

**MEETINGS OF THE WEST AFRICAN MONETARY ZONE
CONAKRY, GUINEA
AUGUST 30 – SEPTEMBER 3, 2004**

WAMZ/CG/12

**12TH MEETING OF THE COMMITTEE OF
GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE**

FINAL REPORT

**CONAKRY, GUINEA
SEPTEMBER 1, 2004**

**REPORT OF THE 12TH MEETING OF THE COMMITTEE
OF GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE
HELD AT THE CENTRAL BANK OF THE REPUBLIC OF GUINEA
CONAKRY, GUINEA
SEPTEMBER 1, 2004**

I. INTRODUCTION

1. The 12th meeting of the Committee of Governors of Central Banks of the West African Monetary Zone (WAMZ) was held at the Central Bank of the Republic of Guinea, Conakry, Guinea, on September 1, 2004, to deliberate on the progress of the implementation of the WAMZ Programme and other administrative issues affecting the future of the programme. The technical documents prepared by the West African Monetary Institute (WAMI) in collaboration with some of the Zonal Committees of the WAMZ, as well as the Report of the 18th meeting of the Technical Committee formed the basis for the deliberations. All the member states, as well as the ECOWAS Executive Secretariat, WAMI and the regular observers were represented at the meeting (See Annexes III and VI).

2. The Governors recognized the presence of Prof. Charles Soludo, the new Governor of the Central Bank of Nigeria who was attending the meeting for the first time.

OPENING

3. Dr. James Rogers, Governor, Bank of Sierra Leone and outgoing Chairman of the Committee chaired the opening session. Dr. Rogers welcomed his colleagues to the meeting. On behalf of the Governors, Dr. Rogers expressed thanks to the Government and people of Guinea for the hospitality extended to delegates. He commended the effort of the Director General of WAMI and his staff in the onerous task of monitoring the performance of member countries

towards monetary union. He advised that the process of monetary union should be continued but must be guided by a track record of performance in all the key elements of the convergence process. A holistic approach should mirror performance on macroeconomic convergence, policy harmonization, architecture of the monetary union and the legal agenda. Since WAMZ economies were susceptible to both internal and external shocks, and the record of macroeconomic performance had been poor, there was the need to strategize on a fall back position. In spite of the hurdles, all member countries must be resolute in the drive towards monetary union.

4. Dr. Rogers observed that high on the Agenda has been the performance of member countries on the macroeconomic convergence scale, which has continued to display variability from year to year, and in particular, the extremely weak performance in 2003. He also noted that there was need for WAMI to undertake a more proactive and rigorous analysis of the possibility of achieving our goal of monetary union in 2005. It was further emphasized that the analysis should give equal prominence to both primary and secondary convergence criteria in the assessment of progress towards convergence. Among the key issues highlighted consistently has been fiscal dominance. It was emphasized in the Freetown Meeting that the concept should be more broadly defined and that a medium term fiscal framework including appropriate tax and expenditure policies should be developed.

5. Other key issues highlighted by Dr. Rogers included harmonization of payments systems, development of a capital market, statistical harmonization and implementation of the ECOWAS Trade Protocols to create a Common Economic space.

6. Mr Alkhaly Mohammed Daffé, Governor of the Central Bank of the Republic of Guinea, also welcomed the Governors and other delegates to Conakry on behalf of the Government and people of the Republic of Guinea. He

noted that the member countries had been confronted with both domestic and external shocks which made the attainment of macroeconomic convergence difficult. He urged Governors to critically examine the report of the Technical Committee in order to come up with recommendations that would contribute to the success of the WAMZ Programme. He expressed appreciation to the outgoing Chairman of the Committee for maintaining the WAMZ programme on track during his tenure. He also thanked the Director General of WAMI and his staff for the quality of work the Institute has been doing. (Annex II).

7. Following the Opening Session, Mr. Alkhaly Mohammed Daffe, Governor, Central Bank of the Republic of Guinea was elected Chairman of the meeting. He thanked the Committee, on behalf of the Government and people of the Republic of Guinea, for selecting Guinea to chair the meeting. While promising to do his best, he requested the delegates to extend the usual support to Guinea during his term.

II. CONSIDERATION OF AGENDA ITEMS

8. The meeting's Agenda (Annex II) was thereafter adopted.

9. The Chairperson of the Technical Committee, Dr.(Mrs) Nagnouma Faro, gave the highlights of the Reports presented to the Technical Committee, as well as the observations and recommendations of the Committee (See the Report of the Technical Committee).

A. Observations and Recommendations on Policy Issues

II.1 Assessment of Country Performance on the WAMZ Programme During the First Half of 2004 and Outlook for the Rest of the year.

11.1.1 Observations of the Committee of Governors

10. Governors reviewed the recommendations of the Technical Committee, and made additional observations and recommendations, the highlights of which are as follows:

- (a) The Governors noted the Technical Report of WAMI, “The Role of Institutions of the WAMZ” which indicated that the original design of the monetary union did not take account of the fundamental imperatives of sustained convergence. The implication was that the time frame and the unstable nature of the macroeconomic environment which constrained credible convergence was underestimated.
- (b) Governors also noted that the fundamental preconditions for monetary union cannot be ignored, otherwise the union ran the risk of reversals as happened in East Africa.
- (c) The marginal improvement in macroeconomic convergence at the end of June 2004 was a welcome development but efforts should be sustained in the rest of the year to improve the overall performance of member countries as convergence remained elusive.
- (d) Fiscal dominance remained a major problem for the member countries, slowing down the pace of macroeconomic convergence.
- (e) The macroeconomic environment remained unstable, with domestic and external shocks limiting the capacity of member countries to attain convergence.

- (f) The prospects for attaining the convergence criteria by June 2005 and commencing the monetary union by July 1, 2005 may not be feasible due to:
- (i) The poor status of macroeconomic convergence at the end of 2003, the weak but slightly improved performance at the end of June 2004 which indicated the weak capacity for convergence attainment.
 - (ii) The financial contributions to the WAMZ programme by member countries which have not been forthcoming as a result of the weak financial positions of most of the countries.
 - (iii) The ongoing statistical harmonization process which was still at a take-off stage.
 - (iv) The state of the payment systems infrastructure in most countries which required substantial upgrading for effective and efficient monetary policy implementation.
 - (v) The lack of cushioning mechanisms for absorbing shocks in the WAMZ.
 - (vi) Tax policies which were yet to be harmonized in the WAMZ.
 - (vii) The financial burden of WAMZ monetary union which was yet to be fully articulated. For instance, the printing of the Eco and the full operationalisation of the WACB and other WAMZ institutions would require substantial financial resources.

II.1.2 Recommendations by the Committee of Governors

11. At the end of its deliberations on this subject, the Committee of Governors made the following recommendations:

- (i) Governors noted that given the fact that countries have not been able to perform creditably on the convergence scale, it appears that the target date of July 1, 2005 may not be feasible and therefore recommended that WAMI should undertake a technical assessment of the status of the WAMZ programme at the end of 2004 and outlook for the medium term (about five years), with benchmarks clearly specified. Scenarios should also be articulated to come up with a credible timetable for monetary union. All other aspects of the convergence process should be covered in the study, including policy harmonization, fiscal sustainability, architecture of the WAMZ, as well as other administrative and legal issues. Budgetary and financial implications for operationalising the WACB in the future should also be included in the assessment. The role of the institutions of the WAMZ should also be analysed including the financial implications. Any future shift in date must be realistic given the economic, financial and even practical steps required for a credible monetary union. The first quarter 2005 meetings of the WAMZ should agree on the prioritized programme of action, timeframe and benchmarks towards a credible and sustainable monetary union.
- (ii) The Governors directed WAMI to make a proposal on the human and financial resources and other logistical support required for the completion of the assessment exercise as soon as possible.

- (iii) The current efforts by member countries to reduce discretionary expenditures should be sustained while efforts should be stepped up in domestic revenue mobilization. This is required to cushion the effect of shocks arising from inadequate inflow of donor funds and drop in commodity prices.
- (iv) Central Banks should maintain the tight monetary stance observed in the review period. The financing of governments, except for modest clearing balances should be eliminated;

11.2 Statistical Harmonisation and Database Development Action Plan for the West African Monetary Zone

II.2.1 Observations by the Committee of Governors

12. The following observations were made by the Committee of Governors:
- (a) The report reflected the general data and ICT needs of the member countries. However, the position of Guinea in respect of her statistical requirements should be confirmed in a written document to WAMI. This would enable the Institute to take into account the additional needs of Guinea in the search for donor support for the project on statistical harmonization.
 - (b) There appeared to be a financing gap in the costing of the statistical harmonization project. This would require efforts in earnest to source donor funds and technical support to ensure effective implementation of the Action Plan.

II.2.2 Recommendations by the Committee of Governors

13. Following its deliberations, the Committee of Governors made the following recommendations:
- (i) The Reports on the Essential Statistics Improvement for WAMI Convergence Surveillance and the Action Plan for the WAMZ Statistics Database were endorsed for adoption by the Convergence Council;
 - (ii) Ghana, Nigeria and Guinea should sustain their current efforts to close the observed statistical gaps so as to improve reporting standards. The Gambia and Sierra Leone in collaboration with WAMI should source donor support for funding their statistical needs for meeting the minimum standards on the CPI and national accounts;
 - (iii) The ECOMAC database developed by the ECOWAS CCC should be fully implemented to form the basis of the WAMZ common statistics database. Its capabilities should be enhanced to meet the current demands of the surveillance mechanism;
 - (iv) The staff of WAMI and the national Central Banks should be trained on the ECOMAC database;
 - (v) A Zonal ICT Working Group should be established to facilitate the development of a new Enterprise Architecture to ensure that WAMZ database was part of a larger ECOWAS ICT framework for achieving the objective of the integration process;
 - (vi) Countries that have specific financing needs should make proposals to WAMI for incorporation in the request to be presented to donors; and

- (vii) The technical and financial support by USAID, IBM and the European Union to complete this project was highly appreciated and it was hoped that the partnership would be sustained.

II.3 Study on Payments System Development in the WAMZ: Findings, Recommendations and Action Plan

II.3.1 Observations by the Committee of Governors.

14. The Committee of Governors made the following observations:

- (a) An efficient payments system is one of the preconditions for monetary union. Efforts should therefore be made by all countries to develop their payments systems.
- (b) In view of the urgency to develop the Zone's payments systems in readiness for the monetary union, the strategy to develop some priorities was in the right direction. Implementation should however be phased and resources allocated to ensure speedy completion of the payments system project.
- (c) Donor support would require some minimum commitment by member countries. As a result member countries should be ready to make the required sacrifices.

II.3.2 Recommendations by the Committee of Governors

15. After its deliberations, the Committee of Governors adopted the following recommendations:

- (i) The study reports on the WAMZ payments systems should be adopted as they were generally in line with the approved terms of reference;
- (ii) In view of the multiplicity of issues pertaining to the development of the payments systems of the WAMZ, the prioritization of development of the various components should be pursued. Also, the priorities identified by the Committee, viz, establishment of common RTGS, development of common standards for cheques and other payments instruments, introduction of a common ACH and ATM/POS and harmonisation of the Zone's payments system laws, rules and regulations, should be endorsed;
- (iii) The establishment of five Sub-committees, as outlined in the Committee's report, to handle the development of the various components was endorsed. Each Sub-Committee will be chaired by a Lead Country and will be composed of representatives from the other four member countries; and
- (iv) While the member countries should finance their components under the Action Plan, efforts should be made by WAMI/WACB and the countries to source external funding from the World Bank, DFID, GTZ and other external donors on a collective zonal basis. Furthermore, efforts should also be made to adopt a zonal approach by WAMI to source donor funds in support of member countries that are not able to meet their part of the funding requirement. A status report of each country should be included in the assessment report WAMI was to undertake in the next six months.

B. Observations and Recommendations on Legal Issues

II.4.1 Observation by the Committee of Governors

- (i) There were a number of implications of the WAFSA statute for the current efforts in the member countries which required in depth study and analysis.

II.4.2 Recommendation by the Committee of Governors

16. After its deliberations, the Committee of Governors made the following recommendations:

- (i) The draft statute of WAFSA should be further examined by Governors before a recommendation is made to the Convergence Council.
- (ii) The location of the headquarters of WAFSA and WAMZ Secretariat in Nigeria and Guinea respectively, earlier approved by the Convergence Council should be presented to the Authority of Heads of State and Government for endorsement. In addition the statute for the WAMZ Secretariat should also be forwarded for the approval of the Authority.

III. ANY OTHER BUSINESS

17. The Director General of WAMI, Dr. M. O. Ojo called members' attention to the revised schedule of WAMZ major meetings in 2004 which was earlier circulated. Member countries enumerated various problems confronting them in making payments to the WAMZ project. Some member countries indicated that no provisions were made for WACB Capital in their current budgets but that such allocations would be made in the 2005 budgets. Governors agreed that the outstanding financial contributions should be reprogrammed in line with a new

timeframe that may likely emerge after the holistic assessment that WAMI has been asked to undertake.

IV. VOTE OF THANKS

18. Hon. Famara Jatta, Governor of the Central Bank of The Gambia moved the vote of thanks. He thanked the Government and people of the Republic of Guinea for the warm hospitality extended to Governors since their arrival in Conakry. He thanked his colleagues for their fruitful deliberations.

V. ADOPTION OF THE REPORT

19. The Report was unanimously adopted.

VI. DATE OF NEXT MEETING

20. The next meeting of the Committee of Governors will take place at the venue of the ECOWAS statutory meetings in December 2004. The exact date and venue will be communicated to members in due course.

VII. CLOSING

21. The Chairman, in his closing remarks thanked fellow Governors for their fruitful contributions which facilitated proceedings at the meeting. He also thanked the Director General of WAMI and his staff for the quality of background papers prepared for the meeting. He wished Governors safe journey back to their various destinations.

**DONE IN CONAKRY, GUINEA
ON THE 1ST DAY OF SEPTEMBER, 2004**

**MR ALKHALY MOHAMMED DAFTE
GOVERNOR, CENTRAL BANK OF THE REPUBLIC OF GUINEA
AND CHAIRMAN, COMMITTEE OF GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE**

ANNEX I

ATTENDANCE: MEMBER STATES AND INSTITUTIONS

THE GAMBIA

Central Bank of The Gambia

GHANA

Bank of Ghana

REPUBLIC OF GUINEA

Central Bank of the Republic of Guinea

NIGERIA

Central Bank of Nigeria

SIERRA LEONE

Bank of Sierra Leone

WEST AFRICAN MONETARY INSTITUTE

ECOWAS EXECUTIVE SECRETARIAT

ECOWAS PARLIAMENT

OBSERVERS

- West African Monetary Agency (WAMA)
- West African Institute for Financial and Economic Management (WAIFEM)
- West African Bankers Association (WABA)
- Central Bank of Liberia
- Bank of Cape Verde
- Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)
- UEMOA Commission

ANNEXE II

ADOPTED AGENDA

1. Opening
2. Election of Chairman
3. Adoption of the Agenda
4. Consideration of the Report of the 18th Meeting of the Technical Committee
5. Any Other Business
6. Adoption of the Report
7. Closing

