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**8TH MEETING OF THE CONVERGENCE COUNCIL OF MINISTERS AND
GOVERNORS OF CENTRAL BANKS OF THE WEST AFRICAN
MONETARY ZONE (WAMZ)**

FINAL REPORT

**JUNE 20, 2002
ACCRA, GHANA**

**8TH MEETING OF THE CONVERGENCE COUNCIL OF MINISTERS AND
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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-Mafo, 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 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 this 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. AGENDA FOR THE MEETING

12. The Agenda for the meeting, annexed to the Report, was unanimously adopted.

V. 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.

VI. 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, the Council decided as follows:

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 in October, 2002.

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 programme. This is because 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 name 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 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 Yamousoukro 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. 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 have become rather difficult to attain. 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 criterion 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 Banking 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 programme 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 expressed satisfaction on the 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.

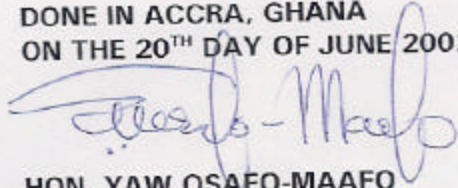
IX. DATE OF NEXT MEETING

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.

DONE IN ACCRA, GHANA
ON THE 20TH DAY OF JUNE 2002

A handwritten signature in blue ink, appearing to read 'Yaw Osafo-Maafo', is written over the text of the document.

HON. YAW OSAFO-MAAFO
MINISTER OF FINANCE OF GHANA AND
CHAIRMAN, CONVERGENCE COUNCIL OF MINISTERS
AND GOVERNORS OF CENTRAL BANKS OF THE WEST AFRICAN
MONETARY ZONE

ANNEX I**ATTENDANCE**

The following Institutions participated at the meeting:

THE GAMBIA

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

GHANA

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

GUINEA

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

NIGERIA

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

SIERRA LEONE

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

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

OTHER INSTITUTIONS

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

ANNEX II

AGENDA OF THE MEETING

1. Opening
2. Election of Chairman
3. Adoption of the Agenda
4. Consideration of the Recommendations of the Committee of Governors
5. Any other Business
6. Adoption of Report
7. Closing