Association des Banques Centrales Africaines

Association of African Central Banks

Annex 4

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

37th ORDINARY MEETING OF THE AACB

(Port-Louis, Mauritius, August 23, 2013)

PROGRESS REPORT ON IMPLEMENTATION OF THE AFRICAN MONETARY COOPERATION PROGRAMME (AMCP) IN 2012

I. INTERNATIONAL ECONOMIC ENVIRONMENT

The economic slowdown of 2011 continued in 2012. The International Monetary Fund (IMF)[1] estimated the world real gross domestic product at 3.2% in 2012, down by 0.8 percentage points from 2011, owing to weak economic activity in the first half of 2012.

In the developed countries, the growth dropped again, standing at 1.2% in 2012, against 1.6% in 2011 and 3.0% in 2010, due to developments in the economies of the Euro Zone. Indeed, these economies contracted by 0.6% because of the collapse of confidence in the wake of the worsening debt crisis in some euro area countries. Meanwhile, the United States and Japan began to witness a recovery in economic activity with growth at 2.2% and 2.0% respectively in 2012 against 1.8% and -0.6% in 2011, owing to increased investment and consumption triggered by economic growth support measures. The reconstruction efforts in Japan, in the aftermath of the country's natural and nuclear disasters, further buttressed the performance of the Japanese economy. In the emerging and developing countries, economic growth fell from 6.4% in 2011 to 5.01%, due to the decline in external demand, the impact of the intensification of the Euro crisis especially on the emerging economies of Europe, and the stabilization measures implemented by some countries, including China.

Due among others, to the decline in demand, inflation, measured by the consumer price index, declined in 2012. In the developed countries, it fell to a yearly average of 2% in 2012 against 2.7% in 2011, while in the emerging and developing countries, it dropped from 7.2% in 2011 to 5.9% in 2012.

Inflation trends reflect those of global commodity prices. The price of oil in dollars rose barely by 1% compared to 2011, owing to reduced demand and increased supply. The prices of foodstuffs, beverages and agricultural and metal raw materials fell in 2012 compared to 2011. Metal prices in particular contracted by 16.8% as a result of the drop in imports from China, which absorbs close to 40.0% of these commodities.

With the continued slowdown in global economic activity, world trade growth fell sharply (2.5% in 2012 against 6% in 2011).

In this context, the pace of economic activity in Africa declined in 2012, but remained relatively strong (4.8% against 5.3% in 2011) thanks to strong domestic consumption, investment and exports. However, the continent's economic growth continued to be under the estimated minimum level of 7.0% required to achieve the Millennium Development Goals (MDGs). Inflation slowed down in 2012, standing at an annual average rate of 9.1% against 9.3% in 2011. The external current account deficit, as a share of the GDP, rose from 1.4% in 2011 to 2.8% in 2012. But the trends in the five AACB sub-regions were not the same, as we shall see in the sections below.

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1 International Monetary Fund, World Economic Outlook, April 2013

II. DEVELOPMENT IN SUB-REGIONS' ECONOMIC AND FINANCIAL SITUATION

II.1. Northern Africa sub-region

The available data show that some countries of the North African Sub-region were recovering in 2012 from the aftermath of the political upheaval that affected recently their economies. Thus, after a sharp contraction in 2011 (57.0%), Libya's real GDP rebounded by 117.0% in 2012, a reflection of the growth rates recorded by both the oil and non-oil sectors (35.5% and 197.7% respectively). Mauritania's economy grew, in real terms, by 4.0% in 2012. The Egyptian economy also improved in 2012 with a 2.2% growth rate due to the revival of all the sectors. However, Sudan's economy performance continued to deteriorate in 2012, due to the political situation in this country. The GDP, in terms of value-added, decreased by 26.5% as a result of the drop in oil production.

The performances of the countries with respect to inflation were mixed. Inflation rate rose in Algeria as well as in Tunisia (8.9% and 5.6% in 2012 against 4.5% and 3.5% in 2011), and remained high in Sudan (18.1% as in 2011). Conversely, it dropped in Egypt, Mauritania and Libya.

As far as public finances are concerned, the performances of Algeria and Sudan were satisfactory. Algeria continued to register budgetary surpluses owing to the improvement in the balance of payment position. Though Sudan recorded a deficit, this was limited (0.4% of GDP). On the other hand the budgetary indicators were unsatisfactory in the other countries, especially in Tunisia and Egypt.

The performances of the countries of the Sub-region under the external account were mixed. Egypt's overall deficit deteriorated in 2012 to reach 4.4% of GDP against 4.1% of GDP in 2011. This was due to a sharp increase in the current account deficit (30.2%), and significant capital outflows. In Sudan, the overall balance of payment contracted a reflection of the decline in oil exports. Conversely, in Algeria the external position for the first half of 2012 was better than that of the second half of 2011. Preliminary data in Libya showed also an improvement in the overall balance of payment surplus (23.6% of GDP as against 16.7% of GDP in 2011). The current account deficit of Mauritania narrowed between 2010 (8.6% of GDP) and 2011 (7.0% of GDP) due to the improvement in exports.

In order to reduce inflationary pressure, the Banque d'Algérie raised the legal reserve requirement ratio (from 9% to 11.0%) and mopped up liquidity through open markets operations. For its part, the Bank of Sudan introduced some administrative restrictions including rationing foreign exchange with the view to stopping the erosion of the country's external reserve. In Libya, the money growth rate dropped to 3.2% in 2012 down from 24.7 in 2011.

II.2. Western Africa Sub-region

The macro-economic performances in the Economic Community of West African States (ECOWAS) were satisfactory, despite the subdued economic growth at global level and the instability in some member countries like Mali and Guinea Bissau. Indeed, the Sub-region's economic growth rate in 2012 stood at 6.5% against 6.2% in 2011. This development was the result of the good performance of all the sectors, particularly the agriculture sector, the good performance of which was triggered by abundant rainfall in most raw material producing countries and the relatively satisfactory prices of certain raw materials. On the demand side, the key growth drivers were the sustained investments in major infrastructure projects and the poverty reduction programmes deployed in several States. From a sector perspective, these investments went primarily into the agriculture and power sectors. ECOWAS performances also reflected the acceleration in economic activity in some countries (especially Cote d'Ivoire, Burkina, Niger and Liberia) and continued high gross rate in Nigeria.

Inflation dropped in ECOWAS to an annual average of 9.7% in 2012 from 10.2% in 2011. This was due to lowering pressures on the commodity market and positive effects on price levels of the good performance of the agriculture sector. In the West Africa Monetary Zone (WAMZ), despite a light improvement, year on year inflation continued to be high. It stood at 11.8% in 2012 against 12.2% in 2011, whereas in the West African Economic and Monetary Union (WAEMU) it fell to 3.0% in 2012, down from 3.9% in 2011. Inflation increased in Cape Verde due to strong domestic demand.

The ECOWAS recorded a drop in its overall fiscal deficit (including grants) from 4.4% of GDP to 3.0% between 2011 and 2012. This was a sign of the improved performances of member countries, especially Nigeria, Cote d'Ivoire and Liberia. Also public debt situation improved. The Community's public debt was about 28.8% of GDP in 2012 against 30.2% in 2011, thanks to improved public debt management in some countries and the debt cancellation package granted to some countries under the Highly Indebted Poor Country (HIPC) initiative.

The overall balance of payments in the ECOWAS recorded a surplus in 2012 of 1.1% GDP against 0.6% GDP in 2011. This development was the reflection of the improvement in the current account of some member countries, mainly Mali, Guinea and Cape Verde. This performance hides the deterioration of the current accounts of most countries due to the increase in imports, especially of petroleum products and capital goods.

The Central Banks of ECOWAS Member States adopted differentiated monetary policies. So to stimulate economic activity, the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), the Central Bank of The Gambia, the Bank of Ghana and the Central Bank of Sierra Leone lowered their rates, while the Central Bank of Nigeria, the Central Bank of Liberia, the Banque Centrale de la République de Guinée and the Banco Central de Cabo Verde kept their rates unchanged. The growth in money supply in the ECOWAS was 12.1% in 2012 against 15.3% in 2011.

II.3. Central Africa Sub-Region

Economic activity in Central Africa was globally satisfactory. The GDP growth rate accelerated in the Economic and Monetary Community of Central African States (CEMAC) and the Democratic Republic of Congo (DRC). However, it slowed down in the Democratic Republic of Sao Tome and Principe.

Real GDP growth rate in CEMAC Member States was 5.6% in 2012 against 5.3% in 2011. This growth was driven mainly by the non-oil sector, which contributed 5.2 points to GDP in 2012, same as in 2011. Oil sector growth improved slightly, yet continued to be weak (0.3% in 2012 against 0.0% a year earlier). Resource usage analysis shows that expansion in the activity resulted primarily from domestic demand

(7.8 points). This robust domestic demand trend was an indicator of strong private consumption (5.3 points), boosted by new public and private sector jobs, increased social allowances, arrears clearance, and support measures of prices paid to farmers. Investment contributed 1.4 points, down from 3.9 points the year before. The external sector had a negative impact on economic activity. A country-by-country review shows that economic activity accelerated in three countries (Cameroon, Central African Republic and Chad) and decelerated in the three other countries (Congo, Gabon and Equatorial Guinea). With the exception of the Central African Republic (3.6%) and Congo (4.3%), CEMAC member countries recorded growth rates above 5.0%.

Economic activity expanded in the DRC, where real GDP growth rate was 7.2% in 2012 against 6.9% in 2011, thanks to domestic demand spurred by final consumption and investment. But exports had a negative impact on growth. The sectors that propelled growth were the mining, trade, and public works and construction sectors.

In Sao Tome and Principe, economic growth slowed down from 5.0% in 2011 down to 4.5% in 2012, due to the global financial crunch.

Regarding the price trends in CEMAC member countries, the inflation rate, measured by the household consumption price index, was 4.1% by the end of August 2012, against 3.6% in 2011. This resulted mainly from the poor local supply of foodstuffs in the CEMAC area, the strong demand in most countries within the region, the vibrancy of economic activity in Cameroon, and the increase in the price of oil products in the Central African Republic. Sao Tome and Principe saw its inflation rate go down slightly from 11.9% in 2011 to 10.4% in 2012 because it had adopted a restrictive fiscal policy to keep its currency pegged to the Euro.

In the public finance domain, the CEMAC budget surplus, excluding grants, was estimated at 1.4% of GDP in 2012, a percentage point lower than in 2011. This was because budgetary expenditure increased by 16.1%, while revenue did not exceed 11.2%. On a country-by-country basis, the member countries of Congo, Chad, Central African Republic and Cameroon recorded deficits that deteriorated performance in the CEMAC, but the impact was subdued by the consolidation of the surpluses of Gabon and Equatorial Guinea. Estimates on the DRC showed that public financial transactions in 2012 recorded a surplus, excluding grants, of 0.3% of GDP against a deficit of 1.4% of GDP in 2011. With the loss in revenue recorded in 2012 (as barely 80.6% was generated), this positive showing resulted from cuts in spending. In São Tome and Principe, financial transactions recorded a budget deficit, excluding grants, of GDP 10.7 %, against 19.3 % in 2011.

On foreign trade, the CEMAC current account deficit increased to 5.2% of GDP in 2012 against 4.3% of GDP in 2011, due to persistent deficits in the balance of trade in services and the balance of revenue. The DRC recorded an overall surplus of 3.2% GDP, showing the positive balance of capital and financial accounts. The trade deficit of São Tome and Principe improved slightly, driven by exports, especially cocoa and chocolate.

The outstanding external debt in CEMAC amounted to 11.0% of GDP in 2012 against 1.7% of GDP in 2011. But there was deterioration in the other debt indicators (the ratios of debt service expressed as a percentage of exports and government revenues). In São Tome and Principe, the ratio of the present value of external debt service, expressed as a percentage of exports, continued to be high because the negotiations with some creditors had still not yielded the expected outcomes.

As concerns the monetary situation in the BEAC, there was a 22.2% increase in money supply. This resulted in a 15.8% improvement in the net foreign assets of the monetary system, a 21.8% increase in credit to the economy and consolidation of 4.6% of the net credit position of States. Considering the moderate increase in domestic prices, the Banque Centrale du Congo eased its monetary policy, lowering its key rate six times from 20.0%, at the end of December 2011, to 4.0% at the end of December 2012. Money supply increased by 21.0%, a result of the increase by 22.6% in net foreign assets and the decrease by 1.6% in net domestic assets. The monetary situation in São Tome and Principe witnessed an expansion of money supply (M3) by 18.4% in 2012, against 10.5% the previous year.

II.4. Southern Africa Sub-Region

Most countries in the Southern Africa sub-region showed fragile growth performance in 2012 with the exception of some countries, including Mozambique, Angola and Zambia, who recorded the highest growth rates (7.5%, 7.4%, and 7.3% respectively). In Mozambique, growth was propelled by the robust output by the mining and quarrying, agriculture, transportation and communication and financial services sub-sectors. Real GDP growth in Angola was driven by strong performance of the energy, transportation sector coupled with the rebound in oil and diamond production. The economies of Lesotho, Botswana and Namibia also grew, driven by robust construction activity. South Africa, the biggest economy in the sub-region, continued to shrink. Real GDP growth fell from 3.5 per cent in 2011 to 2.5 per cent in 2011 as manufacturing and mining output continued to contract. This did not only reflect weak demand domestically but also challenges posed by weak external demand as the global economic remain mired in recession.

Inflation rates were above the macroeconomic convergence target in most countries except in Mozambique and Zimbabwe. Inflationary pressures in Mozambique were muted as the rate of inflation dropped from 10.35 per cent to 2.1 per cent. The low inflation level was explained by excess aggregate supply relative to aggregate demand, the stability of the local currency vis-à-vis the South African rand and the US dollar which helped contain prices of imported commodities. Following years of hyperinflation, Zimbabwe continues to enjoy low levels of inflation in recent years. In 2012, the inflation rate in Zimbabwe was 3.7 per cent compared with 4.9 per cent in the previous year. For the Common Monetary Area (CMA), inflation was notably moderate. However, inflationary pressures in the CMA were a result of the impact of food and oil prices as well as the volatility of the rand exchange rate. In the other economies, inflation was also fuelled by the persistently rising food and energy prices. In Malawi, inflation was 21.0 per cent and was driven by the devaluation of the kwacha against the major currencies.

The overall public finance performance remained relatively satisfactory. Angola, Lesotho, Botswana, Mozambique, Swaziland and Zimbabwe registered fiscal surpluses. This improved performance was reflective of higher revenue collections especially for the SACU countries as they received a more-than-expected customs transfers from SACU pool. Fiscal consolidations in countries such as Lesotho also contributed to the observed performance.

In the external sector, most countries showed an improvement in balance of payments including Botswana, Lesotho, Namibia, Swaziland and Namibia. The improvement in the balance of payments for these economies was driven by higher SACU transfers during the 2012/13 fiscal year, narrower trade account deficits, and high capital inflows. In the case of Angola, the narrowing of the external sector position was largely driven by a huge capital and financial account deficit despite an improvement in the current account.

In an effort to stimulate their economies and to counter the adverse effects of the global economic and financial crisis, most of the countries in the Sub-region continued to undertake expansionary monetary policy. Mozambique cut its Bank rate by 5 percentage points from, 15.0% in 2011 to 9.25% in 2012. A positive response in money supply was observed in most counties in the sub-region with money supply increasing by as much as 29.4% in countries such as Mozambique. In the case of Lesotho, money supply increased by 7.3% reflective of amongst others robust growth in private sector credit.

II.5. Eastern Africa Sub-region

On the basis of available data, the countries of the Eastern Africa Sub-region continued to register satisfactory growth rates. Indeed data showed that the growth rates accelerated in most countries with the exception of Mauritius and Burundi. The highest growth rates were recorded by Rwanda, Tanzania and Uganda (8.0%, 6.9% and 5.1% respectively in 2012 against 7.7%, 6.4% and 3.4% in 2011). In Burundi, the growth rates stabilized at 4.2% whereas Mauritius recorded a decreased of its growth rate but this remained quite satisfactory. The overall good performance of member countries of the Eastern Africa Sub-Region's was driven in most cases by agriculture due to good weather conditions. Manufacturing, trade, transport and communication activities also contributed to the performances witnessed in the Sub-region.

Inflation decelerated in most countries, particularly in Uganda, Mauritius and Rwanda where inflation rates were below 4%. The lower inflation observed was due to several factors, including improved food supply due to better weather conditions, tight monetary policy, as well as well enhanced coordination of monetary and fiscal policy. However, Burundi experienced increased inflation rates, mainly explained by low supply of food and high global and food prices. Also despite the improvement recorded in Kenya and Tanzania, the inflation rates in these two countries remained relatively high (9.6% in Kenya and 12.1% in Tanzania).

With regard to public finance, the ratio of public deficit to GDP fell in some countries including, Mauritius, Rwanda, and Tanzania while it stabilized in Uganda. These developments stemmed from improvement in revenue collection and public expenditure management. On the other hand, in Comoros and Kenya, the public deficit to GDP ratios increased and remained high in Burundi. This was due to modest performance in tax revenues collection. It was also, in the case of Kenya, the result of increased public investments in infrastructure. On the whole, except Mauritius (3.3%) and to a lesser extent Uganda (4.3%), the public deficit indicators remained high ranging from 6.0% (Kenya) to 12.4% (Rwanda).

Regarding External sector, the performances were mixed among the countries of the Sub-region. Burundi, Kenya, and Rwanda recorded deteriorating current account deficits. This was due to higher deficits in trade balance in the cases of Burundi and Kenya, and decline in current official transfers as far as Rwanda is concerned. Mauritius, Uganda and Tanzania registered reduced account deficits on account of increase in export volumes in the case of Tanzania. Further, Uganda registered an overall balance of payment surplus due to increased surplus in the capital and financial account.

The banking sector in the Sub-region remained financially sound. On the whole, banks recorded an increase in their assets. Their financial structure indicators remained robust, especially the capital adequacy ratio which stayed generally on the high side. Some Central Banks, particularly Bank of Mauritius and Bank of Uganda, adopted an accommodative monetary policy to support economic activity while the focus of the actions of some other Central Banks, including The Banque de la République de Burundi and the Central Bank of Kenya, was mainly on price stability. The data available showed that the money supply growth rates ranged between 9.0% (Mauritius) and 14.0% (Rwanda) in 2012 against 5.6% (Burundi) and 21.1% (Rwanda) in 2011.

III – AMCP IMPLEMENTATION IN 2012

In 2012 the third stage of AMCP implementation (2008-2012) came to an end. By this time, member countries were expected to have fulfilled the primary convergence criteria outlined below:

- Overall budget deficit/GDP ratio ≤ 3 %;
- Elimination of Central Bank financing of budget deficit;
- Inflation rate < 5 %;
- External reserves / Import cover ≥ 6 months.

However, the performances of the member countries deteriorated in 2012. Indeed, only four of the forty-six countries (8.7%) that submitted their reports were able to fulfil the four primary criteria in 2012 against seven in 2011. The results in 2012 show that performances on the budget deficit were still low: 41.7% of the countries met this criterion in 2012, against 50.0% in 2011. The other reason for these results was the deteriorating performance on inflation and external reserves. The rates of compliance with these criteria were 37.0% on inflation and 26.1% on external reserves in 2012, against 41.3% and 47.8% respectively in 2011.

As for the secondary criteria, available data indicates that country performances were satisfactory on the elimination of arrears, public debt, real interest rates, stability in exchange rates and the funding of public investment by tax revenue. But the majority of member countries did not meet the criteria on the maximum amount of revenue allocated to wages and the ratio of tax revenue to GDP.

Based on the information received from the sub-regions and the findings of the study on the strategy for the establishment of the African Central Bank, the progress observed in qualitative criteria is in relation with the liberalization of the commodity market, payment system reform, the improvement of banking supervision and the harmonization of statistical systems.

With specific regard to the free movement of goods, all the sub-regions have established free trade areas. All of them, apart from the Northern Africa sub-region, are taking steps to establish customs unions. SADC has partially achieved this goal. Considerable progress has also been made in the liberalization of financial rules applicable to the current account, following the adoption by most countries of Article VIII of the Statutes of the International Monetary Fund.

Conversely, there was relatively subdued progress on the free movement of persons outside of ECOWAS, SADC, and the East African Community. A large majority of member countries still exercise control over capital account transactions and financial transactions. The major exceptions are The Gambia, the transactions within and between member countries of the CFA zone, and those between Common Monetary Area countries.

IV – FUTURE PROSPECTS

The year 2013 marks the beginning of the stage IV of AMCP implementation (2013-2015). This stage would see tougher requirements on inflation with a threshold of less than 3% against the 5% requirement in the third stage. Stage IV also requires all member countries to sustain compliance with all macro-economic indicators.

In 2013 the world economy is expected to enter the path to recovery. Real growth rate will rise from 3.2% in 2012 to 3.3% in 2013, then to 4.0% in 2014. But there are going to be differences in the performances of the different groups of countries.

The growth rate of the group of advanced economies is going to be stable at 1.2% in 2013 before rising to 1.5% in 2014, with significant differences between countries. The United States, for example, is projected to have relatively high growth rates (1.9% in 2013 and 3% in 2014), driven mostly by the recovery in the real estate sector and favourable conditions for credit. The other developed countries are also going to witness recovery in economic activity at a moderate pace in 2013 (1.9% against 1.4% in 2012) and then at a higher level in 2014 (2.8%). In the Euro Zone, economic activity is expected to contract by 0.3% in 2013 because of austerity budgets. However, it will pick up slightly in 2014 (1.1%) with the gradual return of confidence. Japan will see growth rates of 1.6% and 1.4% respectively in 2013 and 2014, against 2% in 2012. Japan's performances will be the result of a combination of several factors with contradictory effects, including the pursuit of an accommodative monetary policy, and the progressive reduction of incentive measures. Inflation will remain at a moderate level in the developed countries at 1.7% in 2013 and 2% in 2014, against 2% in 2012.

In the emerging and developing countries, economic activity is expected to accelerate in 2013 and 2014 at 5.3% and 5.7% respectively, against 5.1% in 2012. These performances will be supported by vigorous domestic demand and the gradual recovery of demand in the developed countries. Inflation will remain stable in 2013 at the same level as 2012 (5.9%) before dropping to 5.6% in 2014.

Africa's economic growth rate is expected to be on the high side in 2013 (5.6%) and 2014 (6.1%). It will be driven by investments in infrastructure, expansions in the mining industry and robust consumption. Inflation may drop in 2013 and in 2014 (7.2% and 6.3% respectively against 9.1% in 2012). The current account will record deficits in 2013 and 2014 equal to 3.5% of GDP and 3.9% of GDP respectively, up from the level in 2012 (2.8%). The development in the situation of the Continent as a whole would be the reflection of the Sub-regions' prospects.

West African countries' economic and financial prospects are favourable. Indeed, ECOWAS' economic growth rate would be about 6.6% in 2013 against 6.3% in 2012. This development would be, inter alia, on account of the consolidation of public investments in infrastructures, the coming into production of new mining and oil projects, the favourable trend of the prices of some raw materials, as well as improved public finance management. It would be contributed by the good performances of most countries, some of which are expected to record growth rates not less than 7.0%. These include Burkina, Côte d'Ivoire, Niger, The Gambia, Ghana, Nigeria, Liberia and Sierra Leone.

In Central Africa, the CEMAC zone is expected to have decelerating economic activity in 2013 but growth is likely to be relatively strong (3.1%), owing to the agriculture, service and manufacturing sectors. The budget surplus, commitment basis, excluding grants, is expected to account for 0.2% of GDP against 2.7% in 2012. The current account deficit would shrink by one percentage point to 5.0% of GDP, and the main indicators of external debt are expected to decline.

As for the DRC, it is expected to consolidate economic activity, driven by mining as well as by construction and public works. GDP growth will climb to 7.9% in 2013. The price stability observed in 2012 shall continue in 2013 (1.43% annual projection as it the end of May 2013). In the public finance domain, budget projections are to hit a balance between revenue and expenditure. External accounts will record a surplus, buttressed by the capital and financial account.

Concerning São Tome and Principe, the macroeconomic objectives of the Extended Credit Facility Agreement, which it signed with the International Monetary Fund (IMF), show that the country shall record a growth rate of 4.5% in 2013. The increase in growth will be driven by increases in investment, particularly in infrastructure. The annual average rate of inflation is expected to decline from 10.4% in 2012 to 7% in 2013. The country is also going to pursue efforts to improve the profile of public finances.

The countries of the Eastern Africa Sub-region are generally expected to sustained good performances in 2013 in terms of economic growth owing to better weather conditions, and increased public and private investment. A part from Mauritius and Burundi, the growth rates of which are projected to range between 3.2% to 3.7% and Burundi (4.5%), the economies of the other countries are expected to grow by at least 6.0%. Inflation is expected to stabilize on account of improved food supply. The current public deficit should decrease in most countries, except Mauritius, the performance of which is likely to be affected by the salary review in the public sector. The current account deficits will increase in most countries except Rwanda and Tanzania.

There are some factors that can undermine Africa's economic growth prospects described above. They include:

- A longer than expected stagnation of Euro Zone economies;
- An increase in oil prices that would directly affect the African countries that import this commodity. Indirectly, all economies in the region would also be affected through the drop in external demand for their products, because increased oil prices are likely going to undermine the growth prospects of their major partners in trade;
- The volatility of the prices of these raw materials on which most African economies rely heavily;
- The incidence of shocks related to climatic conditions;
- The persistence of socio-political trouble spots.

V - CONCLUSION

At the end of stage three of AMCP implementation, the majority of member countries had not met the four primary convergence criteria. Under these circumstances, compliance with the standards in stage four, characterized by a tighter inflation threshold, could be an uphill task for most member countries.

Therefore, African States should continue to implement measures to strengthen the pillars of their economies, especially by improving the macroeconomic framework, diversifying production and developing the financial sector. In the same vein, member countries and sub-regional economic communities are encouraged to accelerate the integration of African economies by merging commodity markets, developing community infrastructure, and modernizing and interconnecting payment systems.

Apart from macro-economic reforms, Member States need to make progress in convergence criteria by forging ahead with institutional reforms, such as the establishment of effective mechanisms for multilateral surveillance at the State and regional level. Surveillance can only be credible if member countries continue to develop and harmonize statistics. It is also necessary to ensure that the thresholds for certain convergence criteria are achievable. The study on the strategy for the establishment of the African Central Bank, which was supposed to tackle this issue, suggests that an African Monetary Institute (AMI), yet to be set up as recommended in the same study, should handle the matter. While awaiting the AMI comes into existence, the Assembly of Governors may consider the opportunity for tightening the AMCP criteria envisaged in Stage IV of the AMCP.

Primary criterias

Sub-regions	Budgetary Balance / PIB ≤ 3.0%		Inflation < 5.0%		Central Banks Financing budget deficit =0		External Reserves / Importations ≥ 6 months		Number of criterias respected	
	2011	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
NORTH AFRICA	2	1	2	2	2	3	3	3		
Algerie	9.9	7.5	4.5	8.9	0.0	0.0	38.3	39.0	**4**	**3**
Egypt	NA	NA	11.8	7.3	16.5	37.8	6.3	3.2	**1**	**0**
Libya	NA	NA	15.9	3.2	NA	0.0	78.3	39.4	**1**	**3**
Mauritanie	-2.1	-4.8	5.7	4.9	NA	NA	3.6	6.8	**1**	**2**
Sudan	-4.8	-3.1	18.1	35.1	3.0	3.0	1.1	1.3	**0**	**0**
Tunisie	-3.6	-5.3	3.5	5.6	0.0	0.0	3.4	3.8	**2**	**1**
WEST AFRICA	8	5	9	8	12	13	10	1		
Benin	-1.8	-0.5	2.7	6.7	0.0	0.0	6.9	5.7	**4**	**2**
Burkina Faso	-2.4	-3.2	2.8	3.8	0.0	0.0	6.9	5.7	**4**	**2**
Cabo Verde	-9.5	-13.1	4.5	2.5	0.0	0.0	3.2	3.8	**2**	**2**
Cote d'Ivoire	-4.3	-3.2	4.9	1.3	0.0	0.0	6.9	5.7	**3**	**2**
Gambia	-4.2	-4.6	4.8	4.3	12.6	0.4	6.1	4.8	**2**	**1**
Ghana	-0.9	-6.0	8.7	9.2	8.8	22.3	3.9	3.4	**1**	**0**
Guinea	-2.9	-3.7	21.4	15.2	0.0	0.0	3.7	3.1	**2**	**1**
Guinea-Bissau	0.4	-2.6	5.1	2.1	0.0	0.0	6.9	5.7	**3**	**3**
Liberia	-0.6	4.2	8.5	7.7	0.0	0.0	3.3	2.0	**2**	**1**
Mali	-3.7	-0.1	3.0	5.3	0.0	0.0	6.9	5.7	**3**	**2**
Niger	-2.5	-2.5	2.9	0.5	0.0	0.0	6.9	5.7	**4**	**3**
Nigeria	-5.0	-2.6	10.8	12.2	0.0	0.0	6.3	9.5	**2**	**3**
Senegal	-6.7	-5.6	3.4	2.1	0.0	0.0	6.9	5.7	**3**	**2**
Sierra Leone	-5.1	-5.7	16.0	12.9	1.1	0.0	2.6	2.5	**0**	**1**
Togo	-1.1	-6.2	3.6	2.6	0.0	0.0	6.9	5.7	**4**	**2**
CENTRAL AFRICA	6	7	6	6	8	8	5	5		
Cameroon	-1.2	-1.8	2.9	2.2	0.0	0.0	7.4	7.0	**4**	**4**
Centrafrique	-4.3	1.0	1.2	5.2	0.0	0.0	7.4	5.3	**3**	**3**
Congo	17.3	-2.5	2.2	5.0	0.0	0.0	12.2	9.1	**4**	**4**
Gabon	5.5	2.3	1.2	2.6	0.0	0.0	9.6	8.3	**4**	**4**
Guinea Equatoriale	1.7	9.0	4.8	3.6	0.0	0.0	4.0	10.1	**3**	**4**
Tchad	1.0	-2.5	-2.0	7.5	0.0	0.0	3.7	3.1	**3**	**2**
RDC	-1.4	0.3	15.4	2.1	0.0	0.0	1.7	2.2	**2**	**3**
São Tome and Principe	-29.3	-10.7	11.9	10.4	0.0	0.0	7.0	6.9	**2**	**2**
EAST AFRICA	0	0	1	1	4	4	2	1		
Burundi	-10.3	-8.6	9.7	18.3	14.1	13.1	5.0	4.0	**0**	**0**
Comores	-6.3	-7.4	1.8	6.2	15.0	-	7.1	7.9	**2**	**1**
Kenya	-5.2	-6.0	14.0	9.4	0.3	0.2	3.7	4.3	**0**	**0**
Mauritius	-3.9	-2.5	6.5	3.9	0.0	0.0	4.6	4.9	**1**	**2**
Rwanda	-14.2	-12.4	5.7	6.3	0.0	0.0	6.7	4.8	**2**	**1**
Uganda	-5.5	-5.5	18.7	14.0	0.0	0.0	3.7	4.4	**1**	**1**
Tanzania	-10.3	-9.0	12.7	16.1	0.0	0.0	4.0	4.0	**1**	**1**
Djibouti	-	-	-	-	-	-	-	-	**-**	**-**
Ethiopia	-	-	-	-	-	-	-	-	**-**	**-**
Seychelles	-	-	-	-	-	-	-	-	**-**	**-**
Somalia	-	-	-	-	-	-	-	-	**-**	**-**
SOUTHERN AFRICA	6	8	1	0	9	9	2	2		
Angola	10.3	7.8	11.4	9.02	0.0	0.0	7.8	8.6	**3**	**3**
Botswana	-0.2	0.8	8.5	7.6	0.0	0.0	13	11	**3**	**3**
Lesotho	-4.5	5	4.7	6.1	0.0	0.0	4.7	4.7	**2**	**2**
Madagascar	-	-	-	-	-		NA	NA		
Malawi	-1.2	-1.8	7.6	21.3	12.6	0.0	2.3	2.9	**1**	**2**
Moçambique	5.3	4.2	10.35	2.09	0.0	0.0	5.2	5.7	**2**	**2**
Namibia	-11.2	-4.8	5	6.5	0.0	0.0	3.2	3	**1**	**1**
South Africa	-4.2	-4.9	5	5.7	0.0	0.0	4.8	4.9	**1**	**1**
Swaziland	-9.5	0.2	7.8	8.3	0.0		2.3	2.9	**1**	**1**
Zambia	-2.9	-2.9	6	7.3	0.0	0.0	3.6	4.1	**2**	**2**
Zimbabwe	0	1.4	4.9	3.7	0.0	0.0	0.7	0.8	**2**	**2**
Number of countries provided data on the criteria	**44**	**44**	**46**	**46**	**44**	**43**	**46**	**46**		
Number of countries that met the criteria	**22**	**21**	**19**	**17**	**35**	**37**	**22**	**12**		
Percentage	50.00%	47.72%	41.30%	36.95%	79.54%	86.04%	47.82%	26.08%		

NA : Not Available