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Monetary Integration: The West African Experience

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MONETARY INTEGRATION: THE WEST AFRICAN EXPERIENCE[1]

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I Introduction

Subsisting monetary arrangements in the ECOWAS are the result of different choices made after the colonial era. As a general rule, former British colonies moved from their currency boards to flexible exchange rates after their independence, whereas a monetary agreement was reached between francophone former colonies and France, in the form of the CFA franc zone[2]. The UEMOA (Union Économique et Monétaire Ouest Africaine) comprises Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. The UEMOA has a single central bank which creates money along with some constraints in terms of official reserves and monetization of public deficit. The French Treasury is committed to providing the required amount of foreign devices in order to fill any balance of payment deficit provided the rules are followed[3].

Currently in ECOWAS, there are two subsisting monetary integration arrangements. The first is the West African Economic and Monetary Union made up of eight CFA states are members of the customs and currency union[4], and the West African Monetary Zone (WAMZ)[5], which co-exists within the wider ECOWAS organization.

This paper discusses the experience of monetary integration in West Africa. The second part of the paper presents an historical overview of monetary integration in West Africa. Part III briefly examines the Union Économique et Monétaire Ouest Africaine (UEMOA). Part IV discusses the Second Monetary Zone in West Africa (WAMZ), while Part V contains performance assessment of the ECOWAS Monetary Cooperation Programme. The Lingering Challenges are outlined in Part VI. Part VII contains some concluding remarks.

II Historical Overview of Monetary Integration in West Africa

As a logical component of its economic integration scheme, the Economic Community of West African States (ECOWAS) adopted a programme of monetary integration in 1987. This was intended to compliment efforts at trade integration, and foster the realization of enhanced economic growth. Although there are conflicting views regarding the sequencing of monetary cooperation in economic integration arrangements, monetary cooperation and trade are mutually reinforcing. The dominant view in the ECOWAS is that monetary integration is an integral part of the whole process of economic and financial integration, rather than an alternative route.

The ECOWAS Monetary Cooperation Programme (EMCP) was designed with the objective of creating a harmonized monetary system for ECOWAS through the observance of a set of convergence criteria intended to strengthen the macroeconomic fundamentals of the member states. A stable system of exchange rate management that would support an efficient common central bank in the implementation of a single monetary policy for the sub-region was envisaged.

According to the initial plan, the EMCP was scheduled to be operationalised in 1992. A five-year time frame (1987-1992) was adopted to enable member countries prepare for the single currency. During this period, institutional and policy frameworks for the single currency project were to be put in place. In addition, the surveillance of member countries' economies to ensure compliant with the

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[1]The views expressed in the paper are those of the author and do not in any way represent the official position or thinking of the Central Bank of Nigeria. The author acknowledges the comments and criticisms of anonymous reviewer.

[2]CFA stands for Colonies Françaises d'Afrique. The CFA franc was introduced by France after World War II, hence before political independence

[3]Cape Verde has a similar arrangement with the support of Portugal. The rules for convertibility have been strengthened over time in order to cope with the failure of the system to ensure fiscal discipline.

[4]Seven francophone West African states (Benin, Burkina Faso, Cote d 'Ivoire, Mali, Niger, Senegal, and Togo) plus the lusophone, Guinea-Bissau. This WAEMU was established by the Treaty of Dakar in 1994.

[5]The membership include (The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone) hope to introduce a new common currency, the ECO, by 2015 and, eventually to merge the ECO and the CFA franc into a ECOWAS single monetary Union by 2020.

convergence criteria was adopted.

The target date could not be realized; thus the authorities of ECOWAS finally agreed on 2000 as the end date of the transitional period for monetary union. This was revised to 2004 and currently 2020. The transitional period ending 2000 was to be used to undertake prior activities related to economic adjustments and reforms. These measures were structured into short, medium and long term. In the short term (1991-1994), it was expected that the West African Clearing House (WACH) would be strengthen to improve its payments mechanism and boost intra-regional trade. The specific short terms measures included; clearing of settlement arrears in the WACH; introduction of a new payment instrument, the ECOWAS Travelers' cheqes and Bills of Exchange; introduction of a Credit Guarantee Fund; transformation of the WACH into a specialised monetary agency of ECOWAS; and elimination of non-tariff barriers of monetary nature to payments, trade and cross border investment.

In the medium term (1994-1997), regional currency convertibility was to be achieved as an intermediate objective of the EMCP. The measures for the attainment of regional currency convertibility included; exchange rate re-alignment and harmonisation; adoption of an ECOWAS exchange rate mechanism (ERM); liberalisation of exchange controls; current and capital account liberalisation within the sub-region; maintenance of fiscal discipline; and adoption of market-based monetary management. In the long term period (1997-2000), all adjustment measures to facilitate the convergence of exchange rates and harmonization of monetary policy were to be completed. This period which was expected to ultimately usher in the single currency was a period of macroeconomic transformation and consolidation, as the implementation of a set of primary and secondary macroeconomic convergence criteria were to be intensified. The successful implementation of the convergence programme and the performance of member countries in respect of the attainment of the stipulated criteria would determine the feasibility of a single monetary zone.

The macroeconomic convergence criteria which were meant to build the single monetary zone on solid macroeconomic fundamentals to ensure its resilience were in respect of four primary criteria of exchange rate, inflation, budget deficit, and central bank financing of fiscal deficits of government.

Exchange Rate Stability Member countries were to maintain exchange rate variability of not more than 10.0 per cent by the end of 1998 and less than 5.0 per cent by 2000. Countries with floating exchange rates were to take appropriate actions to prevent the volatility of their exchange rates by keeping them within the prescribed fluctuation margin. Those with administered exchange rates were to apply measures to eliminate the implied overvaluation of their exchange rates. All member countries were however to work towards exchange rate management.

Inflation Member countries were to maintain single digit inflation rate by the end of 1998, except Liberia and Sierra Leone that were to achieve the single digit target by 2000.

Budget Deficit/GDP Ratio Member countries were to attain a budget deficit/GDP ratio of not more than 5.0 per cent by the end of 1998 and a level of not more than 3.0 per cent in the subsequent years.

Central Bank Financing of Fiscal Deficits Member countries were to reduce borrowing from the central bank to finance government expenditure. A ceiling of 10.0 per cent of previous year's tax revenue was placed on the credit that central banks could grant to government by end 0f 1998.

Member countries made very slow progress in complying with the convergence criteria. It was realized that the criteria were not in sync with the state of the economies of member states as they were adjudged too stringent. Thus, the Authorities of ECOWAS at its 22nd session in Lome, Togo, in December 1999 adopted a set of primary and secondary convergence criteria. The new set of the criteria was also designed to facilitate the EMCP through the two-track approach to integration, which the Authority endorsed at Lome Session. The redesigned criteria contained four (4) primary and six (6) secondary criteria (see Table 1 for Comparative Macroeconomic Convergence Criteria).

TABLE 1:CONVERGENCE CRITERIA:ECOWAS/WAMZ/UEMOA

	ECOWAS	WAMZ	UEMOA
PRIMARY CRITERIA			
Inflation	≤5.0 per cent (year on -year)	<10.0 per cent(year-on-year)	≤3.0 per cent(Annual Average)
Budget Deficits	≤4.0 per cent (Excluding grants)/GDP	≤4.0 per cent (Excluding grants)/GDP	Fiscal Balance/GDP≥0
Central Bank Financing	≤10.0 Per cent of Previous Year' s Tax Revenue	≤10.0 Per cent of Previous Year's Tax Revenue	Not Applicable
Gross External Reserves	≥6 Months of Imports	≥3 Months of Imports	Not Applicable
Outstanding Domestic External Public Debt/GDP	Not Applicable	Not Applicable	≤70.0 per cent
Domestic Arrears[1]	Non Accumulation/Liquidation of Existing Arrears	Non Accumulation/Liquidation of Existing Arrears	Non Accumulation/Liquidation of Existing Arrears
SECONDARY CRITERIA			
Tax Revenue/ GDP	≥20.0 per cent	≥20.0 per cent	≥20.0 per cent
Salary Mass/Tax Revenue	≤35.0 per cent	≤35.0 per cent	≤35.0 per cent
Public Investment/GDP	≥20.0 per cent	≥20.0 per cent	≥20.0 per cent
Nominal Exchange Rate Stability (Depreciation/ Appreciation)	EXCHANGE RATE STABILITY	±15.0 per cent	Not Applicable
Real Interest Rate	>0.0 per cent	>0.0 per cent	Not Applicable
Current	Not Applicable	Not Applicable	≥0.0 per cent

[1] This is a secondary Criteria in both ECOWAS and WAMZ

The West African Economic and Monetary Union (also known as UEMOA from its name in French, Union économique et monétaire ouest-africaine) is an organization of eight West African states. It was established to promote economic integration among countries that share the CFA franc as a common currency. UEMOA was created by a Treaty signed at Dakar, Senegal, on January 10, 1994, by the heads of state and governments of Benin, Burkina Faso, "Côte dIvoire, Mali, Niger, Senegal, and Togo. On May 2, 1997, Guinea-Bissau, a former Portuguese colony, became the organization's eighth (and only non-Francophone) member state.

Although the UEMOA was formally created in January 1994, it was based on the pre-existing West Africa Monetary Union of the CFA franc zone, with eight members, a currency guaranteed at fixed parity to the Euro (656 to 1) through an operations (overdraft) account arrangement, the French Treasury coupled with stringent zone-wide fiscal and monetary rules.

Under the terms of the agreement which set up the Bank and the CFA the Central Bank of each African country is obliged to keep at least 65.0 per cent of its foreign exchange reserves in an operations account held at the French Treasury, as well as another 20.0 per cent to cover financial liabilities. The CFA central banks also impose a cap on credit extended to each member country equivalent to 20.0 per cent of that country's public revenue in the preceding year. Even though the BCEAO has an overdraft facility with the French Treasury, the draw down are subject to the consent of the French Treasury. The French Treasury invests the foreign reserves of the African countries in the Paris Bourse. The central bank (BCEAO) for WAEMU has supranational status. The reserves of member states are pooled; members have no independent monetary policy and no possibility of undermining the central banks' independence or monetizing public deficits.

UEMOA is a customs union and currency union. Its objectives include:

- Greater economic competitiveness, through open markets, in addition to the rationalization and harmonization of the legal environment
- The convergence of macro-economic policies and indicators
- The creation of a common market
- The coordination of sectoral policies
- The harmonization of fiscal policies

Among its achievements, the UEMOA has successfully implemented macro-economic convergence criteria (see Table 1) and an effective surveillance mechanism. It has adopted a customs union and common external tariff and has combined indirect taxation regulations, in addition to initiating regional structural and sectoral policies.

For more than forty years the West African Franc-zone has been a monetary union without meeting most of the theoretical economic requirements of an optimum currency area, i.e. high factor mobility, diversified export base to sooth possible external shocks, and price and wage flexibility between regions. This brings to the fore the existing debate whether countries aspiring to form a monetary union should meet convergence criteria ***ex ante*** or ***ex post.***

Frankel and Rose (1998) open a large debate on the endogeneity of the OCA criteria fulfillment. They put forward an argument that closer trade links could lead to business cycle synchronization and thus increase the symmetry of shocks. According to traditional points of view, e.g. Krugman (1993), the opposite effect should prevail: international trade increases specialization, making shocks more asymmetric. The overall impact of trade integration on shock symmetry could thus be ambiguous, at least theoretically. Modern formal models of optimum currency areas do not seem to offer a unique answer either. Frankel and Rose (1998) stress the necessity of further analysis of the role of international trade by distinguishing between inter-industry and intra-industry trade. Inter-industry links reflect specialization, thus potentially causing asymmetries, while intra-industry trade should lead to business cycle co-movement. There is an on-going theoretical work in this direction.

V The West African Monetary Zone (WAMZ)

As indicated earlier, by 1999, it was generally observed that the pace of implementation of the EMCP, especially the establishment of the single monetary zone, had not matched the expectations of the founding fathers. Some perceived major obstacles to the programme included: lack of political will and commitment; non-uniformity in the adoption of required macroeconomic framework; and lack of policy coordination and harmonization between the Francophone West African countries, which established an economic and monetary Union (Union Economique et Monetaire Ouest Africaine - UEMOA in 1994), in Guinea, the Anglophone countries as well as the lusophone.

The recognition of these problems necessitated the Authority of Heads of State and Government of ECOWAS, at its 22nd Summit in Lome, Togo, in December 1999 to adopt a strategy of a Two-Track Fast-Track approach, to the implementation of the EMCP.

Following the initiative of Nigeria and Ghana, consultations were held with the Governments of The Gambia, Guinea, Liberia, and Sierra Leone, and at a Summit of the Heads of State of the six countries, in Accra, Ghana, in April 2000, the Accra Declaration on the creation of the Second Monetary Zone was signed. The Authorities of these countries committed themselves to the introduction of a single currency and the establishment of a common central bank by the year 2003 for eventual merger with the UEMOA zone by the year 2004 under the aegis of the ECOWAS integration programme.

At the second Summit in Bamako, Mali in December, 2000, the Authorities formally established the Second Monetary Zone as the West African Monetary Zone (WAMZ) and approved a set of convergence criteria to be attained by member states before the commencement of the monetary union. The West African Monetary Institute (WAMI) was also established to undertake all the preparatory work for the introduction of the single currency, and a common central bank in the WAMZ.

WAMI was also to study and make proposals on how to address issues of monetary policy, financial sector surveillance, currency and external reserves management as well as legal framework and institutional arrangement associated with eventual establishment of the West African Central Bank.

ix institutions, including WAMI, have been created under the WAMZ Agreement to facilitate arrangements for eventual introduction of the single currency and establishment of a common central bank in the zone. These are:

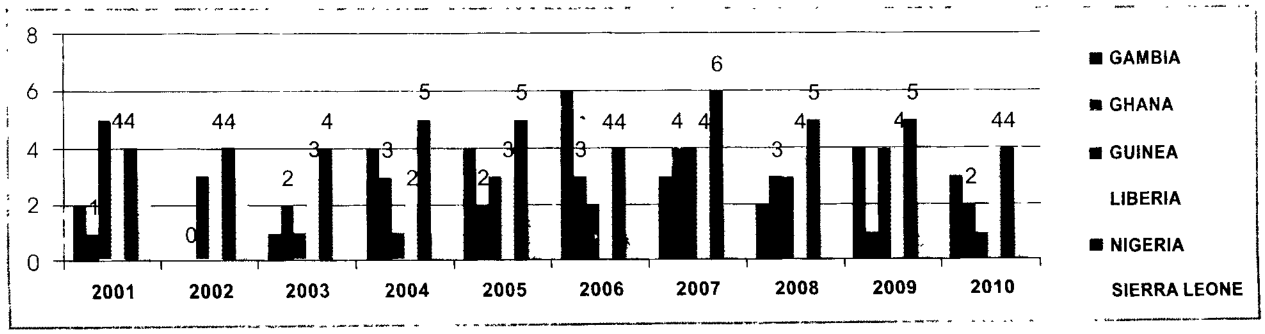
- The Authority of Heads of States and Government - this is the political and supreme body of the zone, with the overall responsibility for the achievement of the objectives of the WAMZ;
- The Convergence Council of Ministers and Central Bank Governors - the supervisory authority of the WAMZ and its institutions;
- The Technical Committee which works in collaboration with WAMI, to facilitate the integration process;
- The West African Central Bank (WACB), when established, would be the common Central Bank of the zone, while the existing National Central Banks will be national branches of the WACB; and
- WAMZ Stabilization and Cooperation Fund (SCF) to provide financial assistance to member states that may experience temporary disequilibria in their balance of payments.

In an attempt to build the structure of monetary union, the WAMZ programme was designed to attain convergence at quantitative and qualitative levels. At the quantitative stage, first, each member country is required to comply with a set of primary convergence criteria (see Table1). At the qualitative level, the convergence required the design of the architecture of the monetary union, which include the institutional frameworks and policy frameworks and lastly the sensitisation of the stakeholders.

TABLE 2: TOTAL NUMBER OF CRITERIA MET BY WAMZ COUNTRIES

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GAMBIA	3	2	2	5	6	7	5	6	6	4
GHANA	2	1	4	3	4	5	5	2	3	2
GUINEA	5	5	2	2	3	2	4	3	3	1
NIGERIA	6	5	5	6	7	7	7	6	6	4
SIERRA LEONE	4	4	1	3	3	2	2	2	1	2

Source:WAMI,Central Banks



IV.2 Macroeconomic Convergence

The macroeconomic convergence process started in the WAMZ in 2001. In the last ten years (2001-2010), the performance of member countries on the convergence scale has not been too impressive. Only two countries (Nigeria and The Gambia) met all the four primary criteria in at least two years in the last ten years. While Nigeria satisfied the requirement in 2006 and 2007, The Gambia operated within the limits of the criteria in three years (2006-2008). The performances of other countries varied between zero (non compliance) and three (See Table 2).

IV .3 Policy Convergence

The following policy frameworks are designed to achieve and sustain compliance with the convergence criteria.

Monetary Policy Framework: A single monetary policy for the Zone is to be conducted by the West African Central Bank (WACB). The Framework adopted is monetary targeting which will gradually mutate into inflation targeting.

External Reserves Management Framework: A framework for external reserves management by the WACB has also been developed. The framework requires the pooling of member states external reserves to be managed by the WACB in accordance with the provisions of the statute. In all, safety, liquidity and income would be the overriding weights on reserve management by the WACB.

Currency Management Framework: The currency management framework for the WACB, address policy issues on the choice of an exchange rate regime, convertibility of the common currency, and supportive legislation.

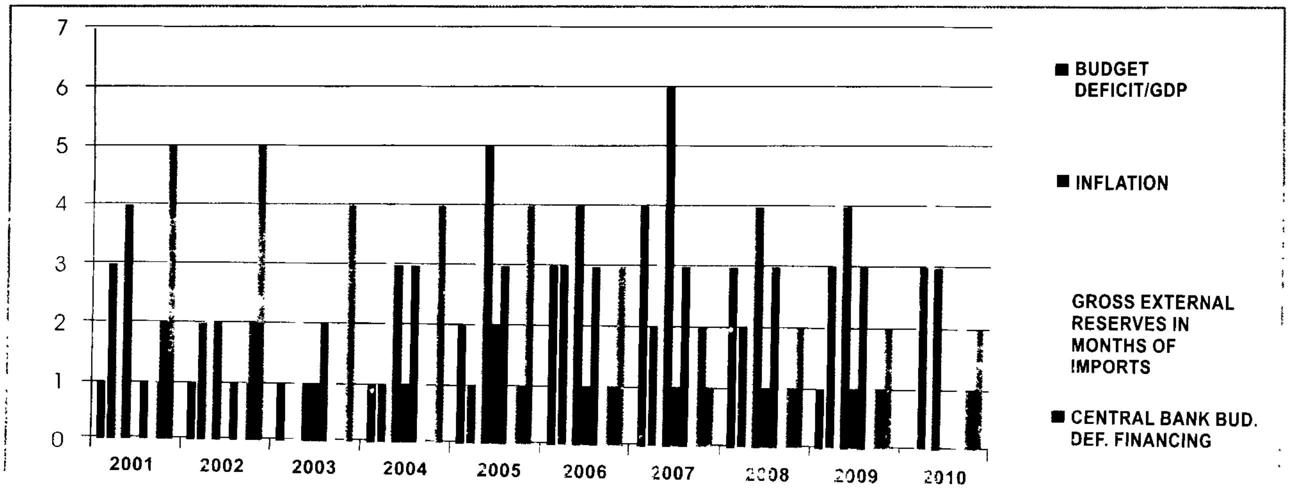
Payments System Development: The Institute secured funding from the African Development bank to upgrade payments system in four member countries (The Gambia, Guinea, Liberia and Sierra Leone).

Banking Supervision Framework: Incorporating both policy and institutional elements has been developed and is being fine-tuned by the Institute. The framework is predicated on financial system soundness as a precondition for successful monetary policy operations by the WACB. Also to ensure the soundness of the financial system in the years leading to the monetary union, a Collage of Supervisors of the WAMZ has been established. The College meet quarterly to review development and chart a way forward.

TABLE 3: NUMBER OF COUNTRIES THAT MET THF CONVERGENCE CRITERIA IN WAMZ

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
BUDGET DEFICIT/GDP	1	1	1	1	2	3	4	3	1	0
INFLATION	3	2	0	1	1	3	2	2	3	3
GROSS EXTERNAL RESERVES IN MONTHS OF IMPORTS	3	3	3	4	4	4	4	3	5	5
CENTRAL BANK BUD. DEF. FINANCING	4	2	1	3	5	4	6	4	4	3
TAX REVENUE/GDP	0	0	1	1	2	1	1	1	1	0
SALARY MASS/TAX REVENUE	1	1	2	3	3	3	3	3	3	0
PUBLIC INVESTMENTS/TAX REVENUE	1	1	2	2	1	2	2	2	2	3
REAL INTEREST RATE	2	2	0	0	1	1	2	1	1	1
REAL EXCHANGE RATE STABILITY	5	5	4	4	4	3	1	2	2	2

: WAMI,Central Banks



Database Development and Statistical Harmonisation: Significant progress has been made in the area of database development and statistical harmonization in the WAMZ.

IV.4 Institutional Development

Operational Structure of the WACB: The Convergence Council endorsed a provisional organisational and administrative structure of the WACB and ready for take-off. The Bank is autonomous with governing bodies, comprising of the Governing Council, the Board of Directors, and the Executive Board. The Governing Council is composed of the Minister of Finance and one other Minister from each member state of the WAMZ, which would be reporting to the Authority of Heads of State and Government on its activities.

West African Financial Supervisory Authority (WAFSA): A centralized supervisory institution, recommended by WAMI and endorsed by WAMZ authorities, the WAFSA will be established to be responsible for the supervision and regulation of banking institutions in member countries.

The WAMZ Secretariat: The Council has approved the establishment of WAMZ Secretariat in Guinea, as well as its organizational structure after the exit of WAMI when the WACB takes-off. The Secretariat will be the central coordinating institution for all organs of the Zone. The WAMZ has made tremendous progress towards the actualization of a Second Monetary Zone in West Africa. However, the key challenges that confront the Zone includes: slow Pace of Financial Contributions to the Programme; and Inadequate Commitment to Policy Implementation. Overall, the attainment of monetary union in the WAMZ by 2015 is feasible and if the current efforts by member countries are sustain, the actualization of the WAMZ single currency project would most likely be realized by the set date: 2015.

V Performance Assessment on ECOWAS Macroeconomic Convergence Criteria

The performance of ECOWAS member countries on the macroeconomic convergence scale between 2001 and 2010 has not been satisfactory. Movement towards macroeconomic convergence in the sub-region has been uneven. For most of the criteria, the number of countries that complied with the requirement declined over the period as indicated in Table 3.

With regards to primary criteria, budgetary deficits/GDP ratio criterion has seemingly remained intractable in most countries over the period. The number of countries that has satisfied this criterion ranged between 3 (least performance) in 2009 and 8(best performance) in 2007. In 2010, only four (4) countries, a marginal improvement from 2009 performance, satisfied the criterion on budget deficit excluding grants. Concerning performance relating to inflation, at least nine countries consistently satisfied this criterion over the review period with the exception of 2007, 2008 and 2010, when 7, 1 and 7 countries, respectively met the criterion. Performance with respect of gross external reserves declined from 10 countries in 2001 to 9 between 2002 and 2004, but plummeted to 1 in 2005. Nine countries operated within the threshold of the criterion in 2006 and 2007.One (1) country met the criterion in 2008. However, the performance improved significantly to 11 and 10 countries in 2009 and 2010, respectively. On the other hand, at least eleven (11) countries have consistently met the budget deficit financing by the Central Bank criterion between 2001 and 2010, the best performing year being 2005, when 15 countries satisfied the criterion and the worst years being 2002 and 2003, when only 11 countries satisfied the criterion.

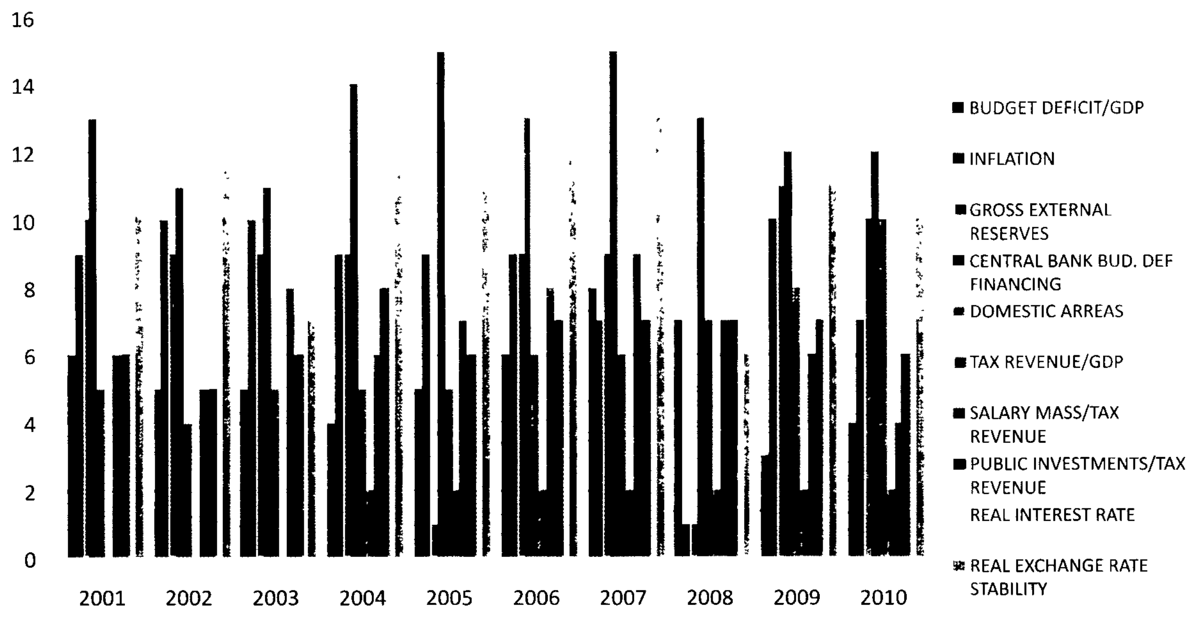
With respect to the secondaryy criteria, the performance by

TABLE 3: NUMBER OF COUNTRIES THAT MET THE CONVERGENCE CRITERIA IN ECOWAS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
BUDGET DEFICIT/GDP	6	5	5	4	5	6	8	7	3	4
INFLATION	9	10	10	9	9	9	7	1	10	7
GROSS EXTERNAL RESERVES	10	9	9	9	1	9	9	1	11	10
CENTRAL BANK BUD. DEF. FINANCING	13	11	11	14	15	13	15	13	12	12
DOMESTIC ARREAS	5	4	5	5	5	6	6	7	8	10
TAX REVENUE/GDP	0	0	0	2	2	2	2	2	2	2
SALARY MASS/TAX REVENUE	6	5	8	6	7	8	9	7	6	4
PUBLIC INVESTMENTS/TAX REVENUE	6	5	6	8	6	7	7	7	7	6
REAL INTEREST RATE	6	8	9	7	7	6	6	0	11	7
REAL EXCHANGE RATE STABILITY	11	12	7	12	11	12	13	6	12	10

Source: WAMA, 2011

Figure 1: NUMBER OF COUNTRIES THAT MET THE CONVERGENCE CRITERIA IN ECOWAS



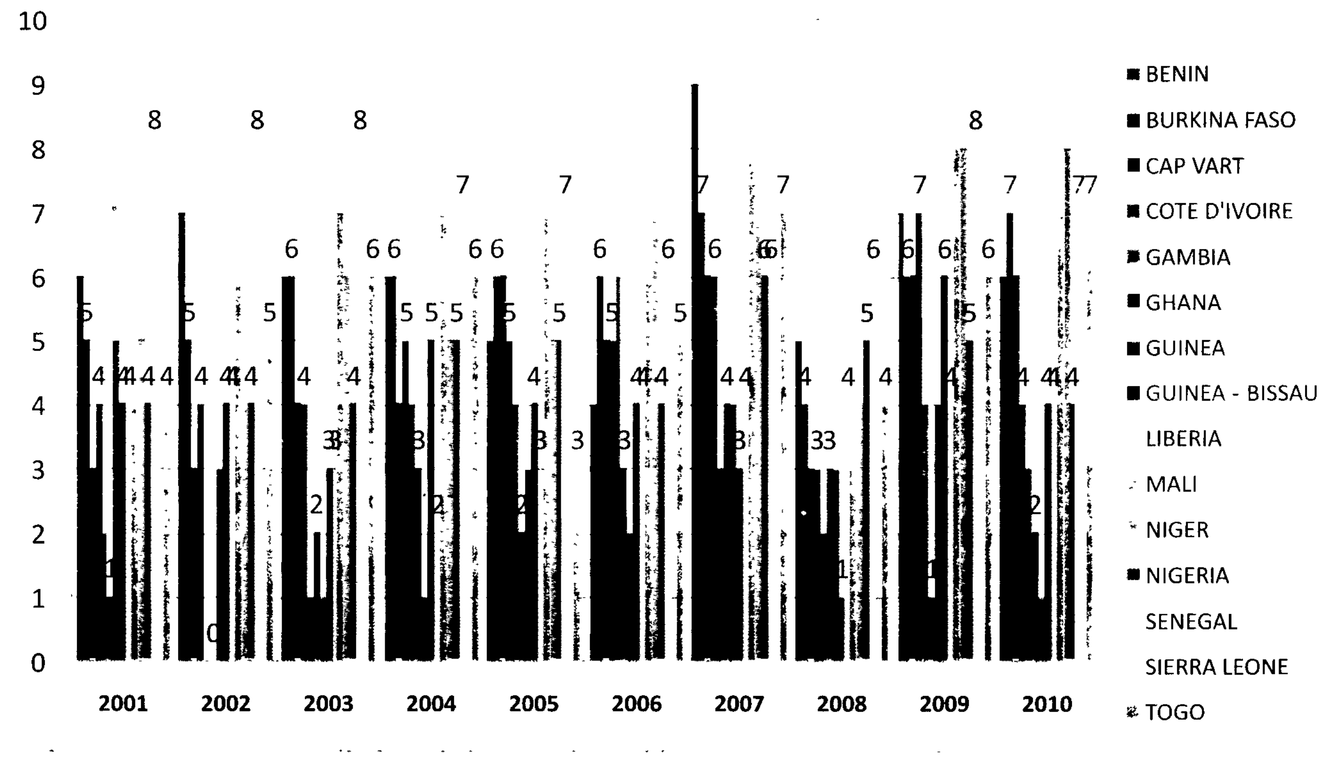
countries has worsened significantly over the years. The performance on tax revenue/GDP ratio has stagnated at 2 countries between 2004 and 2010. Concerning salary mass/tax revenue criterion, the highest level of performance was recorded in 2007, when 9 countries satisfied the criterion and the worst performance in 2010, when only 4 countries met the criterion. The performance on the public investment/ tax revenue requirement ranged between 5 countries (2002) and 8 countries (2004). The convergence outturn was also largely unsatisfactory with regard to real interest rate. However, there has been steady progress regarding the countries' performance on non accumulation of domestic arrears.

TABLE 4: TOTAL NUMBER OF CRITERIA MET BY COUNTRIES

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
BENIN	6	7	6	6	5	4	9	5	7	6
BURKINA FASO	5	5	6	6	6	6	7	4	6	7
CAP VART	3	3	4	4	6	5	6	3	6	6
COTE D'IVOIRE	4	4	4	5	5	5	6	3	7	4
GAMBIA	2	0	1	4	4	6	3	2	4	3
GHANA	1	0	2	3	2	3	4	3	1	2
GUINEA	5	3	1	1	3	2	4	3	4	1
GUINEA-BISSAU	4	4	3	5	4	4	3	1	6	4
LIBERIA	4	4	3	2	3	4	4	4	4	4
MALI	4	6	7	7	7	6	8	3	8	7
NIGER	5	4	6	5	5	7	7	4	8	8
NIGERIA	4	4	4	5	5	4	6	5	5	4
SENEGAL	8	8	8	7	7	6	6	6	8	7
SIERRA LEONE	3	3	0	1	2	1	2	1	2	2
TOGO	4	5	6	6	3	5	7	4	6	7

Source: WAMA, 2011

Figure 2: TOTAL NUMBER OF CRITERIA MET BY COUNTRIES



On the whole, performance under macroeconomic convergence was adversely affected by inflationary pressures arising from external shocks, low revenue mobilization, rising wage burden and interest payments. Table 4 indicates that, none of the countries has been able to meet all the convergence criteria. The best performance in the last three years, Niger met eight (8) out of ten (10) criteria in 2009 and 2010, respectively.

VI. Challenges

The Journey towards monetary integration in the ECOWAS has been tortuous. Several postponements have characterized the programme. In all the key challenges could be summarized to include:

Politics
- National sovereignty
- Political Instability
- Poor Governance and Corruption

Institutions
- Failure by governments to meet their financial obligations to regional organisations
- Lack of follow up by sectoral ministries on decisions taken at regional meetings by Heads of State

Macroeconomic Convergence
- Slow pace of macroeconomic convergence
- Fiscal dominance and high inflation

Structural Issues
- Payments System development
- Statistical harmonization
- Financial sector integration
    - Shallow, diminutive and fragmented financial landscape, narrow range of financial products, high costs of financial service, poor access
- poor infrastructural and transport facilities
- Non-convertible currencies
- Small and Fragmented Markets and Non-Tariff Barriers to trade

VII. Conclusion

Although the ECOWAS Monetary Integration has not strictly followed the original time frame, a lot of progress has been made especially in the WAMZ zone over the last decades. It is germane to note that the inability to find countries/ regions that satisfy the theoretical requirement of the OCA or its variance ex ante has led countries/ regions aspiring to form monetary union to adopt a set of convergence criteria which are expected at the minimum to prepare these countries/regions for monetary union. It is expected that given the increased tempo, especially in the creation of sustainable environment for common market in the ECOWAS region, the attainment of the Monetary Integration and the launch of the single currency in the region is achievable.

Nevertheless, an effective, efficient and lasting monetary union should and must be based on sound macroeconomic fundamentals as well as a reasonable level of institutional and infrastructure development. The focus for the ECOWAS and other aspiring regions in the medium term should be how to achieve these twin critical requirements. Furthermore, there is need to rethink the sequence of Economic integration in Africa where there are severe infrastructural deficit. Should the attainment of a common market status precede the monetary union or is monetary union likely going to facilitate the attainment of common market status? In effect is it single currency that will create one market or one market before single currency?

Overall, the ultimate challenge of ECOWAS sub-regional regarding monetary integration will be a merger of the WAMZ arrangement with the UEMOA, which already has a common central bank, the BCEAO. The final date fixed for the merger in the recently adopted time frame is January 2020.

Last line: What can we learn from the UEMOA that operate a 'common currency' ex ante convergence? Put differently, is macroeconomic convergence obligatory for a successful monetary union?

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