

Regional Integration in Central Africa: *Key Issues*

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Abstract

The CEMAC, (*Communauté Economique et Monétaire de l'Afrique Centrale*), is one of the oldest regional arrangements in Africa, consisting of Cameroon, Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon. In 1994, the member countries established a full-fledged economic and monetary union (treaty was ratified in 1999), strengthening the existing customs and monetary union, which originated in the colonial era.

Linked partly by geography and partly by history, the economies of the CEMAC zone share a number of distinctive characteristics. They are not populous (a combined total population of 32 million), have experienced low historical growth in per capita incomes, made limited strides in poverty reduction over the last several decades, and are highly dependent on oil and other natural resource

exports. The economies also share common challenges, both internal and external, such as volatility resulting from reliance on commodity exports, conflicts of interest between richer coastal and poorer landlocked countries, very limited intra-regional linkages, and political instability within CEMAC and neighboring countries.

Regional integration can be a vehicle for overcoming these challenges and a force for improved economic prospects. It may lock countries into policy reform, achieve economies of scale, and provide a unified forum for international negotiations. Success in this endeavor will depend critically on strengthening the institutional capacity, gaining political consensus, building effective infrastructure, as well as developing stronger ties within the region and with the neighbors.

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I. BACKGROUND

A. Introduction: Geography, Population, and Natural Resource Endowment

One of the oldest regional groupings in Africa is the CEMAC (*Communauté Economique et Monétaire de l'Afrique Centrale*), consisting of Cameroon, Central African Republic, Chad, Congo (Brazzaville), Equatorial Guinea, and Gabon. A product of prewar French colonial rule, the six country grouping has forged closer monetary and economic integration between its member states in the 1990's. Consisting of a geographic area of roughly 3 million square kilometers and considerably smaller than the West and the South African sub-regions, the CEMAC region is one of the two CFA zones in Africa. Of the CEMAC members, Chad and the Central African Republic are landlocked. Chad, the only Sahelian country in this group, runs far to the north of the other members, encompassing the Sahara desert, the Sahel, and Sudan regions, while the other five countries are tropical.

Although the countries are contiguous, deep forests make it difficult to travel within this area. Neither are these countries well served by natural trade routes except for the Congo river on its southern flank, nor have the governments made great efforts in developing regional roads until recently. Thus, the countries remained isolated from one another despite having been grouped together under the French colonial rule. Some of these countries have potentially more important economic links with Nigeria and Democratic Republic of Congo, neither of which is included in the Community, than with each other.

There are only 32 million inhabitants in an area roughly the size of India compared to over a billion people. Population density varies enormously from high concentrations in South Western Cameroon (33.2 inhabitants per sq km) versus 5.9 in CAR and 4.9 in Gabon to near zero in the Saharan portions of the North. Of the six countries, Cameroon with its 14.7 million inhabitants, is by far the most populous, while Equatorial Guinea is the smallest with only 0.4 million people. CEMAC is dwarfed by the populations of other sub-regions: the total population of SADC is roughly 195 million, whereas ECOWAS has about 230 million. Nigeria alone has 105 million people. Demographic expansion is estimated to be approximately 2.5 percent per year, but also with great variations: it is lowest in CAR (1.9 percent).

The peoples of the CEMAC region are ethnically diverse, and the level of diversity across countries is relatively uniform. Commercial diasporas are not as common in the CEMAC subregion as they are in West Africa, which may explain the weaker tendencies for integration in CEMAC than in West Africa. The common French language (except for Equatorial Guinea where Spanish is spoken) which link political and commercial elites within the area also separate them from their Anglophone neighbors.

Central Africa is well endowed with natural resources. It has vast reserves of petroleum as well as deposits of minerals and metals, including gold, tin, bauxite, uranium, and iron ore. Furthermore, its dense forested area, together with DRC, represents the second largest tropical forest in the world after the Amazon. However, the prevalence of water-borne diseases and low rainfall in much of Central Africa and the desertification of the Sahelian zone and frequent drought in Chad create recurrent episodes of food scarcity. A major distinguishing feature is the presence of petroleum reserves, both off-shore (Cameroon, Gabon, Congo, Equatorial Guinea) and inland (Chad). This wealth is in varying states of exploitation and

indeed only known with a high degree on uncertainty. It is of course a central feature of the regional economies, a reason of hope for the future and also a challenge for economic management.

B. Colonial History of the CFA Zones (until 1962)

In order to understand CEMAC's current performance, it is important to examine the history, institutions, and policies of the zone both in the colonial era (until 1962) and the post-independence period (1963-93). The Central and West African economic unions are historic artifacts of the colonial era. *Afrique Occidentale Française* (AOF), created in 1898, grouped together Senegal, Guinea, Cote d'Ivoire, the Sudan (later Mali), Dahomey (later Benin), Upper Volta (later Burkina Faso), Mauritania, and Niger. *Afrique Equatoriale Française* (AEF), created in 1910, consisted of Chad, Oubangi-Chari (later the Central African Republic), Congo, and the Gabon. The French part of Cameroon was governed separately by France under a UN mandate and remained outside of the federation. Each of the above territories became a separate country upon independence in 1962.

France's African colonies began to assert their right to self-determination after World War II, and their formal arrangements with France ended with their independence. Under pre-World War II arrangements, the African populations of the French territories had virtually no representation in the government. Numerous changes were introduced after 1945 with the intention of giving Africans a greater degree of self-government. African representatives from the territories of AEF and AOF actually held seats in the French National Assembly in Paris, rather than participating solely in territorial assemblies. Although the move towards decolonization of France's African territories in the later 1950s was accompanied by attempts to preserve some formal political association among AOF, AEF, and France, they failed eventually. Decolonization brought complete separation in terms of formal political institutions.

Even after formal political associations with France came to an end at the time of independence, the CFA francs created under the colonial rule persisted. The present CFA zones are direct descendants of the colonial arrangements. In December 1945, the *Colonies Françaises d'Afrique* (CFA) franc was created to maintain the exchange rates for AEF and AOF with the dollar while metropolitan France devalued the French franc. The acronym CFA was later renamed as the *Coopération Financière Africaine* in Central Africa and *Communauté Financière Africaine* in West Africa. The two zones were treated in a similar way by France, and consequently, their institutions resemble each other closely. What is notable is that the CFA zones' monetary arrangements remained largely unchanged after independence, whereas most other colonies had severed their monetary relationships with the former colonial power by the late 1960s.

C. Post-Independence History of CEMAC (1963-1993)

During the post-independence history of the CEMAC area until 1993, the colonial trade regime disintegrated and the regional Central Bank continued to function. When massive domestic policy and exogenous shocks struck the sub-region in the mid 80's, however, the Central Bank did not receive the authorization of the Heads of States to devalue, and its ability to maintain economic stability was curtailed sharply. A severe depression followed during which per capita income of the region fell by over 17 %. To cope with the macroeconomic imbalances, member countries adopted an "internal adjustment strategy," as an alternative to devaluation. After this strategy proved disastrous, the CFA franc was devalued in 1994, starting a new era for the CEMAC countries.

BEAC

The *Banque des Etats d'Afrique Centrale* (BEAC) was established in 1972 as a regional central bank that served a loose monetary association. Members¹ resisted committing to a strong monetary union because they were reluctant to giving up sovereignty. BEAC and its West African counterpart, BCEAO handled various central bank functions such as issuing currencies and pooling the external reserves of their members. They also had national agencies in their constituent countries. These institutional arrangements functioned primarily to support the fixed exchange rate link and the macroeconomic and financial stability which that link was seen to provide.

A distinctive feature of BEAC and BCEAO was the Operations Accounts with the French Treasury, which helped the central banks to maintain the fixed parity and was governed by rules set out in monetary accords between France and the two monetary communities. In return for access to the Operations Account, the two communities were to abide by a set of rules of monetary and fiscal discipline designed to reduce the risk that they, and hence the central banks, would accumulate large balance of payments deficits requiring extensive financing from the Operations Account. Unfortunately, some of these rules were designed poorly and others were often violated or circumvented. In particular, the rules did not specify who, among the Central Bank, member countries, or France, should be the enforcer of the rules or bearer of the consequences.

Major policy and institutional changes, introduced at the demand of the African governments in 1973, left BEAC with conflicting mandates that contributed to subsequent financial sector difficulties. The changes included the transfer of the central bank's headquarters from Paris to Yaoundé. African nationals took over the management of the central bank from the French, and France's voting power in the governing board was reduced. The Bank's objectives were also modified to become much more concerned about being an "engine of development" rather than being the guardian of financial stability. These changes contributed to serious financial problems experienced in the course of the 1980's. Large bad debts were accumulated in the currency area because of lax fiscal management, excessive public sector borrowing, poorly conceived credit and interest rate policies, and weak bank supervision and management.

The Heads of States of the CFA countries considered preserving the fixed parity between the CFA and the French francs² of utmost importance and were reluctant to allow the regional central banks to devalue when the economic situation changed. The parity, which had been maintained since its establishment in 1948, survived not only the early years of independence, when former colonies of the UK and Portugal severed the colonial-era currency links, but also the demise of the Bretton Woods system of fixed exchange rates in the early 1970s.³ Thus, despite the magnitude of the shocks that struck the economies in the mid-1980s, a devaluation was seen as a last resort at best by the heads of state. As the economic situation deteriorated, however, they moved slowly to introduce some reforms around 1989-90. In 1990, BEAC introduced important interest rate and credit policy reforms and established new sub-regional banking commissions to strengthen the supervision of banks.

¹ There are five founding members, Cameroon, Central African Republic, Chad, Republic of Congo, and Gabon. Equatorial Guinea joined in 1985.

² The two CFA francs could have different exchange rate with the French franc although they have always been pegged at the same rate. They have maintained the parity because the two central banks are subject to externalities resulting from the other's behaviour: a devaluation by one would undoubtedly place pressure on the other. However, the linkages are ones of confidence and perceptions rather than institutions.

³ The creation of the new French franc in 1960, worth 100 old francs, changed the parity but this was only an accounting change as the purchasing power of the CFA franc was unaltered.

An important lesson from the pre-1994 experience is that success of a regional policy depends critically on whether or not the larger countries support it. BEAC was only able to act as a quasi-central bank for a loose monetary community because Cameroon and Gabon, the two sub-regional powers, were reluctant to tolerate limitations on their sovereignty that stronger arrangements would have implied.

UDEAC

Common currency areas had accompanying regional free trade agreements. When the treaty creating UDEAC (*Union douanière et économique de l'Afrique Centrale*) was signed in Brazzaville, Congo in 1964, all BEAC members joined the new regional trade organization. In contrast to the monetary arrangements, France had no formal role in the trade agreements although it played an important informal role in the policy dialogue that shaped the trade policies. The primary concern of France, however, was to protect their interests in bilateral trade rather than to promote intra-regional trade or external trade liberalization.

UDEAC was the oldest and one of the most ambitious experiments in regional integration in Africa. Reflecting the inward-looking regionalism of the 1960s, it maintained policies that coupled trade liberalization within the region with protectionism towards the rest of the world, in order to achieve industrialization through scale economies made possible by creation of larger regional markets. In addition to a protectionist common external tariff and intra-regional free trade, the UDEAC agreement provided for a regional investment code, regular consultations on project location, and coordination of industrial policies. Regional institutions included a General Secretariat of the Union and a *Comité de Direction* made up of the economic ministers of member countries.

UDEAC's trade policies turned protectionist in the early 1970s. High oil and other commodity prices had led some UDEAC members to undertake ambitious investment projects, which had to be protected from competition from outside and from within the sub-region. In 1974, free trade within the Union was restricted to raw materials and unprocessed agricultural products. Intra-regional trade in manufactured products of Union origin was taxed like external trade unless the manufacturer had obtained special tax status and was often subjected to non-tariff barriers. The high official tariff rates did not raise substantial revenues but encouraged behavior that had the opposite effect, including widespread tariff and tax exemptions, smuggling, and customs fraud. The common regional trade policies of UDEAC had the ironic effect of limiting the possibilities for reform at the national level. By 1994, three decades after its creation, the entire UDEAC tariff and indirect tax system required overhauling badly.

The pre-1994 experience with UDEAC, like that of BEAC, shows that success of a regional policy depends critically on whether or not the larger countries support it. In this respect, a free trade regime did not have the opportunity to prosper. Neither Cameroon nor Gabon adopted trade policies that could help transform UDEAC's common trade policy from an inward-looking regime to a more outward-looking one. Moreover, France, which remained the zone's most important bilateral trading partner, had long been a proponent of managed trade and was not interested in pushing trade liberalization in UDEAC.

The Internal Adjustment Strategy

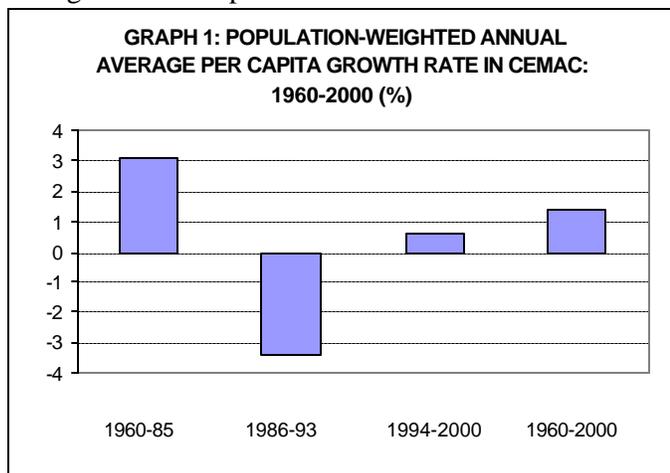
The CEMAC countries adopted an "internal adjustment strategy" in response to severe external shocks that struck the region in the mid to late 1980s. In 1986, the crude oil price collapsed, as did other commodity prices. As a consequence, terms of trade for the CEMAC countries plunged by 40% in 1986-88, and remained depressed until 1993. There was an urgent need to restore competitiveness and to resume growth, as well as to regain internal and external balance. A combination of expenditure switching and expenditure reducing policies were generally required to achieve such goals. Expenditure switching policies are needed to alter relative prices and shift demand and resources towards the

production of tradable goods, while expenditure reducing policies – primarily monetary and fiscal in nature – are necessary to reduce domestic absorption and increase domestic savings. Expenditure switching policies normally rely upon exchange rate depreciation to reduce imports and boost exports, but the CEMAC countries initially refused to devalue. The member countries instead embarked on an alternative set of policies that was called an “internal adjustment strategy,” which tried to deflate the domestic prices to achieve the required depreciation in the real exchange rate. This strategy involved a combination of deflationary macroeconomic policies, internal structural reforms, and “second best” trade policies. These adjustment programs were introduced as early as 1986, although they were not implemented uniformly across countries or over time. As it turned out, however, the required real depreciation proved to be too large to be accomplished without a nominal devaluation.

It was the disastrous failure of the internal adjustment strategy, combined with withdrawal of external financial support after 1992 that finally convinced the CEMAC heads of states to devalue. The economies were in a major depression with per capita GDP falling by 3.9% annually⁴ between 1985 and 1993. Regional GDP declined by more than 30% over this nine-year period. The governments saw their revenues fall as the economies contracted while their expenditures remained largely unchanged because political constraints made it virtually impossible to reduce the wage bill, the single largest component of the expenditures. Compounding the difficulties of the governments, external financing shrank as donors became increasingly dissatisfied with the slow pace of reforms. This led to a fiscal crisis, which in turn caused serious liquidity and solvency problems for the banking system through the accumulation of government and public enterprise arrears. A substantial increase in non-performing private sector loans caused by the depression also strained the banking system. As the economic crisis deepened and devaluation appeared increasingly inevitable, capital flight from the area accelerated, undermining the financial system further. Significant restrictions on international payments imposed during this period did not help improve the situation. The banking sectors of many of the CEMAC countries were insolvent on the eve of the devaluation.

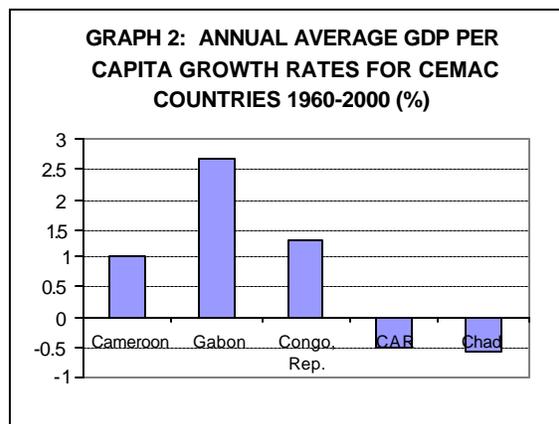
D. Economic Performance of CEMAC Countries

An assessment of CEMAC’s economic performance over the last several decades presents a relatively disappointing story of low economic growth. In spite of a favorable natural resource endowment, economic growth has proven to be an elusive goal for the Central African nations. A modest 3 % annual increase in per capita GDP from 1960-1985 was followed by a serious economic contraction in 1986-1993, resulting in a 3.4 % decline in per capita income. The devaluation in 1994 and accompanying reforms have succeeded in reversing the declining trend, but the increase in GDP growth of 0.7 % per year during 1994-2000 has barely outpaced population growth. (Graph 1) Individual country performance over the last several decades has varied considerably, with Gabon having the highest annual average GDP per capita growth rate of 2.7% and Chad having the lowest at –0.7%. (Graph 2) Non-oil GDP per capita has fared even worse, growing at an annual rate of 0.5 % from 1960-2000.



⁴ GDP weighted arithmetic average of five CEMAC countries. Equatorial Guinea is excluded because the data are unavailable. The impact of this exclusion is likely to be very minor because the country is tiny.

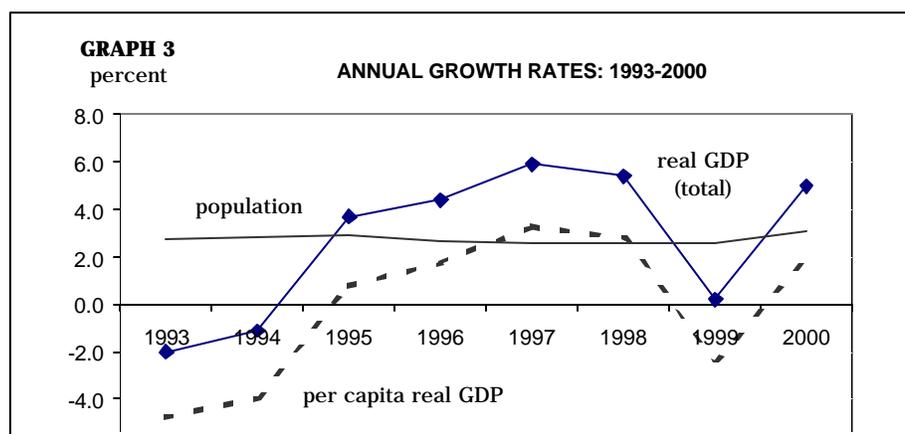
Since the 1994 devaluation, CEMAC and its member countries present more positive records. There has been a marked improvement in most macroeconomic indicators. Improvement in the public finance management, better trade performance, greater price stability have resulted from both better macroeconomic management and external factors such as favorable oil prices. However, the economic performance of CEMAC raises important issues to be addressed. First, economic growth needs to outpace the population growth in order for the benefits of economic growth to trickle down to a greater number of people. Second, the management of volatility must be improved. Thirdly, trade diversification has not progressed markedly since the devaluation, except for Cameroon. Fourthly, fiscal performance in CEMAC countries requires further strengthening in light of the fact that the oil-importing countries (Chad and CAR) were running basic fiscal deficits of -1.0% and -3.6 % of GDP in 2001, and in view of the large public debt that all member countries except Equatorial Guinea have accumulated over the years.



1. GDP Growth

a. Overall sub-regional trends

The economic performance of CEMAC countries improved following the devaluation of 1994, although there were occasional slippages: Gabon's fiscal crisis during the 1998 election year; Congo's civil war of 1997-9, several army mutinies in the Central African Republic in the 1990's and in 2002, and the impact of oil price volatility. Between 1994 and 2001, total output expanded at an annual rate of 4.2% (although there was considerable country variation) and per capita income of CEMAC as a whole⁵ grew at a modest annual rate of 1.5%, rebounding from 1986-93 depression during which it fell by 3.7% annually. (Graph 2)⁶ Non-oil GDP grew at about 3.0% over the same period.



⁵ GDP weighted average.

⁶ IMF 1999, 2001 for 1994-2000, and WDI for longer time series

b. Variations among countries

The 1.5% overall growth rate is somewhat misleading as Equatorial Guinea is pulling up the average with its stunning per capita growth rate of over 20% per year. If the rates of growth were uniformly disappointing, the patterns of growth were quite diverse. Gabon grew at a respectable rate of 2.7% until 1997 but suffered a stagnation in 1998 and a sharp contraction of -8.9% in 1999. These fluctuations were almost entirely due to the swings in the oil price, on which Gabon's economy is heavily reliant. Cameroon was less susceptible to the oil price-induced volatility since its economy is more diversified than other oil exporters in the sub-region. As a result, its economy managed to grow smoothly throughout the second half of the 1990s. In contrast, Congo contracted almost continuously over the same period as domestic turmoil took its toll. Chad and Central African Republic, the two non oil exporters had bumpy rides, with alternating periods of growth and contraction. Equatorial Guinea was an anomaly in that the start of oil production, combined with its very small size, allowed it to achieve the stunning growth rate.

2. Trade Performance

Oil dominates the trade performance of the region, representing about two thirds of total exports since 1990. The cumulative rise in the terms of trade for CEMAC as a whole between 1994 and 2001 was by about 35% (with 2000 alone registering a 34% year-on-year improvement after a drop of 12% in 1998). They have declined by about 20% between 2000 and 2002. The swings are largely due to the crude oil price. Total exports (in current dollar terms) have increased over the 20-year period to 2000 by some 50%. Despite large swings in some years, total exports show a perceptible upward trend. The ratio of exports to GDP has thus reached 45% in 2000 up from 31% in 1994 (but it was 40% in 1980). Annual growth in real exports averaged about 4.8%, or 2.1% in per capita terms, between 1994 and 1999, resulting in a cumulative increase of nearly 30% in real exports over the 6-year period. The impact of the 1994 devaluation led to a temporary increase in intraregional exports. However, after two three years, levels of intraregional trade continued to remain low at below 5%.

The trade balance for CEMAC was generally in surplus in the second half of 1990s, helped by the depreciation of Euro against the US dollar. However, current account stayed in deficit because of interest payments. Gabon was an exception in the group and ran a current account surplus during the same period except in 1998. In contrast, Congo ran large deficits of around 23% of GDP, while Equatorial Guinea's deficits averaged staggering 58% because of high level of FDI in oil production facilities. Cameroon and Central African Republic run a relatively small current account deficit of 1.9 - 4.6% over this period. [Source: IMF 1999, 2001]

As for trade diversification, there has been no discernible progress since the 1994 devaluation. Except for Cameroon, each CEMAC country has a dominant export commodity whose share in total exports is 70% or more. Gabon, Congo, and Equatorial Guinea are predominantly oil exporters, Central African Republic exports diamonds, and Chad's major export commodity is cotton. The share of the key export good is either increasing or has not changed much over the last decade in each country. Conversely, no new export item appears to have gained significance since the devaluation. Cameroon stands out as an exception: it is an oil exporter as well, but the oil constitutes only about a third of total exports, down from about a half in 1990. Its second largest merchandise export is logs, which make up about 15% of total exports. This limited diversification is nevertheless helpful since the prices of logs and crude oil tended to move in the opposite direction⁷ since the 1970s.

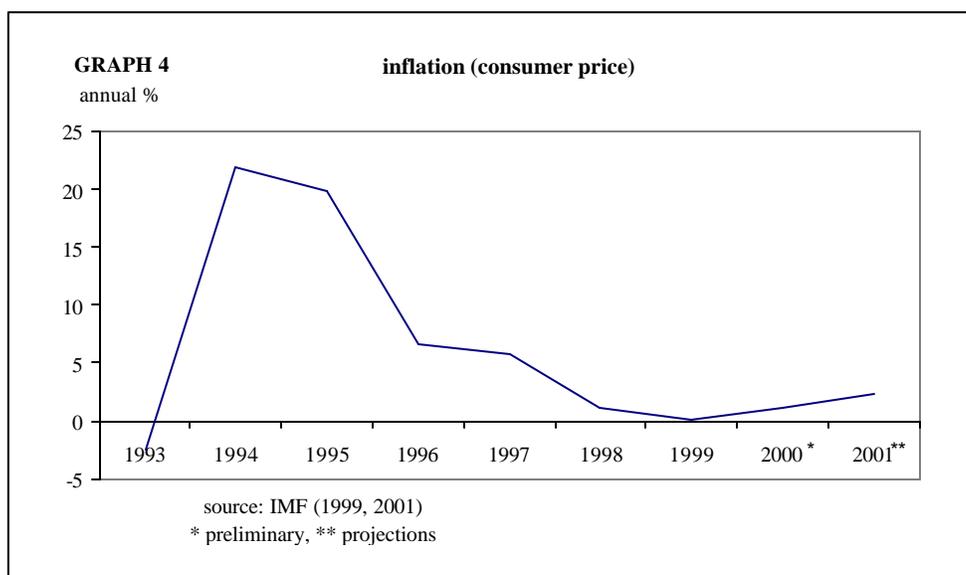
⁷ The partial correlation of the prices of logs and crude oil is -0.05 without de-trending the series.

Trading within the sub-region continues to be minimal. On average, CEMAC countries imported only 3.3% of total imports of goods and services from the fellow members between 1993 and 2000. More than half of both exports and imports was to and from EU, with France often the dominant trading partner. This pattern has changed little during the second half of the 1990s, although there is a slight tendency for the dominance of both EU and France to decline.

While output in the traded good sector responded to the devaluation, investment spending in this sector has been subdued largely because the export sector was operating below capacity before the devaluation. Sizable investments were made by oil companies in Equatorial Guinea and Chad, but the devaluation played only a marginal role in the investment decisions by the oil companies.

3. Monetary Policy Performance, Inflation, and Macroeconomic Stability

Price stability has been maintained since the 1994 devaluation. The member governments of BEAC understood that devaluation could restore competitiveness and macroeconomic stability only if the price level (including wages) did not rise proportionately. They managed to contain the inflationary pressure despite the pessimism that prevailed prior to the devaluation. Most governments adopted a policy of controlling wage costs, especially in the public sector and aggregate demand was also contained. After experiencing deflation during 1986-93 depression, the CEMAC economy saw average consumer prices surge by around 20% in 1994 and 1995 when the 100% nominal devaluation was being passed through to the prices of traded goods. Inflation then dropped to 6 - 7% in 1996- 97, then dropped to less than 2% in 1999-2000 and rose to 4.4% in 2001. Demand for broad money recovered. Due to favorable crude oil prices and improved export earnings, there was a significant increase in international reserve at the Central Bank (BEAC).



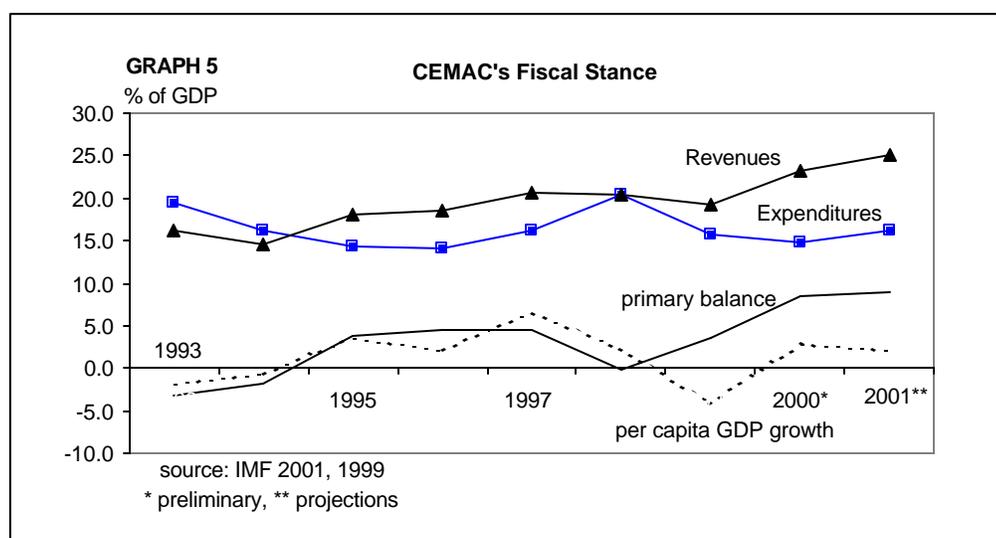
Restructuring of the banking systems of individual countries was completed by early 2001 in all member countries except Congo, where domestic conflicts interfered with reforms. Despite the progress made, the banking system in CEMAC is still less than robust: it remains a sector that calls for continued efforts in reforms. Based on the classification system⁸ developed by the regulating agency, COBAC, only

⁸ Five factors are used in assessing the standing of a credit institution: capital adequacy, liquidity, quality of loan portfolio management and internal control systems, and profitability.

12 out of the 29 rated institutions were “strong” or “sound,” 11 were considered “fragile,” and 5 remained “distressed” at end November 2000. However, the group of strong or sound banks held two-thirds of the total deposits in the banking system.

4. Fiscal Policy Performance

The fiscal performance of CEMAC as a whole has improved since the devaluation. Average government revenue was on an increasing trend, rising from 14.5% of GDP in 1994 to 22.2% (excluding grants) in 2001. All countries increased revenues since 1994 although the oil exporters tended to suffer in 1998-99 due to low oil price. Revenues rose in oil importing countries also although they still fell short of current expenditures. Meanwhile, due to stricter fiscal management (cuts in government sector wages and some cuts in social expenditures), primary government expenditures of CEMAC as a whole have declined from 19.5% of GDP in 1993 and settled around 15% of GDP with the exception of 1998 when there was a temporary spike due to an oil boom. Cameroon and the oil importers either maintained the expenditures at a constant share of GDP (7-9%) or decreased them since the devaluation.



As a result of the expenditure and revenue trends, CEMAC as a whole has run a primary surplus since 1995 except in 1998. The overall balance was determined largely by the oil-exporting countries, whose fiscal balances tended to move in tandem. The oil exporters managed for the most part to maintain primary surpluses since the devaluation, whereas the two oil importers consistently ran primary deficits. Chad’s fiscal balance was almost perfectly negatively correlated with those of oil-exporting members, while Central African Republic’s stayed just below zero with very little change. The stronger fiscal performance enabled most member countries to restore normal relations with foreign creditors and to eliminate domestic arrears by 1996.

In 2000, Gabon and Equatorial Guinea had the strongest fiscal performance, each with a fiscal surplus of roughly 10% of GDP. In contrast, Central African Republic and Chad were running large fiscal deficits of -7.7% and -13.6% respectively. Cameroon and Congo had roughly balanced fiscal positions in 2000. Although recent performance has been encouraging, in light of the large public debt that all member countries except Equatorial Guinea have accumulated over the years, fiscal performance requires further strengthening, particularly in oil-importing countries.

E. Social Development and Poverty

Poverty incidence in the Central African sub-region is high. The 2001 household consumption survey in Cameroon found that 40.2% of the population fell under the poverty threshold, defined as a minimal consumption basket. Evidence from Chad and the Republic of Congo suggests that three-fourths of the population is below the poverty line. Furthermore, survey evidence suggests that poverty is higher in rural areas in Central Africa than urban ones and that incidence of child poverty is high. Poverty has been and remains a major cause of environmental degradation and resource depletion.

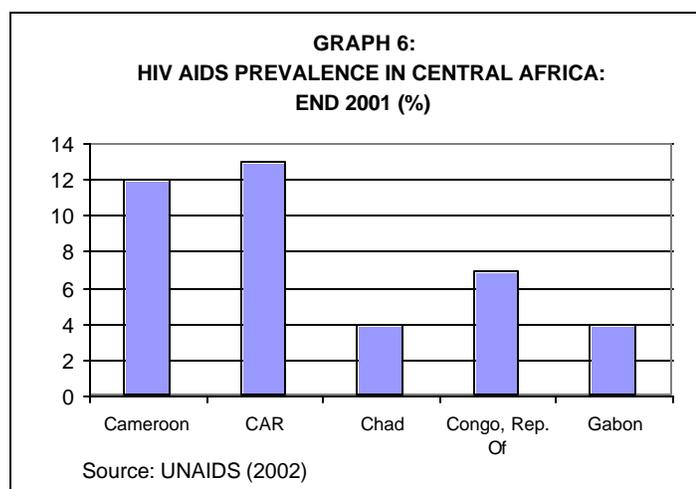
Average per capita incomes vary widely due to the juxtaposition of oil-rich and oil-poor economies — from a little over \$3,160 in Gabon to \$200 in Chad. Central Africa is no exception to the stylized economic fact that resource-rich developing countries tend to have highly skewed income distributions, and that oil rich countries are conspicuous in failing to redistribute their oil windfalls. Furthermore, poverty levels have not declined over time. In fact, from 1985-1994, the CEMAC countries faced an exacerbation of poverty during the economic and financial crisis preceding the 1994 devaluation. In the last five years, household survey data shows no real improvement in

living standards, although the deteriorating trend has been halted. Low social and human development indicators, with an average life expectancy at birth of 50 years and an infant mortality rate of 89 per 1000, confirm the dismal health picture in Central Africa. Interestingly, social indicators in the oil-exporting countries, notably Gabon, are not significantly different from those of other countries in the region or from Sub-Saharan African averages.

The prevalence of HIV/AIDS among adults (ages 15-49) varies from close to 13% in the Central African Republic to 12% in Cameroon, 7% in Congo, and 4% in Chad and Gabon. While the incidence of HIV/AIDS in Central Africa is currently lower than the pandemic levels in Southern Africa, there is ample cause for concern as AIDS has already reached epidemic proportions in the sub-region, creating difficulties for the country's public health systems. Cameroon's and CAR's HIV incidence soared more than fifteen-fold in the last ten years, while close to 80% of teacher deaths in the last several years in the Central African Republic can be attributed to AIDS, and estimates suggest that close to 50,000 children have been deprived of basic education since 1997. The principal agents of HIV transmission in Central Africa are the commercial sex workers, migrant workers, and the truck drivers along the critical regional corridors, and the populations which have been displaced due to political unrest and civil war.

Box 1		
Social Indicators in Central Africa		
(Latest year available (1993-1999))		
Population weighted averages	CEMAC	ECOWAS
Literacy rate (%)	64	55
Infant mortality rate (per 1000)	89	91
Life expectancy at birth (years)	50	52
Gross primary school enroll (%)	81	81
Access to safe water (%)	52	60

Source: World Bank database



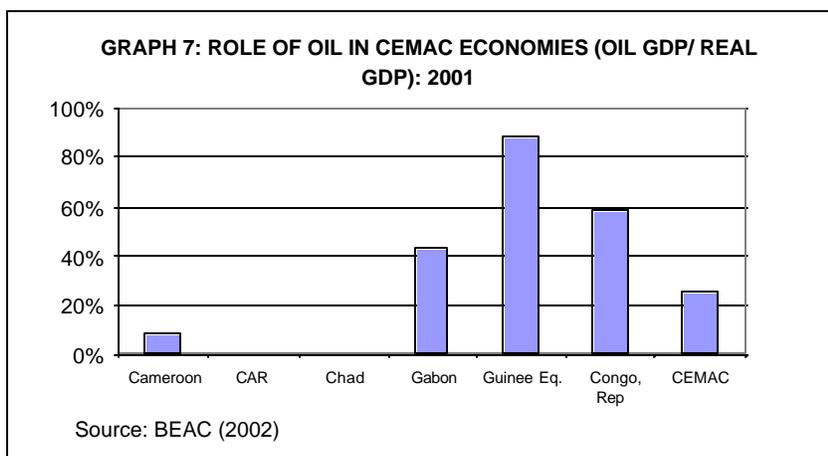
As statistics on this subject are patchy, it is difficult to determine the precise effects on individual countries. Nevertheless, empirical work, mostly drawn from Southern Africa, shows that as HIV prevalence rates rise to 20% or more, GDP growth may decline by as much as 2% a year due to a reduction in labor supply and increased production costs. Both in terms of the human consequences and of the micro effects on household income and production and macro impacts on savings and investment levels, AIDS threatens to diminish the positive effects of any meaningful program of economic reform and regional integration. Since the large majority of AIDS victims in Africa, close to 80%, tend to be workers between 20 and 50, AIDS deprives economies and businesses of their productive and human base and creates a generation of orphans that must be cared for by local communities. Finally, AIDS throughout Africa has had an effect on reductions in life expectancy and stunting of human development progress.

II. SALIENT FEATURES OF THE CEMAC ZONE

Linked partly by geography and partly by history, the economies of the CEMAC zone share a number of distinctive characteristics, some that are peculiar to the sub-region and some common to Africa. Besides having very low historical growth in per capita incomes and limited strides in poverty reduction over several decades, the zone is also characterized by a high dependence on oil and forest exports, volatility in economic growth, domination by two economies, very limited intra-regional linkages, juxtaposition of richer coastal and poorer landlocked countries, and political instability within CEMAC and neighboring countries.

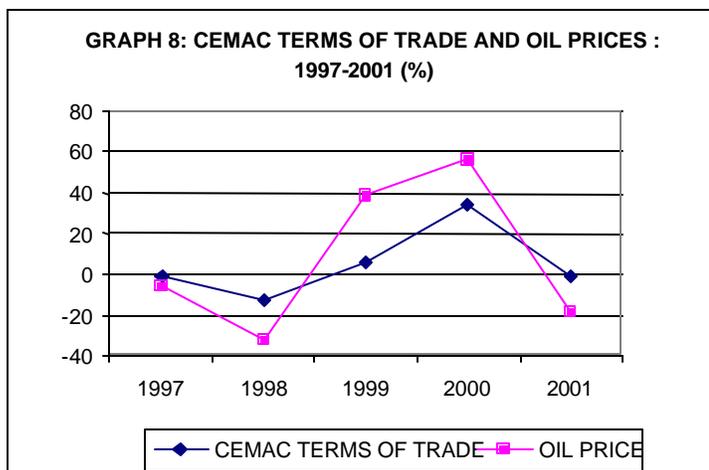
A. The Role of Oil in CEMAC

One of the important characteristics of the subregion is the presence of oil and its growing importance in recent years. The oil sector accounts for more than fifty percent of the GDP of Equatorial Guinea and the Republic of Congo and close to forty percent of Gabon's GDP. Oil accounts for close to 25% of CEMAC's total GDP and 70% of CEMAC's exports. Chad, one of the poorest economies in the world, will soon be joining the other oil-based economies in the region with the construction of the billion dollar Cameroon-Chad pipeline, which will bring it much needed public revenues in foreign exchange. Meanwhile, Equatorial Guinea, situated between Cameroon and Gabon, has become one of the world's fastest growing economies since the discovery of large oil and gas deposits of the island of Bioko in the mid-1990's. The country has experienced an economic boom with US companies spending over \$5 billion in the last five years. It now produces between 200,000 and 250,000 barrels of oil a day, overtaking Gabon as the third biggest oil producer in Africa after Nigeria and Angola. While oil could greatly contribute to lifting the people of the sub-region out of poverty, experience tells a story of improperly allocated revenue due to fiscal mismanagement.



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A major consequence of a high dependence on oil has been a great volatility in the terms of trade and the real effective exchange rate appreciation and the consequent effects on the growth path in the subregion. (Chart 1) In periods of oil boom characterized by rising international oil prices (1999-2000), the subregion has pronounced improvement in terms of trade, while in times of declining prices, the terms of trade diminish (1998, 2001). To make matters worse, the CEMAC economies have been hampered by the long-run decline in non-oil commodity prices (cotton, rubber).

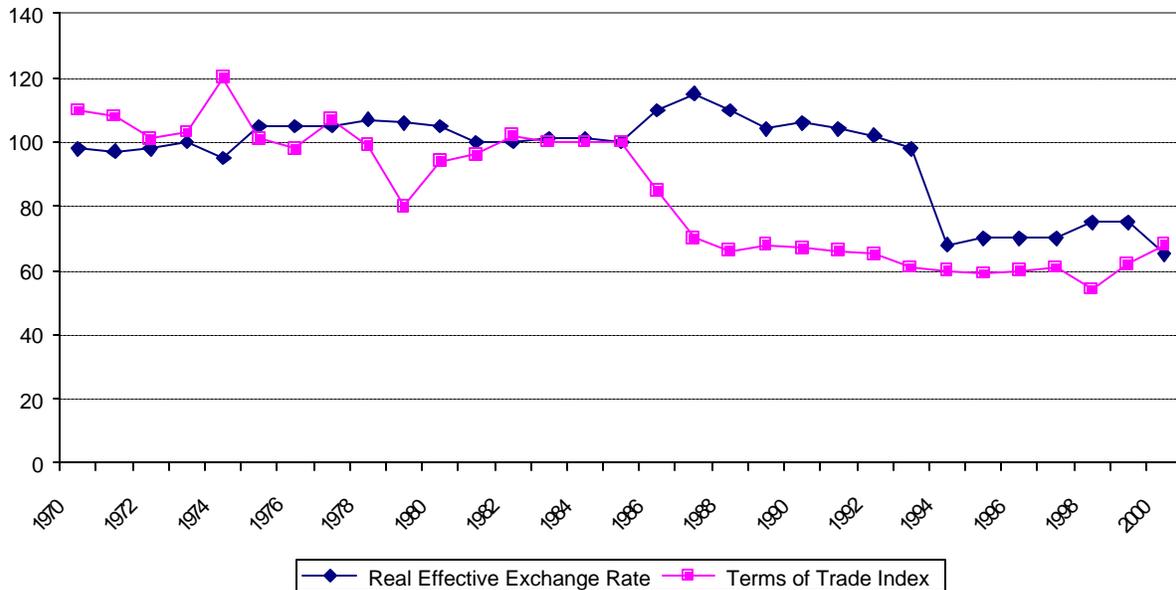


Since the CFA franc was pegged to the French franc (the euro after 1999), the economies in the zone have been highly vulnerable to fluctuations in the French franc/\$ (euro/\$) exchange rate as well as to the terms of trade. The CEMAC economies have gone through three distinctive historic economic periods from 1970 to 2000. (Chart) From 1970 to 1985, the Central African economies grew due to favorable FF/\$ movements while the terms of trade were relatively stable. However, from 1985 to 1993, the FF/\$ exchange rate appreciated by close to 40% while the terms of trade deteriorated. This appreciation dramatically reduced the competitiveness and profitability of the export sector, hurting both their trade performance and their GDP. (Devajaran and Hinkle, 1994). Finally, after the devaluation of CFA franc against the French franc in 1994, the real effective exchange rate stabilized at roughly 25% below its 1993 level, and then appreciated mildly by about 1.7% annually between 1995 and 2000. The appreciation of real effective exchange rate was contained for mainly three reasons. First, the inflation between 1995-97 was reasonably low at 6-7%, and was very low after 1998. Second, the French franc depreciated against the US dollar more or less consistently in the second half of the 1990s. Third, the terms of trade were stable during this period.

Another important and related characteristic of the CEMAC economies is the constant threat of Dutch disease⁹ and the fiscal indiscipline that results from oil booms. The most prominent example in CEMAC is Cameroon from 1978 to 1986. After oil was discovered in 1978, the country experienced an economic boom and an export surge. By the mid-1980's a combination of real exchange rate appreciation and declining prices for its main traditional exports (coffee, cocoa, and palm oil) dramatically reduced the competitiveness of its non-oil export sector. As a result, the non-oil export sector experienced a substantial contraction.

⁹ By definition, the Dutch disease is a phenomenon observed in the Netherlands in the 1970's in which a boom in one traded goods sector led to a decline in other traded goods sectors due to a combination of real exchange rate appreciation and increased production costs.

**CHART 1: INDICES OF EXCHANGE RATE AND TERMS OF TRADE 1970-2000:
(1985=100)**



Besides the loss of competitiveness of the traditional export sector in the wake of an oil discovery, the Central African economies have been hindered by the fiscal indiscipline that resulted from oil booms. Leite and Weidmann (2000) show empirically that capital-intensive natural resources--namely, oil and minerals-- contribute significantly to an increase in corruption and to slower growth. The counterintuitive finding that resource-rich countries tend to grow slower than resource-poor countries in the long run can be explained by the fact that natural resource exploration tends to generate high rents and thus the concentration of wealth in one booming sector promotes rent-seeking behavior. Countries faced with a resource boom frequently lack the institutions needed to ensure effective management.

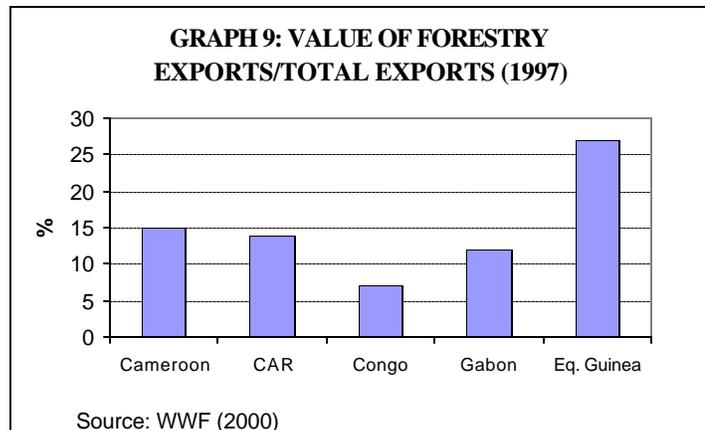
Moreover, since some Central African economies do not have the technical expertise and investment capital required for oil exploration, the governments may have a low bargaining position vis a vis oil companies as in other parts of Africa. The contracts in some of the countries have been structured so that oil companies take an early share of their profits to help them recoup their investments early. For example, in Equatorial Guinea, the government's share of oil revenue was less than a quarter of total revenue of the oil sector in 2000. In sum, oil presents both a critical asset and a challenge.

B. Role of Forests in CEMAC

Covering 190 million hectares and about a fourth the size of the continental United States, the dense **forests** in Central Africa (including the Democratic Republic of Congo) represent the second largest eco-forest zone on the planet after the Amazon. The forests represent the second source of fiscal receipts after oil, the first source of animal proteins, and the largest source of employment apart from public administration. In fact, for several countries (Congo, CAR, Cameroon, and Gabon), forest contributions (the value of industrial wood production and the value of fuel wood and charcoal) to GDP,

exceed 5%. The forestry sector is also important because it is a renewable resource, in contrast to the mining and petroleum sectors.

The performance of the sector in the CEMAC countries has been strong over the last decade, partly due to the 1994 devaluation, which halved the cost of hauling trees from the interior forest to the ports for French, German, and Middle Eastern logging companies. The production of industrial bark and wood increased by more than 40% in Gabon and Cameroon during this period, making them the third and fourth largest exporters of tropical logs in the world, after Malaysia and Papua New Guinea. In Cameroon, the government gained more than \$50 million a year from this lucrative business. While historically, the timber of Central Africa was exported mainly towards Europe, since the mid-1990's, about one half of timber exports has gone towards East Asia. The next decade could witness an even greater expansion of wood exports to both the developing and industrial world.



A major side effect of the timber boom has been a flourishing and highly profitable bushmeat trade in Central Africa. Demand for wild animal meat, most notably, monkeys, elephants, and antelopes, has expanded dramatically in the 1990's as logging companies have opened up rich forest areas in Cameroon, Gabon, and the Central African Republic. In response to this, environmentalists and local officials have attempted to preserve the biodiversity of the region and to subject the logging companies and poachers to stiff sanctions if they violate certain rules. International donors have pledged large resources to preserve wildlife and the habitat in the Congo River basin and track poachers and bar them from logging roads and other sensitive areas.

Another critical effect of the expansion in wood production has been deforestation, which threatens the livelihood of local populations and adversely affects rainfall in the Sudan-Sahelian zone. Historically, the management of the forestry sector has historically been constrained by the absence of a proper regulatory framework. In order to remedy this, in March 1999, after a Summit of Heads of State in Yaoundé, an operational framework was created in the form of the *Conférence des Ministres des Forêts d'Afrique Centrale* (COMIFAC, which includes the DRC), with an Executive Secretariat to promote regional cooperation with regard to forestry management and to complement national forestry reforms of the 1990's. This framework has succeeded in creating a strong momentum for convergence of national forestry policies.

C. Two Dominant Economies: CAMEROON AND GABON

One of the principal economic characteristics of the CEMAC sub-region is the economic dominance of Cameroon and Gabon. Cameroon, the largest economy in the six country grouping, constitutes close to 50 percent of total CEMAC GDP while Gabon makes up close to another 25 percent

leaving the four remaining countries with only 25 percent. In terms of population, the story is similar, except that Gabon's share of CEMAC population is 4 percent while Chad's share is close to 25 percent.

TABLE 1: BASIC ECONOMIC DATA OF CEMAC: 2001

	POPULATION	%	GDP (mil\$US)	%	GNI per capita (Atlas)
Cameroon	15.2	47.8	8.9	43.9	550
Chad	7.9	24.8	1.6	7.9	200
CAR	3.8	11.9	1.0	5.0	270
Republic of Congo	3.1	9.7	2.8	13.8	700
Gabon	1.3	4.1	4.3	21.2	3,160
Guinea Equatorial	0.5	1.7	1.7	8.2	700
TOTAL	31.8	100	20.3	100	

While there are a number of similarities between them, in terms of rich endowments of natural resources, prevalence of commodity-based exports, and a poor road network, there are two key differences. First, Gabon is considered a middle-income economy with a GNI per capita of \$3,160 while Cameroon is considered a low-income economy with a GNI per capita of \$550. Once described as an African emirate, Gabon has enjoyed remarkable affluence due to oil which accounts for more than 80% of Gabon's export receipts and 65% of its tax revenues. Second, Cameroon, by virtue of geography, larger population and sheer economic size, exerts more of an influence than Gabon, and its port of Douala is one of the regional centers of trade and industry.

D. Very Limited Intra-Regional Linkages

One of the important structural characteristics of the CEMAC zone is the low level of intra-regional trade among the six countries, currently close to 5% of total trade in the region. While low levels of internal trade is a feature of many regional groupings in the developing world, the level in CEMAC is low even in comparison to their regional counterpart UEMOA (10%) as well as Mercosur (22%). It is lower than that predicted by standard gravity models (in which levels of trade between countries are proportional to their economic size and distance from each other).

Many of the economies have the same structural characteristics and lack economic complementarities, having undiversified production structures and exports dominated by a few primary products. Secondly, a wide gamut of policies have acted to deter exporters and importers from tapping neighboring country markets. For most of their history, the CEMAC economies have had high general tariff and non-tariff barriers to regional trade in all products other than unprocessed raw material. (Hinkle et al, 1997) While intra-regional tariffs have fallen since the 1994 reform, a wide range of political obstacles and administrative barriers remain. A third obstacle to intraregional trade is the absence of a well-developed road system connecting Central African capitals and the primitive level of telecommunications infrastructure. A "hub and spoke" situation, in which the CEMAC economies are linked to France but not too each other, prevails in Central Africa.

A second manifestation of weak intra-regional linkages is the low factor mobility among the economies. Labor mobility between the CEMAC economies has been minimal with few migrant workers moving from the landlocked to the coastal economies in spite of wage differentials. Gabon and Equatorial Guinea have been reluctant to allow migrant workers from other Central African countries. While there are no official barriers to migration, in practice, the lack of common passport with no visa requirements for travel between countries, harassment by customs officials, and unemployment and discrimination in recipient countries have acted as a deterrent to labor flows.

Capital mobility has also been limited in spite of the monetary union and regional central bank. The banking system in CEMAC has been fragmented and fragile due to the absence of a proper regional policy and regulatory framework and adequate standards of bank supervision until recently (IMF, 2001). Furthermore, conditions have not generally been favorable to intra-Zone private capital flows, whether due to the structure of regulated interest rates or the underdeveloped national interbank markets (Hinkle et al, 1997). Thus, most private capital flows, other than transfers of currency notes, have been between the CEMAC countries and the rest of the world, especially France, rather than within CEMAC.

E. The Problems of the Two Landlocked Countries: Economic Dependence on their Neighbors

A pressing concern in the subregion is the wide disparities between the richer coastal economies and the poorer landlocked economies. Chad and Central African Republic, essentially agricultural and subsistence-based economies with very small industrial sectors, have per capita incomes in 1999 of \$200 (Atlas method). A combination of low levels of infrastructure, underdeveloped human resources, weak institutions, poor climate, high dependence on primary commodities and the absence of major markets makes these economies amongst the poorest in the world.¹⁰ Chad and CAR depend on overland transport to obtain energy and other imports, which heightens their vulnerability to disruptions in supply lines. In such a context, cooperative relations with neighboring countries through which key transport corridors pass, like Cameroon, Congo (DRC), and Nigeria become paramount. A prominent example of economic vulnerability was during the Chad energy crisis of 1998 when an explosion at a refinery in Nigeria disrupted the supply of petroleum to Chad. The country's filling stations were closed, petrol and diesel were available only in bottles sold along the roads, and gasoline prices doubled in the first nine months of the year. (IMF, 1999) The consequence was a severe disruption in formal sector production and government operations. Similarly, the CAR economy was arrested when vital oil stocks of CAR were confiscated in Kinshasa in 1999 by the Congolese.

Moreover, Chad and CAR both suffer from variant rainfall and low productivity of soil. They experienced severe droughts in the 1980's and 1990's, and were dependent on food supplies from the outside. They have also been politically unstable, hurt by ethnic conflict and civil war, and very dependent on significant aid inflows to finance their budgets.¹¹

A major obstacle to the economic development of Chad and CAR is the difficulty in transporting goods to and from a seaport. There are no major roads connecting the capital cities of any of the CEMAC countries and journeys from Ndjamena, Chad, and Bangui, CAR, to the coast require several days. Between the two countries, less than 2000 km of roads are asphalted. Goods from the Central African Republic are shipped downstream along the Ubangi and Congo Rivers to Brazzaville, Congo and then by rail to the seaport of Pointe Noire, while from Chad they are transported via land to the Cameroonian port of Douala. Besides the problems of geography, rent-seeking behavior by neighboring customs officials, the proliferation of administrative barriers at the Cameroonian and Congolese borders, and interior informal road blocks exacerbate the difficulties these countries face in global integration.

¹⁰ (Sachs and Warner, 1997) emphasize the strong correlations between geography and economic growth. Abundant evidence from cross-country econometric work suggests that coastal economies in Africa grow faster than landlocked economies due to greater market access and lower transactions costs.

¹¹ For example, 90% of Chad public investment program in 2002 is financed by foreign donors.

F. Political Instability within CEMAC and Neighboring Countries: Adverse Neighborhood Effects

One of the causes for concern within CEMAC is the rivalry between Cameroon and Gabon, which affects efforts at integration. The institutional arrangements of the monetary union reflect the division of economic and political power between the two countries with BEAC headquartered in Cameroon, by far the larger economy, and the COBAC based in Libreville.

Cameroon is the largest and most diversified economy in the subregion and one of the principal movers of CEMAC. Meanwhile across the border, a combination of rich oil reserves and coastal location have given Gabon a level of economic wealth and political stability not seen elsewhere in the region. Gabon historically has acted as arbitrator in several regional disputes, mediating not only the Franco-Chad dispute in the 1990's but also the recent civil conflict in Brazzaville, Republic of Congo. Differences in geographic location and economic strength translate into competing claims for leadership status within CEMAC.

France, the former colonial power with a range of ties to the region, has sometimes played a balancing role. France is the largest bilateral aid donor as well as the principal trading partner of the CEMAC countries. Politically, France has historical ties to Central Africa and can exert an influence on developments there. Militarily, French troops have been a presence in many countries, especially CAR and Chad, during the last decade mediating between rival groups. Economically, France has considerable business interests in Central Africa and is a major market for CEMAC exports. It provides intellectual leadership for reforms in CEMAC, as well as financial and monetary assistance. Although France's formal powers under its monetary cooperation agreements with CEMAC are limited, it is the underwriter of the Zone's exchange rate and plays an informal policy leadership role as the de facto enforcer of rules. (Hinkle et al, 1994) However, in the last decade, France's role in the zone has declined as countries have been more active in improving regional integration.

An obstacle to regional integration has been the internal conflicts within different CEMAC countries. In the past, Chad, the largest landlocked country in Africa, has had conflicts between the Islamic North and the Christian and animist South. Located at the very geographic center of the continent, the Central African Republic has been plagued by political instability and chronic unrest. The Republic of Congo, rich in oil and mineral resources, has had armed ethnic conflict in 1998 and 1999 mostly around the capital of Brazzaville, resulting in over 50,000 deaths.

In addition to their own internal problems, Central African economies face adverse neighborhood effects from conflicts in neighboring countries. These spillovers can be in the form of reduced trade flows, increase in refugees, seizure of resources (for example, former President Kabila's taking over some critical Central African oil supplies in Kinshasa), clashes in Nigeria over the distribution of the oil wealth and heightened political volatility in general.

III. INSTITUTIONAL ARCHITECTURE OF CEMAC

A. New Regional Institutions

1. Introduction

After the 1994 devaluation, the CEMAC members began to recognize the importance of reforming their regional institutions through the overhaul of the trade regime, strengthening of the central bank, introduction of a macroeconomic surveillance mechanism, and the establishment of a regional umbrella organizations. With the impetus from France and Bretton Woods institutions and the inspiration from its West African counterpart, UEMOA (*Union Economique et Monétaire de 'Afrique de l'Ouest*), CEMAC commenced an elaborate reform process.

2. Creation of CEMAC and an overlay of EU type institutions

On March 16, 1994, shortly after the devaluation, the member countries of BEAC signed a largely symbolic treaty to create an umbrella organization, the *Communauté économique et monétaire de l'Afrique Centrale* (CEMAC) over existing *Union douanière et économique de l'Afrique Centrale* (UDEAC) and BEAC. The treaty was formally ratified by the countries in 1999. Four covenants to the treaty specify the legal and institutional arrangements of CEMAC and create the following:

- Central African Economic Union (Union Economique de l'Afrique Centrale – UEAC), which replaced the customs union, UDEAC and has an Executive Secretariat based in Bangui.
- The Central African Monetary Union (Union Monétaire de l'Afrique Centrale), which specifies the responsibilities of BEAC, and the Central African Banking Commission (COBAC); and
- The Court of Justice of the community, which includes a judicial chamber (chambre judiciaire) and an auditing chamber (chambre des comptes).

Following the ratification of the CEMAC Treaty, regional institutions were established progressively in dispersed locations with the assistance of the Executive Secretariat of CEMAC. In April 1999, the Judicial Court of the Community was officially installed in N'djamena, Chad, and its President was elected from among the 13 judges on the court. The court comprises a judicial chamber and an auditing chamber. The judicial chamber can intervene on legal issues concerning member states, as well as enterprises and individuals. The auditing chamber's main task is to approve the accounts of all regional and public institutions in CEMAC. In June 2000, the Inter-parliamentary Commission was installed in Malabo, Equatorial Guinea; its responsibilities are to promote regional integration at the political level and to set the terms for the election of the Parliament of the Community, which is scheduled for 2004. The Parliament will be responsible for controlling the regional institutions.

3. UEAC

The first major institutional overhaul after the devaluation was the reform of the trade regime. Deciding against abandoning the customs union altogether, the member countries worked out and negotiated the terms of a complete reform of UDEAC with technical assistance from the IMF, World Bank, and France between 1988 and 1992. The reforms were implemented after the 1994 devaluation because UDEAC countries feared that trade liberalization without a devaluation would flood the region with imports and worsen the ongoing recession. Without a devaluation, it was also impossible to put in

place credible adjustment programs to restore growth and hence to mobilize external financing for reforms. Thus, UDEAC was restructured substantially to address the problems associated with excessive protection, low customs revenue, intra-regional distortions in production, and the low level of trade with the rest of the world. It was also renamed the Central African Economic Union (*Union Economique de l'Afrique Centrale* – UEAC). The Council of Ministers planned to monitor informal barriers within CEMAC that impede regional integration.

The reforms aimed at converting UDEAC into a more outward oriented, rational, functioning customs union included:

- Introducing a new CET with lower rates and fewer categories, which are enforced uniformly across UEAC countries.
- Significant progress in eliminating quantitative restrictions.
- Abolishing the existing set of indirect taxes on production and sales, and replacing them with a two-tier turnover tax (TCA) plus an excise tax. The TCA is to be converted into a value added tax by each country at a pace consistent with its administrative capacity.
- Eliminating the regional *taxe unique* and the complementary tax. They were replaced by a general preferential tariff on intra-regional trade equal to 20% of the CET.
- Phasing out the import tariff and indirect tax exemptions granted under national investment codes.
- A temporary optional 30% declining surtax that could be levied by member countries on a few products that were previously subject to quotas or were included on a special list of “sensitive” products. This declining surtax was scheduled to last a maximum of 6 years.

After the successful 1994 reform, UEAC had one of the more open, less protectionist, and less distortionary trade policies in sub-Saharan Africa. There have been some delays in phasing in the generalized preferential tariff adopted in 1994 but import duties on intra-regional trade appear to be in the process of being eliminated. For inter-regional trade, the common external tariff (CET) in CEMAC currently has a four-rate escalated structure: 5 percent for essential goods; 10 percent for raw materials and capital goods; 20 percent for intermediate goods; and 30 percent for consumer goods. There has been some discussion of reducing the maximum tariff to 20 percent in alliance with the rate in UEMOA by January 2002. It is unclear whether such a step will be taken or not since the fiscal and other implications of further trade liberalization are still to be assessed.

4. Financial Sector Reform

Exchange rate and monetary policy. While the primary objective of exchange rate and monetary policy has remained the maintenance of the fixed nominal exchange rate and the prevention of volatility and misalignment through sound interest rate policy and an appropriate level of foreign reserves as well as the ensuring of price stability, since 1994, BEAC’s monetary policy has been moving from direct controls to more market-based instruments. Such instruments include the gradual phasing out of advances to governments by BEAC over a ten-year period starting in 2004, the development of an interbank money market, and the preparation of a government bond market.

COBAC. To improve the effectiveness of monetary and financial sector management, a regional supervisory agency of the commercial banks was created on October 16, 1990, and began operations in January 1993. The agency is called the Central African Banking Commission (COBAC), and it maintains on-sight control and oversees all financial intermediaries in the CEMAC region. The Governor of BEAC

chairs the Board of COBAC which consists of 12 members representing individual countries, the auditors of the BEAC, and the French banking commission. In 2000, COBAC supervised 32 institutions licensed as banks and 12 institutions licensed as finance companies (including leasing companies, consumer credit companies and savings banks). The total asset size of these intermediaries is approximately US\$ 3.3 billion, or less than 20 percent of CEMAC's GDP. As of end 2000, gross past due loans represented 21 percent of the aggregate loan portfolio, while net of provisions past due loans only accounted for less than five percent. COBAC provides adequate bank regulation, but unfortunately, is severely understaffed for maintaining the momentum of on-sight controls. Banks in different countries still tend to follow their own pre-COBAC practices on issues such as prudential requirements and fund transfers. The banking sector in the sub-region is not as competitive as it should be because varied practices and information asymmetries make cross-boarder operations difficult.

Deposit guarantee fund. In April 1998, the creation of a regional deposit guarantee fund (FOGADAC – Fonds de Garantie des Dépôt en Afrique Centrale) was approved by the CEMAC Council of Ministers to strengthen the banking sector and restore confidence in it. The parliaments of Cameroon and Chad ratified the convention establishing the fund. However, other countries are reluctant to do so before the restructuring of the banking system in the Republic of Congo has been completed. The convention will enter into effect once it has been ratified by all six member countries. The fund intends to collect premiums for the first two year of its operation but not offer coverage during that period.

Stock Exchange. In 1998, BEAC launched a major effort at developing a private Central African regional stock and bond exchange. A study conducted by the Mauritius Stock Exchange with the support of a World Bank IDF grant and additional funding from France concluded that a regional financial market was feasible, and the CEMAC members agreed to establish such a market. A private regional stock exchange was to be established in Libreville (Gabon) and contributions were solicited from various institutions and entities, and 80% of proposed capital has been received as of 2002. However, Cameroon has established its own national stock exchange in Douala, and preparatory work has begun. The economic viability of two stock exchanges, given the paucity of capital markets in the subregion, remains to be seen.

Government bond market. Preparatory work has also begun to assess the viability of a market for government paper. In 2002, a conference was held in Libreville, Gabon to explore the possibility of establishing a regional market for government paper – bills and bonds – which will allow government to finance its expenditures and conduct monetary policy more efficiently by permitting it to develop open market operations and thus complete the shift from controls or direct central bank lending to market-based instruments. The central bank in consultation with external experts is actively pursuing preparation of the institutional basis for an effective government debt market, and thereafter a corporate bond market. The idea was that a government paper market will offer new outlets for domestic savings, greater diversification of portfolios, greater capital mobility within the regions and ultimately better management of governments' debt and could serve as a stepping stone to developing a corporate debt market by helping boost investor confidence in the overall bond market. However, the feasibility of a government debt market will have to hinge critically on the credibility of each member government's fiscal policy and debt management record. In Central Africa, given the low savings rates, weak investor base and thin capital markets, bond market development will face critical constraints. A few years will probably be required to establish the minimal set of needed conditions.

BDEAC. The Central African Development Bank (BDEAC), headquartered in Brazzaville, Congo, has played only a limited role in the economic integration efforts of CEMAC, as it is managed poorly and has faced severe financial difficulties and is effectively bankrupt. The politicization of its loan portfolio resulted in its being unable to fulfill its mandate as the premier regional development bank of

Central Africa. Recently, there have been some attempts to revamp BDEAC under new leadership. A restructuring plan has been proposed, but discussions are in the preliminary stage.

5. Macroeconomic Surveillance and Fiscal Guidelines

Fiscal Policy. Fiscal policies are conducted independently by each member country, although there have been instances of regional coordination in taxation policies. One example is the 1994 comprehensive tax reform in CEMAC, in which member countries agreed to introduce a value-added tax to strengthen the revenue base of the sub-region. The member governments have recognized, however that a regime which combines a common fixed exchange rate and nationally conducted fiscal policies requires macroeconomic convergence and surveillance.

In March 1993, the CEMAC countries set up a special committee on multilateral surveillance (Conseil de Convergence) to ensure fiscal discipline and to promote macroeconomic convergence. The establishment of this committee, whose principles were modeled loosely after the European Union's Maastricht criteria, was a first step toward a full-fledged multilateral surveillance framework. The committee conducts a quarterly regional surveillance which includes the review of four fiscal indicators: basic budget balance to be zero or positive by 2004; total public debt not to exceed 70% of GDP by 2004; accumulated payments arrears not to increase and to be eliminated by 2004; and the annual rate of inflation not to exceed 3%.

An institutional framework designed to enhance the quality of the regional surveillance exercise was introduced in 2001 to provide a formal mechanism for monitoring convergence. It includes (i) a surveillance unit in each member country (responsible for the compilation of national data); (ii) a regional surveillance unit (responsible for the compilation of relevant regional data based on national inputs, as well as the preparation of reports on the implementation of the multilateral surveillance); (iii) a surveillance committee responsible for preparations of meetings of the Council of Ministers; and (iv) a Council of Ministers, which is the decision-making body.

Economic performance under the convergence criteria has been mixed. Since its inception, there has been overall progress, but deviations have been frequent. The criteria were revised in 2002 in order to make them consistent with CEMAC's overall objectives. The regional authorities has requested each country to prepare a three-year convergence plan for 2002-2004. The key difficulty with the convergence has been the tendency of fiscal slippage due to volatility of oil revenues in the sub-region. There is no mechanism obliging countries to take corrective measures in case of slippages. There is thus, the risk that in times of depressed oil prices, slippages would be accepted as being the result of exceptional circumstances, while in times of high oil prices, tendencies towards fiscal profligacy would not be constrained. A downturn in the oil market in the near term could result in growing fiscal deficits if public spending were to continue at the previous rate. In 2002, there has recently been some discussion between the Fund and BEAC about revising the convergence criteria to address the question of volatility.

6. CFA Zone-wide initiatives involving both CEMAC and UEMOA

OHADA. Provision of a proper regulatory framework for the sub-region in order to ensure a good business climate for private and foreign investment is conducted partly at the regional (i.e. CFA zone-wide) level. The Organization for Commercial Code Harmonization (l'Organisation pour l'Harmonisation en Afrique du Droit des Affaires) was established in 1995 with sixteen francophone African countries (Comoros, Guinea, plus the members of CEMAC and UEMOA) signing on to adopt common business laws in the region. OHADA covers the implementation of uniform acts on commercial legislation, company law, bankruptcy law, secured transaction law, debt collection, and arbitration. Institutions are financed by revenues from a capitalization fund; initial contributions from France and the

UNDP, and annual contributions by OHADA countries. Law making authority is invested by way of treaty to a body composed of representatives of the executive branches, without involvement of the legislative branches of member states. Since January 1998, general commercial law (including contract law) and company law have been in effect. OHADA has been widely criticized as a top-down approach initiated by France¹² but the ultimate benefits of the OHADA could outweigh the flaws in the process. However, lack of internalization of the process continues to be an issue despite subsequent creation of national OHADA committees in each country to analyze, comment upon, and amend the drafts. In addition to internalization, the reform faces the challenges of speedy and effective implementation and creation of local capacity to facilitate the enforcement of the OHADA framework and enforcement of additional business laws on the agenda for the future. In addition, resistance from the businesses themselves to the transparency demanded by the OHADA was reported on the ground.

Regulatory and structural policies. Despite the increasing role of regional agencies, a wide range of regulatory and structural policies still fall within the orbit of national governments. Member countries of CEMAC have sovereignty with regard to privatization of state-run enterprises to improve productivity and civil service reform as well as deeper programs of sectoral reform, whether in regard to revamping of the rules governing cotton sector parastatals, solicitation of bids for telecommunications privatization, or an overhaul of the energy industry. National responsibility becomes patent in the case of a crisis. For example, in the Chad energy crisis of 1998, the government had to implement new licensing procedures and use the storage capacity of multinational corporations in order to solve the short-term supply disruptions. National governments are also responsible for all environmental policies and compliance with proper environmental principles of management. The management of oil pipelines and negotiations with multinationals are a national subject.

B. An Overview of where Regional Integration Stands

Regional integration stands today at a critical juncture, with a well laid out institutional architecture and a division of labor between regional and national authorities. However, financial and logistical limitations of CEMAC prevent the implementation of the broader mandate.

1. Division of labor in policy making

The division of labor between CEMAC and the national authorities is defined by the Treaty. CEMAC has the authority over important policies which affect growth and volatility, namely, monetary, exchange rate, financial, and trade policies. Insurance sector and certain business laws are overseen at the regional (i.e. CFA franc Zone-wide) level. The national governments have jurisdiction over expenditure policies, particularly those affecting investment in human resources and infrastructure, tax policies and revenue collection in general, as well as governance, such as the enforcement of the rule of law, fighting corruption, setting the regulatory framework, and supervising the business and environmental climate.

2. UEAC and BEAC as agencies of restraint and commitment lock-in vehicles

The regional central bank and customs union act as agencies of restraint and commitment lock-in vehicles. Negotiations to agree on reforms among the CEMAC members are akin to those at the World Trade Organization (WTO). The policy-making process is much less susceptible to interest group pressures if it is conducted at the sub-regional level than at the country level. Moreover, once reforms become sub-regional policies, lobbying to alter or remove them is much more difficult as the member

¹² First drafts of texts were prepared by the Paris offices of international consulting firms, substantial financing for which was provided by France.

governments are able to take a common front against specific interest groups. Finally, UEAC and BEAC also offer a way to exploit economies of scale in human resources in a region with limited capacity.

3. Institutional capacity

Funding and Staffing. The Executive Secretariat of CEMAC is making efforts to improve its capacity for managing the regional integration program. Currently, it is funded by contributions from member states, which it has not always managed to collect. To set the regional institutions on a sounder financial footing, the heads of states of CEMAC agreed in December 2000 that they would be funded with part of the proceeds from a one percent fee on the c.i.f. value of imports from outside CEMAC, starting in 2002. Meanwhile, to protect regional institutions from country specific financial difficulties, members' contributions would be automatically withdrawn from their accounts at the BEAC. The fee on imports would also finance a regional development fund that would be used to promote regional projects and offset potential government revenue losses resulting from regional integration. Building the capacity of the CEMAC secretariat remains a priority.

C. Rationale for Regional Integration

As Central Africa embarks towards fuller economic and monetary union, the potential benefits of such arrangements increase significantly. Firstly, regional integration can be an important source of enhanced growth and economic efficiency by locking Central African countries into policy reform. There exists a strong institutional and historic base - a working monetary and customs union, a system of macroeconomic convergence and surveillance, and a reasonably sound financial sector – through which structural reforms can take place. Regional integration provides a rich framework in which restrictive trade practices can be removed, customs procedures streamlined, macroeconomic policy surveillance increased, and greater fiscal discipline ensured.

A second reason in favor of integration is that it represents the best hope for the poorer landlocked economies, Chad and CAR, whose economic survival depends on the coastal countries. A reform of the trade and transit system to reduce the transactions costs of doing business with CAR and Chad has greater chances of taken place within a regional framework. Thirdly, a more cohesive CEMAC can bring about great cooperation between countries and be a much needed factor of peace in the broader central African region. In this regard, the annual meeting of the Heads of State provides an important forum to discuss both bilateral and multilateral concerns. Fourth, a regional grouping in Central Africa could provide a rich platform for the articulation of the individual country concerns vis-à-vis the rest of the world. Thus, as a united group, the CEMAC countries are likely to be a louder voice in international forums, WTO in particular. Finally, as indicated above, strong regional arrangements are expected to be the building blocs of NEPAD. In sum, there are several important factors that militate in the favor of deeper regional integration in Central Africa.

IV. POLICY ISSUES FACED BY CEMAC

A. Introduction

In their progress towards regional integration, the CEMAC economies face a variety of challenges and obstacles, both internal and external. Inter-country rivalries, CEMAC's trade relations with its two large neighbors, trade reform in CEMAC and integration with the EU, and the nature of CEMAC's policy agenda are all important issues. On the domestic front, given CEMAC's limited capacity, the challenges to regional integration will be significant. On the international front, given the

Central African economies' interlinkages with the global economy, movements in terms of trade and exchange rates will have important ramifications on the economic health of the subregion, and managing volatility will be a continuing problem. Given its youth and limited means, CEMAC will have to carefully craft its policy agenda to successfully deal with these challenges and to establish realistic reform objectives. Its task will be facilitated by certain forces for integration in the region- the existing monetary and customs arrangements and well laid-out institutional architecture, the presence of successful cross-border initiatives (such as the Chad-Cameroon pipeline and the regional payments system), and the prevalence of shared concerns- oil and forestry management as well as AIDS.

B. Obstacles to Regional Integration

One of the main obstacles to regional integration has been the presence of inter-country rivalries and the lack of solidarity among the CEMAC countries. Rivalries between Cameroon and Gabon and competing aspirations for leadership, manifested most recently in the dispute about the location of a regional stock exchange, have been a barrier to regional integration. The lack of strong political commitment to real regional integration has meant that although many regional initiatives have been agreed to in principle, there has been a gap between the texts approved and the actual implementation. Furthermore, unlike sovereign governments, the Community does not have enforcement mechanisms at its disposal for seeing that agreements are actually carried out but relies instead in most cases on consensus and the voluntary cooperation of its member states.

A second potential obstacle is a prolonged asymmetric terms of trade shock and consequent divergence between economies, having implications for fiscal and exchange rate management. Theoretical work on currency unions has shown that successful ones require both fiscal coordination and a system of compensatory financing and transfer arrangements that could help offset income losses in countries due to exogenous shocks. (Wyplosz, 1991) While there may be some limited compensatory measures to help poorer landlocked countries catch up with wealthier coastal ones within CEMAC, it is unrealistic in the foreseeable future to expect a formal mechanism to deal with the more complex issue involving asymmetric shocks resulting from cyclical variations in trade. Migration flows between countries, rather than fiscal transfers, may be the more feasible way for dealing with trade shocks and disparities in growth and investment rates.

A variety of policy responses might help to address the challenges faced by CEMAC. Regional projects, such as the Chad-Cameroon pipeline, and institutions, like BEAC, can be vehicles for building trust and cooperation and improving the political climate and build the momentum towards fuller integration. Historically, countries that are trading partners have been less likely to go to wars with each other. In a similar manner, confrontations are less likely among countries that hold dialogues frequently and cooperate on many projects.

A final policy challenge facing CEMAC will be to protect the interests of the landlocked countries, which are dependent on the coastal neighbors for access to sea, *inter alia*, to conduct international trade. While it is tempting for the coastal countries to gain economically from neighbors by levying large transit taxes and creating roadblocks, such actions are counter to the regional cooperation and are ultimately harmful in the long run. Hence, CEMAC needs to establish rules of conduct that ensure that there is a free flow of goods and labor between the landlocked and the coastal countries.

C. Infrastructural and Transit Challenges

A central challenge to regional integration is the poor level of road infrastructure. Due to a combination of dense forests, insufficient public investment, and inadequate maintenance, the current

road network of less than 3,500 km is inadequate to the region's needs. In order to remedy this, the CEMAC Secretariat has made transport a priority sector and with the assistance from the European Union and several other donors, developed a coherent regional surface transport master plan to connect all the capital cities of the zone by 2010. Of the 10,000 km of roads about 80% will have been completed by 2006, including all-season links between four of the five inland capital cities.

Secondly, the existing transit system acts as a powerful hindrance to regional integration. While there has been reform in the customs regime after 1994, a review in 2002 by a group of French customs experts found that there was a wide gap between the texts and the actual implementation on the ground. Double taxation of products in transit from the port of entry (mainly Douala) and the landlocked countries, the persistence of exonerations and surcharges, misclassification of products, the lack of proper diffusion of community legislation, the weak institutional and technical capacity of customs administrations created obstacles to the free movement of goods across borders. (Steenlandt et al, 2002) In order to meet this challenge, a proper customs regime is needed to ensure that "behind the border" obstacles to trade are reduced in the zone and that the gap between Community text and reality on the ground is bridged.

D. Integration with Subregional Neighbors

An important challenge facing CEMAC is the formulation of an appropriate strategy vis a vis its large neighbors, Nigeria and the Democratic Republic of Congo. Both of these countries have uncertain objectives and unclear commitments to regional integration. By virtue of their large economic size and location, these two economies are interlinked through trade and labor flows to countries in several regional groupings, including CEMAC. Given their important trade links with Central Africa, Nigeria's and DRC's approach toward regional integration will have significant ramifications for CEMAC's future prospects.

Nigeria, Africa's most populous economy of 110 million people, is not part of the CFA zone but plays an important role in the subregion due to its economic size and central location. While Nigeria has been a member of ECOWAS (Economic Community of West African States), an organization established in 1975 to promote the establishment of a customs union and a common market to promote the free movement of goods and people in West Africa, rivalries between Anglophone and Francophone countries as well as regional political instability have precluded the development of closer economic ties within ECOWAS and between ECOWAS and CEMAC. However, recently, Nigeria has taken more interest in moves towards regional integration with West Africa with the plan for the creation of an ECOWAS FTA, although its tariff structure remains opaque and complex (IMF, 2001). While the structure of Nigeria's foreign trade has been dominated by petroleum exports to the OECD countries, there is a sizeable amount of cross-border trade between Nigeria and the CEMAC countries due to cross-border price differentials and the ready convertibility of the CFA franc compared to the Nigerian naira. In fact, there are larger and more dynamic trade flows between Cameroon and Nigeria (livestock and oil), than between Cameroon and the other countries of CEMAC.

The best avenue for CEMAC towards a more coordinated trade policy with Nigeria and ECOWAS lies in the design of the next round of CEMAC trade reforms. The realignment of the rate structure in CEMAC's common external tariff to the levels in UEMOA, at which Nigeria and ECOWAS are also aiming, would facilitate greater trade between Central and West Africa. The eventual goal of CEMAC's next round of trade reform could be first the creation of a free trade area between ECOWAS and CEMAC and then the adoption of a CET for the combined area.

CEMAC's second key sub-regional neighbor is the Democratic Republic of the Congo (DRC) located to the south. Being the third largest economy in Africa in terms of both size and population and

containing approximately six percent of the world's forests as well as some of the world's largest deposits of cobalt, copper, and diamonds, DRC is an important regional economy and a large potential trading partner for the CEMAC countries, particularly Congo and CAR. DRC belongs to three different sub-regional groupings- COMESA (East Africa), SADC (Southern Africa), and ECCAS (Central Africa). ECCAS is an eleven country grouping established in 1983 and composed of the six CEMAC countries together with DRC, Burundi, Rwanda, Angola and Sao Tome. None of these regional groupings has yet clearly defined the future direction of its trade policies, other than aiming in the first instance at the establishment of a free trade area; and it is hard to predict whether a CET will be adopted and what form it would take. DRC's choice of regional grouping to which to adhere will have implications for its trade relations with both neighboring countries and the EU. Under the rules of the most recent ACP (African, Caribbean, and Pacific)-EU partnership agreements, a series of trade negotiations regulating preferences between the EU and poorer ACP countries, DRC will only be able to negotiate as a member of a single subregion. Given its important current trading links with Southern Africa, DRC's inclination is to go with SADC, and its trade policies would evolve in whatever direction SADC goes. Thus, the CEMAC-DRC boundary could become an important dividing line between two large trading areas, aggravating frontier problems for Congo and CAR which would have important links to both.

E. Global Integration: Trade Reform in CEMAC and Relations with the EU.

CEMAC's success in managing the next round of trade reform will influence its integration with the rest of the world as well as with its neighbors in Central and West Africa. One of the critical challenges facing the CEMAC countries will be their ability to implement another round of trade reform and formulate appropriate policies to manage the subregion's transition into a more globalized world. It is fundamental that regional integration should not be viewed as an alternative to globalization but a path towards it. The setting up of a common regional economic space and the effective implementation of the common customs code and tariffs can lead to an area of growth and stability that would facilitate the path towards fuller global integration.

A second challenge for CEMAC will be to sort out trade relations with the European Union. Given that most of CEMAC trade flows are with the EU and that France is its largest bilateral trading partner, market access of CEMAC exports to European markets will be paramount. In this regard, in early 2001, the EU Council adopted the "Everything But Arms" proposal which provides duty- and quota-free access for all LDC exports into the European Union. However, this arrangement only applies for poorer CEMAC economies, CAR and Chad, and is not applicable for the more advanced economies within CEMAC, Cameroon and Gabon. In order for the larger CEMAC economies to benefit from the ACP arrangements, alternative market access arrangements will have to be worked out during the negotiations to address the needs of CEMAC non-LDC members.

A third challenge for CEMAC in integrating with the global economy will be to encourage foreign direct investment, which have been concentrated almost entirely in the oil sector. In order to diversify FDI flows, the CEMAC countries will have to provide an appropriate regulatory framework and a stable investment climate. Policy reversals should be carefully avoided in order to create a stable policy regime. Finally, the provision of adequate infrastructure will be fundamental in encouraging foreign investors to bring much needed capital and technical and managerial expertise to Central Africa.

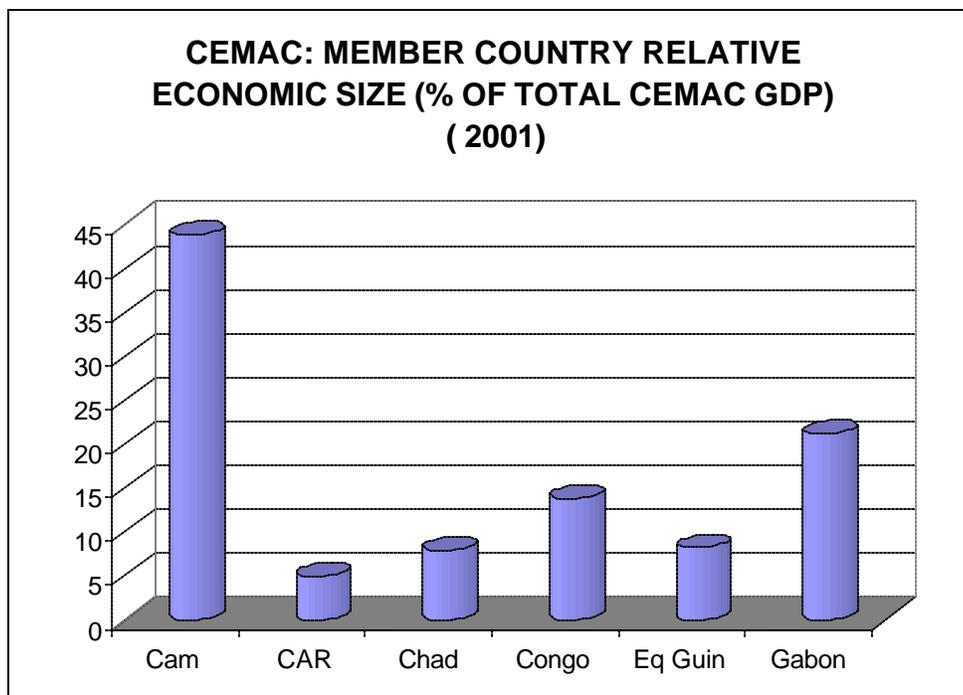
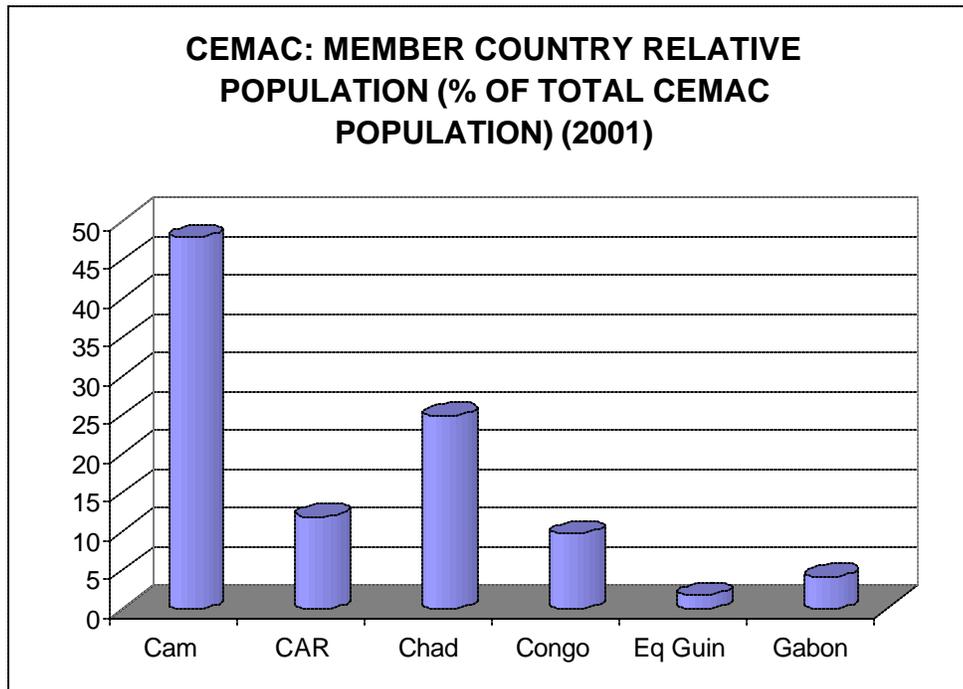
A problem facing CEMAC is its lack of a clear policy agenda and priorities on which to focus its efforts. CEMAC faces strong pressures to try to accomplish much in a broad range of areas. Since CEMAC is modeled on the EU in a variety of ways (criteria of macroeconomic convergence, system of multilateral surveillance, division of labor between countries, the role and ostensible mandate of its

Secretariat, delicate balance between regional and national activities), there is a tendency to attempt to broadly replicate the experience of the EU without some of the institutional strengths and visible political commitment that underpinned the EU's success. CEMAC's success will depend on its ability to sharply focus on a few predominant areas- customs reform, financial sector development, macro convergence, and infrastructure development.

CONCLUSION

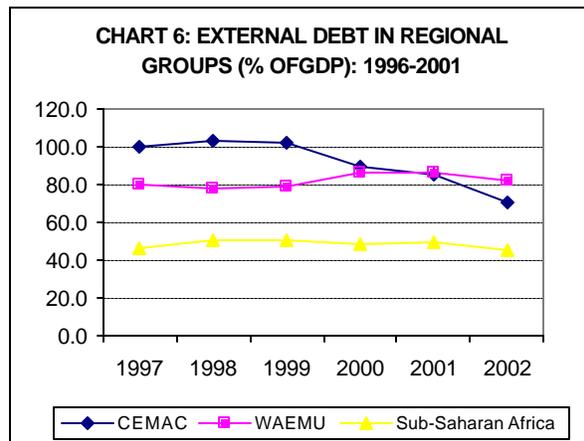
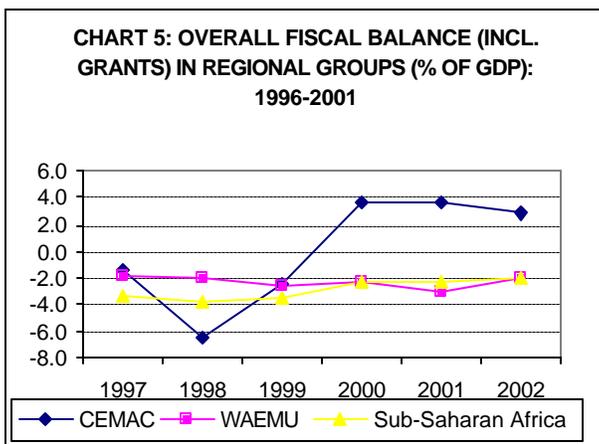
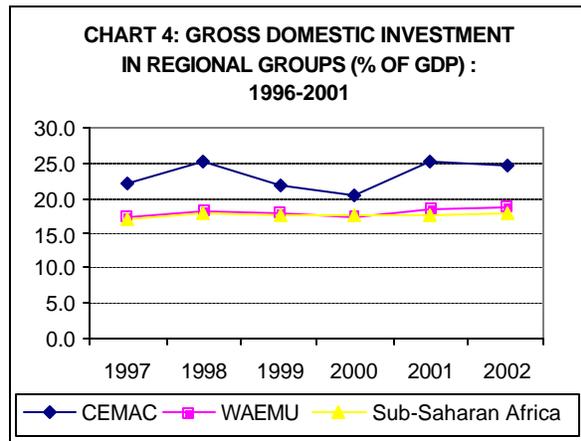
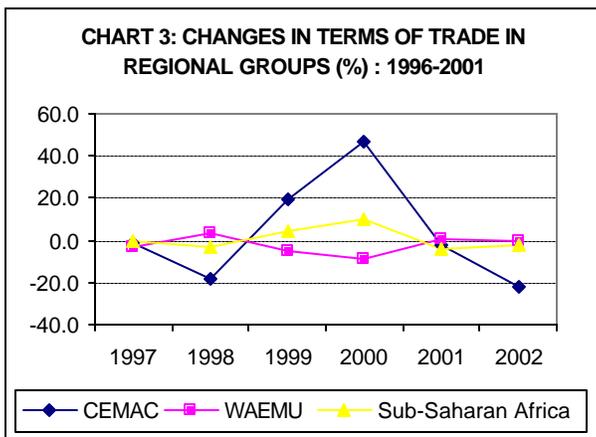
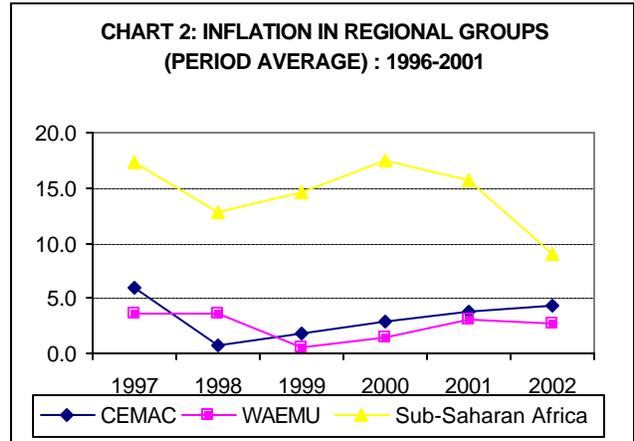
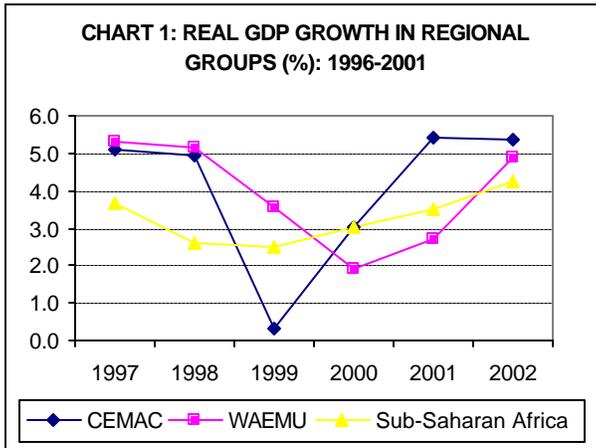
At a critical juncture in its long history Central Africa's movement towards regional integration may be an important way to contribute to the building of a broader economic space, lock the country's in policy reform, help the poorer landlocked countries, and contribute to overall economic growth and poverty reduction in the subregion. In order to successfully accomplish that, the countries and regional institutions, with the assistance from outside donors, must meet the political and economic challenges.

ANNEX 1: CEMAC – Country Size and Population relative to Total (2001)



Source: IMF and World Bank databases, 2001

ANNEX 2: Sub-Saharan Africa – Cross Group Comparisons: 1996-2001



Source: IMF estimates, 2002

Note: WAEMU- West African Monetary Union (UEMOA)
Sub-Saharan Africa, excluding Eritrea, Liberia, and Somalia

ANNEX 3: CEMAC – Selected Economic and Financial Indicators, 1997-2002

CEMAC: Selected Economic and Financial Indicators, 1997–2002

	1997	1998	1999	2000	2001 Est.	2002 Proj.
National Income and prices (Annual Percentage Change)						
GDP at current prices	8.4	-2.0	8.4	21.0	4.3	1.4
GDP at constant prices	5.1	4.9	0.3	3.0	5.4	5.4
Oil GDP	8.0	2.6	0.3	-3.3	5.4	3.8
Non-oil GDP	4.5	5.4	0.3	4.2	5.4	5.6
Consumer prices (average)	5.9	0.8	1.9	3.0	3.9	4.4
Consumer prices (end of period)	7.1	1.1	1.7	0.6	6.3	5.4
Terms of trade	-1.1	-17.8	19.5	47.2	-2.2	-22.1
Nominal effective exchange rate	-3.1	1.8	0.0	-4.2	1.5	...
Real effective exchange rate	-0.8	4.2	-2.8	-5.1	5.9	...
National accounts (Percent of GDP)						
Gross domestic savings	30.4	23.4	27.4	37.6	36.1	33.2
Gross domestic investment	22.1	25.3	21.8	20.4	25.4	24.6
Government financial operations (Percent of GDP)						
Total revenue, excluding grants	20.9	20.4	19.1	22.4	24.0	22.3
Government expenditure	23.2	28.1	22.6	19.6	21.2	21.0
Primary fiscal balance 1/	8.4	4.3	5.9	10.3	11.0	8.5
Basic fiscal balance 2/	2.1	-2.1	0.2	5.8	6.3	5.2
Overall fiscal balance, excluding grants	-2.3	-7.7	-3.5	2.8	2.8	1.3
Overall fiscal balance, including grants	-1.4	-6.4	-2.4	3.5	3.6	2.8
External sector (Percent of GDP)						
Exports of goods and services	38.3	32.4	35.5	45.9	44.3	40.3
Imports of goods and services	30.0	34.3	29.8	28.7	33.5	31.7
Trade balance	8.3	-2.0	5.6	17.1	10.7	8.5
Current account, including grants	-0.4	-18.7	-3.9	-1.5	-7.2	-8.8
External public debt	100.5	103.4	102.1	89.0	84.8	70.1
Gross official reserves (end of period, in millions of US dollars)	876.3	552.0	595.2	1,318.9	1,157.6	...
CFA francs per U.S. dollar, average	583.7	590.0	615.7	712.0	732.5	717.6
Oil prices (in U.S. dollars per barrel)	19.3	13.1	18.0	28.2	24.3	20.0
Money and credit (Annual Percentage Change)						
Net foreign assets	2.2	-11.8	4.5	38.4	-11.3	...
Net domestic assets	8.5	11.5	4.8	-15.4	18.6	...
Broad money	10.6	-0.3	9.3	23.0	7.2	...

Sources: IMF, World Economic Outlook database, January 2002; and staff estimates and projections.

1/ Excluding grants and foreign financed investment and interest payments.

2/ Excluding grants and foreign financed investment.

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