



FORTY FIRST ORDINARY SESSION OF THE AUTHORITY OF HEADS OF STATES AND GOVERNMENT

Yamoussoukro, 29 June 2012

SUPPLEMENTARY ACT A/SA.4/06/12 RELATING TO THE MACROECONOMIC CONVERGENCE AND STABILITY PACT AMONG THE ECOWAS MEMBER STATES

THE HIGH CONTRACTING PARTIES

Mindful of Article 7, 8 and 9 of the ECOWAS Revised Treaty establishing the Authority of Heads of State and Government and defining its composition and functions;

Mindful of Articles 51 and 55 of the said Treaty on the completion of the Economic and Monetary Union of the Community;

Mindful of Decision A/DEC.6/5/83 relating to the proposal for the creation of an ECOWAS Single Monetary Zone;

Mindful of Decision A/DEC.2/7/87 adopting a monetary cooperation programme which provides for the creation of a single monetary zone in the ECOWAS region;

Mindful of Decision A/DEC. 3/5/90 relating to the completion of the ECOWAS Monetary Cooperation Programme;

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Mindful of Decision A/DEC.1/08/94 on the acceleration of the implementation of the ECOWAS Monetary Cooperation Programme;

Mindful of Decision A/DEC.7/12/99 adopting macroeconomic convergence criteria within the framework of the ECOWAS Monetary Cooperation Programme;

Mindful of Decision A/DEC.17/12/01 creating a Mechanism for the Multilateral Surveillance of Economic and Financial Policies of ECOWAS Member States;

Considering that the creation and operationalization of a viable ECOWAS economic and monetary union requires the creation of a mechanism for the multilateral surveillance and coordination of the economies of Member States as well as the harmonisation and convergence of their economic and financial policies;

Acknowledging that the adoption and effective implementation of the Macroeconomic Convergence and Stability Pact by the Member States are important steps to ensure the creation of an ECOWAS single currency;

Considering that deepening multilateral surveillance depends on the establishment of an efficient institutional and organisational mechanism to improve the monitoring, evaluation and management of economic policy objectives with a view to achieving macroeconomic convergence and stability in conformity with the roadmap for the single currency programme;

Desirous of effectively implementing the roadmap of the ECOWAS single currency programme;

Determined to achieve the convergence objectives and indicate specific practical organisational and implementation modalities for the ECOWAS multilateral surveillance mechanism;



ON THE PROPOSAL OF the Meeting of the Convergence Council held in Lome on 14 October 2011;

ON THE RECOMMENDATION of Sixty Seventh Session of the Council of Ministers held in Abuja from 19 to 21 December 2011;

Hereby agree as follows:

ARTICLE 1

The Supplementary Act relating to the Macroeconomic Convergence and Stability Pact among the Member States of the Economic Community of West African States is hereby adopted.

Article 2: Definitions

For the purpose of this Supplementary Act, the following meanings shall apply:

Convergence Council: The Convergence Council comprising the Ministers of Finance and Governors of the Central Banks of the Member States as provided for in Article 3 of Decision A/DEC.17/12/01

Convergence criteria: Convergence indicators comprising primary and secondary criteria

Primary criteria: Indicators for which non-compliance may lead to the explicit formulation of a Council regulation urging the Member State concerned to develop and implement a programme of corrective measures

Secondary criteria: Indicators aimed at facilitating compliance with, and the viability of, the primary criteria. They shall be used in the formulation of economic policy recommendations aimed at ensuring compliance with primary criteria



Member State:	Any State that has signed and ratified the Revised ECOWAS Treaty
Pact:	The macroeconomic convergence and Stability Pact instituted by this Supplementary Act
Convergence programme:	Multi-year convergence Programme
Multilateral Surveillance:	The Community mechanism for the definition and monitoring of the economic and financial policies of the Member States provided by Decision A /DEC.17/12/01 of 21 December 2001

Article 3: Objectives of the Agreement

1. The macroeconomic convergence and stability Pact shall define and indicate the formal undertaking of the ECOWAS Member States with a view to achieving the ECOWAS single monetary union.
2. The purpose of the macroeconomic convergence and stability Pact shall be to:
 - a. Ensure the coordination of economic policies;
 - b. Strengthen the convergence of the economies of the Member States;
 - c. Reinforce the macro-economic stability;
 - d. Strengthen monetary cooperation.



3. The Pact shall define the adoption procedures as well as the modalities for the implementation and evaluation of the convergence programmes. It shall constitute a community instrument for ensuring a coordinated implementation of the multilateral surveillance mechanism of macroeconomic policies within ECOWAS.

Article 4: Organisation of the Pact

1. The Pact shall be centred on the programmes in compliance with the Community's macroeconomic convergence and stability objectives.
2. It shall be implemented in two (02) stages:
 - a. Convergence stage, from 1st January 2012 to 31st December 2016;
 - b. Performance stability and consolidation stage, with effect from 1st January 2017.

Article 5: Convergence programme

With a view to implementing the Pact, each Member State shall develop a convergence programme aimed at achieving the medium-term convergence objectives. The programme shall be on for five (5) years rolling basis.

Article 6: Content of the convergence programme

1. The programme shall be developed in conformity with the guidelines for the development of the ECOWAS long-term convergence programme.
2. It shall include the following information:



- a. Assessment of the economic developments achieved by the Member States during the last three (03) years;
- b. Growth of the economic activity of the Member State in the financial year through the different macroeconomic accounts. This shall concern the achievements, objectives for the financial year and the major hypotheses relating to the estimated economic growth as well as the important economic variables that may have influence on the implementation of the convergence programme;
- c. The economic growth prospects during the convergence programme implementation period;
- d. Description of the economic policy measures to be implemented with a view to achieving the programme objectives vis-à-vis the convergence criteria;
- e. Development of the convergence criteria profile during the programme implementation period indicating the number of macroeconomic criteria that may or may not be achieved;
- f. The challenges relating to the achievement of the convergence criteria and, if need be, the measures envisaged to take up the challenges.

Article 7: Coordination and coherence of the programmes

1. The programmes shall constitute a coherent unit aimed at consolidating the restoration of the macroeconomic framework.
2. The convergence programmes shall be consistent with the economic and financial programmes being implemented and signed with the international institutions. They shall also be consistent with the financial laws of the Member States.



Article 8: Types of convergence programmes

Three types of programmes shall be identified for the implementation of the Pact:

1. ***Initial programme:*** first five-year convergence programme developed by each Member State for the period of 2012-2016;
2. ***Updated programme:*** rolling convergence programme updated annually;
3. ***Revised programme:*** developed or amended convergence programme that takes into account the corrective measures in conformity with the convergence Council decisions.

Article 9: Convergence programmes submission period

Member States shall officially submit their convergence programmes to the Commission no later than 31st October every year. The Commission shall acknowledge receipt of the programmes and shall consider it within thirty (30) days following receipt thereof.

Article 10: Evaluation of the convergence programmes

1. The Convergence Council shall undertake annual evaluation of the convergence programmes based on the report of the technical committee on macroeconomic policies.
2. The evaluation of the programmes shall be based on:
 - a. compliance with the development guidelines for the long-term convergence programme;
 - b. consistency with the other programmes being implemented in the Member State;



- c. consistency with the macroeconomic framework;
 - d. relevance of the hypotheses;
 - e. compliance with the convergence criteria;
 - f. continuous improvement of indicator profiles;
 - g. economic policy measures envisaged.
3. The technical Macroeconomic Policies Committee shall submit an evaluation report alongside observations and recommendations to the Convergence Council for adoption. Where a programme is considered non-compliant with Pact objectives, the Convergence Council shall urge the Member State concerned to revise its programme.
 4. Where consideration of the mid-term reports shows that the convergence criteria profile tends to be contrary to community objectives, the Convergence Council may, on the recommendation of the Technical Committee, adopt the relevant corrective measures.
 5. The revised programme shall be submitted to the ECOWAS Commission within forty-five (45) days with effect from the date of notification thereof. The Commission shall express its opinion on the revised programme, which may be accompanied, if required, with proposed corrective measures to the Technical Committee for adoption by the Convergence Council through a Council Decision.

Article 11: Adoption of the convergence programmes

The convergence programmes developed and approved by the competent authority shall be submitted to the annual session of the Convergence Council held in December for adoption in the form of a Decision.



Article 12: Convergence criteria

1. The macroeconomic convergence criteria shall comprise eleven (11) primary and secondary criteria. Member States shall comply with at least the primary criteria with a view to achieving convergence.

6. Primary criteria

The primary criteria shall be the following four (4):

- i. Ratio of budget deficit (commitment basis) to GDP : lower than or equal to 3%;
- ii. average annual inflation rate: lower or equal to 5%;
- iii. central bank financing of budget deficit : lower than or equal to 10% of the previous year's tax revenue; and
- iv. Gross external reserves: higher or equal to six (6) months of imports.

7. Secondary criteria

The secondary criteria shall be the following seven (7):

- i. arrears: non-accumulation of new domestic and external arrears;
- ii. Ratio of tax revenue to GDP : not less than 20%;
- iii. Ratio of wage bill to tax revenue : not more than 35%;
- iv. Ratio of domestically financed public investment to tax revenue : not less than 20%;
- v. Ratio of total public debt to GDP : not more than 70%;
- vi. Nominal exchange rate: stable (+/- 10%);
- vii. Real interest rate: positive.



Article 13: Modification of the criteria

The Convergence Council shall be competent to modify the convergence criteria and their targets as well as the computation methodology.

Article 14: Compliance with the criteria

1. The convergence criteria profile shall be continuously improved to ensure compliance with identified community standards. The annual objectives of the convergence programmes shall be identified in conformity with this guideline.
2. The Member States shall maintain the status of performance achieved in compliance with identified standards for the convergence criteria.
3. In exceptional circumstances, temporary degradations shall be appraised in conformity with Article 18 of this Supplementary Act.

Article 15: Convergence deadline

The macroeconomic convergence deadline shall be 31 December 2016. All Member States shall comply with all primary criteria by that date.

Article 16: Convergence Phase

The Convergence phase shall cover the period: 1st January 2012 to 31 December 2016. During that period, Member States shall put in place macroeconomic policies aimed at achieving the convergence criteria, in particular the primary criteria. The Community shall enter into the stability and consolidation phase when all Member States have complied with the primary criteria.



Article 17: Stability and consolidation phase

8. The stability and consolidation phase shall commence on 1st January 2017. During that period, the Member States shall strengthen their achievements and implement macroeconomic policies aimed at achieving healthy and sustainable growth.
9. When a Member State records a degradation relating to a primary criterion leading to non-conformity with the standard identified, the provisions of Article 18 shall apply.

Article 18: Implementation of corrective measures

During the convergence phase or the performance consolidation and stability phase, in case of the degradation of a primary criterion leading to non-compliance with the identified standards, the Member State concerned shall implement corrective measures within the deadline indicated by the Convergence Council except in exceptional circumstances.

Article 19: Exceptional circumstances and their determination

10. By virtue of this Supplementary Act, a situation may be considered exceptional if non-compliance with any primary criterion originates from absolute necessity:
 - a. leading to an unfavourable economic growth in the form of a significant decrease of the real GDP, and if the Convergence Council considers that it is attributed economic reasons;
 - b. resulting from internal and/or external shocks in the form of unprecedented reduction in budget revenues, significant increase in the general price level, and if the Convergence Council considers that there is temporary derailment;
11. An exceptional situation may be considered temporary when, on the basis of analyses conducted by the Technical Committee, the Convergence Council concludes that a Member State may comply with the identified target when the degradation is removed.



Article 20: Implementation of the Pact

The Convergence Council shall indicate through a resolution or recommend any measure required for the coordinated implementation of the Pact, notably:

- a. Adoption of the guidelines for the development of the long-term convergence programme;
- b. adoption and evaluation of the convergence programmes stipulated in Article 10 of this Supplementary Act;
- c. definition and modalities for the consideration of the exceptional circumstances within the meaning of Articles 14, 18 and 19 of this Act;
- d. Definition of an incentive/sanction mechanism to guarantee the credibility of the multilateral surveillance.

Article 21: Entry into Force and Publication

1. This Supplementary Act shall enter into force from the date of its signature by the Chairman of the Authority of the Heads of State and Government of ECOWAS and shall be published in the Official journal of the Community.
2. The present Supplementary Act supersedes any previous contrary provisions.

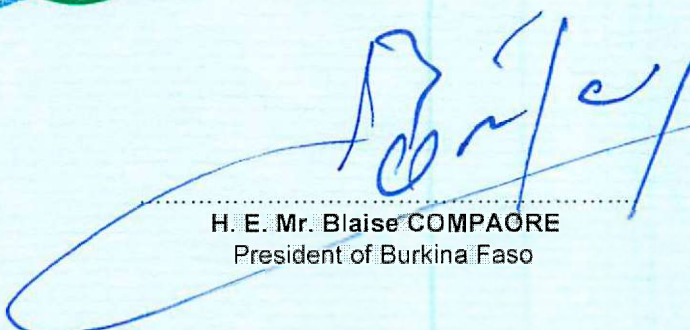
**IN FAITH OF WHEREOF, WE, THE HEADS OF STATE AND
GOVERNMENT OF THE ECONOMIC COMMUNITY OF WEST
AFRICAN STATES (ECOWAS) HAVE SIGNED THIS
SUPPLEMENTARY ACT**

DONE IN YAMOUSSOUKRO, THIS 29TH DAY OF JUNE 2012


**IN SINGLE ORIGINAL, IN THE ENGLISH, FRENCH AND
PORTUGUESE LANGUAGES, ALL THREE TEXTS BEING EQUALLY
AUTHENTIC**






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H. E. Dr. Thomas Boni YAYI
President of the Republic of Benin

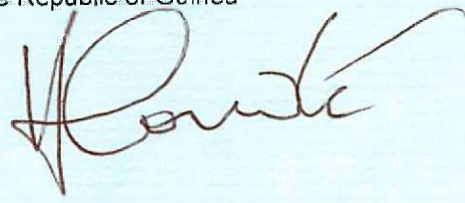

.....
H. E. Mr. Blaise COMPAORE
President of Burkina Faso



.....
H. E. Mr. Jorge Borges
Minister of Foreign Affairs, For and on behalf
of the President of the Republic of Cape Verde


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H. E. Mr. Alassane OUATTARA
President of the Republic of Côte d'Ivoire
Chairman of the Authority of Heads of State
and Government of ECOWAS


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S. E. Mr. Ousman SONKO
Minister of Interior and NGO Affairs, For and
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The Gambia


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H. E. Amb. Chris KPODO
Deputy Minister for Foreign Affairs and
Regional Integration, For and on behalf
of the President of the Republic of Ghana


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H. E. M. Edouard NIANKOYE LAMAH
Minister of Foreign Affairs and Guinean in
Diaspora, For and on behalf of the President
of the Republic of Guinea


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H. E. Mr. Manuel Serifo NHAMAJO
Interim President of the Republic
of Guinea Bissau



H. E. Mrs. Ellen JOHNSON-SIRLEAF
President of the Republic of Liberia

H. E. Mr. Cheick Modibo DIARRA
Prime Minister of the Transitional
Government of the Republic of Mali

S. E. Mr. Mahamadou ISSOUFOU
President of the Republic of Niger

H. E. Dr. Nurudeen MOHAMMAD
Honourable Minister of State for Foreign Affairs
For and on behalf of the President of the
Federal Republic of Nigeria

H. E. Mr. Macky SALL
President of the Republic of Senegal

H. E. Mr. Ernest Bai KOROMA
President of the Republic of Sierra Leone

H. E. Mr. Faure Essozimna GNASSINGBE
President of the Togolese Republic