THE BROOKINGS INSTITUTION

FALK AUDITORIUM

THE CFA FRANC ZONE: ECONOMIC DEVELOPMENT AND THE POST-COVID RECOVERY

Washington, D.C.

Wednesday September 28, 2022

PARTICIPANTS:

Presentation:

ALI ZAFAR
Economic Advisor and Head of Development Policy Research Hub,
United Nations Development Program

Panelists:

ALOYSIUS UCHE ORDU
Director, Africa Growth Initiative, Brookings

RAYMOND GILPIN
Chief Economist, Regional Bureau for Africa,
UNDP

JOHN ASAFU-ADJAYE
Senior Fellow
ACET

CHRISTINA LASKARIDIS
Assistant Professor in Economics, Open University

JULIUS AGBOR
Professor of Economics and Finance, Vanguard University of Southern California

* * * * *

P R O C E E D I N G S

MR. ORDU: Good morning, everyone, and thank you all very much for joining us today. I'm Aloysius Uche Ordu, director and senior fellow of the Africa Growth Initiative at Brookings. Today, we're delighted to discuss a new book, titled, "The CFA Franc Zone: Economic Development and the Post-COVID Recovery." In this new book, the author, Ali Zafar, surveys the history and the complex political economy of the zone. He also proposes a number of reforms on exchange rates, and macroeconomic architecture for both West and Central Africa.

As many of you know, the CFA franc is used in 14 countries in francophone West and Central Africa. Since the 40's, the CFA franc was pegged to the French franc, and since the reforms of 1999, it's been pegged to the euro. The fixed exchange rate regime hinders policy response to shocks and prevents independent monetary policy. Since 2002, the euro has depreciated against the U.S. dollar. This has dragged down the CFA franc, vis a vis the dollar.

While this next export in the zone, very competitive, is bad news for imports. It's also bad news for the repayment of external debt. Right now, the global economy faces considerable headwinds. We're not out of the woods yet, as regards COVID. The Russian invasion of Ukraine continues to recover on food, fuel, and fertilizer prices. Climate change is unrelenting in the region. And fragility continues to ensure huge security spending in much of the countries of the region.

Faced with these challenges and the limited policy options, how are the franc zone countries in West and Central Africa faring? That's part of what we'll be discussing today. And for that, I am absolutely delighted to co-moderate this event with my old friend Raymond Gilpin. Raymond is chief economist, regional bureau for Africa at the UNDP. Raymond, welcome, and over to you.

MR. GILPIN: Thank you so much, Aloysius, and thank you to you and your team for hosting this timely event. The book doesn't just look at the exchange rate and policy implications of the CFA zone, but, as it mentions in section 2, it tries to crack the nexus between exchange rate management in francophone Africa, and what the author describes as development puzzles.

And this is what I think is a particularly interesting and pertinent addition to our thinking about how do we unravel some of the development puzzles, as we think through not just development as we've known it, but resilience? How could and how should African economies cope with shocks? And one thing that the book does expertly is it has a comparative analysis between CFA and non-CFA African countries and some countries in Africa and Asia who opted out of the CFA zone, and also much broadly.

And this does three important things. One, it gives us a clearer sense of what is possible. Secondly, it identifies clear lessons that could be learned. And thirdly, it sets the book up for a really stimulating conclusion, which is the ten-point roadmap for CFA countries. So, this is a very exciting time, particularly now, as African countries are grappling with very complex economic and financial policy ramifications from the continuing COVID pandemic, from the effects of the Ukraine war, and also from the slow but sure advance of climate change, not just in Africa, but also across the world.

And so, we are very, very happy to be able to introduce the author of this book, Dr. Ali Zafar, who is a macroeconomist with over two decades' worth of experience working in Africa, Asia, and the Middle East. His work has focus, not just on macro policy, but private sector competitiveness, infrastructure finance, and also emerging market economies. He's currently -- he's currently an economic advisor with UNDP, and he's head of the development policy unit in his country office. So, we're really, really, really pleased to have him talk us through not just some of the highlights of the book, but also some of the implications at this very perilous time, not just for Africa, but for the global economy. So, Ali Zafar, we are very pleased to hand the microphone over to you.

MR. ZAFAR: Thank you very much Aloysius, thank you Raymond, thank you Brookings. It's very -- it's an honor to be here to present this work, and also to my illustrious co-panelists.

So, why did I write this book? I wrote this book for two reasons. The first reason is I have a passion for the CFA zone, my career began there, I've worked on many of the countries, and traveled extensively, and it's a personal passion.

The second is, I wanted to bring to attention to the Anglo-Saxon world, which perhaps does not know the history of this zone, and also, I wanted to demystify a taboo. The CFA franc zone has been a taboo topic, especially at the level of international financial institutions for a long time, and I feel that it's time to, kind of, open the taboo, as has been done, and also to prevent a roadmap of reforms, as Raymond said, in a world of shocks.

I also wanted to thank Helen Epstein, who's written a very positive review of the book in the New York Review of Books, and while this book was written independently, I kind of wanted to bring the UN perspective, which is to look at the macro and micro links, the relationship between macro, human development, and poverty.

So, I have four points that I wanted to kind of bring to the attention. The first is the history of the zone and the key features. The franc zone is an anomaly in international monetary economics. It is a zone that, while most of the -- it was set up by de Gaulle, and it was a kind of an attempt to, kind of, keep a kind of a grander France, and it was -- there was a very divergent trajectory between the franc zone and the sterling zone. in the work of Kathleen Schenck (phonetic), you see that many of the other zones, the sterling zone, the escudo zone, they were there in the 40's, 50's, 60's, and then they kind of disappeared into history.

But the franc zone is unique in that it has persisted for seven decades. Its core features of the franc zone are four. One is the pegged first to the franc, and then to the euro, after 1999. The second, the 14 countries of the franc zone, that's the West and the Central Africa franc zone, the French speaking countries, they all pool their reserves, 50 percent of the reserves are managed in an operations account in the French treasury. Third is the guarantee of convertibility by France. And four is the free capital mobility to Europe. The central architecture of the zone has remained unchanged, but other features of the zone have changed.

So, what has -- what has happened in the last 10 years I call in the book the winds of change. Besides the devaluation in 1994, there was not a lot of movement until the last few years. The first change was -- was the (inaudible) forms, in which the certain elements of the operations account were changed.

Then you have a big movement for common currency in anglophone -- in ECOWAS, which is kind of anglophone plus francophone Africa, so there's been a growing kind of movement, and some of that movement is under the AfCTA, which is the trader's group.

The third is you have growing concerns about the CFA in many of the countries. So, you have -- in Central Africa and the public, you have, Touadéra, you have -- excuse me, Goïta in Mali, Ousmane Sonko in Senegal. There's a kind of concern that this is an arrangement that has not modernized.

And then you have all the shocks, the fourth thing is COVID, Ukraine, climate change, and the fifth is you've had a lot of concerns that the UN, former secretary -- Under-Secretary General Carlos Lopes said it's outdated, there's questions about the Sahel.

So, in a nutshell, there's -- there's quite a bit of change. I would just add, even Emmanuel Macron and Ouattara had concerns about the CFA, and they wanted to, kind of, modernize the system, so they've opened up to reform.

So, that's my first point. My second point is that a CFA in its macroeconomic architecture is -- is falling behind the rest of the developing world. And in my book, I make an argument that part of the CFA architecture is a political economy of elites.

There's three kind of groups that are central to the CFA. One is the -- France, and France has been, kind of, the architect, and in many ways the guarantor, and it has been de facto the implementor of many rules of the CFA zone, and the French position is slightly shifting with Macron, but it has been at the center of it.

The second is the francophone African elites have -- have wanted to anchor their currency to the euro, and so, the monetary architecture of the zone is the same as the European Central Bank. So, the regional banks have a two percent inflation target, so when you're pegged to another currency, you inherit the monetary policy. And so, I'm -- in my book, I argue there were arguments to have stability overdevelopment at the early phase, but as a result of an excessive focus on stability, the countries have neither stability nor development. And I show, for example, that when you look at the franc zone, there's three parts of the franc zone. One is the Sahel, which is very much falling behind. Two is you have the Senegal Cote d'Ivoire, and the coastal countries, Cameroon, and in my empirical analysis, countries like Senegal have had a GDP per capita that is not very different from independence, and the third is the CEMAC, which is kind of political economy frontier and oil economies. So, these three parts of the franc zone have kind of fallen behind, I argue, relative to some of the anglophone countries. And -- and then you have, in my Brookings blog, I show that what Robert Mundell called a kind of optimal currency area, you don't have a catch up, so you have the -- the coastal countries and the landlocked countries are on their own trajectory, and you don't have a catchup. So then, the question is, what is -- what is the -- why is the system not working? And in my book, the third point I wanted to make, it's not working from a development perspective for four key reasons.

The first reason is that francophone countries are weak economies, and it was always an anomaly of history to peg very weak economy to a very strong current. And so, you have what is called perpetually overvalued currency, and from the non-macroeconomist perspective, an overvalued currency is kind of a subsidy on imports, and a peg -- and a tax on exports. So, these countries are chronically in -- in what we call a deficit. And so, in my calculation, I found that the SEMAC is overvalued by 30 percent, and UNWA (phonetic) by 20. It might have changed a little bit. The methodology, we can get in the Q and A on the methodology. But it's a significant barrier to competitiveness, especially for the private sector. So, you know, it is important to note that countries like China, Mauritius, and in the work of Caroline Freund, we know that one of the indicators of successful economic development is to have a competitive currency.

The second point I wanted to make is, when you have a fixed exchange rate pegged to a Euro, you limit the macroeconomic policy options of the countries. So, like, they can't adjust to trade shock, so either they cut investment, or they borrow more. So, if we think -- or macroeconomist think of exchange rate as a shock absorber, and CFA economies don't have that.

The third point I wanted to make is that there's a bias in the CFA, which is a bias towards imports and against the rural sector. Commercial agriculture is penalized, there's a bias against rural poor, and it's very much kind of an urban-based system of imports.

And the fourth thing I wanted to say is they're a credit-constrained economy. When you peg to the Euro, you don't have independent monetary policy, and the CFA franc zone has a set of very tight arrangements, on restrictions of money supply, and on other different elements. And so, the point that I want to make is that if you compare, say, Kenya and South Africa to Senegal and Cameroon, you -- you discovered that there's a big lack of credit, a credit gap. And this is especially penalizing to SMEs, and to rural finance.

So, the -- the one defense of the CFA in the past has been the lower inflation, but my argument in the book is that the tradeoff is too severe, and as we see now, actually, CFA countries are also having a lot of inflation. So, my argument is that, in the work of (inaudible) two decades ago, the seminal work, that this is a bad bet for the countries. And so, I feel like it's very difficult to manage shocks, and one of the reviews from my book, a prominent Argentinian macroeconomist, said the CFA franc zone is like trying to run a marathon with a refrigerator on your back. So, that's my key kind of concerns about the CFA zone.

And my final point, which I end the book with, is the roadmap, and I wanted to make four or five points on the roadmap. The first is that I feel that the peg to the euro and the peg to the franc are anachronisms of history, that the CFA franc zone needs a modernization to respond to the growing shocks and challenges. So, my first kind of recommendation is that the peg to the euro should be replaced with what I call a basket egg, for the CEMAC -- for the UNWA countries, excuse me, it would be a reflection of the trade weights. So, they trade a lot more with Asia, they trade a lot more with the U.S. and others. So, a peg that reflects the trade. With CEMAC, I believe the peg should reflect the price of oil, and so to introduce flexibility and exchange rate arrangement, this is not only an academic point, this is a real-life point, because, when the currency becomes much more competitive, one encourages the trade of a sector, one encourages SMEs, one encourages less import and more export.

So, my second point is the swap line with the ECB. There is a French guarantee, but the guarantee is very ambiguous. Some have had the guarantee is between zero and infinity, and it's hard to understand exactly what France will guarantee. France does not have the fiscal space that it had in the 80's, so, frequently, it's the IMF that is -- that is shouldering the kind of -- of deficits. And, you know, in -- I feel like the IMF has been on the wrong side of macroeconomics, and of history, on the CFA franc zone. Because normally the IMF is for market price. But on the franc zone, it's kind of been very inconsistent. Which goes back to my earlier point of political economy. We can talk about that in the Q and A.

My third point is back the central bank. I believe that there should be a modernization of the central banks, that having the monetary policy the same as the European Central Bank is another anachronism, that, as Mario Draghi said, whatever it takes. We have to give policymakers in francophone Africa more ability to expand money supply, to change interest rates, to deal with the kind of growing challenges. And -- and there's a lot of interesting work countries like Ghana and South Africa have modernized their inflation targeting regimes. Louis Kasekende has argued very forcefully that there's a lot of innovation and solid macroeconomic management in many of the countries in Africa, and I feel that the CFA franc zone can learn from some of the better performers. My -- so, a more flexible monetary policy -- next point is on fiscal policy. I do believe that fiscal policy has to be contained, but I think that the limits are too tight, the IMF is talking of fiscal consolidation in the Saher, like three percent, to deal with the shocks of climate change, to deal with the kind of tensions for the farmers, of competitiveness. I feel that it is too tight of a policy framework.

My final point is on -- my next point is on debt. The CFA franc zone is not unique. Other countries in Africa are facing a debt overhang. But maybe three elements are unique. One is that I bring the example of Senegal, which is part of the complex monetary architecture of the zone. Senegal and the other countries have to put 50 percent of their reserves in an operations account, and then they put their money into an account, and they get 0.75 percent return purchasing European debt. On the other hand, they borrow your bonds, and internationally at eight percent, or seven percent, high risk premium, (inaudible) as shown. So, this asymmetry between the 8 and the 0.75 means that they will have debts and sustainability considerations, that the reserves management is not being modernized to deal with the situation.

And the second thing is the common framework, Chad, Ethiopia, and Zambia are now under the common framework. Chad has a lot of debt from Glencore, and so, the question is how do you get private creditors and multilateral creditors together on this common framework? It's moved slowly, and my final point on that is that because of the inability to adjust to trade shocks, there's no adjustment for countries like Gabon and Republic of Congo, they end up borrowing, and then they end up in the same situation a decade later. So, in a nutshell, I believe that we have to rethink the zone. It -- it may be in the 1950's it made sense, where the CFA countries have lower inflation, but the tradeoffs are too severe. We are not giving the policymakers the ability to deal with the shocks, both on the monetary side, on the fiscal side. And I want to end with this note of optimism, which is we've seen, throughout the world, that innovation can happen. China became a manufacturing power, Brazil became a big agricultural powerhouse, Israel is doing draught-resistant agriculture. It's time for us to learn the lesson from other countries, and to really demystify this political economy. And my final word is that a rich CFA franc zone is in the interest of Europe, and of course, mostly in the interest of the people living there, and I also believe in an important marshal plan for the Sahel, so, I would really like to thank all of you, and I look forward to discussions. Thank you so much.

MR. ORDU: Thank you very much, Ali. That's quite a tour de force on the situation in the zone. Let me just get my -- my camera working here. All right. Okay. Viewers, if you have any questions, please send them to events@brookings.edu. Those of you on Twitter, using the hashtag #CFAfranczone, one word.

Now, let's turn it back to our esteemed panelists. We have Ms. Christina Laskaridis, assistant professor in economics, school of social sciences and global studies, at the Open University in the U.K. We also have John Asafu-Adjaye, senior fellow at the African Center for Economic Transformation, ACET, in Accra, Ghana. We have Professor Julius Agbor, professor of economics and finance, Vanguard University of Southern California.

Panelists, I bid you all a warm welcome. Raymond, over to you.

MR. GILPIN: Thank -- thank you for introducing our esteemed panelists, Aloysius. And let me get the ball rolling with Dr. Christina Laskaridis. You were a lecturer in economics at the Open University in the U.K. We've heard our -- also, Ali Zafar, talk about a number of concerns. Competitiveness, lack of appropriate and adequate fiscal response, trade imbalances, urban bias. Do you agree with this assessment? And if so, what would your recommendation be in terms of policy response?

MS. LASKARIDIS: Thank you, and hello to everybody. Thank you to Ali Zafar, Aloysius, and Raymond, as well as the Brookings institute. It's a great pleasure to be here.

A very warm congratulations to start off with this great achievement in the publication of this book. I agree with some of the points already made. This is an ambitious endeavor, well executed, not only for its historical approach, but also for bringing to the table a range of issues which are not only important, but also rather understudied. And if I may say so, I think that this is one of the most useful additions to the existing scholarship, that it has really come from a place of a wealth of professional and practical experience. So, warm congratulations on this front.

In that light, the sort of topics of gender issues and firms on climate policy in the zone, I think, are especially welcome. One of the main takeaways for me was not that the author necessarily concludes that the experience justifies a loosening of these tight institutional arrangements, and suggests in this light a series of recommendations, which I'm sure we will be talking about in great depth, but rather the grounds on which -- there's a series of, sort of, puzzles that the book touches upon, and it's these that

I would just like to briefly mention.

So, one of them is this issue of continuity and change, and I was left wondering about the author's evaluation, not so much about where should we go, where should the direction be, but an evaluation as to this remarkable persistence. So, where the book takes note of this lack of change, it raises a number of issues, and as we have seen with other tight institutional arrangements like the Eurozone, there are sustenance and, sort of, persistence maybe explained more readily on political, rather than, sort of, economic grounds.

Picking up from some of the concerns that were mentioned by Ali just earlier, the costs of maintaining a zone, as we saw in the Eurozone, are oftentimes unjustifiably high. And a question related to this is, how did the experience of this decade-long crisis in Europe disorganize, essentially, the vision of the model of integration that the franc zone was trying to imitate, especially after the '94 evaluation, and the pegging to the euro thereafter. Arguably, it became a less desirable model to emulate after all of that. So, I'm very curious to hear more about that. And a second and related point, which I think the book presents well but I would welcome a sort of more thorough discussion on, is this evaluation of the gains and losses.

I daresay that the evidence that the book puts forward is mixed, not only in terms of the lack of an audit, and, sort of, proper presentation of the operations account, how the reserve pooling has benefited certain countries in deficit or surplus, as well as the expenses that are being discussed incurred by France, I would welcome a sort of more thorough evaluations of the criticisms, specifically in terms of how the zone has benefited France, not only in terms of its monetary aspects, but also in terms of the operations, multinational corporations and otherwise. This touches a lot on the -- the sort of taboo topic that Ali has very well tried to open up, and I think the sort of virtues of policy sovereignty, not clearly in a time of crisis, but not only is one that needs to be more readily discussed.

So, just to say, a very warm congratulations again, and thank you from me for the time being.

MR. ORDU: Thank you very much, Christina. Let me now turn to John. We heard what Ali said, and Christina's first response, and I was wondering, in your view, what is the ideal fiscal and monetary policy regime for low-income countries to deal with the sort of shocks that we've been talking about.

MR. ASAFU-ADJAYE: Thank you, Aloysius. And may I also correlate Ali on taking on the so-called taboo topic. I think you've -- you've actually made a bold move to put it on table, and you need to be congregated (phonetic) to that. So, to get to your question, Ali, I'm not sure whether there's anything which is ideal. But based on the experience of some of these newly imagined countries, I would say that, starting with fiscal policy, it would be very important to enact a fiscal responsibility law. This has been well-enforced in Argentina. Ghana has adopted a fiscal responsibility law in 2018 -- 2019, just because for COVID struck. I mean, it was suspended in 2020 because of COVID. But basically, it puts a responsibility on the government to maintain fiscal deficit within a second band. Also, it restricts borrowing, in the case of Ghana, to 5 percent of GDP. Some people in Ghana think that the law doesn't have enough teeth, in terms of the penalties for breaching the law. As is the case in Argentina, where it is strictly enforced, and could even -- and the financial minister could even end up in jail if they -- they don't go by the law.

Also, I think the beauty of it is that it limits a -- it puts limits on how much can be borrowed, and so therefore injects a form of debt sustainability on the government. In addition to that, it also -- it's also good to have a public financial money grading (phonetic) law, which then sets out a law what the responsibilities of the government are, in terms of public finances. Also, with -- with enough teeth to make sure that the government or public officials remain in the law.

When we come to monetary policy, of course the CFA countries don't have that -- that ability because they've tied -- they pegged the currency to the euro or the dollar. But in monetary policy, countries should be able to do inflation targeting around a given band, and personally, from my point of view, I think that it's also important to look at some other variables, like gross, or even the real sector. Although, you know, that various people who believe in strict inflation targeting. But I believe that while inflation targeting is good for developing countries or developing economies, I think we need to do more, and keep an eye on what is happening in the real sector, which impacts on growth. So, I think that can be brought in, but that's just my own view, and I know there's some people who -- who might disagree with that.

And what I would like to bring in is the impact of climate change. We've gotten some analytical work which shows clearly, and this has been known in the literature for other countries. But we've done this work for African countries, and we clearly show that every degree increase in -- every one centigrade degree in increase in temperature has an increase on prices, you know, and we do this using economic models. And so, the finding that we came up with is that it's very important for central banks to pay attention to climate-induced shocks so that they can apply appropriate policy responses. And also, it's important to consider temperature-related shocks when forecasting inflation. So, this is something that is very important to evolving countries, but currently I know there's not much technical expertise to do this sort of analysis. But it is something that we should be working towards, because as Ali says in his book, if you take the CFA zones, they're being impacted a lot by climate. And right now, they're not even able to do that, use the monetary policy or fiscal policy. So -- so, one of the things that I would like to consider in the discussion is how this can be worked into the role of a central bank to -- to broaden the role of a central bank to just go beyond inflation targeting and consider other variables that kind of impact the real sector.

So, let me hand back to you, Aloysius.

MR. ORDU: Thank you very much John, go back to you Raymond.

MR. GILPIN: Thank you so much John. I think really great points, and we all some of the points already made by Christina, where looking at a lot of the policy implications. Do we go with inflation targeting, do we go with tighter or looser fiscal regimes, and this is something that I hope that we will be able to be unpack, especially when we bring our old firm back.

But let me turn to Dr. Julius Agbor from Vanguard University of Southern California. One of the angles that the book takes is the impact of these issues on development and development financing. I think that right now, as we think about the 2013, so thinking about development goals, et cetera, we are seized with a sense of urgency, et cetera. In your view, Dr. Agbor, would this exchange rate arrangement make it more difficult for CFA countries, relative to non-CFA countries in Africa, and why?

MR. AGBOR: Thank you so much for having me. I want to congratulate Ali for such an important and significant contribution to our understanding of the mechanisms and the structure architecture of the CFA franc zone, and we cannot emphasize enough that it's still a myth, even after this conversation, to be -- the myth is still going to be there, because there's still a lot that is not known.

I was born and raised in the franc zone, and I think of somebody in my home city of Mamfe, in the anglophone region of Cameroon, was acute kidney failure, and doesn't have access to kidney transplant. The only maybe three options to them is recurrent dialysis, recurrent medication, and lifestyle changes. Now, if you see, for these three options that are before them, they can't have two. They can't have dialysis, they can't have medication, they would just have to stay on lifestyle changes, like diet and -- or whatever. How is that really going to help this patient? This is exactly what we have, the CFA franc zone is as the author has clearly demonstrated in his book. We think in a way two important development tools from the hands of the development policymakers. The exchange rate is not available for them, monetary policy is not available to them, and even the one lane policy that is left, fiscal policy, is still constrained. So, the big question to answer your question is we still need to deconstruct the myth around the CFA franc zone. Why was it set up that way? And because we're still getting arguments that -- in some part of the system, why it should continue.

So, I think an important contribution of Ali's book is to help us understand the myth and to deconstruct it, and I want to do that in four points. Number one. The first myth is that the reason why these 14 francophone African countries should stick to a colonial arrangement, monetary arrangement, and deny themselves these two dispensable development tools, monetary and exchange rate policies, is because they're going to benefit from unlimited convertibility of the safety to the euro. That's a myth. As we see in practice, it seems like the limited convertibility of the CFA to the euro actually hurts CFA countries, actually reinforces the evaluation of the currency, and there's research on that. Mamadou (phonetic) published a paper in 1997 that highlights, you know, the -- the kind of dynamics going on between Nigeria and Niger. The informatory between the two countries or the volume of trade between these two countries, rises with the difficulty that Nigerians face in obtaining U.S. dollar.

And so, whenever the CFA franc is overvalued, it's not a self-reinforcing mechanism through the Naira CFA parallel exchange market. So, just in that -- the lack of competitiveness of these countries is also tied to the dynamics of the Naira CFA parallel exchange rate, in particular the ease with which, or difficulty with which Nigerians have access to the dollar to import manufacture. That's one of the myths. The unlimited convertibility, so much a claim of we don't know what it means, it might actually be hurting countries.

The second myth that we need to deconstruct is a myth that, the reason why these 14 African countries should stick to this colonial arrangement, denying themselves two indispensable development policy tools, is because of the low inflation and shorter macroeconomic stability that is guaranteed by the peg is good for them. But we have seen from the others' work that this cannot be true, this can be far from true. The threshold by which -- beyond which inflation will hurt these countries is around 10 percent. That's the threshold at which inflation can hurt these countries, and for advanced countries like the United States, the threshold is above three percent, you know.

So, why would anybody be targeting 2 percent inflation goal for 60, 70 years, and we know the short-term tradeoffs of that really closely low inflation target is that you're going to get very high unemployment rate for the continent's youths, why, in the millions, trying to cross the Sahara and ending their lives prematurely. How Sub-Sahara Africa create 20 million jobs each year, with such -- with denying itself the government is a paradox. The type of the myths that we need to deconstruct, the author has done, good job on that, that we still need to sensitize.

The public is that, the reason why this was still 14 African countries should stick to this arrangement, denying themselves the tools that they need for development, is because France is such an altruistic partner, with sacrifice their all to help Africans, whereas we know that France's Jacques Chirac, from a person of France, himself said in his speech on September 26 in 2009 that most of the -- the bank notes that these compatriots have in their wallets comes from exploitation of African continent for centuries. You know, so, how could it possible be that France is not benefiting from this system, or that the system is based -- has made the currency overvalued perpetually for 60 years, therefore making it cheaper for France to serve this product and also the francophone elites, easier for them to buy their ostentatious goods that they need from France.

Finally, let me end on this -- or go back into this conversation during -- during back -- I think we were aiming towards solutions, not the problems, but we need to understand, and deconstruct the myths before we understand a solution.

Finally, the fourth myth is that the reason why these 14 African countries should stick to this colonial arrangement and deny themselves two indispensable government tools is because the francophone Africans are not smart enough to implement and manage their own independent currencies. I hear this, and my heart bleeds to hear this kind of argument, and sometimes propagated by Africans themselves, especially those who have had the privilege to serve at prestigious institutions. That tells me that Afro-pessimism remains one of the elephants in the room to Africans, and again, so, I'm ending by saying, here's my message for the Afro-pessimist. I would like them to explain to me how Ghana successfully implemented its own currency, the cedi, and is currently running an independent central bank, and targeting inflation very successfully. I want them also to explain to me how Mauritania, a former French colony, left the zone, and implemented its own currency, the ouguiya, in 1973. They might not be doing great, but they did something. I want them to also explain to me how Morocco, Tunisia, Algeria, or former French colonies were able to implement and manage their own independent currencies. So, the way for what I'm going to counter your answer, and it's one part that we needed to throw out these needs so that we can face the reality, and I believe in reality. I know there is an optimal solution, but there's also a solution that is more pragmatic, and possible, and feasible in the near term. But I'll talk about that in the second thing if I have the chance. Thank you so much.

MR. ORDU: Julius, thank you very, very much for helping us, indeed helping us demystify the myths as you put it, the four-point agenda for demystification, consistent with our author Ali had also articulated brilliantly in his opening remarks. There was something you said, Julius, which makes me switch, pivot right now to a question about the very fact that the West African countries, the conversation has been going on since Adam was a boy, of a single currency in the region. And of course, most of the West African countries involved in the new, to be introduced eco, also members of the CFA franc zone. I was just wondering, (inaudible) of your point on demystifying the myths, how do you see this playing out? And after you, I would like Ali to also come in here and address this point.

MR. AGBOR: Thank you, Aloysius. Thank you, Aloysius. That's a very pertinent point. And I would say from -- we start from the macro. From the macro point of view, I think most economists agree that regionalism, regional corporation in trade, economic, monetary, and fiscal policies is something that African countries should jealously seek, given the natures of -- the nature of their economies. So, that's one thing that we have to keep. How do they do that, how do you put -- I'm talking about the West African currency now called monetary and you call -- with this currency called eco. How do you do that when you have any major oil importer, Ali mentioned that in his book, oil importer, exporter, and oil importers in the same zone. So, it's quite tricky, I don't know the answer. But what -- what I could suggest, what I see as a part, and Ali -- actually I agree with Ali on that, is that the franc zone would need to continue in the subgroups, or in other words the CEMAC as a group of its own, and the WYMO (phonetic) as a group on its own, and of course, how the WYMO integrates with -- with the other anglophone countries is another conversation.

But I think the journey of a thousand miles begin with the first step, so we first of all have to disentangle these countries, decouple them from the euro completely, delink them from the euro. I don't agree with Ali that, you know, impact to any -- whether a basket of currencies or this would be ideal right now. For me, I think that is a second-best solution, because you're still going to tie the hands of policymakers around exchange rate and monetary policies, that will not do these countries any good.

So, there is the ideal, and again, there is no solutions, is just trade-offs, if you see where I'm going with this, there are no solutions, they're just trade-offs. What is a trade-off of -- of pursuing a managed floating regime? The trade-off would be that these countries have a lot, or they have all their fiscal policy tools with them, they will be able to have competitive export by fine-tuning the exchange rate, create, generate job expansion, reduce poverty, raise pay capital income, we have the exchange rate tools to deal with shocks that come from -- from all sorts and balance of payments, and more importantly, Africans want the sense of national sovereignty. They need to have their own currency. So, if manage float would be the first leg towards that dream, that aspiration that Africans are looking for, the APAC would still not take them to a significant step. That's why I don't believe in the eco, the thing that has been created in West Africa. We'll watch and see. I don't see it will go any further. I'll pause there.

MR. ORDU: Ali, any -- any thoughts on the --

MR. ZAFAR: Two thoughts, thank you very much. The first thought is, one of the reasons for the inertia, or the persistence of the franc zone, is what I call the triumph of politics over economics. There's powerful French political interest, and I would say commercial interest. And commercial interest don't want exchange rate risk. So, in French, there's the word (SPEAKING FRENCH), which means that these economies are tilted to the outside. And many fallen companies in the CFA franc don't face exchange rate risk. And also, the francophone elite, it goes back from (inaudible) within Koma (phonetic). There was always this kind of thing, let's anchor ourselves to France, but it's not all economics, there were defense agreements, there were raw material agreements, there were cultural synergies (phonetic). So, the francophone elite has been quite different from the anglophone elite or the East Asian elite, where you find a marked kind of desire to distinguish yourself from the colonial power. You know, besides Ndongo Sylla and Kako Nubukpo, most francophone intellectuals have not spoken out against the CFA zone, they see it as an anchor. So, that was quite surprising for me, that it wasn't France imposing by force, but it was these countries wanting it, this elite.

But anyway, that's the first point, and the second point is, on Julius's point, I semi-agree. So, in my book, I kind of took the economist hedge position, which is that I think it would be equally bad for them to be pegged to the nilar, because of the volatility and the oil exporter. I believe that they should do it in stages. First of all, I think we have to -- I'm not an African, but I'm a pan-Africanist. We have to heal the anglophone-francophone divide. The Senegalese and the Gambians should be working together, the Ghanaians and the Cote d'Ivoire, and the peg is a wedge. So, I believe that first step is to create the basket, depending on trade, and the second step is to manage float that Julius says. My only concern with the manage float is not all the trade shocks are the same. So, what if Mali wants to depreciate the currency and Puquina wants to appreciate it. How do you get that institutional cohesion, and -- and how do you build that? We see even in the eurozone tension, but I agree with Julius that the -- the long-term solution should be a managed float, because I want to -- I also want to say this point that is not enough appreciated. The zone is in crisis. Mali is now in crisis, Central African Republic issued bitcoin, youth in Senegal are very concerned, and Cote d'Ivoire, Françafrique is facing challenges, Labon and Togo have joined the commonwealth. You know, this -- this world is changing in front of us. So, in a way, I want a reform, you know, and hopefully, maybe the institutional globe can be there for them to kind of move to a managed float. But (inaudible) and Bijak (phonetic) are thinking of the same world of the 1950's. And we are in the world of 2020's, where central banks are doing Mario Draghi aggressive policies, they're doing -- they are doing, you know, counter-cyclical things, they're doing financing for startups. So, how do you get that institutional transformation in a mindset which has been a prisoner of a seven-decade arrangement? You know, and Julius, being from the franc zone, hopefully he's optimistic about the institutional changes. Thank you.

MR. ORDU: Ali, thank you very, very much. Over to you, Raymond.

MR. GILPIN: No, thank you so much Ali, I think great points. But I'd just like to bounce off a couple of things that Julius mentioned, and coming back to Christina, because you mentioned a couple of things, you know, urban intervention is still (inaudible). First being that, you know, you have to -- we have to analyze and see which of the challenges faced by the CFA zone, based on political issues, and which were based on the CFA link. As Ali has rightly pointed out, the rule of the political elite in all governments is very important. It's important for us, you know, not to be so -- not to be very (inaudible) that this might be a silver bullet of sorts, and giving countries wonderful instrument in need, when we know that the issue is a little bit more complex. And this is why I think that, Christina, you mentioned also, the importance of a more thorough review of further gains and losses over the years. Or the -- some of the positive and negative impacts on the colony. But looking forward, Christina, it would be interesting to know, what are your thoughts on the way forward? Would something like the eco, another regional currency be the answer? A refloat of sorts in the various countries? What do you think, given what we have heard, and what Ali has presented in his -- in his book, what are your thoughts on the way forward in terms of exchange rates management?

MS. LASKARIDIS: Thank you very much, Raymond, and and also the previous panelists for bringing up a host of important points. I would just like to add on the importance of a thorough evaluation of gains and losses, also the need for more light to shine on the past attempts to change the zone, which were also woefully resisted in different moments in time. Because I think, Ali you mentioned Ndongo Samba Sylla's work, and there was a lot of interesting historical work that uncovers previous efforts to change that have been stunted. And I think again, we have a lot to learn from new research into these lesser-studied topics.

In terms of future change, one issue I want to put on the table mentioned perfectly so far is the issue of debt and foreign borrowing, and development finance more generally. So, to echo the urgency of crisis underway in the franc zone, and more broadly in lower- and middle-income countries, particularly in terms of access to foreign finance in a very turbulent period, I just, I want to, I guess, shift the focus, not shift but just add to our discussion, that currently, domestic adjustment is the single route that's been opened up for dealing with external shocks, and there's numerous reasons to know that this is usually calamity domestically-induced recessions to deal with that.

So, the spotlight should really be on what needs to change in the international monitoring financial system to better enable countries to access low-cost, condition-free liquidity in times of need, which currently are being completely underprovided by promised age budgets which haven't been fulfilled and the like. And the -- the ways in which countries have accessed and tapped into the international markets, is a number of franc zone countries have their debts due, need to refinance in the next couple of years. Which, coupled with the emergency liquidity loans provided through the Fund for the dealing with the pandemic, also currently due.

The failures of the common framework, which have been largely stunted by the inability of private creditors to collaborate and come to the table, raise a much broader set of institutional structural issues with the global economy, which is beyond the domestic policy authorities, what should they do, this or that. And I think part of this conversation that we should be at least referring to is a lot of the, sort of, issues of that sustainability are coming from changes in global financial conditions more broadly. So, I don't -- I'll just leave it at that for the time being. But thank you.

MR. ORDU: Thank you very much Christina. Viewers, again, you are welcome to submit your questions to events@brookings.edu, or for those of you on Twitter, using the hashtag #CFAfranczone, one word. Thank you very much.

Let's now turn to John, because, from what we heard as we -- before we go to our audience for questions they may have, we heard a number of possible reforms presented to some of those, and Ali and Julius as well. In your view, are there other reforms, other reforms that are needed to spur groups and competitiveness in the franc zone countries?

MR. ASAFU-ADJAYE: Sorry, I was muted. Before I address your question, Aloysius, let me quickly add to something Ali raised in the book. So, he demonstrates that the CFA franc zone countries have delivered very poor growth outcomes because of this policy. And what I would like to add to it, is that, in addition to that, CFA countries have also done poorly on economic transformation. And on that, let me quickly say that asset has developed an index to measure progress of countries on economic transformation. We call this the African transformation index. So, the first index came out in 2014 in an African transformation report. We've updated that index, and we're going to release the results in Q4 of this year. But we do have some results, and it shows that -- we have 33 countries, out of which 10 are CFA countries. And with the exception of Senegal, and Ivory Coast, and Gabon, all the rest of the countries have done very poorly. In fact, when we rank the 33 countries, the bottom 2 countries are actually CFA economies. So, clearly, it shows that the policy has actually made it worse of terms of transform, and it's because, as the book shows, they -- CFA countries are not competitive because of this overvalued currency. Their policy encourages imports, especially even of food, the book said, I believe, food is being imported, and masks are being imported, definitely discourages agricultural export or export of any tradeable goods.

So, to deal with it, it's reform of the CFA clearly is needed. But also, to address your question, we also need reforms to -- to make it possible to have a more effective industrial policy. Because transformation is a -- is a long-term process, it requires sustained efforts for decades, and to do this requires a long-term mission or plan which does not change according to the political cycle. So, I think one of the things that they need to consider -- and this was a reprise to a lot of other non-CFA countries, is that there should be some legislation which ensures the -- the long-term vision for the country, that spells out clearly what a strategy is to increase the well-being of the people, and this (inaudible) through industrial policies, which encourages manufacturing, which modernizes the agricultural sector, and so forth. And I think this will require reforms across the board, some of which will need to be legislated. Also, what is very important for these countries, and actually for also non-CFA countries, is that there's a need for a well-resourced industrial policy organization, which is resource with the personal, with the finance, to implement national industrial policies. So, the focus of this should be on a labor-intensive manufacturing, on services, agricultural manufacturing, and other such areas. And I think that will go a long way to really make sure that the countries develop. So, let me hand it back to you, and I can pick it up during the course of the Q and A.

MR. ORDU: Thank you very much, John. Raymond, over to you.

MR. GILPIN: Thank you so much. I -- thanks to the panelists for such excellent responses. Let me come back to you, Julius, and thank you for laying out some of the myths, as you described them in your last intervention. One of the things that Ali does very well in this book is a comparative analysis, comparing CFA economies with economies on the African continent and outside the African continent. From your research, and your knowledge of the literature, and of Ali's book, what are some of the key lessons that CFA countries could learn from others, as they think through the decision to dealing or not to dealing?

MR. AGBOR: Thank you, Raymond. Yeah, so, Ali rightly points out in his book that no country has successfully -- I mean, developing country has successfully lifted up several people out of poverty without a vibrant and competitive agricultural sector. And the currency, the current setup of the CFA franc doesn't favor agriculture, is a tax on agriculture. And so, this cannot continue. And my heart bleeds when I keep hearing that we need to do a comparative analysis to see the benefits and the cost benefit of the franc zone. There is no benefit from that zone. I mean, low inflation target, you know, we all know that that low inflation target below the threshold, that really has high consequences, high unemployment. What do we want? Shock to macroeconomic stability and pushing millions of young Africans across the desert to end their lives because they can't find jobs in their country, they can't stay in the villages, and plant plantains, and purple yams, and coffee, and cocoa. So, an agricultural sector would need be revamped, and you cannot do that with this currency. This currency has killed Africa for six decades. So, I am not in favor of any peg. I used to think like that ten years ago, and my thinking of it has changed dramatically.

So, one, the lessons we will learn from East Asia or from Latin America is that no country can successively -- can consistently lift its people from poverty without a competitive exchange rate, without an exchange rate that favors agriculture where these countries have a comparative advantage. So, you see where my policy recommendation goes to. It cannot be a peg currency. I could accept it as a one step toward something, but not as a goal in itself. So, number one, in the -- the second thing, I think, John mentioned it, industrialization. Now, agriculture should be linked to what's in the industries. We should be able to take the first step towards agro industries transformation of products, (inaudible) products before sending them to the market. That is a path we have seen happen in all industrial revolutions. And Africa needs to also do its own industrial revolution. And I'm happy that it's a goal ahead, African continental free trade area, because I believe in regionalism, there's no way out of it. We have tiny economies, that some of them are landlocked, and all of these things, adverse climate change that is coming, regionalism would be the way to go. Is it easy, I don't know, and I'm sure it's not, but is it something should be pursued? Yes. So, to answer your questions, yeah, there's just two things we can learn from them. No country has successfully developed without maximizing on its competitive advantage, which happens in the case of African countries is agricultural sector, no country has successfully developed an advance, and lifted these people from poverty, without an industrial policy. This cannot be done with this CFA regime, the way it is currently built. It will need to be deconstructed.

Let me touch on one final thing. I think it -- I don't want to sound like an activist. I actually have given policy recommendation to policymakers, so I know the challenges that they face. There's a difference between what we aspire to and what can be done. I know the powerful dynamics, political economy dynamics that will make this just a utopia, as Ali pointed in his book. We know the -- elite, the bureaucratic civil servants in the system, who are the ones benefiting from the system, and they will not want the system to change. So, there's a powerful -- there are powerful forces, number one, the bureaucratic elites, civil servant elites, and elites in the Paris state house, in these countries, who are the main obstacles towards any change, added to the kleptocratic neocolonial leaders who have caused know that they will have to play the bidding of France to stay in power, plus also we should not forget the forces in Paris, in Brussels, and in Britain, world's institutions, all of these forces act against the African masses. The African masses are the ones to benefit from a competitive exchange rate. But they have against them all these powerful forces. Do I believe that they can win that fight? No. But it -- should they know that the -- it is in their interest to fight it, yes. So, Ali clearly points that out in his book, and I believe maybe if we leave long enough, maybe another century, we might -- we might come to the point where the masses have sufficiently educated and we were to kick out all the people, and fight, and win against the forces that are against them. I will pause for now.

MR. ORDU: Julius, thank you. Thank you very much.

MR. GILPIN: Thank you very much Julius, I think you raise a number of very interesting points, and we now come to the Q and A, but before we do so, you know, I'd like to push back on a few of the -- on a few of the points. One being I do agree about the importance of agriculture industrialization. As we look across the African continent, CFA zone and non-CFA zone countries have sulfur and cinnamon when it comes to agriculture industrialization. So, I'm -- and so, I'll have some challenges with that. And secondly, in terms of economic government, yes there are global dimensions, but a lot of the failures, both in terms of the confirmation and articulation, and implementation of the policies, I believe -- I really -- we have to accept that. And one of the things that Ali has pointed out in his book is that the domestic governments, thinking around and behind domestic governance has to evolve to meet the current challenges. And I think -- as you might have pointed out, CFA, non-CFA. Let me turn it back to Aloysius, apologies, and maybe you can go to some of the questions from our audience.

MR. ORDU: Thank you, thank you very much Raymond for weighing in there -- I mean Julius, very impactful points. Let's switch to the audience, then if we have more time we'll come back with another round of questions. There is one question here from Dr. Hasan Tulu, a retiree of the World Bank, my old boss, and he asks, is maintenance of an effective CFA even possible without managing the (inaudible) and having credible compensation mechanisms? Ali, do you want to tackle this before we go over to others? Thank you.

MR. ZAFAR: Yes, thank you. That's a very good question, and one that I thought about a lot when I was writing the book. I think that the CFA can be reformed. As a senior French official once told me, we all know the system is broken, we just don't know how to change it. So, the question is, I think there's a growing awareness of the limitations, there's a growing kind of, you know, debate on it, and I believe we need to get a kind of an orderly discussion, because, as Julius pointed out, Christina, John, right, I mean, there's a roadmap that we could all sit together and kind of devise, right. The point, the tricky -- so, I believe technically there are many solutions to the -- to the exchange rate and the monetary policy. We have so much experience and inflation targeting. We have so much experience from Asia, we could share that. The technical is easy part. It's the complex political dynamic. Who do you shift, you know, there's very powerful interest, some of whom are not very visible. And what I think Julius said is a very interesting point that I agree with. Many of the decisions affecting the CFA are made in Paris, or Brussels, or Washington. And so, I think, by bringing awareness, and trying to shape the political equilibrium, and proposing a cogent solution, we can show a win-win, for France, for these countries. So, I am optimistic on the technics. I have been navigating the politics when I wrote this book, and it's a maze that it's been difficult to find my way out. Thank you.

MR. ORDU: Thank you very much, Ali. Raymond, over to you.

MR. GILPIN: Thank you so much, Ali, great point. And this one is for the panel and is a question from Herman Cohen of Cohen and Woods, the former U.S. ambassador and also former U.S. assistant secretary of state for African affairs. And his question is short and sweet, and he said, does the CFA zone have a common tariff on imports? I think his question underlies some of the points that have come up about tariff harmonization. And I'll pose it to the panel, anyone, does it have a common tariff on imports, and what are the implications, not just looking back what have the implications been, but what are the implications as the zone looks towards the future? Maybe I can start with Christina, then get a quick word from both John and Julius.

MS. LASKARIDIS: No, please, Julius, go for it.

MR. AGBOR: All right. So, again, franc zone, people tend to forget that there are two soft zones (phonetic) inside it. So, there is -- franc zone is just a paper where actually I'm talking about the CEMAC or the Wymo. Those are the zones that have structure, not the zone, not the franc zone it's of in the name. And so, yeah, the CEMAC and the WYMO, they do function as custom unions, and -- and so, they do have common extended tariffs for the ambassador inside that -- each of those subgroups. But I don't know that there is a common extent of tariff for all -- for the two groups put together. That's what I'll say on that particular question.

MR. ORDU: John, do you have any thoughts? Should they have a common curve?

MR. AGBOR: Well, I think I will go with Julius's answer, because he's more familiar with the zone. But what I would like to add, though, is that there's both the WYMO and the CEMAC, they are not actually optimal currency areas, you know. And so, it's not really ideal in that sense. And the goal should really be to integrate into the -- the African continental free trade area, which, you know, eventually, hopes that we will become a monetary union. So -- so, as it stands, I don't think it's really ideal for -- in that sense.

MR. ORDU: Thank you so much, John. Ali, do you have any quick thoughts?

MR. ZAFAR: Yes, thank you. They both have a common external tariff. They model themselves a lot on the European Union, and they began -- except that they began with the common currency, and then they moved in the 1990's to a common external tariff. But there's two points I wanted to say here, right, which is, one of the -- the problems in the franc zone, and I probably didn't cover it enough in my book, it's a very oligarch-olistic part of the world. So, when you look at transport, you look at finance, you look at utilities, it's a few dominant players, and the market is not open for a lot of new entrants. So, what happens is, you have -- when I calculated the cost of exporting, the port cost, the transport cost, just -- you have $4,000 to export from Cote d'Ivoire to Long Beach, while in Bangladesh, or in Dhaka, in Shanghai, it's $2,000 dollars. So, these oligopolies are -- are causing the problem. And the second thing is, besides the fact that they don't trade with each other, you have a lot of non-tariff barriers. So, just -- you know, you travel around the franc zone, and you have all these arbitrary check points. So, it's not a smooth functioning zone in terms of administration. It's very cumbersome and difficult to resist almost. So -- and one last point. The last point I wanted to make is; I agree with also something Julius said about some of the policies. The trade verbalization (phonetic) agenda was, in my judgment, pushed prematurely on some of these countries before they had the industrial capacity. And I bring the example when I looked at data in China on the tariffs. China reprised tariffs only in the 1990's. In the 1980's, China built a lot of industrial capacity. And in the 1990's, they reprised. So, just, my final point is, there's good industrial policy, and I've written a book on China, there's also bad industrial policy. But we can have that debate. Thank you.

MR. ORDU: All right. We have heard and talked about a number of challenges facing, not just Africa and the zones we're discussing, but globally. That on the continent itself, in addition to the food, fuel, financial crisis, the debt crisis, the -- the environmental crisis, and climate change, et cetera. Across the Sahel, they all certainties, and when you think of the fastest rising budget line item in many of these countries, it is expenditure on security. Security and military spending. It's not something we -- we read about frequently, that if you check any of the budgets of these countries, these line items are just rising astronomically. Clearly, there are opportunity costs here, in terms of human capital and infrastructure spending, which we desperately need in these countries.

Any thoughts from the panelists, beginning with you, Julius, on, you know, you have been an advisor to many policymakers.

MR. AGBOR: Yep.

MR. ORDU: Yes, thank you so much. Again, Aloysius, that's a very brilliant point. And when I was making the recommendation of -- or a manage shift, and managed float as the ideal exchange rate framework going forward. I was not without understanding that the potential risk, in terms of how these countries manage debt, their debt, a point which Christina actually also raised, but you're bringing in a more -- another angle there, you know, how do -- how do this countries, especially those in the Saher, deal with, you know, a climate -- exacerbating climate change, or terrorism, and all these other things. I think that the CFA zone, keeping the CFA franc actually limits these countries' abilities to fight terrorism to deal with security challenges. The CFA franc is actually an inhibitor, or a constrain to these countries in how they deal with the multiple challenges of climate change, and security, and terrorism. Why, because every country needs to give itself some -- some window, some policy space. We saw during the COVID-19, how nations including the United States, were going to -- would pump in a lot of stimulus to kind of resuscitate the economies. So, why would a country that is facing this kind of enormous challenges, extraordinary challenges, from developmental standpoint, from security, to climate change, why would such a country tie its hands on two fundamental development policies that -- that every country is using, even the United States is using stimulus. So, I think, and to your point, there's even an urgency for these countries to do something about switching away from this fixed policy regime, and give themselves the macroeconomic policy tools that we need to deal with climate variability, to deal with security challenges, and to deal with youth unemployment, and -- or bank bias, rural society bias, and the continuous exodus of young people, capital flight, something you, I think is, seceded (phonetic) toward your point. Look at me, teaching in a university in Southern California. I think I should be more valuable teaching in Cameroonian universities back home, but how is these -- how is these countries ever going to make it, when capital flight? These odds are stacked against us, and an exchange regime change is -- it cannot be delayed any further, I believe.

MR. ORDU: Ali, I see you nodding, any thoughts before I turn over to Raymond, last words?

MR. ZAFAR: Yeah, I mean, I totally agree with Julius. I would add two points. One is, when I researched this book, I was quite surprised by the amount of centralization of resources. Bamako, for example, does very few fiscal transfers to the north. So, what happened is, perhaps, these kind of cities, and these kind of elite systems, but the pace of development, and the pace of fiscal transfers, is very limited. So, the moment you step out of the francophone capitals, there's a lot of line of lower poverty, and any time there's a budget cut, one of the first things that goes is fiscal transfers to the provinces. So, the fragility is a consequence of a kind of weak state capacity. And the second point, and I think I didn't say enough in my book, but both Christina's comments here, and her written work, are kind of testament to -- to -- we really need to rethink the international debt architecture. The delays in the common framework, you know, Christina talks in her work about the bond -- the amount that they're paying for the bonds, and I think that there's got to be a more sustained discussion for the debt architecture, not only for Africa but for the CFA zone in particular. Thank you.

MR. ORDU: Thank you very much. Raymond, last words?

MR. GILPIN: Thank you so much. I think this has been a very riveting conversation. Ali, you've really put your finger on something that I believe is an idea whose time has come. But as a number of panelists have rightly pointed out, we really need to digest. There are some areas we probably need a little bit more analysis on. But I think looking forward, framing it not just as a currency management issue, but an all-out development challenge that could be impact around reviewing the way the CFA zone, both CFA zones are managing in Africa, could be instructive not just for those countries, but for the continent as a whole. Particularly at this time, when the ability to respond expeditiously and adequately to shocks, both external and domestic, is at a premium. So, thank you so much Aloysius, and back to you.

MR. ORDU: Thank you, thank you, Raymond. And going back through the questions from the audience, it's quite clear that there are so many questions we didn't respond to. I see at least four questions alluding to the euro, which basically is the new currency being proposed for the entire zone. I just thought I end with some remarks on that. This sense of -- I mean, the eco, right, the idea that we always borrow from Europe, you know, it's important to bear in mind that the Eurozone was created because you had commitment and ownership of leaders, who in the post-second World War had one singular objective, no more wars in Europe. Of course, some hazard stays (phonetic) in today's world didn't get the memo. But anyway, so, that was important as a rallying call to make euro happen. The second is the notion of an anchor currency. And of course we know that the Germans had a critical role to play in that, had they not sacrificed the German mark in favor of the euro, I don't think would've had a euro today. Now, people ask sometimes, is the CFA a potential anchor currency for the eco in West Africa? And today's conversation shows obviously, clearly, that, you know, that's a nonstarter. Some have written and alluded to Nigeria's naira as a possible anchor currency, as the heavyweight in the region. But then you begin to ask yourself, which of them any numerous windows of the narrow exchange rate would you use for this purpose?

This third thing to bear in mind also, as people plan on talk about this eco idea is the role of public opinion. Public opinion across the region. It's not necessarily, you know, singularly in favor of -- of this, even within Nigeria itself, you know, the business community have a completely different view from those in public policy, et cetera. And we know that that the Scandinavians in Europe, the Brits, the Brits, right, you know, they never really joined the -- the euro. So, in that sense, public opinion is absolutely important.

The fourth point is, of course, technology. We have now ways of instantaneous transmission and exchanges across borders. You know, the African continental free trade area itself, with the Afreximbank has just put together, rolled out a new initiative, the PAPSS, the Pan-African Payment and Settlement System, which basically means that Africans no longer need, you know, it's foreign currency for purposes of trading with each other. And somebody in Botswana can buy something in Ghana, and pay in pula in Botswana, and the Ghanaian gets his or her account credited in cedi. So, basically, the rule of technology's also very important. And then finally, we always forget in this -- this eco idea that there is one part of the world, the East Asia region, where Ali has worked and spent many, many years working in East Asia. Where the issue of a central currency is not really one that they talk about. Because they have reforms that align their respective to the global economy. As a consequence, look at the most highly traded nations on the planet. If you remove the Eurozone as a group, basically the Asian group of countries, the trade is booming, development is booming, et cetera. Other things we can learn from this region of the world, rather than always thinking of, what are the Europeans doing, can we copy over the Europeans. So, basically, for those of you, about four or five of you, also giving questions on the eco, I just thought that it's a great way to sum up this, by saying as we look forward, basically, that we have heard quite a rich -- a rich menu of possible reforms in order to address some of these challenges facing our countries. Many of those challenges longstanding, like fragility as was indicated, climate change we have heard, and of course, newer -- newer headwinds from the Russia, Ukraine, et cetera. So -- so, everybody on the panel, my friend Raymond, Raymond Gilpin from the UNDP, Julius, Julius

Agbor, Christina Laskaridis, and John Asafu-Adjaye, thank you all very, very much for choosing to join us today. And of course, my old friend, Ali, we couldn't do this today without your, you know, fascinating book. Again, to those who are interested, this is “The CFA Franc Zone: Economic Development and the Post-COVID Recovery”, by Ali Zafar. It's a fascinating book to read. And of course to my colleagues in Brookings, Ginger, Sakina, and our tech colleagues, and this would not have been possible without your kind help. Thank you all.

MR. ZAFAR: Thank you.

MR. GILPIN: Thank you and bye-bye.

MR. ORDU: Thank you, thank you everybody.

MS. LASKARIDIS: Thank you.

MR. AGBOR: Thank you, thank you. Bye everyone, thank you.

MR. ORDU: Thank you everyone for spending the time. Raymond, see you shortly.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2024