

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

WAMZ/CG/14

**14TH MEETING OF THE COMMITTEE OF
GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE**

FINAL REPORT

**BANJUL, THE GAMBIA
MAY 4, 2005**

**REPORT OF THE 14TH MEETING OF THE COMMITTEE
OF GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE
HELD AT BANJUL, THE GAMBIA
ON MAY 4, 2005**

I. INTRODUCTION

1. The 14th meeting of the Committee of Governors of Central Banks of the West African Monetary Zone (WAMZ) was held at the Conference Hall of the Kairaba Hotel, The Gambia, on May 4, 2005 to consider the Report of the 20th Meeting of the Technical Committee and make recommendations to the Convergence Council. 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. The outgoing Chairman of the Committee of Governors, Prof. Charles Soludo, welcomed delegates to the meeting. He thanked the Governor of the Central Bank of The Gambia for the warm welcome and hospitality extended to the Governors since their arrival in Banjul. He noted that the movement towards monetary integration in the WAMZ has reached a critical point requiring decision on the building blocks of the programme. Recalling the study commissioned on the State of Preparedness of countries towards the monetary union, he urged Governors to dispassionately consider the outcome of the study and take the best decision for the interest of the citizens of the ECOWAS Community. He also thanked his colleagues for the opportunity to serve as Chairman of the Committee and for the cooperation extended to him during his five months tenure of office.

3. The host Governor, Famara Jatta also welcomed Governors to the meeting on behalf of Government and people of The Gambia. He commended the zeal and enthusiasm of the member countries which he noted demonstrated the seriousness of purpose to succeed. He reiterated the immense benefits of monetary union noting that

with the pooling of resources, the zone will play significant role in the world economy. He advised that meeting the convergence criteria should be on top of the national policy agenda of each member country. He therefore called on Governors to critically examine the issues.

4. Following the opening ceremony, Mr Famara Jatta, Governor, Central Bank of The Gambia was elected Chairman of the meeting. Thereafter, the meeting adopted the following Agenda:

- (i) Opening
- (ii) Election of Chairman
- (iii) Adoption of the Agenda
- (iv) Consideration of the Report of the 20th Meeting of the Technical Committee
- (v) Any Other Business
- (vi) Adoption of the Report
- (vii) Closing

III. CONSIDERATION OF AGENDA ITEMS

Report of the 20th Meeting of the Technical Committee

5. The Chairman of the Technical Committee, Mr. Basiru Njai presented the Report of the 20th Meeting of the Technical Committee. The Committee of Governors made the following observations on the following issues in the Report of the Technical Committee:

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

• Observations of the Committee of Governors

6. The Committee commended WAMI for a good report and noted that the conclusions in the Institute's study report and those of the Consultants were basically in the same direction.

7. Governors agreed that political will was important to 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. The CFA Franc had an additional credibility provided by the guarantee of the French Treasury.

8. The Committee appreciated the view that necessary constituencies for the monetary union should be built. This may require referendum and subsequent legislation to back it up at the national parliaments in order to achieve national consensus and give legitimacy to the process. 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. To this end, Governors stressed the need for leveraging the activities of existing regional institutions such as WAIFEM and WAMA in the pursuit of the sensitization programme.

9. Governors 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.

10. Governors noted that the completed phase of the WAMZ Programme 2001-2004 was the foundation period of the monetary integration process, the period up to 2009 the consolidation and transition while 2010 and beyond represents the completion and takeoff point.

11. 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, ensure continuous evaluation to put the convergence process on track. The WAMZ is subject to asymmetric shocks and this reinforces the role of the Stabilisation and Cooperation Fund. Member countries should therefore ensure the discharge of all outstanding obligations to the Fund.

12. The Governors agreed with the Technical Committee that the proposed institutions of the WAMZ, WAFSA and WAMZ Secretariat should not be activated prior to putting certain policies in place such as observance of the prior structural conditions. They noted that the cost of printing the Eco could at best be a guestimate, noting that the cost will eventually be a function of the security features of the currency, quantity to be produced and the type of material (polymer or paper). The cost is likely to be significantly higher than the estimates proposed by the study.

13. The Committee 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 such as the East African Community. Although WAMZ countries would not be able to

commence monetary union in 2005, on account of macroeconomic convergence performance and attainment of qualitative benchmark, a review showed that considerable progress has been made as at end-2004. Governors also noted that the progress made under the WAMZ Programme has been acknowledged by other sub-regional groupings in Africa.

- **Recommendations of the Committee of Governors**

14. The Committee made the following recommendations to the Convergence Council:

a) The commencement of the monetary union should be rescheduled to 2010 to allow for the attainment of the primary convergence criteria and the implementation of the structural benchmarks. An action plan should be adopted, spelling out the critical benchmarks and their completion periods. The adopted Action Plan by the Committee 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. In this regard, the Committee agreed to seek the approval of the Convergence Council to embark on a restructuring of the Institute for effective implementation of the Action Plan. The new WAMI would be task-based and held accountable on the deliverables under the new Work Programme.

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; and
- establishment of a customs union as part of the Banjul Declaration

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, while member countries' programmes with the multilateral institutions should also apply the WAMZ benchmarks in their overall assessments.

e) Governors viewed with concern the inadequate participation of the Finance and Trade Ministers in the activities of the Zone. They recalled that they had earlier written to encourage the Ministers to participate more actively in their Fora to facilitate the implementation of appropriate policies under the WAMZ Programme. Governors renewed their appeal in this regard particularly in the context of the new initiative to give the programme the desired push.

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

15. Governors agreed that in the light of the impending restructuring of WAMI and the deliverables expected, a new work programme should be drawn up. The Governors also agreed that the Terms of Reference for the restructuring of WAMI should be drawn up by the Technical Committee and WAMI. The Committee of Governors would engage the services of consultants to draw up the plan for the restructuring of WAMI with input from the ECB. 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. The budget proposal of \$1,872,325 for the second half of 2005 as adjusted downward by the Technical Committee to \$1,707,748 was adopted by the Committee of Governors for further action by the Convergence Council.

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

16. The Committee of Governors endorsed WAMI's Annual Report and Statement of Accounts for the year ended 31st December 2004 for adoption by the Convergence Council.

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

17. The Committee of Governors accepted the proposal of the Technical Committee and recommended the Financial Statements and Statement of Accounts of WAMI for endorsement by the Convergence Council. The Committee of Governors further recommended that the Institute should re-examine the terms of placing funds with the Bank of Ghana with a view to earning higher interest.

• Recommendations of the Committee of Governors

18. The Committee agreed with the Technical Committee on the quality of work done by the External Auditors, KPMG in the last four years and recommended to the Convergence Council that the firm be reappointed for the 2005 financial year.

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

19. The Committee 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 Sierra Leone.

IV. ANY OTHER BUSINESS

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

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

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

- **Outstanding Financial Obligations**

The Governors 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 Technical Committee, the Committee of Governors called on member countries to discharge all outstanding obligations to the capital of the WACB and SCF by December 2009. Member countries should endeavour to commence payments as scheduled with the last tranches redeemed in 2009.

V. ADOPTION OF THE REPORT

21. The Report was unanimously adopted.

VI. DATE OF NEXT MEETING

22. The next meeting of the Committee will take place in Freetown, Sierra Leone. The exact date will be communicated to members in due course.

VII. SPECIAL COMMENDATION

23. The Governor of the Central Bank of Nigeria, Prof. Charles Soludo expressed his deep appreciation to the commitment to duty of the Secretariat for the meeting, the Technical Committee and fellow Governors, especially the Chairman for the faithfulness in which the proceedings of the meeting were undertaken.

VIII. VOTE OF THANKS

24. Dr. James D. Rogers, Governor, Bank of Sierra Leone expressed appreciation to the President, Government and people of The Gambia for the warm hospitality accorded the Governors since their arrival in Banjul and for the excellent facilities placed at their disposal. He commended Governors for their fruitful deliberations and the Chairman for the able manner he handled the affairs of the Committee. He also commended the Technical Committee for their thoughtful proposals and WAMI for the quality of the study and other documents which facilitated proceedings at the Governors' meeting. Finally, he wished Governors safe return to their various destinations.

VIII. CLOSING

24. The Chairman of the Committee, Mr. Famara Jatta, in his closing remarks thanked Governors for their constructive interventions which in no doubt enriched the proceedings at the meeting. He also thanked the Director General of WAMI and his staff for a comprehensive study and other documents prepared for the meeting, and the Technical Committee for its observations and recommendations. He thereafter wished Governors safe journey back to their respective destinations.

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

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**MR. FAMARA JATTA
GOVERNOR, CENTRAL BANK OF THE GAMBIA AND
CHAIRMAN, COMMITTEE OF GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE**