MEETINGS OF THE WEST AFRICAN MONETARY ZONE
CONAKRY, GUINEA
AUGUST 1-5, 2016

REPORT OF THE
36TH 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 36TH MEETING OF THE CONVERGENCE COUNCIL OF MINISTERS AND GOVERNORS OF CENTRAL BANKS OF THE WEST AFRICAN MONETARY ZONE HELD IN CONAKRY, GUINEA
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I. INTRODUCTION

1. The 36th Meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) was held in Conakry, Guinea on the 5th August, 2016, to deliberate on the status of implementation of the WAMZ Work Programme. The Report of the 33rd Meeting of the Committee of Governors of the WAMZ formed the basis of the deliberations.

2. All the WAMZ Member States and WAMI were represented at the meeting. The West African Institute for Financial and Economic Management (WAIFEM), West African Monetary Agency (WAMA), West African Bankers’ Association (WABA), ECOWAS Parliament, Union Économique et Monétaire Ouest Africaine (UEMOA), BanqueCentrale des États de l’Afrique de l’Ouest (BCEAO), ECOWAS Bank for Investment and Development (EBID) and AFREXIMBANK also attended as observers. The list of delegates is attached as Appendix B.

II. OPENING CEREMONY

Statement by the Out-going Chairman of the Convergence Council

3. His Excellency Akwasia Agyeman Agyare, Ambassador of the Republic of Ghana to the Republic of Guinea, representing the Honourable Minister of Finance of the Republic of Ghana, Mr. Seth Terkper, welcomed delegates to the 36th Meeting of the Convergence Council, in Conakry, Republic of Guinea. Ambassador Agyare conveyed the apologies of the Honourable Minister of Finance for not being able to attend the meeting due to urgent and unforeseen national engagements.

4. He thanked the Government and the people of Guinea for the pleasant welcome and the outstanding facilities placed at the convenience of the delegates.

5. He stated that the hosting of the WAMZ meetings in Conakry was a testimony of the achievement of the Government and the people of the Republic of Guinea
interdicting the dreadful Ebola Virus Disease (EVD) that claimed thousands of lives. He noted that the epidemic adversely affected the implementation of the WAMZ work programme, as the completion of the payments system development project in some of the beneficiary Member States was delayed and joint multilateral surveillance missions suspended.

6. The Ambassador stated that 2015 was challenging, characterised by decline in the prices of major export commodities, resulting in lower-than-expected revenue outcomes for WAMZ Member States. He underscored that this challenge required appropriate policy responses in the form of diversification and structural transformation of the economies of the WAMZ.

7. He informed delegates that Ghana’s performance has begun to show signs of improvement as it achieved two criteria in 2015, compared to one criterion in 2014, underpinned by the implementation of appropriate corrective measures within the framework of a home-grown stabilisation programme supported by the International Monetary fund (IMF) Extended Credit Facility (ECF). He reaffirmed Ghana’s commitment to the achievement of the goals of the WAMZ.

8. In conclusion, he expressed appreciation to the Convergence Council, Director-General, management and staff of WAMI for their cooperation and support during Ghana’s tenure as Chairman of Council, and urged delegates to extend same to the in-coming Chairman.

Opening Statement by His Excellency the President of the Republic of Guinea

9. The Prime Minister of the Republic of Guinea, His Excellency Mamady Youla, representing His Excellency the President of the Republic of Guinea, Professor Alpha CONDE, welcomed all delegates to the WAMZ Statutory Meetings held in Conakry, Guinea. He stated that the fact that Member States in the Zone had decided to organize themselves into a regional bloc, like other regions of the world, is encouraging and should be strengthened.

10. He added that developments in recent years showed that Guinea had made significant progress in the ECOWAS economic and monetary integration agenda. However, the country had faced some challenges in achieving and sustaining macroeconomic convergence for monetary union due to a number of factors
including the continuous decline in commodity prices and currency depreciation, amongst others.

11. He implored Member States to remain resolute in pursuing the regional integration objectives of economic and monetary union. The Prime Minister stated that significant milestones had been achieved under the WAMZ Programme such as the Payments System Development Project for The Gambia, Guinea, Liberia and Sierra Leone, the activities of the College of Supervisors of the WAMZ which had improved cooperation and coordination in banking regulation and supervision, especially through information sharing, and the creation of the West African Capital Market Integration Council (WACMIC) which offered a platform for the development and integration of the capital markets in the Zone.

12. He added that the potentials and opportunities offered by regional integration are enormous which the Zone had not been able to take advantage of due to non-compliance with protocols and poor infrastructure development which has constrained the flow of foreign direct investment.

13. The Prime Minister concluded that the achievement of the ECOWAS single currency project had gone beyond becoming a necessity to being an ultimatum, which required some form of urgency going forward. He expressed hope that the outcome from the deliberations that would emanate from the 36th Meeting of the Council would contribute to further consolidation of the steps towards achieving the goals of the WAMZ. He assured delegates that Guinea was committed to regional integration and would make greater efforts to achieve convergence.

III. ELECTION OF CHAIRMAN

14. The Republic of Guinea was elected as the Chair of the Convergence Council. The meeting was chaired by Madam Malado Kaba, Minister of Finance, Guinea.

IV. ADOPTION OF AGENDA

15. The draft agenda was adopted without amendment.
V. CONSIDERATION OF THE REPORT OF THE 33RD MEETING OF THE COMMITTEE OF GOVERNORS


17. He stated that the Committee of Governors deliberated on the Report by the Technical Committee and made the following observations:

VI. OBSERVATIONS OF THE COMMITTEE OF GOVERNORS

i. noted and endorsed the Report on Macroeconomic Developments and Convergence in the WAMZ as at end-December 2015 showing that there were challenges affecting sustained macroeconomic performance;

ii. in view of the challenges confronting the WAMZ economies such as the lingering impact of the EVD, low commodity prices and paucity of resources, the recommendation to pool resources to address the infrastructure deficit was welcomed;

iii. notwithstanding the novelty of the recommendation of pooling pension funds and leveraging on it to address the infrastructure gap, caution should be exercised in designing such a framework bearing in mind the difficulties associated with the use of pension funds such as legal frameworks that could inhibit the quest to cash-in on the pool of pension funds;

iv. for effective implementation of the recommendation relating to addressing infrastructure gap in the WAMZ through the use of pension funds, WAMI should have carried out further analysis to bring to bear country experiences, with a view to articulating a common framework for adoption;
v. commended WAMI for the study on assessing the feasibility of establishing a WAMZ Commission and the Technical Committee for a comprehensive review of the document;

vi. although the study on the feasibility of establishing a WAMZ Commission was finalised by WAMI and reviewed by the Technical Committee, it was still in a preliminary phase and requires further examination by other key stakeholders to ensure total buy-in; and

vii. welcomed the recommendation on quoting and trading in WAMZ national currencies. However, modalities for its operationalisation ought to have been articulated and the technical implications identified.

VII. RECOMMENDATIONS OF THE COMMITTEE OF GOVERNORS

18. After deliberations, the Committee of Governors made the following recommendations for the consideration of the Convergence Council:

i. adopt the Report on macroeconomic developments and convergence in the WAMZ as at end-December 2015 and urge Member States to:

- minimize the impact of international commodity price shocks, by diversifying their economies through structural transformation;

- intensify the process of addressing the infrastructure gap. In this regard, the authorities could leverage on the pool of pension funds and explore the possibility of issuing regional bonds for infrastructural development where possible;

- contain the escalating budget deficits, strengthen fiscal consolidation and intensify ongoing reforms in revenue mobilization;

- improve the business environment by speeding up the ongoing financial and structural reforms across Member States, so as to reinforce foreign investor confidence within the WAMZ; and

- strengthen sensitization on the ECOWAS Trade Liberalisation Scheme (ETLS) in order to increase participation in the scheme and eliminate constraints that impede the effective implementation of the Inter State Road Transport (ISRT).
ii. direct WAMI to undertake a study to construct a regional integration index, as an additional tool for assessing convergence and integration in the WAMZ;

iii. direct WAMI to finalise and publish the paper on “External Debt and Economic Growth in the WAMZ”, subject to incorporation of comments made by the Technical Committee;

iv. urge the beneficiary countries to fund the shortfall on the WAMZ Payments System Project arising from the exchange rate losses due to appreciation of the US dollar against the Unit of Account;

v. encourage WAMI to seek funding to facilitate the interlinkage of the Payments System among the Member States;

vi. note the report on the progress made in capital market integration in West Africa and urge Member States to redouble efforts to address the inhibiting constraints to deepen the process in the WAMZ;

vii. note the progress report on the implementation of the ACBF Capacity Building Project and:

   • urge WAMI to engage ACBF to consider the possibility of a second phase of the Capacity Building Project in view of the 31st December 2016 terminal date of the first phase;

   • task WAMI to explore additional sources of funding for capacity building of WAMI staff and officials of Member States;

viii. consider and approve the report of the audit of the financial statements of the West African Monetary Institute for the year ended 31st December 2015;

ix. consider and approve the re-appointment of PricewaterhouseCoopers as External Auditors of WAMI for their fifth and final year audit (for the financial year 2016) at a professional fee of US$15,000.00 (Fifteen thousand U.S. Dollars only) exclusive of VAT and other incidental expenses at a maximum of US$750.00 (seven hundred and fifty US Dollars only);

x. note the study report on the establishment of the WAMZ Commission and to consider and approve that:
• WAMI be transformed into a Commission with the mandate to carry out expanded competencies under the leadership of the Authority of Heads of State and Government of the WAMZ, to deepen regional cooperation, development and integration in the Zone;

• WAMI shares the draft study with the relevant stakeholders in each Member State to ensure wider consultation and consensus building and also incorporate the comments of the Technical Committee to further enrich the report;

• WAMI should prepare an implementation framework detailing the cost implications and strategic plan for the actualization of the WAMZ Commission and submit the report at the next WAMZ Statutory Meetings;

• WAMI examines the Memorandum of Understanding between the European Union (EU), UEMOA and the ECOWAS Commissions on the Regional Integration Programme (RIP) and provide implications for the WAMZ Programme.

xi. direct WAMI to carry out a comprehensive study in assessing the feasibility of pooling pension funds of the Member States of the WAMZ for infrastructure financing and submit the report at the next WAMZ statutory meeting; and

xii. that WAMI in collaboration with the Member States to assess the practicability of the scheme on quoting and trading in WAMZ national currencies bearing in mind the experiences of earlier schemes and to facilitate the finalisation of the framework.

VIII. OBSERVATIONS OF THE CONVERGENCE COUNCIL

19. Council made the following observations:

i. reiterated that the study report on the feasibility of establishing a WAMZ Commission reviewed by the Technical Committee and the Committee of Governors should be viewed as the preliminary phase and thus the need to subject it to broader examination; and
ii. noted that pension funds were not to be pooled but to be used for infrastructure financing in Member States.

IX. DECISIONS OF THE CONVERGENCE COUNCIL

20. After deliberations, the Convergence Council decided as follows:

i. adopted the Report on macroeconomic developments and convergence in the WAMZ as at end-December 2015 and urged Member States to:

   • minimize the impact of international commodity price shocks, by diversifying their economies through structural transformation;
   
   • intensify the process of addressing the infrastructure gap. In this regard, the authorities could leverage on available pension funds and explore the possibility of issuing regional bonds for infrastructural development where possible;
   
   • contain the escalating budget deficits, strengthen fiscal consolidation and intensify on-going reforms in revenue mobilization;
   
   • improve the business environment by speeding up the on-going financial and structural reforms across Member States, so as to reinforce foreign investor confidence within the WAMZ; and
   
   • strengthen sensitization on the ETLS in order to increase participation in the scheme and eliminate constraints that impede the effective implementation of the ISRT.

ii. WAMI undertakes a study to construct a regional integration index, as an additional tool for assessing convergence and integration in the WAMZ;

iii. WAMI should finalise and publish the paper on “External Debt and Economic Growth in the WAMZ”, subject to incorporation of comments made by the Technical Committee;

iv. urged the beneficiary countries to fund the shortfall on the WAMZ Payments System Project arising from the exchange rate losses due to appreciation of the US dollar against the Unit of Account;
v. encouraged WAMI to seek funding to facilitate the interlinkage of the Payments System among the Member States;

vi. noted the report on the progress made in capital market integration in West Africa and urged Member States to redouble efforts to address the inhibiting constraints to deepen the process in the WAMZ;

vii. noted the progress report on the implementation of the ACBF Capacity Building Project and:

- urged WAMI to engage ACBF to consider the possibility of a second phase of the Capacity Building Project in view of the 31st December 2016 terminal date of the first phase;

- tasked WAMI to explore additional sources of funding for capacity building of WAMI staff and officials of Member States;

viii. approved the report of the audit of the financial statements of the West African Monetary Institute for the year ended 31st December 2015;

ix. approved the re-appointment of PricewaterhouseCoopers as External Auditors of WAMI for their fifth and final year audit (for the financial year 2016) at a professional fee of US$15,000.00 (Fifteen thousand U.S. Dollars only) exclusive of VAT and other incidental expenses at a maximum of US$750.00 (seven hundred and fifty US Dollars only);

x. directed WAMI to share the draft study on the establishment of a WAMZ Commission with relevant stakeholders in each Member State to ensure wider consultation and consensus building and also incorporate the comments of the Technical Committee to further enrich the document;

xi. directed WAMI to prepare an implementation framework detailing the cost implications and strategic plan for the actualization of the WAMZ Commission and submit the report at the next WAMZ Statutory Meetings.

xii. directed WAMI to examine the Memorandum of Understanding between the European Union (EU), UEMOA and the ECOWAS Commissions on the Regional Indicative Programme (RIP) and provide implications for the WAMZ Programme.
xiii. directed WAMI to carry out a comprehensive study on assessing the feasibility of using pension funds of the Member States of the WAMZ for infrastructure financing and submit the report at the next WAMZ statutory meeting; and

xiv. directed WAMI to collaborate with the Member States to assess the practicability of the Scheme on quoting and trading in WAMZ national currencies bearing in mind the experiences of earlier schemes and to facilitate the finalisation of the framework.

X. ANY OTHER BUSINESS

21. The Deputy Governor, Economic Policy Directorate of the Central Bank of Nigeria, Dr. (Mrs) Sarah Alade, informed delegates that Nigeria would be hosting the next meeting of the Association of African Central Banks from August 15 - 19, 2016 in Abuja, Nigeria and encouraged Member Central Banks to attend.

22. The Governor of the Bank of Sierra Leone reminded delegates that the Government of Sierra Leone had agreed to host the next WAMZ Statutory Meetings in January 2017.

XI. CLOSING

23. The Minister of Finance of the Republic of Guinea, Madam Malado Kaba, thanked the Technical Committee and the Committee of Governors for working diligently to deliver a high quality report. She also commended the Convergence Council for its fruitful and invaluable contribution during the deliberations. She also thanked the Director General, Management and staff of WAMI and those involved in the preparation of the meetings for their keen sense of duty in making the meetings successful. She wished delegates safe journey to their respective destinations.
XII. DATE AND VENUE OF THE NEXT MEETING

24. The next meeting of the Convergence Council would be held in Freetown, Sierra Leone at a date to be communicated to Member States in due course.

DONE IN CONAKRY, GUINEA
5TH DAY OF AUGUST, 2016

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MADAM MALADO KABA
MINISTER OF FINANCE, REPUBLIC OF GUINEA
CHAIRPERSON, CONVERGENCE COUNCIL OF MINISTERS
AND GOVERNORS OF CENTRAL BANKS OF
THE WEST AFRICAN MONETARY ZONE