

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

WAMZ/CC/15

**15TH MEETING OF THE CONVERGENCE COUNCIL
OF MINISTERS AND GOVERNORS
OF CENTRAL BANKS OF THE
WEST AFRICAN MONETARY ZONE**

FINAL REPORT

**CONAKRY, GUINEA
SEPTEMBER 2, 2004**

**REPORT OF THE 15TH MEETING OF THE CONVERGENCE COUNCIL
OF MINISTERS AND GOVERNORS OF CENTRAL BANKS OF THE
WEST AFRICAN MONETARY ZONE
HELD AT THE RIVIERA HOTEL
CONAKRY, GUINEA
SEPTEMBER 2, 2004**

I. INTRODUCTION

1. The 15th Meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) was held at the Riviera Hotel, Conakry, Guinea, on September 2, 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 Reports of the 18th Meeting of the Technical Committee and 12th Meeting of the Committee of Governors of the Central Banks of the WAMZ 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 I and III).

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

OPENING

3. The representative of the Executive Secretary of ECOWAS, Mr. Mame Cor Sene, Deputy Executive Secretary responsible for Policy Harmonization welcomed Council members to the meeting. He expressed appreciation to the President, Government and people of Guinea for the warm hospitality extended to delegates since their arrival in Conakry. He noted that the assessment of the performance of the WAMZ economies during the first half of 2004 and prospects

for the rest of the year constitute the major subject for discussion at the meeting. He observed that marginal improvements were recorded during the first half of 2004, and advised that what was required was sound macroeconomic management to sustain convergence. As a result of inadequate convergence, member countries should redouble their efforts to apply the required policies for convergence. He informed members that the ECOWAS Secretariat and WAMI were collaborating in the areas of statistical harmonization and a network of information sharing. He wished the Council fruitful deliberations.

4. The outgoing Chairman of the Convergence Council, Mr. M. Daramy, Minister of Development and Planning of Sierra Leone welcomed members to the meeting. He expressed appreciation of Council to the President, People and Government of Guinea for the warm welcome to Council members since their arrival in Conakry. He noted that the purpose of the meeting was to deliberate on the Report of the 12th Meeting of the Committee of Governors and papers earlier circulated by WAMI. He underscored the problems militating against the convergence process in the WAMZ. But, while macroeconomic convergence has been poor, progress has been made in the other areas of the convergence process. It was expected that member countries would make the WAMZ programme a success by applying desirable policies.

5. He observed that one critical policy area was the avoidance of fiscal dominance for which the Finance Ministers' Forum was set up. The Forum would only be useful if its decisions were implemented by all member countries. He advised that the sensitization programme should be stepped up. Apart from macroeconomic convergence we should pay attention to the other areas of the integration process, especially in the area of trade. He thanked the Director General of WAMI, Dr. M. O. Ojo and his staff for the support he received from them during his tenure. He also thanked his colleagues for their support.

6. The Minister of Cooperation of the Republic of Guinea, El Hadj Thierno Habib Diallo, welcomed Council members to the meeting on behalf of the President, Government and People of the Republic of Guinea. He expressed his thanks to the delegates for their full attendance at the meeting. He noted that the assessment of macroeconomic performance of the WAMZ has not been very encouraging and observed that the Zone was beset by both domestic and external shocks. He advised that it was important to tighten monetary policy and impose fiscal restraint to be able to attain a satisfactory level of convergence. The Republic of Guinea he noted, has been implementing an adjustment programme supported by strong political will. He advised that WAMI should undertake a comprehensive assessment of the convergence process and policy measures required for sustainable convergence and that monetary union should be applied as a vehicle for the development of the peoples of the sub-region.

7. Following the Opening Session, El Hadj Thierno Habib Diallo, Minister of Cooperation of the Republic of Guinea, was elected Chairman of the meeting. He thanked the Council, 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 tenure.

II. CONSIDERATION OF AGENDA ITEMS

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

9. The Chairman of the Committee of Governors, Alkaly Mohamed Daffe gave the highlights of the Report of the Committee (See the Report of the Committee of Governors).

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 Convergence Council

10. Council reviewed the report of the Committee of Governors, and made the following observations :

- (a) Council noted that the poor macroeconomic convergence of member countries of the WAMZ at the end of 2003 improved marginally at the end of June 2004.
- (b) Council also noted that the economies of the WAMZ continued to be confronted by both domestic and external shocks, militating against the attainment of macroeconomic convergence.
- (c) Fiscal dominance has also remained a major problem in the WAMZ while inflation had not been contained.
- (d) However, the poor macroeconomic convergence should not deter member countries from pursuing appropriate policies that would eventually lead to convergence.

II.1.2 Recommendations by the Convergence Council

11. At the end of its deliberations on this subject, the Convergence Council made the following recommendations:
- (i) Whereas Council noted the Authority's decision that July 1, 2005 would be the commencement date for monetary union, it recommended that WAMI undertakes a study, the results of which would establish the state of preparedness for monetary union and a basis for a firm date for the commencement of the monetary union. Meanwhile, member countries were urged to redouble their efforts in the implementation of appropriate economic policies to move towards convergence.
 - (ii) WAMI should undertake a technical assessment of the status of the WAMZ programme at the end of 2004 and outlook for the medium term. Scenario analysis should also be articulated. All the relevant and critical aspects of the convergence process should be covered in the study, including tax policy harmonization, payments system, fiscal sustainability, statistical harmonization, banking supervision, trade policy, architecture of the WAMZ, as well as other administrative and legal issues. Budgetary and financial implications for operationalising the WACB and other WAMZ institutions should also be included in the assessment. The assessment report should be ready by March 2005 for presentation at the WAMZ meetings.
 - (iii) WAMI should 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. In addition, WAMI should articulate a Terms of Reference for the study in collaboration with the Technical Experts of the member countries.

- (iv) The current efforts by member countries to reduce fiscal deficits should be sustained. In particular, efforts should be stepped up in domestic revenue mobilization. This was required to cushion the effect of shocks arising from inadequate inflow of donor funds and drop in commodity prices.
- (v) 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.
- (vi) There was need for all member countries to dismantle barriers to intra-ECOWAS trade and facilitate free movement of goods and persons. This would be complementary to the monetary union endeavour. The Ministers of Trade should report to Council at its meetings, the progress made in ECOWAS Protocols on free movement of goods and persons.

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

11.2.1 Observations by the Convergence Council

- 12. The Council adopted the following observations of 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 Convergence Council

13. Council adopted the following recommendations of the Committee of Governors:

- (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 Authority of Heads of State and Government;
- (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

II.3.1 Observations *by the Convergence Council.*

14. The Convergence Council made the following observations:

- (a) An efficient payments system is one of the preconditions for monetary union. Therefore efforts should be made by member states 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.

II.3.2 Recommendations by the Convergence Council

15. After its deliberations, the Convergence Council 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 the 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) Implementation of the Payments System Action Plan should be phased and resources allocated to ensure speedy completion. In addition, a timeframe for the completion of each activity should be articulated.
- (iv) 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
- (v) 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 Convergence Council

- (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 *Recommendations by the Convergence Council*

16. After its deliberations, the Convergence Council 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. Comments by member countries should be forwarded to WAMI before the end of November 2004.
- (ii) The decision on the location of the headquarters of WAFSA and WAMZ Secretariat in Nigeria and Guinea respectively, earlier

adopted 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 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. The Director General appealed to member countries with outstanding financial contributions to pay up without further delay. It may be recalled that the Convergence Council had earlier decided that such outstanding contributions should be paid before the end of August 2004, while current payments falling due should be made before end-December 2004.

18. The sensitization programme should be stepped up in order to carry along all the stakeholders of the WAMZ programme.

IV. VOTE OF THANKS

19. Dr. Konadu Apraku, Minister of Regional Cooperation and NEPAD, Ghana moved the vote of thanks. He thanked the President, Government and people of the Republic of Guinea for the warm hospitality extended to Council members since their arrival in Conakry. He observed that Guinea has been very committed to the WAMZ objective and commended the Government and people of Guinea for the commitment. He thanked his colleagues for their fruitful deliberations, WAMI and the Technical Committee for their efforts.

V. ADOPTION OF THE REPORT

20. The Report was unanimously adopted.

VI. DATE OF NEXT MEETING

21. The next meeting of the Convergence Council 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

22. The Chairman, in his closing remarks thanked members 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 Council members safe journey back to their various destinations .

**DONE IN CONAKRY, GUINEA
ON THE 2ST DAY OF SEPTEMBER, 2004**

**EL HADJ THIerno HABIB DIALLO
MINISTER OF COOPERATION AND CHAIRMAN,
CONVERGENCE COUNCIL OF MINISTERS
OF THE WEST AFRICAN MONETARY ZONE**

ANNEX I

ATTENDANCE: MEMBER STATES AND INSTITUTIONS

THE GAMBIA

Department of State for Finance and Economic Affairs
Central Bank of The Gambia

GHANA

Ministry of Foreign Affairs
Ministry of Finance and Economic Planning
Ministry of Trade, Industry and PSI
Ministry of Regional Cooperation and NEPAD
Bank of Ghana

REPUBLIC OF GUINEA

Ministry of Finance and Economy
Ministry of Cooperation
Ministry of Industry, Trade, Commerce and Small Scale Industries
Central Bank of the Republic of Guinea

NIGERIA

Ministry of Cooperation and Integration in Africa
Federal Ministry of Finance
Central Bank of Nigeria

SIERRA LEONE

Ministry of Development and Economic Planning
Ministry of Finance
Ministry of Foreign Affairs & International Cooperation
Bank of Sierra Leone

WEST AFRICAN MONETARY INSTITUTE

ECOWAS EXECUTIVE SECRETARIAT

ECOWAS PARLIAMENT

OBSERVERS

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

ANNEXE II

ADOPTED AGENDA

1. Opening
2. Election of Chairman
3. Adoption of the Agenda
4. Consideration of the Report of the 12th Meeting of the Committee of Governors
5. Any Other Business
6. Adoption of the Report
7. Closing

