

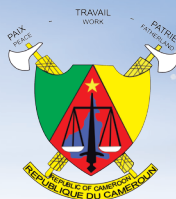
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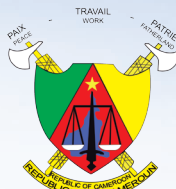
COMMUNICATION UNIT

Extraordinary Summit of Central African Heads of State

Yaounde, 23 December 2016

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STAKES OF THE EXTRAORDINARY SUMMIT OF HEADS OF STATE OF CENTRAL AFRICA

1. Background

The Extraordinary Summit of the Heads of State of Central Africa shall hold in a particular context marked by a series of events. These include: the continued decline in commodity prices, leading to a reserve crisis; the security crisis in the sub-region; the entry into force of the Economic Partnership Agreement (EPA) between Cameroon and the European Union; the restructuring of the CEMAC and ECCAS communities; and negotiations towards a continental free-trade area.

2. Decline in commodity prices

Virtually all CEMAC countries are producers and exporters of raw materials. However, the gloomy international economic environment has reduced opportunities, owing to the general fall in cocoa, coffee, banana, cotton and oil prices. This situation is therefore a constraint for all economies in general, and for the economies of the CEMAC zone in particular, because of their high exposure to the volatility of commodity prices. Thus, one of the possible outcomes is not only to promote the diversification of these economies, but also and above all to make the most from the exportation of locally produced goods.

3. Security crisis in the sub-region

Attacks from the Boko Haram terrorist group in Cameroon and Chad have led to a rise of insecurity with an influx of Nigerian refugees in the northern part of Cameroon. The eastern

part of Cameroon is also host to refugees from the Central African Republic. Gabon's post-electoral crisis cannot be ignored as well.

Efforts put in place by the various states to curb these crises affect the activities of the population and the CEMAC economy.

4. Entry into force of the EPA between Cameroon and the European Union.

The EPA between Cameroon and the European Union, originally planned between Central Africa and the European Union, entered into force on 04 August 2016.

This economic agreement is an opportunity to modernise economies provided that they adopt a proactive economic policy, especially the industrial sector by making it more competitive. For example, it will lead to the reduction of production costs due to the cheap acquisition of imported inputs, which would result in an increase in production for the domestic market.

Moreover, prices of domestic products sold on the domestic market would also drop as a result of greater competitiveness of imported substitutes.

The EPA offers an opportunity for the CEMAC countries to increase their share on the international market provided that they produce quality and quantity in a competitive manner.

It should be recalled that Cameroon is in favour of a continual process of trade negotiations initiated since 1957 with the Treaty of Rome and which has successively given rise to several conventions (e.g. Yaounde, and Lome I to IV) between Europe and the African, Caribbean and Pacific (ACP) countries. The Cotonou Cooperation Agreement was concluded in June 2000 as an element of consensus on trade relations between the two groups.

The agreement also sets out the framework for free trade agreements to be negotiated with the EU, namely the Economic Partnership Agreement (EPA). A major objective is to improve the free-market access for ACP countries and consolidate regional economic integration.

Many states, including the African, Caribbean and Pacific (ACP) countries, have already signed and ratified this agreement, which is currently being implemented. At the African level, Côte d'Ivoire and Ghana have already done so.

The other countries of the Central African sub-region, including the six CEMAC countries, are in the process of finalising their accession process in a comprehensive regional configuration.

Moreover, several goods from Europe now enter the zone through Cameroon duty free.

This situation could, if nothing is done urgently, slow down the process of integration in Central Africa because these goods could move to other CEMAC countries in a similar manner.

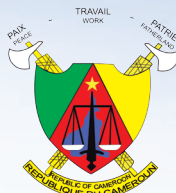
The Heads of State could take a common position on this issue on the basis of a comprehensive Central African-European Union timetable to adhere to the EPA.

5. Putting in place of a better synergy between ECCAS and CEMAC

The ECCAS, which is one of the five regional economic Communities following the division by the African Union, evolves on the ground with other sub-regional organisation, including CEMAC. It is therefore important to organise a better synergy at the moment between these two organisations and later to think of how to fuse them as in West Africa. The implementation of this project has already begun.

6. A continental free trade area

This is within the AU's agenda 2063 to make a continental customs union with the establishment of a Continental Free Trade Area (CFTA) by the end of 2017. Four sessions have been held to negotiate this policy. Other regional economic blocs appear to have a common position on a set of issues, unlike the Central Africa states that are divided.



ECONOMIC AND MONETARY STATUS OF THE CENTRAL AFRICAN STATES

1. Good performance until 2014

In the aftermath of the international financial crisis of 2008-2009, CEMAC countries recorded good economic and financial performances, taking advantage of an international environment that was generally favourable.

These countries witnessed real growth in their economies of 4.3% on average between 2010 and 2014 because of a rising global growth and a significant increase in trade and abundant liquidity that helped to ease financial conditions.

They also recorded large budget surpluses and balances of payments, and experienced an overall strengthening of liquidity that benefited both National Treasuries and the banking sector.

This favourable development enabled BEAC to acquire substantial external reserves, which on average accounted for 7.5 months of imports of goods and services during this period.

In the meantime, almost all CEMAC countries have been oriented towards broad development programmes in order to reduce the infrastructural deficit caused by the great crisis of the 80s and 90s. Significant commitments have been made at national and regional levels, aiming to make the sub-region, an emerging

economic space between 2025 and 2035, according to the ambitions displayed by each country.

Major challenges since the middle of 2014
However, since mid-2014, the CEMAC economies have faced major security, economic and financial challenges.

At the economic and financial level, in particular, the terms of trade fell by more than 47.3%, relative to the start of 2014, mainly due to the fall in crude oil prices. This product provided almost 40% of total budgetary revenues and exports in 2014, contributing nearly half of the sub-region's wealth.

The external environment has deteriorated considerably, with the main consequence being a marked slowdown in growth and a rapid deterioration in public finances and balances of payments.

Of course, the degree of oil dependence of the different countries was (and still is) quite variable depending on the level of diversification of economies, but the adverse effects of the oil shock were noticeable in all countries from the end of the year 2014.

By 2015, the security situation in the sub-region has improved markedly, although it has continued to exert strong pressure on the budgets of some states.

On the other hand, the economic situation deteriorated further, owing to the fall of more than 55% in oil prices within one year, which already represented more than 3/4 of exports and close to half of the sub-region's budgetary revenues in 2014.

Economic growth declined more than half according to the IMF, from 4.8% in 2014 to 2.4% in 2015, because of a drop in investments and low oil revenues. In 2016, the growth rate is estimated at 1.7% according to the IMF and at 0.7 according to BEAC. Changes in economic performance should depend, inter alia, on each country's ability to resist shocks.

In the meantime, current account deficits and external deficits are expected to widen further.

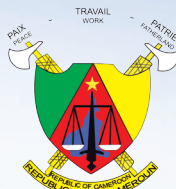
According to the IMF, the fiscal deficit would reach 9% of GDP in 2016, even though it was

only 1.8% in 2014, while that of the current balance of payments would rise from 7% of GDP in 2014 to 14.8% in 2016.

The rapid deterioration of the international environment surprised the CEMAC states. Most countries have slowly responded to the fall in oil prices and the resultant budgetary revenues, resulting in a massive use of domestic and external debt to meet their growing financing needs – toward major security tensions and a commitment to realise ambitious emergency programmes.

This led to a rapid increase in external debt an increase in the use of Central Bank advances, and a considerable increase in the issuance of government bonds, which were mainly subscribed by commercial banks.

This situation, which poses major risks, comes



CURRENT CHALLENGES IN CEMAC

The challenges faced by CEMAC countries today are many-sided, as is the terrorist threat, which, although it has declined in recent months, still obliges many of them (Cameroon, Chad) to allocate significant budgetary resources to security and defence.

1. The uncertainty of a short-term recovery in oil prices does not make it possible to expect a rapid improvement in the States' budgetary room for manoeuvre. This is due to the gloom of global economic growth, particularly in emerging economies, which is also confronted with the increasing uncertainty caused by Britain's exit from the European Union, the persistence of a migratory crisis and the rise of geopolitical tensions in several regions of the globe.

2. The measures implemented by BEAC to accompany the States and allow them to respond temporarily to the fall in oil revenues have reached their limits and can no longer be pursued.

These measures relate to the lowering of the Central Bank's key rate, the increase in advances to national treasuries, and other measures aimed at increasing bank liquidity. During this Summit, it will be seen if these measures have produced the desired effects.

3. Although public debt ratios remain at acceptable levels, international financial conditions have begun to tighten since the

end of 2015, in line with the tightening of US monetary policy and the widespread climate of financial volatility in several emerging countries.

By adding to the rapid growth in outstanding external debts, some of which have been contracted recently on non-concessional terms, this situation contributes to increasing the debt burden of several countries, whose risk profiles are now being judged to be high by the IMF, while making the conditionality of external indebtedness of the CEMAC member states more difficult.

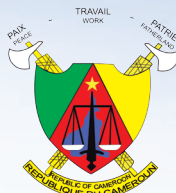
4. The current economic difficulties have begun to weigh on the quality of banks' portfolios, which in recent years have seen a rapid increase in their dues and debts and liquidity. Although they have benefited from assistance from the Central Bank, which has enabled them to pursue their activities serenely, notably the acquisition of public bonds issued by governments, CEMAC banks are also confronted with a limitation of their margins and could very quickly be in crisis if the current situation is not reversed.

5. Several international rating agencies were concerned about the collapse of CEMAC's international reserves and the risk it poses to the overall credibility of the sub-region and especially to the Central Bank in its ability to continue to support the common currency, the FCFA.

6. In inter-regional competition, CEMAC now seems to be in considerable disadvantage vis-à-vis the West African Economic and Monetary Union (UEMOA) on a number of indicators.

By 2015, economic growth was halved in the CEMAC region and has not kept pace with countries in sub-Saharan Africa.

Non-oil revenues declined more significantly in CEMAC member states than in comparable countries in sub-Saharan Africa. The fiscal and current account deficits of CEMAC were the largest, compared to other groups of countries. The business climate suffered from this situation, limiting private investment and hindering the diversification of the economies.



STATE BY STATE SITUATION

The situation in each country of the CEMAC zone is as follows :

1. Cameroon.

The country has been resilient to the various exogenous shocks due to a better diversification of its economy on the basis of the good performance of non-oil activities, reinforced by major projects and their effects on other sectors of the economy. Cameroon is expected to register a growth rate of 5% in 2016 against 5.8% in 2015 and 5.9% in 2014.

2. Congo.

After the rebound to about 6.8% in 2014, economic activity slowed down in 2015 (2.3%) and the growth rate is expected to rise to 1.7% in 2016 according to the IMF. However, economic prospects remain dependent on low oil prices, the opening of new oil wells, the dynamism of the transport and agricultural sectors, and the revival of public investment, notably major works.

3. Gabon.

Despite the drop in hydrocarbon prices, which has reduced tax revenues, the growth rate in Gabon is expected to be 3.2% in 2016 against 4% in 2015. This performance is linked to the good dynamics of the non-oil sector, notably Manganese and wood processing which continue to play a major role. The actions taken by the authorities should maintain this dynamism of non-oil activity in the medium term.

4. Equatorial Guinea.

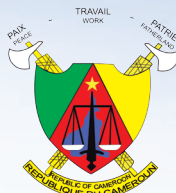
Given the importance of hydrocarbons (90% of GDP, 87% of tax revenues and 89% of exports), the fall in oil prices has had an impact on public investment spending, which is driving growth. Thus, the GDP, which contracted by 7.4% in 2015, is expected to register a further decline (-9.8%) in 2016, according to IMF estimates. The recession may continue if oil prices drop again, owing to the virtual non-existence of the non-oil sector in the country.

5. CAR.

The economic recovery that started in 2014 continued in 2015. It was however interrupted by the resurgence of the security and political crisis, bringing the real GDP growth rate to 4.1%. By 2016, this rate should be 5.2% according to the IMF. The situation in CAR will continue to weigh on the activities of the extractive industries, especially diamond, with negative consequences on the economic growth.

6. Chad.

The Chadian economy, which is particularly dependent on petroleum activity, is expected to experience a recession in 2016. After reaching 6.9% in 2014 and 1.7% in 2015, the GDP growth rate could be -1, 1% in 2016, largely due to falling oil prices in the international market. This recession is expected to result in a significant reduction in public investment and a decline in domestic demand, in line with budget cuts (a 40% cut in the budget in 2017).



SOME IMPORTANT FACTS ON THE SITUATION OF THE CEMAC ZONE

1. Inflation:

Inflation within the CEMAC zone has been stabilised and is situated at about 3%. According to BEAC, the inflation rate in 2016 should be about 3% as against 2.5% in 2015.

2. Worsening of the budget deficit

The countries of CEMAC have had budgetary deficits since 2012 which have only grown worse each year; this should get to 5.1% of the GDP of the zone in 2016 as against 4.6% in 2015. This deficit is mostly caused by the construction of vast investment projects in the countries of the community (Cameroon, Congo and Equatorial Guinea) within a context of falling oil revenue and the growth of expenditure on security issues by some of the countries (Cameroon, Chad, CAR). According to BEAC, the budget deficit should grow to 7.9% of GDP by 2016.

3. The persistent deficit of the balance of payments

The fall in the price of raw materials with the consequences on the value of exports has resulted in a deficit in balance of payments in the CEMAC zone which will continue in 2016. This deficit is very serious in Congo, Equatorial Guinea and Chad.

The IMF estimates that the balance of payments

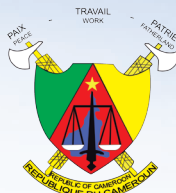
in the CEMAC zone is 6.7% of GDP in 2016 as against 9.2 in 2015.

4. The fall in reserves

Since 2014, a sharp fall has been observed in the external accounts of the member countries of CEMAC, due mainly to public deficits, with the resulting sharp fall in exchange reserves. In fact, in most of the countries of the zone, the increase in public expenditure has translated into an increase in imported goods and the outflow of currency, concomitantly with a fall in the inflow of currency tied to the value of exports, notably that of oil. These exchange reserves, estimated by the IMF at about 5.5 months of imports of goods and services in 2015, may be situated by the end of 2016 at about 3.4 months.

5. The debt amount

Up till 2013, the amount of debt in the CEMAC zone was relatively low and was largely below the average level of the other sub-Saharan countries. With the worsening international situation and the onset of vast investment projects in several countries of the zone, the amount of the debt sharply rose as from 2014, going from 22.3% of GDP in 2013 to 39.2% in 2016, according to the IMF. Being an increase of 17 points in three years. This situation has led the IMF to increase its evaluation of the risk factor of the debt of several countries.



POTENTIAL SOLUTIONS TO THE DIFFICULT ECONOMIC AND MONETARY SITUATION IN CEMAC

The main options remaining are in the short term: a vigorous but well-structured adjustment to contain macroeconomic imbalances and limit pressures on the currency. In the medium term, a change in the direction of macroeconomic management is essential.

1. Strong and structured adjustment.

To cope with the emergency, the CEMAC countries should, without delay, better control their budgetary expenditure.

In the area of operating expenditure, efforts should be made to control payroll, reduce non-essential current expenditure, transfers and subsidies.

As regards capital expenditure, they should as far as possible be limited to those which are most necessary in the short term (in particular expenditure linked to commitments already made), the others to be reprogrammed in the light of budgetary and projected impact on growth and employment.

The potential for a significant increase in non-oil revenues should be exploited through continuation and intensification of reforms and the modernisation of national tax systems. In this context, tax administrations will have to be better equipped to effectively monitor the taxation of large companies, especially multinationals, whose accounts are increasingly complex and oriented towards tax optimisation.

For a better structuring of adjustment efforts, special attention must be given to the quality of public spending and the efficiency of fiscal measures taken. It is known that good quality policies limit both the cost and duration of adjustment, while contributing to the rapid and sustainable recovery of the economy.

It is therefore urgent to stabilise the economies of the CEMAC zone, while at the same time bringing together the conditions for their rapid recovery. On the other hand, significant improvement in the quality of debt is paramount, so that debt resources do contribute to boosting economic growth and employment in the sub-region.

2. Cooperation with the IMF

A closer cooperation with the IMF could enable CEMAC countries to benefit from the technical and financial assistance of this institution, whose guarantee seems useful for the overall credibility of the sub-region, but also to intensify actions with other technical and financial partners.

CEMAC countries, which have recently received international ratings, have seen their ratings maintained with a stable outlook. A degradation of their ratings or that of the entire zone would be a very important risk factor for the image of the sub-region and for the indebtedness of the Member States.

While contributing to preserving the quality of

CEMAC countries' signature, the conclusion of new programmes with the IMF would enable countries in the sub-region to increase their access to concessional international financing, a common currency, and improve the quality of non-concessional debt.

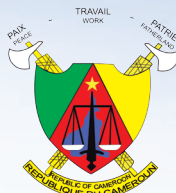
In the medium term, the current depressive external environment brings to life the imperative necessity of a decisive change of course for all the oil-producing countries. As budgetary conditions to manoeuvre shrink and reserve assets collapse, actions must be taken to reduce dependence on raw materials on a sustainable basis, diversify and industrialise economies, and upgrade the capacities to transform and exploit the enormous potential of natural resources.

In these circumstances, CEMAC member

countries should accelerate the implementation of structural reforms, including the improvement of the business environment, the fight against corruption, the improvement of public governance and the strengthening of sub-regional integration.

These actions should facilitate the emergence of a private sector capable of meeting the development challenges faced by these countries. In addition, increased scrutiny should be maintained on countries' debt by adopting strategies to ensure debt sustainability, while relying more on concessional borrowing, domestic and non-monetary sources of financing.

This would help to contain constraints that could aggravate the situation and plunge countries into a new debt crisis.



SITUATION OF INFRASTRUCTURE PROGRAMMES ADOPTED BY CEMAC

Make CEMAC an integrated and emerging economic entity where peace, security and good governance at the service of human development prevail by 2025, through the Regional Economic Programme (PER) which is detailed out in three five-year phases (2011-2015; 2016-2020; 2021-2015).

The economic infrastructure and the territorial development programme is aimed at providing critical infrastructure within the CEMAC zone so as to spur competitiveness, especially the rehabilitation and construction of road corridors to link the various capitals of the member States, railways, the construction of interconnected electricity networks, dams, seaports, etc.

At the level of Cameroon, most of the major development projects fall within this programme. These projects are underway or have been completed, though the construction of some others is yet to begin.

1. Completed Projects

- Tarring of the Garoua Boulai - Ngaoundere road. The work is through and received.
- Tarring of the Obala - Batchenga - Bouam road. Phase one: Obala - Nkolessong (80 km) completed and received.
- Tarring of the Akonolinga - Bognis road:

work completed and received.

- Rehabilitation of Yaounde - Ebolowa road. Work completed.
- Rehabilitation of the Ebolowa - Ambam road. Work completed.
- Bamenda - Mamfe - Ekok - Enugu (Nigeria): Phase 1: Bamenda - Batibo - Numba. Work completed and received on 29/12/15; Phase 2: Bachuo Akagbe - Mamfe - Ekok, work completed and provisional reception on 10 June 2016.
- Rehabilitation of the - Kye-Ossi road. Work completed in 2014.

2. Ongoing construction Projects

- Limbe and Kribi gas electricity projects: Completed with a production capacity of 216 megawatts.
- Tarring of the Sangmelima - Ouessou road: work completed on the section Djoum-Mintom (98 km) Congo border section, financing already obtained from ADB (100.005 billion FCFA) and the BDCAS (60.750 billion FCFA). Work is expected to start in 2017.
- Memve'ele hydroelectricity dam: work almost completed.
- Lom Pangar hydroelectricity dam: Work completed, filling of the dam with water successfully conducted. Contract signed for electricity generation plant.
- Tarring of the Yaounde - Olama - Kribi

road: Yaounde – Olama section completed in 2014, the rest of the work ongoing with financing from Islamic partners.

- Construction of the Douala - Yaounde expressway: work on the first phase is ongoing. The second phase will be constructed under public/private partnership.
- Rehabilitation of the Fin progreiguil - Maroua road: work in progress with financing by the European Union.
- Rehabilitation of the Dabanga - Kousseri road: work was suspended for security reasons. It has been resumed by the Army Engineering Corps.
- Tarring of the Batchenga-Ntui-Yoko-Tibati-Ngaoundere road: financing of the Batchenga-Ntui-Yoko-Lena-Tibati section obtained from ADB (110 billion FCFA), BDCAS (40 billion FCFA), JICA (26 billion FCFA) FDA (40 billion FCFA). Steps are being undertaken to start the work soon.
- Tarring of the Kumba-Mamfe road: work is 41% completed.

3. Pending projects

- Bini à Warak hydro-electricity dam: agreement signed in 2016 with the EximBank of China, which will finance the construction of the dam.
- Colomines hydro-electricity dam: feasibility studies completed in 2014.
- Tarring of the Maltam-Fotokol road: feasibility studies available since 2014.
- Construction of a bridge on River Logone between Yagoua (Cameroon) and Bongor (Chad). Agreement between the two parties signed on May 2014 in Ndjamena.
- Tarring of the Ebolowa-Akom II - Kribi road: feasibility studies available since 2013.
- Tarring of the Kribi - Campo road: negotiations with EximBank China since 2014.
- Construction of a second bridge on the River Ntem (Cameroon - Equatorial Guinea border). Technical studies ongoing.
- Tarring of the Kumba - Mundemba-Isangele - Akpa road: feasibility studies available since 2014.



The Contribution of CEMAC in the Fight Against Insecurity in the Sub-region

The CEMAC Treaty that was adopted on 14 March 1994 and revised on 30 January 2009 confers on the community the basic mission of “ensuring peace and the harmonious development of member States”.

Unfortunately, the institutional and organic structure of the community has not provided for institutions or organs which enable it to play the role in questions of peace and security.

That is why CEMAC had to create ad hoc mechanisms that are meant to fill this gap, the most recent of which is the Observatory of Crises in Central Africa, which was set up at the end of the Extraordinary Summit of 30 July 2016 in Malabo.

The reason for this shortfall can be attributed to the application of the principle of subsidiarity between CEMAC and ECCAS, the first one having, at one moment of its functioning, forgone the leadership on the issues of peace and security to the second one, which has an organ for that purpose, the COPAX (French acronym for Council for Peace and Security in Central Africa), and whose set up seems to be more adequate with APSA (Architecture for Peace and Security in Africa).

CEMAC institutions that handle issues of peace and security

- Committee of Police Heads of Central Africa
- The Action Group against money laundering

in Central Africa (GABAC), set up on 14 December 2000, Gabac coordinates, revamps and evaluates actions undertaken within States, within the framework of the fight against money laundering and the financing of terrorism.

Recent decisions relative to the security situation in Central Africa

Meeting in Malabo on 30 July 2016 on the occasion of their extraordinary summit, the Heads of State of CEMAC took important decisions and recommendations relative to the situation in the Central African Republic and the security situation in the Sub-region, notably :

- The admission of elements of the Armed Forces of the CAR in training centres of member States of CEMAC.
- The allocation of an additional support of 4 Billion Francs CFA to the CAR, under the care of Cameroon, Congo, Gabon and Equatorial Guinea, in view of the beginning the programme of disarming, demobilising and reinsertion (DDR).
- The setting up of the Observatory for Crises which should be able to sustain the recovery of the CAR, but which should also, in future, facilitate the resolution of conflicts which come up within the Community.