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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

July 2021

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY—COMMON POLICIES IN SUPPORT OF MEMBER COUNTRIES REFORM PROGRAMS—STAFF REPORT, AND STATEMENT BY THE EXECUTIVE DIRECTOR

In the context of the common policies of member countries, and common policies in support of member countries reform programs, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 30, 2021, following discussions with regional institutions that ended on May 20, 2021. Based on information available at the time of these discussions, the staff report was completed on June 18, 2021.

- A **Statement by the Executive Director.**

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INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

June 18, 2021

STAFF REPORT ON THE COMMON POLICIES IN SUPPORT OF MEMBER COUNTRIES REFORM PROGRAMS

KEY ISSUES

Context and risks. The pandemic may have a long-lasting impact on CEMAC's growth potential, which is already curtailed by structural, governance, and transparency issues. The policy response from national and regional authorities in 2020 helped mitigate the economic fallout. CEMAC, however, experienced a severe recession in 2020, fiscal and external deficits increased, and public debt rose with some countries having debt sustainability issues. The region is facing an increasing dilemma between internal and external stability, as external reserves fell sharply between mid-2020 and March 2021. A moderate recovery in economic growth is expected from 2021. Supported by lower than previously projected total external financing of €4.8 billion over 2021–23, international reserves build-up would be slower than pre-pandemic. This outlook is highly uncertain and contingent on the evolution of the pandemic and the vaccination program. Other significant risks include delayed implementation of the ongoing or possible new Fund-supported programs, uncertainties in filling large external financing needs, oil prices, and a possible deterioration in the security situation.

Policy recommendations

- In the second phase of the regional strategy, CEMAC's regional institutions and the national authorities should aim to radically transform the region by urgently implementing fiscal, governance, transparency, and business climate reforms that will lay the basis for a diversified, inclusive, and sustainable growth.
- BEAC' monetary policy should be geared at bolstering the region's weakened external position, adapting liquidity management to absorb excess bank liquidity and strengthen monetary policy transmission, and stimulating development of the interbank market.
- BEAC should continue full implementation of the foreign exchange regulation and ensure the extractive sectors' compliance by end-2021.
- If bank credit recovery is confirmed and financial stability conditions allow, COBAC should end the temporary relaxation of prudential measures taken in 2020 to cushion the impact of the crisis on the financial sector by end-2021. COBAC should urgently strengthen its capacity to regain supervisory effectiveness, increase further banks' compliance with prudential standards, duly apply the bank resolution framework, support NPLs reduction, and make further progress towards risk-based prudential supervision.

Approved By
Vitaliy Kramarenko (AFR) and Gavin Gray (SPR)

Discussions were held virtually from April 29–May 20, 2021. The Staff team comprised Mr. Toujas-Bernaté (head), Mr. Lanci, Mr. Lautier, and Ms. Martin (all AFR); Mr. Portier (MCM); and Ms Garcia-Martinez (SPR). It was assisted by Messrs. Nsengiyumva and Poplawski (Resident Representatives in Cameroon and Gabon), and Mr. Ambassa (local economist in Cameroon). The mission held discussions with Mr. Abbas Mahamat Tolli, Governor of the Central Bank of Central African States (BEAC and Chairman of COBAC); Prof. Clément Belibanga, Commissioner for Economic, Monetary, and Financial Affairs (CEMAC Commission); Mr. Halilou Yerima Boubakari (Secretary General of COBAC); and other senior officials of these institutions. This report was prepared with the assistance of Ms. Adjahouinou.

This is a report on the common policies in support of CEMAC member countries' IMF-supported programs. Throughout the report, the term "authorities" refers to regional institutions responsible for common policies in the currency union.

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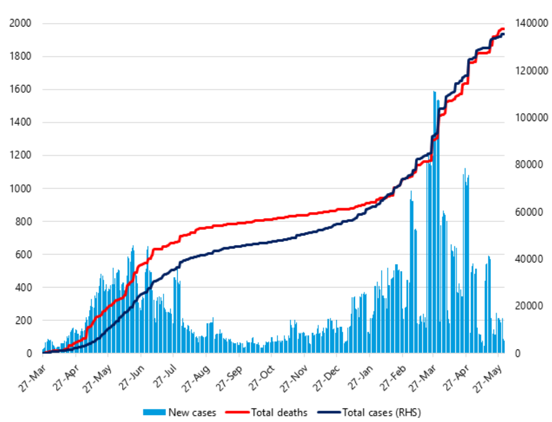
BACKGROUND AND RECENT DEVELOPMENTS

A. Background

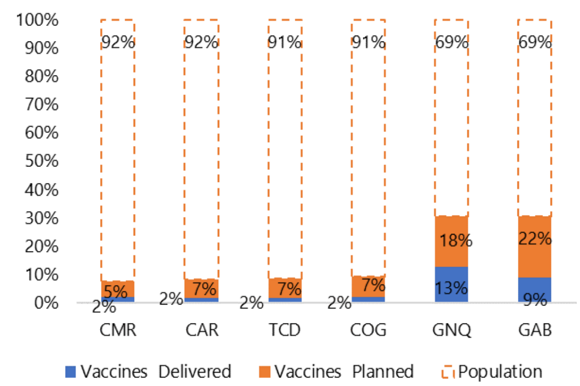
1. The pandemic could have a long-lasting impact on CEMAC's growth potential, which is already curtailed by structural, governance, and transparency issues. A deadlier second wave has been tearing through the region since December (Text Figure 1). Some countries have reinstated containment measures that could drag activity and impact the most vulnerable disproportionally. Vaccination campaigns have started but uptake may be slow and vaccine distribution could be difficult due to preexisting logistical, infrastructure, supply, and financing challenges. The economic shock associated with the pandemic is undoing progress achieved through the first generation of Fund-supported programs, and drastically weakened the external position. Some countries are also facing debt sustainability issues aggravated by the COVID-19 shock. Social conditions remain dire, with elevated poverty levels (See Panel Chart 1). The region is also coping with a simmering security crisis which largely pre-dates the pandemic, with precarious security conditions in Chad, parts of Cameroon, and the Central African Republic.

Text Figure 1. CEMAC: COVID-19 Cumulative Cases and Deaths (as of June 8, 2021)



Source: Our World in Data COVID-19 datset. IMF Staff estimations.

Text Figure 2. CEMAC: Vaccine Delivery by End Year (% of population; as of June 9, 2021)



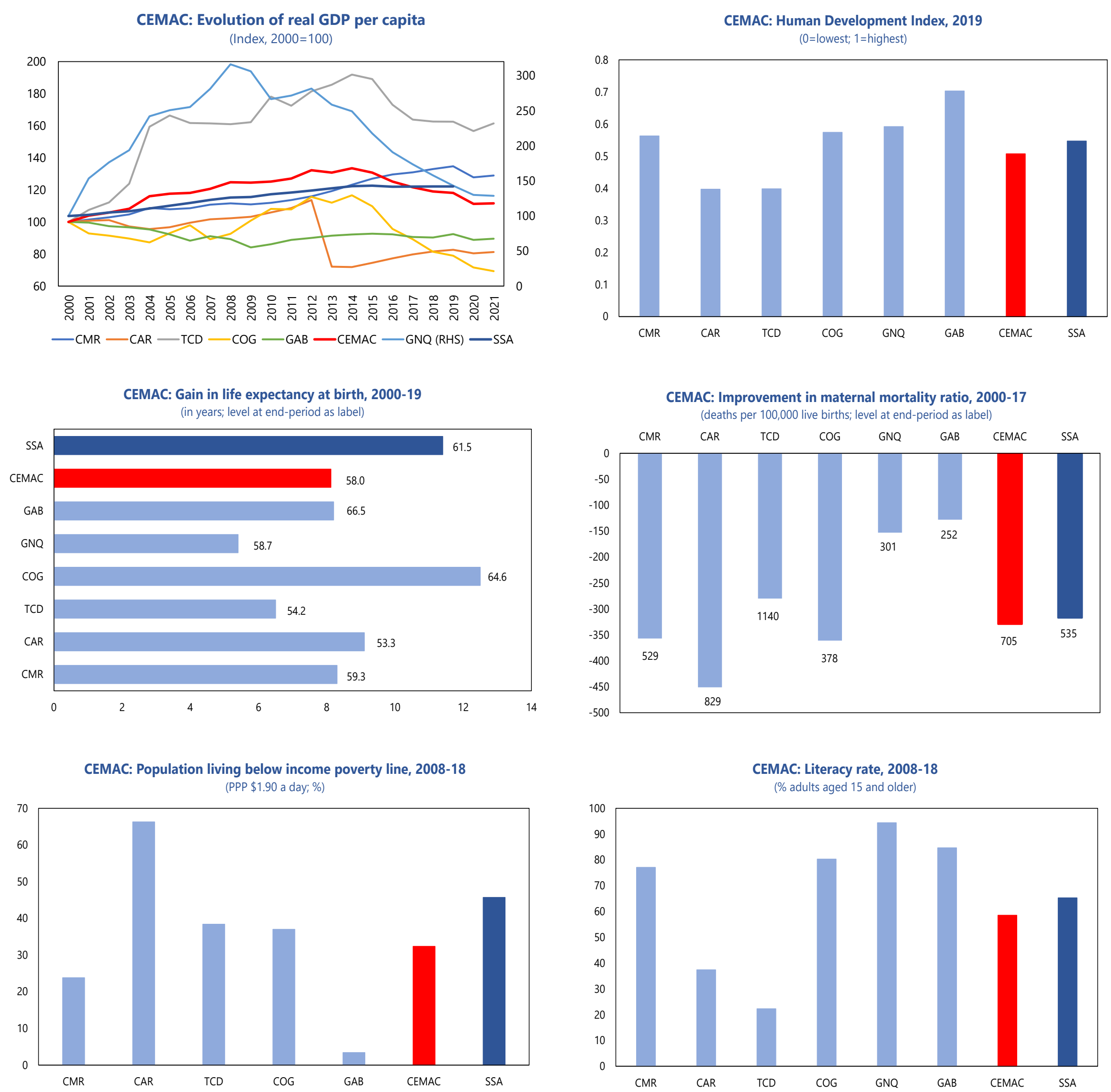
Source: [COVID-19 Vaccine Market Dashboard | UNICEF Supply Division]

2. Existing vulnerabilities and the uncertain outlook call for a stronger coordinated commitment to reforms to prepare for the recovery. Following the initial phase of the pandemic-related crisis,[1] the region is at a critical juncture, and the second phase of the regional strategy should aim to radically transform the region by urgently implementing a decisive acceleration of structural, transparency and governance reforms that will lay the basis for a diversified, inclusive, and sustainable

[1] The Fund supported the region's urgent balance of payments needs during the pandemic with significant emergency assistance to Cameroon, the Central African Republic, Chad, and Gabon, totaling SDR 653 million. Chad and the Central African Republic benefited from debt relief under the CCRT (SDR 23.1 million). Discussions on possible emergency assistance to Equatorial Guinea restarted after the devastating explosion in Bata in early March.

growth. A coordinated regional strategy is needed to address bottlenecks for reforms that are essential to boost private sector growth, economic diversification, and promote regional integration. At the same time, CEMAC countries have very limited policy space in view of their debt levels and weak external position and should thus gear their policies toward reducing public debt ratios and strengthening the regional external position. New Fund-supported programs in countries where past Fund-arrangements expired (Cameroon, Congo, Chad, and Gabon) and resumption of off-track Fund-supported programs (Central African Republic, Equatorial Guinea) could support these efforts, including by catalyzing support from donors.

Figure 1. CEMAC: Selected Social Indicators 1/ 2/



Source: Human Development Report (2020) - calculations based on data from UNDESA (2019a), UNESCO Institute for Statistics (2020), United Nations Statistics Division (2020b), World Bank (2020a), Barro and Lee (2018) and IMF (2020).
1/ HDI is calculated as the geometric mean (equally weigthed) of life expectancy, education, and GNI per capita.
2/ CEMAC statistics are computed using the population for each member country in 2018 as weight.

B. Recent Developments and Outlook

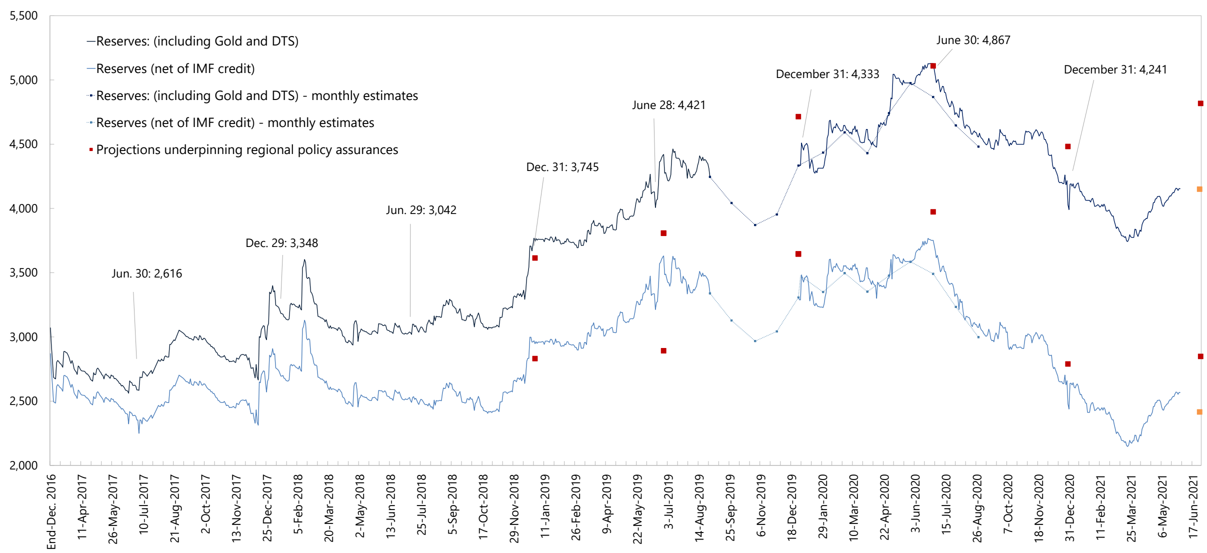
3. **CEMAC experienced its worst recession in 20 years in 2020.** The policy response from national and regional authorities helped mitigate the fallout caused by the crisis. Still, overall GDP shrank by 2.6 percent in 2020, with non-oil GDP receding by 2.8 percent and oil GDP decreasing by 2.1 percent. Congo and Equatorial Guinea were hit the hardest with recessions of 7.8 percent and 4.9 percent, respectively, due to lower oil production in both and the impact of strict national lockdowns in Equatorial Guinea. Inflation remained contained at 2.7 percent, below the regional convergence criteria.

4. **CEMAC's overall fiscal deficit (including grants) worsened in 2020, to -2.1 percent of GDP from -0.3 percent of GDP in 2019, due to the impact of the dual health and commodity price shocks.** The deterioration was primarily due to lower revenues (1.9 percent of GDP), with oil revenue declining sharply, by about 30 percent, from 2019. The slowdown in economic activity also negatively impacted non-oil revenue collection. Expenditure was relatively contained, but with large variations among CEMAC members. As a result, overall public debt of the region increased by 5.5 percentage points of GDP to 58.1 percent of GDP at end-2020.

5. **External reserves declined sharply until March 2021, with the regional policy assurances for end-December being missed and the previous end-June 2021 target likely out of reach**. The current account is estimated to have deteriorated by 1.7 percent of GDP from 2019 to -5.2 percent of GDP in 2020, as lower oil exports were only partly compensated by lower imports and net income outflows and higher transfers. The balance on capital and financial accounts also deteriorated sharply (1.6 percent of GDP), due to lower direct investment and larger capital outflows, but this deterioration was offset by larger exceptional financing. CEMAC countries drew on their reserves, which declined after three years of accumulation. Moreover, the NFA target at end-December 2020 was missed by CFAF 185 billion (around €280 million), which can be traced back to much lower net financing than expected (by close to CFAF 900 billion in other long- and short-term investments net) while the current account deficit was lower than expected by close to CFAF 600 billion. Reserves have rebounded since end-March 2021, following a further sharp decline in the first quarter, but are now projected to miss the previous end-June 2021 NFA objective by €0.4-0.5 billion (Text Figure 2).

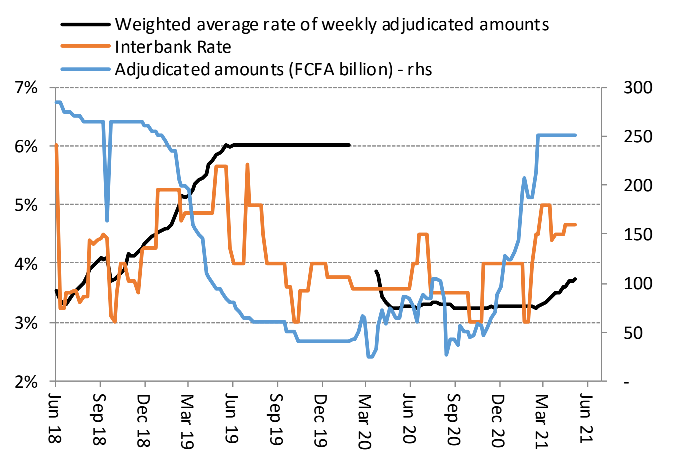
Text Figure 3. BEAC: Regional Daily Reserves, 2017–21 1/ 2/

(Billions of CFAF)



1/ Excludes the reserve position with the IMF (about CFAF 36 billion), which is not explicitly reported in the situation comptable.
2/ The red squares represent levels consistent with the previously endorsed (December 2018, June 2019, December 2019 and June 2020) NFA regional policy assurances. The orange squares represent the revised NFA regional policy assurances (June 2021).
Source: BEAC and IMF Staff calculation

Text Figure 4. BEAC: Weekly Liquidity Injections



Sources: BEAC and IMF staff and calculations

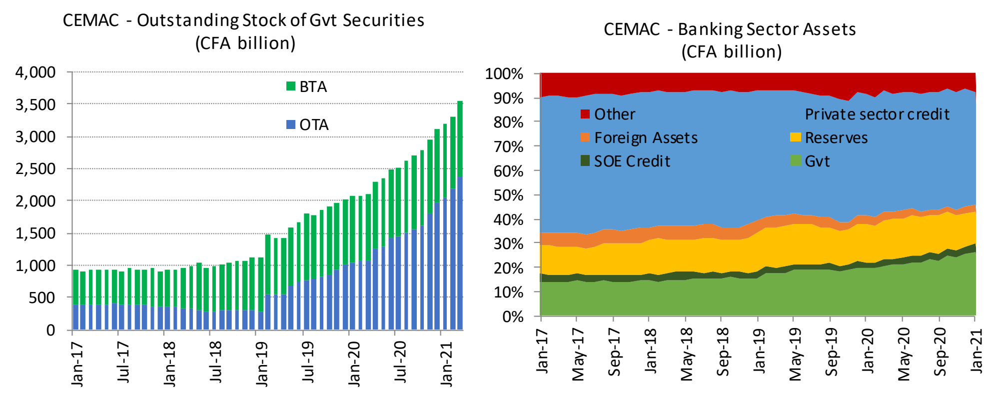
6. **In a context of strong broad money growth and declining but still ample liquidity, banks increased their holdings of government securities further in 2020 while credit to the private sector was flat.** Broad money grew strongly at 11.1 percent in 2020 in a possible sign of suppressed private consumption and investment during the pandemic. Yet, overall excess liquidity declined from mid-2020 reflecting net external financial outflows. Demand by a subset of banks for BEAC's weekly liquidity injections therefore increased sharply, resulting in an increase in interest rates for BEAC liquidity (Text figure 3). Credit to the private sector has been flat in 2020 but is picking up in early 2021. Instead, banks increased significantly their holdings of government securities (Text Figure 4).

7. **The easing of prudential requirements masks the true impact of the pandemic on banks' balance sheets, and risks linked to the bank-sovereign nexus have increased.**

- With the temporary relaxation of prudential requirements implemented since mid-2020, the reported NPL ratio declined slightly to 19 percent in 2020 Q4, but COVID-19 crisis-related impaired loans classified separately are estimated at 4 percent of total loans.

- Banks's exposure to sovereign risk increased sharply in 2020, now accounting for 27 percent of total banking sector assets, up from 16 percent at end-2018. The outstanding stock of government securities increased by 75 percent from end-2019 to March 2021, and banks own 95 percent of these securities.

Text Figure 5. Banking Sector Exposure to CEMAC Government Securities*



**Securities (OT) issued on the Stock Exchange market (BVMAC)are not included*

MEDIUM-TERM OUTLOOK AND RISKS

8. A moderate recovery is projected for 2021. The outlook is based on the April 2021 WEO and reflects staff-level agreements on three possible new Fund-supported programs (Cameroon, Chad, and Gabon) and improved performance of off-track programs in Central African Republic and Equatorial Guinea.

- Overall real GDP growth is expected to recover moderately to 2.6 percent in 2021, helped by the recovery in the global economy and higher oil prices. While oil production would slightly decline, non-oil activity would continue the recovery observed in the second half of 2020 and rebound by 3.3 percent in 2021. Inflation is expected to remain below the 3 percent convergence criterion.

- The overall fiscal deficit (excluding grants) is projected to narrow by 0.9 percent of GDP to 2.4 percent of GDP (about 1 percentage point of GDP improvement compared to previous projections), mostly due to an increase in oil revenues in line with staff advice.

- CEMAC's total public debt ratio is projected to decrease by 2.7 percentage point of GDP to 55.4 percent. The outlook also foresees a gradual repayment of domestic government arrears as per agreed strategies.

- The external current account deficit would improve significantly to 3.1 percent of GDP in 2021 mostly due to higher oil exports (4.3 percent of GDP), while imports would rebound by 1.6 percentage point of GDP.

- External gross reserves are projected to recover to the equivalent of 3.4 months of imports at end-2021 on the back of the projected fiscal consolidation and higher oil prices.[2]

- The cumulative overall balance of payments deficit would amount to €2.1 billion over 2021–23, a significant downward revision (almost by half) from previous projections largely due to higher oil prices. However, the projected balance of payments financing, including through successor Fund-supported programs and disbursements from IFIs and other bilateral partners, was also revised down significantly to €4.8 billion over 2021–23 (Table 10). Relative to the January 2021 staff report, gross reserves accumulation over the period is broadly unchanged, but starts from a lower end-2020 level. External reserves would thus not reach the adequate level equivalent to 5 months of import cover within the forecast horizon in the baseline. To avoid a deterioration in debt sustainability in the region, it will be crucial that external financing be concessional or in the form of grants for low-income members, and that debt relief materialize where needed.

Text Table 1. CEMAC: External Financing Sources
(Billions of CFAF)

	2017-19	2020		2021			
		CR 21/21[3]	Act.	H1	H2	CR 21/21[3]	Proj.
1. Financing need	**3,143**	**2,249**	**1,578**	**290**	**941**	**1,921**	**1,231**
2. IMF financing [1]	**874**	**582**	**576**	**17**	**89**	**431**	**106**
3. Budget support from other donors	**1,994**	**512**	**452**	**0**	**282**	**454**	**282**
World Bank	602	178	123	0	106	82	106
African Development Bank	791	216	220	0	96	205	96
European Union	118	70	68	0	52	19	52
France	483	18	11	0	13	67	13
Other	0	29	29	0	15	0	15
4. Other external financing [2]	**399**	**1,100**	**439**	**146**	**94**	**183**	**240**
5. Residual financing gap	**0**	**55**	**110**	**128**	**476**	**853**	**604**

1/ Reflects existing IMF programs and emergency assistance. Staff level agreements on new IMF assistance are reflected in the residual financing gap.
2/ Includes other short-term and exceptional financing.
3/ Refers to the projections of the IMF CR 21/21.

9. **This outlook is subject to considerable uncertainty and significant downside risks**. Key near-term risks to the outlook include a deterioration in the security situation (Central African

[2] This projection excludes the envisaged new SDR allocation, which could add the equivalent of 0.5 months of imports to gross reserves if fully saved.

Republic, Chad), as well as social discontent and political instability in the region. Another wave of COVID-19 infections and slower vaccination could delay the recovery. Moreover, continued difficulties of countries in raising adequate external support (including planned Eurobond issuances) could force larger cuts in spending likely affecting priority social expenditure. Prolonged negotiations on debt restructuring could also delay new IMF-supported programs. These risks, if materialized, would likely result in lower external reserves and higher recourse to domestic financing entailing increased risks for the financial sector. The needed new possible IMF assistance would also lead to growing risks to capacity to repay the Fund. Upside risks include higher international oil prices, a positive impact of effective implementation of the foreign exchange regulation for extractive sectors and the possible new general SDR allocation, which would all strengthen the external position, and may enable the restoration of an adequate level of reserves within the forecast horizon.

IMPLEMENTATION OF THE REGIONAL STRATEGY TO ADDRESS THE CRISIS

10. With the region's weakened external position, CEMAC's policy mix should now be geared at bolstering the region's external sustainability while prioritizing key health and social needs. Staff advised that BEAC consider a measured and gradual tightening of monetary conditions to support the recovery in external reserves. Fiscal policy should also contribute to external stability while ensuring adequate health response and vaccines rollout and supporting the most vulnerable. To ensure that CEMAC achieves its growth and diversification goals, staff maintained that the program of structural, transparency, and governance reforms should be implemented more forcefully and with greater ambition than in the past. It is also necessary to continue addressing financial sector weaknesses and preserving financial stability, as CEMAC exits the crisis.

A. Fiscal Consolidation Efforts

11. Fiscal policy should aim at minimizing the pandemic's long-term effect on households and firms while supporting external stability and debt sustainability. Fiscal policy should ideally continue to cushion the impact of the pandemic on households, finance priority social spending, including the health sector and vaccination, and provide for growth-enhancing investments. Yet, with public debt at 58 percent of GDP on average, large gross financing needs, and several CEMAC countries in debt distress or at high risk of debt distress, the fiscal stance should aim at a significant reduction in the public debt-to-GDP ratio over the medium term. To cushion the impact of fiscal consolidation on the most vulnerable, staff-level agreements on possible new Fund-supported programs include strategies to further develop social safety nets in Chad, a floor on social protection spending in Gabon, while the revised budget law in Cameroon envisages higher COVID-19 related spending and capital spending than the initial budget. Staff stressed that anchoring policy in medium-term frameworks in line with staff projections of primary fiscal surplus of 1 percent of GDP on average by 2023 would help balance the need for short-term policy support with medium-term consolidations and limit debt vulnerabilities.

12. Staff emphasized that domestic revenue mobilization efforts need to become much more effective to preserve essential expenditure and support external stability. Delivering significant and quick progress on non-oil revenue and broadening the tax base should be prioritized to insulate revenue from changes in oil prices, substitute for uncertain donor support, and limit the bank-sovereign nexus. Staff also stressed that greater transparency in oil revenue would reduce leakages. Staff-level agreement in Chad and Gabon include provisions to save part of any potential upside in oil prices to incentivize non-oil revenue mobilization and accelerate buffer re-building. Besides efforts by national authorities to streamline tax exemptions, the CEMAC Commission should continue to support progress in the modernization of customs administration through promoting and guiding process reengineering in line with international standards, introducing automated solutions in the goods clearing procedures and adopting the Community tax procedures code. Finally, staff suggested that fully independent Supreme Audit Institutions, in line with regional directives, could also help improve value-for-money and overall governance of capital investments by developing their capacity for specialized audits of infrastructure projects, including audits of public procurement processes and contracts.

B. Monetary Policy Stance and Operations

13. Monetary policy should be geared at addressing the region's external position, which remains very weak, despite the rebound in reserves observed since end-March. Staff stressed that room for monetary policy to further support the recovery is limited without endangering the credibility and the stability of the exchange rate arrangement. Staff noted the recent tightening of liquidity conditions and argued that monetary policy should be data dependent, particularly on the evolution of international reserves. Staff therefore recommended that BEAC should stand ready to tighten its monetary policy, including through a modest increase in its policy rate, which would send a strong signal about BEAC's commitment to external stability. The authorities noted that the economy is still weak following the exceptional shock from the pandemic, that reserves were expected to decline to cushion this shock and that inflation remains below the regional convergence criteria. They agreed that monetary tightening would be necessary in case external reserves were to markedly decline again following their recent rebound.

14. BEAC agreed with staff's proposal to adapt liquidity management to strengthen monetary policy transmission. The banking sector operates in a context of structural liquidity surplus, but this hides a segmented market in which part of the sector (mainly foreign-owned) has accumulated a surplus and another is dependent on BEAC to finance its balance sheet, and has recently increased its demand for BEAC refinancing. Against this background, the following recommendations were made:

- Staff advised BEAC to combine operations aimed at liquidity absorption (at fixed rate and full allotment) together with 12-month liquidity injections, which would be better suited to the liquidity needs of banks which have structural recourse to BEAC refinancing to manage their maturity differences. Current weekly injections would be gradually phased out.

- Staff suggested that BEAC signal the change early to the banking sector and start implementing the new policy by end-August 2021, when the first of the existing long-term liquidity injections matures. Staff recommended that BEAC monitor the impact of the liquidity management on the transmission of monetary policy and prepare an assessment by end-2021.

BEAC agreed that these changes could improve the transmission of its policy rate to banks' rates, including on deposits, and lead to more active liquidity management by banks and hence greater interbank activity. BEAC also agreed that it would be important to have the new system in place by the time the SDR allocation could become effective, as it will likely lead to an increase in banks' excess liquidity. The BEAC Governor thus committed to support these changes at the next monetary policy committee meeting scheduled at end-June.

15. Staff and the authorities agreed that BEAC should not extend further its purchase program of government securities after expiration in September, even if the full envelope of the program (CFAF 600 billion) is not fully utilized by then as the availability of the prospective SDR allocation by that date could generate an additional influx of liquidity in the system. As of early May, four countries (Cameroon, Chad, Congo, and Gabon) have met the conditions for participating in the program, and BEAC has bought CFAF 188 billion (face value). The program eased CEMAC countries' financing constraints when external financing was not available and contributed to alleviate temporarily the risks associated with the high exposure of the banking system to sovereign risk. Staff congratulated BEAC for continuing to refrain from extending any type of direct monetary financing to its member states, as per its charter. Staff emphasized that direct budget financing would raise serious concerns about the financial autonomy and stability of BEAC and would have significant implications for its credibility to carry out independent monetary policy

16. Staff welcomed progress on the operationalization of the Treasury Single Accounts (TSAs) for CEMAC countries. BEAC expects the new IT platform for managing TSAs to be fully operational by November 2021, which would greatly facilitate monetary operations. In the meantime, staff encouraged BEAC to coordinate with national Treasuries to identify all accounts to be moved to the TSAs, for these to become fully operational possibly by end-2021.

17. The mission took note of the internal procedures, remedial actions and safeguards implemented by the BEAC following the incident of payments under the refinancing facility for the regional development bank (Banque de Développement des États de l'Afrique Centrale BDEAC). BEAC's nonrenewable credit line of CFAF 90 billion to BDEAC is available to finance COVID-19 related well-identified and approved projects. Payments made to three CEMAC national treasuries did not comply with all conditions attached to the facility, which require payments to be made to approved beneficiaries executing the projects. Following internal review, disciplinary actions were implemented for involved BEAC staff. Staff encouraged BEAC to ensure that any future payments under this refinancing facility will respect the terms of the agreement and stands ready to assist the BEAC to strengthen internal control procedures, if necessary. Staff also followed up with the three countries involved to highlight the importance of subjecting COVID-related expenses financed by BDEAC to independent audits as parts of commitments in respect of transparency and accountability of COVID emergency spending, which may be subject to program conditionality where appropriate. Moreover, an update safeguards assessment of BEAC would need to be conducted in late 2021.

18. Staff and the authorities discussed the regional mechanisms related to the possible new SDR allocation. The UMAC ministerial committee decided at its May 2021 meeting to use similar mechanism as in 2009: the SDR would be deposited with BEAC, which in turn would retrocede an equivalent amount in CFA francs to member countries if requested. The possible use of these resources will be discussed on a case-by-case basis in Fund-supported program reviews and surveillance consultations, and will need to be consistent with regional policy objectives, including regional reserves build-up, while taking into account possible additional urgent pandemic-related needs and domestic financing constraints.

C. Enforcement of the Foreign Exchange Regulation

19. BEAC continues to firmly enforce the foreign exchange (FX) regulation.[3] In April, it reminded banks and companies about the documentation required for FX demands. Some importers are still complaining about such requirements even though processing times for transactions abroad have been reduced following the implementation of the "e-transfer" platform in September 2020. However, monitoring the obligation to repatriate deposits held abroad remains difficult. Staff advised BEAC to continue to seek countries' cooperation for identifying government agencies and public enterprises that might still have accounts abroad.

20. BEAC aims to implement the FX regulation for extractive sectors by end-2021. After a new round of consultations with mining and oil companies in early 2021 to determine how to comply with the objectives of foreign exchange regulations without unduly disrupting their activities, BEAC is considering authorizing the extractive sector to hold foreign currency accounts in CEMAC. These accounts would be protected against abusive seizure and would incur low operation costs. Once the final report from the external consultants is received in mid-2021, BEAC expects to finalize and communicate the adaptations to the extractive sectors, including a determination of the share of exports receipts that should be repatriated. In parallel, BEAC is also pushing for a speedy repatriation of the funds saved by companies to cover oil fields rehabilitation costs, which could be transferred in the near future into foreign currency deposits at BEAC.

D. Financial Sector Policies and Reforms

21. Staff encouraged the COBAC Secretary General (SG-COBAC) to develop and timely communicate a strategy and a transparent process to end the temporary relaxation of prudential regulations by end-2021, barring adverse developments.

- With lending gradually restarting in most countries and high profits recorded by banks, staff noted that conditions for exit appear near fulfilled. At end-2020, COVID-impacted loans

[3] Given current pressures on external reserves, strict application of repatriation and surrender requirements continues to be appropriate to address the low level of reserves.

reportedly amounted to around 5 percent of gross loans in CEMAC, of which about 60 percent were already restructured.

- Staff advised SG-COBAC to closely monitor lending and asset quality developments and conduct a bank-by-bank study to assess the possible impact of an exit strategy at end-2021, as initially planned. The strategy would request banks to comply fully with regulations on asset classification and provisioning from early 2022, to restore financial transparency, and undercapitalized banks to submit credible recapitalization plans. Pending results of the impact study, a further release of capital buffers or a short phase-in period may be considered. The timing of the strategy could be revisited in case of new adverse developments.

- Staff commended COBAC's decision to suspend dividend distribution during 2020–22 and advised COBAC to allow banks to distribute dividends on a case-by-case only when the applying bank remains fully capitalized and regulatory compliant after all losses from COVID-impacted loans have been fully accounted for.

- To strengthen banking sector soundness, staff encouraged SG-COBAC to continue proactively cooperating with countries on domestic arrears clearance plans and assess their positive impact on banks, and to request banks to update their NPL resolution strategies in early 2022 to ensure a gradual NPL reduction once temporary measures are lifted.

The authorities noted the positive impact of the temporary measures, which cushioned the impact of the crisis on the financial sector. They stated that the good performance of banks in 2020 was also partly due to tax rebates in some countries. The SG COBAC emphasized that exiting the temporary measures is a difficult policy challenge, and it is still assessing options and timing. SG COBAC noted that the CEMAC is still in the midst of the crisis, with possible additional lagged impact on banks' asset quality, and that the temporary measures might have to be extended into 2022.

22. Partly due to the pandemic, progress in regulatory compliance and bank resolution has been slow.

- Banks' compliance with minimum solvency, the individual exposure limit, and short-term liquidity requirements is broadly unchanged from end-2019. At end-2020, only 17 banks out of 50, representing half of total banking assets, comply with all prudential ratios based on regulatory capital. Staff reiterated its suggestion for a dashboard to track progress on governance and risk management compliance and suggested starting to apply financial sanctions.

- Staff noted some progress with the resolution of insolvent banks but also reiterated the need for COBAC to duly apply the resolution framework and avoid accommodating unwarranted and repeated delays. Staff noted the withdrawal of a bank's license by a national authority in

2020 and encouraged regional and national authorities to draw lessons from that case for the resolution of small banks.[4]

23. The SG-COBAC continued strengthening its regulatory framework, albeit at a slow pace, but significantly lacks capacity to be fully effective.

- Following the adoption of regulations, including on risk concentration and consumer protection in 2020, the SG-COBAC is developing regulations aimed at strengthening the regional AML/CFT framework, introducing Islamic banking, and enhancing the operations of the deposit guarantee fund FOGADAC, to be adopted in 2021. It nearly finalized a new rating system to prepare for risk-based prudential supervision. Progress on the Basel roadmap and the new stress testing methodology has been more limited (stress tests' results with the new methodology are not expected before the first half of 2022). Staff encouraged the SG-COBAC to continue working on a revised short-term liquidity ratio and to implement the leverage ratio from mid-2021 as well as to accelerate the implementation of recommendations from past technical assistance.

- Staff commended the resumption of onsite inspections and of disciplinary sessions in 2021 Q1. However, SG-COBAC should get support to strengthen its capacity to be fully effective, including larger staff, and should develop the capability to conduct virtual on-site inspections given possible future travel disruptions due to the pandemic. Plans to enhance its systems to improve the quality of reported data, with the support of the World Bank, were welcomed.

24. Staff encouraged COBAC to continue commendable efforts to limit risks associated with the sovereign-banks nexus.[5] Banks' exposure to the sovereign in March 2021 amounted to more than a quarter of banking assets, a much higher level than in WAEMU. This exposure continued to increase, as governments faced large financing needs but lower external financing. To limit risks to the banking sector, staff:

- Urged the SG COBAC to (i) maintain its system of non-zero risk weights on government securities, based on regional convergence criteria; (ii) specify conditions for banks to apply zero-risk weight on certain issuances, such as through the use of escrow accounts by the issuing country, to ensure that the counterparty risk is indeed remote; and (iii) step up efforts to enforce regulatory compliance (concentration risks, and solvency and liquidity requirements), including with banks that do build up significant sovereign exposures.

- Advised BEAC, in collaboration with each CEMAC government, to (i) develop a strategy to broaden the investor base for government securities towards nonbanks and accelerate reforms to develop a deeper secondary market; and (ii) gradually enforce the existing requirement for primary dealers to sell at least 30 percent of their holdings within 6 months.

[4] At end-December 2020, 12 banks out of 50 had solvency ratios lower than 9.5 percent, the current regulatory minimum.

[5] See analysis presented in IMF Country report 21/21, Annex III.

- Called on BEAC and national authorities to increase the transparency and predictability of the market processes to foster full uptake of issuances and attract new investors, by publishing issuance calendars and announcements in advance, and publishing auction results on the same day. Staff also suggested that CEMAC countries issue on several days of the week rather than just on Wednesdays to avoid crowding out smaller issuers.

25. BEAC continued progressing on the regional financial transparency and inclusion strategies. It launched in April a process to set the shortlist of interested applicants to become credit bureaus; it will launch the bidding process in summer 2021 to select a first credit bureau before end-2021. Due to travel restrictions, the projects on the credit and corporate registry are facing delays but are expected to be completed in 2021. BEAC completed the diagnostic phase for developing a regional financial inclusion strategy. The first draft of the strategy, which will include the definition of basic financial services, is expected by end-2021.

E. Enhancing the Regional Surveillance Framework

26. The mission discussed with the CEMAC Commission how to continue to further enhance the regional surveillance framework.

- Staff welcomed the decision of the UMAC to maintain the regional convergence criteria and urged the Commission to continue to emphasize that adhering to the regional convergence criteria within a reasonable timeframe is essential for the credibility of the regional surveillance framework. A new sanction mechanism for breaches of regional surveillance rules is pending adoption by the Heads of States Conference; staff stressed the importance of strong implementation mechanisms to guarantee the credibility of the system.
- Implementation of the early warning tools of macroeconomic imbalances has been postponed to 2023, as the authorities argued that implementation in the complicated current context could send negative signals about performance. Staff stressed that the difficult economic context highlights the importance of monitoring such risks and will look forward to the first report for internal use planned for 2021 Q3.

REFORMS FOR HIGHER AND MORE INCLUSIVE GROWTH

27. Staff emphasized that the regional strategy should aim to radically transform the region by urgently implementing a decisive acceleration of structural, transparency, and governance reforms to speed up growth. Given the limited fiscal space, staff advised that budget-neutral governance and structural reforms should be prioritized:

- Fund and World Bank staff presented the conclusions of their joint work on growth at the Tripartite Meeting (ministerial level) and proposed incremental priority reforms with high potential to guide the second-generation of Fund-supported programs (Annex I). Staff encouraged the steering committee of the regional reform plan (PREF CEMAC) to continue integrating the proposed incremental reforms in the updated matrix to secure short-term gains while gathering momentum to implement more ambitious reforms.

- The mission commended the Commission for the progress achieved during the pandemic on the transposition and implementation of the regional PFM directives and will encourage the authorities of Equatorial Guinea to accelerate progress in the transposition. The Commission will need to follow-up in particular on the implementation of the budget transparency directive.

MONITORING OF REGIONAL DEVELOPMENTS AND POLICIES

28. At the CEMAC tripartite meeting in May 2021, there was broad support for the regional strategy and agreement to prioritize policies to bolster CEMAC's external sustainability and lay the basis for a diversified, inclusive, and sustainable growth (Annex II). National and regional authorities stressed the importance of rolling out the vaccination program as the only way to halt the impact of the pandemic. There was consensus among all participants that the second phase of the regional strategy should focus on growth and development, and that all member countries are expected to coordinate policies, including through Fund-supported programs. Given the region's weakened external position, there was agreement that CEMAC's policy mix should now be geared at bolstering the region's external sustainability. IFIs and development partners stressed the importance of budget-neutral transparency and governance reforms with high growth potential. Regional and national authorities also pointed to large financing needs and urged partners to provide financing for investment projects. The authorities supported the recommendation to hold a Heads of States conference in the near future to discuss and firm up commitments at the highest level to a more ambitious structural reform program as the core of the regional strategy going forward.

29. BEAC and COBAC have pursued the implementation of the policy commitments provided in the December 2020 Follow-up to the Letter of Support to the Recovery and Reform Programs Undertaken by the CEMAC Member Countries but progress was negatively affected by the pandemic. BEAC left monetary policy unchanged following its moderate easing in 2020, but with lower external reserves and higher demand for BEAC's liquidity, monetary conditions tightened somewhat with the interbank rate increasing by about 70 bp since end-2020. The NFAs target at end-December 2020, a policy assurance which had been set in a context of unusually high uncertainty, was missed. The shortfall appeared largely due to lower external financing. External reserves have rebounded since end-March, supported by higher oil prices, tighter fiscal stances, and somewhat tighter monetary conditions. In other areas of policy commitments, consultations with extractive sector companies on the implementation of the foreign exchange regulations progressed well and full implementation is expected by end December 2021; and operationalizing TSAs is expected be finalized by end-2021. Implementation of other reforms still faced headwinds due to the pandemic: SG-COBAC is finalizing a new risk rating system to prepare for the implementation of modern-risk based prudential supervision but this lags original plans, partly due to capacity constraints; and the validation of the cash-flow recovery plans of two banks to reduce their dependence on BEAC refinancing within a period of two years has been slow.

30. The attached follow-up letter describes revised NFA targets through December 2021 which are proposed as modified regional policy assurances and other policy intentions by the regional institutions in support of national program objectives.

Text Table 2. Regional Policy Assurance on NFAs, 2020–21

(Billions of euros)

	Dec. 2020	Jun. 2021	Dec. 2021
Assurance endorsed in			
December 2020	3.30	3.40	...
Outcome	3.02	...	...
Proposed new assurances	...	2.80	3.20

Going forward, BEAC is committed to maintain an appropriate monetary policy stance to support external reserves build-up, including through an increase in its policy rate if reserves were to fall markedly again. As part of corrective actions to support the reserve position, it will (i) adapt liquidity management and re-introduce liquidity absorptions to reduce the excess liquidity, stimulate the interbank market, and improve monetary policy transmission; and (ii) discontinue its public securities purchase program in September 2021. BEAC will also continue to work towards effective implementation of the foreign exchange regulation by finalizing adaptations for the extractive sector by end-2021. Consistent with staff projections, the end-June 2021 and end-2021 proposed NFA targets covered by the updated policy assurance were set to €2.8 and €3.2 billion, respectively. This is consistent with national governments fiscal policy intentions and in line with staff advice. In the event of a deviation from the stated NFA accumulation targets which would not be assessed by staff as minor or of a temporary nature, the follow-up letter reiterates the commitment to identify and adopt any additional corrective measures that would be deemed necessary at the national and/or regional policy levels, including a further tightening of monetary policy, to allow the continuation of (or approval of new) financial support as part of the Fund-supported programs with CEMAC members.

STAFF APPRAISAL

31. The COVID-19 pandemic may have long-lasting effects on CEMAC's growth potential, and fiscal and external adjustments will be slower than envisaged before the pandemic struck. The region experienced its worst recession in 20 years in 2020; fiscal and external deficits worsened significantly; foreign reserves dropped sharply, and the external position deteriorated further than expected. A moderate recovery is expected in 2021, but the outlook indicates that external financing needs, although having been revised significantly down from previous projections, remain large and that reserves will build up more slowly than pre-pandemic. The region remains vulnerable to oil price shocks and a large share of the projected reserves accumulation in coming years would stem from borrowed funds such as successor Fund-supported programs and disbursements from IFIs and other bilateral partners.

32. The regional authorities should start preparations for gradually withdrawing the emergency measures taken at the start of the pandemic. The regional authorities' policy response to mitigate the immediate economic impact of the COVID-19 pandemic in 2020 was appropriate and helped cushion the impact of the crisis on growth and the financial sector. However, against the background of CEMAC's weakened external position, room for fiscal and monetary policy to further support the recovery is limited without endangering the credibility and the stability of the exchange rate arrangement. The regional external viability will hinge on possible new IMF-supported programs with Cameroon, Chad and Gabon, and on smooth implementation of policy recommendations which have proved sometimes difficult to deliver. CEMAC members should adjust non-oil fiscal primary balances as targeted to help achieve the regional NFA targets, saving any upside in the near term from higher oil revenue. Monetary policy would need to be quickly tightened if international reserves were to fall markedly. BEAC's program of public securities purchases should also expire as scheduled by end-September 2021 to start reversing the easing of financial conditions. With loan growth resuming in most countries as well as strong banks' profits in 2020 and promising prospects, conditions for normalization appear near fulfilled. COBAC should develop and timely communicate a strategy and a transparent process to exit the temporary easing of prudential regulations by end-2021 barring new adverse developments. It will be important for financial stability that banks meet their prudential obligations. SG COBAC's strategy should ensure that banks comply fully with regulations on asset classification and provisioning from early 2022 and do not distribute dividends until all losses from COVID-impacted loans have been fully accounted for.

33. BEAC should adapt its liquidity management to strengthen monetary policy transmission and stimulate the interbank market. To better meet the needs of a segmented but overall structurally over-liquid banking sector, BEAC should resume liquidity absorption operations, combined with long-term liquidity injections, which would be better suited to the needs of banks which have structural recourse to BEAC refinancing. This would also improve monetary policy transmission, develop the interbank market and improve banks' liquidity management. Full operationalization of TSAs would also help in this strategy and national treasuries should work with BEAC to implement them.

34. The full implementation of the foreign exchange regulation by end-2021 should help support NFA accumulation. BEAC envisages allowing oil and mining companies to hold foreign currency accounts in CEMAC and is pushing for the repatriation of the funds saved by companies to cover oil fields rehabilitation costs. BEAC expects to finalize the adaptations to the extractive sector before the end of 2021, which should lead to higher repatriation of exports proceeds and support NFA accumulation. Processing times for FX transfers outside of the monetary zone have been reduced. FX surrendering levels are satisfactory, but repatriation compliance of deposits held by public entities abroad remains difficult to assess.

35. To limit risks to financial stability, regulatory compliance and bank resolution should be accelerated and risks from the sovereign bank nexus contained. Banks' compliance with prudential standards remains weak and resolution of problem banks has been slow. Tackling the high level of NPLs and achieving progress on arrears clearance plans remain also key for financial stability. Regional and national authorities should cooperate to limit a further increase in banks' sovereign exposure, in particular by stepping up efforts to diversify the investor base for CEMAC public securities away from banks. Progress towards risk-based prudential supervision, the Basel roadmap, the new stress testing methodology and establishing a framework for risk-based AML/CFT supervision should be accelerated. COBAC should also continue to improve data quality, enhance its process effectiveness, and find a way with BEAC to address longstanding under-staffing issues.

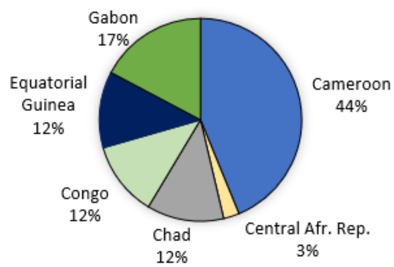
36. CEMAC must decisively focus on implementing structural, transparency, and governance reforms to lay the basis for a diversified, inclusive, and sustainable growth. The shock from the pandemic makes the need for structural reforms to reinvigorate growth even more pressing. The second phase of the regional strategy, with three possible new Fund-supported programs already agreed at staff level, should address reform bottlenecks based on strong commitment at the highest policy making level. Cost-neutral governance and transparency reforms, including fully and consistently implementing existing laws and empowering existing governance structures, should be prioritized to boost private sector growth and increase non-oil revenues. Both will be key to cushion the impact from oil price swings and to make room for priority development and social spending. Modernization of tax administrations along with efforts to broaden the tax base would help support external and debt sustainability. The CEMAC Commission should continue to promote budget transparency through the effective implementation of all CEMAC PFM directives and strengthen the regional surveillance framework, including with an early warning system and a sanction scheme for non-compliant countries.

37. Overall, staff: (i) notes that BEAC missed the policy assurance on the NFA provided in the December 2020 follow-up letter, largely due to lower external financing in 2020; (ii) considers that BEAC is taking satisfactory corrective measures to address the end-December NFA underperformance by starting to reverse the easing of monetary conditions while the recovery has still to materialize; and (iii) supports the updated policy assurance on NFA accumulation (to bring NFA to €2.8 billion and €3.2 billion at end-June 2021 and end-December 2021, respectively). Other policy commitments provided in the December 2020 follow-up letter were implemented, albeit with delays due to the COVID-19 pandemic. BEAC's commitment to maintain an appropriately tight monetary policy, and implement corrective actions to support the reserve position by (i) adapting liquidity management by re-introducing liquidity absorptions to reduce the excess liquidity; and (ii) ending its public securities purchase program in September 2021, will underpin the projected NFA accumulation. Member states also intend to maintain macroeconomic stability, including through appropriate fiscal policy measures, and to implement quickly and decisively ambitious structural, transparency and governance measures to unlock the growth potential of the region. Nevertheless, the projected build-up in external reserves will remain contingent on external support to CEMAC countries being in line with expectations. Meeting the policy assurance on NFAs is critical to allow the continuation of (or approval of new) financial support as part of the Fund-supported programs with CEMAC members.

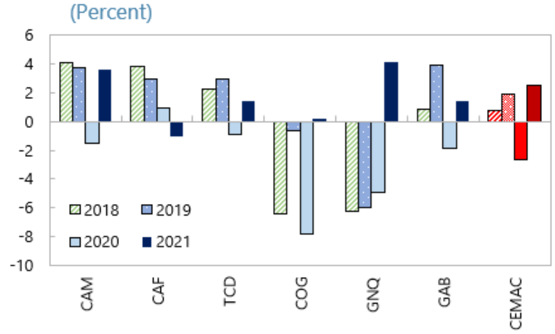
Figure 2. CEMAC: Selected Economic Indicators, 2000–20

Real GDP contracted 2.6 percent in 2020 and is forecasted to reach 2.6 percent growth in 2021, with recovery in all oil-producing countries, whereas the Central African Republic's security situation deteriorated.

CEMAC: Nominal GDP, 2021
(National shares)

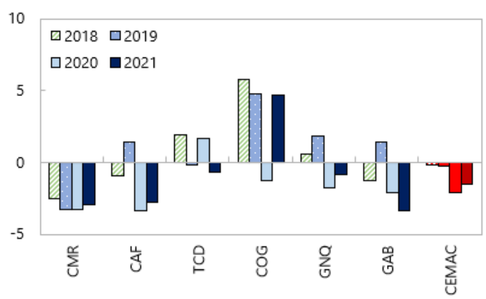


CEMAC: Real GDP Growth, 2018-21
(Percent)

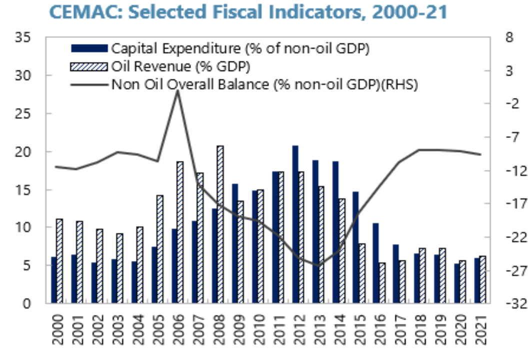


In 2021, the overall fiscal deficit is projected to improve to -1.6 percent of GDP, whereas the non-oil fiscal deficit will remain stable at -9.5 percent of GDP.

CEMAC: Overall Fiscal Balance incl. grants, 2018-21
(Percent of GDP)

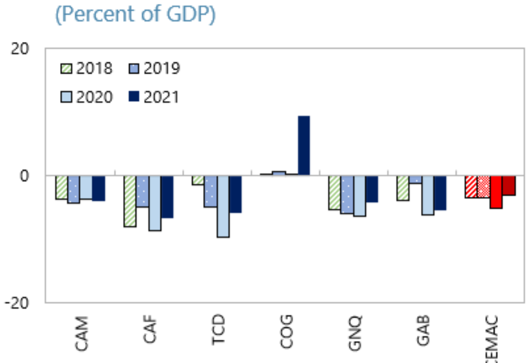


CEMAC: Selected Fiscal Indicators, 2000-21

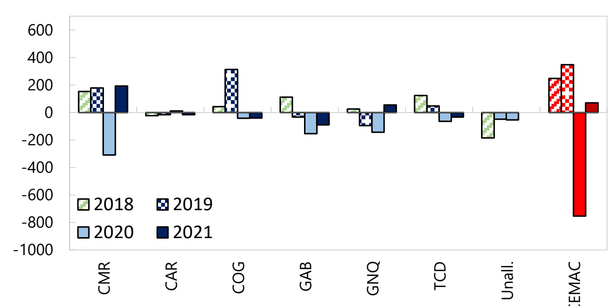


The current account deficit will slightly improve to 3.1 percent of GDP in 2021, whereas the net foreign reserves position is forecasted to increase after a significant deterioration in 2020.

CEMAC: Current Account, 2018-21
(Percent of GDP)



CEMAC: Yearly change in NFA, 2018-21
(Billions of USD)



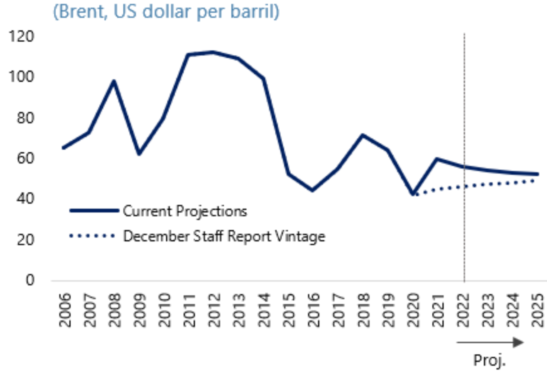
Note: Changes at the CEMAC level include unallocated reserves at the BEAC.

Sources: CEMAC authorities; and IMF staff estimates.

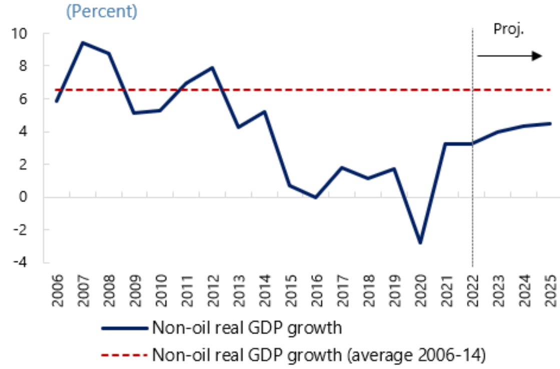
Figure 3. CEMAC: Selected Economic Indicators, 2006–25

The oil prices forecast was revised upwards in 2021 at $59.7 along with an uptick in non-oil GDP growth to reach 3.3 percent. The demand shock triggered by the COVID-19 pandemic severely impacted oil and non-oil growth, leading to lower revenue by about 5 percentage point of GDP in 2020.

Oil Price, 2006-25
(Brent, US dollar per barril)

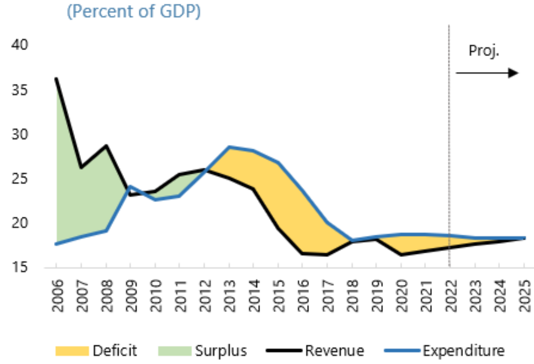


Non-Oil Real GDP Growth, 2006-25
(Percent)

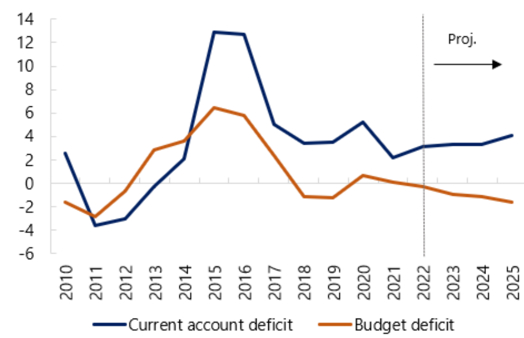


The large twin deficits in 2020 reversed public debt dynamics and led to lower external reserves

Revenue and Expenditure, 2006-25
(Percent of GDP)

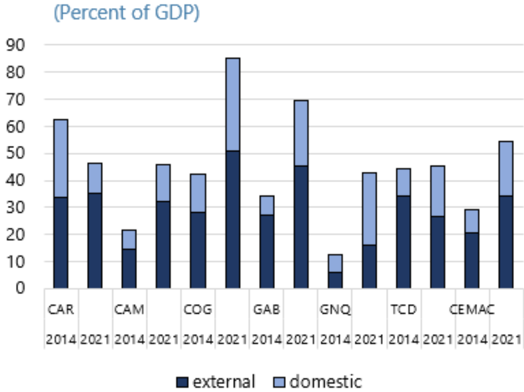


Current Account and Budget Deficit, 2010-25
(Percent of GDP)

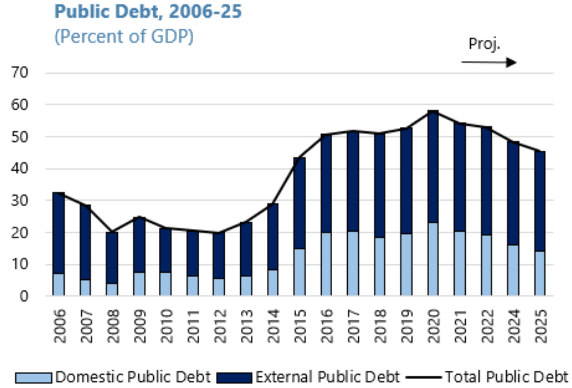


Public debt increased to 58.6 percent of regional GDP in 2020. It is not forecasted to decline below 50 percent before 2024.

Public debt, 2014 and 2021
(Percent of GDP)



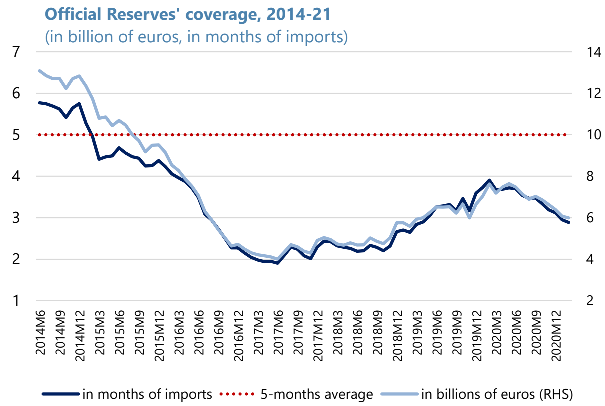
Public Debt, 2006-25
(Percent of GDP)

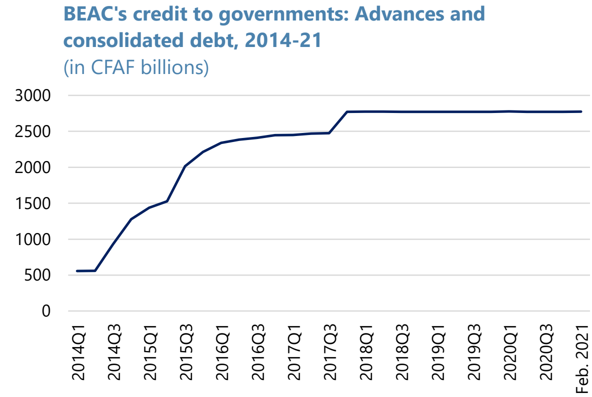


Sources: GAS Live, CEMAC authorities; and IMF staff estimates.

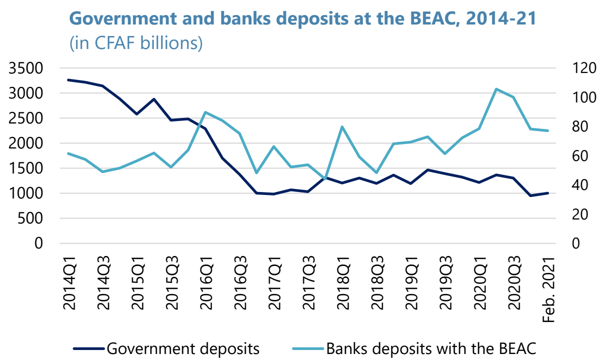
Figure 4. CEMAC: Monetary Indicators

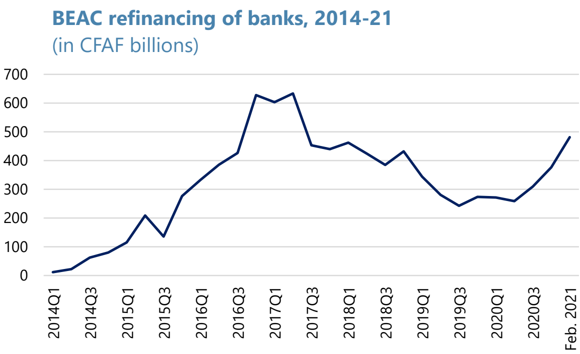
The NFA declined sharply in Q4-2020, bringing the reserves coverage below 3 months of imports in the first quarter of 2021.



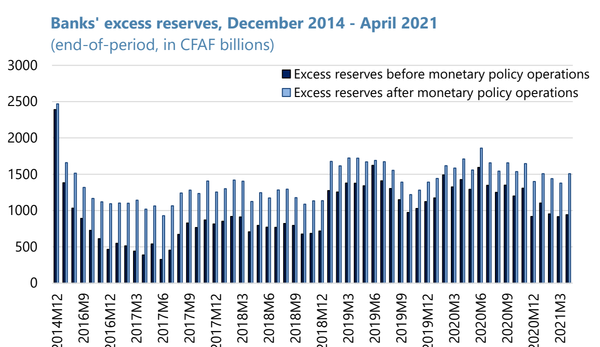


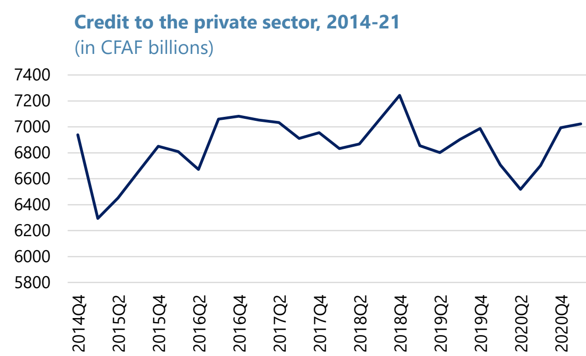
Deposits of governments and banks at BEAC decreased starting in Q4-2020, whereas banks' use of the BEAC's refinancing line sharply increased in recent months.





The banking sector's excess reserves after monetary operations is increasing in 2021 on the back of refinancing operations at the BEAC and a segmented interbank market. Credit to the private sector growth slowed down in 2021-Q1.





Sources: CEMAC; and IMF staff calculations.

Table 1. CEMAC: Selected Economic and Financial Indicators, 2016–25

	2016	2017	2018	2019	2020	2020	2021	2021	2022	2023	2024	2025
	Est.	Est.	Est.	Est.	CR 21/21[4]	Est.	CR 21/21[4]	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual change, in percent)											
National income and prices												
GDP at constant prices[1]	-1.6	0.5	0.8	1.9	-3.0	-2.6	2.7	2.6	2.6	3.7	3.7	3.8
Oil GDP[1]	-7.7	-5.2	-0.8	2.8	-1.6	-2.1	0.4	-0.8	-0.5	2.2	0.4	0.0
Non-oil GDP[1]	0.0	1.8	1.1	1.7	-3.3	-2.8	3.2	3.3	3.3	4.0	4.4	4.5
Consumer prices (period average)[2]	1.1	0.8	2.1	1.8	3.1	2.7	2.5	2.1	2.3	2.3	2.3	2.3
Consumer prices (end of period)[2]	0.3	1.2	3.0	1.9	2.3	1.7	2.8	2.6	2.3	2.3	2.3	2.3
	(Annual change, in percent of beginning-of-period broad money)											
Money and credit												
Net foreign assets	-31.4	-0.9	1.8	1.4	-3.3	-6.6	...	1.0	...	...	...	...
Net domestic assets	26.7	0.5	6.3	4.5	8.6	17.7	...	7.6	...	...	...	...
Broad money	-4.6	-0.4	8.1	5.9	5.3	11.1	...	8.6	...	...	...	...
	(In percent of GDP, unless otherwise indicated)											
Gross national savings	19.2	21.4	22.3	22.2	18.6	19.4	21.1	22.2	23.8	23.9	24.6	26.1
Gross domestic investment	31.8	26.6	25.5	25.6	24.9	24.2	25.6	25.2	26.8	27.2	27.9	30.2
Of which: public investment	8.9	7.2	6.0	5.5	5.3	4.6	5.4	5.0	5.4	5.4	5.6	5.7
Government financial operations												
Total revenue, excluding grants	15.9	15.7	17.2	17.4	15.5	15.5	15.6	16.3	16.8	17.1	17.5	17.9
Government expenditure	23.7	20.1	18.1	18.4	19.4	18.7	19.0	18.7	18.6	18.3	18.4	18.3
Primary fiscal basic balance[3]	-3.9	-0.5	2.6	3.1	0.2	0.2	1.0	1.5	2.2	2.8	3.1	3.5
Overall fiscal balance, excluding grants	-7.8	-4.4	-0.9	-1.0	-3.9	-3.3	-3.4	-2.4	-1.8	-1.1	-0.9	-0.4
Primary fiscal balance, including grants	-5.8	-2.4	1.1	1.3	-1.1	-0.7	-0.8	-0.1	0.3	1.0	1.1	1.6
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-15.3	-12.0	-10.2	-10.1	-11.3	-10.2	-9.9	-10.2	-8.8	-7.5	-6.8	-5.9
Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-13.0	-9.5	-7.6	-7.3	-8.1	-7.2	-6.9	-7.5	-6.4	-5.1	-4.5	-3.6
Total Public Debt	50.7	51.6	50.9	52.7	57.0	58.1	56.0	55.4	53.4	51.1	48.8	46.0
External sector												
Exports of goods and nonfactor services	28.7	31.5	35.2	34.3	27.3	26.6	29.5	31.3	30.4	29.4	28.5	28.0
Imports of goods and nonfactor services	36.7	31.8	33.3	32.8	29.9	28.5	30.2	30.1	30.0	29.2	28.6	29.1
Balance on goods and nonfactor services	-8.0	-0.3	2.0	1.5	-2.6	-1.9	-0.7	1.3	0.4	0.2	-0.1	-1.1
Current account, including grants	-12.7	-5.0	-3.5	-3.5	-6.5	-5.2	-4.8	-3.1	-3.2	-3.3	-3.4	-4.2
External public debt	29.4	32.6	31.4	33.0	37.7	37.5	36.4	34.2	33.8	32.8	32.3	31.2
Gross official reserves (end of period)												
Millions of U.S. dollars	4,972	5,807	6,555	7,390	8,204	7,779	9,791	8,925	10,273	11,531	12,733	13,725
Months of imports of goods and services (less intra regional imports)	2.3	2.3	2.7	3.6	3.5	3.1	4.0	3.4	3.8	4.1	4.2	4.4
Percent of broad money	29.3	30.6	33.2	36.3	35.9	31.4	40.2	32.9	35.7	37.4	38.9	39.9
Memorandum items:												
Nominal GDP (billions of CFA francs)	47,467	49,593	52,970	54,520	50,109	50,992	52,817	55,400	57,488	60,484	63,811	67,653
CFA francs per U.S. dollar, average	593	581	555	586	...	575	...	538	...	...	...	...
CFA francs per U.S. dollar, end-of-year	622	554	576	590	...	539	...	534	...	...	...	...
Oil production (thousands of barrels per day)	873.8	827.5	872.1	900.5	885.3	877.5	898.7	873.9	881.6	908.3	913.1	915.0
Oil prices (U.S. dollars per barrel, brent)	44.0	54.4	71.1	64.0	41.7	42.3	44.8	59.7	56.2	54.1	53.0	52.4

Sources: Authorities' data; and IMF staff estimates and projections.

[1] Estimated after rebasing the national real GDP series to 2005.

[2] Using as weights the shares of member countries in CEMAC's GDP in purchasing power parity in US dollars.

[3] Excluding grants and foreign-financed investment and interest payments.

[4] Refers to the projection published in the IMF Country Report No 21/21.

Table 2. CEMAC: National Accounts, 2016–25

	2016	2017	2018	2019	2020	2020	2021	2021	2022	2023	2024	2025
	Est.	Est.	Est.	Est.	CR 21/21[1]	Est.	CR 21/21[1]	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual change, in percent)											
Real GDP												
Cameroon	4.6	3.5	4.1	3.7	-2.8	-1.5	3.4	3.6	4.6	4.9	5.3	5.4
Central African Republic	4.7	4.5	3.8	3.0	0.0	1.0	3.5	-1.0	4.0	5.0	5.0	5.0
Chad	-5.6	-2.4	2.3	3.0	-0.9	-0.9	1.4	1.4	2.3	2.6	4.3	4.4
Congo, Republic of	-10.7	-4.4	-6.4	-0.6	-6.8	-7.8	1.2	0.2	1.0	5.2	2.0	2.7
Equatorial Guinea	-8.8	-5.7	-6.2	-6.0	-4.6	-4.9	3.1	4.1	-5.6	-1.5	-1.0	-2.8
Gabon	2.1	0.5	0.8	3.9	-1.7	-1.8	1.8	1.5	3.9	3.1	3.3	3.5
CEMAC	-1.6	0.5	0.8	1.9	-3.0	-2.6	2.7	2.6	2.6	3.7	3.7	3.8
Nominal GDP												
Cameroon	5.8	5.1	5.7	6.3	-1.5	0.4	5.9	5.7	6.6	7.0	7.2	7.6
Central African Republic	7.9	11.3	5.2	5.4	1.9	2.8	6.1	1.5	6.7	7.6	7.6	7.6
Chad	-6.6	-3.2	4.7	4.6	-3.8	-2.9	4.8	9.4	3.7	4.5	6.4	6.8
Congo, Republic of	-14.3	7.2	15.3	-1.2	-19.6	-20.3	4.7	13.1	0.8	6.4	3.2	4.5
Equatorial Guinea	-14.5	6.4	2.7	-8.0	-14.4	-13.8	8.4	16.9	-4.9	0.6	2.3	1.3
Gabon	-2.3	4.3	8.1	5.5	-11.7	-10.8	3.2	8.5	4.4	2.8	3.6	4.8
CEMAC	-3.3	4.5	6.8	2.9	-7.6	-6.5	5.4	8.6	3.8	5.2	5.5	6.0
Real non-oil GDP												
Cameroon	5.3	5.0	4.4	3.5	-2.8	-1.8	3.5	3.8	4.8	5.2	5.5	5.6
Central African Republic	4.7	4.5	3.8	3.0	0.0	1.0	3.5	-1.0	4.0	5.0	5.0	5.0
Chad	-6.0	-0.5	0.3	2.0	-1.6	-1.6	1.0	0.7	2.8	3.3	3.8	3.9
Congo, Republic of	-11.3	-8.6	-10.1	-1.7	-8.0	-8.0	-1.5	-1.5	1.5	2.0	2.5	3.5
Equatorial Guinea	-4.7	0.8	-2.7	-6.0	-7.8	-7.0	10.3	10.2	-2.0	0.4	0.7	-0.3
Gabon	3.3	2.5	1.5	3.3	-1.5	-1.7	2.4	2.6	3.0	3.8	4.0	4.1
CEMAC	0.0	1.8	1.1	1.7	-3.3	-2.8	3.2	3.3	3.3	4.0	4.4	4.5
Consumer price inflation (period average)												
Cameroon	0.9	0.6	1.1	2.5	2.8	2.4	2.3	2.3	2.1	2.0	2.0	2.0
Central African Republic	4.9	4.2	1.6	2.7	2.1	2.3	1.8	3.7	2.5	2.5	2.5	2.5
Chad	-1.6	-0.9	4.0	-1.0	3.5	4.5	3.0	2.6	2.8	2.8	2.9	3.0
Congo, Republic of	3.2	0.4	1.2	2.2	2.4	1.8	2.6	2.6	2.8	3.0	3.0	3.0
Equatorial Guinea	1.4	0.7	1.3	1.2	5.7	4.8	3.5	0.5	3.1	3.1	3.1	3.1
Gabon	2.1	2.7	4.8	2.0	2.0	1.3	2.0	2.0	2.0	2.0	2.0	2.0
CEMAC	1.1	0.8	2.1	1.8	3.1	2.7	2.5	2.1	2.3	2.3	2.3	2.3
End of period inflation												
Cameroon	0.3	0.8	2.0	2.4	2.4	2.1	2.1	2.1	2.0	2.0	2.0	2.0
Central African Republic	-4.5	7.2	4.6	-2.8	3.0	4.8	2.5	3.3	2.5	2.5	2.5	2.5
Chad	-5.0	3.1	4.4	-1.7	1.2	3.0	5.6	4.2	2.7	2.8	2.9	3.0
Congo, Republic of	0.0	1.8	0.9	3.8	2.5	0.5	2.7	2.7	3.0	3.0	3.0	3.0
Equatorial Guinea	2.0	-0.2	2.6	4.1	3.5	-0.5	3.5	3.2	3.0	3.0	3.0	3.0
Gabon	4.1	1.1	6.3	1.0	2.0	1.6	2.0	2.0	2.0	2.0	2.0	2.0
CEMAC	0.3	1.2	3.0	1.9	2.3	1.7	2.8	2.6	2.3	2.3	2.3	2.3
Gross national savings												
Cameroon	25.2	25.5	26.2	26.1	21.9	22.9	23.8	24.9	27.1	28.6	30.1	31.7
Central African Republic	8.2	5.7	8.4	9.7	11.1	10.3	9.8	9.5	10.0	10.9	11.7	12.4
Chad	6.1	13.6	17.5	18.5	14.5	15.5	16.4	16.2	17.8	15.5	16.5	20.2
Congo, Republic of	25.1	30.6	23.5	22.8	17.2	22.6	21.8	32.0	28.4	27.5	25.6	24.8
Equatorial Guinea	3.7	8.2	7.2	1.7	5.5	-1.0	7.2	6.9	6.8	7.5	7.8	9.6
Gabon	24.6	23.3	29.0	31.0	23.5	25.5	27.8	25.6	29.0	27.5	27.1	27.9
CEMAC	19.2	21.4	22.3	22.2	18.6	19.4	21.1	22.2	23.8	23.9	24.6	26.1
Gross domestic investment												
Cameroon	28.4	28.1	29.8	30.4	27.2	26.6	28.2	28.9	30.7	32.0	33.2	34.6
Central African Republic	13.6	13.5	16.4	14.7	18.6	18.9	15.8	16.2	16.2	16.8	17.5	18.2
Chad	16.5	20.7	18.9	23.3	25.5	25.3	26.0	22.0	22.7	23.5	23.8	24.9
Congo, Republic of	73.8	36.5	23.4	22.2	21.3	22.6	24.9	22.5	24.4	24.4	25.2	25.2
Equatorial Guinea	16.7	14.0	12.5	7.7	13.7	5.3	12.6	11.1	12.0	11.4	11.8	25.6
Gabon	35.2	31.5	32.9	32.1	29.1	31.7	29.3	31.1	32.2	30.3	29.4	29.8
CEMAC	31.8	26.6	25.5	25.6	24.9	24.2	25.6	25.2	26.8	27.2	27.9	30.2

Sources: Authorities' data; and IMF staff estimates and projections.

[1] Refers to the projection published in the IMF Country Report No 21/21.

Table 3a. CEMAC: Balance of Payments, 2016–25

(Billions of CFA francs)

	2016	2017	2018	2019	2020	2020	2021	2021	2022	2023	2024	2025
	Est.	Est.	Est.	Est.	CR 21/21[3]	Est.	CR 21/21[3]	Proj.	Proj.	Proj.	Proj.	Proj.
Balance on current account	-6,047	-2,504	-1,835	-1,909	-3,237	-2,649	-2,540	-1,715	-1,817	-2,024	-2,184	-2,812
Balance on goods and services	-3,800	-142	1,043	836	-1,301	-987	-380	694	230	95	-65	-758
Total exports	13,602	15,617	18,657	18,720	13,697	13,547	15,581	17,351	17,483	17,752	18,194	18,920
Exports of goods	11,714	13,545	16,509	16,456	11,840	11,761	13,350	15,287	15,067	15,240	15,515	16,037
Oil exports	7,841	9,351	12,401	12,175	7,579	7,582	8,377	10,613	9,962	9,898	9,764	9,654
Non-oil exports	3,873	4,194	4,107	4,281	4,261	4,179	4,973	4,674	5,105	5,342	5,750	6,383
Exports of services	1,888	2,072	2,149	2,264	1,857	1,786	2,231	2,063	2,416	2,512	2,680	2,883
Total imports	17,402	15,759	17,615	17,883	14,998	14,534	15,961	16,657	17,253	17,658	18,259	19,678
Imports of goods	11,043	9,344	10,193	10,437	8,987	8,851	9,489	10,123	10,407	10,773.6	11,145.0	12,294.4
Imports of services	6,359	6,416	7,421	7,446	6,011	5,682	6,473	6,534	6,846	6,884	7,114	7,384
Income, net	-2,227	-2,637	-3,148	-3,187	-2,358	-2,421	-2,500	-3,118	-2,843	-2,882	-2,855	-2,846
Income credits	202	209	269	296	242	286	251	240	262	277	291	303
Income debits	2,429	2,846	3,417	3,483	2,599	2,707	2,751	3,358	3,105	3,158	3,146	3,149
Investment income, debit	-1,869	-2,226	-2,881	-2,885	-1,974	-2,138	-2,147	-2,640	-2,452	-2,483	-2,471	-2,441
Of which: Interest paid on public debt	-354	-279	-312	-441	-277	-210	-339	-301	-257	-236	-232	-258
Of which: Interest paid on nonpublic debt	-98	-171	-21	-12	-2	-282	0	-135	-272	-220	-259	-230
Current transfers, net	-23	237	233	362	421	759	340	732	824	794	767	824
Private current transfers, net	-42	199	194	275	208	543	147	515	634	622	580	620
Official current transfers, net	19	38	39	87	213	216	193	218	190	172	187	204
Balance on capital and financial accounts	2,427	1,826	1,464	1,896	1,128	1,119	1,421	1,043	1,349	1,803	1,826	2,990
Balance on capital account (incl. capital transfers)	172	357	205	190	304	297	255	253	258	280	326	351
Balance on financial account (incl. reserves)	2,256	1,469	1,259	1,707	824	822	1,166	789	1,091	1,523	1,500	2,639
Direct investment, net 1/	3,028	1,952	2,014	2,484	1,808	1,917	2,141	1,970	2,003	2,176.2	2,261.0	3,247.2
Portfolio investment, net	-8	14	148	246	178	176	25	103	18	5	7	8
Other investment, net	-764	-496	-903	-1,023	-1,162	-1,271	-1,000	-1,284	-930	-659	-768	-616
of which: Long-term other investment, net	762	738	50	109	-808	-497	85	-156	-278	-98	95	-37
Errors and omissions, net	86	-123	0	0	0	-201	0	4	0	0	0	0
Overall Balance	-3,533	-800	-371	-12	-2,109	-1,731	-1,119	-669	-468	-221	-358	178
Financing	3,191	758	371	12	2,109	1,731	1,119	669	468	221	358	-178
Reserve assets (accumulation -) 2/	3,105	-231	-470	-463	-139	173	-802	-563	-632	-606	-583	-513
Exceptional financing	87	989	841	476	2,248	1,559	1,921	1,231	1,100	827	941	335
IMF financing	21	322	282	251	582	576	431	106	…	…	…	…
Budget support (excl. IMF)	0	798	684	665	512	452	454	282	…	…	…	…
Other external financing	66	35	86	-156	1,100	439	183	240	…	…	…	…
Residual gap	0	-167	-211	-285	54	91	853	604	1,100	827	941	335
Memorandum items:												
Nominal GDP	47,467	49,593	52,970	54,520	50,109	50,992	52,817	55,400	57,488	60,484	63,811	67,653
Gross foreign assets (end of period)												
Billions CFAF	3,093	3,218	3,777	4,362	4,544	4,193	5,347	4,770	5,452	6,108	6,741	7,267
Months of imports of goods and services	2.3	2.3	2.7	3.6	3.5	3.1	4.0	3.4	3.8	4.1	4.2	4.4
Oil prices (U.S. dollars per barrel, brent)	44.0	54.4	71.1	64.0	41.7	42.3	44.8	59.7	56.2	54.1	53.0	52.4

Sources: BEAC; and IMF staff estimates and projections.

1/ FDI data have been revised, including to better reflect the flows linked to the construction of the Moho-Nord platform in Congo.

2/ Does not reflect reserve accumulation by BEAC's central services.

3/ Refers to the projection published in the IMF Country Report No 21/21.

Table 3b. CEMAC: Balance of Payments, 2016–25
(Percent of GDP)

	2016	2017	2018	2019	2020	2020	2021	2021	2022	2023	2024	2025
	Est.	Est.	Est.	Est.	CR 21/21[3]	Est.	CR 21/21[3]	Proj.	Proj.	Proj.	Proj.	Proj.
Balance on current account	-12.7	-5.0	-3.5	-3.5	-6.5	-5.2	-4.8	-3.1	-3.2	-3.3	-3.4	-4.2
Balance on goods and services	-8.0	-0.3	2.0	1.5	-2.6	-1.9	-0.7	1.3	0.4	0.2	-0.1	-1.1
Total exports	28.7	31.5	35.2	34.3	27.3	26.6	29.5	31.3	30.4	29.4	28.5	28.0
Exports of goods	24.7	27.3	31.2	30.2	23.6	23.1	25.3	27.6	26.2	25.2	24.3	23.7
Oil exports	16.5	18.9	23.4	22.3	15.1	14.9	15.9	19.2	17.3	16.4	15.3	14.3
Non-oil exports	8.2	8.5	7.8	7.9	8.5	8.2	9.4	8.4	8.9	8.8	9.0	9.4
Exports of services	4.0	4.2	4.1	4.2	3.7	3.5	4.2	3.7	4.2	4.2	4.2	4.3
Total imports	36.7	31.8	33.3	32.8	29.9	28.5	30.2	30.1	30.0	29.2	28.6	29.1
Imports of goods	23.3	18.8	19.2	19.1	17.9	17.4	18.0	18.3	18.1	17.8	17.5	18.2
Imports of services	13.4	12.9	14.0	13.7	12.0	11.1	12.3	11.8	11.9	11.4	11.1	10.9
Income, net	-4.7	-5.3	-5.9	-5.8	-4.7	-4.7	-4.7	-5.6	-4.9	-4.8	-4.5	-4.2
Income credits	0.4	0.4	0.5	0.5	0.5	0.6	0.5	0.4	0.5	0.5	0.5	0.4
Income debits	5.1	5.7	6.5	6.4	5.2	5.3	5.2	6.1	5.4	5.2	4.9	4.7
Of which:												
Investment income, debit	-3.9	-4.5	-5.4	-5.3	-3.9	-4.2	-4.1	-4.8	-4.3	-4.1	-3.9	-3.6
Of which: Interest paid on public debt	-0.7	-0.6	-0.6	-0.8	-0.6	-0.4	-0.6	-0.5	-0.4	-0.4	-0.4	-0.4
Of which: Interest paid on nonpublic debt	-0.2	-0.3	0.0	0.0	0.0	-0.6	0.0	-0.2	-0.5	-0.4	-0.4	-0.3
Current transfers, net	0.0	0.5	0.4	0.7	0.8	1.5	0.6	1.3	1.4	1.3	1.2	1.2
Private current transfers, net	-0.1	0.4	0.4	0.5	0.4	1.1	0.3	0.9	1.1	1.0	0.9	0.9
Official current transfers, net	0.0	0.1	0.1	0.2	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Balance on capital and financial accounts	5.1	3.7	2.8	3.5	2.3	2.2	2.7	1.9	2.3	3.0	2.9	4.4
Balance on capital account (incl. capital transfers)	0.4	0.7	0.4	0.3	0.6	0.6	0.5	0.5	0.4	0.5	0.5	0.5
Balance on financial account	4.8	3.0	2.4	3.1	1.6	1.6	2.2	1.4	1.9	2.5	2.4	3.9
Direct investment, net[1]	6.4	3.9	3.8	4.6	3.6	3.8	4.1	3.6	3.5	3.6	3.5	4.8
Portfolio investment, net	0.0	0.0	0.3	0.5	0.4	0.3	0.0	0.2	0.0	0.0	0.0	0.0
Other investment, net	-1.6	-1.0	-1.7	-1.9	-2.3	-2.5	-1.9	-2.3	-1.6	-1.1	-1.2	-0.9
Of which: long-term other investment, net	1.6	1.5	0.1	0.2	-1.6	-1.0	0.2	-0.3	-0.5	-0.2	0.1	-0.1
Errors and omissions, net	0.2	-0.2	0.0	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-7.4	-1.6	-0.7	0.0	-4.2	-3.4	-2.1	-1.2	-0.8	-0.4	-0.6	0.3
Financing	6.7	1.5	0.7	0.0	4.2	3.4	2.1	1.2	0.8	0.4	0.6	-0.3
Reserve assets (accumulation -)[2]	6.5	-0.5	-0.9	-0.8	-0.3	0.3	-1.5	-1.0	-1.1	-1.0	-0.9	-0.8
Exceptional financing	0.2	2.0	1.6	0.9	4.5	3.1	3.6	2.2	1.9	1.4	1.5	0.5
IMF financing	0.0	0.6	0.5	0.5	1.2	1.1	0.8	0.2	…	…	…	…
Budget support (excl. IMF)	0.0	1.6	1.3	1.2	1.0	0.9	0.9	0.5	…	…	…	…
Other external financing	0.1	0.1	0.2	-0.3	2.2	0.9	0.3	0.4	…	…	…	…
Residual gap	0.0	-0.3	-0.4	-0.5	0.1	0.2	1.6	1.1	1.9	1.4	1.5	0.5
Memorandum items:												
Nominal GDP (billions of CFAF)	47,467	49,593	52,970	54,520	50,109	50,992	52,817	55,400	57,488	60,484	63,811	67,653

Sources: BEAC; and IMF staff estimates and projections.

[1] FDI data have been revised, including to better reflect the flows linked to the construction of the Moho-Nord platform in Congo.

[2] Does not reflect reserve accumulation by BEAC's central services.

[3] Refers to the projection published in the IMF Country Report No 21/21.

Table 4a. CEMAC: Fiscal Indicators, 2016–25

(Percent of GDP)

	2016	2017	2018	2019	2020	2020	2021	2021	2022	2023	2024	2025
	Est.	Est.	Est.	Est.	CR 21/21[2]	Est.	CR 21/21[2]	Proj.	Proj.	Proj.	Proj.	Proj.
Overall fiscal balance (excluding grants)												
Cameroon	-6.4	-5.2	-2.9	-3.9	-4.6	-3.4	-3.5	-3.2	-3.0	-2.4	-2.2	-1.3
Central African Republic	-4.7	-6.1	-8.7	-8.2	-15.8	-16.0	-10.0	-11.6	-9.3	-8.2	-7.9	-7.7
Chad	-4.8	-4.3	-1.3	-1.8	-3.4	-3.2	-5.2	-3.4	-1.6	-2.5	-2.2	-1.1
Congo, Republic of	-16.1	-6.4	5.7	4.0	-0.4	-2.9	-0.4	4.1	2.8	4.5	4.6	4.1
Equatorial Guinea	-10.9	-2.6	0.5	1.8	-2.8	-1.7	-2.3	-0.9	-1.0	-0.1	-0.1	-0.2
Gabon	-5.0	-2.6	-1.3	1.4	-3.8	-2.2	-3.0	-3.9	-1.6	-0.1	0.5	1.0
CEMAC	-7.8	-4.4	-0.9	-1.0	-3.9	-3.3	-3.3	-2.4	-1.8	-1.1	-0.9	-0.4
Overall fiscal balance (including grants)												
Cameroon	-6.1	-4.9	-2.5	-3.3	-4.2	-3.3	-3.0	-2.9	-2.6	-2.1	-1.8	-1.0
Central African Republic	1.1	-1.1	-1.0	1.4	-2.5	-3.4	-1.3	-2.8	-1.0	-0.7	-0.9	-1.3
Chad	-1.9	-0.2	1.9	-0.2	1.6	1.7	-0.7	-0.7	1.1	0.4	0.7	1.7
Congo, Republic of	-15.4	-5.9	5.8	4.8	0.6	-1.2	0.4	4.7	3.3	5.1	5.1	4.7
Equatorial Guinea	-10.9	-2.6	0.5	1.8	-2.8	-1.7	-2.3	-0.8	-1.0	-0.1	-0.1	-0.2
Gabon	-5.0	-2.6	-1.3	1.4	-3.5	-2.1	-3.0	-3.4	-1.6	-0.1	0.5	1.0
CEMAC	-7.1	-3.6	-0.2	-0.3	-2.6	-2.1	-2.2	-1.6	-1.0	-0.4	-0.1	0.4
Reference fiscal balance 1												
Cameroon	-5.2	-4.3	-2.9	-4.2	-3.8	-3.3	-3.0	-3.3	-2.9	-2.3	-1.9	-1.1
Central African Republic	1.1	-1.1	-1.0	1.4	-2.5	-3.4	-1.3	-2.8	-1.0	-0.7	-0.9	-1.3
Chad	1.8	0.5	-0.8	-2.1	-3.8	-3.6	-0.7	-2.0	-0.8	0.4	0.4	1.0
Congo, Republic of	-8.9	-3.3	-3.0	-2.6	-1.3	-0.2	-2.1	-0.3	1.1	1.7	3.3	2.8
Equatorial Guinea	-6.2	-1.5	-2.6	-1.5	-3.2	-0.4	-1.5	-2.1	-1.5	-0.5	0.0	-0.3
Gabon	0.1	-2.1	-2.5	-1.4	-4.2	-3.5	-2.9	-2.9	-2.3	-1.4	-1.2	-0.5
CEMAC	-2.6	-2.2	-2.4	-2.6	-3.0	-2.2	-2.2	-2.4	0.0	0.0	0.0	0.0
Primary fiscal balance (including grants)												
Cameroon	-5.3	-4.0	-1.6	-2.3	-3.2	-2.4	-1.9	-2.1	-1.7	-1.3	-1.1	-0.2
Central African Republic	1.6	-0.7	-0.6	1.8	-2.2	-3.0	-1.0	-2.5	-0.7	-0.4	-0.6	-1.0
Chad	0.1	1.3	3.0	0.8	2.5	2.5	0.2	0.1	1.8	1.0	1.3	2.3
Congo, Republic of	-13.4	-4.2	7.7	8.1	2.6	0.1	3.1	6.3	5.2	6.9	6.8	6.3
Equatorial Guinea	-10.5	-2.2	1.2	2.7	-1.4	-0.4	-0.3	0.9	0.7	1.5	1.5	1.3
Gabon	-2.7	-0.1	1.1	3.6	-0.3	1.2	0.0	-0.2	1.1	2.9	3.4	3.9
CEMAC	-5.8	-2.4	1.1	1.3	-1.1	-0.7	-0.5	-0.1	0.3	1.0	1.1	1.6
Government revenue (excluding grants)												
Cameroon	14.5	14.6	15.7	15.1	12.7	13.6	13.7	14.3	15.1	15.5	16.0	16.6
Central African Republic	7.4	7.8	8.9	8.7	8.5	9.2	9.3	8.6	9.9	10.4	11.0	11.3
Chad	9.5	10.6	12.0	12.6	16.4	16.3	13.0	13.8	15.3	14.5	14.6	15.2
Congo, Republic of	25.4	21.9	25.3	26.5	23.7	20.8	26.0	27.0	25.3	26.1	26.3	26.1
Equatorial Guinea	16.9	17.5	19.9	18.5	16.5	14.2	15.5	16.3	15.6	15.3	15.2	14.9
Gabon	17.1	16.4	16.9	19.5	17.1	18.1	17.2	16.8	18.6	19.5	20.3	21.1
CEMAC	15.9	15.7	17.2	17.4	15.5	15.5	15.8	16.3	16.8	17.1	17.5	17.9
Government expenditure (including net lending minus repayments)												
Cameroon	20.9	19.8	18.5	19.0	17.3	17.0	17.2	17.5	18.1	17.9	18.2	17.9
Central African Republic	12.1	13.9	17.6	16.9	24.3	25.1	19.3	20.2	19.1	18.6	18.9	19.1
Chad	14.4	14.9	13.3	14.4	19.8	19.5	18.2	17.2	16.9	17.1	16.7	16.3
Congo, Republic of	41.5	28.3	19.6	22.5	24.1	23.8	26.4	22.9	22.5	21.6	21.7	22.0
Equatorial Guinea	27.8	20.1	19.4	16.7	19.3	16.0	17.8	17.2	16.6	15.4	15.2	15.1
Gabon	22.1	19.0	18.2	18.2	20.9	20.2	20.2	20.7	20.1	19.6	19.8	20.1
CEMAC	23.7	20.1	18.1	18.4	19.4	18.7	19.0	18.7	18.6	18.3	18.4	18.3
Total public debt												
Cameroon	33.3	37.7	39.6	42.3	44.1	45.6	44.2	45.6	45.1	44.2	43.2	41.1
Central African Republic	53.9	50.3	50.0	47.2	45.9	44.1	43.4	46.4	44.0	42.3	40.4	38.6
Chad	57.4	55.0	52.9	55.2	43.6	50.7	45.6	45.5	45.6	44.3	43.4	41.7
Congo, Republic of	91.0	94.2	78.6	83.3	104.2	99.7	99.8	85.3	79.3	69.4	62.4	55.3
Equatorial Guinea	41.1	36.2	41.2	43.0	51.2	48.9	48.1	42.7	45.4	44.4	43.5	42.8
Gabon	64.2	62.9	60.9	59.5	73.2	76.6	71.6	76.8	69.6	67.3	64.0	60.0
CEMAC	50.7	51.6	50.9	52.7	57.0	58.1	56.0	55.4	53.4	51.1	48.8	46.0

Sources: Authorities' data; and IMF staff estimates and projections.

1 Overall budget balance excluding grants and foreign-financed investment.

2 Refers to the projection published in the IMF Country Report No 21/21.

Table 4b. CEMAC: Fiscal Indicators, 2016–25
(Percent of Non-oil GDP)

	2016	2017	2018	2019	2020	2020	2021	2021	2022	2023	2024	2025
	Est.	Est.	Est.	Est.	CR 21/21[2]	Est.	CR 21/21[2]	Proj.	Proj.	Proj.	Proj.	Proj.
Non-oil fiscal balance (excluding grants)												
Cameroon	-8.8	-7.3	-5.5	-6.7	-6.2	-5.4	-5.3	-5.6	-5.3	-4.5	-4.0	-3.0
Central African Republic	-4.7	-6.1	-8.7	-8.2	-15.8	-16.0	-10.0	-11.6	-9.3	-8.2	-7.9	-7.7
Chad	-9.6	-9.3	-8.4	-8.7	-14.7	-14.5	-12.5	-12.4	-11.1	-10.5	-9.5	-8.4
Congo, Republic of	-31.8	-21.8	-19.3	-22.7	-20.2	-19.5	-23.1	-20.6	-17.8	-15.9	-14.6	-13.9
Equatorial Guinea	-31.9	-21.9	-21.1	-16.9	-18.9	-15.2	-15.7	-16.5	-13.8	-11.0	-9.8	-8.8
Gabon	-14.3	-13.3	-11.1	-9.2	-13.7	-11.9	-11.2	-12.3	-10.1	-8.2	-7.4	-6.8
CEMAC	-15.3	-12.0	-10.2	-10.1	-11.3	-10.2	-9.9	-10.2	-8.8	-7.5	-6.8	-5.9
Non-oil fiscal balance (including grants)												
Cameroon	-8.5	-7.0	-5.1	-6.1	-5.8	-5.3	-4.9	-5.3	-4.8	-4.1	-3.7	-2.7
Central African Republic	1.1	-1.1	-1.0	1.4	-2.5	-3.4	-1.3	-2.8	-1.0	-0.7	-0.9	-1.3
Chad	-6.0	-4.5	-4.4	-6.6	-8.9	-8.7	-7.1	-9.0	-7.8	-7.0	-6.0	-5.0
Congo, Republic of	-31.3	-21.2	-19.2	-21.4	-18.8	-17.2	-22.0	-19.7	-17.0	-15.0	-13.7	-13.0
Equatorial Guinea	-31.9	-21.9	-21.1	-16.9	-18.9	-15.2	-15.7	-16.3	-13.8	-11.0	-9.8	-8.8
Gabon	-13.8	-12.0	-9.5	-8.1	-13.3	-11.9	-11.2	-11.5	-10.1	-8.2	-7.4	-6.8
CEMAC	-14.5	-10.9	-9.0	-9.0	-9.7	-8.8	-8.7	-9.2	-7.9	-6.6	-5.9	-5.0
Basic balance1												
Cameroon	-4.0	-1.4	0.6	0.2	-1.6	-1.2	-0.4	-0.2	0.2	0.8	1.2	1.9
Central African Republic	-2.0	-2.4	-2.1	-3.9	-6.6	-6.9	-4.4	-6.0	-3.9	-3.1	-2.7	-2.6
Chad	-3.4	-1.5	1.2	0.3	0.8	1.0	-1.7	0.3	2.6	1.7	2.2	3.5
Congo, Republic of	-12.8	-3.3	10.5	10.6	0.1	-1.8	2.8	9.6	7.4	10.0	9.7	8.7
Equatorial Guinea	-14.7	-3.4	0.7	2.4	-3.4	-2.1	-2.8	-1.1	-1.2	-0.2	-0.1	-0.2
Gabon	-2.6	-1.4	2.3	4.8	-1.6	-1.6	-0.4	-2.6	1.1	1.8	2.8	3.5
CEMAC	-6.1	-1.9	1.9	2.1	-1.5	-1.3	-0.6	0.1	1.0	1.7	2.0	2.5
Non-oil primary fiscal balance (including grants)												
Cameroon	-7.7	-6.1	-4.1	-5.0	-4.8	-4.4	-3.7	-4.4	-3.9	-3.3	-2.9	-1.9
Central African Republic	1.6	-0.7	-0.6	1.8	-2.2	-3.0	-1.0	-2.5	-0.7	-0.4	-0.6	-1.0
Chad	-3.5	-2.5	-3.0	-5.3	-7.8	-7.7	-6.0	-8.1	-6.9	-6.2	-5.3	-4.4
Congo, Republic of	-28.7	-19.0	-15.9	-16.1	-16.0	-15.3	-18.1	-17.2	-14.3	-12.3	-11.2	-10.7
Equatorial Guinea	-31.3	-21.3	-20.2	-15.8	-17.2	-13.5	-13.3	-14.2	-11.7	-9.1	-8.0	-7.1
Gabon	-11.0	-9.7	-7.6	-5.8	-8.9	-7.4	-7.1	-7.2	-6.5	-4.1	-3.5	-3.1
CEMAC	-13.0	-9.5	-7.6	-7.3	-8.0	-7.2	-6.8	-7.5	-6.4	-5.1	-4.5	-3.6
Government revenue (excluding grants)												
Cameroon	15.0	15.2	16.4	15.7	13.1	14.0	14.2	14.9	15.6	16.0	16.5	17.1
Central African Republic	7.4	7.8	8.9	8.7	8.5	9.2	9.3	8.6	9.9	10.4	11.0	11.3
Chad	11.9	12.9	14.9	15.7	19.4	19.2	15.4	17.3	18.8	17.5	17.5	18.2
Congo, Republic of	29.2	28.3	42.0	43.3	33.0	29.0	37.5	42.1	38.0	39.7	39.1	38.1
Equatorial Guinea	22.7	23.1	26.8	24.3	20.4	17.5	18.5	20.3	18.6	17.9	17.4	16.7
Gabon	24.2	23.6	25.0	29.0	23.5	24.0	23.5	22.9	25.2	26.0	26.7	27.3
CEMAC	18.5	18.5	21.3	21.3	17.9	17.7	18.2	19.3	19.6	19.8	20.0	20.3
Government expenditure (including net lending minus repayments)												
Cameroon	21.6	20.6	19.5	19.8	17.8	17.5	17.7	18.2	18.7	18.5	18.8	18.5
Central African Republic	12.1	13.9	17.6	16.9	24.3	25.1	19.3	20.2	19.1	18.6	18.9	19.1
Chad	18.0	18.0	16.5	18.0	23.4	23.0	21.7	21.5	20.7	20.6	20.1	19.5
Congo, Republic of	47.7	36.5	32.6	36.7	33.5	33.1	38.1	35.6	33.8	32.8	32.3	32.1
Equatorial Guinea	37.4	26.6	26.1	21.9	23.9	19.6	21.2	21.5	19.8	18.0	17.5	17.0
Gabon	31.3	27.4	26.9	27.0	28.7	26.9	27.5	28.2	27.3	26.2	26.1	26.0
CEMAC	27.6	23.7	22.4	22.5	22.4	21.5	21.9	22.1	21.7	21.1	21.0	20.7
Non-oil revenues (excluding grants)												
Cameroon	12.7	13.2	14.0	13.1	11.6	12.0	12.4	12.6	13.4	14.0	14.7	15.4
Central African Republic	7.4	7.8	8.9	8.7	8.5	9.2	9.3	8.6	9.9	10.4	11.0	11.3
Chad	8.4	8.7	8.1	9.4	8.6	8.6	9.2	9.1	9.6	10.1	10.6	11.1
Congo, Republic of	15.9	14.7	13.3	14.0	13.3	13.5	15.0	15.0	16.0	17.0	17.7	18.2
Equatorial Guinea	5.6	4.7	5.0	5.0	5.0	4.4	5.6	5.0	6.0	7.0	7.7	8.2
Gabon	17.0	14.1	15.8	17.8	15.0	15.0	16.3	16.0	17.3	18.0	18.6	19.2
CEMAC	12.2	11.7	12.2	12.4	11.1	11.3	12.0	11.9	12.9	13.6	14.2	14.9

Sources: Authorities' data; and IMF staff estimates and projections.

1 Overall budget balance excluding grants and foreign-financed investment.

2 Refers to the projection published in the IMF Country Report No 21/21.

Table 5. CEMAC: Compliance with Convergence Criteria, 2016–25

	2016	2017	2018	2019	2020	2020	2021	2021	2022	2023	2024	2025
	Est.	Est.	Est.	Est.	CR 21/21[4]	Est.	CR 21/21[4]	Proj.	Proj.	Proj.	Proj.	Proj.
Reference fiscal balance (fiscal balance before 2016)[1]				(in percent of GDP)								
Cameroon	-3.8	-4.3	-2.9	-4.2	-3.8	-3.3	-3.0	-3.3	-2.9	-2.3	-1.9	-1.1
Central African Republic	-2.0	-1.1	-1.0	1.4	-2.5	-3.4	-1.3	-2.8	-1.0	-0.7	-0.9	-1.3
Chad	-2.7	0.5	-0.8	-2.1	-3.8	-3.6	-0.7	-2.0	-0.8	0.4	0.4	1.0
Congo, Republic of	-11.1	-3.3	-3.0	-2.6	-1.3	-0.2	-2.1	-0.3	1.1	1.7	3.3	2.8
Equatorial Guinea	-10.9	-1.5	-2.6	-1.5	-3.2	-0.4	-1.5	-2.1	-1.5	-0.5	0.0	-0.3
Gabon	-1.8	-2.1	-2.5	-1.4	-4.2	-3.5	-2.9	-2.9	-2.3	-1.4	-1.2	-0.5
Number of countries violating	6	4	4	3	5	4	3	5	2	1	1	0
Consumer price inflation (≤ 3%)				(in percent)								
Cameroon	0.9	0.6	1.1	2.5	2.8	2.4	2.3	2.3	2.1	2.0	2.0	2.0
Central African Republic	4.9	4.2	1.6	2.7	2.1	2.3	1.8	3.7	2.5	2.5	2.5	2.5
Chad	-1.6	-0.9	4.0	-1.0	3.5	4.5	3.0	2.6	2.8	2.8	2.9	3.0
Congo, Republic of	3.2	0.4	1.2	2.2	2.4	1.8	2.6	2.6	2.8	3.0	3.0	3.0
Equatorial Guinea	1.4	0.7	1.3	1.2	5.7	4.8	3.5	0.5	3.1	3.1	3.1	3.1
Gabon	2.1	2.7	4.8	2.0	2.0	1.3	2.0	2.0	2.0	2.0	2.0	2.0
Number of countries violating	2	1	2	0	2	2	1	1	1	1	1	2
Level of public debt (≤ 70% GDP)				(in percent of GDP)								
Cameroon	33.3	37.7	39.6	42.3	44.1	45.6	44.2	45.6	45.1	44.2	43.2	41.1
Central African Republic	53.9	50.3	50.0	47.2	45.9	44.1	43.4	46.4	44.0	42.3	40.4	38.6
Chad	57.4	55.0	52.9	55.2	43.6	50.7	45.6	45.5	45.6	44.3	43.4	41.7
Congo, Republic of	91.0	94.2	78.6	83.3	104.2	99.7	99.8	85.3	79.3	69.4	62.4	55.3
Equatorial Guinea	41.1	36.2	41.2	43.0	51.2	48.9	48.1	42.7	45.4	44.4	43.5	42.8
Gabon	64.2	62.9	60.9	59.5	73.2	76.6	71.6	76.8	69.6	67.3	64.0	60.0
Number of countries violating	1	1	1	1	2	2	2	2	1	0	0	0
Non-accumulation of government arrears[2] (≤ 0)				(in percent of GDP)								
Cameroon	…	1.4	-2.0	0.3	-0.4	-0.4	-0.4	-0.5	-0.6	0.0	0.0	0.0
Central African Republic	-5.3	-8.0	-2.3	-3.5	-1.9	-2.0	-0.7	-0.3	-0.7	0.0	0.0	0.0
Chad	0.7	0.5	-1.1	-1.7	-2.6	-1.4	-0.5	-1.3	-0.7	-1.1	-1.1	-1.1
Congo, Republic of	2.3	11.9	7.0	-5.1	-7.5	3.1	…	-6.8	…	…	…	…
Equatorial Guinea	5.4	-3.5	-1.1	-0.2	0.8	0.6	-0.8	-3.0	-0.1	0.0	0.0	0.0
Gabon	…	-5.1	-1.5	-2.1	0.0	0.9	0.0	-1.4	-0.4	0.0	0.0	0.0
Number of countries violating[3]	…	…	…	…	…	…	…	…	…	…	…	…

Sources: Authorities' data; and IMF staff estimates.

Note: For the first criteria, the number of countries violating them reflects the estimates from the CEMAC Commission until 2017, and IMF staff estimated going forward. For the criteria on non-accumulation of arrears, the number of countries violating the criteria reflects IMF Staff estimates.

[1] Until 2016, the basic fiscal balance (i.e. the overall budget balance, excluding grants and foreign-financed investment) had to be positive. From 2017 onward, the reference fiscal balance (i.e. the overall budget balance minus 20 percent of oil revenue and minus 80 percent of the oil revenue in excess of the average observed during the 3 previous years) must exceed -1.5 percent of GDP.

[2] Change in the stock of arrears-to-GDP ratio. Includes external and domestic payments arrears, and based on data reported by country authorities (which may differ from CEMAC teams' findings).

[3] Assessment by the CEMAC Comission based on: (i) the non-accumulation of new arrears during the current year; and (ii) the gradual repayment of existing arrears in line with a published schedule.

[4] Refers to the projections published in the IMF Country Report No 21/21.

Table 6. CEMAC: Monetary Survey, 2016–25

(Billions of CFA francs, unless otherwise indicated)

	2016	2017	2018	2019	2020	2020	2021	2021	2021	2021	2021	2022	2023	2024	2025
							Jun.	Mar.	Jun.						
	Est.	Est.	Est.	Est.	CR 21/21[2]	Est.	CR 21/21[2]	Est.	Proj.	CR 21/21[2]	Proj.	Proj.	Proj.	Proj.	Proj.
	(In CFAF billions)														
Net foreign assets	2,416	2,322	2,509	2,667	2,173	1,871	2,192	1,473	1,863	2,626	2,007	2,591	3,241	4,029	4,764
Of which: BEAC	2,254	2,131	2,379	2,730	2,189	1,980	2,241	1,599	1,958	2,556	2,111	2,679	3,342	4,119	4,840
Foreign assets	3,093	3,218	3,777	4,362	4,544	4,193	4,869	3,828	4,309	5,347	4,770	5,452	6,108	6,741	7,267
Of which: Operations account	1,156	2,552	3,360	3,740	2,272	3,633	2,434	2,966	2,155	2,673	2,385	2,726	3,054	3,370	3,634
Foreign liabilities	-839	-1,088	-1,398	-1,632	-2,355	-2,213	-2,628	-2,228	-2,351	-2,791	-2,659	-2,773	-2,765	-2,622	-2,427
Commercial banks	162	191	130	-63	-17	-109	-49	-127	-95	70	-104	-87	-101	-91	-75
Foreign assets	754	802	735	526	618	423	574	482	317	695	410	410	418	432	452
Foreign liabilities[1]	-592	-611	-605	-589	-635	-532	-623	-609	-412	-625	-515	-497	-520	-523	-528
Net domestic assets	8,140	8,190	8,854	9,364	10,493	11,490	10,967	11,979	12,000	10,665	12,506	12,688	13,101	13,304	13,446
Net credit to government	2,689	2,937	3,464	4,266	5,997	6,385	5,547	6,603	6,863	6,468	7,645	8,422	9,027	8,758	8,246
BEAC, net	1,645	1,946	2,209	2,469	3,171	3,348	3,234	3,515	3,518	3,378	3,313	3,407	3,200	2,803	2,208
Of which:															
Advances and consolidated debt	2,446	2,770	2,773	2,772	2,787	2,770	2,772	2,779	2,772	2,779	2,751	2,534	2,306	2,104	1,842
IMF lending	201	491	798	1,020	1,696	1,528	1,824	1,579	1,734	2,040	1,995	2,225	2,324	2,234	1,977
Government deposits	-1,002	-1,316	-1,363	-1,323	-1,312	-951	-1,362	-912	-988	-1,441	-1,432	-1,352	-1,430	-1,536	-1,611
Commercial banks, net	1,044	991	1,256	1,798	2,825	3,037	2,313	3,088	3,345	3,090	4,331	5,015	5,827	5,956	6,038
Of which: Government deposits	867	873	781	794	-	925	-	970	-	-	-	-	-	-	-
Net credit to public agencies	-418	-371	-280	-281	-157	-229	-142	-192	-222	-141	-222	-197	-182	-165	-132
Credit to private sector	7,082	6,955	7,243	6,988	6,585	6,994	7,506	7,018	7,020	6,345	6,805	6,780	7,021	7,402	7,891
Other items, net	-1,213	-1,331	-1,573	-1,609	-1,932	-1,660	-1,945	-1,451	-1,661	-2,007	-1,721	-2,317	-2,765	-2,690	-2,558
Broad money	10,556	10,512	11,363	12,031	12,666	13,361	13,159	13,452	13,863	13,291	14,513	15,279	16,342	17,333	18,211
Currency outside banks	2,432	2,436	2,577	2,752	2,854	3,116	2,934	3,082	3,299	3,117	3,384	3,924	4,271	4,697	5,095
Bank deposits	8,123	8,076	8,787	9,279	9,811	10,245	10,225	10,369	10,564	10,174	11,129	11,355	12,071	12,636	13,115
	(Annual change in percent of beginning-of-period broad money)														
Net foreign assets	-31.4	-0.9	1.8	1.4	-3.3	-6.6	-5.7	-3.0	-8.3	3.6	1.0	4.0	4.3	4.8	4.2
Net domestic assets	26.7	0.5	6.3	4.5	8.6	17.7	10.7	3.7	18.9	1.4	7.6	1.3	2.7	1.2	0.8
Net credit to government	24.3	2.4	5.0	7.1	14.4	17.6	5.9	1.6	16.4	3.7	9.4	5.4	4.0	-1.6	-3.0
Net credit to the private sector	2.1	-1.2	2.7	-2.2	-3.3	0.1	7.9	0.2	4.0	-1.9	-1.4	-0.2	1.6	2.3	2.8
Other items, net	-0.6	-1.1	-2.3	-0.3	-3.5	-0.4	-4.1	1.6	-1.8	-0.6	-0.5	-4.1	-2.9	0.5	0.8
Broad money	-4.6	-0.4	8.1	5.9	5.3	11.1	5.0	0.7	10.6	4.9	8.6	5.3	7.0	6.1	5.1
Velocity (GDP/broad money)	4.5	4.7	4.7	4.5	4.0	3.8	4.0	3.9	4.0	4.0	3.8	3.8	3.7	3.7	3.7
	(Percent of GDP)														
Broad money	22.2	21.2	21.5	22.1	25.3	26.2	24.9	25.5	25.0	25.2	26.2	26.6	27.0	27.2	26.9
Private bank deposits	12.3	11.7	11.9	12.3	14.1	14.5	13.9	14.1	13.7	13.9	14.5	14.2	14.4	14.3	14.0
Net credit to the private sector	14.9	14.0	13.7	12.8	13.1	13.7	14.2	13.3	12.7	12.0	12.3	11.8	11.6	11.6	11.7

Sources: BEAC; and IMF staff estimates.

[1] Data on the commercial banks' foreign liabilities have been revised to include the medium- and long-term liabilities (hitherto reported in the other items, net).

[2] Refers to the projections published in the IMF Country Report No 21/21.

Table 7. CEMAC: Summary Accounts of the Central Bank, 2017–25

(Billions of CFA francs, unless otherwise indicated)

	2017	2018	2019	2020	2020	2021	2021	2021	2021	2021	2022	2023	2024	2025
				Jun.		Mar.	Jun.	Jun.						
	Est.	Est.	Est.	Est.	Est.	Est.	CR 21/21[2]	Proj.	CR 21/21[2]	Proj.	Proj.	Proj.	Proj.	Proj.
										131				
Net foreign assets	2,131	2,379	2,730	2,954	1,980	1,599	2,241	1,958	2,556	2,111	2,679	3,342	4,119	4,840
Assets[1]	3,218	3,777	4,362	4,905	4,193	3,828	4,869	4,309	5,347	4,770	5,452	6,108	6,741	7,267
Unallocated	638	452	308	360	101	93	301	101	301	101	101	101	101	101
Cameroon	1,770	2,004	2,199	2,244	2,153	2,142	2,260	2,239	2,328	2,505	2,770	2,996	3,307	3,610
CAR	206	215	214	227	242	237	264	241	282	241	252	275	293	311
Congo	216	251	617	706	643	508	814	631	1,070	602	765	1,002	1,111	1,181
Gabon	537	766	813	1,022	808	722	821	824	834	840	905	977	1,036	1,081
EG	-31	-5	21	23	30	9	178	30	284	212	339	374	430	506
Chad	-117	93	191	323	216	116	231	242	247	268	319	382	462	476
Of which:														
Operations account	2,552	3,360	3,740	4,264	3,633	2,966	2,434	2,155	2,673	2,385	2,726	3,054	3,370	3,634
Liabilities	-1,088	-1,398	-1,632	-1,950	-2,213	-2,228	-2,628	-2,351	-2,791	-2,659	-2,773	-2,765	-2,622	-2,427
Unallocated	-17	-16	80	-17	233	228	-17	233	-16	233	233	233	233	233
Cameroon	-448	-529	-546	-749	-809	-822	-816	-809	-816	-970	-1,055	-1,109	-1,102	-1,022
CAR	-132	-163	-177	-205	-193	-216	-231	-210	-238	-207	-218	-223	-203	-177
Congo	-96	-89	-138	-132	-203	-160	-252	-203	-327	-203	-203	-203	-203	-200
Gabon	-230	-348	-428	-427	-577	-589	-599	-606	-596	-636	-671	-658	-592	-485
EG	-24	-26	-146	-145	-297	-295	-292	-347	-336	-425	-470	-471	-458	-431
Chad	-140	-227	-276	-274	-366	-374	-422	-409	-461	-452	-389	-336	-296	-345
Net domestic assets	2,066	2,316	2,316	2,503	3,459	3,776	3,253	3,636	3,205	3,622	3,555	3,285	2,951	2,700
Net credit to government	1,946	2,209	2,469	2,692	3,348	3,515	3,234	3,518	3,378	3,313	3,407	3,200	2,803	2,208
Claims	3,261	3,571	3,792	4,059	4,299	4,427	4,596	4,506	4,819	4,746	4,759	4,630	4,338	3,819
Advances and consolidated debt	2,770	2,773	2,772	2,771	2,770	2,779	2,772	2,772	2,779	2,751	2,534	2,306	2,104	1,842
IMF credit	491	798	1,020	1,288	1,528	1,579	1,824	1,734	2,040	1,995	2,225	2,324	2,234	1,977
Government deposits	-1,316	-1,362.6	-1,323.1	-1,366.4	-951	-912	-1,362	-988	-1,441	-1,432	-1,352	-1,430	-1,536	-1,611
o.w. Unallocated	-1	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Cameroon	-656	-558	-496	-533	-371	-422	-336	-442	-292	-522	-415	-307	-231	-226
Central African Republic	-45	-39	-37	-29	-15	-10	-10	-15	-23	-27	-22	-34	-37	-31
Chad	-93	-227	-113	-254	-129	-80	-135	-145	-146	-161	-195	-226	-265	-291
Congo, Republic of	-93	-64	-214	-159	-101	-87	-520	-116	-579	-342	-258	-305	-326	-344
Equatorial Guinea	-114	-157	-225	-198	-121	-120	-145	-47	-145	-136	-139	-119	-116	-92
Gabon	-315	-316	-237	-192	-212	-192	-215	-223	-255	-243	-322	-438	-559	-626
Net claims on financial institutions	440	432	274	259	377	585	350	384	157	574	414	351	414	758
Other items, net	-319	-324	-426	-448	-266	-324	-331	-266	-331	-266	-266	-266	-266	-266
Base money	4,197	4,695	5,046	5,458	5,439	5,375	5,495	5,594	5,761	5,733	6,234	6,627	7,070	7,540
Currency in circulation	2,436	2,577	2,752	2,811	3,116	3,082	2,934	3,299	3,117	3,384	3,924	4,271	4,697	5,095
Banks' reserves	1,717	2,050	2,222	2,541	2,245	2,199	2,540	2,197	2,521	2,258	2,268	2,315	2,363	2,405
o.w. Required reserves	442	569	700	715	743	765	771	766	767	807	824	876	917	952
Excess reserves	977	1,125	1,160	1,493	1,145	1,074	1,386	1,074	1,356	1,064	1,049	1,019	1,007	997
Cash in vaults	297	356	363	333	357	360	383	357	398	387	395	420	440	457
Others	44	68	72	106	78	94	20	98	123	90	42	41	10	40
Memorandum items:														
Reserve coverage of broad money (in percent)	31	33	36	39	31	29	37	31	40	33	36	37	39	39.9
Base money/deposits (in percent)	52.0	53.4	54.4	56.1	53.1	52.5	53.7	53.0	56.6	51.5	54.9	54.9	55.9	57.5

Sources: BEAC.

[1] Gross foreign reserves, including gold, foreign currency reserves, IMF reserve position, and net overall balance of the operations account at the French Treasury.

[2] Refers to the projections published in the IMF Country Report No 21/21.

Table 8. CEMAC: Net Foreign Assets of the Central Bank, 2016–25

(Billions of CFA francs)

	2016	2017	2018	2019	2020	2020	2021	2021	2021	2021	2021	2022	2023	2024	2025
							Mar.	Jun.	Jun.						
	Est.	Est.	Est.	Est.	CR 21/21[1]	Est.	Est.	CR 21/21[1]	Proj.	CR 21/21[1]	Proj.	Proj.	Proj.	Proj.	Proj.
BEAC's net foreign assets															
Stock	2,254	2,131	2,379	2,730	2,189	1,980	1,599	2,241	1,958	2,556	2,111	2,679	3,342	4,119	4,840
Change since end of previous year	-3,294	-123	248	348	-540	-750	-381	52	-22	367	131	567	664	777	721
o.w. Cameroon	-824	216	152	178.7	-278	-309	-24	68	86	137	192	180	172	317	384
Central African Republic	12	35	-22	-15	3	12	-28	-8	-17	4	-15	1	18	39	43
Congo	-912	-207	43	313	95	-41	-95	-14	-15	170	-40	163	237	108	73
Gabon	-630	-64	111	-34	-178	-154	-98	15	-13	30	-26	29	86	125	152
Equatorial Guinea	-712	-43	25	-95	0	-143	-18	11	-50	73	55	82	35	68	104
Chad	-448	45	123	48	-82	-65	-108	-23	-17	-47	-33	-13	10	41	62
Unallocated	220	-105	-185	-49	-102	-53	-13	-1	0	0	0	0	0	0	0

Sources: BEAC; and IMF staff projections.

[1] Refers to the projections published in the IMF Country Report No 21/21.

Table 9. CEMAC: Financial Soundness Indicators, 2015–20
(Percent)

	2015	2016	2017	2018	2019 [4]	2020 [4] Q1	2020 [4] Q2	2020 [4] Q3	2020 [4] Q4
Capital									
Regulatory capital to risk-weighted assets[1, 2]	14.0	13.4	16.1	16.5	13.0	12.6	12.6	13.8	12.7
Asset quality									
Non-performing loans (gross) to total loans (gross)	9.6	11.9	14.6	17.4	19.1	20.0	21.3	20.8	19.3
Earnings and profitability									
Return on equity	16.4	23.5	16.4	30.8	17.1	…	…	…	11.1
Return on assets[3]	1.7	2.5	1.9	3.7	1.9	…	…	…	0.7
Liquidity									
Ratio of liquid assets to short-term liabilities	151.9	141.3	158.2	163.5	153.5	166.6	176.9	165.1	167.3
Total deposits to total (noninterbank) loans	111.6	102.3	101.5	104.2	114.1	115.4	132.7	131.2	128.8
Credit									
Gross loan (banks' book) - bn FCFA	8486	8991	8814	9071	10761	7773	8235	8431	8930
Gross loan - annualized growth rate	10.2	5.9	-2.0	2.9	18.63	-9.38	-23.34	-21.01	-17.01

Source: Banking Commission of Central Africa (COBAC).

1 Current year profits are excluded from the definition of regulatory capital, following the Basel I capital accord guidelines. General provisions are included in Tier 2 capital up to an amount equal to 1.25% of risk-weighted assets. Regulatory capital is the sum of Tier 1 capital, and the minimum of Tier 1 and Tier 2 capital.

2 The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the central bank; 100% - all other assets.

3 The ratio of after-tax profits to the average of beginning and end-period total assets.

4 Provisional data.

Table 10. CEMAC: Financing Needs and Sources, 2020–23
(Billions of CFA francs)

	2020 Proj.	2021 /1 Proj.	2022 /1 Proj.	2023 /1 Proj.	Total 2021-23 Proj. *(Euro billion)*
Financing needs	1552	1231	1100	827	4.8
Overall balance of payments	-1725	-669	-468	-221	-2.1
Reserves assets (-accumulation)	173	-563	-632	-606	-2.7
Financing sources					
IMF support [2]	576	106	…	…	0.2
Budget support from other donors	452	282	…	…	0.4

1/ Provisonal data.
2/ Reflects existing IMF programs and emergency assistance.

Annex I. Priority Reforms for Higher and More Inclusive Growth

Executive Summary of the joint IMF/WB Position Note on Enhancing Sustainable and Inclusive Growth in CEMAC, Suggested Policies and Structural Reforms

1. **The CEMAC has been hit hard by two shocks, just few years apart.** The first shock in 2015–16 was triggered by a sharp decline in oil prices which remains CEMAC's main export proceeds and revenue source, just when many CEMAC countries were ramping up public investment programs. As a result, CEMAC countries put together a coordinated effort relying on large fiscal adjustments under IMF and WBG supported programs. External balances were on the path of recovery when, in the first quarter of 2020, the world experienced its largest economic shock since WWII, with the spread of the COVID-19 pandemic and, again, a collapse in oil prices. What ensued is a large demand and supply shock, exacerbated by the social and economic cost of mitigation measures to contain the contagion. This second crisis hit the region before fiscal and external buffers had time to fully recover from the previous one and threaten to erase the hard-won gains made since the previous shock.

2. **The CEMAC authorities had been trying to set in motion a process to address the root cause of the region's vulnerability – a largely undiversified economic basis overly dependent on oil.** The CEMAC Commission had put in place a large-scale strategy of CEMAC Economic and Financial Reform (PREF). This plan defines a set of reforms, organized around five pillars, to create the basis for a more diversified, inclusive and a private sector led growth and enhanced governance of public sector. Initial measures focused on engaging in closer financial relationships with the Fund and other development partners. As the first generation of IMF-supported programs are ending, and most of the CEMAC countries have benefit from a very sizeable emergency financing from the Fund to cope with the social and economic fallout of the COVID-19 crisis, the urgency is now to identify key reforms that will underpin second-generation programs to boost progress on the PREF and focus on addressing growth bottlenecks.

3. **The main recommendations are summarized in the table below.** While these recommendations provide a coherent framework to guide reforms to bring about inclusive growth, it will be up to the regional and national authorities to translate these into specific actions with support of the IMF and the WBG. As the remainder of this note highlights in several parts, the main obstacle to create the condition for more inclusive and resilient growth can be the lack of buy in, including at the highest level, on a strong and focused reform agenda.

Table 1. Main Recommendations			
Pillars	**Reforms**	**Responsible Institutions**	**Timeframe**
Public financial management	Strengthening the Directorate of Public finances at the CEMAC Commission.	CEMAC Commission	
	Step 1. Hiring of public finance specialists to oversee the implementation of the regional directives.		End-2021
	Step 2. Conduct and publication of an evaluation of the implementation of the regional directives.		Every semester starting January 2022
	Step 3. Conduct of strategic thinking on new reforms at the regional level		Mid-2022
	Boosting countries' efforts to implement the regional directives on public finances.	CEMAC Commission / MoF at each CEMAC country	
	Step 1: Adoption of reform strategies in every country consistently with the 2024 deadlines and the regional guidelines established in collaboration with the WB.		Early 2022
	Step 2: Establishment of units in charge of following-up the strategies.		Early 2022
	Establishing and strengthening Supreme Audit Institutions (Cour des comptes).	CEMAC Countries	
	Step 1: Generalization of institutional and legal conditions for effective SAI in every country (e.g., new legal framework).		Mid-2021
	Step 2: Develop SAI's capacities to produce audits consistent with INTOSAI standards.		End-2024

Table 1. Main Recommendations (continued)

Pillars	Reforms	Responsible Institutions	Timeframe
Public financial management	Expand comprehensiveness of Treasury Single Accounts and improve timeliness, accuracy and disaggregation of Budget Execution Reports.	CEMAC Countries	End-2021
	Step 1: Drafting of a standardized template of a convention between the Central bank and national Treasuries to provide a common operational framework.		Mid-2021
	Step 2: Implement a new IT system for TSA operations.		2021 Q3
	Step 3: Operationalize TSAs for all CEMAC countries.		End-2021/mid-2022
	Ensure adequate financing of social sectors, education, health, and social protection to address immediate effects of COVID-19 and build more resilient and effective systems	Ministries of Finance Social Ministries	12-24 months
Management of PIP	Strengthen national legal frameworks of PIM to establish clear procedures and responsibilities.	MoF, with coordination with CEMAC Commission (reflecting CEMAC PFM directives)	Medium Term
	Improve and centralize project planning functions and project implementation monitoring.		Medium Term
	Publish project selection criteria and selected contractors.		Short Term
	Improve budget documentation, to better estimate fiscal risks associated with Public investment projects.		Medium Term

Table 1. Main Recommendations (continued)			
Pillars	**Reforms**	**Responsible Institutions**	**Timeframe**
Management and reform of SOEs	Build capacity of the ministries of finance to monitor the performance of SOEs and prepare aggregate reports on the SOE portfolio.	MoF	Short/Medium Term
	Publish audited financial statements of all systemically important SOEs.	MoF and SOEs	Short Term
	Publish annual aggregate (portfolio-wide) report on SOE performance and financial situation.	Cabinet/MoF	Medium Term
Business climate	Define, under coordination by the CEMAC Commission, a regional strategy to revise the tax regime to simplify the tax structure and implementing online solutions to allow online tax filing and payments.	Ministries in charge of Finance / Tax Authorities	Two to three years
	Revise the code of civil and commercial procedures to incorporate international best practices of commercial justice.	Ministries in charge of Justice	Two to three years
	Enhance the judiciary system and commercial courts by building specific capacity to deal with commercial and financial crimes.	Ministries of Justice	Two to three years
Tax and Custom administration	Improve customs modernization and introduce automated solutions in the goods clearing procedures, through the Adoption of a Community tax procedures code and the establishment of the Regional Observatory	Ministries of Finance/ Customs/Commission	One year
	Approve regulation and customs procedures to ensure application of the FX regulation and agree on data exchange procedures for implementation	Ministries of Finance/ Customs/BEAC	One to two years
	Step up capacity to monitor oil trade by tracking flows and exchanging data with importing jurisdictions.	Ministries of Finance/ Customs/BEAC	Two to three year

Table 1. Main Recommendations (continued)

Pillars	Reforms	Responsible Institutions	Timeframe
Regional market and agriculture	Fully and effectively operationalize the single transit regime.	Ministries in charge of customs and transportation, custom agencies and CEMAC Commission	TBD
Financial sector development and inclusion	Ensure payments systems interoperability.	GIMAC/BEAC	12 months
	Promote digital financial services through Fintechs/ Rollout of Financial Inclusion Action Plans.	BEAC/COBAC/National Governments	18 months
	Activate capital markets through regular, market-based Government issuances and consideration of partial listing of viable SOEs.	BEAC/COSUMAF/National Ministers of Finance	12–18 months
	Enhance the enforcement of collateral by establishing effective registries and commercial courts.	BEAC, COBAC, MoF/Justice	12–24 months
Financial sector development and inclusion	Promote the creation of partial credit guarantee schemes to support viable SME and MSME development in growth sectors.	MoFs/National governments	12–24 months
	Promote market discipline in the financial sector by revising transparency and disclosure requirements for banks.	BEAC, COBAC	12–24 months
Unlocking Human Capital: Protecting and Investing in People	Ensure broad access to COVID vaccines by ensuring supply from COVAX and other sources, mobilizing domestic and other financing sources, and developing robust deployment plans	Ministry of Finance, Ministry of Health	Immediate
	Expand and reprioritize domestic financing of the health system in keeping with commitments under the Africa Leaders' Meeting Declaration	Ministry of finance	12–26 months
	Strengthen health systems with a focus on primary health care	Ministry of Health	12–24 months

Table 1. Main Recommendations (continued)			
Pillars	**Reforms**	**Responsible Institutions**	**Timeframe**
	Enhance the capacity of countries to prevent, detect and respond to public health emergencies	All relevant Ministries accounting to a joint action plan	12–24 months
	Address multisectoral drivers of nutrition and health outcomes, including putting in place pro-health taxes (e.g. alcohol and tobacco), expanding access to water and sanitation services.	All relevant Ministries accounting to a joint action plan	12–24 months
Boost learning outcomes as foundations for future productivity	Ensure safe return to full-time education process and provide remedial programs for the period lost	Ministries of education and relevant stakeholders	Immediate
	Protect education funding while improving efficiency and transparency of resource allocation and funds flow within education sector	Ministries of finance and education	Immediate
	Strengthen governance, management, planning and accountability of the sector, including focus on the teachers/civil service reforms throughout education cycle	Ministries of finance and education, possibly public administration	12–24 months
	Address equity and resilience issues in access to in access to quality education, school infrastructure and education system (scale up use of technology and remote learning)	Ministries of finance and education	12–36 months
Strengthen Skills Systems	Enhance digital skills development across the whole system	Ministries of Finance Social Ministries (e.g. Education, Labor, Skills Development, etc.)	12–24 months
	Strengthen post-basic education for economic diversification particularly by improving market relevance of skills development programs, including ensuring employer involvement in design and delivery of skills development and higher education programs	Ministries of Finance Social Ministries (e.g. Education, Labor, Skills Development, etc.)	12–24 months

Table 1. Main Recommendations (continued)			
Pillars	**Reforms**	**Responsible Institutions**	**Timeframe**
Build and/or Expand social protection systems to help households manage shocks, protect and invest in their human capital	Continue expanding coverage prioritizing the most vulnerable	Ministries of Finance, with Ministries in charge of social affairs	Immediate
	Diversify social protection instruments and expand coverage vertically by supporting non-poor informal sector workers currently excluded by the social protection system	Ministries of Finance, with Ministries in charge of social affairs	Immediate
	Expand the fiscal space for social protection and redirecting funding to poverty-targeted social assistance away from regressive spending (energy subsidies, public pensions);	Ministries of Finance, with Ministries in charge of social affairs Ministries of Finance, with Ministries in charge of social affairs	12–24 months
	Continue leveraging social safety nets to incentivize investments in human capital	Ministries of Finance, with Ministries in charge of social affairs	12–24 months
	Build inclusive and shock-responsive delivery systems to facilitate identification, registration and provision of services (social registries, foundational ID systems) and accelerate the adoption of digital payments	Ministries of Finance, with Ministries in charge of social affairs	12–24 months
	Strengthening the strategic and institutional framework for designing, implementing, and managing social protection programs	Ministries of Finance, with Ministries in charge of social affairs	12–24 months

Table 1. Main Recommendations (concluded)			
Pillars	**Reforms**	**Responsible Institutions**	**Timeframe**
Invest in high-return cross-cutting investments to accelerate progress in human capital	Invest in early years, focusing on malnutrition, Early Childhood Development (ECD), and pre-school education	Ministries of planning with relevant sectoral ministries	12–24 months
	Pursue comprehensive strategies to empower girls and women and tackle early pregnancies		12–24 months

Annex II. Policy Commitments at the May 2021 Tripartite Discussions

TRIPARTIE DISCUSSIONS BETWEEN MEMBER STATES, CEMAC REGIONAL INSTITUTIONS AND IMF STAFF

RECOMMENDATIONS

The fifth tripartite consultation between the Member States, Regional Institutions of the Economic and Monetary Community of Central Africa (CEMAC) and the technical and financial partners was held on May 21, 2021, by videoconference.

Taking into account the evolution of the regional macroeconomic framework and noting that despite the encouraging progress made in the implementation of the first phase of the CEMAC Economic and Financial Reform Program (PREF-CEMAC) and the individual agreements of the Members States with the IMF, supported by external technical and financial partners, the CEMAC economies remain highly vulnerable to exogenous shocks and are particularly affected by the effects of the COVID-19 crisis;

Welcoming the external financing mobilized in 2020, through IMF programs, emergency facilities and other financial partners, which alleviated budgetary pressures and contributed to external stability;

Stressing, however, the scale of the impact of the COVID-19 pandemic and its long-term economic impact on the region, in a context of socio-political and security tensions, high volatility in oil prices and uncertainties surrounding the global economic recovery;

Noting that in 2020, the CEMAC recorded an economic recession of 2.1%, while growth was positive at about 2.1% in 2019, as well as an increase in the budget and external deficits respectively to 4.1% and 5.9 % of GDP and a significant decline in regional external reserves;

Recognizing the urgency of strengthening the sustainability of fiscal balances, monetary stability and the resilience of CEMAC economies, through second generation programs focused on enhancing growth and reducing poverty;

Stressing the importance of maintaining sound economic policies, supported by structural reforms, and adequate support from the international financial partners and the various international initiatives, including those relating to debt relief, in order to promote strong and inclusive growth;

Highlighting the commitment of the Members of CEMAC's Ministerial Committee towards of the resolutions taken at the Paris Summit on the financing of African economies and the increase in financial support to the Continent to promote a strong recovery post-COVID;

Knowing also that the CEMAC States have expressed their commitment to continue the coordinated implementation of the regional strategy in a spirit of community and solidarity;

Expressing their agreement on the main priority reforms devolved to the second cycle of programs to enable the CEMAC countries to return to sustainable, inclusive and resilient growth, and to serve as catalysts for the mobilization of external financing, the participants recommend:

Member States:

- To request the commitment of the highest authorities to renew the reform dynamic of the regional strategy and end the crisis, as part of second-generation IMF programs, and to continue the coordinated efforts to improve the macroeconomic performance of the region;
- To complete the negotiations started with IMF staff for the implementation of second generation economic and financial programs;
- To take advantage of international initiatives to gain access to affordable COVID-19 vaccines and ensure widespread vaccination of populations;
- To implement appropriate budgetary policies to reduce public debt and bring the regional external position to sustainable levels, while prioritizing expenditures and improving domestic revenue mobilization;
- To carry out the priority structural reforms discussed with the IMF and the World Bank with regards in particular to strengthening governance, the fight against corruption, broadening the tax base and improving the business climate;
- To strengthen sectoral policies to ensure the structural transformation of economies, including the development of infrastructure, the promotion of digitization and the improvement of access to energy;
- To empower the various ministerial departments in monitoring the implementation of the reforms identified and to intensify communication with the public for widespread ownership.
- To use, with the support of the IMF and the World Bank, the G20 Initiative for the suspension of the debt service of low-income countries, extended to the common framework for debt treatments;

- To use the IMF's new general SDR allocation judiciously to consolidate foreign exchange reserves, reduce the stock of domestic debt, cover urgent expenses generated by the COVID-19 pandemic or partially finance investment spending in sectors with high value-added.

To support Member States in their COVID-19 response and promote economic recovery, it is recommended that the regional institutions, in particular:

BEAC:

- Maintain an appropriate monetary stance and adequate bank liquidity management, in order to guarantee the external stability of the monetary arrangement and improve monetary policy transmission;

- Deepen analysis for the design of a coherent and coordinated strategy for phasing out the exceptional measures deployed to deal with the effects of the COVID-19 pandemic;

- Continue efforts to deepen the CEMAC money and securities markets, aimed in particular at the diversification of investors and stimulating the regional stock market;

- Develop a financial inclusion strategy at the regional level to improve the population's access to financial services;

- Finalize discussions with the extractive industries and ensure equitable implementation of the foreign exchange regulations.

COBAC:

- Continue efforts aimed at preserving financial stability, while considering phasing out the exceptional easing of prudential regulations for credit and microfinance institutions that allowed delaying losses linked to the pandemic;

- Ensure that banks comply with prudential standards;

- Continue efforts to modernize the regulatory framework;

- Contribute to the resolution of troubled banks by the strict application of the provisions of the related banking regulations.

CEMAC Commission:

- Ensure the application of the regional public finance directives in order to limit the accumulation of payment arrears in member states;

- Ensure the effective implementation of the regional surveillance framework, along the sanctions mechanism currently being adopted;

- Mobilize the pledged financing for the implementation of priority infrastructure projects in CEMAC;

- Establish an institutional coordination and monitoring framework of the regional structural reform program, with a timetable suited to the established priorities.

Finally, to support the CEMAC member countries in responding to the health crisis, the implementation of the priority structural reforms for economic diversification and for strengthening their resilience to external shocks, <u>development partners are urged</u> **to:**

- To support CEMAC member States through the implementation of second generation, growth-oriented programs, and stronger implementation of priority structural reforms, in order to mitigate the effects of the COVID-19 pandemic and improve the standards of living of the populations;

- To promote, as part of IMF programs, an adequate and realistic balance between fiscal and external adjustments, an adequate pace of structural reforms implementation, and appropriate budget support levels for macroeconomic stabilization and regional economic recovery.

- To mobilize more resources for budget support to reduce potential uncertainties in the financing of second-generation programs;

- To suitably resolve domestic and external debt -related issues of member states in order to create useful budgetary margins for the implementation of profitable investments;

- To transform budget support into project support in the event of persistent difficulties in completing program reviews, in order to avoid the loss of funding necessary to support stronger growth;

- To take into account the security situation when assessing the performance of IMF programs for some CEMAC countries;

- To prioritize programs that promote the structural transformation of CEMAC economies, in particular for landlocked countries, to develop energy and transport infrastructure, digital transformation, and promote better alignment of reforms with member states sectoral particularities;

- To support industrialization policies focused on the local transformation of raw materials;

- To sequence appropriately the criteria for disbursing budget support and relating to projects for the implementation of reforms;

- To put in place long-term programs with appropriate conditionalities allowing for successful completion of structural reforms;

- To ensure close coordination of external public and private creditors to facilitate the implementation of international initiatives relating to the treatment of the debt of vulnerable countries, in order to preserve or restore the debt sustainability of CEMAC member countries;

- To maintain funding to CEMAC countries following the new allocation of SDRs envisaged.

After this consultation, the participants agreed to hold the next tripartite meeting during the fourth quarter of 2021.

Finally, Ministers and heads of sub regional institutions reiterated their appreciation to the IMF, the World Bank, ADB and to other development partners for their attention to the requests of CEMAC countries dealing with the aftermath of the COVID-19 pandemic.

Yaoundé, May 21, 2021

The Chairman of the Ministerial
Committee for Monetary Union of Central Africa

Louis Paul Motaze

Appendix I. Follow-up to the Letter of Support to the Recovery and Reform Programs Undertaken by the CEMAC Member Countries

BANK OF CENTRAL AFRICAN STATES
Office of the Governor

Yaoundé, June 17, 2021

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, D.C. 20431
United States of America

Subject: Follow-up to the letter of support for recovery and reform programs undertaken by CEMAC member countries

Dear Madame Georgieva:

This letter is an update of the assurances provided in December 2020 by the community institutions in support of the economic recovery and reform programs undertaken by the member states of the Central African Economic and Monetary Community (CEMAC). It reflects the discussions that took place virtually from May 6th through May 21st, 2021 during regional consultations by IMF Staff with the CEMAC institutions.

As you know, the region remains deeply affected by the socio-economic impact of the COVID-19 pandemic. In 2020, it recorded a 2.6 percent recession, mainly due to the economic slowdown caused by the lockdown measures taken in the first half of the year and a significant drop in oil activity. Fiscal balances deteriorated to a deficit of 3.3 percent on average, due to the contraction of fiscal revenue combined with increased current expenditure. The external current account deficit also widened to 5.2 percent of GDP in 2020 due to a drop in oil exports, only partially offset by a decrease in imports. Inflation remained at 1.7 percent, below the community convergence criterion.

In this context, the policy response from national and regional authorities helped mitigate some of the fallout caused by the crisis, but external reserves deteriorated sharply. CEMAC member states passed revised budget laws, still ensuring that budget deficits were under control, in order to free up the necessary resources to support businesses and households affected by the crisis.

BEAC quickly eased monetary policy by cutting the policy rate by 25bp to 3.25 percent. To support banking liquidity, it also implemented accommodative measures by ensuring a sufficient supply of liquidity to the banking sector through active liquidity injections, including longer maturity injections for CFAF 150 billion, and weekly liquidity injections for CFAF 250 billion. These measures provided banks with sufficient liquidity to support the economy.

Likewise, to improve countries' financing conditions, BEAC launched a purchase program of public securities on the secondary market totaling FCFA 600 billion. This program impacted positively countries' capacity to mobilize local resources to meet their socioeconomic commitments, while avoiding resorting to direct monetary financing, which is now prohibited by BEAC's statutes.

On prudential matters, COBAC relaxed certain regulations to allow banks to mitigate losses due to the pandemic.

In addition, emergency financing granted by the Fund to four CEMAC countries also helped ease the pandemic shock on the regional economy, while the Fund-supported programs of Cameroon, Chad, Congo, and Gabon expired.

However, in a context of significant uncertainty, the end-December target for net foreign assets (NFA) could not be met, despite the relatively satisfactory increase in oil prices. This shortfall is due in particular to the recessionary impact of the COVID-19 crisis and lower external financing than expected, in particular due to delays in external budget support, despite initiatives to suspend debt service. In this context, however, BEAC has maintained the current monetary policy stance to meet banks' liquidity needs, which increased in 2021, and monitors closely external reserves to take necessary adjustment measures in a timely manner.

The economic impact of the pandemic is likely to last, affecting CEMAC's long-term growth potential. Overall real GDP growth is expected to rebound to 2.6% in 2021, on average, thanks to the recovery of the global economy and higher oil prices. The overall budget deficit is expected to narrow by 1.1% of GDP and the external current account deficit is expected to improve significantly to 3.1% of GDP due to the increase in oil exports in 2021.

This outlook is however subject to significant uncertainties, particularly the evolution of the pandemic and the implementation of vaccination plans in the region. As external financing needs remain significant, their coverage will be subject to the approval of new Fund-supported programs for countries which have requested them, and reviews of current programs that would unlock financial support from the IMF and other development partners. At this stage, Fund-supported programs with Cameroon, Chad, Congo and Gabon have not yet been renewed, while Equatorial Guinea is actively engaged in discussions for emergency assistance from the IMF.

Even though the pandemic has disrupted the pace of reform implementation, progress has been made in several areas.

With regards to foreign exchange regulations, we maintain the objective of full and equitable implementation, including for extractive sectors, by the end of 2021. After delays due to the pandemic, consultations with oil and mining sectors resumed in October 2020, and will continue in 2021. BEAC is finalizing, with support from recruited consultants, a proposal to adapt the implementation of the existing regulation to the specificities of these sectors, which would be allowed to hold foreign currency accounts in the CEMAC according to their needs. This should promote the implementation of the regulation without disrupting their activities. In addition, the processing times for transactions abroad have been considerably reduced following the implementation of the "e-transfer" platform on September 1, 2020.

On the roll out of Treasury Single Accounts, the contract with the IT platform provider was finalized for a launch expected by November 2021. Work will continue with national Treasuries to ensure the centralization of all government accounts by end 2021 for countries who will be ready.

At the same time, BEAC continues to implement its financial transparency strategy. A prequalification notice for the credit information bureau was launched in April 2021 for selection in the second half of 2021. The credit risks registry modernization project continues with production planned by end 2021.

In addition, the health crisis has hampered progress on the implementation of government domestic arrears repayment plans, but a gradual repayment of is envisaged for the post-COVID period.

Going forward, our policies will remain focused on our main objective of ensuring the internal and external stability of the currency. To this end, monetary policy will be dependent on the evolution of quantitative criteria, particularly on the evolution of NFA. Should the external sector's position deteriorate further, after the rebound observed in April 2021, BEAC stands ready to tighten monetary policy further to support reserves accumulation, in particular by recommending to the Monetary Policy Committee (MPC), if need be, a rapid withdrawal of the easing measures, including an increase in the monetary policy rate. This decision would nevertheless be conditioned on developments in the health situation and the evolution of the macroeconomic framework.

We also believe that given the evolution of the socioeconomic environment, we will be able to recalibrate the liquidity management framework in order to strengthen monetary policy transmission and consolidate the external position. The banking sector operates in a context of structural liquidity surplus, but the market remains segmented with some banks heavily dependent on BEAC refinancing. In this context, BEAC foresees a return to liquidity management based on autonomous liquidity factors, so as to absorb excess liquidity and better meet the needs of banks dependent on BEAC refinancing. Thus, it will be proposed at the next MPC meeting to adapt liquidity management modalities, including by implementing, by end-August 2021, a one-month deposit facility with a deposit rate indexed to the policy rate aimed at banks with excess liquidity. At the same time, liquidity injections at longer maturities will need to be maintained during a transition period in support of banks in need of liquidity.

Also, in line with the evolution of CEMAC's macroeconomic outlook, BEAC will stop its purchase program of government securities when it expires at end-August 2021, even if the full envelope of the program (CFAF 600 billion) is not fully utilized by then. The program, for which four countries meet the eligibility criteria as of today, has helped ease CEMAC countries' financing constraints when external financing was not available and alleviated temporarily the risks associated with the high exposure of the banking system to sovereign risk.

With regards to banking supervision, on-site inspections resumed in 2021. The reform of process and development of tools for risk-based prudential supervision and compliance of certain prudential rules to Basel standards continues despite some delays.

The COBAC also conducted an impact analysis of the relaxation of prudential measures. It follows the monthly evolution of asset quality and monitors banking liquidity on a weekly basis. This should allow for a better calibration and coordination for the exit strategy from the temporary prudential easing measures as soon as possible. This strategy should be discussed at the next commissioners meeting.

As the temporary measures are withdrawn, COBAC will ensure that banks comply with asset classification and provisioning rules and will submit recapitalization plans if necessary. It will carefully monitor the evolution of banks' non-performing loans and ensure plans are in place to reduce NPLs including through the operationalization of governments arrears clearance strategies. To ensure financial sector stability, COBAC will accelerate problem banks resolution procedures, strengthen the implementation of regulations, and will carefully monitor the evolution of the growing sovereign bank nexus.

The measures described in this letter, combined with Member States' fiscal consolidation programs, supported by new Fund arrangements for requesting countries, and budget support from development partners should help support net foreign assets and make it possible to reach 2.8 billion euros at the end June of 2021 and 3.2 billion euros at the end of December 2021. These projections are specifically based on external financing assumptions (including exceptional financing but excluding IMF financing) of 275 million euros during the first half of 2021 and of 1,125 million euros for the whole of 2021.

BEAC and COBAC will maintain their efforts to ensure close monitoring of the development of programs in CEMAC countries and will continue to work in close cooperation with IMF staff for the success of the regional strategy to exit the crisis. They stand ready to notify and consult Fund Staff in a timely manner on economic developments likely to affect CEMAC's external stability by December 2021.

I remain available to work alongside the IMF and the CEMAC member states to restore macroeconomic balances in the region. Please accept, Madame Managing Director, the assurances of my highest consideration.

/s/
Abbas Mahamat Tolli

Statement by Mr. Aivo Andrianarivelo, Executive Director for the Central African Economic and Monetary Community (CEMAC), Mr. Regis N'Sonde, Alternative Executive Director, and Mr. Thierry Nguema-Affane, Senior Advisor to the Executive Director

June 30, 2021

On behalf of our CEMAC authorities, we would like to thank Management and the Board for their continued financial and technical assistance to the CEMAC institutions and member countries, particularly in tackling the effects the COVID-19 pandemic.

Fund emergency assistance to CEMAC countries in 2020 has been instrumental in mitigating the social and economic impact of the pandemic in the region. However, as in 2019, total net external financing fell short of projection in 2020 and, as a result, the policy commitment on net foreign assets (NFA) set forth in the December 2020 Follow-up to the Letter of Support to the Recovery and Reform Program could not be implemented. In addition, the macroeconomic situation of the region in this pandemic environment remains fragile despite three years of economic and financial reforms. Fiscal space is limited, and external and fiscal financing needs are projected to remain substantial over the medium-term as the region is still striving to address the impact of the pandemic.

As the member countries enter the second phase of their regional strategy to further strengthen internal and external stability, the CEMAC regional authorities have renewed their policy commitments to supporting members' reform programs and modernizing their own instruments, processes and frameworks, as indicated in the Follow-up Letter of Support to the Recovery and Reform Programs undertaken by the CEMAC Member Countries of June 17, 2021. They see continued Fund engagement with member countries as critical to help advance reform programs and further build up international reserves. They agree with staff on the need for a coordinated regional strategy to address bottlenecks to reforms.

Recent Developments

The pandemic, adverse oil sector developments and security shocks have led to a significant deterioration of the macroeconomic situation in CEMAC in 2020. The region experienced a contraction due to containment measures taken globally and domestically. As a result, economic activity declined by 2.6 percent in 2020 after growing by 1.9 percent in 2019. Unsurprisingly, the two countries (Congo and Equatorial Guinea) that did not receive Fund emergency assistance recorded the worst contractions in the region. End-of-period inflation in the region was broadly stable at 1.7 percent, below the CEMAC convergence criterion of 3 percent.

Fiscal and external positions worsened in 2020. The fiscal deficit increased to 2.1 percent of GDP owing mainly to lower oil revenues. Debt vulnerabilities have risen with the weaker fiscal positions. The current account deficit widened to 5.2 percent of GDP due to lower oil exports despite a decline in imports. After increasing to above the equivalent of 4 months of imports in in the first half of 2020, external reserves have been on a downward path, as countries drew reserves down during the heights of the pandemic. Reserves have gone back up since end-March 2021 but at a slower pace than before the pandemic. As a result, the end-June 2021 target on NFAs is expected to be missed.

Monetary and financial sector developments point to growing vulnerabilities. The financial sector has been impacted by the pandemic but remains broadly sound. Credit to the private sector has been stable in 2020 and has increased in early 2021. However, non-performing loans (NPLs) are estimated to have increased with the temporary easing of prudential regulations, and banks' exposure to sovereign debt has continued to expand.

Progress in the Implementation of the Regional Strategy

Progress has been made in the implementation of the regional strategy despite the disruptive pandemic. All policy commitments except the one on NFAs in the 2020 December Follow-up Letter of Support were implemented.

Consultations with oil and mining sectors on the foreign exchange regulations have resumed and the regional central bank BEAC is finalizing a proposal to adapt the regulations to the specificities of these sectors. Oil and mining companies will be required to repatriate monies kept abroad for the rehabilitation of fields but will be able to hold foreign currency accounts in the CEMAC according to their needs. The implementation of the e-transfer platform has enabled to reduce processing time for foreign exchange transactions abroad, which was a concern of many agents targeted by the foreign exchange regulations.

Likewise, the work on an IT platform for setting of Treasury Single Accounts is underway and should be operational by November 2021. Also, the modernization of the credit risks registry to increase financial transparency is ongoing and should be completed by end-2021.

Outlook for 2021

The outlook is positive but remains subject to significant uncertainties. The region went through a second wave of high infection rates in the first months of 2021, which triggered a reinstatement of some containment measures and hence delayed economic recovery in the regional community. However, the epidemiological situation has improved in the past few weeks and a gradual reopening is underway. Rising oil prices driven by global economic recovery are expected to lead to an economic expansion of 2.6 percent in the region and to narrow fiscal and external current account deficits. Inflation would remain subdued, public debt slightly decline, and external reserves recover.

The economic recovery will also depend on adequate access to, and distribution of, vaccines as well as on external financing, notably from development partners including the Fund through new arrangements. This is highly needed to cover the still large financing needs while contributing to the external stability of the region. The full implementation of the foreign exchange regulations, the planned issuances of Eurobonds, and the forthcoming IMF's general SDR allocation in 2021 should boost international reserves and further strengthen resilience to external shocks. These should also place CEMAC countries in a better position to face a reversal of improving conditions that may be brought by a materialization of the downside risks. These include rapid spread of COVID-19 variants, unfavorable oil price developments, delayed approval or resumption of Fund arrangements, slower vaccination campaigns, and heightened security risks.

Policies for the Period Ahead

Going forward, the national and CEMAC authorities remain committed to ensuring the internal and external stability of the region. During the May 2021 Tripartite Meeting between national authorities, regional institutions and IMF staff, with the participation of other technical and financial partners, the CEMAC authorities stressed that the region remains highly vulnerable to shocks and recognized that the impact of the pandemic is likely to last. Against this background, they acknowledged the urgency of strengthening macroeconomic stability and enhancing the resilience of CEMAC economies. They reiterated their determination to accelerate the reform momentum to increase competitiveness and growth potential, which have been dented by the pandemic. The implementation of priority infrastructure projects in the region are viewed as critical to the economic transformation of the CEMAC economies. Substantial and timely external support will be crucial to the success of the member countries' reform programs and regional policy objectives.

The authorities are of the view that continued Fund engagement with member countries remains indispensable for sustaining reforms and mobilizing additional external support. To ensure successful implementation of second-generation programs, the authorities, with the support of the Fund and the World Bank, have identified reform priorities to stimulate the recovery from the pandemic and put growth on a sustainable path in the context of the second phase of the regional reform program (PREF-CEMAC). However, they have stressed the need for a realistic pace of reform implementation and due attention to the economic and financial cost of terrorism in the current and future arrangements. These security challenges are crowding out public investment. The authorities intend to continue phasing out pandemic-related support policies and measures as conditions permit.

The regional institutions will pursue policies in support of countries' reform programs and further strengthen their legal and operational frameworks, consistent with the requirements for continued Fund support to member countries. Monetary policy will remain data-dependent and will be geared towards supporting reserve accumulation and strengthening monetary policy transmission. Liquidity management will aim to reduce excess liquidity in the financial system through a new one-month deposit facility while providing longer-term refinancing facilities for banks in need of liquidity. The government security purchase program which has helped ease financing constraints during the pandemic will not be renewed when it expires in August 2021. Moreover, the central bank will finalize the implementation of the foreign exchange regulations and Treasury Single Accounts by end-2021.

With regards to banking supervision, efforts will continue to preserve financial stability while pursuing the modernization of the regulatory framework. As the temporary measures are withdrawn, the banking commission COBAC will ensure that banks comply with asset classification and provisioning rules and will submit recapitalization plans if necessary. The regional supervisor will carefully monitor the evolution of banks' NPLs and ensure that plans are in place to reduce them, including through the operationalization of domestic arrears clearance strategies. To ensure financial sector stability, COBAC will also accelerate problem bank resolution procedures, strengthen the implementation of regulations, and carefully monitor the evolution of the growing sovereign-bank nexus.

The CEMAC Commission will continue to promote stronger public financial management and ensure the effective implementation of the regional surveillance framework. In particular, it will closely monitor the transposition and application of regional public finance directives to limit the accumulation of domestic payments arrears which could be a source of financial sector vulnerabilities. The sanction mechanism for noncompliance with multilateral surveillance rules has been adopted by the Ministerial Committee in January 2021 and is pending approval by the Conference of Heads of State. To reinforce its actions, the Commission will establish an institutional coordination and monitoring framework of the regional structural reform program and strive to mobilize the financing pledged for the implementation of regional infrastructure projects.

Pertinence of International Initiatives to Help Tackle CEMAC Challenges

The national and regional authorities welcome the international initiatives related to treatment of debt, including the G20's Debt Service Suspension Initiative (DSSI) and Common Framework. However, they call on the Fund and the World Bank to ensure close coordination between external public and private creditors to facilitate the implementation of those initiatives, in order to preserve or restore the debt sustainability of eligible CEMAC member countries. They are of the view that access to such initiatives should be available to a larger group of countries facing financing constraints.

In the same vein, the CEMAC authorities fully endorse the proposed new general allocation of SDRs which will significantly help financing- or liquidity-constrained countries in the region, while supporting regional reserve accumulation. They are committed to use the SDR allocation judiciously to consolidate foreign exchange reserves, reduce the stock of domestic debt, cover urgent expenses generated by the COVID-19 pandemic, and partially finance investment spending in sectors with high economic returns.

Conclusion

Despite the pandemic, the region has made progress in the implementation of the regional strategy to strengthen internal and external stability, with all policy commitments in the December 2020 Follow up Letter of Support, except the one on NFAs, implemented. The authorities have reiterated their policy commitments in support of countries' reform programs in the second phase of the regional strategy, as stated in the updated Follow up Letter of June 2021. Consistent with those commitments, they are starting to withdraw some pandemic-related support measures and policies as the recovery is underway. They look forward to Fund support to make further inroads towards achieving macroeconomic stability and meeting the reserve accumulation objectives under the regional strategy.