

CHAPTER EIGHT

INTERNATIONAL AND REGIONAL INSTITUTIONS

The 2011 Spring and Annual Meetings of the Bretton Woods Institutions (BWIs) focused on global economic recovery, surveillance, capital flows, reform of the BWIs, and climate finance, among others. Members observed that the varied rates of recovery across the globe and reliance on quantitative easing by advanced economies contributed to a surge in capital flows, increased risks to financial stability, and promoted speculative movements in commodity prices. At the continental level, the African Union (AU) leaders pledged about US \$380 million in support of drought relief in East Africa. Also the African Ministers of Trade agreed on a draft Action Plan for boosting Intra-African Trade. At the sub-regional level, the ECOWAS Convergence Council of Ministers of Finance and Central Bank Governors, clarified the roles of the various institutions involved in the implementation of the multilateral surveillance mechanism within ECOWAS Member states, and adopted, in principle, the harmonized convergence criteria.

8.1 THE INTERNATIONAL MONETARY SYSTEM

8.1.1 International Monetary Fund/World Bank Annual Meetings

The 2011 Spring and Annual Meetings of the Bretton Woods Institutions (BWIs) were held in Washington D.C., USA, from April 11 – 17, and September 19 – 25, 2011, respectively. The meetings comprised those of the Ministers of the Inter-governmental Group of 24 (G-24), the International Monetary and Financial Committee (IMFC) and the Development Committee, amongst others.

The Ministers and Governors at the IMF/World Bank Meetings:

- Noted that the global economic recovery continued at different rates in many countries. Though risks of recession abated in advanced economies, unemployment remained high, and growth sluggish. In contrast, most developing countries maintained a strong growth momentum, reflecting robust macroeconomic frameworks;
- Observed that the prospects for a sustained global recovery remained uncertain, due to continued fragilities in most advanced economies. Of particular concern were the weak financial systems and a rapid increase in sovereign debt in some advanced economies, as well as debt sustainability issues in some countries in the Euro area;
- Stressed that the varied rates of recovery and reliance on the use of quantitative easing by advanced economies contributed to a surge in capital flows, increased

risks to financial stability, speculative movements in commodity prices, and overheating of the economy in many emerging markets;

- Indicated the need for urgent action to deal with the consequences of food and energy price increases, and address the impediments to food and energy security; and
- Underscored the importance of the IMF and the World Bank to proactively respond to the developmental needs of the (MENA) region.

At the meeting of the Inter-Governmental Group of Twenty-Four (G-24), which was preceded by the G-24 Technical Group and the Bureau meetings, the Ministers:

- Expressed concern about the threat to the global economic recovery and underscored the need for urgent and coordinated action to address the crisis of confidence in advanced economies (AEs), to prevent spillover effects on emerging markets and developing countries (EMDCs);
- Called for more decisive action by the Euro authorities to address the sovereign debt crisis and restore confidence in financial markets;
- Stressed the need for urgent action to deal with the consequences of volatile commodity prices and long-term impediments to food and energy security;
- Underscored the need for strategies that are inclusive, dynamic, and guarantee fair opportunities for women, youth, and the poor;
- Emphasized the need for protection of the voice and representation of EMDCs through an increase in the chairs held by EMDCs, including the addition of a third chair for sub-Saharan Africa; and
- Called for concrete proposals on job creation in the upcoming World Development Report (WDR).

8.1.2 The Group of Developing Eight (D8) Seminar

The Bank hosted a two-day Seminar for the group of eight developing countries (D-8) on July 18 and 19, 2011 on the theme: 'Enhancing Global Financial Supervisory Standards and Practices'.

Participants agreed, among others:

- That for good corporate governance to thrive in member countries, board and senior management must lead in risk governance by checking the risk appetite of banking institutions;

- That regulators should design appropriate mechanisms for undertaking surveillance, monitoring, and conduct of regular stress tests of the financial systems, as well as the implementation of IFRS;
- That non-interest banking requires capacity building, awareness campaign, and amendment of existing laws to enable non-interest banks exist and operate, side by side with traditional banks;
- That it was important to provide an enabling infrastructure for cross-border cooperation in supervision and regulation, and ensure consistency in the practice of cross-border supervision; and
- Urged members to learn from Bangladesh the success of its micro finance banking scheme.

8.1.3 International Commodity Organizations

8.1.3.1 The Organization of Petroleum Exporting Countries (OPEC)

The Organization of Petroleum Exporting Countries (OPEC) held two Ordinary meetings, the 159th and the 160th meetings, in 2011. The 159th meeting was held in June 2011 at the Organization's Headquarters in Vienna, Austria, to discuss a possible increase in member countries' production quota. The meeting centred on the effect of high oil prices on fluctuating global growth in 2011. The meeting ended in a deadlock with no decisions being taken. This outcome led to the board convening the 160th meeting on December 14, 2011 in which the oil market developments were reviewed using supply/demand projections. Members noted that the heightened 2011 price volatility was predominantly a reflection of increased levels of speculation influenced by geopolitical tensions, rather than as a result of supply/demand fundamentals. The meeting noted that the downside risks facing the global economy included: the sovereign debt crisis in the Euro-zone; persistently high unemployment in the advanced economies; and inflation risk in the emerging economies. Given global demand uncertainties, the meeting, therefore, decided to maintain the current production level of 30.0 mbd, including production from Libya. It was also agreed that Member Countries would, if necessary, take steps, including voluntary downward adjustments of output, to ensure market balance and reasonable price levels. Member Countries further confirmed their preparedness to swiftly respond to developments that might have a detrimental impact on orderly market developments.

8.1.4 Bilateral Relations

8.1.4.1 The Nigeria-Niger Joint Commission

The Nigeria-Niger Joint Commission for Cooperation was held in Maradi, Niger Republic, from July 25 to 30, 2011. The decisions centred on: easing the difficulties in the remittance of funds to eliminate currency trafficking across borders; and the development of cluster industries to enhance the economic growth of the two countries.

8.2 REGIONAL INSTITUTIONS

8.2.1 The African Development Bank (AfDB)

The Board of Directors of the African Development Bank (AfDB) Group approved on May 26, 2011, two sovereign guaranteed programmes, worth US\$ 200 million, to the Nigerian Export-Import Bank (NEXIM), and US\$ 500 million to the Bank of Industry (BOI) for financing domestic-oriented SMEs in Nigeria. A portion of the proceeds would be used to support Technical Assistance for capacity building at NEXIM, BOI and the SMEs.

Also, the AfDB agreed to contribute US \$146 million for the conservation and sustainable use of natural resources and energy efficiency under the Lake Chad Basin Regional Programme. The AfDB had worked closely with five implementing countries (Central African Republic, Cameroon, Niger, Nigeria and Chad) on the programme design. The AfDB funds would be complemented by a Global Environment Facility (GEF) grant of US\$ 20.5 million, approved by its Council during its forty-first meeting held in Washington, D.C. from November 9 to 10, 2011.

8.2.2 The Association of African Central Banks (AACB)

The Association of African Central Banks (AACB) held its 2011 Continental Seminar on the theme, "Financing Development in Africa: What role for Central Banks?" The seminar was hosted by the National Bank of Rwanda in Kigali, from May 30 to June 1, 2011.

Participants at the seminar, agreed that central banks have key roles to play in financing development and recommended that AACB member central banks revisit their laws to include financing development, especially where such provisions are not explicit in existing laws. Members expressed their desire to leverage on the experiences of Nigeria, The Gambia, and Egypt, in their efforts to finance development in their respective countries.

The 35th Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) was held in Lilongwe, Malawi on August 12, 2011. The meeting was preceded by the meetings of the AACB Technical Committee and the AACB Bureau.

The Assembly:

- Noted the delay in the take-off of the study by the joint African Union Commission (AUC) - AACB Committee on the creation of the African Central Bank (ACB);
- Observed a decline in the performance of member countries under the African Monetary Cooperation Programme (AMCP) convergence criteria, despite the stronger economic growth rates recorded in 2010; and
- Approved amendments to the Statute of the Association of African Central Banks (AACB), to allow for the transfer of AACB membership status from one sub-region to

another and made additional provisions in the statutes to allow for the transfer of the Bank of Tanzania from the Southern to East African sub-Region.

8.2.3 The African Central Bank (ACB) Steering Committee

The second meeting⁹ of the Working Group of the Steering Committee of the African Central Bank (ACB) was held at the Steering Committee's Secretariat in Abuja, Nigeria, from December 12 to 16, 2011. The meeting reviewed the Terms of Reference, Work Programme, Action Plan, Timelines and a Budget for the establishment of the African Central Bank.

It was recommended that the Executive Secretary of the AACB and the AUC extend the contracts of the experts to cover the proposed period of study.

8.2.4 The Experts Meeting on the African Monetary Fund

The Fifth Experts Meeting for the Validation of the Statute and Annexes of the African Monetary Fund was held in Addis Ababa, Ethiopia, from July 27 to 28, 2011.

The meeting validated the 11 articles of the Statute covering definitions, establishment, purpose and objectives, membership, authorized share capital, among other issues. The Draft Statute would be forwarded to the African Union Conference of Ministers of Economy and Finance for consideration, after which it would be submitted to the Assembly of Heads of State of the African Union (AU) for adoption.

8.2.5 The African Union (AU)

The Seventh Ordinary Session of the Conference of African Ministers of Trade was held on November 29, 2011 in Accra, Ghana. The meeting considered and recommended the draft Action Plan on boosting Intra-African Trade for adoption by the Council of Ministers, with a view to fast-tracking the project.

In a related development, the AU also convened a Conference in Addis Ababa, Ethiopia, on August 25, 2011 to raise funds for drought relief in East Africa. African leaders pledged US \$380 million in support of the cause. The African Development Bank donated US \$300 million for long-term development in the Horn of Africa, to be spent by 2013.

8.2.6 The Committee of 10 (C-10)

The Committee of 10 African Finance Ministers and Central Bank Governors (C-10) held its sixth meeting in Cairo, Egypt, on October 30, 2011. The Committee, at the end of the meeting:

- Noted that a 1.0 per cent drop in OECD countries' growth rate could translate into a 10.0 per cent drop in Africa's exports as well as a 0.5 per cent loss in Africa's GDP growth rate;

⁹The first meeting to draw up the work programme was held in November 2011.

- Urged Europe to undertake decisive measures to address underlying structural problems, and the G-20 to bring the global economy back on a sustainable growth trajectory; and
- Noted, with great concern, recent speculative attacks against some African currencies and called on the authorities to undertake necessary measures, promptly and collaboratively, to combat this practice.

8.2.7 The African Economic Conference (AEC)

The Sixth African Economic Conference (AEC) was held in Addis Ababa from October 25 to 28, 2011, with the theme, "Green Economy and Structural Transformation".

Participants at the conference noted:

- That the transformation of Africa's economy had to start with agriculture;
- That a green development would involve massive re-forestation, water management, and soil conservation, which would be crucial in improving the productivity of farms and raising the income of farmers;
- That structural economic transformations would require huge energy generation from the continent's abundant energy resources, whose opportunity cost was close to zero; and
- That Africa's structural economic transformation and 'greening' could only come about if the continent caught up with the technology levels enjoyed by developed countries.

8.2.8 The Africa Trade Forum (ATF)

The inaugural meeting of the Africa Trade Forum (ATF) was held on November 22, 2011 in Addis Ababa, with the theme: "Accelerating Intra-African Trade and Enhancing Africa's Participation in Global Trade". The forum noted that:

- With intra-Africa trade at just about 11.0 per cent of total African trade, as compared to 72.0 per cent of trade with Europe and 52.0 per cent with Asia, there was room for expansion of trade among African countries; and
- Implementation of trade agreements and protocols by Regional Economic Communities (RECs) was necessary to improve intra-African trade. That in order to expand intra-African trade, the continent had to move forward from trading primary products to manufacturing products, invest in human capital, improve infrastructure and logistics, and invest in institutional capacity building.

8.3 SUB-REGIONAL INSTITUTIONS

8.3.1 The Fourth West African Monetary Zone (WAMZ) Trade Ministers' Forum

The Fourth West African Monetary Zone (WAMZ) Trade Ministers' Forum was convened by the West African Monetary Institute (WAMI) and held in Freetown, Sierra Leone, from May 18 to 19, 2011.

The major highlights of the Forum included the following:

- The election of the Minister of Trade and Industry of the Republic of Sierra Leone, Dr. Richard Konteh, as Chairman of the Forum for the next year;
- That henceforth the Forum would hold twice a year;
- The adoption of a common standard for products and services that would be applicable throughout the ECOWAS sub-region would eliminate the need for multiple cross-border certification;
- The need to adopt an exchange rate mechanism among member States' currencies to facilitate intra-Zone trade without recourse to the U.S dollar and other convertible currencies; and
- The need to encourage the domestication of WAMZ and ECOWAS trade rules by incorporating them into national trade policies.

8.3.2 The Statutory Meetings of Sub-Regional Institutions

The 2011 Mid-Year Joint Statutory Meetings of the West African Monetary Agency (WAMA), the West African Monetary Institute (WAMI), and the West African Institute for Financial and Economic Management (WAIFEM) were held in Conakry, Guinea, from July 8 to 15, 2011. A meeting of the College of Supervisors of the West African Monetary Zone was also held on the fringe of the statutory meetings. The meeting considered collaborative initiatives on cross border issues and consolidated supervision.

The report indicated that the economies of ECOWAS grew strongly against the backdrop of a moderate rise in commodity prices. However, the sub-region's fiscal and external positions worsened on the convergence scale. The WAIFEM report indicated that 13 training and capacity building programmes were executed and 388 senior/executive-level staff benefited from the various training programmes. The Key issues included the following: that vacant positions in WAMI and WAMA to be filled by the Central Bank of Nigeria; the outstanding financial obligations to the West African Central Bank (WACB) Capital and Stabilization and Cooperation Fund; and a need for greater involvement of the Central Banks in the next phase of the ECOWAS single currency.

8.3.3 The ECOWAS Convergence Council

The Sixth Ordinary Session of the ECOWAS Convergence Council of Ministers of Finance and Governors of Central Banks was held in Lome, Togo, on October 14, 2011. The meeting reviewed documents relating to the creation of a single currency in the ECOWAS sub-region, as adopted by the ECOWAS Convergence Council. These included the Guidelines on the Formulation of a Multi-year Programme on Convergence within ECOWAS; Draft Supplementary Act on Convergence and Macroeconomic Stability Pact among Member States; and Draft Supplementary Amendment of a regional decision on the Creation of a Multilateral Surveillance Mechanism of Economic and Financial Policies of Member States.

The Council:

- Clarified the role of the various institutions involved in the implementation of the multilateral surveillance mechanism within ECOWAS Member states;
- Directed the ECOWAS Commission and WAMA to, henceforth, work in harmony on multilateral surveillance and convergence issues;
- Agreed to ensure speedy ratification and implementation of ECOWAS Protocols and decisions and legal instruments;
- Expressed its commitment to intensify efforts to reduce high budget deficits and promote sustainable budget policies and debts;
- Adopted, in principle, the harmonized convergence criteria, pending the outcome of studies on establishing such issues as Member States' optimal fiscal pressure, budget deficits and internal revenue generation;
- Approved the guidelines for the formulation of the multi-year programme on convergence within ECOWAS; and

Directed that a revised matrix be designed reflecting all the completion datelines and possible remarks on the road map to the ECOWAS single currency.