Annex 3

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

38th ORDINARY MEETING OF THE ASSEMBLY OF GOVERNORS

(Malabo, Equatorial Guinea, August 29, 2014)

SUMMARY PROGRESS REPORT ON THE IMPLEMENTATION OF THE AFRICAN MONETARY COOPERATION PROGRAMME (AMCP) FOR YEAR 2013

I – International economic environment

Despite improved global financial conditions, the world economy continued to expand at a subdued pace in 2013, after gaining some momentum in the second half of the year. According to the International Monetary Fund (IMF)1, global growth picked-up in the last six months by 3.7% from 2.7% recorded during the first half of 2013. Advanced economies accounted for much of the pick-up, whereas growth in emerging and developing economies increased only modestly. Overall, world output increased by 3.0% in real terms in 2013, i. e. a decline of 0.2 percentage point from 2012.

Real GDP growth in the advanced economies showed a marginal decrease from 1.4% in 2012 to 1.3% in 2013. The growth recorded in 2013 was supported notably by exports, accommodative monetary policies, improving confidence that underpinned a pick-up in domestic demand, and the strong reduction in the pace of fiscal tightening. The emerging market and developing economies recorded a growth rate of 4.7% in 2013, from 5.0% in 2012. The rate of growth picked-up only slightly in the second half of 2013 due to lower investment reflective of the tightening of external funding and domestic financial conditions.

Global inflation stayed subdued in 2013, due notably to the deceleration of economic activity in advanced economies as well as in emerging market and developing economies. Further, decreases in the prices of commodities, especially fuels and foods, were a common factor bringing about declines in headline inflation. In advanced economies, inflation stood in 2013 at about 1.4%, on average, against 2.0% in 2012. In emerging market and developing economies, lower commodity prices in US dollar terms helped reduce price pressures, although in some economies this reduction was offset by the depreciations of exchange rates. In these countries, the rate of inflation came out at 5.8% in 2013 from 6.0% in 2012.

In the context of low inflation and feeble growth rates, central bank's monetary policies stayed supportive in advanced economies in 2013. A tightening in monetary and financial conditions was registered in emerging market economies in the second half of 2013, as a result of rising bond rates and better prospects in advanced economies.

In foreign exchange markets, the yen depreciated significantly vis-à-vis the US dollar in March 2013, partlly as a result of expansionary policies adopted by the new Japanese administration. The euro-dollar exchange rate saw some fairly wide swings, between 1.28 and 1.34, but with no clear direction during the first half of 2013. This was followed by a period of appreciation in the third quarter, during which it reached 1.38, before dropping to 1.34 during November, when the European Central Bank cut its policy rate. Currencies in many emerging market and developing economies depreciated against the US dollar and other major currencies in 2013. They depreciated by the greatest amount in May-June 2013, particularly in Brazil, India, Indonesia, South Africa and Turkey, at the same time that capital inflows in these economies declined, related to rising bond rates in advanced economies. In contrast the renmimbi continued to appreciate gradually against the US dollar and other major currencies, on account mainly of China's much larger foreign reserves, a less open capital account, higher domestic savings, and more concentration of foreign direct investments in the capital inflows.

With regard to raw materials, the prices of most primary commodities declined moderately during 2013 mainly driven by feeble global demand as world economic growth remained weak. This was the case of oil prices in the first half of 2013, though geopolitical tensions could have entailed a large risk premium on oil prices. As production increased by a large

1World Economic Outlook, April 2014

margin in 2013-2014, food prices declined steadily during 2013, with prices for wheat, maize and rice dropping by about 5-10 percent. Prices of minerals, ores and metals strengthened in early 2013 but fell markedly in the latter part of the year, owing to weaker than anticipated global growth; the deceleration in the growth of emerging economies being particularly notable.

In 2013, Africa has maintained an average growth rate of about 4%, compared to 3% for the world economy, and an increase in real output of 6.4% in 2012. On the demand side, domestic demand was the main driving force behind Africa's growth while external demand remained subdued because of the flagging world economy. Domestic demand was mainly boosted by consumption, infrastructure investment, and private investment. Private consumption benefited from increasing wages and a continued rise in remittances. Private investment benefited from greater Foreign Direct Investment (FDI) in oil and mining sectors as well as services and manufacturing sectors. On the supply side, agricultural production was boosted by favorable weather conditions in many countries. With regard to prices, inflationary pressures eased in many countries as energy prices stopped rising and food prices declined. Thus, Africa's average inflation rate declined in 2013 to 6.7% from almost 9% in 2012. In oil importing countries, the current account deficit continued to increase in 2013 to an average of 8.0% of GDP from 7.5% in 2012. Oil exporting countries saw their current account surpluses decline to below 1% of GDP in 2013 from 2.3% in 2012.

II – Developments in the economic and financial situation in the Sub-regions

2.1 - Northern Africa sub-region

2.1.1. Economic growth

The economic performances of the Northern Africa Sub-region's countries continued to be affected in 2013 by political developments in this Zone and the aftershocks of the economic recession in the developed economies. The real GDP growth rates recorded in 2013 by these countries were generally on a declining trend compared to the previous level of performance. However, except for Libya, they remained positive. The highest rate was recorded by Mauritania (6.4% in 2013 after 6.9% in 2012 and 3.6% in 2011) on account of a strong activity in agriculture, constructions and services. The other countries' economic growth rates did not exceed 3.0%. These results were induced by the downward growth trend seen in some major economic sectors in the Sub-region, the impact of which was lessened by positive developments in other sectors. Thus against a background of reduced oil export, Algeria GDP growth is estimated at 3.0% in 2013 (3.3% in 2012) due to the performance of the non-oil sector. In Egypt, the real growth rate should come out at 2.1% in 2013 after 2.2% in 2012, as a result of modest performance notably in extractions and communications, on the one hand, and improved performance of manufacturing, tourism and building sectors, on the other hand. Despite the loss of 75% of the total oil production as the result of the secession of South Sudan, Sudan's GDP growth came out at 2.5% in 2013 after 1.1% in 2012 on the back of the reform policies adopted, which led to an increase in the contribution of the non-oil sectors. Tunisia registered a growth rate of 3.0% in 2013 against 3.6% in 2012, owing to the good performance of the manufacturing sector, subdued by the unfavorable weather conditions which impacted negatively agricultural production. As far as Libya is concerned, its GDP declined by -14% in 2013 after a 98.2% increase in 2012 as a result of the crisis in this country.

2.1.2. Inflation

The average annual inflation had a contrasted evolution in the Sub-region in 2013. In Algeria, Libya and Mauritania, the average annual rate of inflation dropped on account of prudent monetary policies, and the social policies implemented by the public authorities for the vulnerable populations. In Egypt, Sudan and Tunisia, inflation accelerated. This development was largely due to the increase in the price of food (Egypt and Tunisia) and fuel following the removal of subsidies on this product (Sudan). The lowest inflation rates were recorded in Libya (2.6%), Algeria (3.3%), and Mauritania (4.7%). Egypt and Sudan presented relatively high inflation rates at 9.8% and 37.6% respectively.

2.1.3. Public finance

Public finance performances were affected generally by the measures taken to ease social unrest, restore national security, mitigate the effects of the international economic crisis, as well as by the drop in public revenue caused by this crisis. In this regard, budget deficit to GDP ratios stayed at a relatively high level in Egypt (13.7% in 2013 from 10.8% in 2012) and Tunisia (6.8% against 5.1% in 2012). However, improvements were registered in Algeria (0.3% in 2013 against 4.7% in 2012), Mauritania (2.2% in 2013 against 2.9% in 2012), and Sudan (1.5% in 2013 after 3.5% in 2012), owing to the measures taken to cut Government spending and improve tax collection.

2.1.4. External sector

Available data on international transactions showed a deterioration in the current account balances of most countries, except Egypt and to a lesser extent Mauritania. Egypt recorded a surplus of 0.1% of GDP in 2013 after a deficit in 2012, on account of a reduced trade balance deficit and higher surpluses in the balances of services and revenues. Mauritania's current account deficit improved but remained high (25.0% of GDP against 31.0% of GDP in 2012), due to important level of imports relevant to investments in extracting industries and infrastructures projects. The current account balances of Sudan and Tunisia deteriorated as a result of larger trade deficits. The external accounts in Libya remained subject to both domestic political developments captured in oil production disruptions and external developments that affected oil prices. As far as the overall balance is concerned, owing to net inflows of investments, Egypt recorded a surplus in 2013 against a deficit in 2012, Mauritania continued to register surplus while the deficit of Sudan contracted. Conversely, Algeria's overall balance of payment posted a deficit in 2013 against a surplus in 2012.

2.1.5. Monetary sector

A deceleration of money supply growth was registered in most countries except in Egypt. Egypt recorded an increase in the growth rate of money supply in 2013 (18.4% against 8.4%), driven by the rise in domestic net assets. These developments were induced by the measures taken by the Central Bank of Egypt, including the reduction of the reserves requirement ratio, to address the depletion of liquidity against a background of social and political unrest. Money supply growth remained unchanged in Mauritania and decelerated in the other countries because of price stability measures implemented by the central banks of these countries. The rates of the expansion of liquidity in these economies ranged from 6.7% (Algeria) to 15.3% (Tunisia) in 2013 against 10.2% (Libya) to 40.2% (Sudan) in 2012.

2.2 - Western Africa sub-region

2.2.1 Economic growth

The macro-economic performance in the Economic Community of West African States (ECOWAS) was satisfactory, despite the slowdown in global economic growth. Indeed, the

Sub-region's economic growth rate stood at 6.6% in 2013 against 6.7% the preceding year. The growth rate recorded in 2013 is due to the acceleration in economic activity in several countries, namely Burkina Faso (6.8%), Côte d'Ivoire (9.0%), Ghana (7.1%), Liberia (8.1%), Nigeria (6.9%) and Sierra Leone (20.1%). These achievements were driven by the increase in external demand for natural resources, especially mining and oil products, the improvement in agricultural products and growth in services. At the zonal level, economic activity in the West African Economic and Monetary Union (WAEMU) was marked by a 5.8% growth in 2013 against 6.6% in 2012. The economic expansion in this zone was the result of the good performance of the secondary and tertiary sectors. The performance of the primary sector was negatively impacted by lower food production due to poor spatial and temporal distribution of rainfall, especially in some Sahel countries. In West African Monetary Zone (WAMZ), economic growth stood at 6.9% in 2013 against 6.8% the previous year, as a result of increased investment, particularly in socio-economic infrastructures, and final consumption.

2.2.2. Inflation

Inflation dropped in ECOWAS owing to the easing of pressures in the global commodity markets as well as the effects of tightened monetary policy in some countries. The average annual inflation rate declined to 7.1% in 2013 from 9.7% in 2012. In the WAEMU, the average inflation dropped to 1.5% in 2013 down from 2.4% in 2012 due to the decline in cereal prices and costs of energy in some countries. In the WAMZ, inflation went also downward with a rate of 8.8% in 2013 to be compared to 12.0% in 2012. This drop was reflective of the trend recorded in Nigeria, Guinea and Sierra Leone. In Cape Verde, the average inflation decreased from 2.5% in 2012 to 1.5% in 2013 due to the reduction in domestic demand.

2.2.3. Public finance

The ECOWAS region recorded in 2013 a deterioration of its fiscal position with an overall budget deficit (excluding grants) amounting to 4.3% of GDP against 3.6% in 2012. This under-performance was due to the maintenance of high public investment and public sector wage bill. The highest deficits in 2013 were recorded by The Gambia (10.8% against 13.5% in 2012), Niger (9.8% against 7.3% in 2012), Togo (9.0% against 8.2% in 2012), Burkina Faso (8.8% as in 2012), Ghana (8.7% against 7.6% in 2012) and Senegal (8.2% against 7.3% in 2012), despite improvements recorded in some of these countries. Conversely, Liberia, Nigeria and Benin recorded the lowest deficits in terms of GDP ratios: 1.4%, 2.7% and 3.8%. At the zonal level, the UEMOA recorded increasing budget deficit, excluding grants, (7.3% of GDP against 5.6% in 2012), as a result of public investments programmes implemented in most countries of this zone. In WAMZ, the overall deficit (excluding grants) was equivalent to 3.3% of GDP against 3.0% of GDP in 2012. Cape Verde's overall deficit (excluding grants) declined but remained high (10.9% of GDP against 14.0% of GDP in 2012). The public debt situation of ECOWAS deteriorated slightly, with total outstanding debt representing 26.5% of GDP in 2013 against 26.0 of GDP in 2012. This was mainly due to the increase in domestic debt, in the view of the improvement of the external debt position on account of debt cancellations obtained by some countries under the Highly Indebted Poor Country (HIPC) initiative.

2.2.4. External sector

The current account surplus of ECOWAS increased from 1.7% of GDP in 2012 to 2.2% GDP in 2013 due to the improvement in the current account of Nigeria which recorded a surplus worth 7.4% of GDP in 2013 against 7.3% of GDP in 2012. The other countries posted deficits in their current accounts, particularly Liberia (65.5%), Guinea (17.8%), Niger (15,7%) and The Gambia (15.2%). At the zonal level, the current account deficit of the

UEMOA zone worsened to 6.7% of GDP from 6.6% of GDP in 2012 as a result of the deterioration of trade and income balances. WAMZ's current account surplus increased in 2013 (4.9% of GDP against 4.3% in 2012) in connection with the improvement in Nigeria's current account balance. The overall balance of payments posted a deficit worth 0.4% of GDP against a surplus of 2.7% of GDP in 2012, due, among others, to the significant decline in the surplus of Nigeria (0.4% of GDP in 2013 against 4.3% of GDP in 2012).

2.2.5. Monetary sector

With the exception of Bank of Ghana and Central Bank of The Gambia which reviewed their policy rates upward to curtail inflation, all the Central Banks of ECOWAS member countries continued to implement accommodating monetary policies to support economic activity. Thus Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), Banque Centrale de la République de Guinée and Central Bank of Sierra Leone lowered their rates, while Central Bank of Nigeria (CBN) and Banco Central de Cabo Verde kept their rates unchanged. The growth in money supply in the ECOWAS was 4.7% in 2013 against 15.0% in 2012.

The banking sector of ECOWAS member countries remained generally sound and stable. However, some challenges are lingering, including non compliance with the credit solvency test and the high level of non-performing loan.

2.3 - Central Africa sub-region

2.3.1. Economic growth

Economic activity in Central Africa was characterized by a pronounced slowdown of the GDP growth in the Economic and Monetary Community of Central Africa (CEMAC), a recovery in economic activity in the Democratic Republic of Congo (DRC) and stable growth in the Democratic Republic of São Tome and Principe.

Real GDP growth rate in CEMAC Member States was 1.4% in 2013 against 5.8% in 2012. On the supply side, the growth was negatively impacted by the primary sector (-2.3 percentage points). Activity was sluggish in all the components of this sector, particularly in extractive industries (-12.3 points), the performance of which was affected by the drop of oil production in most oil producing countries due to ageing oil fields. The tertiary sector contributed 2.4 points to GDP in 2013, and remained the driving engine of growth. This was on account of sustained activity in mobile telephony and the good performance of tradable services. The demand side analysis shows that domestic demand was the main engine of growth with a significant contribution (2.4 points) due to consumption (1.4 point) and investment (1.0 point). Conversely, net external demand had a negative impact on growth (-1.6 point). A country-by-country review shows that economic activity accelerated in three countries (Cameroon, Congo and Gabon) and decelerated in Chad while Central African Republic and Equatorial Guinea experienced recession.

In the DRC, estimate for real GDP growth for 2013 was 8.5% against 7.2% in 2012. The 2013 growth was primarily spurred by the primary sector with a contribution worth 3.2 percentage points on account of the dynamism of the mining sector. Also the secondary sector and the tertiary sector contributed to growth (3.2 points and 1.7 point respectively). From expenditure perspective, growth was mainly underpinned in 2013 by domestic demand (8.3 percentage points) spurred by households' final consumption. Private and public investments contributions were 1.8 point and 0.3 point respectively. The external demand continued to negatively impact growth (-0.2 percentage point).

In São Tome and Principe, estimates show an economic growth of 4.0% in 2013 at the same level as in 2012.

2.3.2. Inflation

Regarding the domestic price trends the average annual inflation rate, measured by the household consumption price index, was 2.0 % in CEMAC member countries in 2013, against 3.8% in 2012. This resulted, among others, from the improved local supply of foodstuffs, particularly in Chad and Gabon, the weak demand in Equatorial Guinea and the decrease in the price of communication in Gabon and Cameroon. In DRC, domestic prices growth declined from 2.7% in 2012 to 1.1% in 2013. Also in Sao Tome and Principe, the inflation rate went down from 10.4% in 2012 to 7.1% in 2013.

2.3.3. Public finance

In the public finance domain, the CEMAC budget deficit on commitment basis, excluding grants, was estimated at 1.5% of GDP in 2012, i.e. 0.3 percentage point higher than in 2012. Given the 2.5% decrease in expenditure the increase in the budget deficit in 2013 is due to a higher decrease in revenue (4.0%) attributable to a drop in oil revenue which was not offset by the increase in non-oil revenue. A country-by-country analysis shows that CEMAC's deteriorated performance was due to the deficits recorded in Cameroon, Central African Republic, Equatorial Guinea and Chad. The impact of these negative results on CEMAC' overall performance was lessened by the consolidated surplus and positive budget balance recorded by Congo and Gabon respectively. Against a background of absence of formal programme backed by the Breton Woods Institutions, DRC's public financial transactions recorded a deficit equivalent to 0.04% of GDP in 2013 against a deficit of 2.5% of GDP in 2012. In São Tome and Principe, financial transactions recorded a budget deficit, excluding grants of 17.0% of GDP in 2013 against 10.7 % in 2012.

2.3.4. External sector

On the foreign trade side, the CEMAC's current account deficit widened from 3.2% of GDP to 6.5% of GDP in 2013. This was due to lower trade balance surplus and increased in the balance of services. A country-by-country analysis shows that all the CEMAC's member countries recorded deficits except Gabon and Equatorial Guinea. According to the estimates, DRC recorded a current account deficit of 7.1% GDP due to the deterioration of the balances of services and revenues. However, the overall balance of payment posted a surplus worth 0.1% of GDP driven by net inflows related to capital and financial accounts. São Tome and Principe's provisional data shows a decline in its current account deficit from 37.8% of GDP in 2012 to 26.8% of GDP in 2013 due to an improvement in the balance of transferts.

The ratio of CEMAC's outstanding external debt to GDP increased from 13.4% of GDP in 2012 to 16.0% of GDP in 2013. The other debt indicators (the ratios of debt service expressed as a percentage of exports and government revenues) also were on the high. The outstanding external debts of DRC and São Tome and Principe stood at levels equivalent to 12.9% of GDP and 76.9% of GDP respectively.

2.3.5. Monetary sector

Concerning the monetary situation in the BEAC, there was a 6.6% increase in money supply. This was the result of a 23.6% increase in credit to the economy on the one hand, and on the other hand a 22.0% improvement in the net credit position of States and a slight decrease (0.4%) in net foreign assets. To foster economic activity, the Banque Centrale du Congo (BCC) lowered twice its key rates bringing it from 4.0% to 2.0% between January and November 2013. Also to stimulate savings, BCC raised the reserve requirement on overnight deposits and maintained unchanged that on term deposits. Money supply growth stood at 18.2% by the end of 2013. The monetary situation in São Tome and Principe witnessed an expansion of money supply (M3) by 14.0% in 2013.

2.4. Southern Africa sub-region

2.4.1. Economic growth

Most countries in the Southern Africa Sub-region continued to grow at a moderate pace with the exception of Mozambique and Angola. The average growth for the entire region was 5.0 per cent. Mozambique economy achieved robust growth of 7.1 per cent in 2013 following 7.9 per cent growth in 2012. Growth continued to be fuelled by buoyant mining and quarrying activity, agriculture as well as transportation and communication sectors. The Angolan economy maintained a 5.1 per cent growth rate which was driven by robust oil production. A 6.5 per cent growth in the non-oil sector also contributed to the observed performance. South Africa, the largest economy in the region, grew at a lower rate of 1.6 per cent following 2.0 per cent the previous year. Growth continued to be restrained by, amongst others, the weak global demand, and the impact of a number of strikes across the country which curtailed production. Economic activity in Lesotho and Namibia continued to be driven largely by construction activity. Swaziland recovered in 2013, following a period of sluggish economic performance.

2.4.2. Inflation

With the exception of Malawi, the inflation rate in the countries in the Sub-region was single digit. The inflation rate was the lowest in Zimbabwe at 1.7 per cent in 2013 compared with 3.7 per cent in 2012. This was the result of adoption of the multi-currency system and, the combined effect of stable oil prices and the dampening of imported inflation emanating from the depreciation of the South African rand vis-à-vis the dollar. In Malawi, inflation accelerated to 27.8 per cent in 2013 from 21.3 per cent 2012. The increase reflected a rise in both food and non-food inflation, which was attributable to amongst others, the rise in fuel prices at the back of the depreciation of the Kwacha.

The average inflation for the Common Monetary Area (CMA) countries, decelerated to stand at 5.6 per cent in 2013 compared with 6.8 per cent in 2012, a result of, amongst others, the ease in food inflation. This development occurred despite the muteness of the pass-through of the sustained depreciation of the rand vis-à-vis major currencies. This unusual muteness is attributed to a number of possibilities, including a squeeze on profits of business entities and weak domestic economic conditions. Zambia also observed a deceleration in overall inflation from 7.3 per cent to 7.0 per cent, a reflection of the development in food inflation. However, the depreciation of the Zambian Kwacha and the rise in fuel prices continued to exert an upward pressure on the non-food inflation.

2.4.3. Public finance

The Sub-region's budget balance averaged -2.3 per cent of GDP in 2013, well within the prescribed criterion, despite a deterioration of 1.8 percentage points from -0.5 per cent average of 2012. With the exception of Namibia, South Africa, Zambia and Mozambique, the fiscal performance remained relatively sound. Lesotho's fiscal performance remained strong as showed by the surplus of 3.4 per cent of GDP recorded in 2013. This performance was indicative of government's commitment to fiscal sustainability through a build-up in government deposits and foreign reserves. The improvement in fiscal performance in Angola reflected, amongst others, tax reforms, aimed at broadening the tax base coupled with expenditure rationalisation measures. The fiscal deficit in South Africa reflected expansionary fiscal policy targeted at reigniting the economy.

2.4.4. External sector

In the external sector, most countries showed an improvement in balance of payments except Zimbabwe. Angola and Botswana continued to record the highest levels of external reserves measured in months of import coverage. The improvement in reserves in the case of Botswana was reflective of a lower import bill compared to the previous period. The high oil price levels was the main driver of the improvement in Angola's external reserves.

2.5 - Eastern Africa sub-region

2.5.1. Economic growth

Economic growth in the Sub-region was relatively stable in 2013 compared to 2012, with the exception of Rwanda and Somalia which experienced significant changes. Rwanda's real GDP growth slowed down to 4.6 percent compared to the average growth of 8 percent realized in the last ten years, mainly caused by cuts and delays in external budget support. Somalia's growth is estimated at around 4 percent in 2013 compared to GDP decreases in previous years. This was due to the shift to a more sustainable environment which fostered significant inflows and activity, particularly in the service sector, and agriculture sector which recorded increased food production against a background of favourable weather conditions. With respect to the other countries, Burundi, Kenya and Tanzania registered slight improvements in their growth rates which stood at 4.8%, 4.7% and 7.0% respectively in 2013 against 4.2%, 4.6% and 6.9% in 2012. These developments were supported by the performances in food production and increased activity in the services sector (Burundi), a stable macroeconomic environment as well as increased infrastructural development (Kenya) and strong performance in communications, financial intermediation, and manufacturing activities (Tanzania). The growth rates of Mauritius, and Uganda declined slightly to 3.2% and 5.7% respectively in 2013 from 3.4% and 5.8% in 2012. The development in the Mauritian economy was due to a decline in construction, all the other major sectors having recorded positive growth, notably financial and insurance activities, wholesale and retail trade, as well as manufacturing. That in Uganda was led by the slowdown in the performance of leading sub-sectors such as manufacturing, construction and financial services and the negative impact of regional unrest on net exports.

2.5.2. Inflation

Overall, inflation declined in the Sub-region in 2013, owing to notably, good performances in food production, subdued external price pressures, deceleration in international price of oil, low aggregate demand, stable exchange rates, and prudent stance of monetary policy. Besides Somalia, single digit inflation rates were registered in all the countries. The lowest inflation rate was registered in Mauritius (3.5%) and the highest one in Burundi and Tanzania (7.9%).

2.5.3. Public finance

With regard to the public finance, the ratio of budget deficit to GDP, excluding grants, deteriorated in all the countries between 2012 and 2013. It went from 7.6% to 9.1% in Burundi, 6.2% to 7.5% in Kenya, 2.5% to 3.9% in Mauritius, 12.3% to 13.0% in Rwanda, 5.3% to 5.8% in Uganda, and 8.6% to 8.7% in Tanzania. The deterioration observed was the result of, inter alia, important increases in infrastructure expenditures associated with low performance in revenue collection. Further, the ratio of public debt to GDP increased in 2013 or remained high in most countries.

2.5.4. External sector

External transactions in 2013 showed a widening of the current account deficit in most countries due to a combination of factors including the decline in the export of goods and services, the increase in imports of capital goods, particularly those needed for infrastructure development projects. However, overall balance of payment generally posted surpluses, resulting mainly from the increased inflows in form of capital grants, foreign direct investment, and other financial transactions, including Eurobond. The foreign exchange market remained generally stable during 2013 reflecting the impact of monetary measures, resilient inflows of direct and portfolio investment as well as diaspora remittances.

2.5.5. Monetary sector

The banking sector in the sub-region remained financially sound and profitable. It recorded an increase in assets, and the capital adequacy ratio remained high. The banking sector gross loans and advances grew significantly with households, trade, and real state sectors as beneficiary activities. The growth of deposit base was largely supported by aggressive mobilization by banks, of remittances and receipts from exports. Further, Central Banks enhanced the regulation and supervision of the banking sector in order to strengthen the financial stability, by coping with emerging vulnerabilities and curbing potential systemic risk in the financial system.

III – AMCP Implementation in 2013

Given the adverse impact of the international economic environment and regional / domestic factors on the macroeconomic performance of African States, which made it difficult to meet the AMCP convergence criteria, the Assembly of Governors decided, during its Ordinary Meeting held in Mauritius on 23 August, 2013, that the proceeding to stage IV be deferred for two years during which the criteria under stage III would still be valid. For this stage, the standards of the primary convergence criteria are as follows:

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

At the end of the first year of the extension period of stage III, the performance of member countries are not much satisfactory, as was the case in the previous years. Indeed, only four countries out of the fourty five that submitted their reports (i.e. 8.9%), fulfilled the primary criteria in 2013, compared to three countries in 2012. The development witnessed in 2013 resulted from the persistence of poor performances against the criteria on budget deficit, inflation, and foreign reserves. The compliance ratios for these criteria came out in 2013 at 33.3% for the budget deficit, 48.9% for inflation, and 26.7% for foreign reserves, compared to respectively, 42.2%, 35.6%, and 24.4% in 2012. As in the previous year, the criterion relevent to the elimination of Central Bank financing of budget deficit has been widely fulfilled (92.7).

As for the secondary criteria, available data indicate that, like in 2012, countries performances were particularly 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.

With regard to structural reforms, the West Africa report underlines the pursuit of efforts in the areas of statistics harmonization, modernization and integration of payment systems, and integration of financial markets. With respect to harmonization of statistics, methodological guides for national accounts and consumption price indices were validated. The works aimed at validating the Regional Methodological Guide for Compilation of Balance of Payments (BOP) and International Investment Position (IIP) were pursued. Regarding the payment systems, the continuation of the efforts aiming at upgrading them in the countries lagging behind (The Gambia, Guinea, Liberia, and Sierra Leone) resulted notably on RTGS coming live in Sierra Leone in August 2013. Concerning market integration, the West African Capital Market Integration Council was inaugurated in January 2013.

IV – Prospects for 2014

In prospect, global economic growth is expected to strengthen from 3.0% in 2013 to 3.6% in 2014 and 3.9% in 2015. Advanced economies GDP growth should increase to reach 2.2% in 2014 and 2.3% in 2015. The real GDP of emerging market and developing economies is expected to increase by 4.9% in 2014 and 5.3% in 2015. Inflation in advanced economies should reach 1.5% in 2014 and 1.6% in 2015. In emerging market and developing economies, inflation is expected to decline from about 6% currently to 5.5% in 2014 and 5.2% in 2015. Economies are expected to start diverging in 2014-2015. In foreign exchange markets, major uncertainties and volatility will still be associated with the currencies of emerging economies, in 2014-2015. For 2014-2015, with global demand expected to pick up moderately, commodity prices are expected to stabilize, though they are still subject to changes in supply-side factors, such as weather conditions (for agricultural commodities) and geopolitical tensions (for oil).

In Africa, real output growth should reach 4.8% in 2014 and 5.7% in 2015. The average inflation should increase above 7% in 2014 and then decline to 6.4% in 2015.

West African countries' 2014 economic and financial prospects are favourable. Indeed, ECOWAS' economic growth rate would stand at 7.2% in 2014 against 6.6% in 2013. This development would be mainly due to improvement in the oil and mining sectors on account of massive investments in these sectors. 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 Faso (7.0%), Côte d'Ivoire (8.2%), Ghana (8.0%), Nigeria (7.3%) and Sierra Leone (11.3%). ECOWAS is expected in 2014 to scale up efforts in controlling inflation. The regional budget deficit excluding grant is expected to decline in 2014.

The Central African countries are expected to experience in 2014 a recovery or a consolidation of economic activities.

The CEMAC zone is expected to record a high growth (6.1% against 1.4 in 2013) spurred by all the sectors and chiefly the tertiary sector which would remain the driving engine of growth. As far as demand side analysis is concerned, the economic activity would be supported by the domestic demand on account of vigorous final consumption and investments. Because of, among others, higher demand associated with the recovery of activity, inflation would increase to 3.0% at the end of 2014 from 2.0% a year earlier. The budget deficit, on commitment basis, excluding grants, is expected to decline from 1.5% of GDP in 2013 to 0.3% of GDP in 2014. The current account deficit would widen by 2.6 percentage points to 8.1% of GDP while the main indicators of external debt would improve. Money supply would grow by 5.5%.

Despite a slight decrease, the pace of DRC's economic activity would remain high in 2014. The economic growth rate is expected to stand at 7.5% a percentage point below the 2013 growth rate. The economic activity would be driven mainly by the primary sector which would contribute to growth by 4.4 percentage points, and to some extent the tertiary and secondary sectors (1.8 percentage points and 1.2 percentage points respectively). In the public finance domain, the situation as at April 2014 shows a surplus. The external accounts would continue to record a surplus, driven by the capital and financial account which would post a surplus worth 6.0% of GDP that would more than offset the current account deficit (4.2% of GDP). As far as the monetary situation is concerned, money supply would grow by 5.5%.

Concerning São Tome and Principe, the macroeconomic projections for the year 2014 are based on a 5.0% growth driven notably by public and private in investments. The inflation rate would stand at 6.0% at the end of 2014. The country is also going to pursue efforts to improve the profile of public finances. As far as the external accounts are concerned, the current account would record a deficit of 35.0% of GDP. The growth rate of money supply (M3) would stand below 10.0%.

The prospects for the East African countries in 2014 are overall favorable. GDP growth in all the countries of the Sub-region is expected to be relatively high and in an upward trend, owing notably to the performance of the primary and secondary sectors as the global recovery gradually takes hold. They should therefore benefit from increased trade in merchandise exports and remittance inflows, steady aggregate demand fuelled by strong consumption and investment growth both public and private. The economic growth rate will be over 5% in most of the countries. It will come out at 5.3% in Burundi, 6.0 in Rwanda and Somalia, above 7.0% in Tanzania, and at 6.1% in Uganda. Inflation is projected to remain contained at around 5%, owing to tight monetary policy, fiscal consolidation, moderate global inflation and continued stability in the world market oil prices, as well as improved food supply in the Sub-region supported by favorable weather conditions. The overall budget deficit of the Sub-region is globally projected to fall, reflecting the expenditure controls and improved revenue collection.

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

- A longer than expected stagnation of Euro Zone economies;
- An aggravation of geo-political strains;
- The volatility of the prices of the raw materials on which most African economies rely heavily on;
- The incidence of shocks related to climatic conditions;
- The persistence of socio-political trouble in many African Sub-regions.

Given these risk factors, and in order to pursue the reinforcement of their economies, African States should notably:

- continue to implement measures that can strengthen the foundations of their economies. To that end, they should put an emphasis on public spending rationalization, the modernization of revenue collection mechanisms and the reinforcement of fiscal administration governance through notably a stronger surveillance and the use of technology;

- strengthen the promotion of productive sectors and the diversification of their production process through the modernization of the agricultural sector, the inducement of the emergence of an industrial sector well integrated to the other sectors, the promotion of new information technologies, and the development of an effective financial sector;
- promote further the security within the countries of the Sub-regions through the strengthening of conflict prevention and resolution mechanisms;
- speed up the integration of the Sub-regions' economies through the unification of goods markets, the development of community infrastructures as well as the modernizing and integration of payment systems;
- reinforce the multilateral surveillance through, inter alia, the continuation of statistics and policy harmonization efforts, the creation within each Sub-region, of surveillance institutions, notably the convergence Councils planned in the AMCP;
- reinforce the convergence criteria credibility. This requires from the Sub-regions, the adoption of criteria and standards validated at the continental level. Further, the criteria should be relevant and the realistic nature of their thresholds should not be questionable. With this aim, the Experts who prepared the strategy for the establishment of the African Central Bank were supposed to undertake a study on the relevance of the convergence criteria thresholds. In the end, it was decided that this study will be done by the African Monetary Institute (AMI), which creation is recommended by the strategy. With regard to the required time for the start of AMI activities, and given the difficulties encountered to fulfill the AMCP convergence criteria, the Assembly of Governors could consider the advisability of tasking an Expert Group of AACB Central Banks with this study that could be undertaken in 2016. The terms of reference could be submitted by AACB Secretariat to the Assembly of Governors at its next meeting.

Conclusion

At the end of the first year of the extension period of stage III relevent to the implementation of the AMCP, most of the countries did not fulfill the four primary criteria. The prospect of meeting these criteria within the second year seems also questionable, given the constraints african economies are facing.

Therefore, countries and Sub-regions are encouraged to speed up the efforts aimed at strengthening african economies and deepening economic and monetary integration in the continent. Further, given the difficulties encountered by the countries to fulfill the AMCP convergence criteria, the Assembly of Governors could consider the advisability of undertaking, within a closer timeframe, the study on the relevance of the convergence criteria's thresholds.

Countries' performances against primary criteria in 2013

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	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
NORTH AFRICA										
Algeria	-4.7	-0.3	8.9	3.3	0.0	0.0	36.5	35.9	2	4
Egypt	-10.8	-13.7	7.3	9.8	NA	NA	3.1	3.1	0	0
Libya	0.0	-4.3	6.1	2.6	NA	NA	39.4	33.8	2	2
Mauritania	-2.9	-2.2	4.9	4.7	0.0	0.0	6.2	7.4	4	4
Sudan	-3.5	-1.5	35.1	37.6	3.0	2.4	1.5	2.0	0	1
Tunisia	-5.1	-6.8	5.6	6.1	0.0	0.0	3.9	3.6	1	1
WEST AFRICA										
Benin	-2.4	-3.8	6.7	1.0	0.0	0.0	5.5	4.5	2	2
Burkina Faso	-8.8	-8.8	3.8	0.5	0.0	0.0	5.5	4.5	2	2
Cabo Verde	-14.0	-10.9	2.5	1.5	0.0	0.0	4.0	5.1	2	2
Cote d'Ivoire	-4.1	-4.8	1.3	2.6	0.0	0.0	5.5	4.5	2	2
The Gambia	-13.5	-10.8	4.3	5.3	0.4	0.0	4.8	4.6	1	1
Ghana	-7.6	-8.7	9.2	11.6	21.6	9.2	3.4	3.6	0	0
Guinea	-5.4	-7.5	15.2	11.9	0.0	0.0	3.0	3.4	1	1
Guinea-Bissau	-8.1	-6.0	2.1	0.7	0.0	0.0	5.5	4.5	2	2
Liberia	1.8	-1.4	6.9	7.6	0.0	0.0	2.9	2.4	2	2
Mali	-1.3	-6.2	5.3	-0.6	0.0	0.0	5.5	4.5	2	2
Niger	-7.3	-9.8	0.5	2.3	0.0	0.0	5.5	4.5	2	2
Nigeria	-2.5	-2.7	12.2	8.5	0.0	0.0	8.5	8.9	3	3
Senegal	-9.0	-8.2	1.4	0.7	0.0	0.0	5.5	4.5	2	2
Sierra Leone	-8.0	-5.1	12.9	10.4	0.0	0.0	2.2	2.1	1	1
Togo	-8.2	-9.0	2.6	1.8	0.0	0.0	5.5	4.5	2	2
CENTRAL AFRICA										
Cameroon	-0.9	-2.8	2.4	2.1	0.0	0.0	6.0	5.8	4	3
Central Africa Republic	-2.9	-9.1	5.9	6.6	0.0	0.0	4.9	8.4	2	2
Congo	6.1	8.7	5.0	4.7	0.0	0.0	10.1	8.5	3	4
Gabon	2.4	1.6	2.6	0.5	0.0	0.0	8.8	9.8	4	4
Equatorial Guinea	-8.4	-7.0	3.6	3.0	0.0	0.0	6.5	7.9	3	3
Chad	-3.7	-5.5	7.5	0.2	0.0	0.0	3.1	2.7	1	2
DRC	1.3	-0.3	2.7	1.1	0.0	0.0	2.2	2.1	3	3
São Tome and Principe	-10.7	-17.0	10.4	7.1	0.0	0.0	7.0	8.0	2	2
EAST AFRICA										
Burundi	-7.6	-9.1	18.3	7.9	13.1	0.0	4.0	4.2	0	1
Comoros										
Kenya	-6.2	-7.5	9.4	5.7	0.2	0.2	4.3	4.5	0	0
Mauritius	-2.5	-3.9	3.9	3.5	0.0	0.0	4.9	5.2	3	2
Rwanda	-12.3	-13.0	6.3	4.2	NA	NA	3.8	4.5	0	1
Uganda	-5.3	-5.8	14.6	5.5	0.0	0.0	4.6	4.7	1	1
Tanzania	-8.6	-8.7	16.1	7.9	-2.5	-7.1	4.0	4.6	1	1
Djibouti										
Ethiopia										
Seychelles										
Somalia										
SOUTHERN AFRICA										
Angola	6.6	0.2	9.0	9.0	0.0	0.0	8.7	9.0	3	3
Botswana	-0.7	0.4	7.5	6.1	0.0	0.0	14	16.0	3	3
Lesotho	5.8	3.5	6.1	5.0	0.0	0.0	4.7	6.1	2	3
Madagascar	-	-	-	-	-	-	-	-	-	-
Malawi	-1.8	-2.7	21.3	27.8	NA	NA	2.3	2.2	1	1
Moçambique	-4.1	-4.6	2.1	4.4	0.0	0.0	3.9	4.4	2	2
Namibia	-3.1	-6.6	6.7	5.8	0.0	0.0	3.4	3.3	1	1
South Africa	-4.9	-5.4	5.6	5.6	0.0	0.0	4.8	4.7	1	1
Swaziland	0.1	-1.7	8.9	6.0	0.0	0.0	2.9	4.8	2	2
Zambia	-1.8	-5.4	7.3	7.0	0.0	0.0	2.8	3.0	2	1
Zimbabwe	-0.5	-2.3	3.7	1.7	0.0	0.0	0.8	0.6	3	3
Number of countries provided data on the criteria	45	45	45	45	41	41	45	45		
Number of countries that met the criteria	19	15	16	22	36	38	11	12		
Percentage	42.20%	33.33%%	35.60%	48.88%	87.80%	92.70%	24.40%	26.70%		

NA : Not available