House Committee on Foreign Affairs

Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations

Hearing on "Will there be an African Economic Community?"

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Chairman Smith, Ranking Member Bass, and Members of the Subcommittee, I would like to take this opportunity to thank you for convening this important hearing to discuss Africa's progress towards establishing an economic community. I appreciate the invitation to share my views on behalf of the Africa Growth Initiative at the Brookings Institution.

The Africa Growth Initiative at the Brookings Institution delivers high-quality research on issues of economic growth and development from an African perspective to better inform policy research. I have recently joined AGI from the International Monetary Fund's where I led or participated in a number of missions to Africa over the past 15 years.

Why is the African Economic Community Important?

Mr. Chairman, before we start answering the main question, "Will there be an Africa Economic Community?" it is important to look at the reasons why a regionally integrated Africa is beneficial to African nations as well as the United States.

In spite of its remarkable economic performance over the past decade, Africa needs to grow faster in order to transform its economy and create the resources needed to reduce poverty. Over the past 10 years, sub-Saharan Africa's real GDP grew by 5.6 percent per year, a much faster rate than the world economy, which grew by 3.2 percent. At this rate of 5.6 percent, the region should double the size of its economy in about 13 years. However, Africa remains vulnerable to both internal risks such as armed conflicts and external risks such as volatile commodity prices. More importantly, this rate of growth still hides important disparities among countries and falls short of the level needed to achieve the structural transformation that countries such as China have achieved.[1]

Since Africa is the least integrated region in the world, economic integration is one policy lever that can help increase and sustain its growth. Africa is a huge continent—as large as the U.S., Mexico, China,

[1] Thirteen countries, the so-called "growth miracles," have achieved fast and high sustained growth in the postwar period. They include Brazil; China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Malta; Oman; Singapore; Taiwan, China; Thailand; and only one African country, Botswana. See *The Growth Report: Strategies for Sustained and Inclusive Development* (2008), *World Bank,* http://go.worldbank.org/FC797ZNZP0

India, Japan, Western and Eastern Europe combined—but it remains a mosaic of 54 countries of various sizes, six of which are landlocked. Africa accounts for 1.8 percent of global imports of goods and 3.6 percent of global exports and these rates are lower in the services sector. [2] The political, economic and geographic fragmentation of Africa creates a number of barriers to trade, investment and the operation of supply chains. As a result, Africa is the most expensive region with which to trade in the world. Intra-regional trade is the lowest in the world and, for a decade, has remained stubbornly at about 10 percent (now up a few notches at 12 percent), compared to 30 percent for the Association of South East Asian Nations and 60 percent in the whole European Union.

Expected gains from greater economic integration for the continent include economies of scale as new markets open up, lower transaction costs and, more generally, a lower cost of doing business within the region. In order for these benefits to be captured, however, African countries will need to improve their infrastructure, including energy, communication, and transportation links. African companies need to innovate and diversify their products to conquer neighboring markets. African governments need to resolve a number of border issues, such as bad customs environments and long border delays. At present, it costs more than three times to ship a car from Abidjan, Côte d'Ivoire to Addis Ababa, Ethiopia ($5,000), than it is to ship it from Japan to Côte d'Ivoire ($1,500). Above all, however, African governments need to quickly build an effective crisis prevention and resolution mechanism as armed conflicts, in addition to their humanitarian costs, can inflict permanent losses on their economies.

Monetary union can also contribute to regional integration but requires careful management of the challenges that come with it, as illustrated by the recent crisis in the European Union. A common currency can save on various types of transaction costs and benefit from economies of scale. But a common currency also means that policymakers lose one important policy instrument—their national monetary policy—and thereby lose the ability to respond to some shocks, especially those that impact them differently than other countries in the monetary union (the so-called asymmetric shocks). One way to reduce such costs is through the use of labor mobility, wage and price flexibility, and fiscal transfers. Furthermore, as African countries face different shocks relative to their terms of trade (for example, some are oil exporters while others are oil importers), it will be important to build strong monetary institutions—such as an independent common central bank—and disciplined fiscal policies, especially for the larger members. Financial integration can also contribute to regional integration. But one lesson from the European crisis is that when capital flows from richer members to poorer members of a monetary union, credit should be used to finance productive capital and raise productivity. Otherwise, an abrupt reversal of capital flows is likely to happen.

African countries have small economies. For instance, Kenya's GDP is smaller than that of Madison, WI (Figure 1). Regional integration should help attract more foreign investments, including from the U.S., hoping to benefit from economies of scale. In 2012, East African Community (EAC) member countries combined would have been the United States' 80th largest goods export market in 2012, with U.S. goods exports to the EAC worth $965 million. Presumably, the EAC as a whole would rank higher as a

[2] African Union, Status of Integration in Africa, 2013, http://ea.au.int/en/content/status-integration-africa-sia-iv-2013

trading partner because working with the entire region reduces transactions costs for U.S. exporters compared to having to deal with each member country separately. When EAC members are considered separately, Kenya ranked the 98th largest U.S. export market and Rwanda, the 148th.

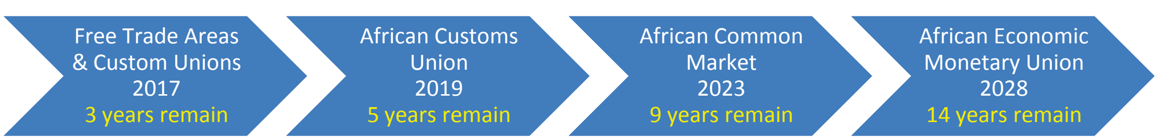
African Country	2012 real GDP (Millions)	U.S. Metropolitan Statistical Area	2012 real GDP (Millions)
Burundi	1,508	**Ann Arbor, MI**	16,880
Kenya	25,674	**Columbus, OH**	86,815
Rwanda	4,464	**El Paso, TX**	25,175
Tanzania	22,432	**Los Angeles, CA**	670,974
Uganda	14,735	**Madison, WI**	34,075
Sources: World Bank Databank 2013; BEA 2013; GDP in Constant 2005 $US			

Figure 1. Comparisons of GDP African Countries vs. U.S. Metropolitan Statistical Areas

The Roadmap for an African Economic Community

Mr. Chairman, hoping for their countries to benefit from regional integration, 51 heads of state and government signed the Abuja Treaty in 1991. The treaty, which entered in force in 1994, established a roadmap towards an African Economic Community to be completed by 2028. The roadmap included six stages starting with the creation of regional blocs (the Regional Economic Communities or RECs) (Stage I) and the strengthening of intra-regional integration and the harmonization between the blocs (Stage II). The remaining four stages planned for the consecutive establishment of free trade areas and customs unions in each bloc (Stage III), the creation of a continental customs union (Stage IV), the creation of an African common market (Stage V), and, finally, the establishment of an African economic monetary union and a parliament (Stage VI) (Figure 2 lists the years remaining for Stages III-VI). Although the first stage has been completed, the second stage, which was supposed to be finalized by 2007, is not fully completed because progress by regional blocs and the countries within them has been uneven.

Figure 2. Overall Deadline for the Establishment of the African Economic Community 2028



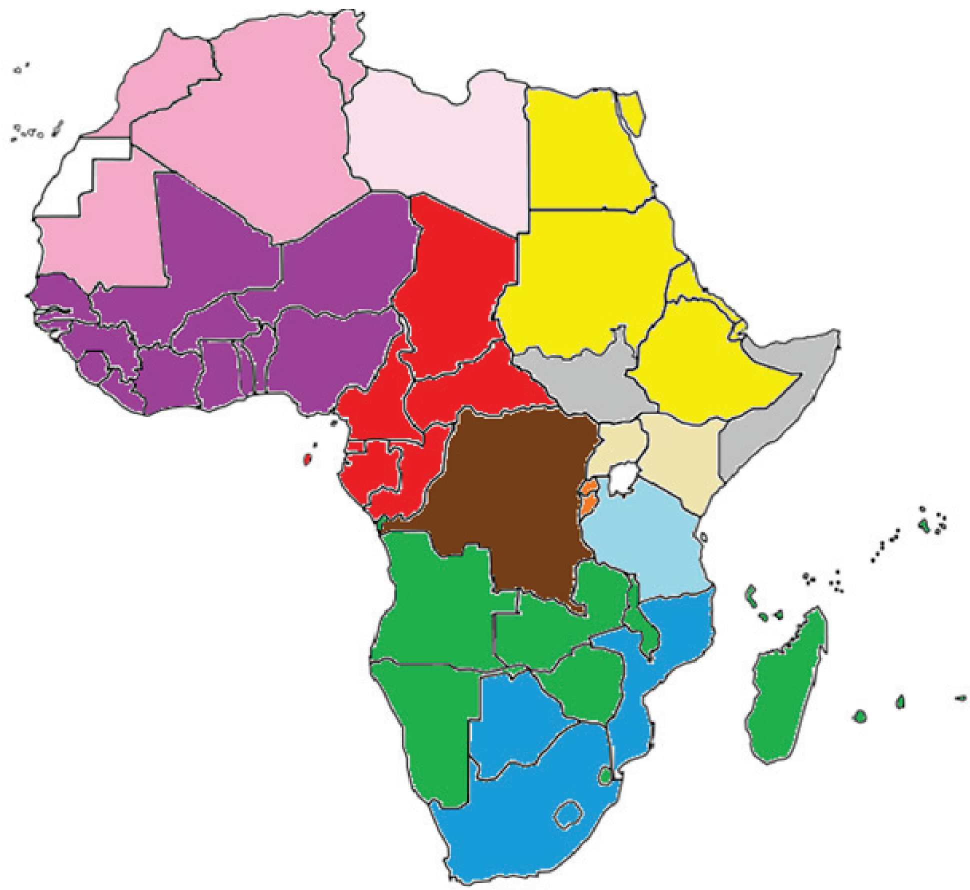
The Abuja Treaty relies on eight building blocks—the RECs—to achieve its goal of establishing the African Economic Community. Although they overlap, the RECs can be classified geographically as: the Arab Maghreb Union (AMU/UMA) in the north, the Economic Community of West African States (ECOWAS) in the west, the East African Community (EAC) and the Intergovernmental Authority on

Development (IGAD) in the east, the Southern African Development Community (SADC) in the south, the Common Market for Eastern and Southern Africa (COMESA) in the southeast, the Economic Community of Central African States (ECCAS) in the center, and the Community of Sahel-Saharan States (CENSAD) (which includes countries to the north of the Democratic Republic of the Congo, Comoros, and São Tomé and Príncipe, but excludes Algeria and Ethiopia) (see Map 1).

In addition to the planned integration of the regional blocs, the African Union has launched a number of integration programs and initiatives.[3] As with the regional blocs, these programs are at various levels of progress and implementation. The U.S. is, however, supporting some of these programs. In particular, USAID has allocated resources through it *Feed the Future Program* in support of the Comprehensive Agricultural Development Program (CAADP). The East African Public Health Laboratory Networking Project (EAPHLNP) which is a World Bank Funded Project is being implemented in collaboration with the EAC Secretariat and the U.S. Center for Disease Prevention and Control (CDC) and other partners. The objective of the project is —to establish a network of efficient, high quality, accessible public health laboratories for the diagnosis and surveillance of Tuberculosis (TB) and other communicable diseases.

[3] Examples of these include: the Program for Infrastructure Development in Africa (PIDA); the Comprehensive Africa Agricultural Development Program (CAADP); African financial institutions (including the African Central Bank, the African Monetary Fund and the African Investment Bank); the African Charter on Statistics (ACS) and the Strategy for the Harmonization of Statistics in Africa (SHASA); the Continental Free Trade Area (CFTA);Boosting Intra-African Trade (BIAT); and the Minimum Integration Program (MIP).

Map 1. Regional Economic Communities: Building Blocks of Regional Integration in Africa



Key	REC	Members
	AMU-Arab Monetary Union	Algeria, Libya, Mauritania, Morocco, and Tunisia
	ECOWAS-Economic Community of West African States	Benin, Burkina Faso, Cape Verde, Ivory Coast, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo
	ECCAS-Economic Community of Central Africa States	Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda, and São Tomé and Príncipe
	COMESA-Common Market for Eastern and Southern Africa	Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan
	EAC- East African Community	Burundi, Kenya, Rwanda, Tanzania, Burundi
	SADC-Southern African Development Community	Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe
	IGAD-Inter-Governmental Development Authority	Djibouti, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda
Overlapping Memberships		
	AMU/COMESA	Libya
	ECCAS/COMESA/SADC overlap	Democratic Republic of the Congo
	ECCAS/COMESA/EAC overlap	Burundi, Rwanda
	SADC/EAC overlap	Kenya
	SADC/COMESA overlap	Angola, Botswana, Namibia, Madagascar, Malawi, Mauritius, Seychelles, Zambia
Not marked	IGAD/EAC overlap	Kenya, Uganda
Not marked	IGAD/COMESA overlap	Djibouti
Not marked	CEN-SAD overlap	Benin, Burkina Faso, Central African Republic, Chad, Ivory Coast, Djibouti, Egypt, Eritrea, the Gambia, Ghana, Guinea-Bissau, Liberia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo, and Tunisia.

Progress Towards the African Economic Community

Mr. Chairman, regional integration is happening across Africa, but the progress towards the stages of the Abuja Treaty is happening at different speeds. Economic communities with pre-existing institutions have had the most success in maintaining and establishing monetary unions. Additionally, the implementation of single currency across Africa is unlikely, but some expansion of the existing monetary institutions is possible.[4] Ultimately, regional integration is not limited to the establishment of a monetary union, and a focus on the freedom of movement of the other factors of production can help build economies of scale.

The eight Regional Economic Communities (RECs) have different levels of advancement across the components of regional integration, e.g. freedom of movement for capital and goods, unification of currencies, and labor mobility. Simply put, four RECs are measurably progressing at regional integration, and four are falling behind. As of 2013, the East African Community (EAC) appears to have made the most progress overall towards the stages of the Abuja Treaty (see Annex, Table 1).

Even within regional groupings, the progress of individual countries towards achieving convergence targets is uneven. The diversity of countries within the same regional bloc is at times very pronounced. For instance, the Central African Republic is the only non-oil exporting country in the CEMAC and is currently experiencing an armed conflict. Other countries such as Burundi in the EAC and Ivory Coast, Guinea, Guinea Bissau, Liberia and Togo in the ECOWAS are all classified as fragile countries by the IMF. Countries with different economic classifications favor different policies. In addition to the variation of economic classification, there is significant overlap of membership between RECs. This is a problem because countries belonging to more than one regional bloc can find it difficult to prioritize their policies.

Freedom of Movement for Capital and Goods: Reduction in Tariff Barriers to Trade

Notably, the EAC launched a common market union across its member states in 2010 (after having five years to adapt to unified customs procedures). The EAC members are also moving forward with the 2015 deadline to have a single currency as well as broadly appearing to have made the most progress on primary macroeconomic policy convergence targets among member states (see Annex, Table 2). The EAC has doubled its intra-regional trade in the past five years, and regional GDP has quadrupled within the past 10 years.[5] However, amid the many successes of the EAC, recent perceived isolation of Burundi and Tanzania has eroded the cohesion of the grouping.

Keeping pace with the EAC, COMESA launched its customs union in 2009. SADC and ECOWAS are working on the level of building their Free Trade Areas (FTA); the two RECs have set 2013 (originally

[4] For more information see Masson and Pattillo (2005), The Monetary Geography of Africa, Brookings Press
[5] White House Fact Sheet: Trade Africa, July 1, 2013, http://www.whitehouse.gov/the-press-office/2013/07/01/fact-sheet-trade-africa

2010) and 2015 as their respective dates for launching a customs union. The transition from a FTA to a single customs union is posing a challenge for SADC. According to the SADC secretariat, the delay in convergence to the customs union stems from the difficulty of merging the RECs' eleven external tariffs into one Common External Tariff.[6] The EAC, COMESA and SADC are also working toward a Tripartite Free Trade Area to reduce the "spaghetti bowl" effect of overlapping membership. In general, there has been some interest and movement in sub-Saharan Africa towards a reduction in duplication and overlap.

The four RECs lagging behind in terms of the six stages of the Abuja Treaty are ECCAS, CENSAD, AMU and IGAD. ECCAS has attempted to launch a Free Trade Area, but, according to the *African Union Status of Integration in Africa VI*, is having problems with implementation.

Unification of Currency: En Route to the African Monetary Union

Despite a crisis striking in the European Union's euro zone in 2012, the Africa region continues moving ahead on the unification of monetary currencies. However, the most progress towards a monetary union has been made in areas that have a historical precedence of single currencies that were established during the colonial period: West African Economic and Monetary Union (WAEMU), ECCAS, and EAC. While the EAC does not currently have a single currency, the Eastern African countries ruled in the past by the United Kingdom (Kenya, Uganda, Tanganyika and Zanzibar) utilized the East African shilling, but later diverged after independence. While it is likely that some existing monetary unions could expand to encompass new members, it is unlikely that a monetary union across Africa will form by 2028.

Nigeria creates at the moment one of the largest potential impediments to the feasibility of a single monetary union in West Africa due to the size of the Nigerian economy compared to countries in the ECOWAS. For example, the entire WEAMU has a GDP of approximately $75 billion while Nigeria alone has a GDP of $260 billion (in 2013 USD). Nigeria is a major oil exporter while many other West African countries import oil.

Maintaining fiscal discipline across individual states is a serious challenge as budgets are controlled by politicians and subject to the extraction of rents, especially before elections. In these conditions, building strong monetary and fiscal institutions is a prerequisite of a successful monetary union. That being said, regional integration is not limited to monetary unions, and can be better served by focusing on the other components that help African nations gain access to the economies of scale, e.g., freedom of movement of the factors of production.

Labor Mobility: The Status of Freedom of Movement Protocol

In addition to reducing trade barriers to goods and money, the African Union's Abuja Treaty has plans to improve the mobility of labor throughout the region. The ultimate goal of the African Economic Community is for citizens of all nations in Africa to have the right to move across borders and the right

[6] SADC, Customs Unions, 2012 http://www.sadc.int/about-sadc/integration-milestones/customs-union/

to establish business in every country in the AEC. As with Stages I-VI of the Abuja Treaty, the development of labor mobility protocol, i.e. REC wide visas, is also moving at different paces. Most RECs have laid out the legal framework to provide for the movement of people, but insecurity, illegal activity and road infrastructure has delayed implementation.

In the area of labor mobility, ECOWAS has made the most progress. ECOWAS grants 90-day visas to members and has a regional passport to facilitate the movement of ECOWAS members. Benin, Ghana, Guinea, Liberia, Niger, Nigeria and Senegal have converted to the ECOWAS passport.[7] The EAC passport is reportedly held by a small number of people within the EAC, but is scheduled to be ready for full roll-out by 2016.[8] SADC and COMESA members offer 90-day visas to members, while CEMAC members have plans to roll out a 90-day visa. Rwanda has adopted an open door policy and started issuing entry visas to all African nations, not just EAC or COMESA members, on January 2013.[9]

In addition to progress in these three components in regional integration there are regional efforts to harmonize rules of origin, improve transportation, build infrastructure and to commit more funding to the agriculture sector.[10]

Challenges to Regional Integration

Mr. Chairman, African governments will need to address a number of challenges in order to meet the goal of an African Economic Community by 2028. In particular, African policymakers should redouble their efforts to:

- **Maintain regional peace and security:** Ongoing armed conflicts in the continent, such as in South Sudan and the Central African Republic, derail regional economic integration efforts. They not only inflict important human and economic costs on countries, but also result in the destruction of infrastructure. The spillovers from these crises have short- and long-term effects on both countries of origin as well as their neighbors. Pending a stronger continental crisis prevention and resolution mechanism, RECs such as IGAD in South Sudan and the ECCAS in the Central African Republic play an important role in the resolution of armed conflicts through mediation or peace keeping operations.

- **Strengthen common institutions:** Regional integration, especially monetary integration, requires independent institutions with the relevant expertise. Member country governments should establish a sustainable funding mechanism for common institutions such as the RECs' secretariats and commissions. In addition, common institutions should be able to monitor and evaluate the integration process on a timely basis, and be able to apply sanctions to countries that fail to respect their regional obligations. Regional integration often involves trade-offs

[7] United Nations Economic Commission of Africa, Assessing Regional Integration in Africa VI, 2013
[8] Ibid.
[9] Rwanda Directorate General of Immigration and Emigration, 2013, https://www.migration.gov.rw/
[10] For more information on the development of these efforts, see AU 2013, *The Status of Regional Integration in Africa VI.*

between short-term costs such as the loss of customs revenues and long-term gains such as access to larger markets, which often causes delays in integration. A compensation mechanism can give incentives to governments to remain engaged to the integration agenda.

- **Streamline regional integration priorities:** The large scope of existing regional programs shows that there is a lot of effort toward regional integration, but that members have varied priorities. Difficulties in funding such a wide array hamper the speed of regional integration. Focusing on a reduced number of top priorities, such as building infrastructure and increasing regional trade would accelerate integration. In addition, many African countries belong to more than one REC, which leads to inefficiencies when policies between different RECs are not harmonized. The harmonization of policies would reduce such inefficiencies.

Implications for the United States

Mr. Chairman, as you know there are ongoing efforts by the United State to support regional integration. The *U.S. Strategy Toward Sub-Saharan Africa* (June 2012) includes the promotion of regional integration as a way to accelerate inclusive economic growth. It notes that increased African regional integration would create larger markets, improve economies of scale, and reduce transaction costs for local, regional, and global trade. The strategy also says that the U.S. will work with RECs, through national governments and programs such as the U.S.-Eastern Africa Community Trade and Investment Initiative reduce the barriers to trade and investment flows across the continent. To do so, the U.S. will promote trade facilitation, customs modernization, and standards harmonization; support regulatory coherence and transparency; improve infrastructure that strengthens regional trade and access to global markets; and explore ways to remove impediments to efficient operation of supply chains in the region.

Following two hearings to explore the economic potential of sub-Saharan Africa, the Senate Foreign Relations Subcommittee on African Affairs established a roadmap for U.S. economic engagement with Africa.[11] The roadmap recommends that the U.S. support African-led efforts to improve the business climate on the continent and remove barriers to trade. In particular, it recommends enhancing regional economic integration, primarily including through enhanced support of the three regional trade hubs funded by USAID. The current U.S. initiatives to support regional integration in Africa should be commended.

Mr. Chairman, in order for the U.S. efforts to support regional integration in Africa to have a bigger impact on the lives of Africans and increase opportunities for trade with the United States, I suggest deepened engagement. I have outlined two current programs that should be expanded beyond the EAC and other bilateral efforts to additional RECs.

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[11] U.S. Senator Chris Coons, Embracing Africa's Economic Potential, March 7, 2013, http://www.coons.senate.gov/embracing-africas-economic-potential

Mr. Chairman, I recommend the following actions to support regional integration:

- **Broaden *Trade Africa* to other RECs:** *Trade Africa,* which was announced during President Obama's 2013 visit to Africa, is an initiative that seeks to increase internal and regional trade within Africa and expand economic ties between Africa, the United States and other global markets. However, the initiative focuses only on the East African Community (EAC) and aims to double intra-regional trade in the EAC and increase EAC exports to the United States by 40 percent. Although in principle *Trade Africa* will be extended to other RECs, there is merit in expanding the initiative quickly. At a minimum and pending their inclusion in the program, these RECs could build capacity by adapting to the harmonization standards being associated to the initiative. A roadmap for RECs to join the initiative could be established.

- **Expand *Power Africa* to include regional projects and support continental effort to improve infrastructure:** During his 2013 visit to Africa, President Obama also announced *Power Africa*—an initiative to double the number of people with access to power in sub-Saharan Africa and add more than 10,000 megawatts (MW) of electricity generation capacity. The initiative is a good example of how African governments, the private sector, and other partners such as multilateral banks can address Africa's large infrastructure gap. However, the initiative focuses only on six countries (Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania). The initiative could coordinate with regional and continental initiatives to address infrastructure gap, including for power. For instance, the Program for Infrastructure Development in Africa (PIDA), a collaboration of the African Union Commission, the New Partnership for African Development and the African Development Bank, also aims to address Africa's large infrastructure gap. This is important since regional projects could benefit from economies of scale and lay the basis for a regional energy market. More generally, the *Power Africa* model, although yet to be tested, has the potential to be useful for infrastructure projects beyond the power sector.

- **Strengthen REC's Secretariats and Commissions:** African RECs would benefit from funding and capacity building, such as design, implementation and monitoring. Building strong institutions would help lay the basis for faster and better quality economic integration and potentially for monetary integration. The U.S. could coordinate with the African Union and the RECs, to encourage multilateral institutions such as the IMF and the World Bank Group to step up their support to regional integration in Africa. Since African nations lack representation in these global governance institutions, pressure from the U.S. on the multilaterals could greatly increase support for RECs.

Annex. Table 1. Status of Implementation of the Abuja Treaty per REC

Progressing RECS					
REC	**Free Trade Area AEC by 2017**	**Customs Union AEC by 2019**	**Common Market AEC by 2023**	**Common Visa**	**Monetary Union AEC by 2028**
EAC	Yes	Yes, since 2009	Yes, since 2010	No, but est. deadline 2016, and 90 day visas	No, est. deadline 2015
COMESA	Yes, since 2000	Yes, since 2009 NB: 14 out of 19 members are members of the FTA	No	No, but 8 members offer visas; flexibility for visas for members	No, working toward framework for monetary cooperation
ECOWAS NB:WAEMU is scheduled to merge with ECOWAS, deadline 2020	Yes, since 2006 NB: ECOWAS Trade Liberation Scheme, working on CET nomenclature	No, est. deadline 2015	No	Yes NB: Progressing on roll out of ECOWAS passport, brown card, Eco-visa	No*, est. deadline for West African Monetary Zone, 2016 and merge with UEMOA 2020
SADC	Yes, since 2008 NB: Working on merging external tariffs	No, est. deadline 2013 (not achieved)	No, est. deadline 2015	No, but offers 90 day visas to members	No, est. deadline monetary union 2016, single currency 2018
Lagging RECS					
REC	**Free Trade Area AEC by 2017**	**Customs Union**	**Common Market EAC**	**Common Visa AEC by 2028**	**Monetary Union AEC by 2028**
ECCAS	Yes, since 2004 Problems with implementation	No	No	No, plans for a 90 day visa for members	Yes, CEMAC
CENSAD	No, Pre-Free Trade Area, last deadline 2010 NB: Working on tariff phase down	No	No	No, but visas for diplomats and service personnel are in place	No
IGAD	No, Pre-Free Trade Area NB: Implementing Minimum Integration Plan	No	No	No, but bilateral agreements are in place	No
AMU	No, Pre-Free Trade Area	No	No	No, only Tunisia, and trilateral and bilateral agreements are in place	No

Sources: ARIA VI (2013), SIA IV (2013)*WAEMU already has a single currency, the CFA, but is scheduled to merge with the West African Monetary Zone once it has been established, the currency is the "Eco".

Annex. Table 2. The Status of Some Comparable Convergence Targets for Currency Unions

CEMAC Targets	**N/A**	**No Target**	**Debt/GDP Less than or equal to 70%**	**Less than 3%**	**No Target**
CEMAC Countries	**Classification**	**Real GDP growth (%)**	**Debt to GDP ratio (%)**	**Inflation (average annual % change)**	**Reserves 2013 (mo. of imports goods and services)**
Cameroon	Oil-Exporting	5.4	17.7	9.4	3.3
Central African Republic	Fragile	4.3	28.3	2.0	3.8
Chad	Oil-Exporting	8.1	36.1	1.5	2.6
Republic of Congo	Oil-Exporting	6.4	25.4	4.5	12.7
Equatorial Guinea	Oil-Exporting	-2.1	6.1	5.0	7.4
Gabon	Oil-Exporting	6.1	25.8	3.0	3.9
EAC Targets	**N/A**	**7% real GDP growth annually**	**Debt to GDP ratio less than 50%**	**Less than 5%**	**6 months of goods and services**
EAC Countries	**Classification**	**Real GDP growth 2013 (%)**	**Debt to GDP ratio 2013 (%)**	**Inflation 2013(average annual % change)**	**Reserves 2013 (mo. of imports goods and services)**
Burundi	Fragile	4.5	28.6	9.0	3.6
Kenya	Low-income	5.8	47.9	5.2	3.4
Rwanda	Low-income	7.6	27.7	4.9	4.6
Uganda	Low-income	7.0	37.6	5.5	4.3
Tanzania	Low-income	4.8	44.9	9.0	3.4
ECOWAS Targets	**N/A**	**No Target**	**WAEMU Debt to GDP ratio less than or equal to 70%**	**5% or lower**	**6 months of goods and services**
ECOWAS Countries	**Classification**	**Real GDP growth 2013 (%)**	**Debt to GDP ratio 2013 (%)**	**Inflation 2013(average annual % change)**	**Reserves 2013 (mo. of imports goods and services)**
Benin (WAEMU)	Low-income	4.1	37.2	3.5	3.8
Burkina Faso (WAEMU)	Low-income	7.0	28.7	2.0	2.8
Cape Verde	Middle	4.1	106.3	4.0	3.3
Ivory Coast (WAEMU)	Fragile	8.0	45.4	3.1	3.7

Annex. Table 2. Continued, The Status of Some Comparable Convergence Targets for Currency Unions

ECOWAS Targets	N/A	No Target	WAEMU Debt to GDP ratio less than or equal to 70%	5% or lower	6 months of goods and services
ECOWAS Countries	**Classification**	**Real GDP growth (percent)**	**Debt to GDP ratio (percent)**	**Inflation (average annual % change)**	**Reserves 2013 (mo. of imports goods and services)**
The Gambia (WAMZ)	Low-income	8.9	70.4	5.5	6.1
Ghana (WAMZ)	Middle	6.9	56.6	8.4	2.9
Guinea (WAMZ)	Fragile	4.5	44.9	11.2	1.5
Guinea Bissau (WAEMU)	Fragile	4.2	60.5	3.0	5.8
Liberia (WAMZ)	Fragile	7.5	26.9	6.4	2.6
Mali (WAEMU)	Low-income	4.8	31.2	2.9	3.1
Niger (WAEMU)	Low-income	6.2	39.2	1.7	3.5
Nigeria (WAMZ)	Oil-Exporting	7.2	17.9	10.7	6.8
Senegal (WAMZ, WAEMU)	Middle	4.0	47.2	1.5	3.8
Sierra Leone (WAMZ)	Low-income	17.1	40.1	8.7	2.3
Togo (WAEMU)	Fragile	5.1	46.1	4.2	1.5

Source: SIA IV (2013), IMF Regional Economic Outlook: Sub-Saharan Africa (2013), Statistical Appendix

Further Reading

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