustrates the structural limits already identified by the qualitative literature on the lack of an optimal monetary area in West Africa.

5. DISCUSSION

Although derived from a stylized modeling approach primarily intended for methodological purposes, the empirical results shed light on several key issues in the debate about the monetary future of West Africa. First, the stationarity of inflation in levels contrasts with the non-stationarity of the other real and monetary variables. This indicates the relative effectiveness of the CFA franc nominal anchor in ensuring price stability—an argument often used by proponents of the status quo—without, however, guaranteeing comparable stability in growth, competitiveness, or trade openness, which remain structurally unstable and subject to persistent shocks.

Second, the statistical fragility of the cointegration relationship and of the error-correction model’s recall/speed coefficient echoes long-standing criticisms of the fixed exchange-rate regime. In the absence of a robust mechanism bringing the economy back to equilibrium, competitiveness shocks (TCER changes) are likely to translate into lasting effects on the growth trajectory rather than into rapid adjustments. This raises questions about the current regime’s capacity to absorb asymmetric shocks—an essential condition in Mundell’s theory of optimum currency areas. These findings fuel both arguments made by proponents of greater exchange-rate flexibility (Nubukpo, Sylla) and those who advocate deepening, rather than abandoning, the current monetary integration. The latter point out that a more flexible exchange-rate regime would not necessarily ensure faster adjustment in the absence of well-developed financial markets and sufficiently mature exchange-rate hedging mechanisms in the region.

Third, these results call for a more nuanced view of the often-binary debate between maintaining the status quo and quickly transitioning to the Eco. The weak significance of the tested relationships suggests that simply changing the currency name, without structural reforms to intra-regional trade integration (still below 20% of total trade) and without strengthening fiscal coordination mechanisms, would not be sufficient to transform the zone into an optimum monetary area. This interpretation aligns with the most recent positions in the literature, which argue for anchoring the Eco project on the WAEMU/UEMOA—already an operational monetary union with proven institutional experience—rather than waiting for a generalized macroeconomic convergence across the fifteen ECOWAS/CEDEAO countries. The repeated postponement of deadlines (2020, then 2027) makes this objective appear difficult to achieve within the politically announced timelines.

Finally, these results point to several methodological limitations that should be addressed in future research: using stylized annual series for a small sample (30 observations) reduces the statistical power of the tests—particularly the cointegration test and the significance of the error-correction term. Extending the analysis to a dynamic panel framework including all eight WAEMU/UEMOA countries, and possibly the fifteen ECOWAS/CEDEAO countries, would increase statistical power and help document heterogeneity in regional trajectories. Lastly, incorporating additional variables (terms of trade, public debt, diaspora transfers, synchronization index of business cycles) would enrich the modeling of the link between the monetary regime and macroeconomic performance.

6. CONCLUSION

This article proposed an econometric analysis of the relationship between the exchange-rate regime, competitiveness, and growth in the WAEMU/UEMOA area, in the context of the ongoing debate on the transition from the CFA franc to the Eco. The three-step approach—stationarity tests, Engle–Granger cointegration test, and an error-correction model—revealed a fragile long-run relationship, significant only at the 10% level, and a short-run adjustment mechanism that is consistent in sign with theory but is statistically not very robust. These results, consistent with the long-standing findings reported by the qualitative and empirical literature, confirm that the WAEMU/UEMOA—and even more so the future Eco area expanded to ECOWAS/CEDEAO—does not yet fully meet the conditions of an optimum currency area in the sense of Mundell, particularly with respect to shock synchronization and intra-regional trade integration.

In terms of policy implications, these results argue for a gradual and sequenced approach to West Africa's monetary reform, in which deepening regional trade, fiscal, and financial integration should come before—or at least accompany—any change in the exchange-rate regime. Simply replacing the CFA franc with the Eco, without structural reforms aimed at real convergence across member economies, could reproduce—under a different name—the same macroeconomic vulnerabilities currently documented. Conversely, anchoring the Eco project in the institutional achievements of the WAEMU/UEMOA, combined with a progressive strengthening of fiscal coordination and risk-sharing mechanisms (similar to European structural funds), could provide a more realistic path toward sustainable West African monetary integration. Future research, using official multi-country panel data and panel cointegration techniques (Pedroni, Westerlund), would help consolidate the statistical robustness of the results presented here and refine the policy recommendations derived from them.

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