

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

GRAY/22/1634

June 17, 2022

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

1. We thank staff for a concise report and Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Nguema-Affane for their helpful Buff statement. We agree with the thrust of the staff appraisal and policy recommendations.
2. CEMAC's external position remains fragile but the terms of trade shock this year is expected to be broadly positive for the region. The favourable macroeconomic outlook is, however, subject to continued fiscal prudence and a limited inflation pass-through. In this context, we welcome the focus of discussions on taking advantage of high oil prices to rebuild fiscal and external buffers in a highly uncertain environment.
3. We welcome the resumption of Fund-supported programs in the region. All six CEMAC countries now have arrangements with the Fund or are implementing a staff-monitored program. We underscore that a tight macroeconomic policy mix and strong structural reforms that enhance competitiveness are critical to bolster the external position and enable diversified, inclusive, and sustainable growth. We stress that a carefully calibrated fiscal consolidation is needed to bolster fiscal and external sustainability while safeguarding growth. We recommend mobilizing non-oil revenues and increasing expenditure efficiency to help finance targeted social spending and growth-friendly investments. We are pleased to note that the CEMAC authorities concur with staff's policy recommendations.
4. We welcome the recent monetary policy tightening by BEAC, which should help stem the decline in reserves and contain inflationary expectations. We agree that further tightening would be needed if international reserves continued falling. BEAC is continuously strengthening its liquidity management framework and restricting normal liquidity operations to solvent banks. We welcome the central bank's commitment to not extend direct monetary

financing to its member states. We note that continued implementation of the foreign exchange regulations would support foreign reserve accumulation.

5. We support the normalization of prudential framework by end-June 2022. We underscore the need to move towards risk-based supervision, contain risks stemming from banks' sovereign exposure, address high non-performing loans, strengthen regulatory compliance, and accelerate bank resolution.

6. Noting staff assessment that progress on implementing the recommendations from the August 2021 Summit of the Heads of State (HOS) of CEMAC remains slow, we urge authorities to remain steadfast on commitment to the regional strategy and keep the reform momentum generated by the Summit. We endorse the updated policy assurances in the June 2022 Follow-up Letter of Policy Support. We emphasize that implementation of assurances is critical for the success of Fund-supported programs with CEMAC member countries.

7. Against the backdrop of unilateral adoption of cryptoassets (and the bitcoin in particular) as legal tender in the Central African Republic (CAR), we welcome the COBAC's decision to prohibit their use by banks within CEMAC to mitigate associated risks in order to preserve financial stability. COBAC is also closely monitoring the emergence of crypto assets in member states and taken measures for identifying and reporting transactions related to cryptocurrencies. *Staff has noted that the CAR's law on cryptocurrencies was inconsistent with the CEMAC's treaty and was issued against the Fund advice (¶24). In this context, could staff please elaborate on the mechanism for such conflict resolution within the monetary union. Also, CAR has an ongoing staff monitored program and what are its implications on the Fund engagement with the country? Furthermore, we are interested to know what lessons can be learned from the El Salvador's experience on cryptocurrencies? Staff comments are welcome.*

With these comments, we wish all success to CEMAC authorities in their endeavours.