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**Statement by Ms. Senich and Mrs. Rao on Central African Economic and Monetary  
Community  
(Preliminary)  
Executive Board Meeting  
December 10, 2021**

We thank staff for the report and Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Nguema-Affane for the comprehensive Buff statement. The second phase of the regional strategy and the resumption of Fund program engagements come at a critical time. Despite a rebound in global growth and increasing oil prices, CEMAC's external position has deteriorated dramatically. **This development underscores the importance of regional and national authorities delivering ambitious reform programs aimed at restoring external and internal stability with the support of Fund engagement and lending.**

**We remain concerned that the deterioration in external regional reserves represents a risk to CEMAC's stability.** We concur with staff that achieving the regional policy assurances for the updated NFA accumulation target is critical to allow the continuation or approval of new Fund programs. We echo staff's recommendation that, given low level of external reserves, countries with stronger fiscal positions and better market access should save a significant share of their SDR allocation to strengthen CEMAC's external position. Further, CEMAC's ability to achieve its reserve targets appears to hinge on its access to external financing, particularly multilateral and bilateral budget support. We strongly urge close coordination among regional and national authorities, Fund staff, and the MDBs about the prospects for MDB support for member state programs. We commend the authorities' advancement in strengthening their liquidity management framework and we also welcome progress in consultations with extractive industries on the implementation of foreign exchange regulations.

**It will be critical for the authorities to implement fiscal consolidation in a manner that safeguards growth and efficient social spending to restore external sustainability and put public debt on a downward trajectory.** While we acknowledge the authorities' desire

to reduce the risk of advance repayment default and its impact on the central bank's balance sheet, we urge the authorities heed staff's guidance and limit the fiscal impact of the newly rescheduled statutory advances. We also underscore that countries with sufficient fiscal space under Fund programs should adhere to their original repayment schedules so as to reaffirm their commitment to end monetary financing. We support the modernization of tax administrations along with the efforts to broaden the tax base across CEMAC to bolster revenue mobilization and support external debt sustainability. Staff note that reducing vulnerability to oil price volatility should be a priority. In this context, *we would welcome staff views on the prospects of creating a region-wide framework to capture excess oil revenues and rebuild buffers.*

**We urge the authorities to redouble their focus on addressing financial sector weakness,** and we echo staff's emphasis on increasing financial transparency and addressing the high level non-performing loans. We note that BEAC continues to enforce foreign exchange regulations. *Could staff elaborate on the conditions needed to eventually remove repatriation and surrender requirements, or if they envisage this as a permanent policy?*

**Regional and national authorities must demonstrate political will and tackle longstanding vulnerabilities to usher in higher and more inclusive growth.** In this context, we welcome the CEMAC Heads of State's commitment to decisive implementation of structural, transparency, and governance reforms. We note that many reforms in this area are cost-neutral and can be prioritized despite a constrained fiscal environment.