

**MEETINGS OF THE WEST AFRICAN MONETARY ZONE
ACCRA, GHANA
JANUARY 14, 2005**

WAMZ/CC/16

**16TH MEETING OF THE CONVERGENCE COUNCIL
OF MINISTERS AND GOVERNORS
OF CENTRAL BANKS OF THE
WEST AFRICAN MONETARY ZONE**

FINAL REPORT

**ACCRA, GHANA
JANUARY 14, 2005**

**REPORT OF THE 16TH MEETING OF THE CONVERGENCE COUNCIL
OF MINISTERS AND GOVERNORS OF CENTRAL BANKS OF THE
WEST AFRICAN MONETARY ZONE
HELD AT THE CONFERENCE HALL OF M-PLAZA HOTEL,
ACCRA, GHANA, JANUARY 14, 2005**

I. INTRODUCTION

1. The 16th Meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) was held at the Conference Hall of the M-Plaza Hotel, Accra, Ghana on January 14, 2005. The Reports of the 19th Meeting of the Technical Committee and 13th Meeting of the Committee of Governors of the Central Banks of the WAMZ earlier held in Abuja during December 15 – 17, 2004 formed the basis for the deliberations at the meeting. 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 IV).

II. OPENING

2. The Minister of Finance and Economic Planning of Ghana, Mr. Yaw Osafo-Mafo welcomed members to the meeting. He remarked that security issues had dominated the affairs of the ECOWAS in recent years but urged a redoubling of efforts to implement the right policies to ensure economic growth. He noted that issues relating to the common currency for the sub-region should be properly addressed so that the Heads of State and Government would be well informed. Finally he wished the meeting fruitful deliberations.

3. The Executive Secretary of ECOWAS, Dr. Mohamed Ibn Chambas urged member countries to apply the defined measures to ensure the realization of the single currency objective. He observed that the implementation of the Trade Liberalisation Scheme has been slow, with only eight countries applying the

scheme correctly. He urged that efforts should be stepped up by member countries to implement the ECOWAS Community Levy Scheme which is central to the effective implementation of the Trade Liberalisation Scheme. The Executive Secretary urged that trade integration should be intensified to create the enabling environment for the introduction of a common currency. He wished Council fruitful deliberations.

4. The outgoing Chairman of the Convergence Council, El Hadj Thierno Habib Diallo, Minister of Cooperation of the Republic of Guinea, represented by the Ambassador of the Republic of Guinea to Ghana welcomed members to the meeting. The Ambassador conveyed the apologies of the outgoing Chairman who was unavoidably absent. He congratulated the President of Ghana on his re-election, and expressed appreciation of Council to the President, People and Government of Ghana for the warm welcome to Council members since their arrival in Accra. He noted that the purpose of the meeting was to deliberate on the Report of the 13th Meeting of the Committee of Governors. He also noted the on-going study on the state of preparedness for the WAMZ monetary union and the susceptibility of the Zone to shocks. He remarked that in spite of difficulties facing the WAMZ economies, member countries should not be deterred from launching the monetary union in 2005. He reiterated the commitment of the Republic of Guinea to the common currency project. Finally, he thanked WAMI for the excellent quality of its work which allowed him to have a smooth tenure.

5. The Chief of Staff, Office of the President, Republic of Ghana, Mr. Kwadwo Mpianim, welcomed Ministers and Governors to the meeting on behalf of the President and people of Ghana. He noted that the meeting would deliberate on issues relating to the economic development of the sub-region through regional cooperation. He observed that individual efforts at economic development had not paid off simultaneously, especially in the context of the surge in globalization and regionalism. He advised that the indigenous entrepreneurship in the sub-region should be strengthened through the WAMZ

programme without supplanting it with imported models. He noted that the commitment of Ghana to the WAMZ programme is demonstrated by the steady progress Ghana has made in stabilizing its economy. The Chief of Staff thereafter formally declared the meeting open.

6. Following the Opening Session, Mr. Yaw Osafo-Mafo, Minister of Finance and Economic Planning, Ghana was elected Chairman of the meeting. He thanked the Council, on behalf of the Government and people of the Republic of Ghana, for selecting Ghana to chair the meeting. He promised to do his best and requested the delegates to extend the usual support to Ghana during his tenure.

III. CONSIDERATION OF AGENDA ITEMS

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

8. On behalf of the Governors, the Chairman of the Committee, Professor Charles Soludo thanked the Government and people of Ghana for the warm hospitality extended to them since their arrival in Ghana. He thereafter gave the highlights of the Report of the 13th Meeting of the Committee (See the Report of the Committee of Governors).

A. Observations and Recommendations of the Convergence Council on the Report of the Committee of Governors

A.1 Policy Issues

i. 4th Finance Ministers Forum

9. The Council noted the concerns of the Committee of Governors and acknowledged that the fiscal sustainability problem in the WAMZ was at the core of the convergence process. It urged Finance Ministers to show more interest in

the Forum of Finance Ministers to ensure that the convergence process remained on course.

10. Council directed WAMI to ensure that the on-going Study on the State of Preparedness of WAMZ countries for monetary union in July 2005, includes a sequencing of implementation of the WAMZ programme, as well as the setting up of institutions such as the WACB, WAMZ Secretariat and WAFSA.

ii. Self Assisted WAMZ-Wide Assessment of the Basel Core Principles

11. The Council commended member countries on the progress so far made in complying with the Basel Core Principles and urged them to intensify efforts towards full compliance.

iii. Payments System Development

12. Council noted that the report did not include the status of implementation of the Action Plan on payments system development. Council was, however, informed that a preliminary report on Payments System Development in the WAMZ was presented in Conakry, Guinea in August 2004, including an Action Plan under which implementation sub-committees were to be set up. The constitution of the sub-committees is on-going. The Gambia and Sierra Leone have duly communicated to WAMI their nominees to the various Project Sub-Committees. The issue of funding is also being examined. WAMI has initiated the action of sourcing for funds from the World Bank, GTZ, DFID and other multi-lateral agencies. Further implementation of the Action Plan would be reviewed by the Zonal Committee on Payments System Development of the WAMZ during its forthcoming meeting.

13. Council directed WAMI to present regular updates on the progress on the roles assigned to the member countries. Meanwhile, member countries that have

not sent in nominations to the Project Sub-Committees should do so before the end of January 2005.

iv. Legal Issues

14. The Council agreed that the draft WAFSA Statute should be kept on hold pending the consideration of the draft banking laws by the Legal and Institutional Issues Committee. Council agreed that this was necessary in order to ensure consistency in the relevant legislations. Council also noted that a meeting of the Legal and Institutional Issues Committee (LIIC) will take place in February 2005 to consider the banking laws. Council was also informed that the banking laws would be presented for consideration at the WAMZ meetings in May 2005.

B. WAMI's Work Programme and Budget for 2005

15. The Convergence Council reviewed the recommendations of the Committee of Governors relating to 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 of which \$1,631,842.00 was approved. Council demanded explanation for a six-month budget for WAMI in 2005. The Director General informed Council that the six months' budget was based on an earlier decision to extend the WAMZ Programme by two and half years ending in June 2005.

16. The Convergence Council then directed WAMI to present the second half 2005 budget estimates for consideration at the next WAMZ meetings. Council also noted that the sum of \$118,133.00 had earlier been approved for the study on the WAMZ Programme.

C. Report of the 1st Forum of Trade Ministers of the WAMZ

17. The Minister of Trade of Ghana, Mr. Alan Kyerematen presided at the meeting.

18. Mr. Kwesi Anthony Nyame-Baafi, Chairman of the Zonal Committee on Trade, Investment and Tax Issues presented the report of the first meeting of the Committee held in Accra on November 4 – 5, 2004 to the meeting. The report indicated that at the commencement of the WAMZ Programme, two zonal committees, namely, Monetary and Trade Issues were established. While the committee on monetary issues kept the momentum, that on trade issues was discontinued. At the 15th meeting of the Convergence Council of Ministers and Central Bank Governors of the West African Monetary Zone held in Conakry, Guinea on September 2, 2004, it was agreed that Ministers of Trade of the WAMZ should henceforth report to the Council at its meetings on the progress being made in the implementation of ECOWAS protocols on free movement of goods and persons, and other related issues. In this regard, WAMI convened the first meeting of zonal experts on trade, investment and tax issues to review the implementation of the relevant protocols and agree on strategies for sustaining activities on the trade component of the second monetary zone initiative.

19. The report also highlighted the progress on the implementation of the ETLS as presented to the Committee by a representative of the ECOWAS Executive Secretariat and status reports on the implementation of the ETLS by WAMZ member countries.

20. The Chairman of the Zonal Committee also informed Council that after lengthy discussions, the experts, among others, observed that the slow implementation of the Scheme since 1990 was attributed to a number of factors, including the following:

- asymmetry in its implementation and the prevalence of tariff and non-tariff barriers;
- partial implementation of the scheme by some WAMZ countries which limits the benefits accruing to countries that have fully liberalized in accordance with the provisions of the ETLS;

- failure by member countries to make full and regular contributions to the compensation scheme during the period prior to the entry into force of the Community Levy; and subsequently the asymmetry in the application of the protocol on the Community Levy.
- failure by members to apply the progressive removal of tariff and non-tariff barriers which should facilitate the free movement of goods and persons; and
- inadequate knowledge of the scheme on the part of most economic operators and those implementing the scheme.

21. The Deputy Executive Secretary of ECOWAS, Policy Harmonisation, Mr Mame Cor Sene, explained that impact studies of the CET were carried out by member countries and considered at a meeting in Accra, Ghana in July 2004. Another meeting is being planned for January 2005 during which all issues relating to the CET will be addressed. He urged all member countries to fully apply the provisions of the protocol on the Community Levy.

1.0 Observations and Recommendations of the Convergence Council

22. The Convergence Council reviewed the Report and observed that issues raised were pertinent, especially the asymmetry in the implementation of the ETLs. Council urged Finance Ministers of the WAMZ to follow more closely the developments on trade integration in ECOWAS. Council also noted that trade was central to monetary integration. As a result, it should be given the attention it requires. Tariff regime is critical to fiscal sustainability and as such the lowering of tariffs would have varying impacts on member countries. In reaction to the status report by Mr. Mame Cor Sene, Nigeria explained that it was committed to the adoption of the ECOWAS CET. Council directed that there should be more coordination among Ministries of Trade and Finance to bridge the information gap on the implementation of the ETLs and CET.

III. ANY OTHER BUSINESS

23. The Director General of WAMI, Dr. M. O. Ojo called members' attention to the schedule of WAMZ major meetings in 2005 which was earlier circulated. The Convergence Council also recalled its earlier decision that all outstanding financial obligations to the WAMZ Programme should be paid up before the end of August 2004. It again called on all member countries that have not done so to settle their outstanding financial obligations to the capital of the WACB and the Stabilization and Cooperation Fund without further delay. .

IV. VOTE OF THANKS

24. Hon. Mousa Gibril Bala-Gaye, Secretary of State for Finance and Economic Affairs of The Gambia, moved the vote of thanks. He thanked the President, Government and people of the Republic of Ghana for the warm hospitality extended to Council members since their arrival in Accra. He also thanked his colleagues for their fruitful deliberations, as well as WAMI and the Technical Committee for their inputs.

V. ADOPTION OF THE REPORT

25. The Report was unanimously adopted.

VI. DATE OF NEXT MEETING

26. The next meeting of the Convergence Council will take place in Banjul, The Gambia. The exact date will be communicated to members in due course.

VII. CLOSING

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

**DONE IN ACCRA, GHANA
ON THE 14TH DAY OF JANUARY, 2005**

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**MR. YAW OSAFO-MAAFO
MINISTER OF FINANCE AND ECONOMIC PLANNING
AND CHAIRMAN, CONVERGENCE COUNCIL OF MINISTERS
OF THE WEST AFRICAN MONETARY ZONE**

ANNEX I

ATTENDANCE: MEMBER STATES AND INSTITUTIONS

THE GAMBIA

Department of State for Finance and Economic Affairs

Central Bank of The Gambia

GHANA

Ministry of Foreign Affairs

Ministry of Finance and Economic Planning

Ministry of Trade, Industry and PSI

Ministry of Regional Cooperation and NEPAD

Bank of Ghana

REPUBLIC OF GUINEA

Ministry of Finance and Economy

Ministry of Cooperation

Ministry of Industry, Trade, Commerce and Small Scale Industries

Central Bank of the Republic of Guinea

NIGERIA

Ministry of Cooperation and Integration in Africa

Federal Ministry of Finance

Central Bank of Nigeria

SIERRA LEONE

Ministry of Development and Economic Planning

Ministry of Finance

Ministry of Foreign Affairs & International Cooperation

Bank of Sierra Leone

WEST AFRICAN MONETARY INSTITUTE

ECOWAS EXECUTIVE SECRETARIAT

ECOWAS PARLIAMENT

OBSERVERS

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

ANNEX II

ADOPTED AGENDA

1. Opening
2. Election of Chairman
3. Adoption of the Agenda
4. Consideration of the Report of the Final Report of the 13th Meeting of the Committee of Governors of Central Banks
5. Consideration of the Report of the 1st Forum of Trade Ministers of the West African Monetary Zone
6. Any Other Business
7. Adoption of the Report
8. 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, Ghana
February 22 – 24	Legal and Institutional Issues Committee	Accra, Ghana
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