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June 17, 2022

**Statement by Mr. Palotai, Mr. Just, and Mr. Samuda on Central African Economic and Monetary Community
(Preliminary)
Executive Board Meeting
June 22, 2022**

We thank staff for the good report and broadly concur with their policy advice. We also thank Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Nguema-Affane for their insightful Buff statement.

We note with concern CEMAC's very low reserve levels and net foreign assets despite the SDR allocation, tightening monetary policy and the availability of Fund financing. We urge national CEMAC authorities to comply with policies at the regional level to sustain the peg. *Some insight by staff on the appropriate use of the SDR allocation – mirroring the CEMAC national authorities would be welcome.*

As high oil and commodity prices could help most CEMAC countries rebuild reserve buffers, they should address underinvestment to avoid a contraction in the oil sector as well as reduce oil subsidies, which could erode the positive impact of higher revenues and complicate BEAC's monetary policy if there is insufficient pass through.

Furthermore, risks and uncertainties remain substantial, especially with regards to inflation pressure stemming from rising global energy and food prices, global financial tightening as well as the still very low vaccination rates in the region. Support to vulnerable groups needs to be tightly targeted considering CEMAC's already limited fiscal space.

Furthermore, **we caution about the risks around crypto assets.** We reiterate our call against the adoption of crypto currencies as legal tender, in particular in currency unions. In this vein, we welcome COBAC's decision prohibiting the use of cryptocurrencies by entities under its remit. *We would appreciate further insight by staff how the adoption of a crypto currency by CAR will impact the regional strategy and regional policy assurances.*

We positively note the narrowing of the overall fiscal deficit to 2 percent of GDP and the decrease of public debt in the region. BEAC has taken action to anchor inflation expectations and has reduced liquidity injections substantially. BEAC's bonds bought during the

pandemic bear risks that need to be addressed. In this vein, we welcome the broadening of the investor base for government securities on the regional securities market, provided that those are not predominantly domestic banks. *Comments by staff on a sovereign-bank nexus are appropriated.*

We recognize that capacity constraints slow down progress in PFM reforms, but echo staff's **call on the authorities to continue fiscal prudence and stay committed to necessary structural reforms and the implementation of the Heads of State summit recommendations.**

Against this background, we welcome that all six CEMAC countries have arrangements with the Fund or are implementing a staff-monitored program.