

SU/21/4

January 13, 2021

**The Acting Chair's Summing Up
Central African Economic and Monetary Community—Common Policies of Member
Countries, and Common Policies in Support of Member Countries Reform Programs
Executive Board Meeting 21/3
January 12, 2021**

Executive Directors agreed with the thrust of the staff appraisal. They noted that the crisis associated with the COVID-19 pandemic struck when the economic outlook for the CEMAC was improving. The crisis is expected to have long lasting effects and CEMAC's fiscal and external adjustments will be slower than envisaged previously.

Directors recognized that the regional authorities' policy response to mitigate the immediate economic impact of the COVID-19 pandemic has been pro-active and appropriate. They welcomed BEAC's actions to loosen monetary policy and quickly ease bank liquidity provision. Directors also viewed steps taken by COBAC to strengthen banks' capital and monitor financial stability following the easing of prudential regulations as appropriate.

Directors considered that BEAC's monetary policy stance continues to strike the right balance between preserving internal and external stability. They stressed that BEAC should stand ready to tighten monetary policy if the external reserves position deteriorated further. Directors welcomed BEAC's resolve to continue to refrain from extending any type of direct monetary financing to its member states. They encouraged BEAC to continue effective implementation of the foreign exchange regulation. In this context, Directors supported a dialogue with oil and mining companies to effectively enforce the regulation to these sectors by end-2021 while taking account of their specificities.

Directors urged the SG-COBAC to accelerate implementation of its strategic plan for moving towards risk-based supervision as banks' compliance with prudential standards remains weak and resolution of problem banks has been slow. They emphasized the need to reduce currently high non-performing loans and continue efforts to limit a further increase in banks' sovereign exposure. Further efforts to strengthen AML/CFT implementation are also needed. Directors noted that reinforcing SG-COBAC's human resources would be key to meeting these objectives.

Directors stressed that the CEMAC is at a crossroads and should aim at a profound transformation. The second phase of the regional strategy must decisively focus on implementing structural, transparency and governance reforms to lay the basis for diversified, inclusive and sustainable growth while aiming at rebuilding fiscal and external buffers.

Directors noted that BEAC was unable to fully implement the policy assurance on NFA accumulation at end-December 2019 and end-June 2020 provided in the December 2019 Follow-up Letter of Policy Support due to a shortfall in external financing during the second half of 2019 and fiscal deficit over-runs. They considered that BEAC has taken satisfactory corrective measures to address the underperformance, including limited monetary policy accommodation in response to the COVID-19 shock. Directors endorsed the updated policy assurance outlined in the December 2020 Follow-up Letter from the BEAC Governor on achieving the NFA accumulation for end-December 2020 and end-June 2021. This assurance is based on BEAC's commitment to implement an adequately tight monetary policy together with commitments by member states to implement adjustment policies in the context of IMF-supported programs. Directors emphasized that implementation of this assurance will be critical for the success of IMF-supported programs with CEMAC member countries.

The views expressed by Directors will form part of the Article IV consultation discussions on individual members of the CEMAC that take place until the next Board discussion of common policies. It is expected that the next discussion of CEMAC common policies will be held on the standard 12-month cycle.