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**Statement by Mr. Trabinski and Ms. Wehrle on Central African Economic and
Monetary Community
(Preliminary)
Executive Board Meeting
January 12, 2021**

We welcome the broadly sound response of CEMAC and national authorities to the pandemic. This said, COVID-19 is expected to have a long-lasting impact on the economic and financial situation in the region. Above all, debt vulnerabilities remain a concern and will need to be addressed decisively, including in the context of the CEMAC countries' engagement with the Fund. Going forward, Fund programs will need to focus on building sustainable fiscal and external positions, while expanding the non-oil fiscal base. Once crisis abates, fiscal consolidation efforts will be essential to bring debt back to a sustainable path and support the regional external position. In this context, strengthened budget frameworks and transparency remain essential to promote regional convergence, while reform bottlenecks would need to be addressed within a coordinated strategy based on strong commitment at the highest policy making level.

The CEMAC countries should remain fully committed to the second phase of the regional strategy. The performance of the first phase of the regional strategy was mixed. Progress towards diversification away from oil, which would be critical to prepare union members for the projected decline in oil production over the medium term, was limited. We thus encourage the CEMAC countries to set solid premises for a productive and competitive non-oil sector, including through structural reforms and effective public investment. At the same time, it will be important to ensure that growth is more broad-based through adequate levels of social spending.

We urge further progress on strengthening COBAC's powers to enhance compliance with prudential standards and ensure swifter bank resolutions. We welcome COBAC's guidance for the exit strategy from the temporary prudential easing measures. Nonetheless, more decisive action is needed to enhance COBAC's capacity to enforce prudential

standards, upgrade the regulatory and supervisory frameworks in line with international standards, and strengthen oversight on AML/CFT issues. We regret the lack of progress on strengthening the resolution framework by constraining the power of national authorities to unduly delay COBAC's resolution decisions, notwithstanding the fact that this is a longstanding issue. *Could staff elaborate on how progress in this regard could be incentivized?*

The full implementation and enforcement of the new foreign exchange regulation by end-2021 will be important. This includes both advancing negotiations with the oil and mining sector on the methodology to calculate the FX repatriations and tackling FX held abroad by state-owned entities.

We encourage further efforts towards strengthening the regional surveillance framework, as improvements in governance and the business climate are key for attracting investment. In a crisis context, regional convergence remains challenging with most CEMAC countries expected to breach the fiscal convergence criterion. To entrench the credibility of the regional process, the CEMAC Commission would need to enhance enforcement power at the union level to ensure compliance and implementation of objectives. This would need to be based on well-designed and credible three-year national convergence plans, including the effective implementation of PFM directives, an early warning system, and a sanction scheme for non-compliant countries.