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ECONOMIC COMMISSION FOR AFRICA
 ASSOCIATION OF AFRICAN CENTRAL BANKS

Fifth Regular Meeting

Lusaka, 15 - 19 August 1977

REPORT OF THE SIXTH ANNUAL MEETING
 OF THE WEST AFRICAN SUBREGIONAL COMMITTEE
 OF THE ASSOCIATION OF AFRICAN CENTRAL BANKS/
 COMMITTEE OF THE WEST AFRICAN CLEARING HOUSE
 (held on 10 and 11 May 1976 in Freetown)

Introduction

Organization and attendance

1. The sixth annual meeting of the Subregional Committee of the Association of African Central Banks and the second meeting of the Exchange and Clearing Committee of the West African Clearing House were held in the Bank of Sierra Leone, Freetown, Sierra Leone on 10 and 11 May 1976.
2. All the member banks were represented. Also present was a representative of IMF.

Opening addresses

3. The meeting was formally opened by Mr. S.I. Koroma, Vice-President and Minister of Finance of Sierra Leone.
4. In his address, Mr. S.L. Bangura, Governor of the Bank of Sierra Leone, who was current Chairman of the Subregional Committee, noted that over the past four years, the meetings of the Association of African Central Banks had centred around one major issue - the setting up of a West African Clearing House. Now the Clearing House was a reality and a laudable achievement of which all should be proud. The establishment of the Clearing House should be regarded only as a stepping stone to still higher goals of co-operation. He thanked central banks members of the Clearing House for their co-operation, steadfastness and dedication towards achieving their goal, and hoped that the spirit of co-operation would continue.
5. He formally introduced Mr. F.A. Ijewere, from the Central Bank of Nigeria; the newly appointed Executive Secretary of the Clearing House and his Administrative Assistant, Mr. S. Sissoko from the Central Bank of Mali. He congratulated them and wished them a successful tenure of office.

6. In his address, the Vice-President and Minister of Finance, speaking on behalf of the President, the Government and people of the Republic of Sierra Leone, welcomed participants to the meeting and noted that the presence of high ranking officials from leading monetary institutions from the various countries in the subregion was in itself a clear demonstration that in present times no country could be economically independent; hence meaningful co-operation on a large scale among the various economies appeared to hold the key to the solution of the common problems of social and economic development.
7. He observed that the past two or three years had been characterized by complex problems in the international monetary scene, a period in which most countries of the world had experienced marked declines in economic activities, rapid increases in domestic price levels, flagging industrial production and a drop in the external resources to unprecedentedly low levels.
8. The amount of foreign aid to developing countries had now been reduced to a mere trickle as a result of inflation, recession and payments disequilibrium in donor countries. In that connexion, one could hardly overemphasize the need for more co-operation and harmonization of the economic and financial policies of ECOWAS members, so as to mobilize domestic resources for regional development. To that end he hoped that the establishment of a regional capital market would be a step in the right direction.
9. The aims of the West African Clearing House and those of the Economic Community of the West African States were not mutually exclusive and that each was a necessary organ for the useful existence of the other. He observed that expansion of intercountry trade could not be enhanced without an effective payment clearing institution like the West African Clearing House where intercountry financial settlements could be made with ease.
10. In conclusion, he hoped that participants would have a pleasurable stay in Sierra Leone and that the deliberations of the meeting would be fruitful and rewarding.
11. The Governor of the Bank of Zaire, Sambwe Pida Nbagui, current Chairman of the Association of African Central Banks, delivered a short address and thanked the Governor of the Bank of Sierra Leone for the warm welcome accorded to him and to participants. He also expressed pleasure at the establishment of the West African Clearing House which contributed effectively to the economic integration of the continent. The Governor wished the meeting a resounding success.

AGENDA

12. The following agenda was adopted.
 1. Review of major Developments in the Individual Economies during 1975
 2. Review of progress on the reform of IMF
 3. Studies :
 - (a) Report on on-going studies
 - (b) New assignment for Study Group

4. Implementation of previous decisions on :
 - (a) Exchange of staff
 - (b) Exchange of information
5. Venue for next meeting
6. West African Clearing House :
 - (a) Reports of the Sub-Committee of the Exchange and Clearing Committee on the operations of the Clearing House
 - (b) Implications of ECOWAS Treaty
7. Any other business
8. Approval of report and press release

SUMMARY OF PROCEEDINGS

Review of major developments in individual economies during 1975

13. In his review of the major economic developments in individual countries of the West African Monetary Union, the Governor of BCEAO noted that the degree of openness of the economies of the West African Monetary Union to a great extent exposed them to pressures and changes in international economic trends. For instance, the world depression in 1975 had brought about a decline in world commodity prices and as the economies of the countries of the West African Monetary Union were agro-based, the slump in commodity prices had been a determining factor on the Union's economic and monetary development, as external inflationary pressures, although abating, had kept pushing up import costs. He briefly commented on the economic performance of the individual countries of the West African Monetary Union and thereafter made a few comments on monetary and credit policy. He observed that the Central Bank now possessed two instruments of monetary policy, namely, a ceiling on aggregate credit refinancing and the power to set up reserve requirements. The ceiling on aggregate refinancing by the Central Bank covered refinancing of government as well as private sector credit.

14. In his resumé of the general economic performance of the Gambia in the year 1975, the Governor of the Central Bank of the Gambia noted that the post-drought economic situation in the Gambia was a favourable one and that the level of agricultural production particularly groundnuts, was satisfactory. That combined with high producer prices, had generated increased rural incomes. Moreover, the wage and salary review necessitated by the continuing rise in the general level of prices had added further to the expansion of the money supply.

15. In order to reduce the inflationary effect of that situation the authorities kept a watchful eye on the volume of credit generally and in particular on the subsistence credit which was to be gradually replaced by production credit to farmers. The Governor briefly explained the system of production credit whereby a credit in the form of farm inputs plus a modest amount of cash was given to the farmers. The level of subsistence credit was limited to a proportion of the value of the borrowers' output in the previous year.

16. The external trade position was favourable as a result of increasing exports, although, ironically, total export earnings had been slightly lower than in the previous year.
17. The first national development plan of the Gambia, which covered the period July 1975 to June 1980, envisaged a total investment outlay of roughly 70 million United States dollars (about D144 million). The plan laid considerable emphasis on the promotion of the rural sector and agricultural development as well as on the decrease in income disparities between the urban and rural population. One feature of the plan was that about 70 per cent of the required financial input of D144 million would have to come from outside sources.
18. Speaking on the Ghanaian economic performance in the previous year, the Governor of the Bank of Ghana observed that the situation was in fact not different from the economic analysis he had presented in Lagos the year before. Ghana was still facing a balance of payments problem and efforts had been concentrated on stimulating the agricultural sector so as to combat the short- and medium-term constraints of the balance of payments. As a strategy to stimulate the agricultural sector, the Central Bank had taken the necessary steps towards the mobilization of domestic rural savings and the channelling of such savings to the priority areas in the economy - agriculture and exports. Agricultural production in 1975, with particular reference to rice, had been very disappointing as weather conditions had been unfavourable. However, the prospects for 1976 were promising as rainfall, a basic ingredient for rice cultivation, had already commenced. He was therefore, hopeful that there would be a turnaround of fortunes. Cocoa production looked promising.
19. In the past, government policy had been directed more to the development and promotion of trawling and deep sea fishing while canoe fishing, which provided the bulk of the fish catch in Ghana, had been, neglected. That situation was now being corrected with the direction of more credit and foreign exchange allocation to the small-scale fishermen. For any country that was basically dependent on agriculture, unless the agricultural sector was developed there was always a tendency for the balance of payments to be depressed and in constant deficit. The Bank of Ghana had therefore taken the necessary steps to direct credit and monetary policy towards that development. The level of inflation in Ghana had been at a record high mainly because of the growing impetus for credit expansion to the Government.
20. Government deficit had been quite a problem in as much as expenditures had been rising faster than Government revenue. The situation called for urgent corrective measures.
21. The balance-of-payments position in 1975 had showed a slight improvement over 1974 partly because of stringent import control measures introduced in the latter part of 1974; those measures had to be maintained and if needed be reinforced.
22. With regard to the Liberian economy and the level of its performance for 1975, the Deputy Governor of the National Bank of Liberia observed that economic performance had been mixed, gross domestic product remaining stagnant in real terms while in terms of current prices GDP had risen considerably.
23. He also noted that the National Bank of Liberia was not a bank of issue and therefore his resumé would not embrace matters relating to the management of external reserves in connexion with the discussion of balance of payments. He spoke briefly on the Liberian economy and on the activities of the commercial banks operating in that country, adding that the efforts of the Liberian Government were now being geared mainly to stimulating the agricultural sector so as to lower the level of food imports.

24. The President of the Central Bank of Mali, in reviewing the major economic developments in Mali, stressed that for the past two years the country had benefited from favourable rainfall which had greatly increased production. Mali, which in previous years had been a net importer of grain and cereal, was now going to be a net exporter of cereals and livestock. The balance-of-payments situation had been difficult in 1975 with negative foreign earnings. The position was however greatly moderated, largely as a result of international collaboration. The Governor emphasized the interest of the Central Bank in agricultural production which not only added to food production, but would also bolster exports and enhance supplies to local companies.

25. The Deputy Governor of the Central Bank of Nigeria stated that the year 1975 had been very eventful in the field of economic and monetary developments in Nigeria. The main highlights had been the launching of the third national development plan, the largest investment programme ever in Nigeria; the unusually high rate of price inflation, which had been aggravated by the unprecedented port congestion; the slow down in the growth rate of the gross domestic product as well as the substantially reduced surplus in the balance of external payments. Far and away, inflation had posed the greatest problem during the year and had been attributed partly to demand pressures and partly to supply shortages. Because the demand pressures were associated with Government fiscal operations, monetary policy could have only a marginal effect. The review of wages in the public and private sectors had started off as an exercise to harmonize public sector salaries (which had been frozen for three years) with salaries in the private sector. But the operation had led somewhat to price inflation.

26. The General Manager of the Bank of Sierra Leone, said that the Sierra Leone economy during 1975 had passed through a difficult and crucial phase in the development of the country, with adverse balance of payments, low domestic production, poor budgetary performance and an expansion in domestic credit.

27. The help alleviate the balance-of-payments situation, measures for restricting imports had been taken in November 1975. On the export front, negotiations were being undertaken for the re-opening of the Marampa iron ore mines; strict expenditure control measures were also being implemented and the whole public debt position was under review. To contain domestic credit, interest rates had been increased, and all those measures would go some way towards improving the performance of the economy in 1976.

Review of progress on the reform of IMF

28. Mr. H.R. Monday Jr., Executive Director of the International Monetary Fund expressed his pleasure at being invited to address the meeting with which he was very familiar as he had been a Central Bank Governor himself and as national central banks worked in close consultation with the management of IMF.

29. Owing to the serious disturbances in the international payments system, the position of the less developed countries had worsened in relation to other countries. An attempt at a comprehensive reform of international monetary co-operation had been started in 1972 and the first phase of the exercise had recently been completed with the submission to the Board of Governors of the draft articles for approval. The reform aimed principally at changes in the provisions of the articles to adopt new exchange arrangements which would replace the par value system of the original articles and provide a framework to facilitate the exchange of goods, services and capital among countries. The second important aspect of the reform related to the role of gold and provided for the future phasing out of the Fund's own holdings of gold.

Studies

(a) Report on on-going studies

30. The Chairman read out the progress report on the survey of foreign private investment presented by the Bank of Sierra Leone, and suggested that the deadline for the receipt of the questionnaire which had been circulated to member countries should be extended for three months. It was so decided.

(b) New assignment for Study Group

31. On a suggestion by the Deputy Governor of the Central Bank of Nigeria, it was agreed that the Study Group should be requested to continue to undertake studies on the operations of the Clearing House with a view to the harmonization of its activities with the provisions of the ECOWAS treaty. A number of questions were raised on the Nigerian paper including:

- (a) SDR link to development assistant;
- (b) Arrangements for the sale of IMF gold stock and the creation of the Trust Fund;
- (c) The powers of IMF relating to the surveillance role it might be required to play in the new system;
- (d) The problem of the component currencies in the basket of SDR; and
- (e) The problem of quotas.

32. At the end of the discussion, the Governors agreed that all Directors in IMF representing countries members of the West African Subregion should in future be invited to the annual meetings of the Subregional Committee.

Implementation of previous decisions on :

- (a) Exchange of staff
- (b) Exchange of information

33. The Committee agreed to continue to make special efforts in respect of the exchange of staff and the exchange of information.

Venue for the next meeting

34. The Deputy Governor of the National Bank of Liberia proposed that the next meeting should be held in Monrovia, Liberia. The proposal was unanimously accepted. No date was fixed but it was agreed that the host central bank will make arrangements to convene the meeting not later than the end of May 1977. The Governors appointed the Governor of the National Bank of Liberia as the new Chairman and expressed their sincere thanks to the Governor of the Bank of Sierra Leone for a successful tenure of office and especially for his efforts in implementing the Clearing House agreement.

West African Clearing House

(a) Report of the Sub-Committee of the Exchange and Clearing Committee of the Clearing House

35. The Director of Research, Bank of Sierra Leone, who was Chairman of the Sub-Committee, presented a report entitled "Report of the Meeting of the Sub-Committee of the Exchange and Clearing Committee of the West African Clearing House", for consideration and approval by the Governors. Following his presentation it was agreed that the report should be discussed paragraph by paragraph.

(i) Draft rules and regulations

36. The meeting approved the draft rules and regulations subject to the following amendments. Under rule 2(e) the word "Committee" should be replaced by "Central Bank". Under rule 10(b) it was decided that the term "accounting period" should be changed to the "rate determination period". Under rule 10(c) the "31st day of month" should read "the last day of the month".

(ii) Operating forms

37. The Committee agreed to accept the forms as recommended by the Sub-Committee.

(iii) West African Clearing House code for telex/cable

38. The code was adopted by the meeting on the basis of the recommendations of the Sub-Committee.

(iv) Salary scales for local staff

39. With regard to salary scales for local staff, the Committee agreed to adopt the United Nations classification for the different classes of personnel, e.g. Manual Staff, General Service Staff and Professional Staff.

(v) Condition of service

40. The Committee approved the recommendation of the Sub-Committee on the conditions of service for local staff. The Committee also approved the recommendation that a Provident Fund Scheme be set up to which the West African Clearing House would contribute 10 per cent of the annual salaries of the local staff and the local employees 5 per cent.

(vi) Revised budget for 1976

41. In discussing the Draft Budget for 1976, the Executive Secretary was called upon to present proposals relating to the allowances and other benefits for that office and also for that of the Administrative Assistant. The Executive Secretary introduced the document entitled "Some aspects of conditions of service for the Executive Secretary and the Administrative Assistant", following which, the Governor of BCEAO presented the following draft proposals on the conditions of service and related allowances for the Executive Secretary and the Administrative Assistant.

- a. Flat rate allowance for non-working spouse: uniform rate of \$500 per annum for both the Executive Secretary and the Administrative Assistant.
- b. Family allowance: uniform rate of \$400 per annum for every dependent child under 18 years of age should be provided.
- c. An official car/for the Executive Secretary. The Administrative Assistant would be provided with a loan to buy a car and a car allowance of \$100 monthly will be paid to him.
- d. Annual Leave: 45 days for both the Executive Secretary and the Administrative Assistant.
- e. Air Travel for annual leave between Freetown and the country of origin: first class air fare for both officials, first class for the spouse and economy class for all dependent children under 18 years of age.
- f. Leave allowance: 5 per cent of annual salary for both the Executive Secretary and the Administrative Assistant.
- g. Per diem allowance: \$75 per day for both the Executive Secretary and the Administrative Assistant when out of duty station.
- h. Medical facilities: Both the Executive Secretary and the Administrative Assistant would have free medical facilities, which would include costs incurred for maternity but; exclude expenditure on dentures and eye glasses.
- i. Provident Fund: The Clearing House would contribute 20 per cent of the salary and 10 per cent would be contributed by the officials themselves. Benefits would accrue according to length of service.
- j. Furnished Accommodation would be provided for both officers by the Clearing House.

42. The above proposals were unanimously accepted.

(vii) Financing the Clearing House

43. The Committee noted document WACH/76/IV containing the Executive Secretary's proposals for additional sources of finance for the Clearing House and agreed that the proposals be deferred for the time being. The Committee however agreed that for the first six months of 1977 the recurrent budget of the West African Clearing House should be at the same level as that provided for 1976 and that member banks be requested to contribute pro rata.

(viii) UNDP project paper/tour report

44. The Committee decided to submit a formal request for assistance by UNDP for technical assistance, especially in the field of training for the Clearing House staff and for the supply of equipment.

(ix) Draft brochure

45. The Committee, after examining the recommendations of the Sub-Committee, decided that the Clearing House, rather than the individual member banks, should publish the brochure. The Committee also requested that Appendix IV of the brochure, containing information on commodities produced by the different countries, should receive proper and complete coverage based on information to be supplied by the different member banks. It was decided that a deadline of 31 May be set for receipt of such information from the different member banks. If for any reason the printed copies of the brochure could not be ready before launching day, then mimeograph copies should be distributed.

(x) Progress report

46. The Committee adopted the recommendation of the Sub-Committee to postpone the launching of the Clearing House from 1 June to 1 July 1976. The Committee also adopted the recommendation that, as from the commencement of operations by the West African Clearing House, it should be mandatory that eligible transactions within the subregion should pass through the Clearing House together with the recommendation for a grace period of three months for existing trade contracts denominated in foreign currencies.

(xi) Other business

47. The Committee approved the list of banks in each country that would participate in the Clearing House arrangement as specified in document WACH/76/XI.

48. The Committee approved document WACH/76/XII setting out the net debit and credit lines.

49. The Committee accepted the proposals of the Sub-Committee that the West African Clearing House should be formally launched by each member bank in its own country. The Committee also decided that the launching should take place on 1 July 1976 in each country.

50. The Committee noted the problem of communication facilities between member banks and the West African Clearing House and agreed that a good communications network was important as a prerequisite for the success of the operations of the Clearing House. Each member bank was requested to ensure such facilities.

(b) Implications of ECOWAS Treaty for the Clearing House

51. The Committee decided to refer the matter to the Study Group.

52. The Deputy Governor of the Central Bank of Nigeria, informed the Committee that the Central Bank of Nigeria intended to hold a symposium on the subject of ECOWAS jointly with the Nigerian Institute of International Affairs. The symposium would be held in Lagos from 21 to 25 August 1976. The Central Bank of Nigeria was extending a formal invitation to all member central banks, both to attend the symposium and to present papers.

the Governor of the Bank of Ghana congratulated the Central Bank of Nigeria on its initiative in holding the symposium and noted that a symposium on the subject of ECOWAS was very timely in the circumstances. He hoped that the Central Bank of Nigeria would also invite the ministries of trade and commerce of countries members of ECOWAS as he thought it was important for them to participate in view of their involvement in the ECOWAS arrangement.

Any other business

53. The Deputy Governor of the Central Bank of Nigeria expressed appreciation for the Committee's gesture in inviting Nigeria to provide the first Executive Secretary of the Clearing House. He said that the fact that even though Nigeria had been absent at the meeting to inaugurate the Clearing House in September 1975, the Committee's decision to invite Nigeria to nominate a candidate was much appreciated. He thanked the Committee for the confidence shown in the Central Bank of Nigeria and added that the Bank regarded the offer as a challenge which it would meet with honour. Accordingly the Bank had nominated one of their most experienced and capable officers to undertake that important assignment. Mr. Ijewere had previously served as the Secretary of the Central Bank of Nigeria and, until his current assignment, had been Chief of Banking Operations. The Committee would have begun to realize the quality of the candidate Nigeria had nominated from his performance since he had assumed duty.

54. He commended the Sub-Committee for its hard work which had facilitated the task of the Governors and thanked the Bank of Sierra Leone for the tremendous help it had given to the Clearing House in getting over its initial difficulties. The Bank of Sierra Leone had demonstrated, by its able assistance, that it would be a good host to the Clearing House. He hoped that member banks would co-operate fully with the staff of the Clearing House in promoting its aims and objectives.

55. The Governor of the Bank of Sierra Leone, replying to the foregoing remarks, noted that the Committee's decision to invite the Central Bank of Nigeria to nominate the Executive Secretary had been taken in a true spirit of esprit de corps. He was sure that, although Nigeria had been physically absent from the meeting, it had been with the Committee in spirit. He was pleased about the close links which had always existed between the different central banks in the subregion. He further noted that the Committee had been amply rewarded for the confidence shown in Nigeria by the High quality of the candidate Nigeria had nominated.

56. The Governor of the Bank of Mali observed that Governors had agreed at their last meeting in Lagos that documents and materials must be circulated simultaneously in the two official languages of the subregional Committee. However that decision had not been observed in all cases. The Governors therefore agreed to recommend to the new Chairman that in future all documents should be in both English and French.

Adoption of the report and press release

57. The Governors adopted the present report on 11 May 1976.

58. After the adoption of the report, the Chairman read out a press release reporting on the meeting.