

The contents of this document are preliminary and subject to change.

GRAY/22/1632

June 17, 2022

**Joint Statement by Ms. Grant, Ms. Kashima, Mr. Mochtar, Mr. Ong, Ms. Fukuda, and  
Ms. Karl on Central African Economic and Monetary Community  
(Preliminary)  
Executive Board Meeting  
June 22, 2022**

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

We note with concern the fragile external position and pandemic-induced slow growth in 2021, as well as the limited policy space given the debt vulnerabilities. While CEMAC is expecting a stronger recovery in 2022 on the back of the rebound in the non-oil sector coupled with revenue windfalls from high oil prices, the outlook is shrouded with uncertainty and is susceptible to downside risks, including the fallout from the war in Ukraine, new COVID variants in light of low vaccination rates, faster global financial tightening, and risks from cryptoassets. We broadly support the staff's assessment, welcome the updated policy assurance on net foreign assets (NFA) accumulation, and would like to offer the following points.

**We encourage authorities to continue strengthening fiscal sustainability, including by using higher oil revenues.** While we commend the CEMAC authorities' commitment to fiscal prudence in reining in deficits and debt-to-GDP ratios in 2021, we encourage the authorities to seek ways to further contain debt by restructuring debt profiles where appropriate and to tap into more concessional funds. As for current spending, the authorities need to bolster social safety nets to protect the livelihoods of the most vulnerable against rising energy and food prices. We share the staff's caveat that these social assistance measures should be designed to be targeted and timebound in order to avoid adding to debt vulnerabilities. Any assistance scheme would need to be attentive to economic and social impacts. *In this regard, we expect staff to provide country-tailored advice on this front especially in terms of timing, communication strategy and program modality. We would welcome further comments from staff on engagement plans on this front, also drawing from experiences from other recent Fund engagements.*

**Strengthening fiscal sustainability would also be imperative to accelerate wide-ranging structural reforms for the region's long-term development.** We agree with staff that strengthening infrastructure and agriculture could bolster food security through import-substitution as well as diversify the economy's reliance on fossil fuel exports. To accommodate spending for those reforms, we strongly encourage the fiscal authorities to advance efforts to increase fiscal efficiency, supported by Fund CD, and to swiftly operationalize the Treasury Single Account (TSA). Harmonizing regional taxation, improving governance, and broadening financial inclusion can also support trade and competition in the region. Regional PFM legislative and information systems need to be improved and harmonized to increase transparency and accountability.

**We encourage BEAC to continue to be vigilant on price developments, maintain a prudent monetary policy stance, and deliver on the regional policy assurances, including for on NFA.** We welcome that BEAC has tightened its monetary and liquidity stance in response to the rebound in economic activity. We concur with staff that BEAC should carefully monitor consumer prices, banking liquidity and NFA accumulation and be agile in further hiking rates or tightening liquidity provision as needed, while coordinating with the fiscal authorities. We positively note the BEAC's efforts on the liquidity management framework, and agree with staff on the need to further enhance the framework with liquidity contingency plans. We encourage BEAC to explore the possibility of making use of required reserves to manage liquidity in the event of a surge amidst high oil prices. We also positively note the feedback from the 2022 safeguards assessment and encourage BEAC to continue strengthening its own risk management and resilience framework.

**We support COBAC's plan to exit from the temporary relaxation of prudential regulations sparked by COVID-19, and encourage it to closely monitor the likely impact of the exit.** Banks in the community have weathered the pandemic crisis so far with the support of forbearance measures. Given the positive development, including the impact of the reopening of the economy, those measures should be terminated to ensure appropriate assessment of the soundness of the banking sector. We also encourage COBAC to decisively enforce the regulatory framework given the numerous prudential breaches already identified in banks.

**We are concerned about the Central African Republic's (C.A.R.)'s adoption of bitcoin as legal tender and strongly encourage the CEMAC authorities to address risks stemming from the use of cryptocurrencies.** We welcome staff's comprehensive articulation of the risks in Annex I and stress that giving legal tender status to cryptoassets could threaten macro-financial stability, legal consistency, and financial integrity for C.A.R. as well as the entire monetary union. Hence, we commend COBAC's prompt response prohibiting the use of cryptocurrencies by entities under its remit. We encourage BEAC, COBAC and COSUMAF to closely coordinate to strengthen regulatory and supervisory measures to address financial stability risks from the broader use of cryptocurrencies. As the policy agenda on this realm is extensive, the Fund must stand ready to provide urgent technical assistance to authorities as needed, especially considering the longstanding understaffing issues faced by COBAC that were flagged in the staff report last year. *Could staff*

*comment on their plans to engage with the CEMAC authorities? We would also welcome an update on the take-up of cryptocurrencies in the region, and in particular in C.A.R. thus far.*

With these comments, we wish the people and authorities of CEMAC states all the best in their economic endeavors.