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June 28, 2021

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

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

The pandemic has adversely impacted CEMAC's growth and clouded the outlook. The national and regional authorities' decisive response coupled with IMF's emergency assistance, helped contain the virus and mitigate the economic fallout from the pandemic. These notwithstanding, the recurring wave continues to stall macroeconomic stability and growth in region suffering structural rigidities and downside risks, including vaccine production and supply constraints, and security situation. Imbalances have widened and financing needs elevated with rising public indebtedness. In this regard, we broadly concur with staff's appraisal and policy recommendations and offer the following points for emphasis.

Robust revenue mobilization remains key to restrain recourse to non-concessional borrowing while ensuring regional debt sustainability. While some countries have adhered to the arrear's clearance strategy, broadening the CEMAC tax base would complement such efforts and forestall forced and disruptive fiscal adjustments. We agree with need to negotiate programs and encourage authorities to initiate new Fund-supported programs in countries where past Fund-arrangements have expired like Cameroon, Congo, Chad, and Gabon. Resuming off-track Fund-supported programs in Central African Republic and Equatorial Guinea would support these efforts, including by catalyzing donor support to the region. *Could staff comment on the expected timelines to secure IMF financing for these countries and any likely major hurdles on the way?*

Relatedly, implementing the regional strategy remains crucial to address the continuing crisis in the community. We see room for a stronger synergy in these countries and urge the authorities to put in place a robust system before the general allocation of the SDRs;

operationalize the Treasury Single Account (TSA); and avoid prolonged debt restructuring, with negative implications.

We welcome the Bank of Central African States' (BEAC) stance to suspend temporary government securities purchases. These measures notably strengthened the capital market and created the space needed to meet government financing needs without resorting to monetary financing. Going forward, it is crucial to reorient monetary policy towards addressing weak external position and tightening the policy, if warranted. We welcome the authorities' efforts toward meeting the NFA policy assurances, which were previously missed due to the challenging COVID-19 environment.

Enforcing the foreign exchange regulations by the BEAC would strengthen external reserves and bolster the region's external position. It will also adapt liquidity management to absorb excess bank liquidity, strengthen monetary policy transmission, and stimulate development of the interbank market. We urge the authorities to strengthen the foreign exchange repatriation regulations for more reserve accretion while addressing any implementation drawbacks to comply with the agreed regulations. We note that BEAC expects to finalize and communicate the adaptations to the extractive sectors, including a determination of the share of exports receipts to be repatriated, which should lead to higher repatriation of export proceeds and support NFA accumulation. We positively note that processing times for FX transfers outside of the monetary zone has reduced and FX surrendering levels are satisfactory, though repatriation compliance of deposits held by public entities abroad remains difficult to assess.

Strengthening the banking sector remains crucial in CEMAC countries. We welcome the efforts of the Central African Banking Commission (COBAC) to strengthen the banking sector, including the ongoing work to implement the risk-based supervision framework, reduce NPLs, improve oversight and asset quality, and enhance resolution framework. We support the relaxation of prudential measures taken in 2020 to cushion the impact of the crisis on the financial sector by end-2021 once credit recovers to pre-crisis level and financial stability is restored. *We would welcome staff's comments on the factors hindering banks' compliance with prudential, governance and risk management requirements.*

Finally, we encourage stronger focus on structural, transparency, and governance reforms to lay the basis for a diversified, inclusive, and sustainable growth. Addressing equity concerns and strengthening business environment, employment, anti-corruption work, and regional stability rank high on the agenda. We support the call on CEMAC regional institutions and the national authorities to fundamentally transform the region by implementing prudent policies needed to ensure the union's convergence. Strong coordination and clear community strategy to anchor the regional agenda would be helpful. We look forward to outcome of the authorities' policy assurance on NFAs, which aims to ensure the continuation and approval of new facility envisaged under the Fund-supported programs with CEMAC.