Towards Regional Financial Integration in the Economic Community of the West African States (ECOWAS): The Case of One Common Currency, The Eko.

William Kwame Eduful Dadson, Ph.D, CSL
Lincoln University of Pennsylvania
Lincoln University, Pennsylvania, USA

Abstract:

ECOWAS is in the process of integrating its financial systems. The advancement of financial system integration has become widely perceived as critical, especially under regional economic community arrangements. Thus, it is expected that the integration of financial systems in ECOWAS would be useful as it would help address the limitations associated with market fragmentation. The purpose of this study is to examine the challenges of Financial Integration, risks of Integration and policy implications for Economic Community of West African States (ECOWAS). A regional financial integration system is defined as a process in which neighboring states enter into an agreement in order to upgrade cooperation through common institutions and rules. Various forms of actual financial integration include: Information sharing among financial institutions; sharing of best practices among financial institutions; sharing of cutting-edge technologies among financial institutions; firms borrow and raise funds direct. Financial integration in the emerging and developing economies has been driven by a belief that in addition to enhancing the quality of macroeconomic management, it facilitates economic growth and reduces volatility owing to its tendency to pool risks across borders. It became clear during our research that this process remains at an early stage, and has not kept pace with the integration of the real economy of the region.

Keywords: Infrastructure, Economic Development, Integration, Strategically, Implementation, Cross-border, Communication, and Technology, non-tariff.

I. Introduction

The 15 countries of the Economic Community of West African States (ECOWAS) have agreed to adopt a new shared currency, “ECO” by 2020. However, as the Eurozone’s experience has shown that one currency unions can be unwieldy. Creating successful one will require ECOWAS countries to overcome serious challenges facing them. To adopt one currency for ECOWAS, it has been agreed that all member states meet and live up to the following challenges: maintain a budget deficit of less than 3% of GDP; public debt ratio of less than 70% of GDP; annual inflation rate of less than 10%; and, maintaining a minimum of three months of import cover. It has become clear in recent decades that there is a substantial increase in global financial integration, although not to the same extent as the quest of ECOWAS which desires to adopt one currency, the EKO.The growth of regional financial integration has been resulted in increased capital flows between the advanced industrial countries and spreading to the emerging market and developing economies (AMAO-WAMA. Org., 2011). It has been characterized by the removal of capital controls, financial innovations and technological progress. A regional financial integration system is defined as a process in which neighboring states enter into an agreement to upgrade cooperation through common institutions and rules. Mostly, it aims at enabling cross-border transactions for financial market participants or for their customers, often among the countries within a region (Tilmes, Klaus, (22014). Financial system integration is achieved when there is a perfect mobility of financial assets across the national boundaries of member States of a regional economic community. ECOWAS is in the process of integrating its financial systems. The advancement of financial system integration has become widely perceived as critical, especially under regional economic community arrangements. Thus, it is expected that the integration of financial systems in ECOWAS would be useful as it could help address the limitations associated with market fragmentation (AMAO-WAMA. Org., 2011).

The Economic Community of West African States, a regional organization, was established on 28 May 1975. The founding members of ECOWAS were: Benin, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania (left 2002), Niger, Nigeria, Senegal, Sierra Leone, Togo, and Burkina Faso (which joined as Upper Volta) and Cape Verde joined in 1977. Morocco requested membership in 2017, and during the same year, Mauritania requested to rejoin, but the details have yet to be worked out. Its main goal is the promotion of the economic integration among its members (AMAO-WAMA. Org. 2011).

Financial System Integration in the region is a requirement under the ECOWAS Monetary Cooperation Program, specifically, Article 53 of the Revised 1993 ECOWAS Treaty which made provisions for the establishment of appropriate mechanisms to encourage investments in enterprises located in member States through cross-border dealings in stocks, shares and other securities. The objective of ECOWAS for this provision was to ensure continuous flow of capital within the community through the removal of controls on the transfer of capital among member states (West African Monetary Agency,2011).There are different types of financial integration, namely, Information sharing among financial institutions; sharing of best practices among financial institutions; sharing of cutting-edge technologies among financial institutions; firms borrow and raise funds direct (Levine, Ross (1997)). According to Levine and Ross (1997), financial integration in the emerging and developing economies has been driven by a belief that in addition to enhancing the quality of macroeconomic management, it facilitates economic growth and reduces volatility due to its tendency to pool risks across borders. Further, the advantages of financial integration include better governance, efficient capital allocation and higher growth and investment (Levine and Ross, 1997).

II.THE PURPOSE OF THE STUDY

Our aim in this paper is to answer the question “Is ECOWAS an Optimal Currency Area” based on Optimal Currency Theory? To answer this question first, we will look at the institutional framework for ECOWAS’ financial integration; second, review the Optimal currency Theory; third, examine the monetary unions in ECOWAS; and finally, the Challenges for the adoption of One Currency. AS in the East and Southern Africa, the process of integration in West Africa started during the colonial period when Britain and France made efforts to merge each one's colonial territories to ensure cost-effectiveness of their administrative systems. The first economic integration process was started by Britain in 1912, known as the West African Currency Board, which issued the legal tender to facilitate trade transaction in four countries: Gambia, Sierra Leone, Nigeria and Ghana (Gupta, Arushi, 215) France, on other hand, created a very inclusive integration process by introducing a common currency, the CFA, for the Francophone West African countries. The slow pace of monetary integration in West Africa which began with the launching of the ECOWAS Monetary Cooperation Program (EMCP) in 1987 has triggered a growing interest in financial market integration against the backdrop of the rapid expansion in cross-border financial activities. Financial integration is now considered a critical pillar for accelerating the pace of economic and monetary integration including establishment ofa credible monetary union given the fact that financial markets have taken the lead in intermediating funds across the sub-region (Egbuna, Eunice N.,201)

III. THE INSTITUTIONAL FRAMEWORK OF ECOWAS

ECOWAS as an organization forms the institutional framework and its treaty the legal mechanism that regulates the potential financial integration process and promote the attainment of the economic integration dream among the countries of West Africa (Bala Maiyaki Theodore,2001).In June 2019, ECOWAS had established seven active institutions: the Authority of Heads of State and Government (which is the leading body), the ECOWAS Commission (the administrative instrument), the Community Parliament, the Community Court of Justice, the ECOWAS Bank for Investment and Development (EBID, also known as the Fund), the West African Health Organisation (WAHO), and the Inter-Governmental Action Group against Money Laundering and Terrorism Financing in West Africa (GIABA). The treaties also established an advisory Economic and Social Council, but ECOWAS does not list this as part of its current structure (Boddy-Evans, Alistair.,2019).In addition to these seven institutions, specialized agencies in ECOWAS include the West African Monetary Agency (WAMA), the Regional Agency for Agriculture and Food (RAAF), ECOWAS Regional Electricity Regulatory Authority (ERERA), ECOWAS Centre for Renewable Energy and Energy Efficiency(ECREEE), The West African Power Pool (WAPP), ECOWAS BROWN CARD, ECOWAS Gender Development Centre (EGDC), ECOWAS Youth and Sports Development Centre (EYSDC), West African Monetary Institute (WAMI), and ECOWAS infrastructure Projects(Boddy-Evans, Alistair.,2019)

The objectives assigned to the Community at its initial treaty (article 2) were essentially economics in nature. It was intended to promote co-operation and development in all fields of economic activity, accelerated and sustained economic development of Member States through effective economic cooperation and progressive integration of the economies of its member states. Several initiatives undertaken after the establishment of ECOWAS have helped to strengthen its institutional architecture and to deepen its common policies, thereby generating significant achievements in the sub-regional integration process. Signed on 24 July 1993 in Cotonou, the revised Treaty went well beyond economic matters. At best envisaged to establish cooperation notably in the political and security domains, which would grant the Community powers to sanction, demonstrating the desire to make ECOWAS an active player in international law in Africa and worldwide (Bala, Maiyaki Theodore,2001). ECOWAS is the main regional economic community in West Africa as envisaged in the continental integration process, and advocated by the African Union.

The objectives of ECOWAS are to promote cooperation and integration in the economic, social and cultural domains. This is a process which should ultimately lead to an economic and monetary union, through a full integration of the national economies of its Member states as well as enhancing the living standards and greater economic stability. ECOWAS is still at the stage of a free trade area, on the strength of its trade liberalization scheme, and should soon become a customs union (BocarBa, Ibrahima and SANGA, Dimitri, 2015).

IV. LITERATURE REVIEW

A. The Optimum Currency Theory

Optimum currency area theory (OCA) states that specific areas which are not bounded by national borders would benefit from a common currency. An optimum currency area refers to the 'optimum' geographical domain having as a general means of payments either a single common currency or several currencies whose exchange values are immutably pegged to one another with unlimited convertibility for both current and capital transactions, but whose exchange rates fluctuate in unison against the rest of the world. 'Optimum' is defined in terms of the macroeconomic goal of maintaining internal and external balance. Internal balance is achieved at the optimal trade-off point between inflation and unemployment (if such a trade-off really exists), and external balance involves both intra-area and inter-area balance of payments equilibrium(Kawa, Masahiro., 2019).In other words, geographic regions may be better off using the same currency instead of each country within that geographic region using its own currency. The work of the economist Robert Mundell suggests that an “optimum currency area” must satisfy four main conditions (Mundell, Robert A. ,1961). The theory states that there are four criteria for an optimum currency area:

- A large, available, and integrated labor market which allows workers to move freely throughout the area and smooth out unemployment in any single zone.
- The flexibility of pricing and wages, along with the mobility of capital, to eliminate regional trade imbalances.
- A centralized budget or control to redistribute wealth to parts of the area which suffer due to labor and capital mobility. This is a politically difficult one, as wealthy parts of the region may not wish to distribute their surpluses to those that are lacking.
- The participating regions have similar business cycles and timing for economic data to avoid a shock in any one area.

According to Mundell (1961), a single currency implies a single central bank (with note-issuing powers) and therefore a potentially elastic supply of interregional means of payments; further, in a currency area comprising more than one currency the supply of international means of payment is conditional upon the cooperation of many central banks; no central bank can expand its own liabilities much faster than other central banks without losing reserves and impairing convertibility. This means that there will be a major difference between adjustment within a currency area which has a single currency and a currency area involving more than one currency; in other words there will be a difference between interregional adjustment and international adjustment even though exchange rates, in the latter case, are fixed (Mundell, Robert A., 1961).

According Kawa,(2019), an area which is made up of a group of regions (or countries), however it may be defined; and then it can be postulated that, if prices and (real) wages are flexible throughout the area in response to the changed conditions of demand and supply, the regions in the area should be tied together by fixed exchange rates. Further, under this exchange regime, flexible prices and wages would enable them to achieve market clearance everywhere and facilitate instantaneous real adjustments to disturbances affecting inter-regional payments without causing unemployment. Connecting the regions by fixed exchange rates is beneficial to the area as a whole, because it enhances the usefulness of money. In addition, external payments balance would be maintained through the joint floating of the area's currencies against the outside world as well as by internal price-wage flexibility (Kawa, Masahiro., 2019). In his analysis, Ishiyama, Yoshihide (1975) asserted that owing to the asymmetry in the real world, a separate currency and a flexible exchange rate for each country may not be advantageous; however, the best criteria is to include mobility of factors of production, share of tradable in production, product diversification, degree of financial and policy integration, and similarity in rates of inflation. In other words, fixed parity implies price stability only when world economic environment is stable. After reviewing various criteria, he reached a concluded that, despite some academic contributions, the theory of optimal currency areas offers little for solving the practical problems of exchange rate policy in small countries and of monetary reform (Ishiyama, Yoshihide 1975).

In his review of seminar papers of Robert Mundell, as well as taking into consideration the traditional theorizing on the pros and cons of international monetary integration, McKinnon, Ronald I (,2004),suggested new approaches to the problem of international risk- sharing in Optimal Currency areas (OCAs).

Because during his study, McKinnon discovered that that East Asian economies were increasingly integrated in trade and direct investment and more than 50 per cent of their foreign trade is with each other. In addition, both the high growth and level of trade integration is similar to what the western European economies achieved in the 1960s. He concluded that despite the apparent success of the European Monetary Union (EMU), many writers familiar with the East Asian scene think that it not an optimum currency area (McKinnon, Ronald I, 2004

V. THE MONETARY SYSTEMS IN ECOWAS

A. Monetary Unions

In Sy's, (2019) assessment, the structure of the financial sector and its institutional arrangements indicate that financial integration is well advanced in some aspects in ECOWAS. Common and foreign ownership of banks are very high and cross-border transactions are frequent in the government securities markets. Common institutions help achieve a high degree of similarity of rules. There is nonetheless scope for further financial integration as indicated by persistent deviations from the law of one price, limited cross-border bank transactions, and differences in treatment. Policy measures could therefore help achieve greater financial convergence (Sy, Amadou N. R, 2006). He further observed that ECOWAS has established several institutions to meet its objectives.

The Commission, created after the transformation of the ECOWAS Secretariat, giving the Secretariat the powers of a supranational are The ECOWAS Parliament; The ECOWAS Court of Justice, and The ECOWAS Bank for Investment and Development (EBID). EBID provides development financing in member countries. By 2015, it had become clear that there would be three currency areas within ECOWAS as shown in Table 1.Namely, the West African Monetary Zone (WAMZ), Union Economies et MonétaireOuestAfricaine (UEMOA) and are expected to merge to create a single currency area and establish a single common currency. The three currency areas are indicated in the Table 1.There are three major economic and financial integration organizations within the sub region,namely, the West African Economic and Monetary Union (WAEMU) and the West African Monetary Zone (WAMZ) and CEDEAO

TABLE 1-THE THREE MONETARY AREAS

Country	Demographic weight	Geographic weight	Economic weight
Benin	3,0%	2,2%	1,9%
Burkina Faso	5,5%	5,4%	,6%
Cote d'Ivoire	7,4%	6,3%	6,2%
Guinea Bissau	0,5%	0,7%	0,2%
Mali	5,2%	24,2%	2,6%
Niger	5,1%	24,8%	1,6%
Senegal	4,2%	3,8%	3,5%
Togo	2,0%	1,1%	0,9%
UEMOA	**32,7%**	**68,6%**	**19,5%**
Gambia	0,6%	0,2%	0,2%
Ghana	7,9%	4,7%	9,7%
Guinea	3,4%	4,8%	1,4%
Liberia	1,3%	2,2%	0,4%
Nigeria	52,0%	18,1%	67,3%
Sierra Leone	1,9%	1,4%	0,9%
ZMAO	**67,1%**	**31,3%**	**80,0%**
Cap Vert	**0,2%**	**0,1%**	**0,5%**
CEDEAO	**100%**	**100%**	**100%**

Source: en.reingex.com/Economic-Area-West-Africa.shtm

WAEMU was created in Dakar on the 10th of January 1994 in response to the devaluation of the CFA Franc, the common currency of the seven francophone countries in West Africa, namely, Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Tog Bissau joined the Union later on. The Heads of State signed the Dakar Treaty to meet the standards for economic convergence. The CFA Franc is maintained at a fixed parity with the Euro. The member states deposit their foreign exchange reserves in operational accounts opened with the French Treasury.

Thus, the convertibility of the CFA Franc is guaranteed through rules permitting overdrafts by France on the operational accounts. The WAEMU sub-region has a common Central Bank, the Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)). Its mission is to ensure price stability in the sub-region through sound monetary policy, management of foreign exchange reserves, as well as strict bank supervision. In addition, the BCEAO acts as the common issuer of Treasury Bills and Treasury Bonds for all the member countries. The Bourse Régionale des Valeurs Mobilières (BRVM) began its operations in 1998 as the regional stock exchange for the eight member countries in the WAEMU region. The equity and the bond market are the two compartments of the BRVM. At end of July 2019, 46 companies were quoted with a market capitalization of FCFA 4,682.71 billion. The bond market is divided into four categories: Corporate bonds, Government bonds and Regional Bonds (bonds from regional development institutions. At end of July 2019, the bonds were quoted with a market capitalization of FCFA 3,675.52 billion. The BanqueOuest Africaine de Developpement (BOAD) is the regional development bank in the WAEMU region. The bank has played a leading role in extending project finance to its member countries, being the largest provider of medium- and long-term financing. It is the primary non-sovereign debt issuing institution, and the de facto reference issuer in the regional financial market. A few foreign groups dominate the WAEMU banking sector. Foreign banks account for about 56 percent of banks' capital and banks with foreign ownership represent about 80 percent of total banking assets. Foreign presence in WAEMU is lower than in the Economic and Monetary Community of Central Africa (EMCCA) and is comparable to the EU-NMS. The relatively large foreign—mostly French—presence is a legacy of the colonial era, as banks were set up to accompany the operations of colonial trading groups with France (Gulde, Anne and Charalambos Tsangarides, Charalambos, 2008).

B. The Implications of Foreign Banking Groups in the Monetary Zones

A few foreign groups dominate the WAEMU banking sector (Table 2). Foreign banks account for about 56 percent of banks' capital and banks, with foreign ownership representing about 80 percent of total banking assets. Foreign presence in the WAEMU is lower than in the Central African Economic and Monetary Community (CEMAC) and is comparable to the EU new member states (EU NMS). The relatively large foreign—mostly French—presence is a legacy of the colonial era, as banks were set up to accompany the operations of colonial trading groups with France.

Table 2-WAEMU BANKING SECTOR

Major Groups	Number of Countries	Number of Banks	Market Share[1]	Number of Branches	Number of Accounts	Number of Employees
Société Générale	4	5	14.9	111	405,897	1,407
BNP Paribas	5	6	12.6	65	404,970	1,537
AFH/BOA	6	6	9.0	30	2,158,009	659
Ecobank	7	7	8.9	30	107,877	832
Belgolaise	3	3	4.9	40	269,516	475
Crédit Lyonnais	2	2	4.4	16	106,168	563
Citibank	2	2	3.1	2	1,475	105
Share of WAEMU	100	39.8	57.6	40.8	59.4	54.8
Other groups[2]	...	...	3.1	8.1	3.1	5.6
Total share of WAEMU	...	...	60.7	48.9	62.5	60.4

SOURCE: https://www.elibrary.imf.org/view/IMF071

French presence is a legacy of the colonial era, as banks were set up to accompany the operations of colonial trading groups with France. New groups with African capital such as Ecobank and AFH/BOA have, however, recently emerged and have regional ambitions. Almost all foreign banking groups operate through subsidiaries established in most member countries (Table 6). It is not clear whether this structure tends to inhibit cross-border lending. Each subsidiary typically extends loans in the country in which it is located and intra-group loans can be used to substitute for cross-border lending. However, there is evidence of a similar behavior of foreign banking groups with a branch network. The presence of large banking groups, again a historical legacy, has resulted in a segmented market structure. In particular, the market share of the three largest banks in each country ranges from 50 percent in Côte d'Ivoire to 100 percent in Guinea-Bissau (Sy, Amadou N. R, 2006).

Cather West African Monetary Zone (WAMZ)

The second monetary zone in the ECOWAS region was established in December 2000 with the adoption of the institutional and legal framework of the WAMZ Program. The WAMZ comprise of 5 countries in West Africa: Gambia, Ghana, Guinea, Nigeria and Sierra Leone. The responsibility of facilitating the realization of the single monetary union of the WAMZ lies with the West African Monetary Institute (Smith, Elliot, (2020). Its key priorities are to create: a central bank, the West African Central Bank (WACB); a regional supervisory body, the West African Financial Supervisory Authority (WAFSA); and a single currency, the ECO, which will replace the existing five national currencies.

In addition, the WAMI offers policy recommendations to member countries so as to achieve and sustain macroeconomic convergence as well as the building of the agreed architecture for the union. WAMI also undertake empirical research and analysis intended to influence policy in favor of the attainment of the objectives of the WAMZ economies. The Institute is also harmonizing statistics in the zone and building a statistical architecture that will support common monetary policy operations of the WACB in the conduct of single monetary policy of the future common Central Bank (Saho, Momodou B,2018).

To facilitate the realization of the single monetary union, a regional payments system project has been launched. It aims to improve and standardize the payment systems of The Gambia, Guinea and Sierra Leone to the same level as that of Ghana and Nigeria. The project is funded by grant from the African Development Fund (Smith, Elliot, (2020).

The main components of the WAMZ Payments System Project are: Real-Time Gross Settlement (RTGS) system for inter-bank and large value funds transfer; Automated Clearing House and Automated Cheque Processing to promote electronic transactions, thereby, reducing the time taken to clear transactions; Scripless Securities Settlement (SSS) system to facilitate conduct of Open market Operations and Banking system liquidity management; and Banking application systems of the three countries to ensure an effective interface with the payments system, including the RTGS and ACH systems(Adeniji, Taiwo,(2008). Financial integration means allowing banks in one country to serve customers in other countries; giving governments as well as private firms and household's access to a deeper pool of funding and more diverse products to choose from; and providing savers with better opportunities to invest their funds. In short financial integration supports development by making it easier for people to save and invest. Financial deepening and integration can therefore provide significant benefits for private sector development and mobilization of long-term financing for infrastructure (Adeniji, Taiwo, 2008). In their work on Latin American financial integration process, Eyraud et al,(2017), asserted that if, Latin American countries were to assimilate technical know-how, and regulatory and operational best practices from regional leaders, this would raise financial standards across the region, leaving the countries well-prepared for eventual deeper linkages with advance economies and others; and further, it would enhance cross-border financial activity and create risks and challenges to supervisors, calling for closer regional cooperation(Eyraud, Luc; Singh, Diva; and Sutton, Bennett , 2017).Moreover, ECOWAS Monetary Union is to be launched in 2020 with the establishment of the ECOWAS Central Bank and the introduction of the common currency. The single currency envisaged to increase trade among the member states.

D. The Challenges for the adoption of One Currency

According to Saho, (2019),the challenges facing ECOWAS in the implementation of the single currency program are as follows: the existence of gaps in the harmonization of macroeconomic policies; sustainable compliance with convergence criteria; the non-consensus regarding the choice of monetary policy; and the harmonized exchange rate regime as well as ECOWAS Central Bank model. He also stressed the need to sensitize West African citizens on the single currency program and state of play. It also became clear that the non-existence of a common currency isalso an impediment to regional integration as well as encouraging diverse tariff barriers. In addition, it hampers the free movement of persons and goods and the ongoing abnormal practices in certain Member States of ECOWAS (Saho, Momodou B,2018). He further asserted that this is a very ambitious Roadmap with a significant volume and pace; with further emphasis that there is still a lot of work to be done to achieve sustained macroeconomic convergence, budget deficit target, the most difficult to achieve. Finally, he admonished that there is more work needed on exchange rate policy as well on the monetary policy framework and exchange rate mechanism (Saho, Momodou B, 2018).

Unfortunately, WAEMU and Côte d'Ivoire President Alassane Ouattara and French President Emmanuel Macron announced in December 2019that the CFA franc, which had been in place since 1945, would be renamed ECO without prior notification of the Anglophone nations of Nigeria, Ghana, Gambia, Liberia and Sierra Leone, along with Guinea. This was certainly a violation of the 2015 agreement. According to Elliot Smith, (2020), the Anglophone nations were caught on prepared for two reasons. First, all the ECOWAS member states had agreed in 2015 to launch the new currency, the "Eco," in January 2020; second, they intended to adopt the new currency for the whole region on a slower and not just as a replacement for the CFA franc; third, Regional currency and independent monetary union is a long-standing ambition of the wider ECOWAS bloc. In view of that when ECOWAS leaders met in June 2019, they reached an agreement to adopt the common currency in principle.

Finally, the sudden announcement that the former French colonies and Guinea-Bissau had already drafted details of the deal and set a timescale for the Eco adoption appeared to have caught the Anglophone members off guard; the action taken by the French government appeared as a move to break up the 30-years struggle by ECOWAS to establish a regional currency to promote trade and development (Smith, Elliot, 2020)..

According to the agreement, France will take over the responsibility of establishing and even printing the new currency while at the same time keeping the new currency attached to the Euro and aligning it with its colonial interest, as it has always done with the CFA. This means that the other seven West African countries can only join on conditions established by France (BabatundeO'Lekan, J, 2020).

The Anglophone members of ECOWAS demanded that in order to adopt a new common currency, the WAEMU member states must all satisfy a set of convergence criteria under ECOWAS rules which include maintaining a budget deficit of less than 3% of GDP, a public debt ratio of less than 70% of GDP, an annual inflation rate below 10% and a minimum of three months of import cover (Smith, Elliot, 2020).WAMZ Convergence Council reiterated that it is imperative that all ECOWAS member countries implement the decision of the Authority of the Heads of State and Government towards the implementation of the revised roadmap of the ECOWAS single currency program; ECOWAS is still on the move towards, a common Currency, despite the francophone surprise move towards unilateral adoption of the ECO (Saho, Momodou B,2018).

However, in the words of Ashoka Mody, 2019) the ECOWAS member states could learn some lessons from the unfolding Eurozone crisis. First, leaders must be absolutely clear about the expected benefits of the single currency. Second, a fiscal pool is important for crises response and for an effective monetary union. Third, public opinion matters. He further stressed the decisions made by the Danes, Swedes, and Brits to retain their national currencies which came largely under public pressure opposed to the euro and also, the U.K.'s battle around Brexit illustrates the dangers of taking public opinion for granted. Therefore, he stressed that it would thus be naïve for the ECOWAS leaders to march full steam ahead in their quest for a single currency on the erroneous belief that the EKO is Good for West Africa (Mody, Ashoka, 2019).The question" Is ECOWAS an Optimal Currency Area" based on the Optimum currency area theory of Mundell?

Optimum currency area theory (OCA) states that specific areas which are not bounded by national borders would benefit from a common currency. In other words, geographic regions may be better off using the same currency instead of each country within that geographic region using its own currency. The work of the economist Robert Mundell suggests that an "optimum currency area" must satisfy four main conditions. The first is a large and integrated labor market that allows workers to move easily throughout the currency union to fill employment gaps. Price and wage flexibility, together with capital mobility, are also necessary to eliminate regional trade imbalances. These two conditions imply the need for a centralized mechanism for fiscal transfers to countries that suffer as a result of labor and capital mobility. Lastly, participating countries should have similar business cycles, to avoid a shock in any one area (Mundell, Robert A., 1961).

In the founding Treaty of the Economic Community of West African States (ECOWAS), Member States were called upon to abolish all obstacles to the freedom of movement and residence of Community citizens and to allow them to work and undertake commercial activities within the Community (Art. 27 (1) and (2)). In order to achieve these long-term goals, a Protocol relating to Free Movement of Persons and the Right of Residence and Establishment was signed in 1979. It identified three main phases (right of entry, residence and establishment) through which free movement should be achieved within a maximum time period of 15 years. The right to work is addressed in the second phase, which entered into force via a supplementary protocol in 1986(Nita, Sonja etal 2017. It includes the right of residence for the purpose of seeking and carrying out income earning employment (Art. 2). Employment in the civil service of the Member States is however excluded unless permitted by national laws (Art. 4). Citizens wanting to reside in another Member State are obliged to apply for a residence card or residence permit at the competent ministry of the host Member State (Adepoju, A. 2005).

In December 2000, in order to facilitate the free movement of people in the ECOWAS region, member States established a common passport, formally known as the ECOWAS travel certificate. The ECOWAS passport was introduced to exempt holders from intra-regional visa requirements and to function as an international travel document (Adepoju, Aderanti. & etal. 2010). ECOWAS has also implemented measures to ease the movement of persons transported in private and commercial vehicles by harmonizing policies that enable vehicles to enter and temporary reside in a member State for up to ninety and fifteen days respectively. Most ECOWAS member States have, in this regard, instituted the ECOWAS brown card, which is an insurance of motor vehicles that covers the civil responsibly of the owner in the ECOWAS (African Union, 2013).

According to the Africa Regional Integration Index3, ECOWAS is the second most integrated REC in Africa in the areas of free movement of persons, trade integration, productive integration, financial integration and macroeconomic policy convergence, and regional infrastructure and interconnections. Within ECOWAS, Côte d'Ivoire, Togo and Senegal have the highest overall rankings, each reaching an overall score of more than 0.6 out of a maximum 1. On the other end, the Gambia, Cabo Verde, Sierra Leone, Liberia and Guinea all score below 0.5. The full ranking for ECOWAS member States (United Nations Economic Commission for Africa, 2017).

Vi. Conclusion

ECOWAS countries are struggling to meet the convergence criteria. For example, only five countries – Cape Verde, Côte d'Ivoire, Guinea, Senegal, and Togo have been able to meet the requirements on inflation and budget deficits. Ensuring that all members meet the convergence criteria is only the first step toward creating a successful West African currency union. The ECOWAS countries are beset by insecurity and currently have many arbitrary tariff and non-tariff barriers have been put in place. Furthermore, the region's supply-chain infrastructure remains inadequate. Despite these formidable challenges, there are reasons to be optimistic about the ECO which has a potential to accelerate regional integration. A successful ECOWAS currency union would likely spur progress on the proposed East and Southern African Monetary Zones. This would go a long way toward advancing progress on the ambitious African Continental Free Trade Area. The Eurozone's experience showed how unruly currency unions can be, and how important it is to continue experimenting and adapting. An ECOWAS union will be no different. But if member countries commit to making it work, the ECO could be a boon to regional and continental growth and development. It is stated that instead of trying to meet a very short deadline for monetary union, the countries of the region should invest their energies in reinforcing convergence on low inflation, sustainable fiscal policies, and structural policies necessary for strong growth. A degree of exchange rate stability as well as the benefits of mutual surveillance over macroeconomic policies could be achieved through a looser form of regional monetary cooperation. We can conclude that ECOWAS members have not met all the criteria for an optimal currency area, this should not stop them from forging ahead to full its dream of one currency.

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