African Union

PAN-AFRICAN FINANCIAL INSTITUTIONS

ART. 19 of the Constitutive Act of the African Union

THE FOUNDING TEXTS:

THE AFRICAN CENTRAL BANK . THE AFRICAN INVESTMENT BANK . THE AFRICAN MONETARY FUND

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FOREWORD

The global financial landscape has changed dramatically in recent years. Recognizing the benefits and specific gains in economic growth and development that can be derived from successful integration, Africa has taken a series of regional and continental integration initiatives. In this regard, the "Treaty Establishing the African Economic Community" (Abuja Treaty) was adopted in 1991 by the Organization of African Unity (OAU), which later became the African Union (AU) in 2001. The treaty entered into force in 1994 and stipulates that the Economic Community (EC) will be established in six (6) stages over a period of 34 to 40 years maximum. The sixth step will consist in completing the establishment of the African Economic and Monetary Union with the setting up of an African Central Bank to mint the single African currency. In July 2000, following the adoption of the Sirte Declaration in September 1999, the 36th OAU Summit held in Lomé, Togo, adopted the Constitutive Act of the African Union (AU) through which the Heads of State and Government proposed the establishment of two additional financial institutions, namely the African Monetary Fund (AMF) and the African Investment Bank (AIB), especially since the African Central Bank have already been provided for in Article 6 of the Abuja Treaty. Article 19 of the Constitutive Act of the new union recognizes that these three institutions, namely the African Central Bank, the African Monetary Fund and the African Investment Bank constitute the financial institutions of the African Union. Their rules and regulations are defined in related protocols. In addition, the AU Commission was mandated by the AU Assembly (Assembly/AU/Dec.109) in January 2006, in Khartoum, Sudan, to carry out a feasibility study on the establishment of a Pan-African Stock Exchange (PASE). In this respect, the three financial institutions already mentioned and the PASE are referred to in the African Union Commission as the Pan-African Financial Institutions (PAFI). The Department of Economic Affairs has full responsibility for coordinating the activities leading up to the actual establishment of these institutions.

The objectives of the Pan-African financial institutions include:

- Facilitating the mobilization of domestic and external resources to foster economic development and integration on the continent (AIB and PASE);
- Ensuring the stability of exchange rates between currencies and their mutual convertibility for the establishment of the African Central Bank (ACB);
- Promoting African monetary cooperation in order to achieve African economic integration and speed up the economic development process in Member States (AMF / AMI);
- Promoting the development of African financial markets (AMF and PASE) and establishing a strong monetary union with a single African currency managed by the African Central Bank (ACB). Progress towards the adoption of a single currency will be monitored by the African Monetary Institute (AMI).

The African Central Bank (ACB) will be responsible for managing monetary and exchange rate policy in Africa. It will be preceded by the African Monetary Institute, which will lead the technical, political, statistical, legal and institutional preparatory work for the establishment of the ACB based on a gradual approach. The Fund will lend support to AU organs and RECs in the implementation of the monetary cooperation programme, working closely with regional monetary institutes and sub-regions to improve macroeconomic convergence and financial integration. In this regard, the African Union Commission and the Association of African Central Banks (AACB) set up a joint committee and drew up a joint strategy for the establishment of the African Central Bank, a strategy in which the African Monetary Institute will play a vital role. The African Investment Bank has as objective to stimulate the economic integration and development of the Union by financing development projects, in accordance with Union goals.

For its part, the African Monetary Fund will facilitate the integration of African economies by abolishing trade restrictions, financing deficits, fostering monetary cooperation and providing technical assistance, particularly for poverty and debt reduction strategies in Member States, in accordance with Union goals.

At the time of publication of the founding texts of the African Investment Bank, it should be noted that as at 31 December 2017, twenty-two Member States had signed the legal instruments of the AIB while five had ratified them. They are: Angola, Benin, Burkina Faso, Chad, Côte d'Ivoire, Comoros, Republic of the Congo, Democratic Republic of the Congo, Gabon, Gambia, Ghana, Guinea Bissau, Guinea, Liberia, Libya, Madagascar, Niger, Senegal, Sierra Leone, Sao Tome and Principe, Togo and Zambia. The five countries that have ratified these instruments are Benin, Burkina Faso, Congo, Libya and Togo.

At the same date, the texts of the African Monetary Fund had been signed by only nine countries, namely Benin, Cameroon, Chad, Congo, Ghana, Guinea-Bissau, Mauritania, Sao Tome and Principe and Zambia. At that time, no country had yet ratified the Fund's legal instruments.

The joint AUC-AACB study and strategy on the establishment of the ACB was adopted by the Board of Governors of the AACB on 14 August 2015 in Malabo, Equatorial Guinea. It was submitted for approval to the 9th Annual Joint Meeting of the 2nd AU Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration and the 49th Conference of African Ministers of Planning, Finance and Economic Development of the United Nations Economic Commission for Africa, held from 31 March to 5 April 2016 in Addis Ababa, Ethiopia. The PASE feasibility study recommendations were submitted to the AU Conference of Ministers of Economy and Finance held in March 2014 in Abuja, Nigeria, and it was recommended that the study report should be submitted to the Member States for comments. The report will be submitted for consideration at the third session of the STC on Finance, Monetary Affairs, Economic Planning and Integration in August 2018. Until now, none of the Pan-African institutions (AIB and AMF) has been ratified by the 15 Member States required for their entry into force.

Governments and parliaments are the main actors of the signing and ratification process at the national level. The completion of the process requires strong political will and officials from the ministries of finance, planning and economic development should play an advocacy role in their respective countries. In addition, adequate financial resources must be made available by Member States to support advocacy for the successful implementation of the Pan-African financial institutions.

Considering the urgent need for Africa to assume its financial self-sufficiency through its own financial institutions, the Commission would like to invite Member States to make a firm commitment to translate Article 19 of the Constitutive Act of the AU into reality. These institutions also aim to strengthen the sovereignty of Member States and their independence from the Bretton Woods institutions in particular.

The African Union Commission, through the Department of Economic Affairs, would like to make a strong appeal to all Member States of the Union to sign and ratify the founding texts of the financial institutions and encourage and congratulate the Member States that have already accomplished these acts. The establishment of these institutions not only strengthens Africa's sovereignty but also increases its resilience and enhances its financial self-sufficiency.

This document has three parts:

- The joint AUC-AACB strategy for the establishment of the African Central Bank (ACB);
- The protocol and statutes of the African Investment Bank (AIB); and
- The protocol and statutes of the African Monetary Fund (AMF).

H.E. Prof. Victor Harison,
Commissioner for Economic Affairs

JOINT AUC-AACB COMMITTEE STUDY GROUP

JOINT AUC-AACB STRATEGY ON THE ESTABLISHMENT OF THE AFRICAN CENTRAL BANK (ACB)

ABUJA,
FEDERAL REPUBLIC OF NIGERIA

JUNE 22, 2013

- The global economic and financial architecture is changing, revealing uphill, but not insurmountable challenges, threatening macroeconomic stability and economic growth in Africa.

- Africa has therefore embarked on several economic and political integration initiatives, covering both real and financial sectors such as promotion of trade, and acceleration of economic growth and development to minimize the impact of the ensuing instability.

- While trade and real sector integration may have had considerable attention, financial integration has been slow. Therefore, the African Union Heads of State and Government underscored, in the context Article 44 of the Treaty establishing the African Economic Community (Abuja Treaty) and Article 19 of the Constitutive Act of the African Union respectively, the need for the "establishment of an African Monetary Union through the harmonization of monetary zones" and "creation of the three AU African financial institutions, namely the African Central Bank (ACB), the African Monetary Fund (AMF) and the African Investment Bank (AIB)".

- Within the framework of the setting up of the ACB, the African Union Commission (AUC) signed an agreement with the Government of the Republic of Nigeria, host country of the ACB, for the Headquarters of the Steering Committee for the establishment of the ACB. The Steering Committee was setup under the Chairmanship of the Governor of the Central Bank of Nigeria, Dr. Sanusi Lamido Sanusi, CON.

- In addition, the AUC and the Association of African Central Banks (AACB) set up a Joint Committee to work closely towards the creation of the African Central Bank. In this regard, the Joint Committee set up a Study Group to carry out the preparatory work ahead of the establishment of the ACB. It is in this framework that the Study is undertaken, from which the Joint AUC-AACB Strategy for the establishment of the ACB is derived.

- The report of the Study Group proposes strategies, roadmap with clear tasks and timelines leading to the establishment of the African Economic, Fiscal and Monetary Union as well as the African Central Bank (ACB) and African Single Currency.

- The Study Group comprises five AUC experts and five experts designated by the AACB to represent each of its Sub-regions.

- On its side, the AUC designated the Experts of the Steering Committee headed by Dr. Okorie A. Uchendu, Chairman's representative and Team Leader of the Study Group.

- The Steering Committee is made up of the following experts:
  - Dr. Polycarp Musinguzi;
  - Dr. Neil Nyirongo;
  - Dr. Amath Ndiaye;
  - Dr. Boubie Bassole; and
  - Ms. Bopelokgale Soko.

- The AACB designated the following five experts:
  - Mr. Arlindo de Carvalho, Representative of the Central Sub-Region;
  - Dr. Rogatien D. Poda , Representative of the West Sub-Region;
  - Mr. Neetyanand Kowlessur, Representative of the East Sub-Region;
  - Mr. Djimé Diagana, Representative of the North Sub-Region;
  - Dr. Keith Jefferis, Representative of the South Sub-Region;

- To perform its function, the Study Group received financial support from the AUC and the Federal Government of Nigeria, through the Central Bank of Nigeria (CBN). The AUC and the AACB thank the Federal Government of Nigeria, and the Chairman of the African Central Bank (ACB) Steering Committee and Governor, Central Bank of Nigeria, Dr. Sanusi Lamido Sanusi, CON for their financial support.

- This Report has taken into account the comments and decisions of the AACB Sub-regions following the August 2012 Joint AUC-AACB Committee Meeting and Annual Assembly of the AACB in Algiers, Algeria as well as those of the Joint AUC-AACB Committee Meetings of February 21st – 27th, 2013 which were held in Dakar, Senegal.

- The Study Group has produced two Volumes:
  - Joint Strategy Report On The Establishment Of The African Central Bank (ACB); and
  - Main Report on the Establishment of the African Central Bank (ACB).

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CHAPTER 1: INTRODUCTION

1.1 PREAMBLE

1. This document is derived from the Main Report of the Joint Committee of the African Union Commission (AUC) and the Association of African Central Banks (AACB) Study Group. It proposes a strategy for the creation of the African Central Bank (ACB) taking into account: Political Economy Context, Objectives of the African Union (AU) which is a successor of the Organization of African Unity (OAU) that was established by a Charter in 1963, the various African Union legal frameworks and attendant initiatives, and the different stages attained by Regional Economic Communities (RECs) of the African Union, as pillars to facilitate African Economic and Monetary Integration.

2. It discusses the stages and approach to integration, the preconditions for successful economic and monetary union, and the net benefits of economic and monetary union. It highlights the lessons from the ongoing Euro zone debt crisis and monetary unions worldwide as well as the challenges to economic and monetary union in Africa, and the main recommendations. Furthermore, it proposes the strategies, roadmap with clear tasks and timelines leading to the establishment of the African Monetary Union, African Central Bank (ACB) and African Single Currency. In addition, it highlights the role of the African Monetary Institute (AMI) as a transitional arrangement.

1.2 POLITICAL ECONOMY CONTEXT

3. A series of decisions were made, starting with the adoption in 1980, at an OAU Extraordinary Summit, of the Lagos Plan of Action, which was translated into concrete form in Abuja, Nigeria in 1991 as the Treaty establishing the African Economic Community (the Abuja Treaty).

4. The decision to establish an African Central Bank was enshrined in Article 44 of the Abuja Treaty (1991), and Article 19 of the Constitutive Act, adopted in Lome, Togo in 2000 which stated, respectively, the need to establish an African Monetary Union through the integration of regional monetary zones, and the establishment of three African Financial Institutions: African Investment Bank (AIB), the African Monetary Fund (AMF), , and the African Central Bank (ACB). The Abuja Treaty envisaged a six-stage transition programme spanning a 34-40 year period, following its coming into force in 1994, for establishing the African Economic Community and Monetary Union, culminating in the setting up of the African Central Bank and the creation of an African single currency.

5. In 1999, prior to the adoption of the Constitutive Act, an Extraordinary Summit of the OAU held in Sirte, Libya, issued the Sirte Declaration establishing the AU in accordance with the objectives of the OAU. The Declaration also called for acceleration of the integration process. This was followed in 2001, by the 37th Ordinary Summit in Lusaka, Zambia, which established the African Union along with the NEPAD Programme. In conformity with the economic integration fast tracking as implied in the Sirte Declaration, a study was conducted by the AU Economic Affairs Department in 2007, which reviewed the Abuja Treaty. This was with particular emphasis on the stages of integration under Article 6 of the Treaty.

6. The main outcome of the study was to bring forward the integration period covering the six stages, from 2028 to 2017. This entails the scaling down of the major obstacles to the fast-tracking in the areas of non-tariff barriers, differences in legal systems and overlapping membership, and free movement of persons, goods, services, capital and labour.

7. In the spirit of the Sirte Declaration, the creation of the Minimum Integration Programme (MIP) was adopted at the Meeting of the Ministers of Integration held in Yaoundé, Cameroon, in 2009, with a view to enhancing capabilities of RECs, AUC and member states for fast-tracking Africa's integration. To bridge the infrastructural gap in Africa, the AUC and African Development Bank (AfDB) developed the Programme for Infrastructural Development in Africa (PIDA) in 2009, spanning the period 2010-2030.

8. In support of the African integration process in addition to the financial institutions to be created including the African Central Bank, other institutions have already been put in place namely the Pan African Parliament that came into existence in 2003; African Court of Justice; Peace and Security Council; and the Economic, Social and Cultural Council.

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9. In a same vein, the AACB started work on the Abuja Treaty in 2000, which led to the adoption of the African Monetary Cooperation Programme (AMCP) in 2002 in Algiers, Algeria. The AMCP set out primary and secondary convergence criteria, policy measures and timelines that would lead to the creation of a single monetary zone and a continental African Central Bank by the year 2021. At the core of the AMCP is macroeconomic convergence programme, which would guide the various African sub-regions towards the adoption of African Monetary Union and African Single Currency.

10. To forge a common front, the African Union Commission and Association of African Central Banks Governors agreed in Tripoli in 2007 to set up the Joint AUC-AACB Committee to define a common strategy for the establishment of the African Central Bank. Since then, the AACB and AUC organs have regularly discussed the implementation, monitoring and evaluation of the AACB AMCP and AU Abuja Treaty, respectively. The Joint Committee at its inaugural meeting in 2007 in the AUC headquarters, agreed as follows:

- Macro-economic convergence remains a prerequisite to the introduction of a common currency and the creation of the ACB. In this regard, the Committee recommended re-assessment of the convergence criteria and harmonization of economic policies. The AACB shall undertake a study for this purpose.
- The need to create an African common market (free movement of goods and services, labour and capital, and development of infrastructure) prior to attaining monetary integration. The AUC should carry out the relevant studies with the input of the AACB on capital market development, and ensure implementation.
- The Regional Economic Communities (RECs) should be the pillars of economic and monetary integration in Africa.
- The creation of African Monetary Institute (AMI) as a transition stage towards the creation of the ACB and an AMI - ACB Steering Technical Committee shall be established by the AUC-AACB Joint Committee.

11. A consultant was engaged to carry out a study with the objective of proposing an AUC-AACB common strategy and roadmap toward attaining monetary integration in Africa and the establishment of the ACB. The Terms of Reference of the consultant were:

- Briefly analyse the theoretical aspects of macroeconomic and monetary integration in general and their relevance to the African context, particularly the preconditions of a monetary union to cope with the challenges of an accelerated development of the regional economy and globalization;
- Examine the institutional and operational issues drawing on the experiences and practices of monetary integration programs of RECs and existing monetary unions and make recommendations on harmonization towards the establishment of a continental monetary system;
- Given the fact that macro-economic convergence remains a precondition to the introduction of a common currency, review the relevance to Africa of the macroeconomic convergence criteria of the AMCP should be made and examine to what extent they can be used to faster economic development in Africa;
- Determine the rules for membership of the monetary union;
- Determine possible links between the three African financial institutions and their interaction with the existing national and regional institutions;
- Define a roadmap for the implementation of the strategy for the establishment for the ACB with a program of action and a timeframe;
- Consider the establishment of an African Monetary Institute as a transitory state to the creation of the ACB.

12. The expected output from the consultant was "The Strategy" and a comprehensive "roadmap" for the implementation of The Strategy as well as an "Executive Summary of The Strategy".

13. However, the proposed approach of using a consultant was unsuccessful. This led to the formation of a Joint Study Group made up of AACB-AUC experts to design an AUC-AACB common strategy and roadmap towards the establishment of the ACB. Guided by the Joint AACB-AUC Terms of Reference provided to the consultant, the Joint Study Group developed a Work Programme and budget for the Work Programme (2012-13). This was presented to both the Joint Technical AUC-AACB Committee and the Joint AUC-AACB Committee on 28th and 29th February 2012, respectively. A revised Work Programme, Work Plan and Budget, which took into consideration of the decisions and comments of these meetings, were prepared and sent to the AUC.

14. The revised Work Programme covered:

- Theoretical and empirical aspects of economic and monetary union;
- Evaluation of the performance of the RECs in satisfying preconditions for economic and monetary union as a necessary condition for the establishment of the African Central Bank;
- Lessons from monetary unions;
- Strategies and roadmap;
- Transitional institutional arrangement – African Monetary Institute;
- Summary and Conclusion.

15. In carrying out its assignments, the Joint Study Group reviewed existing literature on African integration and related works, visited relevant institutions, exchanged views with stakeholders and relied on their wealth of experience.

1.3 BENEFITS AND COSTS OF ECONOMIC AND MONETARY UNION

16. Economic and monetary union can in principle have both benefits and costs. The key ones are summarised below.

BENEFITS OF ECONOMIC AND MONETARY UNION

- Improved macroeconomic stability derived from budgetary discipline and the conduct of monetary policy by the supra-national and independent central bank.
- Significant reduction in inter-country transaction costs through the use of a common currency.
- Elimination of exchange rate volatility and associated risks.
- Enhanced cross-border comparison of prices of goods and services.
- Enhanced political solidarity through shared vision for prosperity.
- Deeper and broader financial markets that strengthen the monetary transmission mechanism and reduce the costs of borrowing.
- Savings in foreign exchange reserves since not all imports will require foreign currencies.
- Gains from trade creation, by increasing cross-border trade and investment flows.
- Wider access to markets as industries with economies of scale may be able to produce at efficiently higher levels due to integrated goods and services markets.
- Asymmetry of shocks due in large part to differences in commodity exports of member states could be minimized, due to the integration of their economies.
- Share in the distribution of the surpluses of the Common Central Bank.
- Gains from pooling of resources in the provision of economic, social and physical infrastructure.

COSTS OF ECONOMIC AND MONETARY UNION

- Loss of sovereignty to a supranational body in the conduct of monetary and exchange rate policy.

- Improved macroeconomic stability derived from budgetary discipline and the conduct of monetary policy by the supra-national and independent central bank.
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- Share in the distribution of the surpluses of the Common Central Bank.
- Gains from pooling of resources in the provision of economic, social and physical infrastructure.

17. Broadly, speaking, the main economic benefits arise from savings on transactions costs when levels of intra-regional trade and investment flows are high – i.e. between countries that have close economic relationships. The main economic costs arise when countries have different economic structures (and hence are exposed to different exogenous shocks), are not well diversified, and do not have well-developed markets and the flexibility to respond to shocks in the absence of macroeconomic policy tools.

18. The balance of costs and benefits will therefore depend on country-specific circumstances, and hence will vary from country to country. At the country level, economic growth and incomes may be higher or lower in a monetary union. A priori, it is impossible to predict whether there will be a net benefit, i.e. whether or not the benefits outweigh the costs. However, the balance will be more likely to result in net benefits if a range of preconditions for monetary union are met.

CHAPTER 2: PRECONDITIONS FOR SUCCESSFUL ECONOMIC AND MONETARY UNION

2.1 INTRODUCTION

19. The achievement of a monetary union with a single currency for a region could be a more advantageous adjustment mechanism for responding to common economic shocks than the use of multiplicity of currencies. Where shocks are different, or asymmetric across countries, however, this may not be the case. The ability to respond to asymmetric shocks at the national level in the absence of macroeconomic policy tools (exchange rate, monetary and fiscal policies) depends on a range of prerequisites being met, of which the most critical ones are:

- Economic integration and flexibility;
- Convergence and harmonization of macroeconomic policies;
- Financial integration;
- Harmonization of statistical definitions and conventions;
- Progressive Political integration; and
- Fiscal Federation.

20. It should be noted that no monetary union has emerged solely from an acknowledgment of the supposed economic benefits, but political will has always played a key and decisive role.

2.2 ECONOMIC INTEGRATION AND FLEXIBILITY

21. Three fundamental criteria` are identified in assessing the benefits associated with monetary unions: the intensity of intra-union trade; the mobility of factors of production, and the flexibility of product and factor markets. The idea behind these criteria is that in case of an asymmetric shock, that is to say a shock to just one part of the union, there must be mechanisms to allow real exchange rates to adjust.

22. The mobility of factors of production, especially labour inputs, is a crucial pre-requisite to economic and monetary union – part of the condition that member states have highly integrated trade, capital and labour flows. Under this approach, which focuses on exogenous criteria for monetary union, the attainment of a common market is a prerequisite for the creation of a monetary union.

23. On the other hand, by the endogeneity thesis, the creation of monetary union would intensify intra-area trade in goods, services and labour and would tend to increase the symmetry of shocks and minimize the cost of the monetary union. This thesis therefore considers the existence of the single currency as an important step towards economic integration.

24. The integration of physical infrastructure (transport, energy, water and information technology and communication) is vital to an economic and monetary union. This increases the return on investment, stimulates trade, improves competitiveness by reducing transaction costs and facilitates the movement of factors of production. It can achieve economies of scale and ultimately strengthen economic integration.

2.3 CONVERGENCE AND HARMONIZATION OF MACROECONOMIC POLICIES

25. The process leading to monetary union may be gradual or big bang. In the first case, it is necessary that the macroeconomic policies and performance of the involved countries converge. The convergence criteria are intended to guide and harmonize the macroeconomic policies as well as performance of the States during this transition period. Moreover, these criteria may help to reduce the risk of asymmetric shocks and contagion. The primary criteria that enable this convergence relate to inflation, budget deficits, central bank financing of the fiscal deficit, foreign exchange reserves, interest rates and exchange rates.

FISCAL DISCIPLINE

26. The sustainability of public finances relative to the rate of economic growth prevents excessive fiscal deficit financing, especially by the Central Bank, because it can be a source of inflation and high interest rates. This sustainability is achieved through sound public finances. This criterion takes into account, inter alia, fiscal restraint and minimization of "fiscal dominance" in individual countries, including the elimination of central bank financing of a fiscal deficit.

INFLATION

27. The primary objective of monetary policy is to achieve low and stable inflation. Thus, the greatest contribution of monetary policy to economic growth and development is in anchoring inflation and its expectation as it:

- Provides an incentive to saving, investment and enhancement of productivity gains, and lengthens the savings, investment and planning horizons of economic agents, which is conducive to economic growth;
- Reduces the costs of uncertainty;
- Reduces transaction costs and the cost of doing business in general;
- Reduces the erosion of savings and income; and
- Stabilizes business and investor expectations, and facilitates rational decision-making.

FINANCING OF THE BUDGET DEFICIT BY THE CENTRAL BANK

28. The financing of budget deficit by the central bank is incompatible with an anti-inflation policy in pursuit of the primary objective of price and financial stability. The restriction on the ease of financing the budget deficit by the national or sub-regional financial institutions therefore induces member states to have strong monetary-fiscal policy coordination while upholding Central Bank Independence..

FOREIGN RESERVES

29. To maintain the stability of the exchange rate in the face of changes in underlying macroeconomic fundamentals such as terms of trade, productivity, capital flows and fiscal policy, as well as transitory factors and exogenous factors, while meeting external debt obligations and government import requirements, it is necessary to hold optimal foreign exchange reserves. Adequacy of import cover may be in terms of months of imports of goods and non-factor services.

INTEREST RATES

30. In a monetary union, a common benchmark interest rate will apply across the union. Hence, in order to avoid an adjustment shock when the union is established, it is necessary for interest rates to converge prior to the union.

EXCHANGE RATES

31. In a monetary union, a common exchange rate will apply across the union. Hence, in order to avoid an exchange rate adjustment shock when the union is established, it is necessary for exchange rates to converge prior to the union.

2.4 FINANCIAL INTEGRATION

32. Financial integration is a process focused on deepening and broadening markets and institutions. The process increases financial inclusion and access to financial services and builds payment systems and regulations to facilitate cross-border movement of capital; harmonizes rules and accounting standards; and facilitates efficient financial intermediation and provides a robust saving culture. Financial integration facilitates cross-border trade and promotes the harmonization of national policies, regulations, institutions and economic growth. For a monetary union to be effective, it requires an integrated capital market without internal barriers to financial flows within the single currency area.

2.5 HARMONIZATION OF STATISTICS

33. The evolution towards economic and monetary integration requires reliable and timely statistical information. The statistical information is used to inform and evaluate the integration process and must be binding on all member countries. The process requires the harmonization of statistical concepts, policies, classifications and transmission protocols, as well as storage and data access at national and sub-regional levels.

2.6 POLITICAL INTEGRATION

34. A monetary union is incompatible with macro-economic environments that can cause conflict arbitration within member countries. Instead, a monetary union requires that member countries share the same overall objectives and evaluate their policies in a common vision. Coordination of macroeconomic policies necessary for monetary union requires largely a renunciation of some aspects of national sovereignty. This coordination can be achieved if monetary integration is accompanied by political integration through the establishment of supranational political institutions (fiscal federation and economic governance) responsible for formulating the economic and social objectives of the economic and monetary union.

2.7 FISCAL FEDERATION

35. It is recognized that monetary integration must entail constraints on fiscal policy at the national level. Excessive fiscal deficit or dominance in one country will impose cost on other members of the union through the impact of the single currency. The experience of the EMU shows the treaty based limits on fiscal deficits and public debts may not be effective, and nor may capital markets provide sufficient discipline for profligate governments. Hence, it is now recognised that more effective mechanisms are required to impose constraints on fiscal policy and public debts. One such mechanism is the establishment of fiscal federation, whereby national budgets have to be agreed upon at the level of the monetary union, with the quid pro quo that there is joint or multi-lateral liability for sovereign borrowing, and there are fiscal transfers between member states

2.8 CONCLUSION

36. Meeting the preconditions for Optimum Currency Area (OCA) criteria is important for successful implementation of a Monetary Union. However, in practice, this may be difficult to achieve. Optimal conditions represent an ideal, and may not all be achieved in designing policy measures in the run-up to monetary union. The constraints that this may impose need to be taken into account. Furthermore, not all of the preconditions can be addressed through policy measures. Some constraints are structural, and will take much longer to address.

37. There is also some empirical evidence on two-way causality between Trade Integration and Monetary Union in support of the 'Endogeneity' argument. Thus, Monetary Union can cause Trade Integration. At the same time, the experience of several existing monetary unions shows that economic integration can remain weak for long periods of time and that vulnerability to asymmetric shocks may not disappear.

CHAPTER 3: PERFORMANCE, LESSONS AND CHALLENGES OF AFRICAN REGIONAL ECONOMIC COMMUNITIES (RECS) AND OTHER MONETARY UNIONS

3.1 INTRODUCTION

38. In establishing a continental central bank, it is imperative to review the experiences of existing monetary unions in Africa, Europe and other regions in order to learn from them. Detailed hereunder are some of the lessons learnt from the review of the experiences of other regions, which if taken into account, may lead to a vibrant monetary union in Africa.

3.2 PERFORMANCE OF THE AFRICAN REGIONAL ECONOMIC COMMUNITIES (RECS)

39. The performance of the African RECs are discussed under the following headings: Trade Integration, Free Movement of Persons, Goods and Capital, Infrastructural Development, Macroeconomic Convergence, Regional Monetary Unions, Financial Integration, Harmonization of Statistical Systems and Other Continental Financial Institutions.

TRADE INTEGRATION

40. Progress made by RECs in the area of trade integration has been contrasting due to economic constraints and the establishment dates of some of the RECs. However, some RECs have registered major milestones in this area. Most Regional Economic Communities have made progress in Stages 1 and 2 of Trade Integration but seem to be hesitant in taking decisive steps to clearly cross into the third stage symbolized by the creation of free trade areas and customs unions, a notable exception and welcome development being the EAC. Furthermore, a FTA is envisaged under the COMESA-EAC-SADC Tripartite Arrangement. There is also a FTA in Arab Maghreb Union zone.

FREE MOVEMENT OF PERSONS, GOODS AND CAPITAL

41. An evaluation of this area shows that performance of RECs has been mixed. While some have made significant progress, such as ECOWAS, EAC, COMESA and AMU, others are still making progress by undertaking reforms.

INFRASTRUCTURAL DEVELOPMENT

42. Most RECs have made remarkable effort in developing and integrating infrastructure including power and transport to strengthen trade integration under the AUC/NEPAD Action Plan for Africa for 2010 – 2015, PIDA and MIP. However, their progress has been constrained by inadequate financing.

MACROECONOMIC CONVERGENCE

43. Analysis of convergence criteria shows mixed results for most RECs both for primary and secondary criteria. It was observed that some RECs have made significant progress in monetary policy and budget policy under primary criteria. However, most countries still face difficulty in meeting in the overall inflation target, while the achievement of fiscal deficit targets has been impacted by the persisting global economic slowdown.

REGIONAL MONETARY UNIONS

44. In order to organise multilateral surveillance for the convergence process with the aim of putting regional monetary unions in place, most RECs are engaged in monetary integration and fiscal surveillance processes. Some RECs have made progress towards establishing a monetary union such as COMESA, EAC and ECOWAS. In these RECs, regional monetary institutes have been established namely COMESA Monetary Institute, East African Monetary Institute (in the pipeline) and West

African Monetary Agency, West African Monetary Institute, in support of their monetary integration efforts. Out of the monetary zones which existed during the colonial era, the Franc zone and the South African Rand zone (CMA) are still in existence.

FINANCIAL INTEGRATION

45. According to the performance evaluation of the RECs, in spite of financial sector liberalization reforms undertaken in the '90s, financial integration is making slower progress than trade integration. However, it is to be noted that some remarkable developments have occurred in the financial sector in some of the RECs.

HARMONIZATION OF STATISTICAL SYSTEMS

46. The adoption of macro-economic convergence programmes by RECs led to an upsurge in the demand for statistical information for evaluating and comparing the performance of member countries in the area of compliance with convergence criteria. Currently, most of the RECs have made progress in the areas of harmonization of concepts, methodologies and standards and are moving towards adopting the African Charter on Statistics.

OTHER CONTINENTAL FINANCIAL INSTITUTIONS

47. At the continental level, it is noted that progress has been made in putting the three continental financial institutions, namely, African Investment Bank (AIB), African Monetary Fund (AMF) and African Central Bank (ACB), in place in accordance with the Abuja Treaty and the Constitutive Act of the AU to accelerate and strengthen the regional integration process. The Protocol setting up the AIB was adopted in 2009, as well as its statutes which were endorsed by the AU Summit in 2009. With regard to the AMF, the Protocol has been finalised and adopted while the Statute is in the negotiation process in member states

SUMMARY AND CONCLUSION

48. With the support of Pan-African Institutions and financial partners, the RECs have made some efforts to accelerate their regional integration processes. However, these efforts are rather inadequate considering the different stages defined in the Abuja Treaty, with considerable variation between different RECs. Achieving regional integration would depend on each stakeholder's determination to comply with deadlines for the establishment of the African Economic Community. To this end, the ratification and implementation of all protocols relating to integration should be encouraged. Furthermore, RECs are urged to take into account the Minimum Integration Programme (MIP), the Programme on Infrastructural Development in Africa (PIDA) and other regional and continental initiatives, with the aim of accelerating the regional integration process.

49. Based on the review of the Abuja Treaty and the AMCP of the AACB, there is need to harmonize AMCP with Article 6 of the Abuja Treaty and MIP into one continental programme, in conformity with the AU Constitutive Act Article 19. There is need also to reconcile the economic and monetary union's strategic roadmap of the RECs and Regional Monetary Institute with AU and the RECs' political roadmaps to ensure uniformity of purpose.

3.3 LESSONS & CHALLENGES FROM AFRICAN REGIONAL ECONOMIC COMMUNITIES (RECS) & EXISTING MONETARY UNIONS

50. The empirical literature review we carried out suggests a strong divergence in economic cycles among African countries and casts doubt on the economic relevance of a common currency within the RECs that have been reviewed, in terms of Optimum Currency Area (OCA) theory.This suggests that (i) attention must be paid to reforms that will help the RECs meet the OCA criteria and (ii) justification for a common currency must be more broadly based than simply the OCA criteria.

51. From the review of the integration process in Africa presented above, the preconditions for monetary integration seem difficult to achieve. This is particularly because of the low levels of intra-regional and intra-African trade; limited diversification of most African economies; exposure to different economic shocks; an unwillingness to liberalise labour markets, and to a certain extent capital markets, so as to permit cross-border factor mobility; relatively underdeveloped goods and service markets (which lack competition and flexibility); and a lack of progress – in relation to previously agreed timetables – in achieving trade and factor market integration.

52. WAEMU and CEMAC have had long experience in monetary union. They have been relatively stable, and various countries have entered and exited the unions over the years, on the basis of economic and political considerations. Despite the shared currencies, there has however been little movement towards deeper regional economic integration – which shows the importance of removing other barriers of integration if endogenous convergence is to be achieved.

53. The Common Monetary Area (CMA), comprising four countries in Southern Africa based around the South African rand, has also been a stable and beneficial monetary integration arrangement. Despite the loss of policy flexibility for the three smaller members (Lesotho, Namibia and Swaziland), the very high levels of intra-regional trade and economic integration has meant that the savings in transactions costs and the gains from stability and credibility have been high. However, the CMA governance arrangements – where the smaller countries have limited formal role in decision-making – probably could not be extended to new monetary unions in Africa, because all countries need to participate in the decision-making process.

54. Outside of the existing monetary integration arrangements, most African economies have flexible exchange rates and an active monetary policy. This indicates that they still consider exchange rate flexibility an important tool of macroeconomic adjustment, along with the use of monetary and fiscal policy. The loss of these adjustment tools may in general be a source of reluctance for some countries to join a monetary union.

55. The reasons why the process of integration is delayed and the preconditions for Monetary Union seem difficult to meet are summarized below.

WEAK POLITICAL COMMITMENT

56. African governments are not sufficiently committed to the implementation of many decisions taken towards the economic integration agenda. This is manifested in instances such as the delay in signing and ratification of protocols, and the tendencies to miss deadlines and shift time lines for implementation of integration programmes such as Free Trade Areas and Customs Unions. Therefore, there is a need to put in place a surveillance, compliance and enforcement structure (both at the REC and the continental levels), with clear and direct reporting mechanisms.

LOW INTRA-AFRICAN TRADE

57. Africa is a major producer and exporter of primary commodities. However, most recent data based on World Trade Organisation (WTO) International Trade Statistics (2011) show that intra-Africa trade remains low (12.3 per cent) compared to Europe (71 per cent), Asia (52.6 per cent), North America (48.7 per cent) and Association of South-East Asian Nations (ASEAN) (26.3 per cent). However, the high level of informal cross-border trade and lack of timely and comprehensive data on it could have underestimated intra-Africa trade statistics.

58. For Africa to improve intra-regional trade, more efforts have to be made towards the development of infrastructure and removal of tariff and non-tariff barriers to trade and movement of factors of production. Even if this is done, however, significantly increasing intra-African and intra-regional trade is a long-term process, which depends not just on policy reform but also on patterns of comparative advantage.

WEAK MACROECONOMIC CONVERGENCE

59. Ten years after the launch of the AMCP, some countries within the RECs still face challenges in satisfying the convergence criteria. The absence of binding and effective surveillance and compliance mechanisms in most RECs is a key constraint to achieving satisfactory progress towards macroeconomic convergence.

LOW FINANCIAL INTEGRATION

60. Financial integration in Africa has progressed slowly. The financial markets are small, lack depth and are not integrated. In this regard, challenges faced include lack of modernized payment systems and cross-border supervision of financial markets, underdeveloped capital markets, and lack of harmonization of financial regulatory frameworks.

STATISTICAL HARMONIZATION PROGRAMMES

61. In order to facilitate better assessment of the integration process and for purposes of comparison of convergence indicators across the RECs, reliable, timely and harmonized statistical information is required. Therefore, the speedy implementation of the African Statistics Charter is imperative.

MULTIPLE MEMBERSHIPS ACROSS THE RECS

62. The existence of multiple memberships by the African countries delays the process of integration as member countries adhere to multiple financial and integration obligations. A reluctance to address issues of overlapping memberships may be one reason why deeper integration has progressed slowly

CENTRAL BANK INDEPENDENCE (CBI)

63. CBI should be stipulated in Member Central Banks' Acts to avoid undue political influence in discharging their

3.4 LESSONS & CHALLENGES FROM THE EUROPEAN ECONOMIC AND MONETARY UNION (EMU)

64. The following lessons were drawn from the Euro Zone crises:

- It is difficult to sustain a monetary union of member states without a fiscal union, which would ensure proper coordination and harmonization of fiscal and monetary policies, and a high degree of political integration.
- Where financial markets are integrated, even small economies can cause instability in the monetary union.
- A macroeconomic policy framework is essential to identify structural bottlenecks that would lead to deviations from attaining macroeconomic convergence. The impact of institutional environment (e.g. governance and business climate) is also important to macroeconomic convergence.
- There is need for a banking union, with common licensing, supervisory and regulatory framework, across all member countries. Existing regulators will therefore have to delegate some of their regulatory powers to a supra-national institution.
- It is essential for member states to properly design Stability and Growth Pact by setting rules which include:
  - Introduction of limits for public debt in their constitutions.
  - Designing economic measures for structural reforms to reduce excessive deficits and domestic debt.
  - Strengthening the enforcement of sanctions including automatic application of the rule.
  - Strict conditionalities for access to any Financial Stability Facility and Stabilization Mechanism.
- Even where there is a lengthy process of macroeconomic convergence and where the established preconditions are largely met, a monetary union can be unstable. Hence, it may be necessary that even more extensive preconditions are required to ensure stability in the monetary union.
- Strict auditing of national economic statistics used to assess with compliance with macroeconomic convergence, entry and membership criteria is necessary, in order to prevent fraud and manipulation.
- There is a need to have a crisis management mechanism and an exit strategy for members who fail to adhere to the membership criteria, or who wish to leave the monetary union.

CHAPTER 4:
RECOMMENDATIONS OF THE JOINT STRATEGY

4.1 INTRODUCTION

65. Although some RECs have made considerable progress towards economic and monetary integration, the preceding sections highlighted some formidable challenges Africa still faces in the integration process. This section provides some recommendations as a way forward for integration in Africa

4.2 POLITICAL COMMITMENT

66. In order to reaffirm political will amongst member states, this strategy strongly recommends the creation of Ministries of Integration and REC Affairs in African countries as well as Regional Monetary Institutes where they do not exist. The proposed Ministries will deal with all integration related matters including;

- The inclusion of regional or continental decision into the national legislations;
- Improving the decision making mechanism to ensure timely signing and ratification of Protocols;
- Designing the communication strategy and sensitization programme to ensure that all the key stakeholders (political class, the media, the public, and the private sector, Central Bank Governors, Ministries of Finance and REC Affairs) are well informed about the integration agenda; and
- Mobilising financial resources for integration programmes, projects and activities.

67. The Ministries will also be responsible for working with other countries in the regions, the AUC and other stakeholders on the following (among others);

- Harmonizing and rationalizing African partnerships with the rest of the world in order to prioritize Africa's development agenda;
- Harmonizing policy coordination and coherence among Pan-African institutions;
- Fast tracking the rationalization of RECs and membership;
- Strengthening intra- and inter-community cooperation to facilitate effective integration.
- Accelerating the transformation of the AUC into an AU Authority.

68. It is recommended that mechanisms are established to enforce decisions and commitments relating to regional economic and monetary integration in line with the lessons learnt from the EMU.

4.3 GOVERNANCE AND IMPLEMENTATION OF THE STRATEGY

69. To implement the Joint Strategy on the Establishment of the African Central Bank (ACB), the AU Conference of African Ministers of Economy and Finance (CAMEF) should monitor the process. The Strategy proposes that an African Monetary Institute (AMI) should be established to undertake the preparatory work leading to the African Monetary Union. The AMI should then report through the Joint Committee to the CAMEF, the Council of Ministers and Heads of State.

4.4 VOLUNTARY MEMBERSHIP (ENTRY AND EXIT)

70. The Strategy recognizes that not all countries may wish to join monetary unions at either the REC or continental level, and that membership is therefore voluntary. Furthermore, countries that do wish to join may not all meet the entry criteria. Hence there is scope for countries to join at different times.

71. The Strategy encourages African Union member states to take all necessary steps to join the process of establishing the monetary union. Furthermore, the Strategy recognizes the possibility to identify countries that can start the monetary union according to the proposed timetable.

Depending on which countries so commit, it will become clearer which RECs are likely to meet the anticipated timetable for continental monetary union.

4.5 OVERLAPPING MEMBERSHIPS

72. The issue of overlapping REC memberships will need to be resolved at an early stage. Countries need to decide which REC they will belong to as the vehicle for monetary integration in line with Abuja Treaty. The Strategy recommends African Union Commission should ensure rationalisation of the RECs.

4.6 INTEGRATION STAGES AND APPROACH

73. Taking into account the fact that African countries are currently at different stages of development, and that progress with regional integration to date has been slow, the strategy recommends a five-stage gradual Step-by-Step Approach Continental Roadmap spanning the period 2014-2034. The strategy also recognises that the main difficulties in establishing common currencies will be encountered at the REC level, where are large number of separate countries and currencies are involved. RECs will also need to resolve the overlapping memberships problem. Once regional currencies have been established, and member states have committed to monetary integration, the subsequent integration of a smaller number of currencies to achieve a continental currency should be more straightforward. A longer period of time will be needed for the establishment of common currencies at the REC level. Therefore, the building blocks will be the establishment of RECs' regional central banks and regional currencies as well as fiscal unions at varying dates. RECs are encouraged to achieve this by 2028, although it is recognised that some may move more slowly. The African Economic, Fiscal and Monetary Union, the African Central Bank (ACB), and the African Single Currency will be established by 2034, for participating countries and RECs. The roadmaps of the RECs should be realigned with the continental roadmap to ensure harmony at the Africa-wide level. In adopting the timelines of the Abuja Treaty, the report took cognisance of the in-built 6-year grace period and felt that, for some countries and RECs, the period was realistic. Indeed, what was lacking was the political will to effectively implement the policy measures and programmes expected to meet the set goals and targets of the Treaty.

74. Furthermore, the consensus inherent in the Treaty provides a solid platform for future reviews. The speed of implementation of the programme will ultimately depend on the successful implementation of the essential pre-conditions for monetary union. Hence it may be necessary to adjust the programme, depending on the achievement of integration benchmarks.

75. Based on the foregoing, the strategy recommends that the Association of African Central Banks (AACB) African Monetary Cooperation Programme (AMCP) timeline of 2021 for the establishment of the ACB should be harmonized with the Abuja Treaty timeline of 2034, taking advantage of the 6-year in-built flexibility period in the Abuja Treaty.

4.7 MACROECONOMIC CONVERGENCE

76. Macroeconomic convergence is an important aspect of monetary union. The strategy recommends that proper attention should be given to the following macroeconomic related issues;

- Aligning the RECs macroeconomic convergence frameworks to the AMCP proposed by AACB;
- Entrenching macroeconomic stability through the pursuit of prudent monetary and fiscal policies;
- Encouraging the RECs to have an appropriate Exchange Rate Mechanism (ERM) that will adhere to universal rules as an arrangement that will govern the exchange rate management during the transition between the existence of different currencies and the adoption of a single currency;
- Addressing the key challenges currently facing African Central Banks in monetary policy management will pave the way to a solid and resilient ACB; and
- Rationalizing public expenditure among member states which has tended to put upward pressure on the overall level of interest rates and which may in turn have caused exchange rate and interest rate instabilities in the RECs.

4.8 DEVELOPMENT AND INTEGRATION OF THE FINANCIAL MARKETS

77. There is a strong need for Africa to have a developed and effective financial market to support the integration efforts. To this end, the following are recommended:

- Development of a common framework and rules for monetary and financial system stability at the regional and continental levels;
- Continued development of the capacity of national central banks to promote monetary stability and financial system stability within a harmonised framework at the REC level;
- Harmonization of financial sector laws, rules and regulations, including the harmonization of regulation and supervision procedures and practices;
- Fast tracking the development and integration of payment systems in Africa;
- Development and integration of the regional capital markets; and
- Development of non-bank financial institutions such as pension funds and insurance.

4.9 STRENGTHENING POLICIES FOR ECONOMIC DIVERSIFICATION

78. African countries should continue to strengthen policies directed at economic diversification, particularly for economies dominated by few resource exports. Economic diversification would reduce reliance on one or two commodity exports thereby reducing the effects of commodity price volatility.

4.10 SURVEILLANCE AND ENFORCEMENT MECHANISM

79. One important lesson Africa can learn from the current Euro Zone crises is that surveillance and enforcement mechanism is very crucial for any monetary union. It is therefore advisable for the continent to develop a credible surveillance and enforcement institution as well as to design regulatory framework with binding commitments and sanctions

4.11 STRENGTHENING THE DEVELOPMENT OF PHYSICAL INFRASTRUCTURE

80. A number of infrastructural developments are currently ongoing in Africa. However, in order to support the economic integration process, the region needs to put more efforts in terms of infrastructural development. The strategy recommends a more coordinated effort towards infrastructural development, including the raising of funds. In this regard, as recommended by the Minimum Integration Programme (MIP), the Programme for Infrastructural Development in Africa (PIDA) (2010-2030) and other infrastructural Master Plans at the RECs and Continental levels should be effectively implemented to bridge the infrastructural gap in Africa.

4.12 STATISTICAL HARMONIZATION

81. Economic and monetary integration requires well-adapted, regular and reliable statistical information. It is therefore crucial to strengthen national offices of statistics to ensure the reliability and timely availability of statistical data. Furthermore, there is a need to fast track the process of harmonizing statistical concepts and measurements in the region. In this regard, the African Charter on Statistics should be effectively implemented

4.13 ACCELERATING THE TRADE INTEGRATION PROCESS AND MOBILITY OF FACTORS OF PRODUCTION

82. There is the need for acceleration of the trade integration process in accordance with the third phase of the Treaty of Abuja for the 2007-2017 periods. The integration should be determined by the existence and the effectiveness of financial compensation mechanisms for customs revenue loss in order to facilitate agreement by countries. Mobility of factors of production also remains a conditionality and may be effective only through the application of the relevant protocols and agreements.

4.14 TRANSITIONAL INSTITUTIONAL ARRANGEMENTS

83. The strategy provides for the establishment of the African Monetary Institute (AMI) as a transitional arrangement towards the establishment of the ACB. AMI will be responsible for the preparatory technical, policy, statistical, legal and institutional groundwork leading to the establishment of the African Central Bank (ACB). Furthermore, AMI will support the AU organs and the RECs in the implementation of the monetary cooperation

programme and liaise with the RECs Secretariats, and work closely with Regional Monetary Institutes and Sub-regions in monitoring and implementing the macroeconomic convergence and financial integration aspects of their strategic plans

84. Regional Economic Communities are encouraged to create Regional Monetary Institutes where they do not exist, to be supervised by AMI in achieving the continental and regional goals of economic and monetary union.

85. The proposed AMI will be an AU organ. Consequently, it will be funded through the budget of the AU. However, the AMI will be operationally independent and may receive financial and technical support from other sources.

86. The proposed AMI will periodically review the design of the Strategic Plan and Roadmap for the establishment of the African Central Bank (ACB) to take into account emerging African realities. It will also undertake any other initiatives needed to facilitate the integration process in Africa.

87. In this regard, and following the decision of the Joint AUC-AACB Committee Meeting in Dakar, Senegal on 27th February 2013, the final Joint Strategy report to be approved at the Joint AUC-AACB Committee Meeting in Mauritius in August 2013 should be submitted to the CAMEF Meeting and subsequently to the AU Assembly of Heads of State and Government.

4.15 COMMUNICATION STRATEGY AND SENSITIZATION PROGRAMME

88. There is a need for the ownership of the economic and monetary union project by key stakeholders, including the political class, media, general public, private sector, Central Bank Governors, Ministers of Finance and REC Affairs. This is vital to a successful economic and monetary union. In this regard, the design and dissemination of appropriate communication strategy and sensitization programme is critical.

CHAPTER 5: STRATEGIC WAY FORWARD

5.1 INTRODUCTION

89. The strategy for the establishment of the African Central Bank (ACB) provides for the necessary stages, the approach, roadmap with clear timelines and the establishment of the African Monetary Institute (AMI) as an indispensable transitional organ towards the creation of the common currency. It is understood that participating countries and RECs will strive to adhere to the proposed timetable.

5.2 INTEGRATION STAGES AND APPROACH

90. This report adapted the gradual, step-by-step approach based on the six (6) stage approach of Article 6 of the Abuja Treaty which conforms to the traditional and holistic stages leading to economic and monetary union, with the RECs as the building blocks. In adopting the timelines of the Abuja Treaty, the report took cognisance of the in-built 6-year grace period and felt that the period was realistic. Indeed, what was lacking was the political will to effectively implement the policy measures and programmes expected to meet the set goals and targets of the Treaty. Furthermore, the consensus inherent in the Treaty provides a solid platform for future reviews

91. The Abuja Treaty envisaged a six-stage approach to African Monetary Union (single currency, African Central Bank, and one monetary and exchange rate policy) in 2028, while the AMCP planned for the establishment of the ACB and single currency in 2021. The Association of African Central Banks' (AACB) African Monetary Cooperation Programme (AMCP) focused mainly on macroeconomic convergence and aspects of financial integration in contrast to the more comprehensive Abuja Treaty.

92. In view of this, the AACB AMCP timeline of 2021 for ACB establishment should be harmonized with the Abuja Treaty timeline of 2028, which should be extended to 2034.

93. The strategy recommends a five-Stage approach leading to the establishment of the ACB namely: Stage 1 which is the Policy and Institutional Decision Making Stage and the remaining four stages of the Abuja Treaty as well as aspects of Stage 2 of the Abuja Treaty that remained to be implemented as summarized in the Table 5.1 below:

STAGES	START DATE	COMPLETION DATE	NUMBER OF YEARS	GOALS
STAGE 1	March 2014	December 2014	1	Policy and Institutional Decision Making Stage—Creation of African Monetary Institute (AMI)
STAGE 2	2015	2017	3	Effective Free Trade Areas at the REC level, Effective Tripartite Free Trade Area. Preparations for Effective REC Customs Unions; and Strengthening Macroeconomic Convergence and Financial Integration; Programme for Infrastructural Development in Africa (PIDA) (2010-2030) Phase I –II. Resolution of overlapping REC membership issues – each country to belong to only one REC.
STAGE 3	2018	2022	5	Effective REC Customs Unions; and Deepening Macroeconomic Convergence and Financial Integration; Programme for Infrastructural Development in Africa (PIDA) (2010-2030) Phase II continued. Establishment of continental FTA.
STAGE 4	2023	2028	6	Effective REC Common Markets; further Strengthening of Macroeconomic Convergence and Financial Integration (Payments and Settlement systems, sub-regional and Regional Stock Exchanges); and Creation of REC Central Banks and currencies as well as RECs' Fiscal and Banking Unions by 2028. Programme for Infrastructural Development in Africa (PIDA) (2010-2030) Phase III. Establishment of continental customs union.
STAGE 5	2029	2034	6	African Common Market and effective Continental Economic and Monetary Union as well as Continental Fiscal and Banking Unions culminating in the African Central Bank and Single Currency; Programme for Infrastructural Development in Africa (PIDA) (2010-2030) Phase III continued to 2030

94. The above timing of completing the monetary union process by 2034 takes advantage of the six-year in-built grace period built into the Abuja Treaty. The Study Group also felt that those timelines were realistic but what was lacking is the political will as had already been identified to implement the policy measures and actions expected to achieve the set goals and targets.

5.3 STRATEGIC PLAN AND ROADMAP

95. This report recommends the following Strategic Plan and Roadmap with clear tasks, activities, deliverables, timelines, milestones and main actors leading to the establishment of the African Central Bank (ACB), spanning the period 2013-2034 as shown in Figure 5.1. In formulating the strategic plan and roadmap, this report has incorporated the activities of the AMCP with respect to macroeconomic convergence and financial integration

96. The governance structure for the implementation of the Strategic Plan and Roadmap as recommended in this report should be effectively implemented

97. The AMI will periodically review the Strategic Plan and Roadmap to take into account emerging African realities.

FIGURE 5.1: STRATEGIC PLAN AND ROADMAP LEADING TO THE ESTABLISHMENT OF THE AFRICAN CENTRAL BANK (ACB) IN 2028					
FIRST (1ST) STAGE FEBRUARY 2014 - DECEMBER 2014: POLICY AND INSTITUTIONAL DECISION MAKING STAGE—CREATION OF AFRICAN MONETARY INSTITUTE (AMI)					
TASK	**ACTIVITY**	**DELIVERABLE**	**START DATE**	**COMPLETION DATE**	**RESPONSIBILITY**
Adoption of the Strategy leading to the establishment of the African Central Bank (ACB)	· Adoption of the Strategy by the AU Summit as recommended in this report	· The Strategy for ACB	March-14	July-14	ACB Steering Committee, Joint AUC-AACB Committee, Council of Ministers (including Trade, Integration, REC Affairs and Central Bank Governors), AU Summit
Expanding the ACB Steering Committee	· Expanding the ACB Steering Committee	· ACB Steering Committee			ACB Steering Committee, Joint AUC-AACB Committee, Council of Ministers (including Trade, Integration, REC Affairs and Central Bank Governors), AU Summit
Setting up of AMI	· Formulation of AMI Statute	· Statute for AMI · AMI	Aug-14	Dec-14	ACB Steering Committee, Joint AUC-AACB Committee, Council of Ministers (including Trade, Integration, REC Affairs and Central Bank Governors), AU Summit
Recruitment of AMI Staff in earnest to do the preparatory, technical, policy, statistical, legal and institutional work leading to the establishment of the African Central Bank (ACB).	· Staff recruitment process	· Recruited AMI Staff in place			ACB Steering Committee, Joint AUC-AACB Committee, Council of Ministers (including Trade, Integration, REC Affairs and Central Bank Governors), AU Summit

NOTE: AMI is expected to review and update the rest of the Strategic Plan and Roadmap (2015-2028) after its inception.

SECOND (2ND) STAGE 2014 - 2017: EFFECTIVE FREE TRADE AREA, TRIPARTITE FREE TRADE AREAS AND PREPARATIONS FOR CUSTOMS UNION; AND STRENGTHENING MACROECONOMIC CONVERGENCE AND FINANCIAL INTEGRATION					
TASK	**ACTIVITY**	**DELIVERABLE**	**START DATE**	**COMPLETION DATE**	**RESPONS IBILITY**
Constituting the proper resources of the African Union and RECs.	· Study on financing mechanisms · Adoption and ratification of the protocol	ditto			
Strengthening the multilateral surveillance and enforcement mechanism by implementing the Protocol of Surveillance and Enforcement of Convergence. It must contain the country's commitment to respect the convergence criteria. The reforms needed to meet the convergence criteria will be enshrined in the Protocol. To be legally binding the Protocol must be ratified by the country's parliament.					
Removal of Tariff Barriers and Non-Tariff Barriers to regional and intra-Community trade and for the gradual harmonization of Customs Duties in relation to third States.	The observance of the timetable for the gradual removal of Tariff Barriers and Non-Tariff Barriers to intra-community by designing and adopting a Common External Tariff (CET).				
Strengthening of sectoral integration at the regional and continental levels in all areas of activity particularly in the fields of trade, money and finance and Infrastructural Development (including PIDA and other master plans).	· Designing and issuance of REC-Common Passport · Road interconnection of capital cities. · Implementation of AUC Maritime Charter · Implementation of Yamoussoukro Declaration (air transport). · Implementation of PIDA and other master plans on infrastructural development				
Establishment of Tripartite Free Trade Areas and Continental Grand Free Trade Area					
Co-ordination and harmonization of activities among the existing and future economic communities as well as MIP Surveillance					
Harmonization and coordination of macroeconomic and monetary policies as well as concepts					
Interconnection of payments and clearing system.	· Upgrading and modernizing payment system · Integration of national payment systems				

SECOND (2ND) STAGE 2014 - 2017: EFFECTIVE FREE TRADE AREA, TRIPARTITE FREE TRADE AREAS AND PREPARATIONS FOR CUSTOMS UNION; AND STRENGTHENING MACROECONOMIC CONVERGENCE AND FINANCIAL INTEGRATION					
TASK	**ACTIVITY**	**DELIVERABLE**	**START DATE**	**COMPLETION DATE**	**RESPONS IBILITY**
Promotion for African banking networks.					
Strengthening financial markets and deepening financial inclusion	Development of Instruments, mobile financial services, agent banking, branchless banking, Islamic banking services and other financial innovations; deepening financial literacy and financial consumer protection				
Promotion of sub-regional and regional stock exchanges..	Unifying payment systems and creating sub- Regional Stock Exchanges				
Strengthening and harmonization of banking and financial supervision.	· Harmonization of supervision and regulatory frameworks · Implementing Basel II & III principles and international standards				
Deepening Macroeconomic Convergence	· Policy-oriented Empirical Modelling · Assessment of the adequacy of the Macroeconomic Convergence Criteria · Designing the Protocol of Surveillance and Enforcement of Convergence ·Ratification of the Protocol ·Budget deficit/GDP ratio Elimination of Central Bank financing of fiscal deficits. ·Single digit inflation rate. ·External reserves/import cover				
Limited Currency Convertibility	Ensuring convertibility between RECs' currencies				
Design of an Effective Communication Strategy and Sensitization Programme	Undertake vigorous public education campaigns-- Certain approaches could be pursued at AU, REC and national levels at the appropriate time involving the print and the electronic media as well as representatives of organizations in order to reach large target audiences such as consumer groups, parliaments, trade unions, industry federations, organizations of SMEs, chambers of commerce, professional associations, unions, the private sector, the academia, Civil Society Organizations and the general public.				

THIRD (3RD) STAGE 2018 - 2019: REC CUSTOMS UNION; AND DEEPENING MACROECONOMIC CONVERGENCE AND FINANCIAL INTEGRATION, CONTINENTAL FTA					
TASK	**ACTIVITY**	**DELIVERABLE**	**START DATE**	**COMPLETION DATE**	**RESPONS IBILITY**
Co-ordination and harmonization of tariff and non-tariff systems among the various Regional Economic Communities with a view to establishing a Customs Union at the Continental level by means of adopting a common external tariff.					
Deepening Macroeconomic Convergence and Financial Integration					

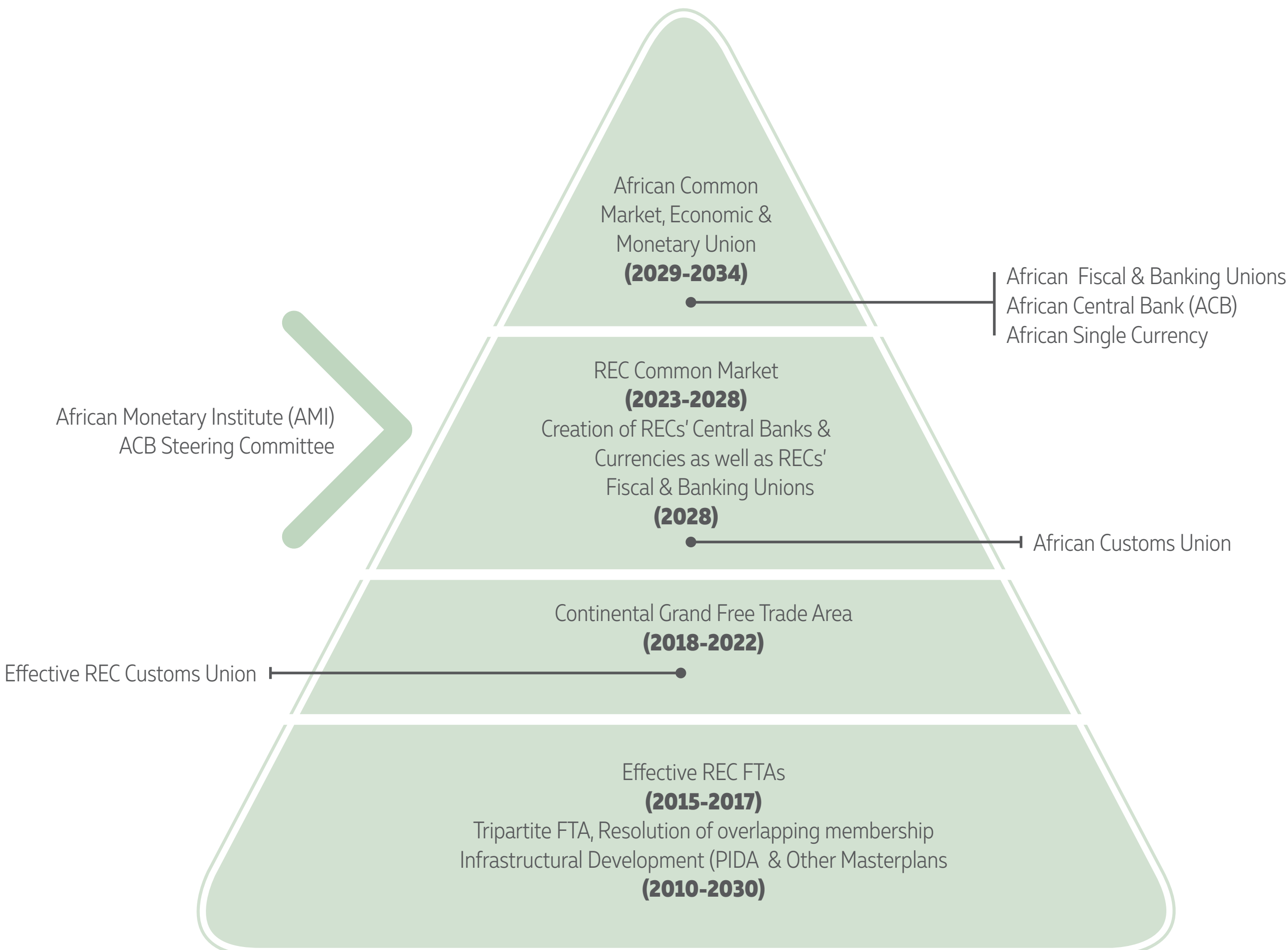
FOURTH (4TH) STAGE 2020 - 2023: FURTHER STRENGTHENING OF MACROECONOMIC CONVERGENCE AND FINANCIAL INTEGRATION (PAYMENTS AND SETTLEMENT SYSTEMS, SUB-REGIONAL AND REGIONAL STOCK EXCHANGES); REC FISCAL UNIONS AND CREATION OF REC CENTRAL BANKS AND CURRENCIES					
TASK	**ACTIVITY**	**DELIVERABLE**	**START DATE**	**COMPLETION DATE**	**RESPONS IBILITY**
The harmonization of monetary, financial and fiscal policies;	· Continued observance of macroeconomic indicators of convergence. · The macroeconomic indicators of each country/sub-region would be assessed against the convergence criteria. A comparative analysis would be made thereafter to the Convergence Council.				
The application of the principle of free movement of persons as well as the provisions herein regarding the rights of residence and establishment	The Design and Issuance of a Common Passport at continental level				
Removal of all capital account controls.					
Creating Regional currencies by 2021 and phased withdrawal of national currencies	Preparatory work for the launching the RECs' currencies				
Commissioning of a study on the establishment of an African Exchange Rate Mechanism					

FIFTH (5TH) STAGE 2029 - 2034: AFRICAN COMMON MARKET; AFRICAN ECONOMIC, FISCAL AND MONETARY UNION CULMINATING IN THE AFRICAN CENTRAL BANK AND SINGLE CURRENCY					
TASK	**ACTIVITY**	**DELIVERABLE**	**START DATE**	**COMPLETION DATE**	**RESPONS IBILITY**
Establishment of an African Common Market	The adoption of a common policy in several areas such as trade, and infrastructure development;				
Consolidation and strengthening of the structure of the African common Market, through including the free movement of people, goods, capital and services, as well as , the provisions herein regarding the rights of residence and establishment					
Integration of all sectors namely economic, political, social and cultural; establishment of a single domestic market and a Pan-African Economic and Monetary union	Review of commissioned study on the African Exchange Rate Mechanism and				
Implementation of the final stage for the setting up of an African Monetary Union, the establishment of a single African Central bank and the creation of a single African currency	· Operationalization of Exchange Rate Mechanism. · Preparation of institutional, administrative and legal framework for setting up the African Central Bank and African single currency of the African Monetary Union. · Appointment of key officers of the African Central Bank. · Preparation for the introduction of African single currency. · Recruitment of staff of the Bank.				
Implementation of the final stage for the setting up of the structure of the Pan-African Parliament and election of its members by continental universal suffrage					
Implementation of the final stage for the harmonization and co-ordination process of the activities of regional economic communities;					
Implementation of the final stage for the setting up of the structures of African multination enterprises in all sectors					
Implementation of the final stage for the setting up of the structures of the executive organs of the Community.	Mid-term assessment of country performance.				
Finalization of arrangements required for the launching of the African Monetary Union.	Final assessment of countries' performance against convergence criteria.				
This is the completion stage before the take-off of the African Central Bank by 2028.	· Establishment of the African Economic, Fiscal and Monetary Union, African Central Bank and introduction and circulation of the African single currency in 2028. · Transitional period for phased withdrawal of RECs' currencies.				

5.4 ESTABLISHMENT OF AFRICAN MONETARY INSTITUTE (AMI)

OBJECTIVE

98. The main objective of the African Monetary Institute shall be to undertake all the technical, policy, statistical, institutional and legal preparations spanning all the stages leading to monetary union in Africa and the establishment of the ACB as shown in the pyramid below.



ROLE OF THE AFRICAN MONETARY INSTITUTE (AMI)

99. A non-exhaustive list of functions that the AMI is expected to undertake is outlined below:-

- Undertake the implementation of the Joint Strategy;
- Undertake all the technical, policy, statistical, institutional and legal preparations to attain the Continental Monetary Union, African Central Bank and Single Currency;
- Review and advise on the revision of the macroeconomic convergence criteria of the AMCP and monitor the state of macroeconomic convergence of the member states and RECs against the agreed criteria;
- Advise on the merits of alternative monetary policy frameworks;
- Advise on the design an appropriate Exchange Rate Mechanism (ERM). The AMI would be responsible for determining the value of the common currency and the conversion rates of national and RECs currencies into the common currency;
- Contribute to the implementation of the African Statistics Charter and the Strategy for Statistical Harmonization in Africa;
- Make recommendations for the harmonization and coordination of monetary and exchange rate policies in the run-up to monetary union;
- Monitor fiscal policies and public debt at national and REC levels;
- Recommend appropriate supervisory and regulatory frameworks for an integrated financial and capital markets in the region;
- Advise on harmonization of financial system regulations and accounting practices in all member countries;
- Make recommendations for the development of a Continental Payments and Settlement System;
- Define possible links between the three African financial institutions - ACB, AMF and AIB and their interaction with the existing national and regional institutions;
- Undertake studies and prepare reports recommending the establishment of the African Central Bank;
- Define the possible institutional relationships between the ACB and, national central banks and REC central banks, focusing on such issues relating to ownership, governance system, management of foreign reserves, and financial system surveillance, supervision and regulation;
- Define the entry and exit criteria for participation in the monetary union as well as the conditions for entry into force of the ACB;
- Develop a framework for a sensitization and communication programme on the net benefits of a single currency in order to create wide public support for the introduction of a common currency;
- Review the design of the Strategic Plan and Roadmap to take into account emerging African realities;
- Liaise with the RECs Secretariats and AACB Executive Secretariat, and coordinate regional monetary institutes in implementing the macroeconomic convergence and financial integration aspects of their regional strategic plans;
- Develop the minimal conditions for the creation of single currency in Africa; and
- Undertake any other tasks assigned to it.

PROTOCOL & STATUTE

AFRICAN INVESTMENT BANK

PROTOCOL

PREAMBLE

The Member States of the African Union;

Considering that the Constitutive Act of the African Union established the African Investment Bank in its article 19(c);

Further considering the Treaty establishing the African Economic Community, adopted in Abuja, Nigeria, in June 1991;

Desiring to address collectively the main economic development challenges facing African continent;

Recalling Assembly Decision AU/Dec.64(IV) on the location of the Headquarters of African Union institutions in the regions of the Continent, adopted in Abuja, Nigeria, in January 2005;

Further recalling Executive Council Decision Ex.CLIDec.329(10) on the establishment of the African Union Financial Institutions adopted in Addis-Ababa, Ethiopia, in January 2007;

Considering the General Convention on the privileges and immunities of the Organization of African Unity/African Union;

Firmly convinced that the attainment of the objectives of the African Union requires the establishment of the African Investment Bank.

HAVE AGREED AS FOLLOWS:

ARTICLE 1: DEFINITIONS

In this Protocol unless otherwise specifically stated:

"ACT" means the Constitutive Act of the Union;

"ASSEMBLY" means the Assembly of Heads of State and Government of the Union;

"BANK" means the African Investment Bank of the Union;

"COMMISSION" means the African Union Commission;

"COURT" means the African Court of Justice and Human Rights;

"EXECUTIVE COUNCIL" means the Executive Council of Ministers of the Union;

"GENERAL ASSEMBLY" means the General Assembly of the Bank;

"MEMBER STATE" means a Member State of the Union;

"PROTOCOL" means this Protocol and the Statute annexed to it;

"STATE PARTIES" means the Member States that have ratified or acceded to this Protocol;

"UNION" means the African Union established by the Act.

ARTICLE 2: **ESTABLISHMENT OF THE BANK**

1. The Bank is hereby established in accordance with Article 19(c) of the Act.

2. The Bank shall be an Organ of the Union in accordance with Article 5 (i) of the Act.

ARTICLE 3: **PURPOSE OF THE BANK**

The purpose of the Bank shall be to foster economic integration and development through investment in development projects in line with the objectives of the Union.

ARTICLE 4: **FUNCTIONS OF THE BANK**

1. The Bank shall function in accordance with the provisions of the Act, this Protocol, the Statute annexed to it and its rules of procedures. The functions of the Bank are:

- Make financing available, in accordance with banking principles,
- The financing of public and private projects intended to advance regional economic integration of State Parties;
- Support the strengthening of private sector activities;
- Assist in the modernization of rural sector in low-income State Parties.

2. The Bank shall also provide technical assistance to State Parties and other stakeholders, as may be needed, for the study, preparation and implementation of investment projects.
3. The Bank shall undertake other activities and the provision of such other services as may advance the purpose of the Bank.

ARTICLE 5: **HEADQUARTERS OF THE BANK**

1. The Headquarters of the Bank shall be in Tripoli, the Great Socialist People's Libyan Arab Jamahiriya.

2. There may be established such other offices or Branch Agencies of the Bank outside the Headquarters.

ARTICLE 6: **WORKING LANGUAGES OF THE BANK**

The working languages of the Bank shall be those of the Union.

ARTICLE 7: **DISSOLUTION**

1. By a resolution, the General Assembly of the Bank may recommend the dissolution of the Bank.
2. Upon the recommendation of the General Assembly, the Assembly may decide to dissolve the Bank and determine the terms and conditions of dissolution.
3. After such dissolution, the Bank shall forthwith cease all activities, except that incidental to the orderly realization, conservation and preservation of its assets and settlement of its obligations.

ARTICLE 8: **INTERPRETATION**

The Court shall be seized with matters of interpretation arising from the application or implementation of this Protocol and the Statute annexed to it. Pending its establishment, such matters shall be submitted to the Assembly of the Union, which shall decide.

ARTICLE 9: **SIGNATURE, RATIFICATION AND ACCESSION**

1. The present Protocol shall be open for signature, ratification or accession by Member States, in accordance with their respective constitutional procedures.
2. The instruments of ratification or accession to the present Protocol shall be deposited with the Chairperson of the Commission.

ARTICLE 10: **ENTRY INTO FORCE**

1. The present Protocol and the Statute annexed to it shall enter into force thirty (30) days after the deposit of the fifteenth instrument of ratification.
2. For each Member State which shall ratify or accede to it subsequently, the Present Protocol and the Statute annexed to it shall enter into force on the date on which the instruments of ratification or accession are deposited with the Chairperson of the Commission.

ARTICLE 11: **AMENDMENT AND REVISION**

1. This Protocol and the Statute annexed to it may be amended or revised by the decision of the Assembly.
2. Any member State Party to this Protocol or the Bank may propose, in writing to the Chairperson of the Commission, any amendment or revision of the Protocol.
3. The Chairperson of the Commission shall notify the proposal to all member States at least thirty (30) days before the meeting of the Assembly, which is to consider the proposal.
4. The Chairperson of the Commission shall request the opinion of the Bank on the proposal and shall transmit the opinion, if any, to the Assembly, which may adopt the proposal, taking into account the opinion of the Bank.
5. The amendment and revision shall enter into force in accordance with the provisions of the article 10.

ARTICLE 12: **DEPOSITORY**

1. This Protocol and the Statute annexed to it, drawn up in four (4) original texts in the Arabic, English, French and Portuguese languages, all four (4) texts being equally authentic, shall be deposited with the Chairperson of the Commission who shall transmit a certified true copy to the Government of each Member State.
2. The Chairperson of the Commission shall notify Member States of the dates of deposit of the instruments of ratification or accession and shall upon the entry into force of this Protocol register the same with the Secretariat of the United Nations.

ADOPTED BY THE TWELFTH ORDINARY SESSION OF THE ASSEMBLY,
HELD IN ADDIS ABABA, ETHIOPIA,
4TH FEBRUARY 2009

STATUTE

CHAPTER 1: GENERAL PROVISIONS

ARTICLE 1: DEFINITIONS

In this Statute unless otherwise specifically stated:

"ACT" means the Constitutive Act of the African Union;

"ASSEMBLY" means the Assembly of Heads of State and Government of the African Union;

"BANK" means the African Investment Bank of the African Union;

"BOARD" means the Board of Directors of the Bank;

"COMMISSION" means the Commission of the African Union;

"COURT" means the African Court of Justice and Human Rights;

"DIASPORA" means people of African origin living outside the continent, irrespective of their citizenship and nationality and who are willing to contribute to the development of the continent and the building of the African Union;

"EXECUTIVE COUNCIL" means the Executive Council of Ministers of the African Union;

"GENERAL ASSEMBLY" means the General Assembly of the Bank;

"GENERAL CONVENTION" means the General Convention on Privileges and Immunities of the African Union;

"INVESTMENT PROJECT" means any public or private project that contributes to the integration or development of the Continent;

"LOW-INCOME COUNTRY" means a country whose gross domestic product per capita was less than or equal to US$765 in 1995;

"MEMBER STATE" means a Member State of the African Union;

"MEMBERS" means State parties and natural and moral persons which subscribe to shares of the Bank;

"PRESIDENT" means the President of the Bank;

"PROTOCOL" means the Protocol on the African Investment Bank;

"SENIOR OFFICIALS" means Vice-Presidents and category of Officials specify by the Bank;

"SHAREHOLDERS" means State Parties and other entities that have subscribed to the shares of the Bank;

"STATE PARTIES" means the Member States that have ratified or acceded to the Protocol;

"STATUTE" means this Statute;

"SUBSCRIPTION" means the amount of shares held by a Member State;

"UNION" means the African Union established by the Act;

"VICE PRESIDENT" means an Executive Vice President of the Bank.

ARTICLE 2: ESTABLISHMENT OF THE BANK

1. The Bank is hereby established in accordance with Article 19(c) of the Act.

2. The Bank shall be an Organ of the Union in accordance with Article 5 (i) of the Act.

ARTICLE 3: **PURPOSE OF THE BANK**

The purpose of the Bank shall be to foster economic integration and development through investment in development projects in line with the objectives of the Union.

ARTICLE 4: **FUNCTIONS OF THE BANK**

1. The Bank shall function in accordance with the provisions of the Act, this Protocol, the Statute annexed to it and its rules of procedures. The functions of the Bank are:

   - Make financing available, in accordance with banking principles,
   - The financing of public and private projects intended to advance regional economic integration of State Parties;
   - Support the strengthening of private sector activities;
   - Assist in the modernization of rural sector in low-income State Parties.

2. The Bank shall also provide technical assistance to State Parties and other stakeholders, as may be needed, for the study, preparation and implementation of investment projects.
3. The Bank shall undertake other activities and the provision of such other services as may advance the purpose of the Bank.

ARTICLE 5: **HEADQUARTERS OF THE BANK**

1. The Bank shall be based in the City of Tripoli, in the Great Socialist People's Libyan Arab Jamahiriya.

2. The Headquarters is for the official use of the Bank. The President of the Bank may authorize the holding of meetings or social functions at the Headquarters or other offices of the Bank when such meetings or functions are closely linked or are compatible with the objectives of the Bank.

3. The Bank may establish, as may be needed, offices or Branch Agencies of the Bank outside the Headquarters.

CHAPTER 2: MEMBERSHIP

ARTICLE 6: MEMBERSHIP

1. All Member States of the African Union who are parties to the Protocol are Members of the Bank.

2. Membership in the Bank shall also be open to:

- Public financial institutions or enterprises of State Parties;
- Nationals of a State Party, legal entities registered in a State Party with fifty-one percent (51%) of the capital owned by nationals of a State Party, and the Diaspora.
- Financial Institutions of the Regional Economic Communities.

CHAPTER 3:
CAPITAL AND RESOURCES OF THE BANK

ARTICLE 7: AUTHORIZED CAPITAL STOCK

SECTION 1: INITIAL CAPITAL STOCK

1. The authorized initial capital stock of the Bank shall be in the amount of twenty five billion dollars (US$25,000,000,000) and shall be divided into two million five hundred thousand (2,500,000) shares having a par value of ten thousand dollars ($10,000) each.

2. The authorized capital stock shall be divided into paid-in shares and callable shares. The initial total aggregate par value of paid-in shares shall be four billion dollars ($4,000,000,000), and twenty one billion dollars ($21,000,000,000) shall be callable.

3. The General Assembly shall determine the proportion of authorized capital stock in paid-in shares and callable shares from time to time. It may also increase the capital stock of the Bank, at such time and under such terms and conditions, as it may determine.

SECTION 2: SUBSCRIPTION OF SHARES

4. A Member States subscription to shares shall be determined based on a composite index of economic and demographic variables to be determined by the General Assembly.

5. The authorized capital stock of the Bank shall be available for entire subscription by States Parties and other entities as referred to under Article 6.

6. Shares of the Bank shall be divided into two (2) categories as follows:

- "A" shares, being shares to be subscribed by States Parties, shall represent at least seventy-five percent (75%) of total capital stock.
- "B" shares shall represent, at the most, twenty-five percent (25%) of total capital and shall be held by other members as referred to under Article 6(2) and 6(3).

4. Each member shall subscribe to shares of the authorized capital stock of the Bank. The number of "A" shares to be subscribed by the members shall be those set forth in this Statute, which specifies the obligation of each member as to both paid-in and callable capital. The number of "B" shares to be subscribed by other members shall be determined by the General Assembly.

5. In case of an increase in the authorized capital stock, that increase shall be in the form of callable capital. Each member shall have a reasonable opportunity to subscribe, under such uniform terms and conditions as the General Assembly shall determine, to a proportion of the increase in stock equivalent to the proportion which its stock subscribed bears to the total subscribed capital stock immediately prior to such increase. No member shall be obligated to subscribe to any part of an increase of the authorized capital stock.

6. The General Assembly shall determine the date for the end of subscriptions. The share of a shareholder in the subscribed capital may not be pledged or attached in any way. Members may dispose of their shares by transferring them to another member holding the same kind of shares or to a third party eligible under Article 6 of this Statute or to the Bank. However, "A" shares shall only be transferred to "A" shareholders.

7. At the date set for the end of the first round of subscription of shares, the shares not subscribed shall be available to all the members, each member in its category, for a second round of subscription. At the end of the process, the remaining "B" shares may also be subscribed, if need be, by State Parties.

6. The General Assembly shall determine the date for the end of subscriptions. The share of a shareholder in the subscribed capital may not be pledged or attached in any way. Members may dispose of their shares by transferring them to another member holding the same kind of shares or to a third party eligible under Article 6 of this Statute or to the Bank. However, "A" shares shall only be transferred to "A" shareholders.

7. At the date set for the end of the first round of subscription of shares, the shares not subscribed shall be available to all the members, each member in its category, for a second round of subscription. At the end of the process, the remaining "B" shares may also be subscribed, if need be, by State Parties.

8. The General Assembly may, at the request of a member, increase the subscription of such member, or allocate shares to that member within the authorized capital stock which is not taken up by other members.

SECTION 2A: SUBSCRIPTION OF "A" SHARES

Each State Party shall subscribe to the "A" shares in accordance with the provisions outlined in Article 7 Section 2(1) from the date of deposit of its instrument of ratification or accession.

SECTION 2B: SUBSCRIPTION OF "B" SHARES

1. Entities as referred under Article 6(2) eligible for membership shall subscribe to "B" shares. However, no such subscription shall be authorized which has the effect of reducing below seventy-five percent (75%) the percentage of "A" shares in the total subscribed ordinary capital stock held by State Parties.

2. Entities as referred under Article 6(2) which become members of the Bank after it starts its activities shall subscribe to the "B" shares as shall be determined by the General Assembly at the time of their subscription.

SECTION 3: VOTING RIGHTS

1. Voting rights will be determined proportionally according to the allocated quota paid-in subscription to each Member.

2. The application of voting rights pertaining to decisions of the General Assembly and the Board of Directors shall be defined in an Annex to this Statute.

SECTION 4: PAYMENTS OF SUBSCRIPTIONS

1. All payment obligations of a member in respect of subscription to shares in the initial capital stock shall be settled in United States dollars.

2. Payment of the subscriptions to the callable capital stock of the Bank shall be subject to call only as and when required by the Bank to meet its liabilities.

3. In the event of a call referred to in paragraph 2 of this Section, payment shall be made in United States dollars. However, based on international economic and financial conditions the General Assembly may, on the proposal of the Board, adopt any other currency.

4. Payment of the paid-in shares of the amount initially subscribed to by each member, as provided by Article 7 of this Statute, may be made in full or in four (4) installments of twenty five percent (25%) each of such amount.

5. The first installment shall be paid by each member within sixty (60) days after the day of entry in force of the Protocol and the Statute, or after the date of deposit of its instrument of accession or approval in accordance with the provisions of Article 10 of the Protocol, if the latter is later than the date of entry into force. The remaining three (3) installments shall become due successively one year from the date on which the preceding installment became due.

6. Fifty percent (50%) of the payment of each installment pursuant to paragraph 4 of this Section or by a newly admitted member may be made in promissory notes or other obligations issued by such member and denominated in United States dollar, to be drawn down as and when the Bank needs funds for its operations. Such notes or obligations shall be non-negotiable, non-interest-bearing and payable to the Bank upon demand.

7. The Bank shall determine the place for any payment under this Article not later than thirty (30) days after the inaugural meeting of its General Assembly, provided that, before such determination, the payment of the first installment referred to in paragraph 5 of this Section shall be made transitly to the Central Bank of Libya, pending the establishment of the African Central Bank.

8. Members who fail to make payments on their callable capital or a portion of therefore, within the stipulated timeframe to be determined by the General Assembly, shall relinquish their subscribed shares or a portion thereat and the corresponding proportional voting rights. These shares that have been relinquished shall be offered for purchase by other members and approved by the Board of Directors.

9. The liability of members on the capital shares shall be limited to the unpaid portion of their issue price. No shareholder shall be liable, by reason of its membership, for obligations of the Bank.

10. If a member fails, for reasons other than international or regional economic circumstances, to meet the obligations of membership arising from this Statute, in particular the obligation to pay its share of the subscribed capital, or to service its borrowings, the granting of loans or guarantees to that member or to investors of the concerned State Party may be suspended by a decision of the General Assembly.

ARTICLE 8: **ORDINARY CAPITAL RESOURCES**

As used in this Statute, the term "ordinary capital resources" of the Bank shall include the following:

- Authorized capital stock of the Bank, including both paid-in and callable shares subscribed to;
- Funds raised by borrowings of the Bank;
- Funds received in repayment of loans or guarantees and proceeds from the disposal of equity investment made with the resources indicated in paragraphs a) and b).
- Income derived from loans and equity investment made from the resources indicated in above-mentioned paragraphs a) and b), and income derived from guarantees and underwriting not forming part of the operations of the Bank in low-income countries.

ARTICLE 9: **FUND FOR OPERATIONS IN LOW-INCOME COUNTRIES**

1. A Fund for operations in low-income countries (hereinafter called "Special Fund") shall be established for the making of loans and the issuance of guarantees on terms and conditions appropriate for investment projects in the concerned countries.

2. The Special Fund shall have the purpose and functions set forth in Articles 3 and 4 of this Statute

3. The resources of the Special Fund shall come from but not limited to the followings:

- Special contributions of State Parties;
- Voluntary contributions from State parties and other entities;
- Funds accepted by the Bank from international donor communities;
- Resources raised through borrowings of the Bank;
- Funds repaid in respect of loans made or guarantees issued, and the proceeds of equity investments, financed from the Special Fund own resources;
- Income derived from investment of Special Fund resources;
- Net income from ordinary capital operations.

4. The administration of the Special Fund shall be entrusted to the Bank in conformity with the management modalities of this Fund as provided by the General Assembly.

ARTICLE 10: **OTHER RESOURCES**

1. The Bank may accept the administration of any other funds designed to serve the purpose and that fall within the objectives of the Bank. The full cost of administering any such of fund shall be charged to that fund.

2. Funds accepted by the Bank may be used in any manner and on any terms and conditions consistent with the purpose and functions of the Bank, with the other applicable provisions of this Statute, and with the agreements relating to such funds.

CHAPTER 4: **OPERATIONS**

ARTICLE 11: **OPERATIONS OF THE BANK**

SECTION 1: GENERAL PROVISIONS

1. The Bank shall have the power to borrow, invest funds, and/or deposit funds, not needed for its immediate operations, in national and/or regional capital markets, after consultation with the authorities of concerned State Parties and/or Regional Economic Communities.

2. The Bank is authorized to borrow and invest in the international financial market. However, these investments shall be made in conformity with the rules and regulations provided by the General Assembly.

3. The Bank shall enjoy decision-making independence regarding its management, governance and control structures.

4. The Bank shall be financially autonomous, and consequently, shall operate on a broadly self-financing basis.

5. The Bank shall monitor its financial operations and those of its partners to ensure compliance with the principles of integrity and transparency. The same principles shall also apply to the origin and destination of capital for all financial transactions in which the Bank operates. The governing structure of the Bank shall monitor the effective implementation of this provision.

SECTION 2: SEPARATION OF OPERATIONS

1. The operations of the Bank shall consist of ordinary operations and special operations.

2. Ordinary operations shall be those financed from the Ordinary Capital resources of the Bank. Special operations shall be those financed from the Special Fund resources.

3. The Ordinary Capital resources and the Special Funds resources of the Bank shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separate from each other. The financial statements of the Bank shall show the ordinary operations and special operations separately.

4. The Ordinary Capital resources of the Bank shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Funds resources were originally used or committed.

5. Expenses relating directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses relating directly to special operations shall be charged to the Special Funds resources. Any other expenses shall be charged, as the Bank shall determine.

SECTION 3: LIMITATION ON ORDINARY OPERATIONS

1. The total amount of outstanding loans commitments, equity investments and guarantees made by the Bank on its ordinary operations shall not be increased at any time, if by such increase the total amount of its impaired subscribed capital, reserves and surpluses included in its ordinary capital resources would be exceeded.

2. The gross amount of borrowings outstanding shall not exceed the sum of callable capital of its members, paid-in capital, and reserves including surplus and special reserve.

3. The amount of any equity investment shall not normally exceed such percentage of the equity capital of the enterprise concerned as shall be approved by the Board. The Bank shall not seek to obtain by such an investment, a controlling interest in the enterprise concerned and shall not exercise such control or assume direct responsibility for managing any enterprise in which it has an investment, except in the event of actual or threatened default of any of its investments, actual or threatened insolvency of the enterprise in which such investment shall have been made.

SECTION 4: RECIPIENTS AND METHOD OF OPERATION

Subject to the conditions stipulated in this Statute, the Bank may provide or facilitate financing to any State Party or any African entity/enterprise operating in the territory of a State Party, as well as to regional agencies or entities concerned with the economic integration of Africa.

SECTION 5: CURRENCIES

1. The official currency of the Bank shall comprise of a basket of currencies that represent a "unit of account" taking into account the AfDB unit of account and the IMF Special Drawing Rights (SDR). When determining and/or reviewing the unit of account, such determination shall strive to protect the value of the capital stock of the Bank.
2. The General Assembly may review the formula of that unit of account periodically.
3. Whenever it shall become necessary under this statute to determine whether any currency is fully convertible, such determination shall be made by the Bank taking into account the paramount need to preserve its own financial interests.
4. State Parties shall not impose any restrictions on the receipt, holding, use or transfer by the Bank of the following:

- Currencies received by the Bank in payment of subscriptions to its capital stock;
- Currencies obtained by the Bank from borrowing;
- Currencies and other resources administered by the Bank as contribution to the Special Fund (for operations in low-income countries) and
- Currencies received by the Bank in payment on account of principal interest, dividends or other charges in respect of loans or investments.

SECTION 6: AREAS OF COOPERATION

1. In carrying out its functions, the Bank shall dedicate necessary resources to building partnerships aimed at improving the effectiveness of its operations.

2. Within the African continent, the Bank shall maintain working ties with shareholders, civil society organizations and the other Union Organs in pursuit of its purpose. It shall develop partnerships with commercial banks and shall coordinate its operations with regional and continental institutions that finance development projects across Africa, while preserving its autonomy and its own decision-making procedures.

3. In pursuance of its objectives, the Bank shall closely cooperate with international financial institutions and such cooperation shall strive to ensure synergy and partnership.

ARTICLE 12: **ALLOCATION OF INCOME**

1. The General Assembly shall, after making provision for reserves, determine annually what part of the net income of the Bank shall be allocated to the Special Fund and what part, if any, shall be distributed.

2. The distribution referred to in the preceding paragraph shall be made in proportion to the number of shares held by each member.

3. Payments shall be made in United States dollars or such other currencies as the General Assembly may determine.

CHAPTER 5:
GOVERNANCE AND MANAGEMENT

ARTICLE 13: OPERATIONS OF THE BANK

The governance structure of the Bank shall consist of a General Assembly, a Board of Directors and a President.

SECTION 1: GENERAL ASSEMBLY

1. The General Assembly shall consist of the shareholders or their representatives.

2. The General Assembly shall, inter alia:

- Decide on the number of directors and determine the composition of the Board and shall be reflective of the voting rights, the details of which are outlined in an annex hereto.
- Elect and suspend the members of the Board and decide on the conditions of their admission to the Board;
- Appoint, suspend or remove the President of the Bank from office, on the recommendation of the Board;
- Adopt its own rules of procedure, the rules of procedure of the Board as well as the code of conduct of the Bank;
- Propose for adoption by the Assembly, the Statute and the Staff Rules and Regulations of the Bank;
- Propose for adoption by the Assembly, amendments to the Protocol and the Statute
- Decide on the admission of new members and conditions of this admission, as provided in Article 5 of this Statute;
- Decide to increase or reduce the authorized capital stock;
- Approve the structure of the Bank;
- Determine the terms of loans of the Bank;
- Appoint auditors and decide on their mandate and their remuneration;
- Adopt the annual report of the Board and the annual report of the Bank;
- Approve the annual financial statements of the Bank, after taking cognizance of the auditors' report;
- Authorize the conclusion of general agreements of cooperation;
- Consider solvency of the Bank and, if necessary, propose to the Assembly the liquidation of the Bank;
- Determine the number of Executive Vice-Presidents;
- Determine the date of commencement of operations of the Bank.

3. The General Assembly may delegate to the Board, all or part of its powers as may be considered necessary, with the exception of those listed in paragraph 2 of this Section.

4. The decisions of the General Assembly shall be taken by a double majority of shares and shareholders. In the event of a tie, the majority of shares shall prevail. The Rules of Procedure of the General Assembly shall determine the modalities for the application of this provision.

SECTION 2: BOARD OF DIRECTORS

1. Members of the Board shall be non-resident. Nevertheless, if required by the activities of the Bank, the General Assembly may decide to grant the resident status to them.

2. Three quarters of the members of the Board shall be members having subscribed to category "A" shares. All members of the Board shall be persons possessing high competence and experience in economic, financial and banking affairs.

3. Members of the Board and their respective alternates shall be appointed for a term of three years renewable once, on a rotational basis according to regional distribution as defined by the AU relevant decisions.

4. The Board shall elect a Chairperson from among its members for a term of one year, which is renewable.

5. The Board shall, inter alia:

- Prepare the sessions of the General Assembly;
- Appoint, suspend or remove the Vice-President(s) on the recommendation of the President of the Bank;
- Take the decisions concerning loans, guarantees, investments in equity capital, borrowing, management and other operations by the Bank;
- Determine the rates of interest for direct loans and of commissions for guarantees;
- Submit the accounts for each financial year and an annual report for approval to the General Assembly at each annual session; and
- Approve the annual budgets of the Bank

6 The Board shall establish an Audit Committee, and other Committees as may be necessary to perform its functions.

7 The Board may delegate to the President, all or part of its powers as may be considered necessary, with the exception of those listed in paragraph 4 of this Section.

8. The decisions of the Board shall be taken by a simple majority of members present and voting. In the event of a tie, the chairman shall cast the prevailing vote. The Rules of Procedure of the Board shall determine the modalities for the application of this provision.

SECTION 3: PRESIDENT OF THE BANK

1. The Bank shall be directed and managed by a President who shall be assisted in his/her functions by Vice-Presidents, senior officials and professional, technical and administrative staff. He/she shall be the Chief Executive and the Legal Representative of the Bank.

2. Under the supervision of the General Assembly and the control of the Board , the President shall, among others:

- recruit and appoint staff of the Bank bearing in mind the dominant concern of providing the Bank with the services of persons with the highest qualities of productivity, technical competence and integrity, while ensuring that the principles of quota, gender parity and equitable geographical distribution are respected, in conformity with the relevant legal instruments of the Union;
- remove staff of the Bank for any reasons specified in the rules and regulations of the Bank's staff;
- ensure the strict application of this Statute, and the conventions and decisions of the General Assembly and of the Board;
- sign agreements or conventions committing the Bank, after their approval by the Board;
- ensure the day to day management of the Bank;
- prepare the operational budget and the annual budget of the Bank;
- prepare the Code of Conduct of the Bank;
- be responsible for the secretariat of the Board.

3. The President shall be elected by the General Assembly for a term of five (5) years renewable once. He/she shall be a national of a State Party. The President shall be a woman or a man selected among personalities with all the assurances of integrity and competence in the economic, financial, banking or legal domains.

4. The President may delegate some of his/her powers to his/her Vice-President(s).

ARTICLE 14: **PROVISIONAL STRUCTURE OF THE BANK**

For the launching of its activities, the Bank shall be endowed with a provisional structure approved by the Executive Council.

ARTICLE 15: **INCOMPATIBILITIES AND OBLIGATIONS**

1. In the performance of their duties, the President and other Staff of the Bank shall not seek or receive instructions from any government or from any authority other than the Bank. They shall refrain from any action which may reflect adversely on their position as international officials responsible only to the Bank.

2. Each member shall undertake to respect the exclusive character of the responsibilities of the President and the other staff of the Bank. They shall not influence or seek to influence them in the discharge of their responsibilities.

3. The President and the other staff of the Bank shall not, in the discharge of their duties, engage in any other occupation, whether gainful or not. They shall respect the obligations arising there from, and in particular their duty to behave with integrity and discretion and to regulate their conduct with only the interests of the Bank in view, and not to seek or accept instructions from the Government of any State Party or authority external to the Bank.

4. In the event of any breach of these obligations by the President or Vice Presidents of the Bank, the General Assembly, at the request of the Board, shall decide on the disciplinary measures to be applied to the President and to the senior officials. The President or the senior official of the Bank concerned shall have the right to appeal such measures before the Court, after exhausting all available means of redress.

5. In the event of breach of these obligations by other staff, the internal procedures set out in the Statute and the Staff Rules and Regulations shall be applied. The staff member concerned shall have a right of appeal before the Court, after exhausting all available means of redress.

CHAPTER 6:
WITHDRAWAL AND SUSPENSION OF MEMBERS, TEMPORARY SUSPENSION AND TERMINATION OF OPERATIONS OF THE BANK

ARTICLE 16: **WITHDRAWAL**

1. Any member may withdraw from the Bank at any time by delivering a notice in writing to the Bank at its Headquarters.

2. Withdrawal by a member shall become effective, and its membership shall cease, on the date specified in its notice but in no event less than six (6) months after the date the Bank has received that notice. However, at any time before the withdrawal becomes finally effective, the member may notify the Bank in writing, of the cancellation of its notice of intention to withdraw.

3. A withdrawing member shall remain liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of the withdrawal notice. If the withdrawal finally becomes effective, the withdrawing member shall not incur any liability for obligations resulting from operations of the Bank affected after withdrawal of the member in accordance with paragraphs1 and 2 above.

ARTICLE 17: **SUSPENSION OF MEMBERSHIP**

1. The General Assembly may suspend any member which fails to fulfill its obligation to the Bank.

2. The member so suspended shall automatically cease to be a member of the Bank one (1) year from the date of its suspension unless the General Assembly, during the one-year period, decides to restore the member to good standing.

3. While under suspension, a member shall not be entitled to exercise any rights under this Statute, except the right of withdrawal, but shall remain subject to all its obligations.

4. The General Assembly shall determine the conditions of suspension of a member and its release.

ARTICLE 18: **SETTLEMENT OF ACCOUNTS**

1. 1. From the date of suspension, the affected member shall remain liable for its direct obligations to the Bank and for contingent liabilities to the Bank so long as any part of the loans, equity investments or guarantees contracted before the affected member was suspended and remains outstanding; but it shall not incur liabilities with respect to loans, equity investments and guarantees entered into thereafter by the Bank nor participate either in the income or expenses of the Bank.

2. 2. At the time a shareholder ceases to be a member, the Bank may assist in arranging for the purchase of such former member's shares by other members of the Bank. . For this purpose, the purchase price of the shares shall be the value shown by the books of the Bank on the date of cessation of membership, with the original purchase price of each share being its maximum value.

3. 3. If the Bank terminates its operations pursuant to Article 19 of this Statute within six (6) months of the date upon which any member ceases to be a member, all rights of the member concerned shall be determined in accordance with the provisions of Articles 20 and 21 of this Statute. Such member shall be considered as still a member for purposes of such Articles but shall have no voting rights.

ARTICLE 19: **TEMPORARY SUSPENSION OF OPERATIONS**

In an emergency situation, the Board may temporarily suspend the operations of the Bank in respect of new loans, guarantees, technical assistance and equity investments pending an opportunity for further consideration and action by the General Assembly.

ARTICLE 20: **TERMINATION OF OPERATIONS**

1. The Bank may terminate its operations by a resolution of the General Assembly approved and endorsed by the Assembly of the Union.

2. After such termination, the Bank shall forthwith cease all activities, except those incidents to the orderly realization, conservation and preservation of its assets and settlement of its obligations.

ARTICLE 21:**LIABILITY OF MEMBERS AND PAYMENT OF CLAIMS**

1. In the event of termination of the operations of the Bank, the liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their currencies shall continue until all claims of creditors, including all contingent claims shall have been discharged.

2. All creditors holding direct claims shall first be paid out of the assets of the Bank and then out of payments to the Bank of unpaid or callable subscriptions. Before making any payments to creditors holding direct claims, the Board of Directors shall make such arrangements as are necessary, in its judgment, to ensure a pro rata distribution among holders of direct and contingent claims.

ARTICLE 22: **DISTRIBUTION OF ASSETS**

1. In the event of termination of the operations of the Bank, no distribution of assets shall be made to members on account of their subscriptions to the capital stock of the Bank until all liabilities to creditors have been discharged or provided for. Moreover, such distribution must be approved by the General Assembly by a vote of shareholders according to the rules of procedure.

2. After a decision has been taken to distribute the assets of the Bank, in accordance with the preceding paragraph, the Board of Directors may decide to make successive distribution of such assets. This distribution shall be subject to the prior settlement of all outstanding claims of the Bank against each member.

CHAPTER 7: STATUS, IMMUNITIES, EXEMPTIONS AND PRIVILEGES

ARTICLE 23: STATUS OF THE BANK

To enable it to fulfil its purpose and the functions with which it is entrusted, the Bank shall possess full international personality. To these ends, it may enter into agreements with members, non-members and other international organisations. To the same ends, the status, immunities, exemptions and privileges set forth in this chapter shall be accorded to the Bank in the territory of each State Party.

ARTICLE 24: STATUS IN STATE PARTIES

In the territory of each State Party, the Bank shall possess full juridical personality and, in particular, full capacity:

- To contract;
- To acquire and dispose of immovable and movable property; and
- To institute legal proceedings.

ARTICLE 25: PRIVILEGES AND IMMUNITIES OF THE BANK

1. The Headquarters and the other Offices or Branch Agencies of the Bank shall be governed by Host agreements negotiated with the Host Countries.

2. The Headquarters and the other Offices of the Bank shall enjoy the privileges and immunities stipulated in the General Convention, the Vienna Convention on Diplomatic Relations and Vienna Convention on the Law of Treaties between States and International Organisations or between International Organisations.

SECTION 1: PROPERTY, FUNDS, ASSETS AND TRANSACTIONS OF THE BANK

1. The Bank premises, buildings, assets and other property wherever located and by whomsoever held, shall enjoy immunity from every form of legal process except in so far as in any particular case the Bank has waived such immunity in accordance with the provisions of the General Convention.

2. The premises and buildings of the Bank shall be inviolable. The property and assets of the Bank, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation and from any other form of interference, whether by executive, administrative, juridical or legislative action.

3. Without being restricted by financial controls, regulations or moratoria of any kind:

- The Bank may hold funds, gold or currency of any kind and operate accounts of any currency.
- The Bank shall be free to transfer its funds, gold, or currency from one country to another or within any country and to convert any currency held by it into any other currency.

SECTION 2: TAX EXEMPTIONS

1. The Bank, its income, assets and properties shall be exempt:

- From all direct taxes, except that the Bank will not claim exemption from taxes or dues which are no more than charges for public utility services;
- From import and export duties, prohibitions and quantitative restrictions on imports and exports in respect of articles imported or exported by the Bank intended for and used for its official purpose. It is provided, however, that articles imported under such exemption shall not be sold with or without consideration in the country into which they were imported except under conditions agreed upon by the appropriate authorities of the Government of that Country.
- From custom duties, prohibitions and restrictions on imports and exports in respect of its publications.

2. While the Bank will not, as a general rule, claim exemption from excise duties and from transaction taxes on the sale of movable and immovable property which from part of the price to be paid, nevertheless when the Bank is making important purchases for official use of property on which such duties and taxes have been charged or are chargeable, State Parties will enact the necessary provisions or make appropriate administrative arrangements for the remission or refund of the amount of duty or tax so charged.

SECTION 3: COMMUNICATIONS

1. For its official communication and the transfer of all its documents, the Bank shall enjoy in the territory of each State Party treatment not less favourable than that accorded by the Government of that State to any other International Organisation as well as any government, including its diplomatic mission, in matters of priorities, rates and taxes on mails, cables, telegrams, radiograms, telephotos, telephones and other communications, as well as press rates for information to the press and radio. Official correspondence and other official communications of the Bank shall not be subject to censorship.

2. The Bank shall have the right to use codes and to dispatch and receive its official correspondence, either by courier or in sealed bags which shall have the same immunities and privileges as diplomatic couriers and bags.

ARTICLE 26: IMMUNITIES AND PRIVILEGES OF THE OFFICIALS OF THE BANK

1. The Officials of the Bank who are not citizens of the host country or the Nationals to whom diplomatic status has been accorded on the discretion of the host country as per Articles 8(2) and 38(2) of the Vienna Convention on Diplomatic Relations, 18 April 1961, shall:

- Be immune from legal process in respect of words spoken, written and all acts performed by them in their official capacity;
- Be exempt from taxation on the salaries and emoluments paid to them by the Bank;
- Be immune from national service obligations;
- Be immune, together with their spouses and relatives residing with and dependent on them, from immigration restrictions and alien registration and finger printing;
- Be accorded the same privileges in respect of exchanges facilities as are accorded to the officials of comparable rank forming part of diplomatic missions to the Government concerned;
- Be given, together with their spouses and relatives residing with and dependent on them, the same repatriation facilities in time of international crisis as diplomatic envoys;
- Have the rights to import free of duty their furniture and effects at the time of first taking up their post in the country in question.

2. In addition to the immunities and privileges specified in paragraph 1 of this article, the President and senior officials of the Bank shall be accorded in respect of themselves, their spouses and minor children, the privileges and immunities, exemptions and facilities accorded to diplomatic envoys, in accordance with international law.

3. Privileges and immunities are granted to Bank officials in the interests of the Bank and not for the personal benefit of the individuals themselves. The President of the Bank shall have the right and the duty to waive the immunity of any official of the Bank in any case where, in his/her opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the Bank. In the case of the President and senior officials of the Bank, the General assembly shall have the right to waive immunity.

4. The Bank shall co-operate at all times with the appropriate authorities of the State Parties to facilitate the proper administration of justice, secure the observance of police regulations and prevent the occurrence of any abuse in connection with the privileges, immunities and facilities mentioned in this article.

ARTICLE 27: **PRIVILEGES & IMMUNITIES OF THE REPRESENTATIVES OF THE STATE PARTIES, THE MEMBERS OF THE GENERAL ASSEMBLY & THE BOARD OF DIRECTORS**

The representatives of the State Parties, the members of the General Assembly and the Board to meetings and conferences convened by the Bank, shall, while exercising their functions and during their travel to and from the place of these meetings, be accorded the privileges and immunities stipulated in the Article V of the General Convention.

ARTICLE 28: **PRIVILEGES AND IMMUNITIES OF THE EXPERTS ON MISSION FOR THE BANK**

The representatives of the State Parties, the members of the General Assembly and the Board to meetings and conferences convened by the Bank, shall, while exercising their functions and during their travel to and from the place of these meetings, be accorded the privileges and immunities stipulated in the Article V of the General Convention.

CHAPTER 8:
MISCELLANOUS PROVISIONS

ARTICLE 29: CHANNEL OF COMMUNICATIONS AND DEPOSITORIES

1. Each member shall designate an appropriate official entity with which the Bank may communicate in connection with any matter relating the Bank.

2. The Bank may hold its assets with such depositories as the Board shall determine.

ARTICLE 30: PUBLICATION OF THE PROTOCOL AND THE STATUTE ANNEXED TO IT, DISSEMINATION OF INFORMATION AND REPORT

1. The Bank shall make available the text of the Protocol and the Statute and all its important documents in all working languages of the Union.

2. Shareholders shall provide the Bank with all the information it may request of them in order to facilitate the conduct of its operations.

3. The Bank shall publish and transmit to its members an annual report containing an audited statement of its accounts. It shall also transmit quarterly to the members a summary of its financial position and a profit and loss statement showing the results of its operations.

4. The Bank may also publish such other reports as it deems desirable to carry out its mandate and functions. They shall be transmitted to the members of the Bank.

5. The Bank shall prepare and submit annually a report on its activities to the Assembly through the Executive Council

ARTICLE 31: APPROVAL BY MEMBERS

Whenever the approval of any shareholder is required before the Bank may do an act, approval shall be deemed as having been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act.

ARTICLE 32: BEGINNING OF BANK OPERATIONS

1. As soon as the Protocol and the Statute enter into force, each member shall appoint a representative and the Chairperson of the Commission shall call the inaugural meeting of the General Assembly.
2. The Bank shall notify its members of the date of the beginning of its operations.

ARTICLE 33: RESOLUTION OF DISPUTES

In case of a dispute relating to the shareholding of the capital stock or to the withdrawal from the capital stock between the Bank and a former member, or between the Bank and a member, upon termination of operation of the Bank, such dispute shall be submitted to the Court.

ARTICLE 34: ANNEXES

1. Annexes to this Statute shall comprise of:

- Subscription formula;
- Table of subscriptions;
- Voting rights as it pertains to decisions of the General Assembly and Board of Directors;

2. These Annexes shall be adopted by the Decision of the Assembly

CHAPTER 9:
FINAL PROVISIONS

ARTICLE 35: **ENTRY INTO FORCE**

This Statute shall enter into force thirty (30) days after the deposit of the fifteenth instrument of ratification of the Protocol.

ARTICLE 36: **AMENDMENT AND REVISION**

This Statute shall enter into force thirty (30) days after the deposit of the fifteenth instrument of ratification of the Protocol.

ADOPTED BY THE FOURTEENTH ORDINARY SESSION OF THE ASSEMBLY,
HELD IN ADDIS ABABA, ETHIOPIA,
2ND FEBRUARY 2010

ANNEX A:

INITIAL SUBSCRIPTIONS TO THE AUTHORIZED CAPITAL STOCK FOR PROSPECTIVE MEMBERS WHICH MAY BECOME MEMBERS (ARTICLE 6 OF THE STATUTE)

African Union Member States	Total subscriptions (Millions US$)	Percentage (%)	Paid in Capital shares in (Millions US $)	Callable Capital shares (Millions US $)
Algeria	2,100.00	10.00	300.00	1,800.00
Egypt	2,100.00	10.00	300.00	1,800.00
Libya Arab Jamahiriya	2,100.00	10.00	300.00	1,800.00
Nigeria	2,100.00	10.00	300.00	1,800.00
South Africa	2,100.00	10.00	300.00	1,800.00
Ethiopia	718.20	3.42	102.50	616.70
Angola	672.00	3.20	95.96	576.04
Sudan	638.40	3.04	91.14	547.26
Tunisia	594.30	2.83	84.98	509.32
Kenya	541.80	2.58	77.41	464.39
Tanzania	512.40	2.44	73.34	439.06
D.R.Congo	510.30	2.43	72.87	437.43
Botswana	392.70	1.87	56.01	336.69
Côte d'Ivoire	386.40	1.84	55.09	331.31
Uganda	371.70	1.77	53.09	318.61
Cameroon	369.60	1.76	52.74	316.86
Ghana	338.10	1.61	48.19	289.91
Senegal	287.70	1.37	41.21	246.49
Madagascar	270.90	1.29	38.67	232.23
Mozambique	256.20	1.22	36.67	219.53
Mali	237.30	1.13	33.93	203.37
Zambia	226.80	1.08	32.34	194.46
Burkina Faso	224.70	1.07	32.15	192.55
Equatorial Guinea	210.00	1.00	30.12	179.88
Zimbabwe	207.90	0.99	29.67	178.23
Niger	176.40	0.84	25.11	151.29
Chad	174.30	0.83	24.90	149.40
Benin	165.90	0.79	23.74	142.16
Mauritius	165.90	0.79	23.74	142.16

African Union Member States	Total subscriptions (Millions US$)	Percentage (%)	Paid in Capital shares in (Millions US $)	Callable Capital shares (Millions US $)
Gabon	163.80	0.78	23.29	140.51
Malawi	161.70	0.77	23.25	138.45
Congo (Rep. of)	157.50	0.75	22.40	135.10
Guinea	136.50	0.65	19.35	117.15
Namibia	136.50	0.65	19.45	117.05
Rwanda	134.40	0.64	19.08	115.32
Comoros	132.30	0.63	19.01	113.29
Somalia	105.00	0.50	15.03	89.97
Togo	98.70	0.47	14.07	84.63
Burundi	84.00	0.40	11.95	72.05
Sierra Leone	73.50	0.35	10.54	62.96
Lesotho	65.10	0.31	9.24	55.86
Mauritania	63.00	0.30	8.97	54.03
Central Africa Rep.	60.90	0.29	8.84	52.06
Swaziland	60.90	0.29	8.70	52.20
Eritrea	56.70	0.27	8.11	48.59
Liberia	42.00	0.20	5.89	36.11
Cape Verde	27.30	0.13	4.01	23.29
Gambia (The)	25.20	0.12	3.54	21.66
Djibouti	21.00	0.10	3.03	17.97
Guinea Bissau	21.00	0.10	3.15	17.85
Seychelles	16.80	0.08	2.26	14.54
Saharawi (A.D.R)	4.20	0.02	0.65	3.55
São Tome e Principe	4.20	0.02	0.62	3.58
I. Total AU Countries	**21,000.00 [i]**	**100.00**	**3,000.00**	**18,000.00**
II. Non Allocated [ii]	**4,000.00**		**1,000.00**	**3,000.00**
III. Grand Total	**25,000.00**		**4,000.00**	**21,000.00**

[i] : figures may not add due to rounding
[ii] : membership as defined in paragraph 2 of Article 6 of the Statute

ANNEX B:

INITIAL VOTING POWER OF PROSPECTIVE MEMBERS WHICH MAY BECOME MEMBER (ARTICLE 7, SECTION 3.1 OF THE STATUTE)

African Union Member States	Total Votes	Percentage Votes	Percentage Subscriptions
Algeria	30,566.00	9.26	10.00
Egypt	30,566.00	9.26	10.00
Libya Arab Jamahiriya	30,566.00	9.26	10.00
Nigeria	30,566.00	9.26	10.00
South Africa	30,566.00	9.26	10.00
Ethiopia	10,816.00	3.28	3.42
Angola	10,161.83	3.08	3.20
Sudan	9,680.45	2.93	3.04
Tunisia	9,064.47	2.75	2.83
Kenya	8,306.92	2.52	2.58
Tanzania	7,899.70	2.39	2.44
D.R.Congo	7,852.73	2.38	2.43
Botswana	6,166.57	1.87	1.87
Côte d'Ivoire	6,075.18	1.84	1.84
Uganda	5,875.26	1.78	1.77
Cameroon	5,840.48	1.77	1.76
Ghana	5,385.34	1.63	1.61
Senegal	4,687.02	1.42	1.37
Madagascar	4,433.20	1.34	1.29
Mozambique	4,233.06	1.28	1.22
Mali	3,959.23	1.20	1.13
Zambia	3,799.61	1.15	1.08
Burkina Faso	3,780.61	1.15	1.07
Equatorial Guinea	3,578.22	1.08	1.00
Zimbabwe	3,533.35	1.07	0.99
Niger	3,077.45	0.93	0.84
Chad	3,055.90	0.93	0.83
Benin	2,940.47	0.89	0.79
Mauritius	2,937.95	0.89	0.79

African Union Member States	Total Votes	Percentage Votes	Percentage Subscriptions
Gabon	2,467.48	0.88	0.78
Malawi	2,069.23	0.88	0.77
Congo (Rep. of)	1,973.16	0.85	0.75
Guinea	1,761.15	0.76	0.65
Namibia	1,620.20	0.76	0.65
Rwanda	1,489.91	0.75	0.64
Comoros	1,462.98	0.75	0.63
Somalia	1,449.70	0.63	0.50
Togo	1,435.71	0.60	0.47
Burundi	1,376.53	0.53	0.40
Sierra Leone	1,155.12	0.49	0.35
Lesotho	966.54	0.45	0.31
Mauritania	920.35	0.44	0.30
Central Africa Rep.	880.84	0.44	0.29
Swaziland	868.91	0.44	0.29
Eritrea	791.92	0.42	0.27
Liberia	630.89	0.35	0.20
Cape Verde	628.31	0.29	0.13
Gambia (The)	4,433.20	0.28	0.12
Guinea Bissau	4,233.06	0.27	0.10
Djibouti	3,959.23	0.26	0.10
Seychelles	3,799.61	0.24	0.08
Saharawi (A.D.R)	3,780.61	0.19	0.02
São Tome e Principe	3,578.22	0.19	0.02
I. Total AU Countries	**330,000.00 [1]**	**75.00[2]**	**100**
II. Non Allocated [3]	**110,000.00**	**25.00**	
III. Grand Total	**440,000.00**	**100.00**	

[1] : figures may not add due to rounding
[2] : share of AU Countries in votes of total prospective members
[3] : includes membership as defined in paragraph 2 of Article 6 of the Statute

PROTOCOL & STATUTE

AFRICAN MONETARY FUND

PROTOCOL

PREAMBLE

The Member States of the African Union;

Considering that the Constitutive Act of the African Union established the African Investment Bank in its article 19(c);

Further considering the Treaty establishing the African Economic Community, adopted in Abuja, Nigeria, in June 1991;

Desiring to address collectively the main economic development challenges facing African continent;

Recalling Assembly Decision AU/Dec.64(IV) on the location of the Headquarters of African Union institutions in the regions of the Continent, adopted in Abuja, Nigeria, in January 2005;

Further recalling Executive Council Decision Ex.CLIDec.329(10) on the establishment of the African Union Financial Institutions adopted in Addis-Ababa, Ethiopia, in January 2007;

Considering the General Convention on the privileges and immunities of the Organization of African Unity/African Union;

Firmly convinced that the attainment of the objectives of the African Union requires the establishment of the African Investment Bank.

HAVE AGREED AS FOLLOWS:

ARTICLE 1: DEFINITIONS

In this Protocol unless otherwise specifically stated:

"ACT" means the Constitutive Act of the Union;

"REC" means Regional Economic Community;

"BOARD OF GOVERNORS" means the Board of Governors of the African Monetary Fund;

"FUND" means the African Monetary Fund;

"COMMISSION" means the African Union Commission;

"ASSEMBLY" means the Assembly of Heads of State and Government of the Union;

"EXECUTIVE COUNCIL" means the Council of Ministers of the Union;

"COURT" means the African Court of Justice and Human Rights;

"MEMBER STATE" means a Member State of the Union;

"STATE PARTY" means the Member Statesthat have ratified or acceded to this Protocol;

"PROTOCOL" means this Protocol and its annexes;

"UNION" means the African Union established by the Act.

ARTICLE 2: **ESTABLISHMENT OF THE FUND**

1. The Fund is hereby established in conformity with Article 19(c) of the Act.

2. The Fund shall be an organ of the Union in accordance with Article 5 (i) of the Act.

ARTICLE 3: **PURPOSE OF THE FUND**

The purpose of the Fund shall be to foster macroeconomic stability and sustainable growth in the region, so as to facilitate the effective integration of African economies through, inter alia, the harmonization of economic policies, the elimination of monetary, exchange rate and trade restrictions, as well as the funding needed to correct macroeconomic imbalances of States Parties.

ARTICLE 4: **FUNCTIONS OF THE FUND**

The Fund shall function in accordance with the relevant provisions of the Act, this Protocol, the Statutes and the documents annexed to it. The functions of the Fund shall be to:

- Promote and strengthen monetary, exchange rate and financial system stability in the region;
- Promote trade liberalization and elimination of restrictions/barriers in the region;
- Facilitate the harmonization of monetary, exchange rate and financial policies among the States Parties;
- Conduct regular surveillance and policy analyses on the economies of States Parties
- Provide advice and temporary financial support to state parties in crisis relating to macroeconomic imbalances, fiscal deficits and balance of payment disequilibrium;
- Reinforce capacity building in the design and implementation of effective debt management policies, for the maintenance of sustainable debt levels by States Parties;
- Mobilize and manage financial resources on behalf and for the benefit of the state parties
- Collaborate and liaise with other monetary and international financial institutions to facilitate sustainable growth and development in the region;
- Provide technical assistance and expertise for capacity development and policy management for the state parties;
- Produce statistical data necessary for the good economic governance of States Parties;
- Carry-out any other ad-hoc functions as may be required and approved by the Board of Governors.

ARTICLE 5: **HEADQUARTERS OF THE FUND**

1. The Headquarters of the Fund shall be in Yaoundé, Republic of Cameroon.

2. Other offices of the Fund may be established outside the Headquarters.

ARTICLE 6: **WORKING LANGUAGES OF THE FUND**

The working languages of the Bank shall be those of the Union.

ARTICLE 7: **DISSOLUTION**

1. By a resolution, the General Assembly of the Bank may recommend the dissolution of the Fund.
2. Upon the recommendation of the Board of Governors, the Assembly may decide to dissolve the Fund and determine the terms and conditions of sharing the remaining assets and liabilities.
3. After such dissolution, the Fund shall forthwith cease all activities, with the exception of those incidental to the orderly realization, conservation and safeguard of its assets and settlement of its obligations.

ARTICLE 8: **INTERPRETATION AND ARBITRATION**

The Court shall be seized with matters of interpretations and disputes arising from the application or implementation of this Protocol and the Statute annexed to it. Pending its establishment, such matters shall be submitted to the Assembly of the Union, which shall decide, accordingly.

ARTICLE 9: **SIGNATURE, RATIFICATION AND ACCESSION**

1. This Protocol shall be open for signature, ratification or accession by Member States, in accordance with their respective constitutional procedures.
2. The instruments of ratification or accession to this Protocol shall be deposited with the Chairperson of the Commission..

ARTICLE 10: **ENTRY INTO FORCE**

1. This Protocol and the Statutes annexed to it shall enter into force thirty (30) days after the deposit of the fifteenth instrument of ratification.
2. For each Member State which shall ratify or accede to it subsequently, this Protocol and the Statute annexed to it shall enter into force on the date on which the instruments of ratification or accession are deposited with the Chairperson of the Commission.

ARTICLE 11: **AMENDMENT AND REVISION**

1. This Protocol and the Statutes annexed to it may be amended or revised by decision of the Assembly.
2. Any State Party to this Protocol or the Fund may propose, in writing to the Chairperson of the Commission, the amendment or revision of the Protocol.
3. The Chairperson of the Commission shall notify the proposal to all Member States at least thirty (30) days before the meeting of the Assembly which will consider the proposal.
4. The Chairperson of the Commission shall request the opinion of the Fund on the proposal and forward such opinion, where necessary, to the Assembly, which may adopt the proposal, taking into account the opinion of the Fund.
5. The amendment and revision shall enter into force in accordance with the provisions of Article 10.

ARTICLE 12: **DEPOSITORY**

1. This Protocol and the Statutes annexed to it, drawn up in four (4) original texts in the Arabic, English, French and Portuguese languages, all four (4) texts being equally authentic, shall be deposited with the Chairperson of the Commission who shall transmit a certified true copy to the Government of each Member State.
2. The Chairperson of the Commission shall notify Member States of the dates of deposit of the instruments of ratification or accession and shall, upon the entry into force of this Protocol, register the same with the Secretariat of the United Nations.

ADOPTED BY THE ORDINARY SESSION OF THE ASSEMBLY, HELD IN ON

STATUTE

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CHAPTER 1:
GENERAL PROVISIONS

ARTICLE 1: **DEFINITIONS**

In this Protocol unless otherwise specifically stated:

"ACT" means the Constitutive Act of the African Union dated 11th July; 2000;

"AFRICAN UNIT ACCOUNT" means the unit of account adopted by the Board of Governors and that the Fund uses in its dealings with the States Parties

"ANNEX" means annex to this Statute

"ASSEMBLY" means the Assembly of Heads of State and Government of the African Union;

"BOARD OF DIRECTORS" means the Board of Directors of the Fund;

"BOARD OF GOVERNORS" means the Board of Governors of the Fund;

"COMMISSION" means the Commission of the African Union;

"CONTINENT" means the Continent of Africa;

"COURT" means the African Court of Justice;

"EXECUTIVE COUNCIL" means the Council of Ministers of the African Union;

"FIRST ROUND SHARE PURCHASING" means the opportunity for State Parties to purchase allocated shares in accordance to Article 7 and Annex 2;

"FUND" means the African Monetary Fund;

"GENERAL CONVENTION" means the General Convention on Privileges and Immunities of the African Union;

"MEMBERS" means the States Parties;

"MEMBER STATE" means a Member State of the African Union;

"MANAGING DIRECTOR" means the Chief Executive of the African Monetary Fund;

"ORDINARY OPERATIONS" means the operations relating to the core mandate of the Fund;

"OBLIGATION" means States Parties commitments to the Fund;

"PARTNERS" means any external entities or organizations that will cooperate with the Fund on issues of mutual interest;

"PROTOCOL" means the Protocol on the establishment of the African Monetary Fund, the Statute and annexes to it;

"REGION" means the five geographical sections of the African Continent (North, East, South, West and Central);

"SECOND ROUND SHARE PURCHASING" means the opportunity to State Parties to purchase unsubscribed shares during the First round Shares Purchasing;

"SENIOR OFFICIALS" the category of staff other than executives as defined by the African Monetary Fund;

"SHAREHOLDERS" means States Parties who subscribed to the capital of the Fund;

"SPECIAL OPERATIONS" means any other operation that is different from ordinary operations;

"SPECIAL OR VOLUNTARY CONTRIBUTION" means contribution from State Parties over and above subscriptions that do not accrue any voting rights;

"STATE PARTY" means the Member State which has ratified or acceded to the Protocol of the Fund;

"STATUTE" means the present Statute of the Fund;

"SUBSCRIPTION" means the amount of shares held by a member;

"SUPERVISORY BODIES" means the Board of Governors and Board of Directors which oversees the activities of the Fund;

"UNION" means the African Union established by the Constitutive Act;

"VOTING RIGHTS" means the rights accruing to State Parties from paid-up share capital subscription as per Annex-2.

ARTICLE 2: **ESTABLISHMENT OF THE FUND**

1. 1. The Fund is hereby established as an organ of the Union in conformity with Articles 5 (i) and 19 (b) of the Act.
2. The Fund shall function in accordance with the relevant provisions of the Constitutive Act, the Protocol and this Statute.
3. The Fund shall have legal personality with capacity and power to enter into contract, acquire, own or dispose of movable or immovable property and to sue and be sued.
4. In the territory of each State Party, the Fund shall, pursuant to paragraph 3 of this Article, have such legal capacity as is necessary for the proper exercise of its functions and the fulfilment of its purposes.

ARTICLE 3: **PURPOSE AND OBJECTIVES OF THE FUND**

1. The purpose of the Fund shall be to foster macroeconomic stability, sustainable shared economic growth and balanced development in the Continent, so as to facilitate the effective and predictable integration of African economies.

2. The objectives of the Fund shall be to:

- correct disequilibria in the balances of payments of States Parties;
- ensure stability of exchange rates among currencies and their mutual convertibility;
- promote African monetary cooperation so as to achieve African economic integration and speed up the process of economic development in State Parties;
- reinforce capacity building in the design and the implementation of debt management policies in States Parties as a means to achieving sustainable debt levels;
- promote the development of African financial markets;
- work towards the facilitation of settlement of commercial debts and the establishment of a clearing system for trade transactions amongst States Parties in order to promote intra African trade.

ARTICLE 4: **FUNCTIONS AND ACTIVITIES OF THE FUND**

1. For the realization of its objectives, the Fund shall function in accordance with the provisions of this Statute and its annexes.

2. The functions and activities of the Fund shall be to:

- Promote and facilitate trade, the settlement of commercial payment and encourage capital flow between State Parties;
- Provide short-term and medium-term credit facilities to sustain balance of payment in conformity with the credit policy as defined by the Board of Directors and provide technical assistance and policy advice, to States Parties with a view to assisting in financing their overall balance of payments deficits;
- Assist State Parties under programme with the Fund in accessing other financial sources for the purpose of financing the overall deficits in their balance of payments;
- Cooperate with African and international financial institutions to achieve its objectives.
- Conduct periodic consultations in State Parties on their economic policies in support of the realization of the goals of the Fund and the State Parties.
- Conduct research and capacity building training required to achieve the objectives of the Fund;
- Ensure the collection, analysis and dissemination of qualitative and quantitative statistical data and methods and dissemination of results for a better understanding of the economies of States Parties;
- Carry - out any other functions or activities as may be required by the Board of Governors.

ARTICLE 5: **HEADQUARTERS OF THE FUND**

1. The Headquarters of the Fund shall be in Yaoundé, Republic of Cameroon.

2. There may be established other offices of the Fund upon approval of the Board of Governors.

CHAPTER 2: **MEMBERSHIP**

ARTICLE 6: **MEMBERSHIP**

Membership of the Fund shall be open to all Member States of the African Union which have signed and ratified or acceded to the Protocol.

CHAPTER 3:
CAPITAL AND RESOURCES OF THE FUND

ARTICLE 7: AUTHORIZED SHARE CAPITAL,CALLABLE CAPITAL AND PAID-UP CAPITAL

SECTION 1: CAPITAL

1. The authorized share capital of the Fund shall be US$22.640 billion (Twenty Two Billion, Six Hundred and Forty Million United States Dollars). The authorized share capital shall be denominated in shares of One Hundred United States Dollars (US$100) per share.

2. The callable share capital of the Fund shall be at least of fifty per cent of the authorized share capital - US$11.320 billion (Eleven Billion Three Hundred and Twenty Million United States Dollars).

3. The paid-up share capital of the Fund shall be at least fifty per cent of the callable share capital – US$5.660 billion (Five Billion Six Hundred and Sixty Million United States Dollars) denominated in shares of One Hundred United States Dollars (US$100) per share.

4. Every five years, the Board of Governors shall review, by a qualified majority, the allocation of the various capital shares of the Fund. The Fund's capital structure may be reviewed, if necessary and in the manner and conditions agreed by the Board of Governors.

5. On proposal of the Board of Directors, the Board of Governors determines the deadline upon which State Parties are required to make payment of their paid-up share capital.

SECTION 2: SUBSCRIPTION OF SHARES

1. The subscription by States Parties to the Fund shares shall be determined by the provisions under Annex-2 attached to this Statute.
2. A State Party may subscribe to the shares of the authorized capital of the Fund based on its capital subscription allocation specified in Annex-2 attached to this Statute.
3. On the date fixed by the Board of Governors for the end of the first round of subscription of shares, unsubscribed shares may be subscribed by any State Party in a second round of offer for subscription, in accordance with a proportion of allocation approved by the Board of Governors.
4. In case of an increase in the authorized capital of the Fund, the increase shall be shared among the States Parties according to the existing capital subscription formula in Annex-2, unless otherwise stated by the Board of Governors.
5. The shares may not be pledged or encumbered in any manner whatsoever.
6. Each State Party shall subscribe for shares in conformity with the provisions of Article 7 Section 2 (1), (2) and (3), from the date of deposit of its instrument of ratification or accession.

SECTION 3: VOTING RIGHTS

1. Voting rights shall be proportionate to the shares subscribed and paid up by each State Party as specified in Annex-2 attached to this Statute.
2. The application of the voting rights to the decisions of the Board of Governors and Board of Directors shall be according to the provisions of Article 12 and Annex-2 attached to this Statute.

SECTION 4: PAYMENT OF SUBSCRIPTIONS

1. All payment obligations of a State Party concerning the subscription of shares in the initial capital of the Fund shall be denominated in United States dollars (US$) or any other convertible currency.

2. The Board of Governors may, upon the recommendation of the Board of Directors, adjust the currency denomination or proportion of subscriptio in any currency, by States Parties.

3. Payment of paid-up capital initially subscribed by a State Party, as provided for in Section 2 of this Article, shall be paid in whole or in four (4) separate annual instalments of, not less than, twenty-five (25) percent in each instalment. However, the Board of Governors may, in very limited circumstances, in the first round of share offering, permit an extended purchasing period of four (4) years with the total payment period not exceeding eight (8) years as per annex 2

4. The first payment shall be made by each State Party within the first sixty (60) days following the date of entry into force of the Protocol and the Statute, or date of deposit of instrument of ratification or accession in accordance with Article 10 of the Protocol, where such date precedes the date of entry into force. The next instalments shall be due annually as outlined in section 4 (3).

5. On each payment made pursuant to paragraph 4 of this section or on each payment made by a newly admitted State Party, fifty (50) per cent may be in the form of bonds issued by the Government of the State Party and issued in United States dollars or any other convertible currency. The bonds shall be non-negotiable, non-interest bearing and payable to the Fund at their par value on redemption.

ARTICLE 8: **RESOURCES OF THE FUND**

The Fund's resources shall include two categories of assets:

- The ordinary resources; and
- Other resources.

ARTICLE 9: **ORDINARY RESOURCES**

For purposes of this Statute, the term "ordinary resources" of the Fund shall mean:

- the subscribed and the paid-up shares;
- the resources derived from borrowing by the Fund;
- reserves;
- net income from loans and portfolio investments made with the resources referred to in paragraphs a) and b).

ARTICLE 10: **OTHER RESOURCES**

Other resources of the Fund shall include notably:

- special or voluntary contributions from State Parties;
- contributions in the form of grants, donation and similar assistance from other countries or institutions which are not State Parties, in conformity with the Constitutive Act, the Protocol and the Statute;
- grants;
- net income derived from operations of items a) and b);

CHAPTER 4:
OPERATIONS

ARTICLE 11: FUND OPERATIONS

SECTION 1: GENERAL PROVISIONS

1. The Fund shall provide loans, technical assistance and policy advice to State Parties in situations of balance of payments and other macroeconomic problems in accordance with the Rules of Procedures adopted by the Board of Directors;

2. The Fund may grant financial assistance to State Parties upon approval of the Board of Governors;

3. In conformity with the policies and rules approved by the Board of Governors, the Fund shall be authorized to borrow and invest funds not immediately required for its operations in international financial markets and institutions.

4. The Fund shall, at all times, maintain a sound credit rating, be financially independent and operate largely on a self-financing basis.

5. The Fund shall ensure strict compliance with principles of good governance, including principles of integrity and transparency in its financial arrangements and those of its partners. These shall apply to

6. the origins and destinations of capital for all financial transactions of the Fund. The supervisory bodies of the Fund shall ensure effective implementation of this provision.

SECTION 2: TYPES OF OPERATIONS

The Fund's operations shall consist of ordinary operations and special operations.

1. Ordinary operations shall be financed through ordinary resources of the Fund.
2. Special operations shall be funded from other resources of the Fund.

SECTION 3: LIMITS ON ORDINARY OPERATIONS

1. Loans issued to a State Party over a period of twelve months, shall not exceed twice the amount of its paid-up subscription. Outstanding Short, Medium and Long Term loans to a State Party shall at no time exceed three times the amount of its paid-up subscription. The Board of Governors may decide to raise that limit. to four times the amount of the paid-up subscription.

2. The maximum amount of indebtedness of the Fund shall not exceed 200% (two hundred per cent) of the total of the authorized share capital of the Fund. Borrowing shall be effected in conformity with the terms and conditions prescribed by the Board of Directors.

SECTION 4: CURRENCIES

1. The transaction currencies of the Fund shall be the United States Dollars, Euro, and any other convertible currency that may be recommended by the Board of Directors and approved by the Board of Governors.

2. Pending the adoption of an African unit of account, the Fund's unit of account shall be the Special Drawing Rights of the IMF (SDR).

SECTION 5: AREAS OF COOPERATION

1. In achieving its objectives and exercising its activities, the Fund shall earmark resources to building regional and international partnerships and synergies aimed at improving the efficiency of its operations.

2. Within the African continent, the Fund shall maintain working relationships with shareholders and other organs of the Union in achieving its objectives. It shall coordinate its activities with regional and continental institutions, while safeguarding its autonomy and decisionmaking procedures.

CHAPTER 5:
GOVERNANCE AND MANAGEMENT

ARTICLE 12: GOVERNANCE STRUCTURE OF THE FUND

The governance structure of the Fund shall be composed of the Board of Governors, the Board of Directors and the Managing Director.

SECTION 1: THE BOARD OF GOVERNORS

1. The Board of Governors shall be made up of Governors or alternate Governors representing each State Party.
2. The members of the Board of Governors shall be Ministers in charge of Finance or Governors of Central Banks of State Parties;
3. The Board of Governors shall oversee the management of the Fund and shall hold the highest executive powers;.
4. The Board of Governors shall meet at least once a year in ordinary session in accordance with its rules of procedures and shall also be convened upon request, by one half of its members, or by members holding one half of the total voting power, or upon the request of the Board of Directors;
5. The Board shall elect annually from among its members, one of the Governors as its Chairperson, on a regional rotational basis;
6. The Board of Governors shall, among others:

- approve and confirm the nomination of the members of the Board of Directors;
- appoint the Managing Director of the Fund from among the State Parties, other than the Governors or the members of the Board of Directors;
- determine the remuneration to be paid to the members of the Board of Directors and their alternates, and also the salary and terms of the contract of service of the Managing Director;
- adopt its own rules of procedure and the rules of procedure of the Board of Directors;
- recommend amendments to the Protocol and Statute of the Fund; admit new members and determine the conditions of their admission in conformity with Article 6 of this Statute;
- increase or reduce the authorized share capital of the Fund;
- appoint external auditors and decide on their mandate and remuneration;
- consider the solvency position of the Fund and propose to the Assembly, if necessary, the liquidation of the Fund.

7. Decisions of the Board of Governors shall be taken based on the provisions in the Rules and Regulations of the Fund. In case of a tie, the Chairperson of the Board shall have the casting vote. The Rules of Procedures of the Board of Governors shall lay down the conditions for applying this provision.

8. The members of the Board of Governors shall not be remunerated.However, the members of the Board of Governors shall be reimbursed for any costs incurred as a result of attending Board meetings.

SECTION 2: THE BOARD OF DIRECTORS

1. The members of the Board of Directors shall be non-resident except the Managing Director. However, where Fund's operations so require, the Board of Governors may decide to review this Statute as appropriate.

2. The Board of Directors shall be composed of:

- The Managing Director;
- Permanent Members;
- Five (5) Substantive Directors (one per Region), and
- Five (5) Alternate Directors (one per Region).

3. Any State Party with at least 4% voting rights shall be allowed to hold a Permanent seat.

4. The Alternate Directors will be allowed to participate at Board Meetings but will not have voting rights except in the absence of the Substantive Director.

5. All members of the Board of Directors must have proven skills and experiences in economic, financial and monetary matters. They shall not be members of the Board of Governors.

6. The Board of Directors shall meet at least once every quarter and when required upon request by Substantive Directors representing majority of voting rights.

7. The substantive Directors in a Region shall be elected by the Governors of that Region on a rotational basis for a fixed term period of three (3) years, renewable once. However the governors of each Region may, at their discretion, consider extending the term of office of any substantive Director.

8. The Managing Director of the Fund shall also be the Chairperson of the Board of Directors of the Fund.

9. The Board of Directors shall, among others:

- prepare the meetings of the Board of Governors;
- review and approve the administrative structure of the Fund;
- select and appoint Deputy Managing Director of the Fund in conformity with the staff rules and regulations of the Fund;
- develop a staff rules and regulations for the Fund;
- approve the appointments, suspensions and dismissals of the Senior Officials and other staff of the Fund, in accordance with the staff rules and regulations of the Fund;
- determine the remuneration to be paid to the Deputy Managing Director of the Fund and the terms of his contract of service;
- adopt the Code of Conduct of the Fund; take decisions concerning lending conditions and borrowing terms of the Fund;
- consider and approve the annual report and statement of accounts of the Fund;
- approve the conclusion of general cooperation agreements between the Fund and other African or international institutions;
- consider and approve the annual operating budget of the Fund.

10. The Board of Directors shall establish an internal audit committee, and any other committee as appropriate, for the purpose of internal control and compliance in the activities of the Fund.

11. The Board of Directors shall exercise the powers vested in it by the Board of Governors and may delegate all or part of such powers to the Managing Director of the Fund, where necessary, with the exception of those referred to in paragraph 4 of this section.

12. Decisions of the Board of Directors shall be made in conformity with the provisions in the Rules and Regulations of the Fund. Voting rights for the Substantive Directors shall be determined by the total paid-up capital subscription of that region, excluding that of State Parties with permanent seat. The voting rights for State parties with permanent sea shall be determined by their paid-up capital subscription. In the case of a tie, the Managing Director shall have the casting vote. The Rules of

13. Procedure of the Board of Directors shall determine the procedures for implementing this provision.

SECTION 3: THE MANAGING DIRECTOR OF THE FUND

1. The Fund shall be managed and administered by a Managing Director who shall be assisted in his/her duties by Deputy Managing Directors. He/she shall be the Chief Executive and legal representative of the Fund.

2. The Managing Director shall attend the meetings of the Board of Governors and participate in the deliberations but shall not have the right to vote.

3. Under the supervision of the Board of Governors and in collaboration with the Board of Directors, the Managing Director shall be responsible for, inter alia:

- Recruitment, appointment and discipline of the executives and other staff of the Fund, in accordance with the rules and regulations of the Fund;
- Ensure implementation of the Statute of the Fund, as well as, other conventions and decisions of the Board of Governors and Directors of the Fund;
- Prepare the annual budget of the Fund;
- Set up special committees to assist her/him in carrying out the dayto- day administration of the Fund;
- Sign Agreements and Conventions on behalf of the Fund;
- Any other duties that may be assigned by the Board of Governors

4. The Managing Director shall be appointed for a fixed term of four (4) years, renewable once upon approval by the Board of Governors. He/she shall be a national of a State Party to the Protocol and this Statute and shall have proven integrity, relevant competences and experience.

5. The Managing Director may delegate, all or part of his/her duties to the Deputy Managing Director, in accordance with the rules and regulations.

SECTION 4: THE PROVISIONAL ADMINISTRATIVE STRUCTURE OF THE FUND

Pending the commencement of the Fund's operations a provisional administrative structure approved by the Executive Council shall commence with immediate effect.

ARTICLE 13: **CODE OF CONDUCT**

1. In the performance of their duties, the Managing Director of the Fund and any other Fund staff shall not accept nor receive instructions from any government or any authority other than the Fund. They shall refrain from any action likely to compromise their position or conflict with the interestof the Fund.

2. Each State Party shall undertake to respect the exclusive nature of the responsibilities of the Managing Director and any other staff member of the Fund and shall not influence or seek to influence them in the performance of their duties.

3. The Managing Director and the other staff of the Fund shall not, in the discharge of their duties, engage in any other occupation, whether gainful or not. They shall respect the obligations arising there from, and in particular their duty to behave with integrity and discretion and to regulate their conduct with only the interests of the Fund in view, and not to seek or accept instructions from the Government of any State Party or authority external to the Fund.

4. Where the Managing Director of the Fund fails to meet his/her obligations, an ad-hoc committee approved by the Board of Governors shall provide an appropriate report and recommendations for its consideration and decision.

5. Where a Deputy Managing Director of the Fund fails to meet with his/her obligations, the Board of Directors shall take disciplinary action against him/her and provide appropriate justification to the Board of Governors.

6. Where a staff member fails to meet his/her obligations, the internal procedures referred to in the Statute and Staff Rules and Regulations shall be applied. The staff member concerned shall have the right to appeal in accordance with the Staff Rules and Regulations.

CHAPTER 6:
WITHDRAWAL AND SUSPENSION OF MEMBERS, TEMPORARY SUSPENSION AND TERMINATION OF OPERATIONS OF THE BANK

ARTICLE 14: **WITHDRAWAL**

1. Any State Party may withdraw from the Fund by giving the Chairperson of the Board of Directors six months written notice for consideration by the Board of Governors.

2. The withdrawal of a State Party shall become effective, and its participation cease, on the date approved by the Fund. However, before the withdrawal becomes effective, the State Party concerned may at any time notify the Fund in writing that its notice of intention to withdraw is annulled.

3. A withdrawing State Party shall settle with the Fund, all its outstanding obligations and financial commitments. If the withdrawal becomes effective, the State Party shall not be liable for the obligations arising from transactions by the Fund subsequent to the receipt of the notification of withdrawal in accordance with paragraphs 1 and 2 above.

ARTICLE 15: **SUSPENSION OF A STATE PARTY**

1. Where a State Party fails to fulfil any of its obligations towards the Fund the Board of Governors may suspend its voting and borrowing rights.

2. The Board of Governors shall determine the conditions for suspension of a State Party.

ARTICLE 16: **SETTLEMENT OF ACCOUNTS**

1. As of the date of suspension, the State Party shall remain liable for its obligations and other commitments to the Fund, as long as loans contracted before that date remain outstanding.

2. When a State Party ceases to be member, its shares and voting rights shall be sold and redistributed to the other States Parties in proportion to the shares subscribed by each of those States Parties. To this end, the redemption price of those shares shall be the value shown by the books of the Fund at the date on which the shareholder ceased to be a member, the original purchase price of each share representing its maximum value. That shareholder shall also be charged with penalty to be determined by the Board of Governors.

3. Where the Fund terminates its operations pursuant to Article 18 of this Statute, within three (3) months from the date on which a State Party has ceased to be a member, all the rights of the State Party concerned shall be determined in conformity with Articles 19 and 20 of this Statute. The State Party concerned shall be considered as still being a member of the Fund under such articles, but its voting rights shall be withdrawn.

ARTICLE 17: **SETTLEMENT OF ACCOUNTS**

Under exceptional circumstances, the Board of Directors may temporarilysuspend the extension or release of new or existing credit facility to any State Party until outstanding issues are resolved and approved by the Board of Governors.

ARTICLE 18: **TERMINATION OF OPERATIONS**

1. The Fund may terminate its operations following a resolution of the Board of Governors duly adopted by the Assembly of the Union.

2. Upon such termination, the Fund shall cease all activities with the exception of those relating to the orderly realization, conservation and safeguard of its assets and the settlement of its obligations.

3. There shall be an independent liquidator appointed by the Court to administer the termination of the Fund. Pending its establishment, such appointment shall be decided by the Board of Governors.

ARTICLE 19: **LIABILITY OF MEMBERS AND SETTLEMENT OF CLAIMS**

1. In the event of termination of operations of the Fund, the liabilities of all State Parties, including outstanding subscriptions and loans, shall be recovered.

2. All creditors holding direct claims shall first be paid out of the assets of the Fund and then out of payments to the Fund of unpaid or callable subscriptions. Before making any payments to creditors holding direct claims, the Board of Directors shall make such arrangements as are necessary, in its judgment, to ensure a pro rata distribution among holders of direct and contingent claims

ARTICLE 20: **DISTRIBUTION OF ASSETS**

1. In the event of termination of the operations of the Fund, the distribution of assets among States Parties for their subscriptions to the capital of the Fund shall not be made until all liabilities to creditors have been settled or have been subject to appropriate measures. In addition, such distribution must be approved by a majority vote of the Board of Governors in conformity with its Rules of Procedure.

2. After a decision has been taken to distribute the assets of the Fund, as provided for in paragraph (1) above, the Board of Directors may decide subsequently to proceed with the distribution of such assets. Such distribution shall be subject to the prior settlement of all claims not yet paid by the Fund to States Parties.

CHAPTER 7:
STATUS, IMMUNITIES, EXEMPTIONS AND PRIVILEGES

ARTICLE 21: **STATUS**

To enable it to fulfil its purpose and the functions with which it is entrusted, the Fund shall possess full international personality. To this end, it may enter into agreements with members, non-members and other international organisations. Thus, the status, immunities, exemptions and privileges set forth in this chapter shall be accorded to the Fund in the territory of each State Party.

ARTICLE 22: **STATUS IN STATES PARTIES**

On the territory of each State Party, the Fund shall enjoy international personality and, in particular, have full capacity to:

- contract;
- acquire and dispose of movable and immovable property;
- institute legal proceedings.

ARTICLE 23: **PRIVILEGES AND IMMUNITIES OF THE FUND**

The headquarters and other offices of the Fund shall enjoy such privileges and immunities as stipulated in the General Convention, the Vienna Convention on Diplomatic Relations and the Vienna Convention on the Law of Treaties between States and International Organizations or between International Organizations

SECTION 1: PROPERTY, FUNDS, ASSETS AND TRANSACTIONS OF THE FUND

1. The Fund, its property and assets, as well as its offices and buildings, shall enjoy immunity from legal process except to the extent that the Fund has expressly waived in special cases, in accordance with the General Convention. It shall however be understood that the waiver cannot extend to any measure of execution.

2. The property and assets of the Fund, shall be immune from search, requisition, confiscation, expropriation or any other form of executive, judicial or legislative action.

3. The archives of the Fund and, in general, all documents belonging to or held by it, shall be inviolable, wherever located.

4. Without being restricted by any financial control, regulation or moratorium:

- The Fund may hold assets, gold or currency of any kind and have bank accounts in any currency;
- The Fund may freely transfer its assets, gold or currency from one country to another or within any country and convert any currency held by it into any other currency.

SECTION 2: TAX EXEMPTIONS

1. The Fund, its assets, income and other assets shall be exempted from:

- all direct taxes, except taxes or charges that reflect payment for public utilities;
- all customs duties, prohibitions and restrictions on imports and exports in respect of articles imported or exported by the Fund forits official use;
- restrictions on rights to import and export its publications.

2. Even if the Fund does not, in principle, claim exemption from duties and sales taxes included in the price of movable and immovable property, yet when it makes, for its official use, substantial purchases of property whose price includes taxes of this nature, States Parties shall take appropriate administrative measures for the remission or refund of the amount of such duties or taxes.

SECTION 3: COMMUNICATIONS

1. For its official communications and the transfer of all its documents, the Fund shall enjoy in the territory of States Parties, treatment not less favourable than that accorded by States Parties to international organizations and other governments, including diplomatic missions for cables, remote files, telephone, telegraph, telex, fax and other electronic communications, as well as the tariffs charged the media for information through the press or broadcast. The Fund shall also enjoy the same benefits as those granted to international organizations and governments, including diplomatic missions in terms of priority, pricing and taxation of mail. The communications and correspondence of the Fund may not be censored.

2. The Fund shall have the right to use codes and to dispatch and receive correspondence and other documents either by mail or in sealed bags which shall enjoy the same privileges and immunities as diplomatic couriers and bags.

ARTICLE 24: **IMMUNITIES AND PRIVILEGES OF FUND STAFF**

1. The Officials of the Fund who are not citizens of the host country or nationals to whom diplomatic status have been accorded on the discretion of the host country as per Articles 8 (2) and 38 (2) of the Vienna Convention on Diplomatic Relations, 18 April 1961;

- shall enjoy immunity from legal prosecution in respect of words spoken or written and all acts accomplished by them in the performance of their duties;
- shall be exempt from taxation on salaries and emoluments paid to them by the Fund;
- shall be free of any obligation under the national service;
- shall, together with their spouses and dependant relatives, be immune from immigration restrictions as well as aliens registration formalities and finger printing;
- shall enjoy, in respect of exchange facilities, the same privileges as officials of comparable rank of diplomatic missions accredited to the State Party concerned;
- shall enjoy, together with their spouses and dependents, the same repatriation facilities as diplomatic agents in times of international crisis;
- shall have the right to import duty-free their furniture and personal effects at the time of first taking up employment in the State Party concerned.

2. The privileges and immunities shall be granted to officials of the Fund in the interest of the Fund. Such privileges and immunities shall not be granted in the personal interest of those concerned. The Managing Director of the Fund shall have the right and duty to waive the immunity of any official in any case where he considers that such immunity would prevent justice from taking its course and can be waived without prejudice to the interests of the Fund. In the case of the Managing Director and senior officials of the Fund, the waiver of immunity shall be incumbent on the Board of Directors upon approval of Board of Governors.

3. The Fund shall cooperate at all times with the competent authorities of the State Party concerned to facilitate the proper administration of justice, secure the observance of police regulations and prevent any abuse of the privileges, immunities and facilities specified in this article.

ARTICLE 25: **PRIVILEGES & IMMUNITIES OF THE REPRESENTATIVES OF THE STATE PARTIES, THE MEMBERS OF THE GENERAL ASSEMBLY AND THE BOARD OF DIRECTOR**

Representatives of States Parties, members of the Board of Governors and the Board of Directors attending meetings, assemblies and conferences organized by the Fund shall enjoy such privileges and immunities as specified in Article V of the General Convention, in the performance of their functions and during their journeys to and from the venues of such meetings.

ARTICLE 26: **PRIVILEGES AND IMMUNITIES OF THE EXPERTS ON MISSION FOR THE BANK**

Experts (other than the officials mentioned in Article 24) carrying out a mission for the Fund shall, for the duration of the mission, including travel imposed by the mission, enjoy the privileges and immunities as are necessary to exercise their duties independently in accordance with the provisions of Article VII of the General Convention.

CHAPTER 8: MISCELLANEOUS PROVISIONS

ARTICLE 27: MODE OF COMMUNICATION WITH MEMBER COUNTRIES AND DEPOSITORIES

1. Each State Party shall indicate an appropriate official entity with which the Fund can communicate on any matter concerning the Fund.
2. The Fund shall have a comprehensive communication strategy for its activities.
3. The Fund may keep its holdings with depositories determined by the Board of Directors.

ARTICLE 28: PUBLICATION OF THE PROTOCOL AND THE STATUTE ANNEXED TO THE PROTOCOL,DISSEMINATION OF INFORMATION AND REPORTS

1. The Fund shall make the text of the Protocol and the Statute and all important documents available in all working languages of the Union.
2. States Parties shall provide the Fund with any information it may request from them to facilitate the conduct of its operations.
3. The Fund shall publish and communicate to its members an annual report containing an expert's appraisal of the situation of its accounts, and forward, at maximum intervals of three months, a summary statement of its financial position and a profit and loss statement showing the results of its operations.
4. The Fund may publish any report as it deems desirable for the accomplishment of its mission and forward it to its members.
5. The Fund shall prepare and submit an annual report on its activities to the Assembly through the Executive Council.

ARTICLE 29: COMMENCEMENT OF OPERATIONS OF THE FUND

1. Upon entry into force of the Protocol and the Statute, each State Party shall appoint a representative, and the Chairperson of the Commission shall convene the inaugural meeting of the Board of Governors.
2. The Fund shall commence operations upon payment of at least 25 per cent of the paid-up capital.
3. The Fund shall notify States Parties of the date of commencement of its operations.
4. The Provisional Administrative Structure referred to in Article 12, Section 4 shall cease to exist on commencement of the Fund's operations.

ARTICLE 30: SETTLEMENT OF DISPUTES

Any dispute arising from the interpretation and application of the Statute shall be resolved amicably within a time limit of one (1) year. Failing which, the dispute shall be referred to the Court. Pending its establishment, such matters shall be submitted to the Assembly of the Union, which shall decide by a two-thirds majority.

CHAPTER 9: TRANSITIONAL AND FINAL PROVISIONS

ARTICLE 31: TEMPORARY DOMICILE OF THE RESOURCES OF THE FUND

The resources of the Fund shall be domiciled at the African Development Bank or any other credible Continental financial institution approved by the Board of Governors pending the commencement of operations of the African Central Bank.

ARTICLE 32: ENTRY INTO FORCE

This Statute and its Annexes it shall enter into force thirty (30) days after the deposit of the fifteenth instrument of ratification.

ARTICLE 33: AMENDMENT AND REVISION

1. This Statute may be amended or revised by the Decision of the Assembly.

2. Any State Party or the Fund may propose, in writing to the Chairperson of the Commission, any amendment or revision to the Statute.

3. Amendments or revisions shall be adopted by the Assembly and submitted, for ratification, to all Member States, in compliance with their respective constitutional procedures. They shall enter into force thirty (30) days after the deposit of the fifteenth instrument of ratification.

ARTICLE 34: ANNEXES TO THE STATUTE OF THE FUND

The Annexes to this Statute shall include:

1. List of African Union Member Countries;
2. Capital subscriptions and voting rights.

ANNEX 1

LIST OF AFRICAN UNION MEMBER STATES

Algeria	Eq. Guinea	Mauritania	The Sudan
Angola	Eritrea	Mauritius	Swaziland
Benin	Ethiopia	Mozambique	Tanzania
Botswana	Gabon	Namibia	Chad
Burkina	Gambia	Niger	Togo
Burundi	Ghana	Nigeria	Tunisia
Cameroun	Guinea Bissau	Rwanda	Uganda
Cape Verde	Guinea	Sahraouian Arab Democ. Rep.	Zambia
Central African Republic	Kenya	Sao Tome & Principe	Zimbabwe
Comoros	Lesotho	Senegal	
Congo	Liberia	Seychelles	
Congo DR	Libya	Sierra Leone	
Cote d'Ivoire	Madagascar	Somalia	
Djibouti	Malawi	South Africa	
Egypt	Mali	South Sudan	

ANNEX 2

CAPITAL SUBSCRIPTION CALCULATION FOR THE AFRICAN MONETARY FUND

1. DEFINITIONS OF CAPITAL

1.1 AUTHORIZED SHARE CAPITAL

The authorized capital is the maximum amount of share capital that the Fund shall be authorized by its statutory documents to issue to shareholders (State Parties). It is the highest limit of the amount that could be issued as shares to State Parties throughout the existence of the Fund, except when amended by the approval of the Board of Governors. The Fund would not operate its business with the amount as high as the authorized capital because it is above it current requirement but it represent a future limit to the amount that can be subscribed by State Parties. Therefore the Fund shall not issue the whole of its authorized capital during the life of its operation.

1.2 SUBSCRIBED SHARE CAPITAL

The subscribed capital of the Fund shall be the amount of capital agreed by the State Party to contribute in response to the call of the Fund. This shall not be the amount that is required to be paid by the State Party to the Fund but represent the commitment of the State Party to avail the Fund of any proportion of such amount as at when requested.

1.3 CALLABLE SHARE CAPITAL

The callable capital is that portion of subscribed capital subject to call by the Fund only as and when required to meet its obligation. In the event of a call, payment shall be made by the State Party to the Fund to enable it discharge the obligation for which the call is made.

1.4 PAID-UP SHARE CAPITAL

The paid-up capital of the Fund shall be the amount that is required to be paid by State Parties to be shareholders of the Fund and to enable the Fund carry out its activities.

2. DEFINITION OF VARIABLES

1.5 TOTAL EXTERNAL DEBT

Total external debt is debt owed to nonresidents repayable in foreign currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. Data are in current U.S. dollars.

1.6 TOTAL EXTERNAL RESERVES (INCLUDES GOLD, CURRENT US$)

Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. Data are in current U.S. dollars.

1.7 **GDP**

GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used.

1.8 **BALANCE OF PAYMENT**

Current account balance is the sum of net exports of goods, services, net income, and net current transfers. Data are in current U.S. dollars.

1.9 **POPULATION**

Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin. The values shown are midyear estimates.
All series are averaged (annually) over the considered period.

3. CAPITAL SUBSCRIPTION CALCULATION

The shares of Capital subscriptions for the AMF are determined using the following procedures:

1. For each State Party, the share of capital subscription (Scs_i) is determined taking into account the GDP and Population of the State Party using the following formula:

$$Scs_i = 100 \times \left[0.5 \times GDP_i \Big/ \sum_{j=1}^{n} GDP_j + 0.5 \times Pop_i \Big/ \sum_{j=1}^{n} Pop_j\right]$$

considering that the weight allocated to each variable is summed-up to 100 percent.

2. The Capital Subscription (CS) of the Fund is determined as a percentage (p_1) of the Authorized Capital (AC) as followed: **$CS = p_1 \times AC$**
   This percentage (p_1) is assumed varying from 75% - Low hypothesis – to 100% - High hypothesis.

3. For each State Party, the Capital Subscription is determined as followed: **$CSi = Scs_i \times p \times AC$**

4. The **Authorized Capital (AC)** is determined as a percentage of an estimate of the annual average of BOP deficit balances over a period – in current prices US$ of all member states of the African Union. This percentage is assumed varying from 75% - Low hypothesis – to 100% - High hypothesis.

5. The **Callable Capital(CC)** is determined as a percentage (p2) of the Capital Subscription. This percentage (p_2) is assumed varying from 50% - Low hypothesis – to 75% - High hypothesis.
   For each State party, the Callable Capital is determined using the following formula: **$CC_i = P_2 \times CS_i$**

6. The **Paid-up Capital (PC)** is then determined as a percentage (p_3) of an estimate of the Callable Capital. This percentage (p_3) is assumed varying from 50% - Low hypothesis – to 75% - High hypothesis. For each State party, the Paid-up Capital is determined using the following formula: **$PC_i = P_3 \times CC_i$**

The above procedure is followed in order to reduce the degree of skewedness of distribution to the minimum amongst the member states of the Fund and also to minimize the direct financial effect on member states. In this regards, each member state contribution is less than 0.625 percent of its 9 years average annual GDP. The burden of payment is further reduced by the annual installment where each member state pays about 25 percent of its required paid-up capital annually.

Authorized Share Capital is determined taking into account the annual balance of payment average deficit/surplus during 2000 and 2008 period, evaluated to US$30.19bn. Required Callable Share Capital and paid-up capital are determined as in the Table 1 above. Table 2 and Table 3 present alternative scenarios.

Average BOP (a)	30.19
Authorized Capital (75% of (a)) (b)	22.64
Callable Capital (50% of b) '(c	11.32
Total Required Paid-up Capital (50% of c) '(d)	5.66
Number of voting rights	500,000

Country	Capital Subscription	Callable Capital (Total)	Paid-up Capital (Total)	Voting Rights	VotingRights (Total)
	%	US$ BN	US$ BN	(%)	Number
Algeria	4.59	0.520	0.260	4.59	22,949.06
Angola	2.31	0.261	0.131	2.31	,549.06
Benin	1.28	0.145	0.072	1.28	6,399.06
Botswana	1.26	0.143	0.071	1.26	6,299.06
Burkina Faso	1.47	0.166	0.083	1.47	7,349.06
Burundi	1.17	0.132	0.066	1.17	5,849.06
Cameroon	1.89	0.214	0.107	1.89	9,449.06
Cape Verde	0.99	0.112	0.056	0.99	4,949.06
Central AfricaRep.	1.10	0.124	0.062	1.10	5,499.06
Comores	0.97	0.110	0.055	0.97	4,849.06
Congo	1.20	0.136	0.068	1.20	5,999.06
D.R.Congo	2.79	0.316	0.158	2.79	13,949.06
Côte d'Ivoire	1.90	0.215	0.108	1.90	90 9,499.06
Djibouti	0.99	0.112	0.056	0.99	4,949.06
Egypt	6.12	0.693	0.316	6.12	30,599.06
Equatorial Guinea	1.31	0.148	0.071	1.31	31 6,549.06
Eritrea	1.10	0.124	0.062	1.10	5,499.06
Ethiopia	3.41	0.386	0.193	3.41	17,049.06
Gabon	1.21	0.137	0.068	1.21	6,049.06
Gambia	1.00	0.113	0.057	1.00	4,999.06
Ghana	1.84	0.208	0.104	1.84	9,199.06
Guinea-Bissau	0.99	0.112	0.056	0.99	4,949.06
Guinea	1.31	0.148	0.074	1.31	6,549.06
Kenya	2.50	0.283	0.141	2.50	12,499.06
Lesotho	1.03	0.117	0.058	1.03	5,149.06
Liberia	1.05	0.119	0.059	1.05	05 5,249.06
Libya	2.35	0.266	0.133	2.35	11,749.06
Madagascar	1.60	0.181	0.091	1.60	7,999.06
Malawi	1.40	0.158	0.075	1.40	6,999.06
Mali	1.41	0.160	0.080	1.41	7,049.06
Mauritania	1.08	0.122	0.061	1.08	5,399.06
Maritus	1.15	0.130	0.065	1.15	5,749.06

Country	Capital Subscription	Callable Capital (Total)	Paid-up Capital (Total)	Voting Rights	VotingRights (Total)
	%	US$ BN	US$ BN	(%)	Number
Mozambique	1.69	0.191	0.260	0.096	8,449.06
Namibia	1.18	0.134	0.131	0.067	5,899.06
Niger	1.40	0.158	0.072	0.079	6,999.06
Nigeria	7.94	0.899	0.071	0.449	39,699.06
Rwanda	1.27	0.144	0.083	0.072	6,349.06
Sao-Tome	0.95	0.108	0.066	0.054	4,749.06
Senegal	1.49	0.169	0.107	0.084	7,449.06
Seychelles	0.97	0.110	0.056	0.055	4,849.06
Sierra Leone	1.12	0.127	0.062	0.063	5,599.06
Somalia	1.35	0.153	0.055	0.076	35 6,749.06
South Africa	8.05	0.911	0.068	0.456	40,249.06
South Sudan	0.57	0.064	0.158	0.032	2,829.81
Sudan	2.26	0.256	0.108	0.128	11,319.25
Swaziland	1.04	0.118	0.056	0.059	5,199.06
Tanzania	2.41	0.273	0.316	0.136	12,049.06
Chad	1.35	0.153	0.071	0.076	6,749.06
Togo	1.17	0.132	0.062	0.066	5,849.06
Tunisia	2.03	0.230	0.193	0.115	10,149.06
Uganda	2.00	0.226	0.068	0.113	9,999.06
Zambia	1.48	0.168	0.057	0.084	7,399.06
Zimbabwe	1.57	0.178	0.104	0.089	7,849.06
SahrawiArabRep	0.95	0.108	0.056	0.054	4,749.06
Total	**100,00**	**11,320**	**5,660**	**100,00**	**500 000,00**

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