



**MEETINGS OF THE WEST AFRICAN MONETARY ZONE  
BANJUL, THE GAMBIA  
NOVEMBER 3 – 7, 2008**

**WAMZ/TC/26**

**26<sup>TH</sup> MEETING OF THE TECHNICAL COMMITTEE  
OF THE WEST AFRICAN MONETARY ZONE**

**FINAL REPORT**

**BANJUL, THE GAMBIA  
3<sup>RD</sup> – 4<sup>TH</sup> NOVEMBER 2008**

**REPORT OF THE 26<sup>TH</sup> MEETING OF THE TECHNICAL COMMITTEE  
OF THE WEST AFRICAN MONETARY ZONE (WAMZ)  
3<sup>RD</sup> – 4<sup>TH</sup> NOVEMBER 2008  
BANJUL, THE GAMBIA**

**I. INTRODUCTION**

1. The 26<sup>th</sup> Meeting of the Technical Committee of the West African Monetary Zone (WAMZ) took place in Banjul, The Gambia from 3<sup>rd</sup> to 4<sup>th</sup> November 2008.
2. All the Member States, the ECOWAS Commission and WAMI were represented at the meeting. Liberia, WAMA, WABA, WAIFEM, UEMOA and the BCEAO participated in the meeting as observers. The list of delegates is attached as Appendix B.

**II. OPENING CEREMONY**

3. In his opening remarks, the representative of the President of the ECOWAS Commission, Prof. N'galadjo Lambert Bamba, Commissioner, Macroeconomic Policy, ECOWAS Commission, expressed deep gratitude to the member states of WAMZ for their demonstrated commitment to the monetary integration process. He congratulated WAMI for the quality of work and regularity of meetings. He pledged ECOWAS Commission's continued co-operation with the WAMZ in order to ensure the achievement of the objectives of the regional integration programme. He underscored the need for real convergence including development of infrastructure and removal of non-tariff barriers that impede trade.
4. The Director General of WAMI, Dr. Temitope Oshikoya, in his opening remarks extended his condolences to the Government and people of Ghana on the demise of the Ghanaian Minister of Finance, Hon. Kwadwo Baah-Wiredu, (M.P). He asked the meeting to observe a minute silence in his memory.

5. The Director General noted that the meeting was being held at a critical time when the global economy was facing what he termed, a “Triple F”, namely, financial, food, and fuel crisis, with significant and potential impacts on member countries of the WAMZ. Secondly, the WAMZ was also at a stage which required reflection on the progress so far and the challenges ahead. He outlined the challenges to include partial and non-payment of financial obligations to the project by some countries, in particular, those relating to the WACB capital and Stabilisation and Cooperation Fund (SCF) and the existence of non tariff barriers which has remained an obstacle to the realisation of the common market programme as outlined in the Banjul declaration, undermining trade in the zone.

6. He informed the meeting of the signing of the Grant Agreement between the African Development Bank (AfDB) and WAMI for the WAMZ Payments System Project and the successful launching, which took place in Banjul in September, 2008. The grant of US\$23 million is for the development of the payments systems in The Gambia, Guinea and Sierra Leone.

7. The Director General informed the meeting that, as directed by the Convergence Council, the Honourable Minister of Finance and Economic Development of Sierra Leone and Chairman, Convergence Council, Mr. David Carew, the Governor of the Bank of Sierra Leone, Dr. Samura Kamara, and the Financial Secretary, Mr. Sheku Sesay, accompanied by the Director General, made official visits to Nigeria during which fruitful discussions on the implementation of the various aspects of the Action Plan were held with the Authorities. In addition, the Director General held visiting consultations with the Authorities in The Gambia, Guinea and Sierra Leone.

8. He extended his sincere thanks to Dr. Samura Kamara, Governor of the Bank of Sierra Leone and the outgoing Chairman of the Committee of Governors, for his leadership and guidance since he assumed office four months ago.

9. He called on the Technical Committee to critically peruse the various documents presented to them in order to make appropriate recommendations to the Committee of Governors.

10. The out-going Chairman of the Technical Committee, Mr. Sheku Sesay, Financial Secretary of the Ministry of Finance and Economic Development of Sierra Leone, welcomed delegates to the meeting and expressed his gratitude to the government and people of The Gambia for excellent facilities placed at the disposal of the meeting. He congratulated The Gambian Authorities for the rapid pace of development in the country. He thanked the Technical Committee members for their support and guidance during his tenure as the Chairman of the Technical Committee.

11. The Permanent Secretary, Department of State for Finance and Economic Affairs for The Gambia, Mr. Mod Secka, welcomed delegates to The Gambia on behalf of the government and people of The Gambia. He observed that the country was becoming a history making venue for the WAMZ, as the birth place of the Banjul Declaration. He reminded the delegates that the WAMZ project had already been postponed twice and expressed the hope that the meeting would help steer the programme towards the achievement of further tangible progress. He wished delegates fruitful deliberations and officially declared the meeting open.

### **III. ELECTION OF CHAIRMAN**

12. The Meeting elected Mr. Mod Secka, Permanent Secretary, Department of State for Finance and Economic Affairs of The Gambia as Chairman of the Technical Committee.

### **IV. ADOPTION OF THE AGENDA**

13. The Meeting adopted the Agenda as presented. The Agenda is attached as Appendix A.

## DISCUSSION ITEMS

### V. MACROECONOMIC DEVELOPMENTS AND CONVERGENCE REPORT AS AT JUNE 2008

14. The Director of Research and Statistics of WAMI, Mr. Tei Kitcher, presented the macroeconomic and convergence report, highlighting recent economic developments in the WAMZ, and the status of implementation of the Banjul Declaration Action Plan (2006 – 2009). The report indicated that despite the on-going crisis in the international commodity and financial markets, macroeconomic performance in the WAMZ was largely satisfactory. Real GDP growth remained strong, underpinned by robust growth in the agricultural sectors of member countries. Inflationary pressures, however, surged on account of the global energy and food price shocks. Fiscal outcome deteriorated partly reflecting the fiscal costs of the measures implemented to mitigate the burden of the severe external sector shocks.

15. As at the end of June 2008, The Gambia sustained the four primary criteria achieved at the end of 2007. Nigeria, however, regressed from four to three, missing the inflation criterion at the end of the period under review. Guinea and Sierra Leone sustained their performance of two primary criteria respectively. Ghana also receded to one criterion from two, narrowly missing the reserves month of import cover.

#### 16. **Comments on Convergence Report**

- The Committee congratulated WAMI for the quality of the report. It was noted that although the WAMZ is not fully integrated into the world financial markets, it cannot be insulated from the impact of the current financial crises. Thus, the stability of the economies was at risk due to the global financial and food crises. Coordinated efforts should be made at the policy level to stabilise the economies informed by a comprehensive study of the impact of the current crises on the Zone economies.
- The ratification of legal instruments should be expedited.

- Regional currency convertibility has not been implemented successfully.
- The ECOWAS Commission in furtherance of the ETLS arrangement is working towards bringing together the private sector in both francophone and anglophone countries. The need to develop physical infrastructure to facilitate trade was also underscored.

## **VI. PRESENTATION AND DISCUSSION ON COST OF OPERATIONALIZING THE WAMZ INSTITUTIONS**

### **Report by the Consultant on the Structure of the WACB**

17. The presentation was made by WAMP's consultant, Dr. Omotunde Johnson. The paper examined the two structures (Unitary and Federal), including the factors that should be taken into account in the design and start-up of the WACB.

18. The Consultant made the following observations:

- In a unitary structure, it is the countries that participate in the governance of the WACB and not necessarily the heads of the branches, unless they are nominated by their national governments
- Under a unitary system, the national central banks (NCB) will cease to exist and would operate as branches that will perform tasks assigned to them by the WACB. The choice of unitary structure has a wide spectrum that can range from being highly centralised to highly decentralised.
- Starting from the current status quo of WAMZ central banks, the more centralised the WACB, the higher the start-up and reorganisation costs.
- A highly decentralized unitary structure closely resembles the federal structure “but with the added burden of a centralised budgetary process and more complex human resource management...”
- The unitary structure that balances political and economic factors may be difficult to achieve as there would need to be clear consensus among the member countries as to the degree of decentralisation desirable.

- Although cost cutting is possible in a highly centralized unitary structure through specialisation of branches in particular functions, this may not happen as there is likely to be resistance to cutting down on staff at the branches.
- Under a federal structure, the current NCBs will continue to exist but will surrender their sovereignty to a central authority, the WACB, while retaining some residual powers of central banking.
- Under the federal system, the headquarters of the WACB system can be kept small in manpower size with no major re-organization required of the national central banks from their present forms.
- The federally structured WACB could benefit from savings in total central bank cost through specialisation in the provision of services by NCBs in their areas of competence (credit to government, credit to banks, open market operations, and excess foreign exchange reserves management e.t.c.).
- Reserves pooling can be facilitated through the purchase of Eco by member states in foreign exchange.

19. He concluded that the more centralized the unitary structure, the more difficult it can be to create the incentives for the best and the brightest to give their best to the WACB.

20. To get started would require decision making that takes into account critical elements of the political economy context, the level of hard currency backing for the common currency and ensures that exchange rates reflect what will prevail in open and well functioning markets. Each country should be allowed to decide its own change over rate.

### **Report by the Experts Group on the Financial Implications of Operationalizing the WAMZ Institutions**

21. Mr. M. Sissoho, Principal Economist of WAMI presented the report on behalf of the Chairman of the Experts Group. The main objective of the paper was to determine indicative cost of activating the WAMZ institutions i.e. WACB, WAFSA and WAMZ Secretariat. The paper highlighted the recurrent and capital costs of establishing the institutions.

22. With respect to the WACB, two costing scenarios were presented for a unitary system of central bank, one assuming full pooling of foreign assets and liabilities and another, a special case which excluded government's reserves held at the central bank. One scenario was considered under the federal structure, which assumed partial pooling of an estimated 20.0 percent of central banks' reserves.

23. For the activation of the WACB, total expenditure under the unitary system was estimated at US\$2.98 billion, of which, recurrent expenditure, including the cost of currency production and OMO, amounted to US\$2.86 billion whilst capital expenditure was US\$123.0 million.

24. For the federal system, total expenditure at the headquarters was estimated at US\$26.22 million, comprising recurrent expenditure of US\$11.55 million and capital expenditure of US\$14.67 million. These estimates are based on the assumption that each National Central Bank will bear the cost of printing the Eco currency, estimated at US\$1.43 billion.

25. The start-up costs for the WAFSA and WAMZ Secretariat were estimated at US\$9.75 million and US\$ 7.01 million, respectively.

26. All these estimates were based on the assumption that the host countries will provide the Headquarter building for respective institutions.

27. After extensive deliberations on the reports of the Consultant and the cost implications presented by WAMI, the Technical Committee arrived at a consensus that the Federal Structure should be adopted as a suitable option for the Zone.

## VII. PRESENTATION AND DISCUSSION ON FINANCIAL SECTOR INTEGRATION AND TRADE ISSUES

- **Revised Harmonized Guidelines on Electronic Banking**

28. The Revised Harmonised Guidelines on Electronic Banking was presented by Mr. Chris Odiaka, Director of Operations, WAMI. The revised paper noted the views expressed in the earlier presentation at previous meetings, especially the consumer protection rights and the observation that electronic products were being rapidly introduced in all the member countries. Consequently, there was an urgent need for the introduction of guidelines for their orderly and secure development. The Committee agreed to forward the paper on Revised Harmonised Guidelines on Electronic Banking to the Committee of Governors for adoption.

- **Status Report on Zonal Payments System for the WAMZ**

29. The Report highlighted the recent developments in the process of developing and harmonising RTGS system in the Zone to include the grant of US\$23 million from the AfDB for the implementation of the RTGS system in the three countries; The Gambia, Guinea and Sierra Leone. It also discussed the WACB Payment Systems Infrastructure.

**The following observations were made:**

- The WACB payments system will facilitate the cross-border trade and implementation of the common monetary policy. The NCBs will not be able to fully derive benefits from the RTGS unless they are linked to a central hub
- The best funding option is from the capital of the WACB, given difficulties encountered in efforts to secure external funding for the WACB RTGS.
- The process of integrating the Payments System of member countries are very complex and time consuming, thus the need to start early.

30. The Committee adopted the recommendations and agreed to recommend same for the consideration of the Committee of Governors.

- **Report of the Meeting of the ECOWAS-WAMI Joint Task Force on Trade related Issues of the Monetary Integration Programme of the WAMZ**

31. An ECOWAS/WAMI Joint Task Force, as directed by the Convergence Council, has been established to address the trade related issues. The inaugural meeting was held on October 2, 2008 in Accra, Ghana during which the Terms of Reference and a road map to address the issues were adopted and prepared, respectively. It is expected to meet in December 2008 to further streamline the agreed work programme. The Technical Committee noted the report.

- **Aide-Memoire on the Study of Financial Market Integration in the WAMZ Banks and Insurance Companies**

32. Mr. Abdoulaye Barry, Director, Currency Department, WAMI, presented the report on the study of the Financial Market Integration in the WAMZ, funded by the World Bank, on prospects for increased financial sector integration in WAMZ. Liberia has been included in this study due to the important representation of financial institutions from WAMZ countries in the country.

33. According to the preliminary report, banks and Insurance Companies are rapidly expanding in the sub-region. For the banking sector, the report observed that there is a need to implement a uniform MOU on the exchange of supervisory information and cross-border participation in inspections between WAMZ and UEMOA. It also recommended the setting up of a regional Credit Reference Bureau to serve multiple countries from a single site using segregated databases. For the Insurance sector, the report also recommended a formal MOU between supervisors for cross-border insurance and insurance brokers business and a comprehensive training programme to improve the regulatory framework.

34. The final report of the consultant will be ready by January 2009.

35. The Technical Committee noted the draft report and directed that a comprehensive report be made to the Committee at a later date when the final report on the study would have been completed.

## VIII. PRESENTATION AND DISCUSSION ON LEGAL ISSUES

- **Report of the Meeting of the Legal and Institutional Issues Committee (LIIC) on Draft Banking Statute and Draft Fiscal Responsibility Act**

36. The Director, Legal Department, Mr. H. Thomasi, presented the report of the meeting of the Legal and Institutional Issues Committee (LIIC) on the draft Banking Statute and Draft Fiscal Responsibility Act. The report on the draft banking statute focused on the need to define Islamic Banking, off-shore banks and off-shore banking business and incorporate such concepts and definitions in the statute in order to ensure conformity with recent developments in the banking legislations of member states. He informed the meeting that all the amendments proposed by the committee were reflected in the draft banking statute. The Technical Committee adopted the draft Banking Statute subject to an amendment of Article 39 to empower WAFSA to require the removal of any officer with regard to a problem bank.

37. On the Fiscal Responsibility Act, Mr. Thomasi informed the meeting that the draft Act was prepared as a result of a directive from the Convergence Council at its meeting in Conakry Guinea, in 2007. The main objective of the Act is to deal with the issue of fiscal dominance and to improve fiscal management in the Member States. The Committee agreed that the draft document was necessary and therefore recommended it for adoption in Member States to suit Member States' local conditions while preserving the key elements of the Act.

## IX. PRESENTATION AND DISCUSSION ON CURRENCY ISSUES

- **Review of the WAMZ ERM**

38. Mr. A. Barry, Director, Currency Department, WAMI made presentation on the review of WAMZ ERM II. The paper proposed a review of the existing ERM band from  $\pm 15$  percent to  $\pm 10.0$  percent with effect from June 2008 to December 2009. The paper noted that an efficient macroeconomic management should guarantee that the currencies operate within the  $\pm 10.0$  percent band.

39. The Technical Committee considered the presentation and directed that the current mechanism should be maintained while further studies should be undertaken.

## **X. PRESENTATION AND DISCUSSION ON ADMINISTRATIVE ISSUES**

### **• WAMI's Work Programme and Budget for Year 2009**

40. WAMI's Work Programme and Budget for 2009 was presented by Mr. A. Alhassan, Director of Finance and Administration, WAMI. The budget was prepared on the assumption that 2009 would be a transition year that could see the establishment of the WACB and the introduction of the ECO currency. A total budget of US\$4,752,102.00 was presented by WAMI out of which US\$4,351,540.00 represents the normal operational cost which covers core activities of multilateral surveillance, policy harmonisation, follow-up on progress in trade integration, sensitisation, legal agenda and the implementation of the WAMZ institutional infrastructure. When this normal operational cost is compared to the 2008 budgeted operational cost figure of US\$4,172,970.00 the net effect is an increase of US\$178,570 or 4.3 percent. However, additional cost of US\$373,562.00 is proposed to cover the cost of implementing the Committee of Governors and the Convergence Council decisions relating to repatriation of non-central bank staff of WAMI should the project end in 2009, hosting of Heads of State Summit, and reimbursement of Ghana for the recruitment of a new Director General.

41. After extensive deliberation, by the Technical Committee, the budget was recommended for approval.

## **XI. RECOMMENDATIONS FOR CONSIDERATION BY THE COMMITTEE OF GOVERNORS**

42. The Technical Committee hereby invites the Governors to:

- Adopt the report on Macroeconomic developments in the WAMZ during the first half of 2008, and the Status of Implementation of the Banjul Declaration highlighting the need for coordinated strategies to stabilise the economies as well as make progress towards convergence.
- Approve the convening of Heads of State Summit in 2009.

- Direct WAMI to undertake a study on the implications of the current global financial, fuel and food crises on the economies of the Zone and its implications on the macroeconomic convergence process.
- Urge Member States to adopt measures to protect the fragile financial sector from the current global financial crisis.
- Institute a peer review mechanism, using the recently established ECOWAS-WAMI Joint Task Force, to encourage countries that have not performed on the trade and other common market issues in the integration process to redouble their efforts.
- Recommend to member countries to have in place a Fiscal Responsibility Act suitable to their local conditions.
- Approve and adopt measures to sensitise commercial banks to participate in the Regional Currency Convertibility arrangements through quoting and trading of WAMZ currencies.
- Approve and adopt a Federal Structure as the system of central bank to be adopted by the WAMZ.
- Approve and adopt a capital for the WACB of US\$500 million (of which \$300 million will be called-up initially) based on the adoption of the report on the Financial Implications of Operationalising the WAMZ Institutions and the earlier submission by WAMI on an appropriate level of capital for the WACB.
- Direct WAMI to undertake a study on a framework for the pooling of reserves based on the federal structure.
- Approve and adopt funding of the WACB payment system mechanism, including the consultancy services from the WACB capital.
- Urge Member States to expedite the ratification of legal instruments.
- Approve and adopt the draft Banking Statute for the WAMZ.
- Direct WAMI to conduct further study on the WAMZ ERM.
- Approve and adopt the revised Harmonised Guidelines on Electronic Banking.
- Approve and adopt the WAMI Work Programme for 2009 and the sum of US\$4,752,102.00 as WAMI budget.

## **XII. ANY OTHER BUSINESS**

43. There was no issue for discussion on this agenda item.

## **XIII. VOTE OF THANKS**

44. The vote of thanks was delivered by Mr. Moses Ajayi, Director, Monetary Policy Department, Central Bank of Nigeria. He thanked the Authorities of The Gambia for the warm reception and excellent facilities made available to the delegates. He also thanked the Chairman for his able leadership. He expressed his profound appreciation to the Director General of WAMI and his staff for the quality of the documents presented during the meeting. Similar sentiments were extended to delegates for cordial and candid discussions.

## **XIV. CLOSING**

45. The Chairman of the Committee, Mr. Mod Secka, in his closing remarks, thanked delegates for their understanding, patience and cooperation. Furthermore, he expressed his gratitude to Mr. Sheku Sesay, the outgoing chairperson for his outstanding leadership of the Technical Committee during his tenure and for his valuable contributions during the meeting. He expressed the optimism that the cooperation demonstrated will be sustained in order to see the actualisation of the single currency project. He also wished delegates safe journey back to their respective destinations.

## **XV. DATE AND VENUE OF THE NEXT MEETING**

46. The date and venue of the next meeting of the Technical Committee will be communicated to member states in due course.

**DONE IN BANJUL, THE GAMBIA  
ON THE 4<sup>th</sup> DAY OF NOVEMBER, 2008**

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**MR. MOD SECKA, PERMANENT SECRETARY,  
DEPARTMENT OF STATE FOR FINANCE AND ECONOMIC AFFAIRS, THE  
GAMBIA AND CHAIRMAN, TECHNICAL COMMITTEE OF THE WAMZ**