

WAMZ/CC/07

SEVENTH MEETING OF THE
CONVERGENCE COUNCIL OF THE
WEST AFRICAN MONETARY ZONE

FINAL REPORT

**FREETOWN, SIERRA LEONE
APRIL 11, 2002**

**REPORT OF THE SEVENTH MEETING OF THE
CONVERGENCE COUNCIL OF THE
WEST AFRICAN MONETARY ZONE**

I. INTRODUCTION

1. The 7th Meeting of the Convergence Council of the West African Monetary Zone (WAMZ) was held in Freetown, Sierra Leone on April 11, 2002 at the Bank of Sierra Leone Complex, Kingtom, Freetown, Sierra Leone

II. ATTENDANCE

2. The following Institutions participated at the meeting.

THE GAMBIA

- Dept. of State for Trade, Industry and Employment;
- Dept. of State for Finance and Economic Affairs; and
- Central Bank of The Gambia.

GHANA

- Ministry of Economic Planning and Regional Cooperation;
- Ministry of Finance;
- Ministry of Foreign Affairs;
- Ministry of Trade and Industry;
- Ghana Statistical Service; and
- Bank of Ghana.

GUINEA

- Ministère de l'Industrie, du Commerce et des PME ;
- Ministère de l'Economie et des Finances ;
- Secrétariat d'Etat à la Coopération ; and
- Banque Centrale de la République de Guinée.

NIGERIA

- Ministry of Commerce;
- Ministry of Cooperation and Integration in Africa;
- Ministry of Finance;
- Ministry of Foreign Affairs; and
- Central Bank of Nigeria.

SIERRA LEONE

- Ministry of Finance;
- Ministry of Development and Economic Planning;
- Ministry of Trade, Industry and State Enterprises;
- Ministry of Foreign Affairs and International Cooperation; and
- Bank of Sierra Leone

EXECUTIVE SECRETARIAT OF ECOWAS**WEST AFRICAN MONETARY INSTITUTE****OBSERVERS****OTHER INSTITUTIONS**

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

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

III. OPENING

4. In an opening statement, the Honourable Minister of Development and Economic Planning of the Republic of Sierra Leone, who is also responsible for ECOWAS matters, Dr. Kadi Sesay, welcomed Ministers and Governors to the meeting on behalf of the Government and people of Sierra Leone. She thanked WAMI and the ECOWAS and the National Co-ordinating Committee of Sierra Leone for the excellent preparations for the meeting. She traced the journey of WAMZ integration efforts from the Accra Declaration to the signing of the WAMZ Agreement in Bamako, Mali in December 2000. Furthermore, she reviewed the convergence criteria for the WAMZ, noting that countries were still far from achieving the stipulated targets and enjoined them to redouble their efforts. She noted that integration was critical for development and poverty reduction, especially in the context of globalisation in which countries that fail to apply the right policies are marginalised. She advised that the WAMZ should emulate the experience of the European Union where the weaker countries were carried along in their integration process. Finally, the Honourable Minister heartily welcomed delegates to the meeting of the Convergence Council and wished them fruitful deliberations.

5. In his statement, Chief (Dr) Bimbola Ogunkelu, Nigeria's Minister of Co-operation and Integration in Africa, and outgoing Chairman of the Convergence Council conveyed the appreciation of the Ministers and Central Bank Governors to the President of Sierra Leone, His Excellency Alhaji Dr Ahmad Tejan Kabbah, the Government and people of Sierra Leone for the warm reception and excellent facilities put at the disposal of the Council. The outgoing Chairman stressed the importance of attaining the agreed convergence criteria as a precondition for fulfilling the aspirations to establish the WAMZ by January 2003. The main focus was to take appropriate measures to implement the decisions taken by the Authority of Heads of State and Government of the WAMZ during its last meeting in Dakar in December 2001, The Chairman recalled the document which he

forwarded to Ministers and Governors of member countries on critical issues on the implementation of the West African Monetary Zone project in which he drew attention to those issues he regarded as strategic to the realisation of the objectives of the WAMZ. Finally, he thanked all members of the Convergence Council and the Director General and staff of WAMI for their support and co-operation, which made his tenure a success. He wishes the meeting fruitful deliberations.

6. The Executive Secretary of ECOWAS, Dr Mohammed Ibn Chambas, expressed his appreciation for the commitment and devotion of Governments of the WAMZ towards monetary integration in the zone as reflected by the high level of participation and support for WAMZ institutions. He also expressed appreciation to the Government and people of Sierra Leone for the warm hospitality extended to the Ministers and Governors since their arrival. He noted that the Convergence Council was unique in the sense that there was no other grouping in the sub-region where Ministers and Governors meet regularly to discuss integration issues. He expressed satisfaction that the meeting provided the opportunity for maintaining and reviewing economic progress of WAMZ which is critical for attaining the objectives that have been set. The Executive Secretary paid tribute to Governors for the high level of professionalism in managing the affairs of WAMZ and the Ministers for the political direction they have provided. Finally, he reiterated the commitment of ECOWAS in the task ahead.

7. The Honourable Minister of Finance, Mr J P Kuyembeh who represented the Vice-President of the Republic of Sierra Leone welcomed delegates to Freetown on behalf of the President, the Government and people of Sierra Leone. He observed that the meeting was coming at a time when Sierra Leone had just emerged from over 10 years of war. He observed that the idea of a second ECOWAS currency was timely as the two currencies issued by the Central Banks would then be merged into a single one. He remarked that WAMI would be the forerunner to the WAMZ Central Bank. He indicated that in spite of

the war that Sierra Leone had gone through the country was still committed to the WAMZ programme. He reiterated that the authorities in Sierra Leone will continue to support the WAMZ. He wished participants fruitful deliberations and suggested that there should be policy interface, human capital development and adequate commitment to enable us achieve our laudable objective.

IV. ELECTION OF NEW CHAIRPERSON

8. The Council elected Dr. Kadi Sesay, Minister of Development and Economic Planning in Sierra Leone as Chairperson of the meeting.

V. ADOPTION OF THE AGENDA

9. The following Agenda was adopted for the meeting:

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

VI. CONSIDERATION OF AGENDA ITEMS

10 The Chairman, Committee of Governors, J. Sanpha Koroma, presented the highlights of the Report of the Committee of Governors derived from its deliberations on the Report of the Technical Committee. The Report of the Technical Committee (Ref: WAMZ/TC/10) and that of the Committee of Governors (WAMZ/COG/04) have been circulated to Council members. The Decisions of the Convergence Council on the Report are outlined below:

A. POLICY ISSUES**Macroeconomic Developments and Convergence Report for 2001.**

11. On this issue, Council observed that unlike in the previous year, no country met all four convergence criteria 2001. Council agreed that:

- (a) All countries should make efforts to ensure compliance as scheduled.
- (b) Countries with support from WAMI should come up with country programmes to meet the criteria.
- (c) The WAMZ should have a fall back or contingency plan, in case no country satisfied all the criteria by the deadline of December 2002.
- (d) The criterion on central bank financing of fiscal deficits should be accurately defined in order to eliminate any ambiguity.
- (e) The most critical criterion is government borrowing from the central bank. If the criterion is not observed, it then becomes difficult to meet some of the other criteria. Governments must make effort to satisfy the criterion on central bank financing of government deficits.
- (f) To avoid any appearance of misreporting, WAMI and member countries should cross check data supplied before undertaking the analysis on member countries' economies.
- (g) In order to ensure fair comparability of data, every member country should endeavour to improve its database and subscribe to the GDDS by September 30, 2002.

Operational Manual of the WAMZ Exchange Rate Mechanism (ERM)

12. The Council noted that the WAMZ ERM commenced on April 1, 2002 and urged countries that have not adopted the ERM to do so without further delay and inform WAMI accordingly.

Proposal on Introduction of ECO Unit of Account

13. The Council decided that the brief on the ECO Unit of Account should be further developed and made available to Council for its consideration at its next meeting in June, 2002.

Implications of Pooling of External Reserves by the WACB

14. The Council noted the recommendation of the Committee that WAMI should undertake a study on all ramifications of external reserve management for consideration by Council at its next meeting in June 2002.

Institutional Framework for Banking Supervision in the WAMZ

15. The Council agreed with the recommendation of the Governors to have an external supervisory body for banking supervision in the zone which should be called the West African Financial Supervisory Authority (WAFSA). Furthermore, a scheme of explicit Deposit Insurance Scheme should be adopted by the zone.

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

16. The Council adopted the recommendation of the Committee of Governors that member countries should subscribe to the GDDS not later than the end of September 2002.

B. OPERATIONAL ISSUES

Progress Report on the Operationalisation of the Stabilization and Cooperation Fund (SCF)

17. The Council agreed to convey to the authorities in their member countries the need to pay the first instalments of their contributions to the SCF before the next meeting of Council in June 2002.

Progress Report on the National Sensitisation Programme

18. The Council decided that member countries, namely, Ghana and Guinea, that have not launched their sensitisation programme should do so before the end of June 2002.

Progress Report on Payments System Development

19. The Council adopted the recommendation of the Committee of Governors that member countries should forward to WAMI as soon as possible the names of two nominees to the Zonal Committee on the Payment System, in addition to setting up their National Committees before the next meeting of Council in June 2002.

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

20. On this issue, Council decided to re-affirm ECO as the name of the WAMZ common currency as agreed in Dakar in December 2001. It further appealed to the Authority of Heads of State and Government to ensure speedy completion of the process of arriving at a name of the common currency of ECOWAS in order to enhance the zone's sensitisation programme.

C. LEGAL ISSUES**Draft Uniform Central Bank Act for Member States of WAMZ**

21. Council considered the recommendation of the Committee of Governors that WAMI should make proposals on the amendment to the Statute of the WACB in respect of the status of the National Central Banks which are to become branches of the WACB. The Statute would become the governing law of the branches. In addition, national legislations of National Central Banks would be repealed upon ratification of the WACB Statute.

D. ADMINISTRATIVE ISSUES AND ROUTINE REPORTS**WAMZ and the Establishment of the ECOWAS Single Monetary Zone**

22. The Council accepted the view of the Committee of Governors that the WAMZ programme should be sustained.

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

23. The Council noted the report by the Committee of Governors that three countries (Ghana, Nigeria and Guinea) had expressed interest in hosting the WACB. Council decided that::

- (i) Guinea, that had not backed up its interest with an application, should submit its application to the Current Chairman of Council before the end of April 2002.

- (ii) The applications should be analysed by WAMI and passed through the Technical Committee and the Committee of Governors before presentation to the Convergence Council through its Chairperson.

Guidelines and Procedures for Staff Recruitment for the WACB

24. On this subject, Council adopted the following recommendations:

- (i) WAMI should develop a comprehensive human resource policy paper by June 2002.
- (ii) The Heads of State and Government of WAMZ should appoint the President, Vice Presidents and the other members of the Board of Directors of the WACB in their Summit in December 2002 who will make necessary arrangements to recruit other staff in line with the policy paper.
- (iii) The principles of equitable geographical distribution and gender sensitivity should be applied in appointments into the WACB.

Annual Report and Statement of Accounts of WAMI for 2001

25. The audited financial statement of WAMI was presented to the Convergence Council by the External Auditors, Messrs KPMG. The Auditors confirmed that proper books of accounts were kept by WAMI. The Council thereafter adopted the Audited Financial Statement of WAMI as presented by the External Auditors.

VII ANY OTHER BUSINESS

26. The Council confirmed that the subscriptions to the capital of the WACB should be made by member states by the agreed date of October 31, 2002.

27. The Council directed that a delegation should be sent to Liberia and Cape Verde to encourage them to formalise their membership of the WAMZ. The delegation should consist of the Chairman of Council, Chairman of Committee of Governors, Executive Secretary of ECOWAS and Director General of WAMI.

28. The Council decided that WAMI should prepare a plan of action for implementation schedule between now and the rest of the year. The plan should be sent to members for their information so as to enable them plan their schedule.

29. The Council appealed to the Executive Secretary of ECOWAS to ensure that a full day is allocated to the Summit of WAMZ at the future ECOWAS Annual Summit and such Summit should hold simultaneously with that of UEMOA.

VIII COURTESY CALL ON HIS EXCELLENCY AHMAD TEJAN KABBAH

30. In the course of their deliberations, the members of the Convergence Council made a courtesy call on His Excellency, Dr.Ahmad Tejan KABBAH, President of the Republic of Sierra Leone. After a short introduction of the members of the Council to the President, the Current Chairperson of the Council, Dr Kadi Sesay, Minister of Development and Economic Planning of Sierra Leone gave a progress report on the series of meetings of the West African Monetary Zone currently taking place in Freetown, Sierra Leone. The President thanked the members of the Council for the visit and felt convinced that their enormous skills and experience would ensure the success of the WAMZ programme. While looking forward to receiving the report of the deliberations, he assured the Council that he would personally see to it that Sierra Leone remained committed to the goals of the WAMZ.

IX. ADOPTION OF THE REPORT

31. The Report was unanimously adopted by Council.

X. VOTE OF THANKS

32. Mr Ibrahima Cherif Bah, Governor, Central Bank of the Republic of Guinea moved the vote of thanks. He expressed the appreciation of Council to the President and people of Sierra Leone for the warm hospitality accorded members since their arrival in Sierra Leone. He also expressed appreciation for the excellent facilities put at the disposal of the Council which facilitated deliberation at the meeting. Finally, he thanked members for their high level of contribution, and the Director General and staff of WAMI for their dedication and hard work.

XI. DATE OF NEXT MEETING

33. The next meeting of Council was scheduled to be held in Ghana, during the period June 17 – 21 2002. The confirmation would be communicated to the Chairman of Council in due course.

XII. CLOSING

34. The Chairperson of the Council, Dr Kadi Sesay, thanked members for their incisive contributions which greatly enhanced the decisions taken at the meeting. She noted that the quality of deliberations was an indication of the commitment of members to the project and urged them to sustain such commitment. The Chairperson also urged the Director General of WAMI to continue with the excellent intellectual direction he had given to the project. She wished all delegates safe journey back to their various destinations.

**Done in Freetown, Sierra Leone
This 11th Day of April 2002**

**DR. KADI SESAY
CHAIRPERSON, CONVERGENCE COUNCIL
OF THE WEST AFRICAN MONETARY ZONE**