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June 28, 2021

**Statement by Mr. Palei and Mr. Shestakov 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. We broadly agree with staff's appraisal. The COVID-19 pandemic threatens to undermine CEMAC's growth potential, and outlook remains uncertain and subject to downside risks of commodity price shocks, security tensions, and political instability. The uneven pace of the global economic recovery, to a large extent due to the lack of access to vaccines, represents another major risk for the region. Going forward, it is critical to continue build up fiscal capacity, strengthen the monetary policy transmission mechanism, and advance inclusive economic growth through structural reform agenda in accordance with the regional strategy.

The regional authorities' policy response helped to mitigate the impact of COVID-19 outbreaks, but policy space to further support the recovery is limited. We agree with staff that a careful balance should be found between domestic revenue mobilization efforts and preserving essential expenditures. The planned unwinding of fiscal support should be data driven. Gradual fiscal retrenchment should take into the account available policy space, which is different across the CEMAC members. We note that support from the Fund, both in terms of emergency assistance, and as a debt relief under the CCRT, addressed some urgent balance of payments needs in the region.

Improved BEAC's liquidity management would help strengthen monetary policy transmission mechanism. We agree with staff that resumed absorption operations would help to develop the interbank market and improve banks' liquidity management. Another important step is full operationalization of the Treasury Single Accounts for CEMAC countries, which is expected to be achieved by end-2021. In the area of macroprudential regulation we welcome proposals for improving capacity of the COBAC, application of bank resolution framework, and support for NPL reduction.

Structural reform agenda should be advanced over the medium term to put the region firmly on a sustained recovery path. Regional strategy should aim to implement structural, as well as transparency and governance reforms, to speed up economic growth. Improved business climate and stable security environment may create additional room for economic growth through private sector participation. Severity and frequency of climate disasters may well increase, so it is critical to account for contingency spending in fiscal framework, as well as improving infrastructure to avoid the buildup of climate change adaptation costs. Significant important steps have been made in areas of regional financial inclusion. The prospective Fund programs with Cameroon, Chad, and Gabon, as well as future engagement with the Central African Republic and Equatorial Guinea, could contribute to the authorities' efforts in facing challenges ahead.

With these remarks we wish the CEMAC regional authorities all the success.