MEETINGS OF THE WEST AFRICAN MONETARY ZONE (WAMZ)
BANJUL, THE GAMBIA
JANUARY 13 – 17, 2014

REPORT OF THE
33rd MEETING OF THE CONVERGENCE COUNCIL OF
MINISTERS AND GOVERNORS OF CENTRAL BANKS OF THE
WEST AFRICAN MONETARY ZONE (WAMZ)

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REPORT OF THE 33RD MEETING OF THE CONVERGENCE COUNCIL OF MINISTERS AND GOVERNORS OF CENTRAL BANKS OF THE WEST AFRICAN MONETARY ZONE (WAMZ) HELD IN BANJUL, THE GAMBIA

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I. INTRODUCTION

1. The 33RD Meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) was held at Kairaba Beach Hotel, Banjul, The Gambia on 17th January 2014, to deliberate on the status of implementation of the WAMZ programme. The report of the 30th Meeting of the Committee of Governors formed the basis for the deliberations.

2. All the WAMZ Member States, ECOWAS Commission and WAMI were represented at the meeting. West African Monetary Agency (WAMA), West African Bankers Association (WABA), the ECOWAS Parliament, West African Institute for Financial and Economic Management (WAIFEM), ECOWAS Bank for Investment and Development (EBID), Union Economique et Monétaire Ouest Africaine (UEMOA), Banque Centrale des Etats de l’Afrique de L’Ouest (BCEAO), African Development Bank (AfDB), International Monetary Fund (IMF), African Export-Import Bank (AFREXIMBANK) and AFRISTAT attended as observers. The list of delegates is attached as Appendix B.
II. OPENING

3. The opening ceremony of the Convergence Council of the WAMZ was held jointly with the Extraordinary Meeting of the Convergence Council of ECOWAS at the Kairaba Beach Hotel, Banjul, The Gambia on 17th January 2014.

Welcome Address by Representative of the Host Country

4. In his welcome address, Honourable Abdou Kolley, Minister of Trade, Regional Integration and Employment, on behalf of the Minister of Finance and Economic Affairs of The Gambia, thanked delegates for choosing Banjul as the venue for the 33rd Meeting of the Convergence Council of the WAMZ and the Extraordinary meeting of the Convergence Council of ECOWAS. He expressed the hope that delegates would use their spare time to enjoy the tourist attractions the country has to offer. He assured delegates of The Gambia’s continued commitment to the integration programme as one of the leading countries that had ratified most of the WAMZ legal instruments and was on course in the implementation of the Abuja Roadmap. He, however, noted that the integration process and sustained convergence were constrained by numerous challenges including differences in factor endowment, external shocks, among others. With strong conviction and political leadership he noted that most of these challenges would be surmounted.

5. Drawing attention to the euro zone, he observed that the process of integration was still work in progress with lessons for the ECOWAS region in its effort to achieve and sustain the convergence criteria. The year 2013, he noted, was a difficult year for The Gambia, emerging from severe
drought in 2012 and the second round effects of the global financial meltdown. This, he said affected the country’s performance on the convergence scale. Since then however, structures and measures were being put in place to enhance the economy’s resilience. He concluded by acknowledging the cooperation between regional institutions in the effort to transform the region from an “ECOWAS of States to an ECOWAS of People”.

Address by the President of the ECOWAS Commission

6. Dr. Kadre Desire Ouedraogo, President of the ECOWAS Commission paid tribute to His Excellency Alassane Ouattara, President of Cote d’Ivoire, as well as his peers for their relentless efforts in spearheading economic integration activities and in the quest for and preservation of peace and security in the Community. He sincerely thanked His Excellency Sheikh Professor, Dr. Alhaji Yahya A. J. J. Jammeh, President of the Republic of The Gambia for his support to the Community’s efforts to restore peace in Mali and Guinea-Bissau.

7. He recalled that the ECOWAS Convergence Council Meeting of 6 September, 2013, requested the Commission to coordinate a working group including WAMA and WAMI representatives to complete the report on the assessment of deadlines for the creation of the ECOWAS single currency. He was confident that, during the deliberations, Council, in its usual wisdom, would find the ways and means to enable the Community meet the numerous challenges confronting the single currency programme, including poor performance in macroeconomic convergence and delays in the implementation of activities of the roadmap. In conclusion, Dr. Ouedraogo, expressed his sincere thanks to
the Government of The Gambia for hosting the meeting in the beautiful city of Banjul, and the excellent conditions for the deliberations.

**Statement by the Chairman of the Convergence Council of the WAMZ**

8. Honourable Cassiel Ato Forson, Deputy Minister of Finance, Republic of Ghana, on behalf of the Minister of Finance, Honourable Seth Terkper, expressed his profound gratitude to the Government and people of the Republic of The Gambia for the thorough preparations put in place to host the WAMZ meetings and the excellent facilities provided. He enjoined the meeting to critically examine current challenges and medium-term prospects of the WAMZ economies in line with the monetary union vision and take firm decisions regarding the launch date of the monetary union.

9. He observed that macroeconomic stability in a monetary union could not be guaranteed without sound economic policies. That was why convergence benchmarks guiding the convergence process sought to ensure that sound monetary and fiscal policies prevailed in Member States prior to and after the launch of the monetary union. He noted that compliance with the primary convergence criteria remained a necessary condition for the formation of the WAMZ monetary union and urged Member States to redouble efforts to achieve and sustain the quantitative and qualitative benchmarks.

10. In conclusion, he urged Member States to rededicate themselves to the WAMZ vision and agenda. He implored them to incorporate decisions taken into their national policies and programmes. This was the only way that appreciably significant progress could be made as individual countries
and collectively as a zone towards the actualisation of the WAMZ objective.

Statement by the Chairman of the Convergence Council of ECOWAS

11. Prof. Lambert Bamba, Special Advisor in the Office of the Prime Minister of Cote d’Ivoire welcomed delegates on behalf of Madam Niale KABA, the Minister in Charge of Economy and Finance of Cote d’Ivoire and current Chairman of the Convergence Council of ECOWAS. He conveyed the gratitude of the President of La Cote d’Ivoire, His Excellency Alassane Ouattara, to his brother, the President of The Gambia for his support since his election as Chairman of ECOWAS and to acknowledge the role that President Jammeh continued to play in the resolution of the crisis in Mali and Guinea Bissau.

12. He lamented the slow pace of implementation of the decisions of the Council of Ministers of ECOWAS, which he noted prompted the Authority of Heads of State to assign the Heads of State of Ghana and Niger Republic to examine the single currency programme and identify the key challenges to achievement of its goals and objectives. He urged Council to purposefully see to the implementation of its decisions, including strengthening the multilateral surveillance mechanism. In conclusion, he assured the meeting of Cote d’Ivoire’s commitment to the realisation of the integration Project, particularly the creation of a single currency within the sub-region.
Keynote Address by the Vice President of the Republic of The Gambia

13. Her Excellency, the Vice President and Minister of Women’s Affairs of The Gambia, Dr. Isatou Njie-Saidy, delivered the keynote address on behalf of His Excellency Sheikh Professor, Dr. Alhaji Yahya A. J. J. Jammeh, President of the Republic of The Gambia, who warmly welcomed the Convergence Councils of the WAMZ and ECOWAS to Banjul. He said that the meetings continued to occupy an important place on the calendar of monetary and economic integration programmes of the region. He recalled that the commencement date for the second monetary zone had been postponed thrice owing to external shocks and policy slippages that affected performance on the convergence criteria. His Excellency the President, therefore, implored the meeting to take inspiration from the founding fathers to work harder together and adhere to the precepts of sound economic management in order to strengthen defences against external shocks.

14. His Excellency, President Jammeh stated that a key lesson from history was that creating a credible monetary union was a process and not an event. There should therefore be no illusion about how difficult it would be to establish a well-functioning WAMZ. Reaching these objectives would require courage and determination to sustain convergence. One of the lessons learnt from the euro zone countries, he said, was that tough fiscal rules were necessary to lay grounds for homogeneous zone. A permanent funding mechanism contributed by members was also necessary to help countries access finance in periods of temporary difficulty. The building blocks, he emphasized should come not only from government but from
strong partnership with the private sector as the key beneficiaries of economies of scale that would accrue from integration.

15. The Gambia, he assured Council, remained resolute and steadfast in the pursuit of economic and financial stability. This, he said, was recognized under the country’s obligations under the WAMZ as well as the Extended Credit Facility, the centre piece of which reforms were focused through better administration and efficiency of spending and monetary policy implementation. He reaffirmed his government’s unflinching political support to the WAMZ Project and the ECOWAS-wide integration Programme and urged all member countries to make similar undertaking. In conclusion, he applauded the untiring efforts of the Technical Committee and the Committee of Governors for their hard work and commitment to the project. After delivering the keynote address on behalf of His Excellency the President of the Republic of The Gambia, the Vice President declared the Convergence Council meetings opened.

III. ELECTION OF CHAIRPERSON

16. Honourable Kebba S. Touray Minister of Finance and Economic Affairs of The Gambia who was represented by Honourable Abdou Kolley, Minister of Trade, Regional Integration and Employment, was elected as the Chairman of the Convergence Council.

IV. ADOPTION OF THE AGENDA

17. The Agenda was adopted as amended. The Agenda is attached as Appendix A.
V. CONSIDERATION OF THE REPORT OF THE 30TH MEETING OF THE COMMITTEE OF GOVERNORS

18. The report of the 30th Meeting of the Committee of Governors was presented by the Chairman of the Committee of Governors, Mr. Amadou Colley, Governor of the Central Bank of The Gambia. He noted that the Committee of Governors deliberated on the report presented by Chairman of the Technical Committee and made some observations and recommendations. The highlights of the report are as follows:

A. Interim Report on the State of Preparedness of WAMZ Countries for a Monetary Union on January 1, 2015

19. The Report noted that notwithstanding the slow growth of global real GDP, the Zone recorded a growth of 6.7 percent during the first half of 2013, from 6.4 percent in the corresponding period of 2012. Growth in the Zone was driven mainly by the services and agriculture sectors. All Member States recorded modest to robust growth rates.

Convergence Issues

20. During the first half of 2013, Nigeria was the only Member State that satisfied all the four primary criteria. Liberia and Sierra Leone satisfied three each. While Liberia missed the external reserves criterion, Sierra Leone did not meet the inflation criterion. The Gambia, Ghana and Guinea satisfied two criteria each. The Gambia missed fiscal deficit and central bank financing criteria, while Ghana and Guinea did not satisfy the inflation and fiscal deficit criteria. Inflation and fiscal deficit were the more challenging criteria for Member States, while central bank financing and external reserves were the more commonly and consistently satisfied
criteria. Member States attained a performance score of 66.7 percent on the primary convergence scale in June 2013.

21. An overall assessment of convergence indicated that Member States’ compliance with the primary macroeconomic convergence criteria deteriorated between 2009 and 2012. No two countries satisfied all the primary criteria simultaneously during this period. Only Liberia satisfied all the four primary criteria in 2009 and 2010, while Ghana was the only country that satisfied all the criteria in 2011. This compared similarly to the performance between 2005 and 2008, when two countries, The Gambia and Nigeria, satisfied all the four primary criteria in 2006 and 2007 and The Gambia alone in 2008. During the first half of 2013, only Nigeria satisfied all the primary criteria.

22. Furthermore, an evaluation of business cycle synchronization to identify channels of risk sharing that exist in the WAMZ indicated that there were generally weak links and synchronisation among Member States in terms of real GDP, inflation, broad money supply, nominal interest rate, fiscal deficit over GDP and gross external reserves in months of import.

23. Using economic distance approach to assess Member States’ performance on the primary criteria, the report noted that Guinea, Sierra Leone and Ghana needed to make relatively more effort in achieving the primary criteria than the other Member States.

24. On trade integration, it was noted that Member States of the WAMZ continued to implement the ECOWAS trade integration Protocols and Conventions within the framework of the ECOWAS common market programme. However, intra-regional trade remained low due partly to
limited complementarity of trade structures, infrastructural challenges such as poor roads and communications systems as well as inadequate energy supply.

25. The Report noted further that the nature and level of financial sector development varied across the WAMZ countries and the overall assessment in financial soundness indicators showed that the industry remained safe and sound. This notwithstanding, improving asset quality had remained a key challenge in most Member States as the ratio of non-performing loans (NPLs) to gross loans had remained in double digits.

26. On statistical harmonisation, progress had been made as all Member States migrated to the System of National Accounts (SNA) 1993 and some, partially to SNA 2008. However, only Ghana and Nigeria were producing annual and quarterly GDP estimates based on ISIC Revision 4. As regards price statistics, the compilation of Consumer Price Index (CPI) in all the WAMZ Member States was based on the harmonized classification system, the COICOP (12 functions).

Legal and Institutional Issues

27. The Interim Report indicated that Member States were yet to ratify and domesticate all the relevant WAMZ Statutes. The Report further highlighted some constitutional conflicts that would arise as a result of the ratification of the WACB Statute, especially with the constitutions of Ghana and The Gambia, where the central banks were the sole authority to issue their respective currencies.
28. Overall, the Report noted that the key challenges confronting Member States pertained to compliance with the convergence criteria, ratification and domestication of legal statutes, payment of contributions to statutory funds such as SCF and WACB Capital, asymmetric shocks, intra-regional trade, and capital account liberalisation.

B. WAMI Work Programme and Proposed Budget – FY 2014

29. A consolidated sum of US$12,946,835, was proposed for 2014, out of which donor grants amounted to US$8,626,666. WAMI’s internally generated budget proposal was US$4,320,169 which was a 6.07 percent increase over that of 2013. However, proposed Member States’ contributions were reduced by 2.80 percent, from US$4,015,498 to US$3,902,934. The balance was to be funded by Interest Income of US$5,000 and the 2013 Surplus of Income over Expenditure of US$412,235.

30. The Chairman of the Technical Committee informed the Governors that other reports presented by WAMI and noted by the committee were Progress Report on WAMZ Payments System Development and the Report of the 6th WAMZ Trade Ministers’ Forum.

VI. OBSERVATIONS OF THE CONVERGENCE COUNCIL

31. Following the presentation by the Chairman of the Committee of Governors, the Convergence Council deliberated on the report and made the following observations:
State of Preparedness – Convergence Issues

i. While noting that macroeconomic convergence was essential, there was need to also put emphasis on the other building blocks for the union including financial sector integration, trade, payments system as well as the institutional and legal issues;

ii. Recalled the meeting of the ECOWAS Convergence Council in September 2013 where it was agreed that the final document of the State of Preparedness should indicate what steps Member States needed to take in order to arrive at the final objectives;

iii. The focus of Member States should not only be on the attainment of the primary criteria but also the secondary criteria which also reinforce sound macroeconomic management;

iv. Propose in the final document on the State of Preparedness, a catalogue of Member States’ outstanding obligations under the integration process in the form of a hand book to be circulated to policymakers;

v. Noted that although integration requires a sound economic basis, it is more of a political process that needs the highest level of political support;

vi. Noted the Decision of Heads of State to designate Ghana and Niger Republic to drive the process in the WAMZ and EUMOA, respectively;

vii. Noted the clarification that Ghana and Nigeria were to lead the integration process in the WAMZ, while Ghana and Niger would lead the process in the ECOWAS region as directed by the Authority; and that the proposal for Nigeria to join Ghana in driving the integration
process in the WAMZ does not contradict but rather reinforces the Decision of the Heads of State of ECOWAS;

viii. Noted the information that the Heads of State of Ghana and Niger Republic would meet with Governors of central banks in February 2014 to discuss issues relating to integration in the sub-region;

Administrative Issues

ix. Noted that the difference between the WAMI’s consolidated budget proposal for 2014 and the internally generated component was funded by donor grants from the AfDB for the Payments System Project, the ACBF capacity building grants, 2013 surplus of income over expenditure as well as expected interest income in 2014; and

x. The need for review of the budgetary contribution formula to indicate that implementation would begin in 2015 and subsequently the formula would be reviewed every three years in line with the relevant ECOWAS protocol.

VII. DECISIONS OF THE CONVERGENCE COUNCIL

32. The Convergence Council took the following decisions:

State of Preparedness – Convergence Issues

i. The final report on the state of preparedness to be presented by WAMI by early June 2014 should include more analytical discussion of the challenges faced and policies that Member States should undertake to address the slow pace of progress towards macroeconomic convergence;
ii. WAMI should undertake an assessment of the extent to which recommendations made in previous surveillance mission reports have been implemented by Member States. Also, gap analysis on the Abuja Action Plan should be undertaken in order to identify concrete and practical measures to ensure compliance with the quantitative and structural benchmarks;

iii. To request the political leadership of Ghana and Nigeria as the largest economies in the WAMZ to drive the monetary integration process forward through sustained compliance with the quantitative and qualitative benchmarks, among others;

iv. WAMI should provide a briefing note on salient issues on status of the WAMZ Programme to be presented at the Summit of Heads of State and Government of ECOWAS in February 2014;

*State of Preparedness – Legal and Institutional Issues*

v. All Member States should ratify and domesticate all outstanding WAMZ Statutes;

vi. The final State of Preparedness Report should emphasise the state of progress towards the establishment of the WAMZ Institutions such as WACB, WAMZ Secretariat and WAFSA;

vii. Member States with outstanding obligations should pay up their contributions to statutory funds such as the WACB capital and the Stabilisation and Cooperation Fund;
viii. WAMI should collaborate with experts in Member States in undertaking empirical studies and in-house seminars highlighted in the Work Programme;

ix. The final State of Preparedness Report to be presented in June 2014 should propose a suitable date and roadmap for the launch of the monetary union if 2015 is not feasible;

*State of Preparedness – Data Issues*

x. The trade data provided in the interim report should be updated to be consistent with the database at the ECOWAS Commission and the significance of the informal component of intra-regional trade should be acknowledged;

xi. Other data concerns raised by delegates should be addressed in consultation with the appropriate authorities;

*Financial Integration Issues*

xii. The College of Supervisors of the WAMZ (CSWAMZ) should review the computation, mode of classification, and reporting of the Non-Performing Loans in Member States with a view to proposing a common treatment;

xiii. The reporting template should be based on standard industrial classification in order to give insight into the various economic sectors responsible for the NPLs;

*Payments System Issue*

xiv. WAMI should collaborate with beneficiary Member States of the Payments System Project to ensure the prompt issuance of completion
certificates to Solution Providers since extensive delays could have financial implications for Member States;

**Administrative Issues**

xv.Approved the proposed WAMI Work Programme and budget for 2014 in the sum of US$12,946,834.70 of which Member States’ contributions amounting to US$3,902,934.45 as against US$4,015,497.53 in 2013, representing a decline of 2.80 percent, and the balance to come from donor sources;

xvi. The WAMI should revise the budgetary contribution coefficient to be effective January 1, 2015 and the revision to be effected every three years thereafter, in line with the relevant ECOWAS Protocol.

**VIII. ANY OTHER BUSINESS**

33. There was no other business.

**IX. VOTE OF THANKS**

34. Honourable Foday B. L. Mansaray, Minister of State in the Ministry of Finance and Economic Development of Sierra Leone, moved the vote of thanks. He expressed his appreciation to the President and the Government of the Republic of The Gambia for the warm reception and excellent facilities made available to delegates. He also thanked the Chairman for his able leadership. Similar sentiments were extended to delegates for their cordial and candid discussions.
X. CLOSING

35. The Chairman of the Convergence Council, Mr Abdou Kolley, the Minister of Trade, Regional Integration and Employment, Republic of The Gambia, in his closing remarks thanked his colleagues for the frank and fruitful deliberations on ways and means of moving the integration process forward. He thanked delegates for their understanding, patience and cooperation during the deliberations. He once again expressed his gratitude to the Minister of Finance, the outgone chairman of the Convergence Council, for his outstanding leadership during his tenure. He wished delegates an enjoyable stay in The Gambia and safe journey back to their respective destinations.

X. DATE AND VENUE OF THE NEXT MEETING

36. The venue of the next Meeting of the Convergence Council will be Conakry, Guinea and the date will be communicated in due course.

DONE IN BANJUL, THE GAMBIA
ON THE 17TH DAY OF JANUARY, 2014

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MR ABDOU KOLLEY 
MINISTER OF TRADE, REGIONAL INTEGRATION AND EMPLOYMENT OF THE REPUBLIC OF THE GAMBIA AND CHAIRMAN CONVERGENCE COUNCIL OF THE WAMZ