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Strengthening Economic Resilience in Francophone Africa: Does Having Reserves in the French Treasury Matter?

1. Introduction

Our research seeks to answer a fundamental question: how did French colonial domination shape the monetary arrangements of the Francophone nations in Africa? To comprehensively analyze this phenomenon, we meticulously examine the policies implemented by Francophone African countries that govern their reserve holdings in the French Treasury through the intricacies of the franc zone mechanisms. Furthermore, our research delves deeper into the profound connection between these arrangements and Official Development Assistance (ODA), exploring the impact of aid-tying on the economic landscape. The main thrust of our investigation is to ascertain whether the practice of holding reserves in the French Treasury ultimately bolsters economic resilience. To illuminate this matter, we embark on a thorough historical review of the underlying reasons why the post-World War II settlement adopted this particular framework. Delving into the annals of history, we shed light on the multitude of arguments and alleged cases that have been put forth in favor of this approach in contemporary times. However, our analysis posits that entrusting reserves to the French Treasury is highly likely to undermine economic resilience. While the costs associated with this arrangement may appear inconsequential, especially compared to other nations, it is imperative to consider the mitigating factor that these countries are unable to utilize reserves to counteract aid shocks. Additionally, we observe that the ongoing process of financial liberalization serves to erode the benefits associated with channelling aid through these tied credit programmes. Aspects such as the ease and expediency of aid disbursements and the reduced entrenchment in these programs are gradually diminishing. The comprehensive assessment of costs and benefits necessitates empirical inquiry, thereby prompting us to propose future research directions to address this inquiry thoroughly and encouraging further study in this complex area.

The main aims of this essay are threefold. The first and foremost objective is to duly and comprehensively inform seasoned and budding economists of the historical and contemporary agreements and arrangements concerning Official Development Assistance (ODA) with Francophone Africa. This essay endeavours to shed light upon the intricacies and nuances of French foreign aid, thereby providing economists with a clearer, more comprehensive understanding of its motives and policy purposes. Moving forward, the second essential goal of this endeavour is to meticulously illustrate the pressing concern surrounding the scarcity of empirical evidence required to effectively and accurately evaluate the desirability and effectiveness of such arrangements. This scarcity of evidence can be attributed, in large part, to a distinct and noticeable lack of transparency in the monetary and fiscal operations within the safety-net mechanisms. The intricate nature of these mechanisms, coupled with the implicit conditions mandating the maintenance of reserves in the French Treasury, leads to an inherent complexity that further inhibits comprehensive evaluation of their usefulness and impact. This complexity and lack of transparency raise valid questions regarding the selectivity and effectiveness of the policy when channelled through this specific ODA instrument or similar mechanisms. Shifting our focus to the third significant aim of this essay, it is vital to emphasise the identification and raising of a critical issue. Specifically, this essay highlights the intrinsic relationship between these agreements and foreign reserves and the associated balance of payments theory. When examined through the lens of shocks and economic resilience, this relationship provides a diagnostic tool to understand the potential adverse effects that may arise. It is crucial to acknowledge and analyse the implications of this relationship, as it directly impacts the economic resilience of the nations involved. By doing so, this essay aims to highlight and draw attention to a critical aspect that necessitates further exploration and examination. In conclusion, by evaluating the historical and contemporary agreements and arrangements concerning ODA with Francophone Africa, this essay provides economists with a thorough understanding of French foreign aid's motives and policy purposes. Moreover, by addressing the lack of empirical evidence and transparency within the monetary and fiscal operations, it aims to uncover the intricacies and complexities surrounding the assessment of these arrangements' desirability. Lastly, by shedding light on the inherent relationship between these agreements, foreign reserves, and balance of payments theory, this essay underscores the need for future research to explore further and evaluate the potential adverse effects of

these arrangements. Only through such comprehensive research can we establish an evidence-based foundation to make informed judgments and decisions regarding these intricate and critical matters.

1.1. Background and Context

Of the 14 African countries that have agreed to hold a significant portion of their foreign exchange reserves in the French Treasury, which accounts for approximately 50% of their reserves, this agreement also includes covered guarantees of convertibility. These guarantees were initially tied to the French franc and have now been transitioned to the euro. Of these 14 countries, 12 are considered the poorest based on their per capita incomes. Nonetheless, the decision to maintain these reserves in the French Treasury is widely perceived to enhance their economic resilience against potential external shocks. The French President, Emmanuel Macron, further emphasises the importance of retaining these reserves in the French Treasury. He articulates that this approach will significantly enhance the collective preparation of these countries to absorb any future economic crises that may arise effectively. This strategic foresight and the overarching goal of fostering stability demonstrate the deep commitment of all participating nations to ensure their economies' well-being and ultimately improve their citizens' livelihoods. By pooling their reserves together and entrusting a significant share to the French Treasury, these African nations strengthen their economic ties with France and develop a unified strategy to safeguard against unforeseen economic turbulences. This collaboration signifies a paramount investment in their future economic welfare, as they recognise the stability and security provided by entrusting their reserves to a reputable foreign institution like the French Treasury. Furthermore, this agreement is a testament to the mutually beneficial relationship between these African countries and France. It showcases a mutual understanding and commitment to fostering solid economic partnerships, with the French Treasury offering a secure haven for these nations' reserves. Despite their challenging economic circumstances, the participating countries have opted for this arrangement with full knowledge that it will fortify their financial systems and resilience. While the decision to allocate such a significant portion of their foreign exchange reserves to the French Treasury may seem counterintuitive to some, it underscores the strategic advantages these nations perceive in maintaining this arrangement. The collective wisdom is that by centralising their reserves in a stable and reliable institution, they can

effectively mitigate risks and minimise the impact of potential external shocks. The trust and confidence placed in the French Treasury highlight these African nations' faith in France's robust economic infrastructure and shared vision for prosperity. Moreover, this agreement marks a significant step towards economic autonomy and self-determination for these African countries. Through this partnership, they aim to reduce their vulnerabilities to volatile global markets, enabling them to protect their currencies better and mitigate potential currency crises. By collaborating closely with the French Treasury, these countries establish a mechanism to strengthen their economic resilience, which will support their efforts to foster sustainable development, create meaningful employment opportunities, and improve the living conditions of their citizens. In conclusion, the decision of these 14 African countries, including 12 of the poorest per capita incomes, to hold a substantial amount of their foreign exchange reserves in the French Treasury demonstrates their firm commitment to enhancing their economic resilience and fortifying their financial systems. The strategic foresight behind this agreement, as emphasised by President Emmanuel Macron, highlights the determination of all participating nations to collectively prepare for future economic crises and improve the well-being of their economies. This collaboration promotes stability, fosters solid economic partnerships, and paves the way for sustainable development in these African nations.

Historical reasons and certain peculiar institutions, like the painful complexities of gifting CFA-franc-denominated savings to the French Treasury, often reported, explain stashing reserves in the French Treasury. What, if anything, do foreign reserves held in the French Treasury bring to the table? This question has not been empirically addressed. Our research seeks to fill that gap. So we set up to check whether, ceteris paribus, foreign reserves held with the French Treasury by about a third of African countries would have generated economic resilience against external shocks of, say, size uniform across the African continent. So, do foreign reserves constitute "Wirtschaftswunder" in these economically fragile countries? To assess this, we also examine some comparatives with non-Francophone Africa.

2. Historical and Economic Ties Between Francophone Africa and France

Since its establishment, the French Treasury has historically been a safe place for international reserves, partly to stabilise the exchange rate between francophone African countries and France. French Presidents Nicolas Sarkozy and Jacques Chirac recently stated their openness to changing the status quo, while French

President Emmanuel Macron first questioned the necessity of this reserve arrangement in 2019. Still, about half of the eight countries surveyed on a CFA-related mechanism in 2015 held their central bank reserves in their reserve accounts. They did so, in part, to use it as an alternative to holding reserve assets for currency management that have become available much more recently. Moreover, Franc Zone and Franc Zone Asia members get slightly lower funding costs than comparator countries, possibly because France operates as a co-guarantor. However, there are also costs from participating in the Franc Zone because more excellent exchange rate stability is associated with higher sovereign bond yields and domestic inflation. These costs are not sensitive to changes in the amount of central bank reserves that members elect to hold in the French Treasury.

Colonialism has left a strong legacy of economic integration between Francophone Africa and France. General proxies of these flows suggest that French FDI represents 5-30% of total FDI in Francophone African member states. Moreover, France has historically been an important trade partner for its former colonies. Other forms of colonial patterns of economic dependence are evident. France has traditionally been a significant donor of official development assistance (ODA) to Africa, about a third of which has historically been general budget support (GBS). The relationship between France and its African partners in the GBS context is also solid. In February 2006, France released a statement jointly with its aid recipients on ownership and mutual accountability, which called for several specific measures "in the context of the long-term process of rebuilding the contract for cultural, social, political, economic, and environmental stability between all actors of our society". In particular, in the context of economic governance, the statement indicates that France is increasingly interested in the issue of external shock management, particularly in the influence of the franc CFA. Given the existing economic dependence on France, the proportional individual country reserves held in the French Central Bank for this purpose have been small. Since then, however, the structure of total reserve holdings consisting of foreign reserves and IOUs has changed, especially the former. Various efforts led by the African countries to fund a more significant proportion of the arrangement thus far have been hampered by the cost in terms of reserve accumulation (holding of additionally risky assets) or lower access to resources. Given the above, a more normative approach suggests reducing the proportion of reserves held in the French Central Bank in the broader context of more efficient reserves (which, on

average, happened in the Grock nineteenth-rate model) might be welfare neutral. In the historical context, given the recent emphasis on satisfying optimal international liquidity requirements and developing other forms of financial insurance (more costly and not yet part of the seven countries portfolio), the incentive to reduce the proportion of reserve accumulation has increased. The resilience to the above problem varies with the implementation of capital account regimes and the parameters of other supply and demand relationships.

2.1. Colonial Legacy and Economic Dependence

A notable characteristic of Francophone Africa—the eight states that chose to remain French African units (AOFs) at the time of their independence in 1960 and five others which secured independence between 1960 and 1981—is their deep-rooted and intricate economic dependence on France. This dependence, which encompasses visible and invisible connections, manifests in various formal and informal channels. Moreover, it is of utmost importance to acknowledge and recognise that a substantial source of this reliance on France for the development of the financial system in much of Francophone Africa lies in adopting the CFA franc as their primary currency. Notably, the CFA franc, a currency firmly linked to the euro, is exclusively held within the French Treasury, serving as an anchor for these nations' economic stability and governance. Within this multifaceted and diverse context, it is imperative to meticulously and comprehensively examine the intricate and interdependent links between the mighty and resilient Economic and Monetary Union of West Africa (UEMOA) economies of Francophone Africa and the French Treasury. By doing so, we can gain a profound and nuanced understanding of how the retention of foreign reserves in the French Treasury acts as a significant and formidable factor in explaining the exceptional economic resilience and adaptability exhibited by Francophone Africa, especially during challenging and turbulent times when the relationship between the two entities was negatively affected and strained. The economic dependence of the states in Francophone Africa, comprised of eight AOFs that chose to maintain their connection to France at independence in 1960, along with five others that gained independence from 1960 to 1981, is a notable characteristic. This deep-rooted and intricate dependence on France, which encompasses visible and invisible connections, is evident through various formal and informal channels. The adoption of the CFA franc as the primary currency is of particular significance, as it contributes significantly to the reliance on France to develop the financial system

in a large part of Francophone Africa. The CFA franc, directly linked to the euro and exclusively held within the French Treasury, is a crucial anchor for economic stability and governance in these nations. Understanding the complex and interconnected links between the Economic and Monetary Union of West Africa (UEMOA) economies in Francophone Africa and the French Treasury is paramount within this multifaceted context. Through meticulous examination, a comprehensive understanding can be gained regarding how the retention of foreign reserves in the French Treasury plays a significant role in explaining the exceptional economic resilience and adaptability demonstrated by Francophone Africa. This understanding is particularly relevant during challenging and turbulent times when the relationship between the two entities experiences strain and negative impacts.

The informal ties that have survived to date, such as development aid and French direct investment flow, have significantly influenced economic growth in these countries. These ties, including the economic support provided through French International technical cooperation for projects in progress in UEMOA, have acted as "smoothers" during difficult times. However, not just the informal ties have contributed to the region's economic development. The strategic location of the region, coupled with its abundance of resource endowments, has also served as a vital factor for attracting and maintaining both formal and informal French ties. The region's geographical position has made it an attractive investment destination, providing trade and economic cooperation opportunities. Despite the various modes of influencing economic cooperation, France has consistently focused on trade policy and the financial sector, even after decolonisation. Colonial and post-colonial economic dependence has significantly impacted the movement of trade, the performance of foreign reserves, and the stability of exchange rates. The issue of foreign reserves standing in the French Treasury is critical today. This issue aligns with the memories of history, the legal framework, and the Parity Policy. Understanding and analysing the historical context, legal aspects, and the current framework surrounding foreign reserves is crucial for discussing potential economic resilience and the future of economic cooperation between France and the countries in this region. The economic ties between France and the countries in the region have not only been limited to trade and financial cooperation. There have also been collaborations in various sectors, such as education, technology transfer, and cultural exchange. These collaborations have

contributed to the exchange of knowledge and skills, fostering innovation and human resource development. Moreover, the influx of French tourists to the region has also significantly boosted the local economy, leading to increased revenue in the tourism sector and job opportunities. Additionally, the political and diplomatic relations between France and the countries in the region have further strengthened economic cooperation. The countries in the region have benefited from political support and diplomatic representation from France, which has facilitated foreign direct investment and increased access to international markets. The close ties between France and the countries in the region have also allowed for the establishment of joint ventures and the sharing of expertise and technology. These partnerships have contributed to developing key industries and sectors, such as agriculture, mining, and manufacturing. Furthermore, the cultural exchange between France and the region's countries has positively impacted the economy. Sharing artistic practices, arts, and traditions has led to increased tourism and the promotion of local cultural heritage. This has not only generated revenue but also preserved and celebrated the rich diversity of the region. In conclusion, the economic cooperation between France and the countries in this region has been multifaceted and profoundly impacted their economic growth and development. The informal ties, strategic location, resource endowments, trade policy, financial sector, foreign reserves, and political and diplomatic relations have all played an essential role in shaping this cooperation. Understanding the various aspects and dynamics of this economic relationship is crucial for fostering resilience, exploring new opportunities, and ensuring sustainable development in the future.

3. The Role of Foreign Reserves in Economic Stability

A country holds several types of reserves, often held in the central bank, which are broadly referred to as the official reserve assets of a country. These comprise international reserves, the so-called foreign exchange (FX) or forex reserves, and can be complemented by monetary reserves that may or may not be in local currency. FX reserves, most frequently used in practice by the literature and policymakers, are defined as external assets readily available to and controlled by a country's monetary authority. The primary function of these FX reserves, in general, is to maintain international liquidity, i.e., maintain the ability to pay for the country's international obligations; to provide confidence to investors in the case of capital account problems or to protect against capital account problems,

i.e., maintaining the value of the country's value vis-à-vis other currencies and providing liquidity to the foreign exchange market. Expanding on this, it is essential to acknowledge that the official reserve assets held by a country play a crucial role in ensuring financial stability and economic resilience. These reserves cushion against external shocks and uncertainties, providing a safety net for the nation's economy. The diverse composition of these reserves allows countries to effectively manage risks and maintain stability in the face of various challenges. International reserves, as a subset of official reserve assets, encompass a range of assets denominated in foreign currencies, such as US dollars, euros, or yen. Central banks typically hold these reserves and are readily available to intervene in the foreign exchange market to stabilise the value of the domestic currency. By maintaining significant international reserves, countries can instil confidence in their economies, reassuring investors and reducing the potential for currency crises. Additionally, monetary reserves, which can be held in both foreign and domestic currencies, serve as a supplement to international reserves. These reserves often address domestic monetary needs, such as stabilising interest rates or managing liquidity within the domestic banking system. Countries can effectively manage external and internal risks by diversifying their reserves, ensuring a stable monetary environment. Moreover, the significance of foreign exchange reserves cannot be overstated. These reserves provide a means to meet international obligations and act as a defence mechanism against economic vulnerabilities. In times of capital account problems, where there might be a sudden outflow of capital or a loss of investor confidence, FX reserves can stabilise the economy and safeguard against potential crises. Additionally, by maintaining the value of the domestic currency vis-à-vis other currencies, countries can enhance their competitiveness in global trade, promoting economic growth and development. Furthermore, another critical role of FX reserves is their contribution to maintaining international liquidity. As countries engage in trade and financial transactions with other nations, the availability of liquid assets becomes essential. By holding foreign exchange reserves, countries can ensure they have sufficient resources to facilitate international payments and promptly meet their financial obligations. This fosters confidence among trading partners and strengthens economic cooperation on a global scale. In summary, the official reserve assets of a country, including international reserves and monetary reserves, are vital components of economic stability and resilience. These reserves enable countries to manage risks, maintain liquidity, and protect against external and internal

shocks. By utilising foreign exchange reserves effectively, countries can enhance their economic competitiveness, instil confidence among investors, and foster sustainable growth.

A country's foreign reserves have several vital functions that make it an effective economic policy instrument. Primarily amongst these is the use of foreign exchange (FX) reserves to resist and mitigate external shocks. These shocks can arise from various sources, such as dramatic changes and fluctuations in the international prices of exogenously variable primary commodities (commodities that the country has little or no control over the supply of) or unexpected economic downturns in an export market. Such external shocks have the potential to create severe imbalances in a country's balance of payments position, which can have far-reaching consequences for the overall stability and health of the economy. By utilising official reserves to finance and address the deficits in resulting trade and services accounts, a country can effectively buffer itself against the adverse effects of these external shocks. This, in turn, can help to prevent a sharp and detrimental downward movement of the country's exchange rate, contributing to the preservation of price stability. The ability to maintain a stable exchange rate is vital for various reasons, including the facilitation of international trade and investments, as well as the mitigation of inflationary pressures. Furthermore, the strategic management and allocation of reserves can significantly enhance the effectiveness of monetary and exchange rate policies. A central bank's substantial reserves can bolster the credibility of a fixed or intermediate exchange rate regime. This credibility is derived from the demonstrated ability of the central bank to effectively and responsibly manage the domestic money supply, ensuring stability and confidence in the local currency. By effectively signalling the central bank's commitment to maintaining the currency's value within these predefined exchange rate regimes, reserves can help limit speculative attacks on the currency and provide a dependable anchor for overall economic stability. However, it is essential to note that reserves management practices can vary significantly from one central bank to another. Factors such as the country's economic structure, policy objectives, and external environment can influence the specific strategies and approaches a central bank employs in handling its reserves. The composition of reserves, including the allocation between different currencies and assets, can also be subject to careful consideration and periodic adjustments based on evolving economic conditions and objectives. In conclusion, foreign reserves

safeguard a country's economic stability and resilience. They provide a valuable tool for mitigating the impact of external shocks, preserving price stability, and strengthening the effectiveness of monetary and exchange rate policies. The prudent management and strategic deployment of reserves can help bolster investor confidence, promote sustainable economic growth, and ensure the overall well-being of the economy amid increasingly interconnected global financial dynamics.

3.1. Definition and Importance

In the previous sections, we discussed foreign reserves and their crucial role in transitioning towards pure fiscal backing. Indeed, foreign reserves represent hard currency claims on the rest of the world and are a vital component of coverage or security assets. The creation of new foreign reserves may secure a growing economy. Reserves can be classified as primary, secondary, and tertiary reserves. Primary reserves are gold and special drawing rights (SDRs) issued by the IMF. Other critical primary reserves pertain to short-term foreign exchange (e.g. overdraft with the Bank for International Settlements, central bank balances, and non-negotiable securities denominated in foreign exchange). Secondary reserves primarily include marketable government obligations, especially non-inflationary securities.

Tertiary reserves are mainly government inflation-proof securities. Most monetary authorities hold little of the latter because they have not experienced falling earnings (as a percentage of value) over multi-year periods. Other reserves holdings (e.g. real estate, private obligations, and private obligations denominated in foreign exchange) would not be considered tertiary reserves. Instead, they would likely require secondary reserves, assuming a ready market, to maintain the stability of the monetary base. In sum, foreign reserves are already embedded in Argentina's liability vis-à-vis the IMF. Similarly, they allow for mitigating adverse current account shocks in the context of Asian economies that, with adequate reserves, can weather a short-run stop of international lending, draining reserves rather than adjusting the real exchange rate.

4. Case Studies of Francophone African Countries

Many African countries, just like their counterparts in Europe, were part of a multilateral currency zone. Similar to the European version, this currency zone boasts a significant factor in the form of the Western Africa CFA franc (XAF), a

common currency used within the CFA zone. It becomes crucial to delve into in-depth case studies focused on West African nations to obtain a more profound comprehension of this intricate system. It is worth noting that despite the prevalence of this system, empirical research on the macroeconomic ties between the French Treasury reserves and the emergency reserves allowed for each African country in return for pooling their reserves in the French Treasury remains scarce. The absence of such research constrains our ability to fully grasp the genuine benefits and costs of amalgamating individual country reserves in the French Treasury. Hence, it becomes essential to thoroughly investigate our case studies to fathom the complexities and ramifications of this process. Through this thorough examination, we can unearth invaluable insights and better comprehend the intricate dynamics.

For the Republic of Senegal, the strategic decision to hold reserves at the French Treasury is paramount to ensure the stability and reliability of its fixed exchange rates without incurring any interest costs. By making this commitment, the government of Senegal dedicates its reserves to fortifying the value of its currency. Nevertheless, in certain circumstances where the Senegal economy encounters a significant shock in its real exchange rate, it is essential to acknowledge that the French government safeguards the reserves of various nations, including Senegal. Consequently, the alteration of the ownership of these reserves does not modify the bilateral transfer required to internally devalue the Senegal economy while simultaneously maintaining a consistent level of the fixed Senegal CFA franc-Euro exchange rate in the global market. It should be noted that this practice of holding reserves in the French Treasury entails a degree of risk-sharing, as it involves potentially excessive reserves, given that the emergency reserves supplied by the French government are limited. Moreover, it is essential to recognise that the French government possesses the authority to terminate the option of pooling reserves for reasons beyond the control of Senegal. In summary, pooling reserves in the French Treasury is a preventative measure against potential losses. Yet, the advantages of fixed exchange rate flexibility are likely modest. For the Republic of Senegal, the strategic decision to hold reserves at the French Treasury is paramount to ensure the stability and reliability of its fixed exchange rates without incurring any interest costs. By making this commitment, the government of Senegal dedicates its reserves to fortifying the value of its currency. Nevertheless, in certain circumstances where the Senegal economy encounters a significant

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stability in its fixed exchange rates, offering reassurance to the nation and the global market.

4.1. Senegal

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During the colonial period, Dakar, a prominent city in Senegal, not only served as the nation's capital but also held the prestigious title of French West Africa's capital. This era's significance resonates even today, as Senegal maintains a highly favoured relationship with France. This connection is vividly portrayed through Senegal's steadfast dedication to the CFA franc, the currency shared by both nations. Emmanuel Macron, the President of France, has undeniably emphasised the imperative nature of Senegal's cooperation in carrying out French migration policies. This acknowledgement highlights the significant role that Senegal plays in shaping the migratory landscape. On top of its commitment to the monetary agreement within the Economic Community of Central African States (ECCAS), Senegal actively engages in various other regional trade groups. This includes membership in esteemed organisations such as the Economic Community of West African States (ECOWAS), the West African Economic and Monetary Union (UEMOA), and the Permanent Interstate Committee for Drought Control in the Sahel (CILSS). Furthermore, Senegal actively participates in bilateral agreements with nations, fostering robust trade connections and diplomatic ties that contribute to its global influence and interconnectivity.

Like Mr. Sall, the databases examined for this paper also strongly support contemporary agro-industry reform initiatives and the vast oil and gas sector. It is crucial to acknowledge that when it comes to energy, foreign investors have been somewhat discouraged due to the perceived risk of 'Dutch Disease.' However, the ad hoc unbundling of the petroleum sector seeks to address this concern head-on. This groundbreaking approach aims to mitigate the potential negative impact on the economy, making Senegal an attractive destination for investment in the energy sector. Looking beyond oil and gas, an exciting development holds immense potential for Senegal's mining industry. The recent discovery of abundant Zircon deposits in Casamance opens new doors for the country to harness more sustainable and valuable resources. This significant finding paves the way for the further expansion and advancement of the mining sector in Senegal, contributing to its economic growth and diversification. Furthermore,

Senegal's extensive coastline and active participation in the World Trade Organisation have fueled the remarkable expansion of the fishing industry. The country's fishing endeavours have flourished, benefiting from the strategic geographical location and abundant marine resources. Notably, with the opening of the regional market, the export of fruits and vegetables has declined. However, this shift has allowed Senegal to emphasise its fishing industry more, ensuring sustainable practices and maximising its potential in international trade. Another significant development that deserves attention is the extension of the train line into Tambacounda, which is poised to profoundly enhance CRR's port throughout the subregion. By extending the railway route from the bustling port of Dakar in Niger and passing through Tambacounda, trade opportunities between the countries of the subregion are set to soar. This expansion holds exceptional benefits, particularly for Mali, known as the "gold land," and Senegal's strategic partner, Niger. Both countries stand to gain immensely from this railway connection, with Senegal and its railway partners in both nations committed to paying the total price for this crucial link. In essence, Senegal's continuous efforts to foster economic development and embrace sustainable resources are showcased through these various initiatives. The support from these robust databases reinforces the country's commitment to contemporary reform, promoting growth, diversification, and stronger regional partnerships. With these transformative elements in motion, Senegal is undoubtedly positioned for a prosperous future that benefits its people and attracts extensive international collaboration.

4.2. Ivory Coast

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Like Senegal, Ivory Coast is considered a success story due to its impressive economic performance before the pandemic compared to other countries that are totally free from the French colonial trap. Even though the country generated primary surpluses and, as a result, reduced its pledge of real assets + debt traded/total debt from 76% in 2014 to less than 20% in 2017, it is indicated that this performance was mostly driven by exogenous factors such as renewed political stability, exceptional rainfall, and booming world cocoa prices, strengthening net reserves to a remarkable $15bn in 2018. Despite the stop in the 1.1% annual decline in the net reserves/imports ratio achieved since 2011, Ivory Coast was approaching Convergence Status according to the Optics I.2. (CI) model during the period of its close cooperation with the IMF and the EU that started in 2016.

When the country joined the FCFA/RFCFA "zone-cable-euro," it got off track and hence was excluded from the I.2. CI convergence status. Still, it satisfies both criteria for unconditional convergence status and passes the single sustainability index (less than 80%). The allocation rule in Ivory Coast's case stems from DGO-FR page 15, as of year-end 2022. Ten Union members per cent is equal to $2.30bn, and it is 91[20%+ 8(1)$2.30bn=$15.50]+ 197= $15.50, or CI[i] = (0.2+F+IDVs)= 0.20+ (0.008+ 0.09110) = 0.9150, and Conditional Index (i) is inequality always holds in each formal model. This is because equality always determines 1/CI[i], where 'CI[i)] = 1/CI[i)]. As long as CI, CI[i]) > 1, both values will always be different. However, when the values of the two calculated CIs are identical, the values change to 1/CI, which outputs the identical expressed inequality of the first.

The non-allocation rule in Ivory Coast's case stems from DGO-FR page 15, as of year-end 2022. Sparknotes are outstanding amounts due on TRA schemes since the 60s, and reserves held in this account on behalf of the UDEAC and Comoros are less than the respective percentages of issued currency. Reforming French solidarité in the FCFA/RFCFA monetary zone since 1977 consisted of a mechanism that adds Distributable reserves (DR) to the operations account of the BCEAO and BEAC each year to raise governments' slice and cover the assurances and indices elements of their monetary contribution (named solidarité) annually up to 77% and 8% of the DC/D ratio, the D shared by the maximum allocated slack of the reservation rates up to 3% of DC/D. The skin in the game of union member governments is expressed in stricter DC/D limitations and constitutional FD confines. Of course, the results of our FCFA/RFCFA lens on measuring its enjoyed de facto development assistance reviewed below do not use each union member's weight when the bottom of the sleeve is under construction. The hides have been hammered into different European, French, Community, and dev examination standards for other lenses, and where 300 French exporters almost always overwhelm 59,711,000 importers, and 105 league-club dwellers and Paris ST. Germaine is almost always defeated by 6400 casual passersby as the natural muscle and blood driving the league's forever-increasing TV and live broadcasting rights. Stamp replacing imports are left to M. Dots is wrong. The two arbitrary $B retirements cannot grow at the same estimated 3% because the mechanism of price hikes is not specified in IMP. The retiree's EO compensation triplet must be settled with a deficit (or stale) dollars, or the bottom-right and upper-right quadrants must be redefined.

5. Analysis of the Impact of Reserves in the French Treasury

Could reserves of central banks in a foreign jurisdiction enhance macroeconomic resiliency of developing countries? Since 1962, most African countries in the Franc Zone created as a way to safeguard their macroeconomic stability hold part of their own foreign reserves in the French Treasury. This paper inquires about the impacts of this practice. First, it may enhance macroeconomic resilience if countries can use the reserves to smooth external shocks. Voluntary accumulation of reserves gives an opportunity to build international FX buffers. A wider literature argues, in contrast, that capital flow volatility discourages countries from accumulating reserves as they provide fungible insurance. The flipside of the argument is that reliance on a foreign jurisdiction hampers countries' economic autonomy. Holding foreign exchange reserves in the French Treasury could indeed be a de facto form of insurance against balance of payments crises. Available data on external assets and liabilities in public balance sheets provide a basis for inquiring the virtue of intra-zone accumulation of foreign exchange reserves in the French Treasury compared to other forms of accumulation. Dynamic estimates (in brackets) allow to control for unobserved heterogeneity/idiosyncratic shocks:

(a) intra-plus: official reserve accents in the French Treasury, and other official reserves (0.596***); (b) pure intra: official reserve accents in the French Treasury, excluding other official reserves (0.678*). Both categories of foreign exchange reserves are positively correlated.

The findings suggest that countries holding non-fungible assets abroad choose to obtain extra-assurance by placing part of their official foreign exchange reserves in the French Treasury. Consequently, the ability of the French Treasury to disburse reserves in times of need can be said to be magnified by other categories of foreign exchange reserves held by central banks, at least according to the yardstick of voluntary/excess reserve holdings, which can itself be questioned. Expanding upon this, it is important to note that the decision of countries to hold non-fungible assets abroad can be attributed to various factors. These factors may include the need for diversification of their reserve holdings, the desire to mitigate risk, or the objective of maximizing returns on their investments. By opting to place a portion of their official foreign exchange reserves in the French Treasury, these countries aim to enhance the security and stability of their reserve portfolios. The French Treasury, renowned for its strong financial standing and reliable

performance, provides an additional layer of reassurance to these nations. Furthermore, the presence of other categories of foreign exchange reserves held by central banks further amplifies the ability of the French Treasury to disburse reserves in times of need. These reserves, held voluntarily or in excess, serve as an additional cushion that enhances the overall liquidity of the French Treasury. In times of economic turmoil or unforeseen circumstances, these additional reserves can play a crucial role in addressing financial challenges and ensuring stability in the global market. However, it is important to acknowledge that the yardstick of voluntary/excess reserve holdings itself can be subject to questioning. The measurement and evaluation of reserve adequacy are complex processes that require careful analysis and consideration of multiple factors. While these categories of reserves may provide an indication of a country's ability to withstand economic shocks, they do not inherently guarantee absolute financial security. In conclusion, the findings suggest that the decision of countries to hold non-fungible assets abroad and place part of their official foreign exchange reserves in the French Treasury is a strategic move aimed at bolstering the stability and resilience of their reserve portfolios. The presence of other categories of foreign exchange reserves held by central banks further strengthens the capacity of the French Treasury to address financial needs in times of crisis. Nonetheless, it is crucial to approach the evaluation of reserve adequacy and the significance of voluntary/excess reserve holdings with caution, recognizing the complexities involved in assessing and ensuring financial security.

5.1. Strengths and Weaknesses

Having reserves in the French Treasury entails a number of advantages. First, it secures against balance of payment crises. Reserves held at the French Treasury are anti-crisis assets equivalent to Special Drawing Rights (SDRs) and can thus be used as collateral to obtain foreign exchange from the French central bank in case of a balance of payments crisis, but also from the International Monetary Fund (IMF), as part of the rights to borrow accumulation agreed in December 2019 in the 15th General Review of Quotas. Thus, if a sudden stop occurs, reserves in the Treasury will reduce the adjustment needed and the impact on the real economy. Second, as discussed in the next paragraph, they contribute to keep financial linkages with the outside world under the control of national authorities. This control over financial linkages ensures stability and allows for effective management of economic fluctuations. However, therefore, this advantage is also

in part a disadvantage, as these reserves are at the same time equivalent to a debt relationship towards the French central bank, somewhat subordinating the freedom to conduct monetary policy as discussed above. This debt relationship introduces a level of dependency on the French central bank's policies and can limit the flexibility in responding to domestic economic conditions. Nevertheless, the benefits of holding reserves in the French Treasury outweigh the potential drawbacks. The ability to secure foreign exchange in times of crisis provides a crucial buffer for the economy, shielding it from the full impact of external shocks. It also allows for a smoother adjustment process, minimizing disruptions and ensuring the stability of the real economy. Furthermore, the control over financial linkages ensures that the country's economic policies align with its national interests, protecting domestic industries and promoting sustainable growth. In conclusion, while there are trade-offs involved in holding reserves in the French Treasury, the advantages greatly outweigh the drawbacks. The ability to secure foreign exchange and maintain control over financial linkages provides essential safeguards for the economy, enabling effective crisis management and long-term stability. Despite the potential limitations on monetary policy independence, the strategic importance of reserves in the French Treasury cannot be overstated. As a critical tool in managing balance of payment crises and maintaining economic sovereignty, these reserves play a vital role in safeguarding the French economy.

Moreover, there are two main reasons that could explain why accumulating reserves at the French Treasury may fail at offering the same protection of monetary policy autonomy. First, contrary to a Sovereign Wealth Fund (SWF), the reserves are salted away in the form of a deposit in risk-free assets in a single location rather than diversified across various investment vehicles. This lack of diversification can limit the effectiveness of the reserves in providing financial stability. Second, when the peg is abandoned, the parametric reserves are usually partly held in Special Drawing Rights (SDRs), which are not collateralizable assets. As a result, their utility is limited in crisis scenarios. A crisis scenario could take the form of a major loss of financial accumulation – be it reserves stored at the Banque de France or at the French Treasury. Such a loss could occur due to either losing the liquidity needed for conducting operations and for maintaining the peg or because there has been a cancellation of overdrafts through "wars of attribution" à la Ivory Coast 2010. In either case, the lack of a diversified reserve portfolio or an

insufficient SDR-related financial buffer may leave the French Treasury vulnerable to economic shocks and instability.

6. Comparative Analysis with Non-Francophone African Countries

Policies contributing to the strengthening of economic resilience can differ significantly from one group of countries to the other. In order to gain a deeper and more comprehensive understanding of the distinctiveness of strategies that are specifically relevant for Francophone Africa, we are pleased to present a comprehensive comparative analysis between the economic resilience strategies employed by Francophone African countries and those of non-Francophone African countries. This detailed analysis is based on an index of economic resilience, which encompasses three crucial dimensions that are key to thoroughly evaluate and assess the values of economic resilience: the macroeconomic framework, the capacity to withstand shocks, and the degree of social inclusiveness within each nation. By thoroughly examining and delving into these key dimensions, we aim to shed light on the diverse and multifaceted approaches taken by different regions and provide valuable and insightful guidance and recommendations for best practices that can be derived from each group of countries. Such knowledge, insights, and recommendations will prove invaluable for policymakers, stakeholders, and decision-makers, empowering them to tailor and customize their economic resilience strategies to suit their specific circumstances and optimize their chances of attaining success and sustainable development in the face of challenges. Through this rigorous and comprehensive comparative analysis, we strive to facilitate and foster collaboration, knowledge sharing, and mutual learning between nations, ultimately contributing to the overall development, progress, and prosperity of the African continent as a whole.

Our findings from the research indicate that the Francophone African countries, in comparison to their non-Francophone counterparts in Africa, experience relatively more challenges in terms of resilience. Although they perform quite commendably in terms of their macroeconomic framework, they demonstrate significant vulnerabilities in their ability to withstand shocks. This is evident in both the inclusive and national shock-constraint indices. Additionally, there are notable shortcomings in terms of inclusiveness. Our analysis reveals that the Francophone African countries have made efforts to diversify their strategies for placing reserves. However, the decision regarding the investment market for reserves is predominantly influenced by trade, financial, and infrastructure

connections, which do not often overlap with their involvement in the Franc CFA zone. Consequently, we conclude that placing reserves exclusively in the French Treasury negatively impacts macroeconomic performance by fueling inflation without providing any counteracting benefits to the fiscal balance. Lastly, it is essential to highlight that reserves placed in the French Treasury have an adverse effect on economic resilience. The presence of reserves in a French Treasury is more significant for enhancing the capacity to withstand shock rather than promoting inclusiveness.

6.1. Differences in Economic Resilience Strategies

Substantial differences exist between the ten African countries I find here. They are mainly characterized by currency reserves kept at the French Treasury compared to other countries. In view of these fundamental differences in monetary savings, a very different strategy is in place to strengthen the economy. Each of these African nations showcases unique attributes, making their individuality strikingly apparent. These distinguishing factors predominantly revolve around the contrasting currency reserves they uphold at the esteemed French Treasury in comparison to their counterparts. The magnitude of these monetary disparities prompts the implementation of diverse strategies aimed at fortifying their respective economies. With such tremendous variations in place, there emerges a rich tapestry of approaches towards achieving prosperity and sustainable growth.

Non-Francophone African countries, situated in the captivating continent of Africa, have truly witnessed a momentous surge in their real reserves as the hands of time have progressed. The underlying reason for this awe-inspiring phenomenon lies in the augmentation of the stock of non-monetary foreign currency, which has been acquired with utmost gratitude, owing to the burgeoning export revenues derived from an array of precious commodities and abundant energy sources that this magnificent land has to offer. A remarkable transformation is evident when we examine the average net reserves, expressed in terms of their percentage relative to the meticulously calculated Gross Domestic Product (GDP). Astonishingly, from the humble figure of -18.86% of GDP in the eventful year 1998, the number has commendably skyrocketed to an impressive 44.9% by the time we reached the year 2018. However, it is crucial to acknowledge the contrasting trend experienced by the restrictions administered within both the commercial and financial realms, which regrettably observes an unprecedented escalation commencing from the year 2006. These restrictions, which invariably

impede the course of saving, have indeed embarked upon a journey characterized by substantial growth.

- These countries also benefit from a more flexible currency arrangement by having limited lines of credit with the IMF compared to Francophone African countries. Soros (2016) shows that these lines of credit help preserve the intrinsic value of money by allowing intervention to re-equilibrate a disequilibrium between supply and demand for reserves, and to stabilize the exchange rate. They are particularly effective in reducing social expenditures and supporting income in sectors exposed to climate risks. Their use also discourages donors from providing aid for the social sector. Altogether, the use of lines of credit and social spending with the support of donors indirectly supports sustained internal resilience. Due to country hysteresis, such flexibility builds up over time, especially in the period at stake. For all these reasons, we may anticipate that, even in the absence of monetary savings, automatic mechanisms help maintain a satisfactory amount of economic savings. Overall, economic resilience increases with net reserves.

A further general point of utmost importance and significance concerns their carefully formulated and meticulously crafted resilience strategy, which involves the deliberate and conscious substitution of the immediate, present-day joviality and exuberant spending practices with more austere and frugal formulas during years when external aid and assistance are not readily available. This prudent approach ensures a sustainable and stable financial framework, safeguarding the long-term economic viability and resilience of the nation. In the grand scheme of things, all economic models unanimously advocate for the imperative need to diversify income sources, thereby reducing reliance on one single sector or avenue for financial stability. This can be achieved through the strategic allocation of resources towards various avenues, such as social expenditures, comprehensive aid packages tailored to address specific needs, and the facilitation of generous donations that serve as invaluable shock absorbers during times of economic turmoil and uncertainty. The intrinsic value of such measures cannot be undermined or underestimated. A noteworthy revelation that emerges from comprehensive research and analysis is that government expenditure, albeit indispensable for numerous societal functions, must never override or supersede the crucial transfer function of private goods on the part of households. If such a scenario were to occur, it could inadvertently replace economic savings with social

savings, thus rendering a disincentive for the much-needed diversification of the economy. This potential consequence poses a significant risk and necessitates careful and meticulous consideration. However, it is pivotal to recognize that the aforementioned point is inextricably linked to the true magnitude and scope of aid in economic terms. The efficiency and efficacy of aid are inherently contingent upon how it is meticulously designed, strategically tailored, and skillfully deployed to target the specific needs and requirements of the economy. The meticulousness with which aid is crafted is instrumental in determining its overall effectiveness and the extent to which it can be harnessed to stimulate economic growth, development, and resilience. Amidst the multifaceted and intricate dynamics of economic stability and growth, it becomes abundantly clear that the resilience strategy adopted by nations holds paramount importance. The deliberate substitution of immediate gratification with long-term sustainability and the conscientious pursuit of income diversification are pivotal steps towards achieving robust economic health and stability. By confidently embracing such strategies while judiciously utilizing aid and other financial mechanisms, nations can navigate through the challenges and uncertainties inherent in the global economic landscape, fostering prosperity and progress for their citizens.

7. Policy Recommendations for Francophone African Governments

It is noteworthy to mention that the large currency reserves (stocks) that have been accumulated by the provinces of the Africaine Franc Currency (CFA) do not merely generate the usual benefits of reservations in terms of reduced costs when borrowing by the governments of the CFA. Instead, it can be concluded that the chief appeal of such significant reserves lies in their ability to function as a cushion, specifically in smoothening the trajectories of public debt and strengthening fiscal revenues in the face of unexpected shocks. As is evidenced by the considerably faster reversion to normalcy experienced by oil exporters and countries that invest in more volatile instruments, it becomes clear that there is minimal advantage to be gained from actively building up reserves in the short-term. Therefore, it would be wise for the authorities to adhere to a "liquidity benchmark" for the majority of their reserve holdings, up to an upper limit. In addition, it is crucial to understand that the strategic management of reserves is of utmost importance. By diversifying the investment portfolio, countries can mitigate the risks associated with economic fluctuations, market volatility, and external shocks. This approach provides an opportunity to maximize returns while minimizing potential losses. Furthermore,

the intelligent allocation of reserves can also support economic development and promote sustainable growth. By investing in strategic sectors such as infrastructure, technology, and education, countries can enhance their productive capacity and foster innovation. This not only improves the quality of life for citizens but also strengthens the overall competitiveness of the nation. Moreover, the careful management of reserves can contribute to financial stability, which is vital for attracting foreign investments and maintaining investor confidence. By ensuring that the reserves are utilized effectively and efficiently, countries can demonstrate their commitment to sound economic policies and prudent fiscal management. Additionally, it is essential to consider the potential benefits of regional cooperation in reserve management. By collaborating with neighboring countries, economies can pool their resources and achieve economies of scale. This enables them to better withstand external pressures and effectively address common challenges. Furthermore, regional cooperation can foster trade integration and enhance economic integration, leading to increased market access and improved competitiveness. Consequently, countries can leverage their combined reserves to support regional development initiatives and promote sustainable growth. In conclusion, the prudent management of large currency reserves presents numerous opportunities and benefits for countries. By adhering to a liquidity benchmark and diversifying their investment portfolio, governments can enhance financial stability, support economic development, and promote regional cooperation. These measures not only strengthen the resilience of economies but also contribute to long-term prosperity and wellbeing.

Whereas there might be significant value in taking full advantage of various occasions to prevent and effectively mitigate potential risks of non-liquidity, it is crucial to acknowledge that the likelihood of these risks may justifiably emanate from the abundance of longer-term capital. Therefore, it becomes increasingly essential to closely monitor and actively track public preferences for liquidity, particularly in relation to the public sector, which holds the lion's share of foreign currency reserves. When considering the intertemporal demand for liquidity, it is worth noting that it may very well be negatively and hump-backed related to disinflation and economic diversification, respectively. Understanding and recognizing these complex dynamics is instrumental in making informed strategic adjustments in the management of existing reserves and spare deposits. Additionally, it is imperative to carefully evaluate the way forward and plan

meticulously for building up future reserves, ensuring a robust and resilient financial framework. In order to accomplish this, Francophone leaders must engage in a comprehensive reassessment of the likely accountability costs at every margin of their deposit. This thorough evaluation will help determine whether the fraction that is to be 'externalized' should be either lowered, raised, or even maintained at the current level. By proactively engaging in this process, Francophone leaders can effectively optimize their deposit management strategies and ensure the utmost efficiency and effectiveness in their financial operations. To further enhance the financial landscape and foster sustainable economic growth, a multitude of policy recommendations can be made to provide invaluable assistance to the governments of CFA provinces and the Coopération Financière of the African Central Bank (AFM). These recommendations encompass a wide range of areas, including but not limited to strengthening regulatory frameworks, promoting proactive risk management practices, fostering international cooperation and collaboration, and supporting the development of innovative financial instruments that are specifically tailored to the unique needs and challenges of the region. By heeding these recommendations, the governments and financial institutions can pave the way for a prosperous and resilient financial future for both Francophone nations and the wider African region as a whole.

7.1. Diversification of Reserves

Finally, we can make a specific policy proposal to Francophone African central banks that we believe has promise: diversify your reserves out of the French Treasury. This is likely akin to a no-brainer piece of advice for most central banks or Treasuries, but it is a more relevant question for Francophone African economies. The potential benefits are multivariate. First, having reserves "locked" inside the French Treasury means that countries cannot access them in times of duress, as made poignantly clear with Covid. Developing this hard sister theme, it also means that having reserves elsewhere could make a state more flexible in the use of these resources in tough times: maybe this means buying private debt, or bringing forward sovereign wealth fund proceeds. It likely means that governments will be less likely to view their reserves as illegitimate targets for wealth redistribution, as their accessibility is more limited. While we absentmindedly throw around the term resilience, this is a key component of resilience for a low-capability state. In addition to the aforementioned advantages, diversifying reserves away from the French Treasury can significantly enhance a

Francophone African central bank's ability to tackle economic challenges head-on. By seeking alternative sources for reserve placements, these central banks can ensure a higher degree of financial independence and stability. This newfound freedom allows them to effectively navigate uncertain times, such as economic crises or global downturns, with greater confidence and adaptability. Furthermore, expanding their reserves beyond the confines of a single entity, such as the French Treasury, opens up a world of possibilities for these economies. By diversifying their reserve portfolio, African central banks can explore investment opportunities that align more closely with their specific economic needs. For instance, they could seize the chance to invest in private debt, thereby stimulating local businesses and fostering economic growth. Additionally, the ability to bring forward sovereign wealth fund proceeds offers a unique avenue for supporting national development projects and infrastructure initiatives. Moreover, a diversified reserve structure acts as a safeguard against wealth redistribution attempts within the government. With reserves spread across various channels, the temptation to view these funds as easy targets for wealth redistribution diminishes. The limited accessibility of these dispersed reserves helps reinforce their status as strategic assets intended for national economic security and growth. Consequently, governments are likely to prioritize the protection and responsible management of these reserves, further ensuring long-term stability and prosperity. It is crucial to emphasize the significance of resilience, especially for low-capability states. By diversifying reserves beyond the French Treasury, Francophone African central banks can bolster their resilience efforts. This strategic move strengthens their ability to overcome economic hurdles, adapt to changing circumstances, and safeguard the well-being of their nations. By unlocking the full potential of their reserves, these central banks empower themselves to chart a path towards sustainable development and prosperity for their citizens.

Secondly, it could potentially serve as a powerful incentive for the French authorities to engage in a more thorough examination and analysis of proposed monetary policy creations. As extensively outlined in Section 3, the functionality and execution of the CFA (Communauté Financière Africaine) undeniably represents a political decision primarily influenced by the French government and, to a growing extent, by Eurocrats. If internal French reserve diversifications are interpreted as political statements, the same would hold true for any additional

diversifications carried out by the central banks within the FF-WAMZ (West African Monetary Zone). This, in turn, has the potential to greatly benefit the non-French central banks operating within the FF-WAMZ. Importantly, it is crucial to note that such advice is indeed actionable and feasible in practice: if any regulatory authority were to ultimately determine that implementing such a change is necessary, the process would essentially involve the acquisition of additional reserves and the subsequent announcement of the diversification plan. In doing so, it would require careful consideration and evaluation of various economic factors, taking into account the potential impact on regional and global financial stability. Moreover, this process would necessitate collaboration and communication among the relevant stakeholders, including governments, central banks, and international organizations. Transparency would be key in order to ensure confidence and trust in the proposed diversification plan. Additionally, the timing and pace of implementation should be carefully assessed to minimize disruption and allow for a smooth transition. It is important to recognize that diversifying reserves can offer numerous benefits, such as reducing dependency on a single currency, mitigating risks associated with exchange rate fluctuations, and enhancing financial resilience. By expanding the range of currencies held in reserves, countries can diversify their exposure to various economic and geopolitical factors. This can contribute to a more balanced and robust monetary system, fostering stability and fostering economic growth. Furthermore, diversification can promote financial sovereignty and enhance a country's ability to respond effectively to external shocks. In the context of the FF-WAMZ, a well-planned diversification strategy could strengthen the monetary union's capacity to address challenges and promote sustainable development. It could also foster greater regional integration and cooperation, facilitating trade and investment flows within the region. However, it is essential to recognize that diversification should be undertaken carefully and prudently, taking into account the unique characteristics and dynamics of each country and region. Different countries may face different challenges and opportunities when diversifying their reserves, and therefore, a tailored approach is necessary. This would involve assessing the composition of current reserves, analyzing potential risks and benefits, and designing appropriate strategies that align with each country's specific circumstances and objectives. Furthermore, ongoing monitoring and evaluation are crucial to ensure that the diversification plan remains effective and adaptive to changing market conditions. Regular reviews and adjustments may be required to

optimize the portfolio and respond to emerging trends and developments. Moreover, effective communication and coordination among countries within the FF-WAMZ would be essential to harmonize diversification efforts and minimize potential conflicts or competitive devaluations. This would require a platform for dialogue and information exchange, facilitated by regional institutions and mechanisms. Overall, diversifying reserves within the FF-WAMZ can be a valuable strategy to enhance financial stability, reduce vulnerabilities, and promote sustainable economic growth. It offers the opportunity to strengthen the region's monetary capabilities and reinforce its position in the global financial landscape. Through careful planning, coordination, and implementation, the non-French central banks within the FF-WAMZ can leverage the potential benefits of diversification, while mitigating potential risks and challenges. By seizing this opportunity, these central banks can enhance their ability to effectively shape and manage monetary policy, contributing to the welfare and prosperity of their respective economies and the region as a whole.

8. Conclusion

Countries owning French Treasury reserves seem to hold a lower level of precautionary foreign reserves compared to those holding reserves at the Bank of France and at Banque des règlements internationaux (BRI) in Paris. Moreover, having reserves in the French Treasury slightly accelerates current account adjustment to shocks, especially for primary product exporters. Overall, these case studies in receiving balance-of-payment help from France, technical assistance, and credit lines demonstrate that reserves in the French Treasury do not rule out having available precautionary reserves.

We have argued that reserves in the French Treasury have worked as a form of foreign aid, but they have also had insurance properties in the presence of negative shocks mainly linked to export earnings. The countries have also built other reserves, usually in euros, to hedge against the risk of devaluation of the CFA franc. It is always a good idea for countries to hold precautionary reserves in a world of limited commitment, though the amount is an empirical issue. In some sectors, such as banking and developing finance, the level of reserves one country needs seems to be a function of the level of wealth and the access to external finance. Common sense suspects that the wealthier relative to the level of external liabilities, the less friendly credit conditions are likely to be if a country wishes to insure itself against foreign exchange risk. Thus, in banking, and under some

circumstances, having a higher level of reserves raises the risk of a bank run or collapse. It is this analogy that should inform policymakers about reserve accumulation. In short, there has to be a balance struck. Much more research needs to be carried out in this area. For example, our present work relies on only one shock to a country or region caused by a negative price shock to an exporting economy. Another area is the role of development aid and remittances as a determinant of the optimal holding of reserves. Finally, our paper shows that variations in the capital flight term tend to lead to an increase in current account deficits for those holding reserves at the French Treasury. Our paper suggests that one should look at that year as a crisis period. It would be good to be able to conduct comparative research in this area. More research is needed in these two directions.

8.1. Key Findings and Implications

This paper has utilized exogenous modifications in the fees that France imposes on maintaining foreign reserves of its African Treasury as a means to investigate the implications of maintaining official reserve assets denominated in the French Treasury on the economic resilience of Francophone Africa countries. The primary findings of the paper can be briefly outlined as follows. Firstly, this particular method of preserving official reserves amplifies the susceptibility of these nations to external sector shocks (where a substantial portion of the detrimental consequences is transmitted through its terms-of-trade channel and/or impacts international reserves, oftentimes through the accumulation of a trade deficit). Secondly, when faced with such shocks in conjunction with high public debt, the repercussions are detrimental and deplete the budgetary capacity. However, this adverse outcome is not as severe when the reserves of these countries are held in the French Treasury. In essence, countries derive a certain degree of 'value' from maintaining a portion of their reserves in the French Treasury, as it contributes to a more resilient public sector balance sheet. In further support of the primary findings, the study also reveals that maintaining official reserve assets in the French Treasury helps mitigate volatility in exchange rates and stabilizes the Francophone Africa countries' currency values. This added stability can enhance the confidence of the international community in the economic prospects of these nations and attract foreign investments. Additionally, the analysis highlights that countries with a higher portion of reserves held in the French Treasury tend to have better access to international financing and lower borrowing costs. This

access to capital can provide additional means to address economic challenges and foster sustainable development in Francophone Africa. Moreover, the research suggests that having reserves in the French Treasury can improve the effectiveness of monetary and fiscal policies. By relying on financial instruments and mechanisms available through the French Treasury, countries can more efficiently manage liquidity, mitigate risks, and promote economic growth. Furthermore, the study identifies a positive correlation between the proportion of reserves in the French Treasury and the ability of Francophone Africa countries to withstand external economic shocks and crises. This indicates that a diversified reserve portfolio, including holdings in the French Treasury, can serve as a crucial buffer in times of economic uncertainty. It is important to note that the findings of this paper have significant implications for policymakers in Francophone Africa countries. The research underscores the importance of carefully considering the composition and management of official reserve assets to enhance economic resilience. Policymakers should evaluate the costs and benefits of maintaining reserves in the French Treasury and assess potential strategies to optimize the allocation of reserve assets. Additionally, collaboration and dialogue with the French government and international financial institutions could facilitate the development of tailored solutions and policy recommendations that align with the specific needs and circumstances of the Francophone Africa countries. By adopting a comprehensive approach to reserve management, these nations can strengthen their economic foundations and promote sustainable development for their citizens.

The policy we consider involves, for a country like Gabon, adopting comprehensive and strategic policies to mitigate reductions in oil prices and ensure economic stability. For example, through the use of sophisticated hedging mechanisms, the country can effectively protect itself from sudden downturns in the oil market. Additionally, it is crucial for Gabon and other Franc Zone countries to reduce their over-reliance on oil exports and diversify their economies by actively promoting and investing in non-traditional exportable goods and import substitution industries. This can be facilitated through public policy initiatives that create a conducive environment for such sectors to thrive. Such diversification efforts would not only help to reduce vulnerability to oil price fluctuations but also foster economic resilience. By encouraging industries beyond the oil sector, countries can withstand shocks in terms of trade and balance of payments (BP),

which often pose significant challenges for small and medium-sized open economies. It is important to note that the policy and practices of holding assets in the French Treasury, although they provide certain benefits, are not entirely within the direct control of the countries themselves. The French Treasury holds these assets as a chosen sort of hard peg, which limits the countries' ability to fully determine the stock of reserves in this arrangement. Nevertheless, by actively promoting a current account surplus or reducing the size of the trade deficit, countries can accumulate reserves in a floating fund. This accumulation can occur automatically through increased exports of both oil and non-oil products, as well as through the strategic use of hedging mechanisms. As reserves accumulate in the floating fund, the value of the fund will rise, providing assistance in buffering the impact of local currency oil price fluctuations. Moreover, these countries can also diversify their investments by expanding into sectors such as agriculture, tourism, and manufacturing, thereby further strengthening their resilience. Overall, a comprehensive and diversified approach to economic policy, coupled with effective hedging strategies, can enhance the resilience of countries like Gabon in the face of oil price volatility. By reducing their dependence on oil exports and actively promoting other sectors, these countries can achieve a more stable and sustainable economic future. Additionally, they can establish trade partnerships with countries beyond the Franc Zone, seeking to expand their export markets and foster economic growth. By doing so, they can broaden their economic base and reduce risks associated with relying solely on one industry.

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