

WAMZ/COG/04

REPORT OF THE
FOURTH MEETING OF THE
COMMITTEE OF GOVERNORS OF THE
WEST AFRICAN MONETARY ZONE

FINAL REPORT

FREETOWN, SIERRA LEONE
APRIL 10, 2002

**REPORT OF THE FOURTH MEETING OF THE
COMMITTEE OF GOVERNORS OF THE
WEST AFRICAN MONETARY ZONE**

I. INTRODUCTION

1. The 4th Meeting of the Committee of Governors of the West African Monetary Zone (WAMZ) was held in Freetown, Sierra Leone on April 10, 2002 in the Conference Room of the Bank of Sierra Leone, Freetown, Sierra Leone.

II. ATTENDANCE

2. The following Central Banks and Institutions 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.

Executive Secretariat of ECOWAS
West African Monetary Institute

OBSERVERS

BCEAO;
West African Monetary Agency;
West African Institute for Financial and Economic Management;
International Monetary Fund; and
African Development Bank.

3. The list of participants is annexed to this Report.

III. OPENING

4. The Governor, Bank of Sierra Leone, Mr. J. Sanpha Koroma welcomed Governors and delegates to the meeting. He noted that the security situation in the country delayed the hosting of the meeting by Sierra Leone before now. He commended the efforts of delegates in getting to Sierra Leone inspite of the difficult transportation problem in the sub-region. He shared with delegates the concern of the political authorities in a letter sent to him by the Chairman of the Convergence Council. In the spirit of the letter, he advised members to rededicate themselves to the WAMZ project. He wished delegates successful stay in Sierra Leone. Furthermore, he expressed the sentiments that the importance of the meeting of the WAMZ cannot be overemphasised. The task is enormous and the political will exists for Governors to continue to push the programme.

5. The outgoing Chairman of the Committee, Chief (Dr) J. O. Sanusi Governor, Central Bank of Nigeria congratulated the government and people of Sierra Leone, for achieving the peace that currently exists. He noted that one could not but give thanks to God that the situation in Sierra Leone was in fact not as bad as had been portrayed in the media. He expressed appreciation to the management of the Bank of Sierra Leone for the excellent facilities provided for the meeting and the hospitality extended to the delegates. He urged absolute commitment to the goals of the WAMZ project. In the cause of working out our arrangements, he noted that we have witnessed the realisation of the EURO, which should provide relevant lesson for our endeavour. He urged that issues presented be examined critically so that appropriate recommendations could be made to the Convergence Council; He commended the Director General of WAMI and his staff for their commitment and hard work.

IV. ELECTION OF CHAIRMAN

6. The Committee elected Mr.J. Sanpha Koroma, Governor, of the Bank of Sierra Leone, as the Chairman of the meeting.

V. ADOPTION OF THE AGENDA

7. The following Agenda was adopted for the meeting.

1. Opening
2. Election of Chairman
3. Consideration of the Report of the Technical Committee
4. Any Other Business
5. List of Recommendations of the Committee of Governors
6. Closing

VI. CONSIDERATION OF THE REPORT OF THE TECHNICAL COMMITTEE

8. The Chairman of the Technical Committee, Dr. Samura Kamara, Financial Secretary, Ministry of Finance of Sierra Leone, presented the Report of the Tenth Meeting of the Technical Committee to the Governors. The presentation was based on the following documents, which were earlier circulated to participants:

- (i) Study Reports of WAMI, WAMI/MAO/ODG/CC.7/01-15; and
- (ii) Final Report of the Tenth Meeting of the Technical Committee of WAMZ (WAMZ/TC/10).

9. The observations and recommendations of the Committee of Governors on the various issues were as follows:

A. POLICY ISSUES

Macroeconomic Developments and Convergence Report for 2001

10. The Committee reviewed the report of the Technical Committee on this subject but noted that the analysis of the convergence criteria was somewhat misleading as all the countries were shown not to have borrowed from their Central Banks in 2001. This might not be correct as most central banks in the zone were reported to have issued Treasury Bills to refinance government debt.

11. The Committee thereafter observed that there was need for greater determination to ensure compliance with the convergence criteria. The performance at the end of 2001 was not very encouraging as no country met the four criteria, a slip from 2000 when one country met all criteria. The Committee recommended that all member countries should endeavour to make available to WAMI accurate and reliable data and other information on their economic performance.

Operational Manual of the WAMZ Exchange Rate Mechanism (ERM)

12. The Committee of Governors endorsed the operational manual as recommended by the Technical Committee, but recalled a previous view that the fluctuation band of ± 15 percent was too wide and would not ensure the required discipline in the system. However, it was agreed that since a review would be effected after six months of the operation of the ERM, the band should be left at the maximum level of ± 15 percent. Countries that desired to operate a narrower band were enjoined to do so as it was consistent with the operational manual.

Proposals on Introduction of ECO Unit of Account

13. The Committee of Governors agreed with the proposal of the Technical Committee that the brief by WAMI on the subject should be further developed with more details for the consideration of the Committee.

Implications of Pooling of External Reserves by WACB

14. As a result of the implication of external reserves for effective monetary management, the Committee directed WAMI to examine the issue of external reserves management in all its ramifications. In particular, the full implications of the various pooling systems, partial and full pooling, should be analysed in order to provide the basic information on which Governors would make recommendations to the Convergence Council.

Institutional Framework for Banking Supervision in the WAMZ

15. The Governors reviewed the recommendations of the Technical Committee on the subject. They agreed that it was desirable to design our institutions in line with the UEMOA framework, which is an example of best practice arrangement in the sub-region. Thus, the Governors agreed to recommend to the Convergence Council, the establishment of the Financial Services Committee (FSC) and the eventual establishment of an explicit Deposit Insurance Scheme in the WAMZ. The Committee agreed that the externalised model or the separation approach to banking supervision in the WAMZ should follow an evolutionary process.

Status Report on the Adoption of the IMF GDDS by Countries in the WAMZ

16. The Committee noted the recommendations of the Technical Committee and observed that fair data comparability of macroeconomic

developments in the WAMZ would remain problematic if member countries do not subscribe to the GDDS. The Committee directed that other member countries should follow the footsteps of The Gambia, the only country in the zone that has subscribed to the GDDS. The Committee recommended to the Council that member countries should subscribe to the system not later than the end of September 2002.

B. OPERATIONAL ISSUES

Progress Report on the Operationalisation of the SCF

17. On this issue, the Committee of Governors noted that no member country had made its contribution to the first tranche of the Fund, by February 28, 2002, the deadline set for paying the first tranche of \$25 million. The Committee therefore appealed to all member countries to expedite action in effecting payment as soon as possible. They urged the Council to make a strong appeal to member countries to pay their contributions as an indication of their commitment.

Progress Report on the National Sensitisation Programme

18. The Committee of Governors expressed satisfaction at the progress made on the programme and urged the two countries (Ghana and Guinea) that have not officially launched the National Sensitisation Programme to do so without further delay. The Committee of Governors also took note of the assurance by Guinea and Ghana that arrangements were in place to launch the National Sensitisation Programme. Both countries indicated that in spite of the delay, they had started the implementation of aspects of the programme such as organising seminars, workshops, etc.

Progress Report on Payments System Development

19. The Committee of Governors adopted the recommendation of the Technical Committee requesting member countries to forward to WAMI as soon as possible the names of two nominees each for the Zonal Committee and also to set up their National Committees on the Payments System. The Committee also noted the information by WAIFEM that it would be organising a Workshop on Payment System development in Banjul, The Gambia in August 2002 as its contribution to the development of the Payments System in the Zone.

WAMZ's Position on the Name of the Common ECOWAS Currency

20. The Committee of Governors underscored the importance of completing the process of arriving at a name for the common currency, which was to be jointly determined by WAMZ and UEMOA under the auspices of His Excellency, Abdoulaye Wade, the President of Senegal and the current Chairman of ECOWAS and UEMOA. The Governors appealed to the Convergence Council to pursue this issue with the Authority of Heads of State and Government of the WAMZ in order to enhance the zone's sensitisation programme.

C. LEGAL ISSUES

Draft Uniform Central Bank Act for Member States of WAMZ

21. The Committee of Governors observed that since the existing Central Banks of member countries are to be national branches of the WACB, the idea of a separate uniform Central Bank Act for those Banks would not be necessary. Rather, the legislation of the WACB will be the governing law of each national branch and sub-branch. The Committee therefore directed WAMI to make proposals to amend the present Statutes of the WACB to

reflect the fact that they will be the governing law of the national branches similar to what obtains in the BCEAO system.

D. ADMINISTRATIVE ISSUES AND ROUTINE REPORTS

WAMZ and the Establishment of the ECOWAS Single Monetary Zone

22. The Committee of Governors noted the report of the Technical Committee recalling the objectives of the WAMZ and recommended to the Convergence Council that the original programme of the WAMZ must be sustained.

Expression of Interest in Hosting of the Headquarters of the West African Central Bank

23. The Committee of Governors noted the expression of interest by Ghana, Nigeria and Guinea to host the Headquarters of the WACB. The Committee therefore urged the Convergence Council to take necessary action on the applications.

Guidelines and Procedures for Staff Recruitment for the WACB

24. The Committee of Governors endorsed the recommendation of the Technical Committee, which directed WAMI to develop a human resource policy paper for the WACB, which should be an all-embracing document and utilise experiences from other monetary unions. In any event, it was proposed that the Heads of State and Government, as the political authorities, should appoint the President, Vice Presidents and other members of the Board of Directors of the WACB who will make necessary arrangements to recruit other staff in line with the policy paper.

Annual Report and Statement of Accounts of WAMI for 2001

25. The Committee of Governors endorsed the recommendation of the Technical Committee on the draft Annual Report of WAMI for 2001. The report should be carefully revised before the end of April 2002 and published thereafter. The Governors also noted the submission of the financial statements of WAMI which should be formally presented to the Convergence Council for consideration as provided for in its Statutes.

VII ANY OTHER BUSINESS

26. Member countries were reminded by the Committee of Governors on the need to pay up their subscriptions to the capital of the WACB not later than October 31, 2002.

27. The Committee noted the non-accession to the WAMZ Agreement by Liberia and Cape Verde. The Committee agreed to recommend to the Convergence Council to do whatever was possible to get Liberia and Cape Verde to join the WAMZ programme.

VIII ADOPTION OF THE REPORT

28. The Report was unanimously adopted by the Committee.

IX. VOTE OF THANKS

29. Mr. Van Lare Dosoo, Deputy Governor, Bank of Ghana, moved the vote of thanks. He expressed profound gratitude on behalf of the Committee to the Government and people of Sierra Leone for the excellent facilities put at the disposal of the Committee and the hospitality shown to members since their arrival in Sierra Leone.

X. DATE OF NEXT MEETING

The Committee of Governors decided to hold its next meeting in Accra, Ghana during the scheduled date of June 17- 21, 2002 for the WAMZ meetings.

XI. CLOSING

Mr. J. Sanpha Koroma, Chairman of the Committee, thanked Governors and delegates for their commitment, which facilitated proceedings at the meeting. He commended the efforts of the Director General of WAMI and his staff and the Technical Committee for the high quality of the technical documents presented to the Committee for consideration.

**Done in Freetown, Sierra Leone
This 10th Day of April 2002**

**J. Sanpha Koroma
Governor
Bank of Sierra Leone,
Chairman, Committee of Governors
West African Monetary Zone**

