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AGENCIA MONETARIA DA

AFRICA DO OESTE

WEST AFRICAN

MONETARY AGENCY

AGENCE MONETAIRE

DE L’AFRIQUE DE L’OUEST

**SEMINAR ON POLICY RESPONSES TO EMERGING EXTREME EVENTS AND**

**LESSONS FROM THE EUROPEAN MONETARY INTEGRATION PROCESS**

Organized by the West African Monetary Agency

[Friday, 28 May 2021 10:00 – 14:30 GMT (11:00 – 15:30 Abuja Time)]

**INTRODUCTION**

The establishment of a monetary union requires first a determination of the structural economic mechanisms for which either convergence/coordination between national mechanisms or the creation of a new federal institution are needed. These mechanisms cover fiscal and financial policies, including financial stability, payments and increasingly climate change policies. In a second step, cross institutional cooperation between the central banks of the prospective member states is needed to harmonize the conduct of monetary and financial policies. This includes collaboration to promote understanding of the multiple challenges faced by policy makers addressing shifts in the global economy that impact on their economies. This is especially relevant in exceptional times which may require unconventional policy responses.

The ongoing COVID-19 pandemic is one such case in point. It is evolving in uncertain ways and continues to adversely impact the global economy. Even though vaccinations have started in the Member States of the ECOWAS, ongoing mutations of the virus and increasing cases in many regions of the world continue to pose risks to the economic outlook in the ECOWAS. Partly as a result of the economic impact of the pandemic, the launch of monetary union in 2020 was postponed and the Authority of Heads of State and Government has waived performance requirements against the macroeconomic convergence criteria for the years 2020 and 2021. Central banks in the ECOWAS moved quickly to implement a broad array of policy measures to mitigate the crisis. Many of these measures were short term in nature as the crisis was expected to be of short duration. However, policy makers, including those in the ECOWAS, are having to rethink their approach to the crisis and their preparations for future contingencies as the pandemic drags on.

Climate-related risks are perceived to be much longer term but have been recognized as possibly having significant economic, political and security implications. The ECOWAS region could be a climate change hotspot given changing weather patterns in the Sahel region may adversely impact crop yields and pose flood risks to coastal cities. Some central banks around the world have started considering the effects of climate change on their economies and the possible impacts on the conduct of monetary and financial policies. Even though predicting the direction and magnitude of climate related risks is difficult, early consideration of the issue by ECOWAS central banks will serve to prepare for contingencies.

**OBJECTIVES OF THE SEMINAR**

Given the prevailing circumstances, the Committee of Governors seminar will focus on an exchange of views in dealing with extreme events that pose tremendous challenges to policy makers in the ECOWAS. In times of crises, unconventional approaches to policy making may be required as past experience may not be so relevant. The policy responses to the 2008 financial crisis are cases in point. Responding to the pandemic induced economic crisis and climate related risks will also require ingenuity from policy makers. In that regard, central bankers are having to rethink their strategies to bring about a sustainable and resilient recovery and maintain macroeconomic stability.

The seminar will bring together the Governors of the Central Banks of Member States of the ECOWAS and external experts with extensive experience in monetary integration issues to address critical topical issues affecting the way the central banks implement their mandates. They will discuss the prospects and challenges to monetary integration in the ECOWAS in the face of health and climate related extreme events. The seminar will also discuss the experience of Europe which established a monetary union in 1999 and the lessons from that process for the ECOWAS.

**THE FACILITATORS**

The seminar will be facilitated by Dr. Philippe P. Moutot with assistance from Professor Majorie Sudow of St John’s University School of Law, New York

**Dr. Philippe P. Moutot**



Dr. Moutot is an accomplished professional with more than 25 years’ experience in economics and finance. He is currently the Senior Economist and Principal Adviser on monetary policy strategy for central banks for the British Legal Centre. He has worked for the International Monetary Fund, the Banque de France, the European Monetary Institute and the European Central Bank. Dr. Moutot has extensive involvement in monetary integration issues, having led the European Monetary Institute team to study, propose, and negotiate monetary policy to introduce the Euro and establish the European Central Bank. Dr. Moutot is fluent in both French and English.

**Marjorie Sudrow, JD**

**St. John’s University School of Law, New York**



Marjorie is both an experienced international corporate transactional attorney and adjunct professor of law. As Director of the EU at the British Legal Centre, she brings a depth of unique experience in an international context, specializing in international business, with a focus on startups and entrepreneurship. Besides teaching courses on EU law and integration and legal aspects of start-ups, she is developing a course for the “next generation” of lawyers, that will prepare lawyers and professionals in the newest technologies of the digital revolution, such as AI and blockchain. Marjorie and the British Legal Centre are committed to offering accessible, affordable online training for professionals and entrepreneurs in the developing world.

**STAKEHOLDERS**

The principal participants shall be Governors and Deputy Governors, supported by the Heads of Research, Monetary Policy and Financial Supervision of the Central Banks of ECOWAS Member States. The relevant regional institutions will also be invited as observers.

**OUTPUT OF THE SEMINAR**

A report of the seminar will be prepared and published on the WAMA website.

**AGENDA AND PROGRAM**

The seminar will be held remotely using Zoom. The link to join the meeting will be circulated separately.

Presentations will be in English with French transalation.

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| [28 May 2021] | |
| 10:00-10:10  (GMT) | **Opening**   1. Welcome remarks by Dr. Ernest Addison, Governor, Bank of Ghana; 2. Remarks by Mr. Richard Brady, Director, British Legal Council; 3. Opening address by the Executive Governor of the Central Bank of Liberia and Chairman, Committee of Governors; 4. Introduction of the Facilitators by the Director General WAMA. |
| 10:10-10:35  10:35-11:00 | **Session 1: Monetary Policy challenges in the time of COVID-19 and COP26**  Even though the full implications of the COVID-19 pandemic are still unknown, it has already had a significant impact on the ways economies operate. The travel and tourism industries have significantly reduced in size, supply chains have been disrupted, globalization forces have receded as the pandemic reinforced economic nationalism which was already an issue and the digital economy is continuing to grow in importance. The importance of financial inclusion has also been underlined.  These changes may affect the way central banks conduct monetary policy. In the ECOWAS, central banks moved quickly to limit the economic damage from the pandemic, by providing liquidity support, reducing interest rates, providing regulatory relief to support lending and promote financial sector resilience. Policy coordination with the fiscal authorities also improved. Partly as a result of the economic impact of the pandemic, the planned launch of the ECOWAS monetary union in 2020 was postponed.  Given the quickly changing conditions of the pandemic, uncertainties remain as to the timing and the pace of withdrawal of stimulus, the impact on debt sustainability and for frontier markets, investor appetite. How are policy makers responding to this unprecedented crisis? Is there more that could be done? In particular, is it not time to give special attention to SME financing and particularly Young and innovative ones? Also, what kind of debt relief was and could be obtained by ECOWAS countries? What should be the priorities for monetary policy in these times?  This session will open avenues for Governors to further promote understanding of the impact of the pandemic, learn from the experiences of other emerging market and low-income countries and exchange views on the way forward for the ECOWAS. In particular, is monetary union still envisaged at 5-year horizon and, if so, how to employ this period optimally?  **Presentation**  Module 1- Monetary Policy Challenges in the time of COVID-19 and COP—26   * The Covid pandemic relevance to monetary policy * Government decisions to finance unemployment/offer debt moratoria to firms…. * Impact consumption and investment * Access to debt relief or the size of foreign reserves play an enabling role. * Keeping markets liquid and regulatory relief sufficient to promote financial sector resilience * When recovery is in view, when to go from liquidity to equity support? * Communicating on the optimistic and on the bad scenario * NPLs, SMEs, Climate change and their links with the recovery, including Debt for nature swaps * Covid lessons for a monetary union: have the institutions for dealing with NPLs, care for SMEs and prepare for climate change.   **Discussion** |
| 11:00-11:25  11:25-11:50 | **Session 2: Banking Supervision and Climate Change: Relevance for the ECOWAS**  There is an increasing global consensus that climate change poses significant economic and political risks which can severely impact on economies and particularly on ECOWAS countries. The risks to the financial system have also recently become a topical issue for central bankers many of whom are in the preliminary stages of reflecting on the supervisory and regulatory approaches to addressing climate related financial sector risks. Extreme weather events, such as floods, droughts, fires and storms and large-scale changes in climate (rising temperatures and rising sea levels) may impact negatively on the viability of the businesses of bank customers, and devalue bank assets and collateral possibly leading to increasing non-performing loans and increased vulnerabilities in the financial system. It may also call for costly adaptation and/or mitigation expenditures and investments.  This session will help raise awareness and encourage knowledge sharing on how to integrate climate related financial risks in bank supervision and financial risk monitoring including disclosure of climate related financial information and prudent risk mitigation practices.  **Presentation**  Module 2.-Banking Supervision and Climate Change: Relevance for the ECOWAS   * Climate change: Africa will be deeply challenged * COP26 and Africa: the need to assert its position * Climate change and the pricing of carbon * The greening of financial policies and the need to redirect investment * The EU taxonomy * Upcoming financial disclosures * Central banks, physical and transition risks, and their exploration   **Discussion** |
| 11:50-12:00 | Break |
| 12:00-12:25  12:25-12:50 | **Session 3: Towards Convergence: The European and ECOWAS Experience**  Prior approaches to the transitional period leading to the establishment of monetary unions (WAMU, CEMAC, ECCU, German unification etc.) did not require strict adherence to European (Maastricht) style macroeconomic convergence criteria for member states to enter the union because national sovereignty over monetary policy had been abandoned beforehand to the colonizer or was in the process of being handed over to another state. Instead, unification occurred relatively quickly after political and social agreement without the need for a prolonged period of “convergence”. There is also very little theoretical basis for the convergence criteria in the Optimal Currency Area (OCA) literature. However, recent approaches (ECOWAS, EAC, COMESA, SADC, AACB) have adopted the European approach of prolonged convergence and it is important for this reason to gather the lessons that can be drawn ‘ex post` from the history on the success or failure of that approach.  This session will provide an opportunity to examine the merits and costs of putting emphasis on prior convergence conditionality and allow for sharing of experiences of the long processes of monetary integration in Europe and the ECOWAS. The session will also examine the enormous difficulties experienced by the ECOWAS member states in meeting the convergence criteria and options to improve compliance.  **Presentation**  Module 3. Towards Convergence: The European and ECOWAS experience   * Why have approaches of prolonged convergence been preferred? * Is free trade beneficial to all? And will a single currency lead to further integration and convergence? The example of the EU and euro. * Trade policies are more than just tariffs and non-tariff barriers count. * Boom, bubble, Bull and Bear * Prepare as much as possible for crises! * Why fulfilling criteria is hard and useful!   **Discussion** |
| 12:50-13:15  13:15-13:40 | **Session 4: Building a Strong Monetary Institute: The Role of WAMA**  The process of transitioning into a monetary union is a complex one. It requires the implementation of many activities for ECOWAS Member States to satisfy a number of criteria before becoming eligible to join. The process also requires the centralization of monetary policy and the harmonization of instruments and practices to allow for the monetary policy stance to be uniform across Member States. International experience points to the crucial role played by monetary institutes as transitory institutions to help coordinate and carry out the preparatory technical work needed to develop the frameworks for the conduct of a single monetary policy. The European Monetary Institute played this role in the run up to establishment of Economic and Monetary Union.  In the ECOWAS, WAMA is tasked with conducting the preparatory technical work to lay the basis for the establishment of the common central bank, the Central Bank of West Africa, and the creation of a single currency. This session will examine the main operational and institutional issues relevant to building an effective monetary institution that will drive the ECOWAS monetary integration agenda.  **Presentation**  Module 4: Building a strong Monetary Institute   * Sharing information on monetary policy instruments and the national wisdom on their use * Identifying the best operational framework possible for monetary policy * Choosing a strategy for monetary policy: from a peg to a floating currency? * The role of a projection exercise: sharing information and leading to a consensus * The role of a financial stability report exercise: taking into account risks associated to climate change in order to develop expertise on climate modelling. * Ensuring that the Eco can also be a central bank digital currency (CBDC): developing expertise on Distributed Ledger Techniques, Cryptocurrencies, and digital payment systems   Differentiating the staff in charge of assessing criteria from staff supporting the development of frameworks  **Discussion** |
| 13:40-14:30 | **Session 54: Wrap up and Closing Remarks**  **Tour de Table Discussion**  **Closing Remarks by the Chairman, Committee of Governors** |