West African Monetary Agency (WAMA)

WAMA BULLETIN

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EDITORIAL

In this March 2010 edition of the West African Monetary Agency's (WAMA) News Bulletin, you will find articles dealing with various topics and providing information on various issues. Thus, it contains a report of the annual meetings of the governing bodies of the West African Monetary Agency (WAMA), which discussed issues relating to the monitoring and implementation of the ECOWAS Monetary Co-operation Programme, considered a number of studies conducted by WAMA on the impact of the international financial crisis on member countries' performance in respect of macroeconomic convergence, the impact of money supply growth on convergence, financial stability and banking supervision, the determinants of inflation and the appropriateness of its targeting, WAMA's work programme and budget. Another article on financial stability and banking supervision reviews the adverse effects of the international financial crisis on our economies and the institutional mechanisms to be put in place in order to mitigate its effects on our financial system. The article on the timeliness of revamping trade among ECOWAS member States, through the establishment of the single currency, provides the data required on intra-community trade and places premium on the need for a common currency to enhance trade transactions among member States. Another article highlighting exchange rate movements as at end March 2010, describes the comportment of the major international currencies and domestic currencies of ECOWAS member States in relation to the West African Unit of Account (WAUA) during the review period, as well as trends in bilateral exchange rates. Finally, an article is devoted to a seminar organized from 14 to 16 October 2009 in Abuja, Nigeria, by ECOWAS, the West African Economic and Monetary Union (UEMOA) and the European Union within the framework of enhancing their partnership.

We wish you happy reading!!

ANNUAL MEETINGS OF WAMA GOVERNING BODIES

By Alpha Diallo, Principal Economist

As provided for in the statutes, the annual meetings of West African Monetary Agency (WAMA) governing bodies were held from 11 to 16 December 2009 in Accra, Ghana. This year's meetings were held according the following programme:

From 11 to 12 December 2009: Joint Meeting of the Economic Affairs Committee and Operations and Administration Committee;

16 December 2009: Committee of Governors Meeting.

Present at the meeting were seven out of the eight Central Banks as well as sub regional organizations such as ECOWAS Commission, Association of West African Banks (AWAB) ,West African Monetary Institute (WAMI), African Development Bank (ADB), West African Institute for Financial and Economic Management (WAIFEM) as well as Ministries of Finance of Ghana, Burkina Faso, Nigeria, Senegal and Sierra Leone. The meeting reviewed activities implemented by WAMA during the year, including the monitoring and implementation of the Monetary Cooperation Programme, special studies and the regional seminar on "**Payments Systems Development and Interconnectivity in ECOWAS"** ss well as WAMA Work Progromme 2010 focused on the roadmap for the establishment of ECOWAS single currency.

Monitoring and Implementation of the Monetary Cooperation Programme

With regard to monitoring and implementation of the Monetary Cooperation Programme, WAMA presented the Macroeconomic Convergence Report for 2008 and the first half of 2009 which indicates that in 2008 the economic performance of Member States was affected by exogeneous chocs particulary the rise in food and energy prices as well as the international financial crisis. In this regard, ECOWAS countries experienced difficulties especially in budgetary and external sectors.

Thus, performance in terms macroeconomic convergence remained weak to the extent that none of the Member States was able to meet all the primary and secondary convergence criteria.

Concerning the primary criteria, relative performance in respect of budget deficit worsened, with the number of countries reducing from 10 to 8 over the same period. Inflationary pressures which increased significantly in 2008 were contained to a large extent in the first half of 2009. In spite of these difficulties, most of the (14) countries complied with the criterion on budget deficit financing by the Central Bank. As regards gross external reserves, nine countries (Nigeria and the eight UEMOA countries) achieved this target during the period.

On the whole, performance regarding secondary criteria was weak. Only two countries achieved the targets set for the ratio tax revenue/GD of 20%. Performance in respect of the wage bill/tax revenue improved relatively as nine countries met the target in the first half of 2009 against eight countries in the first half of 2008. A negative trend in real interest rates prevailed in most countries. However, real exchange rates remained stable in Member States.

Recommendations resulting from discussions on the document bodered on:

- The need to build capacity in tax revenue collection in member countries in order to reduce the heavy dependence on external resources ;
- The need to streamline public expenditure so as to reduce huge budget deficits;
- Taking into account during evaluation short term and medium term convergence criteria in order to reduce the effects of external shocs;
- The need for member countries to place at the disposal of WAMA their data on domestic payment arrears for evaluation purposes.

2. Specific Studies

- Impact of the International Economic Crisis on Macroeconomic Convergence within ECOWAS

The document presented by WAMA assessed the impact of the various crises on the macroeconomic convergence situation. It emerged that ECOWAS countries experienced significant inflationary pressures during 2008 and this exacerbated the fiscal problems in the sense that some countries were compelled to suspend tariffs or grant exemptions for some essential commodities. The report noted that the macroeconomic outlook was not very favourable especially in terms of economic growth, public finances and balance of payments. Therefore, the report recommended the implementation of economic policy measures aimed at controlling public expenditure, increasing revenue sources, continuing the modernization of tax and customs administrations, as well as curbing inflation through targeted and appropriate monetary policy and effective supervision of the banking and finance sector.

On this issue, the meeting expressed concern about the downward trend in prices of export commodities, the decline in remittances from migrant workers which, in the short term, may undermine the growth prospects of the Community.

- Expansion in Money Supply and Macroeconomic Convergence in ECOWAS

The report submitted by WAMA helped in assessing the contribution of the banking sector to the process of macroeconomic convergence within ECOWAS. It was observed that most economies were characterized by significant liquidity creation. However, the impact of growth in money supply on economic activity and inflation was generally mild due to lower velocity of money supply in most countries. However, the creation of excessive liquidity has affected production and inflation in a few countries. Furthermore, trends in money supply in a larger sense had no significant impact on real interest and exchange rate stability in most countries. Finally, the study urged member countries to adhere strictly to the objectives of money supply growth by improving liquidity management and banking supervision and accelerating the harmonization of monetary policies to facilitate the financial integration process.

After reviewing the report, the meeting considered it appropriate to accelerate the on-going review of the monetary policy frameworks. The meeting also noted the need for member Central Banks to take proactive measures to improve banking supervision.

- ***Financial Stability and Banking Supervision***

The document examined the major risks confronting the banking system and the ECOWAS financial systems as well as the mechanism for monitoring these structures and pointed out that banking supervision is generally consistent with international standards.

With a view to consolidating the Community's banking system, the document recommended more stringent conditions for the accreditation of financial institutions, strengthening banking supervision, establishment of a deposits insurance system and stringent application of sanctions provided against defaulting institutions. Concerning regional institutions, the report emphasized the harmonization of regulations and the establishment of a cooperation mechanism between and among institutions in charge of banking supervision.

The meeting, at this point, reiterated the importance of strengthening banking supervision in our sub-region and requested WAMA to organise a technical seminar for supervisory institutions to share their experiences with a view to ensuring financial stability in the Community.

- ***Determinants of Inflation and Opportunity for Inflation Targeting within ECOWAS***

This study carried out by an external consultant focused on the factors underlying inflation and the desirability of its targeting within ECOWAS, which shows that within ECOWAS, inflation is influenced a lot more by structural factors rather than monetary factors and that inflationary expectations appear to be significant and positively impact on all the ECOWAS countries. It finally suggests the adoption of the inflation targeting policy in all member countries of ECOWAS. This strategy, according to the consultant, would help contain the inflationary expectations of economic agents and deal with external and internal shocks. Following consideration of the document, the meeting recommended that the study be extended to the analysis of basic inflation and inflationary expectations.

3. Report of the Regional Seminar on Payments Systems Development and Interconnectivity in ECOWAS

This seminar, organized from 7 to 9 July, 2009 in Freetown by WAMA, in collaboration with the Bank of Sierra Leone, highlighted the state of affairs, carried out a review of on-going projects and examined the modalities for interconnection and interoperability of existing payment systems within ECOWAS. Participants in the seminar recommended the creation of a common regional platform in terms of infrastructure and legal framework in order to facilitate payments and cross-border transactions within ECOWAS.

Following the presentation of this report, the Committee of Governors, like the Technical Committee, was of the view that it was necessary to postpone the study on the legal framework and requested WAMA to begin to think of transitional arrangements for settling flows among national currencies. The Committee also agreed that WAMA should work on the harmonization of the legal framework governing the UEMOA payment system and the one being developed by WAMI for WAMZ

4. Draft Work Programme for 2010

The draft work prgramme for 2010, which takes into account the recent instructions of the Committee of Governors and the Convergence Council, focused on the ECOWAS Monetary Cooperation Programme, especially the ECOWAS Single Currency Roadmap approved by the Convergence Council in May 2009. In this respect, the work programme underscored a number of tasks to carry out in the area of multilateral surveillance, development of payment systems, targeted studies, monetary policy frameworks, harmonization of convergence criteria, and other activities.

After reviewing the work programme, the Committee of Governors instructed WAMA, in addition to its traditional activities of monitoring the monetary cooperation programme and multilateral surveillance:

i) To organize two technical seminars, one of which will be on « Stability of the Financial Sector in ECOWAS» and the other on « the harmonization of monetary policy frameworks in ECOWAS».

The seminar on financial stability will focus on the development of a risk management framework for Member States, while the one on exchange and monetary policy will dwell on issues concerning the choice of a harmonized framework appropriate for the Community.

Ii) To conduct the two studies below, instead the five that were proposed:

a. Determination of the degree of misalignment of exchange rates and its effects of the ECOWAS Single Currency project.

b. Liberalisation of the capital market within ECOWAS: problems, challenges and prospects.

The Committee of Governors adopted the WAMA 2010 Work Programme and decided the following would be the dates and venues for their statutory meetings:

- Mid-year meetings: mid-May 2010 in Banjul, Gambia ;
- End of year meeting: last week of November 2010 in Dakar, Senegal.

One of the important decisions of the 2009 annual meetings of WAMA governing bodies was that the Committee of Governors approved the organizational structure of the Agency through the creation of two departments with an administrative support division, namely:

- The Research and Statistics Department;
- The Multilateral Surveillance Department;
- The Administrative and Finance Division.

The Committee of Governors also approved the WAMA budget for 2010 as well as the renovation project of its office building in Freetown.

Furthermore, the Governors shared views on the international economic environment, particularly on the international financial crisis and its impact on the economies of member Countries. While recognizing the mild impact of the crisis in its first phase, they drew attention to the possible indirect effect of the financial crisis and urged Member States to be vigilant, in order to mitigate the macroeconomic impact of the crisis, especially on the process of Convergence.

The Governors also expressed concern about restrictions imposed by national regulations on transactions in local currency and foreign currency transfers within ECOWAS. They therefore requested that WAMA review and harmonize the various exchange regulations, notably concerning putting a cap to local and foreign currency under the multilateral surveillance missions. During discussions, the Governors recalled that on-going developments in the area of payment systems might help remove restrictions in intra-community transfers.

The Governors emphasized the need to concentrate on liberalization of the exchange of goods and services within the Community. The meeting, however, recalled that factors such as money laundering, the non convertibility between national currencies, transfer restrictions provided under some legislations, are inhibiting factors. The Governors noted the fact that some Member States still do not apply all the provisions of Article VIII of the IMF Articles of Agreement on current transactions. Following discussions, they agreed that:

WAMA should embark on reflections on the convertibility of currencies of the region and submit a report the next meeting of the Committee of Governors;

- WAMA must work on the harmonization of legislations in the area of financial relations with foreign countries;
- Member States must take appropriate measures with a view to liberalising the capital account within ECOWAS.

Finally, the Governors stressed on the need to accelerate the economic and monetary integration process which would contribute to reducing the effect of external shocks and the significant depreciation of some domestic currencies.

FINANCIAL STABILITY AND BANKING SUPERVISION WITHIN ECOWAS

By Dr Andalla DIA, Senior Economist

Financial stability has become a major source of concern on a global scale. The main reason underlying this concern is the multiplication of financial crises since the end of the 1980s to date, notably with the successive crises in Asia, Latin America and in the world today, as well as the socio-economic cost engendered by such crises. The increasing interconnection of the various components of the financial system and accelerated financial innovation in the current globalization trends have increased the risks, as well as the scope of their repercussions. In this respect, the international crisis that occurred in the course of last year, has mobilized the financial community, Central Banks and the public and private sectors around prevention and crisis management mechanisms, leading to interrogations about issues of stability.

Beyond their effects, the succession of more and more severe crises raises, on one hand, the issue of institutional mechanism or an organ responsible for maintaining stability in the financial system and, on the other hand, methods to be implemented to assess its strength and that of its main components (financial institutions, capital markets, payment systems and legal and regulatory framework for conducting activities). Although there is broad consensus on the need to ensure financial stability in economic literature, there are still some controversies, notably on the institution(s) that should undertake this mission as well as how to accomplish that. Indeed, modern financial systems are made up of several segments (banks, insurance companies, stock exchanges) each of which, traditionally, has specific surveillance and regulatory authority. In the face of increasing interdependence and interconnection of these various segments, the issue of efficiency of such a structure clearly arises, in dealing with the issue of stability of the global financial system.

All these issues confronting the major players at the international level also beckon to ECOWAS Member States, for which financial stability constitutes a major challenge in terms of monetary and economic integration. They must, therefore, adopt appropriate approaches, taking into account their specificities, in assessing the soundness of their financial system. Although financial stability is an important component of the Monetary Cooperation Programme of ECOWAS adopted since 1987, issues relating to financial stability are not discussed within the community. But things have changed considerably since the onset of the international financial crisis. Therefore, it is useful to identify the best strategy to maintain financial stability in the sub-region. That is the purpose of this note, which begins with a review of concepts before focusing on the need to improve financial stability within the community and the banking supervision framework to draw the necessary conclusions and recommendations.

1. CONCEPT AND CHARACTERISTICS OF FINANCIAL STABILITY FOR ECOWAS MEMBER STATES

Financial stability is a situation where the operation of the various components of the financial system, especially their reciprocal relations, is soundly managed without major hitches. These factors converge towards social and economic development, the role of the financial sector being to act as an intermediary between economic agents and effectively channel financial flows into the growth sectors. The efficiency of this intermediation is particularly subject to the maintenance of the confidence of the various players in credit institutions.

The main determinants of financial stability may be grouped into three categories: promotion of appropriate macroeconomic and structural policies; the appropriate institutional and regulatory framework and the effectiveness of the institutional framework as well as the capacity of the system to adapt to innovations and environmental changes.

The basic indicators of financial resilience internationally agreed upon are developed based on the monitoring framework for financial institutions referred to as CAMELS. The analytical framework identifies six categories of indicators to assess and cover the major financial and non financial risks facing financial institutions. These are capital adequacy, asset quality and portfolio management and corporate governance, profitability, liquidity and market risks. In the insurance sector, the quantitative indicators of soundness are based on the CARAMELS framework, which is an extension of the CAMELS model to the activity of insurance companies.

Through its traditional tasks of issuing base money and guaranteeing the soundness of payments systems as well as due to its roles of regulation and supervision, the Central Bank plays a fundamental role in the smooth operation of the financial system. Meanwhile, stability depends on several other factors, notably the strength of real counterparts, developments in the environment and infrastructure.

2. NEED TO IMPROVE BANKING SUPERVISION WITHIN ECOWAS: Vulnerability of the ECOWAS banking sector

The financial crisis highlighted the importance of financial supervision, which is generally within the purview of national authorities even though the sector is increasingly engaged in cross-border activities. Moreover, a close monitoring of the finance sector, particularly the banks, would make it possible to reduce to the minimum the vulnerability factors and mitigate risks.

In modern economies, the State is often compelled to intervene to prevent some large companies from bankruptcy, due to the risk that this situation would pose to the entire economic and financial system. Thus, during the 1980s, at least (20) of the top (100) companies in the world could not have survived if they had not been bailed out by their respective Governments. One reason often advanced to justify such interventions is that stability of the system could be seen as a « public good», all the more important to the extent that the future and cohesion of the entire nation depends on it. This doctrine of « Too Big to Fail » provides a collective insurance against systemic risk and beyond the worsening of economic difficulties.

Also, the presence of large banking groups constitutes a channel for the possible transmission of the effects of financial crises which could affect the parent company. Similarly, foreign banks in the region have a high tendency of withdrawing from the regional market, at the least deterioration of the situation. However, this presence could also be a stabilizing factor since their subsidiaries based in the community are subject to the supervision of their parent and enjoy group solidarity in terms of risk sharing or transfer of technology.

In addition, credit risk is a potential source of financial instability in countries of the community, especially because of the dominance of credit in the banks' assets, the main component of the financial system. It is linked both to credit market imperfection, characterized by high information asymmetry and, secondly, the risks inherent in socio-political and institutional instability, as well as seasonal fluctuations that affect the real economy.

3. STATUS OF BANKING SUPERVISION IN ECOWAS

On the whole, the banking supervision system in ECOWAS is in line with international standards, especially the Basle 1 Principles. However, the financial institutions of the sub-region are not insulated against the current financial globalisation, in spite of the establishment of this prudential system. One may also note that banks in the region maintain close relations with foreign financial institutions, particularly in terms of ownership. Indeed, most of the largest banks in the sub-region are establishments of European and Arab banks. Furthermore, in the ECOWAS, there has also emerged a major deployment of Nigerian banks. This is a factor in regional financial integration as it promotes the emergence of a regional financial and banking market. However, the difficulties encountered by some Nigerian banks in terms of observing principles of prudential regulation reinforce fears of systemic risks.

4. Recommendations

In order to consolidate the position of the banking community and enhance the effectiveness of oversight structures and the stability of credit institutions, in an increasingly competitive environment subject to significant external shocks, the implementation of the following recommendations is indispensible:

At national level

- Apply more stringent conditions for approving leaders of banks;
- Strengthen institutions in charge of banking supervision to help them better carry out their functions;
- Build the technological and professional capacity of stakeholders, for a more perfect control of major risks;
- Ensure more regular spot checks of banking institutions;
- Put in place effective mechanisms to assure depositors;
- Fight against bad corporate governance, deficient risk management practices, inadequate regulatory framework, and unethical practices;
- Properly apply the sanctions provided under the regulations against defaulting

banks in terms of the prudential mechanism.

At regional level

- Promote experience sharing among banking supervision institutions in the sub-region;
- Harmonize regulations on banking supervision with a view to implementing a consolidated supervision and to adapt it to the working methods that have become necessary by the establishment of banking groups at several locations within the Community and the demands of a more risk-based supervision;
- Strengthen coordination and consultations among the regulatory and surveillance Authorities of the various sections of the financial system;
- Develop a prudential framework of contingency plan et systems to address all imminent systemic banking crises;
- Put in place an effective information exchange mechanism among the banking

SINGLE CURRENCY WITHIN THE ECOWAS REGION: AN OPPORTUNITY FOR TRADE DEVELOPMENT AMONG MEMBER STATES

By: Serigne Momar SECK, Economist

Since the inception of ECOWAS in 1975, one of the main objectives of Member States has been to « promote intra-community trade ». This concern was borne out of the realisation that domestic markets of Member States, in view of their limited size when taken individually, were far from being competitive, in an international environment characterized by the existence of vast trading blocs. To achieve this objective, a number of institutional and regulatory arrangements had been put in place. This was how a customs regime known as ISRT (Inter-State Road Transit) was set up in 1982 to enable economic operators and business men in the sub region convey goods from one country to the other without customs escort and tampering with the consignments. Travellers' cheques had also been created to facilitate transactions and the system of utilising domestic currencies thanks to the establishment of the (WAUA)[1] and the West African Clearing House (WACH).

Other initiatives were also taken such the liberalisation of trade in raw materials and handicrafts as well as industrial products originating from the sub-region.

In spite of these very crucial decisions designed to stimulate intra- community trade, results achieved so far have not been

[1] WAUA is the West African Unit of Account

satisfactory, hence the need to identify another operational alternative to stimulate intra regional trade.

The establishment of a single currency in West Africa is supposed to facilitate the free movement of capital and ensure greater integration of economies in the region into a single market of about 250 million people. Considering that a good number of countries in this sub-region are small in terms of population and GDP, monetary union is considered as a means of achieving the economic integration of ECOWAS countries and promoting co-operation and development in all areas.

It would therefore be appropriate to examine to what extent the single currency can promote trade among ECOWAS Member States.

Our contribution will hinge around the following aspects:

- The current level of intra-community trade ;
- The single currency as an opportunity to develop trade between ECOWAS Member States.

Current Level of Intra-Community Trade

Since time immemorial, countries have always been interested in international trade. This argument, defended firstly by Adam Smith (Wealth of Nations, 1776), then by David Ricardo (Principle of Political Economy 1820) through John Stuart Mill (1848) to the new theories of international trade (Linder, Vernon (1960), Krugman (1979), Lancaster (1980), Helpman (1981), Brander (1981)….), has always served as a solid advocacy for countries to forge trade relations with their neighbours. This advocacy pushed countries to strive to maintain trade links with their close and/or distant neighbours. West African countries are no exception to such developments, as they have always been trading with the outside world. However, it must be admitted that trade links among neighbours within ECOWAS are still weak. The volume of intra- community trade is still extremely low. From 2002 to 2008, intra-community trade accounted for about 10% of total trade with third party countries (See Table and graph below).

Table 1: Share of intra-community exports in total exports of Member States

Year	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Total Exports	29055.7	35863.2	46901.7	58950.6	75820.5	86916.2	108927.3
Intra community Exports	3134.09	3034.22	4364.247	5495.431	5951.78	6647	9347.99
Share of intra-com. Exports/Total exports as %	**10.8**	**8.5**	**9.3**	**9.3**	**7.8**	**7.6**	**8.6**

Source: DOTS World

Graph 1:

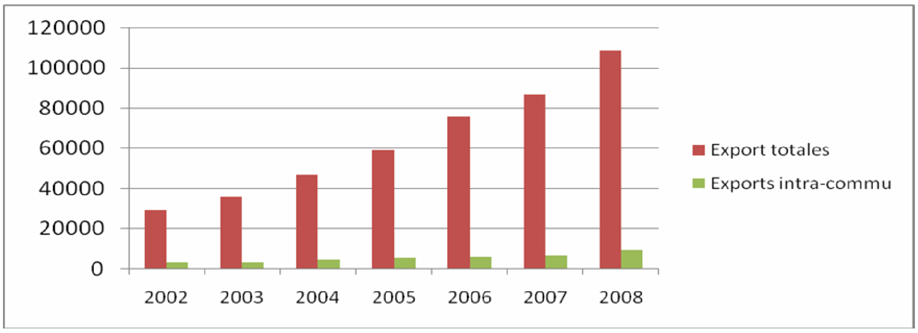
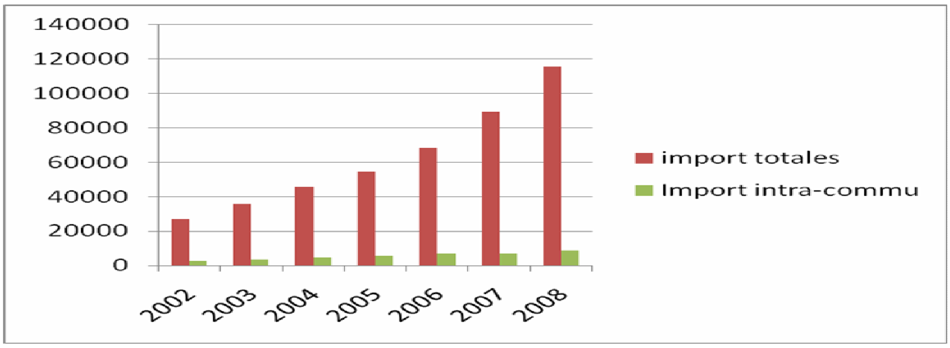


Table 2: Share of community imports in total imports of ECOWAS Member States

Year	2002	2003	2004	2005	2006	2007	2008
Total Imports	27101.3	35587.6	45893.2	54589.7	68480.2	89468.9	115590
Intra-community imports	2490.4	3300.98	4661.851	5769.6899	6877.67	7190.64	8906.497
Share of intra-community imports /total imports as %	**9.2**	**9.3**	**10.1**	**10.6**	**10.0**	**8.0**	**7.7**

Source : DOTS World

Graph 2 :



This poor performance in trade among member countries is attributable to several factors. It would be recalled that ECOWAS has an array of currencies : the Nigerian Naira, Ghanaian Cedis, Sierra Leonean Leone, Liberian Dollar, Gambian Dalasi, Cape Verdian Escudo, Guinean Franc, and CFAF for eight (08) UEMOA countries.

Apart from the CFA Franc and Cape Verdian Escudo, which are pegged to the Euro, these currencies are solely limited to domestic transactions and are not used for international payments, which does not facilitate trade outside the sub region. Economic operators are compelled, in addition to the cost of the goods bought, to pay a commission for every transaction as is the case currently. Sudden fluctuations in exchange rates can wipe out profit margins within a few hours. This exchange rate risk is often compounded by the lack of transparency in prices as purchasers and vendors normally use various currencies.

To enable our countries boost intra-community trade, it is crucial for such hurdles to be scaled through the implementation of the road map for the establishment of a single currency in the sub-region, as approved by the ECOWAS Convergence Council on 25 May 2009 in Abuja, Nigeria.

A Single Currency as an Opportunity for Trade Development among ECOWAS Member States

The establishment of a single currency enhances trade among countries, especially through the removal of exchange risks and reduction of transaction costs. Within the ECOWAS sub-regon, it is the only option for the promotion of intra-community trade and places the region in a vantage position in international trade. In effect, the single currency would facilitate travels and guarantee financial stability. It could also help achieve within the ECOWAS sub-region a sound monetary and budgetary discipline to ensure price stability, avoid competitive devaluation/overvaluation between countries and achieve stable and low real interest rates conducive to growth, development and job creation.

Furthermore, the competitive effect of the single market would be strengthened considerably for the benefit of the entire Community as prices of goods and services would be quoted in one and the same currency. For firms, this would help in simplifying and reducing monetary transactions, intensifying fresh competition and particularly facilitate structural adaptation to this huge market (location, size, association, distribution). They would no longer face foreign exchange constraints, which means they would encounter less problems in intra- community trade and costs would no longer be a disadvantage.

As in the case of firms, consumers could enjoy several benefits in using the single currency. On its introduction, there would be a significant reduction in prices , obviously in the interest of consumers. The latter would certainly find more affordable prices and be opportuned to choose the desired product at the lowest cost. In addition, with the reduction in interest rates due to the emergence of a common market, consummers would be able to benefit fully from this reduction in interest rates by investing, for instance, and contracting bank loans without constraints.

All these microeconomic benefits would be reflected at the macroeconomic level. In other words, countries would experience considerable improvement in trade with their neighbours .

On the whole, it can be deduced that the introduction of the single currency would simplify not only trade within West Africa but also with the rest of the world. Trading partners outside ECOWAS would benefit from more stable and more favourable monetary conditions, which would further boost trade. The potentially high value of the single currency would also enhance exports to West Africa.

Conclusion

The introduction of a single currency in ECOWAS, as in the case of the European Union, is undoubtedly a laudable objective which could help create a vast and economically viable space that would be in a better position to face the challenges of globalisation.

This initiative, which is consistent with the New Economic Partnership for Africa's Development (NEPAD) documents, which aim at promoting co-operation and regional economic integration in the continent, would also enhance the competitiveness of countries at national, sub regional and international levels. To achieve this target, there is urgent need for member countries to comply with the road map adopted by the Convergence Council in 2009.

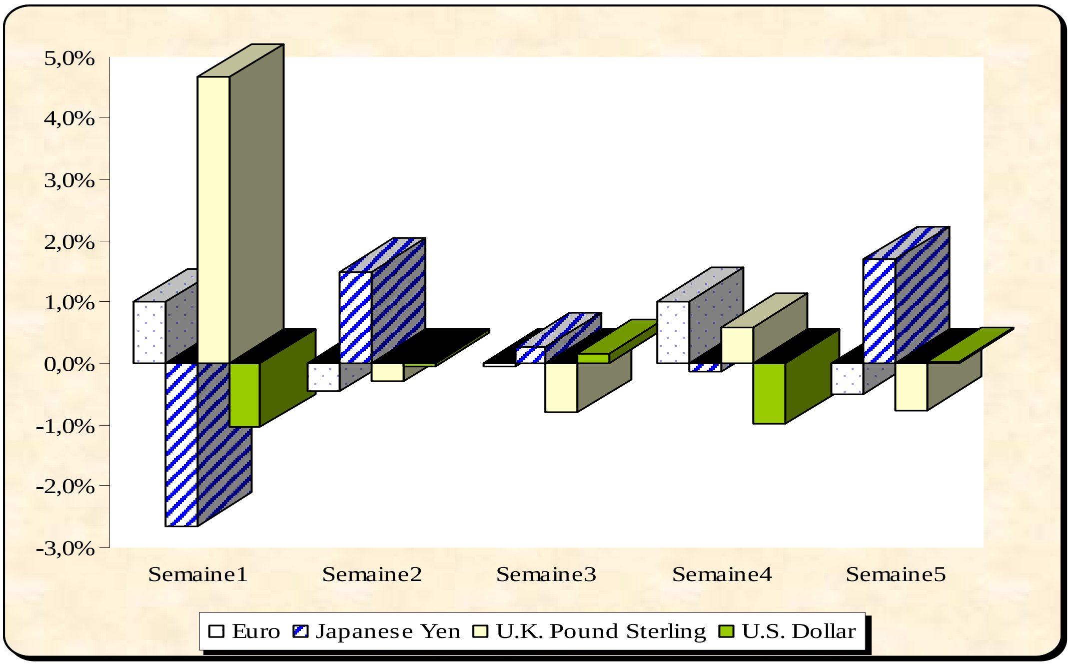
Exchange Rate Movements as at End March 2010

By Alhassane DIALLO

1. Trends in the WAUA against the Major International Currencies

The weekly fluctuations of the WAUA in relation to the four major international currencies were more outstanding than the trends observed during the previous period. Variations were particularly high early in the month as shown in the graph below

Graph1 : Trends in the Exchange rates of the major currencies in relation to the WAUA in December 2009



Source : IMF, Central Banks, WAMA

The average monthly trends revealed an apprreciation in relation to the British Pound

and quasi-stability in relation to the other currencies. The end of period exchange rates indicated an appreciation against the Japanese yen and a slight depreciation in relation to the other currencies. The quarterly and half-yearly movements revealed similar trends with the WAUA strengthening against the Euro and British Pound and weakening against the US dollar and to a lesser extent,

1. Trends in the WAUA against ECOWAS Currencies

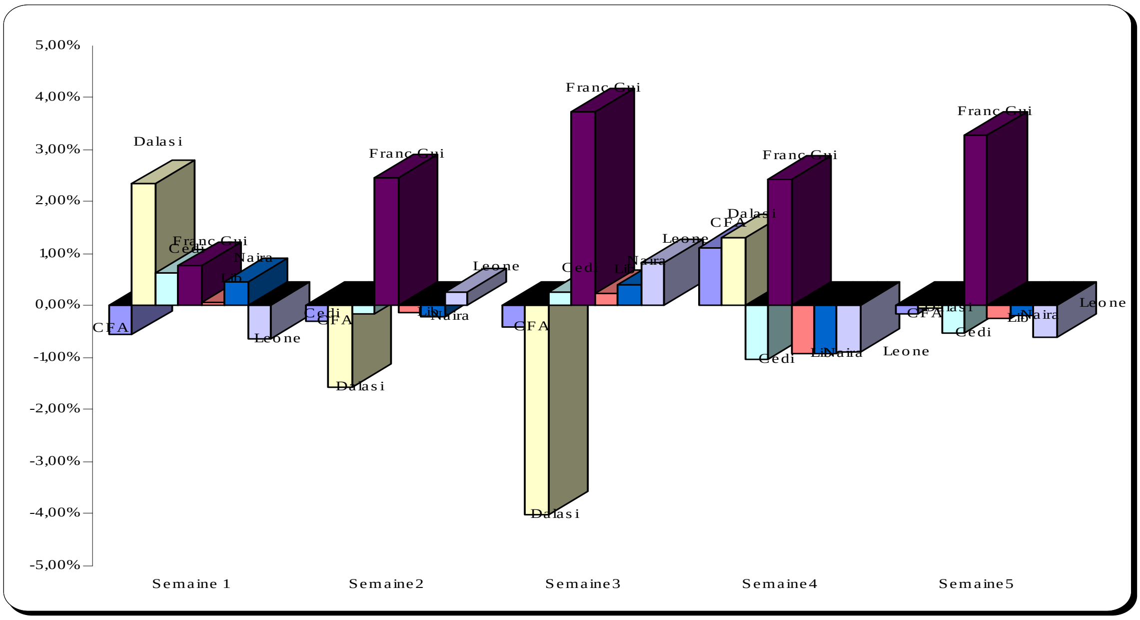
the Japanese Yen. When compared to the same period in the previous year, the WAUA depreciated sharply against the Yen and Pound Sterling but recovered somehow against the dollar. On the whole, the fluctuations of the international currencies were largely contained during the period under review.Table1 : Variations in % of the WAUA exchange rate in relation to the major currencies (Variations, march 2010 compared to the periods indicated, in %)

	feb-10		**dec-09**		**sept-09**		**mar-09**	
	End of pd %	***Average %***	***End of pd %***	***Average %***	***End of pd %***	***Average %***	***End of pd %***	***Average %***
Euro	-0,3	0,2	3,5	3,8	4,1	3,9	0,3	-1,0
Japanese Yen	3,5	0,1	-1,5	-2,0	-0,5	-3,7	-3,5	-4,2
U.K. Pound Sterling	-0,5	2,9	3,5	4,0	1,9	4,9	-3,9	-3,1
U.S. Dollar	-0,9	-0,8	-3,2	-3,5	-4,2	-3,3	1,5	2,9

Source : IMF, Central Banks, WAMA

In March 2010, fluctuations of ECOWAS currencies in relation to the WAUA were particularly characterized by depreciation against the Guinean franc. Apart from the Guinean franc, the most notable fluctuations were recorded by the dalasi which recorded relatively high upstream and downstream fluctuations

Graph2 : Trends in the Exchange rates of the major currencies in relation to the WAUA in March 2010



<u>Source</u> : IMF, Central Banks, WAMA

Compared to February 2010, it was the same Guinean franc that recorded the highest level of variation. Only the Liberian dollar and the dalasi fluctuated by less than 2% against the December 2009 average exchange rates. The most significant movements when compared to September 2009 were recorded by the cedi, Guinean franc and naira. Compared to March 2009, the most significant variations were recorded by the Leone, Guinean franc and Liberian dollar.

<u>Table2</u> : Variations in % of the WAUA exchange rate in relation to the major currencies (Variations, march 2010 compared to the periods indicated, in %)

	feb-10		**dec-09**		**sept-09**		**mar-09**	
Currency	***End of pd %***	***Average %***	***End of pd %***	***Average %***	***End of pd %***	***Average %***	***End of pd %***	***Average %***
CFA.Franc	-0,6	0,3	3,1	3,9	3,9	4,1	-0,2	-1,0
Dalasi	-2,7	-0,3	-3,7	-1,5	-5,0	-0,5	4,6	7,9
Cedi	-0,7	-0,8	-3,5	-3,9	0,3	-10,9	5,9	8,8
GNF	14,2	4,9	12,4	3,7	14,8	6,6	18,5	12,9
Liberian Dollar	-0,9	-1,1	0,2	1,9	-5,0	-4,6	11,3	13,4
Naira	-0,3	-1,1	-2,4	-3,4	-4,3	-5,3	3,9	4,6
Leone	-0,9	-1,4	-2,4	-3,6	3,4	4,0	26,1	28,8

<u>Source</u> : IMF, Central Banks, WAMA

1. Trends in bilateral exchange rates

When compared to the end of 2009, the Guinean franc was the only currency that depreciated against all the other currencies both on average and end of period basis. Apart from the Guinean franc, it was the CFA and Escudo that depreciated most against the other ECOWAS currencies. On the other hand, the dalasi, cedi and to a lesser extent, the naira and Leone, appreciated significantly during the first half of 2010.

Table3 : Variations in bilateral exchange rates of ECOWAS currencies

	CFA.Franc		Dalasi		Cedi		GNF		Liberian Dollar		Naira		Leone	
Currency	**Ave. %**	**End pd %**	**Ave %..**	**End pd %**	**Ave. %.**	**End pd %**	**Ave %..**	**End pd %**	**Ave. %.**	**End pd %**	**Ave. %.**	**End pd %**	**Ave. %.**	**End pd %**
CFA.Franc	0,0	0,0	5,5	7,5	8,2	7,2	0,2	-7,8	2,2	3,4	7,6	6,1	7,8	6,1
Dalasi	-5,2	-7,0	0,0	0,0	2,5	-0,3	-5,0	-14,3	-3,1	-3,9	2,0	-1,4	2,2	-1,3
Cedi	-7,5	-6,7	-2,5	0,3	0,0	0,0	-7,4	-14,0	-5,5	-3,6	-0,5	-1,1	-0,3	-1,0
GNF	-0,2	8,5	5,3	16,7	8,0	16,3	0,0	0,0	2,0	12,2	7,4	15,1	7,6	15,1
Liberian Dollar	-2,2	-3,3	3,2	4,0	5,8	3,7	-2,0	-10,9	0,0	0,0	5,2	2,6	5,5	2,7
Naira	-7,0	-5,7	-1,9	1,4	0,5	1,1	-6,9	-13,1	-5,0	-2,5	0,0	0,0	0,2	0,1
Leone	-7,3	-5,8	-2,2	1,3	0,3	1,0	-7,1	-13,2	-5,2	-2,6	-0,2	-0,1	0,0	0,0

Source : IMF, Central Banks, WAMA

ECOWAS AND EUROPE REITERATE COMMITMENT TO THE INTEGRATION PROCESS

By Mary Gorvie, Librarian

A two-day West African and European Union Commissioned regional seminar involving officials of ECOWAS, the Economic and Monetary Union of West Africa (UEMOA) and the European Union ended on 16th October 2009 in Abuja, Nigeria. The parties agreed to strengthen their partnerships by discharging existing commitments in conformity with their national and regional cooperation strategies, the attainment of the objectives of the Millennium Development Goals, and the Paris Declaration on Aid Efficiency.

In this agreement, they reiterated the necessity for strengthening their consultation frameworks and harmonization mechanisms in the implementation of the regional agenda. This agenda called for coherence and synergy between the Regional and National Indicative Programmes (RIPs/NIPs), the Economic Partnership Agreement (EPA), Development Programme and their correlation with the issues of financing and the accompanying roadmap.

In order to ensure coherence and link between the NIPs and RIPs, the parties undertook to increase their efforts with a view to improving the coherence, especially within the framework of the AGIR programme (Support for the Management of Regional Integration) under the Regional Indicative Programme of the 10th European Development Fund. Participants also urged Member States of the two Commissions to incorporate the regional programmes in their strategies for national development for greater complementarity between the national and regional levels.

The Economic Partnership Agreement Development Programme (EPADP) and its financing in the West Africa region presented the specific objective of the programme which aims at enabling the region to take advantage of the opportunities offered by the EPA and to mitigate its potential adverse effects. The EPADP presented a coherent framework for implementation of priority activities aimed at providing support to the development component of the EPAs that was an important instrument for delivery of Aid-for-Trade from the EU and its Member States to other regions. It was noted that the level of support identified was more than three billion Euros compared to current EU pledges. Participants agreed that the proposed commitments on Aid-for-Trade from the EU donors were encouraging and may reach 8.5 billion Euros in the next five years.

The West Africa region commended the efforts made by the European partners in defining a response strategy to the EPADP financing but repeated its appeal on the EU to mobilize additional resources to match the need. The parties have also undertaken to intensify the coordination of their collaboration to ensure the finalization of the operational plans by evaluating the needs, ensuring coherence and prioritizing their activities.

On the roadmap, the parties emphasized the need to ensure that they specified the regional priorities with a coherent implementation framework of the regional strategy. In order to ensure regional ownership in conformity with the principle of aid efficiency, the West Africa group agreed to link the roadmap with priority issues relating to regional economic integration, good governance and regional stability as specified in the 10th EDF and RIP Regional Strategy Document. The roadmap of the 10th EDF RIP, which will be finalized by December, 2009 will identify the priorities and their implementation timeframes as well as issues relating to the capacity for implementation and link between the national and regional levels. It will also enable the integration of support provided by other partners for regional integration and the EPADP.

The roadmap covers two sectors of concentration – "deepening the regional integration process, improved competitiveness and implementation of the EPA" and "consolidation of good governance and regional stability". It also covers a third non-focal sector including environmental programmes, monitoring and management of the RIP and assistance to non-state actors. The 10th EDF RIP totals 598 million Euros.

The seminar entitled "Enhancing Regional Integration: The Way Forward" was part of a highly strategic agenda based on joint commitments between West Africa and the European Union and structured around deepening the region's integration process. It was meant to harmonize the positions of West Africa and Europe on the issue of regional integration.

This seminar was co-chaired by the President of ECOWAS Commission, Dr Mohamed Ibn Chambas; the President of UEMOA Commission, Mr Soumaila Cisse; and the European Commission's Director-General for Development and Relations with African, Caribbean and Pacific States, Mr Stefano Manservisi. In attendance were the National Authorising Officers of the European Development Fund (EDF) in ECOWAS Member States, Mauritania, European Union Member States as well as Representatives of the European Union delegations in West Africa, the World Bank and the African

Development Bank and other stakeholders were involved in the integration process.

WAIFEM GETS A NEW DIRECTOR GENERAL

Professor Akpan H. Ekpo assumed office as Director General of WAIFEM on June 1, 2009 to succeed Dr. Chris Osi Itsede. Professor Ekpo attended the Howard University, Washington DC, where he earned a B.A. (Hons.) and M.A. in Economics. He holds a Diploma (AFA) from North Western University, Evanston, Illonois, an M.A. and Ph. D. degrees in Economics from the University of Pittsburg, USA. His areas of specialisation include Macroeconomics and Quantitative Methods.

Until his appointment as Director General of WAIFEM, Professor Ekpo was the Chairman of the Akwa-Ibom Investment and Industrial Promotion Council, Uyo. He was Chairman of the Ministerial Advisory Committee, Federal ministry of Finance, Abuja, Nigeria between 1994 and 1998 and member of the Board of Vmobile (now Zain) from 2001-2004. He was once the President of the Nigerian Economic Society. He is a member of the Nigerian Statistical Association, American Economic ssociation, Institute of Public Finance, Germany and the Royal Economic Society, UK. He has received several awards including the National Productivity Merit Award, 2002 and the Dr. Kwame Nkrumah African Leadership Award, 2003. He has over 160 publications in national and international journals.

NEW GOVERNOR OF THE BANK OF GHANA

His Excellency President Dr. John Atta Mills, in consultation with the Council of State appointed Mr. Kwesi Bekoe Amissh-Arthur, as the new Governor of the Bank of Ghana with effect from October 1, 2009. Mr. Amisah-Arthur holds a Masters degree in Economics. He has lectured Economis at the University of Ghana and at Anambra State College of Education, Awka Anambra State, Nigeria.

Mr. Amisah-Arthus has also worked as PNDC Deputy Secretary for the Ministry of Finance and Economic Planning. Mr. Amisah-Arthur was a private consultant before his appointment as Governor of the Bank of Ghana.