

REPORT OF THE CONVERGENCE
COUNCIL TO THE THIRD
SUMMIT OF THE
AUTHORITY OF HEADS OF STATE AND GOVERNMENT
OF THE WEST AFRICAN MONETARY ZONE (WAMZ)

DAKAR. SENEGAL
DECEMBER 2001

TABLE OF CONTENTS

	Page
I. Objectives of the Report.....	1
II. Background to the Report.....	1
III. Review of the Work Programme of WAMI, January - December, 2001.....	3
IV. List of Recommendations Approved by the Convergence Council.....	4
V. Recommendations of the Convergence Council to the Authority of Heads of State and Government of WAMZ.....	7
VI. Vote of Thanks.....	8

REPORT OF THE CONVERGENCE COUNCIL TO THE THIRD SUMMIT OF THE AUTHORITY OF HEADS OF STATE AND GOVERNMENT OF THE WEST AFRICAN MONETARY ZONE (WAMZ)

I. OBJECTIVES OF THE REPORT

1. The objectives of the Report **of the Convergence Council to the Authority of** Heads of State and Government of the WAMZ are three-fold:
 - First, to review the progress of implementation of the WAMZ project since the last summit of the Heads of State in Bamako, Mali, in December 2000;
 - Second, to outline some recommendations, for consideration by the Authority, which are deemed important for enhancing the **progress of the project**;
 - Third, in further pursuit of the goal of the project and in consonance with the recommendations of the Council, to put forward to the Authority for approval a list of decisions which will guide the execution of the critical aspects of the project in 2002.

II. BACKGROUND TO THE REPORT

2. There were four important landmarks in the conceptualization **of** the WAMZ project between December 2000 and January 2001

- The first was the adoption in Lome in December 1999 of President Olusegun Obasanjo's proposal, which was actively supported by Ghana, at the 22nd Summit of the Authority of Heads of State and Government of ECOWAS to "fast-track" the implementation of the body's integration programmes in the sub-region. Ghana, Nigeria, The Gambia, Guinea, Sierra Leone and Liberia embraced the initiative.
- The second landmark was the signing of the Accra Declaration on April 20, 2000 by the Heads of State and Government of The **Gambia**, Ghana, Guinea, Nigeria, Sierra Leone and Liberia. The Declaration, among other objectives, aimed at creating a Second Monetary Zone in the ECOWAS by 2003.
- The third landmark took place in Bamako, Mali, in December 2000 when the Summit of Heads of State and Government of the countries that endorsed the Accra Declaration, with the exception of Liberia, launched the WAMZ, with the signing of the Agreement of the WAMZ and the Statutes of the Institutions of the WAMZ.
- The fourth landmark was the establishment of the West African Monetary Institute in Accra, Ghana in January 2001, The Institute became operational in March 2001 to execute its mandate which basically involves undertaking all the necessary tasks that will lead to the setting up of the West African Central Bank, adoption of the single currency of the zone and general preparation for the take-off of the monetary union in January 2003.

III. REVIEW OF THE WORK PROGRAMME OF WAMI

3. WAMI's Work Programme embraces four interrelated components **as** follows:

(i) monitoring of the macroeconomic performance and movement towards macroeconomic convergence of member countries in the context of the stipulated convergence criteria;

(ii) initiation of the harmonization **of the laws** of financial institutions of member countries with those of the **Agreement and Statutes of the WAMZ**;

(iii) launching of a programme of sensitisation of the stakeholders of the WAMZ;
and

(iv) designing appropriate frameworks for the core technical and policy issues that will pave the way for an effective currency union as envisaged.

4. The outcomes of the work of WAMI are outlined in fifteen documents, the contents of which have been comprehensively reviewed by the various institutions of the WAMZ, namely. Expert Committees of WAMI, Technical Committee of WAMZ, Committee of Central Bank Governors of WAMZ and the Convergence Council. In addition, the various issues were discussed at technical seminars at which both public and private sector officials participated.

IV. LIST OF RECOMMENDATIONS APPROVED BY THE CONVERGENCE COUNCIL

5. At its fifth and sixth meetings held in Abuja, Nigeria, on July 26 2001 and in Dakar, on December 18, 2001, the Convergence **Council considered the various issues presented to it by WAMI, the** Technical Committee and the Committee of Governors, and adopted the following recommendations:

(a) member countries are urged to consolidate the improvements made in their macro-economic performance and to sustain the implementation of their economic recovery programmes in 2002 so as to enhance their eligibility for the WAMZ in 2003. Moreover, member countries are urged to adopt before the end of March 2002 the General Data Dissemination Standards of the IMF. WAMI was directed to liaise with member Central Banks to ensure compliance by the end of the first quarter of 2002;

(b) member countries **are urged to step up their** sensitisation activities by giving adequate support **to** their National Sensitization Committees (NSCs), particularly in the area **of** funding for the execution **of** national sensitisation programmes in 2002. The strategy and framework **of the** National Sensitization **Programme prepared by WAMI should** be fully implemented by all member states.

(c) the proposed Exchange Rate Mechanism (ERM) should be in existence from April 1, 2002 to December 31, 2002. The modalities of the mechanism which will be worked out between WAMI and the National Central Banks (NCBs), will

have the following features; the US dollar as the anchor currency and $\pm 15\%$ margin of fluctuation from central parity **rates in the first six months of operation of the mechanism** after which it will be subjected to further review;

- (d) the WAMI was directed to undertake further review of the implications of the pooling of reserves by the WACB, especially as the existing currency in circulation in member countries which is backed up by holdings of foreign exchange reserves will be converted into the new common currency when it is introduced;
- (e) **the** setting up of a Monetary and Economic Policy Committee (MEPC) in addition to the institutional structure **of the** monetary policy process indicated in the WACB Statutes. The MEPC will play a role similar to that of the Monetary **Policy** Committees **in the European Central Bank, Bank of England, Central Bank of Nigeria** and the Reserve Bank of South Africa, among other Central Banks.
- (f) the development of an efficient payments systems for national and cross-border transactions in the zone in order to improve and enhance implementation of monetary policy and the setting up of Zonal and National Committees by WAMI in collaboration with the NCBs to examine proposals for improving the zone's payments systems and prioritise them for implementation in a phased development programme;
- (g) the immediate operationalisation of the Stabilization and Cooperation Fund of the Zone already approved by the Authority. Contribution by member countries of US\$25

million, out of the initial call-up capital of US\$50 million, should be made before February 28, 2002, while the second tranche of US\$25 million should be paid before the end of September 2002. Contributions shall be in line with the ECOWAS budgetary contribution formula;

- (h) in considering the following three names as the name of the Common Currency of the WAMZ: Eco, Gini, and Kauri, Council recommended ECO.
- (i) the NCBs will become branches of the WACB as they are no longer empowered to formulate monetary and exchange rate **policy and issue** currency. In the transitional period, the structure of the Central Bank System outlined in the Statutes of the WACB should be retained.
- (j) member countries of the zone are urged to take all necessary steps to ratify the WAMZ Agreement and WACB Statutes by the end of the third quarter of 2002. The statutes would come into force upon ratification by at least three member states.
- (k) a draft paper on the uniform Statutes of the branches of the WACB should be completed and submitted to member states in the first quarter of 2002.
- (l) the adoption of the following** administrative arrangements **to** ensure the smooth take-off of the WACB:
 - (i) the institutional and administrative structure of the WACB recommended by the Technical Committee;

- (ii) the capital of the WACB should be US\$100 million to be contributed not later than October 31, 2002, in accordance with the agreed ECOWAS budgetary contribution formula;
- (iii) decision on the location of the Headquarters of the Bank should be taken by June 2002. Member countries desiring to be considered should express their interest in writing to the Chairman of the Convergence Council by the first quarter of 2002, while a decision would be made by the Authority in the second quarter of 2002 ; and
- (iv) the allocation of the Bank's Executive Board positions to member countries and completion of appointments to the Board by September 2002, and the constitution of the Board of Directors of the Bank by November 2002.

V. RECOMMENDATIONS OF THE CONVERGENCE COUNCIL TO THE AUTHORITY OF HEADS OF STATE AND GOVERNMENT OF WAMZ

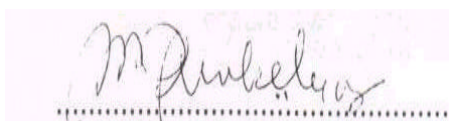
6. The Convergence Council recommends for adoption and signature by the Authority of Decisions relating to the aforementioned Recommendation⁰ aimed at facilitating the implementation of the Agreement of the WAMZ, Statutes of the WACB and the Stabilization and Cooperation Fund; the Decisions are outlined under Parts I to IX of Document HS/WAMZ/DEC. PT.I-IX/1 2/2001 as follows:

- (a) Decision Relating to the Establishment of an Exchange Rate Mechanism for the WAMZ;

- (b) Decision Relating to the Development of National Payments Systems and Establishment of an Efficient Cross-Border Payment Arrangement in the WAMZ;
- (c) Decision Relating **to the** Operationalization **of the** Stabilization and Cooperation Fund of the WAMZ;
- (d) Decision Relating to the Establishment of the National Sensitization Committees in member states of the WAMZ;
- (e) Decision Relating to the Ratification of the Agreement of the West African Monetary Zone and the Statutes of the West African Central Bank;
- (f) Decision Relating to the Adoption of the Capital of the WACB; and
- (g) Decision Relating to the Adoption of the Name of the Common Currency of the WAMZ.

VI. VOTE OF THANKS

7. On behalf of the Convergence Council of the West African Monetary Zone (WAMZ), I wish to express appreciation to the President, His Excellency Abdoulaye Wade, the Government and People of the Republic of Senegal for the warm hospitality extended to the Ministers and Governors, and for the excellent facilities placed at their disposal that ensured the success of their deliberations.



CHIEF (DR.) BIMBOLA OGUNKELU
CHAIRMAN
FOR THE CONVERGENCE COUNCIL
18TH DECEMBER 2001