Annex 3

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

38th ORDINARY MEETING OF THE ASSEMBLY OF GOVERNORS

(Malabo, Equatorial Guinea, August 14, 2015)

SUMMARY PROGRESS REPORT ON THE IMPLEMENTATION OF THE AFRICAN MONETARY COOPERATION PROGRAMME (AMCP) FOR YEAR 2014

I – International economic environment

Global economic activity continued to expand at a moderate pace of 3.4%[1] in 2014 at the same level as in 2013, reflecting a pick up in growth in advanced economies and a slowdown in emerging market and developing economies.

Growth in the United States was stronger than expected. Consumption, the main engine of growth, has benefitted from steady job creation and income growth, lower oil prices, and improved consumer confidence. In Japan, growth in 2014 was close to zero, reflecting weak consumption and declining residential investment. In the euro area, activity was weaker than expected in the middle part of 2014 but showed signs of a pickup in the fourth quarter with consumption supported by lower oil prices and higher net exports. Growth in China declined, as a result a decrease in investment growth particularly in the real estate sector. Growth in Latin America was modest, reflecting weak activity in Brazil, lower than expected growth in Mexico, and weakening momentum in other economies of the region.

Growth in advanced economies is projected to be stronger in 2015 (2.4%) relative to 2014 (1.8%), but weaker (4.3% against 4.6%) in emerging market and developing economies, owing to more subdued prospects for some large emerging economies and oil exporters. Global growth is forecast to rise to 3.5% in 2015 and 3.8% in 2016.

Global inflation has continued to stay subdued in 2014, due to weak economic activity, and decreases in the prices of commodities, especially fuels and food. As in 2013, headline inflation has been below-target at 1.4% in advanced economies, in favour of the decrease in oil prices, lower prices for other commodities, and a weakening of demand in a number of countries already experiencing below-target inflation such as the euro area and Japan. In emerging markets and developing economies, inflation is at 5.1% in 2014 compared to 5.9% in 2013. Declining prices of oil and other commodities in US dollar terms, have generally contributed to reductions in inflation through 2014, with the exception of countries registering important exchange rate depreciations. In advanced economies, inflation is expected to decline from 1.4% to 0.4% in 2015. However, it should increase from 5.1% to 5.4% in emerging markets and developing economies.

In the context of low inflation and feeble growth rates, the monetary policy stance in the advanced economies remained highly accommodative despite divergence in monetary policy direction across economies. In the US the Federal Reserve (Fed) ended the asset purchase programme in October 2014. In contrast, the European Central Bank (ECB) introduced new purchase programmes for asset-backed securities and covered bonds in October 2014, to support economic growth and reduce the risk of deflation in the euro area. In Japan, the BoJ increased its annual asset purchases amid continued concern on disinflation. In China, PBoC reduced its interest rates in November 2014, the first time since July 2012 to support economic activity following some concerns on weakening growth momentum.

In foreign exchange markets, most major and regional currencies depreciated vi-à-vis the US dollar. The broad-based depreciation against the US dollar was attributed mainly to stronger than expected economic data in the US and the Fed tapering. In the advanced economies the depreciation of the euro and Japanese yen against the US dollar was also supported by the announcement of additional monetary stimulus by the ECB and BoJ. In emerging market economies, besides the effects of the Fed tapering the emerging market economies' currencies depreciated against the dollar due to:

1 World Economic Outlook, April 2015

- weakening growth momentum and loaming signs in the financial sector in China;
- downturn in growth reflecting labour unrest and weakening investor confidence domestically and internationally in South Africa;
- widening of the current account deficit in India;
- lower growth and higher inflation affecting investor's mood in Brazil.

Commodity prices have broadly declined except for a few metals and agricultural groups, such as beverages and meet. Food prices fell as record harvest were registered for key crops. Wheat prices fell due to record global harvest. Corn prices as well as soybean prices declined as a result of good harvest in the United States. Crude oil prices dropped with ample supply and weak demand. Geopolitical tensions in Ukraine and Irak as well as numerous supply outages (namely in Libya) have not impacted prices, due to strong oil production growth, mainly from shale in the US. However, beverage prices have increased due to rising cocoa prices reflecting strong demand and as production in Côte d'Ivoire and Ghana were low. Both coffee and pork prices have increased due to supply problems (drought in Brazil and porcine virus in the US). Beef prices jumped due to strong demand and supply tightness in the US. The strong demand was partly due to elevated pork prices. Metal prices rebounded due to tighter supply. Aluminium prices increased due to tightening supply conditions outside China and declining stock levels. Zinc prices also climbed due to recent and expected closure of several large mines.

In 2014, Africa's growth rate was 3.9% (up from 3.5% in 2013), compared to 3.4% for the world economy. However, economic growth varies across Africa reflecting many factors such as differences in income levels, availability of natural resources, macroeconomic policies, and political and social stability. Growth remains highest in East, West and Central Africa respectively, and lowest in Northern and Southern Africa. The main challenges in all regions are to diversify and make growth inclusive. Demand and supply conditions could explain Africa's economic growth. On the supply side, Africa's growth has been mainly driven by agriculture, extractive industries, construction and services. On the demand side, growth has come from private consumption and investment in infrastructures. Africa's overall gross domestic product growth should accelerate to 4.5% in 2015 and 5% in 2016. Africa's average inflation decreased to 4.4% in 2014 from 5% in 2013, as energy and food prices declined. Overall, economic performances varied widely across the five AACB sub-regions as shown in the following sections.

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 are contrasted in 2014 compared to the overall declining trend registered in 2013. The real gross domestic product (GDP) growth increased in Mauritania (6.4 percent in 2014 against 5.7 percent in 2013) and Tunisia (2.4 percent after 2.3 percent in 2013, and expected at 3.0 percent in 2015), remained at 2.1 percent in Egypt and declined in Algeria (4.4 percent in 2014 against 7.1 percent in 2013) and Sudan (3.6 percent in 2014 after 4.4 percent in 2013). Libya recorded a GDP growth rate of -30.8 percent in 2013. The steady growth in the sub-region is supported notably by strong activity in non oil sectors like fishing, mining production, agriculture, as well as constructions and services. The poor growth performances in some countries are due to the various shocks (including political developments and security concerns) affecting the oil and tourism sectors.

2.1.2. Inflation

Overall, the average annual inflation declined in the Sub-region in 2014. Between 2013 and 2014 the inflation rate went from 3.3 percent to 2.9 percent in Algeria, 9.8 percent to 8.2 percent in Egypt, 4.1 percent to 3.5 percent in Mauritania and 6.1 percent to 5.5 percent in Tunisia. The rate of inflation increased in Sudan from 36.5 percent in 2013 to 36.9 percent in 2014, and remained at 2.6 percent in Libya in 2013 and 2014. The average annual rate of inflation dropped on account of prudent monetary policies, subsidies and fiscal measures against imported inflation, fall in the prices of oil and other primary commodities including food products as well as controls of the distribution channels. In Sudan, the rate of inflation increased owing to the economic measures taken by the Government, including the cut of subsidies on fuel.

2.1.3. Public finance

Public finance performances improved in Egypt, Mauritania, and Tunisia, and deteriorated in Algeria, and Sudan. The budget deficit to GDP ratios in Egypt, Mauritania and Tunisia came out respectively in 2014 at 12.8 percent, 2.1 percent and 5.0 percent against 13.7 percent, 2.2 percent and 6.8 percent in 2013. This ratio increased in Algeria (from 0.9 percent in 2013 to 7.6 percent in 2014) and Sudan (from 2.9 percent in 2013 to 3.2 percent in 2014). The improved performances were mainly due to measures taken to improve tax collection in order to cover current and investment expenditures. The worsening of the performances in Algeria is due to constraints in the production of the oil sector as well as on oil prices. In Sudan, the Government lost important tax receipts after the secession of South Sudan.

2.1.4. External sector

Available data on international transactions also showed a contrasted situation. Algeria recorded a current account deficit of 4.2 percent of GDP in 2014 after a surplus of 0.5 percent in 2013, owing to the decrease of hydrocarbon exports, the steady oil production increases of non OPEC countries reflected by the fall in oil prices, coupled with higher imports of goods and services. External reserves could cover 30.2 months of imports in 2014 against 35.9 months in 2013. Egypt registered an improvement in the current account balance due to increases in private and public transfers despite a decline in the tourism receipts. The number of months of imports cover by the external reserves went from 3.1 in 2013 to 3.3 in 2014. In Libya, external reserves would cover 28.2 months of imports in 2013. Mauritania's current account deficit went from 24.8 percent of GDP in 2013 to 21.3 percent of GDP in 2014. The high level of the current account deficit is due to the important level of imports pertaining to investments in extracting industries and infrastructures projects. The number of months of imports that would be covered by the external reserves went from 6.9 in 2013 to 6.6 in 2014. Sudan registered a current account deficit of 6.3 percent of GDP in 2014 after a deficit of 7.2 percent in 2013, on account of an improvement in the services and transfers balance, as well as an increase in foreign direct investments, despite an increase in imports and a fall in gold exports. The external reserves would cover 1.7 month of imports in 2014 against 2.0 months in 2013. Tunisia recorded a worsening of the current account deficit which came out at 8.9 percent of GDP in 2014 against 8.3 percent in 2013. This results notably from a fall in the national oil production, the increase in the demand of natural gaz for the production of electricity and the deficit in the food balance due to a decrease in the exports of olive oil. In 2015, the current account deficit should improve and stand at 7.5 percent of GDP. The number of months of imports to be covered by external reserves came out at 3.7 in 2014 against 3.5 in 2013.

2.1.5. Central Bank Financing of Budget Deficit

Only Sudan indicated direct financing of the deficit by the Central Bank in 2013 and 2014.

2.2 - Western Africa sub-region

2.3 - Central Africa sub-region

2.3.1. Economic growth

In 2014, the economic situation in DRC was mainly characterized by a strengthening of economic recovery, as well as a stability in the market of goods and services and the exchange rate market. Estimate for real GDP growth for 2014 was 9.5 percent against 8.5 percent in 2013, owing notably to the good performance of the primary sector with a contribution worth 5.5 percentage points (on which 4.7 percentage points came from the mining sector), the contribution of the tertiary sector by 2.6 percentage points and a better coordination of the implementation of economic policies between the Government and the Central Bank.

In São Tome e Principe, estimates show an economic growth of 4.5 percent in 2014 after 4.2 percent in 2013, on account of a higher output of the private sector, an increase in foreign direct investment and a more dynamic tourism sector.

2.3.2. Inflation

In DRC, domestic prices growth declined from 1.07 percent in 2013 to 1.03 percent in 2014. This rate of inflation is the result of feeble increase in prices along the year with a monthly average inflation rate of 0.11 percent. In São Tome e Principe, the inflation rate went down from 7.1 percent in 2013 to 6.4 percent in 2014, showing an improvement in price stability. The level of inflation is mainly explained by food products, beverages and cigarettes which contributed for 4 percentage points to the rate of inflation.

2.3.3. Public finance

In 2014 the Government of the DRC continued to implement reforms in the customs and tax authorities, aiming at modernizing the tax system and reinforcing the value added tax. In this regard, DRC's public financial transactions recorded a surplus of 0.12 percent of GDP against a deficit of 0.02 percent of GDP in 2013. In São Tome e Principe, Government financial transactions were affected by negative impacts of the international economic environment, notably by the decrease in grants. Therefore, they recorded a budget deficit, excluding grants of 16.8 percent of GDP in 2014 after 17.0 percent 2013.

2.3.4. External sector

According to the estimates, DRC recorded a current account deficit of 8.5 percent GDP in 2014 against 9.5 percent in 2013, owing notably to an improvement in the balance of current transfers. The external reserves would cover 1.8 month in 2014 against 2.1 months in 2013. São Tome e Principe's provisional data showed a current account deficit representing 34.3 percent of GDP in 2014 against 27.6 percent recorded in 2013, due mainly to structural weaknesses coupled with feeble export capabilities, compared to the volume of imports. The import coverage by external reserves came out at 6.7 months in 2014 after 8.0 months in 2013.

2.3.5. Central Bank Financing of Budget Deficit

DRC and São Tome and Principe did not register any financing of the budget deficits by the Central Banks in 2013 or 2014.

2.4. Southern Africa sub-region

2.4.1. Economic growth

Growth in most of the Southern Africa Sub-region countries slowed in 2014 compared to 2013. The average growth for the entire region was 4.3 per cent in 2014 compared to 5.0 percent in 2013. Economic performance of the sub-region has been affected by the slowdown in some major emerging market economies, particularly China. The low prices for key export commodities in the region also impacted the economic performances of the region. Only Madagascar, Malawi and Mozambique recorded improved growth in 2014 compared to 2013. Mozambique registered the highest growth of 7.5 percent against 7.4 percent in 2013. Growth in Mozambique was underpinned by strong activities in the agricultural, mining and quarrying, construction and financial services sectors. Malawi's economy recorded a growth of 6.3 percent up from 6.1 percent in 2013, which is attributed to a conducive macroeconomic environment and favourable rainfall conditions experienced during the 2013/2014 agricultural season. Growth in Madagascar started to pick up after a few years of political unrest, recording a 3.0 percent increase in real GDP in 2014 up from 2.4 percent in 2013, underpinned by improved mining activities, fisheries, banking and insurance and transport sectors. Angola, Botswana, Namibia and Zambia also recorded decent growth rates of 4.8 percent, 5.2 percent, 4.5 percent and 6.0 percent. They have, however, slowed down compared to 2013. Growth in South Africa, the sub-region's largest economy, slowed to 1.5 percent in 2014, down from 2.2 percent in 2013. The poor performance of the South African economy in 2014 is attributed to, among other factors, the adverse impact of labor strikes in the platinum mining sector, various structural impediments in the economy including electricity supply constraints, lower prices of key export commodities, subdued business and consumer confidence levels, and slow global economic growth. Swaziland and Zimbabwe recorded growth rates of 1.7 percent and 3.2 percent, respectively in 2014, which is a slow down compared to 2013.

2.4.2. Inflation

Only Botswana, Mozambique and Zimbabwe met the inflation criteria in 2014. Average inflation rate for the Sub-region decreased to 6.8 percent in 2014, down from 7.4 percent in 2013. Although only three countries met the criteria, inflation is relatively low in the sub–region, given that all the countries have stabilised on single digit values, with Malawi the only exception. At -0.2 percent, Zimbabwe has the lowest inflation in the Sub-region, largely on account of declines in food prices, which were generally in negative territory throughout 2014. The negative inflation in Zimbabwe reflects the downward corrections in both food and non-food prices, on the back of the spill-over effects of the hyperinflationary episodes experienced before 2009. In Malawi, inflation is still in double digits, but has declined from 27.3 percent in 2013 to 23.8 percent, mainly as a result of improved maize production. In Zambia, inflation rose to 7.8 percent in 2014 from 7 percent in 2013, as a result of increases in production and transportation costs following an upward adjustment in electricity tariffs and fuel prices. In general, the marked decline in crude oil prices during 2014, had a suppressing effect on inflation in the sub-region, however, the complete impact of low oil prices was eroded by the depreciation of currencies in the sub-region.

2.4.3. Public finance

Five countries (Botswana, Lesotho, Malawi, Swaziland and Zimbabwe) met the budget deficit criteria in 2014. The sub-region's average deficit increased from 1.7 percent of GDP in 2013 to 3.0 percent in 2014. Angola and Mozambique had the highest deficit at 7 percent and 10.1 percent in the sub-region, respectively. As the low sub-regional level indicates, all the other countries have their deficits below the 3.0 percent, with the exception of Namibia, South Africa and Zambia, which recorded deficits of 4.2 percent, 4.9 percent and 4.8 percent in 2014, respectively, compared to 3.7 percent, 5.3 percent, and 6.6 percent in 2013.

2.4.4. External sector

The external reserves position remains a challenging criterion for most of the countries in the Sub-region. Only Botswana, Angola and Lesotho registered months of import cover in excess of 6 months. It is however, worth noting that most countries showed an improvement in terms of months of import cover at the end of 2014 compared to the end of 2013. Botswana recorded the highest level of external reserves measured at 18.0 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 in the past have made it possible for Angola to achieve a build–up in external reserves. These have, however, declined as oil prices decreased in 2014. Angola's reserves declined from 8.1 months of import cover in 2013, to 6.5 months of import cover. Zimbabwe recorded the least level of reserves at 0.9 month of import cover, a slight improvement compared to the end of 2013. The levels of reserves are also relatively low in Namibia, Mozambique and Madagascar.

2.4.5. Central Bank Financing of Budget Deficit

Only Madagascar and Zambia indicated direct financing of the deficit by the Central Bank. The extent of deficit financing by the Central Bank in the two countries, however, remain well below the 10.0 percent fiscal revenues. The deficit financing was 1.6 percent and 3.5 percent of fiscal revenues of 2013 for Madagascar and Zambia, respectively.

2.5. Eastern Africa sub-region

2.5.1. Economic growth

Economic growth in the Sub-region was relatively higher in 2014 compared to 2013, with the exception of Burundi, Kenya and Tanzania. Burundi's real GDP growth remained at 4.7 percent in 2014 as in 2013, mainly supported by a rebound in coffee production, a strong construction sector, and implementation of major infrastructure projects. The Kenyan economy grew by 5.3 percent in 2014, slower than 5.7 percent in 2013, reflecting subdued activity mainly in agriculture, forestry and fishing sector on account of inadequate rains in some parts of the country. The Mauritian economy recorded below potential growth in 2014, albeit growing by 3.5 percent compared to 3.2 percent in the previous year. Growth was driven mainly by financial services, manufacturing and the distributive trade sectors. The Rwandan economy recovered in 2014 with real GDP growing by 7 percent from 4.7 percent in 2013, owing to good performance in all sectors of the economy. Tanzania's growth remained strong at 7 percent in 2014 although lower than 7.3 percent recorded in 2013, supported by increased production of crops following good weather conditions as well as increased construction activities. Uganda's real GDP growth increased to 5.0 percent in 2014/2015 from 4.7 percent in 2013/2014. This improved performance was driven by growth in agriculture, manufacturing and the industrial sectors where construction has continued to be a major driver of growth mainly an account of infrastructure investment.

2.5.2. Inflation

Inflation generally declined across the Sub-region, except in Kenya. Burundi's annual average inflation dropped to 4.4 percent in 2014 from 7.9 percent in 2013, mainly due to the fall in international oil prices, prudent monetary policy and lower domestic food prices. In Kenya, annual average headline inflation increased to 6.9 percent in 2014 from 5.7 percent in 2013. The increase in inflation reflected increases in the cost of food and non-food items including maize, tomatoes, meat and non-alcoholic beverages among others, which out-weighted notable declines in the cost of electricity and petroleum products including, diesel and kerosene. In Mauritius, annual average headline inflation declined to 3.2 percent in 2014 from 3.5 percent recorded in 2013, supported by stable domestic economic conditions coupled with low inflation in major trading partners, as well as falling international commodity prices. In Rwanda, annual headline inflation decelerated further to 1.8 percent in 2014 from 4.2 percent in 2013, mainly on account of falling international commodity prices as well as declining domestic food prices due to good performance of agriculture. Tanzania average headline inflation decelerated to 6.1 percent in 2014, compared to 7.9 percent in 2013, mainly due to falling global oil prices, improved food supply in the region, prudent monetary policy, and fiscal consolidation. In Uganda, annual average headline inflation declined to 4.3 percent in 2014 from 5.5 percent recorded in 2013, largely driven by low domestic food prices, low global inflation and declining global oil and food prices.

2.5.3. Public finance

Overall the ratio of budget deficit (excluding grants) to GDP decreased except for Kenya and Uganda. In Burundi, the ratio improved in 2014 reaching 8.5 percent against 9.4 percent in 2013. In Kenya, the ratio increase to 6.2 percent in 2013/2014 from 6 percent in 2012/2013. In Mauritius, the overall budget deficit to GDP ratio stood at 3.4 percent in 2014, down from 3.9 percent in 2013. In Rwanda, the overall budget deficit as share of the nominal GDP reduced from 14.5 percent in 2013 to 13.3 percent in 2013. In Tanzania, the fiscal deficit declined to 5.5 percent of GDP in the year ending June 2014 compared to a deficit of 7.6 percent recorded in the year ending June 2013. In Uganda, the overall fiscal deficit as a percentage of GDP rose to 5.1 percent in 2013/2014 from 5.0 percent in 2012/2013.

2.5.4. External sector

On the External transactions side, countries in the Sub-region registered improvements in their current account deficits except for Kenya and Uganda. In Burundi, the current account deficit stood at 23.4 percent of GDP in 2014, from 26.4 percent in 2013 owing to an improvement in trade balance. The rate of coverage of imports by external reserves remained at 4.2 months in 2014 as in 2013. Kenya's current account deficit widened to 10 percent of GDP in 2014 from 8.7 percent in 2013, reflecting faster growth in imports of capital equipment and declining receipts from tourism services and export of manufactured goods. External reserves covered 4.6 months in 2014 against 4.3 months in 2013. In Mauritius, the current account deficit narrowed to 5.5 percent from 6.3 percent in 2013, as a result of improvements in the goods, services and income accounts. The surplus on the services account increased mainly due to higher tourism earnings. International reserves represented imports cover of 6.2 months in 2014 compared to 5.6 months in 2013. In Rwanda, the current account deficit deteriorated to 11.2 percent of GDP in 2014 as imports of goods continue to outstrip exports of goods, mainly due to low prices for the most of exported products compared to 2013. International reserves could cover 5.2 months of import in 2014 against 4.4 months in 2013. In Tanzania, the current account deficit was 10.7 percent of GDP in 2014 compared to 11.2 percent recorded in 2013, owing to a decline in the oil import bill, coupled with improvement in manufactures exports and tourism receipt. The imports cover by external reserves represented 3.7 months in 2014 from 4.0 months in

2013. Uganda's current account deficit worsened to 9.5 percent of GDP in 2014, from 6.8 percent recorded in 2013, largely driven by strong growth in private sector imports. External reserves could cover 4.8 months of imports in 2014 compared to 4.6 months in 2013.

2.5.5. Central Bank Financing of Budget Deficit

No direct financing of the Government by the Central Bank was recorded in Mauritius, Uganda and Rwanda. Burundi did not meet the criteria, due to the drop of budget support in 2014, leading to the Central Bank extending overdraft facilities to the Government to finance the budget deficit. While overdrafts for 2013 were reimbursed, in 2014 they accumulated to 10.5 percent of the tax receipts of the previous year. In Kenya, net Central Bank credit to Government increased to 4.6 percent of the previous year's tax receipts in 2014, from 1 percent in 2013. In Tanzania, the law allows the Central Bank to provide overdraft facility to the Government to meet short term revenue-expenditure mismatch from time to time but at limited levels. Specifically, the Governments are allowed to use Central Bank overdraft not exceeding 12.5 percent of average of the actual collected revenues of the previous three fiscal years. In 2013/14, the ratio of central bank credit to the previous year's tax receipts was 3.5 percent (i.e. net claims), compared to 5.6 percent in 2012/13.

III – AMCP Implementation in 2014

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 second year, as for 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 two (2) countries out of the twenty five (25) that submitted their reports (i.e. 8.0%), fulfilled the four primary criteria in 2014, compared to five (5) countries out of 46 (i.e. 10.9) in 2013. The development witnessed in 2014 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 2014 at 25.0% for the budget deficit, 41.7% for inflation, and 30.4% for foreign reserves, compared to respectively, 28.3%, 45.7%, and 26.1% in 2013. As in the previous year, the criterion relevant to the elimination of Central Bank financing of budget deficit has been better fulfilled (72.7%).

As for the secondary criteria, available data indicate that, like in 2013, 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.

IV – Prospects for 2015

In prospect, global economic growth is projected to increase slightly to 3.5 percent in 2015 and then to rise further in 2016 to 3.7 percent. The increase in 2015 will be driven by rebound in advanced economies, supported by a decline in oil prices, with the United States playing the most important role. In emerging markets, in contrast, growth is projected to decline in 2015, reflecting downward revisions for oil exporters, a slowdown in China that reflects a move toward more sustainable growth that is less reliant on investment and a weaker outlook for Latin America resulting from softening of other commodity prices. Inflation is projected to decline in 2015 both in advanced economies and most emerging market and developing economies, reflecting primarily the impact of the decline in oil prices.

Africa's GDP growth is expected to strengthen to 4.5 percent in 2015 and 5 percent in 2016 after subdued expansion in 2013 (3.5 percent) and 2014 (3.9 percent). The 2014 growth was about on percentage point lower than expected, as the global economy remained weaker and some African countries saw severe domestic problems. But the world economy is improving and Africa will soon be closing in on the growth levels seen before the 2008-2009 global economic crisis. On the supply side, Africa's growth will mainly be driven by agriculture, extractive industries, construction and services. On the demand side the boost will come from private consumption and infrastructure investment.

Economic growth varies across Africa reflecting many factors such as differences in income levels, availability of natural resources, macroeconomic policies, and political and social stability. Growth remains highest in East, West and Central Africa, respectively and lowest in North and Southern Africa. The main challenges in all regions are to diversify and make growth more inclusive.

North Africa's growth remains uneven as fallout from the uprising of 2011 is still affecting countries. Libya is highly unstable with power struggle between different groups and a collapse of political and economic governance. By contrast, in Egypt and Tunisia greater political and economic stability is helping to improve business confidence. The gradual recovery of export markets and improved security should support growth, including in tourism. Algeria's oil production increased and is boosting growth together with non oil sectors. Mauritania continues to achieve the highest and steadiest growth in the region, supported by favorable macroeconomic and structural policies. This was mainly boosted in 2014 by parts of the mining sector (iron ore) and construction and on the demand side by private consumption and private investment.

West Africa achieved relatively high GDP growth of 6 percent in 2014 despite the outbreak of Ebola in the region. West Africa's growth is projected to become more moderate in 2015 and to strengthen again in 2016, driven mainly by Nigeria.

Southern Africa's growth slowed to below 3 percent in 2014 and only a moderate recovery is projected for 2015 and 2016. The subdued performance is due to the relatively poor growth in South Africa. The key economy's growth fell to 1.5 percent in 2014 from 2.2 percent the previous year. It suffered from weakened demand from trading partners and lower prices for its raw materials, while labor unrest and electricity shortages disrupted economic activity.

Eastern Africa's growth accelerated in 2014 to more than 7 percent, from below 5 percent in 2013. It is projected to decelerate to 5.6 percent in 2015 and accelerate again to 6.7 percent in 2016. East Africa will then again be the continent's fastest growing region. Kenya, Rwanda, Tanzania and Uganda kept up their relatively high growth. As these countries have small mining sectors and their manufacturing is also not very large, or has declined as a percentage of GDP, their growth is more driven by services and construction.

Central Africa's growth accelerated in 2014 to 5.6 percent from 4.1 percent in 2013. Economic conditions are, however, quite different between countries. Despite some damage from lower commodity prices, the mining sector and related investment remain the main engines of growth.

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. They 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, the Assembly of Governors could consider the advisability of tasking an Expert Group of AACB Central Banks with refining the macroeconomic convergence criteria in terms of definition and measurements, and review the AMCP in terms of realism and

consistency with regard to the macroeconomic convergence criteria of other regional blocks. Further, despite the 2-year extension which ended in 2014, most countries continue to miss the AMCP targets for Stage III, and Stage IV sets tighter targets. In this regard, the Assembly of Governors could decide an extension of Stage III for further 2 years, pending a review of the AMCP.

Conclusion

At the end of the second year of the extension period of stage III relevant to the implementation of the AMCP, most of the countries did not fulfill the four primary criteria.

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 tasking an Expert Group of AACB Central Banks with revising the convergence criteria in terms of definition, measurements and realistic nature of their thresholds. The Expert Group should also review the AMCP in terms of realism and consistency with the convergence criteria of regional blocks. Finally, given the difficulties encountered by most countries in meeting the convergence criteria, the Assembly of Governors could decide a further extension of Stage III of the AMCP for two years, pending a review of the AMCP.

Countries' performances against primary criteria in 2014

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	
	2013	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
NORTH AFRICA										
Algeria	-0.9	-7.6	3.3	2.9	0.0	0.0	35.9	30.2	4	3
Egypt	-13.7	-12.8	9.8	8.2	NA	NA	3.1	3.3	0	0
Libya	4.3	NA	2.6	NA	NA	NA	28.2	NA	2	-
Mauritania	-2.2	-2.1	4.1	3.5	0.0	0.0	6.9	6.6	4	4
Sudan	-2.9	-3.2	36.5	36.9	21.8	19.3	2.0	1.7	1	0
Tunisia	-6.8	-5.0	6.1	5.5	0.0	0.0	3	3.7	1	1
WEST AFRICA										
Benin	-3.8		6.7		0.0		5.5		1	-
Burkina Faso	-8.8		3.8		0.0		5.5		2	-
Cabo Verde	-10.9		2.5		0.0		4.0		2	-
Cote d'Ivoire	-4.8		1.3		0.0		5.5		2	-
The Gambia	-10.8		4.3		0.4		4.8		1	-
Ghana	-8.7		9.2		21.6		3.4		0	-
Guinea	-7.5		15.2		0.0		3.0		1	-
Guinea-Bissau	-6.0		2.1		0.0		5.5		2	-
Liberia	-1.4		6.9		0.0		2.9		2	-
Mali	-6.2		5.3		0.0		5.5		1	-
Niger	-9.8		0.5		0.0		5.5		2	-
Nigeria	-2.7		12.2		0.0		8.5		3	-
Senegal	-8.2		1.4		0.0		5.5		2	-
Sierra Leone	-5.1		12.9		0.0		2.2		1	-
Togo	-9.0		2.6		0.0		5.5		2	-
CENTRAL AFRICA										
Cameroon	-2.8		2.4		0.0		6.0		4	-
Central Africa Republic	-9.1		5.9		0.0		8.4		1	-
Congo	8.7		5.0		0.0		8.5		3	-
Gabon	1.6		2.6		0.0		9.8		4	-
Equatorial Guinea	-7.0		3.6		0.0		7.9		3	-
Chad	-5.5		7.5		0.0		2.7		1	-
DRC	-0.02	0.1	1.1	1.0	0.0		2.1	1.8	3	3
São Tome and Principe	-17.0	-16.8	7.1	6.4	0.0	0.0	-8.0	6.7	2	2
EAST AFRICA										
Burundi	-9.4	-8.5	7.9	4.4	0.0	10.5	4.2	4.2	1	1
Comoros										
Kenya	-6.0	-6.2	5.7	6.9	1.0	4.6	4.3	4.6	0	0
Mauritius	-3.9	-3.4	3.5	3.2	0.0	0.0	5.6	6.2	2	3
Rwanda	-14.5	-13.3	4.2	1.8	NA	NA	4.4	5.2	1	1
Uganda	-5.0	-5.1	5.5	4.3	0.0	0.0	4.6	4.8	1	2
Tanzania	-7.6	-5.5	7.9	6.1	-5.6	3.5	4.0	3.7	0	0
Djibouti										
Ethiopia										
Seychelles										
Somalia										
SOUTHERN AFRICA										
Angola	0.1	-7.0	7.7	7.5	0.0	0.0	8.1	6.5	3	2
Botswana	5.6	0.2	5.9	4.4	0.0	0.0	15.8	18.7	3	4
Lesotho	3.4	4.4	5.0	5.4	0.0	0.0	6.2	6.3	4	3
Madagascar	-2.0	-3.6	5.8	6.6	0.0	1.6	2.6	2.4	2	0
Malawi	-3.0	-2.5	27.3	23.8	0.0	0.0	3	4.3	2	2
Moçambique	-4.7	-10.1	4.2	2.3	0.0	0.0	3.1	2.9	2	2
Namibia	-3.7	-4.2	5.6	5.4	0.0	0.0	2.4	1.9	1	1
South Africa	-5.3	-4.9	5.8	6.1	0.0	0.0	4.3	NA	1	1
Swaziland	-0.2	-3.0	5.6	5.7	0.2	0.0	3.9	3.6	1	2
Zambia	-6.6	-4.8	7.0	7.8	9.8	-3.5	3.0	3.7	0	1
Zimbabwe	-2.2	-2.7	1.6	-0.2	0.0	0.0	0.6	0.9	3	3
Number of countries that provided data on the criteria	46	24	46	24	43	22	46	23		
Number of countries that met the criteria	13	6	21	10	36	16	12	7		
Percentage	28.26	25.0	45.65	41.66	83.72	72.72	26.09	30.43		

NA : Not available