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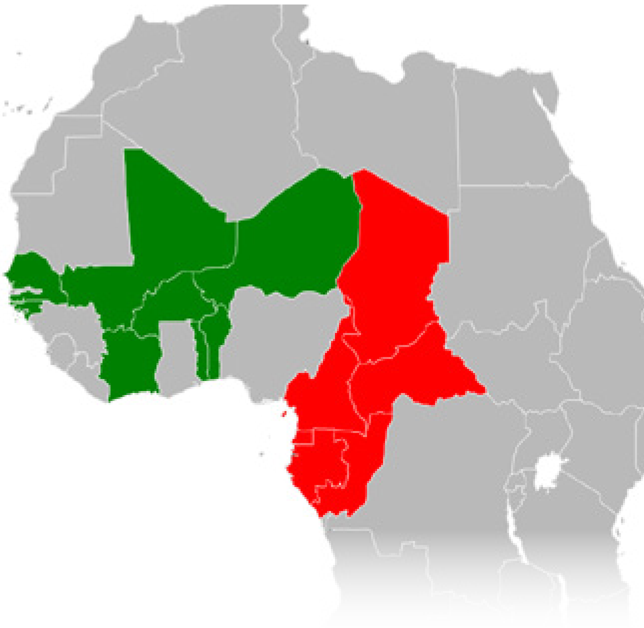
# Voices from the South

HIGHLIGHTING VOICES FROM THE GLOBAL SOUTH WHO PROVIDE ALTERNATIVES TO THE DOMINANT PARADIGMS OF POWER, DISTRIBUTION, AND DEVELOPMENT.

*Since the independence of many African states in the early 1960, the role of policies and financial institutions inherited from colonial powers has been the subject of much debate. One central area of focus is related to the so-called Franc Zone ; 14 countries in Western and Central Africa that share a former colonial currency known as the CFA-Franc. Critics from across Western and Central Africa have spoken out against the currency, seeing it as an instrument of domination and neo-colonialism of African countries, as well as a means for strengthening of dependence vis-à-vis France and other members of the European Union.*

*In this month's "Voices from the South," Demba Moussa Dembele, coordinator of Karibu partner the Association for Research and Cooperation in Support of Endogenous Development (ARCADE) in Senegal writes on the need to challenge France and the EU on their monetary policies related to the CFA-Franc, the necessity for Africa to reclaim its sovereignty and own development, and the goal to move to a single West African currency by 2020.*



CFA Franc Zone (Image source: Wikipedia)

# The Franc Zone of Western and Central Africa: A Symbol of French Neo-Colonialism

**By Demba Moussa Dembele
Coordinator, ARCADE**

The late Cameroonian economist, Joseph Tchundjan Pouemi, wrote three decades ago that "France is the only country in the world to have passed the extraordinary feat of circulating its currency and nothing but its currency in countries that are politically free."

In fact, more than 50 years after their "independence", 14 African countries, 8 in West Africa and 6 in Central Africa, continue to use the CFA franc, which was created in 1945 with the goal to shield French colonies from competition from other European countries. The acronym CFA used to mean "Colonies Françaises d'Afrique" (French Colonies in Africa). After independence, it became "Communauté Financière Africaine" (African Financial Community)

But this change in name and meaning did not change the role of CFA, which is to keep French control over its former colonies.

**The Dismal Record of the Franc Zone**

The Franc Zone is organized around four pillars: 1) free capital flow between France and African countries; 2) guaranteed convertibility of the CFA franc by France; 3) concentration of exchange reserves in France (50%) and in African Central Banks (50%); and 4) fixed exchange rate between CFA franc and the French franc (now with the euro).

Each African Central Bank is a correspondent of the French Treasury, in which it has an operations account. Two Frenchmen are on the Board of each Central Bank. As a result, they wield some influence over the economic policies of African countries.

This institutional mechanism explains why African Central Banks used to follow

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*THE ASSOCIATION FOR RESEARCH AND COOPERATION IN SUPPORT OF ENDOGENOUS DEVELOPMENT (ARCADE) IS A NETWORK OF RESEARCHERS AND ACTIVISTS IN WEST AFRICA WHO WORK TO PROMOTE ENDOGENOUS DEVELOPMENT IN THE REGION. ITS OBJECTIVES ARE TO CRITIQUE THE CURRENT NEOLIBERAL PRACTICES OF THE INTERNATIONAL TRADING SYSTEM, TO CRITICALLY ASSESS THE EXPERIENCES OF DEVELOPMENT IN AFRICA SINCE INDEPENDENCE, AND TO PROMOTE ALTERNATIVE DEVELOPMENT POLICIES THAN THOSE IMPOSED DURING THE NEOCOLONIAL ERA.*

the monetary policy of the French Central Bank, and now that of the ECB. This is why their priority is "price stability" instead of stimulating investments, expanding productive capacities and creating jobs.

These policies have resulted in a dismal economic and social record. Of the 14 countries, 10 are classified as "least developed countries" (LDCs) by the United Nations. According to UNCTAD, 60% and 88% of their citizens live on less than 1.25 and 2.00 dollars a day, respectively. Of the 4 other countries, 3 are classified as "heavily indebted poor countries" (HIPCs) by the IMF and the World Bank.

These are some of the reasons why voices have been raised over the years asking that the Franc Zone be dismantled and that African countries create their own currency.

It is in this context that an International Conference on the future of the Franc Zone was organized in Dakar, Senegal in October 2012 under the title: "African Countries and the Franc Zone: Remaining in the Trap or Opting for Monetary Independence?"

**For a Sovereign African Currency**

For participants of the conferance, the CFA franc is a negation of African countries' sovereignty, a symbol of humiliation. An illustration was given in 1994 when, France, with the support of the IMF, imposed the devaluation of the CFA franc by 50%. African Heads of State were summoned in Dakar only to be informed by the French minister of Cooperation of the decision!

Why do African leaders accept this situation? The response lies in the nature of these leaders, many of whom still behave like representatives of the former colonial power. This explains why structures inherited from colonization, like the Franc Zone, are still in place.

Leaders who tried to break with this Zone were either killed or removed by military coups in order to discourage others from following their examples. In the 1980s, when the young and charismatic leader of Burkina Faso, Thomas Sankara, tried to mobilize his people and peers against French neocolonialism, he was killed in 1987 in a military coup supported by France under then "socialist" President, François Mitterrand.

> **"The CFA franc is a negation of African countries' sovereignty, a symbol of humiliation."**
>
> DEMBA MOUSSA DEMBELE, ARCADE

This is why one of the foremost obstacles to moving toward a sovereign currency is a leadership who dare to challenge the Franc Zone. Another big challenge will be the adoption of convergence criteria that can accommodate all member countries. To protect the currency against speculation, capital controls and other policies will be necessary.

Other challenges include changes in consumption patterns, with priority to local products, notably in food, and restrictions in the importations of luxury goods which weigh heavily on foreign exchange reserves, and new fiscal policies aimed at raising more domestic resources to limit the level of external debt which could be a drain on foreign exchange reserves.

**Recommendations for the Future**

Many recommendations have been made for the future of the Franc-zone, but some of the recommendations made at the International Conference this year include the following:

1.) As a first step, end the CFA franc peg to the euro and let African countries choose an exchange rate system compatible with their development needs

2.) Repatriate the exchange reserves kept in France and put them back into African economies

3.) Conference participants are convinced that the conditions are set to move toward the single currency in West Africa by 2020, because such a move is first and foremost a political issue. Such a move would strengthen the African Union's goal aimed at creating institutions, like an African Central Bank and an African Monetary Fund, with the view to reclaiming Africa's sovereignty over its development. More research is needed, however, for a deeper analysis of the implications of a sovereign currency and on how to make it an effective instrument of development.

In conclusion, the time has come for African countries to throw away the CFA franc and reclaim their sovereignty over their currency. ■

***Click here to read more of the findings and recommendations from ARCADE.***