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

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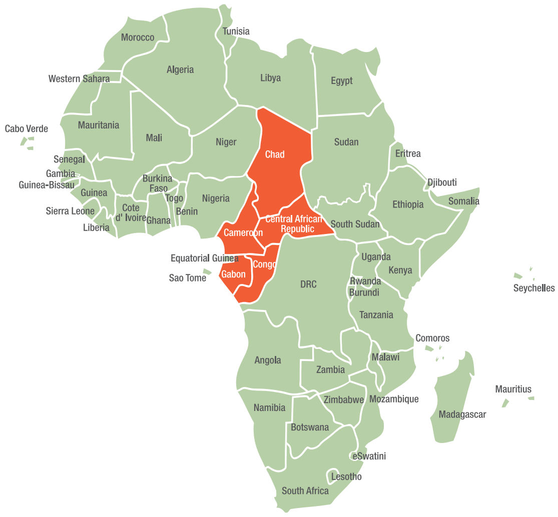

Overview

The Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale, CEMAC) was created in 1994 and became operational after the treaty's ratification in 1999 in N'Djamena, Chad. It comprises six countries, Cameroon, Central African Republic (CAR), Chad, Republic of Congo, Gabon and Equatorial Guinea. The community constitutes a single market to promote sub-regional integration through a monetary union and an economic union. The Central African CFA franc is used as a common currency in CEMAC. The 2019 combined population of the region is 55 854 718[1] (26 048 878 for Cameroon; 16 070 253 for Chad; 5 415 677 for Congo; 4 764 681 for CAR; 2 187 010 for Gabon; and 1 368 219 for Equatorial Guinea) and the 2019 combined gross domestic product (GDP) per capita is US$3 785[2] (US$10 400 for Equatorial Guinea; US$9 077 for Gabon; 1 520 for Cameroon; US$820 for Chad; US$472 for CAR and US$420 for Congo).

The headquarters of CEMAC are in Bangui, the capital of the Central African Republic. Because of the potential benefits that the free movement of goods and people across borders bring to economic growth and social cohesion in CEMAC, the leaders of the CEMAC countries are focusing on the creation of a single market and the facilitation of the free movement of people. However, the free movement of people and goods in the region is low because not only is there poor security, but also because certain CEMAC countries do not enforce the integration rules. Nevertheless, there is some progress including the announcement of the biometric CEMAC passport. Also, the merger of the two stock exchanges in the region in July 2019 should allow for a more liquid and efficient market for securities in the region.

The treaty that specified the legal and institutional arrangements of CEMAC created the four specialised institutions, each of which is regulated by a separate legal convention. The four housing finance relevant institutions are:

- Central African Economic Union (Union Economique de l'Afrique Central) with an Executive Secretariat based in Bangui, CAR. The customs union is one of the central pillars of CEMAC. It has established a regime for trade between the countries and with other countries. Trade inside the community has been duty-free since 1998.
- The Central African Monetary Union (Union Monétaire de l'Afrique Centrale) specifies the responsibilities of the central bank, Banque des Etats d'Afrique Centrale (BEAC) and the Central African Banking Commission (COBAC). COBAC sets regulations and carries out on-site and off-site supervision of the region's banks and finance houses. BEAC is a single central bank for the region, defines criteria for macroeconomic convergence and regulates the banking sector through its regional banking commission, COBAC, which shares responsibility with the national Ministries of Finance for licensing new banks and regulating microfinance institutions.

Economic growth in the region was sluggish in 2016 and 2017. Estimated average growth for the region in 2017 was 0.9 percent, barely up from 0.1 percent in 2016 and noticeably below the estimated African average of 3.6 percent. Low commodity prices resulted in the low growth. The outlook for the region is positive, however, as commodity prices are trending upward and domestic demand growing. Sound macroeconomic management and an improved institutional environment are expected to help maintain Central Africa's growth in 2018/19. Growth was estimated to have reached 2.4 percent in 2018 and is projected to increase considerably to 3.4 percent in 2019. Growth from 2018 onwards has been driven mainly by increased infrastructure investment, service sectors, and a recovering agricultural sector, particularly in economies that depend less on extractive (oil and mining) sectors.

Domestic demand has continued to boost growth in many countries in the region. External demand has remained subdued, more notably from advanced economies but also from emerging economies. The export values of primary commodities were depressed because of lower prices. However, Central African exports are expected to strengthen in 2019 as the world economy improves. Inflation in the Central Africa region was 10.4 percent in 2018 and is expected to dip slightly to 9.1 percent in 2019.

Cameroon is the largest economy in the region, with half of the region's total financial assets. In 2017 for example, Cameroon was the largest economy in the region, contributing nearly 29 percent of regional GDP, followed by Gabon (13 percent), Equatorial Guinea (11 percent), Congo (11 percent), and Chad (11 percent); the smallest economy was CAR, which contributed 1.2 percent to regional GDP. The mineral extractive and agricultural sectors are the major export earners in addition to oil. Due to limited private investment, there has been little exploitation of the natural resources, excepting oil and timber. Crude oil is an important resource for these countries, apart from CAR, and it accounts for 87 percent of CEMAC's exports. Timber is the community's second largest export product. All six countries continue to try to diversify their economies into tourism, agricultural production, financial services, mining, and petrochemicals to reduce dependency on oil revenues.

The countries in the region are about 52 percent urbanised. Gabon has the highest level of urbanisation at 87.2 percent, with 59 percent of the population living in Libreville and Port-Gentil. The urbanisation growth rate in the region is approximately 2.7 percent.

Access to finance

The formal financial system across the CEMAC countries is not well-developed. CEMAC has a less developed financial system with an embryonic stock exchange in Douala in Cameroon. The formal financial system is dominated by commercial banks and, in some countries, large microfinance institutions (MFIs). The banking system comprises 52 active commercial banks with Cameroon having the most banks in the region. The banking sector's contribution to the financing of the economy is small and, on average, half of the sector's assets are controlled by three banks per country, with the remainder controlled mostly by foreign banks. Access to finance is hampered by weak credit infrastructure and domestic credit is low at 15 percent of GDP in CAR and Cameroon, 14 percent in Gabon, 11 percent in the Republic of Congo and six percent in Chad. This is due to multiple factors including asymmetry of information, weak collateral and insolvency frameworks, and the absence of credit history records for most firms and people, resulting in them not being able to apply for competitive interest rates.

Bank branches and ATMs are mostly concentrated in the urban and semi-urban areas. Financial inclusion is limited and only 15 percent of adults hold bank accounts. Only a very small percentage of private sector employees can access mortgage finance from commercial banks. This percentage is most likely going to increase due to ongoing efforts by real estate companies in partnership with local commercial banks to extend end-user financing opportunities to the growing middle class. The informal sector and a large percentage of the middle class and lower income groups get housing finance from different forms of MFIs. Very few banks provide medium-term and long-term credit, such as the Gabonese Development Bank, the National Investment Company (in Gabon and Cameroon), Afriland First Bank (Cameroon), and Société Congolaise Financière (SOCOFIN) in Congo Republic. The state plays an important role in the CEMAC financial sector. For example, it controls two of the nine banks in Gabon and has a stake in most of the others.

The mortgage finance market is insignificant in the region and non-existent in some countries. It is still in its infancy in Cameroon, Gabon and Congo. Mortgage finance is mostly granted by government agencies, government-controlled banks and a few large commercial banks. Most of the beneficiaries are government employees. To increase access to finance in Gabon, the government has helped to set up a growth and development fund to support small and medium enterprises and promote private investment. In CAR, the government has committed to supporting financial sector development and access to credit by improving the legal and judiciary system to better handle commercial matters, increasing bank capital, and adopting a microfinance sector development strategy. In Equatorial Guinea, a nation-wide ATM and credit card network and the creation of a credit fund and a government debt market is in place.

There are more than 825 MFIs in the region serving almost 1.8 million members.[3] The microfinance sector has emerged in Gabon with only a few regulated and registered MFIs covering a growing segment of the population, and a substantial number of unregulated and unregistered MFIs. In Chad, the MFI sector still plays a marginal role in the financial system and is virtually unregulated. Government is regulating and improving access with a new microfinance strategy. Links with the traditional, formal banking sector are weak and the consolidation of microlenders is not enough to allow for meaningful regulation and oversight, or the development of strong links with the banking sector. However, BEAC, through COBAC, has developed a strategy for controlling the informal financial sector. COBAC, jointly with the Ministries of Finance of all six countries, now regulates the MFI sector in the six countries.

Access to credit improved through amendments to the Uniform Act on Secured Transactions of the Organisation for the Harmonization of Business Law in Africa, known by its French acronym OHADA. The amendments broaden the range of assets that can be used as collateral (including future assets), extends the security interest to the proceeds of the original asset, and introduces the possibility of out-of-court enforcement. Capital markets are almost non-existent, and the insurance and pension sectors remain underdeveloped.

Affordability

In the CEMAC region, the state is officially the largest employer, offering average monthly salaries ranging from CFA75 000 (US$130) to CFA300 000 (US$515). Though rapidly growing, the formal private sector is still small. Most people are involved in the informal sector in subsistence agriculture and small to minor-scale trading, with a high percentage of people living under the poverty line. These people cannot afford to finance their homes through existing bank funding instruments. The microfinance sector has the potential to play a more significant role, however, inadequate supervision of the sector remains a problem.

Construction costs in the urban and semi-urban areas are high and increasing. It can cost up to CFA5 million (US$8 600) to build a standard three-bedroom house in the main urban areas. This is mainly because of the high costs of inputs such as cement, sand, roof sheets, iron, finishing and decorations. In Cameroon, the government has 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. Private sector investors have also set up factories to manufacture and distribute building materials, which will potentially reduce input costs. These materials are exported to other CEMAC countries. In the rural areas, the construction costs are lower as most of the houses built are sub-standard, with local materials such as sun-dried bricks made from clay.

Rental costs in the urban and semi-urban centres are also high. There is a huge disparity in rental costs within CEMAC countries in the main urban areas. While it costs on average CFA125 000 (US$215) a month to rent a standard three-bedroom house in the main urban areas in Cameroon, this is not the case in Luanda, N'djamena, Libreville and Brazzaville, which are the sixth, eighth, 18th and 19th most expensive cities in the world for expatriates. It costs up to CFA299 860 (US$517) to CFA674 540 (US$1 163) a month to rent a standard three-bedroom apartment in these cities. In Brazzaville, it can cost up to CFA464 000 (US$800) for a standard three-bedroom in the city centre or up to CFA290 000 (US$500) outside the centre.

Regional Data Challenges

The primary sources of data on housing finance in the region are national statistics institutes, surveys, the respective ministries of urban development, and international sources including the World Bank, International Monetary Fund and some news company websites. Access to data remains a challenge as information on activities of CEMAC member states is often not public. Many countries also do not have the numerous multilateral actors and donors, whose activities often come with data collection and analysis. There have been some improvements on state openness on information, with the adoption of the IMFs Enhanced General Data Dissemination System, which publishes essential macroeconomic data. This data, while still insufficient, should improve with time.

Housing supply

The number of new housing units that enter the market annually for rental and purchase for ownership does not meet the demands of the increasingly urbanised population and the growing middle and upper class population. The growing economies in the region have swelled a middle class that needs to be housed in the urban and semi-urban areas. For instance, a third of the Gabonese population lives in the capital Libreville, and 24 percent of the Congolese population in the capital Brazzaville, both cities with huge housing backlogs. Cameroon, CAR, Chad and Equatorial Guinea are increasingly urbanised. The demand for housing continues to increase without a corresponding increase in supply.

The stock of housing units has been produced mainly through incremental self-construction, government agencies and private developers. An increasing number of international housing companies and developers from the United States, Canada, France, China and South Africa are going into these markets using a Build, Operate and Transfer model. For example, a vast global programme by the Cameroonian government with the support of foreign housing companies "aiming at the revival of social housing in Cameroon by the construction of 10 000 social housing ..." is ongoing. In 2011, the CAR ministry of housing received funding from Celtel Africa, a housing finance structure based in Nairobi, Kenya, to build 300 housing on two sites. The Morocco kingdom has financed the construction of 100 housing in Sakaï locality. The government of Chad, with the support of foreign countries, funded a series of public housing blocks in Bioko Norte, for low income earners in 2015. The poor live in sub-standard accommodation, often on land that is not well-serviced with poor infrastructure, such as no access to paved roads, no regular and clean water, no electricity and sewage disposal facilities.

There are ongoing efforts by CEMAC governments to increase housing supply.[4] For instance, the Government of Italy through a partnership with the Government of Cameroon plans to construct 10 000 houses in Mbankomo, Yaoundé; the local minister foresees the construction of houses in Bonapriso, Douala. With the new cement factories in Cameroon that also aim to service these markets, the cost of cement is decreasing, which may help to increase supply of new affordable housing units. Also, under the Cameroon government project, approximately 1 500 low cost houses have been built by Chinese companies in Olembe, Mbanga Mwang, Bafoussam, Bamenda, Limbe and Sangmelima. The city council's housing project Cite des cinquantenaires in Djoungoulou has constructed 500 houses. Together with international partners, the Government of Gabon is building a new city called Libreville 2, which is 27km from the city of Libreville. With a total investment of CFA204 160 million (US$352 million), the new city will house 20 000 people and will help decongest the city of Libreville. Green Planet Holdings is involved in an affordable housing project close to Libreville, while companies such as SCIHM2 GE have set up in Equatorial Guinea and are involved in real estate property investment, development and management. In January 2019 in Chad, SOPOFRIM started to sell 800 serviced plots on the Toukra Mousgoun site at promotional prices. The start of the first phase of construction of 100 SOPOFRIM housing units in October 2019 is proof of the acceleration of the social housing supply process in Chad. For CAR, in 2011, the Ministry of Housing received funding from

Celtel Africa, a housing finance structure (based in Nairobi, Kenya), to build 300 homes on two sites (one in the neighbourhood Boy-Rabe (Bangui) and the other in the village on the road Kozobilo Boali); unfortunately, this has not been completed. In addition, the Kingdom of Morocco has financed the construction of 100 homes in the Sakaï area.

International oil and construction companies such as Total and ExxonMobil have driven the demand for high-quality residential units in Malabo and Bata, Equatorial Guinea. There has been a great deal of new home building in Malabo II and reserved government residential areas in the east of the city. Expatriates mainly live in these new areas as they are expensive and not affordable for the average local middle class person. The central Klemat area in N'djamena, which is near the presidential palace, is also an important residential district with new developments. In Gabon, Congo and CAR, the new housing developments are mainly driven by demand by expatriate communities and the growing middle class. In Gabon, the new government policy of urban rehabilitation and construction will see the government invest in and build housing for Gabonese citizens with the help of local and international partners. A great deal social housing is being built in Gabon, with Libreville's northern suburb of Angondje being designated by government as a key area for social housing development. This situation has improved with the recent interest and activity of new developers in the region.

Property markets

In all the CEMAC countries, land and particularly the underground is owned by the state, but private ownership of land for private and commercial use is possible and encouraged to boost economic activity. While the real estate market is growing in some of the CEMAC countries such as Cameroon, Gabon and Equatorial Guinea, it is still almost non-existent in CAR. The growth in the property market in the region has been driven mostly by growth in the energy and construction sectors, which led to an increase in demand and increased house prices for both ownership and rental.

Overall, according to the World Bank Doing Business 2019 report, the classification from the best performance to the lowest is: Cameroon, Equatorial Guinea, Congo, Gabon, Chad and CAR. In starting a business, this become Cameroon, Congo, CAR, Equatorial Guinea, Gabon and Chad; concerning getting credit, this become Cameroon, Equatorial Guinea, Congo, CAR and Chad; and finally, for property registration, it become Equatorial Guinea, CAR, Cameroon, Congo, Gabon and Chad. This presents a clear comparative picture of the doing business environment of the CEMAC region.

There is a slight change in CEMAC compared to the 2018 doing business performances. The cost of registering property as a percentage of the property value in the region is now highest in Cameroon (18.7 percent) and lowest in Chad (8.1 percent). The cost for the other countries is now 11 percent (CAR), 11.5 percent (Gabon), 12.5 percent (Equatorial Guinea), and 13.9 percent (Republic of Congo). The time it takes to register property remain the same: 102 days (Gabon), 86 days (Cameroon), 75 days (CAR), 55 days (Congo Rep), 44 days (Chad), and 23 days (Equatorial Guinea). The residential property market has seen a decline in some countries mainly because of the slowdown in economic growth. This has led to a decline in rental prices in some countries, such as the Republic of Congo, as well as slower growth in prices in other countries.

Policy and regulation

The governments in the CEMAC countries are trying to put in place reforms to address the constraints in this sector. The main constraints are in the areas of land ownership and property registration (getting land title certificates), access to serviced land, construction and development, and the availability of finance and access to credit. According to the World Bank's Doing Business 2019 report, when compared to the 2018 report, most of the countries in the region have made progress on ease of doing business, issuing construction permits, access to credit, and registering property, with improved rankings.

The Republic of Congo, Gabon and Chad made transferring and registering property less costly by lowering the property transfer tax rate. Gabon made dealing with construction permits faster by streamlining the process and increasing transparency by publishing regulations related to construction online free of charge. Cameroon improved its credit information system by passing regulations that provide for establishing operating a credit registry database. Cameroon unfortunately also made dealing with construction permits more complex by introducing inspection and notification requirements. The Cameroon government also decentralised the process of obtaining building permits and by introducing strict time limits for processing the application and issuing the certificate of conformity. This will improve access to credit.

All the CEMAC governments are signatories to the OHADA Uniform Act on Secured Transactions, which broadened the scope of assets that can be used as collateral thereby helping to increase access to finance. As the CEMAC governments continue to introduce reforms for land administration, construction, property registration and access to housing finance, more opportunities will be created in the sector in every area of the value chain. The Cameroon government has taken the step of providing sovereign guarantees to private developers. Reforms and policies should also focus on tapping into the potential of MFIs. Gabon has a new policy of urban renewal and construction.

Opportunities

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. This is mainly because of economic reforms, the strong demand for natural resources from emerging and developed economies, a growing middle class, increasingly urbanised populations, a huge housing backlog, and a large diaspora seeking to invest in real estate. There are also growing opportunities for retail, commercial and industrial real estate in the urban and semi-urban areas. The prospects for the property market are excellent, and some global property development companies are already taking advantage of existing opportunities in the region.

Additional Sources

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4 See country profiles for Cameroon, CAR, Equatorial Guinea and Chad.