

# Membership in the CFA zone : Odyssean journey or Trojan horse?

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## Abstract

For most of the 13 African members of the CFA Franc Zone, the 1980s have been a decade of slow or negative growth in per capita gross domestic product, worsening balance of payments, debt crises, financial crises declining competitiveness, and an apparent failure to adjust to the changed environment they inherited from the 1970s. This paper reassesses the costs and benefits of membership in the CFA Franc Zone in light of its members' poor performance in the 1980s. The assessment is based on comparisons of the members' performance indicators with indicators for comparator groups: other countries in sub-Saharan Africa, other low- and middle-income countries, and other exporters of fuel and primary goods. Performance indicators for members of the CFA Zone deteriorated more than indicators for other groups. Growth and investment rates fell more for CFA countries. This decline is attributed to the CFA members' declining competitiveness as other countries undertook adjustment programs that emphasized depreciation of the real exchange rate. The burden of

adjustment appears to have fallen disproportionately on reduced spending, particularly reduced investment.

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