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Mission Statement

*To Establish a Common Central Bank
with a Single Currency for the Economic Prosperity
of the West African Monetary Zone*

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WAMI UNDERTAKES TECHNICAL MISSION TO THE IMF

Introduction

The IMF has undertaken two Missions to the West African Monetary Institute, to acquaint itself with the Work Programme of the Institute, offer advice on the implementation of the Work Programme and discuss possible areas of technical assistance from the Fund.

The Mission by WAMI to the Fund from April 22 – 26 2002 was intended as a follow-up to the Fund's last mission to the Institute at which areas of Technical assistance and collaboration were identified. The Mission made up of Dr. M. O. Ojo, Director General, Mr. Siradiou Bah, Director of Operations and Mr. P. J. Obaseki, Policy Adviser, held a number of meetings with various offices and Departments of the Fund. The deliberations were very stimulating, the highlights of which are outlined below. Also, the WAMI Team held discussions with Embassies of Ghana and Guinea in the USA, as well as the Bureau of Engraving and Printing of the USA Department of the Treasury.

2. Executive Director, Africa Constituency I

The Executive Director, Mr. Cyrus Rustomjee, welcomed the Director General and his delegation to the Fund. He expressed support for the efforts at monetary integration in West Africa, especially

the new initiative at facilitating the pace of integration through the Second Monetary Zone. He noted that WAMI has made considerable progress in the implementation of its Work Programme. He expressed his satisfaction that WAMI was trying to tap the resource base of the Fund, but noted that the resource base was considerably stressed. He wished the Mission success in its deliberations with various departments of the Fund, expressed his support for the WAMZ project and advised that his office be contacted in case the Mission was confronted with obstacles in the Fund in respect of getting desired attention and assistance. He advised that WAMI could design training programmes that the Fund could be called upon to finance. The Institute can put up a project idea for which the Fund could source resources to implement. He also noted that a lot of materials exist in the Fund, which could be made available to the Institute once the areas of concern and interest have been identified. The Executive Director noted that WAMI could apply through a member country of the WAMZ to tap some of the resources of the Fund if it is not able to do so on its own, owing to the circumstances of the particular need. The Director General thanked Mr. Rustomjee for his kind words and advice, which would go a long way in re-assuring the Institute that it has collaboration at the highest level of the Fund. The Director General assured the Executive Director that

the Institute would implement his suggestions.

At a separate meeting, the Alternate Executive Director, Malam U Usman, welcomed WAMI Mission to the Fund and noted that the Task before WAMI was daunting but was convinced that the Director General and his staff would be able to deliver. He however expressed the view that the timeframe was too ambitious for the type of project to be executed. He offered the opinion that the pressing issue should be achievement of convergence. He was however happy that the peer pressure and review in the process would be useful in moving countries towards convergence assuming that the political will is sustained and member countries apply the right policy measures. He advised the Institute to arrange some training programmes and invite the Fund to provide resource persons so as to sustain the collaboration between WAMI and the Fund. The Director General thanked Malam Usman for his remarks and promised that the Institute would get back to him whenever it needs the assistance of the Fund.

3. African Department

Separate meetings were held with some Departments of the Fund. These meetings were preceded by a courtesy call on the Director, African Department Mr. Abdoulaye Bio-Tchané. The Director welcomed the Director General of

WAMI and his delegation to the Fund. The Director General indicated that the Mission to the Fund was a follow-up to two Missions earlier made to the Institute by the Fund, and that it was a way of sustaining the collaboration between the Fund and WAMI. He called on the Fund to be a partner and a stakeholder in the WAMZ project. The Director wished the Mission fruitful deliberations at the Fund.

(a) Plenary Session with the African Department

A plenary session was held with the African Department at which various mission chiefs and representatives of some departments were present. Mr. D. Donovan, Deputy Director, African Department moderated proceedings at the Session.

The Director General briefed the meeting on the WAMZ project, current status and future plans. He expressed the view that the current Mission was a continuation of earlier dialogue between WAMI and the Fund. Mr. Donovan told the meeting that internal deliberations at the Fund raised a number of issues and questions. Some of the issues are as follows:

- i) It is not certain how the problem of asymmetric shocks in the WAMZ would be addressed, owing to the overwhelming

position of Nigeria in the Zone as an oil exporter faced with fluctuations in oil receipts. In addition monetary and fiscal responses to shocks may not be the same across the Zone.

- ii) There are doubts if the WAMZ programme would be actualized within the timeframe, which is considered too short and unrealistic. The fact that it took a fairly long period for the European economies to converge before monetary union was achieved is a factor that cast doubt on the current efforts in the WAMZ.
- iii) The database on which convergence is monitored appears to be inadequate with definitional, conceptual and measurement problems.

After exhaustive deliberations, the plenary session reached the following conclusions.

- i) It will be desirable to put emphasis on macroeconomic convergence. The IMF can be useful in this direction by helping to improve data quality to facilitate the assessment macroeconomic convergence.
- ii) A viable monetary union cannot be put together within the timeframe of the WAMZ based on the experience of other monetary unions.

- iii) It is encouraging that African leaders have raised economic issues as priority. This would ensure that progress is made quickly in stabilizing the economies and providing the impetus for growth.

- iv) Although WAMZ project has been pushed politically, the leaders do not refer to the project in their national budgets and programmes with the Fund. The reality on the ground is very often different from political declarations.

- v) The preconditions for monetary union do not exist in the WAMZ and indeed in the ECOWAS. The CFA franc Zone that appears to be working well has been sustained by the guarantee from the French Treasury. Even at that the UEMOA still has a long way to go in terms of definitional issues and convergence.

- vi) The arrangement between the French Treasury and the UEMOA is regarded by the European Union (EU) as an exchange rate arrangement, which requires prior approval of the Council of Ministers. Owing to this constraint, it would be rather difficult to open up the UEMOA for the non-UEMOA ECOWAS countries to join.

- vii) The problem of asymmetric shocks can be solved through a large pool of resources and Nigeria would have to play a leading role here. It is difficult to conclude that the political leadership is serious since no country has made contributions to the Stabilisation and Cooperation Fund (SCF).
- viii) There is need to prioritize the implementation of the WAMZ programme. What is required at the moment is the application of sound policies by the member countries. In addition, concepts should be precisely defined. The asymmetry problem could be played down while appropriate policies are applied to move towards convergence. Such convergence should be sustained before monetary union.
- ix) WAMI should focus on Nigeria and Ghana that are expected to push the monetary integration process.
- x) The timetable for monetary Union should be dependent on the achievement of convergence. The underlying policies should be sustainable; otherwise the common currency would collapse.
- xi) Member countries should be made to explain to WAMI what they are doing and plans to achieve convergence. Peer

pressure can be useful in this direction. Asking countries to apply for the Headquarters of the common Central Bank when Convergence criteria have not been met is like jumping the gun. It waters down the essence of having the convergence criteria in the first place.

The Director General thanked participants for their useful contributions.

(b) Monetary and Exchange Affairs Department

The Director General gave a brief background to the establishment of WAMI. He identified two areas where the Department could be of assistance to the Institute as:

- i) Exchange Rate Mechanism and Unit of Account
- ii) External Reserves Management.

The preliminary reaction of the Department was that an Exchange Rate Mechanism was a quasi fixed exchange rate regime. Doubts were expressed as to whether prevailing macroeconomic conditions in the WAMZ would enable the countries to fit into such an arrangement. Other specific issues raised by the Department are as follows:

- i) The timeframe for achieving monetary union by the WAMZ was too short and overtly ambitious.
- ii) The domineering size of Nigeria and its volatile oil earnings which subjects the economy to different types of terms of trade shocks vis-a-vis the rest of the Zone presents a peculiar problem for monetary union in the Zone.
- iii) All the countries in the WAMZ currently operate flexible exchange rate systems. It is doubtful if this is consistent with an ERM, a quasi-fixed exchange rate mechanism.
- iv) Price stability can be achieved with a given exchange rate. If the rate at which price stability has been attained is outside the prescribed band of the ERM, how would such a case be treated?
- v) A second Monetary Zone may not be desirable in the context of ECOWAS programme for a single Monetary Zone for the sub-region.
- vi) Since the trade among the countries of the Zone is small, exchange rate parity

among the currencies of the Zone would be of no consequence.

- vii) Monetary union should only be contemplated when the economies in the Zone have converged.

The Department informed the WAMI mission that technical assistance on Reserves Management can only be extended to member countries at the moment. The expertise could be built at the level of national central banks for now. When the WACB comes on stream, such technical assistance could be extended to the Bank on request.

The Director General thanked the Department for its useful contributions.

(c) Fiscal Affairs Department

The Director General introduced the subject for discussion as the role of fiscal policy in a monetary union. He explained that the concern at the moment is that fiscal policy is the weakest point in the process towards convergence. The Mission according to the Director General intends to tap the experience of the Fund in the design of fiscal policy to strengthen the convergence process. Deliberations that followed were structured around revenue and expenditure measures. The highlights are as follows:

- i) The underlying fiscal institutions should be strong enough to support the convergence process. There should not be different price structures within the Zone. A process of coordinated dismantling of tariffs structures should be embarked upon.
 - ii) The West African Economic and Monetary Union (WAEMU) dismantled internal tariffs in 1994 while a Common External tariff (CET) was adopted in 1997.
 - iii) In 1998, a programme of harmonization of existing legislation on indirect taxes commenced. Member countries set up common legislation on VAT, covering the base, exemptions, the range of taxes (15-20 percent). The plan was implemented in 2001. There is also common legislation on excise taxes, which is a range, rather than a single rate. A common regulation was adopted in 2001 to set up common rules on withholding taxes on the informal sector.
 - iv) The implementation of the CET was somewhat complicated as it was by common legislation applied by all member countries. The preparation period spanned six years before legislation.
 - v) There is need to mobilize internal support in member countries for the WAMZ programme. In the case of the WAEMU, although the Council of Finance Ministers has the power to decide on institution building and tax reforms, the WAEMU Commission sent questionnaire to member countries and organized workshops at Experts level to discuss all proposals.
- On expenditure management, the following highlights emerged from discussion;
- i) There is need to strengthen expenditure management in the WAMZ as low capacity exists in the Zone at the moment.
 - ii) For meaningful analysis of convergence, the concepts applied should be the same. The harmonization of the legal framework is not as critical as getting the same set of data through the same concepts.
 - iii) Nigeria has a long way to go in liberalizing trade. The tariff rates in WAEMU range from 2-20 percent while a range of 5-60 percent exists in Nigeria. Also Nigeria has a

very low VAT rate compared to WAEMU. Personal Income Tax rate is also lower in Nigeria compared with WAEMU. However, the VAT base remains a problem for both Nigeria and WAEMU. Ghana's tariffs (0-25 percent) are closer to WAEMU's but the VAT rate is lower than ECOWAS average.

iv) The WAMZ is confronted with asymmetric political administrations. Nigeria has a Federal System of Government while the rest are largely unitary. The allocation of revenue among the various tiers of government can influence the ultimate goal of price stability for the WAMZ and the WACB. Some form of consolidation would be useful. For instance, states and local governments do influence the movement in the money stock through their borrowings from the banking system. This component of resources available to the lower tiers of government could be easily consolidated into the fiscal operations of the federation.

v) It is important that trade protocols on regional integration in ECOWAS are endorsed and implemented by member countries.

vi) WAMI should collaborate with the WAEMU Commission in Ouagadougou in respect of

the definition of concepts and other details on fiscal issues, which had been discussed with the Fund by the Commission. The Director General thanked the Department for its useful contributions, which would help in further shaping the Work Programme of the Institute. He promised to get back to the Department on concrete areas of technical assistance as the need arises.

(d) Research Department

The Director General expressed interest on the subject of macroeconomic convergence. He traced the background to the project and briefly discussed the status of macroeconomic convergence in the WAMZ. The initial reaction of the Department was that the time frame stipulated for monetary union was too ambitious while the concepts governing the convergence criteria were not properly defined.

The highlights of deliberations are as follows:

i) Europe went through a long transition phase in the movement towards monetary union (EMU). There were many re-alignments when the ERM started but few re-alignments were observed when countries started moving

towards convergence. The countries that were not converging fast were on the wider ERM band. The 1992 crisis in the ERM, accounted for by capital account liberalization forced a wider band to be prescribed. However, most countries moved on narrower bands within the wider band.

- ii) The degree of convergence and capital mobility should define the desired ERM band.
- iii) A lender of last resort is required in an ERM arrangement. There are associated costs, which must be borne by somebody. The question is who bears the cost?
- iv) The convergence criteria should be harmonized with those of UEMOA, which are more stringent. Member countries should meet the convergence criteria for a fairly long period of time before monetary union to avoid the problem of creative accounting in a rushed and premature process.
- v) The concept of adjusted fiscal deficits for terms of trade shocks can be very useful in establishing the degree of convergence of member countries.
- vi) It is not clear if monetary union can establish fiscal restraint. Asymmetric terms of trade shocks can impact negatively on central bank financing and fiscal deficits, making the criteria on these aggregates difficult to attain.
- vii) A comprehensive database is a useful tool for assessment of macroeconomic convergence. If the database is weak, convergence assessment becomes meaningless. In this regard, countries should be advised to subscribe to the GDDS of the IMF.
- viii) It is not clear if a Stabilisation and Cooperation Fund (SCF) is required to address the problem of asymmetric shocks in the WAMZ, owing to the size and variability of the shocks. The huge resources for such a Fund may not be forthcoming. It is not also clear if Nigeria should benefit from such a Fund.
- ix) The ERM does not need support from the SCF. Countries involved should intervene to defend their exchange rate parities on the ERM. A sufficiently flexible band that could accommodate

both internal and external shocks should complement this.

- x) Historical analysis showed that Funds applied in similar situations have been limited to Commodity Stabilization Funds, Fiscal Stabilisation Fund which worked successfully for Chile and Balance of Payments support operated in the form of oil facility and compensatory financing facility, among others.
- xi) Structural reforms in fiscal operations and private sector development could be supportive of macroeconomic convergence. The structural reform areas, which are critical for the four primary convergence criteria, should be identified. The administration of taxes is one of the critical areas where capacity should be developed.

the burden of asymmetric shocks through more contribution to the SCF or an Oil Stabilisation Fund, while its monetary policy would be implemented by all countries in the Zone.

- iii) The ERM peg is critical. The WAMZ could peg its ERM to the currency of a country that has similar terms of trade shocks or resource dependent economies like Canada and South Africa. It is also possible to peg to a currency in the Zone as was the case with the EMU.
- iv) The priority for now should be the ERM and macroeconomic convergence while reserve management should be tackled thereafter. The Director General thanked the staff of the Department for their useful contributions.

(e) Statistics Department

The major recommendations from deliberations are as follows:

- i) Member countries should use the opportunity of the WAMZ to diversify their economies.
- ii) There would be a large trade off between the SCF and the ERM. Nigeria could absorb

The Director General reviewed the process leading to the establishment of WAMI, emphasizing its mandate. He noted that the meeting with the Department was useful owing to the serious data problem facing member countries of the WAMZ. Convergence would only be meaningful in the context of a sound database. The Director General expressed the view that the data problem

in the Zone was real as the base for most of the data and the baskets are not always the same. Data sharing with the Fund and accelerated process of subscribing to the GDDS may be useful in improving the data quality in the Zone. The highlights of deliberations with staff of the Department are as follows:

- i) There is need to harmonize concepts and definitions while country data should be harmonized and aggregated on regional basis, otherwise the quest for monetary union may be difficult to attain. Harmonisation should commence with monetary and financial statistics.
- ii) There should be capability in data management at the Institute.
- iii) Sierra Leone, Liberia and Nigeria have applied to the Department to subscribe to the GDDS. The countries have prepared their meta data, which would be finalized by the Fund by July 2002. The project for Cape Verde has also commenced but not yet at an advanced stage. Although participation is voluntary, there are benefits that accrue to countries that subscribe. It is expected that Nigeria, Liberia and Sierra Leone would become full participants in the GDDS by the end of 2002.

- iv) Completing the process of subscription to the GDDS takes time and it depends on circumstances.

The Director General thanked the Department for the useful deliberations.

(f) Legal Department

The Director General explained the purpose of the Mission to the Department. He told the staff from the Department that attended the meeting that at the moment the concern was on the macroeconomic convergence process. However, the issue of the legal framework to be put in place in the future was also critical. The main legal issue is how to deal with the individual central banks of member countries in the context of the statute of the common Central Bank. As a result of the current review of the statute of the West African Central Bank (WACB), the discussion on the legal framework was deferred. The Institute would get in touch with the Department through the African Department when the review is concluded. On the issue of enforcement of convergence criteria, the legal Department advised that provisions should be made in the legal texts to ensure that compliance could be legally enforced.

(g) Mission Chiefs, African Department

The Mission held separate meetings with the Mission Chiefs responsible for Guinea, Ghana, Nigeria and Sierra Leone. The issues discussed were mainly in relation to macroeconomic developments and data problems.

The highlights of findings at the various briefing sessions are as follows:

- **Guinea**

- i) The macroeconomic situation in Guinea has improved relative to 2000. However, weakness persists in revenue mobilisation while expenditure is dominated by military expenditure with little spending on the priority sectors.
- ii) Monetary accounts are largely reliable, except extra budgetary accounts that cannot be easily tracked. However there are problems with public finance data, especially revenue data.

- **Ghana**

- i) Although macroeconomic conditions improved in 2001 relative to the situation a year earlier, the levels attained are still far from those stipulated in the convergence criteria. Single digit inflation is to be attained in 2003 while external reserves are not likely to reach three months of imports at the end of 2002.
- ii) There were initial problems with the monetary data but the situation has improved.
- iii) The problems with fiscal data are in the areas of timeliness, accuracy of reporting and capturing of expenditure from internally generated revenue.
- iv) Macroeconomic data are not very useful. They are probably not taken too seriously since they are not means of macroeconomic control. Balance of payments data are also poor as trade data are produced with a large time lag.

- **Nigeria**

Macroeconomic outturn in Nigeria would depend on developments in oil prices, exchange rate and structural reforms, especially the privatization of public enterprises. The risks to macroeconomic

stability in Nigeria are the level of the budget, the multiple exchange rate regime which has implication for reserve money growth and inflation.

The Fund's programme with Nigeria was discontinued since the prescribed targets were missed consistently. Nigeria has now undertaken to design and implement its own macroeconomic programme with the IMF providing technical assistance and performing the normal surveillance role.

In respect of data quality the following observations were made.

- i. Inflation and monetary data are quite good.
- ii. Fiscal data from various sources are difficult to harmonise.

- **Sierra Leone**

The economy has been relatively stable. The country has been implementing a post-conflict programme since 1999. A Poverty Reduction and Growth Facility (PRGF) programme is also being implemented for Sierra Leone. The main worry is the election, the outcome of which could help to further stabilize the macroeconomy or worsen the situation.

At its last meeting, the Board approved the HIPC initiative for Sierra Leone. Subsequently, the Paris Club approved debt relief for Sierra Leone on the Naples Terms.

The problems with the quality of data were identified as:

- i) The loss of experienced manpower by the Central Statistical Office with the result that weak data are produced. The Fund is trying to help by providing technical assistance in the training of adequate manpower. However, good data are produced on the budget and the financial sector.
- ii) Social data are out of date while national accounts data are merely estimated.

(h) Wrap up Session with African Department

The Director General enumerated areas where consensus had been reached as follows:

- i) The second monetary zone initiative is not bad but there are problems, which require a re-examination of implementation schedule of the project. Although the project should be driven by technical consideration, political support is also critical;

- ii) There is need to focus on macroeconomic convergence;
- iii) Data problem is common to all WAMZ countries. Conceptual and measurement issues also need to be tackled urgently;
- iv) There is the problem of asymmetric shocks, adjustment for terms of trade shocks; and funds for addressing asymmetric shocks.

He thereafter sought the understanding of the Fund and assistance as follows:

- i) Formalisation of the partnership between the Fund and WAMI through regular meetings and collaboration.
- ii) Expert Mission from the Fund to WAMI to help address the problem and issues on macroeconomic convergence.
- iii) Workshops and Seminars on macroeconomic convergence and macroeconomic management generally.
- iv) Consideration of WAMI along with ECOWAS and UEMOA in regional Consultation and Surveillance by the Fund.

In response, Mr. Donovan who presided at the Session made the following remarks.

- i) Contacts would be maintained with WAMI

- ii) In the course of normal consultation on trade with ECOWAS, discussions with WAMI could be included.
- iii) The Fund can provide assistance in respect of convergence monitoring and surveillance. This could be done in the context of improving macroeconomic convergence and overall macroeconomic management, which is at the heart of the Fund's surveillance. Discussions would not be in the context of monetary union since the Fund has reservations on the project.
- iv) The Fund could send resource persons and participants to seminars and Workshops on macroeconomic management organized by WAMI.
- v) The Fund could also be useful to the Institute in the area of statistical harmonisation and definitional issues.
- vi) WAMI should contact the Fund whenever it needs information on issues relating to member countries of the WAMZ or any other subject that may be of interest to it for which the Fund is competent.

The Director General thanked Mr. Donovan for the fruitful deliberations and the deep insight gained by the Mission on the subjects that formed the

basis for the various deliberations. The Director General also thanked Mr. Usman Dore of the African Department for his efforts in arranging the meetings and the technical support provided to the Mission.

4. Executive Director, Africa Constituency II

The Executive Director Mr. A. B. Chambrier welcomed WAMI Mission to the meeting. The purpose of the meeting was to brief the Executive Director, who is responsible for Guinea in the Fund and to solicit his support on issues affecting the Zone whenever such issues are raised at the Fund. The Director General re-stated the mandate of WAMI and briefed the Executive Director on the meetings held with various departments of the Fund. The consensus was that the WAMZ project is desirable if only to improve the economic management of the member countries. The pursuit of macroeconomic convergence should be the priority at the moment. The Fund should be prepared to give support to WAMI in several areas in respect of resolution of conceptual issues on the convergence criteria, collaboration in organizing workshops and consideration of WAMI as part of the Fund's regional consultation exercise.

The Executive Director promised to collaborate with the Executive Director, Africa Constituency 1

to give the desired support to the project and make sure that it is not only feasible but realizable. He advised that macroeconomic stability should be established and the politicians must be told the difficult problems that would be encountered. Regional consultation would be useful in ensuring harmonization in various macroeconomic aggregates. He promised to participate in such consultation and advised that statistical data base in the Zone should be strengthened. The Fund could provide capacity building assistance in data management. The Executive Director expressed concern about the short timeframe stipulated for monetary union. In this regard the Director General explained that the issue of macroeconomic convergence would have to be tackled first, applying best practices in assessment. The Executive Director remarked that the decision on Monetary Union was that of the member states and not that of the Fund.

However, he counseled that Nigeria should continue to show leadership by example in Africa, by putting its house in order. Nigeria's leading role in Africa, he remarked cannot be underestimated but felt bad when Nigeria discontinued its programme with the Fund. He remarked that developments in Nigeria could affect the implementation of the WAMZ project as a result of the leadership role the country is playing in the arrangement. It is his wish that

Nigeria normalizes relations with the Fund as soon as possible, not only for the benefit of Nigeria and WAMZ but for the whole of Africa. The Executive Director inquired as to the frequency of meetings by the authorities of the WAMZ and he was told that the meetings are expected to be held quarterly in 2002. He advised that regular meetings should be sustained in order to keep the programme under constant review. The Director General thanked the Executive Director for his useful comments and suggestions, and the promise to assist the Institute in achieving its objectives.

5. Meetings with Other Institutions or Missions in Washington D.C.

(i) Embassy of the Republic of Ghana

The Deputy Chief of Mission, Mr. Francis A Tsegah welcomed WAMI delegation to the Embassy. Mr. Seth Evans Addo, Minister Counselor for Trade and Investment at the Embassy also attended the meeting.

Mr. S Bah, Director of Operations, WAMI, presented a brief summary on the various meetings the WAMI mission had held since its arrival in Washington D.C. Thereafter, the role of WAMI and its operations since inception were highlighted by Mr. P. J. Obaseki, Policy Adviser, WAMI.

The Deputy Chief of Mission noted that the WAMZ project was laudable on account of both economic and political considerations. The idea of closer economic and monetary ties among the countries in the WAMZ was long over due and could not have come at a better time than it did as the political leadership that had in the past vacillated on the subject was now the principal proponent. On this ground, he emphasised that the project must be supported by all so that it will be successfully implemented with the goals and targets achieved. However, Mr. Tsegah noted that the timeframe for achieving monetary union was rather short and unrealistic. He was also not convinced that since it took Europe about 40 years to achieve economic and monetary union the WAMZ should replicate the process. If this should be the case, according to the Deputy Mission Chief, then we have not learnt from the European experience. The pitfalls in the European arrangement should provide lessons for the WAMZ so that such mistakes are not made. If the entire European process would have to be replicated, then it should not be a good reference for the WAMZ. The fact that some targets have been set, although they may be too ambitious owing to our circumstances, pressure is already being put on the various governments to adjust their economic frameworks so as to move close to the targets even if they cannot be attained at the stipulated

period. The Deputy Chief of Mission remarked that the Governor of the Bank of Ghana briefed the Embassy Staff on a range of issues when he visited Washington for the Spring Meetings of the IMF and the World Bank. In the briefing, the Governor made mention of WAMI's convergence criteria and noted that they were tough but did not reject the idea of the WAMZ.

The Deputy Chief of Mission expressed the view that it was a good idea for WAMI to have visited the Fund to discuss macroeconomic issues, which are central to convergence and multilateral surveillance. He asked for clarification on the issue of headquarters, the application for which expired on February 28 2002. The explanation was given to the effect that the February 28 date earlier communicated to member countries was inadvertent and that the correct date was end March 2002. The Embassy requested that sensitization materials on WAMZ be sent to the Mission for distribution as the UEMOA does. Mr. Bah thanked the Deputy Chief of Mission for the audience and useful remarks.

(ii) Embassy of the Republic of Guinea

The meeting was held with the Acting Ambassador, Dr. Dondo Sylla who is the substantive Premier Counsellor in the Embassy. He was briefed on the various meetings the

Mission had held since arrival in Washington DC. He agreed with the emerging consensus that there was need to achieve sustainable macroeconomic convergence before monetary Union. He welcomed the promise by the Fund to provide assistance to the Institute in the area of macroeconomic management and multilateral surveillance. The Ag. Ambassador reiterated the commitment of the Republic of Guinea to the successful implementation of the WAMZ project. The delegation thanked the Ag. Ambassador for his useful comments.

(iii) U.S. Bureau of Engraving and Printing

A meeting was held with three staff of the Department led by the Director, Mr. Thomas A. Ferguson on April 25, 2002. The Director General reviewed the work programme of WAMI and the status of implementation of the WAMZ project. He expressed the view that the Mission of the Institute to the Bureau was to seek cooperation on the subject of currency printing and management, and possible consultancy services that the Bureau could offer to the Institute. On his part, Mr. Ferguson expressed the desire to cooperate and collaborate with the Institute in several areas like, security features, design etc. On consultancy, the Institute may have to fund traveling expenses for Bureau staff that may be sent to assist WAMI. WAMI should write to the Treasury Department asking for technical

assistance from the Bureau of Engraving and Printing. The Bureau is not allowed to print currencies for other countries. However, the Bureau can sell currencies to the State Department, which could in turn sell such currencies to other countries. This was the arrangement under which the Bureau designed and printed Eritrean currency. However, arrangements are underway to enact legislation to make it possible for the Bureau to print currencies for other countries. The Bureau could also contact US Mint to provide some assistance to WAMI on Coin.

The meeting with the Bureau was quite interesting, discussions were stimulating and the Director and his staff promised to assist the Institute in whatever way possible, especially through consultancy services. The Director promised to get in touch with the US Mint which he hopes would also be willing to assist the Institute. He assured the Institute that the Bureau would be willing to sponsor resource persons and participants to seminars and workshops to which WAMI may invite the Bureau to participate in the future. The Director General thanked Mr. Ferguson and his staff for the fruitful deliberations and the enthusiasm with which the Institute has been offered possible consultancy services once an agreement is cleared with the State Department.

GHANA LAUNCHES SENSITISATION PROGRAMME

His Excellency, President J.A Kufuor performed the official launching of the WAMZ Sensitisation Programme for Ghana at La-Palm Royal Beach Hotel, Accra, Ghana. The ceremony was attended by a number of dignitaries, including the Speaker of Parliament, Cabinet members, the Diplomatic Corps and high-level personnel from International Organisations.

The launching ceremony was aimed at publicizing the common currency project to all the stakeholders and to formally present members of Ghana's National Sensitisation Committee. The Committee is charged with the responsibility of implementing the activities of the programme in Ghana.

Mr. R. D. Asante, Technical Adviser, West African Monetary Institute, made a short presentation on the genesis of the West African Monetary Zone (WAMZ) entitled "Modalities of the West African Monetary Zone (WAMZ)".

Honourable Peter Ala Adjetey, Speaker of the Parliament of Ghana was the Chairman of the occasion. He recalled that Ghana inherited from the British Administration several sub-regional institutions including the West African Currency Board. These institutions were dismantled soon

after independence, and Ghana was instrumental in the drive to dismantle them. Thereafter, Ghana introduced the Ghana Pound which was later replaced by the Cedi.

The Speaker noted the importance of having a common currency in West Africa to foster unity among the citizens of the sub-region, and the need to inform the public on the efforts being made to achieve economic integration.

Honourable Mrs Grace Coleman, Deputy Minister of Finance represented the Minister of Finance, Honourable Yaw Osafo-Mafo. She informed the audience that Ghana's performance in 2000 in respect of the convergence programme was unsatisfactory due to domestic and external factors. However, the Government of Ghana declared in the budget statement for 2001, its intention to improve the economic performance by adopting stringent measures to limit the budget deficit to 5.2 percent of GDP, reduce inflation to 25 percent and generate a surplus on the balance of payment. The performance in 2001 showed an improvement, with inflation at 21.3 percent by end December 2001 with budget deficit maintained at 4.4 percent of GDP. Central bank financing in 2001 was zero, while external reserves position in December 2001 was 1.5 months of imports.

In his address, Dr Paul Acquah, Governor of the Bank of Ghana, emphasized the need to put in place intensive and effective policy coordination in monetary matters in order to achieve economic and monetary integration. In addition, policies are also required, in the area of national economic management, which will impact on demand, prices and cost of production. He reminded the audience that the WAMZ is expected to merge with the CFA Franc Zone in West Africa, to create a single monetary zone in the sub-region. This single zone, when realised, will have a common currency, a common exchange rate regime and a common central Bank. He added further that Ghana has indicated interest in hosting the headquarters of the Bank.

The Director General of the West African Monetary Institute (WAMI), Dr. M. O. Ojo thanked the Government and the entire people of Ghana, for hosting the Institute in Accra and for providing excellent facilities for the fulfilment of WAMI's mandate. He briefly outlined the idea of a second monetary zone in the sub-region, and noted that after twelve years of unsuccessful effort to attain a single monetary zone, it was necessary for countries outside the West African CFA Zone to have a common framework and platform to be at the same level with the CFA Zone. He highlighted WAMI's role in the integration process, which basically requires monitoring and assessment of

the performance of member countries of the WAMZ, in terms of the observance of the macroeconomic convergence criteria agreed upon. Another important role of WAMI is to ensure that all sections of the population in member states are adequately informed at each stage of the common currency project. The Institute's sensitisation efforts in Ghana in 2001 included outreach to the mass media through press conferences, seminars and workshops for Parliamentarians, Trade Union Leaders and University students, among others. Dr. Ojo noted that Africa has now been placed in the front burner of decision makers all over the world. In this regard, he urged the Authorities of member countries to redouble their efforts for success in the integration process. He concluded by congratulating the Government of Ghana and the National Sensitisation Committee for the impressive launching ceremony.

In his keynote address, the President, His Excellency, John A. Kufuor observed that some progress was being made towards economic integration in the sub-region, though a lot more needs to be done. In his view, the most important and perhaps the final stage in the process is the implementation of the common currency zone. Towards this end, the Government of Ghana is pursuing tight fiscal and monetary policies in order to achieve the convergence criteria necessary for the attainment of the

objectives of the monetary union. He urged the National Sensitisation Committee to mount a vigorous campaign to sensitize the populace, not only on the benefits of the common currency, but the responsibilities that face everyone in making the project a reality. Thereafter, the President officially launched the Sensitisation Programme in Ghana.

ECOWAS – NEPAD SUMMIT HELD IN YAMOOUSSOUKRO

Introduction

A special summit of Heads of State of the Economic Community of West African States (ECOWAS) was held in Yamoussoukro, Cote d'Ivoire on May 17, 2002 to consider the New Partnership for Africa's Development (NEPAD) initiative launched by the OAU last July in Lusaka, Zambia.

2. The NEPAD is a multi-sectoral programme for economic integration and development initiated by African leaders to address Africa's underdevelopment through the implementation of a number of policies and projects in selected critical areas in order to place the continent on a path of sustainable growth and development. It also calls for a new global partnership with the international community based on mutual and shared interest, and accountability.

Attendance

3. The summit, which was attended, by all the 15 member states of ECOWAS was preceded by experts' and Ministerial meetings held on May 13-15 and May 16 respectively. The purpose of the Summit was to enhance ownership of the NEPAD initiative by the West African sub-region and thereby ensure its success.

4. The Director General and the Technical Adviser represented the Institute at the Summit.

Outcome of the Summit

5. At the end of its session, the Summit adopted a declaration and Plan of Action for the implementation of the NEPAD initiative in the West African Sub-region based on the following six thematic areas:

- Political Governance, Peace and Security;
- Economic Governance, Corporate Governance and Capital Flows;
- Agricultural Diversification and Market Access;
- Human Resource Development;
- Institutional and Regulatory Framework; and

- Infrastructure- Transport, Energy, Telecommunications, Environment and Information Technology

6. As part of the institutional arrangements to ensure the implementation of the programme, ECOWAS was recognised as the pivotal regional anchor and platform for the initiative and was designated as the regional organisation responsible for the coordination and monitoring of the implementation of the NEPAD programmes in West Africa.

7. The role of ECOWAS in the context of implementing the NEPAD programme was articulated to include the following:

- Facilitate the establishment of an integrated single West African market, macro-economic convergence, single currency;
- Facilitate the process of conflict prevention and management;
- Coordinate efforts for the development of regional infrastructure;
- Coordinate efforts to remove existing tariff and non-tariff barriers including border bottlenecks to trade and the free movement of people;
- Coordinate regional efforts to fight HIV/AIDS and malaria;

- Work with the OAU to promote political pluralism, democracy, good governance and transparency.
- 8.** Each member state is to take into account the NEPAD objectives and priorities in its national development programmes and to create a NEPAD focal point preferably at the agencies responsible for coordinating ECOWAS activities.
- 9.** Other useful information on the NEPAD initiative provided at the meeting include:
- NEPAD is an integral part of the African Union;
 - It has the active involvement of African Heads of State, continental institutions (OAU, ECA, ADB, RECS), as well as the international donor community;
 - Leading Countries have been given specific coordinating responsibilities- Capacity Building on Peace and Security (South Africa); Economic and Corporate Governance (Nigeria); Infrastructure (Senegal); Agriculture and Market Access (Egypt); HIV/AIDS and other communicable diseases (Algeria);
 - It has a Peer Review Mechanism for monitoring compliance in respect of Economic and Political Governance.

Observations

10. On the whole the meeting was a huge success as it brought together representatives from member states, regional and international organisations, private sector operators and representatives of the press to reflect on the NEPAD initiative.

The NEPAD is an African initiative aimed at addressing the scourge of poverty and widespread deprivation in the midst of plenty. It has received support from the highest political Authorities in Africa, continental and regional institutions, as well as the donor community including the G8 and the EU. However the idea is yet to be communicated to the common man in Africa. Its success will however, depend to a large extent on the resources that could be mobilised and made available for implementing the various aspects of the programme as well as the capacity of the regional institutions and the OAU to coordinate and monitor implementation by the member states. In addition, the involvement of the private sector will be critical to its success. It has been rightly said by some observers that this initiative could be the last chance for Africa to become part of the global economy and therefore every thing should be

done by all concerned to ensure that it succeeds.

SWITZERLAND'S AMBASSADOR IN GHANA VISITS WAMI

Introduction

The Ambassador of Switzerland in Ghana, Dr. Peter A. Schweizer, paid a working visit to the Institute on June 13, 2002 and held a meeting with the Director General. The Commercial Counsellor in the Embassy accompanied Dr. Schweizer. In attendance at the meeting with the Director General was the Policy Adviser. The Director General welcomed the Ambassador and his assistant to the Institute. On his part the Ambassador remarked that Switzerland was deeply interested in integration issues notwithstanding the negative remarks made about the country on its so-called "isolationist policy". He observed that although Switzerland would join the United Nations (UN) in September 2002, the country has been involved in all UN institutions.

The problem with Europe he remarked is the high level of democracy that Switzerland practises. Whereas decisions have to be taken swiftly in the context of European Union (EU), the verdict and mandate of the people would have to be respected in Switzerland and this takes quite sometime to achieve. Another problem area in the

EU arrangement is the desire to standardise virtually all facets of human endeavour. For instance, the EU wants to harmonise taxes, but tax competition is a critical factor that promotes the competitiveness of major economies. If an economy is competitive at certain level of taxes, there is no reason to harmonise such tax rates with a zone that is less competitive.

2. Highlights of Deliberations

The highlights are structured into the following:

2.1 Progress so far Made in the Fast Track Approach

After the preliminary remarks, the Ambassador stated the objective of his visit as a fact finding mission to obtain first hand the progress so far made in the integration efforts in ECOWAS since the establishment of the West African Monetary Institute (WAMI). Specifically, the Ambassador wanted to know what was happening in the Fast Track Approach.

The Director General reviewed the progress so far since WAMI was set up and identified some problems relating to:

- (i) The prior conditions which may not be attained in full at the target date for monetary union;

- (ii) Minimum uniformity in macroeconomic, sectoral and operational policies, on which eventual convergence would be based, which are still being tackled at the levels of ECOWAS and UEMOA. The WAMZ and WAMI are fully involved in this process.

2.2 The Standing of Ghana and Nigeria in the Monetary Cooperation Arrangement.

Ghana has made remarkable progress in macroeconomic stabilisation since the new Administration was inaugurated. Inflation has declined while the exchange rate is relatively more stable. The rapprochement with neighbouring countries was a wise move initiated by the immediate past Administration in Ghana. The Ambassador was of the view that Ghana should ride on two tracks at the same time. The country should stay close to Nigeria and work with Cote D'Ivoire so as to break the colonial and mental barriers in the ECOWAS. In other words they should serve as the locomotives for integration in ECOWAS. Ghana should be able to facilitate interaction between Nigeria and the UEMOA group of countries through Cote D'Ivoire. This was the role Germany and France played in the EU. Germany was conscious of its isolation in the past and the hatred its past activities generated while France was aware of its vulnerability and the potentials of Germany. They therefore found a

common ground to spearhead European integration.

On Nigeria, the Director General informed the Ambassador that the country discontinued its programme with the IMF for various reasons. Apart from the technical problems, there was political expediency as elections are close and government will not want to be hamstrung in delivering some of the democracy dividends it promised the electorate. However, the IMF is discussing the modalities for a new programme which may be an IMF programme or a Nigerian programme to be monitored by the IMF through its traditional surveillance roles.

The Ambassador queried Nigeria's interest in the integration process when it has a giant economy. The Director General reminded him of the strength of the German economy and its quest for European integration. In addition, the Director General expressed the view that there was need for closer interaction among the countries in the sub-region as none could survive on its own in the context of globalisation. Nigeria has historically played the role of a "big brother" in the sub-region even if the benefit of a large single market were to be discountenanced. The Ambassador, at this point, also noted the role of Nigeria in peacekeeping efforts in the sub-region.

On Liberia, the Director General informed the Ambassador that it would be more productive to appraise the role of Liberia in WAMZ in a positive perspective. Although the country has not signed the relevant Agreements and Statutes, she is very much involved in WAMZ meetings on observer status. Cape Verde is also an observer at WAMZ meetings.

2.3 Headquarters of the Common Central Bank

Ghana, Nigeria and Guinea have applied to host the Headquarters of the Bank but it is expected that a decision would be arrived at by consensus.

2.4 The Exchange Rate Mechanism (ERM) of the WAMZ

The Ambassador wanted to know if an ERM was contemplated for the WAMZ. He was informed by the Director General that the WAMZ ERM commenced in April 2002 and that the currencies have stayed within the prescribed band so far.

2.5 Dilemma Between UEMOA and ECOWAS Programmes

The Ambassador observed that the UEMOA has been in breach of the ECOWAS Agreement. To this the Director General responded that the UEMOA arrangement was working and as such there was nothing anybody could do about it.

However, in recent times, the UEMOA has been trying to harmonise aspects of its programme with those of ECOWAS. Curiously, the harmonization has coincided with the introduction of the Euro, the advent of the Second Monetary Zone, African Union (AU) and the New Partnership for Africa's Development (NEPAD). The Director General suggested that ECOWAS should take the bull by the horn and provide the desired leadership as the umbrella framework for integration in the sub-region. At this point, the Ambassador remarked that ECOWAS was the most homogeneous sub-regional group in Africa. Also the political will has been quite remarkable. Although the disparity in size of the integrating units appears to be a problem, the leaders are dialoguing, a process which is very healthy for the integration efforts.

2.6 Wisdom of Monetary Integration in the Absence of Remarkable Trade

The Ambassador wondered whether monetary integration was necessary in a region where internal trade flows are encumbered by a number of factors. It was a general consensus that the ECOWAS and UEMOA should have the determination to force the implementation of the protocols on free movement of goods and people. In addition the customs and immigration officials

at the ports of entry into the various ECOWAS countries should be reoriented to change their culture in favour of the integration process in ECOWAS. In spite of the difficulties in implementing the various protocols, the consciousness is there that if there is no follow up with the integration process, the sub-region will remain marginalized in the global economy.

2.7 Name of Common Currency

The Ambassador wanted to know if a name has been adopted for the WAMZ. The Director General informed him that a name had been proposed for the WAMZ but the ECOWAS Authority decided in December 2001 that the WAMZ and UEMOA should agree on a name for the common currency of ECOWAS.

3. Conclusion

The Ambassador thanked the Director General for the useful information and requested for some of the Institute's publications. The Director General expressed his appreciation for the visit and hoped that the interaction between the Swiss Embassy and the Institute would be sustained.

WAMZ HOLDS MEETINGS IN ACCRA, GHANA

I. Introduction

1. The 8th meeting of the Convergence Council of the West African Monetary Zone (WAMZ) was held in Accra, Ghana at the M Plaza Hotel on June 20, 2002.
2. The meeting was called to consider the outcome of deliberations by the Technical Committee and the Committee of Governors on the study reports of WAMI.

II. Opening Ceremony

3. The opening ceremony was chaired by Hon. Yaw Osafo-Maafa, Minister of Finance of the Republic of Ghana. Dr. Paa Kwesi Nduom, Hon. Minister of Economic Planning and Regional Cooperation of the Republic of Ghana presented a welcome address. He recalled the decision of the Authority of Heads of State and Government of WAMZ in December 2001 in Dakar, Senegal, highlighting the need to harmonise the WAMZ and UEMOA integration programmes with ECOWAS programme. He also cited the agreement that the competent authorities of WAMZ and UEMOA should jointly decide the name of the common currency of

ECOWAS. He underscored the point that the single currency project was only an aspect of ECOWAS Integration Programme. He emphasised the need to improve on trade integration among the member countries so that a single currency becomes imperative.

4. The address by the Hon. Minister of Trade and Industry of Ghana, Dr. Konadu Kofi-Apraku, was delivered by the Deputy Minister in his Ministry, Hon. Boniface Saddiq. His remarks centred on the need to conscientiously work towards achieving the objectives outlined in the Accra Declaration that formed the basis for the Second Monetary Zone programme. He expressed the view that free trade was critical for avoiding marginalisation in the context of globalisation, while monetary cooperation was inevitable for poverty alleviation. In conclusion, he urged all member countries to work assiduously towards achieving the convergence criteria. He noted that progress in the ECOWAS Monetary Cooperation Programme could only be achieved when the WAMZ and UEMOA agree on a name for the ECOWAS common currency.

5. The Executive Secretary of ECOWAS, Dr. Mohamed Ibn Chambas, reviewed developments in the integration process in ECOWAS and noted that the status of convergence of WAMZ member countries in 2001 did not provide a strong basis

for Monetary Union in 2003. He also noted that more effort would have to be made to put the member countries on the path of convergence if the 2003 date was to be realised. The Executive Secretary commended the dedication and dynamism of the Director General of WAMI and his staff in pushing the WAMZ project thus far. He noted the efforts of WAMI in reaching out to development partners, in particular the International Monetary Fund (IMF) and urged that these efforts be sustained. He recalled that although member countries have made efforts, more still needed to be done to arrive at the final destination.

6. He reported that a meeting was held with the President of Senegal, Chairman of ECOWAS and UEMOA, on the name of ECOWAS currency. In the meeting, the President of Senegal noted that efforts should concentrate at the moment on macroeconomic convergence and the precondition for Monetary Union. Specifically, it was agreed that there should be vigorous pursuit of the activities scheduled for the Monetary Cooperation Programme and that progress should not be hampered by the name of a common currency. In addition, it was agreed that WAMZ should fully share all technical studies and reports with the BCEAO and begin to arrange joint sessions to agree on a set of convergence criteria for all West African countries as a necessary condition for the

creation of a single West African currency in a not too distant future.

7. The Executive Secretary urged member countries to address their policies towards satisfying the agreed convergence criteria and implement policy measures spelt out in WAMI and ECOWAS study reports.

8. The Chairman of the Convergence Council, Mr. Mohamed Daramy, Minister of Development Planning (Designate) of Sierra Leone welcomed Governors and Ministers to the meeting. He reviewed the progress in the implementation of the WAMZ programme and noted that a lot more needed to be done to achieve our common aspiration. In particular, he reviewed the Work Programme of WAMI for the first half of 2002 and the activities of WAMZ during the period. He also urged member countries to honour their commitments to the WAMZ, especially subscription to the capital of the WACB.

9. The Vice President of the Republic of Ghana, His Excellency Alhaji Aliu Mahama, in his keynote address recalled the Accra Declaration signed by six countries in April 2000 as a milestone in the movement towards integration in the WAMZ. He noted that important decisions would be taken at the Meeting, especially that on the Headquarters of the WACB. He expressed the view that Ghana was committed to the WAMZ as a

mechanism for facilitating the ECOWAS Monetary Cooperation Programme (EMCP). He catalogued the benefits of a single currency for the WAMZ, principal of which are the fostering of economic integration and development, the facilitation of commercial dealings and economy in the use of foreign exchange. He remarked that the Government of Ghana was making efforts to achieve the stipulated convergence criteria. He thereafter declared the meeting open.

10. The vote of thanks was presented by the Foreign Affairs Minister of Ghana, The Honourable Mr. Hackman Owusu-Agyeman. He noted that the least the leaders of the WAMZ could do for the future generation is to re-establish the building blocks of a common currency, which were dismantled when the West African Currency Board was dissolved, following the attainment of nationhood by the former British Colonies in West Africa. The WAMZ project was therefore desirable and in the right direction. He thanked the Vice President for finding time to grace the occasion. He also thanked members of the Convergence Council, members of the Diplomatic Corps, the business community and other government officials for attending the opening ceremony.

III. Election of Chairman

11. The Minister of Finance of Ghana, Honourable Yaw Osafo-Mafo was elected Chairman of the Convergence Council.

IV. Courtesy Call on the President of the Republic Of Ghana

13. Shortly after the adoption of the Agenda for the meeting, and the presentation of the report of the Committee of Governors by the chairman, Dr. Paul Acquah, the Convergence Council decided to pay a courtesy call on President J. A. Kufuor of Ghana at the Osu Castle. The President welcomed members after the introduction of the Ministers, Governors and some technical officials. He highlighted the enormous challenges for introducing a common currency as a prelude to more virile trade and economic activities in the sub-region. He assured members that Ghana would not relent in its efforts to ensure the successful implementation of actions to achieve the common currency objective of the sub-region through the various avenues in which it has been involved in the process. The Convergence Council thanked him for the reception accorded it and assured him that the Council would adopt critical proposals that would enhance the progress of monetary integration in the sub-region.

V. CONSIDERATION OF THE REPORT OF THE 5TH MEETING OF THE COMMITTEE OF GOVERNORS

14. The Report of the 5th meeting of the Committee of Governors which had earlier been circulated to members of the Convergence Council was presented by its Chairman, Dr. Paul Acquah, Governor, Bank of Ghana. After exhaustive deliberations;

A. External Reserves Management by the West African Central Bank

15. The Council endorsed the recommendation of the Committee of Governors on a strong Central Bank System with authority to undertake monetary policy for the Zone based on the BCEAO model which requires full pooling of external reserves and liabilities. Consequently, the foreign exchange reserves and liabilities of the member countries of the WAMZ should be fully pooled to back the common currency of the WAMZ when it is introduced.

B. Data Inadequacies in the WAMZ: An Analysis of Problems, Solutions and Prospects.

16. The Convergence Council agreed with the Committee of Governors that member countries should take steps to accede to the IMF GDDS and also participate in the programmes of the

ECOWAS Secretariat to ensure statistical data and methodological harmonisation. It directed that the framework for the practical implementation of the process of harmonising statistical data to bring all WAMZ countries to the same level should be undertaken by WAMI.

C. Preliminary Proposals on a Unit of Account for the WAMZ.

17. The Council directed WAMI to conclude its proposed studies on this subject latest by October 2002.

D. Criterion on Central Bank Financing of Government Budget Deficit: General Principles and Measurement

18. The Council agreed that this was a very critical issue with implications for fiscal discipline and the conduct of monetary policy, and directed WAMI to conclude its proposed study on the subject for consideration by the Technical Committee and the Committee of Governors at their next meetings.

E. Developments in the WAMZ Exchange Rate Mechanism During the Months of April and May 2002

19. The Council agreed with the Committee of Governors that WAMI should undertake a study on the parities existing among the member countries'

currencies, to determine if they could guarantee competitiveness of the component economies of the WAMZ. The Council agreed that the further study by WAMI was important since the movement in exchange rates is an indication of economic fundamentals and the performance of an economy.

20. The Council noted the observation of the Committee of Governors that the ERM band was too wide and unrestraining, and would not provide the required discipline. It thereafter decided that when a review of the ERM band would be undertaken after its operations for six months, a narrower band should be prescribed. Furthermore, the Council directed all member countries that have not formally written to WAMI on the adoption of the ERM to do so without further delay.

F. Progress Report on the Operationalisation of the Stabilisation and Cooperation Fund (SCF)

21. The Council noted the report of the Committee of Governors that only Sierra Leone had made contribution to the SCF and urged other member countries to make their contributions latest by the end of June 2002.

G. Progress Report on the Sensitisation Programme of the West African Monetary Zone

22. The Council noted the report of the Committee of Governors that all member countries of the WAMZ except Guinea had launched their National Sensitisation Programmes. However, Guinea had made arrangement to launch its Sensitisation Programme. All member countries were directed to redouble their efforts in sensitising the various interest groups on the WAMZ as sensitisation is critical to the success of the WAMZ project.

H. Progress Report on setting up of the National and Zonal Committee on the Payments System

23. The Convergence Council noted the report that three member countries namely Ghana, Guinea and Nigeria have complied with the directive to set up the National Committees on Payments System and had communicated the names of their nominees to the Zonal Committee on Payments System to WAMI. The Gambia and Sierra Leone indicated that they would communicate the names of their members on the Committees to WAMI as soon as they returned home.

I. Progress Report on the Name of ECOWAS Common Currency

24. The Executive Secretary of ECOWAS informed Council that an informal meeting was

convened on May 6 and 7, 2002 by the President of Senegal, His Excellency, Abdoulaye Wade, the current Chairman of ECOWAS and UEMOA to deliberate on the subject matter. The Executive Secretary and the Governors of the Central Bank of Nigeria and the Bank of Ghana as well as the Governor of the BCEAO attended the meeting. The highlight of the meeting included the decision that all preparatory arrangements relating to policy harmonization and macroeconomic convergence should be undertaken as a matter of priority. The name of a common currency for ECOWAS should not hamper these activities. Furthermore, it was decided at the meeting that WAMI should collaborate with the BCEAO and indeed make its study reports available to the BCEAO.

25. Council directed the Committee of Governors to agree on a date for a formal meeting with the BCEAO so that the Executive Secretary of ECOWAS could arrange a meeting before the next ECOWAS Summit. The Executive Secretary promised to assist in this process once a date has been communicated to him.

26. Council also reiterated its earlier decision on ECO as the name of WAMZ common currency, which would be the basis for a virtual currency model for the Zone. This is without prejudice to

the on-going efforts on the name of a common currency for ECOWAS.

J. Draft Amendments to the Statute of the West African Central Bank

27. The Council noted that the Governors would closely study the draft amendment to the Statute of WACB for discussion at its next meeting. However, Council reaffirmed the option for a Single Central Bank with the present Central Banks becoming branches.

K. Analysis of Expression of Interest in Hosting the Headquarters of the WACB

28. Council noted the report that Ghana, Nigeria and Guinea had applied to host the Headquarters of the WACB. It also noted that decision on this matter would be mainly driven by political consideration. However, it urged the country that would be eventually selected to be committed to implementing open sky policy as defined in the Yamoussoukro Agreement.

L. Human Resource Management Policy Framework for the WACB

29. Council endorsed the decision of the Committee of Governors to adopt the Human Resource Policy Framework of the WACB as presented by WAMI.

VI. Any Other Business

(a) Special Presentation By The Director General of WAMI To Council

30. The presentation by the Director General focused on the background to the establishment of the West African Monetary Zone, the role of WAMI and its performance since inception. The Director General noted that WAMI has pursued its mandate rigorously while the member countries have also made efforts in the implementation of macroeconomic measures towards convergence. However, he noted that the progress towards convergence was sluggish in respect of both macroeconomic convergence, and statistical and policy harmonisation. He concluded that convergence was lagging behind the preparation of the building blocks for monetary union that has been conscientiously undertaken by WAMI. Since the status of convergence is not satisfactory, thus far, it would be difficult to go into monetary union in 2003.

31. Overall, the Director General stressed the importance of macroeconomic and policy convergence for a monetary union. He made some recommendations on the way forward to achieve the objectives of the WAMZ as follows:

- (i) The building blocks for monetary union should continue with a consolidation framework to ensure consistency;
- (ii) The convergence process should be strengthened through a more stringent prescription on Central Bank financing of government deficit. This would provide a stronger basis for macroeconomic stability and the achievement of the other convergence criteria.

32. While the WAMZ should sustain collaboration with WAEMU on currency and other issues, the achievement of macroeconomic convergence by WAMZ and the sustenance of the programme should be accorded priority.

33. The Council noted the report of the Director General and agreed that it provided useful guide on the way forward in actualising WAMZ monetary union. It agreed that adequate steps should be taken to ensure convergence by member countries. It also agreed to recommend to the Authority of Heads of State and Government of WAMZ to hold a restricted session to deliberate on issues raised in the Director General's presentation.

34. Council noted that the bane of the economies in the WAMZ was macroeconomic instability caused by fiscal dominance, necessitating a resort to the Central Bank for

financial accommodation with the attendant inflationary spiral and distortions in various sectors of the economy. It noted that the funding of unprogrammed expenditure and expansionary fiscal operation by government without corresponding increases in receipts by government was a major problem putting pressure on money supply in member countries. The injection of high powered (paper) money into the economy through subsequent monetisation of government's fiscal deficits drives up domestic prices, destabilises the foreign exchange market with upward pressure on exchange rates and ultimately results in the uncompetitiveness of the domestic economy. Furthermore, the achievement of internal balance and external sector equilibrium has become rather difficult. Without internal balance (high and sustainable non-inflationary rate of economic growth) and external balance (exchange rate stability and balance of payments equilibrium), the quality of life of the citizenry cannot be improved.

35. It was important to underscore the fact that the funding of government deficits through central bank credit is a major inhibiting factor to the achievement of the prescribed macroeconomic convergence criteria of the WAMZ. Indeed, if government does not plan to overspend and borrow from the central bank, money supply would not grow excessively and inflation would be

tamed. In addition, the ratio of fiscal deficit/GDP would be low and could be maintained within the prescribed target of WAMZ.

36. Council urged members to advise their respective governments on the need to limit borrowing from the Central Bank to the stipulated level. Furthermore, government should programme its expenditure outlays in such a manner that it does not exceed its expected income. The budget process should be flexible so that when earnings drop, disbursements are reduced in consonance. Council concluded that the criterion on central bank financing is the key criterion of the Convergence programme of WAMZ.

(b) Follow-Up On Decision To Visit Liberia And Cape Verde

37. The Governor of the Bank of Sierra Leone and immediate past Chairman of the Committee of Governors, Mr. J. Sanpha Koroma, reported that the proposed trip to Monrovia, Liberia on the membership of the country in the WAMZ could not be undertaken owing to the seriousness of the security situation in Liberia. However, the opportunity of this meeting was used to discuss with the Executive Governor of Central Bank of Liberia, Mr. Eli Saleeby, who explained that the authorities in Liberia were interested in the WAMZ but could not afford the financial commitment at

the moment. This was because of the state of the economy. The Executive Governor noted that his presence at the meeting was an indication that the people and government of Liberia were committed to the WAMZ initiative.

VII. Adoption Of The Report

38. The Report was unanimously adopted.

VIII. Vote Of Thanks

39. The vote of thanks was moved by Chief (Dr.) Bimbola Ogunkelu, Minister of Cooperation and Integration in Africa, Nigeria. He expressed appreciation to the people and Government of Ghana for the warm hospitality extended to members since their arrival. He noted with satisfaction the high quality of work by the Director General of WAMI and his staff and urged the Institute to continue on this path. He also thanked Council Members for their incisive and constructive interventions, which facilitated proceedings at the meeting.

IX. Date Of Next Meeting

40. The next meeting of Council is scheduled to hold in Conakry, Guinea in October 2002. The exact date would be communicated to members in due course.

X. Closing

41. The Chairman of Council thanked members for the high quality of their deliberation and the cooperation extended to him, which facilitated proceedings at the meeting. He was also happy that the members of Council undertook a thorough review of the work of the Committee of Governors.

SECOND JOINT PLANNING AND COORDINATION MEETING OF HEADS OF INSTITUTIONS OF THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

Introduction

The meeting was held at the ECOWAS Secretariat in Abuja on June 27 2002. The Executive Secretary of ECOWAS, Dr Mohamed Ibn Chambas presided over the meeting. It was a follow-up meeting to the first meeting of the Joint Planning Committee held on February 21 2002. The meeting's main aim was to facilitate the implementation of the various programmes of ECOWAS. The Director General of WAMI was accompanied to the meeting by the Technical and Policy Advisers.

The Executive Secretary of ECOWAS, Dr Mohamed Ibn Chambas welcomed delegates to the meeting and recalled that it was agreed at the last meeting that a follow-up meeting should be held in the

second half of the year to further review the various work programmes and schedule of meetings of ECOWAS institutions in order to avoid unnecessary overlapping. He noted that the February meeting was very helpful and that the follow-up meeting was expected to help ECOWAS to further streamline the various activities of its institutions.

The Executive Secretary recalled that the Secretariat was given additional responsibility at the ECOWAS/NEPAD meeting in Yamoussoukro to coordinate the West Africa sub-regional component of NEPAD. He was impressed that some institutions had articulated ideas on the role that ECOWAS should play. The Executive Secretary also informed the meeting that Canada intends to make a grant of 500 million Canadian dollars to Africa, part of which would be to support NEPAD.

Agenda for the Meeting

The following Agenda for the meeting was adopted.

- i) Opening Remarks by the Chairman
- ii) Consideration of the Report of the Inaugural Meeting
- iii) Matters Arising from the Report of the Inaugural Meeting
- iv) Coordination of the NEPAD Initiative for West Africa: The ECOWAS Approach

- v) Schedule of Meetings for the Second Half of 2002
- vi) Any Other Matters

Highlights of Deliberations

The highlights of deliberations are structured as follows:

Consideration of the Report of the Inaugural Meeting

After some minor adjustments, the report was adopted.

Matters Arising From the Inaugural Meeting

The point was made by the President of the Community Court of Justice, Mrs Hansine Donli, that the Court was independent of the institutions of the Community. She noted that the legal experts of ECOWAS also agreed at its last meeting that the Court should appoint its staff and undertake staff discipline. The ECA is assisting the Secretariat on the issue of the Joint Advisory Committee on Appointment, Promotion and Staff Discipline of Professional Staff of the Community. In respect of the relationship between the Secretariat and its institutions, it was agreed that the Report of the ECA Consultants should be awaited before a final decision is taken. The in-house seminar on the ECOWAS Staff Regulations

was also to await the Report of the ECA Consultants.

Schedule of Meeting for the First Half of 2002

The Director General reported that the scheduled meetings of WAMZ were held during the first half of 2002. He thanked the Executive Secretary for his assistance in this direction. The President of the Community Court of Justice reported that some of the scheduled meetings of the Court could not be held but this was made up for by missions to some ECOWAS countries. The President advised that the Court should be informed whenever NEPAD meetings are to be held as the activities of NEPAD would involve legal interpretation.

Consideration of the Relationship Between the Executive Secretariat and the Specialised Agencies

The ECA would give some guidance on this subject, using the experience of the United Nations.

Implementation of ECOWAS Community Levy

The implementation of the Community levy is being studied and re-evaluated. Teams would soon be dispatched to member countries to undertake counterfactual studies. The ECOWAS

Fund and the ECOWAS Investment Bank would be included in the study teams.

Review of the Salary Scale and the Administrative Hierarchy of the Staff Complements of ECOWAS and its Institutions

It was agreed that work on this subject be speeded up. To start with, the terms of reference should be completed in the next two weeks. Thereafter, some external consultants should be shortlisted and contacted to undertake the assignment. The consultants should be selected before August 15, 2002 with six weeks allocated for the completion of the assignment.

Schedule of Meetings During the Second Half of 2002

It was agreed that the various institutions should prepare their draft schedule of meetings and forward same to the Executive Secretariat for consideration. In future, such proposals should be made available to the Secretariat two weeks before the Joint Planning and Coordination Meeting. The institutions that came to the meeting with their schedule of meetings were asked to submit such schedules while those that have not yet prepared theirs were asked to do so not later than the next one week. The Secretariat would thereafter produce a draft that would be distributed to the institutions for their perusal and comments. The Director General submitted

WAMI's schedule of meetings for the Second half of 2002.

Coordination of the NEPAD Initiative for West Africa: The ECOWAS Approach

The Institute prepared a paper on the subject. The Director General presented the highlights of the paper. He stressed that NEPAD was the economic development programme of the African Union (AU).

The Director General noted that ECOWAS has been mandated to undertake the sub-regional component of NEPAD as the umbrella integration institution in West Africa. He explained further that ECOWAS coordination of the implementation of the NEPAD programme in West Africa was to support the two countries, Nigeria and Senegal that have the primary responsibility for the sub-regional components. The implication for ECOWAS is that its work programme would be expanded.

The effective functioning of ECOWAS in this regard would necessitate funding. Although the two countries and the NEPAD Secretariat would provide some funding, the ECOWAS Secretariat may be called upon to make some financial contributions. The Director General listed some priority areas and identified the strategies to be applied and advised that the tasks assigned to the

various institutions involved in the implementation of NEPAD in West Africa should be well defined. There should be ECOWAS Implementation Review Committee to be headed by the Executive Secretary.

The West African Monetary Institute (WAMI) could provide assistance in the areas of economic governance and multilateral surveillance. In addition, trade integration should be encouraged to move simultaneously with monetary integration. The Institute would require special funding to enable it provide the desired support. All the institutions within the Community should be involved in the implementation of the NEPAD sub-regional components. In addition, the ECOWAS Secretariat should be strengthened in the light of the new mandate.

The Deputy Executive Secretary in charge of Administration and Finance, Mr Seybou Gati, expressed his appreciation to WAMI for taking the initiative to prepare a working document on the subject. The Executive Secretary informed the meeting that, following the ECOWAS/NEPAD meeting in Yamoussoukro, the Secretariat approached some development partners on the new assignment of the ECOWAS and the need for financial and technical assistance. A meeting was held in Dakar, Senegal, attended by the ADB, World Bank, DFID, CIDA (Canada), USAID, and

French Cooperation. They pledged their commitment to ensure that NEPAD succeeds. The ECOWAS requested for short-term support. The World Bank promised to help the Secretariat to prepare a paper on the focal points and requirements at the various levels of the NEPAD. The ECOWAS member countries are already complaining of carrying too much burden of the NEPAD. South Africa, Nigeria and Algeria and partly Egypt are bearing the brunt of the NEPAD initiative and it may not be productive to ask them for additional financial support. The Executive Secretary noted that the major components of NEPAD are already being implemented under the various ECOWAS programmes. He advised that even where the funds from the Group of Eight (G8) are not forthcoming as expected, Africans should carry on with the programme.

The ECOWAS Fund indicated that a methodological approach should be followed in the monitoring of NEPAD programmes. There should be exchange of information at inter-governmental level. There should be an organisation structure within ECOWAS, which could be in the form of an inter-institution committee. There could also be a NEPAD Committee in every institution.

The Director General of the West African Health Organisation (WAHO) noted that the health

component of NEPAD is one area where fast tracking was recommended. This component should therefore be given priority in the overall ECOWAS monitoring process.

The President of the Community Court of Justice also explained the areas where the Court could be involved in the implementation of the NEPAD programme in West Africa. It was agreed that NEPAD was a collective responsibility and that ECOWAS would coordinate the implementation of NEPAD in collaboration with its institutions. The Implementation Review Committee would be a more permanent body. In the meantime, ECOWAS and its institutions should be involved in setting up the machinery for the monitoring exercise.

Conclusion

The Executive Secretary thanked delegates for their attendance and useful contributions. He reiterated the need for the meeting, which was meant to avoid overlapping in the meetings of ECOWAS and its institutions, and provide a forum for deliberations on issues of common interest. He wished delegates safe journey back to their various destinations.

WAMI ATTENDS BANK OF ENGLAND SYMPOSIUM

The Director General and the Director of Research were in London to attend two symposia during the period July 1 – 5, 2002. The first was the Banking and Financial Services Symposium, organised by the Commonwealth Business Council in collaboration with the Commonwealth Secretariat and the World Bank, at the Millennium May Fair Hotel, July 3 – 4 2002. It was on the theme: "Enhancing Capital Flows to Developing Countries in the New International Context." Rt. Hon. Paul Boateng, Chief Secretary to the Treasury (UK), opened the symposium. The panels of speakers at the CBC symposium were made up of very distinguished personalities, including Dr. Paul Acquah, Governor of Bank of Ghana, and Dr. J.O. Sanussi, Governor of Central Bank of Nigeria.

The first day dealt with international codes and standards and private sector involvement in crisis resolution. The session on private sector involvement in crisis resolution discussed how the private sector can work together with governments and the Bretton Woods Institutions at an early stage to resolve country and international crises. On codes and standards, the papers presented discussed the impact of new regulatory development on developing economies from both developing country and regulator standpoint and the private sector perspective. Other papers presented on the first day discussed

the need for consolidation of financial markets (stock exchanges) in order to benefit from economies of scale; and global governance and the greater participation by developing countries.

The second day of the symposium addressed the issues of new technological challenges, savings management in developing countries and branding countries: communicating with financial markets. The session on savings management discussed the need for developing countries to encourage domestic investment through savings plans and pension funds. The session on Branding talked about the importance of good name and identifiable product in business and what countries can do to improve their standing in the eyes of debt agencies and foreign investors.

The International Financial Architecture was the theme of Bank of England's Central Bank Governor's Symposium. It was opened by Mr. Edward George, Governor of the Bank of England. Speakers included Mr. Hurst Kohler, Managing Director of IMF, Mr. David Clementi, Deputy Governor for Financial Stability (BOE), Mr. Mervyn King, Deputy Governor for Monetary Analysis and other prominent discussants. As the theme suggests, the speakers discussed various aspects of the International Financial Architecture and how it could be strengthened to withstand crisis. The focus was on crisis prevention and resolution. On crisis prevention, issues such as appropriate

macro-economic policies, well capitalised, effectively supervised and transparent financial systems, flexible exchange rate regimes and effective payments and settlement systems were raised. On crisis resolution, it was emphasised that private sector lenders must share part of the responsibility since governments and the IMF are finding it increasingly difficult to refinance the large flows involved.

During the Commonwealth Business Council Symposium, we took the opportunity to make contact with Mr. S. Chatterji, Director of the Financial Sector Reform and Strengthening (FIRST) initiative. FIRST is a multi-donor initiative aimed at promoting robust and diverse financial sectors in developing countries. It is sponsored by the World Bank, IMF, DFID, CIDA and SECO. The Director expressed interest in providing technical assistance to WAMI.

On the whole, the two symposia were found useful and relevant to the work of the Institute. Copies of the background papers are available in the library, while others (CBC papers) can be accessed on the Website:

www.cbc/events/setsession.asp?event Click the "Speeches" tab at the top of the page and use: **Username: bfss; Password: ukbfss.**

WAMI PARTICIPATES IN ECOWAS TECHNICAL WORKING GROUP MEETING ON FISCAL CONVERGENCE

Introduction

A WAMI Mission comprising Messrs Emmanuel Onwioduokit, Chief Economist and Momodou Sissoho, Economist, visited the ECOWAS Secretariat, Abuja from July 29 to August 2, 2002 to participate in the meeting of a technical working group on fiscal convergence under the ECOWAS Multilateral Surveillance Mechanism. The aim of the exercise was to review the fiscal operations tables of ECOWAS member states including the West African Economic and Monetary Union (WAEMU) with a view to reconciling any conceptual and definitional differences. It was observed that there were differences in the computation of the fiscal deficit excluding grants criterion. While the ECOWAS concept, which is applied by the WAMZ, is the overall balance excluding grants, the WAEMU criterion is based on the basic fiscal balance defined as total revenue excluding grants, less total expenditure and net lending, excluding foreign financed investment expenditure. The ECOWAS Secretariat also provided information that the WAEMU has revised its definition of the criterion so that only the domestically financed investment is deducted from total expenditure and net lending. It was on the basis of these apparent differences that the ECOWAS Secretariat invited WAMI to the technical

discussions to determine the need for harmonisation.

Deliberations

Through simulations using actual data for 2001, the working group assessed the rationale and implications of the different approaches for attaining the objectives of the multilateral surveillance mechanism of the Community.

The Group first reviewed the set of performance criteria under the two monetary zones in order to identify key differences. The ECOWAS set of convergence criteria is divided into 4 primary and 6 secondary criteria with different target dates for different criterion leading to full convergence and the creation of a single monetary zone /common currency by 2004. WAEMU also has 4 primary and 4 secondary criteria. All the WAEMU criteria are required to be met by December 31, 2002, under the Convergence, Stability, Growth and Solidarity Pact adopted by the member countries in December 1999. The sets of criteria as defined by ECOWAS and WAEMU are given below.

ECOWAS/WAMZ Criteria

Primary

1. Fiscal Deficit excluding grants on commitment basis (not more than 4 percent by 2002)

2. Inflation Rate End of Period (Single digit by 2000 and not more than 5 percent by 2003)
3. Central Bank financing of the Fiscal Deficit (not to exceed 10 percent of previous year's tax revenue)
4. Gross official reserves in months of imports (CIF) (not less than 3 months by 2000 and 6 months by 2002).

- 3 Ratio of Public Debt (domestic and foreign) to GDP (not more than 70 percent)
- 4 Arrears on both domestic and external Payments (no accumulation)

Secondary

- 1 Ratio of Tax Revenue to GDP (not less than 20 percent)
- 2 Arrears on domestic debt repayments (no accumulation)
- 3 Wage bill as a ratio of Tax revenue (not more than 35 percent)
- 4 Public Investment Expenditure financed from domestic resources (not less than 20 percent)
- 5 Real interest rate (Positive)
- 6 Exchange Rate Stability

Secondary

- 1 Wage bill as a ratio of tax revenue (not more than 35 percent)
- 2 Investment Expenditure financed through domestic resources as ratio of tax revenue (not less than 20 percent)
- 3 External Current Account Deficit excluding grants as a ratio of GDP (not to exceed 5 percent of GDP)
4. Tax Revenue/GDP (not less than 17 percent)

UEMOA Criteria

Primary

- 1 Basic Fiscal Deficit excluding grants on commitment basis as a percent of GDP (balanced budget or must be in surplus)
- 2 Annual Average Inflation Rate (not more than 3 percent)

It could be seen from the above that the criteria under the convergence mechanisms of the two Zones do not differ fundamentally. Their main objective is to assist member countries maintain fiscal and monetary discipline as a pre requisite for internal and external balance. Minor differences are with respect to the criterion on inflation, which for the WAEMU is based on average inflation while ECOWAS stipulates a point to point (end period). Also the key external sector indicator for the ECOWAS is the targeted months of import cover while for WAEMU it is a stipulated ceiling on the current account deficit excluding

grants. The foreign reserve target is excluded from the WAEMU criteria.

Earlier discussions between the Secretariat and the BCEAO came to the conclusion that the most significant area of disharmony between the two Systems is with regard to the assessment of the fiscal deficit excluding grants criterion. The view was that due to the peculiarities of the member countries of the sub-region, there is a need to increase investment particularly by the public sector in order to improve social and economic infrastructure. Furthermore, the ongoing poverty alleviation programmes encourage countries to restructure expenditure profiles more towards economic and social capital. However, in the determination of the fiscal deficit excluding grants criterion, grants are excluded from revenue while total investment expenditure, including those that have been financed by grants and concessionary foreign loans are included. This is therefore regarded as a major hurdle in the way of countries to meet the fiscal convergence criterion. In the case of the WAEMU foreign financed investment expenditure is excluded. The rationale behind the WAEMU method is the desire to focus on this apparent asymmetry between treatment of revenue and expenditure in the definition of the criterion. This methodology is also premised on the argument that all public sector investment whether loan or grant financed go into worthwhile

infrastructure and social sector projects and should be encouraged. It further argues that investment in productive infrastructure financed from concessionary sources that do not contribute significantly to current inflation should therefore not be allowed to “bloat” the government expenditure. The main weakness of the argument is that it gives no consideration of the increased debt burden and assumes all expenditure as genuine investment.

The mission examined these issues extensively and carried out simulations on the two variants of the criterion. As shown in the table annexed to the Report, Scenario (A) excludes domestically financed investment and Scenario (B) the foreign investment expenditure. The results are compared with the fiscal convergence 2001 results, when only Nigeria met the prescribed ceiling of 5.0 percent of GDP. Both methods meant an improvement in the fiscal performance for all countries of the WAMZ. Under both scenarios two additional countries would have satisfied the criterion, with (B) reflecting a more significant improvement in performance. This comes from the fact that all the countries except Nigeria financed their capital projects through foreign loans and grants. There was no change in Nigeria’s position under scenario (B) since virtually its entire capital budget was financed from domestic sources. Under (A) however, the country

recorded a surplus of 3.9 percent of GDP compared with a deficit of 4.1 percent under the Scenario (B) and the WAMZ 2001 convergence programme.

The Position of the ECOWAS Secretariat

The ECOWAS Secretariat is in favour of the adoption of scenario (A) i.e. deduction of the share of investment financed from domestic resources from total expenditure and net lending. It was argued that this would eliminate the bias in the fiscal deficit criterion. The deduction of externally financed investments would significantly increase the risk of future fiscal instability, due to their unpredictability. It was agreed that a proposal to amend the definition of the criterion would be put before the forthcoming Convergence Council Meeting of ECOWAS.

The Position of the WAMI Delegation

The WAMI mission expressed the view that the fiscal convergence criterion should not be watered down since it is key to registering any tangible advances towards macroeconomic stability and convergence. The credibility of the programme could suffer if the revision waters down the criterion. There are difficulties in ascertaining that all investment expenditure reported on the fiscal operations table is actual investment and not hidden recurrent expenditure such as wages and

other compensation to employees, thus adding to excess demand in the economy. If on the other hand the objective of the revision is perceived as a move to address what seems to be an asymmetry in the configuration of the criterion, then the credibility risk is minimised. Like ECOWAS the WAMI delegation expressed a preference for the adoption of Scenario (A), which is also consistent with the secondary criterion of both the WAEMU and ECOWAS/WAMZ that enjoins member countries to raise their own share of budgetary resources allocated to investment expenditure to at least 20 percent of the total.

Conclusion

It was agreed that the proposed presentation on the subject would cover the pros and cons of the different definitions as a basis for deliberation by the technical committee. This would lead to a harmonised position to be presented for the consideration of the Convergence Council.

ANNEXTURE
DERIVATION OF DEFICIT AS PER USING 2001 DATA*

	Gambia		Guinea		Nigeria		Sierra Leone		Ghana	
	A	B	A	B	A	B	A	B	A	B
Revenue	1125.00	1125.0	872.91	872.91	796977.0	796977.0	294027	294027	8,463.20	8,463.20
Less grants	135.9	135.90	64.29	84.29	0.00	0.00	86148	86148	-1,570.00	1,570.00
A---Total	989.8	989.80	808.60	808.60	796977.0	796977.0	207879	207879	6,893.20	6,893.20
Exp.and Net Lending	1481.6	1481.60	1107.30	1107.3	1018025.	1018025	459371	459371	9,683.00	9,683.00
Less Capital Exp Dom	56.30		33.46		435601.0		132840		1,226.20	
Capital Exp. Foreign		224.5		388.7		0.0		81034		166480
B---Total	1425.30	1257.1	1073.84	0.00	582424	1018025	446087	378337	8,456.80	8,018.20
Basic Balance	-435.0	-267.0	-264.9	90.30	214553	-221025	-238284	-170458	-1,563.60	1,125.00
% of GDP	-9.8	-6.0	-4.4	+1.5	+3.9	-4.1	-15.8	-11.6	-4.10	-2.95
WAMZ Assessment in 2001(not more than 5%GDP)	-11.1	-11.1	-7.8	-7.8	-4.1	-4.1	-16.7	-16.7	-7.30	-7.30

Column A excludes domestically financed whilst (B) excludes the externally financed component of government investment expenditure

DIRECTOR GENERAL FORMALLY CONFERRED WITH FELLOWSHIP OF THE NIGERIAN ECONOMIC SOCIETY (NES)

It should be recalled that at the 42nd Annual Conference of the Nigerian Economic Society (NES), held in Port Harcourt, Rivers State of Nigeria, the Director General, Dr. M. O. Ojo was awarded the Fellowship of the Society for scholarly publications, which have in no small measure helped in the development of economic science in Nigeria, and service to the Society.

The formal investiture ceremony was performed at the opening ceremony of the 43rd Annual Conference of the Society at the Sheraton Hotel and Towers, Ikeja, Lagos on August 7, 2002. The highpoint of the Fellowship investiture was being honoured with a former teacher. The Director General and his classmate at the University of Ibadan, Prof. M. O. Kayode had the rare honour of being invested along with the man who taught them Economics at the University of Ibadan forty years ago. The grand teacher is a distinguished scholar, administrator and international civil servant, Prof. H. Onitiri. The rich and all-embracing citation of the Director General, which is well known to all and sundry, was read before the investiture. It

was recalled in the citation that Dr. Ojo, born on January 5 1942, in Ado-Ekiti, Ekiti State of Nigeria, attended the Universities of Ibadan, Lagos, Wisconsin and Harvard. Dr. Ojo's distinguished career in the public service culminated in his appointment as Director of Research, Central Bank of Nigeria, 1990 – 2000 and Special Adviser to the Governor before taking up the position of Director General of WAMI. Dr. Ojo has published six (6) major books and authored more than 115 Articles, most of which are published in reputable journals. The high technical and intellectual capacities of the Director General are absolutely not in doubt. His performance at WAMI so far as the helmsman is eloquent testimony to his deep sense of responsibility and quest for academic and intellectual excellence. At this gracious moment of the crowning of the career of the Director General, all of us in solidarity share our happiness for the fulfillment that goes with the Fellowship.