

DECISION A/DEC.7/12/99 RELATING TO THE ADOPTION OF MACRO-ECONOMIC CONVERGENCE CRITERIA WITHIN THE FRAMEWORK OF THE ECOWAS MONETARY COOPERATION PROGRAMME

THE AUTHORITY OF HEADS OF STATE AND GOVERNMENT,

MINDFUL of Articles 7, 8 and 9 of the Revised Treaty establishing the Authority of Heads of State and Government and defining its composition and functions;

MINDFUL of Decision A/DEC.2/7/87 of the Authority relating to the adoption of a monetary cooperation Programme;

AWARE that the final objective to be achieved is the creation of a West African economic and monetary union;

RESOLVED to strive towards this objective by speeding the regional integration process through the harmonisation of the economic and financial policies of the Member States;

RECOGNISING the need to adopt and apply macro-economic convergence criteria in order to achieve the harmonisation of economic and financial policies;

CONVINCED that the application of macro-economic convergence criteria will facilitate the convertibility of national currencies and the creation of a single ECOWAS monetary zone;

HAVING NOTED that the macro-economic convergence criteria adopted in 1996 do not adequately meet the needs of a credible economic and monetary union;

MINDFUL of the need to set up a multilateral surveillance mechanism to ensure compliance with the economic convergence criteria within the framework of a regional growth and convergence pact;

On the RECOMMENDATION of the Forty-fifth Session of the Council of Ministers held in Lomé from 5th to 7th December, 1999.

DECIDES

Article 1

The following macro-economic convergence criteria are hereby adopted:

1. Primary criteria:

Member States shall be legally bound to comply with

the four operational criteria enumerated hereafter:

- i) ratio of budget deficit (excluding grants) to GDP (commitment basis): lower or equal to 4% by the year 2002.
- ii) inflation rate: 5% by 2003
- iii) ceiling on central bank financing of budget deficit: 10% of previous year's tax revenue; Member States to comply by 2003.
- iv) gross reserves: should not be less than six (6) months of imports by 2003.

2. Secondary criteria:

Member States should also adhere to the six (6) secondary criteria which are designed to sustain the primary criteria and facilitate achievement of the convergence target. They are listed as follows:

- i. arrears: prohibition of new internal and liquidating of all existing arrears;
- ii. tax revenue/GDP ratio: equal to or more than 20%;
- iii. Salary mass/tax revenue: equal to or less than 35%;
- iv. capital expenditure/tax revenue ratio: equal to or more than 20%;
- v. real exchange rate stability: to be maintained by each country.
- vi. Interest rates: countries must show positive real interest rates

Article 2

Each Member State shall take due account of the need to reflect macro-economic convergence criteria during the elaboration of its economic reform programme and to include them in their discussions with the international finance institutions.

Article 3

The ECOWAS Single Monetary Zone shall be launched on 1st January, 2004 following the implementation of the convergence process to be undertaken during the period 1999 to 2003. To this end, Member States shall formulate pluri-annual convergence programmes and submit performance reports every six months. Defaulting Member States shall be liable to sanctions.

Article 4

There is hereby established a multilateral surveillance mechanism for the harmonisation of macroeconomic policies which shall comprise the following organs:

1. **The Convergence Council** which is composed of Ministers of Finance and Governors of Central Banks of Member countries, shall monitor macroeconomic policies and performance;
2. **The Technical Monitoring Committee** comprises the Directors of Research of the Central Banks and Senior Ministry of Finance officials. The major responsibility of the Committee shall be the preparation of six-monthly reports on multilateral surveillance for submission to the Convergence Council;
3. **The West African Monetary Agency (WAMA)** and the ECOWAS Executive Secretariat will ensure the compatibility of all the multinational convergence programmes formulated by Member States;
4. **The National Coordinating Committees** shall support WAMA in the collection and processing of data provided by Member States.

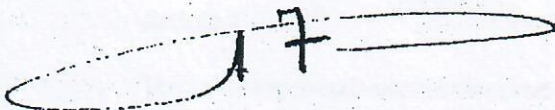
Article 5

International finance institutions, the European Union and all development partners are hereby urged to provide the necessary assistance to ECOWAS to achieve the macroeconomic convergence objectives.

Article 6

This Decision shall be published by the Executive Secretariat in the Official Journal of the Community within 30 days of signature by the Chairman of the Authority of Heads of State and Government. It shall also be published in the National Gazette of each Member State within the same time-frame.

**DONE AT LOME,
THIS 10TH DAY OF DECEMBER, 1999.**



**HIS EXCELLENCY, GNASSINGBE EYADEMA,
CHAIRMAN,
FOR THE AUTHORITY.**