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A. WAMI OFFICES COMMISSIONED IN ACCRA

The offices of the West African Monetary Institute (WAMI) have been commissioned in Accra, Ghana, signalling the commencement of operations of the Institute. The commissioning of the offices located at the Premier Towers, Accra took place on January 31, 2001. The ceremony was attended by a number of distinguished personalities which included Ghana's Honourable Minister of Finance, Hon. Yaw Osafo-Mafo, Ghana's Honourable Minister of Economic Planning and Regional Integration, Dr. Kwesi Nduom, the Governor of the Bank of Ghana, Dr Kwabena Duffuor, Governor, Central Bank of Nigeria, Chief (Dr) J O Sanusi, Governor, Bank of Sierra Leone, Mr. J Sanpha Koroma and Governor, Central Bank of The Gambia, Mr. M. C. Bajo. The ceremony was also attended by other dignitaries including members of the Diplomatic Corps and Chief Executive Officers of financial institutions.



Hon. Min. of Finance of Ghana, cutting the tape to commission the WAMI offices

The Governor of Bank of Ghana delivered a welcome address while the Honourable Minister of Finance delivered the keynote address. The Governor welcomed the dignitaries to the occasion and pledged the continued support of the Bank of

Ghana to the Institute in the discharge of its mandate. On his part, the Honorable Minister of Finance considered the commissioning of the offices of WAMI as a significant milestone towards the realization of the ECOWAS Treaty's objective of creating a single monetary zone for member states. The Honourable Minister expressed the commitment of the Government of Ghana to the integration of the economies in the sub-region but cautioned that the prescribed convergence criteria were tough and that additional efforts and sacrifices were required to attain the targets. In the case of Ghana, owing to the difficult macro-economic situation, some tough policy decisions would have to be taken to ensure that the targets are met.

The Minister stressed the need for central banks and ministries of finance in the sub-region to coordinate their policies to ensure that fiscal policy does not undermine monetary policy objectives. The Minister concluded his address by urging all to cooperate with WAMI to enable the Institute achieve its mandate. The Honourable Minister promised that the Government would ensure the full cooperation of the Ghanaian authorities with WAMI. Thereafter he declared the offices of WAMI open.

B. SPEECHES AT THE INAUGURATION OF WAMI

At the inauguration of WAMI, two major speeches were made. One by the Governor of the Bank of Ghana and the other by the Honourable Minister of Finance of the Republic of Ghana. These are re-produced below.

WELCOME STATEMENT BY THE GOVERNOR OF THE BANK OF GHANA

**Mr. Chairman,
Honourable Ministers,
Colleague Central Bank Governors
Members of the Diplomatic Corps,
Distinguished Ladies and Gentlemen,**

It gives me great pleasure to welcome you all, on behalf of His Excellency the President of the Republic of Ghana, Mr. John Agyekum Kuffuor, the Government and people of Ghana, the Bank of Ghana and myself, to Accra for this short but important ceremony.



Governor of BOG, Dr. Duffour welcoming the dignitaries to the inauguration

The Convergence Council of the Second Monetary Zone, comprising Ministers of Finance, Regional Integration, Trade, Foreign Affairs and Governors of Central Bank met in Banjul, The Gambia, last November to discuss the issue of facilitating the creation of the Zone. At that meeting, Ghana was unanimously selected as the location for the West African Monetary Institute (WAMI). The choice of Ghana, we believe, was due partly to the country's demonstrated commitment to the Second Monetary

Zone Project, the political stability that it enjoys, the improved infrastructural facilities and the strategic role Ghana plays among the Second Monetary Zone countries.

The West African Monetary Institute which we are about to commission this afternoon, is designed to be a forerunner Institution to pave the way for the proposed West African Central Bank. This Bank will eventually be responsible for issuing the planned common currency and managing the ensuing monetary system for the group of non-CFA countries in our Sub-Region. The task of WAMI would include designing an exchange rate mechanism and other related schemes for these countries, that would ensure policy convergence in key economic areas. The harmonization of macroeconomic policies is critical to the success of the creation of a West African Central Bank and a common currency. This would require that all countries pursue domestic fiscal policies that are consistent with the single monetary system, a requirement which no doubt would require serious reforms and adjustments in all countries. There is no doubt that the WAMI has a challenging task over the next two years.

Mr. Chairman, Distinguished Ladies and Gentlemen, the ability of a central bank to effectively conduct appropriate monetary and exchange rate policies depends critically on its credibility in the banking system in particular, and the public as a whole. The credibility of the proposed West African Central Bank would derive from the effectiveness and ability of WAMI to achieve its objectives on schedule. It is imperative therefore, that the opening of the offices of WAMI be seen as the onset of a credibility building process; a process that would

lead to the development of a plausible policy framework and institutions to create an acceptable common currency for member countries.

Mr. Chairman, as the host Central Bank to WAMI, Bank of Ghana would like to assure the Convergence Council of its fullest cooperation with the Institute to ensure its success. We have already committed ourselves to attach some of our senior staff to the Institute to facilitate its work programme; we are also committed to participate fully in all official meetings and other activities that would push forward the Institute's agenda to a successful conclusion.

As you may be aware, Ghana, like many other countries which export primary commodities, has suffered a major terms of trade shock, which has adversely affected economic performance over the last year and a half. To allay any fears of the founding fathers of the Institute, I would wish to assure you all that, strenuous efforts are being made to improve upon the macroeconomic environment in Ghana.

It is our expectation that the Government of Ghana will continue to lend its maximum support to WAMI in particular, and the sub-regional integration project as a whole. There is no doubt that financial integration will present large benefits for our countries. It would allow larger scale transactions and internationalisation of financial activities as well as improve risk management. The large regional financial market would help attract foreign capital and contribute effectively to domestic financial efficiency and stability.

The possibility of regional financial infrastructural facilities such as securities

and capital markets, payments and settlements systems, credit information systems and a common legal framework, points to the wider positive implications of the second monetary zone project. By having a regional framework, financial analysts and policy makers in the financial sector would be shielded from domestic pressures, thereby improving both their performance and efficiency. Mr. Chairman, Ladies and Gentlemen, on behalf of the Committee of Governors and the Convergence Council, I wish to use this opportunity to thank all those who have worked hard towards the setting up of the WAMI. My thanks' also go particularly to the Task Force and the Technical Committee on the Second Monetary Zone that have managed to put together the various technical papers on the establishment of this Institute in a relatively short time.

Finally, I wish to congratulate the founding fathers in our respective countries for their foresight and the political will that they have shown so far towards the achievement of the single monetary zone objective.

To all members of the Convergence Council, I say congratulations for making the WAMI dream a reality today.

I believe the WAMI will live up to the high expectations of member countries and that its aims and objectives will be achieved within the time limitations set for it.

On this note, Mr. Chairman, Distinguished Ladies and Gentlemen, it is my pleasure to welcome you all, once again to the commissioning of the premises of the West African Monetary Institute.

Thank you very much for your kind attention.

***SPEECH BY THE HONOURABLE
MINISTER OF FINANCE OF THE
REPUBLIC OF GHANA***

**Mr. Chairman, Excellencies,
Governors of Central Banks,
The Director-General of WAMI,
Members of the Diplomatic Corps,
Chief Executive Officers of Financial
Institutions, Distinguished Guests,
Ladies and Gentlemen.**

As you would recall, at the 22nd Ordinary Summit of the Authority of Heads of State and Government of ECOWAS held in Lome in December 1999, Member States decided that urgent measures be adopted to accelerate the implementation of the ECOWAS programmes on Integration. Towards the objective of accelerating the integration process, it has become necessary to begin to unify strategies for harmonising and consolidating the small economies of our sub-region to meet serious challenges posed by the process of rapid globalisation. In pursuit of this objective, a summit of six countries comprising the Republics of Ghana, Nigeria, Sierra Leone, The Gambia, Liberia and Guinea convened in Accra in April 2000 to firm up their commitment to the creation of a Second Monetary Zone within ECOWAS, as a means of facilitating intra-regional trade and development.

The commissioning of the offices of the West African Monetary Institute today marks yet another significant milestone towards the realisation of one of the key objectives of the ECOWAS Treaty in general, and the move towards a Common West African Monetary Zone in particular.

The West African Monetary Institute which is set up to prepare the ground for

the creation of a Common Central Bank will play a role similar to that performed by the European Monetary Institute in the run-up to the creation of the European Central Bank. The Institute would, among other functions, ensure the harmonisation of fiscal and monetary policies and regulations in the participating countries, with a view to formulating a common monetary policy for those countries. It would also be responsible for ensuring that the regulatory framework in participating countries are harmonised including laws relating to both bank and non-banking institutions. The Institute would be charged with reporting on the state of convergence of the economies of the zone and recommend appropriate policies to facilitate attainment of the following agreed macro-economic convergence criteria:

- a. A single digit rate of inflation by 2000 and 5 per cent by the 2003;
- b. Gross Reserves to cover at least three months of imports by 2000 and six months of imports by 2003;
- c. A limit of Central Bank financing of budget deficits to 10 per cent of the previous years tax revenue; and
- d. A limit of 5 per cent of the budget deficit/GDP ratio by 2000 and 4 per cent by 2002.

These convergence criteria, stringent as they may look are but useful pre-conditions for promoting the level of economic discipline required to ensure the establishment of a credible Monetary Zone. Indeed these same conditions would be applied to us were we to decide to join any other existing currency arrangement. Considering the circumstances we

find ourselves at the moment, it is likely that some countries in the sub-region may find it difficult meeting these monetary and fiscal targets within the time frame.



The Hon. Min. of Finance of Ghana, Mr. Osafo-Marfo delivering a speech to commission the WAMI offices

Mr. Chairman, Distinguished Guests, Ladies and Gentlemen,

My Government realises the importance of monetary integration in our sub-region, and the positive benefits that we stand to derive from an expanded West African market economy. A strong and vibrant ECOWAS will not only be a stimulus to our national development but will also serve as a springboard for the realisation of an African Economic Community. The Government, therefore, intends to place emphasis on Regional Economic Cooperation and Integration to enable it realise these objectives. We are working towards a lasting solution to the instability of the Ghanaian currency and the convergence criteria of the West African Monetary Institute are consistent with these ideals. The potential single currency scheme has been proven to yield more macroeconomic stability, as has amply been demonstrated in our sister countries of the CFA Zone. We believe that enhanced fiscal discipline under sub-regional initiative will bring stability to our

economies and improve our credibility, paving the way to increased investment.

Distinguished Guests, Ladies and Gentlemen, the difficult macroeconomic situation we have inherited and the poor policy response to the attendant shocks means that for us, meeting these criteria will require some tough policy decisions.

Mr. Chairman,

May I take the opportunity to appeal for a very close coordination between Central Banks in the Sub-Region and their corresponding Ministries of Finance to ensure that **FISCAL** policies do not undermine **MONETARY** policies, and vice versa.

In practice, fiscal policies pursued by Governments intend to undermine the macro-economic environment. Governments' over-borrowing from the domestic banking system creates a large debt service and crowd out the private sector as a major player in credit accessibility. This is one major source of our woes in the **SUB-REGION**. Let us accept that only prudent financial management and discipline in our economies can save us.

To conclude, I would like to urge you all to give the Institute the necessary support to be able to effectively carry out its objectives. We on our part will ensure the full cooperation of the Ghanaian authorities with the WAMI. Mr. Chairman, Distinguished Guests, it is my honour to declare the Offices of the West African Monetary Institute (WAMI) duly open.

Thank you very much for your attention.

C. THE ROLE OF WAMI IN THE WEST AFRICAN MONETARY ZONE

The West African Monetary Zone (WAMZ)

The Heads of State of six countries in West Africa, as part of the Fast Track Approach to integration, decided in Accra, Ghana, on April 20, 2000 to establish a Second Monetary Zone to be known as the West African Monetary Zone (WAMZ) by 2003. These countries namely The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone signed the 'Accra Declaration' which defined the objectives of the zone as well as, an action plan and institutional arrangements to ensure the speedy implementation of their decision. It is envisaged that this zone will be merged with the CFA Franc Zone to form a single monetary zone in West Africa by 2004.

At the second summit of Heads of State and Government of the zone held in Bamako, Mali on December 15, 2000 a number of important documents relating to the institutional, administrative and legal framework for establishing the Zone was adopted, namely:

- the agreement of the West African Monetary Zone (WAMZ);
- the statutes of the West African Monetary Institute (WAMI);
- the statutes of the West African Central Bank (WACB); and
- the provisions on the Stabilization and Cooperation Fund;

The Second Monetary Zone is to take off in January 2003 when a common currency would be issued by a common

Central Bank to circulate in the six West African countries.

The West African Monetary Institute (WAMI)

The objective of creating the West African Monetary Institute (WAMI) is to facilitate the establishment of a Common Central Bank which would issue a common currency for The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone. The Institute would canvass for the pursuit of appropriate monetary policy to ensure price stability and sustained economic growth in these countries as part of the overall ECOWAS integration effort. The arrangement is expected to facilitate the ECOWAS Monetary Cooperation Programme with the reduction of the problem of multiple currencies. The existence of only two currencies in the sub-region will make it easier to achieve the ECOWAS objective of a single monetary zone through the merger of the two zones in 2004.

The Institute which would undertake technical preparations for the establishment of a common West African Central Bank started operations in January 2001.

Functions of WAMI

In accordance with its statutes, the Institute is mandated to perform the following functions:

Foster Cooperation Among Countries

The West African Monetary Institute will fulfill a role similar to that played by the European Monetary Institute (EMI). The Institute would provide a platform for intense cooperation between the 6(six) Central Banks in the West African Monetary Zone, and foster in the countries of the Zone the feeling of

ownership of the future common Central Bank.

Harmonise Regulations and Policies

The Institute would ensure that regulations on financial markets in all six countries are harmonized. These would include laws relating to both bank and non-bank financial institutions, and thereby create a level playing field for all economic operators within the Zone.

The WAMI would also ensure the harmonization of monetary policy, banking regulations and accounting practices of all the participating countries of the West African Monetary Zone. This would allow comparability and formulation of a common monetary policy for all six countries. In this vein, the WAMI would design reporting formats for all data generating agencies in each of the participating countries. It would also design a harmonized consumer price index, which would be calculated and compared to national consumer price indices for effective design of a common monetary policy.

Studies on Exchange Rate Parities and Monetary Policy

The WAMI would study the issue of exchange rate parities within the West African monetary zone and recommend the appropriate exchange rate mechanism and parities for the existing currencies in the second monetary zone. It would also provide a basis for the setting up of an exchange rate mechanism and the appropriate bands of fluctuation for currencies in the zone.

The West African Monetary Institute would be required to undertake research to provide information on the transmission mechanism of monetary

policy in the six countries and use that information for the development and management of a common monetary policy. It would also study monetary and credit developments as well as real sector developments, paying attention to the underlying trends in the economies of the West African monetary zone and the type of shocks experienced by the banking and financial sector. It shall also pay attention to import prices, levels of output and the risks to price stability in all six countries.

Monitor State of Convergence

The WAMI would monitor the state of convergence of the six countries vis-à-vis the prescribed benchmarks and submit an analysis of developments in the participating countries. The Convergence Reports would make recommendations of policy measures needed to achieve the required convergence in the participating economies. These reports would be submitted to the Convergence Council on a half yearly basis.

Promote Regional Payments System

The WAMI would also promote the development of the payments system in the second monetary zone to facilitate the implementation of a common monetary policy. This would require close collaboration with the West African Bankers Association (WABA) to implement a payments system infrastructure that would allow the interlinking of all participating countries. This would facilitate the smooth execution of monetary policy operations and efficient transfers within the zone.

Design and Technical Preparation of New Currency

The WAMI will be responsible for the design and technical preparation of the new currency to be issued by the common Central Bank. This would include the name, design, par value, denominations, security features relating to the printing of the new bank notes and coin. The Institute would also be responsible for the setting up of the common Central Bank, including the physical infrastructure and drawing up guidelines for the hiring of key officers.

Organise Sensitisation

It would embark on a programme of sensitization of citizens of the participating countries to create wide public support for the Second Monetary Zone Project, especially the introduction of the new currency. This would involve organisation of seminars/workshops etc. to educate the public on the new currency and its distinguishing features to enhance the use and acceptability of the new bank notes and coin.

Create Enabling Environment

The Institute would create the conditions for a smooth transition to the new common currency by ensuring that: regulations in all countries are consistent with the introduction of a new currency; prices are quoted in the new currency as well as any other practical issues that would facilitate the smooth introduction of the new currency; and withdrawal of old currencies.

Organisational Structure of WAMI

The West African Monetary Institute is headed by a Director General. There are

Three Departments – Research, Operations, and Finance and Administration as well as two units, Internal Audit and Legal, and the office of the Director General. The WAMI is supervised by a Convergence Council of Ministers and Governors of central banks of member states.

Budget

A two-year budget of the Institute was approved in December 2000 to cover the period of activities of the Institute, 2001 and 2002. The budget was subscribed to by member Central Banks in accordance with the ECOWAS Budgetary allocation formula which is a coefficient of contribution based on GDP and population. The budget is a modest one in view of the difficult economic conditions of member countries and their commitments to other economic cooperation programmes in the sub-region. The budget is mainly an administrative one with the bulk of expenditure on personal emoluments of staff, provision of office facilities and equipment.

Work Programme

The WAMI has been given a two-year work programme, the implementation of which is expected to lead to the establishment of the Common Central Bank. The work programme focuses on technical, institutional and policy harmonization issues that are to be implemented in order to set up the common Central Bank. The two-year Work Programme of the Institute is as follows.

D. PRESS BRIEFING BY THE DIRECTOR GENERAL

The Director General of WAMI, Dr. M. O. Ojo briefed the Press on the activities of the Institute on April 9, 2001. The maiden Press briefing was well attended by the major Media Houses in Accra, representatives of the Ministries of Economic Planning and Regional Cooperation, Foreign Affairs, Bank of Ghana, Ghana Statistical Service, Enterprise Network, Private Enterprise Foundation, Institute of Statistical, Social and Economic Research (ISSER) and Institute of Economic Analysis (IEA).

The summary of the Director General's briefing is reproduced below.

Representatives of the Ghanaian Members of the Convergence Council of WAMZ;
Representatives of International Organisations in Ghana;
Distinguished Members of the Ghanaian Media;
Special Invitees;
Ladies and Gentlemen

INTRODUCTION

It gives me great pleasure, as the Director-General of the West African Monetary Institute (WAMI), to deliver this short address at our maiden dialogue with the Ghanaian Media Houses. To begin with, I want to thank all here present for honouring the Institute's invitation to attend this press briefing.

2. There are two primary reasons for the convening of this press briefing. Firstly, we want to introduce the WAMI to the Media Houses in Ghana and the general public as the latest international

organisation in the capital city of Ghana. Secondly, we want to brief the Ghanaian public through the media on the objectives of the West African Monetary Zone (WAMZ) and the role of WAMI in the monetary integration process of WAMZ which is planned to take off in 2003.

3. My presentation is an abridged version of the full text which will be circulated to all invited guests. Essentially, the presentation will briefly review the evolution of the West African integration process, outline the framework of the WAMZ, analyse the functions of WAMI and dwell a little on the prospects of the WAMZ integration programme.



Press Briefing in Accra

Evolution Of West African Economic Integration

4. We are by now, familiar with our regional institution, the Economic Community of West African States (ECOWAS), responsible for forging economic and political integration in the West Africa Sub-Region. The ECOWAS, established in 1975, has the primary goal in the economic sphere to enhance the growth and development of the Sub-Region by promoting trade and

encouraging close economic cooperation in key areas of the Sub-Region's economies. Although ECOWAS has recorded a number of notable achievements in promoting economic and political cooperation in the Sub-Region, it is the general opinion of people both within and outside the Sub-Region that it has not met the aspirations of the member countries. The key programmes of the organisation have not till date been effectively implemented. For instance, the West African Clearing House established in 1975 to promote trade in the region by providing payments mechanism did not achieve the basic objectives. A more comprehensive programme, the ECOWAS Monetary Cooperation Programme, which was launched to be executed between 1991 and 1994 has had its take-off extended twice because of several slippages in its execution. To date, the programme has been unable to achieve the objectives of regional currency convertibility and adoption of a single currency.

5. There is nothing much wrong with the ECOWAS as an organization. The problem has to do with the way it has been made to operate. The failure of many of its programmes has been partly due to technical difficulties, but has been largely due to inadequate political will and leadership to implement the policies and measures for achieving the identified objectives. However, a new political initiative was taken by the ECOWAS in December 1999 when it supported the adoption of the Two-Track Approach to integration in the region. The Two-Track Approach is this: All along, the French speaking countries in the Sub-Region had run a cohesive monetary union, the CFA Zone (UMOA) and later a monetary and economic union (UEMOA). However, the other members, mainly English speaking

countries, did not have such a union, as the closest arrangement which they had in the colonial period had been abandoned with the attainment of political independence. The initiative of December 1999 implied that the latter countries could forge a second monetary zone. At some point in future, the CFA Zone and the new Zone would merge. Ghana and Nigeria agreed to implement the approach and were subsequently joined by the Gambia, Guinea, Sierra Leone and Liberia.

Framework Of The West African Monetary Zone

6. The six countries mentioned earlier – Ghana, Guinea, The Gambia, Liberia, Nigeria and Sierra Leone – signed the Accra Declaration in April 2000 by which they committed themselves to establish a common central bank and a single currency. Towards those ends, they also agreed to comply with a set of economic convergence criteria so as to stabilize their economies. In December 2000 at Bamako, Mali, the Mini-Summit of Heads of State and Government of the member countries formally signed the Agreement and Statutes of the second monetary zone now called the West African Monetary Zone. The objectives of the WAMZ in the context of the second monetary union are to forge economic stability in the zone, guide member states in the formulation and conduct of their economic policies and ensure close coordination of members states' economic policies by maintaining a multilateral surveillance system.

7. Under the WAMZ Agreement, six institutions were created to fulfill the mandate of the zone. These are: Authority of Heads State and

Government, Convergence Council, Technical Committee, West African Monetary Institute, the West African Central Bank and the Stabilization and Cooperation Fund.

The Role Of The West African Monetary Institute

8. The cornerstone of the West African Monetary Zone (WAMZ) integration programme is undoubtedly the establishment of the West African Central Bank (WACB) and the introduction of the single currency in 2003. There are technicalities in setting up a central bank and introducing a single currency in a group of countries. To tackle these issues, the WAMI was set up under the Agreement . Thus, it is an interim institution to prepare the grounds for setting up the WACB. WAMI's specific functions are to monitor and assess the convergence programme of economic and monetary policies of member states, analyse the technicalities of establishing the common central bank and introducing the single currency, design an exchange rate mechanism as an interim arrangement, develop strategies to strengthen cooperation among national central banks, develop a macroeconomic data base and undertake a sensitization programme to educate all the stakeholders in the zone on the monetary integration process.

9. WAMI comes under the general supervision of the Convergence Council and the Authority of Heads of State and Government of the zone. Its day-to-day operations are directed by a Management Board consisting of the Director General and Departmental Heads. The Institute is to collaborate with the National Central Banks through joint working committees, while it will relate to other technical

officials in both local and international institutions. The Institute will maintain its independence in the performance of its professional duties. It is well equipped to do this as it is staffed by competent professionals from the member countries.

Prospects For WAMZ

10. Apart from the fact that the members of the WAMZ have no better alternative than to forge the monetary and economic union they are now embarking upon, we believe that it is a feasible programme that will enhance economic growth and development of the zone. The single currency when it comes into being will enhance trade and other cross-border transactions. The emergence of an independent central bank in the zone will enhance monetary and financial stability, as well as the increased inflow of foreign capital and higher standards of living for the citizens

Need For Collaborative Efforts To Execute The Programme

11. However, the execution of the programme will involve short-term costs and some discomfort for the citizens; but it is a worthwhile sacrifice in view of the gains mentioned earlier. The citizenry must be sensitized to appreciate that the proposed monetary integration process is another way of telling ourselves that we need to implement credible economic policies to achieve the important goal of increased welfare of our citizens. We need to discipline ourselves more than ever before. Of course, the political leadership must be fully committed to this programme. In a globalising world economy, there will be no room for individual weak economies such as ours. It is on this note that we at WAMI wish

to appeal to our friends in the media to give us the necessary support in this endeavour.

I thank you for your kind attention.

Issues Raised By Members Of The Press

The members of the press raised a number of issues after the Director General's briefing.

One of the issues was the timeframe for the creation of a single monetary zone. The Director General assured the audience that with the strong political commitment thus far and the application of sound economic adjustment measures, the conditions for the realization of the objective of a single monetary zone would be attained as scheduled. Some journalists at the briefing wanted to know the fate of Ghana in the monetary arrangement in the context of current poor economic conditions. They suggested that Ghana may not meet the stipulated Convergence Criteria at the scheduled deadline of 2002. In addition, it was the considered opinion of some members of the Press that the criteria were too stringent and over ambitious, and so should be reviewed. The Director General assured the audience that Ghana was capable of meeting the stipulated targets, especially as government has put in place a sound economic management system that would reduce reliance on inflation financing through credit from the Central Bank in addition to other measures meant to enhance revenue and reduce expenditure in relative terms. The Director General cited the case of Nigeria that reduced inflation rate from 72.8 percent in 1995 to about 29.6 percent in 1998 and to a single digit the following year. Ghana, he said could do better with necessary fiscal discipline. Furthermore,

the Director General assured the audience that at the appropriate time, the political leadership would appraise the entire integration process and decide on an appropriate adjustment path.

E. IMF MISSION TO WAMI

A delegation of the International Monetary Fund (IMF) made up of Papa Ousmane Sakho, Senior Advisor, African Department and Cyrille Briancon, Deputy Division Chief, African Department, visited the Institute on April 10, 2001. The Mission was received by the Director General, Dr. M O. Ojo. The delegation held a meeting with the Institute's Top Management. At the meeting, the Director General expressed appreciation for the quick response of the Fund to our correspondence intimating the Fund of the commencement of operations by the Institute. The Director General indicated that the earlier work on the Second Monetary Zone by Paul Masson of the IMF was a useful reference material for furthering the objectives of the Institute. Papa Ousmane Sakho assured the Director General of the Fund's readiness to assist the Institute in the discharge of its mandate. Mr. Ousmane requested that the areas where the Fund could be of assistance should be spelt out. He indicated that the Fund was interested in the Second Monetary Zone because of the usefulness of regional surveillance as opposed to bilateral surveillance. The Institute's request were mainly in the following areas:

- Undertaking studies in various subject areas of the Institute's Work Programme in collaboration with the Institute;
- Training of staff to acquire capacity in the major subject areas;

- Sponsorship of technical visits by staff;
- Identification of possible sources of contribution to the Stabilization and Cooperation Fund; and
- Sponsorship of International seminar on the subject areas of the Institute.

After exhaustive deliberations, the issues that emerged were:

- The need for a comprehensive convergence and surveillance system that would involve the prescription of a programme for attaining set targets;
- Fiscal discipline to ensure that the primary convergence criteria are met;
- Continued political commitment to ensure that the programme for the Second Monetary Zone is not derailed;
- The need for regular consultation between the Fund and WAMI; and
- The need for regional surveillance to complement bilateral surveillance.

F. ROUND TABLE DISCUSSION ON THE SECOND MONETARY ZONE IN THE FAST TRACK APPROACH

A round table discussion on "A Second Monetary Zone as a Critical Factor in the Fast Track Approach to West African Economic Integration" organised by the Institute of Economic Affairs (IEA) took place on March 29, 2001. The discussion paper was presented by Mr. S. K. Apea, former Deputy Governor, Bank of Ghana and Senior Fellow at the IEA. The chairman of the discussion was Dr M. O. Ojo, Director General of WAMI. The chairman expressed appreciation for the honour done him to preside at the

discussion, being his first technical outing as the Director General of WAMI. The chairman traced the antecedents to the Second Monetary Zone. He concluded that the inability to implement most ECOWAS programmes was due to the lack of political will and parallel integration schemes. The realization that ECOWAS will be marginalized in this era of globalisation if the integration efforts are not intensified led to the agreement on the Two Track Approach to integration in ECOWAS endorsed by the Authority of Heads of State and Government of ECOWAS at its 22nd Session in Lome, Togo on December 9, 1999. The Director General reiterated that the West African Monetary Zone (WAMZ) was a fall out of the Two Track Approach. He indicated further that the strategy of the WAMZ is to forge a single monetary zone in 2003. WAMI is to prepare the ground for the establishment of a common Central Bank that would design and implement a single monetary policy. The paper presented by Mr. Apea is reproduced below.

Introduction

It is generally accepted, especially in this era of worldwide economic cooperation, that Regional Economic Grouping can contribute considerably to accelerated growth. While accelerated economic growth can, in a relatively short time be achieved by using excess productive capacity to take advantage of the expanded market that Regional Economic Grouping can bring about, as in the case of developed and/or industrial groupings such as the European Union, developing countries' economic groupings derive their benefits mainly from economies of scale and externalities the expanded market makes possible. The difference

comes about because developing countries normally do not possess as much excess productive capacity as their developed counterparts. It is not surprising therefore that there is a proliferation of regional groupings all over the world both developed and developing. Examples are the North Atlantic Free Trade Area (NAFTA) in the Americas comprising the USA, Canada and Mexico; the ASEAN in Asia; the EU in Europe and at least one such grouping in each of the sub-regions of Africa. On the African continent there is the Magreb in the North, the SADC in the South, the East African Economic Community, the Central African Community (now defunct) and ECOWAS in the West. The aim of these groupings has been to afford member states the benefits that economic cooperation can make available.

The Economic Community of West African States (ECOWAS)* was formed in 1975 for the purpose of deriving the benefits which a large sub-regional market (of between 230 to 250 million people) can make available to the economically small member states. However, as at now, because the member states' trade orientation has so far been towards Europe and America mainly, intra-community trade is not more than 11 percent. The only community projects worth mentioning are the telecommunications network (supported by the European Investment Bank), the trans-coastal and trans-Sahelean road networks. These projects were meant to improve communications and transport infrastructure in order to facilitate trade within the West African sub-region. Other achievements worth mentioning are: the financial support given to the promoters of the Ecobank Transnational Incorporated (ETI) in all-African-owned sub-regional bank to get the project off

the drawing board; the free movement ECOWAS citizens within the sub-region without VISAS and the operations of the ECOWAS Peace-keeping Force (ECOMOG) formerly in Liberia and now in Sierra Leone. It must be noted that some of these programmes and projects, particularly the free movement of persons and ECOMOG operations have had rather limited successes.

The Heads of State and Government, realising that after creating ECOWAS nearly two decades back and not being satisfied with its achievements in as far as the organisation's core objectives were concerned, decided in 1993 to revise the 1975 Treaty. Prominent among the programmes and projects that the community decided to focus on in the Revised Treaty were those that would advance the movement towards an Economic Union, at the centre of which would be a Single ECOWAS Currency by 2004. In addition, the Revised Treaty formalised previous decisions and protocols relating to Community Levy (0.5% of C.I. F value of member countries' imports from countries outside the community) to support the intra-community Trade Liberalisation Scheme (TLS) and specific penalties against defaulting member countries in respect of their contributions towards the Budget of the Community as well as the operation of the TLS. The Revised Treaty also provided for a Parliament, law enforcement Institutions and the Security of the Community.

While it was clear that ECOWAS was not performing satisfactorily, it was realised that UEMOA** -a smaller group within ECOWAS was doing relatively better. The worst culprits were the Anglophones. It has become obvious all along that there was much closer cooperation among the UEMOA member states than within

ECOWAS. It is instructive to know that the closer cooperation among the UEMOA members did not yield as much benefit in terms of intra-UEMOA trade as in other areas. The real advantage were in the form of lower inflation and exchange rate stability -albeit with the support of Metropolitan France and the greater recognition so far accorded that organisation by such donors like the European Union and the World Bank.

Ghana's experience has been in sharp contrast to that of the UEMOA group - as far as inflation and the exchange rate are concerned. Since the introduction of Ghana's Economic Reform Programmes in early 1983, the value of the country's currency, the Cedi, has plummeted from ₵30.00: US\$1.00 in 1984 to: ₵7,000:US\$10.00 by the end of 2000 - corresponding to a depreciation of 99.5 percent over the period. Table 1 below shows the recent trends from 1996 to 2000.

Table 1

Year	1996	1997	1998	1999	2000
₵1US\$	1754.39	2272.73	2325.56	3500	7000
% Rate of Dep'n	17.4	22.8	23	23	50

Sources: IMF International Financial Statistics
Bank of Ghana Quarterly Economic Bulletin
Forex Bureau Rates – Ghanaian Media.

In general, the depreciation of the cedi vis-à-vis the currencies of the country's major trade partners has been rather rapid and destabilizing. This has had

disastrous effects on even the very survival of many Ghanaian firms. Some businesses have even folded up. Most of these have been those that relied considerably on external inputs and produced for the market.

Consumers have also felt the impact of the rapid cedi depreciation on the general price level as reflected in the Consumer Price Index (CPI), mainly through imported goods and services. Table 2 below shows inflation trends from 1996 to 2000.

Table 2

INFLATION TRENDS:

Percentages Calculated From

The End Of Year CPI (1996-2000)

Year	1996	1997	1998	1999	2000
INFLATION RATES	34	27.9	14.6	13.8	40.5

Sources: IMF International Financial Statistics
Bank of Ghana Quarterly Economic Bulletin
Ghanaian Statistical Services

Why the Second Monetary Zone?

The positive experiences of the UEMOA group with respect to lower inflation and exchange rate stability must have played a major role in the recent awakening of Ghana and Nigeria to their potential for influencing the stability and economic progress of the West African sub-region. As a central element in the Fast Track approach towards economic integration, the Accra Declaration on the 2MZ was signed in Accra in April 2000 after a series of meetings in Lome in December 1999. The 2MZ agreement was signed in Bamako in December 2000.

The 2MZ and Eligibility Criteria

The Agreement signed by Nigeria, Ghana, The Gambia, Sierra Leone, Liberia and Guinea in April, 2000, required among other things that certain Primary and Secondary criteria be fulfilled to enable any of the signatory countries formally join the 2MZ by 2003:

The Primary Convergence Criteria:

1. Member countries must maintain price stability by reducing inflation to single digit by 2000 and 5 per cent by 2003;
2. Member countries must maintain budgetary discipline by reducing budget deficits to 5 per cent of GDP by 2000 and 4 per cent by 2002;
3. Deficit budgetary financing by the Central Banks of member countries should not exceed 10 per cent of the previous year's fiscal receipts;
4. Member countries must maintain minimum foreign exchange reserves position that support import cover for 3 months by end of 2000 and 6 months by 2003.

The Secondary Convergence Criteria

1. Prohibition of new domestic arrears and liquidation of all existing arrears;
2. Tax revenue /GDP to be equal to or more than 20 per cent;
3. Wage Bill/Total Tax Revenue to be equal to or less than 35 per cent;
4. Public Investment/Tax Revenue ratio to be equal to or more than 20 per cent;
5. Real Exchange Rate stability to be maintained by each country. The

exact rate will, however, be determined within the context of the establishment of the ECOWAS Exchange Rate Mechanism; and

6. Maintenance of real positive interest rate

For the monitoring of the performance of the signatory countries with respect to satisfying the eligibility criteria within the stipulated time, the agreement provides for additional requirements, which include:

1. The creation of an effective database for monitoring compliance;
2. The creation of a common Central Bank to issue and manage a common currency;
3. The institution of an Exchange Rate Mechanism to ensure that the currencies in the 2MZ are related through appropriate conversion rates;
4. The exhibition of a strong and irrevocable political commitment and will to make the 2MZ a success.

The intention of the signatories, as has been mentioned earlier, is to merge the common currency of the 2MZ and the CFA franc into a single currency for the ECOWAS in 2004.

As already pointed out, the benefits expected from a common Central Bank and currency are indeed desirable. Underwriting the promise of low inflation by an independent Central Bank would be a real benefit for countries like Ghana and Nigeria whose inflation rates have so far been poor. The Convergence Criteria ensures that macroeconomic stability is achieved through fiscal discipline,

reduced government borrowing from the Central Bank and the maintenance of a healthy reserves position.

The successful creation of a common Central Bank and a single currency can also yield substantial microeconomic benefits. Apart from handling only one currency instead of 8 in the sub-region, other benefits would include:

1. Lower transaction costs and elimination of currency speculation
2. Larger market than any of the individual small country markets;
3. The larger market leading to greater efficiency resulting from more competitive process of cross-border transactions;
4. The larger market making for improved availability of liquidity to the advantage of both surplus units looking for investment avenues and deficit units looking for investment funds.

It must be noted at this juncture that both the macroeconomic and microeconomic benefits have a cost. In other words, there is a price to be paid for the benefits. Obviously, there would be need to cede power to formulate monetary policy to the Common Monetary Authority. In addition, as has been happening in the European Union where the levels of economic activity have tended to differ amongst the member countries; a loose monetary policy for one country may be too tight for another.

For the benefit of those who are not familiar with the various regional groupings, they can take the form of Free Trade Area (FTAS), Customs Union (CUS), Common Market (CMS), Economic Union (EUS) and Full Economic Integration

(FEIS). FTAS involve the reduction of tariffs on goods traded across the borders of countries concerned; but tariff levels may differ from country to country:

CUS have common tariff levels for countries in the Union, applicable to all imports from country external to the Union. In other words, a CUS has common external tariff (CET) against third countries much higher than those applicable to countries belonging to the Union:

Countries belonging to a CMS are obliged to harmonise their fiscal and monetary policies in addition to having an integrated factor and product markets – involve a free monetary movement of goods, services, capital and labour:

FELS are usually the culmination of economic policy into policy unification as is the case with 11 of the 15 European Union member countries. These usually involve monetary Union and a Common Currency as envisaged by the 2MZ Agreement.

If a Monetary Union is established as the first stage, measures will have to be put in place to ensure that the unification of monetary policy is achieved. All will be geared to meeting certain benchmarks/targets aimed at achieving low inflation, currency convertibility and exchange rate stability.

Monetary integration entails a fixed exchange rate regime and convertibility of the currencies involved. The theory of Monetary Union suggests that an Optimum Currency Area must exist to enable a common currency work. An

Optimum Currency Area must have the following characteristics ***

1. Mobility of factors of production - especially capital and labour across borders;
2. Flexibility of prices including wages;
3. Openness of trade; and
4. Diversity of production.

Based on the above criteria, one cannot pass the 2MZ ECOWAS countries as ripe for integration. However, that can be possible, working backwards with the necessary political will.

The 2MZ requires the setting up of a Currency Board that will issue a Common Currency with an agreed fixed value. If, for instance, Ghana had not committed herself to the 2MZ and later to the Single Monetary Zone and a Common Currency for ECOWAS, Ghana would have the option of adopting on its own any of the following:

1. Ghana's own Currency Board or Committee which could take care of her monetary policy-decisions including those concerning the issuance of the cedi (as in the case of the United Kingdom)
2. Pegging her currency to the currency of anyone of her major trading partners –e.g., the US\$;
3. At the other extreme, adopting say the US\$ as the National Currency as in Argentina and El Salvador;
4. Pegging the cedi to the value of a basket of currencies of her major trading partners – the US\$; the Pound Sterling and the DM).

Ghana is, however, constrained by the fact that she is already a signatory to an agreement that purports to merge the 2MZ currency with the CFA franc in 2004.

For as long as Ghana chooses to belong to the ECOWAS group, therefore, the above-listed options will not be available to her. It is, however, possible that if the countries belonging to the 2MZ back their convergence objectives and views by unequivocal commitment and strong political will to forge monetary integration, they are likely to succeed.

Lessons From the Past

Incidentally, it may be recalled that Ghana has adopted most of the exchange rate regimes in her history. She moved from the Currency Board (The West African Currency Board)***** in 1958, a year after gaining political independence. Between 1958 and November 1971, Ghana's currency was pegged to the Pound Sterling.

In November 1971 she pegged her currency- the New Cedi (N¢) to the US \$. At the time, the exchange rate was N¢1.00=US\$0.98. Ghana then adopted a multiple exchange rate system in 1986 (keeping Government transactions at ¢90 = US\$ 1.00 from one foreign exchange window and all other transactions at an Auction-determined exchange rate from another foreign exchange window. Since the early 1990s, Ghana has had a unified and floating exchange rate determined by the forces of demand and supply. As mentioned earlier, the country's exchange rate has moved from ¢30 = US\$ 1.00 in 1983, the year the IMF/World Bank supported Economic Recovery and Reform Programmes were introduced to about ¢ 7, 000 = U S\$ 1. 00 by the end of December, 2000.

The available options are therefore either to make Monetary Union the last stage of

the process of Economic Integration as in the case of the European Union, or to make it the first stage of Economic Integration as in the case of the UEMOA countries. Relating orthodox economic theory, to the European experience, one would expect regional economic grouping to start from the level of FTA and work its way up to a full Economic Union (FEU).

Since 1993 when ECOWAS decided to adopt the Revised Treaty which aimed at achieving a Common Currency, the Community has been dogged by payment difficulties, unstable exchange rates, especially the Anglophone group that account for over 60 percent of ECOWAS absolute market size. All these have been in addition to administrative and other transactions.

It is expected that by adopting a monetary union in earnest, the community will be able to move effectively and manage its payment as well as exchange rate difficulties.

It is important to note that an agreed path to creating a working Common Monetary Union and currency has already been chartered. It is also note-worthy that the need for a transitional period involving the establishment of policy and implementation committees and institutions has been recognised and catered for. In this connection, it must be observed that a Council of Ministers, a Technical Committee and a West African Monetary Institute are already in place to see to the process leading to the achievement of the ultimate goal of a single Monetary Zone and Currency for ECOWAS.

One needs at this juncture to point out that, in Ghana's present economic

situation, the set targets representing the primary Convergence Criteria in particular do not appear to be achievable. If they are not revised to manageable levels, extra efforts will have to be made to enable the country meet them within the timeframe set in the Accra Agreement.

Conclusions and Recommendations

While the general scheme of things is found agreeable, it must be pointed out that the targets meant to be eligibility criteria appear unrealistic in Ghana's present economic circumstances. It is therefore recommended that:

1. The Primary Convergence Criteria be revised to more realistic levels;
2. If the Convergence Criteria are not revised to manageable levels, then extra effort must be made to achieve them;
3. Either way, there is the need for unwavering commitment and a strong political will on the part of the countries concerned as in the case of ECOMOG to ensure the success of the scheme;
4. The mode of merging the First and Second Monetary Zones and maintaining exchange rate stability need to be given a thought; and
5. The appreciation and support of the general public in the various countries involved, wrongly taken for granted so far, should be sought and obtained for the success of the scheme.

NOTES

- * - The present membership comprises: Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The

Gambia, Liberia, Guinea-Bissau, Guinea Conakry, Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo.

** - UEMOA stands for L'Union Economique et Monétaire de L'Ouest Africaine. Present members are: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

*** - Mundell (1961); Mckinnon (1961)

**** - Towe and Willet (1976)

***** - The other members of the West African Currency Board were Nigeria, The Gambia and Sierra Leone.

A number of issues were raised on the desirability of the Second Monetary Zone, in particular the convergence criteria which were considered too stringent. However, discussions were concluded on the note that:

- Economic integration is useful for both developed and developing countries, especially for the latter group;
- The Second Monetary Zone programme is in the right direction;
- The convergence criteria are tough but not impossible to attain;
- WAMI should sensitise the stakeholders on the importance of the Second Monetary Zone programme with adequate financial support by the relevant Ministries dealing with integration issues; and
- There should be more solidarity among the Heads of State to sustain the political will which has brought about the re-engineered integration process under the Fast Track Approach.

G. ECONOMIC POLICY THRUST IN WAMZ – 2001 BUDGETS RELEASED

In the last twenty years, most countries in Sub-Saharan Africa, in particular, ECOWAS countries have embarked on a number of schemes meant to turn around their economies and usher in a new era of economic prosperity characterized by a high and sustainable rate of economic growth. The application of structural adjustment measures beginning from the 1980's initially achieved some positive results that were undermined by policy slippages and reversals, in addition to lack of commitment to pursue sound and competitive policy measures. The poor performance of the economies in Sub-Saharan Africa, especially countries in the ECOWAS sub-region is one factor that agitated the political leadership to accept integration as a critical element in the emancipation of these economies, especially in the context of globalisation.

Under ECOWAS Monetary Cooperation Programme (EMCP), stringent macro-economic convergence criteria have been prescribed to ensure that the economies in the sub-region are managed at a competitive level that would facilitate the emergence of a single monetary zone by 2004 and place the economies in a position where they can gain competitive advantage in global trade and finance. The individual economies have also taken steps to adopt policy measures agreed with the Bretton Woods Institutions in most cases to manage their economies. As these measures are usually medium to long term in nature, the annual budget which defines the fiscal policy measures of government and the revenue and expenditure profile is

usually applied as a short-term measure. The annual budget contains the economic policy thrust of government in addition to political and social policy, and avenues for funding projects contained in the budget. Where development plans exist, the budget is applied as a short-term mechanism for the ultimate achievement of the objectives of the plan.

The governments of the member countries of the West African Monetary Zone (WAMZ) made profound pronouncements when they defined their economic policy objectives for 2001. These budgets are summarized as follows:

Ghana

The new Administration in Ghana, after a careful analysis of the macro-economic environment presented its first budget on March 9, 2001. The budget outlined the policy measures to be adopted to address the enduring macroeconomic problems. The major objective of economic policy is the nurturing of the private sector as the engine of economic growth. In order to restructure the economy to improve the quality of life of the people and move the nation out of the debt trap, the government intends to access the facilities under the Highly Indebted Poor Countries (HIPC) Initiative.

The budget was formulated against the background of deteriorating macroeconomic aggregates. The domestic economy was overheated while the external sector experienced flow balance of payments deficit.

The philosophy of the 2001 budget "is to lay the foundation for relaunching macroeconomic stability and creating a viable and sustainable environment that

will signal to the business community that Ghana is ready to do business with the world". The budget is based on zero-tolerance threshold. Transparency and accountability in public finance are the watch words of the new Administration. The macroeconomic targets of government include:

- A real GDP growth of 4 percent;
- An end-of-year inflation of 25 percent;
- An overall budget deficit equivalent to 5.2 per cent of GDP; and
- An overall balance of payments surplus of \$165.7 million.

In 2001, government receipts are projected at ₵13,826.7 billion, up by 34.3 per cent from ₵9,916 billion in 2000. Out of the total receipts, tax revenue would account for ₵5,932.9 billion or 42.9 percent of total compared with ₵4,414.7 billion or 44.5 per cent of total in 2000. While non-tax revenue is projected to drop from ₵396.1 billion in 2000 to ₵350 billion, foreign grants are estimated at ₵1.872 billion, up by 225 percent from ₵574.3 billion in 2000. Total expenditure in 2001 is estimated at ₵13,826 billion, representing an increase of 39.4 percent over ₵9916 billion in 2000. Statutory payments, the bulk of which are made up of external debt service and interest payments on domestic debt totalled ₵7,770.1 billion in 2001, compared with ₵4,653 billion in 2000. External debt service payments are estimated at ₵4,434 billion compared with ₵2,454.6 billion in 2000. On the other hand, interest payment on domestic debt are projected at ₵2,082.2 billion vis-à-vis ₵1,556.2 billion in 2000.

Overall, the fiscal operations of government is expected to result in a

deficit of ₦1,959.9 billion or 5.2 per cent of the GDP against the deficit of ₦2,301.8 billion or 8.5 percent of the GDP in 2000. The budget contains a financing gap of ₦2,600 billion, to be partly financed by foreign grants projected at ₦1,872 billion.

Sierra Leone

The Government of Sierra Leone has undertaken major economic reforms since 1996, in spite of the negative impact of the civil conflict in the country.

The thrust of economic policy in Sierra Leone is the forging of strong partnerships with the private sector, civil society and the donor community in the drive to fight poverty and improve the living conditions of the population. Towards this end, government is developing a two-stage approach to poverty reduction. The poverty reduction programme will in the first instance address the immediate needs of rehabilitation and economic recovery. A medium-term strategy is also being developed in the context of an Interim Poverty Reduction Strategy Paper (1-PRSP) in collaboration with all stakeholders. The 1-PRSP will provide the basis for conventional lending under the MFS Poverty Reduction and Growth Facility and World Bank's Heavily Indebted Poor Countries (HIPC) Initiative.

The Government's immediate rehabilitation and recovery programme has four components as follows:

- The provision of an enabling environment that would facilitate poverty reduction with a high premium on security;
- Restructuring and relaunching of the economy;

- Provision of educational health care facilities; and
- Enthronement of transparency and accountability as integral part of the public culture of Sierra Leone.

As part of the reform of the budgetary process, government has approved the introduction of a Medium-term Expenditure Framework (MTEF), a multi-year planning perspective that focuses on matching planned spending with policy priorities.

The macroeconomic outturn for 2000 was favourable as a real GDP growth rate of 3.8 percent was recorded compared with a decline of 8.1 percent in 1999. Inflation rate also dropped from 36 per cent in December 1999 to 4.2 per cent in October 2000. The external sector was however, under considerable pressure as the current account deficit widened to 20.3 per cent of GDP from 8.0 per cent in 1999.

The thrust of fiscal policy in 2001 is the sustenance of the gains of macroeconomic stability. Thus, government would continue to reduce reliance on domestic bank financing of its budget deficits by enhancing revenue and seeking external finance to support the budget. An element of the fiscal policy for 2001 is the restructuring of import taxes in line with those in the sub-region to reduce cross border smuggling and eliminate residual distortions in the tariff structure which was generally reviewed downwards.

Revenue was projected at Le185.8 billion or 12.3 per cent of GDP in 2001 compared to 11.7 per cent in 2000. The bulk of revenue, Le123.4 billion or 8.2 per cent of GDP, will be contributed by customs and excise duties. Total

expenditure and net lending is estimated at Le630.1 billion or 41.8 per cent of GDP in 2001.

The budget deficit, on commitment basis, excluding grants is expected to increase to Le444.3 billion or 29.55 per cent of GDP in 2001 compared with 21.0 per cent of GDP in 2000. On cash basis, the overall deficit is projected at Le238 billion or 15.8 per cent of GDP in 2001. The deficit is expected to be financed mainly by external inflow of resources in the form of programme and project loans and grants. Bank financing of the deficit will be limited to Le15 billion or 1 per cent of GDP in 2001.

Nigeria

Owing to the inability of direct controls to establish internal and external balance simultaneously over a long period, economic liberalization was adopted as a major policy thrust in 1986 when the Structural Adjustment Programme (SAP) was introduced. The initial gains were reversed when government implemented a reflationary budget in 1988 ostensibly to "give SAP a human face" on the heels of public agitation. The guided deregulation policy which was initiated in 1995 is still in place but supplemented by a Stand-by Arrangement with the International Monetary Fund (IMF), being implemented currently by the Government of Nigeria.

The Stand-by Arrangement (SBA) paved way for discussions with the Paris Club of Creditors in October 2000 for debt rescheduling involving US\$21.4 billion. The discussions which are on the basis of the "Houston Terms" would provide for rescheduling over 18 - 20 years. Progress in the discussions would depend on Nigeria's performance under the SBA. Nigeria performed satisfactorily under the

Programme between July and December 2000 as the benchmarks were met in most of the period. The thrust of fiscal policy measures in 2001 include:

- Restructuring the Nigerian economy to make it market-oriented, private sector led and technology driven;
- Reducing unemployment and increasing productivity;
- Maintaining price and exchange rate stability and a healthy balance of payments;
- Improvement in infrastructure service delivery in power supply, communications and transportation;
- Improving credit delivery and extension services to small and medium scale enterprises; and
- Entrenching probity, transparency and accountability in governance and ensuring value for money in public expenditure.

The major elements of the 2001 fiscal policy measures include: the retention of the 2000 excise duty regime and reduction of customs duty on major raw materials, except iron rods, the duties of which were revised upwards to protect domestic producers.

The 2001 budget was formulated against the background of improved economic performance, although the external sector was still under considerable pressure in spite of the buoyant external reserves. The inflation rate was 6.9 per cent while real output grew by 3.8 per cent against the target of 3.0 per cent.

The retained revenue of the Federal Government in 2001 is estimated at N735,295.4 million, comprising its share from the Federation Account of N565,295

million, independent revenue of N60,000 million, privatization proceeds of N70,000 million, share of Value Added Tax (VAT) proceeds of N10,500 million and miscellaneous sources of N2,500 million. Federal Government retained revenue was 34.1 per cent higher than the level in 2000. Total expenditure of the Federal Government in 2001 is estimated to rise from 16.6 per cent of GDP in 2000 to 27.5 per cent. The rise in expenditure is accounted for by additional allocation to development and rehabilitation of economic and social infrastructure. In nominal terms, total expenditure is expected to rise by 40.9 per cent from the level in 2000 to N936,792.6 million. Overall, the fiscal operations of the Federal Government are expected to result in a deficit of N201,297.0 million or 6.2 per cent of GDP in 2001. The deficit will be financed by Federal Government's share of excess crude oil export of N97,716.0 million in 2000 and repatriation of flight capital of N80,000 million. The residual financing gap of N28,766 million is expected to be financed from excess crude proceeds in 2001. As in the preceding year, the banking system is not expected to finance the deficits in government's fiscal operations in 2001.

Guinea

The Republic of Guinea has over the years applied a number of adjustment measures to ensure rapid growth and sustainable economic development. In December 2000, the World Bank and the IMF approved the Poverty Reduction and Growth Facility for the country. Recently, an interim Programme under the Highly Indebted Poor Countries Initiative (HIPC) was approved for Guinea. Under the programme, the country's debt stock is expected to be reduced to \$545 million in

net present value terms from \$2821.1 million.

Specifically, on May 2, 2001, the Executive Board of the IMF approved a three-year arrangement for Guinea under the Poverty Reduction and Growth facility (PRGF) worth SDR62.26 billion or US\$81.3 million in support of Guinea's efforts to foster macroeconomic stability, promote accelerated growth, improve social services and reduce poverty. Under the arrangements Guinea could draw up to SDR12.85 million or \$16.0 million. The Poverty Reduction Programme is conceived in the context of a medium-term programme which focuses on maintaining macroeconomic stability and accelerating growth as the foundation for government's poverty reduction strategy. International support for Guinea is predicated on the need to sustain the implementation of Guinea's poverty reduction programme in the context of the adverse effects of ongoing border conflicts on economic and social progress.

The medium term economic programme for Guinea aims at increasing GDP growth rate, consolidating public finances and strengthening public expenditure management, and maintaining a single digit inflation rate. The expected gains from economic restructuring and privatization of public enterprises and the financial sector would contribute to the release of government resources for poverty reduction activities. In addition, external indebtedness will be reduced to sustainable levels in the context of the enhanced HIPC Initiative while external loans would be secured from purely concessional sources in order to reduce the future debt-servicing burden.

Macroeconomic developments showed mixed outcomes in 2000. Real GDP growth rate dropped to 1.8 per cent from 3.3 per cent in 1999. Inflation rate accelerated from 4.6 to 6.8 per cent between 1999 to 2000, while the deficit in the balance of payments improved during the same period from \$75.8 million to \$58.7 million. It is against this background that the Budget for 2001 was formulated.

The objectives of economic policy in 2001 are as follows: to achieve a GDP growth rate of 3.3 per cent; to reduce budget deficit on commitment basis excluding grants to 5.8 per cent of GDP; reduce inflation to 4.7 per cent, increase investment rate to 9.4 per cent of GDP. Essentially, the budget for 2001 will focus on strengthening economic management, job creation in favour of the youths and females, allocation of resources to priority sectors of the economy to achieve the poverty reduction objective of government, provision of humanitarian assistance to those displaced following the destruction of infrastructure on the heels of rebel incursions. Furthermore, the Government of Guinea would respect the Convergence Criteria contained in the Accra Declaration on the Second Monetary Zone.

The Government of Guinea would pursue a tight monetary policy stance in 2001 to contain inflation; which has been projected at 4.7 per cent. The deficit in the balance of payments is expected to drop in 2001 owing to the improvement in exports especially alumina export coupled with the reduction in imports.

In 2001, Government revenue, excluding grants, is projected at GNF782.98 million or 13.2 per cent of GDP, up from GNF633.75 million or 13.0 per cent of

GDP in the preceding year. With the grant element, total revenue is projected at GNF1,167.91 in 2001, up by 50.0 per cent from GNF778.57 in the preceding year. The overall fiscal balance on cash basis is estimated to drop from a deficit of GNF145.42 in 2000 to GNF132.37 in 2001. The fiscal balance in 2001 is expected to be financed partly through drawings on external loans and new credits, the sources of which have not been identified. Thus, a wide financing gap of GNF134.86 million is projected in Guinea's fiscal operations for 2001. However, with the expected international support for Guinea, the gap could be closed substantially in the course of the year.

The Gambia

In 2000, the Gambia apportioned the lion share of the total estimated expenditure to poverty reduction schemes in the social and productive sectors. The Gambia recorded some improvement in some socio-economic indicators during the year. The Gambia moved up on the UNDP's Human Development Report for 2000 from 163 out of 174 countries to 161 out of 173.

The rate of growth of the economy, measured by the GDP, rose by the estimated 3.44 per cent, down from 5.6 per cent in 1999. All sectors, except trade and tourism contributed to the growth in output. The contribution of trade and tourism sub-sector dropped, owing to the difficulties in re-export trade, the cessation of activities of major tour operators in the tourism sector and the problems encountered in the marketing of groundnuts. All the sub-sectors under agriculture recorded remarkable increases in output.

In line with the policy of maintaining low inflation rate at a level below 5 per cent, the Central Bank pursued a tight monetary stance. At the end of October 2000, broad money grew by 30.6 per cent, owing to the depreciation of the domestic currency and growth in private sector credit to the domestic economy. The inflation rate dropped to 0.9 per cent in 2000 from 3.8 per cent in the preceding year. The fiscal operations of government improved in 2000, as fiscal deficits dropped from 4.8 per cent of GDP in 1999 to 3.5 per cent. The external sector experienced some pressure in 2000 owing the adverse developments in the marketing of groundnuts. Although the overall balance of payments recorded an improved surplus, the current account balance, excluding the official transfers, is estimated to deteriorate to 11.1 per cent of GDP compared to 10.5 per cent in the preceding year.

Owing to the prevalence of acute poverty in the Gambia and the need for its alleviation, the emphasis in the 2001 budget centered on the imperative of good governance to ensure accelerated economic growth that would pave way for sustainable poverty reduction.

The Government of the Gambia is implementing a Medium Term Strategy which is embedded in the Poverty Reduction and Growth Facility (PRGF), a reorientation of the ESAF agreed with the IMF in 1999. The PRGF is intended to eradicate poverty by focusing on the people as vehicle for poverty reduction. In order to achieve the objective of the PRGF, the budgetary process is being overhauled and re-defined towards programme based budgeting rather than the prevent line – item budgeting. The process that would lead to the full adoption of a Medium Term Expenditure

Framework (MTEF) is being implemented through Sectoral Public Expenditure Reviews (PERS).

The fiscal operations of government, excluding grants, in 2001 would result in an estimated deficit of equivalent to 3.01 per cent of GDP. Revenue and grants are projected at D1386.2 million, with tax revenue totalling D1006.1 million. Total expenditure is estimated at D1,418.61 million. Current expenditure is expected to increase by 14.65 per cent from D965.2 million in 2000 to D1106.61 million in 2001. Capital expenditure is expected to rise by 18.3 per cent from D383.9 million in 2000 to D454.2 million, out of which grants are projected at D142.2 million. In order to achieve the objectives of a lower budget deficit, the measures proposed include a comprehensive reform programme aimed at improving revenue administration while not undermining the capacity of the private sector to contribute to growth.

With effect from July 2000, duty rates have been reduced to enhance the competitiveness of the Gambia in the sub-region. In addition, the maximum tariff rates have been revised downwards from 20 to 18 percent. Revenue tax on cigarettes and beer has been reduced while computers imports including accessories carry zero tariffs. In addition, expatriate tax has been reduced.

The Gambia has satisfied the four primary Convergence Criteria of the West African Monetary Zone (WAMZ). However, the external sector is experiencing some difficulties which could be ameliorated with adequate external support, improvement in

groundnuts export and a revamp of the re-export trade.

H. ABRIDGED PROFILES OF KEY OFFICERS OF WAMI

Dr Michael Olufemi Ojo



Dr Michael Olufemi Ojo, an astute administrator and distinguished Scholar, was born in Ado-Ekiti, Ekiti State of Nigeria on January 5 1942. On completion of his Primary and Higher School Education, he was admitted into the renowned University of Ibadan, Nigeria where he studied Economics. Dr Ojo obtained a Masters Degree from the University of Wisconsin, USA, and a Doctorate Degree in Economics from the University of Lagos, Nigeria.

Dr Ojo started his working career with the Nigerian Institute for Social and Economic Research (NISER), Ibadan as a Research Assistant in September 1965. In November 1965, Dr Ojo left NISER for the Central Bank of Nigeria as a Research Assistant. He moved gradually through

the professional ranks and in 1990 he was appointed Director of Research, a position he relinquished in 2000 when he was elevated to the position of Special Adviser to the Governor of the Central Bank of Nigeria.

Dr. Ojo has distinguished himself as a Researcher. He has published five books and authored about 110 Articles, 47 of which are on economic growth and development, 47 on monetary and fiscal policy and 16 on external sector policy. He has also been involved in 6 collaborative research endeavours.

Dr Ojo has made Editorial contributions to a number of Journals. He was: Associate Editor of Nigerian Journal of Agricultural Economics; Member, Editorial Board of the Research Department, Central Bank of Nigeria Publications 1981-1985; Chairman, Editorial Board 1985 – 1987; Editor, 1988 – 1989; Editor-In-Chief, 1990 – 2000; and Member, Editorial Advisory Boards of a number of Nigerian Universities, some of which are Edo State University, Universities of Benin and Ado-Ekiti.

Dr Ojo has served on the Governing Boards of a number of institutions, among which are, Financial Institutions Training Centre, Lagos and National Centre for Economic Management and Administration (NCEMA), Ibadan, Nigeria. He is currently on the Governing Council of the Chartered Institute of Bankers of Nigeria. He belongs to five professional bodies including Nigerian Economic Society and West African Economic Association.

Dr Ojo was facilitator to the Federal Government of Nigeria Vision 2010 Committee from 1996 to 1997. He was Chairman of Directors of Research of

ECOWAS Central Banks and Chairman, Technical Committee, Second Monetary Zone in West Africa.

As chairman of the Technical Committee, Dr. Ojo applied his intellectual capacity and professional competence to ensure prompt completion of the drafts of the technical documents that were vetted by the Convergence Council, the endorsement of which by the Authority of Heads of State and Government of the Second Monetary Zone, led to the establishment of the West African Monetary Institute (WAMI). Dr Ojo was a member of Central Bank's Monetary Policy Committee and Past President of the Nigerian Economic Society (NES).

Dr Ojo was appointed Director General of the West African Monetary Institute by the Authority of Heads of State and Government of Nigeria, Ghana, Sierra Leone, Guinea and The Gambia, in Bamako, Mali on December 15, 2000.

Dr Ojo, a distinguished intellectual, is married with four children.

Siradiou Bah



Mr. Siradiou Bah was born on May 28, 1951 in Pita, Republic of Guinea. After the completion of his Elementary and Higher School Education, Mr. Bah proceeded to the University of Gamal Abdel Nasser in Conakry where he obtained Grade 'A' in Finance and Economics.

Mr. Bah also attended a number of courses in Africa, Europe and the United States of America (USA). Prominent among the courses are, banking operations at the Centre for Economic, Financial and Banking Studies in Paris (France) from 1984-1985, Harvard University Programme on Financial Institution for Private Enterprise Development at the Harvard Institute's International Development (HIID), Boston, USA, (1998), IMF Institute and BCRG Seminar on "Financial Programming", Conakry (1995), course on Public Finance Statistics, Financial Programming and Analysis, IMF Institute, Washington DC, USA (1989) and Seminar on National Economic Management organized by the Economic Development Institute, World Bank, Dakar (1983).

Mr. Bah has wide experience in Central Banking. He joined the Central Bank of the Republic of Guinea (BCRG) in 1979 as Economist in the Research Department. He became Deputy Director of Research and Statistics in 1982, Deputy Director of Credit and Banking in 1985 and Director General of Research and Statistics in 1986. Mr. Bah had a stint in the IMF as an Economist, Special Appointee to the African Department, IMF between 1990 and 1991. He returned to the BCRG in 1992 as Director General, Human Resources and Communication. He was Director General, Foreign Exchange, 1993-1994, Director General Operations, 1994-1996

and Director General of Research and Training from August 1996.

Mr. Bah was IDB alternate Governor for Guinea from 1988 to 1996 and headed Guinea expert delegations attending ECOWAS and WAMA annual meetings.

Mr. Bah was a member of the Task Force that prepared the drafts of the Technical Papers that were finalised by the Technical Committee and Convergence Council, paving the way for the establishment of the West African Monetary Institute (WAMI). He has eight publications to his credit.

Mr. Bah, who is the Director of Operations at WAMI, is married with four children.

DR. H.A. Kofi Wampah



Born in 1954 in Ghana, Dr. Kofi Wampah joined the Bank of Ghana in 1986 after obtaining a BA (Hons.) degree in Economics from the University of Ghana, and MA and PhD degrees also in Economics from McGill University, Canada. Prior to joining the Bank of Ghana, he had worked as a Research Officer at the Institute of Statistical, Social and Economic Research (ISSER), Legon from 1977 – 1979 and as a Lecturer at McGill University in summer of 1984.

Dr. Wampah started his career at the Bank of Ghana in the Research Department at a time when the financial system and indeed the entire economy of Ghana was undergoing significant structural changes. He helped in the design of various institutional reforms in the financial sector such as the forex bureau system, the inter-bank forex market, the domestic money market and the framework for monetary management by the Bank of Ghana.

Dr. Wampah joined the Bank of Ghana as a Deputy Manager and rose through the ranks to become the Head of Research Department in February 1996, a position he held until he was appointed Director of Research at the West African Monetary Institute (WAMI) in February 2001.

Dr. Wampah worked at the IMF in 1998 as a Special Appointee in the Monetary and Exchange Affairs Department.

Dr. Wampah is married with five children.

Siddique Abubakarr Sesay



Mr. Sesay joined the Bank of Sierra Leone as Research Officer in 1976 and over the years served in various positions of increasing seniority and responsibility in the Research Department. In 1989,

he was appointed Personal Assistant to the Governor at a time when the country's relations with the Bretton Woods Institutions were at cross roads. He became part of the economic management team that worked painstakingly to bring relations back on track, the process of which led to the restoration of donor financing of the country's economic recovery programme. After a two-year stint in the Governor's Office, Mr. Sesay returned to the Research Department where he became Division Head in the Domestic Policy, International Policy and Special Projects Divisions, respectively.

Mr. Sesay holds a B.Sc degree in Economics from Fourah Bay College, Sierra Leone and M.Phil., Monetary Economics, from Glasgow University. While at Glasgow University as a graduate student, he taught macro and microeconomics to undergraduate students.

He is an alumni of the prestigious Hubert Humphrey Fellowship Programme of the United States, where he was admitted at Boston University as a graduate student. While at Boston University he took courses in finance and economics and had two internships, one at the World Bank and another at the Federal Reserve Bank of Boston, through which he learnt a great deal about developments in modern financial markets/institutions.

Mr. Sesay has attended several professional training programmes organised by the IMF, World Bank, Federal Reserve Bank of New York and WAIFEM, as well as numerous conferences.

Mr. Sesay served as Special Assistant to the Governor of the Bank of Sierra Leone

with responsibilities for ECOWAS Monetary Co-operation Programme and the Association of African Central Banks (AACB) before being appointed to the position of Director, Special Projects. He was a member of the Task Force for the establishment of the Second Monetary Zone in West Africa. He was appointed Director of Finance and Administration of the West African Monetary Institute in February 2001.

Born in 1955, he is married with four children.

Hussein Thomasi



Born in Banjul in 1962, Hussein Thomasi holds a Bachelors degree in Law from the University of Lagos, 1986, and a Masters degree in international legal studies, specializing in trade and banking from the Washington College of Law, American University, 1993.

Mr. Thomasi started his professional career as a state Counsel in the Department of State for Justice in the Gambia. He rose through the ranks to become a Principal State Counsel in 1992. He joined the Assets Management and Recovery Corporation (AMRC) in 1994 as legal Adviser on secondment

from Government, and later headed the corporation as its chief executive in 1995.

In October, 1996 he was appointed Head of the Legal Unit of the Central Bank of the Gambia, a position he held until February, 1998 when he established the law offices of Thomasi Chambers. From 1998 to December, 2000, he also served as a legal consultant to the Central Bank of the Gambia and participated, in the reorganization of the Meridien Bank under the auspices of the Central Bank and the establishment of the legal framework for the supervisory authority of the Central Bank over insurance business.

Mr. Thomasi, who is currently the Head of the Legal Unit of WAMI, is married with three children.

Rebily David Asante



Born in 1946 in Ghana, Mr. Asante attended the University of Ghana where he obtained a BSc. (Hons.) degree in Economics, and the University of Melbourne, Australia where he obtained an M.Com. degree in monetary economics. His thesis was entitled 'An Empirical Analysis of Money Supply in Ghana 1960-70'.

Mr. Asante started his professional career as a research officer in the Economic

Intelligence Office of the Research Department of the Bank of Ghana in 1969. As a young officer whose work included compiling data and monitoring developments on the international economic scene especially, prices of Ghana's major exports- cocoa, gold and timber, he had the opportunity of travelling with the Governors of the Bank on a number of occasions for working visits to correspondent banks in Europe and attending regional monetary cooperation meetings of the then West African Clearing House. This early exposure to dealings on the international and regional scene prepared him for the next phase of his career.

In 1980 he was nominated to represent Ghana as one of the pioneer staff at the Executive Secretariat of ECOWAS in Lagos. As the Senior Officer in charge of the Money and payments Division, his responsibilities included initiating studies leading to the formulation of proposals for promoting monetary cooperation and integration in West Africa. The numerous studies he initiated and coordinated included:- 'Currency Convertibility in ECOWAS' and 'Proposals for Establishing a Single Monetary Zone in ECOWAS'. The recommendations of the latter led to the adoption by the competent authorities of ECOWAS of the ECOWAS Monetary Cooperation Programme in 1987.

His other schedule of duties include organising technical evaluation meetings of Directors of Research of central banks and meetings of policy and decision making bodies such as Governors of central banks and Ministers from member states of ECOWAS.

Mr. Asante was the coordinator of the Task Force set up by the Authority of Heads of State and Government to assist the Technical Committee in undertaking the technical preparations for the establishment of the West African

Monetary Zone of which the WAMI is an important first step.

His work brought him in contact over the years, with officials of many regional and international organisations with which ECOWAS established working relations such as the ADB, IMF, World Bank, EU, UEMOA, COMESA, OAU, ECA, etc.

Mr. Asante who was seconded to the Institute as Technical Adviser in February 2001 is married with four children.

Peter Johnson Obaseki



Mr. P J Obaseki was born in Ihievbe, Edo State of Nigeria on September 22 1956. After his Primary and Higher School education, he proceeded to the prestigious University of Ibadan, Nigeria where he obtained degrees in Economics at the Bachelors and Masters levels. Mr. Obaseki also obtained an MBA degree,

specialising in Banking and Finance. He was on the Staff of the Research Department, Central Bank of Nigeria from August to October 1980 after his National Youth Service before proceeding to the University of Ibadan for his Graduate studies. He returned to the Central Bank of Nigeria in October 1981. He progressed steadily in his career at the Bank, moving from Assistant Economist in 1981 to Assistant Director in 1996.

Mr. Obaseki has been involved in numerous research endeavours. He has written more than 30 articles, some of which have been published in reputable Journals. He has also been involved in group/collaborative research. Mr. Obaseki has directed and facilitated a number of studies, some of which are the Feasibility of Naira Convertibility in the West African Sub-region, Project of the Federal Ministry of Finance, Nigeria, and Capacity Assessment of the Civil Society in Nigeria, Project of the Federal Ministry of Finance, Nigeria/World Bank. He was also a member of the NCEMA/ACBF Research Management Committee.

Mr. Obaseki has also been involved in extensive editorial assignments. He was Secretary of the Editorial Board of the Research Department, Central Bank of Nigeria and Associate Editor of the Bank's Journal, Economic and Financial Review. He was Conference Editor of the Nigerian Economic Society (NES) 1996/1997 and Associate Editor of the Society's Journal, Nigerian Journal of Economic and Social Studies (NJESS). Mr. Obaseki is currently Vice President of the Nigerian Economic Society.

Mr. Obaseki was a member of the Task Force that prepared preliminary

documents which were considered by the Technical Committee and the Convergence Council of the Second Monetary Zone. The subsequent approval by the Authority of Heads of State and Government of member states led to the establishment of the West African Monetary Institute (WAMI).

Mr. Obaseki, who is the Policy Adviser to the Director General of WAMI, is married with two children.