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GRAY/21/63

January 8, 2021

Statement by Mr. Lischinsky and Mr. Morales on Central African Economic and Monetary Community (Preliminary) Executive Board Meeting January 12, 2021

We thank staff for a comprehensive and clear staff report and Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Nguema-Affane for their insightful Buff statement.

We commend the CEMAC countries and regional authorities for their effective policy response to keep the pandemic broadly under control and mitigate its economic and social impact, with significant emergency financing from the Fund. However, there is no room for complacency, as the outlook still looks uncertain and policy space has narrowed. Against this backdrop, we agree with the authorities' cautious approach to relaxing containment measures, and we encourage them to redouble efforts to rebuild fiscal and external buffers as the economy reopens.

The impact of the pandemic at the domestic and international levels has slowed down policy implementation in some areas. While we note progress in foreign exchange regulations and the implementation of a domestic arrears clearance strategy, public finance management policies and the implementation of the banking resolution strategy have been delayed. In addition, limited progress on regional convergence and improvements in governance and the business climate discourage potential investors from initiating or expanding activities in the region. We agree with staff that structural, transparency, and governance reforms should be implemented decisively, with proactive coordination of regional authorities to encourage adherence to policy commitments, while at the same time countries in the region reinforce health and social safety nets.

Fiscal deficits widened in the second half of the year, with underperformance observed in Cameroon, Congo, and Gabon. We encourage the authorities to closely monitor expenditure commitments to avoid further overruns, as revenue measures would be more difficult to adopt promptly in the current circumstances. Regarding financing, we note that staff and the authorities agreed on a temporary scheme for banks' purchases of regional securities up to 1.1 percent of regional GDP with indicative caps by country. *We wonder about the features of this temporary scheme given reported high banks' liquidity and still significant arrears. We would appreciate if staff* *could expand on the explanation of this scheme, including details on envisaged commitments, incentives, and requirements for banks during this six-month period.*

The impact of stagnant oil prices on fiscal revenues and the balance of payments is significant. In this regard, we are concerned that the external position of the CEMAC region is assessed by staff to be weaker than implied by fundamentals and desirable policies. **We encourage the authorities to take further steps to accelerate progress on foreign exchange repatriation**. However, even after corrective measures, significant additional financing equivalent to about 8½ percent of 2020 regional GDP would be needed in 2021-23, likely supported by Fund programs in an environment of significant downside risks. Against this backdrop, delays in agreeing on Fund programs could lead to a further deterioration of the outlook.

Structural reforms, in particular oriented towards growth diversification, to make the region's economy less dependent on oil revenue should be a key component of Fund programs and would help secure additional financing from other creditors. In this connection, we welcome the authorities' intention to accelerate the implementation of key structural reforms, as indicated by Mr. Andrianarivelo, Mr. N'Sonde, and Mr. Nguema-Affane in their Buff statement, and we look forward to the planned high-level conference mentioned by staff, where the authorities will discuss a more ambitious structural reform program.

With these remarks, we wish the authorities success in their policy endeavors.