The CFA Franc: Monetary Colonialism

AiCE Africanism & Pan-African Studies — Fourteen countries, one veto

What Is the CFA Franc?

The CFA franc — originally the 'franc of the French colonies of Africa,' now officially the 'franc of the African Financial Community' — is a currency shared by fourteen African countries, all former French colonies. It comes in two forms: the West African CFA franc, used by eight countries (Senegal, Côte d'Ivoire, Mali, Burkina Faso, Guinea-Bissau, Niger, Togo, and Benin), and the Central African CFA franc, used by six countries (Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon). Together, these fourteen countries have a combined population of approximately 180 million people.

The system has several key features. The franc is pegged to the Euro at a fixed rate that never changes, regardless of economic conditions in the member countries. France guarantees the convertibility of the CFA franc, exchanging it for Euros on demand. In exchange for this guarantee, member countries are required to deposit fifty percent of their foreign exchange reserves with the French Treasury in Paris. And until 2019, France held seats on the monetary policy committees of both CFA franc central banks — giving it a formal role in setting monetary policy for fourteen African countries.

Arguments For and Against

The CFA franc system has defenders who argue that the fixed exchange rate provides monetary stability, low inflation, and a credible currency that reduces transaction costs in international trade. These arguments have some merit — CFA franc countries have historically had lower inflation than many other African states, and have avoided the currency crises that have devastated economies like Zimbabwe's.

But the system also has profound costs that its defenders consistently understate. Member countries cannot devalue their currency to make exports competitive or respond to economic shocks specific to their situation. Requiring fifty percent of foreign exchange reserves to be held in Paris means African savings finance the French Treasury rather than African development. The fixed peg frequently overvalues the CFA franc,

making African exports more expensive and imports cheaper — undermining African industrial development. And until 2019, France's formal seats on CFA central bank committees had no parallel anywhere else in the post-colonial world.

The CFA Franc: Key Facts
14 African countries use the CFA franc — all former French colonies, combined population approximately 180 million.
The franc is pegged to the Euro at a fixed, unchanging exchange rate.
Member countries must deposit 50% of foreign exchange reserves with the French Treasury.
Until 2019, France held formal seats on both CFA central banks' monetary policy committees.
2019 reform: France agreed to remove its representatives and rebrand the West African version the 'ECO' — but the Euro peg and reserve requirement remain in place.
2020: WAEMU's eight countries announced a planned transition to the ECO currency — not yet completed.
The system was designed in 1945 to maintain French economic dominance in its African territories; critics argue this purpose has not fundamentally changed.

The CFA franc debate erupted with new intensity in 2017-2019, led primarily by economist Ndongo Samba Sylla and Togolese economist Kako Nubukpo, who published detailed analyses of the system's costs to African development. But the substantive economic argument — that monetary sovereignty is a prerequisite for genuine economic independence — is serious and remains unresolved. The deeper question, whether African countries should have their own independent monetary systems or pursue regional monetary integration on African terms, remains one of the most important unresolved questions of African economic policy.

Key Takeaways

The CFA franc system gives France continued formal influence over the monetary policy of fourteen African countries — through a Euro peg, a fifty-percent reserve deposit

requirement, and, until 2019, direct seats on the currencies' governing committees. The 2019 reforms addressed the most visible symbol of this arrangement without resolving its underlying structure. The next lesson turns from monetary sovereignty to a different resource under contest: African land itself.