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December 16, 2022

**Joint Statement by Ms. Shortino, Mr. Stephan, Ms. Medearis, Ms. Khademi, and Ms. Rao on Central African Economic and Monetary Community  
(Preliminary)  
Executive Board Meeting  
December 20, 2022**

We thank staff for the report and Mr. Sylla, Mr. N’Sonde, and Mr. Nguema-Affane for their helpful Buff statement. The CEMAC region’s economic recovery from the COVID-19 pandemic is taking hold, buoyed by strong global oil prices. Yet higher food and fertilizer prices from Russia’s war against Ukraine add a challenging dimension. The task before CEMAC and national authorities—to support internal and external stability, address social vulnerability, and sustain the recovery—is formidable and underscores the importance of the Fund’s policy advice. We urge national authorities to deepen their resolve to implement their Fund-supported reform programs in a timely manner so as to build resilience and catalyze much-needed donor financing. **We agree with the thrust of staff’s appraisal and support the updated policy assurance on NFA accumulation. We offer the following comments for emphasis.**

**We concur with staff that prudent management of the oil windfall can help bolster CEMAC’s resilience.** In general, high global oil prices present an opportunity for CEMAC authorities to rebuild fiscal and external buffers, as well as address social needs. We encourage national authorities to take heed of staff advice for temporary and limited fiscal recalibrations to safeguard fiscal sustainability. We view staff’s advice on targeting social assistance, namely subsidies, as prudent and practicable. We are encouraged that some CEMAC countries are working with the multilateral development banks (MDBs) to better develop their social registries and direct transfer systems. We urge all national authorities to make progress on this front to improve poverty reduction and make fiscal policy more efficient. We underscore the importance of a strong communications strategy and mitigatory measures when reforming energy subsidies. We also encourage greater progress on governance and transparency measures, such as the Treasury Single Account (TSA), to help ensure a more efficient use of public resources.

**We are concerned that debt dynamics remain vulnerable to negative oil price shocks.**

We echo staff's call to step up fiscal consolidation and debt reduction over the medium-term. We also urge all CEMAC countries to improve debt transparency, including by avoiding non-transparent borrowing guaranteed by future natural resource deliveries. *We understand that the Fund and World Bank will soon finalize guidelines on collateralized financing practices. Could staff elaborate on the prevalence of these arrangements in the CEMAC region, and the implications of the upcoming guidelines for policy advice to CEMAC countries?*

**We join staff in commending BEAC's monetary policy tightening and encourage BEAC to stand ready to tighten further if needed.**

We appeal to BEAC to err on the side of caution given the uncertain external environment. We encourage BEAC to continue to improve application of FX regulations that are transparent, efficient, and easy for foreign firms to comply with; onerous FX regulations that make it difficult to repatriate profits can undermine investment in crucial sectors and limit foreign investment in new or expanding sectors. *Could staff elaborate on BEAC's capacity to handle regular FX transactions, and how the system is accommodating industries that require large and frequent dollar transactions related to regular business needs?* We join staff in urging COBAC to prioritize its work agenda on AML/CFT compliance supervision.

**We were disappointed by staff's limited discussion of the prospects for diversification in the region.**

While staff rightly note that deep structural reforms are essential to lay the foundation for more diversified and inclusive growth, the report simply repeats a litany of measures national authorities could undertake. We would appreciate a deeper discussion of progress and challenges on the diversification agenda in the next CEMAC staff report, perhaps with reference to efforts underway with multilateral development bank support.

**We underscore our strong concerns regarding the Central African Republic (CAR)'s declaration of bitcoin as legal tender and other crypto-currency projects, and exhort the national and regional authorities to settle the legal inconsistency between CAR's cryptotassets-related law and the CEMAC treaty.**

We urge staff and the CAR authorities to finalize a plan to repeal the cryptotassets law or align it with the CEMAC treaty expeditiously, as the cryptotassets law has created unnecessary confusion and distraction at a time when the CAR authorities should be fully attending to the pressing humanitarian and economic crises in their country. Any cryptotassets legislation should promote transparency. More broadly, we agree with staff that any crypto-related regulatory frameworks should reflect coordination between BEAC, COBAC, and the capital markets regulator (COSUMAF), and welcome the authorities' commitment to enhanced coordination in their Buff statement. These frameworks should prioritize mitigating ML/TF risks, protecting all consumers, and advancing legitimate development objectives such as financial inclusion. We stress that these frameworks should also be in line with FATF standards.

**Lastly, we are deeply disappointed that the Equatoguinean authorities did not make sufficient progress on their Fund-supported program to merit a single program review,** leading to the expiration of the program this month. *Recognizing staff's hard work on this difficult case, and in the spirit of collective learning, can staff reflect on any lessons from this failed program, including on how better to assess the authorities' willingness to undertake necessary governance reforms when considering the case for Fund assistance?* We regret that the Fund extended emergency financing in the middle of what was clearly an off-track program—and that ultimately remained off track.