C O N T E N T

AMCP 2007: the word of the Chairman

Six years have passed since the African Monetary Cooperation Programme (AMCP) was adopted by the Council of Governors of the Association of African Central Banks (AACB) on September 4, 2002 in Algiers. Just as a reminder, the objective of this program is to put in place a common single currency and a common single central bank at continental level by 2021, at the end of a successful convergence process, in accordance with the African leaders' vision of consolidating economic integration in Africa. For this purpose, the AMCP subjects the establishment of the African monetary union to compliance with four primary criteria by at least 51% of the Association's Member States.

This report is the fourth evaluation of the AMCP implementation. The resulting performances of the Member States are globally encouraging in the light of the world economic context, which is constraining for some African economies. Indeed, for the second consecutive year, the number of countries that comply with the four major AMCP criteria has increased, standing for the first time at 20 Member States.

This positive progress particularly reflects the African countries' continuation of virtuous economic policies. In addition, it strengthens the accuracy of the vision of adopting the future African currency on good grounding and clearly proves that the convergence of African economies is a reality. However, it does not obscure the difficulties of some States in complying with the convergence criteria. This is evidenced by the continuing significant difference between the ratio of countries with satisfactory results and the threshold required to adopt a single currency. In fact, in spite of African prospects favorable to the economic growth plan for the year 2008, the stabilization of the assets in terms of macroeconomic convergence and their gradual consolidation will constitute a medium-term major challenge due to the particular constraints facing Africa.

However, this challenge is not insurmountable as evidenced by the results recorded in 2007. Indeed, it can be overcome, provided that some measures are taken by both the States and the African institutions in charge of promoting the continent's economic development.

Concerning the States, they should continue and consolidate the reforms aiming at stabilizing public funds and ensuring the good grounding of a strong and sustainable economic growth. It is also necessary for them to combine the various economic initiatives. Particular streaming of the AMCP's objectives in their economic programs and a firm commitment to supporting their implementation is of paramount importance.

As for African regional and sub-regional institutions, they should increase the synergy of their actions to create an environment that is conducive to the effectiveness of the monetary area considered. This will require greater coordination of the activities of the organizations concerned. From this point of view, the establishment in 2007 of a Joint Committee in charge of developing a common strategy for the creation the African Central Bank by the Commission of the African Union and the AACB is to be welcomed. It also appears necessary to sustainably rationalize the regional economic communities whose overlap is likely to reduce their effectiveness.

Lastly, as a supplement to the African countries' efforts, the international community is encouraged to provide their support that is commensurate with the consensus on the potential of economic integration to promote economic development.

The fast achievement of the African single currency depends on the prompt implementation of these measures many times mentioned in the international forums. It is therefore time to take action.

François KANIMBA
Chairman of the AACB
Governor
National Bank of Rwanda

EXECUTIVE SUMMARY

Under difficult economic conditions characterized, particularly by growth restraint coupled with inflationary pressure, as well as the reducing rate in world trade progression, Africa experienced a speeding up of its economic growth rate, which was 6.2% in 2007, compared to 5.9% in 2006. Inflation tended to increase but overall remained under control. Overall, public finance and external sector aggregates were satisfactory. However, there are differences in the performance of the various sub-regions.

North Africa achieved satisfactory economic performance overall, thanks to the rise in the price of oil, which is produced by some of the countries in that sub-region, good performance in the other sectors, particularly in the oil producing countries, and continued implementation of good economic policies. Indeed, apart from Algeria, economic growth rates in real terms in the other countries ranged from 5.6% (Libya) to 10.5% (Sudan). Price increases remained generally under control. Deficits remained below 5% GDP. The external sector account made a good showing.

In West Africa, in spite of persistent negative effects of climatic hazards and the steep rise in world prices of raw materials, economic growth in ECOWAS was estimated at 5.5% in 2007, compared to 5.4% in 2006. The average inflation rate of the region fell to 5.8%. The overall Community deficit, excluding grants, went from 3.0 to 3.5% of GDP between 2006 and 2007. The outstanding external debt remained sustainable at 16.9% GDP, as a result of the decrease of the debt for Nigeria and countries benefiting from debt reduction initiatives. Foreign trade showed a current account balance of 9.4% due to Nigeria. The currencies of the countries in the zone depreciated against the US dollar, with the exception of the Cedi and Liberian dollar. The monetary situation in the Community at the end of December 2007 was characterized by a speeding up in the growth of monetary aggregates. Interest rates developed differently according to their nature and zones. This general trend masks some disparities between countries.

In **the Central African sub-region**, the real GDP growth rate rose in the CEMAC zone (4.2% compared to 3.1% in 2006), in Congo (6.3% in 2007 compared to 5.6% the previous year), due mainly to the resumption of activities in the mining sector. In Sao Tomé and Principe, despite a slight downturn, growth was sustained (6%, compared to 7% in 2006). Inflation in the CEMAC zone and DRC dropped, but increased in Sao Tomé and Principe. Overall, public finances made a good showing, notably as a reflection of good economic performance. External trade manifested a drop in trade, due mainly to the poor performance of the export sector and the increase in imports linked to the upturn in investment activity. Zonal currencies remained relatively stable. The debt profile improved in the CEMAC zone, but remains a matter of concern in the other two countries. Money supply increased in the CEMAC zone and in São Tome e Principe.

Most of the countries in the **Southern African sub-region,** with the exception of Swaziland, Namibia and mainly Zimbabwe**,** continued to show high growth rates, as a result of massive investments in infrastructure and in the mining and energy sectors, good performance of the prices of exported products and favourable weather conditions conducive to higher agricultural production. Inflation was relatively under control in most of the countries, thanks to the implementation of prudential monetary policies, abundant agricultural products and the strength of some of the local currencies. Apart from Zimbabwe, overall, the performance of public finances was good, reflecting the good condition of the economies in the zone and the efforts made to improve the management of public finances. The performance of the external sector was satisfactory in most of the countries. Money supply rate was contained between 18.5% and 36.1%, thanks to the sterilization policies implemented by the Central Banks.

The economies of the **East Africa sub-region** evolved under the effect of contradictory factors, namely; the increase in energy prices and greater inflows of foreign direct investments. In this context, there were accelerated price increases in most of the countries in the sub-region, with the exception of Mauritius and the Comoros. Overall, the price increase remained between 4.5% (Comoros) and 9.1% (Rwanda). With the exception of Kenya and Mauritius, the public finance deficits also worsened, particularly in Rwanda, whose deficit increased by 2.6 percentage points, due mainly to investments in the social sectors. Overall, the external sector posted generally positive results.

Against this background, significant progress has been achieved in the implementation of the AMCP by the AACB member countries. Indeed, 20 out of the 47 member countries which submitted their reports (i.e., 42.6%) fulfilled the four primary criteria, compared to 14 (30.4%) in 2006. This development was due to the Southern Africa and East Africa regions which, with 8 and 3 members respectively achieving the four criteria, compared to 3 and 1 in 2006, did better, reflecting the good performance of their economies. Conversely, the number of countries fulfilling the four criteria declined from two to one in Central Africa and remaining stable at five and three, respectively in West Africa and in North Africa.

Further, the situation regarding the observance of the individual criteria shows significant progress with respect to the norm related to the budget deficit (72.3% compared to 64.4%), and the ratio of three months cover for the import of goods and services with external reserves, (87.2% compared to 80.0%). However, many countries continue to face difficulties to comply with the overall budget deficit (excluding grants)/GDP ratio. Performances with respect to the stabilisation of inflation are satisfying, since the related norm was fulfilled by 78.7% of countries compared to 76.1% in 2006. The same holds true with respect to the criterion regarding budget deficit financing by the central bank. In spite of a slight decrease, the number of countries complying with this criterion remains high (80.9% compared to 82.6% in 2006).

With respect to the secondary criteria, progress was achieved particularly in the elimination of payment arrears, exchange rate stability and positive real interest rates. Member countries continue to experience difficulties in fulfilling the other criteria, particularly the wage bill/tax revenues ratio and the financing of investments with internal resources.

Regarding qualitative criteria, progress was achieved in the areas of payment systems reforms, enhancement of banking supervision, as well as trade liberalization and statistical harmonization (particularly in West Africa). Progress has been generally slow in the area of foreign exchange policy harmonization and capital account liberalization.

In spite of the decline in global economic growth rate (3.7%, compared to 4.9% in 2006), in a context of inflationary pressures, the economic activity growth rate in Africa is expected to rise slightly in 2008. It is expected to reach 6.3%, spurred by the continued good performance of raw materials and oil prices, particularly for those countries that produce oil.

However, the stabilization and consolidation of results achieved in 2007 will constitute a major challenge for many countries because of the persistence of adverse factors, particularly:

- the rise in energy and food product prices;
- the vulnerability of most African economies to external shocks and weather changes;
- the poor level of trade between countries of the same sub-region and between different regions, which reflects insufficient integration of the various economies in a number of areas including trade;
- the inability of the financial sector to efficiently support economic activity;
- the narrowness of local markets and external dependence of national economies;
- the absence of a formal multilateral surveillance framework in certain regions.
- the negative impact of excess liquidity associated with large donor inflows;
- wide interest rate spreads;
- difficulty in managing sustained exchange rate appreciation;
- ineffective transmission mechanisms of monetary policy.

In this context, in order to encourage the establishment of conditions for the satisfactory implementation of the AMCP by the majority of countries at the end of phase II, the various regions should further deepen the macroeconomic reforms, with particular emphasis on the consolidation of public finances. Regarding their exposure to the fluctuations of energy prices, they should also promote policies regarding regional energy supply and development of alternative energy sources. It would also appear to be advisable to stress the enhancement of sub-regional economic integration through the establishment or strengthening of the institutional framework provided by the AMCP and the harmonization of legislations governing trade and customs tariffs. The interlinking of payment systems and enhancement of the financial sector particularly through the continued strengthening of supervision and statistical harmonization should also be high on the list of measures.

More specifically, in **North Africa,** national authorities involved in the implementation of the AMCP should take ownership of this programme. Further, the criterion regarding the budget deficit of this sub-region (10% GDP) should be harmonized with that prescribed by the AMCP (5% GDP). In **West Africa,** the emphasis should be on the restructuring of the agricultural sectors facing difficulties, the enhancement and modernizing of energy production tools, and the design and implementation of sectoral policies. In **Central Africa,** the establishment of the institutional framework provided by the plan of action of the Sub-regions Monetary Cooperation Programme should be considered one of the priorities of the sub-regional authorities. Furthermore, the sub-regional provisions regarding the financing of public deficits by the Central Banks (20% of tax revenues) should be reviewed in line with those prescribed by phase II of the AMCP (10% of tax revenues). In **East Africa,** special emphasis should be laid on inflation control. In **Southern Africa,** it is crucial to lift all countries to a similar state of performance.

I. INTRODUCTION

1.1. Background of the report and period covered

The 2007 report on the implementation of the African Monetary Co-operation Programme (AMCP) includes information provided by AACB Committees for North Africa, West Africa, Central Africa, Southern Africa and East Africa sub-regions.

1.2. International economic developments in 2007

After several years of significant growth, global economic activity moderated slightly in 2007, with a growth rate of 4.9%, compared to 5.0% in 2006. This development was mainly due to the slowing down of economic growth in the United States whose performance was affected by the downturn in the residential real estate sector. The decline of the residential real estate sector became more acute in the third quarter of 2007 with the mortgage crisis, which led to a severe credit crunch impacting the whole global financial system.

In Europe, growth slowed down also and confidence indicators generally worsened. In Japan, growth has been hampered by tighter construction standards, whilst household and enterprise confidence indicators were lower. By contrast, in the emerging and developing countries, growth has remained strong despite a lowering of export volume. These countries benefited especially from a strong domestic demand, more disciplined macroeconomic policies and, in the case of raw materials exporters, from the rising costs of energy and food products.

Despite the upward pressure of the high energy and commodity food prices, inflation has remained low in developed countries especially in the Euro Zone. In this area, the rate of inflation was 2.1% in 2007 compared to 2.2% in 2006 owing to the appreciation of the European currency, which helped attenuate inflationary pressures. Conversely, it accelerated in emerging and developing countries, reaching 6.4% in 2007, compared to 5.4% in 2006, due to the high energy and food product prices. Despite the risk of overheating, the US Federal Reserve lowered interest rates in the face of the increasing threat of a slowdown in economic activity, whereas in the Euro zone and in Japan the situation has remained unchanged. Further, central banks have continued to tighten monetary policies in many emerging countries, where food and energy products account for a larger share in consumption and where the risk of overheating was more worrying.

In this context, the job situation continued to improve in 2007 in developed and transition economies, as well as in certain developing countries, leading to a drop in the unemployment rate.

The rate of global trade slowed down, particularly in developed countries. Further, the differences in performance, particularly the high increase in US exports, partly spurred by the depreciation of the dollar, helped adjust the global imbalances. The prices of basic energy and non-energy products continued to rise, spurred by a high demand in developing countries, particularly China. In particular, oil prices skyrocketed to almost $100 per barrel in 2007.

On the foreign exchange market, the downward trend of the dollar vis a vis the main currencies steepened due to the slowing down of the US economy and reduction of the difference in interest rates between the dollar vis a vis the other currencies.

In this context, Africa experienced a speeding up of its economic growth rate, which was 6.2% in 2007, compared to 5.9% in 2006. Inflation tended to increase but remained overall under control. Overall, the public finances and external sector aggregates were satisfactory. However, there are differences in the performances of the various sub-regions

II. OBJECTIVES OF THE AFRICAN MONETARY CO-OPERATION PROGRAMME (AMCP)

The African Monetary Co-operation Programme (AMCP) involves the adoption of collective politic measures to achieve a harmonised monetary system and common management institution. It envisages, in this regard, the harmonisation of the monetary co-operation programmes of the various sub-regional groupings as building blocs with the ultimate objective of evolving a single monetary zone by the year 2021 with a single currency and a common central Bank at the continental level.

2.1. AMCP Convergence Criteria

In order to achieve the harmonisation of the monetary co-operation programmes of the various sub-regional groupings, the Assembly of Governors adopted the following criteria that should be observed by at least 51% of the AACB membership, before the launching of the African Monetary Union.

- **Primary criteria:**
  - Overall budget deficit (excluding grants) / GDP ratio < 3%;
  - Inflation rate < 3%;
  - Minimisation of Central Bank's financing of budget deficit;
  - External reserves ≥ 6 months of goods and services imports.

- **Secondary criteria :**
  - Elimination of domestic arrears and non-accumulation of new arrears;
  - Tax revenue / GDP ratio ≥ 20%;
  - Salary mass / total tax revenue ratio < 35%;
  - Public investments financed from internal resources / tax revenue ratio > 20%;
  - Maintenance of real exchange rates stability;
  - Maintenance of positive real interest rates.

2.2. Stages for the implementation of the AMCP

The African Monetary Union would be created, at the end of a process, comprising the following six stages:

Stage I (Year 2002-2003)

- Establishment of Sub-regional Committees of the AACB where they do not exist and revitalisation of existing Committees;
- Adoption by each Sub-region of formal monetary integration programme.

Stage II (Year 2004 - 2008)

- Harmonization and co-ordination of macroeconomic and monetary policies as well as concepts;
- Gradual interconnection of payments and clearing system;
- Promotion of African banking networks;
- Promotion of sub-regional and regional stock exchanges;
- Strengthening and harmonization of banking and financial supervision;
- Observance of the following macro-economic indicators by year 2008:

  - Budget deficit / GDP ratio $\leq$ 5 %;
  - Central Bank credits to government < 10 % of previous year's tax revenue;
  - Single digit Inflation rate;
  - External reserves / import cover $\geq$ 3 months.

Stage III (Year 2009 - 2012)

- Observance of the following macroeconomic indicators by year 2012:

  - Budget deficit / GDP ratio < 3 % by 2012;
  - Elimination of Central Bank credit to government;
  - Inflation rate < 5 %;
  - External reserves / imports cover ≥ 6 months.

Stage IV (Year 2013-2015)

- Assessment of macroeconomic performance and negotiation for the establishment of a common Central Bank (Year 2015). At this stage, countries would be required to consolidate achievements made at the third stage. The activities under this stage would include:

  - Inflation rate < 3 %;
  - Continued observance of macroeconomic indicators of convergence. The macroeconomic indicators of each country/sub-region would be assessed against the convergence criteria. A comparative analysis would be made thereafter to the Convergence Council.
  - Commissioning of a study on the establishment of an African Exchange Rate Mechanism.

Stage V (Year 2016-2020)

Finalisation of arrangements required for the launching of the African Monetary Union (2016 - 2020). This is the completion stage before the take off of the common Central Bank. The following activities are expected to be undertaken:

- Preparation of institutional, administrative and legal framework for setting up the common Central Bank and currency of the African Monetary Union;
- Adoption of the institutional, administrative and legal framework for the setting up of the common Central Bank and currency of the African Monetary Union;
- Review of commissioned study on the African Exchange Rate Mechanism and operationalisation of Exchange Rate Mechanism;
- Appointment of key officers of the Common Central Bank;
- Preparation for the introduction of a common currency;
- Recruitment of staff of the Bank;
- Mid-term assessment of countries' performance;
- Final assessment of countries' performance against convergence criteria.

Stage VI (Year 2021)

- Introduction and circulation of the common African currency (2021);
- A transitional period during which sub-regional monetary institutions would operate alongside the African Central Bank.

2.3. Institutional framework for surveillance

To ensure that there is a permanent institutional framework at the level of member states and at the sub-regional level to monitor performance, the following is proposed:

- **Convergence Council** comprising Ministers of Finance and Governors of Central Banks, will report to the Authority of Heads of State and Government of the African Union ;

- **Co-ordinating Committee** made up of Executive Committee of the AACB i.e. the Chairperson, the Vice-Chairperson and the Chairpersons of the sub-regional Committees. The Committee will evaluate the proposals of the Technical Committee and make recommendations for the consideration of the Convergence Council ;

- **Technical Committee** comprising Experts of Central Banks and Ministries of Finance will evaluate and analyse information from the various sub-regions and make proposals to the co-ordinating Committee. These relate to macroeconomic convergence criteria specified in the plan of action and any other issues as may be directed by the Assembly of Governors.

- **AACB Executive Secretariat and the ECA/African Union Secretariat**.

III. STATUS OF THE AMCP IMPLEMENTATION

3.1. Recent country and sub-regional economic and financial developments

3.1.1. North Africa sub-region

The Algerian economy showed an unquestionable dynamism during the last five years. However, the real growth rate of the GDP of 3% achieved in 2007 remained modest. This low result is explained by a deceleration in the hydrocarbon sector. The other sectors, particularly the building and public works industry (10%), as well as services (6.8%) continued to record remarkable performances. However, the agricultural growth lowered during the year 2007, compared to the initial forecasts of 5%. At the same time, the industry, which was in full reorganization, labored to rise to the level of the other sectors, recording a relatively low expansion in comparison with its potential. In volume, its growth rate was lower than that of 2006.

After two years of low increase, inflation experienced a relatively small increase in the context of the world inflationary pressures. After increasing by 1.6% and by 2.5%, respectively in 2005 and 2006, it slightly raised to remain limited at 3.5% in 2007 in spite of the soaring prices of foodstuffs and the increase in the prices of imported capital goods.

During the year 2007, the evolution of the main financial indicators reflected the viability of the balance of payments which was, compared to 2006, more consolidated in a context of substantial reduction of the outstanding foreign debt and strong growth of goods and services imports. The good behaviour of oil prices on the international markets, which continued to rise, enabled to achieve this performance.

The solidity of the external financial position was consolidated due to the acceleration of the advance repayment of the foreign debt, as well within the framework of the club of London as in that of the Club of Paris. The stock of the medium and long-term debt did not represent more than 4,889 billion dollars. The servicing debt, compared to exports, represented 2.36% while the ratio of the foreign outstanding debt compared to the GDP and that of the national debt in comparison with the GDP represented 3.61% and 12.0%, respectively by the end of 2007.

Public finance recorded excellent performances as evidenced by the total surpluses realized since the year 2000. This improvement was accompanied by a rate of increase in the revenues, exclusive of hydrocarbons whose upward trend continued in 2007. However, their relative share remained low and continued to decrease because of the appreciable increase in hydrocarbon revenues.

In Egypt, the real growth rate of the GDP reached 7.1% in 2007 against 6.9% in 2006. The year 2007 was also characterized by a continuous improvement of the public finance indicators, reflected by a drop in the budget deficit which passed from 8.2% in 2006 to 7.5% in 2007. However, following the example of other countries, the rate of inflation raised to 10.9% against 4.2% in 2006, because of several factors, particularly the raise in prices of vital imported goods.

In 2007, **Libya** underwent a series of reforms aiming at reorganizing its economy and accelerating the economic growth. The real GDP increased by 5.6% in 2007 against 5.9% in 2006 at the instigation of the sectors other than energy, which experienced a growth of 10.3%. The energy sector growth accounted for 1.7%.

The rate of inflation increased to account for 6.2% against 1.4% in 2006 due to several factors, of which the rise in the price of imports and the instability of the money supply, following the increase in public expenditure and bank credits.

As regards public finance, in 2007, the net budgetary position recorded a surplus of 26% of the GDP. The total balance of the balance of payments recorded a surplus of 23.3 billion dinars equivalent to that of 2006 with the foreign reserves ratio /imports of 33.1 months.

In **Mauritania**, the economic and financial program supported by development partners and foreign debt relief had a positive impact on the productive and social sectors. The economy recorded a growth of 5.9% against 4.1% in 2006, following the impulse of the mining industry sectors (iron, copper and gold) and that of fisheries which was due to the increase in prices of raw materials and food products on the international market. The manufacturing industry and service sectors have also significantly contributed to the growth. The GDP per capita continued to increase by 20% on average at the same rate as the previous year. This performance was in line with the objective of poverty reduction set by the authorities at 35% by 2010.

Despite an international context characterized by inflationary pressures, the inflation slightly increased to 7.3% in 2007 compared to 6.2% in 2006. In terms of yearly slide, it dropped from 8.9% in 2006 to 7.4% in 2007. This trend, altogether favourable, in comparison with the international context, is explained by the rigorous monetary policy implemented by the Mauritania Central Bank (MCB). Thus, Money Supply increased, in a reasonable proportion, from 15.7 % in 2006 to 18.9 % in 2007, due to the effect of demand deposits, while, in accordance with its new statutes, the MCB abstained from financing the current Budget deficit beyond 5% of the tax revenues of the previous year.

Owing to the requirements of the monetary policy, the recovery of the budget revenues was satisfactory, thus contributing to maintaining the basic budget deficit within the limit of 2.3% of the GDP. In spite of the impact of both the fall of oil production and rise in the prices of food products, the balance of payments showed a surplus in 2007 which, however, was lower than that of 2006.

During 2007, the **Sudanese economy** recorded favourable results for most of the aggregates. The real growth rate reached 10.5% compared to 10% in 2006 thanks, in particular, to agriculture, manufacturing and service sectors. The inflation rate reached 8.1% compared to 7.2% in 2006 due to the rise in prices of food products. Thanks to the revenues generated by the rise in oil prices, the budget deficit decreased to account for 2.4% of the GDP in 2007 compared to 3.5% in 2006.

In Tunisia, in spite of the difficult international economic situation marked by the continuous increase in the record levels of prices of several raw materials, (in particular energy and food products) and the fluctuation of the exchange rates, the economy recorded in 2007 positive results, in particular a growth rate of 6.3% compared to 5.5% in 2006. This development represents the diversification of economic fabric, the acceleration of the growth rate of goods and service exports and the continuation of the Foreign Direct Investments (FDI) at a high rate, associated with the positive effects of the structural reforms on the competitiveness and development of the growing sectors with high added value.

The year 2007 was marked by the control of macro-economic balances. The public deficit maintained within the limit of 3% in spite of the significant increase in the subsidies for foodstuffs and energy. The current account deficit, whose levels remained acceptable, accounted for 2.6% of the GDP in 2007 and the rate of foreign debt to 44% of the GDP. The rate of inflation dropped to 3.1% in 2007 against 4.5% in 2006.

In spite of the slowdown in the economic activity in the main industrialized European countries, the Tunisian economy may continue to record a high growth rate of 5.5%. The budget deficit may be limited to 3% in spite of the significant rise in the prices of raw materials and energy.

3.1.2. West Africa sub-region

The economic activity of the Member States of the Economic Community of West African States (ECOWAS) in 2007 has been conducted for most of them in an unfavourable international context, particularly characterized by renewed pressures on consumer prices in many industrialized countries and increasing uncertainties about economic prospects. Internally, the economic and financial situation of most of the ECOWAS member countries is characterized by the poor performance of the 2007/2008 agricultural season and pressures on the prices of staple goods. Furthermore, the negative impact of poor weather conditions, the energy crisis which faced most countries and the painfully slow implementation of structural reforms impacted the terms for revitalizing productive investments. The progress achieved in the resolution of the socio-political crises in Côte d'Ivoire, Guinea-Bissau, Guinea Conakry and Togo, have enabled these countries to resume relations with the Bretton – Woods institutions, even though Guinea remains a concern.

1) The real sector

a) Production

Despite the difficult international context, the economic growth of the Economic Community of West African States slightly increased from 5.4% in 2006 to 5,5% in 2007. Within the West African Economic and Monetary Union (WAEMU – Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo), activity continued to suffer from the negative effects of the persistent political upheaval in Côte d'Ivoire, the largest economy of the Union. The economic growth of the Union stagnated at 2.9% in 2007. Benin, Guinea Bissau, Senegal and Togo experienced a turnaround in 2007, while the Ivorian economy started to pick up. Burkina, Mali and Niger on the other hand recorded a downturn in their economic growth rate. Among the five non-WAEMU member countries of the region, (Gambia, Ghana, Guinea, Nigeria and Sierra Leone), Nigeria – the largest economy by far – recorded a GDP growth of 6.4% in 2007, compared to 6.2 % in 2006, in spite of the effect of interruptions of the oil production in the Niger Delta. Guinea has not yet picked up in 2007 (1.8% against 2.4% in 2006), while Ghana, Sierra Leone and Gambia did reasonably well in 2007, even though their performance was lower than in 2006 (respectively 6.2, 7.0 and 6.3%).

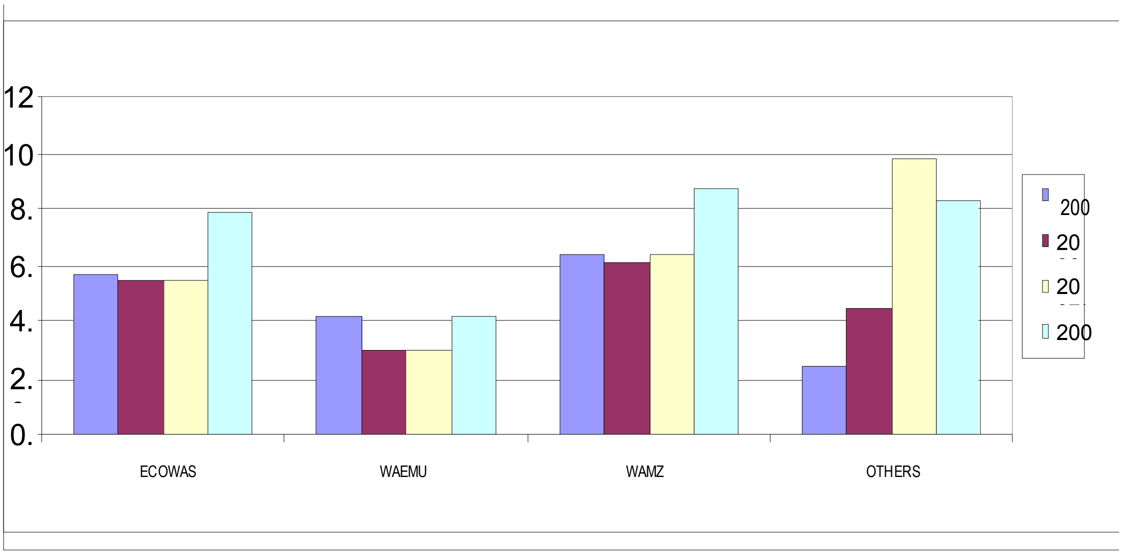
Table 1: ECOWAS - rate of real GDP growth

(in percentage)

	2002	2003	2004	2005	2006	2007*	2008**
ECOWAS	**3.7**	**6.8**	**5.1**	**5.7**	**5.4**	**5.5**	**7.9**
WAEMU	**1.3**	**3.1**	**2.8**	**4.1**	**2.9**	**2.9**	**4.2**
BENIN	4.4	3.9	3.1	2.9	3.8	4.2	5.4
BURKINA FASO	4.6	8.0	4.6	7.1	5.5	4.3	4.5
COTE D'IVOIRE	-1.6	-1.7	1.6	1.8	1.2	1.5	2.9
GUINEA BISSAU	-7.1	0.6	3.2	3.8	1.8	2.5	4.0
MALI	4.3	7.6	2.3	6.1	5.3	1.5	4.7
NIGER	5.8	3.8	-0.8	7.4	5.1	3.1	4.9
SENEGAL	1.2	6.7	5.6	5.3	2.1	5.0	5.4
TOGO	-0.2	4.8	2.5	1.3	1.8	2.5	3.8
WAMZ	***4.6***	***8.8***	***6.3***	***6.4***	***6.1***	***6.3***	***8.8***
THE GAMBIA	1.3	7.4	6.6	2.1	6.7	6.3	7.0
GHANA	4.5	5.2	5.6	5.9	6.4	6.2	7.0
GUINEA	4.2	1.2	2.3	3	2.4	1.8	4.5
NIGERIA	4.6	9.6	6.6	6.5	6.2	6.4	9.1
SIERRA LEONE	6.5	10.7	9.6	7.5	7.3	7.0	6.5
OTHERS	***6.2***	***2.4***	***4.5***	***9.8***	***7.7***	***8.3***	***6.2***
CAPE VERDE	5.1	5.3	4.7	5.8	10.8	6.9	7.7
LIBERIA	7.8	-1.9	-2.8	1.4	7.8	9.4	9.5

Sources: BCEAO, WAMZ and IMF * Estimated; ** provisional

Graph 1: ECOWAS - rate of real GDP growth

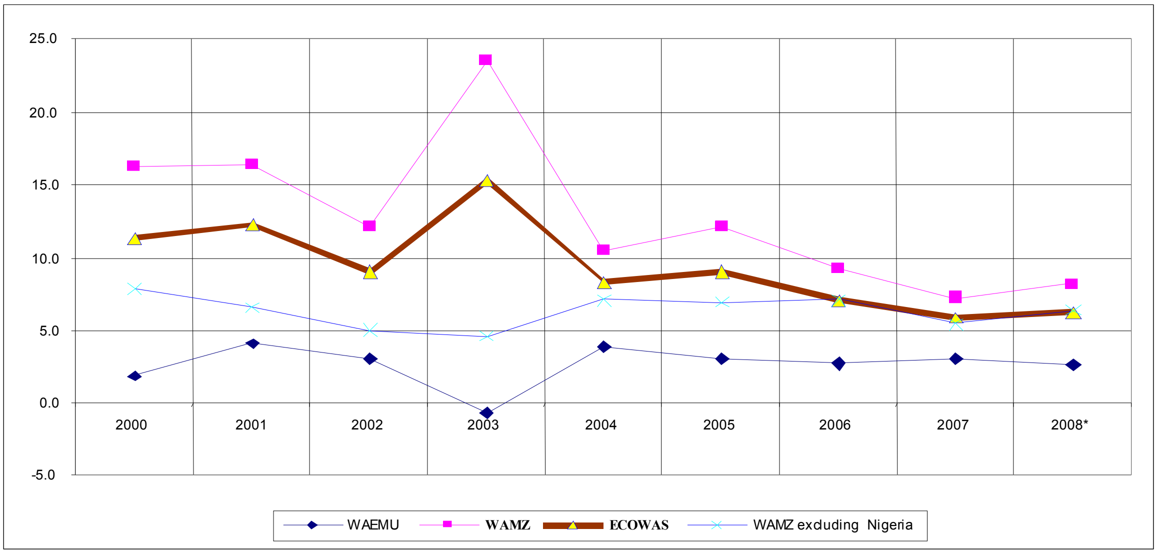


Sources: BCEAO, WAMZ and IMF

b) Prices and inflation

The average inflation rate dropped in 2007 to 5.8%, after remaining more or less steady in 2006 at 7.1%. In many WAEMU countries, the rise in food product prices, due to the drought that caused the food crisis in the region, and that of fuel, have had a negative impact on inflation. Inflation increased slightly from 2.7 to 2.9% in 2007. However, WAEMU countries whose currency is pegged to the euro continue to benefit from a much lower average inflation rate than WAMZ (West African Monetary Zone) countries, which all (except for the Gambia) show rates higher or equal to 5%. Inflation in WAMZ countries, however, fell back more or less significantly: from 9.2% to 7.2%, that is, taking the individual countries, 39.1 to 12.8% in Guinea; 8.5 to 6.6% in Nigeria; 10.9 to 12.8% in Ghana; 9.5 to 11.7% in Sierra Leone; and 1.4 to 1.7% in the Gambia (See graph below).

Graph 2: ECOWAS - inflation rate (end of period)



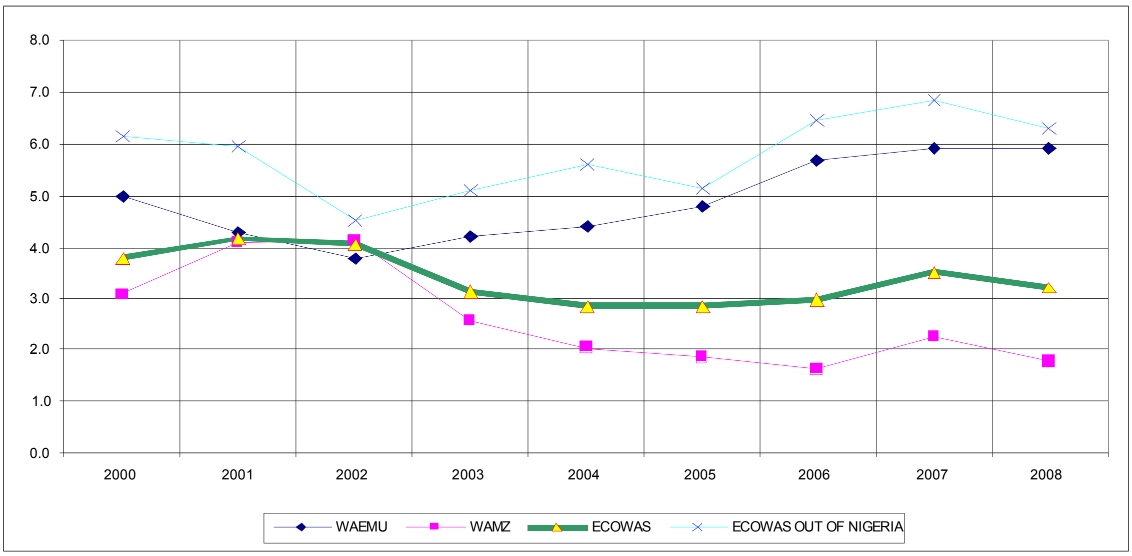
Sources: BCEAO, WAMZ and IMF

2.) Public finance and external debt

a – Evolution of state financial transactions

The budget balances of four countries of the region (Burkina Faso, Cape Verde, Guinea Bissau and Ghana) deteriorated in 2007. For their part, the Gambia, Benin, Côte d'Ivoire and Guinea succeeded in substantially limiting their deficits. Despite a slight improvement, two countries recorded a deficit exceeding 4% GDP (Sierra Leone and Senegal). The remaining five countries showed a slight deterioration in 2006. The overall deficit of the Community, excluding grants, increased from 3.0 to 3.5% GDP between 2006 and 2007 (See graph below).

Graph 3: ECOWAS - budget deficit



Sources: BCEAO, WAMZ and IMF

b – External debt

The overall external debt of ECOWAS countries is estimated at 16.9% GDP in 2007, compared to 17% in 2006. This drop is due mainly to the decrease in the debt of Nigeria which dropped from 60% in 2002 to 4.1% in 2007. Overall, the external debt of ECOWAS countries seems to be sustainable and this is due to the acceleration of the spin-off effects of the Highly Indebted Poor Countries (HIPC) Initiative. However, this general pictures masks differences between countries. Guinea Bissau, the Gambia, Liberia and Sierra Leone show figures exceeding 70 % of their GDP. Furthermore, six of the fifteen ECOWAS countries are described as heavily indebted, the countries with the largest external debts being Guinea Bissau (273.7%), the Gambia (109.7%), Sierra Leone (85.4%), Guinea (74.7%) and Togo (67.4%).

By zone, the outstanding external debt is 32.5% of GDP for WAEMU, 8.4% GDP for WAMZ and 63% GDP for the other countries. Within WAEMU, the level of indebtedness is still very high for the three other countries that do not benefit from the HIPC Initiative and MDRI[1]. The external debt ratio is 46.6% for Côte d'Ivoire, 273.7% for Guinea-Bissau and 67.4% for Togo. For WAMZ countries, the outstanding debt is still high for the Gambia, Sierra Leone and Guinea. It is also still high for Liberia and less so for Cape Verde.

Table 2: ECOWAS - external debt

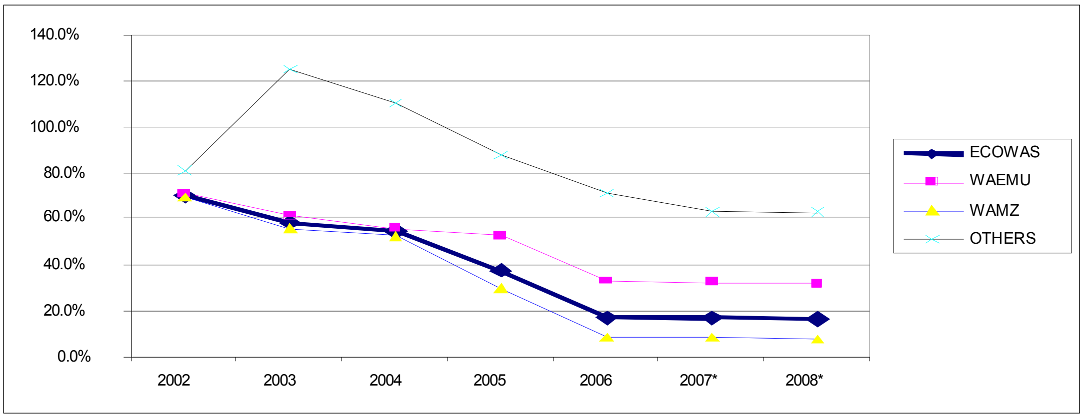
(as a percentage of GDP)

	2002	2003	2004	2005	2006	2007*	2008*
ECOWAS	**69.9**	**58.4**	**54.3**	**37.8**	**17.0**	**16.9**	**16.1**
WAEMU	**70.4**	**61.3**	**55.5**	**52.3**	**33.1**	**32.5**	**31.6**
BENIN	48.1	40.3	38.6	40.0	14.9	15.6	16.3
BURKINA FASO	42.3	37.2	37.0	39.5	16.1	19.0	21.4
COTE D'IVOIRE	76.9	68.7	60.8	54.1	49.1	46.6	42.0
GUINEA BISSAU	344.4	352.4	324.7	300.7	287.9	273.7	263.7
MALI	79.3	67.1	64.5	61.3	25.1	26.5	28.3
NIGER	78.5	63.7	58.0	54.5	15.2	17.3	19.1
SENEGAL	61.7	50.9	44.0	42.6	18.0	17.1	18.5
TOGO	87.1	89.4	76.3	73.7	68.6	67.4	65.2
WAMZ	**69.5**	**55.9**	**52.8**	**29.8**	**8.1**	**8.4**	**7.7**
NIGERIA	60.5	53.1	49.9	21.7	3.4	4.1	4.0
GHANA	117.7	72.2	72.2	63.5	22.3	24.6	26.7
GUINEA	94.9	37.7	31.1	109.4	112.8	74.7	69.3
SIERRA LEONE	183.8	150.2	138.6	129.7	96.4	85.4	85.4
THE GAMBIA	134.6	145.5	131.0	119.0	127.7	109.7	109.7
OTHERS	**81.1**	**125.1**	**110.3**	**87.3**	**71.2**	**63.2**	**63.0**
CAPE VERDE	61.8	61.8	57.1	48.5	45.1	42.1	42.0
LIBERIA	100.4	188.4	163.5	126.1	97.3	84.2	84.0

Sources: BCEAO, WAMZ and IMF

Graph 4: ECOWAS - external debt

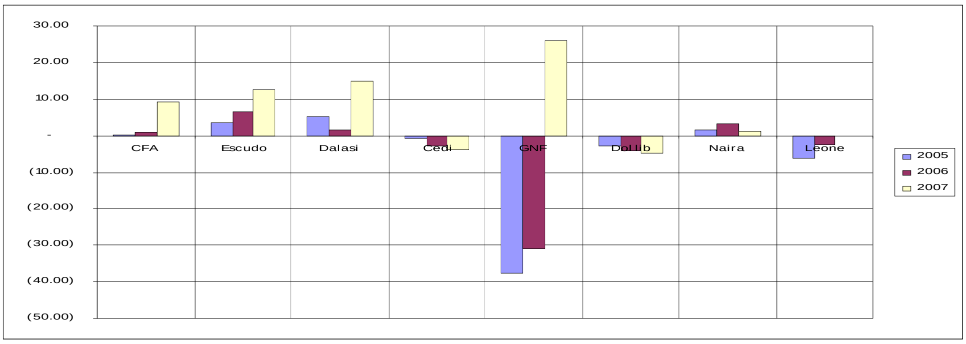
[1] Multilateral Debt Relief Initiative



3) Exchange rate, external trade and balance of payments

Within ECOWAS, all the currencies depreciated vis-à-vis the US dollar except for the Cedi and the Liberian Dollar. This evolution was due to the macroeconomic readjustments effected in certain countries, the civil wars and oil price hikes which exerted currency pressures on oil importing countries (See graph below).

Graph 5: ECOWAS' currencies fluctuation



Regarding external trade, eleven West African countries posted trade deficits ranging from 4 to 14% GDP in 2007. The average balance of trade of the region is dominated by Nigeria. As a result of its positive trade balance, Nigeria recorded in 2007, current account surplus representing 16.3% of GDP. This was, however, slightly lower than the level reached in 2006 (about 18.9%). The table below shows development in current account in ECOWAS' member countries.

Table 3: ECOWAS - current account balance

(in percentage)

	2002	2003	2004	2005	2006	2007*
ECOWAS	**-0.7**	**4.8**	**11.6**	**16.3**	**14.2**	**9.4**
WAEMU	***-1.2***	***-3.5***	***-4.9***	***-6.3***	***4.2***	***-5.8***
BENIN	-2.8	-6.5	-7.1	-5.2	-4.6	-9.1
BURKINA FASO	-9.2	-8.5	-10.4	-11.3	-9.0	-8.3
COTE D'IVOIRE	6.7	2.1	1.6	0.2	2.7	1.3

GUINEA BISSAU	10.7	24.3	4.8	-3.4	-12.5	-2.4
MALI	-4.1	-6.4	-8.2	-8.0	-3.6	-8.0
NIGER	-8.2	-7.9	-8.0	-9.4	-9.8	-10.6
SENEGAL	-6.4	-6.4	-6.4	-7.8	-9.4	-10.2
TOGO	-9.5	-9.2	-10.6	-21.8	-15.6	-15.6
WAMZ	**-0.4**	**9.2**	**20.1**	**28.0**	**19.6**	**17.3**
NIGERIA	-4.0	5.7	21.1	27.3	18.9	16.3
GHANA	-0.5	4.0	-3.6	-7.2	-4.5	-4.5
GUINEA	-4.3	-2.3	-4.8	-5.7	-7.9	-11.9
SIERRA LEONE	-15.2	-9.9	-4.9	-9.1	-5.3	-5.3
THE GAMBIA	-3.3	-4.4	-8.6	-16.9	-14.2	-14.2
OTHERS	**-0.3**	**-7.4**	**-7.4**	**-7.4**	**-7.4**	**-7.4**
CAPE VERDE	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
LIBERIA	-0.5	-14.7	N/A	N/A	N/A	N/A

Sources: BCEAO, WAMZ and IMF

4) Monetary and financial situation

The monetary situation of WAEMU at the end of December 2007, compared to that at the end of December 2006, was characterized by the acceleration of the money supply growth, due both to the domestic credit increase and consolidation of net foreign assets of monetary institutions. Net foreign assets of monetary institutions increased by 776.7 billion. This increase is partly due to the disposal by Burkina Faso of part of the capital of the Office National des Télécommunications (ONATEL) to a strategic partner for the amount of 144.3 billion and the implementation of the compensation agreement between the Ivorian government and TRAFIGURA Company involving an amount of 95.0 billion. It is also due to the efforts made by the Central Bank regarding the repatriation of export earnings. The outstanding domestic credit increased by 12.6% compared to the increase in loans to the economy, partly compensated by the reduction of net loans to states. This development reflects the 14.9% increase in recurring appropriations and 9.0 billion or 5.6% reduction in seasonal credits. The increase in recurring appropriations is due mainly to the facilities granted to enterprises operating in the energy and telecommunications sectors, as well as the consolidation of short term claims held by banks on certain enterprises under reorganization. In keeping with the related developments in domestic credits and foreign assets, the money supply increased by 19.0% to 8,535.2 billion at the end of December 2007. This increase of the overall liquidity is due to the deposits which increased by 21.2%, and the fiduciary circulation which increased by 14.1%, that is, respectively, 1,049.8 billion and 314.6 billion. With respect to WAMZ countries, the growth in money supply stood at 32.3%, mirroring developments in Nigeria (30.9%) and Ghana (36.3%).

Table 4: ECOWAS - money supply variation

(in percentage)

	2002	2003	2004	2005	2006	2007*
ECOWAS	***18.31***	***18.51***	***13.40***	***20.08***	***25.34***	***27.79***
WAEMU	***16,0***	***2,9***	***5,8***	***7,6***	***11,4***	***19***
BENIN	-6.5	10.1	-9.4	22.4	18.0	19.8
BURKINA FASO	2.9	16.4	0.2	18.0	10.1	23.6
COTE D'IVOIRE	30.6	-6.6	1.7	-9.1	10.3	10.3
GUINEA BISSAU	22.8	14.4	19.2	-55.5	5.3	24.8
MALI	28.5	21.9	11.9	-16.2	8.8	11.8
NIGER	-0.4	-13.3	19.1	6.6	16.2	23.2
SENEGAL	7.6	14.6	12.8	8.2	11.9	12.6

TOGO	-2.5	6.2	16.6	2	22.7	16.8
WAMZ ECONOMIES	***19.35***	***26.47***	***16.95***	***26.28***	***32.35***	***32.27***
NIGERIA	15.8	24.1	14.0	24.4	30.6	30.9
GHANA	50.0	37.8	25.9	14.3	38.8	36.3
GUINEA	18.4	34.7	35.9	37.2	59.4	4.8
SIERRA LEONE	29.6	21.9	20.1	31.3	21.5	21.5
THE GAMBIA	27.7	43.0	18.3	13.1	26.2	26.2
OTHER ECOWAS ECONOMIES	***25.80***	***8.45***	***29.90***	***23.10***	***22.45***	***22.45***
CAPE VERDE	14.8	8.6	10.5	10.50	10.50	10.50
LIBERIA	36.8	8.3	49.3	35.7	34.4	34.4

Sources: BCEAO, WAMZ and IMF

With respect to interest rates, they varied depending on the zones and the nature of the interest rate. In the CFA Franc zone, bank requirements are established freely. Thus, lending rates are determined freely between the parties within the limits of the maximum interest rate allowed. The maximum interest rate on bank loans is 18.00%, and 27.00% for loans by financial institutions, savings and credit unions, other decentralized financing systems, and any other economic actors. The borrowing rate is also established freely, with the exception of the interest payable on small savings, fixed at 3.5% for savings books. The interest payable on time deposits and savings bonds of a maximum amount of 5.0 million for a period not exceeding one year is fixed at 2.95%, that is, the monthly rate of the money market less 2 points. Except for the Naira, with respect to small savings, all the other countries have higher interest rates than those of the CFA zone, even if the trend is downward. The rate for small savings varies from 2% (Naira) to 14.7% (GNF). The interest payable on treasury bills varies from 4.5% (CFA) to 21.4% (GNF). Regarding the interest payable on commercial loans, it is higher in Ghana. Indeed, this interest rate trend, with a few exceptions, follows the inflation rate.

Table 5: ECOWAS - evolution of interest rates

ZONES	INTEREST RATES	2002	2003	2004	2005	2006	2007
CFA	**Savings**	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
	Commercial loans	Free	Free	Free	Free	Free	Free
	Treasury bills	4.1%	3.4%	3.1%	3.7%	4.5%	4.5%
Escudo	**Savings**	7.9%	6.4%	6.3%	6.3%	6.3%	6.3%
	Commercial loans	13.9%	13.5%	13.5%	13.5%	13.5%	13.5%
	Treasury bills	6.5%	7.6%	5.6%	5.6%	5.6%	5.6%
Dalasi	**Savings**	8.0%	8.0%	10.0%	5.0%	5.0%	5.0%
	Commercial loans	20.5%	28.8%	28.8%	21.8%	14.0%	13.3%
	Treasury bills	20.0%	31.0%	34.0%	16.0%	12.8%	12.8%
Cedi	**Savings**	13.00%	9.75%	9.5%	6.4%	4.8%	4.8%
	Commercial loans	38.50%	32.75%	28.8%	26.0%	24.3%	24.3%
	Treasury bills	26.28%	18.1%	16.4%	11.4%	9.9%	9.9%
GNF	**Savings**	7.40%	6.50%	8.4%	14.7%	14.7%	14.7%
	Commercial loans	Free	Free	Free	Free	Free	Free
	Treasury bills	13.36%	13.36%	12.2%	23.9%	22.3%	21.4%
Liberian Dollar	**Savings**	5.0%	3.55%	3.4%	2.80%	2.70%	2.70%
	Commercial loans	15.0%	17.0%	18.4%	15.9%	15.3%	15.3%
	Treasury bills	N/A	N/A	N/A	N/A	N/A	N/A

Naira	**Savings**	2.5%	3%	2.0%	1.5%	2%	2%
	Commercial loans	25.70%	19.58%	18.9%	17.8%	17.3%	17.3%
	Treasury bills	13.8%	14.5%	14.4%	10.8%	7.5%	7.8%
Leone	**Savings**	4.0%	4.0%	6.0%	5.5%	5.5%	5.5%
	Commercial loans	25.0%	25.0%	27.0%	27.0%	27.0%	27.0%
	Treasury bills	14.7%	20.20%	27.3%	20.4%	14.2%	14.2%

Sources: BCEAO, WAMZ and IMF

3.1.3. Central Africa sub-region

According to BEAC estimates, the macroeconomic situation in **CEMAC** countries in 2007 was characterized by a revival of **economic growth**, with an increase of real GDP by 4.2%, up from 3.1% in 2006. By sector, this increase is expected to reach 0.8% in 2007 for the oil sector, compared to + 0.2% in 2006 and 3.4% for the non oil sector, up from 3.3% the previous year.

Beyond a favourable international situation characterized by fairly stable high priced raw materials, particularly oil, timber, cocoa and coffee, the revival of economic activity in the subregion has been helped by the combined effect of increased spending on exploration, research, development and production by oil companies, particularly in Congo and Equatorial Guinea and more dynamic activity in commerce, tourism, transport and other services. This performance has been maintained by the implementation by member states of macroeconomic and structural reforms under programmes supported by the international financial community.

By country, these results show a high growth level in Equatorial Guinea (25.0 %, against 5.3 % in 2006), a speeding up of economic activity in Gabon (5.2 %, against 1.2 % in 2006), a sustained growth rate in the Central African Republic (3.7 % against 4.2 % in 2006) and in Cameroon (2.8 %, against 3.2 % in 2006), a revival of activity in Chad (1.9 %, up from –0,5 % in 2006) and a decline in Congo (-0,6 %, against +6,7 % the year before).

Regarding inflation, the general trend in prices in CEMAC has been characterized by lower inflationary pressures in 2007. Indeed, the inflation rate in CEMAC, measured from the variation of the average annual household consumer price index was 2.2%, against 5.3% at 31 December 2006.

This lowering of pressure on prices, observed in Cameroon, Chad and Central African Republic is mainly due to a significant increase in the supply of subsistence, market garden and cereal produce on the main urban markets, thanks to the good harvests in the 2006-2007 season and improved supplies to urban centers. In the other countries (Congo, Gabon and Equatorial Guinea), inflationary pressures persisted in the context of a high level of domestic demand maintained by increased budgetary incomes in Congo and the effect of wage increases in late 2006 and in the first half of 2007 in Gabon and Equatorial Guinea respectively.

With respect to public finances, the budget surplus, excluding grants /GDP (commitment basis), despite a slight drop, remained fairly high at 9.6% in 2007, against 9.9 in 2006.

Overall, developments in public finances in 2007 were characterized by:

- A 6.2% increase in budgetary incomes, which accounted for 29.5% of GDP in 2007, as in 2006, linked mainly to a notable increase in non-oil revenue thanks to the economic growth, the broadening of the tax base and improved collection of income taxes and duties by state tax departments. It is observed, however, that the Central African Republic still shows a budget deficit;

- a 7.7% increase in **budgetary expenditures**, amounting to 19.9% of GDP in 2007, against 19.6% the previous year. This change is reportedly due essentially to an increase of 21.8% in capital expenditure, linked mainly to an improved capacity to absorb the HIPC funds allocated to health, education, basic infrastructure, etc. in Cameroon and oil revenue surpluses in Congo, Equatorial Guinea and Chad devoted to financing investments in priority sectors. On the other hand, current expenditures are down 0.1% due mainly to a significant reduction (49.9%) of the interest on public debt resulting from cancellations of the external debt upon achievement of the completion point of the HIPC initiative in Cameroon. However, wages and salaries increased by 6.9%, due essentially to (i) the integration of new civil servants and the clearing of the balance file in Cameroon and CAR, and (ii) government wage increases as well as the recruitment of more staff in the priority sectors in Congo, Gabon, Equatorial Guinea and Chad. Similarly, goods and services expenditures have increased by 7.7%, taking into account the additional expenditures in the priority sectors in almost all the CEMAC countries as well as higher than expected expenses associated with the organization of legislative vote in congo. Finally, transfers and subsidies increased by 4.4%, reflecting significant exceptional security spending, particularly in Chad and the maintenance of state financial support to major companies, especially in Cameroon (Société Nationale de Raffinage - SONARA), in Congo (Société Congolaise de Raffinage - CORAF and Société Nationale des Eaux) and in Chad (Société Tchadienne d'Eau et d'Electricité - STEE and COTONTCHAD) ;

- a slight drop in the primary balance surplus, amounting to 11.7% of GDP in 2007, compared to 12.6% in 2006; and

- a total financing need of the member states estimated at 2,053.9 billion, after discounting the payment of external arrears of 1,201.7 billion and domestic arrears of 198.8 billion, the write-off of the external debt of 597.4 billion, the decommitment of 934.2 billion from the banking system and 1,879.8 billion from the non-banking system. This gap was covered by 188.3 billion in grants, 447 billion external drawings on programme loans and 194 billion on project loans, and a 1224.6 billion external debt readjustment.

Regarding the CEMAC **current external account**, its balance is in the red, at – 3.7% of GDP in 2006, under the combined effect of a drop in the sale of crude oil, cotton fibre, aluminium and bananas, and an increase in imports linked to the revival of investment programmes in the oil sector and the dynamism of the non-oil sector, particularly external procurements under public investment programmes. In fact, the terms of trade, dropped from 18% to 0.4%, due mainly to the decrease in export prices (-7.1%), caused by the fall in the rate of exchange of the dollar despite the firm oil prices.

Regarding the **external debt**, the continuation of the efforts to boost the public finances resulted in a significant lowering of the debt service to budgetary income ratio which changed from 41% in 2006 to 9.6% in 2007. Similarly, the debt service to exports of non factor goods and services ratio and that of the outstanding debt to GDP improved to 5.1% and 22.8% respectively in 2007, down from 21.5% and 27.2% in 2006.

On the monetary front, the **monetary policy** of the Central Bank during 2007 remained focused essentially on maintaining price stability and economic growth in a sub-regional context characterized by the overliquidity of the banking system and a comfortable public treasury in most of the member states. In this context, the BEAC key interest rate, the public tender interest rate, remained the same (5.25%) during 2007. On the other hand, the mandatory reserves were reviewed upward for some member countries (Gabon and Equatorial Guinea) in order to take into account the high level of their bank liquidity.

Further, the monetary situation of the CEMAC member countries at 31 December 2007 was characterized by:

- a significant increase in the net foreign assets of the monetary system, raising the currency cover rate to 95%, up from 94.7% in 2006. The gross foreign exchange reserves, in terms of months of import of goods and services (CIF), increased from 8.2 to 8.5 months;
- an increase by 9.4% of the loans to the economy, in keeping with the increased economic activity, particularly in the oil-related sector, telecommunications and services;
- a significant drop in the net claims on the states by about 51.8%, linked to the continued efforts to consolidate the public treasury of member states mainly arising from the increase in oil revenue;
- and an increase of the money supply by about 16.2%.

In the **Democratic Republic of Congo**, real progress was achieved on the economic and financial front in 2007 compared to 2006.

The boosting of the macroeconomic stability as well as the increased economic growth provided the opportunity to begin negotiations with a view to signing, by March 2008, of the formal programme financed by the Poverty Reduction and Growth Facility (PRGF). The satisfactory evaluation of this programme in June and September will enable the country, after achievement of the decision point in June 2003, to accede, by December 2008, to the completion point of the HIPC initiative and the write-off of US$9.0 billion of the current US$11.0 foreign debt. The conclusion of the formal programme in March will therefore be evidence of good performance during the execution of the second portion of the Programme monitored by the IMF from January to September 2007.

As a reminder, the entry of the DRC in the programme monitored by the IMF occurred in April 2006 following the failure of the sixth review of the formal Programme (Government's Economic Programme) marking its end on 31 March of the same year. The first stage of the rollover programme, lasting from April to December 2006, ended unsuccessfully.

Against this background, **the rate of GDP growth in real terms** was 6.3% in 2007, against 5.6% the previous year. It was spurred by the revival of activity in the mining sector, the continued good performance of the "wholesale and retail" sector and the steady progress of agricultural activity.

At the same time, the **inflation rate** dropped to 9.9% in 2007, down from 18.2% in 2006. This development resulted from the slowing down of the growth of the monetary base after the implementation of strict macroeconomic policies.

Regarding the financial transactions of the public sector, the net position of the government improved in 2007 compared to 2006. In fact, it only varied by 27.0 billion CDF during this year compared to 54.0 billion the previous year. The deficit that year was 0.1% of GDP. The consolidated deficit of the public sector was about 0.5% GDP against 1.1% in 2006. The tax pressure reached 15.0% against 13.0% in 2006.

The external sector was characterized by a remarkable exchange rate stability: from 503.4 CDF to the dollar at the end of December 2006, the local currency was worth 502.9 CDF to the dollar at the end of December 2007. Further, there was an increase in foreign reserves. Amounting to US$162 million at the end of December 2006, that is, 0.64 months of imports of goods and services, they reached US$185 million at the end of December 2007, that is, 0.76 months of imports.

It should be noted that the foreign exchange policy of the Issuing Institute contributed, through the purchase of foreign exchange by tender, to the rebuilding of foreign reserves and smoothing of the exchange rate threatened by a counterproductive appreciation following the rapid accumulation of budget surpluses.

However, spurred by a higher rate of economic growth, the balance of trade recorded a more significant deficit compared to 2006. This development is due to strong imports driven by the demand for consumer and capital goods, particularly equipment for the mining sector.

Regarding the monetary sector, the Central Bank implemented a prudential monetary policy throughout 2007. The policy basically served to offset the budgetary pressures with a view to obtaining a level of liquidity commensurate with the normal operation of the economy.

Thus, during the first two months of 2007, characterized by the resurgent public deficit, the leading interest rate was increased from 40 to 50% per year. During the period from March to July, characterized by the accumulation of large budget surpluses of about 0.9% GDP, the Issuing Institute lowered its key interest rate from 40 to 22% per year. The response of the commercial banks to this change in monetary policy through their rates of interest came after a period of at least two months observation time.

However, these favourable trends began to be reversed from early November 2007 due to the rapid depletion of the budgetary surpluses due to the doubling of the wage bill in all state departments and the increase in security expenditures following a resurgence of armed conflicts in the east of the country.

In the **Democratic Republic of São Tome e Principe**, The macro-economic situation in 2007 was characterized by a **steady growth** in a context marked by the achievement, in March of that year, of the completion point of the HIPC initiative. The rate of growth of the GDP in real terms was 6%, compared to 7% in 2006. This performance is due to the increase in private investments in the construction sector and the dynamism of the sectors of tourism and other services. On the other hand, the contribution of net exports was negative, due to the combined effect of a drop in cocoa sales and the increase in the purchase of food products and goods and building materials from abroad.

On the **price front**, the inflation rate at the end of 2007 was 27.6% against 24.6% in 2006. This situation resulted from the combination of both internal and external factors, including (i) stockouts of essential imported commodities, (ii) the increase in the price of local products, (iii) the effect of imported inflation following the oil price hike on the world market and (iv) the increase in current expenditures.

Regarding **public finances**, the total revenue accounted for 30% GDP, up about 28% from the previous year. Tax revenues increased by 20% to reach 16% of GDP, due to the increase in customs revenues linked to the increase in imports, the rest being made up of non-tax revenues and grants. With respect to grants, they dropped by 15.5%, that is 10.7% GDP against 25.1% a year before.

Budget expenditures dropped, in keeping with the 17.2% drop in capital expenditure, induced by the decrease in external financing. On the other hand, current expenditures increased by 14.2%, taking into account the significant increase in the wage bill (31.1%) and operating expenditures (23%) as well as transfers and subsidies (24.3%). It is noteworthy that the expenditures related to interest on the public debt dropped 23,1%, reflecting the effects of the achievement of the completion point of the HIPC initiative.

The evolution of the monetary situation during 2007 was characterized by an increase in the broad money supply (M3) by 37.4% and the money supply excluding foreign currency deposits (M2) by 27.1%. The monetary base also increased by 50%, higher than the 32% recorded in 2006. This increase in the monetary base growth rate is due mainly to the increase in the Central Bank's net foreign assets.

The net credit decreased, standing at 8.3% GDP at the end of the year. This decrease reflects a significant increase in Treasury deposits with the Central Bank.

The objective of the monetary policy of the Central Bank constantly focused on the management of the liquidity of the economy, price and exchange rate stability. In this context, to address the increase in loans to the economy in 2006 of about 45.7%, the Central Bank adopted measures that helped slow down the rate of increase of this indicator in 2007 to about 32.1%.

The Central bank maintained its key interest rate in 2007 at 28%, which has remained in force since September 2006 and the mandatory reserve requirement at 24.5% during the same period.

Further, the authorities maintained a **flexible exchange rate** regime based on market factors, which brought the difference between the buying and selling rates of the Central Bank down to less than 2%. This regime also made it possible to further reduce the difference between the mean rate of the Central Bank and the Commercial Bank rates.

The evolution of the rate of exchange of the Dobras with respect to the principal hard currencies during the period under review was characterized by a depreciation of 22.5% vis-à-vis the euro and 9.9% vis-à-vis the dollar.

The gross foreign reserves of the Central Bank reached US$55 million in 2007, against US$43 million at the end of 2006, an increase of 27%, accounting for 6.6 months of imports.

Generally, foreign trade deteriorated in 2007 and the trade deficit worsened, increasing from 67 million dollars in 2006 to 75.2 million dollars a year later, due mainly to a drop in cocoa exports and a significant increase in the import of essential products and capital goods.

The ratio of the net present value of the **foreign debt** to exports is still higher than 100%, despite the announcement in March 2007 of the achievement of the completion point of the HIPC initiative. This situation is due to the fact that negotiations with certain creditors have not yet been concluded successfully. Therefore, it is expected that in the very near future, this ratio could diminish significantly to less than 70%.

The debt service during the period amounted to 6.3 million dollars, of which 3.287 million was paid to foreign creditors and 2.973 million deposited into the government HIPC account at the Central Bank.

3.1.4. Southern Africa sub-region

The economies of the sub-region generally recorded satisfactory performance.

Angola's economy continued registering high **GDP growth rates** on account of large investments in the natural resource sector and improved commodity prices in the international market. Both its external and internal balances remain strong. Inflation has declined significantly from 3-digit levels seen in 2002. However, the economy remains narrow based, and hence susceptible to shocks such as poor terms of trade.

The Angolan economy is estimated to have grown by a significant 20.9 percent in 2007, up from the revised 18.6 percent growth recorded in 2006. Owing to this impressive performance in the economy were large investments in infrastructure and the natural resource sector such as oil and diamonds. The increase in commodity prices, particularly oil, improved the terms of trade and contributed to the positive performance. Furthermore, the economy also posted good performance in the agriculture, fishing and construction sectors which registered growth of 21.5 percent.

Angola's **inflation** has decelerated significantly over the past several years from levels above 105.6 percent in 2002 to an annual average of 11.7 percent in 2007. This compares to average inflation of 12.2 percent in 2006. Factors contributing to decelerating inflation include the stabilization of the exchange rate, which is attributed to a high balance of payments surplus due to high oil and diamonds exports, and a virtually balanced fiscal stance.

The Angolan Government continued to focus on the reconstruction of infrastructure that was destroyed during the war. In 2007, Angola had a **budget surplus** of 16.4 percent of GDP and this compares to budget surpluses of 9.9 percent and 2.3 percent in 2006 and 2005, respectively. A fiscal deficit is expected in 2008 because of the need for Government to continue investing in infrastructure and the social sector.

International reserves amounted to 5.5 months of imports of non factor goods and services in 2007, compared to 6.0 months of import cover in 2006 and the fall in the number of months was due to the accelerated growth in the import bill. The exchange rate of the kwanza/US dollar remained steady in 2006, with the kwanza appreciating by 2.6 percent against the US dollar. In real terms, the kwanza appreciated against the US dollar by 8.9 percent in 2006 down from 19.1 percent in 2005. The current account has recorded a surplus since 2004, rising from 3.5 percent of GDP during that year to 26.1 percent of GDP in 2006, all on account of significant oil and diamond exports.

During 2007, the economy faced a challenge of mounting liquidity pressure. The broad **money supply** (M3) registered nominal and real increases of 49 percent and 33 percent respectively while credit extended by the banking system to the economy grew by 68.5 percent in 2006.

Botswana's economy continues to be dominated by the mining sector, which contributes roughly 40 percent to GDP. The mining sector's performance has enabled the Government of Botswana to run surpluses on its budget over the past several years and the country to accumulate sizeable international reserves from its current account surplus. Inflation ended 2007 at 8.1 percent, which was 2.1 percentage points above the Bank of Botswana's upper end of the medium-term target of 3 – 6 percent.

Provisional figures for 2006/07 show that the Botswana economy gained momentum with **real GDP** growing at 6.2 percent. This compares to a much slower growth of 0.6 percent recorded in 2005/06. The high growth in 2006/07 was driven by high commodity prices on the international market, particularly diamonds, copper and nickel, which led to the mining sector growing by 5.2 percent as opposed to a contraction of 3.8 percent in the previous year. The non-mining sector also posted excellent growth, expanding by 6.8 percent in 2006/07.

Botswana's **inflation** averaged 7.1 percent in 2007 compared to 11.6 percent in 2006. In the first few months of the year, inflation fell, reaching a low of 6.4 percent in May and June after which it started trending upwards, driven mainly by increases in administered prices and particularly the cost of oil and rising food prices. Inflation rose to 8.1 percent in December 2007, down from 8.5 percent in December 2006.

Botswana introduced two measures of core inflation in June 2007 and these are the 16 percent trimmed mean measure (which excludes goods and services that record price changes that are extreme compared to the median) and the CPI excluding administered prices.

Foreign **exchange reserves** stood at P58.5 billion (USD9.8 billion and SDR6.2 billion) at the end of December 2007, up by 22.3 percent from December 2006. The reserves represented 26 months of import of goods and services, down from 29 months in 2006. The decline in import cover reflects the rapid growth of imports during 2007. The overall balance of payments is expected to record a surplus of P11.3 billion in 2007.

During 2007, the Pula depreciated against most SDR constituent currencies with the exception of the US dollar. It depreciated by 10.3 percent, 5.5 percent and 1.3 percent against the euro, the Japanese yen and the British pound, respectively; however, it appreciated by 0.4 percent against the US dollar. Overall, the Pula depreciated by 4.4 percent against the SDR and by 2.1 percent against the South African Rand. The real effective exchange rate (REER) remained broadly constant during the year, depreciating by 1 percent, continuing the stability maintained in 2006 and indicating that the crawling band mechanism introduced in May 2005 continues to work well.

Annual growth in commercial **bank credit** was 24.3 percent in December, 2007, compared to 18.8 percent in December 2006. The acceleration in annual credit growth was driven mainly by the expansion in lending to households. During the twelve months to December

2007, narrow money (M1) increased by 19.6 percent while broad money expanded by 31.2 percent. The central bank continued to issue Bank of Botswana Certificates (BoBCs) to absorb growth in liquidity.

In 2007, **Lesotho** experienced the worst drought in 30 years but despite that, its economic performance remained positive during the year. Savings and investment registered satisfactory performance while the domestic and internal balances remained robust.

Real GDP was estimated to have grown by 5.1 percent in 2007 compared to 7.2 percent in 2006. The slowdown in growth was mainly attributed to a fall in performance of the primary sector following a 40 percent drop in grain production due to the drought.

Inflation reached 7.9 percent in 2007 up from 6.0 percent in 2006. Severe food shortages in the region due to drought conditions and the persistent increase in the price of oil continued to exert immense inflationary pressures on the economy. The depreciation of the domestic currency against major currencies also put pressure on inflation as well as through increased prices for imported goods and services.

The **fiscal balance** continued to register surpluses and was at 10.3 percent of GDP in 2007, a reduction from the 12.4 percent recorded in 2006. The surplus was attributed to significant customs revenue that included upward adjustments on the actual collection that was received during the year. The non-customs revenue also performed well. Spending on the capital budget was relatively slow and this expanded the budget surpluses.

The provisional **overall balance of payments** registered a surplus in 2007 while the current account balance recorded a surplus of 13.3 percent of GDP compared to 4.4 percent in 2006. Official reserves, measured in months of import cover, rose to 7.7 months in 2007 from 7.4 months in 2006. The strong foreign exchange reserves position is reflective of the good performance of the Southern African Customs Union (SACU) non-duty receipts, net exports, labour income (miners remittances), higher foreign direct investment and increased grants to government.

Money supply, M2, grew by 18.5 percent at the end of 2007 down from a 35.4 percent increase in 2006, mainly due to the rise in both domestic credit and banking system's net foreign assets.

Madagascar has experienced high levels of economic growth in recent years with the main sources of growth being mining, construction and exports arising from the Export Processing Zones (EPZ). The Government has also implemented some key economic policy reforms which include the setting up of the Economic Development Board of Management of Madagascar which is tasked with making the investment climate attractive.

Real GDP growth remained positive in 2007 at 6.2 percent up from 5.0 percent in 2006 and 4.6 percent in 2005.

Fiscal performance was broadly in line with the expected, despite additional expenditure associated with national elections. The Government's objectives in the fiscal area of widening the tax base and improving tax administration bore fruit with tax collections increasing in 2007. Overall, the fiscal deficit, including grants, stood at 2.8 percent of GDP in 2007 and this compares to an exceptional surplus of 37.5 percent in 2006 which was a result of investment-related inflows and capital transfers from the Multilateral Debt Relief Initiative (MDRI).

Madagascar's **current account** deficit widened significantly in 2007 to 19.3 percent of GDP from 9.8 percent in 2006 and this was primarily on account of a rise in capital and intermediate goods imports by the mining sector. International reserves were estimated at SDR537.9 million at the end of December 2007 and this was compared to reserves of SDR381.6 million at the end of December 2006. The increase in reserves is due particularly to the overall balance of payments surplus and the good performance of exports and increased FDI.

Madagascar's **inflation** has been declining since 2005; it ended the year at 8.2 percent in 2007 down from 10.8 percent in 2006. Inflation averaged 10.3 percent in 2007 compared to 10.8 percent the previous year. The decline in inflation was due to prudent monetary policy combined with a tight budgetary policy. The main objective of monetary policy was to sterilize the liquidity injections arising from the start-up of two major mining projects which led to significant inflows of foreign currency. Furthermore, the agricultural sector performed quite well, leading to an improvement in food supply.

In 2007, the **monetary situation** was marked by sharp increases in capital inflows and especially FDIs in the mining sector. Monetary policy was dictated by the need to sterilise abundant liquidity in the banking system. At the end of December 2007, broad money supply (M3) increased by 20.3 percent compared with 25.9 percent recorded in 2006.

Malawi's economic performance remained strong in 2007 with real GDP expanding by 7.9 percent mainly due to improvements in the agricultural sector. Inflation declined to a single digit; its lowest level in decades. Macroeconomic stabilising efforts coupled with fiscal consolidation supported lower domestic debt and interest rates. Gross official reserves remained virtually unchanged.

Government budgetary operations recorded a deficit of 2.8 percent of GDP in 2007 compared to 0.5 percent in 2006. This emanated from escalated costs in both the recurrent and development accounts, explained by rising costs in agricultural input subsidy programme and of domestically funded development programmes, particularly in the roads sector. The deficit was largely financed through foreign borrowing to finance development projects. Nevertheless, the fiscal consolidation efforts were reflected in Government net domestic debt that dropped from 12.6 percent of GDP in 2006 to 11.9 percent at the end of 2007.

Real GDP growth expanded by 7.9 percent in 2007 from 8.2 percent in 2006. The growth was attributed mainly to improvements in the agricultural sector where maize production increased to 3.4 million metric tonnes in 2007 from 2.6 million metric tonnes in 2006, supported by favourable weather conditions and the fertilizer subsidy programme.

The annual average **inflation** declined to 8 percent in 2007 from 13.9 percent in 2006, an outturn that was attributed to developments in both food and non-food prices. The slow down in food inflation was due to abundant maize supply while the non-food inflation outturn was on account of a relatively stable Malawian Kwacha exchange rate. The favourable outturn in inflation occurred on the backdrop of inflationary pressures rising from high petroleum prices towards the end of the year.

Gross official reserves amounted to US$217.1 million in December 2007 from US$131.3 million in December 2006. The rise in official reserves was attributed to the strong growth in the economy which in turn led to increased demand for foreign exchange to support business expansion. The country's foreign exchange reserves coverage remained at 3 months of imports at the end of 2007.

Money supply growth remained strong and accelerated to 36.1 percent in December 2007 compared to 17.4 percent in December 2006. This outturn was attributed to the accumulation of foreign exchange and credit extension to the private sector. Bank credit to the private sector rose by 22.5 percent as interest rates fell in 2007.

The Government of **Mozambique**'s economic programme for 2007 envisaged the achievement of a number of macroeconomic objectives, which included reducing inflation to 6.4 percent on an annual basis, economic growth of 7 percent, and accumulation of reserves to 4.7 months of goods and non-factor services. Overall, performance of the economy was satisfactory, despite exogenous shocks such as rising oil prices and adverse weather.

Preliminary estimates indicate that **real GDP** increased by 7.3 percent in 2007, against 8.3 percent the previous year. This growth was largely attributed to growth in the construction (21.9 percent) transport and communication (14.4 percent) and electricity and water (10.3 percent) sectors.

Inflation, measured by the Consumer Price Index (CPI) of Maputo City, recorded an annual increase of 10.3 percent in 2007 compared to 9.4 percent in 2006. However, in annual average terms, inflation was lower at 8.2 percent in 2007 compared to 13.3 percent in 2006. Price increases in 2007 were mainly due to external factors with emphasis on: the oil price increase which had direct impact on the cost of production; the acceleration of prices of cereals in the international markets; the acceleration of inflation in South Africa, its main source of imported goods and services; and, a decline in jack-fish supply imported from Namibia, which led to imports from distant markets at higher prices. The rise in food prices accounted for 72 percent of the rise in the annual inflation.

Mozambique continues to rely heavily on external budgetary support. Its **budget deficit**, excluding grants, widened to 18.3 percent in 2007 up from 12.7 percent in 2006. However, when grants are included, the deficit falls to an estimated 1.9 percent of GDP, and this compares to 1.7 percent of GDP in 2006.

Mozambique's performance in the **external sector** was quite satisfactory in 2007, owing to improvements in the export sector as well as the debt relief under the HIPC initiative. The current account deficit has been declining over the past few years from 12 percent of GDP in 2005; to 9.1 percent in 2006 and 3.7 percent in 2007.

The net international reserves amounted to US$272 million in 2007, raising the stock of reserves to US$1 504 million and this represented 5.4 months of imports of goods and services. In the foreign exchange market, the local currency, the metical, stabilized against most major currencies in the second half of 2007. The metical appreciated by 8.3 percent and 5.6 percent against the US dollar and the South African Rand, respectively, a move driven by the weakness of the US dollar in the international market.

The Namibian economy slowed down during 2007, with real GDP expanding by 3.8 percent compared with 4.1 percent in 2006. The economy observed unrelenting inflationary pressures during 2007 due to soaring food prices and unstable international oil prices.

The central government budgetary operations are estimated to have improved in 2006/07 with a budget surplus of 4.8 percent of GDP compared with a budget deficit of 1.1 in 2005/06. The surplus was a result of substantial fiscal consolidation which started over the last five years and includes tighter expenditure management and better tax administration coupled with increased SACU revenues.

Growth of the Namibian economy reached 4.1 percent in 2006 and is expected to slow down to 3.8 percent in 2007. The deceleration in the real economic growth was attributed to the general slowdown in the growth of the global economy. While real investment slowed down due to high interest rates, there were noticeable improvements in the external sector with the balance of payments recording a higher surplus in 2007 than in 2006.

Inflation, as measured by the percentage change in the annual average CPI increased to 6.7 percent in 2007 from 5.1 percent in 2006. Factors contributing to the rise in inflation include a rise in food prices associated with the impact of bio-fuel production and rising production costs as a result of increasing oil prices.

International reserves were equivalent to 3.0 months of import cover (US$ 890.3 million) in 2007 up from 1.7 months of import cover in 2006. The rise in reserves was mostly associated with extra SACU revenues and strong export earnings of minerals. The Namibian dollar remains pegged to the South African Rand on a one to one basis, with the exchange rate applicable in Namibia following the exchange rate in South Africa due to Namibia's membership of the Common Monetary Area (CMA).

South Africa continues to maintain satisfactory economic growth supported by steady demand. Investment by both private business enterprises and public corporations remains strong. Performance in the fiscal sector was satisfactory, recording its first ever surplus.

Real economic growth in 2007 was 5.1 percent while real GDP growth for 2006 was revised upwards to 5.4 percent. The four years of consecutive growth rates at around 5 percent suggest that the country's growth potential may have moved closer but yet remain below these reported growth rates. The consistently robust overall growth performance over the past four years was rather disparate at the sectoral level, where the value added by the secondary and the tertiary sectors led the growth momentum whilst growth in the primary sector was at best mediocre to negative in some instances. In 2007, there was a moderation in growth for the secondary and tertiary sectors in an environment of a tightening monetary policy and slower global economic output.

The **current account** deficit widened from 6.9 percent of GDP in the first quarter of 2007 to 8.1 percent of GDP in the third quarter of 2007, as both the public and private sector intensified investment spending for infrastructure whilst oil imports and a larger shortfall on the service, income and current transfer account also contributed to the widening. Net capital inflows on the financial account of the balance of payments exceeded the absolute value of the external current-account deficit and subsequently resulted in a further improvement in South Africa's overall balance-of-payments position during 2007. As a result of capital inflows exceeding the current account deficit, South Africa recorded an increase in gross international reserves during 2007. The net inflow of capital over the year could be attributed to ample global liquidity and favourable economic conditions in emerging economies, including South Africa.

Year-on-year CPIX **inflation** accelerated significantly and reached 8.6 percent in December 2007 while year-on-year headline inflation increased to 9.0 percent in December 2007 – the highest rate since March 2003. Food prices recorded double digit rates of increase with the price of petrol also contributing to the rise in inflation. Overall, annual inflation averaged 6.5 percent in 2007 up from 4.6 percent in 2006. However, inflation has remained above the South African Reserve Bank's target range of 3 – 6 percent since April 2007.

Money supply maintained strong momentum throughout 2006, reflecting vigorous expenditure, strong income growth, buoyant turnover in the financial markets and positive wealth effects. It went up by 23.1 percent in 2006 compared to growth of 19.9 percent in 2005.

The net result of national **government revenue and expenditure** in fiscal year 2007/08 was a cash-book surplus of R19.5 billion, which substantially exceeded the surplus of R11.0 billion recorded a year earlier. As a ratio of gross domestic product, the surplus amounted to 0.9 percent in 2007/08, higher than the surplus of 0.6 percent recorded in fiscal 2006/07. In the Budget Review released on 20 February 2008, a further budget surplus, amounting to 0.6 percent of estimated gross domestic product, was projected for fiscal 2008/09. This would be followed by further surpluses amounting to 0.5 percent of estimated gross domestic product for fiscal years 2009/10 and 2010/11.

The healthy state of public finances is reflective of economic achievements of the past decade. Gains of prudent fiscal management provided government with an opportunity to step-up its contribution to economic growth and social development. An expansionary fiscal stance that started in the last few years is set to continue with substantial allocations for investment in infrastructure, contributing to increased capacity to deliver social and economic services. Government is in a position to create fiscal space thereby increasing investment and to respond appropriately in the event of adverse economic conditions.

In **Swaziland**, economic growth rebound in 2007 with remarkable performance observed in the manufacturing and service sectors. The construction and mining sectors also showed slight recovery. High-consumption-based government spending also helped to stimulate demand. However, the agricultural sector remained exposed to drought and erratic weather conditions.

Real GDP performance was satisfactory in 2007, recording a growth rate of 2.8 percent compared to 2.3 percent in 2006. This was on the back of strong performance in the manufacturing and service sectors and a slight recovery in the agricultural sector. Strong fiscal reforms also contributed to the satisfactory performance.

Swaziland's **inflation** as measured by the CPI has been on an upward trend in the recent years. In 2005, inflation was at 4.8 percent and increased to an annual average of 5.3 percent in 2006; and further rising to 8.2 percent in 2007; driven mainly by rising food and energy prices. In particular, recurrent droughts have affected the agricultural sector and specifically food production.

The **current account** balance recorded a surplus of 3 percent of GDP in 2007 compared to a surplus of 8.1 percent of GDP in 2006. The decline was largely a result of unsatisfactory performance in the agricultural sector, which in turn affected agriculture-related exports and necessitated importation of food.

The preliminary balance of payments statement for 2006 depicted an overall surplus of E958.9 million which was a significant improvement from the surplus of E11.8 million recorded in 2005. The large surplus in 2006 was attributed to the prudent allocation of resources in the official sector that was coupled with the re-capitalisation program by Government that resulted in E400 million being channelled to the central bank's official reserves. Official reserves had reached unacceptably low levels over the past four years and that threatened the parity status between the Lilangeni and the Rand, maintained under the auspices of the Common Market Area (CMA).

The direct action taken by the authorities to boost the reserves resulted in the import cover on goods and services improving from 2.3 month in January 2006 to 3.2 months in December 2006. The foreign exchange reserves are projected to improve further during the 2007/08 fiscal year, following the current budget estimates of a sizeable 56.6 percent increase in customs union revenue. The Government has also pledged to inject an additional E705 million towards the rebuilding of reserves.

The **fiscal sector** performed well in 2007, recording a surplus of 2.6 percent of GDP compared to a deficit of 2.1 percent of GDP recorded in 2006. Increased revenues from SACU and general improvements in tax administration contributed to the satisfactory performance.

Appropriated recurrent expenditure was projected to increase to 32.8 percent of GDP in 2006/07 while the ratio of revenue to GDP was estimated to have improved to 42.2 percent of GDP in 2006/07 compared to 29.1 percent recorded in 2005/06.

Tanzania achieved significant economic growth during 2007 owing to good weather and also reflecting the cumulative impact of economic reforms that have been implemented over the last decade. The recovery in 2007 followed a slight slowdown in 2006 which was a result of drought and high oil prices on world markets. In 2007, significant growth was recorded in the trade and repairs sub-sector, manufacturing sector, and the crops sub-sector.

Money supply (M3) annual growth declined to 28.8 percent in December 2006 from 38.2 percent in December 2005. The expansion in money supply was attributed to expansion in net domestic assets (NDA) as well as net foreign assets. Commercial banks credit to the private sector grew at 42.2 percent in the year ending 2007, increasing from growth levels of 39.34 percent recorded in 2006. The strong growth in private sector credit was fuelled in part by corporate clients switching from borrowing abroad to domestic borrowing and also as a result of government initiatives to create favourable environment for domestic investment and improved efficiency and competitiveness of the financial sector.

The **budget deficit** improved slightly to an estimated 3.6 percent of GDP in 2007 down from 6.0 percent of GDP in 2006. The deficits are associated with increased government expenditure to finance activities associated with poverty reduction strategies earmarked for under the National Strategy for Growth and Poverty Reduction (NSGPR). This strategy seeks to accelerate broad based growth by developing key sectors of the economy that are believed to have potential with respect to boosting growth and tackling poverty.

Real GDP is estimated to have grown by 7.1 percent in 2007 compared to 6.7 percent in 2006. The economy is projected to continue growing at a rate above 7.0 percent in the short to medium term, mainly on account of continued government efforts to implement structural reforms policies, promotion and implementation of private sector-led growth strategies and increased investment in infrastructure development.

Tanzania has maintained single digit **inflation** throughout the five-year period since 2003, though the general trend has been upward. Inflation declined to 7.0 percent in 2007 from the 7.3 percent recorded during 2006, mainly on account of increased food supply. The relatively high inflation over the past two years has been attributed to imported inflation and particularly the rise in oil prices on the international market. However, inflation is projected to slowdown to levels of around 5 percent by mid-2008, on account of various measures to be taken by Government to resolve energy problems, increase food supply, and forecast improvement in weather conditions.

During 2007, the **current account** balance worsened to a deficit of 12.4 percent of GDP compared to a deficit of 9.7 percent of GDP in 2006. The deterioration was mainly attributed to a surge in imports of oil, capital goods and food. Gross international reserves increased to about US$ 2.7 billion in 2007, sufficient to cover 4.5 months of imports of goods and services, up from US$2.1 billion and 4.0 months of imports cover in 2006. The accumulation of reserves mirrors the rise in the amount of foreign inflows in the form of government budget support. The exchange rate continued to be market determined with limited interventions in the foreign exchange market by the central bank for purposes of liquidity management and smoothing temporary excessive market fluctuations.

Zambia's economy continued to perform well, amid poor performance in key sectors of the economy such as mining and agriculture. Inflation has been maintained at single digit level and performance with regard to interest rates, exchange rate, external sector and fiscal sector was satisfactory.

Real GDP in 2007 remained positive at 5.7 percent, largely driven by growth in transport, storage and communications sector which grew by 34.7 percent. However, the 2007 growth rate was lower than the 6.2 percent recorded in 2006. This was on account of negative overall growth in the mining sector and agriculture sub-sector of 2.1 percent and 0.6 percent, respectively, with both sectors affected by floods. There was also a slowdown in growth in the tourism, manufacturing and construction sectors.

Inflation was maintained at single digit level for the second year running; it stood at 8.9 percent at the end of 2007 compared with 8.2 percent recorded at the end of 2006. On an annual average basis, inflation average 10.7 percent on 2007 up from 9.1 percent in 2006. A favourable food security situation and the appreciation of the Kwacha against major trading partners mitigated inflationary pressures, though the outturn was higher than the target of 5 percent.

On an annual basis, growth in **broad money (M3)** slowed down to 25.9 percent in December 2007 from 45.1 percent at the end of December 2006 as a result of increases in both net foreign assets and net domestic assets.

The **external sector** position in 2007 was generally strong with the exchange rate relatively stable against major currencies. The strong macroeconomic fundamentals, particularly from the external sector resulted in a steady supply of foreign exchange on the market. Gross international reserves reached a record high of 3.6 months of import cover in 2007 up from

2.2 months the previous year. Consequently, the kwacha ended the year 2007 relatively stronger against major currencies.

Zambia recorded a **budget deficit** of 1.2 percent of GDP (excluding grants) in 2007 and this was lower than the target of 3.9 percent. Low absorption capacity by implementing ministries, provinces and other spending agencies explained by lengthy tendering procedures and structural factors associated with the budget implementation cycle, contributed to this outturn.

Zimbabwe's economic performance remained subdued in 2007 owing to a number of factors which include: the suspension of support from the IMF and credit and financing windows which crippled the economy; increasing oil prices and oil shortages; critical foreign exchange shortages; raw material supply bottlenecks; and recurrent drought further weakened the already weak economic background of the country.
The **economy declined** further by 6.2 percent in 2007 compared to a decline of 2.0 percent in the previous year. All major sectors declined with the exception of the agriculture sector which recorded a marginal increase of 1.4 percent in 2007 compared to 11 percent in 2006 and this was due to various supportive measures instituted by the government. Low investment also contributed to the poor performance as gross investment declined to 3.5 percent of GDP in 2007 from 6.7 percent of GDP in 2006. The mining sector is estimated to have declined by 18.5 percent in 2007 as a result of escalating mining costs and frequent power outages. The manufacturing sector declined by 16.3 percent on the back of foreign currency and fuel shortages, power outages and escalating production costs.

Annual inflation continued accelerating upwards, reaching a record 26 000 percent in November 2007 from 1 281.1 percent in December 2006. The rise in inflation did slow down between August and September 2007 due to price stabilization initiatives. The rise in inflation is largely driven by numerous factors which include; supply bottlenecks, high money supply growth, adverse inflation expectations, a range of cost-push factors, and activities in the informal and parallel markets.

Annual **money supply** growth increased from 570.7 percent in January 2006 to 1 416.5 percent in December 2006, with growth underpinned by the expansion in domestic credit.

As a result of the contraction in the economy, performance of the **fiscal sector** has been poor, characterised by swings in the fiscal deficit as a percentage of GDP. Fiscal deficit as a percent of GDP worsened from 0.4 percent in 2003 to 9.2 percent in 2004. There was a slight improvement in 2006 which saw the fiscal deficit coming down to 4.3 percent of GDP. However, in 2007 it more than doubled to 10 percent of GDP.

3.1.5. East Africa sub-region

The economies of the East Africa sub-region developed under the effect of contradictory factors, namely, the increase in energy prices and greater inflows of foreign direct investments. In this context, the price increase accelerated in most of the countries in the sub-region with the exception of Mauritius, where there was a decline of 0.1 percentage point. Further, the price increase remained moderate in the Comoros, due to the depreciation of the dollar compared with the euro, which allowed to contain the increase in the cost of imported goods, notably those from Middle East, which represent more than 31% of the total importations. Overall, it remained between 4.5% (Comoros) and 9.1% (Rwanda) in 2007, compared to 3.4% (Comoros) and 14.5% (Kenya) the previous year.

The public finance deficits also worsened. The worst situation was experienced by Rwanda, whose deficit increased by 2.6 percentage points, due mainly to investments in the social sectors. However, the deficits of Kenya and Mauritius dropped. The good performance of Mauritius was due to the consolidation of the public finances, characterized by the fixing of a public debt ceiling. Overall, the external sector scored good results. In particular, Mauritius, Rwanda and Uganda recorded a massive inflow of capital which offset the current account deficits.

Except Mauritius, all other member countries currently have monetary targeting policy frameworks in which the intermediate target is broad money and the operating target is reserve money. All the countries use indirect monetary policy instruments (Open Market Operations; cash ratio requirement and rediscount facilities) to conduct monetary policy. There are differences across member states on the composition, powers and responsibilities and frequency of Monetary Policy Committee meetings.

3.2. Convergence at countries and sub-regions levels

The AACB sub-regional Committees adopted monetary integration programmes for the achievement of the AMCP reference convergence criteria. Therefore, the assessment of the implementation of these regional programmes is done against conditions of stage II of the AMCP.

In this regard, it should be noted that the 40 member Central Banks of the Association refer to 52 African countries, 47 of which provided information on the AMCP implementation. The 52 countries are distributed per sub-region as follows:

a) Countries which did not provide information: Djibouti, Eritrea, Ethiopia, Seychelles and Somalia, all from East Africa;

b) Countries which provided information:

- North Africa: six (6) countries out of six (6);
- West Africa: fifteen (15) countries out of fifteen (15);
- Central Africa: eight (8) countries out of eight (8);
- Southern Africa: twelve (12) countries out of twelve (12);
- East Africa: six (6) countries out of eleven (11).

3.2.1. Performance at the quantitative criteria level

3.2.1.1. Primary criteria

a) Overall budgetary deficit (excluding grants) / GDP ratio ≤ 5%

In **North Africa**, the criterion on budget deficit was observed by all the countries except Egypt. Algeria and Libya recorded surpluses in relation to net inflows of oil-related incomes.

Table 6: North Africa - evolution of the primary convergence criteria

	Algeria	Egypt	Libya	Mauritania	Sudan	Tunisia
1-Overall budgetary deficit (excluding grants)/GDP ≤ 5%;	+4.6	-7.5	+26	-4.1	-2.4	-3
2-Annual inflation rate < 10%	3.5	10.9	6.2	7.3	8.1	3.1

3-Budgetary financing by the Central Bank $\leq$ 10% of the previous year's tax revenue	0	Fulfilled	0	1	13.2	0
4-External reserves / importations of G&S ≥ 3 months	39.7	9.1	33.1	1.9	1.9	4.6

In **West Africa**, the high level of fiscal deficits remained a major macroeconomic management policy challenge for ECOWAS Member States during the first half of 2007, despite minor improvements. Eight (08) countries, namely Benin, Côte d'Ivoire, The Gambia, Guinea, Liberia, Nigeria, Sierra Leone and Togo achieved this target in June 2007, compared to seven (07) in end-2006.

Table 7: ECOWAS - budget deficit / GDP ratio

(in percentage)

COUNTRY/PERIOD	2000	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	3.6	2.8	3.3	3.7	3.6	3.1	2.5	0.1	4.0
BURKINA FASO	11.2	7.7	8.3	8.3	8.5	9.4	10.7	11.8	12.3
CAPE-VERT	14.8	9.8	9.1	7.2	10.2	5.0	3.1	11.8	11.5
COTE D'IVOIRE	1.5	0.4	2.0	3.3	2.8	2.8	1.5	0.6	1.7
GAMBIA	3.6	10.0	9.1	7.6	8.6	7.4	2.7	0.5	3.9
GHANA	10.1	13.1	7.6	7.7	8.8	6.3	12.7	14.7	8.9
GUINEA	5.2	5.4	6.2	7.9	5.9	1.4	1.8	0.9	3.7
GUINEA-BISSAU	24.9	25.1	17.4	23.0	30.1	19.8	14.2	20.8	17.1
LIBERIA	0.8	1.6	-1.1	-0.5	-0.7	-0.7	2.5	3.4	2.0
MALI	7.7	7.0	7.6	5.3	6.5	7.4	7.8	7.8	8.3
NIGER	8.1	7.9	8.1	7.8	9.5	9.6	6.0	6.7	10.3
NIGERIA	2.3	3.2	3.9	2.0	1.2	1.3	0.6	1.2	1.1
SENEGAL	1.6	4.2	2.3	3.5	4.5	7.4	6.6	5.2	6.3
SIERRA LEONE	17.3	11.4	11.8	10.0	8.7	9.4	8.6	5.9	9.7
TOGO	5.2	0.6	0.8	-1.9	-0.2	4.0	4.2	4.6	5.3
Number of countries that met the criterion	6	10	6	6	6	7	8	7	6

Sources: WAMA and Central Banks

In **Central Africa**, the public deficit criterion was fulfilled by all the countries except São Tome e Principe. Further, all countries apart from the DRC and Central African Republic and São Tome e Principe showed surpluses.

Table 8: Central Africa - budget deficit / GDP ratio

(in percentage)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	4.6	5.1	4.8	Fulfilled
Central African Republic	- 8.5	- 4.5	-2.7	Fulfilled
Congo	16.9	17.5	13.6	Fulfilled
Gabon	9.2	9.0	11.0	Fulfilled
Equatorial Guinea	21.2	25.8	22.4	Fulfilled
Chad	4.6	-1.8	0.2	Fulfilled
CEMAC	**8.1**	**9.9**	**906**	**Fulfilled**
DRC	**1.1**	**1.1**	**-0.53**	**Fulfilled**
São Tome e Principe	**- 42.2**	**- 44.9**	**-8.92**	**Fulfilled**

The **Southern Africa** averaged a surplus of 1.4 percent in 2007, which compares to a surplus of 5.9 percent registered in 2006. The regional average is within the AMCP target with most countries satisfying the set criterion. Zimbabwe's budget deficit worsened from 4.3 percent in 2006 to 10% in 2007, while Angola, Botswana and Lesotho had the largest budget surpluses at 13.2 percent, 6.2 percent and 10.3 percent respectively. Countries that came close to a balanced budget were South Africa (0.6 percent), Swaziland (-0.5 percent) and Zambia (-0.2 percent).

In **East Africa,** there is clear divide between aid-dependent economies (Uganda, Rwanda, and Burundi) and non-aid-dependent economies (Mauritius and Kenya) regarding the achievement of this criterion. However, the majority of member countries performed well in relation to this criterion when grants are included.

Kenya, Mauritius and Comoros met the criteria with performances of -2.5%, -4.5% and -2.5%, respectively. Burundi, Uganda and Rwanda, did not meet the overall budget deficit (excluding grants) target of not more than 5 percent of GDP as required;

In Kenya, the budget deficit decreased to 2.5% of GDP in 2006/07 from 4.6% of GDP in 2005/06. The improvement in the 2006/2007 was mainly due to significant growth in tax revenue and lower than budgeted Government expenditure;

Uganda continues to pursue fiscal consolidation as part of the macroeconomic stability endeavour. As such, the budget deficit as a ratio of GDP has gradually declined from 8.8 percent in 1995/96 to 7.0 percent in 2006/07;

For Mauritius, fiscal reforms undertaken in June 2006 are successfully contributing in narrowing the fiscal deficit. The ratio of overall budget deficit to GDP decreased to 4.5% in 2007 from 5.5% in 2006;

For Rwanda, despite good performances as regard to domestic tax revenue collection which increased from 11.8 to 13.0% to GDP between 2006 and 2007, the fiscal deficit excluding grants to GDP worsened from 10.5 to 13.1% in the same period;

In Burundi the budget deficit worsened from 14.5% in 2006 to 18.9% in 2007 because fiscal expenditures increased more than fiscal receipts.

b) One digit inflation rate

In **North Africa**, all countries observed the single digit requirement except Egypt whose inflation rate was slightly above the target.

In West Africa, the good performance in agricultural production in most of the States helped to mitigate the effects of inflationary pressures emanating from the rise in the prices of petroleum and its related products in 2007. Eleven (11) countries (Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Guinea-Bissau, Mali, Niger, Nigeria, Senegal and Togo) achieved this objective during the period under review.

Table 9: ECOWAS - end of period inflation rate

(in percentage)

COUNTRY/PERIOD	2000	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	4.2	4.0	2.4	0.7	2.7	3.8	5.2	2.3	2.0
BURKINA FASO	-3.0	4.9	2.3	3.9	0.7	4.5	1.5	0.0	0.0
CAPE-VERDE	-1.1	4.2	3.0	-2.3	-0.3	1.7	1.7	3.4	6.0
COTE D'IVOIRE	2.5	4.3	3.1	-0.1	4.4	2.6	2.0	1.5	1.2
GAMBIA	0.2	8.1	13.0	17.6	8.0	1.8	1.4	1.7	2.6
GHANA	40.5	21.3	15.2	23.6	11.8	14.8	10.5	12.8	19.8
GUINEA	7.2	1.1	6.1	14.8	26.7	29.7	39.1	12.8	15.0
GUINEA-BISSAU	8.4	3.5	3.3	0.7	2.2	1.0	1.0	9.3	2.7
LIBERIA	3.2	19.4	11.1	5.0	16.1	7.0	8.9	11.7	10.5
MALI	-0.7	5.2	5.0	-0.1	1.5	3.4	3.6	2.2	2.6
NIGER	2.9	4.0	2.6	-1.5	3.6	4.2	0.3	4.7	2.6
NIGERIA	14.5	16.5	12.2	23.8	10.0	11.6	8.5	6.6	7.0
SENEGAL	0.7	3.0	2.3	-1.5	1.7	1.4	4.0	6.1	2.9
SIERRA LEONE	-2.8	3.4	-3.1	11.3	14.6	13.1	8.3	13.8	11.8
TOGO	1.9	3.9	3.1	-1.7	3.9	5.5	1.5	3.4	3.3
Number of countries That met criterion	13	12	11	10	10	11	13	11	11

Sources: WAMA, Central Banks

In **Central Africa**, the majority of the countries of the sub-region fulfilled this criterion, with the exception of Sao Tome and Principe. The non fulfilment of this criterion by Sao Tome and Principe is due mainly to the effect of imported inflation following the sharp rise in oil product prices, the increase in current expenditures and stockouts of imported consumer staples.

Table 10: Central Africa – single digit inflation rate

(in percentage)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	1.9	5.1	2.0	Fulfilled
Central African Republic	2.9	6.6	2.0	Fulfilled
Congo	3.0	4.9	4.0	Fulfilled
Gabon	0.0	4.0	4.8	Fulfilled
Equatorial Guinea	5.6	5.0	5.5	Fulfilled
Chad	7.8	8.1	-9.0	Fulfilled
CEMAC	**3.1**	**5.3**	**2.2**	**Fulfilled**
DRC	**21.3**	**18.2**	**9 .9**	**Fulfilled**
São Tome e Principe	**17.2**	**24.6**	**27.6**	**Not fulfilled**

In **Southern Africa**, the regional average inflation improved in 2007 to 8.4 percent down from 9.0 percent in 2006, well within the AMCP Stage II target for inflation of less than 10 percent. However, this average rate excludes Zimbabwe whose inflation continues to escalate, taking the regional average to around 5 524.4 percent up from 115.1 percent in 2006. Overall, 8 out of 12 countries (66.7 percent) met the set target for inflation and countries which did not meet the criterion were Angola (11.8 percent), Madagascar (10.3 percent), Zambia (10.7 percent) and Zimbabwe (66 212.3 percent).

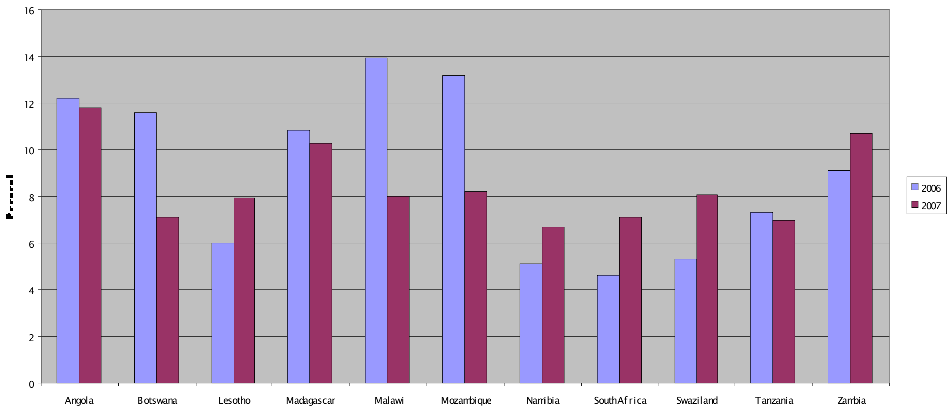
Table 11: Southern Africa - inflation and real GDP growth rate

(in percentage)

COUNTRY	INFLATION (PERIOD AVERAGE)		REAL GDP GROWTH	
	2006	2007	2006	2007
Angola	12.2	11.8	18.6	20.9
Botswana	11.6	7.1	0.6	6.1
Lesotho	6.0	7.9	7.2	5.1
Madagascar	10.8	10.3	5.0	6.2
Malawi	13.9	8.0	8.2	7.9
Mozambique	13.3	8.2	8.5	7.3
Namibia	5.1	6.7	4.1	3.8
South Africa	4.7	7.1	5.4	5.1
Swaziland	5.3	8.1	2.8	2.8
Tanzania	7.3	7.0	6.7	7.1
Zambia	9.1	10.7	6.2	5.7
Zimbabwe	1281.8	66212.3	-2.5	-6.2
Regional Average[1]	**9.0**	**8.4**	**6.7**	**7.1**
Regional Average[2]	**115.1**	**5525.4**	**5.9**	**6.0**

[1] Excluding Zimbabwe
[2] Including Zimbabwe
Source: Sub-regional central banks.

Graph 6: Southern Africa – average inflation



The member countries of **East Africa** Sub-region experienced inflationary pressures due to supply shocks emanating from worldwide rising energy and food prices.

Overall inflation in Burundi, Comoros, Mauritius, Kenya, Rwanda, and Uganda was respectively 8.3%, 4.5%, 8.8%, 14.5%, 9.1% and 7.4% in 2007 compared to 2.7%, 3.4%, 8.9%, 3.9%, 9.8% and 6.6% in 2006.

Underlying rate of inflation reported for Mauritius, Kenya, Rwanda and Uganda was respectively 5.7%, 5.2%, 9.7% and 6.9% in 2007 compared to 7.2%, 3.9%, 6.1% and 4.4% in 2006. Comoros does not calculate underlying inflation.

c) Central bank credit to government ≤10%

In **North Africa,** all countries complied with Central Bank credit to Government criterion target with the exception of Sudan, the Central Bank of Which financed government deficit up to 13.2% of previous year public income.

In **West Africa**, performance in terms of budget deficit financing by the Central Bank remained impressive during the period as all the countries with the exception of Ghana, met the target.

Table 12: ECOWAS – budget deficit financing by central banks

(in percentage of tax revenue)

COUNTRY/PERIOD	2000	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BURKINA FASO	10.5	0.0	0.0	6.3	0.0	0.0	0.0	0.0	0.0
CAPE-VERDE	14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
COTE D'IVOIRE	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
GAMBIA	0.0	80.7	22.0	63.0	0.0	0.0	0.0	0.0	0.0
GHANA	57.9	0.0	12.1	0.0	1.6	0.0	0.0	15.6	5.0
GUINEA	17.6	0.0	23.9	16.1	23.1	-8.8	54.0	0.0	0.0
GUINEA-BISSAU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LIBERIA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MALI	0.0	8.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NIGER	0.0	4.9	4.0	0.0	0.0	0.0	0.0	0.0	0.0
NIGERIA	0.0	29.3	0.0	12.0	0.0	0.0	0.0	0.0	0.0
SENEGAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SIERRA LEONE	32.7	31.7	0.0	25.1	0.0	0.0	13.3	8.4	2.4
TOGO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total number of countries that met the criterion	11	12	12	11	14	15	13	14	15

Sources: WAMA and Central Banks

In **Central Africa**, two countries fulfilled this criterion.

Table 13: Central Africa - budget deficit financing by central banks

(in percentage of tax revenue)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	14.6	11.3	25.3	Not fulfilled
Central African Republic	110.0	105.3	100.0	Not fulfilled
Congo	23.7	10.4	41.1	Not fulfilled
Gabon	12.4	4.4	42.0	Not fulfilled
Equatorial Guinea	0.0	0.0	0.0	Fulfilled
Chad	39.2	13.9	30.9	Not fulfilled
CEMAC	**20.2**	**15.2**	**31.7**	**Not Fulfilled**
DRC	**- 13.6**	**-5.2**	**-51.1**	**Not fulfilled**
São Tome e Principe	**5.0**	**5.0**	**10.0**	**Fulfilled**

Central Banks in **Southern Africa** are no more allowed to finance budget deficits.

In **East Africa**, notably excluding Burundi, the other countries complied with the reduction of public deficits' financing criterion.

- In the case of Burundi, the overdraft to government exceeded the 10% provision due to extended civil conflict but a program has been put in place to reduce progressively central bank financing to zero;

- In Comoros, in the absence of financial market, the central bank can, in compliance with its statutes, finance up to 20% of government fiscal deficit annual average of collected fiscal revenue in previous 3 years;

- In the fiscal year 2006/07, Kenya government financing of the deficit from Central Bank overdraft was 0.01% of the gross recurrent revenue from 1.8% in the previous year;

- In Uganda, there is no more monetization of the fiscal deficit by the central bank;

- In 2007, in Rwanda, the central bank recorded very few and isolated cases of overdraft to Treasury. Otherwise, for long time, there is no longer significant and systematically Government financing by central bank overdraft, while this financing is by law limited to no more than 11% of the previous year's tax revenue;

- In 2007, in Mauritius, the Central Bank did not finance the budget deficit. The Government was in fact holding a significant positive balance with the Bank of Mauritius.

d) External reserves / imports ratio ≥ 3 months

A part from Mauritania and Sudan which recorded a 1.9 import cover ratio, the remaining **North Africa** countries complied with the reserves norm.

In **West Africa,** the performance with regard to the accumulation of gross external reserves within ECOWAS improved as thirteen countries satisfied the target as against eleven the previous year.

Table 14: ECOWAS - gross external reserves in months of imports

	2000	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	5.8	6.7	7.6	6.0	7.7	9.6	10.5	5.0	8.9
BURKINA FASO	5.8	6.7	7.6	6.0	7.7	5.4	5.8	5.0	5.6
CABO VERDE	1.0	1.4	2.0	1.9	2.6	2.7	2.7	4.0	4.0
COTE D'IVOIRE	5.8	6.7	7.6	6.0	7.7	3.3	3.9	5.0	3.6
THE GAMBIA	5.8	8.2	5.2	4.6	5.0	5.2	4.9	5.0	5.0
GHANA	0.8	1.4	2.6	4.9	4.5	4.0	3.8	5.6	5.6
GUINEA	2.2	2.8	2.1	2.8	1.4	1.1	0.8	1.1	1.1
GUINEA BISSAU	5.8	6.7	7.6	6.0	7.7	9.6	7.9	5.0	7.8
LIBERIA	3.6	2.6	0.2	0.5	0.7	1.0	1.9	0.1	0.1
MALI	5.8	6.7	7.6	6.0	7.7	8.7	7.5	5.0	8.0
NIGER	5.8	6.7	7.6	6.0	7.7	4.1	5.4	5.0	4.7
NIGERIA	13.6	11.3	7.3	5.6	13.6	19.7	21.9	17.5	17.5
SENEGAL	5.8	6.7	7.6	6.0	7.7	5.2	4.7	5.0	4.4
SIERRA LEONE	2.8	3.3	0.6	2.0	3.9	4.0	4.5	3.8	3.8
TOGO	5.8	6.7	7.6	6.0	7.7	2.1	2.3	5.0	2.9
Total number of countries that met the criterion	**11**	**11**	**10**	**11**	**12**	**11**	**11**	**13**	**12**

Sources: WAMA and Central Banks

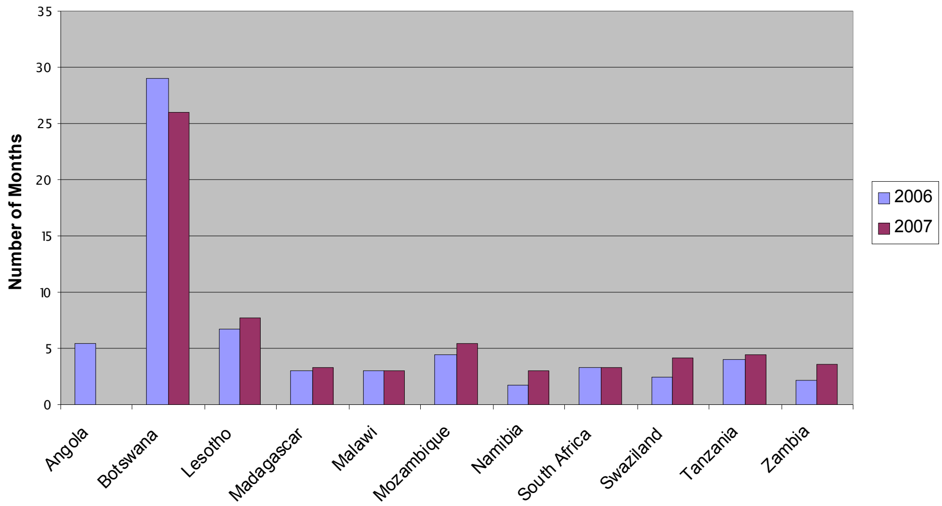
In Central Africa, most of the countries of the sub-region fulfilled this criterion with the exception of the DRC, due mainly to the sharp rise in imports arising from the increase of investments in the mining sector.

Table 15: Central Africa - gross external reserves in months of imports

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	3.5	5.2	5.9	Fulfilled
Central African Republic	8.2	5.8	5.6	Fulfilled
Congo	6.1	8.9	11.9	Fulfilled
Gabon	5.1	6.8	7.9	Fulfilled
Equatorial Guinea	10.6	14.7	12.5	Fulfilled
Chad	2.4	4.0	8.1	Fulfilled
CEMAC	**4.0**	**8.2**	**8.5**	**Fulfilled**
DRC	**0.6**	**0.64**	**0.76**	**Not Fulfilled**
São Tome e Principe	**10.4**	**7.7**	**6.6**	**Fulfilled**

Southern Africa experienced overall growth in the level of international reserves with the average months of import cover increasing from 5.8 months in 2006 to 5.9 months in 2007. However, as is the case with other benchmarks, the average cover masked differences in performances among the countries. For instance, Botswana was leading with 26 months of import cover followed by Lesotho with 6.7 months. All countries, with the exception of Zimbabwe, were above the AMCP target of at least 3 months of imports cover.

Graph 7: Southern Africa - official reserves as months of imports cover



In **East Africa**, all countries recorded external reserves/import cover of at least 3 months of imports of goods and non-factor services as required during the second stage.

3.2.1.2 Secondary Criteria

a) Prohibition of accumulation of new arrears and liquidation of existing arrears

Member countries of **North African Sub-region** observed this criterion, except Mauritania which recorded new domestic arrears.

In **West Africa**, only the WAEMU countries provided data relating to this criterion, which included scenarios of the past years. All the WAEMU countries registered no domestic arrears accumulation during the period under review.

Table 16: domestic arrears in WAEMU countries

(in billions of CFA Francs)

COUNTRY/PERIOD	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BURKINA FASO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
COTE D'IVOIRE	0.5	22.1	136.6	131.3	63.7	23.7	0.0	0.0
GUINEA-BISSAU	3.4	5.3	17.7	3.9	4.2	0.0	0.0	0.0
MALI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NIGER	0.0	2.6	0.0	3.2	2.2	0.0	0.0	0.0
SENEGAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOGO	17.6	15.2	19.8	25.9	22.0	0.0	0.0	0.0
TOTAL	**21.5**	**45.2**	**174.1**	**164.3**	**92.1**	**23.7**	0.0	0.0
Number of countries that met the criterion	5	4	5	4	4	7	8	8

Sources: BCEAO/WAEMU

In **Central Africa**, all the countries fulfilled this criterion.

Table 17: domestic and external arrears in Central Africa

(in billions of CFA Francs)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	0.0	0.0	0.0	Fulfilled
Central African Republic	16.9	18.6	0.0	Fulfilled
Congo	3.6	18.4	0.0	Fulfilled
Gabon	0.0	0.0	0.0	Fulfilled
Equatorial Guinea	0.0	0.0	0.0	Fulfilled
Chad	0.0	3.3	0.0	Fulfilled
CEMAC	**20.5**	**40.3**	**0.0**	**Fulfilled**
DRC	**0.0**	**70**	**-25**	**Fulfilled**
São Tome e Principe	**0.0**	**0.0**	**0.0**	**Fulfilled**

In Eastern Africa, Kenya, Burundi, Rwanda and Uganda continued to substantially reduce the domestic arrears. The government policy in all the four countries is not to accumulate any new arrears but instead progressively reduce outstanding ones.

b) Revenue/GDP ratio ≥ 20 %

In **North Africa**, Mauritania, Sudan and Tunisia complied with the criterion.

In **West Africa,** performance in terms of tax receipts remained low during the period under review. Only three countries (Cape Verde, Ghana and Senegal) fulfilled this criterion. This mirrors persistent weaknesses in fiscal management.

Table 18: ECOWAS – tax revenue/GDP ratio (in %)

COUNTRY/PERIOD	2000	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	13.9	13.5	14.4	15.2	14.6	14.5	15.3	16.9	17.0
BURKINA FASO	11.8	11.0	11.5	10.9	11.8	11.4	11.5	11.9	12.3
CAPE-VERT	16.9	18.4	20.1	19.5	20.2	21.3	21.3	22.8	23.9
COTE D'IVOIRE	14.3	14.8	15.5	14.9	15.2	14.4	14.9	15.4	15.9
GAMBIA	23.3	13.9	14.1	13.8	18.1	17.2	18.8	19.3	18.3
GHANA	16.3	18.1	18.0	20.8	23.8	23.8	22.3	23.7	22.9
GUINEA	10.2	10.8	11.1	9.8	9.8	12.1	12.7	13.5	14.0
GUINEA-BISSAU	11.4	10.1	8.5	8.6	7.7	11.2	10.9	10.6	11.2
LIBERIA	13.7	11.2	8.5	8.0	11.9	10.5	15.6	12.6	12.5
MALI	12.3	12.8	13.8	14.2	14.9	15.9	15.5	14.7	16.1
NIGER	9.1	9.5	10.7	9.0	11.0	10.3	11.0	11.8	12.0
NIGERIA	16.9	14.7	10.0	11.4	14.8	19.8	14.9	15.1	17.6
SENEGAL	17.3	17.1	16.9	17.1	17.6	18.8	19.1	20.0	20.1
SIERRA LEONE	10.8	8.6	8.4	8.3	8.3	8.0	8.6	9.1	10.0
TOGO	11.3	12.7	11.3	15.3	15.7	14.6	15.7	15.6	16.1
Number of countries that satisfied the criterion	0	0	0	1	2	2	2	3	3

Sources: WAMA and Central Banks

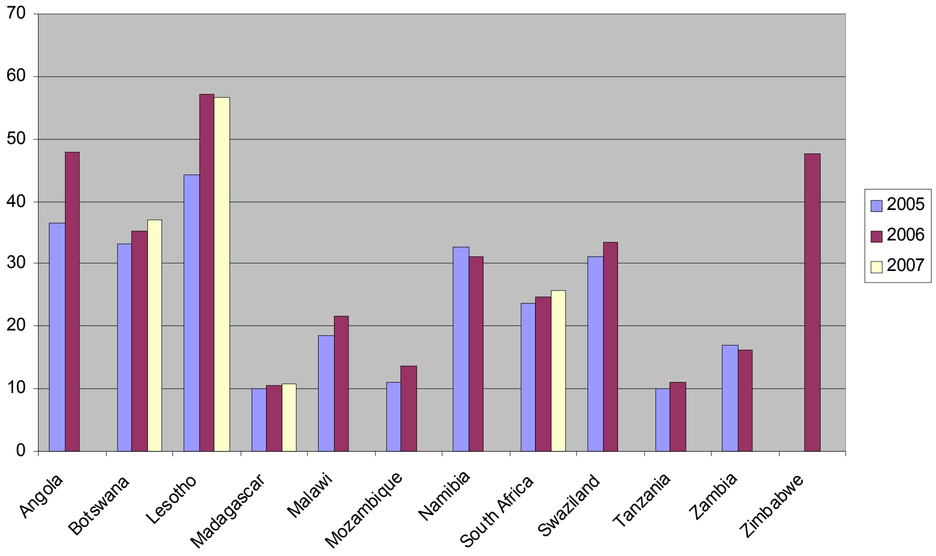
In central Africa, tax revenues criterion was fulfilled by four countries out of eight, that is, Congo, Gabon, Equatorial Guinea and Chad.

Table 19: Central Africa – tax revenue/GDP ratio (in %)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	16,9	18,6	17,6	Not fulfilled
Central African Republic	6,9	7,8	7,9	Not fulfilled
Congo	40,1	46,0	47,3	Fulfilled
Gabon	30,2	30,3	29,8	Fulfilled
Equatorial Guinea	36,4	45,9	45,0	Fulfilled
Chad	9,1	16,7	22,3	Fulfilled
CEMAC	**24,2**	**28,7**	**28,6**	**Fulfilled**
DRC	**9,4**	**13,2**	**15**	**Not fulfilled**
São Tome e Principe	**25,5**	**27,6**	**16,39**	**Not fulfilled**

The Southern Africa sub-regional average tax revenue/GDP ratio for 2006 was 29.2 percent and this was up from 24.4 percent in 2005 (excluding Zimbabwe); both within the AMCP criterion of tax revenue/GDP ratio greater than 20 percent. In 2005, five countries missed this target and in 2006, only 4 countries failed to meet the target and these are Madagascar (10.7 percent), Mozambique (13.7 percent), Tanzania (11 percent) and Zambia (16.11 percent). Data for 2007 are incomplete.

Graph 8: Southern Africa – tax revenue as percentage of GDP



In East Africa, except Kenya, which achieved 22.5% in 2007 against 20.6% in 2006, all other countries did not satisfy the criteria during year 2007. Burundi, Comoros, Mauritius, Rwanda and Uganda respectively recorded domestic fiscal receipts/GDP ratio of 19.9%, 13.6%, 17.4%**,** 13.0% and 13.7% in 2007 from 16.6%, 13.5%, 18.1%, 11.8% and 13.1% in 2006.

c) Wage bill /tax revenue ≤ 35 %

In **North Africa**, only Algeria and Sudan observed the criterion.

In **West Africa**, eight (08) countries (Benin, The Gambia, Guinea, Mali, Niger, Nigeria, Senegal and Togo) met the target.

Table 20: ECOWAS - wage bill/tax revenue (in %)

COUNTRY/PERIOD	2000	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	31.1	32.0	31.9	34.4	38.0	39.1	35.6	30.5	33.1
BURKINA FASO	43.7	46.1	42.8	41.7	38.8	42.0	41.2	46.5	43.5
CAPE-VERDE	57.3	50.7	48.3	60.6	59.0	57.5	57.5	47.8	42.7
COTE D'IVOIRE	42.1	41.4	41.5	45.3	44.0	45.0	43.2	35.7	35.2
GAMBIA	30.6	40.1	38.0	33.3	23.1	24.3	24.9	22.4	23.5
GHANA	52.1	50.3	55.5	48.3	43.3	41.2	52.4	46.8	50.1
GUINEA	38.2	35.3	34.2	36.7	31.5	23.2	20.8	25.9	29.2
GUINEA-BISSAU	59.8	74.3	88.5	114.3	137.3	116.2	107.9	104.8	100.5
LIBERIA	24.8	29.0	28.0	32.0	43.5	52.0	29.2	35.7	35.2
MALI	32.4	31.5	30.5	30.4	30.9	30.9	32.5	32.9	33.2
NIGER	50.4	39.3	36.7	37.5	35.3	34.7	33.9	31.0	30.8
NIGERIA	36.2	28.0	47.2	26.9	21.9	17.9	19.6	31.6	22.1
SENEGAL	32.7	30.7	31.7	30.1	29.5	30.0	31.0	31.6	30.7
SIERRA LEONE	32.7	56.3	62.0	57.6	56.0	65.5	65.3	60.9	60.9
TOGO	53.9	44.4	44.7	34.8	32.1	30.4	33.1	34.5	34.9
Number of countries that satisfied the criterion	6	5	5	7	6	7	8	8	8

Sources: WAMA and Central Banks

In **Central Africa**, three countries (the Central African Republic, the DRC and São Tome e Principe) did not fulfill this criterion mainly because of the wage rise and low tax revenues.

Table 21: Central Africa - wage bill/tax revenue (in %)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	27.9	23.9	25.3	Fulfilled
Central African Republic	75.6	58.3	50.4	Not fulfilled
Congo	10.3	7.6	7.7	Fulfilled
Gabon	16.3	16.3	18.5	Fulfilled
Equatorial Guinea	2.7	2.0	2.4	Fulfilled
Chad	25.9	15.9	12.9	Fulfilled
CEMAC	**15.8**	**12.6**	**13.2**	**Fulfilled**
DRC	**31.2**	**39.2**	**39.5**	**Not fulfilled**
São Tome e Principe	**57.3**	**49.9**	**54.49**	**Not fulfilled**

Except Comoros and Uganda, the remaining countries in the **Eastern Africa sub-region** recorded a wage bill to domestic revenue target ratio of less than 35% during the year 2007. Comoros' ratio has remained exceptionally high (68.3% in 2007 against 61.5% in 2006) due to the new institutional configuration which increased the number of public services. Comoros indicated that it may not be able to meet the 35% criterion as per Stage II of the AMCP.

d) Public investments /tax revenue ≥ 20 %

In **North Africa**, Algeria, Mauritania and Tunisia recorded performance complying with the AMCP benchmark.

In **West Africa**, seven (07) countries (Benin, Burkina Faso, Ghana, Mali, Niger, Nigeria and Senegal) achieved the target.

Table 22: ECOWAS – public investments/tax revenue (in %)

COUNTRY/PERIOD	2000	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	12.4	18.9	19.3	22.9	19.7	16.2	12.8	20.5	23.7
BURKINA FASO	23.4	27.5	36.0	32.7	42.7	43.4	42.7	35.6	39.8
CAPE-VERT	Na	8.7	4.8	5.2	5.4	10.2	10.2	7.4	8.1
COTE D'IVOIRE	9.5	7.2	11.6	10.5	12.3	10.7	15.5	12.7	14.1
GAMBIA	6.1	7.1	5.5	3.2	4.0	6.3	2.9	3.9	4.2
GHANA	25.6	16.4	13.2	17.2	17.3	16.0	26.5	27.3	34.6
GUINEA	7.7	5.5	10.3	12.1	19.0	11.3	12.0	11.9	12.1
GUINEA-BISSAU	19.8	16.7	5.7	4.2	16.9	9.3	2.2	12.2	3.3
LIBERIA	39.6	46.1	113.2	58.9	15.7	15.7	8.3	18.9	14.1
MALI	23.2	19.4	20.5	22.4	22.7	22.0	23.4	34.5	28.2
NIGER	7.9	27.8	24.5	26.6	30.4	40.4	25.3	31.6	28.0
NIGERIA	31.1	71.1	83.1	55.9	30.6	41.8	40.8	38.2	37.6
SENEGAL	19.8	23.2	23.5	28.1	30.0	33.7	36.6	37.7	48.1
SIERRA LEONE	4.4	7.3	8.9	11.1	8.2	7.9	10.6	9.1	8.9
TOGO	8.4	6.5	7.4	7.6	7.4	8.4	3.6	10.6	11.5
Number of countries that met the criterion	5	5	6	7	5	5	6	7	7

Sources: WAMA and Central Banks

In **Central Africa**, only Equatorial Guinea fulfilled this criterion, thanks to a significant surplus of oil revenues which enabled it to show a high margin to cover budgetary expenditures. For the other countries, the low tax revenues limited the resources available to governments to finance investments.

Table 23: Central Africa – public investments/tax revenue

(in percentage)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	8,4	10,7	18,8	Not fulfilled
Central African Republic	16,2	14,0	15,2	Not fulfilled
Congo	12,1	19,8	18,7	Not fulfilled
Gabon	10,8	12,3	12,3	Not fulfilled
Equatorial Guinea	32,5	37,2	47,1	Fulfilled
Chad	24,4	20,3	18,3	Not fulfilled
CEMAC	**16,3**	**20,9**	**24,6**	**Fulfilled**
DRC	**6,3**	**7,2**	**5, 3**	**Not fulfilled**
São Tome e Principe	**11,5**	**10,8**	**6,99**	**Not fulfilled**

In **East Africa**, Kenya, Rwanda and Uganda achieved the target unlike Burundi, Mauritius and Comoros.

e) Stability of real exchange rate (± 10%)

The monies of **Northern African countries** remained stable in 2007.

In West Africa, two major exchange rate regimes exist within ECOWAS: the fixed exchange rate regime for Cape Verde and the eight countries of WAEMU and flexible exchange rate regime for Liberia and the Countries of WAMZ. The co-existence of the two exchange rate regimes makes any evaluation based on the movements of the nominal exchange rates of little relevance, which makes analyses based on real exchange rate developments more meaningful/appropriate. The real exchange rate from most of the economies remained stable during 2007. With a fluctuation margin of ± 10.0 %, all the countries, with the exception of Nigeria, met the criterion.

Table 24: ECOWAS – real exchange rates

(variation in percentage)

COUNTRY/PERIOD	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	3.2	4.8	5.2	1.1	3.6	0.2	-1.9	0.7
BURKINA FASO	3.3	2.0	3.8	-1.0	2.0	0.3	-1.6	0.3
CAPE-VERT	0.2	2.6	3.7	-2.9	0.9	1.7	0.8	-0.8
COTE D'IVOIRE	3.5	4.0	7.6	1.4	4.1	1.8	-2.1	0.8
GAMBIA	-12.2	-17.5	28.5	-0.6	-15.3	-1.1	-1.1	0.3
GHANA	0.8	-0.7	0.5	-1.2	-0.2	5.8	-8.4	1.4
GUINEA	-3.2	-2.3	-4.3	-5.7	-3.9	-9.9	4.8	6.5
GUINEA-BISSAU	1.7	2.6	-2.3	-0.4	0.4	1.3	-0.4	0.1
LIBERIA	-3.4	-4.4	-4.3	-5.5	-5.4	-4.6	2.5	2.7
MALI	3.6	4.8	1.2	-4.2	1.3	-2.0	0.8	-0.3
NIGER	2.3	2.0	-0.6	-2.7	0.2	-2.0	-0.6	0.5
NIGERIA	11.1	-0.5	-6.1	2.3	1.5	7.4	-12.2	2.7
SENEGAL	1.8	2.8	2.8	0.6	2.0	-0.6	1.1	-0.2
SIERRA LEONE	10.8	-12.4	-15.9	-9.5	-7.3	3.7	-0.9	0.5
TOGO	3.3	3.7	2.8	0.8	2.6	-1.3	-0.5	0.5
Number of countries that met the criterion	12	13	13	15	14	15	14	15

Sources: WAMA and central banks

All the countries of the **Central Africa sub-region** fulfilled this criterion.

Table 25: Central Africa – real exchange rates

(variation in percentage)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	- 2,7	0,5	0,5	Fulfilled
Central African Republic	0,6	4,7	4,7	Fulfilled
Congo	0,1	1,6	1,6	Fulfilled
Gabon	- 2,9	1,2	1,2	Fulfilled
Equatorial Guinea	2,1	2,0	2,0	Fulfilled
Chad	2,6	5,9	5,9	Fulfilled
CEMAC	**- 0,3**	**4,0**	**4,0**[2]	**Fulfilled**
DRC	**- 1,8**	**3**	**2,9**	**Fulfilled**
São Tome e Principe	**7,5**	**2,1**	**4,41**	**Fulfilled**

In **East Africa**, nominal and real exchange rate appreciations have resulted from upsurge in remittances, aid, FDI and portfolio flows with the notable exception of Burundi where the currency has depreciated. These flows had continued to complicate the management of monetary policy. There are significant challenges to monetary policy arising from opening of the capital accounts. The costs of sterilisation had increased in a number of member states especially in Mauritius, Rwanda and Uganda. However, appreciation of domestic currencies in some member countries helped to mitigate some of the adverse consequences of imported inflation from trading partners. appreciation of the domestic currencies was also due to higher productivity growth differentials in favour of member countries relative to their respective trading partners and higher interest rate differentials vis-à-vis the respective trading partners.

f) Positive real interest rates

In **North Africa**, real interest rates were positive in all countries. This mirrored efforts geared to lowering inflation.

In **West Africa**, the real interest rates have been in recent years constantly negative in some countries, despite the efforts made with the view to solving the related problem of high inflation rates. Nine (09) countries (Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Guinea, Mali, Sierra Leone and Togo) fulfilled this criterion as against eight countries in 2006.

[2] For the CEMAC countries, this is an estimate that will be confirmed in the next few weeks.

Table 26: ECOWAS – real interest rates

(in percentage)

COUNTRY/PERIOD	2000	2001	2002	2003	2004	2005	2006	2007	2008
BENIN	-0.7	-0.5	1.1	2.8	0.8	-0.3	-1.7	3.2	1.0
BURKINA FASO	6.5	-1.4	-0.4	-0.4	0.3	2.8	2.0	1.2	1.5
CAPE-VERT	4.3	3.7	4.9	8.5	6.0	3.6	3.6	5.1	4.5
COTE D'IVOIRE	1.0	-0.8	0.4	3.6	-0.9	0.9	1.5	2.0	2.3
GAMBIA	8.8	0.9	-4.0	-5.1	5.5	5.7	3.6	3.3	2.4
GHANA	1.5	-6.8	-2.2	-13.9	-2.3	-8.4	-6.2	-8.3	-15.3
GUINEA	0.7	2.8	1.3	-8.3	-19.1	-15.0	-20.0	1.8	-0.3
GUINEA-BISSAU	-5.1	0.2	2.6	2.8	1.3	2.5	0.3	-5.8	0.8
LIBERIA	2.6	-13.7	-5.4	-0.6	-11.4	-2.6	-6.2	-9.1	-8.2
MALI	4.2	-1.7	-0.6	3.6	-0.9	0.9	-0.1	1.3	0.9
NIGER	0.6	-0.5	0.9	5.0	-0.1	-0.7	3.2	-1.2	0.9
NIGERIA	-1.5	-13.1	-8.4	-20.6	-5.6	-8.3	0.3	-5.8	0.8
SENEGAL	2.8	0.5	2.1	5.0	1.8	2.1	-0.5	-2.6	0.6
SIERRA LEONE	9.3	1.4	8.1	-5.8	-6.6	-5.3	-0.1	1.3	0.9
TOGO	1.6	-0.4	1.9	5.2	-0.4	-2.0	2.0	0.1	0.2
No. of countries that met criterion	12	6	9	8	6	7	8	9	12

Sources: WAMA and central banks

In Central Africa, all the countries fulfilled the criterion.

Table 27: Central Africa – real interest rates (annual average)

COUNTRY	2005	2006	2007	COMMENTS
Cameroon	4.0	0.2	2.3	Fulfilled
Central African Republic	2.8	- 1.4	1.7	Fulfilled
Congo	2.9	0.4	1.3	Fulfilled
Gabon	5.1	1.3	0.3	Fulfilled
Equatorial Guinea	1.5	0.3	1.3	Fulfilled
Chad	2.5	- 2.9	1.3	Fulfilled
CEMAC	**3.2**	**0.0**	**1.4**	**Fulfilled**
DRC	**13.4**	**21.8**	**12.5**	**Fulfilled**
São Tome e Principe	**1.1**	**1.0**	**0.32**	**Fulfilled**

In **East Africa**, the interest rates in all countries, except Comoros, remained market determined. Most countries recorded negative real interest rates in 2007.

3.2.2. Convergence against qualitative criteria

Besides the above assessed macro-economic criteria, stage II of the AMCP also recommends the implementation of the following policies:

- Harmonization and co-ordination of macroeconomic and monetary policies as well as concepts.
- Gradual interconnection of payment and clearing systems.
- Promotion of African banking networks.
- Promotion of sub-regional and regional stock exchanges.
- Strengthening and harmonization of banking and financial supervision.

The implementation of these policies could be done through the adoption, at the level of each region, regional mechanisms allowing notably the harmonization of exchange policies, the liberalisation of capital account, banking laws and rules, trade, and the harmonisation of statistics.

In **North Africa**, exchange rate policies were reformed over past years, which contributed to reinforcing the macroeconomic framework and the liberalization of the economies and their openness. Exchange regimes in North Africa differ from each other. They range from administered floating exchange rates to fixed exchange rates with monies pegged to a basket of currencies. All the countries have already liberalized the current account and progress has been achieved with respect to capital account liberalization.

With respect to monetary policy, countries are increasingly resorting to indirect policy instruments as liquidity management tools. Price stability is also increasingly adopted as the main monetary policy objective.

As regards paiement systems, each country has performed reforms and has taken important steps to modernize their payment systems. As a reminder, the Real Time Gross Settlement System (RTGS) is already functioning in Algeria, Libya and Tunisia. Preparatory works are ongoing in Mauritania, Egypt and Sudan.

Concerning banking supervision, all the Central Banks have prepared the environment for migration to Basle II. However, there are differences in countries' degrees of preparation.

In **West Africa**, harmonization of foreign exchange policies means ECOWAS Member States are expected to ensure the implementation of market-oriented monetary policy instruments. With respect to this obligation, progress is still slow. In other words, foreign exchange policy harmonization is not yet effective and there are still two main foreign exchange regimes within ECOWAS: the fixed regime in the West African Economic and Monetary Union (WAEMU) and Cape Verde, and the floating rate regime in the remaining countries.

Further, progress achieved so far with respect to capital account liberalization is insufficient. The Gambia and Liberia which have completely liberalized their capital accounts have achieved the most significant results. Nigeria and Sierra Leone have adopted a more prudent approach, while the WAEMU countries, Ghana and Cape Verde have maintained a certain level of control.

In terms of harmonization of the financial sector, major progress is being achieved in the two monetary zones of ECOWAS.

It is noteworthy that the WAEMU zone has an already integrated and harmonized financial market. The member countries of this zone have already harmonized their legislations and practices regarding bank transactions and payment systems.

The payment system reforms of WAEMU countries focused on the following major areas:

– The modernization of the trading system and large transaction settlements through the setting up of a Real Time Gross Settlement System (RTGS) for payments of systemic significance, particularly large cash transactions, transfers, monetary market transactions, stock exchange transactions, public debt settlements, etc.;

- The modernization of trading systems and small amount transaction settlements, that is mass payments: transfers, cheques, cards, through an automated multilateral clearing system;

- The development of a sub regional interbank card system by the banking system;

- The enhancement of the sub regional telecommunications infrastructure with a view to ensuring high quality at a lower cost.

The implementation of this reform made it possible to achieve the following results:

- Facilitation of economic and commercial relations between the economic actors of the sub-region in order to further regional integration;

- Consolidation of the penetration of the financial sector in the economies of the WAEMU countries;

- Guaranteeing the efficiency, efficacy and security of the payments systems in the sub-region;

- Enhancement of the efficacy of control tools and implementation of the BCEAO monetary policy in the sub-region;

- Promotion of the development of the regional financial market.

To date, the WAEMU payment system is based on two fundamental elements, the renovated legal and regulatory framework, and the infrastructure consisting of a trading and gross transaction settlement system.

Regarding the West African Monetary Zone (WAMZ), significant efforts have been made to integrate the Ghana and Nigeria stock exchanges. Similarly, WAMZ has taken significant strides in the harmonization of the payment and settlement system of its member countries.

Two countries (Ghana and Nigeria) have an operational real time gross settlement system (RTGS) and the others (the Gambia, Guinea and Sierra Leone) are in the process of acquiring this tool thanks to financing by the African Development Bank (ADB).

For cheques, WAMZ has also adopted common norms and standards: a common payment system regulation has also been developed and is being adopted. This payment system in the process of finalization in WAMZ, once achieved, is expected to provide an interface with the WAEMU payment system.

In the long run, the objective is the harmonization or merging of the WAEMU and WAMZ payment systems.

To that end, the following major challenges, among others, must be addressed:

  - Modernizing telecommunications systems through the adoption of the latest technology to develop cashless payments; ensuring the banking system is more and more frequently and easily used by the business community and public at large;

- Developing electricity supply and transport infrastructures, without which the promotion of payments systems is bound to fail;

- Interconnecting the banking network of the sub region with a view to facilitating cross-border payments;

- Sensitizing and encouraging operators in the informal sector to use the banking system through, among others, the relaxing of procedures, reduction of transaction costs and training;

- Harmonizing the regulations and interconnection of the payment systems of the two ECOWAS monetary zones.

Regarding the supervision and regulation of the banking system, WAMZ member countries have adopted the necessary measures to enable them to comply with the Basle I principles. WAEMU member countries, for their part, use an already unified banking regulation and bank supervision is conducted by the Bank Commission.

With respect to trade liberalization, trade and customs issues are addressed within the framework of the January 2006 decision adopted in Niamey by the Assembly of Heads of State and Government of ECOWAS regarding the enforcement of the common external tariff (CET) and the 27 July 1996 protocol establishing the VAT in the member countries.

The CET related activities, whose basic mechanism is the WAEMU CET, are part of the harmonization of the CET relief plan which is of two types: exemptions of commodities whose tariffs differ from that of the benchmark CET, but in respect of which Member States have decided to adopt the above-mentioned CET (Type A) and Type B exemptions. Type B exemptions are negotiated within the ECOWAS/WAEMU CET joint management committee (established by the Assembly of Heads of State), on the basis of the level of processing of the product, the community productive capacity, the securement of customs revenues and the social character of the product. Most of the points that have been the subject of type B exemptions were based on a consensus. The remaining points concern:

- products for which a fifth 50% band is required by Nigeria and supported by certain member countries;

- The treatment of proposed 0% category products (agricultural inputs and equipment, fire-fighting vehicles and other special use vehicles , butane gas, certain building materials, drugs and certain specific inputs for drug manufacturing);

- the classification of rice (in view of its sensitive nature requiring a special tariff protection);

- the products that some countries would like to downgrade in order to avoid consumer price increases and that other countries would like to upgrade to protect production and the harmonization of safeguard measures.

With respect to customs instruments, the activities of the ECOWAS Commission focused on the harmonization of customs codes and values. A draft ECOWAS customs code is being finalized. A study on the content of customs value agreements and the preparation of a draft customs value of ECOWAS goods have also been conducted.

Another area of focus has been the establishment of the VAT in all Member States. A study has been conducted in that regard on the harmonization of member state legislations on VAT and excise duties, based on the results achieved by WAEMU in terms of taxation.

In terms of the free movement of persons, the activities focused on the setting up of monitoring units to fight against border harassment, the establishment of the ECOWAS passport, international migration and cross-border cooperation.

As to Statistical harmonization, the enforcement of decision A/DEC.11/7/96 of 1996 by the Assembly of Heads of State and Government on the adoption of the 2006-2010 regional statistical programme is being pursued through the updating of member state data, harmonization of statistical tools and regional statistical policy. Current efforts are focusing on the implementation of harmonized frameworks and national account programmes, consumer price indexes (CPI), external trade statistics (with the EUROTRACE software which enabled the updating of the sector statistics) and the 2006-2010 regional programme. Arrangements are also being made with a view to implementing decisions regarding energy and environmental statistics strategic frameworks, as well as poverty indicators and millennium development goals (MDGs).

To that effect, a publication on the "ECOWAS poverty profile" was launched in 2007 and prepares the ground for the harmonization of concepts and methods for the preparation of poverty statistics and indicators and the regular dissemination of these statistics.

With respect to the poverty indicators and MDGs, the ECOWAS Commission has initiated efforts to establish a large data base to support the preparation of future editions of the "ECOWAS poverty profile"

The technical framework of the multilateral surveillance (ECOMAC) data base, which can be accessed on the internet, has been validated and the quarterly update was initiated in September 2007 by the national coordinating committees (NCC). Further, a bridge table between the ECOMAC data base and WAEMU multilateral surveillance data base (MSDB) has been prepared with a view to facilitating data exchange between the two institutions.

Moreover, the StatBase data base for the dissemination of statistical information, resulting from active cooperation with the Economic Commission for Africa (ECA), now has a harmonized framework for its indicator. The implementation by phase of StatBase in Member States and regional institutions will begin in 2008.

The **Southern Africa sub-region**, under the auspices of the Southern African Development Community (SADC), has made progress with respect to some activities geared towards enhancing cooperation and convergence. Committees have been set up and protocols signed in the sub-region. The Committees include: the Sub-Committee of Banking Supervisors; Banking Association; Information and Communication Technology; Payment, Clearing and Settlement Systems; Exchange Control Sub-Committee; and Committee of SADC Stock Exchanges. Protocols include the Finance and Investment Protocol among others. The Finance and Investment Protocol has been signed by all SADC Member States and is awaiting ratification by the Member States to make it a legally binding document.

IV. PROSPECT, MAJOR CHALLENGES AND POLICIES RECOMMENDATIONS

According to IMF forecasts, 2008 is expected to be characterized by a decline in the global economic growth rate (3.7%). Growth rate will also slow down in most emerging and developing countries though with some differences.

However, in Africa, the growth rate of economic activity is expected to be 6.3%, spurred by the continued good performance of raw materials and oil prices, particularly for those countries that produce oil. Most African Sub-regions will also record high growth rate.

In **West Africa**, growth is expected to stand at 7.9%, assuming the weather is favourable and socio-political tensions are resolved. Further, the ongoing negotiations with the Bretton Woods institutions may lead to an agreement on a Poverty Reduction and Growth Facility programme (PRGF) in Côte d'Ivoire and Togo. Inflation is expected to slow down especially in Ghana and Guinea.

The principal budget balances are expected to stabilize. The fiscal revenue to GDP ratio is predicted to increase from 15.7% to 17.1%. This increase would affect all the zones and depend on the continued application of the administrative measures provided as part of the efforts to broaden the tax base and initiate implementation of the fiscal transition. Total expenditure and net loans are expected to increase slightly. This increase in public expenditure would be mainly linked to the increase in capital expenditure.

Economic prospects are also promising in **Central Africa**. Indeed, according to forecasts revised in January 2008, 2008 is expected to be characterized by a higher economic growth in the CEMAC countries, with an expected 6.2% real GDP growth, up from 4.2% in 2007. Thus the per capita real income will increase by 3.4%.

The real growth rate of the oil sector is expected to reach 1.5% in 2008, against 0.8% in 2007, while that of the non-oil sector would reach 4.7%, compared to 3.4% the previous year. By country, this result would be due to a slowing down of the pace of growth in Equatorial Guinea (+15.3 %, against 25 % in 2007), a revival of activity in Congo (+8.9 %, against –0.6 % in 2007), a strengthening of growth in Chad (+6.8 %, against +1.9 % in 2007), in the Central African Republic (+5 %, against 3.7 % in 2007) as well as in Cameroon (+4.8 %, against 2.8 % in 2007) and a sustained growth in Gabon (+5.5 %, against 5.2 % in 2007).

The main assumptions behind these projections are based on expectations that the international environment will experience: (i) a sustained global growth, despite a slight downturn; (ii) a monetary easing strategy, particularly in the USA and continued budgetary restriction policies in the major industrialized countries; (iii) fairly stable prices for most raw materials, particularly crude oil, expected to average about 86 dollars per barrel in 2008; and a fall in the exchange rate of the dollar from 486 to 477.6 F.

At the sub-regional level, these forecasts are based on (i) a 2.7% increase in oil production (54.2 million tons in 2008, against 52.8 million in 2007), due mainly to an increase in oil production in Congo with the beginning of extraction in the new Moho-Bilondo oil field and the results of the oil well stimulation in Gabon, (ii) a fairly stable non-oil sector and (iii) the continued implementation of macroeconomic and structural reforms by the states.

On the demand side, the main engine of economic growth in 2008 in CEMAC is expected to be domestic demand, accounting for 6.9 points, and driven by vigorous private consumption. Further, gross investments are also expected to support growth, leading on the one hand to a revival of capital expenditure in the public sector, and, on the other hand, the continuation of exploration, research and development investment programmes, particularly in Congo and Equatorial Guinea. However, net foreign demand would reduce growth by 0.8 point, due to an increase in imports, linked to an increase in foreign orders under oil, industrial, forestry and public sector projects.

On the supply side, the rapid expansion of the secondary sector, accounting for 2.9 points, is expected to be the engine of economic growth in 2008, with the increase in production of methanol in Equatorial Guinea. The primary and secondary sectors are expected to contribute 1.1 and 2.6 points respectively, mainly due to good harvests of food crops and continued development of mobile telephony in the main cities of the sub-region, the increasing road and port traffic as well as brisk trading.

On the price front, 2008 would record a renewal of inflationary pressures with an inflation rate of about 3.6%, up from 2.2% in 2007, due mainly to a strong domestic demand.

With respect to public finances, the budget surplus, commitment basis, excluding grants, would reach 12.1% of GDP in 2008, compared to 9.6% the previous year, due mainly to a significant increase in oil revenue, in view of the forecasted rise in the price of the barrel of oil, combined with an increase in oil production in all the producing countries, with the exception of Cameroon. Furthermore, non-oil revenues would increase, thanks to the enhancement of measures to broaden the tax base, the reorganization of tax authorities, particularly through the establishment in most of the countries of major enterprise tax departments, the improved monitoring of informal sector operations and the strengthening of measures to fight against corruption, tax and customs fraud. The budgetary expenditures would increase, in view of the increase in capital expenditure, in keeping with the efforts made by the states to steer public spending toward priority sectors (health, education, basic infrastructure...) on the one hand, and, on the other hand, the increase in current expenditure, linked mainly to the rise in wages and salaries as well as goods and services expenditures.

Finally, the current external account balance would rise from a deficit of 1% GDP in 2007 to a surplus of 4.4% in 2008, reflecting the increase in the trade surplus linked mainly to the significant rise in crude oil sales. These developments are expected to result from an improvement in the terms of trade by 1.6% (against 0.4% in 2007), due to an export prix hike induced mainly by the increase in the price of oil that would largely compensate for the drop in the prices of other raw materials (with the exception of timber) exported by CEMAC countries.

The monetary forecasts for 2008 predict:

- a strengthening of the net external position, with an external currency cover rate of about 97.7% at the end of December 2008, up from 95.7% at the end of December of the previous year. Gross exchange reserves, in months of imports of goods and services (CIF), would increase from 8.5 to 11.6 months;

- a reduction of net claims on states of about 65.4%, linked to the boosting of the states' public treasuries, resulting mainly from the increase in the oil revenues accruing from the high price of the barrel of oil;

- an increase in the loans to the economy of about 9.6% in keeping with the increased economic activity in CEMAC.

- and an increase of the money supply by about 10.6%.

In **Southern Africa**, sustained growth rates are expected particularly in Angola (16%) and in Madagascar (7%). Namibia should record an upward trend in its growth rate, which is expected to stand at 4.7% after 3.8% in 2007. This improvement will mainly be on the account of the primary sector spurred by an increasing production of uranium.

However, the stabilization and consolidation of the results achieved in 2007 would constitute a major challenge for many countries because of the persistence of adverse factors, particularly:

- the rise in energy and food product prices;

- the vulnerability of most African economies to external shocks and weather changes;

- the poor level of trade between countries of the same sub-region and between different regions, which reflects insufficient integration of the various economies in a number of areas including Trade;

- the inability of the financial sector to efficiently support economic activity;

- the narrowness of local markets and external dependence of national economies.

- the absence of a formal multilateral surveillance framework in certain regions;

- The negative impact of excess liquidity associated with large donor inflows;

- wide interest rate spreads;

- difficulty in managing sustained exchange rate appreciation;

- ineffective transmission mechanisms of monetary policy.

In this context, in order to encourage the establishment of conditions for the satisfactory implementation of the AMCP by the majority of countries at the end of phase II, the various regions should further deepen the macroeconomic reforms, with particular emphasis on the consolidation of public finances. Regarding their exposure to the fluctuations of energy prices, they should also promote policies regarding regional energy supply and development of alternative energy sources. It would also appear to be advisable to stress the enhancement of sub-regional economic integration through the establishment or strengthening of the institutional framework provided by the AMCP and the harmonization of legislations governing trade and customs tariffs. The interlinking of payment system and enhancement of the financial sector particularly through the continued strengthening of supervision and statistical harmonization should also be high on the list of measures. Certain regions could implement measures geared toward resolving their own specific situations.

In **North Africa,** national authorities involved in the implementation of the AMCP should take ownership of this programme. Further, the criterion regarding the budget deficit of this sub-region (10% GDP) should be harmonized with that prescribed by the AMCP (5% GDP).

In **West Africa,** the emphasis should be on the restructuring of the agricultural sectors facing difficulties, as well as the enhancement and modernizing of energy production tools, the promotion of energy saving measures and use of alternative energies. Among the priority measures that should be undertaken, are the design and implementation of sectoral policies that can contribute to the emergence of a sub-regional economy and the enhancement of the competitiveness of enterprises through the promotion of a conducive framework for private sector development.

In **Central Africa,** the establishment of the institutional framework provided by the plan of action of the Sub-region Monetary Cooperation Programme should be considered one of the priorities of the sub-regional authorities. Furthermore, the sub-regional provisions regarding the financing of public deficits by the Central Banks (20% of tax revenues) should be reviewed in line with those prescribed by phase II of the AMCP (10% of tax revenues).

In **East Africa,** special emphasis should be laid on inflation control.

In **Southern Africa,** it is crucial to lift all countries to a similar state of performance.

V. CONCLUSION

In the context described above, significant progress has been achieved in the implementation of the AMCP by the AACB member countries. Indeed, 20 out of the 47 member countries which submitted their reports (i.e., 42.6%) fulfilled the four primary criteria, compared to 14 (30.4%) in 2006. This development was due to the Southern Africa and East Africa regions which, with 8 and 3 members respectively achieving the four criteria, compared to 3 and 1 in 2006, did better, reflecting the good performance of their economies. Conversely, the number of countries fulfilling the four criteria declined from two to one in Central Africa and remained stable at five and three, respectively in West Africa and in North Africa. Further, the situation regarding the observance of the individual criteria shows significant progress with respect to the norm related to the budget deficit (72.3% compared to 64.4%), and the ratio of three months cover for the import of goods and services with external reserves, (87.2% compared to 80.0%). However, many countries continue to face difficulties to comply with the overall budget deficit (excluding grants)/GDP ratio. Performances with respect to the stabilisation of inflation are satisfying, since the related norm was fulfilled by 78.7% of countries compared to 76.1% in 2006. The same holds true with respect to the criterion regarding budget deficit financing by the central bank. In spite of a slight decrease, the number of countries complying with this criterion remains high (80.9% compared to 82.6% in 2006). These results can be broken down as follows:

The ratio of the overall budget deficit (excluding grants)/GDP ≤ 5% was fulfilled by 34 out of the 47 countries whose data were available,(i.e., 72.3%), compared to 29 out of 45 countries in 2006 (64.4%):

- North Africa: 5 out of the 6 countries of the sub-region, as in 2006;
- West Africa: 7 out of the 15 countries of the sub-region, compared to 8 countries in 2006;
- Central Africa: 7 out of the 8 countries of the sub-region, as in 2006;

- Southern Africa: all the 12 countries of the sub region, compared to 9 in 2006;
- East Africa: 3 of the 6 countries that submitted data out of the 11 countries of the sub-region. In 2006, only one out of the 5 countries whose data were available fulfilled this criterion.

The single digit inflation rate criterion was fulfilled by 37 out of the 47 countries who submitted data on this criterion, i.e., 78.7%, compared to 35 out of 46 countries (76.1%) in 2006:

- North Africa: 5 out of the 6 countries of the sub-region, compared 6 to in 2006;
- West Africa: 11 out of the 15 countries of the sub-region, compared to 13 countries in 2006;
- Central Africa: 7 out of the 8 countries of the sub-region, compared to 6 countries in 2006;
- Southern Africa: 8 out of the 12 countries of the sub-region, compared to 6 countries in 2006;
- East Africa: 6 out of 11 countries of the sub-region that submitted data, compared to 4 countries whose data was available in 2006.

The criterion of Central Bank loans to the State ≤10% was fulfilled by 38 out of the 47 countries (80.9%) whose data were available, compared to 38 out of 46 countries (82,6%) in 2006:

- North Africa: 5 out of the 6 countries of the sub-region, compared to 6 countries in 2006;
- West Africa: 14 out of the 15 countries of the sub region, compared to 13 in 2006;
- Central Africa: 2 out of the 8 countries of the sub-region, compared to 3 countries in 2006;
- Southern Africa: all the 12 countries of the sub region, as in 2006;
- East Africa: 5 of the 6 countries that submitted data, compared to 4 out of 5 countries in 2006:

The criterion of the rate of cover of imports by reserves ≥ 3.0 months was fulfilled by 41 out of 47 countries (87.2%) that submitted data, compared to 36 out of 45 countries (80%) in 2006.

- North Africa: 4 out of the 6 countries of the sub-region, as in 2006;
- West Africa: 13 out of the 15 countries of the sub-region, compared to 11 countries in 2006;
- Central Africa: 7 out of the 8 countries in the sub-region, as in 2006;
- Southern Africa: 11 out of the 12 countries of the sub-region, compared to 8 countries in 2006;
- East Africa: all the 6 countries that submitted data out of the 11 of the sub-region. In 2006, the five countries that submitted their reports fulfilled the standard.

However, the stabilization and consolidation in 2008 of the results achieved in 2007 would constitute a major challenge for many countries. In this context, the various sub-regions are invited to strengthen their macro-economic framework, notably through the implementation of the recommendations made in this document. This action tends to promote the convergence condition of most member countries' economies in the compliance with the requirements of the step II of the AMCP, on the threshold of the passing over to a new stage.

Table 28: Countries' performances against primary criteria of AMCP stage II

Sub-regions / countries (number of the criteria observed)	Primary convergence criteria of stage II (2004-2008) of the AMCP			
	Budgetary Deficit / GDB ≤5%	Single Digit Inflation	Central Bank financing ≤10%	External Reserves/ Imports ≥3 months
North Africa (6 countries)	**5**	**5**	**5**	**4**
– Algeria (4)	**4.6**	**3.5**	**0**	**39.7**
– Egypt (2)	-7.5	10.9	**10.0**	**9.1**
– Libya (4)	**26.0**	**6.2**	**0**	**33.1**
– Mauritania (3)	**-4.1**	**7.3**	**1.0**	1.9
– Sudan (2)	**-2.4**	**8.1**	13.2	1.9
– Tunisia (4)	**-3.0**	**3.1**	**0.0**	**4.6**
West Africa (15 countries)	**7**	**11**	**14**	**13**
– Benin (4)	**-0.1**	**2.3**	**0.0**	**5.0**
– Burkina Faso (3)	-11.8	**0.0**	**0.0**	**5.0**
– Cape Verde (3)	-11.8	**3.4**	**0.0**	**4.0**
– Côte d'Ivoire (4)	**-0.6**	**1.5**	**0.0**	**5.0**
– The Gambia (4)	**-0.5**	**1.7**	**0.0**	**5.0**
– Ghana (1)	-14.7	12.8	15.6	**5.6**
– Guinea (2)	**-0.9**	12.8	**0.0**	1.1
– Bissau-Guinea (3)	-20.8	**9.3**	**0.0**	**5.0**
– Liberia (2)	**-3.4**	11.7	**0.0**	0.1
– Mali (3)	-7.8	**2.2**	**0.0**	**5.0**
– Niger (3)	-6.7	**4.7**	**0.0**	**5.0**
– Nigeria (4)	**-1.2**	**6.6**	**0.0**	**17.5**
– Senegal (3)	-5.2	**6.1**	**0.0**	**5.0**
– Sierra Leone (2)	-5.9	13.8	**8.4**	**3.8**
– Togo (4)	**-4.6**	**3.4**	**0.0**	**5.0**
Central Africa (8 countries)	**7**	**7**	**2**	**7**
– Cameroon (3)	**4.8**	**2.0**	25.3	**5.9**
– Centrafrique (3)	**-2.7**	**2.0**	100.0	**5.6**
– Congo (3)	**13.6**	**4.0**	41.1	**11.9**
– Gabon (3)	**11.0**	**4.8**	42.0	**7.9**
– Equatorial Guinea (4)	**22.4**	**5.5**	**0.0**	**12.5**
– Chad (3)	**0.2**	**-9.0**	30.9	**8.1**
– Congo DRC (2)	**-0.53**	**9.9**	-51.1	0.8
– São Tome e Principe (2)	-8.9	27.6	**10.0**	**6.6**
Southern Africa (12 countries)	**12**	**8**	**12**	**11**
– Angola (3)	**13.2**	11.8	**0.0**	**5.5**
– Botswana (4)	**6.2**	**7.1**	**0.0**	**26.0**
– Lesotho (4)	**10.3**	**7.9**	**0.0**	**7.7**
– Madagascar (3)	**-2.8**	10.3	**0.0**	**3.3**
– Malawi (4)	**-2.8**	**8.0**	**0.0**	**3.0**
– Moçambique (4)	**-2.9**	**8.2**	**0.0**	**5.4**
– Namibia (4)	**1.1**	**6.7**	**0.0**	**3.0**
– South Africa (4)	**0.6**	**7.1**	**0.0**	**3.3**
– Swaziland (4)	**-0.5**	**8.1**	**0.0**	**4.2**
– Tanzania (4)	**-3.6**	**7.0**	**0.0**	**4.5**
– Zambia (3)	**-0.2**	10.7	**0.0**	**3.6**
– Zimbabwe (1)	**-10.0**	66212.3	**0.0**	0.9
East Africa (11 countries)	**3**	**6**	**5**	**6**
– Burundi (3)	-18.9	**8.3**	**-**	**5.1**
– Comores (4)	**-2.5**	**4.5**	**...**	**10.0**
– Djibouti	**...**	**...**	**...**	**...**
– Ethiopia	**...**	**...**	**...**	**...**
– Eritrea	**...**	**...**	**...**	**...**
– Kenya (4)	**-2.5**	**9.8**	**0.0**	**4.8**
– Mauritius (4)	**-4.5**	**8.8**	**-5.4**	**3.8**
– Uganda (3)	-7.0	**7.4**	**0.0**	**6.9**
– Rwanda (3)	-13.1	**9.1**	**0.0**	**6.9**
– Seychelles	**...**	**...**	**...**	**...**
– Somalia	**...**	**...**	**...**	**...**
Number of the countries which reported their performances	47	47	47	47
Number of the countries which complied with the criteria	34	37	38	41
Total Africa	**72.34%**	**78.72%**	**80.85%**	**87.23%**

... no data