

**MEETINGS OF THE WEST AFRICAN MONETARY ZONE
ABUJA, NIGERIA
DECEMBER 15 - 17, 2004**

WAMZ/CG/13

**13TH MEETING OF THE COMMITTEE OF
GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE**

FINAL REPORT

**ABUJA, NIGERIA
DECEMBER 17, 2004**

**REPORT OF THE 13TH MEETING OF THE COMMITTEE
OF GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE
HELD AT THE ECOWAS SECRETARIAT, ABUJA, NIGERIA
ON DECEMBER 17, 2004**

I. INTRODUCTION

1. The 13th meeting of the Committee of Governors of Central Banks of the West African Monetary Zone (WAMZ) was held at the Conference Hall of the ECOWAS Secretariat, Abuja on December 17, 2004 to consider the Report of the 19th Meeting of the Technical Committee and make recommendations to the Convergence Council. All the member states, as well as the ECOWAS Executive Secretariat, WAMI and some of the regular observers were represented at the meeting (See Annexes I and VII).

II. OPENING

2. The outgoing Chairman of the Committee of Governors, Mr. Alkhaly Daffé, Governor, Central Bank of the Republic of Guinea welcomed members to the meeting. He thanked the Government and people of Nigeria for the warm welcome extended to Governors since they arrived in Abuja. He also thanked the Governors for their dedication to the WAMZ programme, and the Director General of WAMI and his staff for the excellent work they have been doing. He noted that various factors have limited the ability of WAMZ countries to attain the convergence benchmarks for the monetary union. The Study that has been commissioned would lay the foundation for the creation of a sustainable monetary union. He informed fellow Governors that the Government of the Republic of Guinea has set up a national committee to prepare the ground for the take-off of the WAMZ Secretariat in Conakry, Guinea.

3. The Executive Secretary of ECOWAS, Dr. Mohammed Ibn Chambas also welcomed the Governors on behalf of the Government and people of Nigeria and acknowledged the excellent facilities put at the disposal of the Governors. He

noted that the ongoing in-depth analysis of the state of preparedness for monetary union was in the right direction. He underlined the usefulness of monetary cooperation towards a single currency for ECOWAS, and the nexus between trade and monetary integration. He thereafter declared the meeting open.

4. The host Governor, Prof. Charles C. Soludo, welcomed the Governors and other participants to the meeting. He thanked the Technical Committee for its useful report and the West African Monetary Institute for the quality of the background papers prepared which formed the basis for the Technical Committee's deliberations. He noted that the ongoing study on the state of preparedness on the WAMZ programme and the way forward for the monetary union are critical for the integration process in the WAMZ. He observed that without convergence there will not be a credible union. The current state of convergence indicates that a lot more effort would be required to move the process forward. Most of the legal instruments of the WAMZ have not been domesticated by member countries. Also, there is need to vigorously pursue policy harmonization. The study being undertaken by WAMI would be supplemented with another benchmark study by a group of African Experts to be commissioned by the Governors so as to benefit from a wide range of ideas.

5. Prof. Charles C. Soludo, Governor, Central Bank of Nigeria was elected Chairman of the meeting. Thereafter, the meeting adopted the Agenda as indicated in Annex III.

III. CONSIDERATION OF AGENDA ITEMS

6. The Chairman of the Technical Committee, Alhaji Idris A. Kuta, presented the Report of the 19th Meeting of the Technical Committee. The observations and recommendations of the Committee of Governors are as follows:

A. Policy Issues

1.0 Observations and Recommendations of the Committee of Governors on the 4th Finance Ministers' Forum

7. The Governors noted the recommendations of the 4th Finance Ministers' Forum but cautioned on the need for a policy of full cost recovery especially in the social sector, in view of its apparent conflict with the drive towards the millennium development goals.

8. Governors noted that fiscal sustainability problem in the WAMZ was at the core of the convergence process, and if the Finance Ministers do not fully participate in the Forum, the convergence process would remain weak. Governors therefore resolved that the Chairman of the Committee of Governors should forward a letter to the Finance Ministers of the WAMZ urging them to show more interest in the Forum so as to facilitate the convergence process of the Zone. In addition, the content of the seminars for the Forum should add value to policy implementation at the national level and in regional policy coordination.

9. The Chairman advised that member countries should redeem their financial obligations as soon as possible, in spite of the economic difficulties facing the member countries. The Governor of the Central Bank of The Gambia reported that payment in respect of its outstanding contribution to the capital of the WACB was recently paid. The Governor of the Central Bank of the Republic of Guinea assured the Committee that Guinea would fulfill its obligations by end March 2005.

2.0 Observations and Recommendations on the Report of Self Assisted WAMZ-Wide Assessment of the Basel Core Principles

10. The Committee of Governors noted the report and observed that most WAMZ countries had made progress in complying. However, countries were urged to intensify efforts towards full compliance.

3.0 Recommendations by the Committee of Governors on the Progress Report on Trade, Investment and Tax Issues in the West African Monetary Zone

11. The Governors noted that trade was a major bedrock for economic and monetary cooperation, and as a result, there was the need for the Trade Ministers of the WAMZ to attend Convergence Council Meetings. To underscore this point, the Chairman was mandated to send a letter to the Ministers on the need for them to participate in the statutory meetings.

12. On harmonization of indirect taxes, the Governors agreed that WAMI should compile a report on existing indirect taxes imposed by member states on goods and services for discussion at the next meeting of the Trade, Investment and Tax Issues Committee.

13. The Governors also agreed that trade was central to monetary cooperation and that adequate political will had not been demonstrated to fully implement the Protocol on the ECOWAS Community Levy. It urged member countries to implement the ECOWAS Community Levy so as to facilitate the full operationalisation of the compensation scheme for loss of revenue.

4.0 Observations and Recommendations of the Committee on Legal Issues

14. The Committee noted that the drafts of the Banking and Other Financial Institutions legislation had been completed by WAMI for presentation to the Legal

and Institutional Issues Committee early in 2005, and urged that the drafts of the Committee be sent to Governors on time for in-depth study. The Governors agreed that the draft WAFSA Statute should be kept on hold until the draft banking laws are approved by the Convergence Council.

B. Proposals on WAMI's Work Programme and Budget for 2005

1.0 Budget Estimates

15. Governors reviewed the Work Programme of the Institute for the first half of 2005 and the accompanying activities which produced a total budget of \$1,775,380.00. It noted the cost of the Work Programme estimated at \$390,468.00, general administration (\$1,367,334.00) and contingency (\$17,578.00).

2.0 Observations by the Committee of Governors

16. The Committee of Governors observed that the critical aspects of WAMI's work programme for the first half of 2005 were macroeconomic surveillance and the study on the state of preparedness of WAMZ member countries for monetary union by July 1, 2005. Governors also agreed that it was necessary to maintain continuity and sustain collaboration with development partners. Governors mandated WAMI to work on the codification of the tax laws in the WAMZ as part of the policy harmonization exercise.

17. The Governors agreed that the components of Terms of Trade and Real Exchange Rate Shocks should be merged as they can be considered under the same framework since they are not mutually exclusive. The Governors thereafter endorsed the two studies recommended by the Technical Committee as follows:

- Terms of Trade and Real Exchange Rate Shocks in the WAMZ;
and
- Fiscal and Debt Sustainability in the WAMZ.

18. However, Governors agreed that the budgetary implications of the monetary union and the financing sources should be clearly articulated so that member countries know the burden they would have to bear. The cost of printing the common currency is a major issue in the implementation of the WAMZ Programme. As a result, it should be well articulated in the Study. Furthermore, the overview of where we are now and where we want to be should also be included in the report.

3.0 Decisions by the Committee of Governors

19. The Committee of Governors approved a budget of \$1,631,842.00 (One million, six hundred and thirty-one thousand eight hundred and forty-two dollars) for WAMI's activities during the first half of 2005, compared with WAMI's proposal of \$1,775,380.00 (One million, seven hundred and seventy-five thousand three hundred and eighty dollars).

20. The Governors also approved the sum of \$118,133.00 (One hundred and eighteen thousand one hundred and thirty-three dollars) for the Study on the State of Preparedness for the Monetary Union.

21. The Governors also urged member Central Banks to remit their shares of the budget of WAMI and the cost of the Study to WAMI on or before January 15, 2005.

IV. ANY OTHER BUSINESS

22. The following issues were raised under this agenda item:

- **Schedule of WAMZ Meetings, January – June 2005**

The Governors noted the Schedule of WAMZ Meetings for 2005 as indicated in Annex III.

- **Outstanding Financial Obligations**

The Governors noted the outstanding contributions by member countries in respect of the capital of the WACB and contribution to the SCF as indicated in Annex IV. Member countries were urged to make efforts to pay their outstanding contributions.

- **Information on Indirect Tax Regimes in the WAMZ**

Member countries were reminded to forward information on indirect tax regimes to WAMI urgently for analysis and presentation to the next meeting of the Zonal Committee.

V. ADOPTION OF THE REPORT

23. The Report was unanimously adopted.

VI. DATE OF NEXT MEETING

24. The next meeting of the Committee will take place in Banjul, The Gambia in 2005. The exact date will be communicated to members in due course.

VII. VOTE OF THANKS

25. Mr. Mohamed Sanpha Fofana, Deputy Governor, Bank of Sierra Leone expressed appreciation to the Government and people of Nigeria for the warm hospitality accorded members since their arrival in Abuja, and for the excellent facilities placed at the disposal of the Governors. He commended Governors for their fruitful deliberations and the Chairman for the businesslike manner he handled the affairs of the Committee. He also commended the Technical Committee and WAMI for the quality of work which facilitated proceedings at the Governors' meeting. Finally, he wished Governors safe return to their various destinations.

VIII. CLOSING

26. The Chairman of the Committee, Prof. Charles C. Soludo, in his closing remarks thanked Governors for their constructive interventions which in no doubt enriched the proceedings at the meeting. He also thanked the Director General of WAMI and his staff for the quality of the background documents prepared for the meeting and the Technical Committee for its incisive report. He urged fellow Governors to pay up their shares of WAMI's budget for the first half of 2005 and the Cost of Study on the State of Preparedness for Monetary Union as scheduled. He thereafter wished Governors safe journey back to their respective destinations.

**DONE IN ABUJA, NIGERIA
ON THE 17TH DAY OF DECEMBER, 2004**

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**PROF. CHARLES C. SOLUDO
GOVERNOR, CENTRAL BANK OF NIGERIA AND**

**CHAIRMAN, COMMITTEE OF GOVERNORS OF CENTRAL BANKS
OF THE WEST AFRICAN MONETARY ZONE**

ANNEX I

ATTENDANCE: MEMBER STATES AND INSTITUTIONS

THE GAMBIA

Central Bank of The Gambia

GHANA

Bank of Ghana

REPUBLIC OF GUINEA

Central Bank of the Republic of Guinea

NIGERIA

Central Bank of Nigeria

SIERRA LEONE

Bank of Sierra Leone

WEST AFRICAN MONETARY INSTITUTE

ECOWAS EXECUTIVE SECRETARIAT

OBSERVERS

- West African Institute for Financial and Economic Management (WAIFEM)
- Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)
- UEMOA Commission

ANNEXE II

ADOPTED AGENDA

1. Opening
2. Election of Chairman
3. Adoption of the Agenda
4. Consideration of the Report of the 19th Meeting of the Technical Committee
5. Any Other Business
6. Adoption of the Report
7. Closing

ANNEX III

SCHEDULE OF WAMZ MAJOR MEETINGS JANUARY – JUNE 2005

DATE	MEETINGS	VENUE
January 14	WAMZ Trade Ministers (9.00am – 10.00am) Convergence Council (10.00am – 12.00 noon)	Accra
February 28 – March 1	Zonal Committee on Trade, Investment and Tax Issues	Accra, Ghana
March 7 – 20	WAMI's Multilateral Surveillance Missions	Member States
April 18 – 19	Expert Working Group on Statistical Harmonisation	Accra, Ghana
April 20 – 21	Committee of Bank Supervisors, Directors of Research and Legal Officers	Accra, Ghana
April 21 – 22	Zonal Committee on Payments System Development	Accra, Ghana
May 2 – 7	WAMZ Meetings: To consider study on WAMZ Programme: Technical, Governors, Convergence and Summit	Banjul, The Gambia
May 26 – 27	Legal and Institutional Issues Committee	Accra, Ghana

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ANNEX IV

OUTSTANDING FINANCIAL CONTRIBUTIONS AS AT 31 AUGUST 2004 (US\$ Million)

COUNTRY	SCF			CAPITAL OF WACB					Grand Total
	1 st Tranche	2 nd Tranche	Sub-Total	1 st Tranche	2 nd Tranche	3 rd Tranche	4 th Tranche	Sub-Total	
The Gambia	0.00	1.75	1.75	0.00	0.00	1.75	1.75	3.50	5.25
Ghana	0.00	0.00	0.00	0.00	4.25	4.25	4.25	12.75	12.75
Guinea	2.75	2.75	5.50	2.75	2.75	2.75	2.75	11.00	16.50
Nigeria	0.00	14.90	14.90	0.00	15.00	15.00	15.00	45.00	59.90
Sierra Leone	0.05	0.65	0.70	1.25	1.25	1.25	1.25	5.00	5.70
Total	2.80	20.05	22.85	4.00	23.25	25.00	25.00	77.25	100.10

SCF - Stabilisation and Cooperation Fund
WACB - West African Central Bank

Note : At its meeting in Freetown, Sierra Leone in May 2004, the Convergence Council directed that all contributions on the two tranches of the SCF and the first two tranches of the WACB capital should be paid by August 31, 2004, while the last two tranches of the WACB capital should be paid by December 31, 2004

ANNEX V - TABLES ON THE BUDGET

TABLE E 1.1 RESOURCES NEEDED FOR THE STUDIES

1. Terms of Trade and Real Exchange Rate Shocks in the WAMZ

- a. Individual country analysis
- b. Zone-wide Analysis

Two consultants would be required to work together on this study in order to share experiences and produce a robust and balance report.

Estimated Cost:

Professional fees for two (2) consultants @ \$10,000.00 each - \$20,000.00

Reimbursable Break down:

1. Air tickets to/from five WAMZ countries @ \$600x4x2	=	\$4,800.00
2. Accommodation four nights per country @ \$100x4x2	=	\$3,200.00
3. Per diem for four days per country (16 days)x2x\$50	=	\$1,600.00
4. Local transportation @ \$100 per country x2x5	=	\$1,000.00
5. Generation of Report and translation	=	\$3,067.00
6. Contingency	=	\$1,000.00

Sub-total	=	\$34,667.00

2. Fiscal and Debt Sustainability in the WAMZ

- a. Individual country analysis
- b. Zone-wide Analysis

Two consultants would be required to work together on this study in order to share experiences and produce a robust and balance report.

Estimated Cost:

Professional fees for two (2) consultants @ \$10,000.00 each = \$20,000.00

Reimbursable Break down:

1. Air tickets to/from five WAMZ countries @ \$600x4x2	=	\$4,800.00
2. Accommodation four nights per country @ \$100x4x2	=	\$3,200.00
3. Per diem for four days per country (16 days) x2x\$50	=	\$1,600.00
4. Local transportation @ \$100 per country x2x5	=	\$1,000.00
5. Generation of Report and translation	=	\$3,066.00
6. Contingency	=	\$1,000.00

Sub-total	=	\$34,666.00

3. Contingency = \$35,000.00