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June 17, 2022

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

We thank staff for an informative report and Messrs. Andrianarivelo, N'Sonde, and Nguema-Affane for their helpful Buff statement. We share staff's view that the CEMAC authorities should continue with strengthening macroeconomic policies to reduce external and domestic vulnerabilities, despite the favorable impact that higher-than-expected oil prices may have on the region's financial position. We appreciate that: i) fiscal balances improved in 2021; ii) the central monetary authority tightened liquidity operations; and iii) COBAC started exiting the temporary relaxation of the financial sector's prudential requirements due to COVID. We encourage the authorities to further accumulate foreign exchange reserves, which have narrowed to a concerningly low level by taking advantage of rising commodity prices. We offer the following comments.

- **Regional surveillance.** We welcome the resumption of the regional consultations at the CEMAC Commission after two years of hiatus because of COVID. We believe that establishing treasury single accounts (TSA) and building medium-term debt management strategies will reveal essential to strengthening public finance management.
- **Fiscal policy.** We note that the region's overall fiscal balance is expected to improve substantially this year because of international oil prices developments. We encourage the authorities to build on this improvement to reduce fiscal vulnerabilities, avoid engaging in pro-cyclical spending, and reform fuel subsidies in the direction indicated by staff while improving the efficiency of social safety nets through targeting.

- **Fund's SDR allocation and financial programs.** We appreciate both staff's advice on how to use the recent SDR allocation by CEMAC countries and the information they have provided on its actual use by countries in region. We encourage the CEMAC countries that have financial assistance programs with the Fund to adhere to programs' commitments. We underline the importance of the effective implementation of the G20 Common Framework for debt restructurings and hope to see continuous progress in the case of Chad.
- **Extractive sector.** We appreciate the implementation of the agreement on the FX repatriation surrender requirements between the BEAC and the extractive-sector companies that will help to both building reserves and facilitating investments in oil fields. On the oil rehabilitation funds, we recommend that the dialogue between the BEAC and the companies continue to try to finalize an agreement that could also help preserving energy-sector investments flows to the area.
- **Financial sector and crypto assets.** We appreciate staff for their informative analysis in Annex I and share their concerns about the financial stability risks and integrity concerns posed by granting legal tender to crypto assets. We thus agree with the COBAC's decision to prohibit the use of crypto assets by financial entities under its remit and encourage a collective political solution within CEMAC to avoid the unilateral adoption of those crypto assets. We also agree with staff's advice on ending the temporary relaxation of the prudential framework for the banking sector that was adopted because of COVID.