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Evaluating the Use of Single Currency by Member States as Medium of Transaction - ECOWAS

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Abstract
Adoption of single currency brings a lot of benefits tracking from the lessons learnt from European Union and its adoption of the euro as the single currency for the European countries. Most empirical reviews show that the use of common currency in Europe brought some economic gains to the eurozone areas such as price stability, low interest rate which attracted a lot of investment in the eurozone area and eradication of the exchange rate volatility which has promoted both intra and extra eurozone trade. However, the EMU has encountered a lot of challenges such as lack fiscal discipline on the part eurozone economies and a typical example is what happened to Greece where over spending led to excessive borrowing to finance these spending which landed the country into debt distressed. Since ECOWAS common currency has not been officially operationalized, the evidence from the euro experience will be a valuable asset to the researcher to make inference on the future of the ECOWAS single currency when officially operationalized. The ECOWAS proposal to include the sub-regions in the single currency has already been postponed four times because the Member States have been unable to meet the criteria for introducing the single currency. Most member countries are facing herculean task in meeting the criteria for the implementation of the single currency. Empirical evidence from euro experience attribute economic gains from trade within the eurozone to the use of euro in the eurozone area and hence the use of ECOWAS common currency in the sub-region will also bring a lot economic gains from trade to the member states in the sub-region and also increase investor confidence through a well stabilized single digit inflation rate and low interest rate within the sub-region and boost economic activity which will trickle down to improve the living standards of the people. Pegging the ECOWAS single currency to the value of euro will lead to currency valuation which may discourage exports and encourage imports which is very critical since all efforts from the individual member states in the sub-region are to discourage imports in order to solve the alarming rate of unemployment in the sub-region. Intra trade within the sub-region will face a lot of challenges since there are infrastructure gaps between member countries to enhance easy link of goods and services within the sub-region. For this proposed West Africa single currency becomes materialized, individual member states should strengthen their domestic macroeconomic frameworks in order to achieve the criteria set for the official adoption of the single currency. However, strong institution should be created to reduce the bureaucracy in export and import transactions and finally, member states should compromise their national interest to regional interest and that is the only way this project can be materialized.

Keywords: ECOWAS, ECO, Challenges, Single Currency, Monitory States.
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1.0 INTRODUCTION

In 2000, West African countries expressed a desire to accelerate the currency integration process that began in the early 1980s, which resulted in a two-step project. According to this plan, the member states of the West African Monitory Zone would introduce a common currency called ECO from January 2015. In the second phase, the African Monitory Zone would merge with the monetary union of the currency zone. West Africa is to create a currency in the 15 ECOWAS member states by 2020. After three changes in West Africa in 2003, 2005 and 2009, the authorities finally abandoned the introduction of ECO from January 2015 due to insufficient preparation and economic convergence between the member states of the West African currency zone. On this occasion, they also decided to change the strategy, abandon the interim phase of 2015 with a single currency in the monetary union of West Africa and reorganize the creation of a single currency in ECOWAS before 2020. It should also be remembered that the debate on West Africa's single currency has been reinforced by recent economic developments in Europe, particularly the European sovereign debt crisis and its impact on the single European currency, "the Euro". Today many questions the reason for the decision to create a common currency in Europe almost two decades ago. It may be too early to know, but the euro crisis has probably revived the discussion about the possibility of a single currency in ECOWAS. Towards the end of the 2015 deadline, political statements by several West African officials showed obstacles rather than enthusiasm for a single currency. A recent study on the lessons learned from the euro crisis also seems to recommend that ongoing processes of monetary union take place in East and West Africa.

1.1 Statement of the Study

Since it is clear that each country has its own currency and monetary policy, the possibility of currency integration with other countries must be an explicit decision of the authorities. To be rational, this choice must focus primarily on resolving one or more monetary problems, that is, problems that the country faces in managing its monetary policy and that it cannot resolve in an optimum manner. Therefore, the timeliness of currency integration in West Africa should be assessed on the basis of a specific and in-depth analysis of the currency problems faced by countries in the region separately and collectively. More attention to be given to the benefits and importance of currency among member states in West Africa if the policy is implemented.

1.2 Motivation of the Study

It is a drive to ascertain the effectiveness of some economic policies in West African economies. Many indigenes in Africa have doubts about the effectiveness of some policies implemented in West Africa. Two peculiar economic policies of my interest are Inflation Targeting policy framework and the use of single currency (ECO) in West Africa sub-region. There are common economic threats facing the west Africa economies such as high inflation, depreciation, unemployment and high public debt and in the quest to solve some of these fundamental problems such policies were implemented. The use of single currency in the west Africa sub-region was proposed in years ago but its official implementation has met a lot of challenges and it is my interest to analyze the nitty gritty of the policy proposal such as the impacts of the policy and the reveal possible challenges and proposed recommendations to counter the challenges.

2.0 LITERATURE REVIEW

2.1 The Economic Community of West African States (ECOWAS)

ECOWAS was founded in 1975 by all West African countries and includes both French-speaking countries (WAEMU) and English-speaking countries (Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone), as well as Portuguese-speaking Cape Verde. The ECOWAS Cooperation Program for Currency (EMCP) is the most important system for currency integration in the sub-region of West Africa. It was originally planned between 1991 and 1994, but was expanded to 2000.

The specific objectives of the EMCP had to be implemented in three phases. The short-term goal was to strengthen the current payment mechanism of the West African clearing house by removing outstanding payment arrears in the clearing mechanism. Introduction of new payment instruments such as travelers checks; Introduction of a credit guarantee fund to support the clearing mechanism; and remove all non-tariff barriers that limit the use of national currencies for payments for certain current transactions, such as hotel bills and airline tickets and the medium term, the EMCP must achieve a limited regional conversion of national currencies by eliminating restricted restrictions on its use. However, in the long term, the final objective of the EMCP is to create a single ECOWAS monetary area that modifies the use of a single convertible currency, the creation of a single central bank and the pooling of foreign reserves, as well as negotiating the convertibility of the foreign currency guarantee with an appropriate international agency. To achieve these objectives, Member States had to implement an economic reform program to achieve macroeconomic convergence. The political reform agenda must include:

Coordination of exchange rates and market-based exchange rate policy; Abolition of foreign exchange control systems; and Minimize tax deficits and finance them by rationalizing government spending and tax reforms. 1975 was one of the motivating factors behind the "accelerated" approach to monetary integration in the sub-region. It was generally assumed that there were no parallel and competitive monetary policy schemes in the sub-region were an important factor that contradicted the transition to a single monetary area. On the one hand, the CFA area should be a solid agreement, especially with the support of France and the European Union. On the other hand, countries outside the CFA zone have different national currencies. For this reason, the challenge of faster integration in the sub-region has increased in recent countries. As a result, political engagement for renewed economic cooperation has been led by since December 1999

Ghana and Nigeria, which were accepted by Guinea, Gambia, Sierra Leone and Liberia, made the idea of a quick integration approach possible. The idea crystallized in the formation of the West African Monitory Zone for the purpose of merging with the CFA zone in 2004. Critical fines were imposed during a mini- summit of heads of state and government in Bamako in 2000 to officially establish the West African currency zone with a single central bank and to introduce a single currency in the region in 2003. The Monetary Institute of Africa Western Company, based in Accra, Ghana, was established as an institutional tool to establish the West African Monitory Zone and to prepare for the creation of each central bank and the introduction of a common currency, just as expected, it started in January 2001.

2.2 Single Currency

The idea of a single currency is not new: it has existed in some way since the 18th century, was revived by Keynes and White in the 1930s, and rose from the grave in 1969 when MIT economist said it was better that Monetary system is "world money with a global monetary authority [1]. [2, 3, 4] suggested that the state monopoly on money was the cause of the crisis. Rogoff agreed that this currency would be too unique Improving exchange rate problems, however, found that currency competition was good [5], but wrote before the 2008-2009 financial crisis. Robert Mundell, known as the father of the euro, brought these types of annoying changes as the main reason for a coin [6] and [7], [8], Bird [9], [10] and dozens more agree that a single currency would make a significant contribution to these necessary changes and howeverr, the exchange rates form the backbone of international trade and finance. Global corporations and sovereign powers are used to working within stock market boundaries and investing time and money to cover their efforts and enrich bankers. The introduction of a single currency would alleviate these problems, which are important for policy makers and monetary authorities. The literature attempts to explain what drives exchange rates and what in turn can cause changes in the exchange rate, but it is clear that the exchange rate problem is complicated by many factors. [23] argued that macroeconomic fundamentals such as monetary and fiscal policies affect exchange rates, while Beckmann and Czudaj argued that the difficulty of predicting interest rates entailed uncertainty about monetary and fiscal policies and hence, in the west Africa economies, exchange rate are influenced by the structural and technical rigidities making exchange rate non-goal variable unlike inflation and interest rates [24].

2.3 Optimum Currency Area

Optimal monetary area theory defines a number of countries for which it is advantageous to conclude a single currency agreement. The area is "a region that is not so small and open that it is better to associate its currency with a neighbor, or so large that it is better to divide it into sub-regions with different currencies [13]. There are five characteristics that must be met: The first is that people must move easily in optimal monetary areas [14]. This means that people have no impediments to their movement behavior and are also willing to relocate for work or study reasons, so that staff will always be true the second characteristic is that countries that make up an optimal monetary area must have broadly diversified production and exports and a structure similar to that of other EU countries [14]. This is important because countries are highly diversified, they are more self-sufficient and therefore less dependent on other countries or a certain sector, which reduces the risk of financial crisis. The characteristics refer to open trade, so "countries open to trade and mutual trade form an optimal monetary area [14]. This is related to economic interdependence and the fact that it makes more sense for countries to have a common currency if they are highly integrated into the trade of others. In this way, companies do not have to deal with exchange rate risks, etc. This also means that countries must not only be ready to trade, but must do so. The following point refers to mutual compensation when a country is hit by a negative [14]. This shows that when a country is in shock, others must be willing to compensate. An example of this is the situation in the EU at present because strong countries have to pay for weaker ones in bankruptcy. A similar crisis is also likely to occur in the West African States and shows that compensation for weak states is important not only for the weak state itself, but also for strong countries that otherwise suffer a loss of currency as the country cannot work well. This goes hand in hand with the ultimate feature of an optimal currency area, since it states that "if the common monetary policy is contrary to national interests, the countries that form a currency area must accept the costs in the name of a common goal. [14].

2.3.1 Conditions to Form an Optimum Currency Area

2.3.1.1 Tax Transfers and Geopolitical Factors

There are currently no official tax transfer mechanisms in the region, except for the official and military support that Nigeria offers to some other countries in the region. This problem needs to be addressed before the single currency regime actually begins. While the economic criteria discussed above are critical to the suitability of a common monetary regime in West Africa, geopolitical factors play an equally important role in this process. Two international developments make the prospects for a successful monetary union challenging and necessary. First, the global financial crisis, which weakened the growth of the global economy and thus affected the region's export performance. Second, given the spread of regional economic blocs and increasing protectionism in developed and developing countries, West African countries may have difficulty accessing these markets. Given these trends, it will be beneficial for West African economies to focus on intra-regional trade. This may not be enough either, as most economies in the region are based on primary products.

2.3.1.2 Labor and Factor Mobility

[15] Notes that an optimal currency area is a group of countries where labor mobility and factors are relatively high. For example, when a member of an OCA is affected by negative asymmetric demand shocks, workers and other factors of production are moved from that country to other Member States, bringing employment back to its original level. Due to the high mobility of workers and factors, there will be movements in the region that correspond to the salaries and prices of the factors of areas with an oversupply for areas with a lack of supply. The mobility of workers varies depending on the economy of ECOWAS. Regrettably, there is little or no official data on labor mobility in the West African economies. Although labor mobility between Nigeria and Benin is relatively high, there is little mobility in most other economies. Ghana is relatively immobile due to a number of legal immigration and social security barriers that are more relaxed in other economies.

2.3.1.1 Trade and Openness

In the literature on the optimal currency area, trade is highlighted as the main channel through which the advantages of a single currency can be exploited. The more countries in particular exchange ideas in a certain region, the more they appreciate the stability of the regional exchange rate. In other words, the greater the volume of intra-regional trade, the greater the benefits for the countries in a region to form a monetary union. In this context, currency unions are expected to improve wellbeing by reducing potential disruption to intraregional trade due to relative price fluctuations and interruptions in bilateral exchange rates. In addition, [16] provide empirical evidence that trade has positive effects on growth and that a common currency in turn promotes trade.

2.4 West African Currency Zone: Justification

The need for a second monetary union was largely due to the insufficient political will to achieve strong monetary integration between the CFA zone and the non-CFA zone under the auspices of the EMCP. The emergence of West African Monetary Zone as a successful currency union can therefore prevent a total collapse of the EMCP. Indeed, this could facilitate the transition to a single currency area in the sub-region, since, contrary to the current situation, negotiations will take place between two groups of countries, which are characterized by uncertainty about the sub-region's integration process.

Although the possible merger of the two currency zones will take longer than currently expected, the convergence of the two groups of member states will be less cumbersome than the convergence of many countries with different currencies. The main economic policy objectives of the West African Monetary Zone are to ensure price stability, solid fiscal and monetary conditions and a sustainable balance of payments in the member states. For this purpose, West African Monetary Zone is obliged to adopt a regional economic framework for the area by effectively coordinating the economic frameworks of the member states, to implement a regional economic policy in the perspective of an open market economy and, in particular, to design and implement monetary rates and to exchange common policies in the region.

West African Monetary Zone must also set up a multilateral surveillance system to ensure close coordination of Member States 'economic policies and constant convergence of Member States' economic indicators. In order to fulfill this function, the main institutions of the West African Monetary Zone (Convergence Council, Technical Committee, WAMI and Central Bank of West Africa) have to formulate general guidelines for the development of the economic policies of the member states

2.5 Conditions to be Achieved by Member States before the Implementation of the Single Currency Policy

The criteria to follow in order for member states to qualify to be part of the West African Monetary Zone are divided into primary and secondary criterion, however, the primary criteria is very necessary for the implementation of the single currency then while the secondary criteria will be met during the full operation of the policy and these are the six convergence criteria [17]:

- There should be single digit inflation of not more than five (5) percent at the end of each year.
- There should be budget or fiscal deficit of not more than three (3) percent of GDP in every fiscal year.
- Debt to GDP ratio should not be more than seventy (70) percent.
- Gross foreign-currency reserves must be large enough to support a minimum of three months of import.
- Central-bank financing deficit must not exceed ten (10) percent of the previous year’s tax revenue.
- There should be a stabilized exchange rate.

2.6 West Africa Monetary System

The monetary problems that West Africa and developing countries generally face are mainly due to the current international monetary system, which does not effectively guarantee an adequate multilateral exchange rate system. The monetary policy of the major industrialized countries, including some large emerging economies, can ensure that currencies in West Africa are valued. Two recent studies conducted by economists from the African Development Bank have shown that the economic and monetary policy used in the rest of the world has a real impact on African economies. According to [18], the quantitative easing measures implemented by industrialized countries create inflationary pressures that favor an increase and / or a reduction in exchange rates in African countries. Gnansounou and Verdier-Chouchane concluded in their research into the development of the real effective exchange rates (REER) of the CFAF franc between 1999 and 2011 that the deviation in the CFA franc curve was closely related to the euro / exchange rate euros, and dollar, except when the price of the most important export products of each country rises. In a recent study [19] also state that the connection of some African currencies with the major international currencies such as the dollar or the euro, which are sometimes overvalued against the Chinese currency, is an important factor in the valuation of these currencies.

2.7 Euro Experience
2.7.1 Benefits
The adoption of the euro, marked by strong institutions and agreements, has led the region to boom in the continent's trade and steady economic growth. Low interest rates in the euro currency zone have helped keep capital cheap and the value of euro currency low and have contributed to strong export growth and favored the export-driven German economy [20]. In a speech by Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB Conference "Poland and the EURO" Warsaw, on 26 November 2007, she classified the advantages of the euro into two separate viewpoints, such as advantages for the individual country and for the continent of Europe in general. The benefits for the continent as a whole are; the use of common currency has contributed to the development of an EU internal market leading to supply and cost stability for products, services, labor and capital in the Single Market. Furthermore, the stability of exchange rates within the region promoted trade and economies of scale which resulted in proper resource allocation. Individuals in euro area countries do not need to convert domestic currency into another currency for foreign trade. Monetary stability with low inflation and long-term interest rate convergence are the hallmark of the adoption of the euro and this is common to countries with credibility of monetary policy prior to the implementation of the single currency. The adoption of the euro has also helped to encourage trade for the benefit of individual countries by eradicating the uncertainty of the exchange rate and ensuring market transparency across borders. Trade integration among members has significantly enhanced trade within the euro area and foreign direct investment [21]. The European Central Bank (ECB) performed well in communicating its policies to financial markets and the general public, the ECB is highly autonomous central bank, however, and has a number of steps to prevent politicians from manipulating the governing council's monetary policy [22].

2.7.2 Problems
A change is not quick, because it makes it difficult for individual people to switch from using domestic currency to a new monetary comparison, and it takes time to complete the transitional phase, which can inspire producers to take advantage of rising prices during the euro cash switch [23]. The absence of a comprehensive federal budget to allow centralized transfers and taxes to ease the burden of asymmetric shocks and this has a major fiscal and macroeconomic concerns for the individual euro area countries [24]. EMU's poor fiscal position has resulted in unsustainable debts accrued by member states undermines the fight for price stability and Greece is a typical example [25]. The delay in the ECB's response to fiscal and macroeconomic policies in the midst of the global financial crisis in 2008 exposed some euro area member states to the great shock that led to high unemployment rates since the private sector was the most exposed sector and this can be attributed to the lack of an independent exchange rate that could take devaluation in the midst of the crisis [22]. There are some economic benefits associated with the European Monetary Union (EMU) as a result of trade facilitation efficiency and external investment gains due to the presence of financial integration in the EMU, but the euro has done a little to promote trade in the euro region, and the presence of financial integration has undermined economies rather. For instance, Since 1999 to 2017, the euro area's overall success was poor, the euro area's average growth rate of 1.37 per cent. However, it was 2.17 per cent in the previous decade, but the ECB's main accomplishment is that it has contributed to macroeconomic stability in the euro area. [26].

3.0 MAJOR ISSUES
3.1 Economic Status of ECOWAS Members
Such a profile for economic development is essential to facilitate integration between potential members of a monetary union. Agreements on economic structure, social structures and external relations facilitate policy synchronization. Now that Benin is growing lowest at 3% a year and Burkina Faso is growing fastest at 9.2% a year, there is likely to be a drag effect within a union monetary policy, while slow growth economies face fast growing resistance. However, the production structure for most economies appears to be comparable: an influential agricultural sector contributes an average of 33.4% to GDP, and a weak productive sector contributes an average 8.1% to GDP. In most countries, tax revenue as a percentage of GDP in the region appears to be comparable to an average of 13 percent. Nigeria is an exception, however, since tax revenue is not more than one percent of GDP. This can be explained by the prevailing oil export base in its economy. The structure and business model in the ECOWAS economies are generally comparable. For most economies, the trade quota appears to be substantial, averaging 64.6 percent. Social indicators such as life expectancy (an indicator of health quality) and the number of people in poverty among economies are very consistent.

However, malnutrition and literacy rates in these economies vary widely. For example, the literacy rate (which can be used as a rough estimate of the quality of the workforce) is 15.1 percent of the Nigerian population, while it is 60.4 percent of the population in Ghana.

3.2 Benefits of States Using Single Currency
There are some advantages that a common currency has. It offers greater currency stability because a currency

used in a larger area is more credible, less speculation is expected and exporters can better project future markets [27]. These benefits can even lead to greater growth potential [28]. This paper is supported by [29], who suggests that countries that have suffered many internal disruptions prefer to link their currencies. Therefore, a single currency is a tighter money bond that should stabilize the currency [28]. A stable currency can mean more investment and more jobs [27], as more capital is raised at home and abroad. Companies not only have the advantage of a more stable currency, but also lower transaction costs when buying or selling in a neighboring country [27]. It is also not necessary to guard against currency fluctuations [27]. The proponents of the ECO single currency posit that, the currency will enhance trade within the sub-region and lower cost of transaction and facilitate payment among the 385 million people in the region. All developing countries are prone to monetary shocks of which West Africa economies are not exempted and these monetary shocks are caused by the policies implemented in the rest of the world and hence there is the need for a single currency in the sub-region. Single currency can offer a change to put a collective and effective front against these shock [29]. The President of Ghana, His Excellency Nana Akuffo Addo, said: "This is a welcome decision by Ghana and there is good evidence of the importance that is attached not only to the establishment of a monetary union, but also to the broader integration agenda in West Africa. In Ghana, we are committed to doing everything we can to enable UEMOA member states to quickly join the ECO, as we believe that this will help remove trade and currency barriers and increase transactions and costs reduce and an increase in the standard of living of our population "[30].

3.3 Challenges of States Using Single Currency

The pattern of supply, demand and currency disruption between countries in the region is very asymmetrical, which means that ECOWAS will find it hard to create the environment, as the existence of asymmetrical disruptions indicates that different needs are needed. Adjustment to supply and demand as well as monetary shocks in the region. The results also show different sizes and rates of adjustment for monetary shocks. As a result, responses to real exchange rate shocks in the region do not converge, so it is not ideal to pursue a uniform exchange rate policy in the region. In this context, policy makers in West Africa should consider postponing the introduction of the proposed economy and continuing to work towards greater integration of ECOWAS economies in terms of intra-regional trade and the factors and mobility of workers in the region, By postponing the start of the environmental proposal, policy makers will also have the opportunity to learn from the current financial and debt crisis in the euro area to develop prevention strategies.

One of the biggest goals for the proposal of the West Africa single currency-eco is that its implementation will boost trade, but is this assertion valid taking the fundamentals of West Africa economies into consideration. One major parameter that boost trade among countries is the infrastructural development of these economies. What are the transportation networks of these economies in West Africa and they are linked to one another? Without developed road networks to connect the West Africa economies with ease, the anticipated benefits of single currency implementation from trade would not be materialized [31].

Also, it is a fact that West Africa economies do not trade among themselves since because of the similarities of the goods produced and export to the world market. Most goods exported by the West Africa economies are basically primary goods with less value-added products which make it difficult for ECOWAS economies to trade among themselves. For example, Nigeria exports most of her products to Europe and other continents of which less exports to the African continent including West Africa [32].

Figure 1: Nigeria Export Share

From the figure above, clearly Nigeria's biggest export share goes to Europe followed by Asia and small amount of export share to the continent of Africa and this buttress the assertion that west Africa economies do not really trade among themselves and hence rendering the goal of adopting single currency in the subregion very slim chance to be materialized.

Nevertheless, some of the convergence criteria are going to be a big challenge for the West African states to be achieved before the implementation of the single currency policy. For example, one of the criteria is that every member state needs to achieve 3% fiscal deficits each year. Looking at the trajectory of most economies in West Africa, this target will be very herculean task to be achieved tracking from the fiscal indiscipline of most economies in West Africa. It is a fact that government over spending in West Africa economies can be attributed to political motivation. However, the reasons why most countries in West Africa missed the target of fiscal deficits of 3% GDP are basically in two dimensions- weak domestic revenue which can be attributed to the over-relying on a source of revenue which is export of primary products. Secondly, because of political expediency most government embark on expansionary fiscal policy and in doing that, they over spend outside the budget and accumulation of fiscal deficits lead to national debts [33].

	2014–16	2017	2018 (estimated)	2019 (projected)	2020 (projected)
Benin	–5.4	–5.9	–4.7	–2.6	–1.9
Burkina Faso	–2.6	–7.5	–4.9	–2.9	–3.0
Cabo Verde	–5.1	–3.1	–2.4	–1.9	–1.7
Côte d'Ivoire	–3.0	–4.2	–3.8	–3.2	–2.9
Gambia	–7.9	–7.9	–3.9	–0.6	–1.6
Ghana	–7.2	–5.9	–5.7	–4.4	–3.9
Guinea	–3.8	–2.2	–4.4	–3.5	–1.0
Guinea-Bissau	–2.5	–1.3	–2.5	–2.2	–2.0
Liberia	–4.9	–7.9	–3.9	–0.6	–1.9
Mali	–2.9	–2.9	–2.5	–2.4	–1.5
Niger	–7.8	–5.2	–5.9	–4.5	–3.6
Nigeria	–3.0	–5.2	–4.0	–4.2	–4.4
Senegal	–3.7	–3.0	–3.5	–3.3	–3.1
Sierra Leone	–6.4	–6.8	–7.7	–7.8	–6.9
Togo	–9.1	–2.1	–6.7	–1.6	–0.3
West Africa	–3.4	–5.0	–4.2	–3.9	–3.9

Source: African Development Bank statistics.

Figure 2: Fiscal balances in West Africa, by country, 2014–2020 (% of GDP)

From figure 2, most economies are struggling to achieve this target especially the Non-WAEMU countries and can be attributed to those countries that have control over their monetary policies relative to WAEMU countries who do not have control over their monetary policies. For this single currency for West Africa to become reality, most economies need to work extra hard and sacrifice a lot in their respective economies to be able to meet this target. Moreover, another convergence criterion that is very critical for the implementation of this policy is that every member state need to achieve single digit inflation of less than 5% every year before a member state qualifies to join the monetary union of West Africa. Since most economies are known of expansionary fiscal policy and hence inflation will be challenge to tackle and shocks in supply is another cause of inflation in the region since expansionary fiscal influence demand to an upward trend while shocks brings supply demand down leading to inflation in the region.

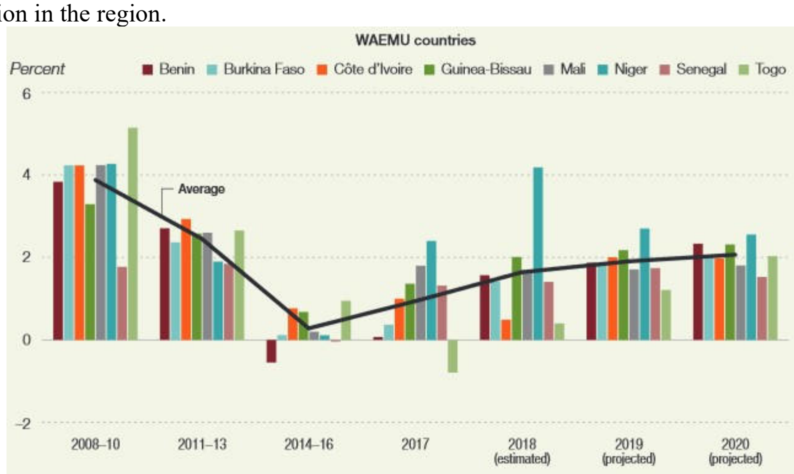

Figure 3: Inflation in West Africa, by country, 2008–2020 (WAEMU Countries)

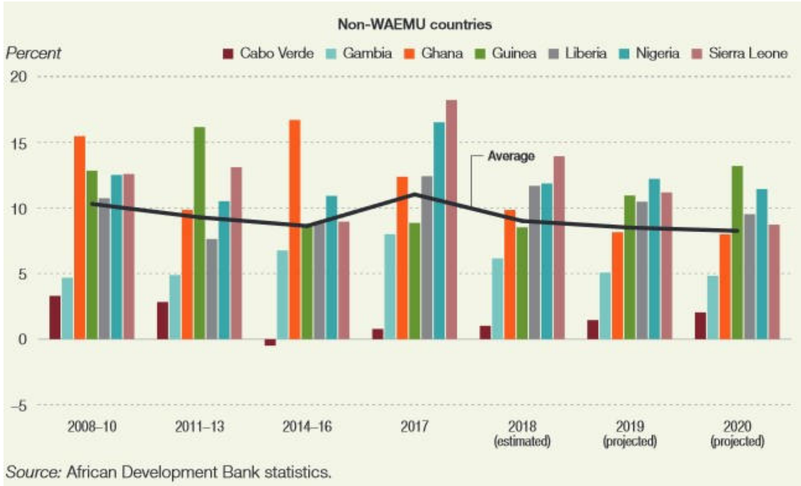

Figure 4: Inflation in West Africa, by country, 2008–2020 (Non-WAEMU Countries)

From figure 3 and 4, the non WAEMU countries have high inflation rates than the WAEMU countries and this difference can be attributed to monetary independence of various central banks. The WAEMU countries don't have absolute control over their monetary policies relative to the non WAEMU countries, they have absolute control over their monetary policies and hence over spend leading to high inflation [33]. Also, for the fear of compromising the sovereignty of a country and hence led to less commitment on the part of member states to give all best to the implementation of the single currency in the west Africa economic region. For example, President Buhari- the president of Nigeria made in his speech that, he is still thinking about the new single currency policy in the West Africa region since the adoption of single currency takes the control of monetary policy from the hands of the sovereign country to the WAEMU and that is holding most nations back to commit themselves to the materialization of the project. Another reason can be because of the corruption of most politicians in west Africa and hence the adoption of single currency could minimize the rate of corrupt practices in the various countries and this could be the reason why most government are not sacrificing a lot for this to kick starts hence have been knocked by four times postponement after the official announcement. The WAEMU countries which are French colonies and adopted the CFA are more skeptical about the successful of this proposed new single currency of west Africa since they are more certain about the CFA and its benefits and challenges but less can be said about the ECO currency since there have not been full implementation of the monetary union project.

3.4 Discussion and Lessons to Be Learnt From Euro Experience

ECOWAS common currency has been proposed to be tied to the euro, and the essence of the economic dynamics of ECOWAS countries is considered to be primary commodity exporters. The pegging of the ECOWAS common currency to euro, however, would erode the economic gains from exports from the sub-region, as high currency value increases the export price of goods. According to [26], the euro has done little to promote intra-euro area trade and from the lesson of the euro, adopting ECO does not guarantee intra-eco-area trade facilitation because it is understood that countries in the sub-region do not trade among themselves [32]. The use of common currency, euro, has fostered trade within euro area countries as a result of eradicating the instability of exchange rates and providing market transparency that contributes to price stability. Exports and imports of goods, for example, rose within the euro area from 27 per cent of GDP in 1999 to around 32 per cent in 2006 [22]. Euro lesson shows that eco usage will promote trade as the strategy would eliminate the uncertainty of exchange rates and market fluctuations that have been a critical challenge for the subregion. The export gains, however, do not come primarily from export in the intra-euro region but rather from trade in the extra-euro sector. For example, from 1999 to 2006, exports and imports of goods from the extra-euro region grew from roughly 24 percent to 33 percent of euro area GDP, rising global trade integration and very substantial trade with China and emerging Asia contributed to the large increase in the extra-euro area trade [22]. According to [24] EMU's precarious fiscal base raises concerns that excessive debt accumulated by member states could jeopardize price stability, especially Greece is a typical example. Poor fiscal discipline among West Africa economies shall be a threat to attaining price stability and exchange rate stability, monetary stability with low inflation and long-term interest rate convergence are the hallmark of euro adoption and this is common to countries with credibility in monetary policy prior to the adoption of the euro.

CONCLUSIONS AND RECOMMENDATION

Regional economic cooperation between developing countries, especially in Africa, should be seen as a sustainable strategy for improving domestic economic performance and as a credible means of economic survival in a global economy experiencing globalization. This explains why these countries have previously signed several regional economic cooperation agreements, including monetary integration. These agreements were accompanied by many difficulties that limited the achievement of their basic goals. Agreed political packages and other measures are generally not implemented with the necessary political commitment. As for the EMCP implementation. Another dimension in the implementation of the program was the inability to establish significant cooperation between the CFA franc zone and the rest of ECOWAS.

The second monetary zone initiative that these other countries would use to forge a currency zone A union that later merged with the free zone of CFA was therefore a positive development. To date, this has been achieved with the correct political commitment of the Member States. In addition to the political will in the implementation of the project, the economic potential of the area is of great benefit. The area represents more than 70% of the ECOWAS population, around 64% of total GDP, around 66% of total exports and 60% of total imports of goods and services.

In general, the area accounts for around 76% of gross currency reserves in the sub-region of West Africa. The challenges in building the second currency zone are enormous. As a result, Member States must continue their current economic reforms, implement the area agreements and statutes faithfully and support the institutions of the area. Nigeria, as a prominent member of the region, strives to respect the statutes of the region and to strictly adhere to the macroeconomic guidelines that facilitate the construction of West African Monetary Zone and the possible merger with the existing CFA zone.

According to [26] their research findings posit that implementation of EMU boosted export of about 50 percent which gives much evidence to the ECOWAS member states on what benefits from the use of common currency on trade but the asymmetric nature of the economies in the sub-region shall be a hindrance to the monetary union if strong institutions are not establish to facilitate trade within and across the sub-region. European Central Bank (ECB) controls the interest rate in the eurozone and the lowest interest rate set up by the ECB favors the German economy since they were the dominant economic power and it propelled the economy to be an export led based economy whereas in ECOWAS monetary union, Nigeria is set to be ECOWAS dominant economic power since it has the largest economy in the sub-region and from the lesson learnt from the euro experience posit that interest rate is likely to be set to favor the Nigerian economy and this may endanger the objectives of the monetary union in terms of achieving price stability and exchange rates stability within the sub-region and hence there is need for the establishment of strong ECOWAS Central Bank that will be responsible for the management of the currency and to control the interest rate that will benefit every individual member state in the sub-region. However, the monetary independence taken away from the individual economies sometimes does not help the times of crisis since individual economies can alter the interest rate or the exchange rate in order to respond to the shocks in times of crisis.

One main objective of this currency union proposal is to boost trade within the sub-region and before this target can be achieved a lot of investment should be directed into infrastructural development in order to facilitate trade within region. Perhaps the bureaucratic nature of the public institution in charge of imports and exports facilitation such as the various ports in the region is impeding the benefits from trade and conscious efforts should be implemented by various governments in West Africa to reduce all bottlenecks to trade within the region before the full implementation of the single currency project.

However, single currency adoption takes the sovereignty of nations over their monetary policies and this is influencing the member states to drag their feet from showing much commitment to the full implementation of the project hence member states should sacrifice and compromise national sovereignty to the fulfilment of this monetary union.

Finally, irrespective of European Central Bank contributing to macroeconomic stability in the euro region, in terms of overall growth performance has been poor. However, implementation of the ECOWAS single currency should not be in a haze but rather due diligence should be done in evaluating the costs and benefits to the sub-region when the single currency policy is fully implemented.

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