Economics World, Oct.-Dec. 2026, Vol. 13, No. 4, 145-161
doi: 10.17265/2328-7144/2026.04.003

The Risks of Launching a New Currency: The Case of ECOWAS and the ECO Project
An Analysis of the Macroeconomic, Institutional and Political Vulnerabilities of a Monetary Union in the Making

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Launching a common currency is among the most irreversible economic policy decisions that a group of sovereign states can take. The ECO project, pursued by the Economic Community of West African States (ECOWAS) since 1983 and reaffirmed at the 69th Ordinary Session of the Authority of Heads of State and Government, held in Sierra Leone on 19 July 2026, provides a particularly rich illustration. This article offers a systematic mapping of the risks associated with such a launch, organised into six families: macroeconomic convergence risks, institutional and governance risks, political-economy and sovereignty risks, risks arising from the articulation with the CFA franc zone, operational and cash changeover risks, and external credibility risks. The analysis draws on optimum currency area theory, the literature on credibility and time inconsistency in monetary policy, and the political economy of regional integration, with comparative reference to the European, East African and Southern African experiences. The central argument is that the dominant risk facing the ECO is institutional rather than technical: weak enforcement of convergence commitments, combined with the absence of pooled fiscal adjustment mechanisms, exposes a premature West African monetary union to a risk of disintegration that exceeds the cost of postponement. The article concludes with a ranked risk matrix and a set of sequencing recommendations. It extends the inquiry opened in Samassekou and Sangaré (2026) into whether the CFA franc is an obstacle or a catalyst for development, shifting the focus from the incumbent monetary regime to the risks attached to the regime intended to replace it.

Keywords: monetary union, ECO, ECOWAS, optimum currency area, macroeconomic convergence, CFA franc, monetary credibility, regional integration, West Africa

Introduction

Money is not a neutral technical instrument. It is simultaneously a regional public good, an instrument of macroeconomic policy, an attribute of sovereignty and a device for coordinating expectations. This multiplicity of functions explains why the creation of a new currency—*a fortiori* a currency shared by several states—is a

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high-risk undertaking whose failure generates lasting economic and political costs. Modern monetary history abounds with dissolved monetary unions: the Latin Monetary Union (1865-1927), the Scandinavian Monetary Union (1873-1924), the rouble zone after the dissolution of the Soviet Union (1991-1993) and the East African currency area, dissolved in 1977. It also includes successes, among them the West African Economic and Monetary Union (WAEMU) and European Economic and Monetary Union, the latter having nonetheless gone through an existential crisis between 2010 and 2015 that revealed the precise nature of its original vulnerabilities.

The ECO project belongs to this history. First mooted in 1983 and formalised in the ECOWAS Monetary Cooperation Programme adopted in 1987, it has seen a succession of missed deadlines: 1994, 2000, 2003, 2005, 2009, 2015 and 2020. Each postponement was justified by the same finding—insufficient macroeconomic convergence among member states. The Lungi summit in Sierra Leone on 19 July 2026 reaffirmed the objective of a launch in 2027 while formalising a decisive methodological shift: the abandonment of a simultaneous launch in favour of a phased entry into force, initially restricted to states meeting the convergence criteria, with the others receiving technical support to join at a later stage.

This change of method is far from trivial. It solves one problem—that of the weakest link holding the whole project hostage—but creates others: the composition of the first group, the prolonged coexistence of distinct monetary regimes within a single free-trade area, and the articulation with WAEMU, a monetary zone that is already established and operational. The research question addressed in this article is therefore as follows: what categories of risk does the launch of the ECO pose for the region under current institutional and macroeconomic conditions, and how can these risks be ranked and mitigated?

Our central hypothesis is that West African public debate, focused on nominal convergence criteria, systematically underestimates institutional risks. Convergence criteria are observable, measurable and therefore reassuring; the enforcement of commitments, the credibility of the common central bank, the political sustainability of adjustments and the management of asymmetric shocks are not. Yet, as the euro area crisis demonstrated, it is precisely these non-measurable dimensions that determine the survival of a monetary union. A monetary union that satisfies nominal criteria but has neither a sovereign crisis resolution mechanism, nor a common budget, nor an integrated banking supervisory authority imports a structural fragility that fiscal discipline alone cannot offset.

The article is organised in nine sections. Section 1 sets out the theoretical framework. Section 2 traces the genesis of the project and reviews its status as of August 2026. Sections 3 to 7 develop the risk mapping across the six families identified. Section 8 offers a comparative reading of foreign experiences. Section 9 presents a risk-ranking matrix and formulates sequencing recommendations, before a conclusion that summarises the argument and outlines avenues for further research.

This research is a direct continuation of an earlier contribution on the CFA franc published in *Economics World* (Samassekou & Sangaré, 2026). That article raised a fundamental question—is the CFA franc an obstacle or a catalyst for the development of the franc zone economies?—and examined both sides of it: on the one hand, the benefits of a nominal anchor, contained inflation and a convertibility guarantee; on the other, the constraints imposed on monetary policy autonomy, on real exchange rate adjustment and on the financing of the economy. The present article shifts the focus of that inquiry. It no longer addresses the incumbent monetary regime but the one intended to succeed it, and it replaces the question of the value of the existing arrangement with that of the risk associated with its replacement. The two exercises are inseparable: the cost of retaining the CFA franc only

makes sense when weighed against the risk of replacing it, and any assessment of the ECO project would remain incomplete if it omitted the benchmark provided by the regime it is meant to supersede.

Methodologically, the approach is qualitative and analytical. It combines the macroeconomic convergence reports published by the West African Monetary Agency (WAMA), the official communiqués of the ECOWAS Authority of Heads of State and Government, the academic literature on optimum currency areas applied to West Africa, and a political-economy analysis of regional power relations. It does not purport to provide an econometric model of business-cycle synchronisation—necessary but distinct work—but rather a structured and ranked identification of vulnerabilities.

Theoretical Framework: What Economics Teaches about Monetary Risk

Optimum Currency Area Theory and Its Extensions

The reference analytical framework remains the one pioneered by Mundell (1961). A currency area is said to be optimal when the loss of the nominal exchange rate instrument is offset by alternative mechanisms of adjustment to asymmetric shocks. Mundell identified the mobility of factors of production, particularly labour, as the central criterion. McKinnon (1963) added the criterion of economic openness: the more open an economy, the less effective devaluation is, and the lower the cost of abandoning the exchange rate. Kenen (1969) introduced the criterion of productive diversification: a diversified economy experiences sectoral shocks that tend to offset one another, whereas a single-export economy bears the full brunt of shocks.

These three original criteria were supplemented by a second generation of contributions. The criterion of similar inflation rates (Fleming, 1971) emphasises that economies with divergent inflation preferences will face persistent tensions in their real terms of trade. The criterion of fiscal integration, developed notably by Kenen, highlights automatic fiscal transfers between regions as a substitute for exchange rate adjustment. The criterion of homogeneous preferences and political solidarity—often termed the “political” criterion—recognises that a monetary union requires lasting consent to asymmetrically distributed adjustments.

Applied to ECOWAS, this framework yields a worrying diagnosis. Intra-regional labour mobility is real but concentrated in informal and seasonal flows, and it continues to face administrative obstacles despite the 1979 Protocol on Free Movement of Persons. The degree of intra-regional openness is low: intra-ECOWAS trade accounts for roughly 10 to 15 percent of the Community’s total trade, far below the levels observed in Europe before 1999. Productive diversification is limited and, above all, export structures are highly differentiated: Nigeria is a net exporter of hydrocarbons; Côte d’Ivoire and Ghana export cocoa and gold; Mali, Burkina Faso and Niger—until their withdrawal from the Community (see Section 5.3)—export gold, cotton and uranium; Senegal and Cabo Verde are service-based economies. This heterogeneity means that commodity price shocks affect member states not only asymmetrically but sometimes in opposite directions: a rise in oil prices improves Nigeria’s terms of trade while worsening those of Senegal or Mali.

It should nonetheless be recalled that Frankel and Rose (1998) put forward an endogeneity argument: optimum currency area criteria are not exogenous, and the adoption of a common currency may itself increase trade integration and business-cycle synchronisation. This argument, frequently invoked by advocates of a rapid ECO launch, must nevertheless be handled with caution. Krugman (1993) advanced a symmetrical and pessimistic counter-argument: integration may instead lead to greater specialisation, and hence to diverging productive structures and growing exposure to asymmetric shocks. The European experience suggests that both forces coexist and that the net outcome depends on the quality of accompanying institutions.

Credibility, Time Inconsistency and Nominal Anchoring

A second theoretical strand sheds light on the risks of a monetary launch: the literature on credibility. Kydland and Prescott (1977), followed by Barro and Gordon (1983), showed that a monetary authority with discretionary power is structurally tempted to generate surprise inflation in order to stimulate activity or monetise public debt. Anticipating this temptation, economic agents build an inflation premium into their contracts, so that the discretionary equilibrium is inflationary without any real gain. The solution lies in delegating monetary policy to an independent and conservative institution (Rogoff, 1985) or in pegging to a credible external rule.

This literature is decisive for the ECO. A new currency has no reputational capital. Its initial credibility can therefore rest on only three sources: the reputational legacy of the institutions that sponsor it, the robustness of its legal independence framework, and the quality of its nominal anchor. On all three counts, the ECO project is in a position of relative weakness. The future ECOWAS Central Bank has no operational track record. Its legal independence framework has yet to be finalised. And the target exchange rate regime—a managed float, in line with the guidelines adopted in Abuja in 2019 and confirmed since—deprives the currency of the explicit anchor that the CFA franc enjoyed through its fixed parity with the euro.

This gives rise to a paradox that must be stated plainly: for the eight WAEMU states, the transition from the CFA franc to the ECO represents, strictly from the standpoint of nominal anchoring, a potential deterioration in credibility. The CFA franc benefits from a guaranteed fixed parity and a track record of low inflation—around 2 to 3 percent on long-run average—far below that of the economies of the West African Monetary Zone (WAMZ). Replacing this anchor with a floating currency managed by a new institution, within a group that includes economies with a stronger inflationary tradition, amounts to trading borrowed credibility for credibility yet to be built. The wager may be justified—notably by considerations of sovereignty and adjustment flexibility—but it constitutes a risk that no honest analysis can downplay. This is precisely the tension highlighted in Samassekou and Sangaré (2026): the very properties that make the CFA franc an instrument of nominal stability are also those that limit its developmental reach, so that its abolition improves matters only on the express condition that the abandoned anchor is replaced by institutional credibility of equivalent strength.

The Political Economy of Monetary Integration

A third theoretical strand concerns political economy. Alesina and Barro (2002) showed that the decision to adopt a common currency results from a trade-off between gains in credibility and trade, on the one hand, and the costs of losing stabilisation autonomy, on the other—a trade-off whose outcome depends heavily on the relative size of the economies involved. A small country gains a great deal by pegging to a large, stable economy; a large economy gains little by pegging to a group of small, unstable economies. This asymmetry directly illuminates the position of Nigeria, which alone accounts for roughly two-thirds of ECOWAS gross domestic product and about half of its population.

The theory of monetary federalism further emphasises that a monetary union without a fiscal union creates a structural negative externality: each member state has an incentive to let its deficit slide, since the inflationary effects are pooled while the benefits accrue nationally. This is the classic free-rider problem applied to public finances. There are only three possible responses: a binding fiscal rule backed by effective sanctions, partial fiscal centralisation, or a credible no-bailout clause. The European experience has demonstrated the fragility of all three: the Stability and Growth Pact was breached without sanction as early as 2003 by its main promoters, fiscal

centralisation remained marginal, and the no-bailout clause proved non-credible in 2010. Which response ECOWAS intends to favour remains, to date, undecided.

Genesis and Current Status of the ECO Project

A Trajectory of Successive Postponements

The project of a single West African currency dates back to the ECOWAS Monetary Cooperation Programme adopted in 1987, itself an extension of the objectives set out in the founding treaty of 1975. The initial architecture rested on a two-step approach: first, the creation of a second monetary zone grouping the non-WAEMU states—the West African Monetary Zone, established in Accra in 2000 and comprising The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone—and then the merger of this zone with WAEMU to form a Community-wide monetary union.

This architecture never got beyond the first stage. The WAMZ ECO, whose launch was successively announced for 2003, 2005, 2009 and 2015, never materialised, owing to a lack of convergence among its members and to Nigeria's unwillingness to give up the naira. In 2019, the strategy was revised in Abuja: the two-zone approach was abandoned in favour of a gradual approach at the level of ECOWAS as a whole, and the name ECO, a flexible exchange rate regime and an inflation-targeting monetary policy framework were adopted. The 2020 deadline was derailed by the COVID-19 pandemic and by the unilateral announcement, in December 2019, of the reform of the CFA franc by Côte d'Ivoire and France—a reform that renamed the WAEMU currency the "eco", an initiative perceived by several anglophone capitals as an appropriation of the regional project.

The revised roadmap adopted in 2021 set 2027 as the horizon, with a convergence period from 2022 to 2026 and an effective launch in 2027. The Banjul summit of 4 August 2025 and the Lungi summit of 19 July 2026 confirmed this deadline, while formalising the shift towards a phased launch.

The Decisions of the Lungi Summit (19 July 2026)

The 69th Ordinary Session of the Authority of Heads of State and Government produced several decisions whose scope deserves careful assessment.

Reaffirmation of 2027 as the deadline for launching the ECO, with an initial rollout limited to member states that meet the convergence criteria and are willing to participate.

Institutionalisation of technical and structural support for non-qualifying states, with a view to their integration into later phases of the monetary union.

Instruction to the ECOWAS Commission and WAMA to intensify consultations with central bank governors in order to formulate consensual proposals on the "outstanding issues" essential to the introduction of the currency.

Convening of a meeting of the Presidential Task Force on the Single Currency Programme before the ordinary summit of December 2026, in collaboration with the President of Côte d'Ivoire, the only still-serving member of the previous Task Force.

Approval of Guinea's request to join the Presidential Task Force.

Registration of the "ECO" name with the African Intellectual Property Organization (OAPI), with instructions to extend this protection to other competent regional and international bodies.

Two observations are in order. First, the persistence of the expression "outstanding issues" eighteen months before the announced deadline signals that fundamental parameters—the exchange rate regime, the capital key of the central bank, the seat of the institution, the conversion arrangements for national currencies and the status

of the CFA franc during the transition—have not yet been settled. Second, the composition of the first group has not been published, which is in itself a source of uncertainty for economic agents and investors.

The Macroeconomic Convergence Framework

The ECOWAS Macroeconomic Convergence and Stability Pact, adopted in 2012 and revised in 2015, sets six criteria, divided into primary and secondary criteria (Table 1).

Table 1

ECOWAS Macroeconomic Convergence Criteria

Tier	Criterion	Threshold
Primary	Overall budget deficit (including grants) as a share of GDP (commitment basis)	≤ 3%
Primary	Average annual inflation rate	≤ 5%
Primary	Central bank financing of the budget deficit	≤ 10% of previous year's tax revenue
Primary	Gross external reserves	≥ 3 months of imports
Secondary	Total public debt to GDP ratio	≤ 70%
Secondary	Nominal exchange rate variation	± 10%

Source: ECOWAS Macroeconomic Convergence and Stability Pact (2012, revised 2015); WAMA convergence reports.

This framework calls for three critical remarks. First, it is almost entirely modelled on the Maastricht criteria, whose suitability for economies with a narrow tax base, heavy dependence on commodities and a dominant informal sector is debatable. A deficit threshold of 3 percent of GDP has a very different meaning in an economy where the tax-to-GDP ratio reaches 40 percent and in one where it peaks at 15 percent: in the latter case, it represents a much larger share of public revenue and constrains public investment far more severely.

Second, the criteria are exclusively nominal. They include no indicator of real convergence—per capita income, productivity, export structure or degree of diversification. Yet it is real divergence, not nominal divergence, that generates the asymmetric shocks to which a monetary union is structurally vulnerable.

Third, and most seriously, the multilateral surveillance framework carries no effective sanctions. The Convergence Council, the Technical Monitoring Committee and the joint WAMA–ECOWAS secretariat produce high-quality reports, but their recommendations have no consequences for a non-compliant state. The historical record bears this out: since the Pact was introduced, the number of states simultaneously meeting all primary criteria has never exceeded a handful, and has frequently fallen to one or zero in shock years, notably 2020 and 2022.

Macroeconomic Convergence Risks

The Structural Heterogeneity of Member Economies

The first risk, and the best documented, stems from the extreme heterogeneity of the economies expected to share the same currency. This heterogeneity manifests itself along at least three dimensions.

The first is size. Nigeria accounts for about two-thirds of Community GDP and nearly half of the regional population. At the other end of the spectrum, Cabo Verde, Guinea-Bissau and The Gambia each represent less than 1 percent of regional GDP. Such an asymmetry mechanically means that the common monetary policy will, to a large extent, be the monetary policy suited to Nigeria. This phenomenon—the "dominance of the large country"—was observed in Europe, where the Bundesbank and later the European Central Bank long calibrated their stance on the German cycle. But Germany was a stable, disinflated economy; Nigeria is an oil economy

with high inflation volatility, whose currency, the naira, has undergone depreciations of considerable magnitude since 2023. Importing the Nigerian cycle into a regional monetary union amounts to importing its volatility.

The second is structural. The pattern of productive specialisation reveals configurations that are not merely different but sometimes opposed. Nigeria is a net exporter of hydrocarbons, whereas almost all other members are net importers. A positive oil price shock therefore improves Nigeria's current account while simultaneously worsening those of Côte d'Ivoire, Senegal, Ghana or Mali. Under a national floating exchange rate regime, this divergence is absorbed through differentiated exchange rate movements. In a monetary union, it translates into a divergence in real competitiveness that only internal price and wage adjustments—slow and politically costly—can correct.

The third is monetary. Exchange rate regimes and inflation performance differ profoundly. The eight WAEMU states share a pegged currency whose origins date back to 1945 and have historically experienced low inflation. The WAMZ states have operated floating or managed floating regimes, with inflation frequently in double digits and, in several cases, reaching recent peaks. Merging these two monetary traditions requires an explicit decision on the collective preference regarding inflation—a decision that the current texts leave implicit.

The Risk of Ineffective Convergence at the Deadline

WAMA's annual reports have documented erratic nominal convergence for more than a decade. The number of states meeting all four primary criteria varies from year to year with exogenous shocks, with no robust improving trend. Shock years—the pandemic, the surge in food and energy prices, global monetary tightening—have triggered simultaneous setbacks across the region, highlighting the largely cyclical nature of earlier performance.

This observation underpins a specific risk: that of a politically driven launch even though the economic conditions have not been met. The Lungi decision to proceed in phases reduces this risk by excluding non-qualifying states, but it does not eliminate it, for two reasons. First, qualification is assessed at a given date, whereas the sustainability of a monetary union depends on the ability to maintain convergence over time: a state may satisfy the criteria in 2026 and deviate from them durably in 2028. Second, political pressure for a first group large enough to be credible may lead to lenient application of the criteria—a risk of complacency already observed during the initial qualification for the euro area.

The Risk of Uninsured Asymmetric Shocks

In a monetary union, a shock that hits one member but not the others can be absorbed neither by the exchange rate nor by monetary policy. Three adjustment channels remain: price and wage flexibility, labour and capital mobility, and fiscal transfers. All three are deficient in the West African context.

Price flexibility is theoretically high given the weight of the informal sector, but it coexists with wage rigidity in the formal public sector and strong social resistance to cuts in nominal incomes. Labour mobility exists but remains dominated by informal flows that are difficult to mobilise as a macroeconomic stabilisation mechanism, and it faces real administrative restrictions. As for fiscal transfers, there is no Community mechanism for insurance against asymmetric shocks: the Community levy finances the functioning of the institutions, not a stabilisation budget.

In our view, the absence of any risk-sharing mechanism is the most structural weakness of the project. It means that a member state hit by a shock—a collapse in the price of its main export, a climate disaster, a security crisis—will have to undertake full internal adjustment, without any regional shock absorber. The question of the political sustainability of such adjustment, in societies with weak social protection and high poverty, cannot be avoided.

Table 2

Mechanisms of Adjustment to Asymmetric Shocks: A Comparison

Mechanism	Euro area	WAEMU	ECO (projected)
National exchange rate	Abolished	Abolished	Abolished
Labour mobility	Moderate, rising	High but informal	Informal, constrained
Price/wage flexibility	Low	Moderate	Moderate
Common fiscal transfers	Marginal (EU budget ≈ 1% of GNI)	Virtually non-existent	Not envisaged
Sovereign crisis mechanism	ESM since 2012	None	Not envisaged
Lender of last resort	ECB (OMT since 2012)	BCEAO	To be established
External convertibility guarantee	Not applicable	French Treasury	None

Source: Authors' elaboration. ESM = European Stability Mechanism; OMT = Outright Monetary Transactions; BCEAO = Central Bank of West African States.

Institutional and Governance Risks

The Enforcement Deficit of Community Commitments

ECOWAS suffers from a structural problem that extends well beyond the monetary domain: the gap between Community law as adopted and Community law as applied. The protocols on the free movement of persons, the common external tariff and the rules of origin have all recorded national implementation rates far below the commitments made. This enforcement deficit is the main leading indicator of monetary risk: a community that does not apply its own trade rules will struggle to apply far more restrictive fiscal rules.

The multilateral surveillance mechanism perfectly illustrates this deficit. WAMA reports document breaches year after year without any consequence ensuing. There is no excessive deficit procedure, no financial sanction and no suspension of rights. The system relies entirely on peer pressure, whose ineffectiveness the European experience has demonstrated whenever the main member states are themselves in breach.

The resulting risk is fiscal moral hazard. In a monetary union with neither a credible sanction nor a credible no-bailout clause, each state has an incentive to let its debt accumulate, anticipating that the common central bank or partner states will intervene in the event of a crisis. This mechanism, long theorised, produced the euro area crisis. There is no reason to believe that West Africa would escape it.

The Independence and Credibility of the Future Central Bank

The future ECOWAS Central Bank will have to build *ex nihilo* a credibility that its counterparts have acquired over several decades. Three dimensions of risk must be distinguished.

Legal Independence. Formal independence—status, length and irrevocability of mandates, prohibition of monetary financing of deficits, budgetary autonomy of the institution—must be enshrined in a treaty that is difficult to amend. Any wording that leaves room for political instruction, even in exceptional circumstances, will be exploited immediately. The convergence criterion limiting central bank financing of the deficit to 10 percent of the previous year's tax revenue is revealing in this respect: it authorises monetary financing rather than prohibiting it, which sends a negative signal to markets. A credible monetary union prohibits direct monetary financing; it does not merely cap it.

Effective Independence. Legal independence is only meaningful if it rests on an institutional balance that makes it sustainable. In a group where one state accounts for two-thirds of GDP, the question of the capital key and of voting rights on the monetary policy council becomes existential. Two configurations are possible, each equally risky. A distribution proportional to economic weight would give Nigeria a dominant position and would

be perceived by other members as subordination—a scenario hardly acceptable to WAEMU states. An egalitarian distribution, on a "one state, one vote" model, would leave the main contributor in a minority position and create a permanent risk of Nigerian withdrawal. The compromise formula adopted in the euro area—capital weighting combined with rotating voting rights—has itself generated considerable tensions. This is arguably the most critical of the "outstanding issues" mentioned in the Lungi communiqué.

Operational Capacity. A central bank is not merely a mandate: it is a statistical apparatus, an interbank settlement system, an operational monetary policy framework, a supervisory function and a reserve management capacity. Building this apparatus within eighteen months is a considerable challenge. Operational risk—payment system failures, inability to manage liquidity, initial calibration errors—is all the greater as the institution will have to integrate heterogeneous monetary frameworks inherited from the BCEAO and from the national central banks of the non-WAEMU member states.

The Risk of Fragmentation from a Multi-Speed Launch

The option of a gradual launch, adopted at Lungi, deserves a nuanced assessment. It has the real advantage of no longer making the entire project hostage to the weakest link and of creating an incentive to converge for candidate states in the second wave. But it generates three risks of its own.

The first is a risk to the credibility of the union's composition. As long as the list of the first group is not published, economic agents can anticipate neither the structure nor the robustness of the future zone. A first group consisting exclusively of small economies would be seen as insignificant; a first group excluding Nigeria would deprive the ECO of its main rationale—the integration of the region's largest market; and a first group excluding WAEMU would amount to reconstituting the WAMZ under another name, with the same difficulties.

The second is the risk of prolonged coexistence of distinct monetary regimes within the common market. During the transition period, intra-Community trade would take place between the ECO zone, a residual franc zone and floating national currencies, with competitiveness effects that would be difficult to control. A depreciation of a national currency outside the ECO would translate into a relative competitiveness gain likely to fuel trade tensions and protectionist temptations.

The third is a risk of negotiating asymmetry. The first-group states will set the fundamental rules—statutes, exchange rate regime, operational framework—which later entrants will have to accept without having negotiated them. This asymmetry may breed lasting resentment and delay, or even jeopardise, subsequent accessions.

Political-Economy, Sovereignty and Regional Geopolitical Risks

Nigeria's Position and the Risk of Non-Participation

Nigeria is both the condition for the ECO project's relevance and its main source of uncertainty. Without Nigeria, the ECO brings only a marginal gain in trade integration, since the main regional market would remain outside the zone. With Nigeria, the monetary union inherits an economy whose macroeconomic volatility, dependence on hydrocarbons and relative weight make the conduct of a common monetary policy extraordinarily delicate.

From the standpoint of Alesina and Barro's (2002) theory, Nigeria's trade-off is structurally unfavourable to membership. A large economy derives few credibility gains from pegging to a group of smaller economies and loses an adjustment instrument it uses frequently. The Nigerian authorities have, moreover, repeatedly expressed reservations about the timetable and the arrangements. The probability of Nigerian participation in the

first wave must therefore be considered low, which considerably weakens the project's value proposition.

Articulation with the Franc Zone: The Risk of Regime Ambiguity

The most politically sensitive issue remains the future of the CFA franc. The December 2019 reform abolished the obligation to centralise foreign exchange reserves with the French Treasury and the presence of French representatives in the governing bodies of the BCEAO, while maintaining the fixed parity with the euro and the convertibility guarantee. It also provided for the renaming of the CFA franc as the "eco"—a decision that created lasting confusion between two distinct projects: the ECOWAS ECO, a regional currency with a flexible regime, and the WAEMU "eco", a renamed CFA franc with a fixed parity.

This ambiguity fuels a specific risk. For WAEMU states, three scenarios can be envisaged, with very different implications.

Conservation scenario: WAEMU keeps its fixed-parity currency and defers its entry into the regional ECO. Stability is preserved, but the regional project is emptied of its substance.

Bloc integration scenario: WAEMU enters the ECO collectively, and the ECO inherits the fixed parity with the euro. Credibility is preserved, but the objective of regional monetary sovereignty is abandoned, and the euro anchor becomes ill-suited to economies whose trade is shifting towards Asia.

Floating scenario: WAEMU joins an ECO with a flexible regime. This is the most ambitious and the riskiest scenario: it entails the simultaneous loss of the nominal anchor and of the convertibility guarantee, in a context where regional foreign exchange reserves would have to be entirely rebuilt from the region's own resources.

The third scenario corresponds to the official doctrine, but its transition cost is considerably underestimated in public debate. The French guarantee of unlimited convertibility, whatever the legitimate political criticisms it attracts, is an insurance arrangement whose value becomes visible only at the moment it disappears. Replacing this guarantee with a stock of own reserves would require substantial prior accumulation, whose opportunity cost—resources immobilised rather than invested—must be explicitly acknowledged.

This configuration calls for a reframing of the debate on the CFA franc. Extending the analysis developed in Samassekou and Sangaré (2026), we argue here that the "obstacle or catalyst" question cannot be settled in the abstract, but only in relation to what would replace the contested arrangement. A CFA franc deemed constraining remains preferable to a poorly prepared ECO; conversely, an ECO backed by a credible central bank, adequate foreign exchange reserves and pooled adjustment mechanisms would unambiguously dominate the status quo. Critique of the inherited regime and assessment of the projected regime thus form a single comparative exercise, which West African public debate has so far tended to separate.

The Risk of Regional Disintegration: The Withdrawal of the Alliance of Sahel States

No analysis of the ECO project conducted in 2026 can ignore the withdrawal of Burkina Faso, Mali and Niger from ECOWAS, formalised following their joint announcement of January 2024 and the establishment of the Alliance of Sahel States (AES). This withdrawal substantially alters the project's parameters.

Economically, it reduces the size of the regional market and deprives the Community of three Sahelian economies whose trade with the coastal states—Côte d'Ivoire, Senegal, Ghana, Togo and Benin—is structurally significant. Monetarily, it creates an unprecedented situation: three states remain members of WAEMU and use the CFA franc while no longer being members of ECOWAS. This dissociation between monetary membership and Community membership is legally unstable and politically explosive. It raises a question that the texts had not anticipated: what becomes of WAEMU if three of its eight members leave the regional grouping of which

the ECO is meant to be the monetary culmination?

Symbolically, finally, the AES states' moves towards a currency of their own reflect a challenge to the regional monetary order that goes beyond the technical question. They are a reminder that money is a matter of sovereignty and that political consent to a monetary union cannot be presumed stable. The risk here is not merely that of a truncated monetary union, but of a region fractured into three or four competing monetary spaces—a configuration that, from the standpoint of economic integration, would be far inferior to the current situation.

The Risk of Domestic Democratic Contestation

A final political-economy risk deserves emphasis, as it is often neglected in technical analyses. Joining a monetary union requires lasting acceptance by populations of macroeconomic constraints whose effects are visible and immediate—compression of public spending, adjustment of relative prices—while the benefits are diffuse and deferred. In societies where mechanisms for democratic deliberation on monetary choices are underdeveloped and where accession referendums do not exist, this asymmetry creates a risk of *ex post* rejection. The European experience—the Danish referendum of 1992, the Swedish referendum of 2003 and the Greek contestation of 2015—shows that monetary consent must be built and maintained, failing which it turns at the first shock.

Operational and Cash Changeover Risks of the Transition

Currency Conversion and the Risk of Loss of Confidence

The transition to a new currency requires setting irrevocable conversion rates between each national currency and the ECO. This operation is technically delicate and politically explosive. A conversion rate perceived as unfavourable is immediately interpreted by the population as the expropriation of its savings. The most instructive precedent is German monetary unification in 1990, when the one-to-one conversion of the East German mark for current balances—decided for political reasons against the advice of the Bundesbank—durably undermined the competitiveness of East German firms.

In the West African context, the difficulty is compounded by the recent volatility of several national currencies. Setting a conversion rate for a currency that has undergone rapid depreciation in the months preceding the changeover exposes policymakers to two symmetrical errors: a rate that is too favourable imports inflation into the union, while a rate that is too unfavourable abruptly impoverishes holders of cash balances. The choice of the reference date thus becomes a major political bargaining issue, likely to fuel speculative behaviour in the period preceding the announcement.

Logistical and Cash-Handling Risks

The production and circulation of notes and coins across an area of several hundred million inhabitants is an industrial and logistical operation of very large scale. It requires the selection of secure printers, the design of anti-counterfeiting features, transport to areas that are sometimes hard to reach or insecure, the training of banking and retail staff, the adaptation of automated teller machines and point-of-sale systems, and the controlled destruction of old notes.

The risk of counterfeiting deserves particular attention. In its first months, a new currency is poorly known to the public, which makes it easier to pass counterfeit notes. In a region where a large share of transactions takes place in cash and outside the banking system, this risk is magnified. A wave of counterfeiting during the launch phase would deal a lasting blow to confidence in the new currency.

The risk of exclusion must also be considered. Rural populations, the elderly, people with low literacy and

informal-economy actors are the most exposed to conversion difficulties and to abuses during the dual-circulation period. A support framework—decentralised conversion points, information campaigns in national languages and a sufficiently long dual-circulation period—is indispensable, and its cost must be budgeted.

Risks Relating to Payment Systems and Financial Infrastructure

A monetary union requires a real-time gross settlement system operating at the regional level, interoperable with existing systems and capable of handling considerable volumes from day one. The current coexistence of several infrastructures—that of the BCEAO, those of the WAMZ central banks and the ECOWAS regional payment system—implies a technical integration effort whose duration is difficult to compress.

Cyber risk must be addressed explicitly. A new monetary infrastructure is a prime target, and a failure during the launch phase would cause disproportionate reputational damage. The rapid growth of electronic money and mobile payment solutions in the region is, in this respect, both an opportunity—it facilitates a dematerialised transition—and an additional vulnerability.

The Risk of Dollarisation or Informal Currency Substitution

If confidence in the new currency is insufficiently established, economic agents spontaneously turn to substitute currencies—the dollar, the euro or even digital currencies. This phenomenon of informal dollarisation reduces the effectiveness of monetary policy, deprives the state of seigniorage and creates currency-mismatch vulnerabilities on private balance sheets. It is particularly likely in border economies and in the sectors most exposed to international trade. The risk is asymmetric: dollarisation takes hold quickly when confidence is lost but recedes very slowly once entrenched, as Latin American experiences attest.

External Credibility and Financial Stability Risks

Exchange Rate Risk and Speculative Pressure

The choice of a flexible exchange rate regime, adopted in the roadmap, exposes the ECO to market movements from its launch. A new currency, sponsored by an institution with no track record and backed by modest reserves, is a natural target for speculative positions. The currency crises of the 1990s established that a currency whose defence commitment lacks credibility can be successfully attacked even in the absence of major fundamental imbalances, simply through the coordination of expectations—the mechanism of self-fulfilling crises described by Obstfeld (1996).

The level of pooled foreign exchange reserves is therefore a decisive parameter. The convergence criterion adopted—three months of imports—is a minimum threshold, well below the usual prudential norms for an economy with a flexible regime and limited access to international capital markets. A monetary union launched with reserves at this level would have limited intervention capacity in the event of a shock.

The Risk of Fiscal Contagion and Sovereign Crisis

In a monetary union, each member state’s public debt is denominated in a currency that the state no longer controls. This configuration, analysed notably by De Grauwe (2012), transforms the nature of sovereign risk: the state loses the implicit guarantee of a national lender of last resort and becomes exposed to liquidity crises that can degenerate into solvency crises. This is exactly the mechanism that struck the peripheral economies of the euro area from 2010 onwards.

The risk is aggravated by the structure of West African banking systems, which are characterised by high exposure to domestic government securities. This configuration creates a close link between sovereign risk and

banking risk: a deterioration in a state's credit standing immediately weakens the banks holding its debt, which then reduce lending to the economy, deepening the recession and thus the fiscal imbalance. Without a banking union—integrated supervision, a common resolution mechanism and harmonised deposit insurance—this vicious circle cannot be neutralised.

It should be stressed that ECOWAS currently has no instrument comparable to the European Stability Mechanism. In the event of a sovereign crisis in a member state, the options would be limited to recourse to the international financial institutions, with the conditionality and delays this entails.

The Risk of Losing Seigniorage and Fiscal Revenue

Seigniorage—the revenue derived from currency issuance—is a non-negligible fiscal resource for several states in the region, particularly in economies with a low tax-to-GDP ratio. Pooling currency issuance implies redistributing this revenue according to a key yet to be defined. States whose relative seigniorage is currently high will suffer a net fiscal loss that will have to be either compensated or absorbed. Negotiating the key for distributing the common central bank's income is, in this respect, a predictable point of friction.

Comparative Lessons

The Euro Area: The Lesson of Incomplete Architecture

The European experience provides the most instructive counter-example. European Monetary Union was launched in 1999 with a deliberately incomplete architecture: a centralised monetary policy; national fiscal policies governed by a rule without effective sanctions; no integrated banking supervision; no sovereign crisis management mechanism; and a no-bailout clause whose credibility had never been tested. This architecture worked as long as macroeconomic conditions were favourable, and proved dangerously deficient at the first major shock.

The missing institutions were built in the urgency of the crisis, between 2010 and 2014: the stability mechanism, banking union, Outright Monetary Transactions and the European Semester. This sequencing—building crisis management institutions during the crisis—was extraordinarily costly, both economically and politically. The central lesson for ECOWAS is therefore one of sequencing: crisis management institutions must precede monetary union, not follow it.

The East African Community: The Lesson of Deliberate Postponement

The East African Community adopted a Monetary Union Protocol in 2013 providing for a single currency by 2024. This deadline was postponed, with the authorities explicitly acknowledging that the institutional prerequisites—a monetary institute, statistical harmonisation, fiscal surveillance and effective convergence—were not in place. This postponement, presented not as a failure but as a prudent decision, offers a model for the political management of delay from which ECOWAS could draw inspiration. It underscores that a credible timetable is worth more than an ambitious one, and that a postponement announced before the deadline costs infinitely less than a failed launch.

The Southern African Common Monetary Area: The Lesson of Accepted Asymmetry

The Common Monetary Area (CMA), which links South Africa with Lesotho, Eswatini and Namibia, has operated for several decades according to a different logic: it is not an egalitarian monetary union but an asymmetric anchoring arrangement in which the smaller countries peg their currencies to the rand and accept South African monetary dominance in exchange for stability, financial compensation for seigniorage and the

retention of their national currencies. This configuration, less ambitious than a single currency, offers most of the benefits of exchange rate stability without requiring the common institutions that a full monetary union presupposes. It constitutes an intermediate option that the West African debate, polarised between the status quo and a single currency, has insufficiently explored.

Dissolved Monetary Unions: The Lesson of Exit Costs

The history of dissolved monetary unions—the Latin Monetary Union, the Scandinavian Monetary Union, the East African currency area in 1977, the rouble zone in 1992-1993 and the Czechoslovak monetary union in 1993—teaches that exiting a monetary union is an operation of considerable economic violence: deposit flight, credit collapse, contested redenomination of contracts and lasting legal disputes. This lesson has a direct consequence: because exit is extremely costly, entry must be extremely cautious. The practical irreversibility of monetary union is an argument not for postponing the project indefinitely, but for requiring that its prerequisites be effectively in place before the changeover.

Risk-Ranking Matrix and Recommendations

Risk-Ranking Matrix

Synthesising the analysis, the identified risks can be ranked according to their probability of occurrence and the intensity of their potential impact on the project's viability (Table 3).

Table 3

Risk-Ranking Matrix for the ECO Project

Risk	Probability	Impact	Criticality and priority
Absence of an enforcement mechanism for fiscal commitments	High	Major	Critical Priority 1
Absence of insurance against asymmetric shocks	High	Major	Critical — Priority 1
Non-participation of Nigeria in the first wave	High	Major	Critical — Priority 1
Indeterminacy of the exchange rate regime and nominal anchor	Medium	Major	High — Priority 2
Deadlock over the capital key and voting rights	Medium	Major	High — Priority 2
Ambiguous status of the CFA franc during the transition	High	Moderate	High — Priority 2
Regional fracture linked to the withdrawal of the AES states	Materialised	Moderate	High — Priority 2
Divergent productive structures and terms-of-trade shocks	High	Moderate	Medium — Priority 3
Speculative pressure on a new, thinly backed currency	Medium	Moderate	Medium — Priority 3
Logistical or cyber failure during the changeover	Low	Moderate	Medium — Priority 3
Counterfeiting and exclusion during the cash changeover	Medium	Limited	Moderate — Priority 4
Loss of seigniorage for certain member states	Certain	Limited	Moderate — Priority 4

Source: Authors' elaboration.

Sequencing Recommendations

On the basis of this ranking, six recommendations can be formulated.

Recommendation 1: Make the Launch Conditional on the Effective Establishment of Crisis Management Institutions

The most robust lesson of the European experience is that crisis management institutions must precede monetary union. We recommend that the commissioning of a regional stability mechanism, endowed with intervention capacity and predefined activation rules, together with the establishment of integrated regional banking supervision, be made conditions precedent to the changeover, on the same footing as the convergence criteria.

Recommendation 2: Give Binding Force to the Multilateral Surveillance Framework

The Convergence Pact must be backed by a graduated sanctions mechanism—public warning, suspension of access to Community financing and financial penalties—activated either automatically or by reverse majority voting, so as to neutralise peer complacency. Without this reform, no convergence criterion has any real force.

Recommendation 3: Replace the Current Cap on Monetary Financing with an Outright Prohibition

The criterion allowing central bank financing of the deficit up to 10 percent of tax revenue should be replaced by an outright prohibition of direct monetary financing of national treasuries, enshrined in the statutes of the common central bank and not amendable by simple majority.

Recommendation 4: Settle the Question of the Nominal Anchor Explicitly and Publicly

The current indeterminacy regarding the exchange rate regime is a major source of uncertainty. A prudent option would be to adopt, for a transitional period of five to seven years, a peg to a basket of currencies reflecting the actual geographical structure of regional trade, with a fluctuation band, before considering a transition to a managed float and inflation targeting. This sequence would allow the institution to build its credibility before exposing it to the continuous judgement of the market.

Recommendation 5: Establish a Minimum Mechanism of Insurance Against Asymmetric Shocks

Even if modest in size, a regional stabilisation fund financed by a fraction of the Community levy and activated according to objective criteria—a fall in export revenue beyond a given threshold, a natural disaster—would qualitatively change the robustness of the framework. Its existence matters as much as its size, since it signals effective regional solidarity.

Recommendation 6: Treat the Nigerian Question and the Sahelian Question as Political Prerequisites

The project cannot be brought to completion by circumventing its two central political difficulties. An explicit clarification of Nigeria’s position, on the one hand, and the opening of a channel for monetary dialogue with the AES states that remain members of WAEMU, on the other, are prerequisites for the coherence of the whole. Otherwise, the ECO risks consecrating not the integration but the monetary fragmentation of West Africa.

Conclusion

Launching a new currency concentrates, in a single and practically irreversible act, risks of a macroeconomic, institutional, operational and political nature. The examination of the ECO project leads to a conclusion that is neither one of rejection nor one of enthusiasm: the project is economically defensible in principle but dangerously under-institutionalised in its current form.

The central argument of this article is that the hierarchy of risks is poorly established in regional public debate. The focus on nominal convergence criteria—measurable, comparable and easy to communicate—has obscured the vulnerabilities that actually determine the survival of a monetary union: the capacity to enforce commitments, the existence of crisis management mechanisms, the institutional credibility of the central bank and the political sustainability of adjustments. A group of states meeting all the convergence criteria but lacking a sovereign crisis resolution mechanism would be more fragile than a group with imperfect nominal performance but robust institutions.

The shift to a phased launch, adopted at Lungi in July 2026, is a genuine methodological advance. It replaces collective deadlock with a pull dynamic and introduces an incentive to converge. But it resolves none of the three critical issues identified: the absence of enforcement of commitments, the absence of insurance against asymmetric shocks and the uncertainty over Nigerian participation. As long as these three issues remain open,

the 2027 timetable is more a matter of political assertion than of operational trajectory.

Finally, we argue that the cost of postponement is far lower than the cost of a failed launch. An announced postponement is a governance decision that affects the credibility of the timetable; a monetary union that disintegrates is a regional catastrophe that affects the credibility of integration itself for a generation. The history of dissolved monetary unions teaches that exit is incomparably more costly than abstention. This fundamental asymmetry should be the guiding principle of the decision.

The fact remains that the West African monetary question cannot be reduced to a calculation of optimality. It involves a legitimate aspiration to monetary sovereignty, a desire to break with arrangements inherited from the colonial order, and an ambition for continental integration that the African Continental Free Trade Area (AfCFTA) makes even more pressing. The response to these aspirations cannot be indefinite postponement. It lies in demanding sequencing: first building the institutions that make monetary union sustainable, so that the single currency, when it comes, is a culmination rather than a gamble.

Several avenues for research remain open. An updated econometric estimate of business-cycle synchronisation within ECOWAS, covering the post-pandemic period and the reconfiguration linked to the withdrawal of the Sahelian states, would make it possible to substantiate the diagnosis of a non-optimal currency area. A quantitative assessment of the cost of building up the region's own foreign exchange reserves would inform the debate on abandoning the convertibility guarantee. Finally, a political-economy analysis of the conditions for generating democratic consent to monetary union would make a decisive contribution to a debate that today remains largely confined to technical circles. These extensions form part of a research programme of which the examination of the CFA franc (Samassekou & Sangaré, 2026) was the first stage and the present risk mapping the second; the third will address the institutional conditions for the sustainability of an African regional currency, a question that extends beyond the West African case.

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