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**THE STABILISATION AND COOPERATION FUND
OF THE WEST AFRICAN MONETARY ZONE (WAMZ)**

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THE STABILISATION AND COOPERATION FUND OF THE WEST AFRICAN MONETARY ZONE (WAMZ)

Preamble

In the context of a strategic framework aimed at improving the prospects for economic growth and development, the crucial concern should be to enhance the convergence of economic policies among the Member States. It is acknowledged that economic policy convergence will not be easy to achieve. As a result, steps must be taken to strengthen the economic performance of Member States on a sustainable basis. This endeavour is the primary responsibility of each Member State. However, regional efforts can be applied to support countries that experience temporary imbalances that could delay the convergence process.

Article 1

Objectives and Functions

A Stabilisation and Cooperation Fund is hereby established to provide financial assistance for the correction of temporary disequilibria in the balance of payments of Member States. The Fund is a specialised mechanism, operated under the authority of the West African Monetary Zone (WAMZ).

Article 2

Size and Sources of Funds

The size of the Fund shall be US\$50 million in the first instance; it may be increased to US\$100 million as the situation demands. Sources of funds shall be as follows:

- a) the contributions by the Member States;

- b) aid and grants received by the Member States from donor agencies and international institutions; and
- c) voluntary contributions by Member States in the spirit of solidarity.

Article 3

Formula for Subscriptions

Contributions to the Fund shall be made in accordance with the ECOWAS budgetary contribution formula. All payments shall be made to the authorized bank of the WAMZ. The Fund shall effectively take off when 75% of the funds have been paid.

Article 4

Credit Operations

The Convergence Council may grant to the Member States the use of the following facilities:

- a) stabilisation loans with a maturity of up to one year to correct temporary deficiencies in the external payments position of the Member States; and
- b) stabilisation loans with a maturity of up to three (3) years to correct disequilibria in the balance of payments of a Member State caused by extraordinary and unforeseen situations, such as poor harvests, severe decline in commodity prices, abnormally high prices for essential imports, destruction or losses of productive installations and economic disasters.

Article 5

Investments

The Fund's unencumbered resources (which have not been placed in the form of stabilisation loans) shall be invested by an Agent Bank in securities or other financial assets that can be immediately converted into liquid assets, in accordance with the policy approved for the Monetary Zone, and in harmony with the corresponding policies of the Member States.

Article 6

Procedures

The Member State applying for a stabilisation loan referred to in Article 5 shall submit to the Director of the Fund, a written request stating the stabilisation policy to be applied in order to

correct or minimize the temporary disequilibrium in the country's balance of payments. A stabilisation programme shall be required for the loans referred to in Article 4 paragraph (b).

The Management of the Fund shall study the loan application and issue a report containing pertinent recommendations, especially as regards the stabilisation policy proposed by the borrower. These shall be submitted to the Convergence Council through the Technical Committee. The Council shall authorise or reject the loan application by means of a formal resolution. The Council's resolution shall be issued within a month after receipt of the application by the Fund.

A simple majority of votes of members is required in order to approve a loan application. A quorum is deemed to have been formed when two-thirds of the members are present.

Article 7

Maximum Amount of Loans

The loans granted by the Fund to a single Member State shall not exceed 25% of the Fund's total resources. However, the Convergence Council may increase this limit by unanimous vote.

Article 8

Maturity and Amortisation

The Convergence Council shall determine the actual maturities of stabilisation loans on the basis of the duration of the financial assistance reasonably required for the balance of payments purposes advocated by the Fund.

If the maturity granted exceeds one year, repayment shall be made in annual instalments of an equal amount; however, the Convergence Council may accelerate the repayment schedule if the borrower's holdings of convertible foreign exchange increase in a greater proportion than foreseen in the schedule.

Article 9

Interest

The Convergence Council shall determine the interest rate or rates to be applied on the outstanding balance of stabilisation loans granted by the Council.

Article 10

Sanctions

Upon approval of each credit, the Convergence Council shall determine the financial sanctions that shall apply to borrowers who do not comply with the terms and conditions of stabilisation loans. Such sanctions shall be recorded in the Council's resolution. As a general rule, no additional loans shall be granted to borrowers who in the Council's judgement do not apply correctly the foreseen stabilisation policies or programmes. Moreover, the Convergence Council may apply such supplementary measures as it deems pertinent.

Article 11

Stabilisation Programme

The Convergence Council shall issue the general guidelines that will apply to the policy statements required for the stabilisation loans referred to in Article 4, paragraphs (a) and (b) of this Agreement, and shall endeavour to draw such guidelines in a flexible way allowing for the exceptional circumstances surrounding these types of loans.

The stabilisation programme submitted to the Convergence Council by a Member State requesting one of the loans referred to in Article 4, shall spell out the measures that the affected country intends to put into effect in order to correct its balance of payments' disequilibrium, especially as regards the monetary, credit, fiscal and exchange policies.

The Fund will submit quarterly to the Convergence Council confidential reports on the performance of the stabilisation programmes and policies, making appropriate suggestions and recommendations to assure the fulfilment of their objectives.

Article 12

Management and Administration

The Fund shall be managed by a Technical Board made up of a Director and two Fund Managers. The Board shall be responsible for the day-to-day administration and operation of the Fund subject to the supervision of the Technical Committee and the Convergence Council.

Article 13

Financial Proceeds

The proceeds from the Fund's investments shall be credited to the Member States in proportion to their total effective contributions and their voluntary deposits.

Article 14

Authorised Bank

The resources of the Fund shall be managed by a bank authorised to do so by the Convergence Council.

Article 15

Accounts and Reports

The Director of the Fund shall ensure that proper accounts and records are kept of all activities of the Fund. Such accounts shall be audited in respect of each financial year by external auditors approved by the Convergence Council.

Article 16

Amendment Procedures

A proposal for the amendment of these provisions shall be made by the Convergence Council by unanimous vote on the recommendations from the management of the Fund. Amendments may be adopted by the Authority of the Heads of State and Government and shall enter into force in accordance with the provisions of the texts.

Article 17

Entry into Force

These provisions shall enter into force upon signature by at least two Member States. The instrument shall be deposited with the Executive Secretariat which shall transmit certified true copies to all Member States informing them of the dates on which the instruments were signed.

IN FAITH WHEREOF, WE, THE HEADS OF STATE AND
GOVERNMENT OF THE MEMBER STATES OF THE WEST AFRICAN
MONETARY ZONE (WAMZ) HAVE SIGNED THIS AGREEMENT ON
THIS 15TH DAY OF DECEMBER, 2000 IN SINGLE ORIGINAL IN THE
ENGLISH AND FRENCH LANGUAGES ALL TEXTS BEING
EQUALLY AUTHENTIC.

For the Republic of The Gambia
His Excellency Col (Rtd) Alhaji Dr. Yahya A.J.J. JAMMEH
President of the Republic of The Gambia

For the Republic of Ghana
His Excellency Ft. Lt. Jerry John RAWLINGS
President of the Republic of Ghana

For the Republic of Guinea
His Excellency General Lansana CONTE
President of the Republic of Guinea

For the Republic of Liberia
His Excellency Dahkpanah Dr. Charles Ghankey TAYLOR
President of the Republic of Liberia

For the Federal Republic of Nigeria
His Excellency Olusegun OBASANJO
President, Commander-in-Chief of the Armed Forces
of the Federal Republic of Nigeria

For the Republic of Sierra Leone
His Excellency Ahmad Tejan KABBAH
President of the Republic of Sierra Leone

For ECOWAS
His Excellency Alpha Oumar KONARE
Chairman of the ECOWAS Authority of
Heads of State and Government
President of the Republic of Mali