



UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

DOCUMENTS OFFICE

PHILIB COPY

NO TO BE TAKEN OUT



Distr.: GENERAL

E/ECA/CM.9/9
8 February 1983

Original: ENGLISH

31785

ECONOMIC COMMISSION FOR AFRICA
SILVER JUBILEE ANNIVERSARY MEETINGS
Fourth meeting of the Technical
Preparatory Committee of the
Whole
Addis Ababa, Ethiopia, 14-22 April 1983
Item 5 (f) of the provisional agenda

ECONOMIC COMMISSION FOR AFRICA
SILVER JUBILEE ANNIVERSARY MEETINGS
Eighteenth session of the Commission
and ninth meeting of the Conference
of Ministers of the Commission
Addis Ababa, Ethiopia, 27 April - 3 May 1983
Item 12 (f) of the provisional agenda

ESTABLISHMENT OF AN AFRICAN MONETARY FUND

Executive summary*

* The present summary constitutes the main document for the consideration.

ESTABLISHMENT OF AN AFRICAN MONETARY FUND

1. The Assembly of Heads of State and Government of the Organization of African Unity at the economic summit held in Lagos, Nigeria, in April 1980, after considering the financial and monetary problems of African countries, decided inter alia that an African Monetary Fund should be established not later than 1985 to assist in overcoming these problems. In view of the importance and urgency which the Heads of State and Government attached to this decision, they directed that "a high-level expert group should be set up as soon as possible to study and recommend the modalities for the establishment of an African Monetary Fund and submit its report thereon to the Ministerial follow-up 'Committee on International Trade and Finance for African Development' not later than 1982".
2. To prepare the ground for the meeting of the high-level group, the ECA secretariat convened a meeting of representatives of the secretariats of OAU, ADB, the African Centre for Monetary Studies (ACMS), the West African Clearing House (WACH) and the African Institute for Economic Planning and Development (IDEP) from 5 to 7 April 1982 in Addis Ababa. This meeting prepared draft guidelines for the establishment of an African Monetary Fund (AfMF), draft terms of reference for the feasibility study on the establishment of AfMF and a tentative work schedule for the implementation of the AfMF project for submission to the high-level group meeting.
3. Accordingly the first meeting of the high-level group of experts from central banks and ministries of finance took place from 4 to 7 October 1982 to discuss and agree on the modalities for the establishment of the proposed AfMF.
4. The high-level group of experts was fully aware of the fact that the contribution made by the International Monetary Fund (IMF) in assisting African countries to overcome their financial and monetary problems and in particular their balance-of-payments problems had been very limited.
5. The so-called reform of the international monetary system which followed the breakdown of the Bretton Woods system in August 1971 left virtually unsolved the economic problems of developing countries, and in particular those of African countries. As a result, the use of IMF facilities by its African member countries has been confined almost entirely to what was available on relatively easy terms, such as the reserve and credit branches. Although IMF has of late made some improvements in its conditionality clauses, the impact thereof has not been adequate.
6. The balance-of-payments deficits of African countries have therefore continued to rise. In the circumstances many African countries have shifted from official to private sources of credit to finance these deficits, with the result that they now face heavy debt burden and debt servicing problems.
7. The high-level expert group was also aware of the fact that, as stated in the Lagos Plan of Action,

"Sound foundations must of necessity be laid for setting up rational monetary and financial systems in Africa at both the subregional and regional levels to overcome the problems of multiplicity of currency zones, and the inconvertibility of most of the currencies in the region and the non-existence or at best the grossly under-developed nature of financial and capital markets.

"It is only when this is done that meaningful monetary and financial relations can be established with countries outside the region to ensure that Africa derives optimal benefits and consequently minimizes costs resulting from current international monetary and financial imbalances".

8. Against this background the experts were of the view that the main objective of the AfMF would be to further the socio-economic development of member States, through promotion of financial and monetary co-operation and integration among them. They felt that this could be achieved, not only through provision of financial assistance for balance-of-payments purposes, which would be additional to and not a substitute for that already provided by IMF, but also through other forms of monetary and financial assistance.

9. As a result the high-level expert group proposed that the broad objectives of AfMF should, be, inter alia, to: 1/

(a) Assist in providing finance for balance-of-payments deficits on current account and for structural adjustments in the economies of member States to improve their balance-of-payments positions;

(b) Promote the liberalization of trade and work towards the eventual elimination of payments restrictions among countries of the region and facilitate the linkage of all subregional clearing and payments arrangements into an African clearing and payments union which may constitute a window within the African Monetary Fund;

(c) Promote co-operation in monetary policies among African countries and work towards the development and eventual establishment of an African common currency.

10. After deciding that the studies should be undertaken by such African institutions as OAU, ECA, ADB, ACMS and IDEP, the meeting agreed on a tentative work schedule for the implementation of the AfMF project which, if followed, would result in the actual establishment of the Fund by 1985, as called for by the Heads of State and Government.

1/ See Guidelines for the feasibility study on the establishment of an African Monetary Fund (as adopted by the first meeting of the Intergovernmental Group of Experts from Central Banks and Ministries of Finance (E/ECA/ITF/IAT/WP.6/Rev.1) for full coverage of the proposed objectives and functions of the Fund.

11. This tentative work programme includes the following:

PHASE I

April 1982

Preparatory meeting on the implementation of the AfMF project by representatives of ECA, OAU, ACMS, ADB, IDEP, WACH and the Central African Clearing House (CACH), 5 to 7 April 1982, Addis Ababa, Ethiopia.

May/August 1982

15 May 1982: Revised draft guidelines to be completed and despatched by ECA to all participating secretariats;

20 June 1982: Participating secretariats to send to ECA their respective contributions to the guidelines;

20 July 1982: Final draft guidelines to be sent to member countries.

October 1982

First meeting of the Inter-governmental Group of Experts from Central Banks and Ministries of Finance, 4 to 7 October 1982, Addis Ababa, Ethiopia to:

- (a) Review and approve the draft guidelines for the establishment of AfMF;
- (b) Review and approve the draft terms of reference for the feasibility study on the establishment of AfMF;
- (c) Decide on the date and venue for consideration and decision on the completed study and the draft AfMF Articles of Agreement by the Inter-governmental Group of Experts and agree on a time-table for the finalization of feasibility study and the draft AfMF Articles of Agreement.

PHASE II

November/December 1982

Missions to relevant institutions to collect necessary information and data for the study including:

- (a) Andean Reserve Fund, Bogota, Colombia, 1 to 5 November 1982;
- (b) The Central American Stabilization Fund; 8 to 12 November 1982, San Jose, Costa Rica;
- (c) Bank for International Settlements (BIS), Basle, Switzerland, 15 to 20 November 1982;

(d) Arab Monetary Fund (AMF), Abu Dhabi, United Arab Emirates, 22 to 26 November 1982;

(e) European Monetary System, Brussels, Belgium, 29 November to 3 December 1982;

(f) IBEC System, Moscow, USSR, 6 to 10 December 1982;

(g) Relevant African institutions and selected African countries to collect information and hold consultations;

(h) Any other institutions that the study team may deem necessary to visit for the purpose of the study.

January-September 1983

January-June: Preparation and completion of technical studies;

July-September: Co-ordination and finalization of feasibility study;

Second meeting of the Inter-governmental Group to review the feasibility study.

October-November 1983

Drafting of AfMF Articles of Agreement on the basis of the feasibility study.

January 1984

Third meeting of the Inter-governmental Group of Experts to be held jointly with that of national legal experts to review the Articles of Agreement.

February 1984

Joint Conference of Ministers of Finance, Trade and Central Bank Governors to consider the AfMF Articles of Agreement and take appropriate decisions.

PHASE III

October 1984

Conference of Plenipotentiaries to adopt and sign the Articles of Agreement.

November 1984-April 1985

Ratification of the Articles of Agreement

August 1985

Entry into force of the Articles of Agreement, 1 August 1985.

Commencement of operations by AfMF.

12. It is hoped that, on the basis of the foregoing information, the Conference of Ministers might be in a position to approve or modify in any way it deems fit both the over-all approaches and the tentative work schedule for the implementation of the AfMF project regarding the objectives and functions of the Fund proposed by the high-level group of inter-governmental experts.