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of the West African Monetary Zone*

Website: <http://www.wami-imao.org>
E-mail: info@wami-imao.org

CAPACITY BUILDING

WAMI BENEFITS FROM TRAINING PROGRAMME ON CURRENCY MANAGEMENT FROM THE ECB

Under its technical assistance programme on capacity building for WAMI, the European Central Bank (ECB) organised a study visit to the Bank by the Director of Operations of WAMI and a Principal Economist in the Operations Department. The study visit was intended to apprise the delegation on the introduction of euro banknotes and coins and other issues relating to currency management in the euroarea. The areas covered during technical discussions include: organisational structure of Euro banknotes department; the introduction of the Eurobank notes and coins in 2002; creation of a single cash area; euro banknotes production; developments in the circulation of cash and stock management; anti-counterfeiting devices applied in the euro area.

At the end of the study visit, the WAMI delegation became conversant with the issues relating to the technical preparation of the euro currency, the challenges in the introduction of the euro as well as the arrangements for the massive sensitisation in Europe and anti-counterfeiting devices deployed. The training programmes, outlined by the ECB for WAMI staff are continuing. Other staff would benefit from these programmes before the end of the year.

WAMI HOLDS TECHNICAL DISCUSSIONS WITH THE IMF

A Mission from the West African Monetary Institute (WAMI) was in Washington DC from July 3 – 9 2004 for technical discussions with the IMF. The Mission paid courtesy visits to the Executive Directors responsible for WAMZ countries at the IMF and held discussions with the African Department of the IMF.

On July 6 2004, a meeting was held with the African Department. The African Department Team was led by Mr. D Basu, Deputy Director. The Director General thanked the African Department for its continued partnership with WAMI. He reviewed progress on the convergence programme of the WAMZ and concluded that while reasonable progress had been made in the other areas of the convergence programme, macroeconomic convergence has proved difficult especially fiscal consolidation, avoidance of monetary financing and diversifying the economies to withstand shocks. The Director General remarked that the payments system study has just been completed while work would soon commence on the second phase of the banking supervision study. In addition, an action plan for statistical harmonisation in the WAMZ would soon be finalized. The reports already completed would be sent to the African department for review while the others would be sent as soon as they become available.

Mr. Basu thanked WAMI for coming to hold discussions with the African Department. He noted that there was need to adhere to some principles in domestic financing. The problem should not be restricted to grants. Other forms of financing, especially borrowing from the domestic economy should be closely examined. For instance, if borrowing continues to result in increases in interest rates, a halt to other borrowing spree has to occur. Above all, to avoid discretionary expenditures, a commitment control system should be enforced. Such a system should include clear rules. The system could be reinforced through an information management system that tracks expenditure through ministries and various government agencies. Fiscal adjustments are important for reducing fiscal dominance. However, for the absorption of shocks, there is need for fiscal, monetary and structural adjustments (wage and price flexibility) and accumulation of reserves. Monetary policy should be tightened to move the exchange and interest rates closer before monetary union. With the problem of asymmetric shocks in the WAMZ, greater efforts are required on fiscal, monetary, structural adjustments and reserves build-up. Above all the economies would have to be sufficiently diversified. More importantly, efforts should be made to promote a regional capital market.

On July 7 and 8 2004, meetings were held with WAMZ country desks at the African Department, IMF. A meeting could not be held with the Sierra Leone Desk as it had undertaken a Mission to Freetown. The Director General reviewed the progress on the WAMZ programme, noting the downside risks.

The various issues for discussion earlier circulated to the country desks were thereafter discussed.

MULTILATERAL SURVEILLANCE

POOR CONVERGENCE REPORT PROVOKES SHARP REACTIONS

The conclusion in the convergence report at the end of December 2003 that the overall level of convergence dropped from the position at end-December 2002 and was indeed the poorest since the convergence process commenced in 2000 elicited heated debate and sharp reactions from stakeholders. While it was generally agreed that member countries would have to re-double their efforts in order to keep within the convergence trajectory, the obvious external shocks notwithstanding, other participants at the WAMZ meetings in Freetown, Sierra Leone in May 2004 felt that the period for convergence was not right. There were also indications that the whole process for monetary integration may have to be reviewed through a framework that recognises the peculiarities of the different countries, their possible convergence paths and an assessment process that situates the convergence criteria within the programmes of the member countries with the multilateral institutions. However, it was acknowledged that the right policy measures had not been applied and that the member countries had not made the desired efforts and commitments. Some of the highlights of the meeting of the Convergence Council of Ministers and Governors of Central Banks after deliberations on the status of macroeconomic convergence in the WAMZ at the end of December 2003 are as follows:

- (i) The performance of member countries on macroeconomic convergence has deteriorated. The situation at the end of 2003 compared unfavourably with the performance at the end of 2002 when the target date for monetary union was shifted to July 1, 2005.
- (ii) Although WAMI has presented an assessment of member countries' economic performance at the end of December 2003, there is the need to further undertake a proactive analysis of possibility of achieving the goal of monetary union on July 1, 2005.
- (iii) It would be more appropriate to give equal prominence to both primary and secondary convergence criteria in the assessment of progress towards convergence.
- (iv) As much as possible, expenditure should be matched with revenue in order to reduce the tendency towards expansionary fiscal operations.
- (v) It is important to eliminate the over dependence of government on the central bank for financing budget deficits within a specified timeframe.
- (vi) The concept of fiscal dominance should be more broadly defined. In this regard, a medium term fiscal framework including appropriate tax and expenditure policies should be developed.
- (vii) The current treatment of grants in the fiscal deficit/GDP criterion should be retained since what is important is the sustainability of expenditure.
- (viii) The onus of getting member countries to the monetary union is not only on the Committee of Governors but also on those who manage fiscal policy.
- (ix) Instead of sole reliance on a horizontal exchange rate band, the exchange rate

systems of member countries should also be examined. If we are converging towards a dollar standard, it should be possible to identify the implications for monetary policy.

- (x) It was important to examine the issue of domestic debt in order to determine appropriate policy options and donor support for WAMZ economies.
- (xi) Key issues to be resolved before monetary union should include harmonisation of the payments system, development of a capital market, and the implementation of ECOWAS trade protocols to create a common economic space.
- (xii) Statistical harmonisation towards data comparability should be intensified for proper assessment of progress towards convergence.
- (xiii) The sensitisation programme has not been implemented as expected. The implementation by member countries is slow while in some countries the message being disseminated does not appear credible in view of the slow progress on macroeconomic convergence. The programme should therefore be well sequenced to better reflect the progress that has been made.
- (xiv) The Technical Committee's report is somewhat routine. It could be made more analytical and dynamic.
- (xv) Most member countries have not ratified the legal instruments of WAMZ. This could be a constraint to starting the monetary union as scheduled.

WAMI UNDERTAKES FIRST HALF 2004 REVIEW OF THE ECONOMIES OF THE WAMZ

The Institute undertook the first half 2004 review of the economies of member states of the West African Monetary Zone (WAMZ) in July 2004. The assessment showed that all member countries' economies improved during the first half of 2004. The fairly good economic outturn of most of the countries was attributed to efforts at fiscal consolidation, especially improved domestic revenue mobilisation efforts and curtailment of expenditures within the constraint imposed by available revenues. In The Gambia, a generally improved macroeconomic environment was observed. Considerable progress was made on central bank financing of fiscal deficits and external reserves/import cover. The Gambia continued to face the challenge of fiscal consolidation as the fiscal deficit/GDP ratio at the end of June 2004 at 6.1 percent remained high. The high debt burden and dependence on external resources for budgetary gap financing continued to pose challenges for fiscal consolidation in The Gambia. The growth in domestic prices continued to moderate in Ghana. The fiscal deficit/GDP ratio also showed signs of improvement during the first half of 2004. External reserves were maintained at a comfortable level while central bank financing of fiscal deficit showed a substantial rise, although no new money was injected into the economy. The observed rise was attributable to the takeover of TOR debts by the Government for which the BOG was issued Treasury Bonds. Guinea's economy was characterised by inflationary difficulties exchange rate depreciation and external sector pressures during the first half of 2004. These developments notwithstanding, Guinea's position improved somewhat in respect of the convergence benchmarks of the WAMZ with strong performance on fiscal deficit/GDP ratio and central bank financing of fiscal deficits. The levels attained were however not sufficient to

ensure that Guinea satisfies the benchmarks on these criteria at the end of the year.

Nigeria's macroeconomic performance improved during the first half of 2004 following the impact of the buoyant oil sector and fiscal prudence by government. Financing of fiscal deficits by the central bank was eliminated as a surplus of 2.6 percent of GDP was recorded. However, inflation continued to trend upward, following the deregulation of down stream petroleum sector and the lagged effect of monetary expansion in the second half of 2003. Nigeria is performing well on the remaining three primary convergence criteria and with sustained efforts the country could be well on track on these criteria at the end of the year. The economy of Sierra Leone continued to be characterized by domestic and external sector imbalances. Although the Bank of Sierra Leone maintained a tighter monetary policy stance during the first half of 2004, monetary policy continued to be driven by government's fiscal operations. The external sector remained under considerable stress while the leone continued to drop in value against the US dollar in the foreign exchange markets. Although the authorities continued to make efforts to improve domestic revenue mobilisation to provide a stable base for budgetary allocations, the level of attainment remained low. Following significant downward review of government expenditures as donor inflows did not materialize as expected, central bank financing of fiscal deficits was curtailed. A continuation of current efforts would result in the attainment of this criterion at the end of 2004.

EXPERT WORKING GROUP ON WAMZ STATISTICAL HARMONISATION AGREE ON MINIMUM REQUIREMENTS

The Experts Working Group Meeting on Statistical Harmonisation in the West African Monetary Zone (WAMZ) took place at the Conference Room of the West African Monetary Institute (WAMI), Accra, Ghana on August 9 – 10, 2004. The objectives of the meeting were to:

- i) Consider the report on the Essential Statistics Improvement for WAMI Convergence Surveillance and the draft Action Plan for a Common Statistics Database for the WAMZ at WAMI and their estimated budget, and
- ii) Provide any amendments to the draft reports for finalisation and presentation to the Convergence Council and donors.

The Meeting was attended by officials from National Statistics Offices, Ministries of Finance and Central Banks of the WAMZ. Other international institutions represented were the Economic Community of West African States (ECOWAS) Secretariat, West African Institute for Financial and Economic Management (WAIFEM) and United States Agency for International Development (USAID).

Dr. M.O. Ojo, the Director General of the West African Monetary Institute (WAMI), addressed the opening session. He recalled the April 2004 meeting of the Experts Working Group on Statistical Harmonisation in the WAMZ, which deliberated on the draft Action Plan for addressing data quality and reporting problems encountered in the process of macroeconomic surveillance. He then noted the objective of the present meeting, the Group's second meeting, which was to finalise the Action Plan and funding proposals for submission to the national authorities at the forthcoming meeting of the Convergence Council scheduled to be convened in Conakry, Guinea at

the end of August 2004. He urged the meeting to provide the necessary amendments and updates to facilitate the finalisation of the Action Plan, which would embody the minimum requirement for comparability of the set of macroeconomic statistics for convergence surveillance.

Two reports were presented to the meeting following each of which the floor was opened for discussion. The USAID consultant presented the report on 'Essential Statistics Improvement for WAMI Convergence Surveillance' with a budgeted summary of statistics capacity upgrades needed to enable convergence surveillance in the West African Monetary Zone. WAMI presented the draft Action Plan for Common Statistics Database on behalf of the ICT consultant who was not present at the meeting. The presentation focused on the results of the ICT assessment made for WAMI and the five member states of the WAMZ, the proposed recommendations for improvement, a fast-track action plan and budget, and the recommended set of next steps.

On the report on the essential statistics improvement for WAMI convergence surveillance every WAMZ member state objected to the judgment asserted in the report that although services data in the trade sector were flawed and inadequate, the upgrading was not a priority area for the WAMZ surveillance mechanism and did not warrant support of members' requests for funding. Following extensive discussions, the meeting agreed that:

i) The existing shortcomings in the services and trade data are important and these improvements should be considered in subsequent statistical improvement activities under the harmonisation programme.

ii) The recommendations of the report on Essential Statistics Improvements and the budget of US\$ 382,500 be adopted:

The Gambia: Requires an economic census to support moving from SNA68 to SNA93 national income accounts. The Gambia has already nearly completed the preparations for implementing a new, COICOP consistent national coverage CPI, whose costs have predominantly already been covered. Total estimated costs to implement the census and process the data for the NIA upgrades, including consultants' services, and to provide training would be approximately 8.7 million dalasi (\$290,000).

Ghana: No additional assistance is needed to meet current WAMI surveillance reporting standards.

Guinea: Much assistance is needed to meet WAMI surveillance reporting standards in the area of the national coverage of the CPI and the movement NIA from SNA68 to SNA93. To complete these improvements, Guinea should step up efforts to procure the earmarked financial and technical assistance from the African Development Bank, the government of France, the EC through ECOSTAT, and AFRISTAT.

Nigeria: No additional assistance is needed to meet current WAMI surveillance reporting standards.

Sierra Leone: The African Development Bank is considering a \$260,300 proposal for an industry survey to support manufacturing output measurement. Sierra Leone should be proactive in promoting the successful procurement of this funding. For needed CPI and NIA improvements, including the creation of an essential register of businesses, an additional \$93,000 is needed.

The meeting further agreed that the recommendations of the Action Plan for the Common Statistics database, which were revised as follows, be adopted:

- i) Full implementation of the ECOMAC Database system by:
 - a) Training WAMI and WAMZ member Central Banks' Staff,
 - b) Evaluating Central Banks' on-line capabilities,
 - c) Populating ECOMAC database with existing WAMI dataset, and
 - d) Agreeing on standard reporting requirements regarding timeliness and periodicity.
- ii) Enhance the ECOMAC Database along the recommendations of this report and the outcome of the implementation of the basic ECOMAC database by:
 - a) Replacing initial WAMI dataset with primary data, and
 - b) Providing computational rules, consistency checks and reporting requirements covering the 10 surveillance criteria.
- iii) Constitute the Zonal Experts ICT Working Group.
- iv) Develop a new Enterprise Architecture, which would provide a framework for ensuring that the database is not built in isolation but as part of a larger ICT framework that supports the entire monetary integration objectives.
- v) ECOSTAT, WAMI and other donors would fund the revised budget estimate of US\$ 70,000.
- vi) At the next stage of the database development, extend training on the database to National Statistics Offices and Ministries of Finance.

OTHER AREAS OF THE CONVERGENCE PROCESS

STUDY ON PAYMENTS SYSTEMS SYSTEM DEVELOPMENT IN THE WAMZ ADOPTED BY ZONAL PAYMENTS COMMITTEE

The fifth meeting of the Zonal Committee on Payments System was held at the West African Monetary Institute (WAMI) from 11th to 12th August, 2004 to discuss the Report and Recommendations on the Payments System Study submitted by Consultancy Associates Limited, as well as the position paper of WAMI, highlighting the Findings, Recommendations and the Action Plan for implementation of the payments system development strategy.

The Director General of WAMI, in an opening address, welcomed participants to the meeting. He emphasised the need for WAMZ member countries to develop their payments systems through a coordinated manner to promote efficiency and interoperability in anticipation of the single monetary policy of the Zone. He also urged the Committee to critically evaluate the reports which would be presented to the WAMZ Authorities.

The objectives that guided the Study, among which were to:

- i) Eliminate, as far as possible, risks from payments, clearing and settlement systems.
- ii) Speed up the exchange and settlement of funds and securities through the operation of real-time systems to levels that would eliminate float.
- iii) Improve convenience, service and security for users considering that there is high cash intensity and the general trend is to migrate from cash and paper instruments to a state of high usage of electronic modes of payments.

- iv) Bring efficiency to Government receipts and payments and leverage them for financial intermediation.

The Stock-take Phase, which was the fact-finding stage, identified a number of gaps in WAMZ payments systems. The main conclusion was that the five WAMZ member countries are at different levels of payments system development. Level of automation differs from country to country. Ghana and Nigeria are well ahead in terms of modernization of the payments system.

The following recommendations were thereafter made by the consultants:

- i) The West African Monetary Institute (WAMI) at present and the West African Central bank (WACB) in the future should assume responsibility of the development of the payments system in the WAMZ. In its role as the Central Bank, the WACB should have oversight, operational and supervisory responsibility of the payments system. That role should compliment its traditional role of monetary policy management.
- ii) Telecommunication links should be established between the WACB and the National Central Banks to facilitate the transmission of data.
- iii) In the short term, member countries should commence the following:
 - a) Common standards for cheques, Automated Clearing House (ACH) and other payments system components should be

developed under the coordination of WAMI/WACB.

- b) A common Payments System Act for the WAMZ should be developed and the WACB should derive relevant rules and regulations for the operation of each payment stream.
 - c) Countries without RTGS system could implement an inter-bank funds transfer system with same-day value in Central Bank funds. The countries should go ahead and procure a common RTGS system that would also be adopted by the WACB.
 - d) The National Payments System Committee of each member country should hold monthly meetings and actively participate in the implementation of the WAMZ common systems at the national level. The Zonal Committee on Payments System should meet also hold quarterly meetings to discuss the implementation of common platforms in the WAMZ member countries.
- iv) In the medium term, the following recommendations should be pursued:
- a) Member countries with RTGS, that is, Nigeria and Ghana, should ensure that their RTGS systems are interoperable with the common RTGS system to be implemented by the The Gambia, Guinea, Sierra Leone and the WACB.
 - b) Member countries without cheque imaging and truncation system should procure and implement a common system while Ghana and Nigeria with MICR cheque clearing system should adopt the common standards to be implemented by The Gambia, Guinea and Sierra Leone.

- c) Nigeria should take the lead in the procurement and implementation of common ATM/POS and ACH systems for the WAMZ member countries.
- d) Guinea should lead the WAMZ member countries in the definition of cheques and other paper payment instrument standards.
- e) The WACB, as it becomes established, should implement the SSSS under the sponsorship of Ghana.

The three distinctive time-scales of short, medium and long terms refer to the periods when WAMI is in existence, during the set-up period of the WACB and in the lifetime of the WACB, respectively.

Following the presentations and subsequent discussions by the Committee, the following observations were made:

- i) The Stock take reflected the status quo of the payments systems in the WAMZ member countries.
- ii) Overall, the Consultant fulfilled most of the requirements of the Terms of Reference. However, the Committee noted that the description of the deficiencies were not explicit in the Report.
- iii) The appendices should constitute an integral part of the Strategy and Policy Framework Report.
- iv) There would be the need to prioritise the development of the various

payments system components in the light of the tight timeframe.

- v) In the development of specific payments streams, member countries should finance their components. However, WAMI/WACB would work with them to explore external funding from the World Bank, DFID, GTZ and other external donors.
- vi) The procurement of systems should aim at achieving interoperability in the WAMZ.

The Committee also recommended that:

- i) The establishment of a common RTGS by the countries not currently having it. In this regard, WAMI/WACB should coordinate the RTGS Project.
- ii) The Zone should develop common standards for cheques and other payment instruments
- iii) The Zone should work towards introducing common ACH, ATM/POS in the short-term.
- iv) There should be a harmonization of the Zone's payments system laws, rules and regulations

The implementation of the payments system components was assigned to specific countries to head the five Sub-Committees that would be set up as follows:

- i) RTGS -
The Gambia
- ii) Common standards for cheques and other payment instruments -
Guinea
- iii) ATM/POS; ACH -
Nigeria
- iv) ACP -
Sierra Leone
- v) Harmonization of Payments System Laws, Rules and

Regulations

- **Ghana**

Each Sub-Committee would be a sub-committee of the Zonal Committee and would be chaired by the Lead Country and composed of representatives from the other four member countries. WAMI/WACB would be responsible for the coordination of the implementation.

WAMZ WIDE BCPs ASSESSMENT TAKES OFF

The meeting of the Heads of Banking Supervision, Research and Legal Departments of Central Banks in the WAMZ was held on August 10, 2004 in the Conference Room of the West African Monetary Institute (WAMI) to consider the strategy for the implementation of the project of self-assessment of the Basel Core Principles (BCPs) in the West African Monetary Zone (WAMZ). The primary objective of the meeting was to discuss the project of the WAMZ-wide Assessment of the BCPs and articulate the strategies for its successful execution. The project is being undertaken by WAMI in collaboration with FIRST Initiative, following the first phase of collaboration, which made a stock take of the progress towards meeting international standards of banking regulations and supervision.

In his welcome address, the Director General of WAMI, Dr. M. O. Ojo, underscored the major benefits of the project, which include review of the progress made in the implementation of the BCPs, preparation of the banking systems for compliance with new higher

international standards, facilitation of the harmonization of the regulatory and supervisory frameworks, and establishment of the framework for dealing with financial sector problems in a new banking environment. He noted that each country would be fully assessed on the BCPs at the end of the project and agreement would be reached on the required reforms, and a revitalized roadmap for the implementation of the common regulatory and supervisory framework.

The participants were therefore urged to make important contributions on the most effective ways of executing the project, including a decision on the work programme and logistics for the upcoming missions by the Consultants. In conclusion, Dr. Ojo stressed the need for member Central Banks to fully cooperate with the Consultants during the country missions and follow-up activities by providing information/statistics, fixing appointments, and providing logistics for them.

In his opening statement, the Chairman, Mr. J. B. Clotey, Director, Governor's Office, Bank of Ghana welcomed the delegates to Ghana and implored them to cooperate with him to achieve success in the meeting.

Mr. Carl-Johan Lindgren, the lead expert for the earlier study presented the findings. The presentation consisted of extracts from the report titled "Towards Common Banking Supervision in the WAMZ—the Way Forward", and the issues and conclusions that are relevant for the upcoming regional self-assessment. He observed that all WAMZ countries were introducing extensive legal and regulatory changes to bring their rules and practices in line with the essential criteria for the relevant BCPs.

In areas where full compliance depends on supervisory resources and the development of practices and procedures in the banking industry, progress may be more gradual and constrained by perennial problems of scarce resources. Mr. Lindgren also noted that some weaknesses would remain in all the countries even after the reform

efforts, especially in the areas of measuring, monitoring and controlling market and other risks, as well as consolidated analysis and supervision. Common efforts would also be needed in the interpretation and application of the new "Basel 2" Capital Accord. He noted some key areas for harmonization, including:

- prudential ratios for capital adequacy, liquidity, foreign exchange and large exposures;
- monetary policy instruments like legal reserve requirements and access rules to central bank credit;
- rules for the implementation of new anti-money laundering laws;
- common accounting plan based on those used in Nigeria and Ghana (Guinea was considering a plan based on the WAEMU model);
- detailed reporting formats to set a basis for strengthened off-site monitoring and more uniform supervisory practices;
- disclosure requirements;
- rules and practices for loan valuation, loan loss provisioning, interest suspension and treatment of collateral;
- approaches for dealing with problem banks, including a graduated scale of corrective measures; and
- loan recovery and foreclosure rules and procedures.

While countries may operate different minimum capital base, Nigeria's accounting system was recommended for adoption. For the countries to get the full benefits of their reforms, a full

WAMZ-wide assessment of the BCPs was proposed for mid-2004 using the same external assessors for maximum comparability.

After exhaustive deliberations, the meeting noted that member countries may adopt country specific requirements with respect to minimum capital, while members should seek to achieve compliance with the new international accounting standards. Deposit insurance is an area of further efforts for the Zone, including undertaking studies to get the right strategies, while there should be a Zone-wide uniformity in the Basel II requirements. The issue of lender-of-last resort by the common central bank was raised in view of wider risks that may arise, given a new zonal and global environment of banking for member financial institutions. It was however agreed that this was an issue that should be better addressed when the common central bank takes off.

The meeting adopted the following decisions:

- (a.) Member countries should cooperate with the Consultants to achieve success in the self-assessments of the BCPs.
- (b.) The Consultants would provide a list of needs, including institutions and departments to visit, information required, and questionnaire to be completed by member countries.
- (c.) A time-table of visits was also adopted as follows:

No.	Activity	Dates
1	Meeting of Consultants with WAMI Officials (discuss work programme)	9 August 2004
2	Meeting with Heads of Banking Supervision, Research and Legal Departments (discuss implementation of the self-assessment of the BCPs)	10 August 2004
3	Self-Assessment of the BCPs in Ghana	9—13 August 2004
4	Self-Assessment of the BCPs in Nigeria	16—20 August 2004
5	Self-Assessment of the BCPs in The Gambia	30 Aug. – 3 Sept.
6	Briefs on the Assessments in the Countries (during the 3 rd meeting of the Heads of Banking Supervision, Research and Legal Departments in Abuja, Nigeria)	6 September 2004
7	Self-Assessment of the BCPs in Guinea	27—30 September 2004
8	Self-Assessment of the BCPs in Sierra Leone	3—10 October 2004
9	Meeting of Heads of Banking Supervision, Research and Legal Departments (to consider the Assessment Report)	2 November 2004
10	Presentation of the Assessments-Report (Summit of the Heads of State and Government of WAMZ)	1st or 2nd Week of December 2004

MASS MEDIA SENSITISED IN CONAKRY, GUINEA

The Fourth Zonal Workshop of the West African Monetary Zone (WAMZ) on the theme “The Role of The Media in Promoting the West African Monetary Zone Programme” organized by the West African Monetary Institute (WAMI) in collaboration with the National Sensitisation Committee (NSC) of Guinea, was held at the Conference Room of the Central Bank of the Republic of Guinea, Conakry, Republic of Guinea on June 8, 2004. The main objective of the workshop were to educate the media on the WAMZ Programme so that, they can disseminate information to the general public in member countries in a professional manner on the subject.

The opening ceremony was graced by important dignitaries including Honourable Minister of Finance, Mr. Madikaba Camara, Hon. Minister of Information, the Governor and Deputy Governor, of the Central Bank of the Republic of Guinea, the Director General of WAMI and Media practitioners from member countries of the WAMZ. Mrs Hadja Bella Diallo, Honourable Minister of Information chaired the session.

The Governor of the Central Bank of the Republic of Guinea welcomed the Honourable Minister of Finance, and Communication of the Republic of Guinea, the Director General of WAMI and delegates to the meeting. He welcomed delegates on behalf of the President of the Republic of Guinea to the Workshop. He alluded to the importance of the Workshop for the mass media as an avenue for ensuring

effective sensitisation of the people. The mass media is well placed to pass the message of the WAMZ to the populace, once they are well informed on the programme. He congratulated WAMI for its excellent performance at the last WAMZ meetings in Sierra Leone and the Director General for the frankness with which he handled his assignment.

The Honourable Minister of Information of Guinea and Chairman of the occasion welcomed fellow Ministers, the Director General of WAMI and delegates to the opening ceremony. She noted that the workshop for the media was critical for effective sensitisation of the populace of the WAMZ. The workshop for media practitioners is ideal as it attempts to ensure that the message of WAMZ is passed through the professionals. The holding of the workshop is an important event which highlights the role of the media in attaining goals of the WAMZ. She urged participants to apply themselves to deliberations at the workshop so as to come up with useful recommendations. She indicated that she would be ready to sponsor media participants on sensitisation to the rural areas of the Republic of Guinea. She thereafter declared the workshop open.

Mr. Cheick Sylla, Director General, Credit and Exchange, Central Bank of Guinea who chaired the first plenary session, thanked participants for accepting the invitation to the Workshop. He reminded participants that a monetary union, which is often one of the aims of an economic integration process can assist in creating economic benefits through economic stability which is conducive to foreign investment and enhancement of financial transactions. He remarked that the

Guinean Franc would soon be replaced by the Eco and that it was important for the challenges to be well explained. Furthermore, he urged the media to assist in the sensitising the public on the Eco.

At the first plenary session on challenges to the introduction of the Eco Dr. M. O. Ojo, Director General, West African Monetary Institute presented the first paper titled “The Challenges of Introducing the Eco Currency”. Dr. Ojo recalled the objective of the West African Monetary Zone, which is to establish a monetary union characterised by a common central bank and a single currency to replace the existing five national currencies. To this end, the West African Monetary Institute was set up to supervise a policy harmonisation programme and take up the day-to-day responsibility for implementing the action plan for monetary unification and eventual establishment of the common central bank for the WAMZ.

The challenges facing the Authorities on the WAMZ programme were outlined by Dr. Ojo as follows:

- i) Expediting the convergence process through member states’ implementation of policies that would enable them achieve a high degree of economic convergence;
- ii) Implementing national sensitisation programme so that the general public and various stakeholders would be adequately informed for ownership and acceptability;
- iii) Discharging financial obligations to ensure speedy implementation of the WAMZ programme;

- iv) Ratification of Legal Instruments to back up agreements among the member countries; and
- v) Determining Final Eligibility and Sustainability of Monetary Union to ensure that countries are eligible for the take-off of the monetary union.

After the presentation, a number of issues were raised to which the Director General responded as follows:

1. Necessity of Convergence before Monetary Union

The framework of convergence include a number of issues, macroeconomic convergence, architecture of the monetary union, contributions to the WAMZ programme and policy harmonisation. The convergence issue should be treated in a holistic manner. What is required is the determination to apply the right policy measures. The example of Ghana that moved from zero compliance in 2002 to compliance with 2 criteria in 2003 following disciplined economic management was cited.

2. Performance of Guinea

The problems are well diagnosed. The inflation rate has been rising. The fiscal deficit has also been rising with large financing from the central Bank. These create macroeconomic instability. Guinea has a programme on how to tackle the problems.

3. Review of the Convergence Criteria

WAMI is interested in member countries applying the appropriate policy measures to achieve convergence. This would be the basis for a sound monetary union.

The minimum conditions would have to be met.

4. Capacity Building

A lot has been done since the beginning of the WAMZ programme. A number of development partners have offered technical assistance to WAMI. The European Central Bank (ECB) is currently training staff of WAMI and National Central Banks of WAMZ on various issues on monetary policy and central banking.

5. Challenges

The challenges are enormous but they are not insurmountable. The problem of counterfeiting is real but measures are underway to check its occurrence. We have to do a lot before July 1 2005. WAMI undertakes missions to member countries and prepare reports on their economies. This is a critical monitoring avenue available to WAMI.

The inability of member countries to fully pay up the first tranche of the SCF has prevented its operationalisation. The SCF will soon be operationalised as some funding from member countries is expected.

6. Anchor of the ERM

The dollar is used as anchor by the WAMZ because most of the transactions of the WAMZ are denominated in dollar but the euro could be considered.

7. Take off of the Monetary Union

Once two or more countries qualify for the monetary union, the union would take off.

8. July 2005 being too ambitious

July 2005 is not too ambitious if member countries apply themselves to the programme and undertake the right policy measures.

9. Guinea joining the UEMOA

The issue of Guinea joining the UEMOA is political but Guinea has rightly joined the WAMZ.

10. Getting People back to agriculture

This is a structural problem and countries tackle the problem in their national budgets.

11. Governance Issues

These are monitored under the other areas of the convergence process.

12. Political will for convergence

Political will is important and critical for undertaking the correct policy measures to achieve convergence. Political commitment is there but it should be fully backed up with concrete actions on the ground.

The second plenary session on "Promoting the WAMZ Programme: The Role of the Mass Media" was chaired by Mrs. Olubunmi badejo, Chief Press Secretary, Nigeria Ministry of Cooperation and the Integration in Africa. The speaker was Mr. Seydouba Sylla, Coordinator of Guinea's National Sensitisation Committee. Mrs Badejo noted the important role the mass media could play in promoting the WAMZ programme through sensitisation.

Mr. Sylla reviewed the events leading to the establishment of WAMI to

nurture the West African Central Bank. There is need to distinguish among the media. The print media could be useful in sensitisation. However, with high illiteracy rate, a large portion of the population may not be catered for. It is therefore through traditional media that most of the citizens can be sensitised, especially in places where tradition is deeply rooted. To facilitate the traditional media, free movement of the people should be facilitated throughout the WAMZ. Print and electronic media could also be useful. The media could make use of drama on radio or television. Indeed, the radio would have a wider audience and reach community based radio are also important in passing on the WAMZ message.

The paper further outline the role the various media could play in sensitisation

programme of the WAMZ. The paper concluded that the media should play its role properly in deploying all facilities within their reach to help in the WAMZ sensitisation programme.

ARCHITECTURE OF THE WAMZ

STATUTES OF WAFSA AND WAMZ SECRETARIAT ADOPTED BY THE LEGAL AND INSTITUTIONAL ISSUES COMMITTEE

The Director General of WAMI, Dr. M.O. Ojo, welcomed members of the Committee to the meeting. He stressed the importance of laying proper foundations for the institutions of the WAMZ. The success of the monetary union, he stated, would depend largely on the coherence in the functioning of the laws governing these institutions. The Director General also emphasized the importance of ratifying the legal instruments before the take off of the WACB in July 2005.

Mrs. Gladys Kufuor Senior Legal Counsel presented the draft WAFSA Statute. She stated that at the fourth meeting of the Convergence Council of the West African Monetary Zone (WAMZ) held in Sierra Leone, in April 2002, it was agreed that there would be established a central supervisory body to be known as the West African Supervisory Authority (WAFSA) to conduct banking supervision in the WAMZ. WAMI was charged with designing the structure for this new central supervisory body.

The Statute was based on the results of a study commissioned by WAMI and carried out by First Initiative, a UK Consultancy, to assess the progress made in the five member countries towards meeting international standards of

banking supervision and advice on the steps needed to develop the common banking supervisory authority.

The draft Statute establishes the WAFSA and defines its regulatory and supervisory powers as well as rules governing banking business. The WAFSA shall be responsible for the licensing, supervision and regulation of institutions carrying on the business of banking. Its functions include the promotion the general stability and effective working of the banking system. Section B sets out the banking legislation which the WAFSA will implement. The requirements which banks need to satisfy are similar to those contained in the Banking Acts of the various member states of the zone and are in line with the Basel core Principles and Best Practices.

Part II of the draft Statute establishes the WAFSA in accordance with the Decision of the Authority of Heads of State of Government expected to be proclaimed at the next WAMZ meetings in August 2004. It sets out its legal status and capital. The initial capital of the WAFSA should be contributed by the member states according to the ECOWAS budgetary contribution formula as in the WACB Statute. The location of the headquarters shall be determined by the Authority. The WAFSA would have branches. It by its Board of Directors which would include the President of the WACB and two members from each member state.

The WAFSA would be set up an institution independent of the WACB

though closely working with it. It would be governed by its own board of Directors. The Chief Executive of the WAFSA will be known as the Managing Director who would be appointed by the Authority on similar terms as the Vice - President of the WACB. The President of the WACB will chair the board of the WAFSA thus ensuring close cooperation and coordination. The results of the study by First Initiative show that this arrangement would allow WAFSA to have clear focus and objectives as well as develop a career stream for supervisors and better allocate resources according to its own priorities. The study states that an independent WAFSA could also more naturally include other areas of supervision at a later stage. The involvement of the President of the WACB would carry out the clout of the central banks, provide a measure of protection from political influences and facilitate coordination with monetary policy.

The Chairman, Dr Addeah, from the Bank of Ghana provided a useful synopsis of the draft Statute. He highlighted the two critical issues which every modern economy should endeavour to address as: the maintenance of price stability through appropriate monetary policies and the promotion of financial soundness through an effective and efficient regulatory and supervisory system. Both price stability and financial soundness depend on appropriate legal frameworks. He further set out the key elements that an appropriate banking statute should have which include a statutorily defined clear objective, the definition of a bank and its permissible activities, licensing criteria, corporate governance arrangements amongst others. In

analysing the draft statute he considered whether it was necessary to have one or two statutes to address the two goals which it seeks to achieve namely, to establish WAFSA and to define the regulatory and supervisory powers of a banking supervisor as well as the rules governing the entry, operation and exit of an entity which desires to do banking business.

The Committee held discussions on the draft WAFSA Statute and agreed on the following:

Structure

There should be two Statutes. One would deal with the establishment and functions of the supervisory body for licensing supervision and regulation of financial institutions. The other Statute should represent the banking legislation for the zone. A Statute on the non-bank institutions would also be prepared later. This is consistent with the current practice in the member state and with the UEMOA.

Establishment

The supervisory body should be established in accordance with a Decision of the Convergence Council in Freetown in May 2004. It should be located in a member state to be decided by the Authority and should have branches in each member state.

Jurisdiction

The supervisory body should deal with both bank and non-bank financial institutions. This is considered desirable being the practice in most member states.

Funding

The supervisory body should be funded by annual allocation from the WACB. The budget will be considered and approved by the Board of WAFSA. Delegates were of the opinion that member states would be financially burdened with another capital contribution.

Autonomy

That WAFSA should have operational independence. This arrangement would allow WAFSA to have clear focus and objectives.

Functions

The functions of the WAFSA should include the imposition of sanctions on supervised bodies that breach banking legislations, to ensure protection of the interests of the depositor and the public.

Composition

The Board of Directors should include the Governors of the National Branches of the WACB to ensure close coordination and cooperation between the two institutions.

Relationship with the WACB

There should be a strong linkage between the relationship between the WACB and the WAFSA such that would ensure the pursuit of effective monetary policy.

Accounting and Reporting

That WAFSA should submit bi-annual reports to the Council. That the Statute should include accounting and audit provisions.

Amendments made to draft Statute of WAFSA

Some specific amendments were made to the draft WAFSA Statute.

Mr. Hussein Thomasi Director, Legal Department presented the Draft Agreement on Liberalisation of Capital Movements in the West African Zone (WAMZ) giving an overview of the contents of the Agreement.

The Committee deliberated on the relevance of the draft Agreement within the context of the overall economic and monetary objective of the WAMZ. Ideally in a monetary union an Agreement should not be necessary as there should be no obstacles to free movement of capital within the zone. It may necessary with respect to third countries i.e. countries outside the zone. With a common payment system under the WACB there would be free and unhindered movement of capital. Member states would not even aware when capital is being moved between member states. Hence the Agreement would be superfluous for purposes of the monetary union. The issue of capital movement should best be left to the WACB. However, a study should be carried out to determine whether it would actually be necessary in the future to prepare such an Agreement for the Member states

Mrs. Gladys Kufuor presented the draft Statute of the West African Monetary Zone Secretariat and highlighted the main features of the draft Statute. The Framework of for the Statute was approved by the Convergence Council at its last meeting in May 2004. As WAMI

which was mandated to prepare the ground for the take off of the West African Central Bank (WACB) is expected to wind up operations in June 2005 it would be necessary to set up an Institution to continue multilateral surveillance in the zone to ensure that countries continue to meet the convergence criteria and also to monitor performances of those countries which wish to join the monetary union.

The Statute of the WAMZ Secretariat is drafted along the same lines as the Agreement establishing WAMI. It is divided into five parts. Part I deals with interpretation; Part II deals with the establishment general principles, objectives and functions of the WAMZ Secretariat ; Part III sets out the organisational structure: Part IV deals with the relationship with the ECOWAS Secretariat and other international organisations and finally Part V sets out the Final and General provisions.

The Committee agreed that it was important to establish a Secretariat to coordinate the Institutions of the WAMZ and to carry out multilateral surveillance in the zone. The Committee made some amendments to the draft statute.