

## **MONETARY CO-OPERATION PROGRAM OF NORTHERN AFRICA SUB-REGION**

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Governors of member Central Banks of the Northern Africa sub-region (Algeria, Egypt, Libya, Mauritania, Sudan and Tunisia) held their first meeting on the Monetary Co-operation Program in Cairo, on December 21, 2003. The meeting aimed at achieving a more organised monetary co-operation through a harmonisation of monetary and economic policies within the sub-region, and ultimately macro-economic convergence in the longer term.

In line with the AACB African Monetary Co-operation Programme, Governors agreed on the following macroeconomic convergence criteria to be observed by year 2008, in order to remove macroeconomic disharmonies that may exist within the sub-region.

### **1. - Primary Criteria**

- Overall budget deficit (excluding grants)/GDP < 10 %.
- Annual inflation rate < 9%.
- Central Bank credit to finance budget deficit < 10% of previous year's tax revenues.
- External reserves as months of imports  $\geq$  3 months.

### **2. - Secondary Criteria**

- Elimination of domestic and external arrears and non-accumulation of new arrears.
- Maintenance of real exchange rate stability.
- Maintenance of positive real interest rates.
- National saving / GDP  $\geq$  15 %.
- Public investment financed by domestic resources / tax revenue  $\geq$  20%.
- External and domestic debt / GDP  $\leq$  100%.

### **3. - Other Criteria**

- Modernisation and harmonisation of payment, clearing and settlement Systems.
- Application of international standards and codes on banking and financial supervision.

- Liberalisation of remaining exchange controls to promote capital movements.
- Promotion of co-operation among the stock exchange and securities regulators within the sub-region.

During the meeting, it was suggested to add to primary criteria, a criterion related to the ratio of debt service / GDP as an important indicator. Governors also stressed that the preliminary criteria should be realistic and applicable on a gradual basis (stages) and in accordance to the time set by the African Union taking into consideration the prevailing ratios in the member countries. Most of them agreed that the criteria were acceptable except for Bank of Sudan who had some reservations relating to the secondary criteria.

