

**MEETINGS OF THE WEST AFRICAN MONETARY ZONE
BANJUL, THE GAMBIA
MAY 2 – 6, 2005**

WAMZ/CC/16

**17TH MEETING OF THE CONVERGENCE COUNCIL
OF MINISTERS AND GOVERNORS
OF CENTRAL BANKS OF THE
WEST AFRICAN MONETARY ZONE**

FINAL REPORT

**BANJUL, THE GAMBIA
MAY 6, 2005**

**REPORT OF THE 17TH MEETING OF THE CONVERGENCE COUNCIL
OF MINISTERS AND GOVERNORS OF CENTRAL BANKS OF THE
WEST AFRICAN MONETARY ZONE
HELD AT THE CONFERENCE HALL OF THE KAIRABA HOTEL
THE BANJUL, THE GAMBIA
ON MAY 5 - 6, 2005**

I. INTRODUCTION

1. The 17th Meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) was held at the Conference Hall of the Kairaba Hotel, Banjul, The Gambia on May 5 - 6, 2005. The Reports of the 20th Meeting of the Technical Committee and 14th Meeting of the Committee of Governors of the Central Banks of the WAMZ earlier held at the same venue on May 2-4, 2005 formed the basis for the deliberations at the meeting. All the member states, as well as the ECOWAS Executive Secretariat, WAMI and some of the regular observers were represented at the meeting (See Annexes I and VI).

II. OPENING

2. Mr. Mame Cor Sene, Deputy Executive Secretary, Policy Harmonization of ECOWAS, on behalf of the Executive Secretary of ECOWAS, welcomed Ministers and Central Bank Governors to the meeting. He expressed appreciation to the Government and people of The Gambia for the warm welcome and hospitality extended to delegates since their arrival in Banjul. He also expressed appreciation to the Committee of Governors for their diligence and invaluable contribution in defining the future direction for the monetary integration programme. He noted that the integration programme is anchored on two pillars, namely the attainment of macroeconomic convergence and harmonization of policies and urged the Council to give careful consideration to the recommendations before them to move the integration programme in the desired direction.

3. The Secretary of State for Finance and Economic Affairs of The Gambia, Mrs. Margaret Keita, welcomed the delegates to Banjul and noted that the Convergence Council meeting was historic as it would assess the state of readiness of member countries for monetary union slated for July 1, 2005. She noted that no country fully achieved the primary criteria set so far and that structural reforms such as harmonization of statistics, development of payment system, banking supervision and trade, and capital account liberalization should be undertaken. Nevertheless, she observed that zonal macroeconomic aggregates have been converging in respect of growth, inflation, etc. She reiterated the Gambian authorities' commitment as shown in the actions taken to correct the imbalances experienced in recent years. She also advocated for the speedy launching of the Eco and implementation of the policy measures required to guarantee the achievement of the maximum benefits from the programme.

4. The outgoing Chairman of the Convergence Council, Mr. Kwadwo Baah-Wiredu, Minister of Finance and Economic Planning of Ghana welcomed members to the meeting. He noted that deliberations at the meeting would chart a new course for the WAMZ programme. He expressed delight at the significant improvement in 2004 and urged that the efforts should be maintained to keep up the momentum of the monetary integration programme. He thanked members for the cooperation extended to him during his tenure in office and urged that the same should be extended to the incoming Chairperson.

5. After the opening session, the Council elected Mrs. Margaret Keita as Chairperson and thereafter the following Agenda was adopted for the meeting:

- (i) Opening
- (ii) Election of Chairperson
- (iii) Adoption of the Agenda
- (iv) Consideration of the Report of the 14th Meeting of the Committee of Governors

- (v) Any Other Business
- (vi) Adoption of the Report
- (vii) Closing

III. CONSIDERATION OF AGENDA ITEMS

Report of the 14th Meeting of the Committee of Governors

6. The Chairman of the Committee of Governors, Mr. Famara Jatta, Governor Central Bank of The Gambia presented the Report of the 20th Meeting of the Committee.

7. The Convergence Council thanked the Committee of Governors for the report and made the following observations :

(i) **Study on the State of Preparedness of the WAMZ Countries for Monetary Union on July 1, 2005**

- **Observations of the Convergence Council**

8. The Convergence Council commended WAMI for a good Study and noted that the conclusions in the Institute's study report and those of the Consultants were basically in the same direction. Council noted that the national institutions have not lived up to expectation in the implementation of the WAMZ Programme as WAMI has effectively delivered on its mandate.

9. Council agreed that political will was important for the monetary integration process but ultimately an enduring monetary union should be based on sound economic fundamentals. Political will is important to the extent that it drives the implementation of desired policy measures for convergence. From the experience of the European Union

and CFA Franc zone, macroeconomic convergence and structural reforms are critical elements in a monetary union.

10. The Council appreciated the view that necessary constituencies for the monetary union should be built. This would be done through referendum at national level and/or necessary legislation to confer ownership of the programme on the people. This way the process may not be easily derailed by succeeding regimes. With respect to the sensitization programme, the Committee agreed that it should be better aligned with the progress being made on the convergence process and should be used to build support for the policies needed to achieve the single currency objective. Council agreed with the Governors on the need for leveraging the activities of existing regional institutions, such as WAIFEM, WAMA, WABA and the Association of African Central Banks (AACB) in the pursuit of the sensitization programme.

11. Council also underscored the point that even if all countries had met all four primary criteria, the Zone will still not be ready for monetary union due to the slow progress on policy harmonization in respect of payments systems development, banking supervision, statistical harmonisation as well as trade and capital account liberalisation.

12. Although the countries have not been able to meet the convergence criteria, there is need to look into the future and establish a timeframe for each target and ensure continuous evaluation to put the convergence process on track. The WAMZ is subject to asymmetric shocks and this reinforces the importance role of the Stabilisation and Cooperation Fund. In this regard, outstanding obligations to the SCF should be made to enable it play its role more efficiently. Member countries should therefore ensure the discharge of all outstanding financial obligations to the Fund.

13. The Council agreed with the Governors that the proposed institutions of the WAMZ: WACB, WAFSA and WAMZ Secretariat should be activated after the completion of the activities and targets defined in the Work Programme as well as the observance of the prior structural conditions. They agreed that the cost of printing the

Eco will eventually be a function of the security features of the currency, quantity to be produced and the type of material used (polymer or paper) and this is likely to be higher than the estimates proposed by the study.

14. The Council noted that the fact that monetary union would not be launched on 1st July 2005 does not mean the Zone has failed in its endeavour. Adequate precautions are being made to ensure that we consolidate progress already made, build on gains achieved and make efforts to satisfy the prior structural benchmarks and the qualitative criteria. Furthermore, there is need to avoid the experiences of still-born unions. Although WAMZ countries would not be able to commence monetary union in July 2005, on account of macroeconomic convergence performance and attainment of qualitative benchmarks, a review showed that considerable progress has been made as at end-2004. Council also noted that the progress made under the WAMZ Programme has been acknowledged by other sub-regional groupings in Africa.

- **Recommendations of the Convergence Council**

15. Council thereafter made the following recommendations to the Authority of Heads of State and Government of the WAMZ:

- a) The commencement of the monetary union should be rescheduled to 1st December 2009 to allow for the attainment of the primary convergence criteria, the implementation of the structural benchmarks and an Action Plan based on a work programme on critical deliverables. The action plan should spell out the critical benchmarks and their completion periods. The adopted Action Plan is annexed to the report.
- b) The deliverables under the next phase (consolidation and transition) of the WAMZ Programme would require the restructuring of WAMI for effective implementation of the re-designed Action Plan. The new WAMI would be task-based and held accountable on the deliverables under the new Work Programme.

Monitoring and evaluation will be undertaken by WAMI as part of its surveillance activities. Ministries and departments should ensure that data are collated and reports prepared for use by WAMI during its surveillance missions.

- c) The Summit of Heads of State and Government of the WAMZ should signal political commitment to policy harmonization, and sustainable monetary and fiscal convergence. In addition, the Heads of State and Government should sustain the momentum of the union by announcing the commencement of the implementation of the following from July 2005:
- currency convertibility/trading in regional currencies;
 - full capital accounts liberalisation;
 - cross-border listing in the stock markets;
 - removal of all barriers to free movement of persons and goods within the Zone;
 - introduction of Common External Tariff by the member countries;
 - establishment of a customs union.
- d) Member countries should re-double efforts in the implementation of the WAMZ Programme. WAMZ benchmarks should be factored into national budgets and economic plans. In this regard, Ministers of Finance should meet before the approval of their national budgets so as to harmonise their budgetary policies.
- e) Council viewed with concern the inadequate participation of the Finance and Trade Ministers in the activities of the Zone, and urged that henceforth they should be fully involved in order to ensure effective implementation of the WAMZ Programme.
- f) Council noted that the single economic space which is a basis for monetary unification is hinged on a common external tariffs (CET). In this regard, Trade, Finance and Integration Ministers should meet regularly to review developments

in the implementation of the ECOWAS CET Agenda. A work programme for the implementation of the CET including time lines should be prepared by the Ministers of Trade, Finance and Integration which would form the basis of their monitoring and evaluation meetings.

(ii) Proposal on the Work Programme and Budget of WAMI for the 2nd Half of 2005

16. Council agreed that in the light of the impending restructuring of WAMI and the deliverables expected, a new work programme should be drawn up. The Council also agreed that the Terms of Reference for the restructuring of WAMI should be drawn up by a Task Force drawn from the Technical Committee and WAMI. Council agreed that the Committee of Governors would engage the services of consultants to draw up the plan for the restructuring of WAMI with input from the European Central Bank (ECB). The Committee of Governors will facilitate the restructuring under the supervision of the Convergence Council. It also agreed that on-site multilateral surveillance should be undertaken once a year to enable member countries firm up data for a more robust analysis. A two year or biennial reviews would also be undertaken. This will be supplemented with a monitoring and evaluation framework. The budget proposal of \$1,872,325 for the second half of 2005 as adjusted downward by the Committee of Governors to \$1,707,748 was adopted by the Convergence Council. Member countries were requested to pay their contributions to the second half budget of WAMI on or before May 31, 2005.

(iii) WAMI's Annual Report and Statement of Accounts for the Year Ended 31st December 2004

17. The Convergence Council endorsed WAMI's Annual Report and Statement of Accounts for the year ended 31st December 2004.

(iv) WAMI's Financial Statements for the Year Ended 31st December 2004 (External Auditor's Report)

18. The Convergence Council accepted the proposal of the Committee of Governors and endorsed the Financial Statements and Statement of Accounts of WAMI for 2004. The Council agreed with the Committee of Governors that the Institute should re-examine the terms of placing funds with the Bank of Ghana with a view to earning higher interest.

19. The Council agreed with the Governors on the quality of work done by the External Auditors, KPMG in the last four years and agreed that the firm be reappointed for the 2005 financial year.

(v) The Banking Statute of the West African Monetary Zone

20. The Council noted that WAMI circulated a revised draft of the Banking Statute for discussion. However, the draft could not be discussed in view of inputs received from Ghana and Nigeria which required further deliberations by the LIIC. It therefore agreed with the Technical Committee that the LIIC should reconvene to address the new issues raised in order to finalise the draft and make a presentation at the next WAMZ Meetings in Freetown, Sierra Leone.

IV. ANY OTHER BUSINESS

21. The following issues were raised under this agenda item:

- **Schedule of WAMZ Meetings, July – December 2005**

The Council noted the Schedule of WAMZ Meetings for the second half of 2005 as indicated in Annex III.

- **Outstanding Financial Obligations**

The Council noted the outstanding contributions by member countries in respect of the capital of the WACB and contribution to the Stabilisation and Cooperation Fund (SCF) as indicated in Annex V. In line with the recommendations by the Committee of Governors, Council called on member countries to discharge all outstanding obligations to the capital of the WACB and the SCF by December 2009. Member countries should endeavour to commence payments as scheduled with the last tranches redeemed in 2009.

- **Book on Economic and Monetary Integration in West Africa**

The book on the above, prepared by WAMI, chronicled the developments in economic and monetary integration in West Africa. It was presented to the Convergence Council for information and was noted.

V. ADOPTION OF THE REPORT

22. The Report was unanimously adopted.

VI. DATE OF NEXT MEETING

23. The next meeting of the Convergence Council will take place in Accra, Ghana to deliberate on the plan of action on the restructuring of WAMI. The exact date will be communicated to members in due course.

VII. SPECIAL COMMENDATION

24. Council commended WAMI for effectively and efficiently discharging its mandate since inception in 2001. However, Council noted that member countries especially national institutions have not effectively complemented WAMI's efforts. The Chairperson also expressed deep appreciation to the commitment to duty of the Secretariat, the Technical Committee, Governors and Council members for their useful contributions to the successful deliberations of the meeting.

VIII. VOTE OF THANKS

25. Dr. (Mrs) Kadi Sesay, Minister of Trade and Industry of Sierra Leone expressed appreciation to the President, Government and people of The Gambia for the warm hospitality accorded Council members since their arrival in Banjul and for the excellent facilities placed at their disposal. She commended Council members for their fruitful deliberations. She also commended the Committee of Governors for its report and WAMI for the quality of the study and other documents which facilitated proceedings at the meeting. She noted that progress would be made as member countries re-double their commitments to the WAMZ Programme. In particular, trade which is central to economic integration should be re-focussed on ensuring a beneficial monetary union. She thanked the Chairperson for the efficient manner she handled the proceedings of the meeting. She thereafter wished members safe return to their respective destinations.

VIII. CLOSING

24. The Chairman of the Council, Mrs. Margaret Keita, in her closing remarks thanked Council members for their useful and frank interventions which enriched the proceedings at the meeting. She also thanked the Director General of WAMI and his staff for the quality of the Study and other documents prepared for the meeting, and the Technical Committee as well as the Committee of Governors for their observations and recommendations. She thereafter wished Council members safe journey back to their respective destinations.

**DONE IN BANJUL, THE GAMBIA
ON THE 5TH DAY OF MAY, 2005**

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**MRS. MARGARET KEITA
SECRETARY OF STATE FOR FINANCE AND ECONOMIC
AFFAIRS OF THE GAMBIA, AND CHAIRPERSON, CONVERGENCE
COUNCIL OF MINISTERS AND GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE**