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**Statement by Mr. Herrera and Ms. Bustillo on Central African Economic and Monetary
Community
(Preliminary)
Executive Board Meeting
June 30, 2021**

We thank staff for the informative report and Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Nguema-Affane for their helpful Buff statement.

Central African Economic and Monetary Union (CEMAC) countries remain deeply affected by the impact of the COVID-19 pandemic. The policy response from national and regional authorities, reinforced by emergency assistance from international institutions, helped alleviate the economic impact of the pandemic compounded by a fall in oil prices. While economic growth is expected to moderately recover in 2021, the outlook remains highly uncertain, dependent on the evolution of the pandemic, and the implementation of vaccination programs. Security concerns and reform implementation challenges add greater uncertainty. Given CEMAC countries' still large financing needs, limited policy space, and vulnerable social conditions, external financing is critical. As indicated by Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Nguema-Affane in their Buff statement, continued Fund engagement is necessary for sustaining reforms and mobilizing additional external support.

Fiscal policy should prioritize cushioning the impact of the pandemic on households, while supporting an improvement in the region's external and debt sustainability. As the crisis abates, fiscal adjustment will be necessary to limit debt vulnerabilities. We agree with staff on focusing on revenue mobilization, in particular greater reliance on non-oil revenue and broadening the tax base as well as improvements in customs administration. Progress in the implementation of government domestic arrears repayment plans is also essential.

We agree with staff that the Bank of Central African States (BEAC) should prioritize improving the weak regional external position and ready to tighten monetary policy to

support reserves accumulation. To this end, data-driven monetary policy is critical to support reserve accumulation. Like staff, we believe on the need to recalibrate liquidity management to assist monetary transmission and foster the development of the interbank market. Moreover, we take positive note that the central bank will finalize implementation of the operationalization of the Treasury single accounts (TSAs) that will also strengthen monetary management.

BEAC efforts for stricter enforcement of the foreign exchange regulations are reassuring. With respect to companies in the extractive sector, their compliance with FX regulations will be critical to the build-up of reserves. In this regard, as mentioned in the Buff statement, the BEAC is finalizing a proposal whereby oil and mining companies will be able to hold foreign currency accounts in CEMAC. *We would welcome staff comments.*

We encourage efforts at preserving financial stability while developing a strategy to phase-out the temporary easing of prudential regulations. As noted by staff, it is important to monitor lending and asset quality developments and gradually ensure banks' compliance with prudential standards and a reduction in NPL levels. Moreover, we welcome COBAC intent to accelerate banks resolution procedures, as well as closely monitor and limit the sharp increase in bank's exposure to sovereign risk in 2020.

On the reform agenda, we welcome the broad support for the regional strategy at the CEMAC tripartite meeting in May 2021 and the consensus that the second phase of should focus on growth and development and coordination of policies, including through Fund-supported programs. As significant challenges remain going forward, staff's view in Annex I on the lack of buy-in, including at the highest level, on a strong and focused reform agenda is concerning. *We welcome further staff elaboration.*

With these comments, we wish the authorities every success in their future endeavors.