

# **WAMI NEWS**

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## **IN THIS ISSUE**

	Page
• DIRECTOR GENERAL PAYS COURTESY VISITS TO MEMBER COUNTRIES	1
• EXPERT COMMITTEES MEET IN ACCRA	4
• WAMI ORGANISES WORKSHOP IN COLLABORATION WITH GHANA'S PARLIAMENTARIANS	17
• CONVERGENCE COUNCIL MEETS IN ABUJA	21
• WAMI ORGANISES SEMINAR ON TECHNICAL ISSUES IN THE WAMZ	23
• WAMI ORGANISES SEMINAR WITH GHANA TRADES UNION CONGRESS	28
• WAMI'S HEADQUARTERS AGREEMENT SIGNED	30
• INTERNAL AUDITOR ASSUMES DUTY AT WAMI	33

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## **DIRECTOR GENERAL PAYS COURTESY VISITS TO MEMBER COUNTRIES**

The Director General has undertaken two major working visits outside Accra, Ghana since assumption of duty. He was in The Gambia, Guinea and Sierra Leone between May 7 and 13, 2001. He paid another Courtesy visit to Nigeria from June 18 – 21, 2001. The Director General had also undertaken similar visits in Accra, Ghana

The highlights of the visits are presented as follows:

### **The Gambia, Guinea and Sierra Leone**

The Director General undertook courtesy visits to Ministers and Central Bank Governors on the Convergence Council of the West African Monetary Zone in The Gambia, Guinea and Sierra Leone from May 7 – 13, 2001. He was accompanied by Dr. H. A. K. Wampah (Director of Research), Mr. Siradiou Bah (Director of Operations), Mr. Siddique Sesay (Director, Finance & Administration), Mr. Hussein Thomasi (Head, Legal Unit) and Mr. E. B. Hogan (Senior Economist). In the course of the courtesy calls, the team also organized press briefings in the three countries.

The Director General and his team called on Mr. M. C. Bajo, Governor, Central Bank of The Gambia in Banjul on May 8, 2001. On May 10, 2001 the team called on Mr. Ibrahima C. Bah, Governor, Central Bank of the Republic of Guinea and Mr. Sekou Traore, Principal Adviser to the Minister of Finance. Also on May 11, 2001, the team was in Sierra Leone and called on Mr. J. Sanpha Koroma, Governor, Bank of Sierra Leone, Mr. Peter Kuyembeh, Minister of Finance, and Dr. Kadi Sesay, Minister of Development and Economic Planning. The purpose of the courtesy calls was to thank the Convergence Council members for their

untiring efforts in actualizing the objectives of the West African Monetary Zone and to brief them on the implementation of the Work Programme of the Institute in addition to activities planned for the remaining part of the year.

The Director General expressed appreciation to the Governors and Ministers for the support given to WAMI to enable it take off effectively. In particular, he thanked the Governors for the prompt payment of contributions to the Institute's budget and for seconding competent staff to the Institute. He briefed the Governors and Ministers on the arrangements for the meetings of the Expert Committees, Committee of Governors and the Convergence Council. While informing the Governors and Ministers of the arrangement made by the Institute towards the National Sensitization Programme, the Director General requested them to expedite action on the setting up of National Sensitization Committees. He also appealed to them to adequately fund the Committees, promising that WAMI would not relent in giving adequate technical support to the Committees.

In the three countries, the Central Bank Governors and Ministers expressed satisfaction on the effective take-off of WAMI and the extent of the execution of its Work Programme. They re-affirmed their commitment to the Second Monetary Zone project. Mr. M. C. Bajo, Governor of the Central Bank of The Gambia advised on the need to prioritize the activities of the Institute for maximum result.

Mr. Ibrahima C. Bah, Governor, Central Bank of the Republic of Guinea noted that much was being expected from WAMI in realizing the objectives of the Second Monetary Zone. He, therefore, advised that a high level of professionalism should continue to be exhibited in all the activities of the Institute. Governor Bah intimated the team that he had a big task explaining the

rationale for the Second Monetary Zone to the relevant Committees of the Guinean Parliament which initially considered that it was not realistic to establish the Second Monetary zone in 2003 and the ECOWAS Single Monetary Zone in 2004. He informed the team that he would soon meet again with the Committees of the Parliament on the issue and suggested that WAMI could consider arranging to brief the Committees at the same time. Concerning membership of the Central Bank of Guinea in WAIFEM, the Governor promised positive consideration. The Director General then suggested that the Director General of WAIFEM could arrange to brief the Governor further on the activities of the Institute before the meeting of the Committee of Governors of ECOWAS Central Banks in Abuja, Nigeria.

At the Ministry of Finance of the Republic of Guinea, the Principal Adviser to the Minister, Mr. Sekou Traore, who received the WAMI team on behalf of the Minister, re-echoed that the Guinean Parliament initially had difficulties in embracing the idea of Guinea joining the Second Monetary Zone. He therefore emphasized the need for a more intense sensitization programme in Guinea to avoid such skepticism in the future.

At the Ministry of Development and Economic Planning in Sierra Leone, the Deputy Minister, Mr. J. D. Rogers, informed the team that in spite of the crisis in the country, significant progress had been made towards achieving the macroeconomic convergence criteria. He also indicated that Sierra Leone had formed a National Sensitization Committee and a Technical Committee to monitor the attainment of the convergence criteria.

The team was informed in all the countries that the advertisement for the selection of the name of the common currency had been published. It was suggested that the closing

date for the receipt of entries could be extended to accommodate more entries.

### **Nigeria**

In continuation of his courtesy visits to member countries of the West African Monetary Zone (WAMZ) that are also sponsors of the West African Monetary Institute, the Director General visited Abuja, Nigeria from June 18 - 21, 2001.

The institutions visited in Abuja, Nigeria included the Central Bank of Nigeria (CBN), Ministry of Cooperation and Integration in Africa, ECOWAS Executive Secretariat, Federal Ministries of Foreign Affairs, Finance and Commerce. The Director General and his team were well received in all the ministries/institutions visited. They pledged their continued support for the actualisation of the Second Monetary Zone objectives.

The Nigerian mass media, especially the print media, had done a lot of sensitisation before the arrival of the team in Nigeria.

### **Important Issues Raised During The Courtesy Visit**

The critical issues raised during the courtesy visit, which required urgent follow-up included:

- . The slow pace of implementation of other aspects of the Fast Track Initiative, especially the Trade component.
- . The delay in the constitution of National Sensitisation and Coordinating Committees.
- . Information asymmetry, which could derail the entire Fast Track Initiative.
- . The need for WAMI to ensure that only accurate and reliable statistics are accepted from member states.
- . The need for WAMI and WAMA to continue to collaborate in order not to duplicate efforts and to reduce

suspicion as to the actual intention of the Second Monetary Zone project.

- . Coordination and harmonisation of questionnaire administered by WAMI and WAMA.
- . The tapping of the expertise of the IMF by WAMI in the design of Adjustment Programme to ensure compliance with convergence criteria at the target date.
- . The central role of WAMI in urging the member states to step up the sensitisation programme through collaboration with the ECOWAS Secretariat, especially since WAMI could not mobilise the required financial resources.
- . The desirability of a common currency for the member states by 2003, especially as a single currency for ECOWAS is expected to come on stream by 2004.
- . The need for member countries to include the convergence criteria in their economic programmes.

#### **EXPERT COMMITTEES ON WAMI MEET IN ACCRA**

Three Expert Committees on the Work Programme of the Institute, met in Accra, Ghana between May 15 and 18, 2001 at the Institute's Conference room. The Expert Committee on Statistical and Methodological Harmonisation met on May 15 2001 to review a draft report prepared by the Institute. The Expert Committee on Monetary Policy held its meeting from May 16-18 2001 to review the Institute's draft report on Economic Performance and Convergence Report for 2000. The Expert Committee on Legal and Institutional Issues deliberated on the Institute's proposals for the harmonisation of Acts of National Central Banks with the statutes of the West African Monetary Zone (WAMZ) and the West African Central Bank (WACB)

The highlights of deliberations at the meetings are presented as follows:

#### **STATISTICAL AND METHODOLOGICAL HARMONISATION**

The first meeting of the Committee was held at the Institute in Accra on 15<sup>th</sup> May 2001. The following institutions participated in the meeting: Ghana Statistical Service, Bank of Ghana, Bank of Sierra Leone, Central Bank of Nigeria, West African Institute for Financial and Economic Management (WAIFEM), ECOWAS Community Computer Centre (CCC), and West African Monetary Institute (WAMI).

#### **Opening Session**

Dr. M. O. Ojo, Director General of WAMI, declared the meeting open. In his opening remarks, he welcomed delegates to the first meeting of the Committee of Experts. The objective of the meeting, Dr. Ojo said, was to provide a framework and recommendations for the harmonisation of economic and financial statistics of member countries of the West African Monetary Zone. He reminded delegates of the features of the monetary union, which include the design of a unified monetary policy, exchange rate policy, foreign exchange management, banking and financial regulations, currency management, improvement of the payments system and database development.

Mr. K. Addomah-Gyabaah, Deputy Government Statistician at the Ghana Statistical Service was unanimously elected chairman of the meeting. The Chairman welcomed members to the first meeting and apologised for the delay in starting the meeting, which was due to the late arrival of delegates.

#### **Methodological Issues**

The Director of Research of WAMI lead the discussions on review of methodological issues. The Director highlighted the importance of the work of

the Committee in coming out with the relevant framework for the harmonisation of statistical data of member countries. He made reference to documents already prepared in this area by WAMA, which have been adopted by WAMI. These were the consultant's report on the Harmonisation of Macroeconomic Concepts and a report prepared by the Directors of Research on the ECOWAS macroeconomic convergence criteria.

The Director expressed the hope that members were applying the recommendations of these reports so that the statistics submitted to WAMI would be consistent. Members of the committee were then invited to make presentations on the methodology for computing the CPI in their respective countries.

### **Ghana**

Referring to the computation of the CPI, Ghana indicated that its basket includes 252 commodities with data collected from 40 market centres in rural, urban and Accra city to derive corresponding indices and the national index. The base year for the current CPI is 1997, the weights for which were derived from the third round of the Ghana Living Standards Survey (GLSS) conducted in 1992/93. The lag in reporting is one month.

### **Nigeria**

The survey of consumer prices in Nigeria conducted by the Federal Office of Statistics (FOS) covers both urban and rural areas. The basket, which includes more than 300 items, has 1985 as its base year. In order to re-base the CPI, the FOS has conducted two surveys, one in 1992/93, which indicated a weight of 80 per cent for food and a second one in 1996, which was meant to verify the earlier survey results. The lag in reporting is two months.

### **Sierra Leone**

Owing to the security situation in Sierra Leone, the collection process for the consumer price index covers only 3 urban centres, namely Freetown, Bo and Kenema with 251 commodities in the basket. Separate indices are calculated for Freetown and the mining areas. However, coverage of the mining areas was suspended in the early 1990s due to rebel activities. The base year is 1992 and data are reported with a lag of one month.

### **Observations**

- In the coverage of CPI, countries present data on rural and urban areas. With the present trend in urbanisation, rural areas are fast growing into urban centres, thus blurring the dichotomy.
- Countries operate with various base years, some of which are outdated, as they may not reflect changes in the pattern of consumption.

### **Recommendations**

- Efforts should be made to have a representative survey of consumer expenditure so as to achieve a national coverage.
- Countries with base years of more than 10 years should update them.
- It is envisaged that countries will work towards a uniform base year through the development of a harmonised questionnaire for data collection.

### **Progress On WAMI Database And Website Development**

The Task Force started work on this item with help from the ECOWAS Community Computer Centre (CCC). The WAMI website and database were demonstrated to participants.

### **Observations**

- It was observed that members are on-line but not all have websites.

- Member countries send similar macroeconomic data as required by WAMI to the IMF.
- Different reporting lags exist among member countries for the same set of data.
- WAMI's work includes the preparation of half-yearly convergence reports, which will require data on monthly and quarterly formats.

### **Recommendations**

- The country in focus on the website should have different background colour and be shown fully on the map.
- The various currency denominations of the country should be animated on the country page.
- Documents for meetings and reports should be posted on the website for authorised members to download to save time and cost.
- Dates of updates to documents should be included on the web page.
- The Websites of WAMI and associated organisations such as WAIFEM, WAMA, WABA and member central banks should be linked.
- A chat-room should be created on WAMI website to facilitate exchange of ideas and for creating public awareness.
- All member central banks should develop websites by end-September 2001.
- Members should send data with not more than one month's lag.
- WAMI should submit a list of statistics and their reporting periods to member countries.
- Training of WAMI and member central banks' staff on the use of the database and website should commence as soon as possible.

### **MONETARY POLICY**

The first meeting of the Monetary Policy Committee was held from 16 –18 May, 2001, at the Institute's conference room in Accra, Ghana. Representatives of the following institutions attended the meeting: Bank of Ghana, Central Bank of the Republic of Guinea, Central Bank of Nigeria, Bank of Sierra Leone, West African Institute for Financial and Economic Management (WAIFEM) and West African Monetary Institute (WAMI).

The meeting was declared open by the Director General. In welcoming delegates to the first meeting of the Committee, he noted that its work was critical to the work programme of WAMI, as it will strengthen the coordination of national policies in the WAMZ. He appealed to participants to work hard on the documents to ensure the correctness of the contents before they are presented to the Convergence Council.

The topic "Economic Performance and Convergence Report for 2000" was introduced by Dr. H. A. K. Wampah, Director of Research of WAMI. He called on Mr. P. J. Obaseki, Policy Advisor to the Director General to present the papers on individual member country's macroeconomic developments and convergence for 2000. The presentation focused on the policy stance of governments in 2000 and 2001, and macroeconomic developments in 2000 as well as WAMI's policy recommendations to each member country. Highlights of deliberations in respect of member countries is as follows:

#### **The Gambia**

Macroeconomic performance of The Gambia in 2000 was satisfactory. Inflation remained low at 0.9 per cent, economic growth was robust, while gross official reserves were buoyant at 5.9 months of import cover. However, there was a decline in export receipts due to depressed commodity prices for its major exports,

groundnuts as well as higher import prices especially for oil. In addition, the exchange rate of the domestic currency came under severe pressure. Overall, The Gambia satisfied all the macroeconomic convergence criteria of the WAMZ.

### Observations

- Although The Gambia met all the criteria for convergence, there was a potential pitfall in the area of fiscal management.
- It was observed that the country's GDP growth reached 4.2 percent and inflation rate decelerated further to 0.9 percent despite a decline in the price of groundnuts and an increase in the world market price of oil
- The current account deteriorated as a result of lower groundnut exports precipitated by depressed world market prices as well as the decline in re-export trade owing to instability in the major destination countries.
- The sharp depreciation of the exchange rate of the dalasi was also a source of concern.

### Recommendations

- Reversal of the decline in the current account by diversifying the destination of re-export and origin of tourism and improvement of groundnut marketing.
- Diversification of the export base by promoting non-traditional exports.
- Improvements of basic infrastructure to facilitate easy access to market for produce from the rural areas.
- Regarding the planned retirement of domestic debt through donor assistance, necessary caution should be exercised to avoid creating liquidity management problems.

- Policy should be focussed on arresting lapses in fiscal management.

### Ghana

The rate of economic growth declined in 2000 owing to both external and internal shocks. Fiscal deficit at 8.5 per cent of GDP was above target as a result of high government expenditure, while revenue projections fell short of expectation. At 57.9 per cent of previous year's tax revenue, central bank financing of the deficit contributed to a significant increase in money supply, thus fuelling inflationary pressures. Inflation at end-December 2000 rose to 40.5 per cent from 13.8 per cent. Ghana did not meet any of the WAMZ convergence criteria in 2000.

### Observations

- Fiscal spending was high and expansionary, leading to excess growth in money supply
- Ghana suffered from severe terms of trade shocks, which impacted negatively on the supply of foreign exchange and led to a sharp depreciation of the exchange rate.
- Expected donor support did not materialise while expenditures went on as planned.
- In the face of high public sector borrowing requirement, floatation of treasury bills were not fully subscribed, leading to the central bank taking up the shortfall.
- As the cost of monetary policy is borne by government, the Bank of Ghana was constrained in increasing interest rates to make treasury bills attractive to the public.
- High domestic debt servicing exerted pressure on fiscal performance.
- Projected inflation of 25 percent for 2001 is substantially higher than the level required for convergence.

## Recommendations

- Ghana should explore other sources of funds to retire some of its domestic debt to reduce the pressure on the budget. These sources could include divestiture receipts, donor support, etc.
- Government should reduce expenditure through the rationalisation of capital outlays. This could be facilitated by identifying and targeting items that were responsible for high government spending.
- Expenditure plans should be tied to actual receipts rather than being based on projections of revenue and grants.
- The Bank of Ghana should be granted instrument independence to strengthen its ability to conduct monetary policy
- Inflation target should be scaled down in line with the objective for macroeconomic stability, growth as well as convergence under the WAMZ.
- The treasury bills rate should be market determined.

## Guinea

Guinea experienced external and internal shocks during the review year as a result of the decline in the prices of its primary export commodities and increase in oil prices. The outbreak of unrest due to rebel activities in the most productive region of the country affected domestic output and increased fiscal expenditures on security. The current account was under considerable pressure owing to the drop in export receipts, further widening the deficit in the balance of payments. Fiscal deficit as a percentage of GDP was 6.4 per cent with central bank financing accounting for 17.6 per cent of the previous year's tax revenue. Foreign reserves declined to 2.1 months of import cover. The end-year inflation was 7.2 per cent. Thus, Guinea satisfied one out of the four primary criteria of WAMZ.

## Observations

- The declining prices of its major export commodities, namely bauxite and gold, and increase in the price of oil impacted negatively on the balance of payments.
- Increased expenditure to defend the country against rebel attacks in the forest region and the resultant disruption in productive activity exerted negative pressure on the budget.
- Declining inflow of foreign capital worsened the balance of payments and depleted external reserves.
- High central bank financing of fiscal deficit resulted in excessive money supply growth, thus fuelling inflationary pressures.

## Recommendations

- Government should expand non-traditional exports and enhance foreign exchange earnings, broaden the tax base and rationalise expenditure to improve the fiscal situation.
- Short-term domestic debt should be transformed into long-term bonds to reduce the pressure on the budget and eliminate the incidence of payments arrears.
- Improve basic infrastructure, roads and communication network, including port services to reduce trade diversion and enhance foreign exchange earnings.

## Nigeria

Nigeria recorded remarkable performance in 2000 with a GDP growth rate of 3.8 percent and a fiscal deficit of 3.2 percent of GDP, down from 8.5 percent in the previous year. Inflation was contained at 6.9 percent and gross reserves were enough for 12.9 months of import cover. Overall, Nigeria satisfied all the primary convergence criteria for WAMZ.

### Observations

- High liquidity overhang emanating from the monetisation of increased oil receipts and expansionary fiscal operations created problem for monetary management.
- The persistence of the wide spread between lending and deposit rates.
- The tendency to expand expenditure as revenue increases under conditions of an oil boom, which may be temporary.
- The transfer of government accounts from the central bank to the commercial banks, which may have expansionary effects on money supply and consequently increase the pressure on the exchange rate.
- Oil revenue sharing practice was a source of macroeconomic instability.
- Weak infrastructure and poor service delivery in the energy and communications sectors, which constrained production and employment.
- Uncompetitive tariff structure contribute to trade diversion to neighbouring countries, depriving government of fiscal receipts.
- Cost of foreign exchange transaction was very high.
- The fiscal deficit of 6 percent of GDP projected for 2001 is a deterioration in performance over that of 2000 and is above the 5 percent benchmark of WAMZ.
- Privatisation receipts were treated above the line.
- The pace of privatisation should be increased and the proceeds used to retire part of the domestic debt.
- Expenditure programme covering the three tiers of government should be streamlined and coordinated so as not to become a source of macroeconomic instability.
- Government should make programmes that are self reliant through the greater use of the price mechanism.
- The availability of alternative and attractive savings instruments should be increased to introduce competition into the money market and thereby bridge the wide gap between savings and lending rates.
- Action on the reform of port services and tariff structure should be expedited to reduce transaction costs, enhance trade competitiveness and address the problem of trade diversion.
- The 2001 fiscal deficit target should be reviewed to below 5 per cent of GDP.

### Recommendations

- Liquidity overhang should be abated through the judicious application of market based monetary instruments.
- Excess crude oil revenue should be put into a stabilisation fund.

### Sierra Leone

Sierra Leone's medium term prospects are dominated by the current weakness in the export sector, the large resource requirements for rehabilitation and reconstruction, heavy external indebtedness, and a desperate poverty situation. In spite of this, the macroeconomic performance of Sierra Leone in 2000 was satisfactory. The growth rate of GDP was positive at 2.8 percent. The foreign exchange market remained generally stable. Even though the fiscal deficit (excluding grants) as a percentage of GDP of 21.5 percent was significantly higher than the benchmark of 5 percent set for the WAMZ, it is considered remarkable in the face of the civil strife that engulfed the country. As regards WAMZ criteria, Sierra Leone satisfied two of the primary criteria.

## Observations

- As a result of the civil war, macroeconomic reporting did not cover all the regions of the country.
- A huge fiscal effort goes into the funding of the civil war.
- There is very heavy dependence on donor support to cover domestic expenditure.
- Sierra Leone has adopted a Medium Term Expenditure Framework during 2001 that takes a multi-year planning perspective and focuses attention on measurable outcomes rather than the outlays alone. Furthermore, it ensures that public finances are handled in a transparent and accountable manner.
- The foreign exchange auction system introduced in February 2000 contributed significantly to the stabilisation of the macroeconomic environment.
- Weekly sales of foreign exchange through the auction became an important instrument in monetary management.
- A diamond certification scheme has been introduced to ensure that diamond exports are carried out only through official channels.

## Recommendations

- Government should continue to pursue dialogue with development partners in an effort to strengthen cooperation towards reconstruction and rehabilitation programmes.
- The peace process should be vigorously pursued to facilitate the disarmament, demobilisation and reintegration programme.
- Given the heavy reliance on donor support, the underlying fiscal situation should be strengthened.
- Government expenditure should be streamlined to forestall its

vulnerability to fiscal overruns in the reintegration effort.

- The negotiations for a programme with the IMF under the Poverty Reduction and Growth Facility (PRGF) as well as restoration of the Post-conflict Assistance should be expedited.
- Given that Sierra Leone has reserves less than the required 3 months import cover, the Bank of Sierra Leone should rely on open market operations rather than on foreign exchange sales as a tool of monetary management.
- More diamond importing centres should adopt and implement the certification rules and regulation and export licenses issued to the dealers to ensure compliance with the UN embargo.

## LEGAL AND INSTITUTIONAL ISSUES

The meeting of the Legal experts committee was called to examine the draft report on the Harmonisation of Acts of National Central Banks with the West African Monetary Zone (WAMZ) and the West African Central Bank (WACB) Statutes.

Representatives of the following member Central Banks and regional organisations participated at the meeting: Central Bank of The Gambia, Bank of Ghana, Central Bank of the Republic of Guinea, Central Bank of Nigeria, Bank of Sierra Leone, The West African Institute for Financial and Economic Management (WAIFEM) and West African Monetary Institute (WAMI).

## Opening

Dr. M. O. Ojo, Director General of the West African Monetary Institute declared the meeting open. He welcomed delegates to WAMI and expressed appreciation for their participation at the meeting. While stressing the importance of the meeting, he

believed that the Committee would deliver promptly on its assignment given the caliber of officials present. He stressed the need for the Committee to be time conscious, particularly with respect to building the infrastructure for the Second Monetary Zone in order to enable other issues to fall into place.

### **Proposals on Harmonisation of Acts of National Central Banks (NCBs) with WAMZ and WACB Statutes**

Mr. Hussein Thomasi, Head of the Legal Unit of WAMI presented the report on the Harmonization of Acts of NCBs with the WAMZ and WACB Statutes.

The report highlighted the major differences and deviations in the Acts of the National Central Banks vis-a-vis the WAMZ and the WACB statutes in the following areas: - objective; independence; prohibition of the public sector from receiving monetary financing; issuing of currencies and coins; maintenance and management of foreign reserve assets; and exchange rate policy. On a case -by- case basis, the report brought out the differences in these areas. The report also made specific proposals for harmonisation in each case.

### **General Comments on the Report**

The Committee recognised the need to amend the Acts of the National Central Banks to conform to the Statutes of the WAMZ and the WACB, but nonetheless stressed the need for member States to effectively sensitise and carry along the National Legislators, that have the jurisdictional competence to pass suggested amendments.

### **Specific Recommendations**

The Committee had extensive deliberations on each of the proposals and a case by case examination of the relevant Banking Acts and Constitutional provisions of the member countries, and made recommendations on the following issues:

#### **i. Functions**

The Committee noted that the functions assigned to the National Central Banks in the WACB Statutes were indispensable in the realisation of the objectives of the West African Monetary Zone. It therefore recommended that the National Central Banks should amend their Statutes to conform to the provisions of Article 16 of the WACB Statutes, which states that the Banks shall perform the following functions:

- Currency management, distribution and withdrawal;
- implement the monetary policy of the WACB;
- manage the payments and settlements systems of the WACB;
- serve as bankers to financial institutions in the West African Monetary Zone, and banker to the governments (subject to not providing credits to the government);
- exercise prudential supervision over financial institutions;
- conduct foreign exchange operations under the guidance of the WACB.

#### **ii. Objective**

The Committee noted that although some of the National Central Banks emphasised currency stability in their Acts as opposed

to price stability, a major goal of central banks is the maintenance of price stability in the economy. It was observed that price stability and moderation of inflation are very important in the attainment of stable interest and exchange rates and the creation of conducive investment climate for long-term growth. In this regard, the Committee recommended that:

- The National Central Banks should reflect the major objective of the WACB as their object.

### **iii. Independence**

The Committee took particular note of the provision relating to independence in the statutes of the WACB and noted that some aspects of independence as it relates to security of office was not adequately provided for in the Acts of most National Central Banks. It was generally agreed that independence of the National Central Banks is crucial for them to effectively implement the policies of the WACB and the functions assigned to them in the Statutes of the WACB. In view of this, the Committee recommended that:

The National Central Banks should adapt and incorporate the provisions relating to independence of the WACB and the staff in the performance of their functions contained under Article 11 of the WACB statutes.

### **iv. Prohibition of the Public Sector from Receiving Monetary Financing**

The Committee agreed on the need for the National Central Banks to amend their Acts relating to the provision of monetary financing to the public sector. It therefore recommended that:

The provisions contained under Article 23 of the WACB and Article 16 of the WAMZ Statutes should be adapted by the NCBs.

### **v. Currency**

The Committee recalled that one of the major objectives of the WAMZ is the issue of a common currency in the Zone. In this respect, the NCBs would have to recognise the authority of the WACB as derived from its Article 18 which vests it with the sole authority to issue notes and coins which shall be the only legal tender in the member states of the Zone. The Committee therefore recommended that Article 18 of the WACB Statutes should be adapted for all the National Central Banks.

### **vi. Foreign Reserve Assets**

In examining the provisions of Article 30 of the WACB Statutes, which require member states to transfer all foreign reserve assets to the WACB, the Committee noted that there should be a section giving effect to the undertaking by member countries under Article 30 of the WACB statutes. Article 30 should therefore be adapted and incorporated in the Statutes of all National Central Banks as follow:

Upon establishment of the WACB, the Bank shall transfer to the WACB all foreign reserve assets, which are normally deployed by Central Banks. The Boards of Directors of the WACB shall decide upon the stages and dates to call up the reserve assets. The WACB shall have the full right to hold and manage the foreign reserves that are transferred to it without prejudice to the holding and management in the Bank of foreign exchange working balances.

### **Ratification of Statutes of the West African Monetary Zone (WAMZ) and the West African Central Bank (WACB)**

The Committee recommended that member states should take urgent steps to have the Statutes of the West African Monetary

Zone (WAMZ) and the West African Central Bank (WACB) ratified by their National Assemblies/Parliaments.

### **WAMI ORGANISES WORKSHOP IN COLLABORATION WITH GHANA'S PARLIAMENTARIANS**

The Workshop on **“The Role of Parliament in Regional Cooperation and Integration: West African Common Currency,”** organized by the Parliamentary Select Committee on Foreign Affairs of the Parliament of Ghana in collaboration with the West African Monetary Institute was held in the Conference Hall of La Palm Royal Beach Hotel, Accra, Ghana on July 16, 2001.

The Workshop was attended by members of Parliament of Ghana, top government officials, members of the diplomatic corps and the Ghanaian business community.

The opening session of the Workshop was chaired by Mr. John S. Addo, Chairman of Prudential Bank, Ghana. In his opening remarks, the Chairman welcomed participants to the Workshop. He noted that since the establishment of ECOWAS 26 years ago, its objective of promoting economic growth and development had not been fully realized and this called for renewed efforts and pragmatic initiative. The opening session was also addressed by the Rt. Hon. Peter Ala Adjetey, Speaker of the Parliament of Ghana; Dr. P. Kwesi Nduom, Honourable Minister of Economic Planning and Regional Cooperation, who was represented by Dr Kofi Konadu Apraku, Minister of Trade and Industry, and Dr Kwabena Duffuor, Governor of Bank of Ghana whose speech was read by Mr. Van Lare Dosoo, Deputy Governor, Bank of Ghana.

Hon Ala Adjetey, the Speaker of Parliament, noted that against the background of the on-going globalization, which had dramatically changed the world

economic landscape, the only way small economies like those in Africa could survive was to integrate their national economies in all areas of economic activities including agriculture, industrial production, trade, currency and infrastructure. He noted that the common currency would be of immense benefit to the citizens, especially the business community. Hon. Adjetey promised that the Ghanaian Parliament, being aware of the tremendous changes going on in the rest of the world, was ready to support the regional economic integration process in general and the introduction of the second common currency in West Africa in particular.

The Minister of Economic Planning and Regional Cooperation, Dr. P. Kwesi Nduom noted that the pace of progress in ECOWAS integration was slow. He opined that the benefits to be gained from integration are far greater than those that have been realized so far. He therefore called on West African countries to put in more efforts at meeting the requirement of the regional integration process in order to reduce poverty and improve the standard of living of the citizens.

The Governor, Bank of Ghana, Dr. Kwabena Duffuor, identified the advantages of having a single currency in the West African sub-region to include low transaction costs of doing business, greater discipline in the execution of monetary and fiscal policy, increased trade among participating countries and increased trade with the rest of the world. He emphasized that the role of Parliament was critical in the process of establishing a single currency in the sub-region, as members would be called upon to give legal backing to the relevant legislations.

The plenary session of the workshop started with the introduction of the Chairman by Mr. R. D. Asante, Technical Adviser, West African Monetary Institute. The Chairman,

Prof. S. K. B. Asante was a former Regional Advisor of the Economic Commission for Africa (ECA) and a renowned University professor of Economics. In his opening remarks, the Chairman stated that integration was for everybody, particularly for parliamentarians who had a critical role to play. According to him, the process of regionalisation, integration and globalisation posed several challenges for the West African sub-region, which was made up of small, fragmented countries with limited infrastructure. The Chairman reiterated the importance of regional integration, asserting that it was a necessity for the countries to industrialise." He identified the common currency as a component of regional integration and noted it was important to facilitate the integration process.

Three papers were presented at the Workshop, the highlights of which are as follows:

The first paper titled "**The ECOWAS Economic and Monetary Integration Programme**" was presented by Mr. Frank Ofei who represented the Executive Secretary of ECOWAS, Mr. Lansana Kouyate. Mr. Ofei, the Director of Research of ECOWAS, in his presentation made a distinction between the process of economic cooperation and integration and indicated that the two processes had been taking place simultaneously in West Africa. He highlighted the role and achievement of ECOWAS, the imperative for regional cooperation and outstanding problems in ECOWAS.

Concluding, Mr. Ofei asserted that in spite of the problems, the future was bright due to the improved awareness of regional integration as a tool of economic development, the growing recognition by donor partners of the importance of regionalisation, and civil society agitation

on the need for their involvement in such decisions.

The second paper on the topic "**WAMI and the Introduction of the Common Currency**" was presented by Dr. M. O. Ojo, Director General of the West African Monetary Institute. Dr. Ojo recalled the operation of currency boards in the sub-region, and noted that the Anglophone countries abandoned the system while the Francophone countries continued with their currency arrangement. Dr. Ojo enumerated the problems militating against the achievement of ECOWAS integration programmes, noting that countries had made some effort to perform and stressed the need for countries to implement policies that would enable them to recover from shocks.

The Director General examined the relative strength of WAMZ countries in ECOWAS and concluded that regional monetary integration was a good strategy to be part of the globalisation process, and urged Ghana to sustain her leadership in this process.

The third paper on the topic "**Ghana's Preparation to Maximise Benefits and Minimise Costs of joining the West African Monetary Zone**" was presented by Mr. S.K. Apea, Senior Fellow of the Institute for Economic Affairs. According to Mr. Apea, the process of globalisation had increased its pace due to improvements in information technology and could not be ignored.

He noted that discriminatory treatment by UEMOA had led to reawakening in Anglophone countries, particularly the raising of barriers against products of Anglophone/Non UEMOA Countries.

Mr. Apea mentioned the need to look at the WAMZ project, as a means to an end; the end being the real economy. He mentioned some of the difficulties experienced with the protocol on free movement of persons and said there was the need to improve implementation of the protocol on free movement.

He delineated some costs of the integration project including: loss of sovereignty in conducting monetary and exchange rate policies, loss of seigniorage revenue and establishment costs of a new Central Bank.

Furthermore, he noted that great efforts would have to be made by Ghana to satisfy the stipulated convergence criteria.

The public also needed to be sensitized about the mission and role of WAMI and the utility of the common currency.

## **CONVERGENCE COUNCIL MEETS IN ABUJA**

The 5<sup>th</sup> Meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone was held on July 26, 2001 in the Conference Room of the ECOWAS Secretariat, Abuja, Nigeria.

The Gambia, Ghana, Guinea, Nigeria and Sierra Leone and the West African Monetary Institute participated at the meeting. Cape Verde, BCEAO, WAIFEM, WAMA and the IMF were at the meeting as observers.

### **Opening Session**

Mr. M. C. Bajo, Governor, Central Bank of The Gambia presented an opening address

on behalf of Mr. Famara Jatta, Secretary of State for Finance of The Gambia, the outgoing Chairman of the Council. Mr. Jatta expressed appreciation to the President, Government and people of Nigeria for the warm African hospitality extended to the delegates since their arrival in Nigeria. He appealed to the Ministers and Governors to ensure that appropriate policy measures were put in place to meet the convergence criteria as stipulated. He noted that the Council needed to play an important role in sensitising the stakeholders of the West African Monetary Zone Project. In conclusion, he advised the various central Banks to make adequate arrangement to pay their contributions to the second tranche of the budget of WAMI.

Chief (Dr.) Bimbola Ogunkelu, Nigeria's Minister for Cooperation and Integration in Africa traced the journey towards the West African Monetary Zone back to the signing of the Agreement and Statutes of WAMZ in Bamako in Mali in December 2000. He observed that since then, WAMI, the interim institution established to prepare the grounds for the common Central Bank had commenced operations. He congratulated the Director General of the Institute for the work done so far and expressed confidence in the ability of WAMI to transform the Institute into the West African Central Bank. He also expressed delight at the attendance of the Vice Governor of the Bank of Cape Verde and hoped that the country would endeavour to be part of the West African Monetary Zone. The Minister recognized the positive role played by the Government of Ghana in facilitating the take-off of WAMI.

Mr. Lansana Kouyate, the Executive Secretary of ECOWAS, in his address, welcomed members and advised that deliberations should be taken very seriously in order to come out with recommendations that would facilitate the achievement of the objectives of the West African Monetary

Zone. He was delighted at the good attendance, which showed the commitment of member countries. He urged members to continue to support the efforts of WAMI. On its part, the Executive Secretariat indicated that it was always ready to put its services at the disposal of WAMI. For instance, the project document on the sensitization programme of WAMI was being processed to be forwarded to development partners for funding support. This was in realisation of the fact that the sensitization programme was critical to the success of the ECOWAS Second Monetary Zone project.

### **Deliberations**

The meeting was convened to deliberate on three documents prepared by WAMI. These are: Macroeconomic Developments and Convergence Report for 2000; Proposals on Harmonization of National Central Banks Acts with WAMZ and WACB Statutes; and Proposal on Sensitization Programme.

Dr. Bimbola Ogunkelu, Nigeria's Minister of Cooperation and Integration in Africa, was elected chairman of the meeting.

The Council adopted the Convergence Report and sensitization Programme and directed WAMI to undertake comparative studies of the structure of common Central Banks and report back to Council at its next meeting.

### **Closing Ceremony**

The Council paid a courtesy call on the President of the Federal Republic of Nigeria. It noted with appreciation the kind reception accorded members during the visit to Chief Olusegun Obasanjo, President and Commander-In-Chief of the Armed Forces, Federal Republic of Nigeria. During the visit, the Chairman of the Convergence Council, Chief (Dr.) Bimbola Ogunkelu, briefed the President on the progress made so far on the implementation of the West African Monetary Zone

project, with emphasis on the efforts being made by member countries to satisfy the macroeconomic convergence criteria. The President expressed his satisfaction on the progress report and assured the Council that Nigeria would endeavour to sustain compliance with the convergence criteria, as well as ensure early completion of some regional projects in which Nigeria was a partner. The Deputy Minister of Foreign Affairs of Ghana, Alhaji Mustapha Idris Ali, gave the vote of thanks on behalf of Council, noting with appreciation the President's concern for the development of the sub-region.

### **WAMI ORGANISES SEMINAR ON TECHNICAL ISSUES IN THE WAMZ**

A closed door Seminar was organized by WAMI from August 2–3 2001, in Accra, Ghana, to review draft papers on various subjects prepared by in-house resource persons and external consultants in order to arrive at some consensus on the critical aspects of the Work Programme of the Institute. The Seminar was attended by authors of papers, representatives of the member central Banks, the African Development Bank (ADB), the ECOWAS Fund and the National Centre for Economic Management and Administration (NCEMA), Nigeria. The Director General welcomed participants, restated the objective of the Seminar and enjoined participants to be frank in their deliberations so as to improve the quality of the draft papers.

Papers were presented on five subjects in five technical sessions as follows:

- i. Exchange Rate Mechanism in the WAMZ;
- ii. External Reserves Management by the WACB;
- iii. Design of a Payments system for the WAMZ;
- iv. Design of a Common Monetary Policy for the WAMZ;

- v. Operationalisation of the Stabilisation and Cooperation Fund.

### **Technical Sessions**

The summaries of proceedings in the five technical sessions are presented as follows:

#### **First Technical Session: “Design of An Exchange Rate Mechanism for the WAMZ”.**

Three papers were presented on this subject, one each by Mr. S. E Omoruyi and Dr. M Bawumia, external consultants and a third paper by Dr. E. K. Y. Addison, Chief Economist, WAMI. The session was chaired by Mr. R. D. Asante, Technical Adviser, WAMI.

#### **Highlights of the Papers**

The presentation by Mr. Omoruyi and Dr. Bawumia were somewhat similar in terms of focus and analytical tools applied. However, there were aspects of Bawumia’s paper that were not captured in Omoruyi’s. Dr. Addison’s model was based on a slightly different perspective. While Omoruyi preferred a zonal anchor, Dr. Bawumia recommended a regional anchor since the essence of the Second Monetary Zone is to facilitate merger with the CFA Zone.

The paper by Dr. Addison favoured a peg to an external currency or basket of currencies such as the dollar or SDR as a nominal anchor as opposed to a domestic anchor.

#### **Discussions**

The major discussant was Prof. Mike Obadan, Director General of NCEMA. He summarized the three papers and advised on the need to be conscious of the set objectives of the WAMZ in general and the exchange rate mechanism in particular. The exchange rate mechanism as a transitional arrangement is intended to achieve an end. On the three major

arrangements proposed in the papers, for the exchange rate mechanism, he suggested that fixed parities with regional anchor should be seriously considered. He observed that Mr. Omoruyi’s recommendations could face a number of practical problems, especially adjustments of nominal exchange rates outside what the market has determined. He also advised against very wide bands of fluctuation and recommended that a compromise proposal of 10 per cent could be useful but ruled out the utility of an upward sloping band. He concluded by recommending that most of the details in Omoruyi’s paper would be useful for the management of the exchange rate mechanism.

#### **Second Technical Session: “External Reserves Management by the West African Central Bank (WACB).”**

One paper was presented at the session by Mr. P. J. Obaseki, Policy Adviser, WAMI. The session was chaired by Mr. Siradiou Bah, Director, Operations Department, WAMI.

#### **Highlights of the Paper**

The author examined the conceptual issues and the theoretical underpinnings of external reserves management under the following: purpose and motives of external reserves, the level of reserves and investment options, adequacy of reserves and risk management. The paper provided operational guidelines in terms of institutional framework, auditing and accounting control and risk management framework. The author advised that the optimal portfolio should be well defined and targeted by the WACB while investment decisions should not deviate significantly from the benchmark in order not to lose income that would otherwise be guaranteed by the optimal portfolio.

### **Discussions**

The major discussant was Dr. M Bawumia of the Research Department, Bank of Ghana. He advised that reserves should be built up as much as possible in order to gain credibility. He wondered whether countries should not be given access to the reserves of the WACB on a short-term basis. He was also of the view that derivatives trading should not be prevented since some of the member countries of the WAMZ are already trading in the futures market. He concluded by remarking that information on reserves management should be disclosed cautiously.

### **Third Technical Session: “Design of a Payments System for the WAMZ”**

Two papers were presented at the session, one each by Operations Department of WAMI and an external consultant, Mr. Chris Nemedi. The session was presided over by Dr. H.A. K. Wampah, Director of Research, WAMI. The paper by Operations Department was introduced by Mr. Siradiou Bah, Director, Operations Department and elaborated by Mr. S. Tetteh, Operations officer, WAMI. The paper discussed existing payment arrangements in the WAMZ countries and made recommendations for improvement. The thrust of the recommendations was the improvement of the telecommunication systems, development of correspondent banking relationships within the Zone and the use of non-cash payments instruments.

Mr. Nemedi’s paper was essentially on multilateral and cross border payments arrangement. The author presented a payments system for international transactions in a regional multilateral setting.

### **Discussions**

The major discussant was Mr. Goumou Nianga Komata, a Director General of the Central Bank of the Republic of Guinea. He aligned himself with the major

conclusions of the paper but advised that as much as possible local peculiarities should influence the design of the payments system. Other issues raised and observations made during the floor discussion included the following:

1. Realistic proposals should be made concerning the development of a payments system in view of constraints in infrastructure prevalent in all the member countries. The constraints included poor electricity supply, inefficient telecommunications, poor transport system, low literacy level and lack of financial resources.
2. The proposals for the modernisation of the payment system in the countries of the WAMZ should be more pragmatic and prioritised in stages (short, medium and long term).

### **Fourth Technical Session: “Design of a Common Monetary Policy for the WAMZ.”**

The session was chaired by Dr. G. E. Ukpong, Director, International Economic Relations Department, Central Bank of Nigeria. Four papers were presented at the session. Two consultants, Chief B. A. Oke and Prof. M. Iyoha presented a paper each, while Dr. M. O. Ojo, Director General of WAMI and Mr. E. A. Onwioduokit, Chief Economist, WAMI, presented the remaining two papers.

### **Highlights of the Papers**

Chief Oke’s paper was based on the financial programming approach to monetary management, using indirect monetary controls. Prof. Iyoha’s paper examined the theoretical concept of the transmission mechanism of monetary policy and recommended inflation targeting as a stability oriented monetary framework among other proposals.

Dr. Ojo articulated the general principles of the common monetary policy for the WAMZ and a monetary policy framework for the WACB. He advised that the WACB should adopt a pragmatic monetary model, which should initially be part of a macroeconomic model. In the meantime, owing to inadequate database, the financial programming model would be adequate. Furthermore, while inflation targeting should be the ultimate goal of the WACB, implicit inflation targeting would suffice in the short term. Mr. Onwioduokit reviewed the channels of monetary policy impact on the economy and the various approaches to monetary management and settled for inflation targeting as the desirable framework for monetary management by the WACB.

### **Discussions**

The discussant of the papers, Mr. W. O. Newman-Samuels of the Bank of Sierra Leone, agreed with the objective of price stability and inflation targeting while noting the information problems associated with it. The discussant also mentioned the need to examine the feasibility of the low central bank credit to government advocated in the papers. He aligned himself with the floating exchange rate system for the common currency noting its benefits.

It was generally agreed that while inflation targeting was ideal, it was premature for adoption in the short term by the WACB, until data situation improved and the required infrastructure was in place. As a result, monetary targeting under a financial programming framework should be relied upon initially, within a regime of implicit inflation targeting.

### **Fifth Technical Session: “Operationalisation of a Stabilisation and Cooperation Fund for the WAMZ.”**

Two papers on the Framework and Modalities for Operationalising the

Stabilization and Cooperation Fund of the West African Monetary Zone were presented by Mr. Siddique Sesay, Director, Finance and Administration Department, WAMI and Mr. R. D. Asante, Technical Adviser, WAMI.

The session was chaired by Dr. M. I. Mahmoud, Senior Advisor, African Development Bank (ADB). The papers, which were largely similar in content, highlighted the need for a Stabilisation and Cooperation Fund (SCF), the objectives of the Fund and its operational procedure.

The papers made proposals on the initial capital, investment options and management structure of the Fund. It was recommended that the Fund should take off in January 2002 after appointment of Principal Officers in December, 2001. In the area of investment, one of the papers proposed that the management of the Fund’s investment could be contracted to either the African Development Bank or the ECOWAS Fund.

### **Discussions**

Discussions on the papers focused on five main areas: initial capital, sources of contribution, management of and future of the Fund after the winding up of WAMI.

Mr. I. O. A. Olagunju of ECOWAS Fund was the major discussant. He aligned himself with the major thrust of the two presentations on the need for the Fund and the necessity of a small unit within WAMI to oversee the operations of the Fund. He advised that rather than the ADB, ECOWAS Fund should be contracted to manage placements for the Fund.

With respect to initial capital, the suggested amount of \$50 million dollars was considered adequate but the Fund could commence operations once about half of the amount was subscribed.

Concerning the future of the Fund after the take off of the Zone, some participants noted that the SCF was only an arrangement to assist member countries attain the convergence criteria and not a Development Fund or an Investment Bank. Thus, its operations could cease after the take-off of the Zone in 2003 or it could be merged with other similar institutions in the Zone.

### **Closing Session**

The Director General thanked participants for fruitful deliberations, which would hopefully help to improve the quality of the draft papers. The Director of Finance and Administration, Mr. Siddique Sesay, formally moved the vote of thanks, noting the contributions of all the consultants, in-house resource persons, chairmen of sessions, discussants and other participants.

### **WAMI ORGANISES SEMINAR WITH GHANA TRADES UNION CONGRESS**

The seminar on “**The West African Common Currency: The Benefits to Workers and Employers**” organised by the Trades Union Congress (TUC) of Ghana in collaboration with the West African Monetary Institute (WAMI) was held in the Conference Hall of Novotel Hotel, Accra on August 8, 2001.

In attendance were members of the TUC, the press, civil servants and WAMI officials as well as private sector operators.

### **Opening Session**

The opening session of the seminar was chaired by Prof. S. K. B. Asante. The Chairman welcomed participants to the seminar and traced the history of monetary integration in West Africa to the establishment of the West African Clearing House (WACH) and later the West African Monetary Agency (WAMA). He noted that by making provision to sensitise the

workers on the issue of monetary integration in West Africa, WAMI had towed the line of the European Community, which made deliberate plans for the participation of the trade unions in Europe in the process leading to the introduction of the Euro.

Opening remarks were made by Mr. Kwasi Adu-Amankwah, Secretary General, TUC and Dr. M. O. Ojo, Director General, WAMI. Mr. Adu-Amankwah expressed satisfaction with the involvement of the TUC in the organisation of the seminar to sensitise the workers on the benefits, which included the expected increased standard of living to be derived from having a common currency. He alluded that the use of the common currency in the sub-region would promote cross-border payments, create a regional market, facilitate inflow of foreign direct investment and curtail capital flight and eliminate illegal currency trafficking. His remarks ended with expectation that the governments of the member states, workers, businesses and travellers would benefit from the use of the common currency, which would usher-in stable prices for goods and services, and improve purchasing power of wages of workers.

Dr. Ojo, in his remarks, noted that the primary purpose of the seminar was to enlighten the participants, especially the workers and employers on the arrangements being made to introduce a single currency in the five countries of the West African Monetary Zone (WAMZ). He outlined the requirements of the programme of the WAMZ to include the need for member countries to stabilise their economies by satisfying stipulated convergence criteria, the strengthening of the relationship between national Central Banks and the WACB, which would have the sole authority to execute monetary and exchange rate policies for the zone, and issue the common currency.

### Technical Session Presentations

The highlights of the papers presented at the Seminar are as follows:

Mr. Kassim Yahya, Head of Research Department, Bank of Ghana presented the first paper at the seminar titled **“The Cedi and its Stability.”** The paper discussed the evolution of Ghana’s currency, performance, consequences of unstable cedi and justification for having a West African common currency.

The second paper at the seminar titled **“The West African Common Currency: The Benefits for Workers and Employers”** was presented by Mr. R. D. Asante, Technical Adviser, WAMI. The paper traced the path of monetary integration in West Africa, the purpose of the Fast Track Initiative, the establishment of the institutions of the West African Monetary Zone and the benefits of integrating the economies of the member states to the workers.

### Plenary Session

The deliberation that followed the presentation of the papers focussed on several issues. The first observation made in the plenary session was why there was no referendum for the citizens of the member states to decide on the necessity for the establishment of the monetary zone as in the case of EU. The response was that the huge cost of organising a referendum on the issue discouraged the authorities from conducting a referendum.

The second issue discussed by participants was the role of the World Bank and the International Monetary Fund (IMF) in the on-going effort for creating a second monetary zone. The response was that WAMI and these multi-lateral institutions have cordial relationship and that IMF had already assured WAMI of technical support

in terms of capacity building and other relevant aspects.

The third issue raised in the seminar was on who will bear the cost of the sensitisation of the target groups. In response, it was indicated that the cost of organising sensitisation would be borne by the member states, which were to constitute national committees that would work in collaboration with WAMI.

The fourth issue was on when the citizens of the member countries could expect to reap the benefits of monetary integration. On this, it was noted that the benefits would be short, medium and long term. However, necessary sacrifice in terms of observing the macroeconomic convergence criteria must be made, which would result in the desired growth of member states’ economies, although patience must be exercised for the scheme to fully take root.

### Closing Session

At the end of the seminar, Mr. Alex Bomey, Chairman of the TUC thanked WAMI for sponsoring the programme and indicated that the workers would collaborate with WAMI for the success of the WAMZ Programme. Finally, he called on WAMI to organise more seminars in other cities for the benefit of workers in different regions of the country.

### WAMI HEADQUARTERS AGREEMENT SIGNED

The Headquarters Agreement between the Government of Ghana and the West African Monetary Institute (WAMI) was signed in Accra, Ghana at the Ministry of Economic Planning and Regional Cooperation on August 3 2001. The Headquarters Agreement was signed by Dr. Kwesi Nduom, the Honourable Minister of Economic Planning and Regional Cooperation, on behalf of the Government

of the Republic of Ghana and Dr. M. O. Ojo, Director General of WAMI, on behalf of the Institute. The Deputy Minister of Foreign Affairs, Alhaji Mustapha Ali Idris represented the Minister of Foreign Affairs. Important dignitaries that graced the signing ceremony included the Ambassador of the Republic of Guinea and Liberia, and High Commissioners of Nigeria and Sierra Leone. The Chief Director in the Ministry of Foreign Affairs and his counterpart in the Ministry of Economic Planning and Regional Cooperation also graced the occasion. With the formal signing of the Headquarters Agreement, the Government of Ghana had accorded full diplomatic status to the Institute.

At the signing ceremony, the Director General thanked the Government of Ghana for the frontline role played in facilitating the second monetary zone project and the facilities placed at the disposal of the Institute which had contributed to the fast pace of the implementation of the Institute's Work Programme. The Minister of Economic Planning and Regional Cooperation pledged the Commitment of the Government of Ghana to ECOWAS integration projects. He indicated further that the Government was working hard to consolidate democracy and stabilize the economy. The speeches by the Director General of WAMI and the Honourable Minister of Economic Planning and Regional Cooperation are reproduced below:

**Statement by the Director General of WAMI**

Hon. Minister of Economic Planning and Regional Cooperation  
 Hon. Ministers of Finance, Trade & Industries and Foreign Affairs  
 Governor, Bank of Ghana  
 Your Excellencies  
 Distinguished Special Invitees  
 Ladies and Gentlemen

This is an historic occasion for the process of economic integration in the West Africa sub-region. It marks the end of consultations and collaboration between the Ghanaian Authorities and the West African Monetary Institute on the formalisation of the status of the Institute in Ghana. With this ceremony, the Government of Ghana and the international community in Ghana have duly recognized WAMI as a special International Institution. It may be recalled that the Committee of Central Bank Governors of the West African Monetary Zone initiated the process in February 2001 following its approval of the Draft Agreement prepared by WAMI. Intensive discussions were held between the Institute on the one hand, and the Bank of Ghana, Ministries of Economic Planning and Regional Cooperation and Foreign Affairs on the other, culminating in the recent approval given to the text of the Agreement. Given the change of Government in Ghana early this year, all those concerned in this exercise should be commended for its prompt completion. With this Agreement, WAMI is bound to have greater confidence in the execution of its mandate, which, essentially, is to make necessary arrangements for the launching of a second monetary union in West Africa, with the underlying purpose of expediting the emergence of a single monetary zone under the platform of ECOWAS. We, in WAMI, believe strongly in this strategy and will try our utmost to provide good advice to the authorities.

Many observers have recently cast doubt on Ghana's commitment to the project. We don't agree with these observations. Despite the change in the political environment and the economic difficulties faced by Ghana in recent times, we have continued to enjoy the support of the Ghanaian Authorities, especially in providing the Institute with excellent facilities, which have been acknowledged by all visitors to the Institute. The Institute

believes that Ghana is a reliable host that will facilitate the execution of its mandate.

In conclusion, I wish, on behalf of WAMI, to thank the Ghanaian Authorities for making this ceremony possible. In particular, I want to thank the Hon Minister of Economic Planning and Regional Cooperation, the Hon. Minister of Foreign Affairs and the Governor of the Bank of Ghana for the assistance they have given to WAMI so far and hope that this will be sustained in the interest of the project to which we are all committed.

I thank you for your attention.

### **Statement by the Honourable Minister of Economic Planning and Regional Cooperation**

Your Excellencies,  
Honourable Ministers,  
Distinguished Director General,  
Invited Guests,  
Ladies and Gentlemen of the Press.

It is quite appropriate and an honour for me to make this statement on the occasion of the formal signing ceremony of the Headquarters Agreement between the Government of the Republic of Ghana and the West African Monetary Institute (WAMI).

This is an important symbolic event that is a testimony of the commitment of the Government and People of Ghana to the ideals and principles of Regional Cooperation and Integration.

Under the fast-track approach to integration spearheaded by Ghana and Nigeria, a decision was made in Accra in April last year by Heads of State of six countries in West Africa to set up a Second Monetary Zone outside the CFA Zone. Subsequently, studies, meetings and consultations were held on this issue that led to the decision

last December in Bamako by the Heads of State to set up the West African Monetary Zone. This will be characterized by a Common Central Bank and a single currency. An interim institution called the West African Monetary Institute was set up to undertake all the preparatory activities needed to introduce a common currency by 2003.

Ghana was chosen to host this interim institution, which will evolve into the Common Central Bank. The decision to select Ghana among the countries to provide facilities for WAMI was based on Ghana's commitment and past track record in promoting African Unity in general, and Regional Cooperation in particular.

There are many questions surrounding the Common Currency Project being raised in Ghana. Many people question the ability of the participating governments to meet the convergence criteria. The attitude of the government of H.E. President J.A. Kufour is that we must first concentrate on consolidating democracy and work to meet the convergence criteria. At the same time, we will also strive to quicken the pace towards achieving a single currency zone for all of West Africa.

Finally, let me take the opportunity to express my sincere gratitude to all my colleagues and all the Ambassadors and High Commissioners for coming to witness this historic ceremony.

I thank you for your kind attention.

### **INTERNAL AUDITOR ASSUMES DUTY AT WAMI**

The Institute's Internal Auditor designate, Mr. Daniel Adekola, assumed duty at the Institute in Accra in July 2001. Mr. Adekola could not assume duty as scheduled as he had to complete urgent assignments and properly discharge from the Central Bank of Nigeria. Mr. Adekola, a Certified Chartered Accountant held Senior Management positions at the Central

Bank of Nigeria before his appointment as the Internal Auditor of the Institute. He was the Zonal Controller, Enugu Zone of the Central Bank of Nigeria with responsibility of supervising Central Bank branches in the South East and South South geo-political Zones, two of the six geo-political Zones of Nigeria.

Mr. Adekola was born on August 19, 1942 in Ogbomoso, Oyo State of Nigeria. He had his elementary and middle school education in Kumasi, Ghana. After his Secondary School education in Accra, Ghana, Mr. Adekola proceeded to North Western Polytechnics, Highbury, London (now North London University) for higher academic laurels. He bagged the Associateship of the Chartered Institute of Certified Accountants (ACCA), England in 1976, Associate of the Chartered Accountants of Nigeria (ACA) in 1979 and Fellow of the Chartered Institute of Certified Accountants, (FCCA), England in 1981.

Mr. Adekola has attended a number of courses both within and outside the countries. He is very versatile, with experience in a wide range of central bank operations. He has had working experiences in banking operations, internal audit, and bank examination, among others. He has also been a facilitator in a number of courses organised by the Central Bank of Nigeria Training Centre, one of which is Bank Examiner's courses that he has conducted for several years.

Mr. Adekola, an accomplished chartered accountant, astute administrator and meticulous gentlemen is married with four children.

The West African Monetary Institute (WAMI), Premier Towers, PMB CT. 75, Accra, Ghana, publishes WAMI News three times a year. All enquiries about the publication should be made to the Editor-in-Chief ([mojo@wami-imao.org](mailto:mojo@wami-imao.org)) at the above address.