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MEMORANDUM OF THE PRESIDENT
OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
REGIONAL INTEGRATION ASSISTANCE STRATEGY
FOR
CENTRAL AFRICA

JANUARY 10, 2003

Africa Region

CURRENCY EQUIVALENTS

CEMAC
Currency Unit = CFA Franc
US$1=639.32 CFA
(as of Dec. 18, 2002)

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

January 1- December 31

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AfDB	African Development Bank
AGOA	Africa Growth Opportunity Act
BCEAO	*Banque Centrale des Etats de l'Afrique de l'Ouest* (Central Bank of West African States)
BDEAC	*Banque de Développement des Etats de l'Afrique Centrale* (Development Bank of Central Africa)
BEAC	*Banque Centrale des Etats de l'Afrique Centrale* (Central Bank of Central African States)
CAS	Country Assistance Strategy
CEMAC	*Communauté Economique et Monétaire de l'Afrique Centrale* (Economic and Monetary Community of Central Africa)
CESAG	*Centre Africain d'Etudes Supérieures en Gestion* (African Center of Advanced Management Studies)
CET	Common External Tariff
CFA	*Communauté Financière Africaine* (African Financial Community)
COBAC	*Commission Bancaire d'Afrique Centrale* (Banking Commission of Central Africa)
COMIFAC	*Conférence des Ministres des Forêts d'Afrique* (Conference of Ministers of Forestry of Central Africa)
DRC	Democratic Republic of Congo
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States

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ECOWAS	Economic Community of West African States
ESMAP	Energy Sector Management Assistance Programme
ESW	Economic Sector Work
EU	European Union
GEF	Global Environmental Fund
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immune Deficiency Syndrome
ICAO	International Civil Aviation Organization
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
ITU	International Telecommunications Union
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organization
OHADA	*Organisation pour l'Harmonisation du Droit des Affaires en Afrique* (Organization to Harmonize Business Law in Africa)
PPIAF	Public-Private Infrastructure Advisory Facility
PRSP	Poverty Reduction Strategy Paper
REIMP	Regional Environmental Information Management Project
RFD	*Réforme Fiscalo-Douanière* (Tax and Customs Reform)
RPED	Regional Program on Enterprise Development
RIAS	Regional Integration Assistance Strategy
UEMOA	*Union Economique et Monétaire Ouest Africaine* (West African Economic and Monetary Union or WAEMU)
UDEAC	*Union Douanière et Economique de l'Afrique Centrale* (Customs and Monetary Union of Central Africa)
UEAC	*Union Economique de l'Afrique Centrale* (Central African Economic Union)
UNDP	United Nations Development Program
UNIPACE	*Union des Patronats d'Afrique Centrale (Union of Central Africa Employers' Associations)*
WHO	World Health Organization
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Main Issues for Board Consideration

- Does the strategy properly address the integration *versus* cooperation issues?
- Are the priorities adequate between core and non-core activities?
- Is the balance between lending activities and advisory services appropriate?

Background for Regional Integration

1. This Regional Integration Assistance Strategy (RIAS) for Central Africa is the second formal expression of the World Bank's enhanced priority to regional integration in Africa and a response to a request by the African Governors at the 2000 Annual Meetings. It follows the RIAS for West Africa presented to the Board on August 2, 2001. Central Africa refers to CEMAC -- *Communauté Economique et Monétaire de l'Afrique Centrale*-- comprised of Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon. This RIAS has been prepared in consultation with the regional institutions, governments and representatives of civil society.

2. CEMAC, one of the oldest regional arrangements in Africa, is also the smallest (31 million inhabitants). It evolved from a loose customs union to a full-fledged economic and monetary union in 1994 (treaty ratified in 1999). The region's long term economic performance has been disappointing: GDP per capita increased by slightly more than 1% per annum between 1960 and 2000 despite a marked increase – to 4.2% p.c.p.a. since the 50% devaluation of the CFA franc in 1994. Income levels vary widely, from close to $4,000 in Gabon to less than $300 in CAR and Chad. Poverty incidence is high in all countries with more than 50% of the population living on less than one dollar a day. Incidence of HIV/AIDS varies between 4 and 13 percent.

3. Factors favorable to integration include: (a) an institutional framework with a well functioning monetary union characterized by a fixed exchange rate pegged to the Euro and a strong regional central bank (BEAC); (b) a Customs Union reinforced by the 1994 treaty, and (c) the presence regional projects, such as the of IDA supported Chad-Cameroon oil pipeline and the regional payments projects. Moreover, the recent New Partnership for Africa's Development (NEPAD) initiative could act as a catalyst for regional integration.

4. Obstacles to integration are poor transport infrastructure, limited intraregional trade and economic complementarity, lack of a strong growth pole, rivalries between member countries, and a lack of visible leadership. The presence of oil in five of the six countries present difficult management challenges.

CEMAC's Agenda and Strategic Issues

5. CEMAC policy directions are: (a) to deepen regional integration by making the customs union effective; enforcing macro-economic policy convergence; pursuing financial sector integration; and (b) to promote cooperation on sector policies and projects. Integration proper involves activities that require a varying degree of transfer of responsibility by member countries to regional bodies. Regional cooperation involves only agreements between two or more countries. The challenge is to develop an institutional architecture that best combines integration and cooperation activities. At this point, institutions other than the central bank (BEAC) are still weak.

6. Despite progress on several fronts, CEMAC's policy agenda is still a tall order. A major tax and customs reform in 1994, with a common external tariff schedule with a maximum rate of 30%, represents a great improvement over the previous inward-looking regime. However, there is a need for both short-term action to correct dysfunctional aspects of the customs union, and long term action to prepare a new round of trade liberalization reform.

7. Thanks to the prudent and increasingly market-based monetary policy of BEAC and with more rigorous fiscal management, macroeconomic policy stability and convergence have improved. The margin of "competitiveness" of the real exchange rate gained from the 1994 devaluation has been substantially protected. But macroeconomic management in the face of export volatility needs strengthening.

8. The rehabilitation of the banking sector is virtually complete and banks are allowed to open branches in other member countries, but the sector remains vulnerable and highly concentrated; a regional commission handles banking supervision, but is understaffed; a new regional legislation for microfinance institutions remains to be implemented; the dormant regional development bank is being restructured but its viability is still uncertain; a regulatory framework is being prepared for the newly created regional stock exchange but the fate of this institution is still unclear; and preparatory work to create a regional bonds market has just begun.

9. Transport is a priority sector and CEMAC has developed a coherent regional surface transport master plan to the 2010 horizon. Of the 10,000 km of roads about 80% will have been completed by 2006, including all-season links between four of the five inland capital cities. There is still a need to finance the remaining 2000kms, including links to Nigeria and DRC, and to improve the maintenance of the network.

World Bank Assistance Strategy and Program

10. The Bank's strategy is based on the premise that regional integration can contribute to poverty reduction by strengthening the links between the poorer landlocked countries and their more prosperous coastal neighbors and more generally by helping establish the basis for faster economic growth. It will be guided by the principles of open regionalism, subsidiarity, and participation of private sector and civil society.

11. The proposed Bank assistance five-year program is designed to support CEMAC in the two *domains* of integration and cooperation, and with two *degrees* of Bank involvement: *core activities* where the Bank foresees a leadership role for itself and *non-core activities*, where it would act an associate when another development partner is leader (IMF, EU, France, AfDB notably). The Bank will also provide support to institutional strengthening which straddles the two domains. The program summarized in the matrix below includes a contingent category for studies of long term issues.

Summary of Bank Program

	Integration	Cooperation
Core Activities	**Trade Policies – Customs Union** - Phase I: Corrective action plan - Phase II· Customs union reform	**Infrastructure** - Transport and trade facilitation - Regional road links - Air safety and regulation
	Financial Sector - Banking sector monitoring - Microfinance development - Bills and bonds market	**Human Resources** - Regional HIV-AIDS
	Institutional Strengthening Support to the Executive Secretariat Monitoring of programs	
Non-Core Activities	**Macroeconomic** - Monitoring policy convergence and surveillance units work - Export volatility study	**Infrastructure** -Telecommunications policy Harmonization - Energy (Power) strategy
	Business Environment - Legal and regulatory framework - Competitiveness observatory	**Forestry/Water** - Support to COMIFAC/REIMP-II - Lake Chad Basin
	Financial Sector - BDEAC - Regional stock exchange	**Human Resources** - Higher education and training
Contingent Activities	Long Term Issues Studies (see attachment 1)	

12. The program would require IDA financing of US$140 million for five technical assistance operations and one US$100 million road investment project. The latter will help complete the regional surface transport network, subject to the outcome of feasibility studies. It is planned for the outer years because of the lead time needed for preparation.

Risks

13. Main risks to regional integration are: (a) an intensification of political turmoil in one or more countries leading to conflict between countries, civil disorder or increased insecurity in parts of the region; (b) a serious deterioration of economic management whether fiscal profligacy or poor management of external shocks (e.g. from oil prices); (c) a half-hearted implementation of policy decisions, for instance by perpetuating high protection of inefficient industries. These risks could be reduced by a stronger and more vigilant Executive Secretariat acting jointly with the Central Bank, and stronger commitments by member governments.

MEMORANDUM OF THE PRESIDENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO THE EXECUTIVE DIRECTORS ON A REGIONAL INTEGRATION ASSISTANCE STRATEGY FOR CENTRAL AFRICA

Introduction

1. This Regional Assistance Strategy – RIAS—is the second formal expression of the World Bank's enhanced priority to support the efforts toward regional integration in Africa. It addresses an explicit demand by the African Governors at the 2000 Annual Meetings in Prague. It follows the RIAS for West Africa presented to the Board on August 2, 2001. Central Africa is here understood as the geographical area designated as the *Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)* and comprising Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon. It has been prepared in consultation with the governments, the donors and the representatives of civil society of the countries concerned, including a workshop held in Yaoundé on October 16-18, 2002.

2. The strategy presented here is similar to the West Africa RIAS, although with notable differences reflecting the different geographic, political, economic and institutional background between the two sub-regions. As in the case of West Africa, the focus of this RIAS is on the process and issues of regional integration and not on each or the sum of the development issues of individual countries. It reflects also the Bank's experience with the regional assistance strategy for West Africa and work on integration issues in Southern and Eastern Africa.

3. The paper is in five parts: the first summarizes the historical, geo-political and economic background; leading to the second part, which sets out the current environment for regional integration; strategic issues facing CEMAC are discussed in part three; part four describes the rationale, objectives and guiding principles for Bank assistance and delineates the proposed work program for Bank support; and part five assesses risks.

I. Historical and Economic Background

A. Geography, Population, Natural Resources

4. The Central African Economic and Monetary Community (CEMAC) is one of the oldest regional blocs in Africa. Its six countries are linked partly by economic ties and more so by history. While covering a vast geographic area of roughly 3 million square kilometers, the sub-region is also the smallest of the current African regional arrangements with a population of about 31 million inhabitants. The grouping encompasses both more prosperous coastal economies and two poorer landlocked countries: Chad and the Central African Republic. Chad runs far to the north of the other

members, encompassing the Sahara desert, the Sahelian and Sudanian regions, while the other five countries are tropical. Although the countries are contiguous, deep forests make it difficult to travel within this area. Nor are these countries served well by natural trade routes, except for the Congo River on their Southern flank. The existing road network is also incomplete and does not satisfy the region's growing needs.

5. Population density varies enormously, from near zero in the vast Saharan portions of the North to high concentrations in Cameroon (33.2 inhabitants per sq km), versus 5.9 in CAR and 4.9 in Gabon. Of the six countries, Cameroon with its 14.7 million inhabitants is by far the most populous, while Equatorial Guinea is the smallest with only 0.5 million people. Population growth is estimated to be approximately 2.5 percent per year in the region. It is lowest in CAR (1.9 percent).

6. The peoples of the CEMAC region are ethnically diverse, with no single group clearly dominant numerically. "Commercial" Diaspora of particular ethnic groups are not as common in this region as they are in West Africa, which may partly explain the weaker tendencies for integration in CEMAC. The common French language[1] and French culture, which link political and commercial elites within the area, also tend to separate them from their large Anglophone neighbor, Nigeria.

7. Central Africa is well endowed with natural resources: petroleum (in five of the six countries) as well as deposits of other minerals and metals, including gold, tin, bauxite, uranium and iron ore. Its densely forested area represents together with DRC the second largest tropical forest in the world after the Amazon. However, one counterweight to this rich variety of natural resources is the prevalence of water-borne diseases, while low and erratic rainfall in much of the Sudan–Sahelian zones creates occasional episodes of food scarcity.

B. History of Regional Integration in Central Africa

8. Regional integration in Central Africa has a long history, dating back to the colonial era when the countries other than Cameroon and Equatorial Guinea formed the federation of *Afrique Equatoriale Française* (with its capital in Brazzaville). The grouping of central African countries had as one of its main economic characteristics maintaining a fixed exchange rate against the French franc. During the post-independence period (1963-1993), the two – West and Central Africa – CFA Franc zones' monetary arrangements remained largely unchanged, whereas most of the other newly independent states had severed their monetary relationships with the former colonial power by the late 1960's. Regional monetary and trade integration in the Central African Zone was anchored on two principal institutions, BEAC and UDEAC.

9. The predominant regional institution in Central Africa was the *Banque des Etats d'Afrique Centrale* (BEAC), established in 1972 as the sole currency-issuing institution that served a loose monetary association. The most important role of BEAC (like

[1] Except for Equatorial Guinea, where Spanish is spoken, and South West Cameroon (formerly part of Nigeria), where English is also spoken and where British common law applies

BCEAO, the central bank of eight West African francophone states), was to maintain a fixed exchange rate with the French Franc and manage monetary policy, which then consisted mainly of credit controls, while currency convertibility was (and still is) guaranteed through an "operations account" with the French Treasury. At the board of BEAC, France, Gabon, and Cameroon exercised a preponderant role in determining regional initiatives, although, after 1994, the role of France was reduced. The central bank has indicated, however, that unanimity has been the rule most of the time in decision making.

10. The regime governing trade policy, the UDEAC (*Union Douanière et Economique de l'Afrique Centrale*) was formed in Brazzaville, Congo in 1964. Reflecting an inward-looking regionalism of the 1960's, UDEAC resulted in the creation of a highly distorted, fragmented, and ad hoc, import-substituting trade policy under the guise of regional integration. However, intra-regional trade in manufactured products of Union origin was taxed like external trade unless the manufacturer had obtained special tax status and was often subjected to non-tariff barriers. The high official tariff rates did not raise substantial revenues but encouraged behavior that had the opposite effect, including widespread tariff and tax exemptions, smuggling, and customs fraud. In addition to a protectionist common external tariff and, ostensibly, intra-regional free trade, the UDEAC agreement provided for a regional investment code, regular consultations on project location, and coordination of industrial policies – which resulted in duplication rather than coordination. By 1994, three decades after its creation, the entire UDEAC tariff and indirect tax and industrial policy required overhauling.

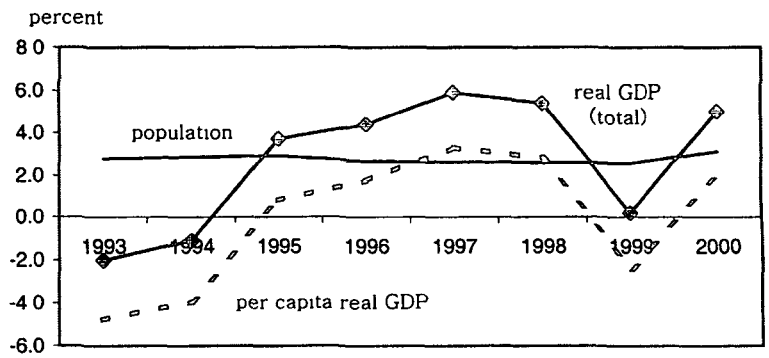
11. In the 1980's, external shocks (especially an oil price collapse) and acute macroeconomic imbalances pushed the CEMAC economies into a severe prolonged depression. Per capita GDP fell by 3.7% annually between 1985 and 1993, and total output of the region declined by more than 30%. During this period, large bad debts were accumulated in the currency area because of lax fiscal management, excessive public sector borrowing, poorly conceived credit and interest rate policies, and weak bank supervision and management. A combination of banking sector insolvency and fiscal crisis compounded the problem. In response, the CEMAC countries adopted an "internal adjustment strategy," with the objective of restoring competitiveness and to resume growth. However, the strategy failed and, in January 1994, there was a 50% devaluation of the CFA franc, and accompanying programs of economic adjustment and structural reforms were adopted in order to achieve those same objectives.

12. In 1994, UDEAC was restructured substantially to address the problems associated with excessive protection, low customs revenue, intra-regional distortions in production, and the low level of trade with the rest of the world. It was also renamed the Central African Economic Union (*Union Economique de l'Afrique Centrale* – UEAC). UEAC together with the *Union Monétaire de l'Afrique Centrale* became the CEMAC under a treaty signed in 1994. The treaty was not fully ratified by all parties until 1999. Meanwhile, after the 1994 reform the region officially had a more open, less protectionist, and less distorted trade regime than most countries in sub-Saharan Africa.

C. Overall Economic Performance Since the 1994 Devaluation

13. The economic performance of CEMAC countries improved following the devaluation of 1994, although there were some difficult episodes: Gabon's fiscal crisis during the 1998 election year; Congo's civil war of (1997-99), several army mutinies in the Central African Republic in the 1990's (and again in 2002), and the impact of oil price volatility. Between 1994 and 2001, total output expanded at an annual rate of more than 4% (although there was considerable country variation) and per capita income (GDP weighted average) grew at a rate of 1.2%, rebounding from an annual decline of 3.7% during the 1986-93 depression. Non-oil GDP grew at about 3.5% over the same period (Figure1).

FIGURE 1: ANNUAL GROWTH RATES: 1993-2000 (%)



Source: IMF (1999, 2001)

14. The trade performance of the region has been dominated by oil exports — 60-70% of total — mainly under the effect of oil prices. Thus the cumulative rise in the terms of trade for CEMAC as a whole between 1994 and 2001 was by about 35% (with 2000 alone registering a 34% year-on-year improvement after a drop of 12% in 1998). They have declined by about 20% between 2000 and 2002. Total exports (in dollar terms) have increased over the 20-year period to 2000 by some 50%. Despite large swings in some years, total exports show a perceptible upward trend. The ratio of exports to GDP has thus reached 45% in 2000 up from 31% in 1994 (but it was 40% in 1980). The impact of the 1994 devaluation is not visible as far as US dollar values are concerned, which indicates a small effect on volumes, but, again this is because of the dominance of oil. Measured in CFA Francs the impact is immediate from 1994, and striking, but there is a leveling off after 2-3 years. Meanwhile, the real effective exchange rate stabilized at roughly 25% below its 1993 level and has remained at approximately that level, with some appreciation since 1999. Intra-regional trade, as already noted, has remained very small (maximum officially recorded exports of less than 5% of total exports) without any clear trend. These numbers, however, do not cover "informal trade"—which may be as large as the official one – and they show evidence of significant misreporting. Cameroon is by far the largest exporter to the rest of the region. In all, the structure of the regional balance of payments remains typical of commodity-based

economies: a very large external sector (not necessarily indicative of an open trade regime), large and continuing trade surpluses, and continued though moderate deficits on current account (before official grants) because of net income transfers (from oil industry) and interest payments.

15. The fiscal and monetary performance of CEMAC, as a whole, has improved in the last several years. Average government revenue has been on an increasing trend, rising from 14.5% of GDP in 1994 to 22.2% (excluding grants) in 2001, although the oil exporters tended to suffer in 1998-1999 due to low oil prices. Meanwhile, due to stricter fiscal management (cuts in real government sector wages and some cuts in social expenditures), government expenditures of CEMAC as a whole have settled at about 20% of GDP after 1993, with the exception of 1998 when there was a temporary spike (Gabon).

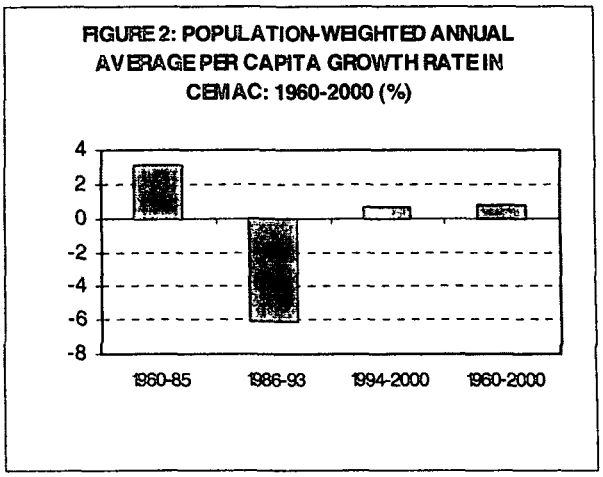
16. Inflation has been under control since the 1994 devaluation. After experiencing deflation during 1986-93 depression, the CEMAC economy saw average consumer prices surge by around 20% in 1994 and 1995, when the 50% nominal devaluation was being passed through via the prices of traded goods. Inflation (consumer prices) hovered between 6-7% in 1996- 97, dropped to less than 2% in 1999-2000 and rose to 4.4% in 2001.

17. Cameroon and Chad currently have arrangements in place under the IMF's Poverty Reduction and Growth Facility (PRGF). Program implementation is generally satisfactory. In CAR, an arrangement under the PRGF was suspended in 2001 owing to off-track performance. Following broadly satisfactory implementation of an IMF Staff Monitored Program (SMP) through March 2002, a new three-year arrangement under the PRGF for the period October 2002 - September 2005 was negotiated. However, an attempted coup d'état in late October prevented Board presentation of the PRGF in November as planned. The IMF and the authorities are currently assessing the conditions for a new program. The Republic of Congo has not had a program with the IMF since 1996 due to civil strife. The government is implementing a self-initiated post-conflict structural adjustment, a satisfactory progress of which could open doors to negotiations for a PRGF agreement. In Gabon, a Standby Agreement lapsed in April 2002, but discussions have recently taken place with the Gabonese authorities on measures critical to initiating discussions on a new Fund-supported program. Agreement has been reached on a budget for 2003 and on a set of prior actions which, once completed, will trigger program negotiations possibly on an arrangement under the Extended Fund Facility (EFF). There is no IMF-supported program in Equatorial Guinea.

18. The World Bank has active lending programs in all of the CEMAC countries, with the exception of Equatorial Guinea. The largest portfolio is in Cameroon, where there are currently 11 active operations with associated commitments of some US$512 million. In particular, a third Structural Adjustment Loan, approved in 1998, is supporting reform efforts on a broad front. In Chad, the portfolio presently consists of 8 active projects for a total commitment of about US$274 million. In CAR, the portfolio contains three operations for a net commitment of US$45 million, including a US$20 million Fiscal Consolidation Credit of which the last tranche remains undisbursed.

However, the country is in arrears to IDA, and the portfolio has been under suspension of disbursements since early 2002. An arrears clearance plan is being put together and will be implemented once a new IMF program is in place. Gabon's modest IBRD portfolio contains two projects for a total commitment of US$15 million. The Bank approved a US$40 million post-conflict and reconstruction loan for the Republic of Congo in 2002.

19. In spite of significant policy reform influenced by donor assistance, economic performance remains weak in several respects (Figure 2). Growth still barely outpaces population growth. From 1994-2000, per capita income grew by 1.5% in Cameroon and 1% in Chad and Central African Republic, while Gabon and Chad stagnated around 0%, and Congo's contracted by 3.5% annually. Notably, Equatorial Guinea registered a 20% increase (because of the advent of oil). Second, volatility and fragility in various aspects of the economy persist. Third, trade diversification has not progressed markedly since the 1994 devaluation; except for Cameroon. Each CEMAC country has one or two dominant export commodities whose share in total exports is 70% or more. Intra-regional trade has remained minimal (less than 5% of the total). Fourthly, fiscal performance in CEMAC countries requires further strengthening in light of the fact that the oil-importing countries (Central African Republic and Chad) were running basic fiscal deficits of –1.0% and -3.6% of GDP in 2001, respectively, and in view of the large public debt that all member countries except Equatorial Guinea have accumulated over the years.



D. Social Developments and Poverty

20. Poverty incidence in the Central African sub-region is high. The 2001 household consumption survey in Cameroon found that 40.2% of the population fell under the poverty threshold, defined as a minimal consumption basket. Evidence from Chad and the Republic of Congo suggests that three-fourths of the population is below the poverty line. Due to the presence of petroleum in some countries, average per capita incomes vary widely — from a little over $4000 in Gabon, close to $1000 in Equatorial Guinea,[2] and $200 in Chad. However, highly skewed income distribution means that the bulk of the population in every country, whether statistically middle or low income, is poor by any standards. More revealing perhaps than income figures, the social and social indicators (Box 1) are very low, with an average life expectancy at birth of 50 years and an infant mortality rate of 89 per 1000. Remarkably, social indicators in the oil-exporting countries, notably Gabon, are not significantly different from those of other countries in the region or from Sub-Saharan African averages. From 1985-1994, the CEMAC countries faced an exacerbation of poverty during the economic and financial crisis preceding the 1994 devaluation. Since the devaluation, household survey data from 1996 and 1997 showed no real improvement in living standards, however more recent indications are that the deteriorating trend has halted or been reversed.

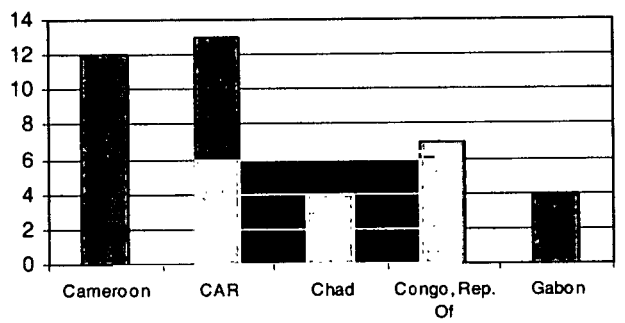
BOX 1
SOCIAL INDICATORS IN CENTRAL AFRICA
(Latest year available (1993-1999)

Population weighted averages	CEMAC	ECOWAS
Literacy rate (%)	64	55
Infant mortality rate (per 1000)	89	91
Life expectancy at birth (years)	50	52
Gross primary school enroll (%)	81	81
Access to safe water (%)	52	60

Source: World Bank database

21. The prevalence of HIV/AIDS among adults (ages 15-49) varies from close to 13% in the Central African Republic to 12% in Cameroon, 7% in Congo, and 4% in Chad and Gabon (Figure 3). While the incidence of HIV/AIDS in Central Africa is currently lower than the pandemic levels in Southern Africa, there is ample cause for concern as AIDS has already reached epidemic proportions in the sub-region. Meanwhile, empirical work, mostly drawn from Southern Africa, shows that

FIGURE 3:
HIV AIDS PREVALENCE IN CENTRAL AFRICA: END 2001 (%)



Source: UNAIDS (2002)

[2] GDP per capita is $1900 but GNP per capita (WB Atlas method) is $1000

as HIV prevalence rates rise to 20% or more, GDP growth may decline by as much as 2% a year due to a reduction in labor supply and increased production costs. Both in terms of the human consequences and of the micro effects on household income and production and macro impacts on savings and investment levels, AIDS threatens to diminish the positive effects of any meaningful program of economic reform and regional integration.

II. The Current Environment for Regional Integration

22. As has been said for Europe, "regional integration does not come naturally." Indeed, in the context of central Africa, while there are some positive forces for integration, very serious impediments render the effort more difficult and underscore the need for stronger political determination, as regional integration is, in the first place, a political undertaking.

A. Forces for Integration

23. Despite many obstacles, a number of real positive factors for integration and cooperation exist. First, the institutional architecture of CEMAC has been put into place gradually since the CEMAC Treaty was signed in March 1994 and was ratified in December 1999 (Box 2). Organic texts provide a blueprint of the objectives of the economic union — the creation of a common market for goods, services, capital and eventual free movement of people, and a concomitant change of strategy from inward looking import-substitution to more open regionalism. The Union's objectives are to be achieved through the customs union and the monetary union and special attention to macroeconomic policy convergence and coordinated sector policies. The common market is to be completed at the end of three 5-year phases.

BOX 2
CEMAC INSTITUTIONS

- The Central African Economic Union (*Union Economique de l'Afrique Centrale* — UEAC), which replaced the customs union, UDEAC, and has an Executive Secretariat based in Bangui (CAR);
- The Central African Monetary Union (*Union Monétaire de l'Afrique Centrale*), which comprises the common central bank, BEAC, and the Central African Banking Commission, COBAC ;
- The Court of Justice of the community, which includes a judicial chamber (*chambre judiciaire*) and an auditing chamber (*chambre des comptes*) was installed in Ndjamena, Chad (2000);
- An Inter-parliamentary Commission of five appointed representatives from each country established in 2000, until regional parliamentary elections take place (at a future unspecified date), to promote regional integration at the political level.

24. CEMAC's Executive Secretariat, in Bangui, is the operational branch of the Community and is under the authority of the executive organs, the Conference of the Heads of State, which meets at least once a year, and the Council of Ministers, which decides all major policies. The Executive Secretariat is different from the UEMOA Commission in that it does not include Commissioners appointed by the member states (à la European Union) and is therefore closer to the ECOWAS Executive Secretariat model.

25. Another institutional force for integration, and indirectly for facilitating links with UEMOA, is the implementation of the unified, and modernized, business law under the OHADA program which has been adopted by 16 francophone countries of Africa, including all CEMAC countries. OHADA is described as "a legal instrument conceived and realized by Africa to serve African integration and growth". With its Permanent Secretariat in Yaoundé, it is still, however, in its implementation stage.

26. Secondly, there exist a number of specific **cooperative initiatives and projects** which can contribute to strengthening regional integration. Most recent and of great potential economic impact, the US$3.7 billion Cameroon-Chad pipeline project supported by the Bank, is one of the largest of its kind, and will create a strong link – both physical and as a cooperative framework—for integration between one of the poorer landlocked countries and the richer coastal neighbor. In a different sphere, a project for modernization of the banking payments system (approved by the Board of IDA in July 2002) will be the first truly regional Bank-supported project in that it involves all of the six countries, all the banks and, of course, the central bank. Finally, the sharing of environmental information under the multi-year Regional Environmental Information Management Project (REIMP) started in 1998, and the recently-established *Conseil des Ministres des Fôrets d'Afrique Centrale (COMIFAC)*, which includes the Democratic Republic of Congo, has created a framework for regional cooperation for natural resource management.

27. Third, the countries of Central Africa share a number of **commonalities** (both positive and negative external economies) that by their very nature raise trans-border issues and are therefore best managed in cooperation. The tropical forest and river system are the most common public goods. Among the common "bads", the HIV/AIDS pandemic has a specific dimension in the transmission of the disease along the transport corridors — roads and rivers — that link the coast and the hinterland. Two regional health organizations exist: the World Health Organization (WHO) Regional Office based in Brazzaville and the (now revamped) *Organisation de Lutte Contre les Grandes Endémies*, formally a specialized agency of CEMAC.

28. Fourth, a unified, or at least coordinated, Central Africa region would be a stronger voice in "post Doha" and other important, international trade negotiations in the coming years. Acting in concert may improve returns; for example, CEMAC has been able to join forces with ECOWAS to help put the issue of cotton prices on the international agenda. Last and not least, the New Partnership for Africa's Development (NEPAD) should be an added stimulus for CEMAC to accelerate the pace of integration

inasmuch as regional integration arrangements are expected to be the pillars of this initiative.

B. Obstacles to Regional Integration

29. The main economic factors — low growth, poor infrastructure, vulnerability to volatile oil prices, and disparities between coastal and landlocked countries — have created serious barriers to economic integration. Because of the **absence of a strong growth pole,** CEMAC has not generated sufficient dynamism to pull the regional economies and encourage integration. As noted, historically, growth has been sluggish, with Chad and CAR being the worst performers and Gabon the best. But Gabon is still small in the regional context and its skewed structure dominated by commodity exports provides few backward or forward linkages with the neighboring countries. Furthermore, the regional non-oil economy, including Cameroon, has fared poorly. Non-oil GDP has increased by a very modest annual rate of 0.5 percent from 1960 to 2000 and therefore declined on a per capita basis.

30. A severe constraint continues to be **poor transport infrastructure.** Due to a combination of dense forests and insufficient maintenance, the road network is inadequate, and there is not a well-developed network connecting the capital cities. The transport network still consists of a little less than 7,000 km of water, rail, and road linkages, with 1,575 km of river, 2,000 km of rail, and 3,300 km of paved roads. The landlocked countries depend on overland transport to obtain energy and other imports, and thus their vulnerability to disruptions in supply lines is heightened. The Douala-Bangui corridor and the Pointe Noire-Brazzaville-Bangui corridors are weak with both physical and informal road blocks increasing the transactions costs of doing business.

31. A **lack of economic complementarity** resulting from the dominance of primary exports, undeveloped industries (except to a limited extent in Cameroon), poor communications and the rivalries observed between the countries, translates into a very low level of intra-regional trade, labor and capital linkages despite the customs and monetary union. Intra-regional trade is currently estimated at about 5% of total trade in the region, even lower than that of CEMAC's regional counterpart UEMOA (historically around 10%, and 14% in 2000), as well as SADC (13%) and Mercosur (22%). Particularly notable and damaging are the restrictions limiting labor mobility (including the difficulties of business travel) between the CEMAC countries, despite the wage differentials between the poorer and richer countries. Fundamental factors are the very small populations in oil-producing countries and, consequently, their fear that any sizeable immigration would create dangerous imbalances and social tensions in local communities. Harassment by customs officials, unemployment and discrimination against foreigners in recipient countries have acted as unofficial but powerful deterrents to immigration.

32. A third obstacle to regional integration is the economic **asymmetries between the richer coastal economies and the poorer landlocked economies.** Cameroon, CEMAC's largest economy, constitutes close to 50 percent of regional GDP, while

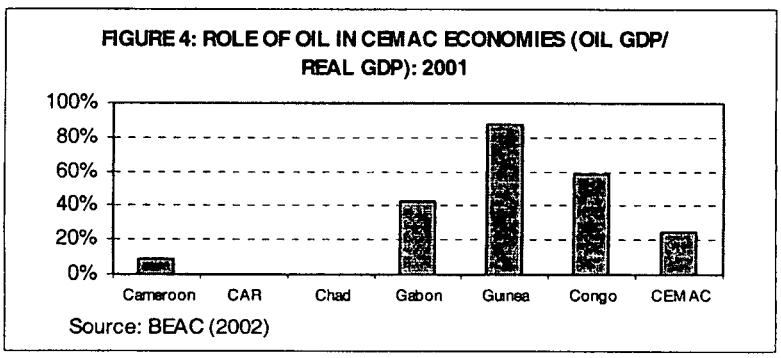
Gabon makes up close to another 25 percent, leaving the four remaining countries with only 25 percent. In terms of population, the story is similar, except that Gabon's share of CEMAC's population is less than 4 percent while Chad's share is close to 25 percent. Large income disparities, combined with large differences in economic dynamism, have unavoidably created fears of further and perhaps accelerated inequalities between countries, and a situation of rivalry rather than a sense of shared and increased prosperity.

33. The most serious obstacles to regional integration, however, are **in the realm of politics and security**. First there have been open conflicts within countries. Chad, the CAR and Congo have had bloody civil wars, coups d'état, and violent ethnic conflicts over the last twenty years. Chad has seen recurring armed clashes in the Northern and Eastern parts of the country, as well as at the border with CAR. The Central African Republic has been plagued by uncertain oscillations between authoritarian and pseudo-democratic rule due to chronic military unrest. The recent battle for Bangui (October 2002) is but one manifestation of a continuing profound political crisis. The attempted military takeover has been repelled by government forces and armed groups from other countries. Such foreign interventions, reportedly, are not without links to illegal trafficking in gold or diamonds, among others. In the Republic of Congo, armed ethnic conflict in 1998 and 1999, mostly around the capital of Brazzaville, resulted in over 50,000 deaths. There are still reports of armed rebel groups active in the lower Congo, as well as border incidents at the border with the Angolan enclave of Cabinda. Also, as in many other African countries these days, numerous legal or illegal roadblocks, and in cases sheer banditry, represent costly impediments to travel and trade.

34. In addition to their own internal problems, Central African economies have faced contagious effects from conflicts in Nigeria, DRC, Sudan and Angola. Also, it is not clear whether Nigeria has accepted or rejected (October 2002) the recent decision by the U.N. International Court of the Hague to declare Cameroon the legitimate owner of the supposedly oil rich border island of Bakassi. Finally, the two countries, Cameroon and Gabon, which have had stable regimes for many years, which furthermore are economically more developed and which therefore should have been champions for regional integration, have not yet played the leadership role that might have been expected from them. In short, important aspects of the regional political and security context are at odds with the underlying forces for integration.

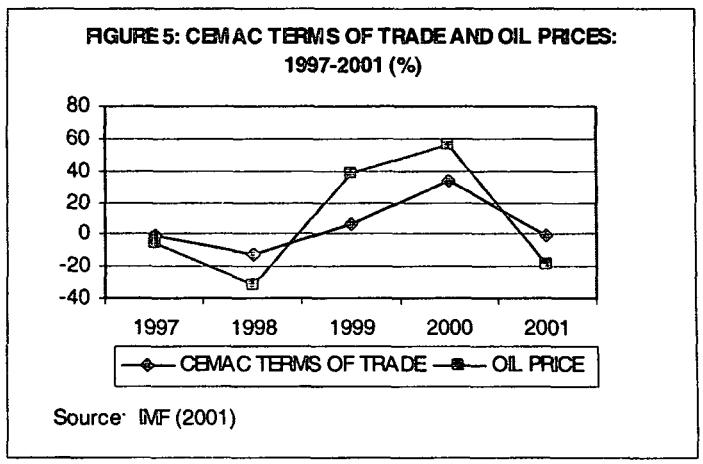
C. Natural Resources: Assets and Challenges

35. Both renewable (primarily forests) and non-renewable (primarily oil) resources offer immense opportunities, but also difficult management challenges. **Oil** is a key asset in the sub-region, accounting for



close to 25% of CEMAC's total GDP and 70% percent of CEMAC's exports (Figure 4). Although oil's total share varies depending on the international price, it plays a fundamental role in many of the economies. While oil could greatly contribute to lifting the people of the sub-region out of poverty, actual practice tells a story of improperly allocated revenues due to fiscal mismanagement. Two major consequences of the high dependence on oil have been a great volatility in the terms of trade in the sub-region and constant threat of Dutch disease (in which the oil boom results in the appreciation of the real exchange rate and a contraction of the non-oil tradable sector), and the fiscal indiscipline that results from oil booms. Figure 5 illustrates the fluctuations in the terms of trade for the region as a whole since 1997.

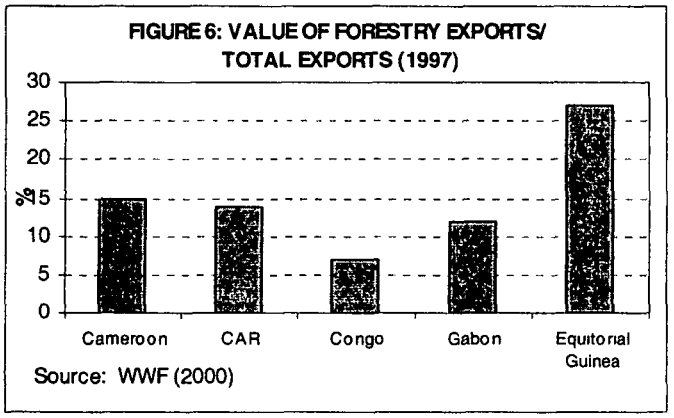
36. The problem of "managing oil", however, has a very different meaning from one country to another. In Cameroon and Gabon, although with different time and structural profiles, the issue is managing the transition to a post-oil economy. This is being achieved with reasonable success in Cameroon while the outlook is more uncertain in Gabon, where oil output may decline sharply in a matter of 4-5 years. In contrast, tiny Equatorial Guinea is faced with an influx of oil revenue which makes it one of the fastest growing economies in the world statistically, but is out of proportion to the country's absorptive capacity, which is resulting in symptoms of Dutch disease[3]. Chad, one of the poorest economies in the world, will soon be joining the other oil-based economies in the region with the construction of the US$3.7 billion Cameroon-Chad pipeline and also faces issues of management of the new wealth. The Republic of Congo continues to struggle with macroeconomic difficulties — budget and debt — despite oil (gross) revenues that still represent 50% of GDP. It is all too evident, therefore, that the economics and politics of oil is a challenge to any regional integration strategy.



37. Covering 190 million hectares, the dense forests in the CEMAC countries (including the DRC) represent the second largest eco-forest zone on the planet after the Amazon. For the countries of CEMAC, the forests represent the second source of fiscal receipts after oil, the first source of animal proteins, and the largest source of employment apart from public administration. In fact, for several countries (Congo, CAR, Cameroon, and Gabon), forest contributions to GDP, measured in terms of the value of industrial wood production and the value of fuel wood and charcoal, exceed 5%. As opposed to the mining or petroleum sectors, the forestry sector is also important because it constitutes a

[3] Between 1994 and (1999) money supply increased 4.7 times in Equatorial Guinea, against 1.5 times in Cameroon or Gabon.

renewable resource. The performance of the sector in the CEMAC countries has been strong over the last decade, with the production of the industrial bark increasing by more than 40% in Cameroon and Gabon (Figure 6). While historically the timber of Central Africa was exported mainly towards Europe, about one half of timber exports since the mid 1990's go towards East Asia. The next decade could witness an even greater expansion of wood and wood fuel exports to both the developing and industrial world.



III. CEMAC's Agenda and Strategic Issues

38. The objectives assigned to CEMAC by the Treaty and other basic texts are broad and ambitious. Thus, the Treaty states that "the time has come (1998) to move from cooperation" to "integration". The regional integration program is appropriately couched in a long-term framework of three phases of five years each (in theory, therefore. up to 2014). The main policy directions for the Community, as reflected in the basic texts and various public declarations and policy documents, can be summarized under four headings: (a) the customs union; (b) macro-economic stability and convergence; (c) financial sector integration; and (d) other sector policies — and around one principal objective: creating a common market for goods, capital, services and labor.

39. Subsequent to the Treaty, the Executive Secretariat, in consultation with BEAC, prepared a Program of Actions for 2001 (approved by the Council of Ministers in December 2000). This includes a list of some twenty priority actions needed to accelerate the process of integration. The Program, in effect, delineates the broad medium-term work program for the Secretariat, the monetary authorities, and the member countries in policy areas relating to regional integration. While undoubtedly a valuable guide, the Program is not a fully structured set of priorities or a detailed work program. In fact, one of the measures it proposes is preparation of a medium-term development program for regional integration to be undertaken jointly by the regional and national authorities. Such a program has not materialized as yet.

40. At the same time, as an independent central bank, BEAC continues to develop its programs and instruments of monetary policy, financial sector integration and capital markets institutions. Furthermore, a number of cross-cutting as well as sectoral policies relevant to the process of regional integration are being pursued under separate regional initiatives. This is the case, for example, of the new business laws being implemented under the OHADA program in 16 African countries or inter-governmental arrangements, including DRC, for the rational exploitation and protection of the equatorial forest.

41. The following section briefly reviews progress under both the areas pertaining to regional **integration** and those pertaining to regional **cooperation**. Regional integration proper refers to activities involving a varying degree of transfer of sovereignty or responsibility for economic policies by member countries to regional bodies. Regional cooperation refers to other arrangements where two or more countries agree to carry out jointly a specific policy, activity or project. The particular combination of "integrating" and "cooperative" activities thus constitutes regional integration in its broad sense. One issue is therefore what particular institutional architecture is likely to maximize the impact of the integration/cooperation mix in terms of speed, scope and ultimately welfare impact. This is a long-term, complex and political process – as illustrated by the fact that the European Union is still debating them after fifty years – and will only be touched upon in this strategy.

A. Integration Policies: CEMAC Core Functions

42. Core economic functions include those areas that form the essence of integration and specifically the establishment of a common market for goods and services, capital and labor. Progress not unexpectedly has been uneven: unquestionably real regarding monetary policy; less so concerning macroeconomic convergence; substantially effective in terms of integration of the financial sector, though with important elements still missing; in place, but in need of corrective action, in terms of the customs union; and still a distant target as far as the intra-regional movement of labor is concerned.

1. Macroeconomic Policy Convergence and Surveillance

43. CEMAC's macroeconomic policy mix seeks primarily to maintain the nominal peg and protect the real exchange rate under the regime of a fixed nominal rate with the Euro, and furthermore to achieve the objective of price stability (the central bank statutory objective). The tension between monetary and fiscal policy common to most countries is obviously complicated by the fact that monetary policy is entirely in the hands of the common central bank whereas the six different member governments are still in control of fiscal policies. Hence the need for a regional "convergence pact", a set of four main criteria (see Box 3), and the establishment of a system of multilateral surveillance.

BOX 3
CEMAC CONVERGENCE CRITERIA

- Basic budget balance: to be zero or positive by 2004;
- Total public debt: not to exceed 70% of GDP by 2004;
- Accumulated payments arrears: not to increase, and to be eliminated by 2004;
- Annual rate of inflation: not to exceed 3%.

1) Basic budget balance excludes grants and foreign financed investment.
2) Total public debt is the sum of external and domestic short-term and long-term government debt.
3) Accumulated payment arrears is the sum of net domestic and external payment arrears.
4) Rate of inflation is the CPI average increase.

44. Since 1994, BEAC's monetary policy has been moving from direct controls to market based instruments. It is set in the framework of periodic (bi-annual) "monetary programs" taking account of all relevant domestic and external macroeconomic parameters with a view to ensuring sufficient liquidity in the economies by re-financing banks through a combination of purchase/repurchase of central bank paper and compulsory reserves. At the same time, direct advances to governments by BEAC will be phased out over a ten-year period starting in 2004, when the first treasury bill issue (by one or more governments) is scheduled to take place. A central bank-intermediated money market has developed though still on a modest scale. Interest rates are set by the central bank for its own interventions (currently up to 8.35% with 15% penalty rates beyond a certain point) and freely by banks (with an authorized upper limit of 18% for loans and a minimum of 5% for term deposits). Monetary policy has been effective in keeping inflation low in the sub-region. As an extension to the modernization of the financial sector, preparatory steps are being taken by the central bank, commercial banks and governments to establish a market for government paper (see the section on financial sector integration below).

45. While the essential rationale for seeking macroeconomic convergence is protection of the fixed exchange rate, the predominance of fiscal criteria can also be traced to the serious mismanagement of public sector finances in the 1980s and early 1990s in both CFAF zones which contributed toward the CFA franc devaluation of 1994, as well more recent deviations in some of the member countries. The fiscal discipline that observance of the convergence criteria implies is thus directly complementary to the strict rules for monetary policy embedded in the Convention of the Monetary Union for Central Africa (*Union Monétaire d'Afrique Centrale – UMAC*).

46. Not surprisingly, performance under the convergence criteria has been mixed. Over the five years from 1997-2002, there was a pattern of overall progress, but deviations were the rule rather than the exception in every year for at least one criterion in at least one country (Box 4). Each member country has now been requested by the regional authorities to prepare a three-year convergence plan for 2002-2004. CEMAC's ability to enforce the convergence criteria is limited to the publicity that may accompany the bi-annual "surveillance reports" and other forms of peer pressure. These are considered by the monetary authorities the only practical sanctions with which to penalize diverging nations in the current political context (see also below COBAC's role). However, there is the danger of slippage with regard to the fiscal balance because of the volatility of oil revenues in the sub-region. There is thus the risk that in times of depressed oil prices, slippages would be accepted as being the result of exceptional circumstances, while in times of high oil prices, tendencies towards fiscal profligacy would not be constrained (IMF, 2002 [4]). A downturn in the oil market in the near term could result in growing fiscal deficits if public spending were to continue at the previous rate.

[4] IMF Staff Report, "CEMAC: Recent Developments and Regional Policy Issues in 2001," May 2002.

BOX 4
CEMAC CONVERGENCE CRITERIA AND PERFORMANCE

	Total countries in non-compliance			
	1999	2000	2001	2002
• Nonnegative basic fiscal balance	4	2	2	2
• Inflation below 3%	2	3	3	4
• Public external and dom. debt less than 70% of GDP	4	4	4	3
• Non-accumulation of arrears	3	1	0	0
Total country criteria (n/24) not observed	13	10	9	9

2. Financial Sector Integration

47. The agenda for establishing a strong and integrated regional financial system has six main parts: completing the rehabilitation of the banking systems; implementing new regional financial integration measures for the payments system and cross-country branching; strengthening supervision; strengthening micro-finance; developing long-term financing institutions; and, importantly, assisting in developing a market for government paper.

48. Rehabilitation of the banks and other parts of the financial sector has been part of various adjustment programs undertaken by member countries since the devaluation. The restructuring and privatization has been completed in five of the six countries. Most banks are now solvent, liquid and profitable, although Congo has been lagging. One bank (out of three) is still to be restructured but this is expected to be achieved in the first half of 2003. The rehabilitation effort has rested with the individual governments under the supervision of the *Commission Bancaire d'Afrique Centrale* (COBAC) and the support of the World Bank and the *Agence Française de Développememt* (AFD).

49. Modernization of the payments system in the BEAC zone is being supported by an IDA project (approved in July 2002), the first of a truly regional dimension, prepared in collaboration with the member governments, the central bank, all the commercial banks and the IMF. The project will help develop electronic payment clearing systems for both bulk and high-value transactions, an inter-bank card system and a payment risk management system. Another initiative of regional import is the so-called "*Agrément* unique" (2002), whereby a bank licensed in one of the member countries may open branches in any other member country. It would appear, however, that the system is all but automatic. Capital requirements and administrative procedures for so doing still constitute serious obstacles. No case has materialized yet (October 2002). This is

unfortunate as entry into the banking sector remains restricted, the system remains fragmented between member countries, competition is stifled and opportunities for diversification of banks' portfolios are limited.

50. Supervision of the banking sector is entrusted to the *Commission Bancaire d' Afrique Centrale* (COBAC) created in 1990. While COBAC is a professional entity that rigorously complies with international rules on supervision, it is nevertheless understaffed and does not have specific control over market and foreign exchange risks. In the framework of the multilateral macroeconomic surveillance system, COBAC has adopted new solvency norms for banks whereby the calculation of the solvency ratio takes the four convergence criteria into account for credits to governments, so that any government which is a bank client and is in non-compliance with one or more criteria could thus be sanctioned by the market. This would add weight to other "sanctions" noted earlier, i.e., publicity and peer pressure.

51. Regarding micro-finance, Central Africa is in urgent need of financial resources for the poor households that are bypassed by the conventional banking system. In April 2002, a new regional regulation was adopted, together with supervision rules by COBAC. COBAC's capacity, including specific training to improve its supervision capabilities for microfinance institutions and operations, will have to be strengthened through increases in staff and specific training. Since the major bottleneck to microfinance expansion in developing countries is generally not a shortage of funds but rather the paucity of well-designed and sustainable organizations, there will be a need to disseminate the new regulations, strengthen existing micro-finance institutions themselves and bring them up to par with the new regulations. Appropriate institutional design will be needed to ensure that microfinance institutions will eventually be financially self-sufficient.

52. For long-term finance and capital markets, the picture is an evolving one. The financial position of the regional development bank (BDEAC) had deteriorated over the years as a result of governments' failing to pay in their share in the capital, non-repayment of loans to the public and private sector, overstaffing and repeated political interference. Under new leadership, however, the BDEAC has engaged in a process of rehabilitation, restructuring and planning for the future. It has produced a new business plan based on raising funds in the regional market in local currency and refinancing long-term loans to the private sector extended by the region's commercial banks. It still has to complete its restructuring, including staff training and reallocation. In order to attract new capital, it will subsequently have to demonstrate its effectiveness and viability over a few years, notably as an instrument for refinancing the long end of commercial banks' lending.

53. Lacking timely agreement between Cameroon and Gabon, a regional stock exchange project has suffered delays. It has finally been agreed that the new institution will be established in Libreville (Gabon), but without the participation of Cameroon, the largest regional economy. The regional stock exchange will be a private institution and various contributors, commercial banks in the first place, are being solicited. As of mid-2002 indications of intent amount to about 80% of the proposed initial capital. Preparation of the legal statutes and regulatory framework continues. Meanwhile, the

establishment of a national (private) stock exchange in Douala (Cameroon) is also under active preparation.

54. A relatively new but important undertaking linked to the evolution of monetary policy is the establishment of a regional market for government paper – bills and bonds – which will allow government to finance its expenditures and conduct monetary policy more efficiently by permitting it to develop open market operations and thus complete the shift from controls or direct central bank lending to market-based instruments. At the same time a government paper market will offer new outlets for domestic savings, greater diversification of portfolios, greater capital mobility within the regions and ultimately better management of governments' debt. A government bond market can serve as a stepping stone to developing a corporate debt market by helping boost investor confidence in the overall bond market. However, the feasibility of a government debt market will hinge critically on the credibility of each member government's fiscal policy and debt management record. In Central Africa, given the low savings rates, weak investor base and thin capital markets, bond market development will face critical constraints. It is also important to note that a government bond market should be seen as an instrument for fiscal discipline and should not crowd out financial resources for the private sector. Meanwhile, the central bank in consultation with external experts is actively pursuing preparation of the institutional basis for an effective government debt market, and thereafter a corporate bond market. A few years will probably be required to establish the minimal set of needed conditions.

55. Finally, although not a financial institution in the banking sense, the Compensation and Development Fund (*Fonds de Compensation et de Développement*), formally established by CEMAC, is intended as a financial instrument of the Community, with two principal functions. One is to compensate countries for loss of revenue as a result of elimination of internal tariffs. The other is to finance "integrating projects". A decision to collect a 1% fee on all imports from third countries to finance the CEMAC institutions and capitalize the Fund was finally approved by the heads of state at the Yaoundé meeting of December, 2001. The proceeds are to be allocated as follows: 30% for the operating costs of the CEMAC institutions (Executive Secretariat, Court of Justice, etc.) and 70% for the *Fonds de Compensation et de Développement*. The 70% in turn is to be allocated as 40% for compensation and 60% for "integrating projects". However, only two of the six countries appear to have so far agreed to collect the 1% fee, and Gabon and Cameroon have not yet complied, thus adversely affecting CEMAC's budget. Furthermore, the exact modus operandi of the fund has not yet been determined.

3. Establishing a Common Market: The Customs Union

56. The "common market" to be established refers to the following three markets: goods and services, capital and labor. Clearly each "market" involves different requirements and will proceed along a different calendar. The free movement of capital is inherent in the monetary union and linked to the effective integration of the financial sector discussed above. Issues related to the free movement of people are noted later. The first focus here is on the goods market, i.e., the customs union.

57. The implementation of a functioning customs union can be characterized as a program to move forward from the 1994 tax and customs reform, the so-called "*Réforme Fiscalo-Douanière*", or RFD in short[5]. The principal thrust of the reforms was to liberalizing and simplifying the system by introducing a common external tariff, eliminating country-specific temporary surtaxes, removing all intra-zone tariffs by 2000 and non-tariff barriers for locally produced products, and replacing the fragmented indirect tax system with a uniform value-added tax (VAT) by 1999. The reforms may have contributed to the 6.8% yearly increase of intra-regional trade over the 8 years to 2001(IMF trade statistics). Unfortunately, there are no numbers for non-official trade.

58. The RFD was a major improvement over the previous regime. However, a late 1999 review found that although governments did confirm their commitment to the reform, they were, in varying degree, in breach of one or more provisions regarding customs duties and indirect taxes. The most frequent deviations were: (a) the persistence of ad hoc duty and/or tax exonerations; (b) misclassification of products; (c) disagreements on the definition of products of (local) origin, and general dissatisfaction with the rules of origin; (d) non-elimination or incomplete reduction of intra-regional tariffs (which were supposed to have been eliminated at the end of 1998); (e) the persistence of, or even introduction of, miscellaneous surcharges; and (f) double taxation of products in transit from the port of entry (mainly Douala) and the landlocked countries. These difficulties refer only to the tax-customs reform, not to the multiplicity of other "behind the border" impediments to trade. These are a separate and more problematic agenda, one of which the CEMAC authorities are well aware but ill-equipped to tackle. The Secretariat also noted problems with the qualifications and behavior of customs officials and the lack of sanctions for non-observance of the new rules, whether automatic (for which there were no provisions in the reform) or case-by-case (when complaints were filed from economic operators).

59. The existing trade regime and transit system has two ramifications. First, it raises the transactions costs of doing business in the sub-region and acts as a major tax on importers in Chad and Central African Republic. Second, the combination of a protected trade regime and high administrative hurdles and delays has an inherent anti-export bias and worsens the economic competitiveness of the industries in the sub-region.

60. This state of affairs seems to persist, despite some improvements, particularly with Douala port operations. One contributing reason for this may partly be the insufficient, or poorly qualified and poorly motivated, personnel in charge of implementing the RFD. The pattern of deficiencies, however, suggests that one reason is also the desire to maintain high levels of protection for so-called sensitive activities, particularly in the more industrialized countries (Cameroon, Gabon and Congo). To a lesser extent, the concern with loss of revenue has been present in the poorer landlocked countries. This is understandable, as measures to compensate for revenue losses resulting from tariff and tax reductions have not yet been applied.

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[5] The 1994 RFD is described in detail in an annex to the IMF Staff Report on Chad (No. 99/45), May 1999

61. In view of this unsatisfactory situation, the Executive Secretariat (with support from the EU, the World Bank and France) has commissioned independent customs experts to do a full assessment of the state of implementation of the 1994 reform, including all aspects of the Common External Tariff (CET), as well as remaining tariff and non-tariff barriers to intra-regional and transit trade. The forthcoming report (expected in December 2002) should provide the basis for corrective action as well as for longer term reforms. Meanwhile, the Executive Secretariat has obtained assistance from the African Capacity Building Foundation (ACBF) to strengthen CEMAC's negotiation capacities within the WTO framework. It is also important to note that CEMAC has an advisory status at WTO and participates regularly in the various meetings of the Trade and Development Committee.

4. Establishing a Common Market: Free Movement of People

62. The free movement of people is provided for in the CEMAC treaty but is to be completed only as part of the last 5-year phase of implementation of the common market. This problem has several distinct dimensions. Free travel within the region by individuals for business or other reasons would no longer be a problem in the future if and when the proposed "CEMAC Passport" is issued, available to all citizens, and the need for visas is eliminated by all CEMAC countries. These basic requirements may not be easily satisfied, since reportedly only four of the six countries have agreed to the principle. Second is the question of rights for non-nationals to take residence, work or open a business. This is also provided for in the CEMAC Treaty but reportedly would not be implemented without problems. The last aspect has to do with the unification of the regional labor market and the movement of significant numbers of workers from one country to another, more specifically from the less to the more developed areas within the sub-region. As already noted, there is severe formal and informal resistance to such movements in countries of potential immigration because of their small populations. The regional labor market may, therefore, be a desirable objective but is unlikely to materialize for a long time to come.[6]

5. Improving the Business Environment in the Common Market

63. The business environment, understood here to mean the legal and regulatory environment only,[7] can be seen as falling under the generic category of "integration policies" inasmuch as it involves the sub-region as a whole, is indeed a key dimension of the common market objective, and is to a large extent under the purview of regional authorities. This characterization applies specifically to the general business law, the investment laws, and the rules of competition. Only issues pertaining to these general legal instruments are noted below. Sectoral regulations (e.g., for public utilities) are still national, but may become regional; for example, if telecommunication regulations were to be established. In such cases, cooperation agreements limited to the countries directly involved may be the appropriate instrument. Importantly, the judicial systems are also

[6] It may be noted in this respect that in Gabon, for example, there are more foreign workers from West Africa than from other countries of the sub-region.

[7] It excludes other factors, such as taxation, infrastructure services, labor costs, etc.

national, although they share many common features inherited from their common history.

64. Regarding the legal system, as indicated earlier, the OHADA[8] business law is now in place but is not fully implemented in fact, among other reasons because the courts and the legal professions in general are not yet conversant with this new, more modern legislation. Also, business circles are concerned with some of its provisions. This refers specifically to the so-called procedure of *"saisie-attribution"*, whereby judges may order seizure of debtors' assets in banks. This has created difficulties for banks which are third parties to debtor-creditor relations. It would appear, however, that the problem lies in the erroneous (or arbitrary) interpretation of the law by some courts (especially in Cameroon) rather than in the law itself.

65. CEMAC has its own regional Investment Charter (a *"Règlement"* issued in December 1999) which provides a general framework in the form of a code of good conduct for the governments as well as private investors with respect to licensing, guaranties, legal protection against seizure by the state, freedom of repatriation of profits (within the monetary zone regulations) and so on. It offers the possibility of a limited number of tax advantages: exemption of profit tax for three years (probably an unnecessary measure in any case), the possibility of accelerated depreciation, carry-forward of losses, and tax exonerations for technological research or training expenses. However, member countries maintain their own investment codes and/or a large number of country-specific exemptions in order to attract investors under "special" tax "incentives" not in line with the spirit of the charter. The charter does not cover the petroleum, mining, and forestry sectors. These require specific regulations, which exist at country level, but are not being "regionalized" for the time being with the exception of the forestry sector (to a certain degree) with respect to the trans-border protected areas.

66. CEMAC has also issued "Rules of Competition" (2000) generally along the lines of the EU legislation (and thereby similar to those of WAEMU) but implementation is still not effective. Businesses are concerned by the possible conflict between the regional and, as the case may be, the existing national rules of competition if these are not effectively discarded. The situation could be further complicated if OHADA, as has been reported, were to issue new legislation on this matter. The CEMAC and OHADA Secretariats need to coordinate their actions in this respect.

67. Finally, while governance is not strictly a legal issue and is essentially a national rather than regional concern, it is highly relevant to the quality of the business environment. In this respect the international stature of the central bank must be noted. The Executive Secretariat on the other hand would benefit from both higher visibility and greater operational transparency. CEMAC has justifiably decided to tackle one of the regional dimensions of governance by establishing formal cooperation with Interpol to try and prevent money laundering in the sub-region.

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[8] OHADA *Organisation pour l'Harmonisation du Droit des Affaires en Afrique* (Organization for the Harmonization of Business Law in Africa) is a French-sponsored initiative for the modernization and harmonization of business laws in 16 francophone countries in Africa. It was established in 1993 but the actual implementation began in 1998

B. Areas for Regional Cooperation

1. Sectoral Policies

68. CEMAC's mandate and program of actions include the coordination and/or design of common sectoral policies in agriculture, forestry, water, environment, energy, telecommunications, commerce, industry, tourism, education and training. Preparatory work has been commissioned by the Secretariat on these sectors. One has been completed (with FAO assistance) in a "Regional Food Security Policy" paper.

69. Notwithstanding this broad mandate, CEMAC's main sectoral priority at this time is transport. CEMAC, with support from the EU, is therefore in the process of updating a regional inland transport master plan designed to guide completion and upgrading of the regional trunk road and river network of over 10,000 km. In particular, the plan envisions a road system connecting all the Central African capitals with paved roads by 2010. Other actions in transport include issuing a new *Code Communautaire de la Route*, a *Code de la Marine Marchande*, *Code de la Navigation*, and *Code de l'Aviation Civile* as well as seeking to "harmonize" standards and rules for road maintenance across countries, and promoting other measures to "protect the road network patrimony" through installing weighing stations; "encouraging" use and coordination of multi-modal transport (road/rail/river); adopting a common maintenance regime for river transport; and the revival of river transport by supporting the International Commission of the Congo-Bangui-Sanghai Basin.

70. Currently, air travel between countries of the sub-region is expensive, unreliable, and unresponsive to local demands, in part because of a rigid regulatory framework hindering competition. There are also indications of some member governments obstructing a national airline's plans to increase its flights frequency. There is room therefore for better intra-regional air service. The Executive Secretariat has therefore been mandated by the heads of state to prepare a feasibility study for the creation of a private regional air company. An issue, however, is that the very visible sponsorship of governments makes this initiative somewhat ambiguous.

71. Meanwhile technical work is proceeding on implementation of the Yamoussoukro Decision (1999) on liberalization of air transport in West and Central Africa (of which the CEMAC member countries are signatories). This program notably includes measures to improve air transport security and passenger protection, better observance of ICAO rules, and harmonization of rules of entry.

2. Cooperation on Common "Goods" and "Bads"

72. Although otherwise unrelated, transmissible diseases and forestry have in common their inherent regional dimension through "external diseconomies", which are particularly serious for HIV/AIDS, or "external economies" in the case of the eco-forest through its influence on the climate of the region and beyond.

73. The seriousness of the HIV/AIDS pandemic in the region has been noted. The CEMAC Executive Secretariat, however, does not have responsibility or competency in health matters. These are entrusted to the former *Organisation pour la Lutte contre les Grandes Endémies*, which has now become a specialized agency of CEMAC. The WHO regional office for Central Africa is located in Brazzaville. While HIV-AIDS remains primarily a national responsibility, just as in other parts of the Continent, UN-AIDS has identified the channels of contamination of the disease in the cross-country transport corridors as particularly active. The Congo-Oubangui River Axis and the area around Lake Chad are cases in point. Various donor agencies, including the African Development Bank, are reviewing the possibility of assistance.

74. The problem of deforestation (Cameroon, Congo, Gabon), though obviously different, also requires prompt and determined action because it threatens the livelihood of local populations, adversely affects rainfall in the Sudanian-Sahelien zone, and represents a poorly exploited valuable economic resource. Indeed, in spite of the considerable potential and apparent good performance (in terms of timber exports), the development of the sector has historically been constrained by the absence of a proper regulatory framework for many years. However, in March 1999, following a Summit of Heads of State in Yaoundé, an operational framework was created in the form of the *Conférence des Ministres des Forêts d'Afrique Centrale* (COMIFAC), which includes the DRC), with an Executive Secretariat to promote regional cooperation with regard to forestry management. In fact, the 1990's were characterized by significant forestry sector reforms in some of the CEMAC countries, most notably Cameroon, to improve the fiscal and taxation system governing the sector. The success of the sector will depend critically on sustaining the pace of reforms and the member countries' capacity to implement them.

IV. World Bank Assistance Strategy and Program

75. The following sections present the general strategic considerations surrounding the proposed Bank assistance and delineate the proposed work program for the next 3-4 years. However, though self-evident, it may be recalled at the outset that no measure of external assistance, including from the World Bank, will produce meaningful results unless some basic preconditions prevail: civil peace, no conflict between countries, and a minimum degree of democratic environment[9]. Section A presents the principal rationale and general approach; Section B describes the proposed program and its components; and section C discusses cooperation with other development partners.

A. Rationale, Goals, Principles

1. Rationale for Bank Assistance

76. Despite several policy constraints and weaknesses, there is a strong rationale for the Bank to assist CEMAC in its efforts toward regional integration, consistent with the Bank's overarching objective of poverty reduction. While integration in the sub-region is still in its infancy, there are two main reasons for supporting the process. First, a **strong historical and institutional base exists** through which integration can also lock the member countries into policy reform. **Integration's** main pillars, which are also the essential conditions for growth, are in place, even though they need considerable strengthening in places. These pillars are a working monetary union; an agreed system for macroeconomic policy convergence and surveillance; an established customs union; a reasonably sound financial sector which is being gradually integrated; and a new, more favorable legal and regulatory framework for private business. Second, regional integration – in its broadest sense – is essential for the economies and, indeed, the survival of the two landlocked countries (Chad and the Central African Republic), which have among the lowest per capita income in the world. In fact, the need for cooperation between them and their richer coastal neighbors is fully recognized in the CEMAC treaty itself.

77. External assistance can also further strengthen the "forces for integration" noted earlier. Thus, a more cohesive CEMAC can be a much needed factor of peace within the Community and in the broader central African region. Mutually beneficial bilateral or multilateral projects, such as the Cameroon-Chad pipeline, are more likely to materialize within a broader, structured regional arrangement. As a united group, the CEMAC countries are likely to be a louder (if still small) voice in international negotiations, whether in the WTO framework or in the context of the Cotonou agreement with the European Union. Finally, as indicated above, strong regional arrangements, of which

[9] This does not refer to a particular constitutional form of government but to a situation where civil society has a voice and can participate in the political processes.

CEMAC is expected to be one, are being encouraged by NEPAD. This conjunction of factors creates a potential for more effective regional integration, and the Bank, together with other development partners can help make this potential a reality.

2. Goals and Poverty Reduction

78. While the ultimate goal of poverty reduction remains primarily a national responsibility, regional integration can conceivably contribute to it through four main channels: by accelerating overall regional growth; through movements of people from the less to the more prosperous areas; by relocating and developing new activities where the poor live; by re-distribution of regional resources to the poor; and, more generally, by strengthening solidarity between member countries, which would curtail the temptation of using retaliatory measures – akin to "beggar-thy-neighbor" policies – against each other. All these factors can contribute to poverty reduction but those that will permit accelerating overall growth are likely to be the most effective in CEMAC. Some of the things that will be critical in that respect are: macroeconomic stability and convergence; the maintenance of a competitive exchange rate; an increasingly liberalized trade regime with the rest of the world to stimulate competition; improved access to inputs at world prices; export promotion; free intra-regional trade (including "informal" trade); an effectively integrated financial sector to help improved allocation of resources; and a modern legal, regulatory and judiciary environment.

79. The free movement of people within the region is imbedded in the constitutional texts of the Community. Intra-regional migration, however, will remain a marginal contributor to poverty reduction in the medium-term for the political and social reasons noted earlier. Developing new, non location-specific activities in the two landlocked countries will depend on greatly improving the availability of skilled manpower in those countries, which will take time to develop. Finally, while some intra-regional redistribution of real income in one form or other is usually provided for in regional arrangements, such policies have not been successful worldwide (the EU is to some degree an exception), and they do not feature ostensibly into the mandates of the regional Compensation and Development fund, the regional development bank, or other CEMAC policies.

80. The contribution of regional integration to poverty reduction therefore will be its improved environment for macroeconomic stabilization, greater openness, and a more credible business environment. In other words, it will help create the conditions for accelerated growth, which is the backbone of poverty reduction. It follows that the policies undertaken by CEMAC should create or consolidate the conditions for accelerated growth. In summary, the creation of a common open market must form the immediate objective of Bank assistance. This goal translates into support for policies that advance the process of deeper integration as well as support for actions that permit cooperation on specific sectoral issues. In this regard, it will be important for the Executive Secretariat to ensure that in the formulation of their PRSPs, the member countries incorporate fully the regional dimension, including regional opportunities and programs (Attachment 1)

3. Guiding Principles

81. As in the case of the West Africa Regional Integration Assistance Strategy, a few principles (which are equally valid for the regional authorities) will guide the Bank in designing and delivering its regional assistance. The main principle is, of course, that an open and outward looking posture –in other words **open regionalism**[10]—is as essential as in any other trade arrangement in Africa, perhaps even more so given the very small economic size of the sub-region, and for the same efficiency reasons. This is well understood and clearly expressed in CEMAC's basic texts. The problems lie in the implementation of policies consistent with the principle.

82. Only **private enterprises** will be able to capture the benefits of openness and translate them into competitive and more diversified production, exports and lower prices to the consumers; in other words, into greater welfare for the region. While governments are clearly the initiators of the process of integration, the private sector should be its moving force.

83. **Participation of the people**, and not only of private business, is essential for the sustainability of regional arrangements. Regional integration must be seen to be in the interest of the citizens as consumers, as producers, and as participants in decisions that affect civil society at large. As often remarked, the "culture of integration has not taken root in the region". To increase interest and participation, NGO's and other civil associations, such as trade unions, must be invited to debate the issues and more generally to freely pursue their activities. Also a deliberate effort to disseminate information is necessary. The Executive Secretariat has plans to that effect in its program of actions. With respect to both dissemination of information and participation, the widely attended joint CEMAC-World Bank workshop held in Yaoundé (October 2002) was a success.

84. The **subsidiarity** principle should guide the division of labor and responsibilities between the regional institutions and the national governments. It means simply that while gradual relinquishment of elements of sovereignty from governments to regional institutions is inherent in the process of integration, the regional institutions should only assume responsibility for those policies and actions that cannot be carried out as well or better by the national authorities. In the central African context, the regional institutions (other than the central bank) are still weak relative to national governments. Over time, they should assert themselves more and more effectively over a larger area of regional policy.

85. Finally, **pragmatism and gradualism** rather than grandiose blueprints will ensure progress. This implies a combination of a strategic approach in order to concentrate the limited institutional and human resources available on those priority areas

[10] Open regionalism here also implies, as per the CEMAC treaty, acceptance of new member countries fulfilling set conditions.

leading to deeper integration with an opportunistic approach seeking to exploit opportunities for inter-country cooperation as they occur.

86. Besides observing these general guidelines, the Bank will be attentive to ensure consistency and cross fertilization between Country Assistance Strategies (CAS) for CEMAC members and the Regional Integration Assistance Strategy (RIAS).

B. Priority Areas and Proposed Work Program for World Bank Assistance

87. The foregoing review has identified a large number of issues and the unfinished agenda. Macroeconomic policies, trade policies, financial sector reform, business environment and competitiveness form the domain of integration. Infrastructure services, forestry, water, environment, health-HIV/AIDS, and human resources are all in the domain of regional cooperation, while institutional issues straddle both categories. This section first presents an overview of the program and then reviews all proposed activities for Bank assistance for the period FY04-FY08.

88. As in the case of West Africa, policy dialogue, policy advice and technical assistance will be relatively important. Consequently, a higher level of flexible grant resources will be necessary than in the past. Moreover, a few key lending operations are programmed as well.

1. Overview of the Program

89. The program's structure is divided into two dimensions: the ***domain*** of assistance and the ***degree*** of priority. As defined earlier, the targeted domains are Integration and Cooperation. The degree of priority indicates whether the Bank foresees a leadership role for itself in the relevant activity. *Core activities* would have first claim on Bank resources. In *non-core activities*, the Bank would act as an associate, a convener or simply as an observer where another development partner takes the lead. However, some form of collaboration with other external agencies is likely to be the rule in most, if not all activities. These activities would have second rank in the use of scarce Bank resources. Importantly, the Bank will continue to provide support to institutional strengthening and capacity building, which, as indicated above, concern the two domains of integration and cooperation. It should be noted that "non-core" does *not* imply low priority in the process of regional integration; it simply means that the activity in question does not match the Bank's comparative advantage given the level of resources and expertise available to the Institution. Non-core also refers to an area where the Bank would like to take a cautious approach because the policy options taken by the Region (e.g., regional stock exchange or BDEAC) are still uncertain, and/or the operation requires long lead-time for preparation (energy). Thus, macroeconomic policies – although non-core in this program – are clearly essential but the IMF is, in this case, the principal organization in a position to monitor, analyze and advise. The Bank will nonetheless monitor developments in this area since it has to form its own judgments on aspects relevant to its operations (the exchange rate is one of those aspects but the bulk of the analytical work on macroeconomic issues will be by country, not regional).

90. To these two dimensions is added a "*contingent*" category, which is comprised of a number of studies in areas important for the process of regional integration in the long run. To simplify, this category is in the table as one single item "long term issues studies". These studies are contingent because of the uncertainty surrounding their execution, notably as to interest on the part of the client, availability of resources, possible intervention by another agency, or the general country environment is too great to permit firm commitment by the Bank at this time. The themes envisioned for these studies are mentioned in various places in the main text, (including in the section on "Risks" and briefly described in Attachment 2.

Summary of Bank Activities

	Integration	Cooperation
Core Activities	**Trade Policies – Customs Union** - Phase I: Corrective action plan - Phase II: Customs union reform	**Infrastructure** - Transport and Trade facilitation - Regional road links - Air safety and regulation
	Financial Sector - Banking sector monitoring - Microfinance development - Bills and bonds market	**Human Resources** - Regional HIV-AIDS
	Institutional Strengthening Support to the Executive Secretariat Monitoring of programs	
Non-Core Activities	**Macroeconomic** - Monitoring policy convergence and surveillance units work - Export volatility study	**Infrastructure** - Telecommunications Policy Harmonization - Energy (Power) strategy
	Business Environment - Legal and regulatory framework - Competitiveness observatory	**Forestry/Water** - Support to COMIFAC/REIMP-II - Lake Chad Basin
	Financial Sector - BDEAC - Regional stock exchange	**Human Resources** - Higher education and training
Contingent Activities	Long Term Issues Studies	

91. As shown in the table below, the assistance program will require IDA financing of $140 million. The five technical assistance operations amount to $40 million (not including the ongoing regional payments project). The sole investment project is $100 million for regional road links. Because it is inherently capital intensive and the rest of the program is not, this creates an apparent imbalance in the program in financial terms. As noted, this project (or projects) is subject to its economic feasibility being established and will carry sector conditionality (e.g., regarding maintenance). It is proposed at this time for FY07 because of the lead time involved in preparation, and of the fact that the financing of the regional network is fully available until 2006.

Table 1: Tentative Central Africa Multicountry Lending Program, FY 04-08 ($US Millions)

Area	Task	IDA		Financial Year
		Investment	Tech Asst	
Trade				
	Trade facilitation (reform of customs union) /1		5.0	FY05
Financial Sector				
(a) Banking sector	BEAC Payment systems		((15))	FY02 /2
(b) Microfinance	Implementation of new microfinance legislation		10.0	FY04
(c) Long-term financing	Capital market development			FY06 /3
Infrastructure				
(a) Transport	Road infrastructure	100.0		FY07
	Transport facilitation /1		5.0	FY05
	Air transport		5.0	FY04
Forestry and Environment				
Forestry	Regional Environmental Information Management Project (REIMP II)		5.0	FY04
Human Resources				
Regional HIV-AIDS /4	Regional Lake Chad Basin Initiative		10.0	FY04
TOTAL		**100.0**	**40.0**	

1) Trade and transport facilitation will be one $10 million operation.

2) BEAC payments project approved in July, 2002. Number is in Parentheses only for the record.

3) Status of bond market project do be decided after midyear review

4) Financed under MAP II grant

92. Administrative resources needed to carry out the analytical and advisory activities (monitoring of developments, economic and sector work, special studies, policy dialogue, workshops, liaison with other agencies, mid-term review of progress, preparing requests for IDFs, etc.), as well as the preparation and supervision of lending operations over the program period, will be allocated approximately as follows:

Table 2: Budget Allocations for Bank Assistance Program – FY04-08

Integration	Percentage
Macroeconomic Policies	4
Trade Policies	10
Financial Sector Integration	18
Business Environment	13
Infrastructure Services	31
Forestry/Water	9
Human Resources	10
Institutional Strengthening	5
Total	100

93. The **program will be monitored** under each relevant category of Bank activity: supervision where either IDA lending for projects or technical assistance/institution building operations with IDA financing or Trust fund financing is involved. In cases where ESW and policy dialogue are the vehicles for Bank assistance, review of progress will naturally be integral part of the activity. In coordination with other donors, a periodic overview of the program will take place annually while an in-depth progress report on the integration process will be prepared after three years, i.e. in late FY05 or early FY06. Monitoring of the regional strategy will be coordinated with monitoring of country programs. The main components to be monitored relate both to progress in the regional integration process and to execution of the work program and are summarized in Attachment 3.

2. Program Activities

94. The following sections briefly describe the program's activities in the functional order in which they have been discussed in the text, from those essentially related to integration to those pertaining to sector and sub-sector cooperation. For each activity the order of "priority" are indicated as core or non-core).

Institutional Issues (Core Activities)

95. There are two main sorts of institutional issues in CEMAC One is the question of whether the existing institutional architecture is the most appropriate in light of the region's long term objectives. At the core is the issue of distribution of sovereignty between states and regional institutions. To simplify, is the ultimate goal a federation of states or is the objective more simply to provide a favorable framework for intensified cooperation between countries – even though the preamble to the Treaty states that the time has come to "move from cooperation to integration"? Or is the consensus toward some viable mid-point? This is, of course, a highly political, complex, long-term issue. After almost 50 years, the European Union is still debating it. The Bank together with

other development partners could in due course contribute to the discussion as it relates to economic aspects, if so desired.

96. On the other hand, the need to strengthen the Executive Secretariat, including ensuring permanent and predictable financial resources, is generally recognized as a pressing issue. Indeed, the process of deepening integration, as well as fostering regional cooperation, is not feasible without strong regional institutions, particularly with respect to the permanent executive bodies, i.e., the Secretariat. However, serious limitations to the Secretariat's effectiveness, as well as to the willingness of external partners to provide assistance, exist because of its location in Bangui where a state of insecurity persists. Assuming a more normal environment, the Bank would be willing to consider an IDF grant to strengthen the institution's capacity in some of its key responsibilities, including the monitoring of trade, preparing customs reform, or macroeconomic surveillance. The Bank, in tandem with the EU, will promote a coordinated approach to capacity building, as was done in the case of West Africa, in order to harmonize instruments and procedures in providing assistance resources to the Secretariat.

Macroeconomic Policies (Non-Core Activities)

97. Although these activities will be primarily led by the IMF, the Bank team will be involved both in the country dialogue and its consultation with the Secretariat.

98. Three activities of quite different scopes would feature as Economic and Sector Work (ESW) or Analytical and Advisory Activities (AAA) in the work program:

- Monitoring macroeconomic policies for convergence around the four main (and, as needed, secondary) criteria: this would be part of normal country economic monitoring and would include participating (as an observer) in the periodic "Article IV" CEMAC surveillance missions of the IMF (as done in West Africa for UEMOA). Monitoring of the evolution of the real exchange rate will be part of regular monitoring.

- Reviewing the efficiency of the surveillance system itself, with respect to both the national and the Executive Secretariat units in charge and offer technical assistance if needed, possibly to build capacity in the national surveillance units;

- In view of the particular issues associated with the volatility of oil prices and revenues, the Bank will review the adequacy of the convergence criteria themselves, and will follow the work at the IMF on the management of oil volatility through, for example, a system of variable reserves. As needed, the Bank may undertake specific analytical work on the issue.

Trade Policies (Core Activities)

99. CEMAC's trade policy will be one of the central areas of policy dialogue, as this is a domain where the Bank has considerable expertise and experience. Several aspects of

how the customs union is currently working and preparation for further reforms will be considered a priority, namely:

- A review of the findings of phase one of the (earlier mentioned) study commissioned by the Executive Secretariat jointly with other sponsors (EU, France) is planned for February 2003. This should lead to an action plan aiming at correcting at least the more egregious dysfunctional aspects of the union noted earlier, whether they relate to the common external tariff or to impediments to intra-regional trade, including better dissemination and explanation of the trade regime to customs officers, computerization of customs processes, and simplification of procedures.

- A simultaneous preparation of phase two of the study will be launched with EU financing. This will seek to estimate the impact of possible alternative reforms of the trade regime on public finance, the productive sectors, and volume, structure, and direction of trade. The main objective will be to move towards average lower and less dispersed external tariffs. Adopting the UEMOA common external tariff (0-5-10-20%) will be an option. The long-term objective would be to join the 15-country ECOWAS customs union, when and if this becomes reality. Harmonization with the Economic Community for Central Africa (ECCAS) would be considered as well. The implementation of corrective (phase one) or reform measures (phase two) by the member countries, and the capacity of the Executive Secretariat to monitor/enforce them may require provision of some technical assistance (although probably not before 2004).

- Technical assistance may be required to assist CEMAC in preparing for **international trade negotiations** to improve its bargaining position in the post-Doha round (to end by December 2004), the Cotonou Agreement with the European Union (to be held in 2002-2004 and 2004-2007), and with the United States under the AGOA initiative. The EU assistance strategy provides for such technical assistance, though the Bank will include relevant topics in its policy dialogue. It is assumed that CEMAC will enter such negotiations as a group.

- Finally, policies for **export promotion and diversification**, while conceptually an important component of trade policy, cannot by their very nature be the subject of only one type of action or be one item of external assistance (and certainly not in the form of an "export promotion bureau"). It is rather the result of a combination of measures, most importantly removing the elements of anti-export bias in the exchange and trade regime, and improving those factors directly affecting the competitiveness of firms in the section the "Business Environment").

Financial Sector

100. The Bank's long standing involvement in the region's financial sector includes, among other activities, carrying out two Financial Sector Assessments (Cameroon and Gabon) and the recently approved Regional Payments Project (IDA US$14.5 million). The sector has known difficult times. Besides continuous monitoring of developments,

including possibly light Financial Sector Assessments in Chad, RCA, Congo, Equatorial Guinea, four groups of activities are programmed for the medium term, relating to the banking sector, microfinance, long term finance and bond market:

- In the **banking** sub-sector supervision of the regional payments project is a self-evident priority: Conditions of effectiveness are expected to be met in early 2003 and the project is expected to be completed by the end of 2006. Secondly, as part of the policy dialogue, the Bank will impress on the regional authorities the need to make the "*Agrément Unique*" truly operational by relaxing the financial and administrative requirements in order to lessen the constraints to integration of the banking sector under the present set of rules; (Core Activity)

- Recent regulation has been passed regarding the operations and supervision of **microfinance:** the Bank has been requested to assist in disseminating the relevant information and supporting the microfinance institutions by providing training and equipment as needed: a small project to that effect will be prepared (FY04); (Core Activity)

101. Past assessments and recent discussions have confirmed the gap that exists in the system regarding the provision of **long term finance.** This has three dimensions noted earlier: the development bank, bills and bond market, and stock exchange. None of these has matured to the point of offering opportunity for one or more full-fledged projects. Meanwhile, the Bank proposes to assist as described below.

- **Bills and bonds market (Core Activity):** The Bank (together with IFC and IMF) will provide advice in support to the preparatory work initiated by the central bank to establish a regional bills and bonds market for government and possibly corporate paper (as there is room for long-term borrowing in local currency). This is doubly important to permit the continued move of monetary policy toward market-based instruments and away from central bank advances, thereby imposing more fiscal discipline, and also as an outlet for private investors.

- **Regional development bank (Non-Core Activity):** The World Bank will take a cautious, low cost, low risk approach to assisting BDEAC. This institution needs to carry out a major restructuring (after about ten years of inactivity), which includes conducting an audit of its staffing needs (number, qualifications, training); and restarting operations according to a business plan developed recently. In this effort, it would greatly benefit from one or more high-level advisers or "wise people" for an initial period of two years or so. The Bank could intermediate this technical assistance. Lending to the BDEAC, on the other hand, will not be considered until the institution has demonstrated its viability;

- **Regional stock exchange (Non-Core Activity),** the Bank will provide advice if requested on the regulatory framework for such an institution; although, as indicated earlier, this initiative is still surrounded by uncertainty.

Business Environment and Competitiveness (Non-Core Activities)

102. A variety of factors affect competitiveness, such as the legal and regulatory framework, quality of infrastructure services, and human resources and economic policies. Besides assistance in the latter two categories, two advisory activities are programmed: advising on the legal framework and establishing a competitiveness observatory.

103. The elements of regional legal framework most relevant for the private sector include the OHADA Business Law, the Regional Investment Charter, national investment codes, the rules of Competition and the public procurement regulations. At several points in the past, the Bank has advised on these legal matters. The Bank plans to engage the national governments in a dialogue on the disparities between regional and national rules and try to help eliminate unilateral decisions by governments in contravention of regional norms, especially when these could undermine the customs union (e.g., through import duty exemptions); coordinate policy advice with the EU on the implementation of regional legislation affecting competition and government procurement with a view to preventing some provisions from becoming disguised "behind the border" impediments to trade (the Bank is already advising Chad and Cameroon regarding their proposed legislation for public procurement).

104. As noted earlier, some provisions of the OHADA business laws have created difficulties for the private sector and, specifically, banks. These would appear to stem from erroneous interpretation of the laws by the courts, particularly in Cameroon. It is also an indication of the frequently poor functioning of the judiciary system. In view of the comparative advantage of other donors in this area, the issue will be kept under review by the Bank, but no specific intervention is planned at this time. The Bank is also planning to support an initiative aimed at assessing the impact of OHADA in all signatory members though an IDF instrument.

105. Given the central role of trade in the regional economies, the capacity of firms to be competitive in order to export or efficiently substitute for imports is a critical dimension of integration in the world economy. Increased competitiveness and export diversification are interrelated and indeed explicit objectives of CEMAC. Monitoring the factors that affect competitiveness of enterprises and the efficiency of the supply chains could benefit from a systematic observation. The evolution of the real effective exchange rate is the key macroeconomic factor. Another set of factors is the legal/regulatory environment, as discussed above. The "competitiveness assets" surrounding private firms are a third set: infrastructure services, finance, technology, and human capital. A fourth set has to do with the internal organization and performance of the firms themselves.

106. A "competitiveness observatory" would consist of the systematic monitoring by one organization of appropriate indicators relating to the four sets of factors noted above, either drawing directly from existing sources (e.g.,. the central bank for exchange rates, statistics offices, etc.), constructing from basic data (the cost of electricity or time needed to clear imported goods etc.), or using existing analyses (e.g., in Cameroon) Since competitiveness is in the first place a concern for private enterprises, the proposed

"observatory" would be best located under the aegis of a private business organization. UNIPACE, the regional employers' organization, has indicated an interest, and the modalities of setting up the observatory will be discussed with this entity. It is important that the work of the observatory be done in collaboration with all segments of the business community and its findings widely disseminated. The Bank will assist with methodological aspects and by continuing its program of "Investment Climate" surveys worldwide and Regional Program on Enterprise Development (RPED) in Africa. This would permit comparisons between central Africa and other countries[11]

Infrastructure Services

107. Infrastructure is an area offering a wide scope for regional cooperation. Within this, Transport (as noted earlier) comes first. The intended focus of Bank assistance is on "services", i.e., the output from infrastructure, whether transport, telecommunications or energy. Clearly, however, there is ample room for infrastructure investment, especially in transport. While the focus of Bank action is "regional" transport, this is not readily separable from "national" – which raises issues of allocation of costs and benefit. Transport will be a core activity, whereas telecommunications and energy will be non-core, given the limited scope of foreseeable activity.

108. As a direct complement to the establishment of the customs union, a structural adjustment credit for Cameroon under implementation since 1998 has a component for the improvement of operations at the port of Douala. This is progressing well (e.g., the "single window" office, where all port clearing operations can be settled, is operational). However, there remains an array of impediments, including roadblocks, to the proper functioning of the trade and transport logistics chain across the region, particularly with respect to the transit corridors for imports and exports from ports (mainly Douala) to the hinterland. This involves high transaction costs for operators in Chad and CAR. In discussions of these issues with the regional and country authorities a possible project has been identified with components as summarized below:

- **Trade and Transport Facilitation Project (Core Activity):** The project would include: (a) in association with transporters, other operators and users, making an inventory of "abnormal" practices by degree of seriousness and proposing appropriate actions to modify, simplify, streamline or discard rules that give rise to such practices; (b) helping to streamline all customs and port operations relating to transit trade (to be informed by the ongoing customs study mentioned above); (c) examining alternative systems in use as guarantees for duty payment by importers; (d) reviewing the rules and requirements regarding the trucking industry; (e) assessing different road maintenance systems in the region, including second generation road funds (as exist in Cameroon and Chad); (f) reviewing regulations regarding axle load with a view to generalizing Cameroon's experience, including the use of weighing stations and penalties; (g) verifying the state of implementation of the recently issued regional "*Code de la Route*"; and

[11] This is being done by several institutions. One is the World Economic Forum through its annual publications. Their competitiveness indices cover 24 African counties (including North Africa).

(h) studying the feasibility of back- to-back customs and police border posts. A tentative technical assistance project is included in the program.

- **Inland transport infrastructure (Core Activity):** The regional road network designed by CEMAC with assistance from the EU has partly materialized over the years with financing from the 8th European Development Fund (8 projects), and from France, AfDB, Arab funds, Japan, and Spain (7 projects). It is expected that all projects under way will be completed by 2006 (close to 8,500 km cumulated) linking four of the five inland capital cities. CEMAC's master plan includes an additional 11 segments (fewer than 2,000 km, including dredging of the Ubangi River) that would permit completion of the plan by 2010. It is proposed that that the Bank reviews the economic feasibility of this program with CEMAC to determine the appropriate investment consistent with our country investment programs. An indicative amount of US$100 million (IDA) has therefore been allocated for FY07. Parallel or co-financing would be sought from development partners and no infrastructural investment would be considered without assurances regarding security along the transport corridors, as well as satisfactory arrangements for maintenance.

- **Telecommunications (Non-Core Activity):** The Bank would sponsor a Public-Private Investment Advisory Facility (PPIAF) study to: assess the status of implementation of sector reforms in each of the countries; identify bottlenecks to regional integration of telecommunications; and explore options for further action. Workshops would be organized to launch, disseminate and review the study's findings with the relevant authorities. The Economic Commission for Africa (ECA) and the International Telecommunications Union (ITU), which both have representations in Yaoundé, have agreed to support this process as well.

- **Energy (Non-Core Activity):** Similar considerations apply regarding power in the energy sector (oil is a separate set of issues). Although there is general belief that the region has ample though unevenly distributed potential for hydro-electricity and natural gas development, there are no regional activities in the matter. A regional market would take several years to conceive and develop. A necessary first step is a detailed assessment of the potential as well as the constraints. The Bank is ready to search financing (for example through ESMAP) and manage such a study.

Forestry and Water (Non-Core Activities)

109. The regional authorities seek assistance from development partners. The Bank will:

- For **forestry,** where the EU will be the leading partner, the Bank will continue its support in consolidating the ongoing process of policy design and monitoring initiated by the COMIFAC through policy advice and some technical assistance (via trust funds), and continue to provide support to the Regional Environmental Information Management Project (REIMP) jointly with other bilateral and

multilateral agencies. Of particular regional importance is the monitoring and protection of the designated trans-border protected forest areas. At this time, this task is essentially performed by NGO's.

- For **water resources**, together with UNDP, the Bank is supporting the Lake Chad riparian countries through a GEF project on reversing land and water degradation in the Lake Chad Basin. The total grant of this project is estimated at US$10 million of which the Bank is managing US$3 million. While this project is expected to strengthen cooperation among riparian countries, the Bank will provide technical assistance to individual countries to improve their water resources management. This support will also relate to sector work that identifies priorities for the basin as a whole and for each country and thus permits future sound management and development of water resources in the area. The Niger basin cooperation project, in the preparation of which Chad and Cameroon are participating, will also contribute to promoting improved water resources management in Central Africa.

Human Resources

110. As already noted, while evidently recognized as national priority areas, health and education remain essentially country concerns, with some regional dimensions.

- The **HIV/AIDS (Core Activity)** pandemic propagates itself along the regional transport corridors and zones of transit. The AfDB is expected to finance a project to cover the Congo-Ubangi River corridor which carries numerous passengers, although fewer since insecurity or open hostilities set in during the 1990s. It is proposed that the Bank, under the MAP II program, assesses the possibility of providing support to the other basin, namely the Lake Chad area which involves Cameroon, Chad, Niger and Nigeria.

- Regarding **higher education and technical training (Non-Core Activity)** there is scope for having both regional schools under the authority of a regional or multinational body and national institutions effectively open to all regional students. A number of them, both public and private already exist. An inventory of such institutions and their current status, capacity and needs (some are operational, others not) would provide a first indication of the "regional supply" of education; Estimating the "demand" for regional education would be more difficult, but feasible. It is expected that the AfDB will take the lead in carrying out this exercise with the Bank playing an advisory role.

C. Cooperation with Other Development Partners

111. The main development partners for the CEMAC region are the EU, France, and the IMF. Cooperation with them on regional issues has always been active and effective. It has been given new impetus since the initial stages in the preparation of this assistance strategy. Besides frequent, informal consultations on issues and programs, the Bank has

been consulted by the EU on their own proposed assistance strategy and participated in the forum organized by the EU in Libreville to present and discuss their assistance program (2002-2007) with the regional authorities (April 2002). Conversely, the draft Bank strategy has been reviewed by the EU and their representatives participated in the workshop sponsored by the Bank and CEMAC in Yaoundé (October 2002). As noted earlier, the Bank expects to participate as an observer in the IMF consultations missions to regional organizations (as it has done in West Africa). Several other organizations have participated in the discussions and exchanges during preparation of this strategy, including AfDB and the United Nations Economic Commission for Africa (ECA).

112. Division of labor under the assistance programs has not raised serious difficulties in the past, although one reason has been the scarcity of regional operations in recent years. Regarding the future, one area where close coordination is under discussion is transport, especially the allocation of tasks between infrastructure construction and infrastructure services, inasmuch as both the Bank and EU plan assistance in both aspects. Another is trade. The plan of action for both improving the working of the customs union and reforming it will have to be agreed between the three main donors and the Executive Secretariat, and not all parties may share the same views (for example, as to the desirable levels of protection) and compromises will be necessary. Another still concerns the prospects for the regional development bank and the advisability of assisting it at this difficult stage. In general, all partners, including the regional authorities, have no basic differences as to the seriousness of the issues, the limited progress so far, the obstacles to overcome and the need for a revival of effort to quicken the pace of integration.

V. Risks

113. The greatest risk in its consequences, if not in its probability, stems from the possibility of political tensions degenerating into internal civil strife or conflict between countries. Obviously, the security situation in the Central African Republic and at its border with Chad is a matter for concern. Manifestations of poor law and order are numerous and a continuing serious obstacle to doing business in parts of the region.

114. More directly problematic for the process is insufficiently visible political leadership in favor of regional integration and an apparent lack of involvement of civil societies, what observers in several countries have called the "absence of a culture of integration". Better information and the development of participative institutions are the best directions to develop support for the regional integration process from the people.

115. A more specifically economic risk of disturbance is the potential for fiscal mismanagement in the face of oil revenue volatility. While fiscal policies have improved, oil windfalls in Chad and Equatorial Guinea, and also declining oil revenues in Gabon, present serious challenges for macroeconomic stabilization and convergence policies. While historical experience in the region and elsewhere may indicate what not to do in similar circumstances, there are no clear examples of "good" policy in such cases. Thus,

there is a need for fiscal transparency and for strict mutual macroeconomic surveillance, including solidarity as well as strong peer pressure on deviant governments when needed.

116. In parallel to West Africa, risks more directly associated with the process of integration itself are slow or non-implementation of agreed reforms aimed at strengthening the common market as demonstrated, for example, by the unsatisfactory functioning of the customs union. Had the impressive corpus of regional laws, edicts and regulations already been translated into action, the central African community would be a model of regional integration. It is instead in its infancy. Subject to political stability and security being restored throughout the region, the encouraging signs of a renewed commitment to the process of integration now visible could mean the beginning of a new course in the history of Central African integration.

117. Each of these risks and challenges, whether immediate or more distant, has institutional, economic and social dimensions. None has yet been satisfactorily resolved, which can be explained by their inherent complexity and the complicated history of integration in the region.

118. There is also a risk of the Bank program not being fully implemented or not implemented in a timely manner for lack of adequate instruments or shortage of IDA resources. The need for flexible grant instruments is felt in areas where technical assistance is involved. When the specific requirement is large, for example for institution building over a number of years, an IDA credit or IDF grant may be appropriate. However, this may not be the case where punctual assistance on a precisely circumscribed issue, for example a draft piece of legislation or directive from the Executive Secretariat, is required and expertise may not immediately be available at the Bank. In addition, to reduce the uncertainty of available resources for regional integration, the involved countries would need to integrate such strategies in their development approach, and agree to allow some of their performance-based IDA resources to be used for this purpose.

Conclusion

119. At this point in the checkered history of Central African integration and despite persistent weaknesses, a favorable conjunction of factors exists. Notably, there are an increasingly strong set of institutions, a growing sense of the need for more openness together with greater intra-African solidarity and a renewed willingness among the donor community to support regional initiatives. Surely, regional leaders will want to fully seize the opportunity. The Bank together with other development partners will then stand ready to assist along the lines of the strategy presented here.

James D. Wolfensohn
President

By: Shengman Zhang

Attachments

Washington, D.C.
January 10, 2003

CEMAC
Status of Poverty Reduction Strategy Papers and Country Assistance Strategies

Country	CAS	I-PRSP	PRSP
Cameroon	• CAS 01/1996 • Progress report 02/1998 • Next CAS planned board date is 05/2003	Completed 08/2000 (see HIPC Web site)	• HIPC Decision point 10/2000 • PRSP Preparation Status Report 01/2002
Central African Republic	• None current • Suspended	Completed 12/2000 (see HIPC Web site)	• No progress
Chad	• CAS 01/2001 • Next CAS planned for Q1 FY04	Completed 07/2000 (see HIPC Web site)	• HIPC decision point 05/2001 • PRSP Preparation Status Report 12/2001
Republic of Congo	• TSS 11/2000 • No update or CAS planned.	In draft	None
Gabon	• CAS 09/1998 • No new CAS planned.	N/A	N/A
Equatorial Guinea	• No activities, except 1 IDF Grant.	N/A	N/A

Contingent Activities: Long Run Issues Studies

1. The long run presents challenges for regional integration in Central Africa beyond the issues and risks highlighted in the main text. These are a complex interplay of institutional and policy issues and of underlying trends, some barely discernible, others already manifest. Although beyond the time frame and geographic scope of this assistance strategy, it is important that regional authorities and external partners alike incorporate these aspects in their long term vision. With that objective in mind, this note identifies a number of topics that could be the subject of studies to be initiated soon or planned for a more distant future. The concept and organization of these exercises are contingent because these studies will have to be discussed first with the regional authorities, the availability of resources to carry them out is not assured, and it has to be determined if the topics are not being properly covered by other stakeholders. Indeed, there is no implication here that all or any of the proposed studies should be undertaken by the Bank. One objective of this tentative proposal is precisely to help determine who does what and when to engage in a dialogue with development partners on the various topics. Collaboration with African partners in undertaking any of these exercises would be highly desirable. The topics are presented here, in no particular order, as little more than titles, simply to elicit indications of interest. Obviously, detailed terms of reference or concept papers would have to be prepared for each study.

Topic 1. *Long Term Economic and Social Impact of HIV/AIDS*

2. The pandemic has reached critical levels in several parts of the CEMAC region. While fighting the spread of the disease and attenuating the human suffering is the absolute priority, trying to assess the economic and social consequences for the long term development of the region should also be considered. Different scenarios would be examined with their likely impact on production, on public revenue and expenditure. The main objective would be to design a strategy on how to best meet the social cost of the epidemic and estimate the external assistance required. Studies so far indicate that while it is methodologically difficult to demonstrate a direct impact between the disease and GDP, other important linkages are evident. One is the financial cost of treating those affected on any large scale. No public budget or national health system in the region is likely to approach national coverage, although it is obvious that conditions and fiscal capacity differ widely. One corollary is the distributional impact since only the rich or very rich can afford effective preventive or palliative treatment. The study would focus, to the extent possible on the overall economic impact, and more particularly on the fiscal implications, the impact on households welfare, and effects on poverty. It would not seek to discuss the medical aspects. These are left to the specialized institutions.

Topic 2. ***Long Term Income Trends***

3. For several reasons, the long term prospects of the region -- in terms of real income per capita -- are even less amenable to mechanical projections than is usually the case. Any reasonable approximation, or better any plausible scenarios, would have to take account of the interplay of widely different factors which furthermore can act in opposite directions. Main factors to consider would include:

- The demographic trends as they are affected by the HIV/AIDS incidence (see topic 1);
- The differential impact of developments in the oil sector between countries: Cameroon where the place of oil has been declining over several years and adjustment to the post-oil situation appears to be taking place; Gabon where the place of oil is declining but the prospects for the needed major adjustment are still uncertain; Congo where oil production is expected to continue but serious macroeconomic adjustments are still needed notably because of accumulated debt; Chad where the management of the new wealth is a serious challenge; Equatorial Guinea which faces a similar challenge but on a far greater scale; CAR where oil discoveries still offer uncertain prospects;
- The usually observed trend toward polarization of economic activities in already better developed areas – meaning in this case the urban centers along or close to the ports;
- The impact of new technologies that might affect the location of activities especially services in the future.

4. The study would explore these and other trends within a twenty year horizon.

Topic 3. ***Economic Relations with ECOWAS and ECCAS***

5. Three interrelated policy areas of significance for the long term future of the region relate to CEMAC long term relations with its neighbors to the West .—ECOWAS and to the South –ECCAS. First, is trade policy: While continuing to move toward greater liberalization vis-à-vis the rest of the world the possible extension of the customs union to include the (future) West African customs union and also the ECCAS customs union have to be considered. The compelling rationale for this is that CEMAC very small economic size and its geographical position make it the "natural" partner to the two neighboring ensembles. Only political circumstances have constrained the development of much stronger commercial links to Nigeria and other countries in ECOWAS, and to DRC and other ECCAS countries.

6. Second is sectoral cooperation. Thus, the lack of transport infrastructure to permit commercial links to develop is not a given but a result of history. Arguably, in a physical sense, communications should not be more difficult to develop between CEMAC and its large neighbors than between its own member countries. In short, there is a vast domain

or sectoral cooperation – on transport and telecommunications, possibly on energy, and certainly on the common management of natural resources – between the three adjacent regional entities, as presumably is envisioned by NEPAD.

7. On the other hand, integration in the sense of common regional institutions with decision power would come later. Indeed, it would be efficient (maximum result with minimum use of administrative resources) to *not* try and start with complex institutional architecture but rather with limited, enforceable sector by sector agreements (it may be remembered in this respect that both UEMOA and CEMAC inherited the monetary institutions that are the foundation on which the two arrangements have been built.

8. The purpose of the study would be to investigate:

- The issues related to the possible extension of the customs union to the West and/or to the South: options, constraints, potential benefits and approach (e.g. starting with effective implementation of a free trade area);

- Priority sectors or, more likely, priority projects suitable for cooperation agreements.

9. Conceptually, this study could be undertaken without delay. However, it is in the "contingent" category because, among other reasons, the ECOWAS customs union does not exist yet; the UEMOA customs union, within ECOWAS, will remain in jeopardy as long as the situation in Côte d'Ivoire does not return to normalcy; and ECCAS is still all but an effective arrangement (it must be noted that its Secretariat has however already initiated serious work on the question of a customs union with CEMAC).

Topic 4. Maintaining the Region's Competitiveness

10. As discussed in the text, the array of factors that affect the competitiveness of regional enterprises would be monitored by the proposed Competitiveness Observatory. These factors fall into four main categories: (1) macroeconomic where the real exchange rate is the key variable; (2) the regulatory environment, including business law, competition rules and investment codes; (3) the cost of tradable (imported) and non-tradable (electricity etc) inputs, the transactions costs of doing business (such as customs procedures and port operations), and the availability and cost of finance, and (4) the availability and quality of human resources (i.e. the real cost of labor).

11. How each of these factors would be affected by establishing closer relations with neighboring arrangements over the long run could be the subject of a study or more likely several coordinated studies. The range of issues is large and given the widely different country circumstances between the various regional groupings, highly complex. However not all subjects would have to be covered at the same time. To take one central macroeconomic issue of potential wide consequences, a question is how fast ECOWAS will evolve into a new monetary zone. This, in turn, leads to the broader question of what could or should be the contours of an "optimal currency area" for the two regions of West and Central Africa": all countries combined in a single zone, two, three, more?

12. These issues would merit careful consideration even though in the current circumstances it is clear that the realization of a "second monetary zone" made up of a few countries *within* ECOWAS, let alone a monetary zone for the entire ECOWAS, is not a realistic near term prospect. But the lead time to prepare – or be prepared for -- such major undertakings is indeed very long. Meanwhile, as the CEMAC authorities are well aware, work in that direction has been underway for over two years or so in West Africa. Whatever the outcomes of such efforts, they cannot be without consequences for CEMAC and therefore merit serious reflection, at par with reflection on to the possible extension of the customs union.

Monitoring Progress in Regional Integration

1. Given the breadth and complexity of the integration process, including its political and security dimensions, a comprehensive review of progress in the process of regional integration is the appropriate approach. Such an assessment will be undertaken after two or three years, probably in early FY06. Meanwhile, a number of discrete components of the assistance program will be monitored throughout the period FY04-08.

2 The Regional Institutions, chiefly the Executive Secretariat and the Central Bank (BEAC) together with the member governments, are the principal actors and stakeholders, will be in charge of the program, and will therefore be involved in monitoring according to each institution's own procedures. The Bank, in turn, will have to assess the effectiveness of such monitoring.

3. Where either IDA lending for projects (2-3) or technical assistance/institution building operations with IDA financing or Trust fund financing is involved, periodic supervision will be the normal instrument for assessing progress (noted as SPN in the list below). Where Economic and Sector Work (ESW) or Analytical and Advisory Activities (AAA) are the vehicles for Bank assistance, review of progress will naturally be an integral part of the activity itself. As noted in the text, it is expected also that Bank staff will participate as observed in IMF Article XIV consultation missions to CEMAC. Monitoring of the regional strategy will be coordinated with monitoring of country assistance programs.

4. The main areas of attention will be as follows:

Macroeconomic Environment

- Country performance with respect to convergence criteria; revision of the convergence criteria to account for the volatility of oil and its effect on country fiscal balances (in consultation with the IMF): continuous, from the start;

- Strengthening of national and regional macroeconomic surveillance units, especially with regard to statistical capacity: in FY03-06 (also under the T&TF Project)

Customs Union and Trade Facilitation

- Preparation and implementation of a plan of action aimed at correcting main dysfunctions of the customs union, including proper dissemination of rules and legislation , retraining of customs officials and computerization: FY03-06
  - Preparation of plan FY03
  - Adoption and implementation FY04-05

- Satisfactory TORs for part 2 of customs study (with EU, France, IMF) in preparation for customs union reform:FY03; review study recommendations and advise on proposed reform; FY04-05 with focus on new lower tariff structure; and future harmonization with ECOWAS/WAEMU and ECCAS: FY06-07

- Choice by the member states of a transit good regime (FY 04), implementation of this new regime (SPN of T&TF Project FY05-08);

- Significant reduction in goods transit time in the international corridors (monitor throughout FY03 to FY08) especially along Douala-Bangui and Douala-N'Djamena corridors; (SPN of T&TF Project)FY05-08

- Development of facilities for transit trade at the port of Douala and of inland dry ports (also part of SPN of T&TF Project, FY05-08).

Financial Sector

- Improvement in security and speed of cross-border payments (SPN of Regional payments project indicators: FY03-07);

- Assessment of banking sector compliance with prudential ratios and of financial soundness of commercial banks in light of findings of country Financial Sector Assessments (already carried out in Cameroon, Gabon) FY04-06 ;

- Opening entry in banking sector by effective Implementation of "Agrément Unique" as measured by bank branch openings in neighboring countries and establishment of new banks: periodic surveys during FY03-08;

- Measurable increase in volume and geographical spread of inter-bank money market (with IMF): periodic: FY03-08

- Development of a regional government and corporate bond market: preparatory work FY04-05; implementation of institutional and regulatory framework: FY 06-07; issue of (one or more) government and/or corporate bonds: from FY07;

- Implementation of BDEAC restructuring plan FY03-04; assessment of lending activities FY05; decision on future of the institution in light of performance FY06;

- Microfinance: assess dissemination (official gazette and through the media) of new legislation; establishment of microfinance surveillance units in ministries of finance and increase in volume of operations and effectiveness and dedicated supervision unit in COBAC FY04; measurable increase in access rates and volume of operations : FY06 (proposed IDA project : FY07)

Business Environment

- Harmonization between national and regional investment codes and elimination of unilateral decisions by national governments at variance with the regional Investment Charter or the Customs Union: continuous from FY04 to FY08;

- Establishment of regional Competition Commission; issuance of instructions on procedures and modalities of application of rules of competition: FY04-05;

- Setting up a "Competitiveness Observatory" under the aegis of a private entity (e.g. UNIPACE) to monitor key country macroeconomic and microeconomic parameters affecting private firms productivity (real exchange rate, taxes, infrastructure services, finance, imported inputs, technology, and labor costs etc): FY04-05;

- Issuing of a common CEMAC passport accepted by all member countries: FY04.

Infrastructure

- Implementation of proposed Transport and Trade Facilitation Project – T&TFP—FY05 (SPN FY05+)

- Advancement of surface transport infrastructure works as per CEMAC master plan and achievement of permanent road links between capital cities: continuous with FY 06 and FY10 benchmarks; (proposed road investment project :FY08)

- Implementation of road transport regulations including "Code de la Route" (2002) as evidence by random checks: continuous from FY04;

  - **Air transport:**
    - Establishment of a regional regulatory structure and effective liberalization of national air space and compliance with Yamoussoukro Decision (1999): FY04-05;
    - Assessment of compliance with safety ICAO standards by countries FY06-08; potential operation TBD in March 2003;

  - **Telecommunications:** Assessment of degree implementation of sector reform in each country completed: FY05 ; proposals for regional regulatory framework: FY06;

  - **Energy:** Completion of preliminary study of regional market for electricity and potential for interconnections: FY04; decision on potential investment project in FY05;

Natural Resources

- Consolidation of process of regional consultation and coordination mechanism established through COMIFAC; continued exchange of environmental information. (SPN REIMPII FY05-08)

Human Resources

- AfDB to take the lead: Bank to follow developments and ready to advise if needed to do the inventory of institutions and estimation of demand for regional education/training: FY04-05;

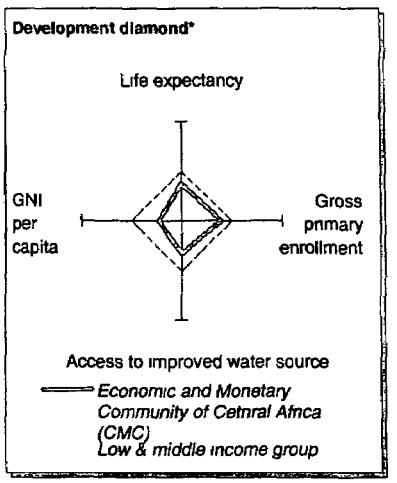
- SPN of FY05 project, if any, to fight HIV/AIDS along key corridors, track AIDS indicators and coordinate with national programs; FY05-08

Institutions

- Reorganization and staffing of the Executive Secretariat (jointly with EU): FY03-04;
- and initiation of review of overall institutional architecture toward long term deep integration : if requested by client

Economic and Monetary Community of Central Africa at a glance

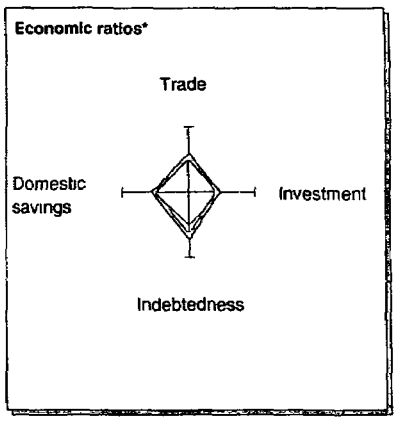
POVERTY and SOCIAL	Economic and Monetary Community Central Africa	Low & middle income
2000		
Population, mid-year *(millions)*	31.0	5160
GNI per capita *(Atlas method, US$)*	560	1230
GNI *(Atlas method, US$ billions)*	17 2	6315
Average annual growth, 1994-00		
Population *(%)*	2 3	1 5
Labor force *(%)*	2 3	1 8
Most recent estimate (latest year available, 1994-00)		
Poverty *(% of population below national poverty line)*		
Urban population *(% of total population)*	45	41
Life expectancy at birth *(years)*	50	64
Infant mortality *(per 1,000 live births)*	89	58
Child malnutrition *(% of children under 5)*		
Access to an improved water source *(% of population)**	52	79
Illiteracy *(% of population age 15+)*	36	24
Gross primary enrollment *(% of school-age population)*	81	104
Male	91	107
Female	70	100



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

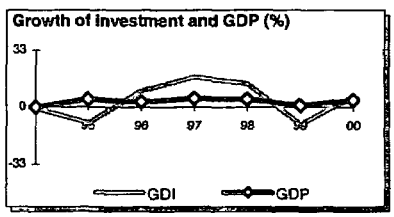
	1980	1990	1999	2000
GDP *(US$ billions)*	14 6	23 3	19 4	20.7
Gross domestic investment/GDP	23 4	18 0	21 8	20 4
Exports of goods and services/GDP	39 4	29.1	35 5	45 9
Gross domestic savings/GDP	31 7	21 5	27 4	37 6
Gross national savings/GDP		14 8	14 9	15 4
Current account balance/GDP	-1 4	-2 8	-3 9	-1 5
Interest payments/GDP	1 9	1 8	2 3	2 0
Total debt/GDP	42 3	73 4	102 1	89 0
Total debt service/exports	13 7	17 8	14 8	11 1
Present value of debt/GDP				
Present value of debt/exports				

	1980-90	1990-00	1999	2000
(average annual growth)				
GDP	2 8	2 1	0 3	3 0
GDP per capita	0 0	-0 6	-1.3	1.7
Exports of goods and services	4 7	3 9	2 6	0 9

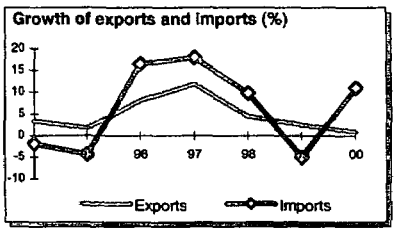


STRUCTURE of the ECONOMY

	1980	1990	1999	2000
(% of GDP)				
Agriculture	24 9	21 4	31 0	30 6
Industry	34 7	32 1	29 5	33 6
Manufacturing	7 8	11 4	8 9	8 4
Services	40 4	46 5	39 4	35 8
Private consumption	56 3	65 3	64 8	66 0
General government consumption	12 0	13 2	12 2	10 1
Imports of goods and services	32 8	25 7	30 8	30 1



	1980-90	1990-00	1999	2000
(average annual growth)				
Agriculture	2.1	4 5	4 9	5 5
Industry	4 1	2 0	6 0	5 5
Manufacturing	4 6	1 1	7 4	11.8
Services	2 0	0 5	-5 3	3 8
Private consumption	2 8	2 3	0 7	9 9
General government consumption	4 0	0 6	0 2	4 5
Gross domestic investment	-6 2	3.2	-9 9	6 1
Imports of goods and services	0 1	4 4	-5 0	11 0



Note This table was produced from the Development Economics central database

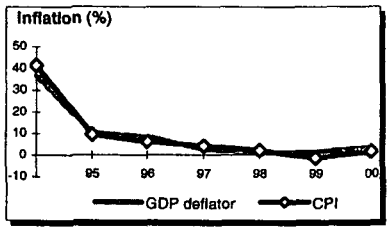
Economic and Monetary Community Central Africa includes Cameroon, Central African Republic, Chad, Congo, Rep , Equatorial Guinea, and Gabon

* The diamonds show four key indicators in the country (in bold) compared with its income-group average If data are missing, the diamond will be incomplete

Economic and Monetary Community of Central Africa

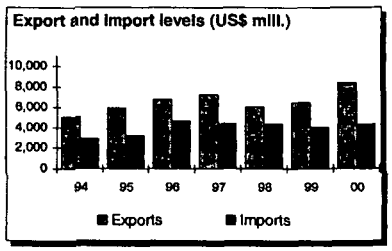
PRICES and GOVERNMENT FINANCE

	1980	1990	1999	2000
Domestic prices				
(% change)				
Consumer prices	8 4	0 2	1 9	3 0
Implicit GDP deflator	16 3	2 0	1 3	3 5
Government finance				
(% of GDP, includes current grants)				
Current revenue		16 5	19 1	22.4
Current budget balance		-1 6	0 2	5 8
Overall surplus/deficit		-7 3	-2 4	3.5



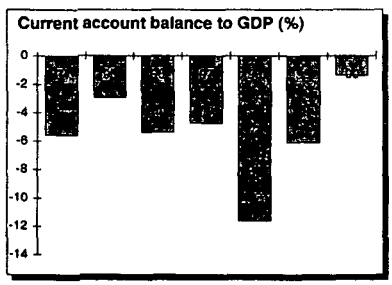
TRADE

	1980	1990	1999	2000
(US$ millions)				
Total exports (fob)	4,219	6,118	6,511	8,449
Manufactures	96	396	440	393
Total imports (cif)	2,577	3,490	4,077	4,367
Food	82	414	355	345
Fuel and energy	187	223	445	487
Capital goods	388	1,210	1,460	1,454
Export price index *(1995=100)*				
Import price index *(1995=100)*				
Terms of trade *(1995=100)*				



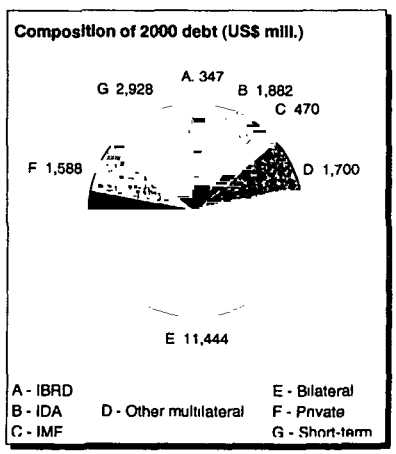
BALANCE of PAYMENTS

	1980	1990	1999	2000
(US$ millions)				
Exports of goods and services	6,069	7,062	7,856	9,981
Imports of goods and services	5,085	6,051	6,910	7,196
Resource balance	984	1,011	946	2,785
Net income	-1,216	-1,614	-2,141	-3,075
Net current transfers	158	-47	12	5
Current account balance	-206	-651	-1,183	-285
Financing items (net)	512	758	1,181	912
Changes in net reserves	-306	-107	2	-627
Memo:				
Reserves including gold *(US$ millions)*				
Conversion rate *(DEC, local/US$)*				



EXTERNAL DEBT and RESOURCE FLOWS

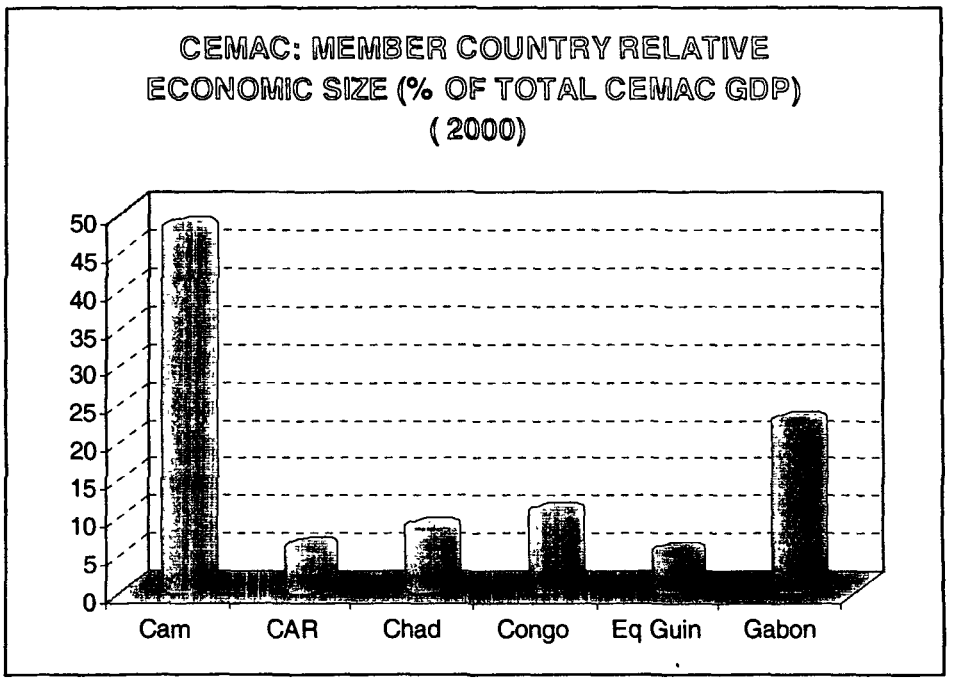
	1980	1990	1999	2000
(US$ millions)				
Total debt outstanding and disbursed	6,183	17,070	20,777	20,359
IBRD	210	885	413	347
IDA	233	802	1,895	1,882
Total debt service	839	1,275	1,168	1,118
IBRD	28	114	106	97
IDA	2	9	27	31
Composition of net resource flows				
Official grants	131	669	510	377
Official creditors	367	874	-105	-150
Private creditors	558	-84	-46	-61
Foreign direct investment	207	-27	36	335
Portfolio equity	0	0	0	0
World Bank program				
Commitments				
Disbursements	61	207	126	105
Principal repayments	11	53	90	86
Net flows	50	154	36	9
Interest payments	20	71	44	41
Net transfers	31	83	-8	-33

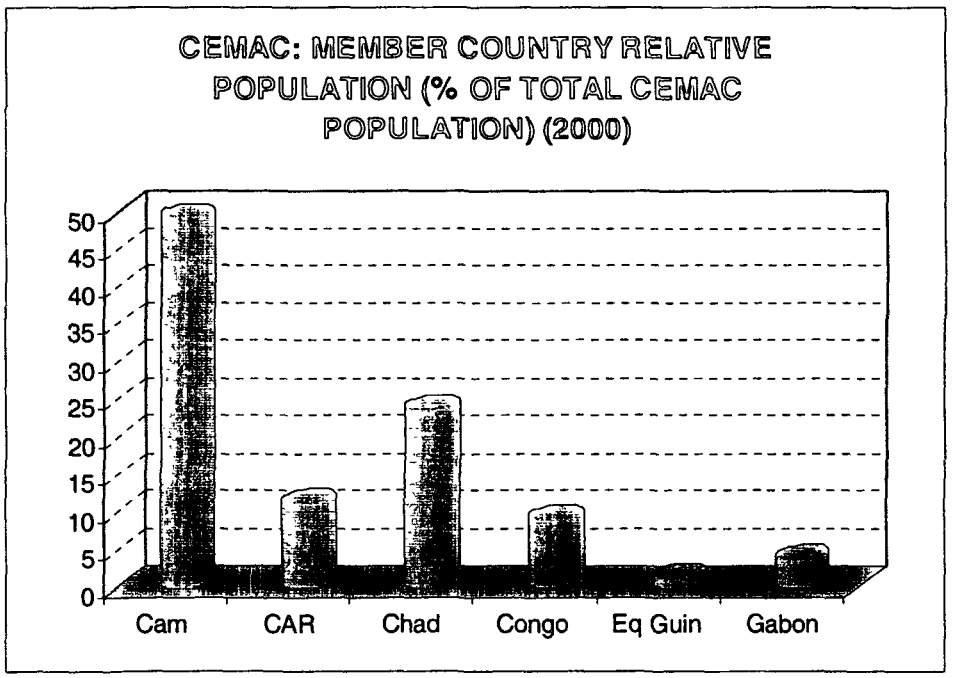


Note This table was produced from the Development Economics central database

Inflation figures are median values Balance of payments items excluding exports and imports are simple sums and may not reconcile
Economic and Monetary Community Cetnral Africa includes Cameroon, Central African Republic, Chad, Congo, Rep , Equatorial Guinea, and Gabon

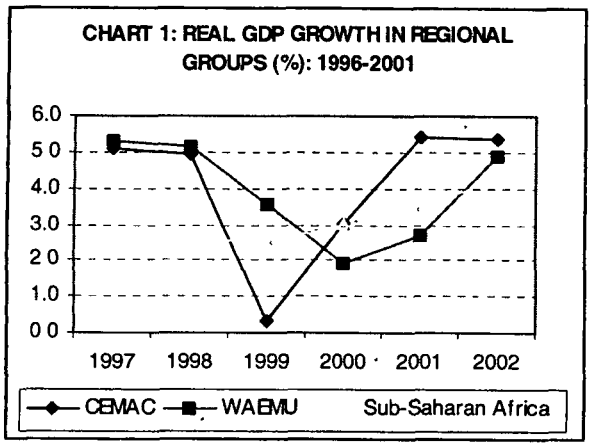
CEMAC: COUNTRY SIZE AND POPULATION RELATIVE TO TOTAL (2000)

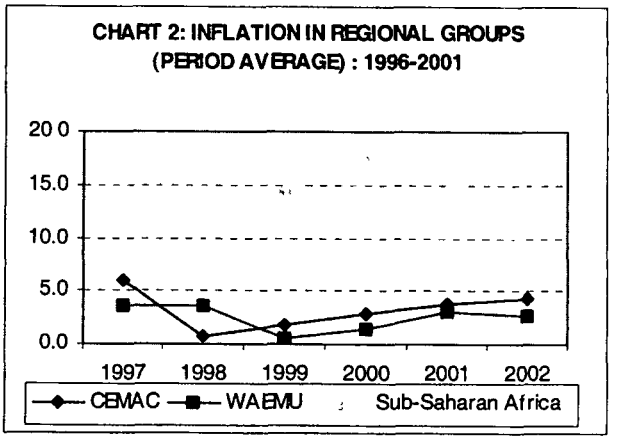


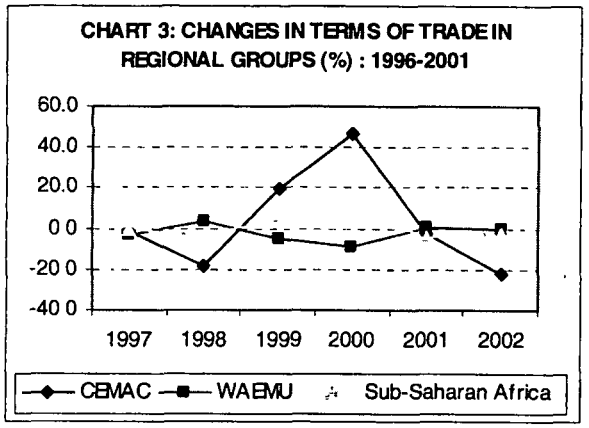


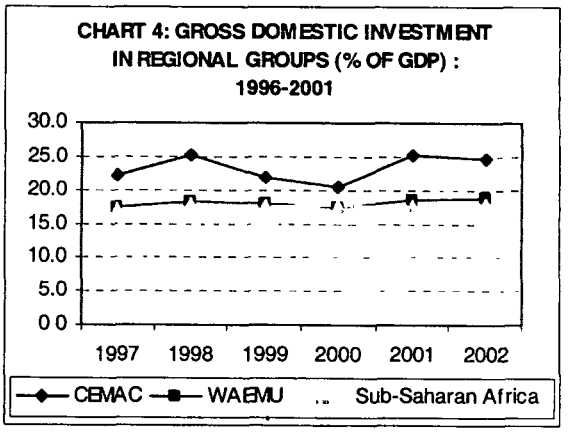
Source: IMF and World Bank databases, 2000

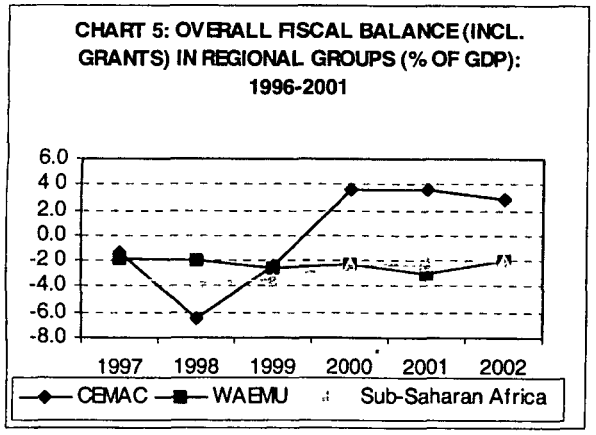
SUB-SAHARAN AFRICA: CROSS GROUP COMPARISONS: 1996-2001

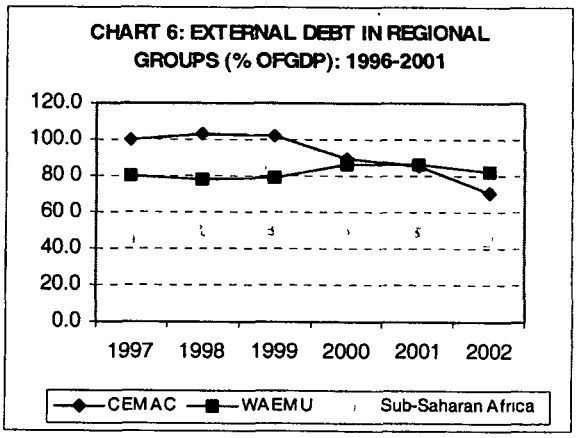












Source: IMF estimates, 2002

Note: WAEMU- West African Monetary Union (UEMOA)

Sub-Saharan Africa, excluding Eritrea, Liberia, and Somalia

CEMAC: Selected Economic and Financial Indicators, 1997–2002

	1997	1998	1999	2000	2001 Est.	2002 Proj.
National Income and prices	(Annual Percentage Change)					
GDP at current prices	8.4	-2.0	8.4	21.0	4.3	1.4
GDP at constant prices	5.1	4.9	0.3	3.0	5.4	5.4
Oil GDP	8.0	2.6	0.3	-3.3	5.4	3.8
Non-oil GDP	4.5	5.4	0.3	4.2	5.4	5.6
Consumer prices (average)	5.9	0.8	1.9	3.0	3.9	4.4
Consumer prices (end of period)	7.1	1.1	1.7	0.6	6.3	5.4
Terms of trade	-1.1	-17.8	19.5	47.2	-2.2	-22.1
Nominal effective exchange rate	-3.1	1.8	0.0	-4.2	1.5	...
Real effective exchange rate	-0.8	4.2	-2.8	-5.1	5.9	...
National accounts	(Percent of GDP)					
Gross domestic savings	30.4	23.4	27.4	37.6	36.1	33.2
Gross domestic investment	22.1	25.3	21.8	20.4	25.4	24.6
Government financial operations	(Percent of GDP)					
Total revenue, excluding grants	20.9	20.4	19.1	22.4	24.0	22.3
Government expenditure	23.2	28.1	22.6	19.6	21.2	21.0
Primary fiscal balance 1/	8.4	4.3	5.9	10.3	11.0	8.5
Basic fiscal balance 2/	2.1	-2.1	0.2	5.8	6.3	5.2
Overall fiscal balance, excluding grants	-2.3	-7.7	-3.5	2.8	2.8	1.3
Overall fiscal balance, including grants	-1.4	-6.4	-2.4	3.5	3.6	2.8
External sector	(Percent of GDP)					
Exports of goods and services	38.3	32.4	35.5	45.9	44.3	40.3
Imports of goods and services	30.0	34.3	29.8	28.7	33.5	31.7
Trade balance	8.3	-2.0	5.6	17.1	10.7	8.5
Current account, including grants	-0.4	-18.7	-3.9	-1.5	-7.2	-8.8
External public debt	100.5	103.4	102.1	89.0	84.8	70.1
Gross official reserves (end of period, in millions of US dollars)	876.3	552.0	595.2	1,318.9	1,157.6	...
CFA francs per U.S. dollar, average	583.7	590.0	615.7	712.0	732.5	717.6
Oil prices (in U.S. dollars per barrel)	19.3	13.1	18.0	28.2	24.3	20.0
Money and credit	(Annual Percentage Change)					
Net foreign assets	2.2	-11.8	4.5	38.4	-11.3	...
Net domestic assets	8.5	11.5	4.8	-15.4	18.6	...
Broad money	10.6	-0.3	9.3	23.0	7.2	...

Sources: IMF, World Economic Outlook database, January 2002; and staff estimates and projections.

1/ Excluding grants and foreign financed investment and interest payments.

2/ Excluding grants and foreign financed investment.

CEMAC Social Indicators

	Latest single year in period			Latest period comparison	
	1970-75	1980-85	1995-01	Sub-Saharan Africa	Low- and middle-income
POPULATION					
Total population, mid-year (millions)	15 9	20 8	31 7	673 9	5,177 8
Growth rate (% annual average for period)	2 3	2 8	2 4	2 5	1 5
Urban population (% of population)	26 1	34 0	45 0	32 3	41 6
Total fertility rate (births per woman)	6 2	6 5	5 3	5 2	2 8
POVERTY					
(% of population)					
National headcount index					
Urban headcount index					
Rural headcount index					
INCOME					
GNI per capita (US$)	410	730	560	470	1,160
Consumer price index (1995=100)		69	130	133	149
Food price index (1995=100)					
INCOME/CONSUMPTION DISTRIBUTION					
Gini index					
Lowest quintile (% of income or consumption)					
Highest quintile (% of income or consumption)					
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)			1 6	2 4	2 6
Education (% of GDP)	4 8	2 5	2 6	3 4	4 2
Social security and welfare (% of GDP)					
Net primary school enrollment rate					
(% of age group)					
Total				54	
Male					
Female				51	
Access to an improved water source					
(% of population)					
Total			52	55	79
Urban			72	81	92
Rural			36	43	70
Immunization rate					
(% under 12 months)					
Measles		32	46	53	71
DPT		26	37	46	70
Child malnutrition (% under 5 years)					
Life expectancy at birth					
(years)					
Total	45	49	50	47	64
Male	43	48	49	46	63
Female	47	51	50	47	66
Mortality					
Infant (per 1,000 live births)	123	97	89	91	58
Under 5 (per 1,000 live births)	225	171	157	162	85
Adult (15-59)					
Male (per 1,000 population)	547	505	485	505	243
Female (per 1,000 population)	455	413	431	459	188
Maternal (per 100,000 live births)					
Births attended by skilled health staff (%)					.

Note 0 or 0.0 means zero or less than half the unit shown Economic and Monetary Community of Central Africa (CEMAC) includes Cameroon, Central African Republic, Chad, Congo (Rep), Equatorial Guinea, and Gabon

World Development Indicators database, World Bank (11 December 2002)

Note on Aggregation Method (for Annexes 1-3)

1.Weighted/1995 Method:
For group totals, missing data are imputed based on the relationship of the sum of available data to the total in the year of the previous estimate. The imputation process works forward and backward from 1995. Missing values in 1995 are imputed using one of several proxy variables for which complete data are available in that year. The imputed value is calculated so that it (or its proxy) bears the same relationship to the total of available data. Imputed values are usually not calculated if missing data account for more than a third of the total in the benchmark year. The variables used as proxies are GNI in U.S. dollars, total population, exports and imports of goods and services in U.S. dollars, and value added in agriculture, industry, manufacturing, and services in U.S. dollars.

Simple Total:
Aggregates are sums of available data. Missing values are not imputed. Sums are not computed if more than a third of the observations in the series or a proxy for the series are missing in a given year.

Ratios:
Aggregates of ratios are generally calculated as weighted averages of the ratios using the value of the denominator or, in some cases, another indicator as a weight. The aggregate ratios are based on available data. Missing values are assumed to have the same average value as the available data. No aggregate is calculated if missing data account for more than a third of the value of weights in the benchmark year. In a few cases the aggregate ratio may be computed as the ratio of group totals after imputing values for missing data according to the above rules for computing totals.

Growth Rates:
Aggregate growth rates are generally calculated as a weighted average of growth rates. In a few cases growth rates may be computed from time series of group totals. Growth rates are not calculated if more than half the observations in a period are missing.

Median:
Aggregates are medians of the values. No value is shown if more than half the observations for countries with a population of more than 1 million are missing. Depending on the judgment of World Bank analysts, the aggregates may be based on as little as 50 percent of the available data. In other cases, where missing or excluded values are judged to be small or irrelevant, aggregates are based only on the data shown in the tables.

Source: World Development Indicators (WDI) aggregation methodologies

World Bank Group Lending in CEMAC Countries * (US $ million)

	FY00	FY01	FY02
IDA Commitments	148.4	188.7	176.8
IDA Net Disbursements	62.4	35.6	99.8
IFC Approvals	100.3	7.0	16.0

* These values are computed from the Loan Department database, and may not correspond to the same value shown in the At A Glance Table generated from the central database.

Note: Cameroon, CAR, Chad, Congo (Rep) and Eq Guinea are MIGA members, while Gabon is fulfilling membership requirements.

Composition of IDA and IBRD Portfolio for CEMAC Countries
(as of December 4, 2002)

	Credits and Loans	Total Disbursed and Outstanding ($m)	Total Undisbursed Balance ($m)
Agriculture and Environment	13	90	27
Policy, Public Sector, and Trade	9	290	61
Finance and Private Sector	3	25	18
Infrastructure	12	299	180
Social Sector	11	101.0	75

Notes: Discrepancies between original commitments and disbursed amounts are due to fluctuations in US$-SDR exchange rates in the period of disbursement. Credit denominated in SDRs are shown in US dollar equivalents.
Agriculture and Environment includes:
Agriculture, Environment, Agro-Industry, Research, Irrigation, Drainage and Natural Resource Management
Policy, Public Sector, and Trade includes:
Economic policy, Public Sector, Macro/Non-trade/Trade/ Public Financial Management
Finance and Private Sector includes:
Business environment, Mining, Financial Sector, and Privatization
Infrastructure Sector includes:
Highways, Urban Sector, Transportation, Power, Energy, Telecommunications
Social Sector includes:
Education, Social Protection, Training, Community Development, Nutrition, HIV AIDS

World Bank Multicountry Activities in Central Africa: (1992-2002)

	SECTOR/PROJECT	Amount (Mill. $)	Instrument	Year
Transport	Regional Policy Reform Program Transport Component:(UDEAC)	TA	ESW	1992
Trade and Taxation	Regional Cooperation for Adjustment: A Program of Trade and Indirect Tax Policy Reforms for UDEAC Countries	TA	ESW	1992
Taxation	Central African Republic: IDF Grant for Assessment of Impact of Devaluation & Tax & Tariff Reform on the UDEAC Countries	$0.20	IDF	1995
Private Sector	Cameroon: IDF Grant for Assessment of Devaluation on Enterprises	$0.17	IDF	1995
Business Environment	Gabon and Chad: IDF Grant for Assessment of Code of Investment	$0.28	IDF	1995
Environment	Regional Environmental Information Management Program (REIMP)	$0.11	Trust Fund	1997
Banking	Payments System	$14.50	IDA	2002
Oil and Gas	Cameroon-Chad Pipeline	$53.40	IBRD (Fixed Spread Loan)	2001

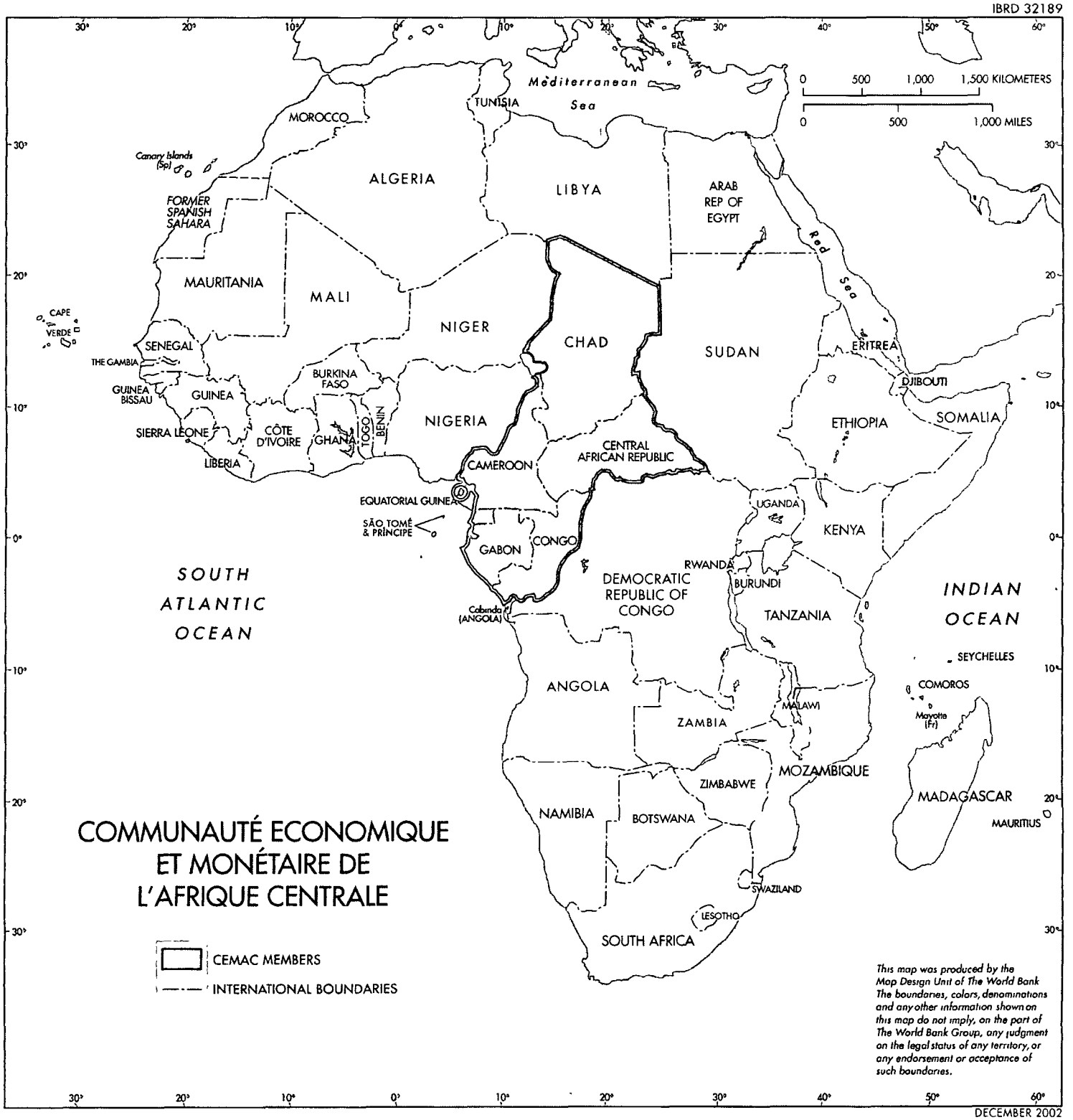
Source: World Bank

EU Multicountry Lending to Central Africa (2002-2007)

SECTOR	PROJECT	DETAILS	Mill. Euros	Date
Infrastructure	Cameroon- CAR Itinerary· Route Bertoua-Garoua-Boulai	Regional interconnections and rehabilitation of priority network, institutional support	12 50	2003-2005
	Cameroon- Chad Itinerary· Route Ngaoundere-Toubourou-Moundou		44 50	2003-2005
	Cameroon- Gabon- Equatorial Guinea Itinerary Project Ntem		2 88	2003-2005
	Feasibility Study· Garoua Boulai-Meiganga-Ngaoundere	Preparatory study and evaluation of possibility of fadditional road between Cameroon and Chad	1.70	2004
	Regional Transport Development		1.90	2004
Forestry and Environment	Forest and Environment Expert for Central Africa	Technical assistance for consolidation of forestry reform and convergence of national policies with regional goals	1.10	2004-2006
	ECOFAC Phase III		16.00	2004-2006
Education and Culture	Regional Cultural Program in Central Africa	Institutional support	1.90	2003-2007
	Catholic University in Central Africa		1.00	2003-2007
Institutional Support	Assistance for CEMAC Secretariat	Reinforcement of programming capacity and analaysis, support for national administration application of community directives; support for private sector, statistical program; support for preparation for WTO and APE	1 90	2003-2007
			85 38	

Source· EU Project for Central Africa· Regional Cooperation and Regional Program for 2002-2007
Note: The 85 million includes regional allocation of 55 million euros under the 9th FED and national allocations

IBRD 32189



DECEMBER 2002

IMAGING

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