

The Economic and Monetary Community of Central Africa, EMCCA (CEMAC)

Overview

The Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale, CEMAC) is made up of five former French colonies in Central Africa – Cameroon, Central African Republic, Chad, Congo Republic and Gabon; and Equatorial Guinea, a former Spanish colony. It was set up to promote the entire process of sub-regional integration through the forming of a monetary union, with the Central African CFA franc as a common currency.

The treaty that specified the legal and institutional arrangements of CEMAC created the following bodies:

- Central African Economic Union (Union Economique de l'Afrique Central – UEAC) with an Executive Secretariat based in Bangui, Central African Republic. The Customs Union is one of the central pillars of CEMAC. It has established a trade regime for trade with third countries, and trade inside the community has been duty free since 1998.
- The Central African Monetary Union (Union Monétaire de l'Afrique Centrale), which specifies the responsibilities of the central bank, Banque des Etats d'Afrique Centrale (BEAC) and the Central African Banking Commission (COBAC). BEAC is a single central bank for the region and there is a single currency (CFA franc) and defined criteria for macroeconomic convergence. BEAC regulates the sector through its regional banking commission, COBAC, which shares responsibility with the national Ministries of Finance for licensing new banks and regulating microfinance institutions. There is also a budgetary agreement between the French Treasury (Ministry of Finance) and BEAC with fixed convertibility of the CFA franc and a *droit de regard* (oversight with veto powers) by the French Treasury.

The region has a population of about 42 million people, average population growth rate of 2.5percent and a real GDP growth rate of 4.1percent. Cameroon is the largest economy in the region with about half of its financial assets. Oil and agriculture has been the mainstay of most of the economies in the region. The mining industry is expanding with new exploration and mining activities in Cameroon. The region is blessed with minerals such as diamond, gold, gas, aluminum and bauxite. The countries in the region are about 50percent urbanised. Gabon has the highest level of urbanisation at 86percent, with a third of the country's population living in the capital Libreville.

Access to finance

The formal financial system across CEMAC is not well developed. Most banks are foreign-owned and are subsidiaries of foreign banks. There are also a few small to medium-sized African banks from other African countries such as Nigeria and Togo. Recently, banks from Cameroon have also moved into other countries in the region, including Gabon, Congo, Chad and Equatorial Guinea. At present Cameroon is home to the largest number of banks in the region, with 10, followed by Chad (seven) and Gabon (six). Both Congo and Equatorial Guinea have four banks, and Central African Republic has three. The number of savings banks in the region remains low. The mortgage finance market is still in its infancy, but with huge potential for growth. Very few banks in the Central African region provide medium-term and long-term credit. The only banks that grant this type of credit are the

Gabonese Development Bank, the National Investment Company (in Gabon and Cameroon) and the SOCOFIN in Congo.

Mortgage finance is mostly granted by government agencies, and the people who benefit most are government employees. Only about 2percent of private sector employees have access to mortgage finance from commercial banks. Those in the informal sector and a large percentage of the middle class and lower income groups get housing finance (directly and indirectly) from different forms of MFIs. The microfinance sector is developing in all countries in response to difficulties associated with accessing credit through traditional banking channels. Links with the traditional, formal banking sector are weak and the consolidation of micro lenders is not sufficient to allow for meaningful regulation and oversight, or the development of strong links with the banking sector. However, BEAC is developing a strategy for controlling the informal financial sector. There is an urgent need to develop mortgage finance products that address the needs of the growing middle class and lower income groups who have no access to housing finance.

Affordability

In the formal sector, the state is the largest employer with an average monthly salary of about 200 000 CFA francs (US\$432). Though rapidly growing, the formal private sector is still small. Most people are involved in the informal sector with a high percentage of people living under the national poverty line. These people cannot afford to finance their homes through existing banking funding instruments. Construction costs in the urban and semi-urban areas are high. It costs about six million CFA francs (\$12 000) to build a standard three bedroom house in the urban areas. This is mainly because of the high costs of inputs such as cement, sand, plates, iron, finishings and decorations. The Cameroon government has tried to set up local production facilities for some of the inputs to help bring down the cost. It has also set up an agency to develop and promote the use of local materials for construction. In the rural areas, the construction costs are lower as most of the houses built are of a semi-standard, with local materials such as sun-dried bricks made from clay. Rental costs are also high. It costs on average about 150 000 CFA francs (\$325) a month to rent a three bedroom house in the main urban areas. This drops by up to 40percent in the smaller towns. This does not apply to cities like N'djamena and Libreville, which are the second and third most expensive cities in Africa for expatriates, as demand for accommodation far exceeds supply. It costs up to US\$6 500 a month for a three bedroom apartment in these cities. The government and the private sector need to explore mechanisms to increase the number of affordable housing units that enter the market each year, either through ownership or rental, and also to ensure that people get access to housing finance.

Housing supply

The number of new housing units that enter the market annually is insufficient to meet the demands of the increasingly urbanised population in all CEMAC countries. The growing economy has swelled a middle class that needs to be housed. A third of the Gabonese population lives in Libreville, and a quarter of the Congolese population in Brazzaville, with huge housing backlogs. The demand for housing has increased without a subsequent increase in supply. The discovery of oil in Equatorial Guinea, and new economic sectors that have opened up has seen the influx of expatriates and migrant workers, accentuating the demand for housing. This continues to push up house prices. The

current stock of housing units is produced mainly through incremental self-construction, and less so by government agencies, and private developers. The poor live in sub-standard accommodation, sometimes on land that is not serviced.

Property market and opportunities

With fairly strong and sustainable economic growth due to economic reforms and the strong demand for its natural resources from emerging economies such as China, India and Brazil, a growing middle class, increasingly urbanised populations, a huge housing backlog, and a large diaspora that is seeking to invest in real estate, huge opportunities exist for residential high end and middle/low income housing in all areas of the value chain – real estate development, construction, finance and real estate management services. The prospects for the property market are good. For that to be realised, governments and other stakeholders must find ways to increase supply and make them affordable to the middle and lower income groups.

Policy and regulation

Governments in the CEMAC countries have been slow in putting in place reforms that would address the constraints in this sector. The main constraints are in the areas of land ownership, access to serviced land, construction and development, and the availability of finance. According to the World Bank Doing Business 2012 report, compared to the 2011 report, all the countries in the region have made some progress on issuing construction permits, registering property and granting credit. Governments should continue to introduce reforms on land administration, construction, property registration and access to housing finance. Because of the potential role that MFIs could play, reforms and policies should also focus on tapping into that potential.

Countries	Ease of doing business (Rank)	Construction permits (no of days)	No of days to register property	Getting credit (rank)
Cameroon	161	147	93	98
C.A.R	182	203	75	98
Chad	183	154	44	98
Congo Rep.	181	186	55	98
Eq. Guinea	155	166	23	98
Gabon	156	201	39	138

Source: World Bank Doing Business Report 2012.

	Cameroon	CAR	Chad	Congo Rep.	Eq. Guinea	Gabon
Exchange rate - 1US \$ =	473 CFA Francs	473 CFA Francs	473 CFA Francs	473 CFA Francs	473 CFA Francs	473 CFA Francs
Main urban Centre -	Yaounde (capital) Douala	Bangui (capital) Bimbo	N'djamena (capital) Moundou	Brazzaville (capital) Pointe Noire	Malabo (capital) Bata	Libreville (capital) Port-Gentil

Population - (million)	19.7	4.9	10.8	4.3	0.67	1.6
Population ^ growth rate percent (2011)	2.1	2.1	2	2.8	2.6	2
Urban - population (percent of total 2010)	58	33	28	62	40	86
GDP per capita - \$	2300	800	1900	4600	19300	16000
GDP growth ^ rate (real percent) 2011	3.8	4.3	2.5	5	5	4.2
HDI (Global + ranking) 2011	150	179	183	137	136	106
Unemployment rate (percent) 2010 -	30	8	not available	not available	22.3	27
Pop less than \$1.25 per day- PPP (2011) percent	9.6	62.8	61.9	54.1	n/a	4.8
Pop below national poverty line (percent) -	39.9	62	55.0	50.1	70	32.7
Central bank discount rate - (percent)	4.25	4.25	4.25	4.25	4.25	4.25
Commercial bank prime lending rate -	14.5	15	15	15.3	15	15

^ African economic outlook

+ UNDP 2011

° World Bank 2012

- CIA World Fact Book 2011

Sources

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