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**Statement by Mr. Jin and Mr. Huang on Central African Economic and Monetary
Community
(Preliminary)
Executive Board Meeting 21/117
December 10, 2021**

We thank staff for the informative report and Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Nguema-Affane for their helpful Buff statement. The pandemic crisis has had a long-lasting impact on the CEMAC's economy. Despite a recent more favorable external environment, the region's external position continues to deteriorate. The net foreign assets (NFA) of the regional central bank fell, with targets missed and regional policy assurances not implemented. Looking forward, we agree with staff that a tighter policy mix, together with structural reforms to enhance the competitiveness, is essential to preserve the region's external stability and safeguard the IMF-supported programs. We broadly agree with the thrust of staff's appraisal and would like to limit our comments to the following for emphasis.

We agree with staff that fiscal policy should balance the need of ensuring sustainability and the requirement of supporting recovery. A growth-friendly fiscal consolidation focusing on raising non-oil revenue would be key in this regard. The CEMAC Commission's recent commitment on enhancing monitoring on tax policy and supporting the regional framework for customs procedures is welcome. We encourage the authorities to wisely use the fiscal space created by the rescheduled repayment of statutory advances. The priorities should be given to replacing more expensive domestic financing and raising much-needed growth-enhancing investments. Regarding the use of SDR, while saving the allocation in the regional central bank could help to strengthen the regional external position, some countries are facing severe liquidity constraints. Countries' specific circumstance should be taken into account when weighing the pros and cons of saving or using the SDR.

Given the region's weak external position, the monetary policy needs to be tight. We see merit in the BEAC's recent decision to increase the policy rate and accelerate liquidity

absorption. The policy might need to be tightened further, should the reserves continue to decline. We take note of staff's policy suggestions on normalizing the liquidity management framework. A few banks' structural dependence on BEAC's liquidity injections is a long-standing issue that needs to be solved. A well-calibrated strategy is needed to gradually limit these banks' access to standard weekly liquidity window, without threatening financial stability. Supportive measures should be in place to avoid a sudden liquidity drain in these banks, such as emergency liquidity assistance and recapitalizing plans.

The vulnerabilities in the financial sector warrants close monitoring and swift actions.

We note with concern that the number of banks in compliance with all prudential ratios dropped from 17 to 14 out of 50. *Could staff elaborate more on the main reasons behind this slow progress in regulatory compliance and how the on-going and future Fund-supported programs could help in this front?* Like staff, we encourage the authorities to step up their efforts to implement the bank resolution framework, strengthen the risk-based supervision, and enhance the institutional capacities for better regulation. The recent progress made in setting up the credit bureau and making the regional financial inclusion strategy is welcome, and more should be done to further facilitate access to financial services.

Finally, we welcome the region's recent commitment made in the CEMAC Heads of States summit to accelerate structural, transparency, and governance reforms. We look forward to the implementation of these much-needed reforms on both the regional and national level.

With these remarks, we wish the authorities all the best in their future endeavors.