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 Cameroon, Central African Republic (CAR), Chad, Congo Republic, Gabon, and Equatorial Guinea. Its objective is to promote sustainable development of its member countries and to create a single market that will help promote sub-regional integration through the formation of a monetary union, with the Central African CFA franc (XAF) as a common currency.[1]

CEMAC was created in 1994 and became operational after the treaty's ratification in 1999 in N'Djamena, Chad. The headquarters of the community 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 will bring to economic growth and social cohesion in the sub-region, the leaders of the countries in the region are making progress towards the creation of a single market and the facilitation of the free movement of people. The President of CEMAC announced in Douala in February 2018 that the free movement of people and goods in the region is real, and that the only obstacle is security.[2] This obstacle will be overcome with a biometric CEMAC passport. Greater integration and stronger regional institutions will improve the competitiveness of the region and support growth, according to a recent IMF report on the region.[3] Also, the merger of the two stock exchanges in the region is recommended by a World Bank study. In the opinion of financial experts, the existence of the two stock exchanges does not allow a liquid and efficient market for securities in the sub-region. Because they considered competition between the exchanges is detrimental to the sub-region, the authorities decided in November 2017 to merge them.[4]

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

- Central African Economic Union (Union Economique de l'Afrique Central – UEAC) 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 and there is a single currency (CFA franc, XAF) and defined criteria for macroeconomic convergence. It 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.
- The CEMAC parliament; and
- The Court of Justice in place in N'Djamena since 2000. It has a judicial and audit function.

The region has a population of over 52 million spread over 3.02 million km^2.[5] Half of the population live in Cameroon and 65 percent are below 25 years of age. The average population growth rate is 2.2 percent. The combined 2016 GDP of US$195 billion remained stagnant and inflation remains low. The short-term growth outcome of the region is weak (-0.5 percent in 2017) due to reduced public spending and further declines in oil production.[6] Security concerns brought about by Boko Haram and civil unrest in the CAR, the flow of refugees, money laundering, and drought are additional threats to the region's GDP growth.[7] Cameroon, CAR and Gabon grew their real GDP thanks to timber, agriculture exports and construction and services. The GDP is projected to grow to 2.7 percent in 2018.

Cameroon is the largest economy in the region, with half of the region's total financial assets.[8] The mineral wealth includes gold, diamond, natural gas, oil, bauxite, aluminium, manganese and uranium. Other export products include natural rubber, tobacco, cocoa, coffee, sugar, and bananas. Due to inadequate private investment, there has been little exploitation of resources, except for oil and timber. Crude oil is an important resource for these countries, apart from the CAR, which is not an oil exporter, and it accounts for 87 percent of the community's exports.[9] Timber is the community's second largest export product. All six countries continue to try to diversify their economies into tourism, agro 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 rate of urbanisation in the region is 2.7 percent.

Access to finance

The formal financial system across CEMAC countries is not well-developed. It is dominated by commercial banks and in some countries, large microfinance institutions (MFIs). The banking system currently comprises 52 active commercial banks with Cameroon having the most banks in the region.[10] The banking sector contribution to the financing of the economy is small and half of the sector's assets are controlled by three banks per country and the other half 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.[11] This is due to multiple factors including: asymmetry of information, weak collateral and insolvency frameworks, and the absence of credit history records, for the majority of firms and people, which would allow them to apply for competitive interest rates.

Bank branches and ATMs are mostly concentrated in the urban and semi-urban areas.[12] Financial inclusion is limited and only 15 percent of adults hold bank accounts.[13] Borrowing from family or friends is the common source of credit: 88 percent in Gabon, and 84 percent in Cameroon.[14] Very few banks provide medium-term and long-term credit, such as the Gabonese Development Bank, the National Investment Company (in Gabon and Cameroon), Afrilands First Bank (Cameroon), and SOCOFIN in Congo Republic. The state plays an important role in the 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 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. 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. 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 the CAR, government has committed to support financial sector development and improve access to credit by: improving the legal and judiciary system to serve 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.

The informal sector and a large percentage of the middle class and lower income groups get housing finance from different forms of MFIs. There are over 800 MFIs in the region serving almost 1.8 million members.[15] The microfinance sector has emerged in Gabon with 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 micro lenders 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 all 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), extend the security interest to the proceeds of the original asset, and introduce the possibility of out-of-court enforcement. Capital markets are almost non-existent due to the coexistence of two competing stock exchanges; insurance and pension sectors remain underdeveloped.[16]

Affordability

In the CEMAC region, the state is officially the largest employer, offering average monthly salaries ranging from XAF75 000 (US$134) to XAF300 000 (US$536). 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.[17]

Construction costs in the urban and semi-urban areas are high and increasing. It can cost up to XAF5 million (US$8 926) 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, plates, 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. There are also private sector investors who have 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 semi-standard and 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 between the CEMAC countries in the main urban areas. While it costs on average XAF125 000 (US$223) a month to rent a standard three-bedroom house in the main urban areas in Cameroon, it 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.[18] It costs up to US$6 500 to US$8 500 a month for a standard three-bedroom apartment in these cities. In Brazzaville, it may cost up to US$3 420 for a standard three-bedroom in the city centre or up to US$1 134 outside the centre.[19]

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. A third of the Gabonese population lives in the capital Libreville,[20] and 70 percent of the Congolese population in the capital Brazzaville,[21] 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.[22]

The current stock of housing units is produced mainly through incremental self-construction, government agencies, and private developers. There are an increasing number of international housing companies and developers from the USA, Canada, France, China and South Africa who are going into these markets using a Build, Operate and Transfer model. 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 governments to increase housing supply. 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.[23] With the newly set up 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.[24] Also, under the Cameroon government project, some 1 500 low cost houses have been built by Chinese companies in Olembe, Mbanga Mwang, Baffoussam, Bamenda, Limbe and Sangmelima. The city council's housing project "Cite des cinquantenaires" in Djoungoulou has constructed 500 houses.[25] 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 US$352 million, the new city will house 20 000 people and will help decongest the current city of Libreville. Green Planet Holdings is involved in an affordable housing project close to Libreville, while companies such as SCIHM2GE have set up in Equatorial Guinea and are involved in real estate property investment, development and management.

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. Mainly expatriates live in these new areas as they are expensive and not affordable to 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 driven by demand for high quality housing 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.[26] A great deal of 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 market and opportunities

In all the CEMAC countries, land is owned by the state, but private ownership of land for private and commercial use is 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.

According to the World Bank 2018 Doing Business Report, the cost of registering property as a percentage of the property value in the region is highest in Cameroon (19 percent) and lowest in Gabon (10.5 percent). The cost for the other countries is 11 percent (CAR), 12.5 percent (Eq. Guinea), 12.9 percent (Chad) and 16.1 percent (Congo Rep). The time it takes to register property is 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 Congo Republic, as well as slower growth in prices in other countries.

Policy and regulation

Governments in the CEMAC countries are now trying to put in place reforms that would 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.[27] According to the World Bank's 2018 Doing Business Report, when compared to the 2017 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 property less costly by lowering the property transfer tax rate. Gabon made dealing with construction permits faster by streamlining the process and increased transparency by publishing regulations related to construction online free of charge.[28] It made paying taxes costlier for companies by reducing the depreciation rates for some fixed assets. Cameroon improved its credit information system by passing regulations that provide for the establishment and operation of a credit registry database.[29] The country made dealing with construction permits more complex by introducing inspection and notification requirements. 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 on 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 government of Cameroon 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 taking advantage of existing opportunities in the region.

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