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EFFECTS OF CURRENCY DEPRECIATION ON AFRICA ECONOMIES

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Abstract

The study examines the causes and effects of currency depreciation in Africa. Concepts of currency, currency exchange rate, currency depreciation and weak currency were explained. Among the causes of currency depreciation were the dependent nature of African economies, International Monetary Policy, Civil unrest, Imposition of sanction by the developed world, commodity prices, increasing domestic borrowing, non-tradable status of African currencies and corruption. All these have led to the institutionalization of liberal exchange market, printing of higher currency denominations, currency redenomination, changing from one currency base to another, adoption of multiple currency system, demonetization of national economy and increase in poverty level. African nations were encouraged to shun deficit financing, embrace peace and lean to comply with international monetary management regulations.

Key words: Currency, Currency Exchange Rate, Currency Depreciation, Africa Currency, Weak Currency.

Introduction

Currency is the official money of a country and it issuance is always the obligation of the central bank of a country. It is money, in the forms of bank note and coin, that is in circulation as a medium of exchange within a particular geographical region (Investopedia 2019). The value of a currency is not necessarily derived from the material used to produce the note or coin but from the willingness to agree to the displayed value. Currency is the medium of exchange that people and global economies intend to hold and are willing to accept as payment for current and future transactions.(Sumaiya 2022, Forex 2023)

Today, we have been experiencing virtual currency which is a type of unregulated digital currency issued and controlled by its developers. It is used and accepted among the members of a specific virtual community. They derived their value based on the

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underlying mechanism like like mining (crypto-currencies), or backed by underlying asset (). Crypto-currency is digital currency which derives values from its native block chain.

Currency serves as a medium of exchange and consequently removes the need for double coincidences of wants. It is a unit of account by serving as a measuring rod by which the value of goods and services are measured. It acts as a store of value as it is possible to keep part of wealth in liquid form. Currency is the standard of delayed payment because of its constant value through time and this facilitates the formation of capital market, stock exchange, investment trust and banks. It acts as a transfer of value from person to person and region to region. It equally functions as a basis of adjustment in value in foreign exchange, between money market and capital market, among others (Generic 2022, Investopedia 2019, Linkedln 2022, Forex 2023, Alexandria Twin and Thomas Brock 2021).

World currencies are exchanged daily especially for businesses and political purposes. An exchange rate refers to the value of one currency in relation to other currencies. It shows how much of a nation currency can be bought by one unit of another. The exchange market dictates the value of each national currency compared to other currencies. There are around 180 currencies that are in use at 192 different nations of the world. International money transfer companies specialize in transferring funds from one country to another based on the exchange values of the affected currencies (Exchange Rate 2011, Exchange Rate 2016). Currency exchange rate is a standard for illustrating the competitiveness of domestic currency in the world market and is one of the most important determinants of a country's relative level of economic health, as well as a country's level of trade. It is the most important and closely watched price in any country because the value is generally linked to and affects the performance of the economy (Twin and Brock 2021, Linkedln 2022, Scirp 2021, Galina Hale 2020).

Currency depreciation is the fall in the exchange value of a currency in comparison to other currencies. Currency depreciate (weaken) when its value went down in comparison to its pair in the foreign exchange market (Galina Hale 2020). According to Sekirin (2019), currency depreciation has two meanings. The first is inflation or the loss of value of a currency over a period of time. The second is the loss of value of one currency against another (Bizfluent 2021). Interest in this study is the second where exchange rate refers to the value of one currency in relation to another. It shows how much of one currency can be brought by one unit of another.

Africa as a name is derived from an ancient area in modern day Tunisia knows as "Ifriqiya" or "sunny place"**.** The continent is politically subdivided into 54 sovereign states, and five dependent territories. It is Located between latitude 37°, 27° North (Bizerte in Tunisia) and latitude 34°, 37 South (Cape Agulhas in South Africa). The longitudinal boundaries are 18° 08¹ West (Cape Blanc in Cabo Verde), and 51°, 35° east (Cape Guardafui in Somalia). The continent is the world's second largest, having covered six percent of the earth's total surface area, and 20.4 percent of the total earth land area. The average size of the

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continental countries is 620,000 km^2, while the average size of the island nations is 86,000km^2

African currencies were originally in forms of shell, ingot, gold, iron, salt among others. As from the 17th century, the colonial powers introduced their own monetary systems like Italian lira, France franc, British pound and the likes in Africa. After independence, some countries retained their colonial monetary heritage while others renamed their currencies (Wikipedia 2017). Many African currencies are weak, particularly the sub Sahara Africa. When a decrease in value is peculiar to one currency relative to other currencies, the currency is said to be weak. A weak currency is a currency that is diminishing in value in comparison to other currencies (James Chen and Charles Potter 2021). The exchange rate changes from day to day and is based on a variety of economic and political factors that the issuing government cannot always control (Scirp 2021).

A study by Oyelami (unpublished article), indicated that as at December 31 2020, 25.93% of African countries were with strong currencies, others have, at different periods, experienced; fairly strong currencies 14.81%, fairly weak currencies 29.63%, weak currencies 01.85%, very weak currencies 16.67%, and worst currencies 07.41% . Nations with inadequate data amounted to 03.70 %. This ugly discovery aroused the interest to know more about the causes of currency depreciation in Africa and particularly how nations have been affected by the scenario. It was in the above light that the study employs an explanatory approach towards digging into the causes and effects of currency depreciation on African economies. Literatures were explored in sufficient details and the outcome were as presented in this discuss.

Circular Causation Theory

Circular causation can be defined as a common complex situation with several interconnected causes and effect, where an action is controlled or affected by its outcome or results. Circular causation is a theory developed by Swedish economist Gunnar Myrdal in 1956, According to him "economic development results in a circular causation process leading to rapid development of developed countries while the weak countries in Asia and Africa tend to remain behind and poor".

The most relevant aspect of the theory is "Backwash Effect". It means if a particular Country in the world start growing or developing, people, human capital and physical capital from other parts of the world would start agglomerating at the growth centre. The countries from where the people emigrate would lose skilled people, capital, innovation, experiences cheap commodity prices (agriculture, minerals), and their attendant effects on currency value and price of goods and services. This is known as backwash effect or the negative impact of the growth of the core region on the peripheral regions, which invariably makes peripheral regions poor. It is the effects emanating from the centre that impedes growth in the lagging regions

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The main cause of backwardness and regional disparities has been the strong backwash effect and weak spread effects. International and inter regional economic relations involve unequal exchanges in the sense that the peripheral nations were always exploited by the center. Developed region is developing at a faster rate at the expense of perpheral regions. Income earned by developed regions were not reinvested in peripheral regions but is repatriated to the developed regions leading to more development in the area.
Spread effect continues to be fully contained in the developed countries while backwash effect continue spreading its tentacles in the peripheral countries. And one instrument by which this mission is been perpetrated in Africa is currency depreciation,

Causes of Currency Depreciation in Africa

Dependent Economy

Africa is largely a dependent economy**..** All African countries are underdeveloped and are striving hardly to become one of the developed economies. Unfortunately all objects needed for development are available only in the developed world. As such foreign exchange earnings (exports) in Africa finance all imports needed for development - consumer goods, machineries, Spare parts, expertise, technology, infrastructure, among others. African nations depend on the export of primary products whose prices rest on whatever the buyers (the developed world) offered and whose returns cannot be enough to pay for the imports demanded. Currency depreciation crisis which African countries are facing resulted from severe shortage of foreign currencies occasioned by the import and export impasse. This subjected many African currencies to undue depreciation and fluctuation in values (Helena Vieira 2015, Lancaster 1987, Federal Point 2011).

Any underdeveloped economy with weak currency that still place emphasis on import than export would experience a spike in inflation (Jason Gordon 2021).When a country demanded more foreign currency (imports) than it produces (exports), it means the country supplies more of its own currency than foreigners demanded. This makes foreign currency to be in high demand. Foreign currency will be in short supply and as such cost more. This is the basic principle of supply and demand (Alexandra Twin, Jason Gordon 2021 and Thomas Brock 2021).

International Monetary Policy

Some African nations accepted the currency devaluation agenda of the 1940s, 1980s, and 1990s. The idea of currency devaluation was coined and operated by France to gain supremacy over its colonies. Common Franc for Africa (CFA) was established in 1945, and was devalued relative to French Franc in 1948 and 1994. The CFA had depreciated in value relative to French Franc since then (BCEAO 2017) Britain joined other colonial interests in the 1980s through the introduction of the Structural Adjustment Programmed (SAP) and its associated market based exchange rate policy. As a way of enforcing its implementation, devaluation of currency was attached as a condition to borrow money and collect grants from the World Bank (Obadan 2006).

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Many African countries for instance, inconsiderately accepted the Structural Adjustment Programme (SAP) in the 1980s, a programme which was designed and articulated by the World Bank and the International Monetary Fund (IMF). Its acceptance was one of the conditions for obtaining loans and grants from the World Bank. SAP demanded for the devaluation of the national currency with the assurance that the currency would regain its value back as the policy progresses. After an average of four decades of subscribing, affected African currencies are still experiencing a continuous trend of currency depreciation and economic downturn (NEPAD 2012, Aljazeera 2007, Exchange Rate 2016).

Acceptance of the policy in Africa started with Mozambique in 1980, Uganda and Sierra Leone in 1982, DR Congo in 1983, Somalia and Zambia in 1985, Gambia, Ghana, Guinea and Nigeria in 1986, Tanzania in 1987, CFA Franc countries in 1994, Malawi 1994 and 2012, Sudan 2011 and 2021, among others (Aguto Reng 2016, Investopedia 2020, BBC news 2012). The market based exchange policy associated with SAP made African currencies to exhibit a continuous instability and depreciation (MAR Gudumundson 2020). All the affected countries have been witnessing chronic currency depreciation challenges since SAP was adopted.

While writing on Nigeria for instance, Obadan (2006), noted that the introduction of the Structural Adjustment Programme (SAP), and its associated market based exchange rate policy made the Nigeria's currency (Naira) to exhibit a continuous instability (devaluation) since 1986. One Naira attracts more value than one Dollar between 1960 and 1984, but between 1983 and 1985, Naira was manipulated downwards by 20.22 percent. With the introduction of SAP in1986, Naira's value was pruned down by additional 39.21%. Infact Naira was made to lose 70.95% of its value between 1986 and 1990. The devaluation continues helplessly till today.

Civil Unrest

The major factor responsible for the depreciation of African currencies is War. Africa's weakest currencies are in countries where a combination of years of civil strife, political unrest, persistent political instability, enduring legacy of corruption, violent coups, international condemnation and economic sanctions (Things To Know 2021 Federal Reserve Bank of New York 2011).

Violent civil war was fought in Angola between 1975 and 2002 (FXSSI 2020, Kwanza History 2020) DR Congo, gained independence in 1960 and experienced coups in 1965 and1996 . By 1979, its economy had started declining (Banknoteworld 2021). Foreigners and neighboring countries were having interests in the mineral wealth of DRC. These outside forces sponsored ethnic rivalry and take advantage of frequent uprisings within DRC (US Institute for Peace 2016). Despite its abundant mineral wealth DRC has one of the poorest currencies and by implication one of the poorest economies in Africa.

Somalia state collapsed in 1991 and its central bank remained in ruinous state between 1991 and 2007 (16 years). This made some privileged individuals to assume the responsibility of printing currencies. And both original and fake currencies were accepted by the exchange

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market and the populace (Somalia Money for Nothing 2007).Mozambique gained independence in 1975 and was at war between 1978 and 1992 (UTC 2021, Investopedia 2020). Guinea is threatened by political instability (Hayes et al 2020, Guinea ATS Notes).

During the period of war, different warring factions print their own currency. In Angola for instance, four different Kwanza's were in circulation and during the 1990s, Angola kwanza was the least valued in the world. In 2005, Mozambique currency was equally with the lowest value in the world.

International Sanctions

Since 1990s, targeted economic sanctions are common in Africa. It takes the form of restrictions on exports or general economic sanctions (US Institute for Peace 2016). In Angola, Sierra Leone, Liberia and Cote Devoir, restrictions on the diamond trade were targeted at weakening the rebel and anti democratic forces. Sanctions on imports manifests in term of increase in relative prices and the consequent inflation. Sanctions on exports lower the financial strength with which African nations can purchase foreign goods (Itskhoki and Mukhin 2022).

USA imposed heavy sanction on Sudan in 1997 because President Omar Bashir provided troops for Saudi Arabia against Yemen (US Institute for Peace 2016). Sudan has been facing currency instability since then. President Robert Mugabe initiated a series of land redistribution program in the early 1990s. Land were taken from the European farmers and allocated to Zimbabwean farmers (Loana 2019, FXSSI 2020).The country's currency started facing instabilities, and by 2007 to 2008. Zimbabwe experienced one of the worst episodes of hyper inflation with price doubling every day. Zimbabwe then resorted to Dollarization before eventual currency retirement through a process of demonetization in 2009 (Investopedia 2020). Record has it that by 2013, EU had applied 22 sanctions against 19 African States in term of the suspension of EU aid (Adegboye et al 2021).

Commodity Prices

Ryan Mutuku (2021). Some of the strongest currencies in Africa are from nations that have a wealth of **commodities**. So their currencies are strong because of the price increases in their commodities. Fluctuating commodity prices creates general economic down turn. In 2000, Zambian Kwacha looses it value by 40%, relative to dollar due to imports to refurbish its mines. Zambia is the largest producer of copper in Africa so Kwacha fluctuates with the price of copper creating volatile currency value. The currency can experience volatility depending on the shifts in the commodity prices on the global copper market. When the price is stable, the country enjoys a valuable currency, but when the price is volatile, negative consequences are felt. This is the situation in all commodity exporting countries in Africa.

Increasing Domestic Borrowing

A country's debt rating is an important determinant of its exchange rate (Alexandria Twin and Thomas Brock 2021). Borrowing is normally done to make up for the lost revenues resulting from decreases in the price of commodity exports in the world market.

Unfortunately, such borrowing is one of the major causes of currency depreciation. Government may have no choice than to devalue currency once they have a large sum of government issued sovereign debt. In Mozambique for instance, the new metical hits a very low record in 2016, and the drop in national monetary worth was tied to the discovery of previously hidden loans that were given to three state owned companies (Investopedia 2020).The result manifests in term of repeated incidence of currency depreciation and hyper inflation (Aguto Reng 2016).

Nations with large public deficits and debts are less attractive to foreign investors because large debt encourages inflation as debt will be serviced most of the time. Nations with large public deficits and debts are less attractive to foreign investors because large debt encourages inflation as debt would be served most of the time. With large debt, foreigners would be less willing to own securities dominated in the country's currency. (Alexandria Twin and Thomas Brock 2021)

Non Tradable Status of African Currencies

The most tradable currencies are those widely accepted for international transactions. These are in order of acceptability, the US dollar (88.3%), European Euro, 32.3% Japanese Yen (16.8%), British Pound 12.8% Swiss Franc 10%, Canadian Dollar (5.0%), Australian/New Zealand Dollar (6.8%) and South African Rand (1.1%) US dollar remains the most usable currency in the world and Commercial banks seek for it, and use in global transactions. All the other 53 African nation currencies are not recognized in the world exchange market. (African exponent 20).

Corruption

Corruption involves the unsure of power in the form of money or authority as a means of achieving certain goals in illegal, dishonest of unfair ways corrupted economies are not able to function well as it prevent the natural laws of the economy from functioning freely.(Investopedia 2019). The average income of highly corrupt countries is $^{1}/_{3}$ of countries with low level of corruption (Barley 1996). Corruption slows down overall development, result in inefficient allocation of resources, low quality if education and health care, lower the living standards of the populace and subject the society to series of unwarranted manipulation currency value inclusive.

Weak currencies are attributed to weak economies. It is associated with retarded economic growth, financial deficits and cheap export (Jason and Gordon 2021).

Effect of Currency Depreciation on Africa Economies

Institutionalization of Liberal Exchange Market

Currency devaluation agenda is associated with the liberalization of the monetary system. Today, most African countries are completely under the control of the liberal exchange market and it had been used as an instrument to ravage the economic strength, and by

implication, economic growth and survival of these countries. Some African countries have been dragged through the disastrous phases of currency depreciation helplessly Literatures indicated that the liberal monetary policy is the sole instrument with which some African currencies have been conditioned to become worthless. Some of these ugly incidences are tabulated in figure III below.

Table I; Some Cases of Worthless Currencies Experienced in Africa.

	Countries	Year	One USD Equivalent	Reference
1.	DR Congo Franc	1991 1992 1996 2005	15,300.00 – 19,500.00 99,500 to 1,990,000 23,368.00 9447.00	https;//www.govinfo.govt>pdf>2017
2.	Angola Kwanza	1998	594 – 5,400,00.0:00	https;//usd.aoa>1998
3.	Zimbabwe Dollar	2006 2009	1,000,000.00 1,000,000.00.00	https;//www.aljazeera.com>2017
4.	Mozambique Metical	1980 1983 2005	126,521.98 – 126,812.85 127,979.9059	https;//www.currencyc.com 2005.
5.	Ghana Cedi	2005	22,063.73	https;//usd.mconvert.net>ghs>2005
6.	Somalia Shilling	2006 2008 2010 2015	13,000.00 25,000.00 33,300.00 23,000.00	OANDA 2001
7.	Sao Tome and Principe Dobra	2001 2016 2017	17,783.130 22,148.861 21,835.587	https;tradingeconomics.com>curr
8.	Madagascar Ariary	2005	9447.00	
9.	Zambia Kwacha	2003	32,473.00	https;//www.exchangerate.org,uk>pound

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The floating exchange policy disempowered (annihilated) the African governments from their monetary value fixing and exchange rate roles. South Sudan for instance, gained independence in 2011 and its currency was pegged at 1 USD to 2.95 Pound under a pegged exchange arrangement. By 2015, the exchange market was floated by non-governmental concerns at one USD to 55 Pound. Sudden and unexpected depreciation of currency value led to the astronomical increase in price of goods and services. This was followed by inflationary pressures in the general economy (Aguto Reng 2016, Investopedia 2022).

While writing on Nigeria for instance, Obadan (2006) noted that the introduction of the Structural Adjustment Programme (SAP) in 1986 and its associated market based exchange rate policy (floating system) made the Nigeria's Naira to exhibit a continuous instability. Nigeria's Naira attracts more value than one Dollar between 1960 and 1984. But by 1985, Naira was downsized in value by 20.22 percent and with the introduction of SAP in1986, Naira was devalued by 49.14 percent. The depreciation in currency value continues helplessly such that Naira lost an average of 91.12 percent of its purchasing power before the close of 1990 (The Info Finder 2016). Continuous depreciation in currency value was sustained through corresponding monetary instruments like AFEM 1995, IFEM 1999, DAS 2002.

Printing of Higher Currency Denominations.

In many African countries, hyperinflation imposes rapid depreciation of currencies and this culminated in the printing of higher denominations. Banknotes with higher and higher values were continuously been circulated to keep pace with the rising inflation. In essence banknotes in circulation speak about the extent at which the national currency had lost its value relative to US dollar overtime. In Mozambique for instance, 50,100, 500 and 1000 meticals were in circulation in 1980. By 1991, 10,000, 50, 000 and 100,000 meticals were circulated. And by 2004, 200,000 and 500,000 meticals were in circulation (Investopedia 2020). The same trend happened in Guinea (1985 to 2015). Mali (1984), DR Congo (1942 to 2018), Djibouti (1938 to 1984). Zambia (1996), Sierra Leone (1993 to 2004), Tanzania (2003). (ATS notes 2022, Bank of Zambia 2020, OANDA 2020, FXSSI 2020).

With large debt, foreigners would be less willing to own securities denominated in the currency of that nation. A country's debt rating is a crucial determinant of its exchange rate. (Alexandra Twin and Thomas Brock, 2021).

Currency Redenomination.

Redenomination is a process by which a new unit of money replaces the old units with a certain ratio. Currency redenomination is usually achieved by removing zeros from a currency with the aim of correcting the macro-economic misalignment and enhancing the credibility of the local currency

Table II ; Cases of Currency Redenomination Experienced in Africa

	Country	Year	Revaluation	References
1.	Morocco	1959	100 Franc = 1 Dirham	
2.	Tunisia	1958	1000 Franc = 1 Dinar	

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3.	DR Congo	1967 1991 1993 1997	1000 Franc = 1 Zaire 15,300 per USD Devaluation 3,000,000 old Zaire= 01 New Zaire. 100,000 New Zaire= 01 Franc	Zaire banknote history 2021. Congolese Franc 2022
4.				
5.	Uganda	1987	100 shillings = I New Shilling	Uganda Shillings 2021
6.	Zimbabwe	2006 2007 2008 2009 2009	1,000 Dollar = 1 New Dollar 30,000 Dollar = 1 USD 10 Million Dollar = 1 New Dollar 1,000,000,000 Dollar= 1 New Dollar Demonetization	FXSSI 2021 Investopedia 2020
7.	Mozambique	2006	1000 Meticals = 1 New Metical	Banco Du Mozambique
8.	Zambia	2012	1000 Kwacha = 1 New Kwacha	Bank of Zambia 2020
9.	Sao Tome and Principe	2018	1000 Dobra = I New Dobra	Kwanza History 2020
10.	Angola	1995 1999	1000 1st Kwanza = One 2nd Kwanza 1,000,000 2nd Kwanza = One 3rd Kwanza	
11.	Madagascar	2005	9,447.00 Franc = 1 New Franc	
12.	Ghana	2007	10, 000.00 Cedi = 1 New Cedi	QANDA
13.	Mauritania E	2018	10 Ouguiya = 1 New Ouguiya	Banknoteworld 2021

Collated from related literatures by the Author 2022

Sizeable numbers of African countries have redenominated their currencies. Some of these are Angola (1990, 1995, 1999), Zimbabwe (2006, 2008, 2009), Uganda (1987, 2010), Ghana (1967, 2007), Sudan (1992, 2007), Zambia (2013), DR Congo (1967, 1993, 1997), Mozambique (2006), Congo Republic (1998) and Sao Tame Principe (2018). Literatures on individual countries also indicated that 30,000 Zimbabwean dollar exchange for USD in 2007 and that was the situation between 2006 and 2009 Ghana redenominated at 10,000 old cedi to one new cedi. 30,000 Zimbabwean dollars exchanged for one USD in 2007 and

that was the situation between 2006 and 2009 . (Edis 2020, Nwaoba 2010, Investopedia 2021,International Growth Centre,UG Journals 2020)

Angola, Zambia, and Mozambique redenominated at 1000 old currencies to one new currency. Angola redenominated at 1000 old to one new Kwanza in 1995 and at 1,000,000 old kwanza to one new Kwanza in 1999. DR Congo redenominated at 3,000,000 old Zaire to one new Zaire in 1993 and at 100,000 old Zaire to one new Zaire in 1997. Mauritania carried out the exercise on the basis of 10 old currencies to one new currency (FXSSI 2020, Amoako - Agyeman and Mintah 2014, Bank of Zambia 2020, Bank of Ghana 2019, mconvert 2006, Angola Kwanza 2000. Record however indicated that majority of these exercises were not successful.

Changing from One Currency Base to Another Viable Currency Base.

African countries also redenominated by changing from one monetary base to another. Before independence, all France colonies were using CFA Franc, Belgium colonies were using Franc, Britain colonies were using pound, or shillings, America colony was using Dollar, Portugal colonies were using Escudo. Upon independence, many of the France, Belgium and Portugal colonies continued with CFA Franc as a monetary union. Others ran an independence monetary system. When currency depreciation challenge rendered some of these independent currencies helpless in term of monetary value, some then changed from their initial monetary base to a new one.

France and Portugal colonies that dropped CFA at independence for instance, were eventually conditioned to adopt it. These are Mali (1984), Mauritania (Ouguiya to CFA 1993, CFA to Oughiya 2018), Guinea Bissau (Peso to CFA 1997). Equatorial Guinea changed to CFA in 1985. Mali was using CFA till independence in 1958, but changed to Franc at Independence before rejoining CFA again in 1983 (ATS Notes 2022). Others are Madagascar (Franc 1963, Ariary and Franc 1975-2004, Ariary 2005) and Guinea (Syli to Franc 1985).DR Congo changed to Zaire in 1967, and changed back to Franc in 1997 (Congolese Franc 2022). All these were signs of a distressed monetary system and the need to get out of the uncomfortable financial condition of their economies,

Dollarization of National Economy (Multiple Currency System).

In Uganda, USD, Pound sterling, Euro are increasingly been used since 1987. (Uganda Shillings 2021).In Mozambique, businesses readily accept the USD, British pound, Euro and Rand (Investopedia 2020). In Sierra Leone, prices in many midranges to top-end hotels are quoted in USD.DR Congo is highly dollarized as USD is accepted as cash alongside the Congolese Franc. The informal exchange market is large and unregulated. Banks provide accounts dominated in either currency (Privacyshield 2019).

Financial sector liberalization in Tanzana allows for the use of foreign currencies. Dollar, Pound sterling, Rand etc were as a means of holding wealth and as a transaction for goods and services by the domestic residents since the early 1990s. Commercial banks were

allowed to open foreign currency deposit accounts to both residents and non residents since 1992 (International Growth Centre 2011). Zimbabwe gained independence in 1980, between 2007 and 2009, Zimbabwe dollar experienced one of the worst episode of hyper inflation and retailers were allowed to accept other foreign currencies (FXSSI 2020).

Demonetization of the National Economy

Demonetization is the process of officially removing the legal status of a nation's currency, and a subsequent adoption of foreign currencies in the running of national economy. After years of hyper inflation in Zimbabwe for instance,, the government announced the demonetization of its dollar in 2009 and the pronouncement became final in 2015 (FXSSI 2020).

Increases in Poverty Level

All the aforementioned challenges has stagnated all developmental efforts in many African states, particularly the sub Sahara Africa. As developing economies, efforts toward development became bleak. The cost of imports from the developed world rose beyond what many African currencies can fetch. This precarious situation raises the cost of investment, increase foreign debt holdings, widened trade deficits, worsened the balance of trade, deplete the official foreign reserves, and made it expensive to pay off the foreign debts (Kamau and Lewis 2011, Fidelis 2011, Momodu and Akani 2016, Pettinger 2018).

Abrupt general increase in prices (hyper inflation) led to the closure of many industries, retrenchment of workers, deterioration of economies, and instabilities in governments. According to Pettinger (2018), currency depreciation leads to inflation which in most cases was higher than the level of wage increase. The stagnation of wage growth leads to a fall in real wages and incessant demand for increase in workers' pay (Aguto Reng 2016).As currencies are progressively been conditioned to lose their values, poverty was increasingly gaining momentum among the populace.

It jeopardizes the efforts of African countries to transform economies from the production of primary commodities to industry, the sector which would have allowed for economic expansion. The prospects for employment in other sectors of the economy got severely restricted leading to the exacerbation of poverty among the poor. The number of people living on less than US $1 per day in Sub Saharan Africa rose from 70 million in1998 to 290 million in 2010, involving over 46 percent of the total population (Mubila, Lannes and Ben Aissa 2012). An average of 72 percent of the youth population in Africa lives on less than $2 per day. This was over 80 percent in Nigeria, Ethiopia, Uganda, Zambia and Burundi (ADI 2008/2009, World Bank).

Efforts of African Countries So Far

Since the 1930's, various international organizations including the International Monetary Fund (IMF) were established to help nations coordinate their trade and foreign exchange policies and thereby avoid successive rounds of devaluation and retaliation. The 1976

revision of article IV of the IMF charter encourages policy makers to avoid "manipulating exchange rates to gain an unfair competitive advantage over other members" (Federal Point, 2011).

The search for regional monetary unions was part of 21st century goals. Governments in the East African Community (EAC) signed the regions monetary union protocol in accordance with articles of the EAC treaty of establishment. The Southern African Development Community Protocol on Trade made similar efforts in 1996. The Economic Community of West African States (ECOWAS) targeted a single currency by 2004 and later deferred to 2015. (Helena Vieira, 2015). These were seen as grand bargain out of a volatile external environment. The failure of the programmes were premised on the limited time frame of the programmes and the monetary agreement between France and the CFA Countries (Omosegbon 2018).

At the country level,Djibouti was the last French territory to gain independence as it host sufficient population of France, USA, China and other foreign countries. In 1971, Djibouti Franc was revalued against the USD at 197.466 and 177.721 in 1973. Since then the value has been consistently maintained (James Clen, Djibouti Franc 2022). The totality of the paper money issued by the central bank of Djibouti has a proportionate coverage in foreign exchange in excess of 100%. And by this the full convertibility of Djibouti national currency is always guaranteed. The credibility and stability of the monetary system is also excellent for the domestic economy. (Djibouti Franc 2022, New African Magazine 2020).

Seychelles Rupee (SCR) is more valuable due to the country's market-based economy. Foreign investments have also helped to refurbish the economy and expanded small-scale manufacturing, farming and fishing. This has diversified Seychelles GDP, hence its valuable currency. Seychelles enjoyed market dependency, diversified economy, stringent monetary policies and an increasing number of foreign investments (Tuko 2021).

Mauritius Rupee enjoys some forms of stability because the country uses it reserves to stabilize its value in times of volatility. Rupee is among the strong currencies in the continent because of the country's strict monetary policy (Africa Exponent 2020).

Egyptian Pound has been gaining value over the years because of its unofficial use in Sudan and the Gaza Strip. Kenyan Shillings has weekend relative to the USD because of political instability and poor economic policies. Despite this, its currency was the most valuable in East Africa as it circulates in the neighboring Somalia, Uganda and Tanzania (odour 2021).

In Tunisia, It is illegal to export or import dinar or convert it to other currencies, and constant currency devaluation ensure the stability of its currency value. This has enabled its dinar to be strong overtime. A law against currency exportation further plays a significant role in the enforcement of de-factor nature of Tunisia and Morocco currencies (Mukutu 2021).

In Libya, the central bank has a programme that only sells a limited number of US dollar to its citizens. To ensure the stability of its currency, the Libyan government pegged the

Libyan Dinar to the Special Drawing Right (SDR) at a fixed exchange rate. Under this one dinar equals 0.5175 units of the SDR since 2003 (WorldBank2020)

Positive economic growth in Ethiopia was as a result of the conservative monetary policies and considerable foreign exchange reserves. This made the Birr to be among the highest valued currencies in Africa (African Vibes Magazine 2021). These are some of the African countries with appreciable foreign investment

Summarily, Countries with strong currencies in Africa are those that adopted strict monetary policy: (Seychelles, Tunisia, Libya, Eritrea, Morocco, Libya), Use of Currency by other countries: (Egypt, Kenya, South Africa), conservative monetary policy (Ethiopia), considerable foreign exchange reserve (Ethiopia, Djibouti, Mauritius), the use of reserve to stabilize currency value in times of volatility (Mauritius), and constant currency revaluation (Tunisia). The only intra-Africa monetary union that sustained strong currency in the continent was the South African Rand zone

Summary and Conclusion

Colonial control was clearly observable in the way African economies were been manipulated through African currencies. Efforts at getting currency revaluated worked out favorably at individual country level. Regional monetary arragement were allowed where ex-colonial masters allowed it, probably for economic advantage. As it is at present, it would take African countries some form of sacrifices, harmony, and determination before they could gain monetary independence.

Generally, efforts toward development in Africa must not be allowed to result in deficit financing. Monetary policies from whichever source must be studied and understood very clearly before been accepted as a monetary instrument. All forms of insurgency must be avoided by individual country, sub regional associations and the African Union. The World Bank needs to assist in persuading the developed economies on how to eliminate the use of sanctions, because of its effects on already battered monetary systems and economies. Improved monetary management practices could be learnt from African economies with strong currencies. Collaborations could be made on the best foreign exchange management intricacies. If these proposals were holistically approached, the hope is high that Africa currencies, and by implication economies, would witness a turnaround for good

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