



## **West African Monetary Agency (WAMA)**

# **WAMA BULLETIN**

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**DECEMBER 2009**

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## **EDITORIAL COMMITTEE**

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## EDITORIAL

With the challenges of the global financial crisis, countries are grappling with the choice of a suitable monetary policy framework to enable them deal with various shocks. The piece on “Exchange Regimes and Inflation Targeting” by Prof. Mohamed Ben Omar Ndiaye sheds considerable light on the process. This edition also carries a report on the maiden WAMA Staff Retreat and contains two of the presentations at the Retreat. The first “Meeting the Challenges of a Common Currency in West Africa: The Role of Research” by Festus Odoko, the Director of Research and Operations noted that timely and accurate economic research was vital for sound economic policies. It discussed the current challenges and outlined the way forward. The second “Organizational Excellence: The Essence of Team Building” by S. C. Mbbah-Offor, Head of Finance and Administration opined that team building enhances organization effectiveness.

The regular topics of macroeconomic convergence in ECOWAS and Exchange Rate developments are also covered.

We hope you find the December 2009 edition pleasant reading. Let’s hear from you, soon.

# EXCHANGE RATE REGIMES AND INFLATION TARGETING

By Prof. Mohamed Ben Omar NDIAYE, Director General



## Introduction

The period that followed the Second World War was marked by a situation whereby the interdependence of economies was relatively low. On the monetary and financial front, the regulation of activities of financial institutions was very widespread and competition among banks was insignificant. Within this framework, monetary authorities' influence over the banking and financial system was very strong and monetary policy was aimed essentially at directing the domestic economy.

From the 1960s, with external constraints gradually weighing heavily against the backdrop of increased opening up of economies to trade flows as well as the crisis in the international monetary system, greater importance was attached to exchange rate management which then affected the conduct of monetary policy.

At the beginning of the 1980s, monetary policy had to contend with the financial globalisation marked by growing competition among credit institutions, the principle of market-oriented regulation, the explosion of foreign exchange operations, the spiral increase in capital movements and expansion of financial innovations, etc.

The need to control inflation and maintain some credibility vis-a vis financial markets as well as the relatively ineffective nature of budget policies led the authorities to give priority to this instrument. Since the beginning of the 80s therefore, monetary policy has become the main economic policy instrument used by public authorities. Consequently, in the early 90s, many countries opted for a monetary policy based explicitly on inflation targeting. These included some OECD countries (New Zealand, Canada, Israel, United Kingdom, Australia, Finland, Spain and Sweden), Latin American countries (Brazil, Chile, Colombia and Mexico) as well as other emerging countries such as the Czech Republic, Poland, South Africa and Thailand.

The main objective was price stability, meaning controlling inflation and preserving the purchasing power of the currency. In order to achieve this objective, monetary authorities retained two intermediary objectives i.e. growth in monetary aggregates M3 (internal objective) and the exchange rate (external objective). Pursuing

such objectives which are more or less interdependent was tantamount to conducting inflation targeting and exchange rate management policies. Obviously, the interdependence and especially, the relevance of these policies depend to a large extent on the level of inflation targeted and the exchange rate regime (fixed or floating) under which the country (or region) concerned is evolving. The issue that can be raised at this point is to know what exchange rate regime guarantees a more effective inflation targeting. In other words, what are the effects of the choice of an exchange rate regime on the effectiveness of inflation targeting?

This paper seeks to find answers to these questions by presenting exchange regimes and their effects on macroeconomic policy in general and the effectiveness of inflation targeting, in particular.

## **1. Recap of the Various Types of Exchange Rate Regimes<sup>1</sup>**

Generally, there is a wide range of exchange rate regimes which are classified into two extremes: fixed exchange rate and floating exchange rate. A fixed exchange rate regime implies the definition of reference parity between the currency of the country considered and a hard currency (or basket of

hard currencies) with which the Central Bank pledges to exchange its currency.

Under a flexible regime, it is the contrary, no commitment is made regarding the exchange rate which floats freely (pure floating). This regime was abandoned in 1973 in favour of a floating system described as «impure».

Besides, there are many intermediary regimes which are distinguished by the level of fluctuations allowed by the Central Bank in the reference parity, as well as the frequency of realignments of this parity. Floating levels are managed by monetary authorities through conventional instruments (interest rate policy, direct interventions by Central Banks on the foreign exchange market)

## **2. Implications of Exchange Rate Regime for Macroeconomic Policy in General**

For each exchange rate regime, there is a set of implications which can be attached to it. Some of them go as far back as the debate of the 60s, before the shift towards floating regimes in 1973, whilst other implications go beyond this debate.

Under a floating regime, the balance of payments equilibrium is automatically restored, contrary to the regime stemming from the administrative fixing of prices which does not follow any economic logic.

The floating exchange rate system prevents the spread of inflation or deflation from one

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<sup>1</sup> Denize Flouzat et Christian de Boissieu, « Economie contemporaine : les phénomènes monétaires », Tome 2, 15<sup>e</sup> édition, PUF, 2004.

country to the other. On the other hand, fixed exchange rates can facilitate the transmission of economic imbalances.

. The floating regimes also help to implement an autonomous monetary policy, insulated against the attacks of international speculation against the domestic currency. However, under fixed exchange rate regimes, speculators can play a destabilizing role. They can collectively anticipate devaluation and eventually provoke it. Central Banks cannot eliminate speculation because their strategy is limited and known in advance to all: they are obliged to intervene in order to prevent exchange rate fluctuations. The absence of this obligation makes the speculators run the risk of incurring losses that can be considerable.

However, the floating regime is not without criticism. Proponents of fixed exchange rate remain loyal to the Bretton Woods philosophy which led to the affirmation that only fixed parities are capable of ensuring exchange rate stability, a prerequisite for growth without inflation. According to them, such a regime worsens the uncertainties in international trade relations: exporters are not aware of variations in exchange rates and for that matter the price at which they will sell their products. This uncertainty is not eliminated under a fixed exchange rate regime but their variations are intermittent and very rare. Under a flexible exchange rate regime, there can only be coherence if public

authorities add a third element to monetary and budgetary policy: exchange rate policy.

### **3. Inflation Targeting and Exchange Rate Regime**

#### **3.1 What is Inflation Targeting?**

A crucial objective of monetary policy is to achieve and maintain price stability. Inflation targeting is a monetary policy framework which includes:

Informing the public beforehand of a digital target (a point or range) that inflation should attain within a year or two;

The commitment that price stability is a primary objective of monetary policy;

The use of all high frequency information available not only for monetary aggregates or exchange rates in developing policy; increased transparency through sustained communication with the public on monetary policy schemes, targets and decisions; increased commitment of Central Banks to achieving their inflation targets.

#### **3.2 Inflation Targeting Experiment under Various Exchange Rate Regimes**

The experience of Chile and other flexible exchange rate regimes reveals that the floating regime has been a crucial element which enabled the Central Bank to manage monetary policy independently, aiming essentially at the inflation target. The floating exchange rate enabled the Central Bank of

Chile to follow a counter-cyclical monetary policy.

On the other hand, the Republic of Serbia which adopted inflation targeting under a fixed exchange rate regime and later a controlled exchange rate regime encountered enormous economic difficulties. The local currency depreciated followed by climbing inflation, thus creating distortions in the internal and external balances. This situation compelled the Serbian monetary authorities to change their monetary strategy and exchange rate regime and adopt inflation targeting combined with a controlled floating exchange rate regime.

Judging from these experiences in inflation targeting, it can be concluded that:

- A flexible exchange regime is consistent with an inflation targeting framework;
- Maintaining low inflation is difficult with two nominal anchors: the exchange rate band and the inflation target
- The inflation target becomes the single anchor only if the exchange rate can float.

### **3.3. Situation in ECOWAS in Terms of Inflation Targeting**

At the level of ECOWAS, only Ghana has made an attempt at introducing inflation targeting. Nigeria has also initiated the process. However, the conduct of monetary policy in the region is still based on monitoring trends in certain monetary

aggregates considered as intermediary targets.

On the whole, ECOWAS is marked by a number of countries which operate a system of fixed exchange rates (UEMOA countries which currently continue to have a fixed link between the CFAF and the Euro) and other countries which operate a floating exchange rate regime (WAMZ countries).

A major challenge to a better inflation targeting in the region lies in managing the harmonization of economic policies (harmonization of inflation rate, for example) based on these two types of regimes and in view of past experiences. Besides, structural problems such as the autonomy of the Central Bank, difficulties in producing some statistical indicators, the dominance of imported inflation, make it difficult to put in place a monetary policy strategy based on inflation targeting.

However, the technique of inflation targeting, supposing it is effective, could be very useful, given that most Central Banks find it difficult to curb inflationary pressures. Thus, as at end of 2008, only one country within ECOWAS complied with the year-on-year inflation rate criterion which should be below 5% (reference to the benchmark set by ECOWAS).



#### **4. Conclusion and Recommendations**

After years of high inflation, the industrialized world and developing world entered in the 1990s, into a period of price stability. Central Banks contributed to this positive trend by increasingly choosing to announce future trends in key nominal variables in order to influence inflationary expectations.

In fact, inflation targeting can be beneficial to developing countries in many ways, by giving them the means to coordinate inflationary expectations and gauge the responsibility of Central Banks. However, these countries have some peculiarities that can make this system difficult to operate when compared to the industrialized countries.

In spite of these problems, inflation targeting seems promising for developing countries. It offers a number of operational advantages and compels economic policy makers to deepen reforms, increase transparency and improve budgetary policy. It also opens prospects for convergence towards international levels of inflation. However, it is worthy of note that every monetary policy strategy requires some prerequisites: a sound public finance situation, a solid banking system, and good relations among economic operators.

Thus, policy choice (of inflation targeting) is not between fixed and flexible exchange rate regimes but rather in the selection of the

most appropriate target among the various forms and degrees of intervention against the backdrop of the features of the economy (Fischer, 2001).

Based on these observations, we believe that to ensure a more effective inflation targeting and greater stability in links between internal balance and external balances, a flexible management of exchange rates is recommended. If the exchange rate is too rigid, (strictly fixed exchange rate regime), it will be difficult to make the necessary adjustments, while, if it is too volatile, there is the risk of adverse effects. Thus, for us what seems appropriate for an effective inflation targeting, is the adoption of a regime of stable but adjustable exchange rate or a controlled floating system.

In addition, and especially within the context of developing countries, inflation targeting must exclude the targeting of other nominal variables. In fact, since the assets and debentures of many developing countries are labeled mostly in foreign currency, significant variations in the exchange rate can have serious effects on inflation.

Furthermore, the autonomy of the Central Bank is a decisive factor in effective inflation targeting. In many developing countries, the autonomy of the Central Bank is more statutory than real since its decisions are mainly motivated by the need to finance

public deficit and fiscal policy remains dominant to some extent. Under such circumstances, Central Banks may hesitate to raise interest rates for fiscal reasons, even if they should normally do so to contain inflation. The autonomy should also enable the Central Bank to publish sophisticated information necessary for inflation projections (for instance, reports on advanced indicators and reliable econometric models), develop statistical tools and its capacity for projections and analysis. Consequently, beyond the quantitative regulations, banks must also strengthen their internal risk management systems and carry out the most exhaustive simulation of inflation crisis. This is how they can be more effective in achieving their inflation targeting objective.

Finally, greater co-operation among banks, non-bank financial institutions and regulatory authorities are also necessary for inflation targeting. This will ensure that the monetary system is transparent, reactive and innovative in a new and changing environment. Added to this cooperation, there must be a coordination of economic policies, especially monetary and budgetary policies. This coordination could also be done within the framework of a monetary union,

the desired framework for effective inflation targeting, particularly in Africa.

## **STATUS OF MACROECONOMIC CONVERGENCE IN FIRST HALF 2009**

By Alieu Ceesay, Senior Economist



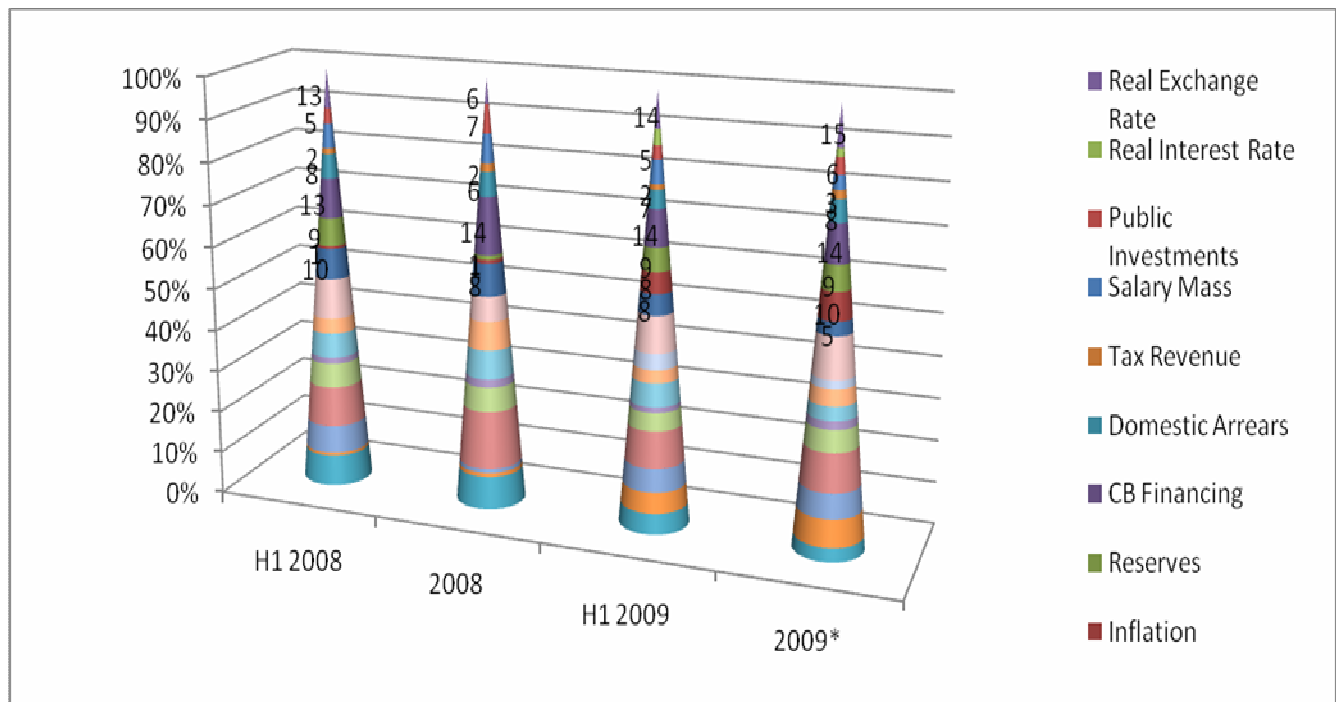
ECOWAS countries operated under challenging economic environment in the period under review. The movement towards macroeconomic convergence in recent years remained mixed as there was no significant improvement in overall performance.

Some member countries found it difficult to sustain their performance in respect of targets realized in preceding years in view of the challenging international economic environment. Table 1.1 below provides an overview of the number of countries that complied with the convergence criteria over the period specified.

**Table 1.1: Number of Countries that Met the Convergence Criteria in ECOWAS**

	Target	200	200	200	200	200	200	200	200	H1	H1	
	t	1	2	3	4	5	6	7	8	200	200	2009
	%									8	8	*
Budget Deficit	≤ 4	6	5	5	4	4	6	7	10	8	8	5
Inflation	≤ 5	9	10	10	9	9	9	7	1	1	8	10
Reserves	6	10	9	9	9	1	1	9	9	1	9	9
C.B. Financing	≤ 10	13	11	11	14	15	13	15	13	14	14	14
Domestic Arrears	-	5	4	5	5	4	5	5	8	6	7	8
Tax Revenue	≥ 20	0	0	0	2	2	2	3	2	2	2	3
Salary Mass	≤ 30	6	5	8	6	7	8	9	8	7	9	5
Public Investments	≥ 20	6	5	6	8	6	6	7	5	7	5	6
Real Interest Rate	-	6	8	9	7	7	6	6	0	0	6	3
Real Exch. Rate	± 5	11	12	7	12	10	11	12	13	6	14	15

**Graph 1.1: Convergence Performance in ECOWAS 2008-2009**



Source: WAMA H1= First Half \*=Projection

Performance under inflation generally improved in the first half of 2009 compared with the position in the corresponding period of 2008, with eight countries meeting this criterion,

compared to one in 2008. On the other hand, performance with respect to the budget deficit criterion deteriorated from 10 to 8 countries over the same period. Fourteen countries met the required target for central bank financing of the budget deficit, compared to 13 in 2008. Regarding gross external reserves, nine countries (Nigeria and the eight UEMOA countries) met the target during the period, thus maintaining the same level attained in the first half of 2008.

Performance under the secondary criteria was generally below expectation. Two countries met the tax receipts/GDP target during the period under consideration. Performance on the wage bill was relatively better, as nine countries achieved this target during the period; an improvement of one country compared to the first half of 2008. There was prevalence of negative real interest rates in a majority of countries as at end-June 2009. In general, real exchange rates remained stable in member countries and the criterion was satisfied by 14 countries by mid 2009, compared to 13 in 2008.

Table 2.1 gives a summary of the total number of criteria (primary and secondary) satisfied by each country. It should be noted that table 2.1 does not take into account the domestic arrears criterion due to the lack of responses from several countries. Table 2.1 indicates that none of the countries has yet been able to meet all the primary and secondary convergence criteria. As at Mid-2009, the best performance of 8 targets was recorded by Senegal. Benin, Guinea and Mali followed with 7 targets each, while Nigeria and Togo attained 6 benchmarks each. Burkina Faso and Cote d'Ivoire met 5 targets each, while The Gambia, Guinea-Bissau, Liberia and Niger met 4 benchmarks each. Cape Verde, Ghana and Sierra Leone achieved 2 targets each.

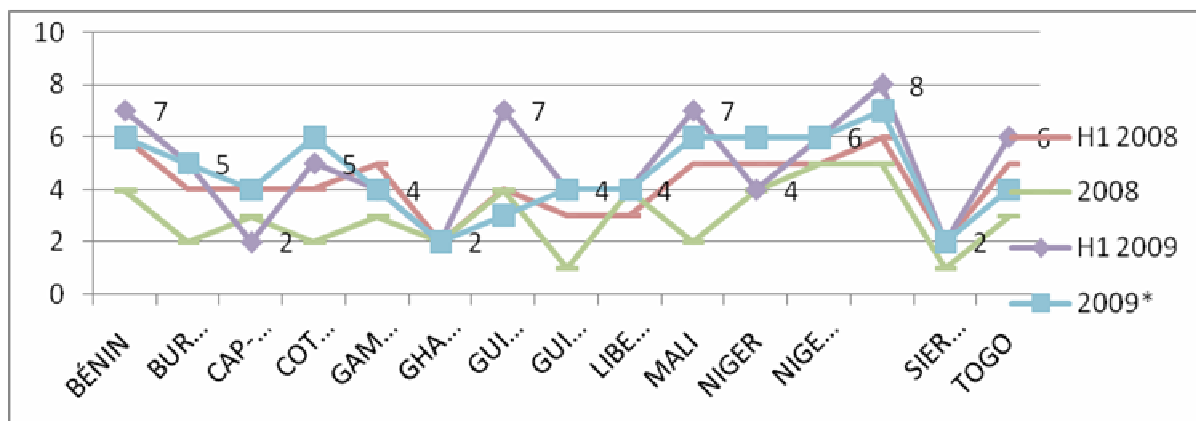
**Table 2.1: Total Number of Convergence Criteria Met**

	2001	2002	2003	2004	2005	2006	2007	H1 2008	2008	H1 2009	2009*
<b>BÉNIN</b>	6	7	6	6	4	3	8	6	4	7	6

BURKINA FASO	5	5	6	6	5	5	6	4	2	5	5
CAP-VERT	3	3	4	4	4	4	4	4	3	2	4
COTE D'IVOIRE	4	4	4	5	4	5	5	4	2	5	6
GAMBIA	2	0	1	4	4	6	3	5	3	4	4
GHANA	1	0	2	3	3	3	4	2	2	2	2
GUINEA	5	3	1	1	3	2	4	4	4	7	3
GUINEA-BISSAU	4	4	3	5	3	4	2	3	1	4	4
LIBERIA	4	4	3	2	3	4	4	3	4	4	4
MALI	4	6	7	7	6	5	7	5	2	7	6
NIGER	5	4	6	5	4	6	6	5	4	4	6
NIGERIA	4	4	4	5	5	5	6	5	5	6	6
SENEGAL	8	8	8	7	6	4	4	6	5	8	7
SIERRA LEONE	3	3	0	1	1	0	2	2	1	2	2
TOGO	4	5	6	6	2	4	6	5	3	6	4
UEMOA	4	6	5	5	5	5	6	4	2	5	6
WAMZ	4	5	5	5	4	4	6	5	5	5	6
ECOWAS	3	4	4	5	6	6	6	5	5	5	6

Source: WAMA H1= First Half \*=Projection

Graph 2.1: Convergence Performance in ECOWAS 2008-2009



Source: WAMA

## REPORT ON THE STAFF RETREAT ORGANISED BY WAMA

By Abdoulie Ceesay, Internal Auditor



The West African Monetary Agency (WAMA) held its first Staff Retreat at Wusum Hotel in the Northern Sierra Leone town of Makeni, from 30/10/09 to 01/11/09. The staff arrived at the hotel by 2: pm on the 30/10/09 and the agenda for the retreat immediately started.

The key activities in the interactive sessions included;

1. Presentation on fire fighting and prevention by Ibrahim Kamara of the National Fire Force, Freetown.
2. Repositioning WAMA for higher productivity by Prof. M. B. O. Ndiaye, Director General of WAMA.
3. Meeting the challenges of a common currency in ECOWAS : The role of research by Festus Odoko, Director of Research and Operations of WAMA.
4. Organizational Excellence: The Essence of Team Building, by S. C. Mbbah-Offor, Head of Finance and Administration of WAMA.
5. Audit and Control, by Abdoulie Ceesay, Internal Auditor of WAMA.

### **FIRE FIGHTING AND PREVENTION:**

Mr. Ibrahim Kamara, a fire force officer from the National Fire Force office in Freetown made a presentation on fire fighting and prevention. His lecture covered the following areas:

- Statistics of fire incidences in Sierra Leone.
- Economic and social consequences of fire incidences.
- Detail description of fire.
- Classifications of fire.
- Types of fire extinguishers and elements of fire extinguishers.
- Medium of fire extinguishing.
- Causes of fire outbreak.
- What to do in the case of fire outbreak.
- Measures taken to sensitize the population on fire outbreak.
- Practical demonstration of fire fighting using extinguishers.

At the end of his presentation, the DG thanked him for an insightful presentation and invited the participants to ask questions to clarify issues and concerns.

The next presentation was on 'Repositioning WAMA for Higher productivity' which was done by Prof. M.B.O. NDIAYE, Director General of WAMA.

In his opening remarks the Director General thanked the staff for their attendance and reminded them that since this was the first staff retreat by WAMA, it was an opportune moment for WAMA to reassess its past, present and the way forward. He urged members of staff to fully participate in the deliberations and make relevant contributions. The DG reminded the staff that

when he took over as Director General he observed that there were lots of discontent and infighting in the institution. He said that he has taken measures to address this and was happy that there now exists a great deal of cooperation and collaboration in the departments. He urged every one to take his responsibility seriously in order to move WAMA forward and to achieve that objective all must pay attention to WAMA and not to individual faces in WAMA. He emphasized that in order to move forward, we must accept to work with each other.

He pledged to continue working hard to improve the conditions of service for members of staff and to strengthen the security of the premises of the Agency for a conducive working environment. He acknowledged that WAMA was moving in the right direction and should sustain that momentum. He reiterated the need to continue to develop and maintain good relationships with our sister organizations in the sub-region and beyond, and to make WAMA more competitive. He once again thanked the staff for their cooperation and collaboration.

The DRO thanked the DG and reminded the staff that all of us have a challenge to move WAMA forward, and that our actions could make or mar WAMA. He said that each member of staff must be conscious of his contributions towards the goal of WAMA

stressing that WAMA is in competition with other sub-regional organizations and as such must stay relevant at all times. He also stressed the importance of collaboration, the fact that the recent recruitment exercise has been completed and the new comers will always copy our ways so we must be ready to show good examples.

The next presentation was done by Mr. Festus Odoko, Director of Research and Operations. The presentation was based on 'Meeting the Challenges of a Common Currency in ECOWAS: The role of Research. In his presentation, Mr. Odoko indicated that the staff retreat was a unique opportunity for WAMA to reexamine and reposition itself to meet the challenges of the future, continue to be relevant and devise a new approach to fulfilling its mandate. He cataloged the activities that WAMA must do to fulfill its mandate putting emphasis on the role of Research, especially the fact that "timely and accurate economic research is vital for undertaking sound economic policies'.

The next presentation was on 'Organizational Excellence : The Essence of Team Building by Mr. S.C. Mbbah-Offor, Head of Finance and Administration. This presentation was focused on team building resulting in organizational excellence. He based his presentation on the importance of Total Quality Management (TQM) and the European Foundation for Quality

Management (EFQM) models. He emphasized that for any organization to achieve excellence, it has to embark on an organizational self-assessment through the use of certain 'quality' or 'excellence' models. These models help organizations to clearly discern their strength and weaknesses. However the models are non-prescriptive but rather promote principles other than practices.

Both DRO and DG thanked SAFO for the wonderful presentation acknowledging that it was prepared at short notice. The comments and contributions from other staff were centered on the need for collaboration particularly between Research and Finance & Administration. The DG assured members that Administration would give research all the support it needed to function effectively.

The Internal Auditor, Mr. Abdoulie Ceesay made the next presentation on 'Audit and Control'. In his presentation he briefly dealt with the definition of auditing, the relationship between professional managers and owners of business and how such relationship necessitated auditing of financial reports to be submitted to owners of business by managers. He also elaborated on reasons for auditing, types of audits and internal control and key issues relevant to internal audit.

He outlined the types of audit including: financial audit, operational audit, forensic

audit, compliance audit, performance audit and internal audit. Each was briefly explained but emphasis was put on Internal Audit and Internal Control. He indicated that "Internal Audit was an independent, objective assurance, consulting activity designed to add value and improve an organization's operations. He explained that this helped organizations to accomplish their objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process."

On the other hand he explained that Internal control was a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

He further highlighted the various controls including; control over staff, control over processing, control over valuables and computer equipment. On key issues relevant to the internal Audit function, he underscored the importance of independence in its function, risk focus and that the internal controls in place, are adequate and working effectively. He finally guided the staff to the common internal control framework guiding the work of an internal auditor.





## **MEETING THE CHALLENGES OF A COMMON CURRENCY IN WEST AFRICA: THE ROLE OF RESEARCH**

By Festus Odoko, Director of Research and Operations

### **INTRODUCTION**

The desire to achieve a single currency in the ECOWAS sub-region has been a key objective since the setting up of the organization in 1975. It is the *raison d'être* for setting up WAMA. This retreat therefore provides us a unique opportunity for WAMA to re-examine and reposition itself to meet the challenges of the future. It is a search for continuing relevance. This includes an attempt to devise a new approach to fulfilling the WAMA mandate.

### **WAMA is charged with the following responsibilities:**

- Promote monetary cooperation and consultation among member states
- Monitor the implementation of the ECOWAS monetary cooperation program
- Initiate and promote policies and programs aimed at achieving monetary integration within the region
- Assist in the harmonization and coordination of monetary and fiscal policies of member states

- Encourage exchange rate liberalization among member states

In order to fulfil the mandate WAMA does the following:

- ✓ Collect, store and disseminate statistical data for the use of central banks
- ✓ Prepare periodic reports on macroeconomic convergence, exchange rates, trade liberalization, fiscal and monetary harmonization, balance of payments developments etc.,
- ✓ Initiate policies and programs to promote monetary and fiscal harmonization in the context of the monetary and economic integration in West Africa
- ✓ Undertake studies on matters relating to monetary and fiscal cooperation, settlements and external debts.

## THE ROLE OF RESEARCH

Generally, timely and accurate economic research is vital for undertaking sound economic policies; boosting a stable and non-inflationary growth and for coping with various risks under a dynamic and rapid integration of ECOWAS countries. It is well known that research can be classified into two major groups: basic and applied research.

In WAMA the focus is mainly on Applied Research. Usually, the steps involve identifying a research project, implementing

that project and disseminating the result. Generating a research topic may be from the mandate of the Agency, in response to burning economic issues, or in anticipation of a developing trend.

Implementing the research project takes two forms:

- In house by resident experts
- External consultants

Sometimes it may be a joint effort by two groups.

The third step in the research process is disseminating the results. Dissemination of the findings could be through several channels:

- Reports
- Journals
- Seminars/Conferences
- Website
- Newsletters etc.

## THE JOURNEY SO FAR

Over the years WAMA has compiled surveillance reports, written some proposals and commissioned a couple of studies. The question is how well has WAMA performed? Performance measurement is a tricky issue. But performance could be assessed:

- Over time in terms of one year compared to previous years and to note whether or not there has been improvement.
- Actual versus Expected: In this regard it is the proportion of what you

planned to achieve that was actually achieved.

- Actual Vs standard or benchmark. This is terms of measuring the performance against a standard or more practically comparing the performance of the institution against the performance of similar institutions.

Given the resources available it is perhaps fair to say WAMA has not done badly. Rather, instead of assessing the past, I think it is more useful to focus on the future. But before charting the way forward we must be cognizant of the challenges.

## **THE CHALLENGES**

- Higher expectations of the committee of Governors. With the approval of the Roadmap in May 2009, the Governors expect WAMA to go work and provide leadership in initiating and promoting policies that will enhance and accelerate the achievement of the ECOWAS monetary cooperation program. In this regard WAMA is expected to be proactive in identifying emerging issues and providing suggestions on how to tackle them for the advantage of member countries.
- Limited resource availability – A continuing challenge is the availability of the requisite resources especially finance. At the moment, the major source of funding for WAMA activities is the contribution by member central

banks. This needs to be expanded if the institution is to meet its mandate. The various governments and even international development partners will have to make some contributions. It is for the management of WAMA to articulate its needs and seek funding appropriately.

- The human dimension: "Why some do not succeed. After all is said and done, more is said than done" Anonymous. Additional functions given to WAMA demand that the capacity of the institution to deliver should be equally expanded by hiring more professionals and providing the needed equipment. It should be a question of matching means with the responsibilities. The good news is that your research capability is not static. No matter where you are starting from, you can get better. Even if a person has natural talent, he has to prepare and train to become successful.
- Proliferation of Institutions. Several members of the ECOWAS belong to other blocks and this has compounded the issue of working cooperatively towards the attainment of the common goals. Energy is unnecessarily dissipated.

## **THE WAY FORWARD**

Setting a research agenda- strategy for fulfilling mandate

Strategy for fulfilling mandate

- Developing a database. It is generally agreed that economic research uses economic data as its core input. Therefore, the availability and the quality of economic data represent a key factor to the development of timely and accurate economic research. Hence developing a robust database is critical to the realization of the objectives of WAMA. In this regard, efforts will be made to collect and present information in interesting new ways and making accessibility a lot easier.
- Organizing by country group  
Staff will be deployed to understudy countries with increasing expertise on those countries. In this way, it becomes easier to produce Policy Briefs that reflect a thorough understanding of the peculiarities of each country and have a reasonable chance of enhancing policy making.
- Networking with other institutions  
Increasingly research work thrives better within an environment of an on-going intellectual community where the exchange of ideas is actively promoted. Accordingly, we would create this environment by organizing

## **ORGANIZATIONAL EXCELLENCE: THE ESSENCE OF TEAM BUILDING**

By S.C. Mbbah-Offor, Head, Admin. & Finance

seminars to which we would invite other researchers in sister institutions and the universities.

## **Scanning the gauges – Performance measurement**

We intend to institute methods of measuring research output and ensure that goals set are vigorously pursued. Monitoring and evaluation can help us achieve our declared goals more effectively by monitoring progress defining better indicators and drawing conclusions.

## **FINAL WORD**

The achievement of even audacious goals requires commitment. It also requires the existence of a conducive atmosphere in which the work will take place. Above all, there is need for collaboration by the staff and others who will implement the policies and programs of the organization. It is in the light of that the Holy Scripture stated: "If as one people speaking the same language they begun to do this, then nothing they plan to do will be impossible for them" Gen. 11:6  
With the cooperation of all WAMA staff we can realize any agenda we set for ourselves!



## **INTRODUCTION**

This short presentation forays into the impetus Team Building yields to organisational effectiveness and excellence. It will journey from one end of Total Quality Management (TQM) to the European Foundation for Quality Management (EFQM) models and berthing on the shores of Organisational Excellence; both TQM and EFQM being models for attaining organisational excellence. Towards the end of the presentation, I will give the picture of what the WAMA Scorecard looks like in the context of striving to attain the desired organisational effectiveness: What was the picture in the past? What does it look like in the present? How do we get there?

## **DEFINITIONS**

It is desired that we start with bringing out the meaning of the salient operative words in the title. What is an Organisation? The Oxford Advanced Learners Dictionary defines organisation as 'an organised group of people; a system'. Clarifying further then, one may ask what is a system? Once again the same dictionary defines a system as 'a group of things or parts working together as

a whole'. In furtherance of the unity of the 'parts' in a system, the Holy Bible enjoins: 'the eye cannot say to the hand, I have no need of you, nor again the head to the feet, I have no need of you' (1Corinthians 12:22). What is Excellence? Excellence is defined by the same dictionary as 'the quality of being extremely good or outstanding'.

## **WHAT THEREFORE IS ORGANISATIONAL EXCELLENCE?**

Organisational excellence is an overall way of working that balances stakeholders interests and increases the likelihood of sustainable competitive advantage and hence long-term organisational success through operational, customer-related, financial and marketplace performance excellence (Edgeman, Dahlgaard and Scherer, 1999).

For any organisation to achieve excellence, it has to embark on an organisational self-assessment. This self assessment is done through the use of certain 'quality' or 'excellence' models. These models include Total Quality Management (TQM) and the European Foundation for Quality Management (EFQM). Thorough self-assessment allows an organisation to clearly discern its strengths and weaknesses plan improvement actions leading to results for progress. These models are employed towards supporting and sustaining organisational excellence. They are however non-prescriptive and are rather meant to

promote principles rather than practices and recognise various other approaches to sustainable excellence.

### **TOTAL QUALITY MANAGEMENT (TQM)**

Total Quality Management is a paradigm for attaining organisational effectiveness. It is a system of integrated philosophies, tools and processes towards accomplishing business objectives by creating delighted customers and happy employees.

TQM is a strategy for improving business performance through the commitment of all employees to fully satisfy agreed customer requirements at the lowest cost, through the continuous improvement of products and services, business processes and the people.

### **KEY ELEMENTS OF TQM**

Four key elements of TQM are:

1. People (All members of the team should possess adequate training for the assignment);
2. Continuous improvement in the quality of performance
3. Process from analysis to implementation
4. Customer satisfaction in focus

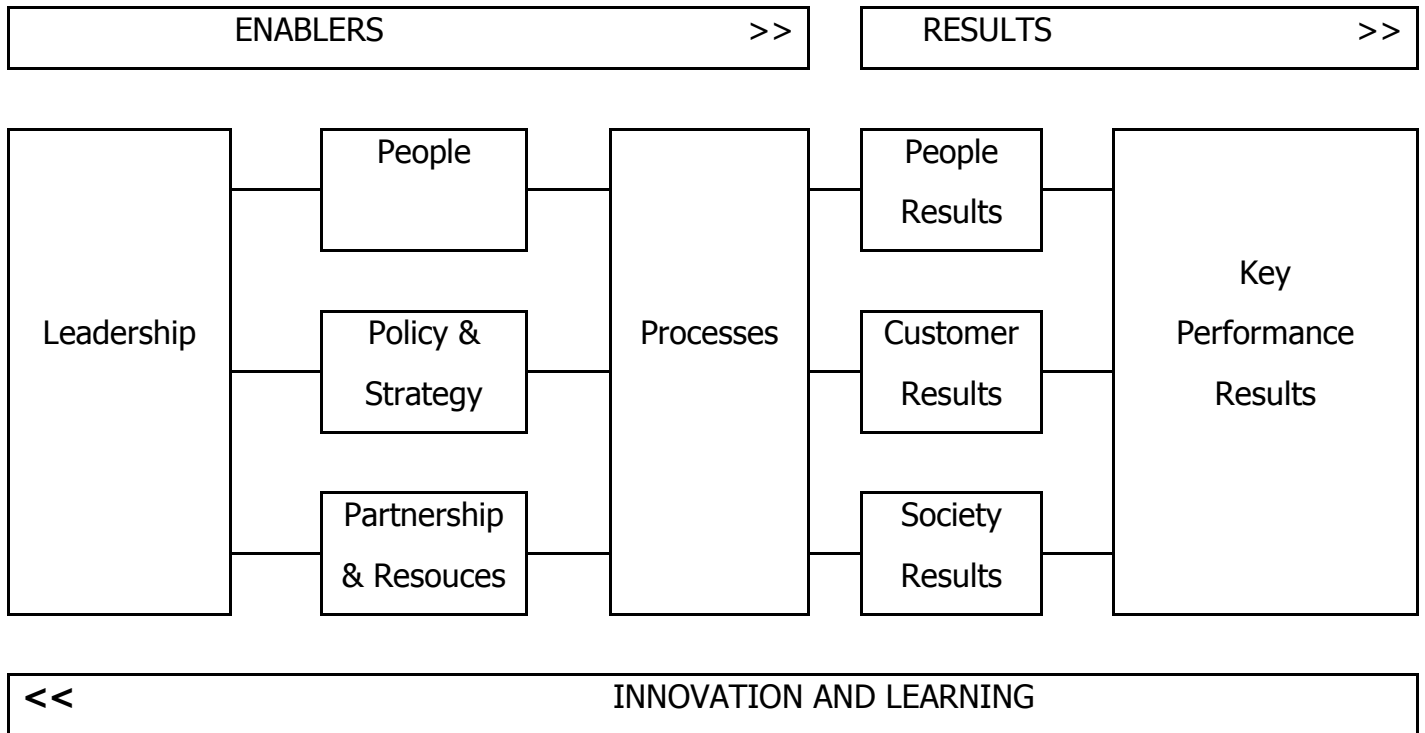
### **EFQM EXCELLENCE MODEL**

The EFQM Excellence Model, introduced around 1992, is a framework for organisational management systems, promoted by the European Foundation for Quality Management designed to help organisations in their drive towards competitive performance. The fundamental Concepts of this Model are:

1. Results Orientation for all stakeholders

**Fig.1 EFQM**

**Excellence Model**



2. Customer Focus
3. Leadership and Constancy of Purpose
4. Management by Processes and Facts
5. People Development and Involvement
6. Continuous Learning, Innovation and Improvement
7. Partnership Development
8. Public Responsibility

**OVERVIEW OF THE EFQM EXCELLENCE MODEL**

Four of these criteria are 'Enablers' and four are 'Results'. The 'Enabler' criteria cover what an organisation does. The 'Results' criteria cover what an organisation achieves. 'Results' are

caused by 'Enablers' like Leadership; People; Policy and Strategy; Partnership and Resources; and Processes. The 'Results' are: People Results; Customer Results; Society Results; and Key Performance Results. The results are reviewed for innovation and learning purposes to inform the next strategy cycle.

**TEAM BUILDING**

Where are we coming from? Up to the 1970's work culture tended not to be supportive of team work but rather rewarded individual performance. However there are theories and methodologies available for large-scale team building. It was only between 1980 and 1990 that team-based reward systems were implemented in the USA. Team Building is

different from 'team recreation' and is centred on improving the performance of business results and profitability.

Team building is an aspect of organisational development that focuses on bringing out the best in a team to ensure self development, positive communication, leadership skills and the ability to work closely together as a team to achieve the mission or objectives of an organisation.

### **REASONS FOR TEAM BUILDING**

The reasons for team building are:

- ◆Improving communication
- ◆Making the workplace more enjoyable
- ◆Motivating a team
- ◆Getting to know each other
- ◆Getting everyone together in setting organizational goals.
- ◆Teaching the team self regulation strategies
- ◆Helping participants to learn more about their strengths and weaknesses
- ◆Identifying and utilising the strengths of team members
- ◆Improving team productivity
- ◆Practicing effective collaboration with team members

### **TWELVE Cs OF TEAM BUILDING**

Successful team building that creates effective, focused team work requires attention to each of the following self-diagnosing checklist:

- (i) Clear Expectations
- (ii) Context
- (iii) Commitment
- (iv) Competence
- (v) Charter
- (vi) Control
- (vii) Collaboration
- (viii) Communication
- (ix) Creative Innovation
- (x) Consequences
- (xi) Coordination
- (xii) Cultural Change

### **THE WAMA SCORE CARD: THE PAST**

Before December 2003, most core staff members of WAMA were drawn on secondment from some of the Central Banks. Even when there was some competitive recruitment in 2003, it was still not the full complement of staff in the institution. Before June 2008, the Head of the Institution was also on secondment and nominations were from one of the member Central Banks. In such cases the persons remained primarily staff of their respective Central Banks. Such selections could not be entirely bereft of favouritism and nepotism and this distracted the allegiance of the officers to the Agency as well as to her organisational excellence. Management style and followership were also affected accordingly.

### **THE PRESENT**

The present Head of the Institution emerged from a highly competitive selection process,



he is adequately qualified in the relevant fields, has brilliance and foresight to drive the activities of the institution. The core staff have also been appointed following a competitive selection process. This picture depicts the prerequisite readiness for effective and efficient organisational performance.

### **THE JOURNEY TOWARDS ORGANISATIONAL EXCELLENCE**

This retreat should be one of the means that should afford the Agency the opportunity for an organisational self-assessment for us to determine where we are coming from, Where and customise best practice in order to build a strong foundation for quality and excellence to thrive. There should be respect for professionalism, application of standard procedures, due process in the activities of the institution.

### **CONCLUSION**

We recall the words of Ronald Reagan during his inauguration for second term as President of the United States of America when he said: "If not us, who? If not now, when?" Now therefore is the acceptable time for WAMA to proceed and grow, procrastination may be dangerous. We therefore need to work hard together in order to succeed and I believe we can do it.

we are now and where we want to be in the future.

The Agency has to apply the principles of both the TQM and the EFQM excellence models and set clearly defined goals that should be communicated to all members of staff. There has to be enhancement of synergy between Research and Operations, and Finance and Administration in the institution. These should not be seen to be in competition but rather they should complement each other in the activities of the institution. There is the need to adopt

## Exchange Rate Movements as at end December 2009

By Alhassane DIALLO, Statistician

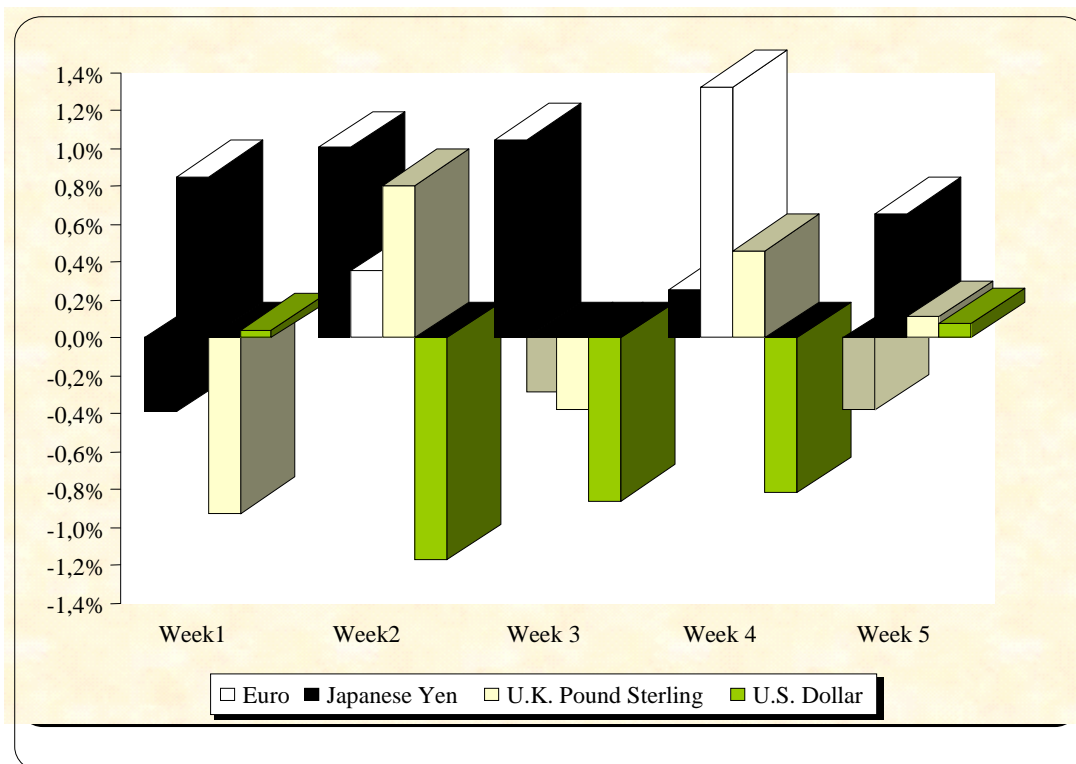


### 1. Trends in the WAUA in Relation to Major International Currencies

The major international currencies (US Dollar, Pound Sterling, Euro, and Yen) recorded mixed trends in relation to the WAUA<sup>2</sup>.

However, weekly fluctuations in the WAUA against the four major international currencies were contained within the band +/-1% as shown in the graphique below

**Graph 1: Trends in the major international currencies in relation to the WAUA in December 2009**



<sup>2</sup> The West African Unit of Account has a fixed parity with the IMF SDR (1WAUA =1SDR)

Monthly, quarterly and half yearly trends were reflected in the depreciation of the WAUA against the Euro and Japanese Yen. Compared to December 2008, it was still the Euro and especially the British Pound which

firmed up against the ECOWAS unit of Account. On the whole, fluctuations in international currencies were largely contained in 2009.

**Table 1 : Variations in the WAUA rates against major international currencies in % terms**

	Nov-09		Sept-09		June-09		Dec-08	
	<i>End of pde (%)</i>	<i>Average (%)</i>	<i>End of pde (%)</i>	<i>Average (%)</i>	<i>End of pde (%)</i>	<i>Average (%)</i>	<i>End of pde (%)</i>	<i>Average (%)</i>
Euro	1.5	-1.8	0.6	0.0	-0.9	-1.7	-1.7	-4.2
Japanese Yen	2.9	-0.6	1.1	-1.7	-3.5	-4.9	2.4	2.3
U.K.Pound Sterling	-1.0	1.1	-1.6	0.9	3.3	3.2	-8.4	-4.7
U.S. Dollar	-2.6	-1.2	-1.1	0.2	1.0	2.4	1.8	4.0

Source : IMF, Central Banks, WAMA

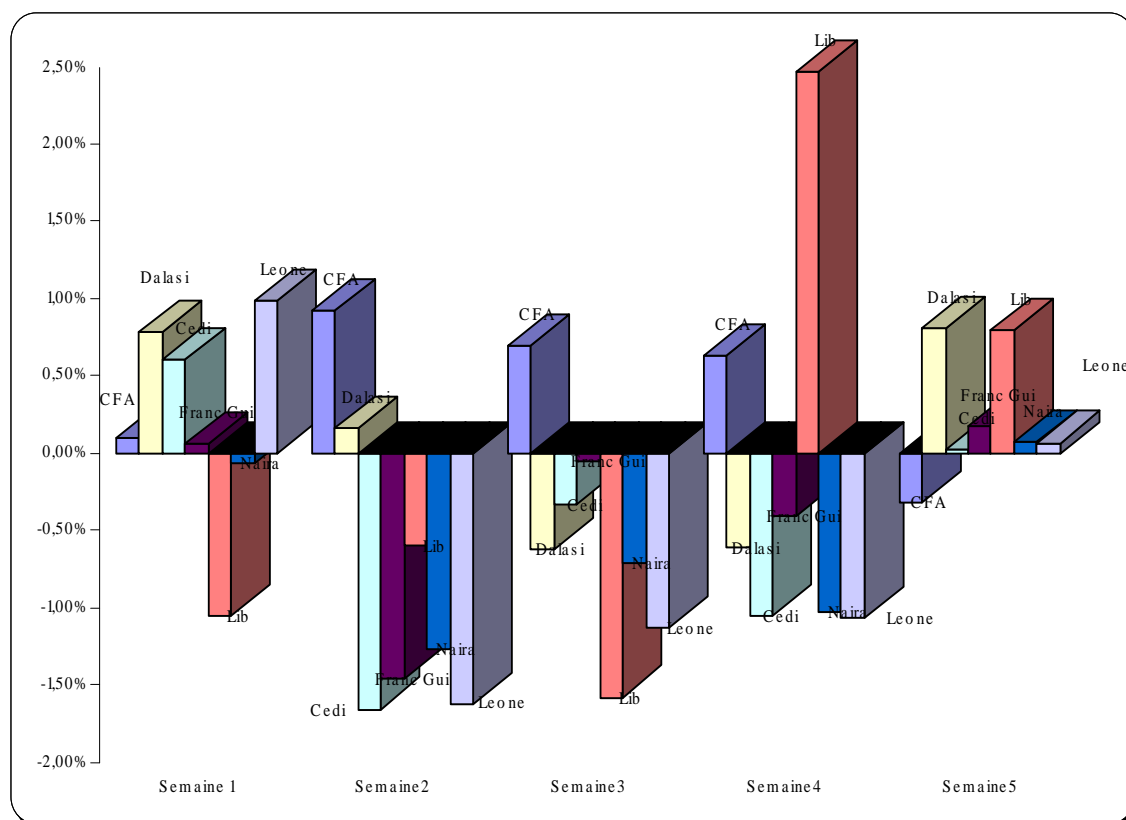
### **1- Trends in the WAUA in Relation to ECOWAS Currencies**

At end of December 2009, fluctuations in ECOWAS currencies against the WAUA were marked by an appreciation in the value of the CFA franc and Gambian Dalasi and depreciation against the other currencies. Compared to end September 2009, it was the Sierra Leonean currency that weakened

significantly while the Liberian Dollar firmed considerably.

Trends in relation to 2008 show a decline in all the currencies of the sub region with the exception of the CFA franc, Escudo and Gambian Dalasi with regard of end of period rates. The most significant depreciations were recorded in the value of the Leone, Cedi and to a lesser extent, the Naira.

**Graph 2: Trends in rates of major currencies against the WAUA in December 2009**



Source : IMF, Central Banks , WAMA

**Table 2: Variations in the WAUA rates in relation to ECOWAS currencies in % terms**

Currency	Nov-09		Sept-09		June-09		March-09		Dec-08	
	End Pde %	Average %	End Pde %	Average %	End Pde %	Average %	End Pde %	Average %	End Pde %	Average %
CFA.Franc	2.4	0.9	0.8	0.1	-0.9	-1.7	-3.2	-4.8	-0.4	-4.2
Dalasi	0.7	1.3	-1.4	1.1	7.9	4.5	8.6	9.6	-1.9	2.8
Cedi	-2.8	-1.5	3.9	-7.3	-1.0	0.2	9.7	13.2	19.5	25.1
GNF	-2.0	0.4	2.2	2.8	4.9	4.9	5.5	8.9	2.1	4.6
Liberian Dollar	-0.2	-2.3	-5.2	-6.4	-0.8	-2.6	11.1	11.2	10.4	11.4
Naira	-3.4	-1.9	-2.0	-2.0	1.6	2.6	6.4	8.2	13.4	21.1
Leone	-3.1	1.0	6.0	7.9	18.4	19.5	29.2	33.6	28.5	33.3

Source : IMF, Central Banks, WAMA

## 2- Trends in Bilateral Exchange Rates

The CFA franc and Escudo, taking advantage of the good performance of the Euro, strengthened against all the other currencies in the sub region. On the other hand, the Sierra Leonean Currency depreciated against all other ECOWAS currencies. Also, the rally of the British Pound was favourable to the Gambian Dalasi, which appreciated against all

other currencies except the CFA franc. Besides these currencies, it is the Guinean franc which managed to keep afloat. The Guinean currency appreciated, among others, against the Liberian Dollar, Naira and especially the Leone. Apart from the Leone, it was the Ghanaian currency that weakened the most against other ECOWAS currencies in the course of 2009.

**Table 3: Variations in bilateral exchange rates of ECOWAS currencies**

2 009	CFA.Franc		Dalasi		Cedi		GNF		Liberian Dollar		Naira		Leone	
	Av. %	End Pde %	Av. %	End Pde %	Moy . %	End Pde %	Moy . %	End Pde %	Moy . %	End Pde %	Moy . %	End Pde %	Moy . %	En Pde %
CFA Franc	0.0	0.0	-6.7	1.0	-	-	-8.4	-2.9	-	-	-	-	-	-22.8
Dalasi	7.2	-1.0	0.0	0.0	-	-	-1.7	-3.9	-	-	-	-	-	-23.6
Cedi	30.5	20.5	21.7	21.7	0.0	0.0	19.6	17.0	12.3	8.2	3.3	5.3	-6.2	-7.0
GNF	9.1	3.0	1.8	4.1	-	-	0.0	0.0	-6.1	-7.5	-	-	-	-20.5
Liberian Dollar	16.2	11.3	8.4	12.5	-	-	6.5	8.1	0.0	0.0	-8.0	-2.7	-	-14.1
Naira	26.4	14.4	17.8	15.6	-3.2	-5.1	15.8	11.0	8.7	2.7	0.0	0.0	-9.1	-11.7
Leone	39.1	29.6	29.7	30.9	6.6	7.6	27.4	25.8	19.7	16.4	10.1	13.3	0.0	0.0

Source : IMF, Central Banks, WAMA