SUPPLEMENTARY ACT A/SP.2/02/12 RELATING TO THE MACROECONOMIC CONVERGENCE AND STABILITY PACT BETWEEN 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 relating to the creation of an ECOWAS single monetary zone;

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

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;

MINDFUL of Decision A/DEC.17/12/01 adopting macroeconomic convergence criteria within the framework of the ECOWAS Monetary Cooperation;

MINDFUL of Decision A/DEC.17/12/01 adopting macroeconomic convergence criteria within the framework of the ECOWAS Monetary Cooperation;

CONSIDERING that the creation and operationalisation 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 transport Ministers held in Yamoussoukro on the 17th of September 2011;

HAVING received the opinion of the ECOWAS Parliament;

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:**
The long-term macroeconomic convergence and stability 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 2: 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 3: 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 4: 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 last for five (5) years.

**Article 5: 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 programme implementation period; the convergence
   d. Description of the economic policy measures to be implemented with a view to achieving the programme objectives vis-a-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 6: 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 Finance Acts of the Member States.

Article 7: 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 8: 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 9: 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 10: 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 11: Convergence criteria

1. The macroeconomic convergence criteria shall comprise ten (10) primary and secondary criteria. Member States shall comply with at least the primary criteria with a view to achieving convergence.
   a. Primary criteria The primary criteria shall be the following four (4):
      i. budget deficit ratio excluding grants (commitment base) in relation to the gross domestic product (GDP): lower or equal to 4% by 2016;
      ii. average annual inflation rate: lower or equal to 5% by 2016;
iii. budget deficit financing by the Central Bank: lower or equal to 10% of fiscal revenues of the previous year by 2016;

iv. Gross reserves: higher or equal to six (6) months of imports by 2016.

b. Secondary criteria

The secondary criteria shall be the following six (6):

i. Arrears: new internal arrears shall be prohibited and all previous arrears shall be settled;

ii. Fiscal revenue/GDP rate: higher or equal to 20%;

iii. payroll/fiscal revenue ratio: lower or equal to 35%;

iv. public investments financed with international resources/fiscal revenue ratio: higher or equal to 20%;

v. real exchange rate: should be kept stable by each country;

vi. real interest rate: positive.

Article 12: Modification of the criteria

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

Article 13: 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.

Article 14: Convergence deadline

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

Article 15: 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 16: Stability and consolidation phase

1. 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.

2. When a Member State records a degradation relating to a primary criterion leading to non-conformity with the standard identified, the provisions of Article 17 shall apply.

Article 17: 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 18: Exceptional circumstances and their determination

1. 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;

2. An exceptional situation may be considered temporary when, on the basis of relevant analyses conducted by the Technical Committee, the Convergence Council concludes that a Member State may comply with the identified standard/criterion when the degradation is removed.
Article 19: 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:

- Adoption of the guidelines for the development of the long-term convergence programme;
- Adoption and evaluation of the convergence programmes stipulated in Article 9 of this Supplementary Act;
- Definition and modalities for the consideration of the exceptional circumstances within the meaning of Articles 13, 17 and 18 of this Act;
- Definition of an incentive/sanction mechanism to guarantee the credibility of the multilateral surveillance.

Article 20: 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.

2. It shall be published in the Official journal of the Community, within thirty (30) days of its signature by the Chairman of the Authority of the Heads of State and Government of ECOWAS.

Article 21: Depositary Authority

This Supplementary Act shall be deposited at the Commission which shall transmit certified copies thereof to all member States and register same with the African Union (AU), the International Civil Aviation Organization (ICAO) and such other organizations as may be decided by the Council.

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 ABUJA, THIS 17TH DAY OF FEBRUARY 2012

IN SINGLE ORIGINAL, IN THE ENGLISH, FRENCH AND PORTUGUESE LANGUAGES, ALL THREE TEXTS BEING EQUALLY ‘1 AUTHENTIC
H. E. Thomas Boni YAYI
President of the Republic of Benin

H. E. Blaise COMPAORE
President of Burkina Faso

H. E. Jose Maria Pereira NEVES
Prime Minister and Head of the Government of the Republic of Cape Verde

H. E. Alassane OUATTARA
President of the Republic of Côte d'Ivoire

H. E. Abdou KOLLEY
Minister of Fisheries, Water Resources and National Assembly Matters for and on behalf of the President of the Republic of The Gambia

H. E. Alhaji Muhammad MUMUNI
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H. E. Mrs. Ellen JOHNSON-SIRLEAF
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President of the Republic of Sierra Leone

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