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

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

The report correctly depicts a challenging picture for the CEMAC region, with weakened internal and external buffers due to the global pandemic, although an incipient recovery is taking hold against the backdrop of a more benign external environment. The region has registered significant losses in the economic and social achievements of the recent past. While higher oil prices bode well for a regional recovery in the near term, downside risks from a difficult security situation and possible new waves of the pandemic could easily derail it. Nonetheless, final outcomes, particularly over the medium term, will depend to a large extent on the CEMAC governments' and regional authorities' decisions and actions. We therefore welcome the reassurances given in the BUFF statement of the authorities' commitment to the regional strategy while recognizing the need to maintain realism in setting policy goals. At the same time, we strongly support staff's call for urgent implementation of long-lasting fiscal, governance, transparency, and business climate reforms. In this regard, the prospective Fund-supported programs with Cameroon, Chad, and Gabon and improved performance of programs with the Central African Republic and Equatorial Guinea are positive developments.

We concur with staff that fiscal and monetary policies should be geared toward rebuilding external buffers but caution against premature tightening. Fiscal and external positions continue to show significant differences among CEMAC member countries and, therefore, readiness for rolling back support seems uneven. On the positive side, inflation remains generally subdued and the recent uptick in international reserves is reassuring while compliance with repatriation of foreign reserves remains partial. An appropriate balance, therefore, must be struck between short-term policy support needs and medium-term fiscal

consolidation goals. That said, we welcome progress in implementing the Treasury Single Account (TSA) as it will not only increase transparency and efficiency in public financial management but also facilitate monetary policy operations. We also agree with staff on the need to strengthen audit processes at the BEAC. This is important for BEAC's credibility and efficiency, especially following the non-compliant payment under the refinancing facility and in view of the safeguard's requirements attached to Fund-supported programs. Although the BEAC missed the policy assurance target on net foreign assets, we take positive note of the corrective measures taken to address this underperformance.

As banking sector risks and vulnerabilities have risen, actions to preserve financial stability merit fuller attention. Limiting the bank-sovereign nexus must remain a key policy goal. Direct budget financing by BEAC should be avoided and we support staff's recommendation to curtail the purchase of government securities. However, the speed at which liquidity needs abate—both because of the course of the pandemic and availability of liquidity from external sources—will play an important role. In addition, increased dependence by domestic banks on BEAC for their liquidity needs could contribute to an adverse assessment of the strength of domestic banking systems. *While a gradual combination of liquidity absorption operations with 12-month liquidity injections would contribute to better managing maturity mismatches as suggested by staff, we wonder whether the adoption of targeted prudential rules could help address maturity mismatches as well. Staff comments are welcome.*

Early discussions on the possible use and accounting of the upcoming SDR general allocation seem reasonable but this should be conducted carefully. The regional authorities' early indications about the possible use of new SDRs will most likely need to be sanctioned by national governments and consider the outlook which is subject to a high level of uncertainty.

Finally, we welcome BEAC's completion of the diagnostic phase for developing a regional financial inclusion strategy. The finalization and implementation of this strategy will contribute to enhancing growth inclusiveness. Economic diversification will not only contribute to the broadening of the tax base, help CEMAC countries become less dependent on donor support and less subject to the whims of oil prices, but also help improve the population's living conditions.

With these remarks we wish the CEMAC region authorities success in their reform efforts.