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

We thank staff for the informative report and Messrs. Andrianarivelo, N'Sonde and Nguema-Affane for their helpful Buff statement. We see risks of a muted recovery in the CEMAC region, in light of low vaccination levels, vulnerability to external shocks and security risks. With higher public debt levels and a sharp decrease in external reserves, CEMAC countries face difficult policy trade-offs. We encourage the authorities to prioritize health spending and pursue policies that strike a balance between external stability and supporting the recovery. We offer the following specific comments:

- **Given an overall weak reserve position and dire economic conditions, we see merit in standing ready to increase interest rates in the event reserves reverse their upward trend after reaching a low in March.** In this context, we appreciate that consultations with the extractive industry have moved forward on the implementation of FX sector regulations, according to what staff indicated in para 20, and we encourage BEAC to keep a close dialogue going. We continue to encourage the counterparties to find a working solution to mitigate adverse effects of these regulations on foreign investment, particularly in the oil sector, which would be detrimental to economic growth prospects.
- **We encourage the authorities to develop financial and capital markets.** We see scope for BEAC to adapt its liquidity operations, absorb excess liquidity, and stimulate the **interbank market**. In addition, we also see strong benefits from developing **securities markets**, with the aim of diversifying financing sources and attract investor interest.
- It would be helpful for the authorities to develop a **data-dependent strategy to phase out the temporary relaxation of prudential measures**. Decisions to end such policies

should consider the recovery path and the specific conditions of each bank. Banks that still have usable buffers should not be forced to rebuild them before the recovery is well entrenched. This should be done in a transparent manner without jeopardizing efforts to increase regulatory compliance for banks operating below minimum thresholds and resolve insolvent banks. In this, context, we welcome the authorities' decision to suspend dividend distributions.

- We share staff's recommendations on **fiscal policy** to strike a delicate balance between tackling the COVID-19 pandemic, protecting the most disadvantaged, and addressing public debt vulnerabilities. We welcome, thus, the operationalization of the **Treasury Single Account (TSA)** for CEMAC countries, which is expected to be fully implemented by end- 2021.
- Along with staff, we think it is important to pursue a **strategy of economic diversification of CEMAC countries** to foster a more inclusive and sustainable growth. To this end, we highlight the relevance of improved **governance frameworks, greater transparency, and more ambitious and growth-friendly structural reforms.**