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Economic Integration and the Common Currency Agenda of the ECOWAS; an Assessment

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Abstract: The Economic Community of West African States (ECOWAS) was founded in May 1975 as a regional group of countries in the West African sub-region. It was conceived as a means to ensure development through economic integration and reduce the dependence of the economies of member states on external forces and by extension, promote economic, political cum socio-cultural integration of the sub-region. Specifically, the objectives of ECOWAS are to promote cooperation and integration into economic, social and cultural activities, with the ultimate aim of establishing an economic and monetary union by fully integrating the economies of Member States, raise the living standards of its people, maintain and increase economic stability, strengthen relations among Member States and contribute to the progress and development of the African continent as the main Regional Economic Community (REC) in West Africa. On that note, ECOWAS is adjudged as the undisputed pillar on which the continental integration process as advocated by the African Union is based. It is made of 15 countries and aims to promote integration in the economic, socio-cultural and political domains. An analysis of the institutional organization and the sectoral policies of ECOWAS Commission indicates that this Community is in general, an advanced model of integration in the broader context along with its sister organization; Southern African Development Community (SADC) in southern Africa. It has been able to build a solid institutional architecture which makes it a globally recognized organization in terms of actual impacts and performance but is however, faced with some challenges that have sought to impede its objectives particularly as it concerns common currency and other macro-economic variables since its establishment. This work seeks to assess the impact of integration on the socio- cultural, political and economic progress of ECOWAS. The work is made up of the ongoing abstract, introduction, conceptual analysis, theoretical framework, an assessment of integration and the drive for a single currency all within the confines of secondary methods of data collection, recommendation, conclusion and references are also embedded.

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Introduction

The integration of the West African sub-region on the frontiers of sustainable development and on the indices of a viable economic progress has long been a cherished but elusive goal.

Political leaders and economic policy makers at official conferences and formal summits have long advocated the idea of a collective development framework premised on the strengths of a vibrant regional integration arrangement but have recorded only limited results on the ground particularly when measured in terms of a monetary union. However, there is a renewed impetus to establish closer economic and political ties among the 15 member states of the sub-region based on a heightened appreciation of the need for regional integration and a clearer understanding of the past failures. With the appreciation of the successes of a plethora of integrative mechanisms in other climes, there is the advocacy of entrenching a pattern of development premised on the forces of integration in the West African sub-region in an all-round sense with an urge for economic cooperation as the basis of economic and political transformation. These efforts culminated in the formation of the ECOWAS in 1975 with the introduction of steps for a monetary union in the sub-region. Nevertheless, it is not yet Uhuru as there has been no positive integrative story to tell in this regard after several years of the ECOWAS and countless attempts for the institutionalization of a common currency especially as the continent becomes threatened increasingly by its failure to cope with the challenges of development and globalisation. Thus, with the current integrative reforms in ECOWAS with new dates for a monetary union, there is a renewed impetus to tackle the challenges of the emerging global order in the quest not to be left out in the scheme of things. A conscious effort to expand economic and political space as well as the needed instrument to strengthen integration in the sub-region is entrenched. This paper therefore, examines the current integration efforts of the ECOWAS and its bid for a single currency in the sub-region; to show in practical terms the current development and project future challenges.

Conceptual Clarification

Integration

Integration within the context of this work is subsumed in the fact that people come together to form communities on the basis of parameters such as political affiliation, military prowess, economic potentials, common language, culture and other needs as the case may be. This need due largely premised on the inability of individual states to meet them all necessitates communities to integrate and nations to emerge (Thomas, 2010). According to Black T. (1999), Integration is the unification of economic policies between different states through the partial or full abolition of tariff and non-tariff restrictions on trade taking place among them prior to their integration. It revolves around the quest for the removal of restrictions to trade and other viable economic activities in the interest of overall development of the sub-region.

Karl Deutsch (1971) and other early theorists like Dogherty, have noted that authentic regional integration encompasses the whole system. In reality, regional economic integration is a process, in which, seemingly, participating countries inexorably seek inter alia, economics of scale, increased commercial activities, and uninhibited factor mobility, via institutional integration and policy integration both of which refer to the growth of collective decision making and the sharing of responsibility for policies beneficial to member states (Babarinde, 1996).

This is meant in turn to lead to lower prices for distributors and consumers with the goal of increasing the combined economic productivity of the states. This entails a process by which two or more nation-states agree to work closely together within a region or sub-region to achieve peace, stability and development through the harmonization of policies by member states. Usually integration involves one or more written agreements that describe the areas of harmonization in detail as well as some coordinating bodies representing the countries involved. This usually begins with economic or trade agreement and as it continues it develop to include economic, social or political integration. However, for the purpose of this work, financial or monetary integration is examined.

Monetary Integrationor monetary union as it can be referred to entails an agreement between two or more states creating a single currency area. A monetary union involves the irrevocable fixation of the exchange rates of the national currencies existing before the formation of a monetary union. Historically, monetary unions have been formed on the basis of both economic and political considerations. A monetary union is accompanied by setting up a single monetary policy and establishing a single central bank or by making the already existing national central banks the integrative units of a common central banking system. Usually, a monetary union involves the introduction of common banknotes and coins. This function, however, might be split among the participating states. Either they may be granted the right to issue coins or banknotes on behalf of the common central banking system or the respective national currencies become denominations of an invisible common currency. The most prominent example of a monetary union at the turn of the 21st century was the creation of a single currency among most European Union (EU) countries the euro. This example demonstrates the interplay of economic and political factors in the process of setting up a monetary union. From an economic point of view, a monetary union helps reduce transaction costs in an increasingly integrated regional market. It also helps increase price transparency, thus increasing inner-regional competition and market efficiency. In addition, a monetary union was seen to be an essential step toward the further political integration of the EU. Narrowing it down to the West African sub-region, it is believed that a monetary union would do for ECOWAS what the EU has done for Europe.

Theoretical Framework

Babarinde (1996) opined that there are three broad approaches to integration. The *FederalistStrategy which* calls for a federal structure, whereby political power is legally shared between the national and the supranational levels of government in which states will have to surrender part of their sovereignty to the newly created supranational institutions. At the other end of the theoretical spectrum is the *Functionalist Strategy*. Simply put, this approach refers to a mere functional cooperation by participating countries. Conceivably, this road to regional integration does not require member states to part with an iota of their autonomy. It merely entails and encourages inter-governmental cooperation (Lodge cited in Babarinde, 1994).

The third regional integration strategy is an advancement of the two models discussed above as some would argue that it is the synthesis of other theories of integration. The *Neo-Functionalist Strategy* posits that regional integration can best be achieved via the creation of specialized administrative institutions at the trans-national level, which shall endeavor to demonstrate the relevance and worthiness of regional integration to member states. If they are successful with their modest tasks, the argument goes; the supranational entities would be accorded more competencies by member states (Lodge, 1994).

This approach is fundamental to the study of this work because, according to Dogherty and Pfaltzgraf (1996:422),

Such functions transcend the capacity of the nation–state to achieve satisfactory solutions by unilateral means. Therefore, states are said to have had an interest in cooperative *relationships designed to find mutually acceptable solutions to common problems. The successful performance of functional activities by bodies that had taken over specific tasks and authorities from governments would bring nations closer together and build a common interest in peace. Instead of eng-aging in controversies over political schemes, states could easily take part in working arrangements that involves practical household tasks. As governments cede more and more of their tasks to these worldwide organizations, economic unification would not only promote a working peace, but would be the foundations for broader political agreement as well.*

Therefore cooperation in one area will lead to another. In essence, the process by which such integration emerges is as a result of perceived need in one functional task or the other which would in itself contribute to a change in attitudes in favor of even greater integration over a widening spectrum of issues which the issue of monetary union does not fall short of. Integration theorists like Mitrany see integration as cooperative mode and specifically, in functional arena in which the need for such cooperative behaviour is believed to exist. However neo-functionalism remained the most valid tool in underpinning this study despite its inadequacies in terms of too much emphasis on the roles of administrative institutions to the detriment of the roles of sovereign states. The focus of neo-functionalists has rather provided fervent basis for rich comparative analysis with other regional efforts including Europe. Besides the wherewithal of the African states helps to shape these processes and thus, explains the patterns and attempts at economic integration that is inherent in the ECOWAS objectives of achieving a monetary union and development in the continent.

Modeled along the integration patterns of the EU, it can be said with relative ease that the ECOWAS got its impetus from the workings of the EU but has not been able to meet the convergence criteria to attain the status of a monetary union even though there has been countless efforts to attain that fit.

To guide an understanding of the monetary integration of the ECOWAS, attempts would be made to shed light on previous efforts, current challenges and hopes for the future.

History of Common Currency in ECOWAS

The idea of creating a single currency within ECOWAS was launched in May 1983 by the Conference of Heads of State and Government (Decision A/DEC./6/5/83 relating to the proposal to establish a single ECOWAS Monetary Zone). In 1987, the Heads of State and Government of the Community Member States, by Decision A/DEC.2/7/87 relating to the adoption of an ECOWAS monetary cooperation programme (EMCP), expressed their desire to create a single monetary zone within ECOWAS.

In the light of the mixed results achieved in the implementation of the EMCP, the Conference adopted a new approach which sought to accelerate monetary integration. In this regard, Decision A/DEC.7/12/99 relating to the adoption of the ECOWAS Macroeconomic Convergence Criteria was adopted in Lome. This instrument which was thus adopted comprises ten macroeconomic convergence criteria, four of which are primary criteria and the six others are secondary criteria that Member States should comply with prior to the institution of the ECOWAS single currency in 2004.

As part of this new accelerated procedure, the Heads of State and Government of the Gambia, Ghana, Guinea, Nigeria and Sierra Leone signed, on 15 December 2000 in Bamako, the

agreement to establish the West African Monetary Zone (WAMZ), whose currency was scheduled for January 2003.
However, the launch date for the second regional currency has been postponed four times, namely, from January 2003 to December 2005, later from December 2005 to December 2009 and then from December 2009 to 1 January 2015 and finally from 2015 to the 2020 deadline. Premised on delays and consistencies in the postponements of the take off date of the single currency in the region due largely to the unpreparedness of the member countries of the region, this paper is significant in its bid to call for a postponement of the start up date to 2025.

The idea behind this suggestion revolves around the fact that this is a 2019 study and 2020 which is the proposed deadline is around the corner and as at today, only Burkina Faso is adjudged to have met the convergence criteria. It would be an intellectual, political and economic policy accuracy to seek a postponement to the year 2025 when ECOWAS would clock its 50th anniversary. That would on its own give the member countries ample opportunities to meet the requirements for the launch of a single currency cum monetary union in West Africa.

The original plan of the ECOWAS in retrospect is to hold the 2020 deadline sacrosanct. However, due to delays in the implementation of the second regional currency, the Conference of Heads of State of ECOWAS, in Abuja on 15 June 2007, requested the ECOWAS Commission to review the monetary integration process with a view to accelerating the launch of the regional monetary union. This directive of the Authority entailed a series of meetings of the institutions involved and was crowned by the adoption of the ECOWAS Convergence Council, on 25 May 2009, on the **Roadmap for the ECOWAS single currency in 2020**. This paper without being pessimistic doubts the possibility of a monetary union in 2020 and calls for a consideration for a later date.

The adoption of the roadmap for the ECOWAS single currency seeks, through the implementation of planned activities, to transform the ECOWAS region to an optimum currency area. An optimum currency area (OCA) is a geographic region in which it would be beneficial to establish a single currency. Such an area can group several countries or may also involve a few regions of a great country. In practice, the theory of optimum currency area is to define the conditions under which the benefits of participation in a monetary union will outweigh the associated costs.

In the position of this paper however, a postponement is sought on the premise that the assessment report on the implementation of activities of the Roadmap on the ECOWAS Single Currency Programme, which was adopted in October 2013 in Lagos, identified several constraints in its implementation, notably the following:

- ✓ Inadequate financial resources to support the implementation of some key activities of the roadmap;
- ✓ Inadequate human resources (in quantity and quality) to ensure the implementation of certain activities of the roadmap in an efficient manner and at the proper date at both regional and national levels;
- ✓ Low capacity shown by some Member States in producing reliable statistics and in good time for multilateral surveillance activities;
- ✓ Insufficient political will to speed up the ratification, domestication and implementation of legal instruments (conventions and protocols);

- ✓ Low level of effective participation by Ministers of Finance and Governors of Central Banks in meetings of the ECOWAS Convergence Council;
- ✓ Lack of awareness of the effective implementation of the ECOWAS Single Currency Programme among the populations as well as among targeted actors and specific groups, such as the authorities in charge of immigration, parliamentarians, customs officials, etc.;
- ✓ Frequency of external shocks affecting the fiscal and external performance of Member States and, consequently, performance in terms of macroeconomic convergence;
- ✓ Structurally weak taxation base within a context of high incompressible expenditures.

Having examined the aforementioned hiccups and pitfalls, it is worthy of note that When measured in traditional terms, the successes of African regional schemes have been rather limited. According to Mistry (2000), only the arrangements in francophone West Africa and in southern Africa have had limited success and prospects with the issue of a monetary union, while attempts at deeper economic integration in the rest of the Africa have not produced discernible benefits (Mistry 2000, 556-557). Mistry has compiled a long list of reasons for this failure, but it is sufficient to highlight the first three of the reasons he puts forward.

- ✓ The failure of African governments to translate their commitments in regional treaties and agreements into substantive changes in national policies, legislation, rules and regulations. There was no follow-through in translating regional commitments into national actions.
- ✓ The unwillingness of African governments to subordinate immediate national political interests in order to achieve long-term regional economic goals or to cede the essential elements of sovereignty to regional institutions
- ✓ The absence of monitoring and enforcement mechanisms to ensure adherence to agreed timetables on such matters as tariff and NTB [non-tariff barrier] reductions or in achieving more difficult objectives. (Mistry 2000, 558)

The suggested reasons for failure can be divided into two groups. The first are related to the shortcomings of the methods and strategies applied by regional cooperation organisations. The most common problem has been the inapplicability of the import substitution strategy and protectionism of most regional groupings during the first wave of regionalism (for example Kennes 1997; Mistry 2000, 557). The other group of problems is more fundamental, and it is summarised above in the three examples by Mistry. It appears that these reasons are in line with other analysis on the reasons for failure (for example Laaporte 1995; Nomvete 1993).

Irrespective of the way used to categorise the reasons and the names applied to describe the reasons, it appears that all the analyses centre around the same problems. 'An absence of monitoring and enforcement mechanisms' on the regional level effectively explains why governments have been able to default on their regional commitments. The secretariats of regional organisations have been weak, and none of the regional organisations has had a similar judicial organ to the European Court of Justice. There has not been a party that would have promoted the regional interest or overseen that regional commitments are effectively turned into national policies as has been the case with the European Commission. Already in the design of the regional organisations, member states have aimed at granting as little power as possible to the supranational level. And the last phrase of the second reason provided by Mistry explains why this has happened ' [the unwillingness of African countries] to cede the essential elements of sovereignty to regional institutions' has been a common feature for all regional arrangements.

Progress in meeting the convergence criteria within ECOWAS and the way forward

In order to achieve the closest coordination of economic policies of the Member States and the convergence of national economies, Decision A/DEC.17/12/01 on the creation of a Multilateral Surveillance Mechanism of Economic and Financial Policies of ECOWAS Member States which was adopted by the Conference of Heads of State and Government in December 2001 should be reinforced now that 2020 is around the corner then a later date settled for in terms of its operationalization.

By the above mentioned Decisions A/DEC.7/12/99 (Art.3) and A/DEC.17/12/01(Art.7), Member States will be invited to develop and submit to ECOWAS and the West African Monetary Agency (WAMA) their multi-year convergence programmes. To overcome the lack of a formal framework which describes the form and content of the convergence programmes, as well as their adoption procedures, specific arrangements for transmission and evaluation of these programs and even a clear definition of a convergence time horizon, Supplementary Act A/SA.4/06/12 on the ***Macroeconomic Stability and Convergence Pact among ECOWAS Member States which*** was adopted by the 41st Ordinary Session of Heads of State and Government held in Yamoussoukro on 29 June 2012 should be reviewed and marks set out for the formal commitment made by the ECOWAS Member States towards achieving the ECOWAS monetary union with a single currency.

Conclusion

Truly, ECOWAS has potentials to actualize a more vibrant integration premised on economic gains of its Member States particularly around the actualization of a monetary union than what is on ground today. If the leaders of ECOWAS members want the process of integration to succeed, they need to put these considerations aside. Member states have to be willing to limit their sovereignty in favour of the regional organisation if they want the process of integration to be successful. This means that the elite has to be ready to transfer part of its powers to the supranational level and on the other hand, be ready to implement on a national level the decisions made on the supranational level. Especially, political will is needed from all member states particularly those with larger economies to propel the affairs of ECOWAS. It has to be ready to accept its role as a responsible hegemon of the region if the process of integration is not to cause asymmetries in the economic development of the region.

Today, ECOWAS must take another step in developing its operational capabilities and generating tangible impacts on Member States and the Community citizens. Consequently, it would fully meet the targets set in the Constitutive Treaty and celebrate its fiftieth anniversary in 2025 by becoming a successful model of a monetary union in Africa**.**

Recommendation

Equitable distribution of integration gains: Related to the above is the need to have a mechanism which will ensure that integration gains will not be distributed haphazardly among integrating members with particular emphasis on the trend in the West African sub-region which the ECOWAS is championing. This will allay the fears of domination by member states in an event of a monetary union.In this regard, there is the need to put in place well designed and adequately funded compensatory machinery for countries with small and vulnerable economies.Here, the EU idea of subsidiary and flexible integration which make room for consideration of members with objection needs to be incorporated into ECOWAS strategy of integration is not only germane but a necessity if the ECOWAS is to succeed in its modest task of integration.

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