



CONCEPT NOTE OF THE SYMPOSIUM ON THE THEME: "MONETARY INTEGRATION PROSPECTS IN AFRICA: LESSONS FROM THE EXPERIENCE OF THE EUROPEAN MONETARY AND FINANCIAL INTEGRATION"

I. CONTEXT AND RATIONALE

During its annual meetings, the Association of African Central Banks (AACB) organizes a Symposium to hold discussions and share experiences on topical issues relevant to monetary, banking and financial matters. In this regard, the proceedings of the symposium to be held during the next Annual Meetings in South Africa in August 2017, will focus on the theme: "Monetary Integration Prospects in Africa: Lessons from the Experience of the European Monetary and Financial Integration".

Against the backdrop of globalization and globalized economies, monetary union is perceived today by decision-makers as one of the preferred ways to build viable economic and political spaces that are able to withstand the various shocks that cross economies. After about 50 years of economic integration, the European Union (EU) managed to create its single currency in 1999, with the advent of the euro. Inspired by the success of this European monetary integration, some regions of the world, notably the Gulf countries, some South and South-East Asian States and the Mercosur countries (Argentina, Brazil, Uruguay and Paraguay) seek to establish monetary unions.

Africa has not been left out of this dynamic. The idea of monetary integration is not new in Africa. Indeed, the Organization of African Unity (OAU), which was replaced in 2000 by the African Union (AU), has since its creation in 1963 identified monetary integration as one of its priorities. In this regard, African countries have, since the 1980s, shown their willingness to create an African monetary area, with a common currency. This project envisaged the creation of a single currency in Africa in two stages. Firstly, the creation of a single currency in each Regional Economic Community (REC) and, secondly, the creation of the common African currency. Within some RECs, monetary unions already exist, such as the West African Monetary Union (WAMU) in West Africa and the Economic and Monetary Community of Central Africa (EMCCA) in Central Africa. To accelerate the process of monetary integration in Africa, the AACB, in collaboration with the African Union Commission (AUC), adopted in 2013 a joint AUC-AACB strategy for the creation of a currency and a central bank at the continental level.

However, recent economic and financial developments in Europe, in particular the sovereign debt crisis and its impact on the single European currency, have recalled the debate on the appropriateness of a single currency and its conditions for implementation. Moreover, a recent study¹ on the lessons to be drawn from the euro crisis seems to recommend to sit back in the ongoing monetary union processes in Africa, particularly in East and West Africa. Nevertheless, should specific difficulties encountered in some experiences call into question the monetary integration which appears to have many advantages, such as resilience to shocks and economic development, which should be easier to achieve in large economic groups.

II. OBJECTIVE OF THE SYMPOSIUM

The main objective of the Symposium is to promote exchanges among Central Bank Governors, policy-makers and the academic community on the prospects and challenges of monetary integration in Africa in the light of lessons learned from the experience of Europe, which established the single European monetary area in 1999, with the introduction of the euro as the common currency. It also aims at conducting in-depth reflections on the relevance of such a project in Africa, given the difficulties encountered by the euro area, in particular with the sovereign debt crisis, following which the issue of the exit of some countries from the euro area was raised.

During this meeting, discussions should focus on the strategies to be adopted for the establishment of a sustainable monetary area in Africa, but also on sharing the experiences of countries or sub-regions that have already created a single currency in Africa as well as on the prospects of monetary integration in the Sub-regions.

III. SUB-THEMES TO BE DISCUSSED

The discussions would focus on the following main sub-themes:

3.1. Monetary Integration: The European and African Experience

This sub-theme should make it possible to share not only the experience of the long process of economic and monetary integration in Europe, that led in 1999 to the advent of the euro area, which includes 19 member states out of the 28 of the European Union, but also on the experience of African countries which have established a monetary area.

The success of monetary integration projects in Europe and in some regions of Africa involved certain prerequisites, in particular the setting up of a specific institutional framework and a common monetary policy, sometimes in a context of heterogeneous economic structures.

¹/ See Gabriel Mougani : « Défis de l'intégration financière régionale et de la coordination monétaire dans la zone monétaire de l'Afrique de l'Ouest et dans la Communauté de l'Afrique de l'Est : Analyse et recommandations », Regional Integration Policy paper n° 003, Banque Africaine de Développement.

The aim is to share these experiences with a view to highlighting the lessons that could be drawn from these experiences of monetary integration in Africa and Europe. Discussions on this sub-theme could include the following points:

1. The benefits derived from monetary unions in general;
2. The prerequisites for the establishment of monetary unions;
3. The challenges to be met for African monetary integration:
 - a) The choice of the exchange rate regime in Africa in light of the European experience;
 - b) The choice of the initial exchange rates of currencies;
4. The legal mechanisms put in place by these countries in their monetary integration framework;
5. The lessons learned from the experiences of monetary integration in Europe and Africa.

3.2. Coordinating and Merging Monetary and non-Monetary Blocks in Africa for Monetary Integration

As part of their monetary cooperation program, African RECs are considering the establishment of monetary unions. Some countries in Africa already share a common monetary area for years, such as the West African Monetary Union (WAMU), comprising eight countries, and the Economic and Monetary Community of Central Africa (EMCCA), which has six countries, where the CFA franc circulates, and is pegged to the Euro. In addition, Lesotho, Namibia and Swaziland have a currency linked to the South African rand.

Thus, in terms of monetary integration, Africa is characterized by the existence of two groups of countries, namely the aforementioned countries, already set up in monetary blocks, and the other countries which are not made of monetary blocks and where everyone has their own currency.

Within the framework of ongoing monetary integration process in Africa, under the auspices of the African Union Commission (AUC), in collaboration with the Association of African Central Banks (AACB), Africa is divided into five sub-regions and Regional Economic Communities. The approach adopted is the creation, as a first step, of monetary blocks in each sub-region, before proceeding with their merger in a second stage, with a view to establishing a common central bank and a single currency. This project should require not only a merger of the monetary and non-monetary blocks within the sub-regions, but also a merger of the sub-regional blocks.

To ensure the success of these mergers, it would be necessary to coordinate the existing monetary blocks in Africa and non-monetary blocks. Thus, this sub-theme could address the following issues:

1. Which arrangements and strategies should be adopted to merge monetary and non-monetary blocks in Africa?
2. Should all the countries in a sub-region (continent) be ready before the establishment of a sub-regional (continental) currency or should a common currency be established with the entities that are ready for the project?
3. How to coordinate the process of monetary integration relevant to monetary and non-monetary blocks in Africa?
4. How to harmonize monetary and exchange rate policies in the context of the monetary integration process between the different blocks?
5. What is the ideal exchange rate regime block for a merger of the blocks?
6. What lessons can be drawn from the experience of regions where a monetary block and a non-monetary block coexist, such as the Economic Community of West African States (ECOWAS), which is already engaged in a process of merging of two blocks?

3.3. Banking and Financial Reforms in the Post Global Financial Crisis Era: Some Lessons for Africa

The international financial crisis of 2007-2009 has created imbalances in all respects, leading to an accumulation of debts, highlighting the structural weaknesses of the economies.

Faced with the collapse of the financial system, measures were taken not only by central banks but also by Governments to limit the impact of the crisis and restore confidence among market participants. In this context, most developed countries, in particular the United States of America and European countries, have introduced expansionary policies. While the measures taken have helped to curb the crisis, they have not revived significantly economic activity and growth. Moreover, they contributed in deepening public deficits in these countries, in conjunction with unusual and massive interventions by public authorities to stem not only a risk of loss of confidence in the functioning of financial systems but also to reduce the effects of an economic recession. Given the limitations of monetary policy and fiscal stimulus, reforms in the banking and financial sectors have been carried out by these countries to make them more stable and resilient.

Thus, this sub-theme would allow to exchange on the following questions:

1. What are the banking and financial reforms carried out by the industrialized countries after the international financial crisis to revitalize their economies?
2. What regulatory structures and mechanisms should make the banking and financial sectors more resilient?
3. What are the results of the reforms adopted?
4. What lessons could be learned for African countries?

3.4. Sharing experiences in Monetary Integration Prospects in the African Sub-regions

This session should allow to share experiences on the achievements, prospects and challenges of monetary integration in the different African Sub-regions.
