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- **Fellow Governors**
- **Director General of WAMA**
- **Director General of WAMI**
- **Director General of WAIFEM**
- **Commissioner in charge of Macroeconomic Policy and Economic Research, ECOWAS Commission**
- **Representative of UEMOA Commission**
- **Representatives of Regional and other International Institutions**
- **Distinguished Delegates from the Central Banks and Ministries of Finance of ECOWAS Member States**
- **Ladies and Gentlemen**

When I spoke to this body in Dakar last February, I used the analogy of me being a first semester freshman who barely knew his way around his own dormitory finding himself elevated to the presidency of the student council. With abundant bravado, I pretended to give advice to upperclassmen and women about how to navigate a campus that I, myself, barely knew. Six months since that time, I now feel knowledgeable enough (as all rising sophomores think of themselves) to confidently give advice to anyone about the ECOWAS "College" for Central Bank Governors. However, if what I say here this morning makes no sense to you, please do not blame it on me, but on my irrational exuberance, to borrow a phrase from Alan Greenspan, former Chairman of the United States' Federal Reserve System.

Following that nuanced disclaimer, I must say that it is a pleasure to welcome you all to this very important meeting of the Committee of Governors of Central Banks of ECOWAS Member States. I also have the honour and privilege to bring you greetings from His Excellency, Retired Brigadier Julius Maada Bio, President of the Republic of Sierra Leone, who has shown great interest in not only the monetary integration process in the region, but in also trade integration as a catalyst for total economic integration within the region.

Before I go any further, allow me, on behalf of the Committee of Governors of ECOWAS, to extend my heartfelt thanks to the President of the Republic of Guinea, Professor Alpha Conde, Governor Lounceni Nabe, Governor of the Central Bank of Guinea, and the Government and People of the Republic of Guinea for hosting us in their country, and in especially this beautiful city of Conakry.

I want to also take this opportunity to congratulate Governor Godwin Emefiele of the Central Bank of Nigeria on his reappointment to a second term. Congratulations also go to Dr. Musa Dukuly and Madam Nyemadi D. Pearson for their respective appointments as Deputy Governor for Economic Policy and Deputy Governor for Operations of the Central Bank of Liberia. We wish them very productive tenures.

THE ROAD TO CONVERGENCE

Ladies and gentlemen, we are all keenly aware that this meeting is taking place at an important time in the monetary integration process within our region. More specifically, the commitment of the Authority of ECOWAS Heads of State and Government to the process has increased remarkably in recent years—more so as the 2020 deadline for the introduction of the single currency has approached. This commitment is amply reflected in the consistency and swiftness with which the Authority has considered issues relating to the monetary integration programme. Expressed through the regularity of the meetings of the Ministerial Committee of the Presidential Task Force on the ECOWAS Single Currency Programme, this commitment has helped to accelerate the implementation of the Revised Roadmap on the ECOWAS Single Currency Programme in the last couple of years.

Honourable Colleagues, ladies and gentlemen, the Authority's commitment to this programme was most recently demonstrated at its 29th June 2019 meeting in Abuja, Nigeria, where far-reaching decisions were taken—such as the adoption of ECO as the name of our future ECOWAS single currency, the choice of a flexible exchange-rate regime for that currency, and an inflation-targeting monetary policy framework for the Union. The significance of these decisions are evident in the fact that the processes that led to them have been long and winding, dating as far back as 1987 when the necessity for Member States to harmonize their fiscal, monetary and financial policies was espoused as a necessary precondition for the creation of a stable monetary union. That we are the first region on the continent to come this far is laudable.

I hasten to remind you, ladies and gentlemen, that we would not have come this far if the region had not put institutions and modalities in place to guide the process, on the one hand, and, on the other hand, if the people who were charged with carrying out the responsibilities of these institutions had not demonstrated unflinching fidelity to those responsibilities. Hence, it would be a dereliction of duty on my part to not recognize the great service that those men and women have rendered to us. It is therefore only fitting that I take this opportunity to thank and congratulate the leadership and staff of WAMA, WAMI, WAIFEM, the ECOWAS Commission, the Central Banks and all stakeholder institutions that contributed in various ways to the progress made so far.

Ladies and gentlemen, we must also acknowledge the spirit of consensus and solidarity that have been exhibited by the political leadership of the Member States in their various deliberations—which have been characterized by genuine cooperation in order to promote our agreed mutual objectives. Most specifically, we must recognize the commitment and effort that have continuously been made by everyone (in terms of time and resources) to ensure the development of a cohesive and stable monetary integration framework within the region since the idea was mooted by the founding fathers in the early 1970s. Over the years, member states have developed and implemented the necessary policy reforms to improve the macroeconomic environment. Much effort has also been made to achieve greater economic integration through the removal of barriers to the movement of persons and goods, as well as the removal of tariff and non-tariff barriers. Additionally, the harmonization of various fiscal, monetary and financial policies has proceeded under the Revised Roadmap.

Distinguished colleagues, we must acknowledge the fact that in spite of the significant progress we have made so far, a lot of work still needs to be done to make the monetary union a reality. For instance, in addition to many of our individual countries not meeting the convergence criteria, we are yet to determine how a country shall be judged to have met the eligibility requirements for admission to the Union. Would it be a one-time shot or should countries demonstrate fulfilment of the requirements over a number of years? Also, what will happen to countries that meet the convergence criteria and are admitted to the Union and then fail to one or more of the criteria in subsequent years? Even organizational issues such as the name of the central bank and its venue are yet to be decided. And even after all convergence criteria shall have been fulfilled, member states will need to ratify a yet-to-be-designed common framework and adapt it to suit their country-specific circumstances. Some of these changes might affect the Constitutions of some of our countries, if not all, thereby requiring parliamentary ratification. In short, there is no gainsaying the fact that the process of developing and transitioning to a new legal and regulatory framework will likely be time-consuming, difficult and expensive.

Moreover, although significant progress has been made in the harmonization of statistical imperatives, especially in respect of the methodology used in the compilation of the Consumer Price Index and the national accounts, the mechanisms for gathering quality and high-frequency statistical data are still weak in most member states. This poses a significant challenge to the development of an effective monitoring and evaluation system for whichever common framework we eventually design and implement. Furthermore, these data challenges will also constrain our ability to develop early-warning mechanisms that would help forecast systemic risks, thus enabling us to develop proactive policy measures to address possible instances of macroeconomic and financial instability in future.

Distinguished colleagues, ladies and gentlemen, we all know that a credible monetary union should have a well-established efficient payments system linking all member states. This is a pre-requisite we cannot avoid. Hence, we need to consider it as a priority at this stage. Furthermore, a lot of work needs to be done to harmonize the banking laws and regulations in the eight currency zones within the Community as well as to agree on a common regulatory framework to govern current and capital account transactions.

MACROECONOMIC PERFORMANCE IN THE REGION

Ladies and Gentlemen, in the area of macroeconomic performance, the aggregate indicators for the Community showed mixed outcomes in 2018. On the one hand, economic activity continued to strengthen in the aftermath of the recent commodity price shocks. As a result, aggregate output growth expanded to 3.0 percent in 2018, compared to the modest 2.3 percent growth recorded in 2017. Headline inflation also decelerated to 9.7 percent at end-2018 from 13.0 percent at the same period of the preceding year. These developments are partly a reflection of increased output in agriculture and the tight monetary policy stance of our central banks during the year.

Meanwhile, fiscal operations continued to be quite challenging within the region, resulting in further deterioration in the fiscal balance. Consequently, the overall budget deficit (excluding grants) of the Community increased to 3.4 percent of GDP in 2018, from 2.2 percent in the preceding year. Meanwhile, domestic revenue generation remained low in most member states despite the measures that were put in place to control the budget deficit. This may be attributed to the structure of our economies, which are driven largely by public-sector spending and a large informal sector. While the former has the propensity to increase government expenditures, the latter starves government of much needed tax revenues. The end result has been a situation of perpetually rising fiscal deficits, which have fed the fiscal dominance that has been the bane of central bankers in the region.

The economic indicators also showed emergent constraints in the external sector as the aggregate current account of the Community moved to a deficit position of 0.4 percent of GDP in 2018, from a surplus of 0.7 percent in 2017. It is worrying to note that developments in the global economy continued to dictate the direction of external sector performance as the trade account underperformed in some countries. This occurred because rising prices of petroleum products adversely impacted the import bills of most member states, while export earnings underperformed in the commodity exporting countries due to weakening external demand and negative supply shocks.

As a result of the foregoing macroeconomic developments, the recent assessment showed that performance on the Convergence Criteria deteriorated in the review period. This is demonstrated by the fact that only two Member States fulfilled all four primary macroeconomic convergence criteria, which compares unfavourably with the situation at end-2017 when four Member States accomplished that feat. Thus, once again, Member States could not sustain their performance on the convergence scale, due mainly to the continued challenges in fiscal policy. This development should be of considerable concern to us in view of the fast-approaching 2020 deadline for the establishment of the monetary union.

THE SCOURGE OF DOLLARIZATION

Ladies and gentlemen, the dollarization of our economies poses a serious threat to macroeconomic stability in our region. The dollar's rapidly-growing status as a parallel currency in our economies has created an artificial demand for it that is unconnected to our trade with the United States. Without any countervailing increase in the supply of dollars in our foreign-exchange markets (because nothing is necessarily exported when our citizens demand dollars to pay rent for residential dwellings, for instance), this non-trade-related increase in the demand for dollars continues to cause severe depreciations of our currencies even in the face of very contractionary monetary policies.

Fellow Governors, ladies and gentlemen, there is more intra-ECOWAS trade than is captured by official trade statistics. And this trade is mostly conducted with the dollar as the intermediating currency. For instance, a Sierra Leonean trader coming to Conakry would go into the parallel foreign exchange market in Sierra Leone to acquire dollars (at a premium, most times) to bring to Conakry to convert into Guinean francs (mostly at a discount) in order to purchase her wares. This transaction then increases the demand for dollars in Sierra Leone and its supply in Guinea. The result would be a depreciation of the Leone against both the dollar and the Guinean franc and the appreciation of the Guinean franc against both the Leone and the dollar. When the transaction is reversed (with a Guinean trader going to Freetown to purchase rice, for example), the fortunes of the Leone and Guinean franc would be reversed relative to each other and to the dollar. This artificially-induced depreciation of our currencies then creates an expectation of future depreciations, which promotes speculation-induced hoarding of dollars. Like negative shocks, this adversely impacts macroeconomic stability in the region.

We can mitigate against these outcomes by holding each other's currencies as reserves to facilitate intra-ECOWAS trade. Under such an arrangement, the Sierra Leonean trader coming to Conakry would now have access to Guinean francs before leaving Sierra Leone, thus obviating the need for her to buy dollars at a premium in Freetown. Her Guinean counterpart will now have access to Leones before he leaves for Sierra Leone. Consequently, intra-ECOWAS trade would have no significant impact on the exchange rates of both the Leone and the Guinean franc relative to the dollar.

SIERRA LEONE'S MACROECONOMIC PERFORMANCE

Ladies and Gentlemen, kindly permit me now to briefly highlight economic developments in my own country, Sierra Leone. The country experienced subdued economic activity in the last couple of years following some challenges in manufacturing and iron ore production. Consequently, real GDP growth slowed to 3.7 percent in 2018—from 6.3 percent in 2016. However, activity in the non-iron ore sector grew during 2018 by an estimated 5.8 percent, compared to the 3.5 percent recorded in 2017. This was due to strong performance in other mining activities (especially, in diamond, bauxite and zircon mining) as well as improvements in agriculture and services.

On the other hand, despite the tight monetary policy stance of the Bank of Sierra Leone, inflationary pressures persisted for the greater part of 2018, reaching a peak of 19.3 percent in October 2018 before declining subsequently to 17.5 percent at end-2018. This development was largely driven by structural factors, including the implementation of a flexible petroleum price adjustment mechanism and the pass-through effects of exchange rate depreciations on prices.

However, fiscal policy improved in 2018, as the overall budget deficit (including grants) declined to 5.3 percent of GDP—from 8.4 percent in 2017. This improvement was largely due to impressive domestic revenue performance, driven by a number of fiscal policy actions—including the removal of subsidies on retail fuel and the creation of a Single Treasury Account (TSA) in order to minimize leakages and consolidate revenues mobilized by sub-vented agencies.

Constraints in the external sector continued to moderate, driven fundamentally by increased private transfers. Thus, the current account deficit improved to 11.6 percent of GDP in 2018, from 13.9 percent in 2017. However, the trade account deteriorated because of subdued export revenue and increased expenditure on imports, due mostly to increased demand for petroleum products and imported consumer goods.

As a result of the underlying macroeconomic challenges, the performance of Sierra Leone under the macroeconomic convergence programme remained below expectation. More specifically, the country was able to satisfy only one of the four primary criteria (that is, the criterion on gross external reserves). This is in stark contrast to the performance in the period before 2016, when it routinely satisfied three primary criteria on average.

Ladies and gentlemen, both the monetary and fiscal authorities (as well as the entire Government of Sierra Leone) are fully aware of (and concerned about) the prevailing economic challenges. Accordingly, we are putting necessary policy measures in place to improve the macroeconomic environment. Particularly, Government has outlined a number of initiatives aimed at accelerating GDP growth to about 5.4 percent in the short-to-medium term. The plan is underpinned by sustained investment in human capital, energy, infrastructure and agriculture, as well as the implementation of economic diversification and transformation programmes. Specifically, in addition to increased resource allocation to these prioritized sectors, the initiatives also aim to remove the prevailing bottlenecks in the entire economy. The current anti-corruption drive is one such initiative. To achieve this in a fiscally-sustainable environment, the Government is also intent on sustaining its revenue-mobilization and expenditure-rationalization drives to reduce the fiscal deficit to a sustainable level.

The Bank of Sierra Leone, meanwhile, pledges to coordinate effectively with government to sustain the fiscal consolidation drive initiated in recent years in a bid to ensure macroeconomic stability and thereby create the necessary conditions for productive private-sector activity. The dual policies of economic diversification and export promotion are also expected to help ease the constraints in the balance of payments, thereby enhancing the country's foreign-exchange-earning capacity, thus creating an adequate foreign-exchange buffer to ensure the stability of the Leone.

Honourable colleagues, please rest assured that Sierra Leone remains fully committed to the monetary integration agenda. We are confident that the ongoing reforms will propel the country to be fully compliant with the prescribed quantitative benchmarks sooner rather than later. Finally, Sierra Leone will also adhere to all agreed protocols and policy decisions of the Authority of ECOWAS Heads of State and Government.

POLICY RECOMMEDATIONS

For the union to establish a credible and viable monetary union, member states must first have a stable macroeconomic environment, without which sustained convergence would remain indefinitely elusive. Thus, member states should take proactive measures to strengthen their macroeconomic fundamentals by implementing prudent policies and accelerating ongoing structural reforms in support of private-sector-led economic growth.

In view of the headwinds confronting the economies in the Community, the need for prudent policies cannot be over emphasized. Indeed, current global dynamics, such as the ongoing Sino-American trade tensions, evoke the need for member states to continuously strengthen their economic fundamentals and build adequate buffers to withstand external shocks. In this regard, ECOWAS central bankers need to seriously reflect on modalities for establishing a risk-pooling mechanism to deal with the asymmetric external shocks that our economies experience periodically.

Member states also need to strengthen the agencies responsible for data collection and compilation to enable those bodies to produce reliable high-frequency data, on the one hand, and improve upon the mechanisms for their dissemination, on the other hand. This should inform the formulation of effective macroeconomic policies and enhance the quality of surveillance under the proposed monetary union. Certainly, the Greek crisis should provide adequate lessons to guide us in building robust early warning mechanisms to forestall financial instability.

To help consolidate our realization of the proposed monetary union, our role as central bankers mandates us to take proactive interest in the development of a well-functioning financial system. We therefore need to take critical interest in the activities of WAMA and other regional institutions that are intended to facilitate financial sector integration. Also, it is absolutely necessary that we oversee the development of appropriate structures for well-coordinated cross-country banking supervision, based on harmonized laws, regulations and enhanced consultation.

Because much time, resources, and energy are needed to accomplish the above, we must think of low-hanging fruits that would help to integrate our economies even before the ECO comes into being. Fintech initiatives such as the digitization of payments in the region through mobile-phone-based money transfer and microfinance services (such as M-PESA in East Africa) will do much to integrate our economies and finance cross-border trade within the region even before the monetary union matures. With such a service, the Sierra Leonean trader coming to Conakry would now merely need her mobile phone to effect payment for her wares. This should lower transaction costs and increase economic efficiency, thereby helping countries that do not fulfil the convergence criteria to still be economically integrated with those which do.

Moreover, because such services will be integrated into the commercial banking system, they promise to increase the rate of financial inclusion and thus promote economic growth and poverty reduction. It therefore behoves us as central bankers to champion M-PESA-type digitization of payment and microfinance systems within our region.

Ladies and gentlemen, I have been briefed on WAMA's acute staffing needs, which should be of great concern to us all, given that it is the body we have mandated to handle the technical aspects of the monetary integration programme. We need to be reminded that the Ministerial Committee of the Presidential Task Force, at its meeting held on 23rd October 2017 in Niamey, Niger, recommended that WAMA should be strengthened to enable it to play the role of an ECOWAS Monetary Institute. Also, at its 21st February 2019 in Dakar, Senegal, we (the ECOWAS Committee of Governors) discussed WAMA's staffing constraint and directed it to consider sourcing personnel on secondment from member central banks as a means of addressing it. I, therefore, urge us to pay prompt attention to such requests. We must also support WAMA's activities by providing the requisite financial resources it needs to stave off delays in the implementation of its activities under the Revised Roadmap.

Fellow Governors, ladies and gentlemen, today's meeting is an opportunity for us to discuss the progress we have made so far and to assess our readiness for a monetary union. It is thus imperative for this body to recommend pragmatic programmes and strategies to address some of the challenges I have outlined here.

Lastly, while indulging your patience and forgiveness if my sophomoric observations make no sense to you, it is my great honour and privilege to declare the 55th Ordinary Meeting of the Committee of Governors of Central Banks of ECOWAS member states duly open.

I thank you for your kind attention.