INTERNATIONAL MONETARY FUND

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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

March 2025

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY—PRESS RELEASE; 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:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 24, 2025, following discussions with regional institutions that ended on January 7, 2025. Based on information available at the time of these discussions, the staff report was completed on February 10, 2025.
- A **Statement by the Executive Director.**

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PRESS RELEASE

PR 25/46

IMF Executive Board Concludes Annual Discussions on CEMAC Common Policies and Common Policies in Support of Member Countries Reform Programs

FOR IMMEDIATE RELEASE

- The CEMAC economy lost momentum in 2023 due to a contraction in hydrocarbon production, while the external position weakened.
- The commitment expressed at the extraordinary Heads of State Summit in December 2024 to address macroeconomic imbalances, strengthen regional institutions, and prioritize structural reforms offers hope for a more resilient medium-term outlook.
- Implementing fiscal consolidation in line with these commitments and accelerating structural reforms will be critical to bolstering economic diversification and resilience.

Washington, DC: On February 24, 2025, the IMF Executive Board concluded the annual discussions with the Central African Economic and Monetary Community (CEMAC) on Common Policies of Member Countries and Common Policies in Support of Member Countries Reform Programs.[1]

The CEMAC economy slowed in 2023, driven by a decline in hydrocarbon production, with real GDP growth decelerating to 2.5 percent. The external position weakened as the accumulation of foreign exchange (FX) reserves slowed, leaving them below adequate levels. Economic activity is estimated to have gained some momentum in 2024, with real GDP expanding by 3.2 percent, supported by a rebound in hydrocarbon output. However, regional policy assurances on the net foreign assets (NFA) for end-June 2024 (EUR 4.5 billion) were not met, falling short by EUR 4.43 billion. Preliminary data also suggest that the end-December 2024 policy assurances on NFA are unlikely to have been met. This reflects a weakening external position due to lower oil prices and fiscal slippages. Inflation remained persistently high at 4.3 percent in September 2024, exceeding the regional convergence criterion.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of these bilateral Article IV consultations, staff hold separate annual discussions with the regional institutions responsible for common policies in four currency unions—the Euro Area, the Eastern Caribbean Currency Union, the Central African Economic and Monetary Union, and the West African Economic and Monetary Union. For each of the currency unions, staff teams visit the regional institutions responsible for common policies in the currency union, collects economic and financial information, and discusses with officials the currency union's economic developments and policies. On return to headquarters, staff prepares a report, which forms the basis of discussion by the Executive Board. Both staff's discussions with the regional institutions and the Board discussion of the annual staff report will be considered an integral part of the Article IV consultation with each member.

While regional authorities maintained an appropriate monetary policy stance, progress on the reform agenda has slowed somewhat. At its September 2024 meeting, the Central Bank (BEAC) kept the policy rate unchanged at 5 percent and continued its weekly liquidity injections through its main refinancing window to mitigate increased volatility of liquidity conditions in the banking system. BEAC also advanced the enforcement of the FX regulations. BEAC and the Banking Commission of Central Africa (COBAC) remained engaged with banks structurally dependent on BEAC's refinancing, ensuring they submit credible refinancing plans. The CEMAC Commission has sustained its regional surveillance consultations across member States, while the Permanent Secretariat of CEMAC's Economic and Financial Reform Program (PREF-CEMAC) has continued implementing the region's structural reforms action matrix.

The outlook remains clouded by high uncertainty. Its trajectory depends on the effective implementation of corrective measures by member states, consistent with the commitment made at the extraordinary Heads of State Summit in December 2024 to address macroeconomic imbalances, strengthen regional institutions, and advance structural reforms. In the near term, real GDP growth is projected to slow to 2.8 percent in 2025, primarily due to weaker oil output. Inflation is projected to decline further to 3.1 percent by end-2025, reflecting the lagged effects of past policy tightening and lower global commodity prices. Significant downside risks remain, including delays in addressing fiscal slippages, declining commodity prices, tighter financial conditions, heightened political uncertainty amid a busy 2025 election calendar, persistent inflation, financial instability, slow structural reform progress, food insecurity, domestic conflicts, and climate-related disruptions.

In the medium term, growth is projected to strengthen to 3.6 percent by 2029, mainly owing to a rebound in the non-oil sector. Structural reforms aimed at improving governance, enhancing the business climate, and expanding access to finance are expected to bolster potential output. Member states are anticipated to implement sustained fiscal consolidation, with public debt projected to decline to 42 percent of GDP by 2029, down from 50.9 percent of GDP in 2024. The current account balance is projected to deteriorate to -2.2 percent of GDP by 2029, from about -1.2 percent of GDP in 2024, driven mainly by lower hydrocarbon export receipts and production. Member states' adjustment efforts are expected to stabilize reserve coverage at around 4.3 months of prospective imports in the medium term, slightly below staff's adequacy metrics for a resource-rich monetary union (5 months).

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They noted the loss of economic momentum due to a contraction in hydrocarbon production and slower non-oil growth. Given the weakening external position, large fiscal imbalances, heightened stress in the regional debt market, and elevated uncertainty, they underscored the urgency of a well calibrated macroeconomic policy mix and sustained reform efforts to enhance resilience to shocks and preserve macroeconomic and financial stability.

Directors welcomed the commitment made at the extraordinary Heads of State Summit in December 2024 to address macroeconomic imbalances, strengthen regional institutions, and prioritize structural reforms to ensure equitable adjustment burden sharing and enhance the monetary union's external stability. They urged CEMAC authorities to swiftly implement fiscal consolidation in line with these commitments, noting the need to enhance non-oil tax revenues and improve expenditure efficiency, including completing energy subsidy reforms, while ensuring targeted social safety nets for the most vulnerable. Strengthening public financial management, reinforcing debt management, and addressing arrears will also be critical.

Directors concurred that BEAC should maintain a tightening monetary policy bias and only reduce interest rates if there is clear evidence of inflation converging toward the regional convergence criterion and diminishing risks to external stability. Considering persistent tight liquidity conditions, BEAC should sustain liquidity providing operations while continuing efforts to address fragmentation within the banking system. Continued enforcement of FX regulations also remains crucial.

Directors reiterated the need for strong collective action from national and regional authorities to preserve financial stability. Efforts should focus on strengthening COBAC's supervisory capacity, strictly enforcing regulations for noncompliance, resolutely recapitalizing or resolving weak banks, ensuring that banks adequately account for sovereign exposure, addressing new risks posed by digital payments and assets, and strengthening the AML/CFT framework.

Directors reiterated the importance of strengthening the regional surveillance framework and called for further efforts towards the adoption of the draft sanction mechanism for breaches of regional surveillance rules.

Directors stressed the importance of accelerating structural reforms to strengthen governance and regulation, human capital, climate adaptation, and regional trade and infrastructure, which would help boost potential growth, economic diversification, and resilience.

Directors regretted that BEAC did not meet the authorities' policy assurance on NFA for June 2024, and that the December 2024 target is unlikely to be met, as committed in June 2024. They assessed that the authorities undertook and committed to sufficient corrective action to address the shortfall

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country' authorities. An explanation of any qualifiers used in summing up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm .

during the December 2024 Heads of State meeting and endorsed the authorities' policy assurance on NFA accumulation for end March 2025 and end June 2025 as committed in February 2025. Directors also supported the new policy assurances on financial stability. They emphasized that implementation of these assurances is critical for the success of Fund supported programs with CEMAC member countries.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

February 10, 2025

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

EXECUTIVE SUMMARY

Context and risks. The CEMAC's economy lost momentum in 2023. The external position weakened, with the current account shifting to a deficit and foreign reserve accumulation slowing. While inflation continued to ease, it remained elevated. Available data indicate a deterioration in the underlying fiscal positions of many countries. The near-term outlook points to stronger economic activity, with growth projected to accelerate to 3.2 percent in 2024, supported by elevated oil prices and a rebound in oil output. However, the end-June 2024 regional policy assurance on NFA—and, according to preliminary information, the end-December 2024 targets—were not met, indicating a deviation in reserves from the targeted path. Debt vulnerabilities have also worsened in some countries, as evidenced by the growing pressures in the regional government debt market. Following the strong commitment expressed at the extraordinary Heads of State Summit in December 2024 to address macroeconomic imbalances and strengthen regional institutions, all countries are expected to tackle fiscal slippages, restore fiscal prudence, and implement structural reforms to steer the region toward a more resilient medium-term outlook. This should help reduce risks to the capacity to repay the Fund. However, the projections remain uncertain, as the details of corrective measures and reforms are still being finalized between staff and national authorities.

Policy Recommendations:

- *Fiscal policy*. Strong corrective measures are needed to address persistent fiscal slippages and restore fiscal prudence. All member states must intensify efforts to boost non-oil tax revenue collection and enhance spending efficiency. Adherence to renewed regional coordination is crucial for addressing fiscal imbalances and safeguarding the region's external stability.

- *Monetary policy*. Staff assesses the monetary policy stance to be appropriate and recommended that BEAC maintain a tightening bias. In the near term, BEAC should

- continue its regular refinancing operations to mitigate growing liquidity pressures faced by banks, while remaining vigilant about both price and external stability. Additionally, the central bank should maintain efforts to address fragmentation within the banking system.

- *Financial sector policy.* Priority actions include strengthening COBAC's supervisory capacity; strictly enforcing regulations for non-compliant banks; triggering the resolution of non-viable banks; addressing liquidity-stressed institutions; avoiding further delays in government-led bank recapitalization where necessary; ensuring banks adequately account for sovereign exposure by phasing out away systematic zero risk weights on government exposures; and monitoring emerging risks from new digital payments. In this regard, the additional policy assurances provided by BEAC to strengthen COBAC's supervisory capacity are a step in the right direction.

- *Structural reforms.* Accelerated progress is needed in several areas to boost potential output and strengthen resilience to shocks, including strengthening AML/CFT, governance, and regulatory policies, as well as improving human capital, the business climate, the rule of law, financial inclusion, and regional infrastructure.

- *Regional strategy*. Consistent with the region's highest-level political commitment to the regional strategy in December 2024, national and regional authorities should urgently take decisive actions to ensure that the burden of adjustment to achieve external stability and financial sector stabilization is equitably shared across countries.

Approved By
Vitaliy Kramarenko (AFR) and Bergljot Barkbu (SPR)

Discussions were held in-person during October 28–31, 2024, in Libreville (Gabon), and November 4–12 in Yaoundé (Cameroon) in person, and December 17–18 and January 7, 2025 (virtually), respectively. The Staff team comprised Ms. Verdier (head), Messrs. Bizimana, Nguyen-Duong and Ms. Tiedemann (all AFR); Mr. Sangare (MCM); and Ms. Atencio De Leon (SPR). It was assisted by Messrs. Gomez and Orav (Resident Representative in Gabon and Cameroon, respectively), and Messrs. Nzebi and Ambassa (local economists in Gabon and Cameroon, respectively). Ms. Kiswendsida Tougouma (AFR) supported the mission from headquarters. Mr. Nguema Affane (OED) participated in the meetings. The mission held discussions with Mr. Yvon Sana Bangui, Governor of the Central Bank of Central African States (BEAC) and Chairman of the banking commission (COBAC); Mr. Michel Dzombala, Vice-Governor of the Central Bank of Central African States (BEAC); Mr. Miguel Engonga Obiang Eyand, Secretary General of BEAC; Mr. Marcel Ondele, Secretary General of COBAC; Ms. Jacqueline Adiaba, President of the capital markets regulator (COSUMAF); senior officials of BEAC, the CEMAC Commission, COBAC, and the Economic and financial Reforms Program (PREF-CEMAC); as well as with representatives of the banking sector. This report was prepared with Ms. Adjahouinou's assistance.

This is a staff report on 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. CEMAC covers six countries: Cameroon, Chad, Congo, Gabon, Equatorial Guinea, and Central African Republic.

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BACKGROUND AND RECENT DEVELOPMENTS

A. Background

1. **The CEMAC economy slowed in 2023, with widening fiscal and external imbalances overshadowing the medium-term outlook**. Economic activity decelerated and several downside risks flagged since December 2023 materialized. The external position weakened, with slower foreign reserve accumulation, although reserve coverage remained broadly steady at around 4 months of prospective imports—still below the adequate levels of 5 months. Inflation cooled gradually but stayed well above the regional convergence criterion. Persistent and significant fiscal slippages have intensified pressures on regional government debt markets, leaving many countries struggling to secure financing amid tightening financial conditions reflecting growing investors' concerns. These tensions in the regional issuance market have spilled over to the banking system, triggering a significant tightening in the money market. As a result, financial stability risks have risen, and the broad-based tightening of financing conditions is likely to dampen economic activity. Without decisive corrective measures to address the persistent fiscal imbalances across many countries, external imbalances could worsen significantly over the medium term, threatening the monetary union's external stability.

2. **Progress on regional economic and financial reform plans—framed around the agenda set out by the August 2021 Heads of State summit—has been slow.** The Permanent Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC) reported continued progress in the implementation of the PREF-CEMAC's action matrix, with an execution rate of 65 percent at the end of October 2024 (from 62 percent in 2023Q4). Further efforts are needed to develop attractive financial products to diversify the investor base and foster the development of a secondary market in government securities. The business plan of the company set to manage the single central depository for government securities was adopted in January 2023. However, its full operationalization, initially planned for end-2024, has yet to be implemented. Progress was made on economic diversification and private sector development, particularly through the continued growth of local industries such as agro-industry, textile-cotton-manufacturing, wood, and construction. In addition, the role of the Development Bank of the Central African States (BDEAC) in financing the region's economies has been strengthened through a successful capital increase. The coordination of economic policies in the region has been improved with the adoption by the UMAC Ministerial Council in October 2024 of the Guidelines for Economic Policies (GOPE) for CEMAC member states and regional institutions for 2025. However, there were delays on endorsing or implementing regional PFM and tax directives.

3. **Fund support to CEMAC countries and regional institutions continues but progress is mixed.** Reviews under ongoing programs with Cameroon and Congo are expected to be completed in 2025Q1. In addition, a Resilience and Sustainability Facility (RSF) arrangement for Cameroon was approved in January 2024 and the first review is set to be completed in 2025 Q1. C.A.R. is expected to complete the third review of its ECF arrangement in 2025 Q1. However, Chad's ECF arrangement lapsed in June 2024 after 18 months without concluding a review under the program due notably to

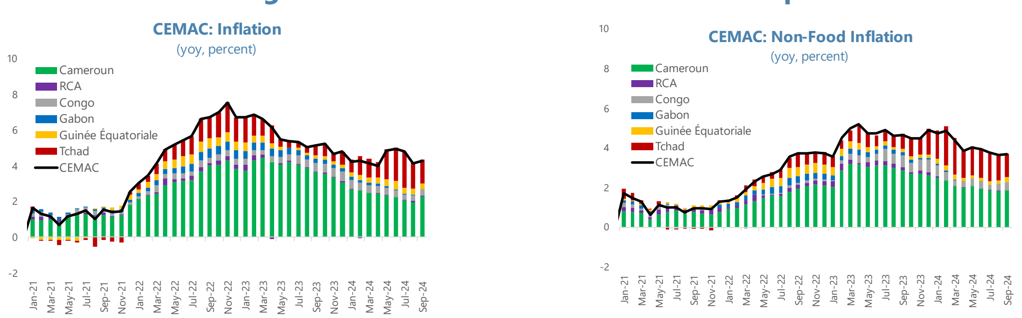
fiscal slippages and slow progress on addressing weak banks. The IMF's Executive Board concluded Chad's Article IV consultations in December 2024, welcoming the authorities' reengagement with the Fund and their commitment to promoting economic and social development. The IMF's Executive Board concluded Gabon's Article IV consultations in May 2024, noting an outlook clouded with the uncertainty associated with the ongoing political transition adding to the pre-existing setbacks associated with recurrent external debt arrears, fiscal slippages, and slow progress on structural reforms. The IMF-supported program with Gabon expired in July 2024 with only two reviews completed. IMF Management approved a 12-month Staff Monitored Program (SMP) with Equatorial Guinea in June 2024, but the first review remains on hold. This SMP lays the ground to rebuild a track record of policy implementation as a steppingstone to a potential Fund-supported financing arrangement.

4. At the December 2024 extraordinary Summit, the Heads of State (HoS) reaffirmed their strong commitment to fiscal and external stability. They committed to take decisive actions to address macroeconomic imbalances, strengthen regional institutions, and prioritize structural reforms to ensure equitable burden-sharing and enhance the monetary union's external stability. Additionally, their commitment to providing regularly complete and reliable macrofinancial data to the Fund is expected to improve their engagement with the institution. Consequently, the analysis in this report is predicated on the HoS commitment to address fiscal slippages, restore fiscal discipline, and implement structural reforms, steering the region towards a more resilient medium-term outlook. However, delays in fully implementing the highest-level political commitments to the regional strategy could undermine progress toward greater economic diversification and resilience.

B. Recent Economic Developments

5. Economic activity is estimated to have moderated in 2023, mainly due to lower hydrocarbon production. After strong economic growth in 2022, real GDP growth is estimated to have decelerated to 2.5 percent in 2023, driven by a contraction in hydrocarbon production and a moderation in non-oil growth (see Table 1).[3] After peaking in the first half of 2023, headline inflation decelerated slowly into 2024Q3 but remained persistently elevated at 4.3 percent y-o-y in September 2024, which is still above the regional convergence criterion (Text Figure 1).

Text Figure 1. CEMAC: Recent Inflation Developments



Sources: BEAC, CEMAC authorities and IMF staff calculations.

[3] It should be noted that data for 2023 and projections reflect partly the historical data revisions in some member states.

6. New data and statistical revisions reveal that that fiscal positions have deteriorated. The non-oil primary fiscal deficit (including grants) stood at 9.8 percent of non-oil GDP in 2023, slightly narrowing from 10.8 percent of non-oil GDP in 2022. However, these aggregate masks significant heterogeneity across countries, with non-oil fiscal deficits widening in half of the member states. The overall fiscal balance (excluding grants) is estimated to have declined to 0.2 percent of GDP in 2023 from 1.9 percent of GDP in 2022, reflecting large fiscal slippages, but also new data and statistical revisions in Gabon, Equatorial Guinea, and Chad. The public debt-to-GDP ratio is estimated to have edged up from 51.0 percent in 2022 to 52.1 percent in 2023, driven by large increases in Gabon and Congo. Thus, debt vulnerabilities remain elevated in most member states (see Text Table 1).

Text Table 1. CEMAC: DSA Ratings

		Overall risk of stress[1]	Risk of external debt distress	Granularity in risk rating
Cameroon[2]	2024	High	High	Sustainable
CAR[2]	2024	High	High	Sustainable
Chad[2]	2022	High	High	Sustainable
Republic of Congo[2,3]	2024	in debt distress	in debt distress	Sustainable
Equatorial Guinea[3,4]	2024	Moderate	N/A	N/A
Gabon [3,4]	2024	High	N/A	N/A

Source: IMF staff calculations.

Note: Risk levels follows latest published SR.

[1] Overall risk of debt stress displayed for Camerron, CAR and Chad from the Low Income Country (LIC) DSA framework. Overall risk of stress displayed for Equatorial Guinea and Gabon from the Market Access Country (MAC) Sovereign Risk and Debt Sustainability framework. The MAC SRDSF framework does not rate *risk of external debt distress* or *granularity in risk.*

[2] Cameroon's DSA was published in Feburary 2024, SR 24/53. CAR's DSA was published in June 2024, SR 24/198. Chad's DSA was published in December 2022, SR 23/7. Republic of Congo's DSA was last published in July 2024, SR 24/251.

[3] As of end-June 2024, Republic of Congo has minor external arrears to two creditors, disputes a claim of a commercial creditor, has requested HIPC treatment for a pre-HIPC arrear to a commercial creditor, and continues to discuss the resolution of one pre-HIPC arrear with the respective bilateral creditor.

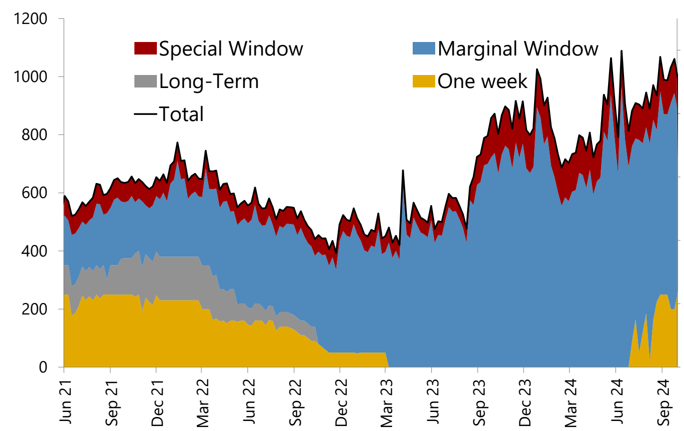
4 Risk assessment in Eq Guinea dates from February 2024, SR 24/25. Risk assesment in Gabon dates from May 2024, SR 24/120.

7. Pressures in the regional government debt market have increased significantly throughout 2024. Government debt issuances have been rising in the aftermath of the pandemic crisis, reflecting growing financing needs. However, many countries are facing difficulties financing themselves in the regional market at reasonable costs. This is evidenced by a sharp decline in the average subscription rates for government securities, which fell to 43.5 percent at the end of October 2024, compared to 80.4 percent a year earlier. Average yields on government bonds (OTA) and bills (BTA) have also risen, reaching nearly 10 percent and 7 percent, respectively, at the end of October 2024. These elevated yields partly reflect excessively high discount rates applied to new issuances in some countries, notably Chad, Congo, Gabon. Furthermore, failed government debt auctions—rare before 2023—have become increasingly frequent, particularly in these three countries. Adding to these challenges, CEMAC countries face a heavy debt repayment schedule in 2025–26. These mounting pressures have notably prompted Congo, which faces the largest repayment obligations during this period, to undertake a debt reprofiling operation in October 2024 to extend the maturity of its government securities (See Box 1).

8. Liquidity conditions have remained tight in recent months, with still-elevated borrowing from the marginal lending facility, and interbank interest rates remaining well above the main policy rate (Tender Interest Rate or TIAO). At the September 2024 meeting, BEAC's Monetary Policy Committee (MPC) left the policy rate unchanged at 5 percent (a cumulative 175 basis points increase between November 2021 and March 2023). The marginal lending facility rate remained unchanged at 6.75 percent, keeping the 175-basis point corridor. BEAC resumed its weekly liquidity injections in June 2024 to alleviate the increased volatility of liquidity conditions in the banking system. The central bank raised the volume of weekly injections from approximately CFAF 90 billion at the end of June to around CFAF 260 billion by the end of September. Oversubscription rates at the central bank's weekly operations (exceeding 175 percent in the latest operation in September) highlight the intensity of liquidity pressures faced by banks. As a result of the strong demand, the marginal interest rates on these operations were significantly above the TIAO, reaching the marginal lending facility rate of around 6.75 percent in the last operation of September. Borrowing at the marginal lending facility also remained substantial, amounting to about CFAF 708 billion at the end of September 2024, down from CFAF 830 billion in June 2024. Overall, the average outstanding liquidity injections increased to CFAF 1,055 billion in September 2024, up from about CFAF 993 billion in June 2024 (Text Figure 2). These developments indicate that numerous banks, extending beyond the structurally liquidity-dependent ones or those unable to borrow in the interbank market, continue to face liquidity needs. Meanwhile, the interbank market lost further momentum in the third quarter of this year, with the outstanding volume of activity declining to about CFAF 558 billion in September 2024 from CFAF 565 billion June 2024. The average interbank interest rates remained elevated, hovering in the upper band of the interest corridor, closer to the interest rate on the marginal lending facility (around 6.5 percent at the end of September 2024, slightly higher than in June 2024).

Text Figure 2. BEAC: Monetary Policy Operations

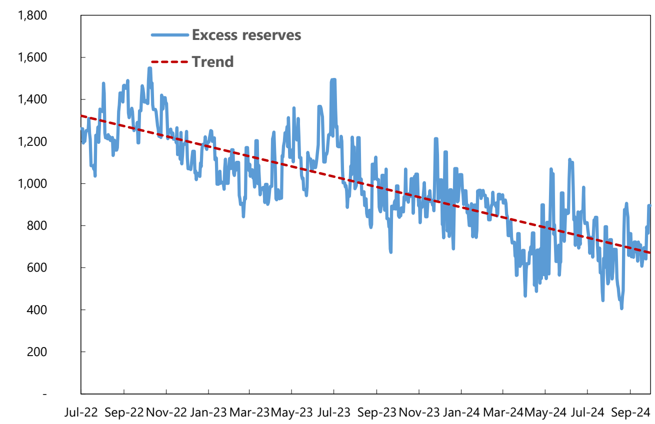
(CFAF billion)



Sources: BEAC and IMF staff calculations.

9. BEAC suspended the issuance of short-term securities in the third quarter, while the downward trend in excess reserves slowed. From February to September 2024, BEAC issued short-term debt securities with maturities of 14 and 28 days at interest rates of 2.5 percent and 3.5 percent, respectively, to absorb excess liquidity more effectively.[4] However, these operations were suspended in early September 2024, after achieving only moderate success, as only a limited number of banks participated, and many recent auctions were unsuccessful. Meanwhile, excess liquidity in the banking system remained volatile, though the downward trend observed since last year appears to have slowed in the third quarter (Text Figure 3). After a sharp contraction to around CFAF 531 billion at the end of July 2024 (down from CFAF 814 billion at the end of June 2024), excess reserves slightly increased to CFA 895 billion by the end of September, remaining below the end-2023 level of approximately CFAF 1000 billion.[5] The majority of excess reserves continues to be held by a small number of banks that are not actively involved in the money market, primarily subsidiaries of foreign financial institutions. In fact, most of the banking system is experiencing a liquidity deficit. Autonomous factors of banking liquidity declined in the third quarter of 2024, primarily driven by lower net foreign assets (NFA) and other items net.

Text Figure 3. CEMAC: Excess Reserves
(CFAF billion)



Sources: BEAC and IMF staff calculations.

10. Several banking sector stability indicators deteriorated in the fourth quarter of 2023. Overall capital adequacy declined from 14.6 to 11.8 percent of risk weighted assets at end-2023, with several banks severely undercapitalized or insolvent, highlighting large recapitalization needs. The reported NPL ratio remained high at 15.7 percent at end-2023, while lower than 17.7 percent of total gross loans at end-2022 (Text Table 2). Although the short-term liquidity ratio is satisfactory at 176.4 percent as of end-2023, liquidity is segmented, with several banks below 100 percent. Overall, only 42 percent of banks comply with all prudential requirements at end-2023. Banks' total assets grew by 11.6 percent year-on-year in 2023Q4 albeit decelerating from 2023Q2, driven by slowing deposit mobilization. The banks' loan portfolio grew annually by 8.3 percent during the last quarter of 2023.

11. The banks' exposure to the sovereign has remained excessively high. Total exposure (loans and securities) increased from 10 percent at end-2015 to about 31 percent of total assets at end-2023. Several banks have exposure to CEMAC governments above 50 percent, which poses

[4] In June 2024, BEAC's monetary market committee suspended regular and long-maturity liquidity-absorbing operations.

[5] Excess reserves are the amounts of reserves held by banks at BEAC (excluding foreign currency accounts) in above the reserve requirements.

significant risks to financial stability, including through possible cross-country contagion and banking groups. The significant increase in public sector credit suggests a risk of crowding out of the private sector, which could impede economic diversification efforts. The growing sovereign exposure is accompanied by a notable lengthening of securities' maturities (from short-term treasury bills to long-term bonds), and consequently, a maturity mismatch risk as long as banks' liabilities remain dominated by sight deposits. In addition, the liquidity of these securities remains very low in the absence of a dynamic secondary market.

Table 2. CEMAC: Financial Soundness Indicators for the Banking Sector, 2017–23

(Percent)

	2017	2018	2019	2020	2021	2022	2023	
							Q2	Q4
Capital								
Regulatory capital to risk-weighted assets[1]	16.1	16.5	13.4	13.2	14.1	14.6	14.1	11.8
Tier 1 capital to assets (leverage)	8.2	7.8	6.5	6.7	6.7	7.2	6.5	5.7
Total assets (growth)	-3.0	6.1	5.1	7.6	19.5	10.5	20.4	11.6
Asset quality								
Non-performing loans (gross) to total loans (gross)	15.7	19.3	19.3	19.2	18.5	17.7	19.1	15.7
Provisions to nonperforming loans	61.2	56.9	58.9	62.8	63.6	62.7	58.5	34.9
Earnings and profitability								
Return on equity	10.0	9.8	8.9	6.0	12.7		16.9	16.1
Return on assets	1.6	1.7	1.6	1.0	2.2		2.3	2.2
Liquidity								
Ratio of liquid assets to short-term liabilities	158.2	163.5	147.2	167.2	171.0	174.6	188.3	176.4
Total deposits to total (noninterbank) loans	102.0	104.6	113.7	115.8	116.1	131.3	138.2	132.9
Liquid assets to total assets	26.2	27.0	25.1	27.7	27.0	30.7	32.1	29.8
Credit								
Gross loan (banks' book) - bn FCFA	8768	9038	8727	9377	10433	11059	11480	11974
Gross loan - annualized (growth)	-2.5	3.1	-3.4	7.4	11.3	6.0	8.7	8.3
Other								
Foreign-currency-denominated loans to total loans	3.0	2.1	0.8	0.5	0.3	0.2	0.2	0.05
Foreign-currency-denominated liabilities to total liabilities						5.4	6.8	6.5

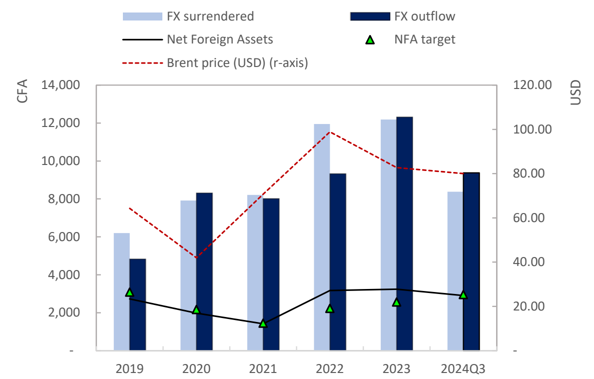
Source: Banking Commission of Central Africa (COBAC).

1. Calculated according to the Basel I guidance.

12. A weakening of the external position led to a loss of reserves in 2024. The current account (CA) balance is estimated to have shifted to a deficit of 0.4 percent of GDP in 2023, from a surplus of 3.6 percent of GDP in 2022, mainly stemming from lower hydrocarbon exports. Gross reserves stabilized at 4.3 months of prospective imports in 2023. After rebounding in 2023Q4, NFA resumed its downward trend in 2024H1, falling short of the end-June 2024 regional policy assurance target of EUR 4.5 billion, reaching 4.43 EUR billion instead (Text Figure 4). The downward trend reflects a weakening external position on account of lower oil prices, ongoing fiscal slippages, and possibly reduced compliance with FX regulations, especially by the public sector. High-frequency data suggest that the lower-than originally expected NFA outturn may have been driven by a decline in FX repatriations, mostly by the public sector, and a sharp increase in FX outflows by some member states.

Text Figure 4. CEMAC: FX Surrendered to BEAC

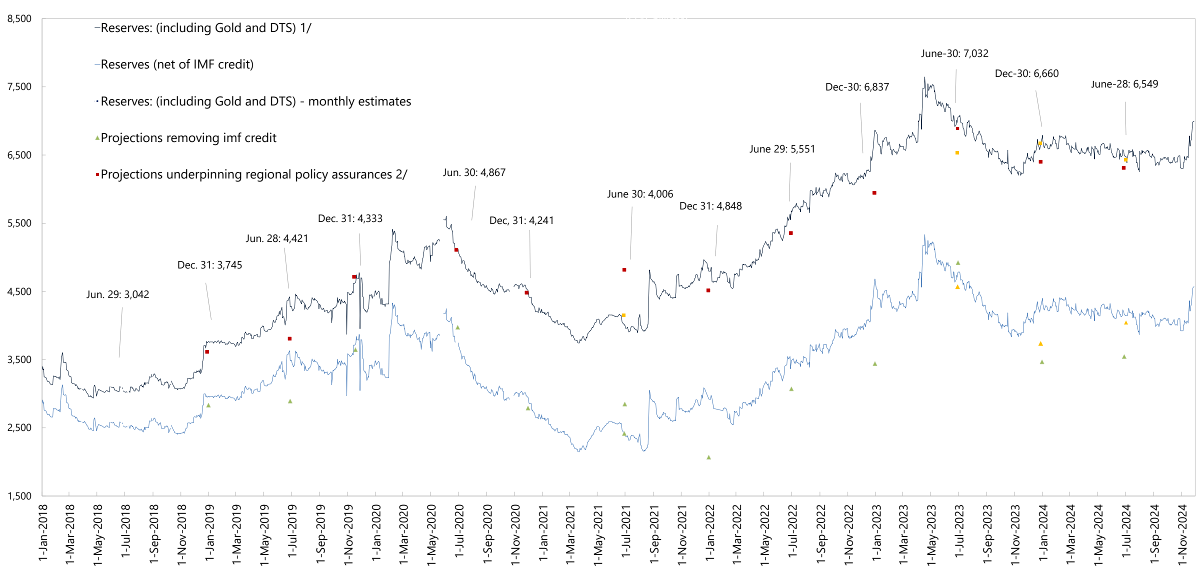
(CFAF Billion)



Sources: BEAC and IMF staff calculations.

Text Figure 5. CEMAC Regional Daily Reserves, 2017–24

(Billions of CFA francs)



Sources: BEAC and IMF Staff calculations.
Note: Starting in June 2022, Projections underpinning regional policy assurances incorporate FOGADAC Adjustment.
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. Orange squares are consistent with renegotiated policy assurances (June 2021, June 2023 and December 2023).

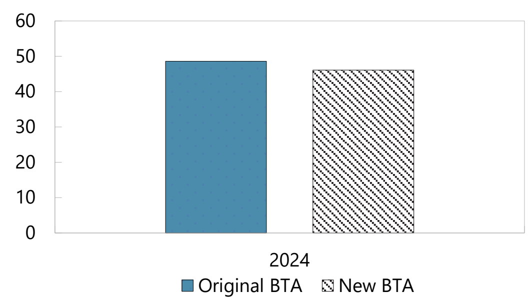
Box 1. Congo's Domestic Debt Reprofiling Operations: Implications for Regional Financial Stability

Stress in the regional debt market has prompted Congo, which faced the largest repayment obligations at the end of 2024 and during 2025–26, to undertake a domestic debt reprofiling operation in October 2024. This operation aimed to extend the maturity of its government securities. As domestic and regional banks hold the majority of the debt securities involved in the operation (96 percent of the exchanged amount), this box examines the potential implications of the operation for financial stability in the CEMAC region.

Congo launched a domestic debt reprofiling operation in October 2024 to address the peak in domestic debt service payments due in 2025–26. The objective of this operation, called the Programme National d'Optimisation de la Trésorerie (PNOT), was to facilitate a voluntary exchange of CFAF 2,314 billion (US$ 3.8 billion; 43 percent of total local currency debt; 26 percent of GDP) of Congo's outstanding domestic debt obligations for new debt instruments with longer maturities, while maintaining the same face value and coupon rate. The authorities announced the conclusion of the first phase of the operation at end-November 2024, having agreed with the securities holders on the exchange of CFAF 1,236 billion worth of securities (including CFAF 191 billion in Treasury bills and CFAF 1,045 billion in Treasury bonds).[1] However, as of end-December 2024, only CFAF 914.7 billion (including CFAF 80.7 billion in Treasury bills and CFAF 833.9 billion in Treasury bonds) had been executed by the CEMAC Central Securities Depository[2].

Congo's debt reprofiling operation is expected to affect the profitability of the regional banking sector. Staff estimates suggest that the operation would result in a 6.8 percent opportunity cost in net present value (NPV) terms for treasury holders. However, this economic loss would only partially translate into an accounting loss, as the current regional accounting standards allow fair valuation only for securities held for transaction purposes not exceeding six months.[3] These securities account for 60.9 percent of treasury bills involved in the PNOT. Therefore, the PNOT would imply accounting losses of approximately 2.2 percent, which should be reflected in the profit and loss statements of participating banks and negatively impact their balance sheets (Chart 1). If reported, these accounting losses would reduce the profitability of participating banks and could slightly erode their capital if the reported loss is not offset by earnings.

CEMAC: NPVs of Treasury Bills
(Billions FCFA)



Sources: BEAC and IMF staff calculations.

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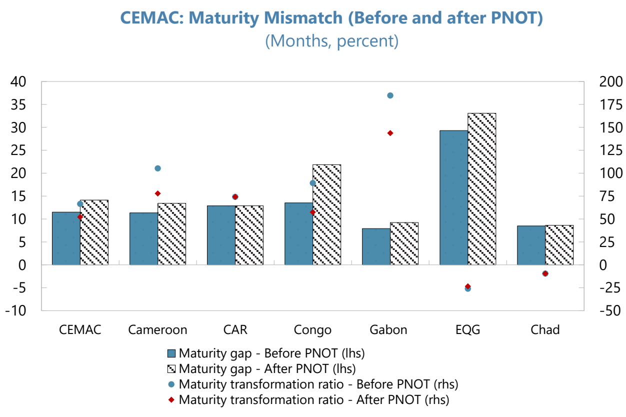
[1]For further details, see Congo, Rep. of – 2024 – Staff Report and DSA for the Sixth Review under the Three-year ECF Arrangement.

[2]The analysis conducted in this box is based on the executed securities exchanges as of December 20th, 2024.

[3]See COBAC Regulation, R-2003/03, on accounting and prudential treatment of debt securities operations by credit institutions (Article 8).

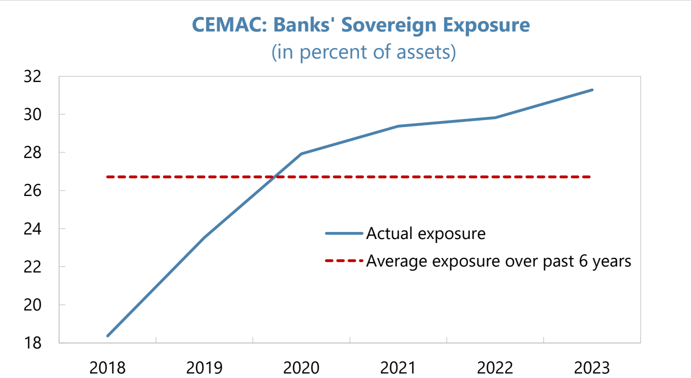
Box 1. Congo's Domestic Debt Reprofiling Operations: Implications for Regional Financial Stability (concluded)

The maturity extension of government securities exacerbates existing maturity mismatches and related liquidity risks in the banking system. As shown in Chart 2 which depicts the maturity gap and the maturity transformation ratio—a prudential ratio set by COBAC— the PNOT worsens the maturity mismatch in the CEMAC banking system and its related liquidity risks.[1] In particular, the maturity gap for CEMAC banks is expected to increase by an average of two and half months due to the PNOT, while the maturity transformation ratio would decline by 14.4 percentage points to 52.2 percent, nearing COBAC's regulatory minimum of 50 percent. These maturity mismatches highlight the over-reliance of CEMAC banks on short-term funding to finance long-term credits, which tightens liquidity conditions in the already-weak regional banking system. The PNOT further aggravates these liquidity pressures by freezing substantial liquidity from the banking system for extended periods without corresponding inflows of long-term resources into banks' balance sheets. Furthermore, while interest rate risks are mitigated in a fixed-rate environment, mismatched maturities still pose vulnerabilities. Changes in interest rates could generate income volatility and affect the market value of assets and liabilities, particularly when their maturities differ.



Sources: BEAC and IMF staff calculations.

The PNOT could also have indirect consequences on financial stability. By extending the maturity of government securities on banks' balance sheets, the operation may further exacerbate the already-significant bank-sovereign nexus in the region, by failing to reduce exposures and by issuing new bills to pay commission fees. In addition, the PNOT could lead to an increase in regulatory breaches, given the weak enforcement of the regulatory framework. Notably, some banks involved in the operation were not compliant with the exposure concentration limit as of end-2023.



Sources: BEAC and IMF staff calculations.

[1] COBAC defines the maturity transformation ratio as the ratio of long-term liabilities (including bank's capital) over long-term assets. Staff defines the maturity gap as the difference between the weighted average maturity of assets and liabilities. The weights are the average maturity period of assets and liabilities set to the midpoint of maturity time buckets. Due to data availability constraints, for the calculation of the maturity gap, assets are approximated by contractual interest-earning assets including loans, government debt securities held and other loans while liabilities are defined by contractual interest-earning liabilities mainly comprising term deposits, debt securities issued and other liabilities.

OUTLOOK AND RISKS

13. The CEMAC economy is at a crossroads. Without decisive corrective measures to address the current large fiscal slippages, accumulation of domestic arrears, and weakening external position, some countries could see debt-to-GDP ratios approaching 100 percent of GDP in the medium term, while reserve coverage might fall below 3 months of prospective imports by 2029. This grim outlook could worsen the already tight liquidity conditions in the debt market and banking system, threatening the external stability of the monetary union and posing significant risks to the capacity to repay the Fund.

14. The strong commitment expressed at the extraordinary HoS Summit in December 2024 to address macroeconomic imbalances, strengthen regional institutions, and prioritize structural reforms offers hope for a more resilient medium-term outlook. However, relatively optimistic assumptions underlying the forecasts warrant caution. The main source of uncertainty stems from the fact that, at this stage, the precise details of corrective measures to be implemented by countries with the largest imbalances are still being finalized between staff and authorities. Specifically, the projections hinge on the successful program completion in C.A.R., Cameroon, Congo and Equatorial Guinea, as well as improved policies in Chad and a policy turnaround in Gabon during 2025. This optimism should be tempered by uncertainties regarding the pace and extent of corrective measures in countries with significant fiscal imbalances and delays in reform implementation. Moreover, uncertainty surrounding the size of extra-budgetary spending, notably in Gabon, is a risk for the projections presented in this report.

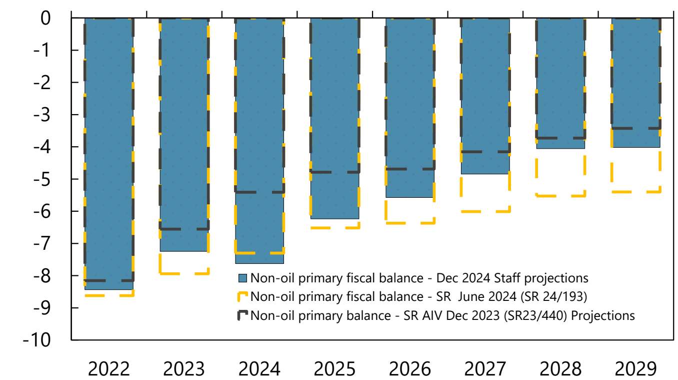
15. In the near term, growth projections are supported by relatively high Brent oil prices, as forecasted in the latest World Economic Outlook (WEO), which are expected to average around US$79/bbl in 2024, following US$80.6/bbl in 2023. Real GDP growth is projected to strengthen to 3.2 percent in 2024, primarily driven by a strong rebound in oil output. Non-oil GDP is also expected to recover, expanding by 3.5 percent in 2024, up from 2.9 percent in 2023. Efforts to address fiscal slippages, restore fiscal discipline, and implement structural reforms across the region are expected to boost confidence, easing volatility in the debt market and banking system, which could further support economic activity in 2025. Over the medium term, sustained regional growth will hinge on the effective implementation of structural reforms aimed at improving governance, combatting corruption, enhancing the business climate, and expanding access to finance—essential steps to lifting potential output in line with the region's highest-level political commitments. The regional real GDP growth rate is projected to accelerate to 3.6 percent by 2029, though this aggregate figure masks divergences across countries. Stronger economic performances are expected in those that have proactively addressed fiscal imbalances and implemented reforms earlier, particularly under Fund-supported programs.

16. Inflation is projected to moderate to 3.8 percent by end-2024. The expected relative stabilization reflects the cooling effects of monetary policy tightening on economic activity and declining global food prices. These are partially offset by energy-related inflation from phasing out fuel subsidies in some member states, as well as climatic factors (floods, droughts) and additional demand pressures from a large influx of Sudanese refugees in Chad. Yet, various price controls on essential food items still represent upside risks to the inflation forecast, should possible funding constraints force their removal. Inflation is expected to return to the regional 3 percent convergence criterion by 2026.

17. With the envisaged consolidation, the regional underlying fiscal position is expected to improve gradually in the medium term. The non-oil primary fiscal deficit, including grants (NOPFD), is projected to worsen by 0.4 percentage points to 7.6 percent of non-oil GDP in 2024, reflecting lower projected non-oil revenue collection and higher government spending. However, with the meaningful fiscal consolidation anticipated across countries starting in 2025, the NOPFD is expected to improve by approximately 3.2 percentage points of non-oil GDP between 2023 and 2029, driven by structural revenue and expenditure measures (Text Figure 6). Envisaged consolidation in Gabon accounts for a considerable part of the fiscal effort over this period if staff advice is carried through. Despite these efforts, the NOPFD is expected to remain substantial in some countries, notably Equatorial Guinea and Chad, over the medium term. In addition, the region's overall fiscal balance (excluding grants) is forecast to worsen, shifting from a surplus of 0.2 percent of GDP in 2023 to a deficit of 1.1 percent of GDP in 2024, and stabilizing around that level in the medium term (Table 3a/b). This deterioration is mainly driven by weaker hydrocarbon revenue, reflecting lower oil prices and production. Public debt is projected to decline from 52.1 percent of GDP in 2023 to around 50.9 percent of GDP in 2024, continuing a downward trend to approximately 42 percent of GDP by 2029. It is worth noting that debt dynamics remain vulnerable to adverse oil price shocks and potential policy setbacks in the medium term, underscoring the importance of fully implementing the envisaged fiscal consolidation.

Text Figure 6. Projected CEMAC: Non-oil Primary Fiscal Balance

(Percent of non-oil GDP)



Sources: BEAC and IMF staff calculations.
Note: See IMF Country Report No. 24/193 for a discussion of the sustained deterioration in the NOPFB

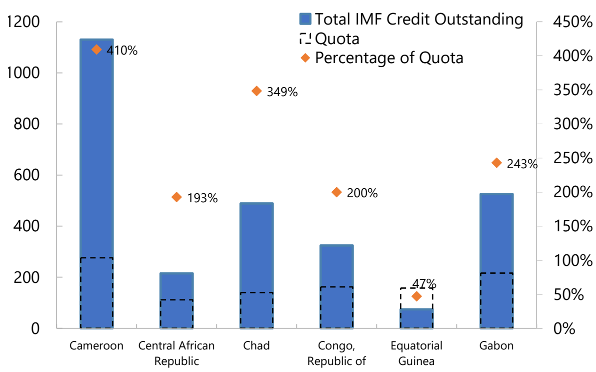
18. The external position is expected to deteriorate over the medium term, albeit reaching a more sustainable level. The CA deficit is projected to widen from 0.4 percent of GDP in 2023 to 1.2 percent of GDP in 2024, primarily reflecting a decline in exports. Over the medium term, the CA balance is expected to weaken further to about -2.2 percent of GDP (slightly above its historical average), driven mainly by lower hydrocarbon export receipts and production. Most countries in the region are expected to experience a deterioration in their CA balances, except for Cameroon and CAR. Net capital inflows, particularly higher FDI and other net investments, are projected to offset the CA deterioration, supporting foreign reserve accumulation over the medium term. In addition, adherence to the highest-level political commitment to the regional strategy made in December

2024, coupled with engagement with the Fund, will be critical for catalyzing donor support, strengthening external stability, and diversifying the region's financing mix (Text Figure 7). With the Fund's share of external financing for the region at around 7 percent in 2023 (Table 9), additional grants and highly concessional financing—including in member countries without a Fund-supported program—will be essential to limit reliance on borrowing from an already saturated debt market. The reserve coverage ratio is projected to remain broadly steady at about 4.2 months in 2024. Over the medium term, meaningful adjustment efforts by member states are expected to stabilize reserve coverage at around 4.3 months—below the staff-estimated adequacy target for a resource-rich monetary union (5 months). Without these adjustments, reserve coverage would deteriorate significantly due to the large initial imbalances and projected declines in oil prices and production (Text Figure 8). These efforts should also help reduce risks to the region's capacity to repay the Fund in the medium term.

19. The balance of risks is clearly skewed to the downside. The main downside risks include delays in implementing envisaged fiscal consolidation and reforms, declining commodity prices, tighter financial conditions, heightened political uncertainty due to upcoming elections in many countries, entrenched inflation, financial instability, food insecurity, domestic conflicts and insecurity, and climate-related events (RAM Annex II).

Text Figure 7. CEMAC: Credit Outstanding to the IMF as of end-November 2024

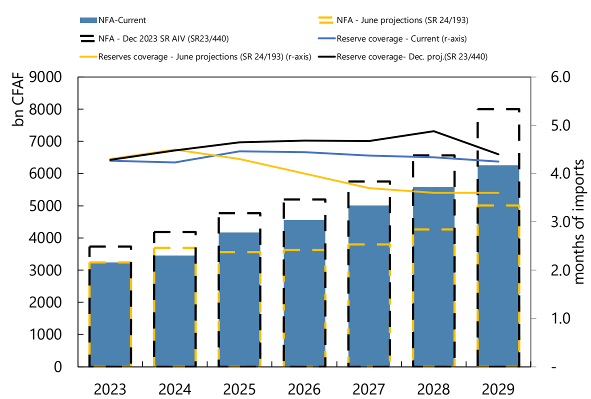
(SDR, percentage of SDR quota)



Sources: IMF Staff Calculations

Text Figure 8. CEMAC: Projected Net Foreign Assets and Reserves Coverage

(Months of imports, CFAF billion)



Sources: BEAC and IMF Staff Calculations.

20. Authorities' views. BEAC's and staff have slightly differing perspectives on near-term macroeconomic developments (2024–25), although both broadly agree on the downside risks to the outlook. The central bank has a more cautious stance than staff regarding economic activity in 2024, projecting weaker GDP growth at 2.7 percent—up from about 2 percent in 2023. This modest improvement is attributed to a slight acceleration in non-oil GDP growth, while oil output is expected to stagnate following a sharp contraction. For 2025, BEAC anticipates further acceleration in growth to 3.2 percent, driven by higher non-oil activity and, to a lesser extent, a marginal increase in oil output. BEAC concurs with staff's view that inflation remains persistent, with risks to price stability tilted to the upside. The central bank projects inflation to stay relatively high in the near term but expects a more rapid decline, with headline inflation falling below the 3 percent convergence criterion by 2025. On the external front, BEAC forecasts the external position to remain relatively strong, with the current account balance maintaining a surplus in 2024 before shifting marginally into deficit in 2025. The financial account is projected to improve significantly, driven by higher FDI and other investments—reflecting expectations of stronger repatriation flows by the oil sector and other industries. Reserve coverage is expected to improve significantly, reaching about 5 months of imports by 2025. BEAC's external sector resilience assumptions are partly attributed to optimistic projections of fiscal adjustments across the region. However, BEAC and staff diverge most significantly on the fiscal outlook. BEAC assumes a primary fiscal balance surplus starting in 2024, improving further in the subsequent years as all countries are expected to implement meaningful fiscal consolidation. Over the medium term, BEAC's projections are more optimistic than staff's, forecasting a sharp acceleration of GDP growth to about 4.6 percent by 2029—one percentage point higher than staff's estimates—driven largely by non-oil activities, particularly mining and business services.

PRESERVING MACROECONOMIC STABILITY AND PREVENTING THE BUILDUP OF IMBALANCES

21. Discussions focused on the decisive actions urgently required to preserve macroeconomic and financial stability, given the deteriorated economic outlook for the region amid widening fiscal and external imbalances. CEMAC policymakers should prioritize policies addressing persistent fiscal slippages and prevent the further build-up of imbalances. They should also restore fiscal prudence and discipline to preserve both price and external stability, safeguard prudential supervision, and sustain growth while protecting the vulnerable.

A. Ensuring Fiscal Sustainability to Strengthen External Stability

22. Addressing persistent fiscal slippages is crucial for ensuring macroeconomic stability. To bolster the region's resilience to shocks and ensure long-term fiscal sustainability, it is essential to reverse recent fiscal slippages and adopt a prudent policy approach to prevent the accumulation of imbalances. Given the volatility of the oil market and other commodity prices (e.g., cocoa beans), coupled with increased downside risks to macroeconomic stability, building fiscal buffers and closing imbalances are imperative. Sustaining these efforts is even more important, as it will help mitigate the projected downward trend in reserve accumulation and reduce the need for prolonged monetary policy tightening, while easing pressures on governments' budget financing. Moreover, sound fiscal policies are critical for achieving countries' investment objectives to improve economic resilience, reduce poverty, and promote sustainable development. In light of these challenges, staff renewed its call for all countries to realign their policies with Fund-supported programs and surveillance advice. To create the necessary fiscal space, staff highlighted the following key measures:

- **Strengthening and diversifying revenue sources away from oil**. These actions would help shield priority social and infrastructure spending from hydrocarbon price volatility. Staff emphasized that modernizing tax policy and tax administration through the implementation of e-procedures and mobile tax payments can significantly enhance revenue collection. It also reiterated that policies aimed at broadening the tax base—such as implementing more efficient tax incentive regimes, improving the progressivity of personal income tax, enhancing governance in tax policymaking, and strengthening taxing rights over multinational income—could increase non-oil tax revenue. Furthermore, the mission highlighted that the timely endorsement of the new regional tax directives—including tax procedure codes, income tax, tax expenditures, and customs procedures—and the rapid implementation of the new VAT directive by member states, in collaboration with the CEMAC Commission, could help boost revenue collection. Additionally, strengthening tax administration capacity, including in international taxation, developing a regional domestic revenue mobilization strategy, and addressing understaffing at the CEMAC Commission are essential steps that could also help combat tax and customs fraud.[6]

- **Improving tax compliance risk management in the extractive sector**. Staff advised the authorities to focus on the following key measures: i) adopting customs processing for extractive industry inputs and outputs (in line with the recommendations in the CEMAC Extractive Industry Customs Procedures Guide); ii) establishing dedicated tax administration teams with access to third-party information and the capacity to conduct independent audits of multinational enterprises; iii) accelerating the digitalization of tax and customs procedures for extractive sector companies and their suppliers; iv) ensuring systematic information exchange between tax administration, customs administration, ministerial authorities, and state-owned enterprises; v) strengthening risk analysis and adopting tailored compliance improvement plans; and vi) improving transparency and strengthening control oversight in the extractive industries, including state-owned enterprises (SOEs), and their suppliers' tax operations.

- **Enhancing public expenditure efficiency**. Staff emphasized that implementing measures to reduce inefficiencies and improve governance in public spending can free up resources. It renewed its recommendation to phase out inefficient subsidies while concurrently implementing updated, targeted social safety nets to protect the vulnerable, with the support of international partners.[7] Staff stressed that countries could achieve further savings by: i) eliminating unwarranted reliance on emergency spending procedures or off-budget spending to better maintain accountability, transparency, and to preserve the legitimacy of the budget; ii) rationalizing other outlays, including the wage bill, non-priority recurrent spending, and costly transfers to SOEs; iii) strengthening the monitoring of fiscal risk associated with SOEs by systematizing the production of fiscal risk statements, with a specific section dedicated to these entities; iv) addressing the underlying causes of SOEs' financial difficulties, such as poor

[6] Improved revenue mobilization would also allow for appropriately sequenced reductions in the high level of common external tariffs which impede trade integration and investment.

[7] Enhancement of coverage and targeting could leverage existing programs and digitalization to help identify eligible households. The Fund stands ready to provide tailored advice as needed.

corporate governance and inadequate oversight, to reduce budget transfers; and v) conducting or updating Public Investment Management Assessments (PIMA), potentially in combination with the Climate Change Assessment (CCA) module, and accelerating the implementation of PIMA recommendations. Moreover, member countries could greatly benefit from improving cash management practices, such as more accurate cash flow forecasting, cash optimization, and liquidity and risk management. This would help prevent risks of temporally accumulating arrears or defaulting on domestic debt obligations.

- **Improving debt management**. Staff stressed that countries need to carefully manage their debt levels to avoid a debt crisis and ensure fiscal sustainability. This involves implementing sound debt management policies to reduce borrowing costs and create fiscal space. CEMAC's low-income member countries should only consider non-concessional external financing if it aligns with safeguarding debt sustainability and adheres to debt limits set under Fund-supported programs. All CEMAC countries should enhance debt transparency, especially regarding the non-guaranteed debt of SOEs, and avoid collateralized debts, particularly those backed by natural resources. Staff highlighted possible negative consequences of the recent incidents of sovereign domestic debt payments and called on member countries to honor their repayment deadlines without delay or incident. This requires better debt and cash management, including a high degree of transparency.

- **Preventing and clearing arrears**. Staff emphasized that countries should swiftly implement comprehensive strategies for arrears clearance and medium-term debt management, in line with Fund-supported programs and surveillance advice. This is particularly urgent given the recent discovery of significant new payment arrears in some countries raising concerns about fiscal and public debt sustainability. The mission also stressed that preventing the resurgence of new arrears would require that countries: i) enhance fiscal discipline by aligning expenditure commitment plans with cash forecasts and procurement plans; and ii) increase transparency and monitoring of arrears by tracking expenditures throughout the year, reporting arrears stocks in fiscal reports, and strengthening internal control mechanisms. This requires recording all expenditure in the IFMIS at the liquidation stage, where arrears arise.

- **Accelerating the deployment of the Treasury Single Account (TSA)**. To improve the efficiency of public resources, staff urged BEAC to expedite the once again delayed implementation of its IT platform for deploying the TSA in members states. Despite revised timelines, the platform has yet to go live in the two advanced pilot countries (Cameroon and Gabon). Addressing the remaining technical issues will enable the platform to be deployed in these two pilot sites and the gradual transfer of banks' treasury account balances to the TSA at BEAC. The final testing phase is scheduled for the first quarter of 2025, and it should lead to a production launch by September 2025.

B. Preserving Price and External Stability, and Reinforcing Monetary Policy Transmission

23. Staff underscored that the recent tight liquidity conditions in the banking system warrant the continuation of liquidity injection operations. Staff advised BEAC continue its regular refinancing operations to alleviate the increased volatility of liquidity conditions in the banking system, which has led to tight liquidity, and should persist in its efforts to address fragmentation within the banking system. These actions are warranted by the elevated liquidity pressures faced by banks. Staff recommended that BEAC maintain its weekly liquidity-providing operations, at least at the current level of the TIAO. The substantial borrowing at the marginal lending facility by an increasing number of banks, coupled with the continued decrease in excess liquidity over recent months, indicates a significant tightening of monetary conditions in CEMAC. Staff also underscored that BEAC should conduct its regular lending operations using a fixed-rate full allotment procedure, taking into account market and macroeconomic conditions, to strengthen monetary policy transmission. Staff also reiterated that BEAC in collaboration with COBAC should ensure the strict application of prudential regulations on concentration limits, to ensure that the resumption of active liquidity injections does not lead to a worsening of banks' (already excessive) exposure to sovereign risk. To this end, it is vital to move away from the systematic zero weighting of government securities. To address liquidity segmentation across banks, staff urged BEAC to tackle weak banks more resolutely, as well as generally strengthen supervision and capital adequacy to build confidence among banks. This action should go in tandem with continued efforts to address the small number of financial institutions that are not participating in the money market.

24. Authorities' views. BEAC concurred that the current liquidity management strategy should be maintained to alleviate the ongoing pressures faced by banks. It reported that it had discontinued all liquidity-absorbing operations and the issuance of short-term debt securities, citing their limited success and, more importantly, the fact that most of the banking system is currently facing a liquidity deficit. Furthermore, BEAC highlighted that it has increased the volume of liquidity injections, in line with developments in autonomous liquidity factors. In addition, BEAC reported that it conducted a study in August 2024 among credit institutions in the CEMAC region. This study provided a comprehensive diagnosis of the banks' situation, particularly those excessively dependent on BEAC refinancing and those holding excess reserves, thereby improving the understanding of how monetary policy is transmitted across the region. The study found that the tightening of liquidity in the money market can be attributed to several factors, including: high demand for credit from governments through the public securities market or direct loans; a decline in deposits (especially from public sector enterprises); the extension of maturities by governments in the public securities market; challenges in attracting deposits in an increasingly competitive environment; collateral selection by certain counterparties in the interbank market; and arrears from some private sector clients (reflecting government-related arrears). Moreover, the study indicated that most banks with excess liquidity consider themselves to be in a position of sufficient liquidity. In fact, to address liquidity shocks resulting from the behavior of certain clients, these banks must maintain a constant balance of 200 percent of their required reserves, in their current account at BEAC as precautionary reserves. Finally, the central bank noted that the study enabled it to identify measures to reduce fragmentation within the banking system, including actions to encourage banks dependent on BEAC's refinancing to restore a healthy liquidity position, and urging those with excess liquidity to contribute more actively to improving liquidity circulation in the money market.

25. While the main policy rate remains appropriate at 5 percent, monetary policy should maintain a tightening bias and remain data-dependent, including timely evaluation of the impact of liquidity normalization. Staff estimates indicate that the stance of monetary policy is broadly neutral in CEMAC, with the real interest rate close to its neutral rate (estimated at around 1 percent in 2023) (see Annex I). Despite the ECB's ongoing easing, staff advised BEAC against cutting interest rates until there is clear evidence that inflation is sustainably receding toward the regional convergence criterion (3 percent) and when risks to external stability have faded. Additionally, while the resumption of main refinancing operations is expected to ease liquidity pressures, staff recommended that BEAC carefully monitor any potential unintended consequences, including potential impacts on the functioning of the interbank market. Although the policy stance is assessed to be neutral, the mission stressed that maintaining a tightening bias remains warranted, given the downward trend in reserve accumulation and uncertainty about the inflation trend. With respect to the latter, the risk of persistent inflationary pressure remains high due to heightened uncertainty around global commodity prices, the persistence of inflation in CEMAC, possible second-round effects of fuel subsidy reforms, and the deterioration in fiscal positions in many countries, which could maintain demand pressures.[8]

26. Authorities' views. BEAC indicated that it maintains a tightening bias and concurs with staff's assessment that risks to price and external stability remain elevated. As a result, the central bank emphasized its readiness to tighten its policy stance if necessary. While inflation continues its downward trend, BEAC noted that it remains persistent due to both external and domestic factors, including climate-related shocks. Additionally, the central bank highlighted that its weekly liquidity injections are consistent with a tight monetary policy stance, as the marginal rate on these operations has remained significantly higher than the TIAO, reflecting strong liquidity demand. However, BEAC noted that strong demand was exacerbated by liquidity-stressed banks. Excluding these banks from the main refinancing operations resulted in a significant drop in oversubscription and marginal rates, though they remained elevated. BEAC also expressed concerns about the potential impact of conducting regular liquidity-providing operations using a fixed rate with full allotment, warning that this could affect the functioning of the interbank market and encourage banks to invest more in government securities, thereby reinforcing the sovereign-bank nexus. Finally, in addressing risks to external stability, BEAC reiterated that its FX regulations, particularly those targeting the extractive sector, are expected to be an effective tool. It also emphasized that the BEAC-ECB policy rate spread has little influence on its monetary policy decisions, given its minimal impact on capital flows between the CEMAC region and the Euro area, which is due to imperfect capital mobility and the region's limited attractiveness.

[8] See Tiedemann, J., O. Bizimana, L. Dalmau, and M. Ambassa. 2024. "Understanding Inflation Dynamics: The Role of Global Shocks in CEMAC". IMF Working Paper No. 2024/055.

27. Staff urged BEAC, in cooperation with COBAC, to maintain engagement with banks experiencing high liquidity needs. Staff expressed concerns over the lack of progress on this matter since the previous Staff Report and underscored that these difficulties should be addressed swiftly to prevent banks from becoming structurally dependent on BEAC support. Given the sustained borrowing from the marginal lending facility, staff renewed its advice for BEAC to tighten its conditionality for the structurally liquidity-stressed banks that absorb the bulk of its refinancing—including by requesting credible refinancing plans—and, in cooperation with COBAC, to consider triggering resolution in case of continued non-compliance. Staff also stressed that effectively addressing these banks' liquidity difficulties depends on the governments' ability to secure sustainable financing to settle domestic arrears, which are a root cause of the banks' liquidity stress.

28. Authorities' views. BEAC agreed with staff's advice and reiterated its commitment to continue to engage proactively with liquidity-stressed banks, in collaboration with COBAC, to ensure that they submit credible refinancing plans in a timely manner and are appropriately restructured or recapitalized if needed. BEAC emphasized its ongoing efforts in this area, particularly its requirement for six structurally liquidity-dependent banks to submit financing plans (four of which have already done so, with three of those having been submitted to COBAC, in accordance with established procedures). Furthermore, BEAC noted that the Monetary Policy Committee has implemented exceptional measures to restrict access to central bank interventions for liquidity-stressed banks, including suspending their participation in the main refinancing operations and limiting their access solely to the marginal lending facility.

29. Staff renewed its recommendation for BEAC to continue to mitigate risks to its balance sheet. Specifically, staff reiterated that BEAC should continue to adjust haircuts on collateral to reflect underlying risks and provision for potential losses. Staff also called for BEAC to continue applying: (i) its collateral framework in line with risk equivalence (including differential haircuts); (ii) no exemptions from reserve requirements; (iii) its funding plan framework in cases where a bank becomes excessively dependent on BEAC's refinancing; and, if necessary, (iv) its emergency liquidity assistance framework, with appropriately strict conditionality and enhanced supervisory oversight. Staff further renewed its advice for BEAC to closely monitor repayments of past statutory advances and the stock of bonds purchased during its COVID-related bond purchase program, which began maturing in 2022Q2. Additionally, Staff stressed the importance of BEAC monitoring its exposure to the regional development bank (BDEAC).

30. Authorities' views. BEAC agreed with staff's recommendation to maintain its current approach of adjusting haircuts on collateral to reflect associated risks and set exposure limits by bank and/or country. It emphasized that haircuts are determined within the framework currently in place, which includes monitoring changes in the credit ratings of CEMAC countries and the joint World Bank/IMF debt sustainability analysis. In particular, BEAC highlighted that it will consider the recent changes in the sovereign ratings of countries in the region, specifically the downgrade of Congo's rating and the first evaluation of Chad by Standard & Poor's. It also underscored that its framework enables a comprehensive assessment of all available collateral within the banking system.

Additionally, BEAC noted that its exposure to BDEAC's credit risk has been steadily decreasing, in line with repayments made under the various facilities extended to BDEAC by the central bank.

31. Staff underscored the urgency of revamping and intensifying efforts to continue improving the efficiency of enforcing FX regulations. Staff called for BEAC to intensify efforts to reduce technical delays, including by maintaining dialogue with banks and businesses and deploying additional resources, if necessary, to ensure that FX requests are processed quickly, smoothly, efficiently and in line with the regulation. Staff encouraged BEAC to strengthen its efforts to ensure a more complete, efficient, consistent, and predictable application of the FX regulations. This includes closer monitoring of compliance by the public and extractive sectors with FX repatriation and surrender requirements.[9] The mission renewed its advice for BEAC to strengthen its capacity to map out FX accounts held abroad by governments, SOEs, and other public entities—possibly with support from the Bank of International Settlements—to ensure greater compliance with the FX repatriation requirement. Additionally, staff emphasized further the importance of ensuring consistency in the application and enforcement of the FX regulation to build confidence among market participants. Lastly, the mission urged BEAC to resume constructive engagements with the extractive sector to ensure an efficient enforcement of the repatriation of funds dedicated to the rehabilitation of oil sites (RES). The mission also urged BEAC to continue discussions with the extractive sector to resolve the remaining issues, including the terms of litigation.

32. Staff urged BEAC to address recruitment issues to ensure it has sufficient human resources to fulfill its mission. This includes ensuring adequate staffing to allow the central bank to focus on improving internal data collection (annex V) and management procedures, thereby enhancing its monetary policy analysis and communication. Staff emphasized that increasing data availability will further strengthen the central bank's analytical capacity and policy formulation.[10]

33. Authorities' views.

- BEAC indicated that the verification and approval process for FX requests has improved. However, it noted that the processing of FX requests is currently being affected by administrative issues at commercial banks, creating delays for their clients. The main causes of rejections are incomplete cases and backlogs. Incomplete cases often involve requests that, according to regulations, must be rejected because a prior approved request is missing a required document—specifically, proof that the FX was used as specified in the request. BEAC also noted that compliance with FX regulations by commercial banks is high and is monitored holistically. Key indicators of compliance, such as the effective rate of retrocession and processing times for FX retrocessions, have been steadily improving. However, BEAC pointed out that there is still room for improvement in repatriations, particularly through better control of XAF accounts held

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[9] The repatriation and surrender requirement on export proceeds is a capital flow management measure (CFM) under the Fund's Institutional View. The stricter enforcement of this measure (since 2018) is a tightening of an outflow CFM, which continues to be appropriate for ensuring further external reserves build-up.

[10] The overall Data Adequacy Assessment rating prepared by IMF indicates that data provided to the Fund has some shortcomings that somewhat hamper surveillance (annex V).

by non-residents, which show unusual and unjustified credit flows, as well as prepaid cards. Regarding the repatriation of RES funds, BEAC reported that discussions with extractive companies on the escrow agreement are ongoing. Once signed, the agreement will govern the opening and operation of escrow accounts where these funds will be deposited. Authorities noted that the deadline for extractive companies to sign the escrow agreement has been extended to April 2025, with the provision that sanctions may be imposed on those that fail to sign by that date. [11] Key remaining issues include the immunity of the central bank and the availability of the RES funds. Finally, BEAC suggested that increasing the repatriation rate for extractive companies (currently set at 35 percent) could further boost FX repatriations.

- BEAC broadly agreed with staff's assessment of the deficiencies in the collection and provision of macro-financial statistics for the CEMAC region, which are essential for surveillance work. It acknowledged that the availability of statistics, especially high-frequency data (monthly and quarterly), is poor across the region. However, BEAC noted some improvements, including the publication of harmonized CPI statistics. Still, the lack of resources in some countries—particularly Congo—limits the ability to compile aggregate regional data and transmit it regularly to the Fund. BEAC also recognized significant deficiencies in the quarterly balance of payments statistics, primarily due to resource constraints and capacity limitations in most countries, with the notable exception of Cameroon. On financial and monetary statistics, BEAC highlighted the granularity of banking and monetary policy data, which provide detailed information about individual banks across the region. However, it pointed out that the quality and regular publication of banking data has deteriorated recently, mainly due to the transition to a new reporting system. Furthermore, BEAC stated that it has established a dedicated team to collect and transmit macro-financial data to the Fund on a regular basis, in line with its commitments in the December 2023 Letter of Assurances. Regarding banking data, COBAC SG has committed to providing staff with relevant information on a regular basis, following a specific schedule proposed by the IMF team.

34. Safeguards assessment. The 2022 safeguards assessment found that BEAC maintained strong governance and external audit arrangements, while internal audit and risk management practices needed strengthening. A safeguards monitoring mission took place at end-2023 to follow up on the outstanding recommendations and developments in the governance arrangements. The mission's recommendations included the need to strengthen onboarding of new members of senior management and the Board, and the establishment of an enhanced delegation framework for executive decision-making. Staff notes that progress on implementation of these recommendations has been slow and is engaging with the authorities to accelerate progress.

[11] This deadline was initially set for September 2024 following discussions between BEAC, extractive companies, and representatives of the member states in Paris in July 2024. In the last year, the deadline for extractive companies to sign the escrow agreement has been extended three times.

C. Safeguarding Financial Stability Amid Widening Macroeconomic Imbalances

35. Staff reemphasized the importance of strong collective action from national authorities and the regional supervisors (BEAC and COBAC) to safeguard financial stability, particularly given the elevated uncertainty and risks. The mission reiterated its recommendation to prioritize the following actions: i) urgently provide COBAC SG with adequate human and financial resources without delay to enable it to step up onsite inspections; ii) rigorously sanction or take supervisory corrective actions when banks systematically fail to comply with regulations within a short timeframe; iii) strictly enforce BEAC's refinancing policies for liquidity-stressed banks; iv) rigorously assess the adequacy of non-performing exposures' classification and provisioning, as well as potential capital shortages in the event of insufficient loan-loss provisioning, by undertaking a comprehensive program of onsite supervision of bank credit portfolios (at least for systemically important banks) using a prioritized, risk-based approach; and v) accelerate the implementation by national governments of a comprehensive domestic arrears clearance and prevention strategy.

36. Staff underscored the importance for COBAC of strictly enforcing its regulatory framework to build a resilient and stable regional financial system, emphasizing that forbearance would not be a viable solution for undercapitalized banks. It recommended that COBAC support national authorities in conducting an independent and fair evaluation of structurally weak and undercapitalized banks, with the aim of developing credible recapitalization solutions that ensure their viability in the medium and long term. Staff also reiterated that regional supervisors and national authorities should: i) ensure that undercapitalized banks submit credible medium-term recapitalization plans within a short timeframe and establish a strategy for reducing NPLs; and ii) recapitalize or resolve weak banks without delay.

37. Staff renewed its recommendation for COBAC to ensure that banks adequately reduce and account for sovereign risk. It advised COBAC to progressively enforce existing concentration limits, carefully monitor banks 'sovereign risk concentrations, and consider targeted measures, such as additional capital charges, to tackle such concentrations when necessary. Additionally, banks should be encouraged to adopt prudent internal risk management practices. Building on the CEMAC Commission's resumed regional surveillance, the mission recommended moving more systematically away from the zero-risk weight on government exposure. The mission also encouraged COBAC and BEAC to collaborate to ensure that primary dealers (mostly banks) do not hold all new sovereign issuances, as stipulated in their contracts. Staff emphasized that these efforts should be accompanied by the development of a sizeable non-bank investor base to mitigate the risks of under-subscription.

38. Staff recommended overhauling CEMAC banking legislation to strengthen COBAC's independence and expand its supervisory and resolution powers. Staff emphasized that well-designed reforms are essential to provide COBAC with a clear and consistent mandate, supported by an effective legal framework. This framework should grant COBAC the authority to take supervisory actions and enforce decisions without political interference. To achieve this, the two CEMAC conventions —on harmonizing banking regulation and on the creation of COBAC— and the subsequent CEMAC regulations should be amended and consolidated into a unified banking legislation. This new legal framework would eliminate ministerial involvement in the licensing, supervision, and resolution processes.

39. **The mission advised the national and regional authorities (COBAC, GABAC, BEAC) to continue addressing the strategic AML/CFT deficiencies identified in the mutual evaluation of CEMAC member states**. Staff emphasized that this effort is crucial to mitigate implications of the Financial Action Task Force's (FATF) potential or existing grey listing of CEMAC member countries, such as reduced international trade capacity and the potential loss of correspondent banking relationships. Staff welcomed the new COBAC regulation R2023/01 on AML/CFT. Promulgated in July 2024, it strengthens the legal framework regarding AML/CFT preventive measures that financial institutions under COBAC supervision should apply. Staff encouraged COBAC to continue working on developing subsequent specific AML/CFT-related guidelines.

40. **Staff urged national authorities to address the strategic AML/CFT deficiencies identified in the mutual evaluation of the CEMAC member states that fall within their remit.** In addition, staff encouraged them to work closely with the regional authorities (GABAC, BEAC, COBAC, etc.) to address the remaining gaps in the CEMAC AML/CFT Regulations, notably by further engaging in technical discussions at the GABAC level to prepare for the next round of mutual evaluations. The mission reiterated that these efforts are crucial to help enhance the standing of grey listed countries and avoid a potential grey listing of other member countries and its negative implications, such as the reduced ability to trade internationally, including through the loss of correspondent banking relationships.

41. **Staff encouraged COBAC to further prioritize its work agenda.** It advised the following actions: adopting risk-based prudential and AML/CFT supervision; modernizing the regulatory framework, including amending current accounting standards to integrate the fair asset valuation in line with international best practices; establishing a reasonable timeline to transition to IFRS implementation; and making progress on the transition to Basel II/III; strengthening the bank resolution framework; developing stress tests; and improving risk management and bank governance.

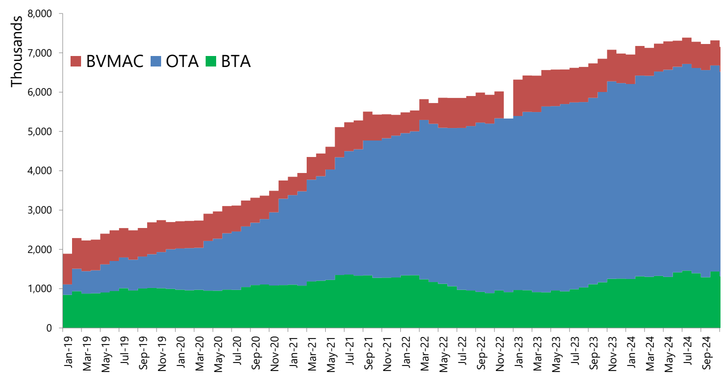
42. **Staff reiterated its recommendation for BEAC, in collaboration with other regional stakeholders, to intensify efforts to develop a secondary market for government securities.** The increasing issuance of government securities on the regional stock exchange (BVMAC) in recent years has led to a market dualism that could hamper the development of the secondary market and limit securities liquidity (Text Figure 9). Staff encouraged BEAC and all stakeholders to build on IMF capacity development (CD) recommendations to further enhance the secondary market for government securities.[12] The mission also highlighted that conducting a local-currency bond market

[12] Key recommendations include: (i) improving the predictability and transparency of CEMAC member government securities' issuance; (ii) developing the regulatory framework; (iii) enhancing transparency by providing the market with an adequate infrastructure; and (iv) diversifying the investor base.

diagnostic could help identify bottlenecks in the government securities market and facilitate the development of a well-prioritized reform action plan. Staff also welcomed BVMAC's draft revised general regulations submitted in March 2024 to COSUMAF for approval, which, once adopted and implemented, should boost market activities. Furthermore, Staff renewed its call for BVMAC to increase efforts to raise investor interest in stocks from 17 SOEs (2 of which are listed) that are set to be listed on BVMAC.

Text Figure 9. CEMAC: Stock of Government Securities

Monthly – CFAF Billion



Sources: Regional Authorities and IMF Staff Calculations

Staff urged BVMAC, in collaboration with BEAC and COSUMAF, to ensure that the company responsible for managing the single central depository becomes operational as soon as possible, following the implementation delay at end-2024. It noted that establishing robust governance structures is essential to mitigating potential operational and financial stability risks, including capacity-building support from development partners, if necessary. Additionally, Staff encouraged member countries that have not submitted yet their SOEs for listing to do so swiftly.

43. Staff advised BEAC, in coordination with other regional and national authorities, to continue monitoring and managing emerging risks associated with crypto-based digital payments and assets. Staff emphasized that regional supervisors (BEAC, COBAC, COSUMAF, and the AML/CFT regional body, GABAC) should advance a regulatory framework for crypto-related activities and enhance coordination on the issuance of laws and regulations, in line with global standards and recommendations from the FSB, IOSCO, BCBS, and CPMI. This approach would support innovation and financial inclusion while preserving financial stability, protecting consumers, and ensuring compliance with the FATF's AML/CFT standards. The mission also urged BEAC and regional supervisors to promptly share a legal opinion with C.A.R. authorities regarding the law in C.A.R. that allows for the tokenization of its resource wealth with mandatory payment use of crypto assets.[13] Staff reiterated that BEAC should diligently account for the risks posed by crypto-based digital payments and assets on its operations and monetary policy implementation. The mission emphasized that BEAC's exploration of a CBDC—for which it requested Fund CD—should be based on a cost-benefit analysis that considers the potential impact on bank intermediation, the costs of maintaining a dual payment system, and the quality and access to digital infrastructure. It also urged BEAC to intensify its efforts to further unlock the financial inclusion potential of more established forms of digital payments such as electronic and mobile money, given its already widespread use in the region, including—in consultation with GIMAC and the financial community—by promoting

[13] The legal opinion should specifically: (i) assess whether this law violates BEAC's exclusive right to issue currency in the CEMAC; and (ii) examine concerns related to risks to financial integrity, market integrity, governance, consumer protection, and compliance with AML/CFT standards.

greater progressivity compared to the current flat-rate pricing, which is penalizing for small transactions. Lastly, the mission noted that increased efforts are required to validate and adopt the new revised pricing project drawn up by GIMAC, as planned.

44. Authorities' Views

- **COBAC broadly agreed with staff's recommendations.** COBAC noted that it has submitted a specific request to BEAC for additional staffing to effectively carry out its supervisory missions. BEAC reaffirmed its commitment to addressing COBAC's longstanding understaffing challenges and included this commitment in the LOA. COBAC acknowledged the significant data collection challenges it is currently facing, partly due to the transition to a new reporting system but indicated that it is actively working to address these issues. It has also requested Fund technical assistance, which is scheduled for early 2025. COBAC emphasized that it continues to implement the recently adopted risk-based supervision approach, highlighting AML/CFT issues through dedicated focus during its on-site missions and a dedicated AML/CFT reporting module in the new financial reporting system. Additionally, it collaborates closely with national and regional authorities (GABAC, BEAC) to address strategic AML/CFT deficiencies identified in evaluations of CEMAC member states.

45. COBAC reaffirmed its determination to address issues with weak banks, noting that the current prudential regulatory framework includes some adequate provisions, such as sanctions for non-compliance. COBAC underscored the importance of collaboration with national authorities, particularly regarding recapitalization and resolution of weak banks. It also agreed with staff on the urgent need to enforce regulations on concentration and sovereign risk exposure, including moving away from zero-risk weights on government bonds, to ensure that only adequately resourced banks take on additional risks. COBAC concurred that only banks meeting all prudential requirements should distribute dividends.

- **COBAC indicated that a working group is currently addressing the transition to Basel II/III standards**. It also plans to propose a legislation project on a single regional banking licensing process at the banking commission's meeting in December 2024. Additionally, COBAC intends to increase the statutory capital requirements to strengthen the banking system and is exploring the adoption of a single banking law across CEMAC.

- **Regarding emerging risks from new digital payments, COBAC acknowledged the lack of progress with other regional supervisory bodies on crypto-related regulations but noted that it will submit a project on information technology risk management for approval in December 2024**. Lastly, COBAC has engaged a consulting firm to develop its 2025–29 strategic plan to modernize and enhance its supervisory capacity, which will also be presented to the banking commission in December 2024.

- **COSUMAF agreed with staff that diversifying the investor base would enhance financial market activities and support the development of a secondary market for government securities.** COSUMAF emphasized that they continue to work with BVMAC on improving the conditions for companies seeking to be listed on the stock exchange. Additionally, BVMAC is addressing COSUMAF's observations regarding the eligibility criteria for SMEs in the draft revised general regulations, which will be resubmitted for approval. Finally, COSUMAF noted that it is continuing to work on various initiatives to increase the attractiveness of financial markets and diversify the investor base, including financial education sessions aimed at issuers and investors.

- **BEAC views the ongoing liquidity stress in the regional government securities market as partly a temporary uptick, that has been exacerbated by poor cash management in a few countries**. Still, BEAC also concurred with staff that the underlying cause of the increased volatility in government debt market is the deterioration of public finances across the region. It acknowledged that many countries have faced difficulties issuing in the regional government securities market. BEAC also noted that the discounts ("décotes") applied to new issuances had increased, partly due to the challenging market environment. While BEAC agreed with staff that the levels of these discounts were not always justified by the perceived risk by investors, it emphasized that they represented a component of the return on the securities. Additionally, BEAC highlighted that a large volume of upcoming reimbursements is concentrated over the period 2025-2026 across all countries, creating refinancing risks during that timeframe. However, BEAC noted that some countries have managed these risks by utilizing options available in the regional market to extend the maturity of their government debt. Regarding Congo's reprofiling operation, BEAC indicated that it has been assisting the country's treasury in assessing the extent of the problem, the relevance of the proposed solution, and ensuring that the operation complies with current regulations. The central bank clarified, however, that it did not and would not participate in the exchange of securities for this operation as it would not be in accordance with its investment committee's rules regarding the portfolio of domestic securities managed by its trading desk. BEAC also noted that it has supported other countries in extending the maturity profiles of their debt. Finally, BEAC emphasized its collaboration with national treasuries to strengthen the implementation of regulatory guidelines on the issuance calendar, which is expected to improve issuance planning and provide better visibility for market participants. In particular, BEAC indicated that a new guideline, scheduled to be signed by the governor in November 2024, will allow the central bank to reject issuances not included in the issuance calendar, with a few exceptions.

- **Regional supervisors shared staff's views on the need to develop a consistent and appropriate regional regulatory framework, as well as to strengthen supervisory capacity to monitor and manage new risks posed by digital payments methods and assets.** BEAC indicated that the multidisciplinary working group (BEAC, COBAC, COSUMAF) responsible for developing the strategy on crypto-assets in the region is in the process of being established, but has not yet begun its work. BEAC reiterated that the IMF's technical assistance scheduled for March 2025 will help explore the feasibility of introducing a central bank digital currency (CBDC). It emphasized that this support could strengthen the regulation and supervision of digital assets in the region, modernize financial and payment systems, and further promote financial inclusion. Additionally, BEAC noted that the CBDC working group is also being set up, with the addition of new members. Furthermore, BEAC confirmed that the internal legal assessment on the consistency of the Central African Republic's (C.A.R.) law—allowing the tokenization of its resource wealth and the exclusive use of crypto-assets for transactions—with regional legal and regulatory frameworks is underway and awaiting feedback from COSUMAF.

D. Strengthening the Regional Surveillance Framework

46. Staff urged the Commission to expedite the adoption process of the draft sanction mechanism for breaches of regional surveillance rules. It reiterated that the Commission should accelerate the envisaged coordination efforts with other regional institutions (BEAC, BDEAC, COBAC, COSUMAF and BVMAC) and align the mechanism with international best practices. Staff emphasized that this would strengthen the credibility and effectiveness of the regional surveillance framework. The mechanism should include a broader range of sanctions, including monetary penalties or premiums on government securities for breaches of fiscal deficit or debt-related multilateral surveillance rules. It should also clarify the scope and procedures for addressing budgetary-related non-compliance and provide for escape clauses in case of exceptional circumstances. Staff welcomed the approval of the final Multilateral Surveillance Reports for 2022 and the provisional report for 2023, along with the expected release of the 2024 and 2025 perspectives in October 2024. The mission called for the Commission to ensure all member countries share their medium-term convergence plans and conduct the first internal analysis of the early warning system on macroeconomic imbalances by 2025.

47. Staff encouraged the Commission to prioritize advancing the key prerequisites previously identified to enhance compliance with the regional convergence criteria. These prerequisites include: i) urging member countries to submit updated post-COVID triennial convergence plans; ii) ensuring the full operationalization of national multilateral surveillance units; iii) adopting and implementing comprehensive and credible national domestic arrears clearance[14] and debt management strategies; iv) timely transposing regional tax and PFM directives (stock and fixed assets accounting); and v) accelerating progress on the 2021–30 regional statistical program. To improve external statistics, ongoing efforts with Fund and World Bank support are crucial for accelerating BOP data collection and compilation, as well as reducing forecasting errors related to oil revenue and external flows.[15] Staff also emphasized that COBAC and BEAC should regularly report updated financial soundness indicators and monetary and financial statistics to the IMF for dissemination. Staff also emphasized the importance of addressing recurrent statistical issues, such as weak interagency coordination between BEAC and national statistical agencies regarding external sector statistics, and a continued poor track record in implementing technical assistance recommendations, partly due to inadequate staffing and resources in statistical agencies.

[14] Including through the implementation of the recently adopted simplified methodology to prevent the accumulation of arrears. The Commission highlights that this simplified methodology should only be a temporary guideline while reforms on the public financial management front are being advanced.

[15] The World Bank is preparing a project appraisal on Harmonizing and Improving Statistics in West and Central Africa.

48. Staff encouraged the Commission, BEAC, and PREF-CEMAC Secretariat to develop a unified perspective on the proposed multilateral stabilization fund. This includes alignment on its feasibility and modalities for its establishment, which could be partially funded by oil windfalls. Fund staff stands ready to provide related CD support as needed.

49. Staff welcomed the Council of Ministers' endorsement of the CEMAC Commission's Transformation Plan. The plan, validated on October 30, 2023, aims to enhance the Commission's role in regional integration by focusing on three key areas: i) improving governance and the quality of its human capital, ii) modernizing operational processes and digital infrastructure, and iii) strengthening coordination with other regional institutions. The Commission has formally requested the Fund's support in implementing this transformative plan.

50. At the regional level, data quality and production face significant challenges mainly due to limited resources at the country level (Annex V). Data inconsistencies and errors, sometime large, often require multiple revisions. Quality, timeliness and coverage issues at the country level significantly complicate data production at the regional level, notably for price and external sector statistics, weakening data relevance and coverage. The Central African Republic and the Republic of Congo have yet to launch the National Summary Data Page, a data portal for publishing macroeconomic and financial statistics under the IMF's Data Standards Initiative. The recent system upgrade at COBAC has also deteriorated banking data quality, at least temporarily.

51. Authorities' Views. The CEMAC Commission agreed with staff that enhancing the credibility and enforceability of the regional surveillance framework is crucial. The Commission emphasized its commitment to intensifying coordination with the UMAC Council of Ministers to resume the adoption process of the draft sanction mechanism for violations of regional surveillance rules. It noted that, following feedback from IMF staff (March 2024), it had revised the draft Additional Act on the sanction mechanism. This draft will undergo consultations with other regional institutions (BEAC, BDEAC, COBAC, COSUMAF, and BVMAC) before being submitted for discussion at the next in-person ordinary session of the Conference of Heads of State of CEMAC, following further review by the UMAC Council of Ministers. Additionally, the Commission highlighted its ongoing efforts to ensure that all member states share their medium-term convergence plans. It also noted that the next multilateral surveillance mission is scheduled to take place between mid-January and March 2025. The 2022–23 Multilateral Surveillance Report and the 2024–25 Outlook were presented for approval at the UMAC Council of Ministers session on October 11, 2024. The Council also adopted the Economic Policy Guidelines for CEMAC member states and regional institutions for 2025, as well as the simplified methodology for assessing the non-accumulation of arrears in current financial management. Furthermore, the Commission mentioned that the early warning system for macroeconomic imbalances will begin to be analyzed starting with the next Multilateral Surveillance Report. Finally, the Commission indicated that, after reviewing the draft Concept Note for the proposed multilateral stabilization fund, the CEMAC Multilateral Surveillance College instructed the Commission to refine the Note in close collaboration with BEAC.

ACCELERATING STRUCTURAL REFORMS TO UNLOCK ECONOMIC POTENTIAL

52. **Staff emphasized the urgent need for accelerated structural reforms to unlock the region's economic potential and enhance its resilience to shocks**. Persistent delays in implementing these reforms risk derailing progress toward the second phase of the regional strategy. Key areas where faster progress is required include strengthening the AML/CFT frameworks, governance, regulatory oversight, and anti-corruption measures. These reforms should be complemented by further efforts to enhance human capital, improve the business climate, promote financial inclusion, and develop regional infrastructure, all of which would help bolster economic diversification and inclusiveness. Staff welcomed the progress made by some member states in increasing investments in education, health and social protection in the 2024 and 2025 budgets, as part of broader efforts to improve human capital. However, it emphasized that these budget increases must be fully directed toward improving the quality of education and encouraged other member states that have not yet made such budget increases to follow suit.

53. **Staff encouraged continued regional initiatives to strengthen food security.** It noted that the CEMAC region faces significant challenges to food security, exacerbated by several factors, including: i) conflict and political instability, which disrupt agricultural production and access to food; ii) climate change vulnerabilities (e.g., droughts, floods, and extreme weather events), which can damage crops and livestock; iii) limited or inadequate infrastructure (roads and storage facilities), which hinders the efficient production, distribution, and preservation of food; and iv) other economic shocks (e.g., high food prices), which make it difficult for many to afford nutritious food. Staff highlighted that advancing the regional food self-sufficiency strategy under PREF-CEMAC's steering committee, while avoiding FX or trade restrictions, could help boost domestic agricultural production and strengthen food security. This should be supported by well-designed research and development activities and coordinated actions to enhance resilience to climate shocks. Enhanced cooperation with development partners to secure concessional resources, including fulfilling financial pledges made in support of the second generation of priority investment projects, could also accelerate the implementation of this regional strategy by the end of December 2024. Additional critical steps include streamlining intra-regional transit, removing non-tariff barriers, and accelerating the construction of one-stop border posts.[16]

54. **Staff emphasized the importance of coordinated actions to enhance resilience to climate shocks.** To facilitate a unified response to climate-related risks in the region, the mission reiterated its recommendation for the Commission to conduct a climate change risk assessment with a view to coordinating actions to enhance resilience to climate shocks in the context of the development of the regional climate adaptation strategy. Building on the recently approved RSF arrangement for Cameroon and climate projects under consideration by other CEMAC member

[16] Stepping up the implementation of the Africa Continental Free Trade Agreement (AfCFTA), along with the Pan-African Payment Settlement System (PAPSS), also stand as important accompanying measures.

countries, the Commission should expedite its collaboration with the World Bank to finalize a regional climate change adaptation strategy.[17] In this regard, staff welcomed the Commission's request to the World Bank for support in developing the regional strategy for climate shock adaptation. This strategy could be developed by leveraging the framework of the Regional Sustainable Forest Economies Program for the Congo Basin, which is currently under development.

MONITORING OF REGIONAL POLICY ASSURANCES

55. Regional authorities moved forward with some policy commitments from the June 2024 follow-up note to the Letter of support to member countries' recovery and reform programs. The central bank resumed its weekly liquidity injections in June 2024 to alleviate the increased volatility of liquidity conditions in the banking system (¶6). At the same time, BEAC appropriately maintained a tightening bias in its monetary policy to preserve both price and external stability (¶6–7 and 19–20). Progress on the implementation of the FX regulation has stalled, as informed by reported technical delays on FX requests and substantial volatility of the surrender effective rate in the past year. Some CEMAC national authorities have continued to take action to preserve financial stability, by making plans to address weak banks and appropriately tackle the bank-sovereign nexus. Despite these efforts, the NFA level at end-June 2024 was EUR 4.43 billion, EUR 70 million below the regional policy assurance set for this date (EUR 4.5 billion). Preliminary, high-frequency data suggest that the end-December 2024 NFA target (EUR 5.0 billion) also fell short by a margin of EUR 320 million.

56. The end-June and end-December 2024 NFA underperformance reflect widening fiscal and external imbalances and confirms the temporary nature of the technical factors that led to the December 2023 uptick. More fundamentally, the downward trend in NFA observed since 2023Q2 resumed in the first half of 2024 and persisted at least until 2024Q3. High-frequency data on FX reserves and transfers show a decline in net FX inflows, mainly driven by a decline in public sector repatriations, and a sharp increase in FX outflows by some member states. The decline in FX repatriations is consistent with the lower hydrocarbon receipts, contributing to a worsening external position.

57. Going forward, member states are expected to implement offsetting policy adjustments to reverse the downward trend in reserve accumulation. These measures would be in line with the region's highest-level political commitments to the regional strategy reaffirmed at the extraordinary Heads of State Summit on December 16, 2024. Staff welcomed these renewed collective commitments to address macroeconomic imbalances, strengthening regional institutions, and prioritize structural reforms to ensure equitable burden-sharing and enhance external stability. For countries currently without a Fund-supported program, decisive actions are warranted to rebuild fiscal and external buffers. These commitments are also expected to support ongoing program and

[17] The Resilience and Sustainability Trust (RST) could support CEMAC member countries' climate-related reforms by providing affordable financing to address longer-term structural challenges. Cameroon was the first CEMAC member country to benefit from the RST in January 2024.

near-program discussions. Meanwhile, BEAC will maintain a tightening bias and continue its efforts to monitor the compliance of the public and extractive sectors with the FX regulations. Member countries should also ensure that all public entities fully repatriate their deposits held abroad.

58. The attached follow-up letter outlines proposed end-March and end-June 2025 targets, and corresponding policy intentions of regional institutions to support national programs. The additional target date of March 2025 is introduced to closely track the NFA trajectory and ensure progress, following challenges in meeting 2024 targets. The 2025H1 targets, covered by the updated policy assurances, represent a three-month average of EUR 4.5 billion at end-March and of EUR 4.7 billion at end-June 2025 (Text Table 4).[18] Staff will assess whether the end-March 2025 target is met during the review scheduled for June 2025. Achieving the proposed targets for 2025H1 assume the reversal of recent fiscal slippages, a recommitment to gradually comply with the regions' convergence criteria, and a sustained and complete implementation of the FX regulation. These policies are expected to take effect gradually and partially offset the effect on NFA of the projected weakening of the external position for 2025, considered in the proposed targets. The 2025H1 targets also account for the typical correction observed on NFA following end-of-year seasonal fluctuations. Staff projections indicate that, with consistent and effective implementation of corrective measures and structural reforms, and heightened compliance of the FX regulation, including by the public and oil sectors, NFA should improve in 2025H2, reaching a three-month average of EUR 5.5 billion at end-December 2025. This projection is subject to heightened uncertainty, including from progress on the aforementioned policies, volatility in the oil market, and domestic macroeconomic and political risks.

Text Table 4. CEMAC: Regional Policy Assurance on NFAs, 2023–24

(Billions of euros)

	2024		2025		
	June	Dec.	March	June	Dec.
Assurance endorsed in June 2024	4.50	5.00	…	…	…
Outcome	4.43	[4.68]	…	…	…
Proposed new assurances	…	…	4.50	4.70	

Source: IMF staff calculations

Note: From December 2024, the NFA target is assessed based on a three-month average ending on the target date.

59. Policy assurances on financial stability. BEAC is working to address COBAC's long-standing understaffing issues as quickly as possible. BEAC will start the recruitment process based on the short-term needs already expressed by the General Secretariat (SG) of COBAC by June 2025. In addition, SG COBAC will submit to BEAC an assessment of its five-year staffing needs by the end of the first half of 2025. BEAC will review this assessment and as appropriate provide SG COBAC with the corresponding human resources by June 2026, filling two thirds of the identified staffing gap by December 2025 (policy assurance). To strengthen CEMAC's banking supervision and resolution

[18] From December 2024, the NFA target is assessed based on a three-month average ending on the target date. This updated methodology allows accounting for the high seasonality in NFA data and to better capture the underlying trend.

frameworks, COBAC will complete a framework document outlining the objectives of a reform to strengthen CEMAC's supervision and resolution framework, in consultation with the IMF and other partners. This framework document will serve as the basis for preparing a modern banking law proposal that will align CEMAC's convention and regulations with international best practices, to be submitted for approval to the UMAC Ministerial Committee in 2026. These policy assurances are critical for the success of country programs, as the mandate for safeguarding financial stability primarily resides with the regional authorities.

STAFF APPRAISAL

60. The CEMAC economy lost momentum in 2023, driven largely by a contraction in hydrocarbon production. The outlook remains uncertain, shaped by the pace and extent of fiscal adjustment efforts and reform implementation. Several downside risks flagged since December 2023 have materialized, including persistent fiscal slippages that have intensified pressures on regional government debt markets. These pressures have spilled over to the banking system, tightening of overall financing conditions, and threatening financial stability. Although the external position weakened, FX reserves remained steady at around 4 months of prospective imports—still below the adequate level. Staff projects GDP growth to accelerate to 3.2 percent in 2024, supported by elevated oil prices and a strong rebound in oil output. Over the medium term, sustained regional growth of around 3.6 percent will hinge on the effective implementation of structural reforms to lift potential output, as reaffirmed by highest-level political commitments to the regional strategy made in late 2024. Key priorities include improving governance, combatting corruption, enhancing the business climate, and expanding access to finance. The outlook remains subject to significant downside risks, including delays in addressing fiscal slippages, declining commodity prices, tighter financial conditions, heightened political uncertainty amid a busy election calendar in 2025, entrenched inflation, financial instability, slow progress on structural reforms, food insecurity, domestic conflicts and insecurity, and climate-related events.

61. Addressing the significant fiscal slippages and restoring fiscal prudence are critical steps to strengthening resilience to potential shocks and reversing the observed downward trend in NFA accumulation. It is imperative for all countries to swiftly undertake fiscal consolidation in line with the commitments made by the HoS at the December 2024 extraordinary Summit. Achieving this will require intensified efforts to boost non-oil tax revenue collection, improve spending efficiency, phase out inefficient energy subsidies, and provide targeted safety nets to protect the vulnerable. In addition, strict adherence to these commitments should help address external imbalances and enhance the monetary union's external stability. Accordingly, meaningful adjustment efforts by member states anticipated over the medium term are expected to stabilize reserve coverage at around 4.3 months of prospective imports.

62. The policy rate remains appropriate at 5 percent, and BEAC should continue its regular refinancing operations to alleviate the increased volatility of liquidity conditions in the banking system. The stance of monetary policy in CEMAC is estimated to be broadly neutral, with the real interest rate close to its neutral rate (around 1 percent in 2023). However, BEAC should maintain a tightening bias and reduce interest rates only if clear evidence emerges that inflation is sustainably receding toward the regional convergence criterion (3 percent) and risks to external stability have diminished. In addition, the central bank should continue its refinancing operations to ease liquidity pressures faced by banks. However, BEAC, in collaboration with COBAC, should ensure the strict application of prudential regulations on concentration limits to prevent the resumption of liquidity injections from worsening of banks' exposure to sovereign risk. The two institutions should also address segmentation within the banking system, particularly by tackling weak banks more resolutely. This includes requesting credible refinancing plans from structurally liquidity-stressed banks and, in cooperation with COBAC, considering triggering resolution in case of continued non-compliance.

63. **Strong collective action from national authorities and regional supervisors is essential to preserve financial stability**. Priority actions include: i) urgently providing COBAC SG with adequate human and financial resources; ii) taking appropriate measures to reduce banks' exposures to sovereigns; iii) rigorously sanctioning or implementing supervisory corrective measures when banks systematically fail to comply with regulations; iv) strictly enforcing BEAC's refinancing policies for liquidity-stressed banks; v) thoroughly assessing the adequacy of non-performing exposures' classification and provisioning; vi) ensuring national governments recapitalize or resolve weak banks; and vii) accelerating the implementation of comprehensive domestic arrears clearance and prevention strategy by national governments.

64. **Enhancing the regional surveillance framework remains essential for cohesive policy coordination across the region**. The CEMAC Commission should expedite the adoption of the draft sanction mechanism for breaches of regional surveillance rules to enhance the framework's credibility and effectiveness. Coordination with other regional institutions (BEAC, BDEAC, COBAC, COSUMAF and BVMAC) should be accelerated to align the mechanism with international best practices. In addition, the Commission should urge member states to submit their medium-term convergence plans and conduct the first internal analysis of the early warning system on macroeconomic imbalances in 2025. Finally, advancing key prerequisites to improve compliance with regional convergence criteria should remain a priority.

65. **Strengthening the supervisory framework and capacity is crucial to effectively monitor and manage emerging risks associated with crypto-based digital payments and assets.** Regional supervisors should advance a regulatory framework for crypto-related activities and enhance coordination on the issuance of laws and regulations. In this regard, BEAC and regional supervisors should promptly share a legal opinion with C.A.R. authorities regarding their law that allows for the tokenization of its resource wealth with mandatory payment use of crypto assets. Furthermore, BEAC should diligently account for the risks posed by crypto-based digital payments and assets on its operations and monetary policy implementation. Finally, BEAC's exploration of a CBDC—for which it requested Fund CD—should be based on a cost-benefit analysis.

66. **Prioritizing the implementation of structural reforms is essential to lifting the region's potential output and enhancing resilience to shocks.** Efforts should focus on key areas, including strengthening the AML/CFT frameworks, improving governance and regulatory oversight, and

combatting corruption. These reforms should be complemented by ambitious policies to enhance human capital, improve the business climate, promote financial inclusion, and develop regional infrastructure. Furthermore, regional authorities should intensify efforts to develop a comprehensive climate change adaptation strategy in collaboration with the World Bank.

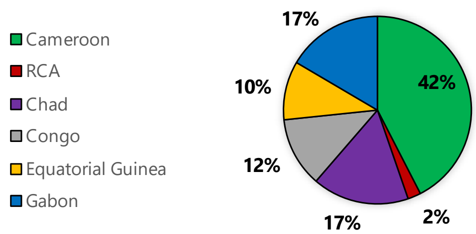
67. BEAC supports the updated policy assurances on NFA accumulation, to bring NFA to average EUR 4.5 billion in 2025Q1 and EUR 4.7 billion in 2025Q2. The policy assurances on NFA provided in the June 2024 follow-up letter were not met for June 2024 and are unlikely to be met for December 2024.To meet the NFA targets for 2025H1, the following actions are essential: i) member states must strictly implement offsetting policy measures, consistent with the region's highest-level political commitments to address macroeconomic imbalances and enhance external stability; ii) BEAC should intensify efforts to monitor and enforce repatriation and surrender requirements under the FX regulations; and iii) BEAC should maintain a tightening bias in its monetary policy to safeguard both price and external stability. Building up FX reserves will also depend on timely disbursements of external financing. In this regard, adherence to high-level political commitments to the regional strategy and strengthened engagement with the Fund will be crucial to catalyzing donor support and reinforcing external stability. Finally, meeting the proposed policy assurances on the NFA is critical for securing the continuation or approval of new financial support under Fund-supported programs with CEMAC member countries.

68. BEAC has agreed to provide additional policy assurances to strengthen COBAC's supervisory capacity. To address long-standing understaffing issues, BEAC must review SG COBAC's assessment of its short-term and five-year staffing needs and, as appropriate, allocate the necessary human resources by June 2026. Additionally, to enhance CEMAC's banking supervision and resolution frameworks, COBAC must complete by December 2025 a framework document that will serve as the basis for preparing a modern banking law proposal, to be submitted for approval to the UMAC ministerial committee in 2026.

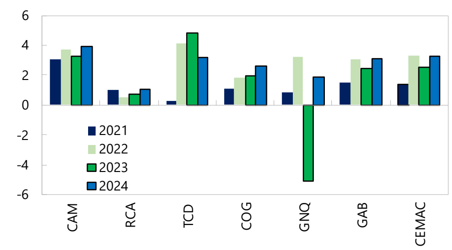
Figure 1. CEMAC: Selected Economic Indicators, 2010–24

Real GDP is projected to accelerate to 3.2 percent in 2024, from 2.5 percent in 2023, mainly reflecting an improvement across the region, especially in Equatorial Guinea, Cameroon and Congo, despite a deteriorated outlook in Chad.

Nominal GDP, 2024
(National shares)

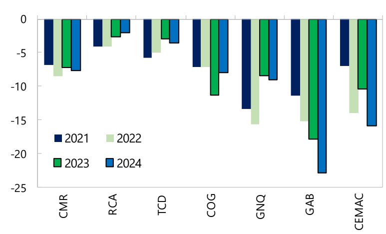


Real GDP Growth, 2021–24
(Percent)

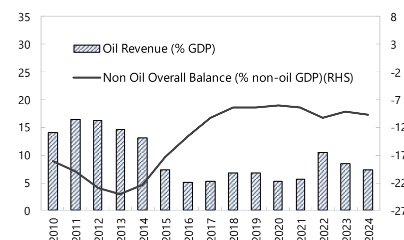


The overall fiscal balance is projected to deteriorate from -0.5 percent of GDP in 2023 to -1.1 percent of GDP in 2024, driven by lower hydrocarbon revenue and spending overruns in some member countries.

Non-oil Primary Fiscal Balance (including grants), 2021–24 (Percent of GDP)

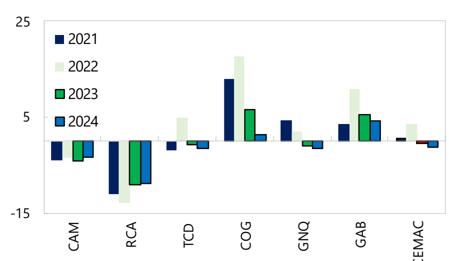


Selected Fiscal Indicators, 2010–24

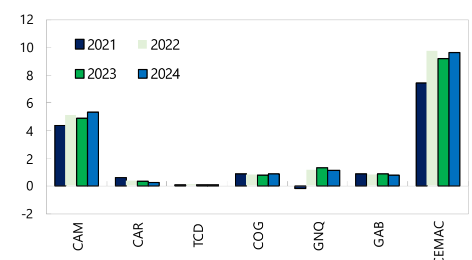


The current account balance is projected to slightly deteriorate from -0.5 percent of GDP in 2023 to -1.1 percent of GDP in 2024, mainly reflecting a decline in hydrocarbon exports. Reserves accumulation is expected to continue in 2024, but to decline in the medium term.

Current account, 2021–24
(Percent of GDP)



International Reserves, 2021–24
(Billions of USD)

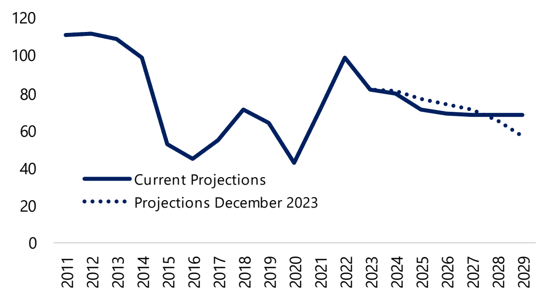


Sources: CEMAC authorities; and IMF staff estimates.

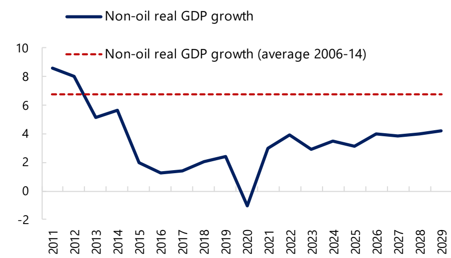
Figure 2. CEMAC: Selected Economic Indicators, 2011–29

The oil price path was revised downward to $79 per barrel on average in 2024 in the latest WEO submission (vs. $80.6 per barrel in late 2023). Lower oil prices and a contraction in hydrocarbon production contributed to lower export receipts and slowing non-oil GDP growth in 2023.

Oil Price, 2011–29
(Brent, U.S. dollar per barrel)

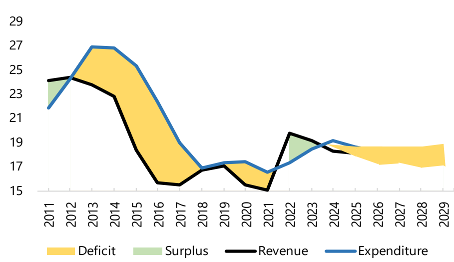


Non-Oil Real GDP Growth, 2011–29
(Percent)

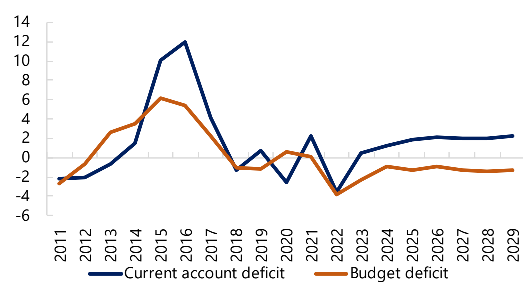


The regional underlying fiscal position is expected to improve gradually in the medium term.

Revenue and Expenditure, 2011–29
(Percent of GDP)

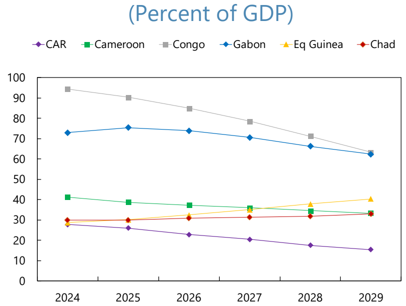


Current Account and Budget Deficit, 2011–29
(Percent of GDP)

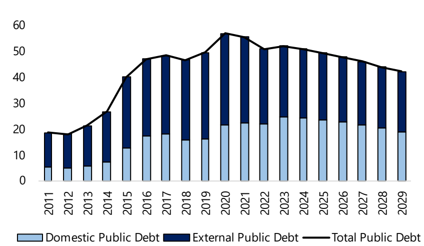


Public debt is projected to decline to around 52. percent of GDP in 2023, and 51.2 percent of GDP in 2024, with the downward trend expected to continue in the medium term, reflecting significant consolidation efforts across the region.

Public Debt, 2024–29
(Percent of GDP)



Public Debt, 2011–29
(Percent of GDP)



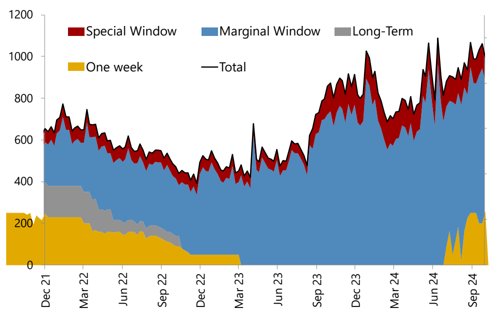
Sources: GAS Live, CEMAC authorities; and IMF staff estimates.

Note: Public debt refers to General Government debt.

Figure 3. CEMAC: Recent Monetary Developments

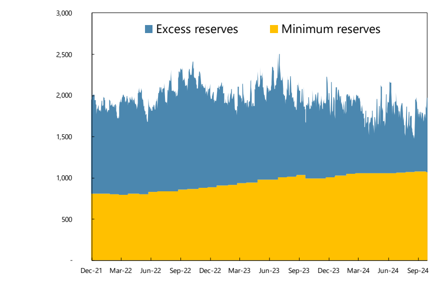
BEAC resumed its weekly liquidity injections but borrowing at the marginal lending facility remained elevated in 2024Q3, while excess liquidity declined.

Total Liquidity Operations (CFAF, bn)



Sources: BEAC and IMF Staff calculations

Banking System's Reserves (CFAF bn)

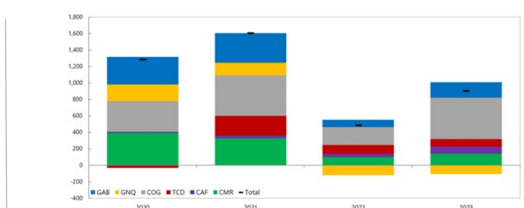


Sources: BEAC

Net issuances of government securities increased driven by stronger issuances from Gabon and Congo. Governments' deposits at the BEAC continued to moderate in 2024, partly reflecting lower oil fiscal revenues.

Net Issuance of Government Securities

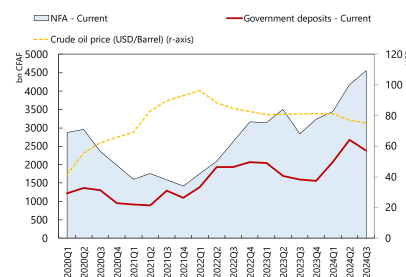
(Annual, CFAF bn)



Sources: BEAC

Total Government Deposits and NFA Projections

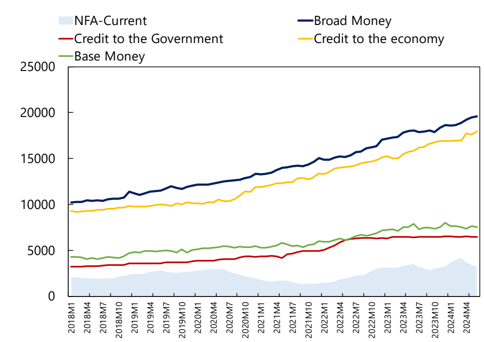
(CFAF bn, USD/barrel)



Sources: Government authorities and IMF Staff Calculations

Money supply continued to expand in 2024, reflecting higher net foreign assets and credit to the private sector.

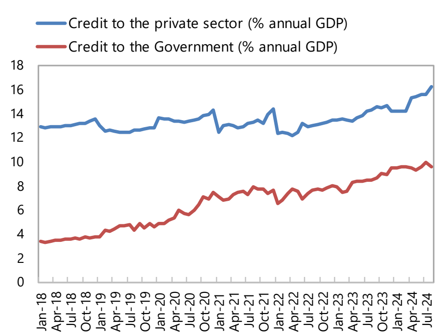
Broad and Base Money (CFAF bn)



Sources: Government authorities and IMF Staff Calculations

Credit to the Public and Private Sectors,

(Percent of GDP)



Sources: BEAC and IMF Staff Calculations

Table 1. CEMAC: Selected Economic and Financial Indicators, 2018–29

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025	2026	2027	2028	2029
	Act.	Act.	Act.	Act.	Act.	Proj.	SR 24/193 4/	Proj.	SR 24/193 4/	Proj.	Proj.	Proj.	Proj.	Proj.
					(Annual change, in percent)									
National income and prices														
GDP at constant prices 1/	2.2	2.5	-1.4	1.4	3.3	2.5	3.6	3.2	3.0	2.8	3.4	3.3	3.6	3.6
Oil GDP 1/	3.1	3.1	-3.6	-8.0	-0.7	-0.6	3.0	1.2	-0.5	0.4	-1.2	-0.5	0.6	-0.8
Non-oil GDP 1/	2.0	2.4	-1.0	3.0	3.9	2.9	3.7	3.5	3.4	3.1	4.0	3.8	4.0	4.2
Consumer prices (period average) 2/	2.1	1.6	2.7	1.5	5.4	5.5	5.2	4.1	4.1	3.3	3.0	2.7	2.6	2.3
Consumer prices (end of period) 2/	2.9	1.7	1.7	2.6	6.5	4.8	4.7	3.8	4.0	3.1	2.9	2.6	2.5	2.3
					(Annual change, in percent of beginning-of-period broad money)									
Money and credit														
Net foreign assets	1.8	1.4	-6.6	-5.1	11.2	0.4	3.1	4.2	-0.3	4.4	2.2	2.5	2.9	2.7
Net domestic assets	6.3	4.5	17.7	17.7	2.3	11.9	8.4	6.1	7.8	2.8	4.8	4.0	3.7	3.8
Broad money	8.1	5.9	11.1	12.6	13.5	8.8	11.6	7.4	7.5	7.2	7.0	6.5	6.6	6.5
					(In percent of GDP, unless otherwise indicated)									
Gross national savings	23.8	21.8	23.3	22.5	25.5	22.8	21.0	22.7	20.6	22.4	22.4	22.7	21.9	21.5
Gross domestic investment	22.6	22.7	21.0	22.1	22.0	23.2	21.9	23.9	22.3	24.2	24.5	24.6	23.9	23.8
Of which: public investment	6.0	5.9	5.3	4.7	4.5	4.7	5.2	5.9	5.4	6.2	6.4	6.4	6.5	6.7
Government financial operations														
Total revenue, excluding grants	16.0	16.4	14.4	14.7	19.2	18.6	17.9	17.6	17.2	17.4	16.9	17.0	17.1	17.2
Government expenditure	16.9	17.3	17.4	16.5	17.3	18.4	18.9	19.1	18.7	18.6	18.3	18.0	17.8	17.9
Primary fiscal basic balance 3/	2.4	2.9	0.2	0.9	4.9	3.0	2.6	2.1	2.5	2.9	2.7	3.0	3.1	3.1
Overall fiscal balance, excluding grants	-0.7	-0.8	-3.0	-1.9	1.9	0.2	-1.0	-1.1	-1.5	-1.0	-1.3	-1.0	-0.8	-0.9
Primary fiscal balance, including grants	1.1	1.2	-0.6	0.0	3.8	2.3	1.3	0.9	0.8	1.3	0.9	1.3	1.4	1.3
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-9.2	-9.3	-9.2	-9.0	-10.8	-9.8	-10.0	-9.9	-9.2	-8.8	-8.1	-7.3	-6.6	-6.4
Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-7.1	-6.9	-6.6	-6.8	-8.4	-7.2	-7.3	-7.6	-6.5	-6.2	-5.6	-4.8	-4.1	-4.0
Total public debt	46.6	49.6	56.9	55.6	51.0	52.1	51.7	50.9	50.7	49.3	47.9	46.1	44.0	42.2
External sector														
Exports of goods and nonfactor services	33.5	33.2	27.2	29.0	36.5	29.9	28.9	28.7	27.1	26.7	25.3	24.4	23.7	23.0
Imports of goods and nonfactor services	29.2	29.5	24.3	25.6	26.8	26.8	26.6	26.5	26.0	25.6	24.9	24.1	23.7	23.3
Balance on goods and nonfactor services	4.3	3.8	2.9	3.5	9.7	3.2	2.3	2.2	1.1	1.1	0.5	0.3	0.0	-0.3
Current account, including grants	1.3	-0.8	2.5	0.4	3.6	-0.4	-1.0	-1.2	-1.7	-1.8	-2.1	-2.0	-2.0	-2.2
External public debt	29.5	33.0	37.4	31.6	29.1	27.6	25.5	26.1	24.4	25.7	25.1	24.3	23.7	23.2
Gross official reserves (end of period)														
Millions of U.S. dollars	6,555	7,390	7,779	8,060	11,064	11,446	12,173.2	11,319	11,589.4	12,311	12,523	12,789	13,206	13,631
Months of imports of goods and services (less intra regional imports)	2.8	4.0	3.4	3.3	4.3	4.3	4.5	4.2	4.2	4.5	4.5	4.4	4.3	4.3
Percent of broad money	33.2	36.3	31.4	31.1	37.1	35.0	32.9	32.2	29.0	33.2	31.8	30.6	29.7	28.8
Memorandum items:														
Nominal GDP (billions of CFA francs)	56,922	58,046	54,581	60,726	70,296	71,398	73,841.4	75,596	77,730.5	79,811	84,329	89,135	94,371	99,988
CFA francs per U.S. dollar, average	555	586	575	554	622	606.5	601.1	604.8	…	…	…	…	…	…
CFA francs per U.S. dollar, end-of-year	576	590	539	580	619	601.6	601.0	612.8	…	…	…	…	…	…
Oil production (thousands of barrels per day)	872.5	905.7	870.2	786.8	787.8	783.0	791.3	785.0	784.6	783.2	777.6	773.5	777.9	775.7
Oil prices (U.S. dollars per barrel, brent)	68.5	61.4	41.8	69.2	80.6	80.6	82.5	79.0	77.8	69.8	68.0	67.0	66.6	66.5

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 24/193.

Table 2. CEMAC: National Accounts, 2018–29

(Percent of GDP)

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025	2026	2027	2028	2029
	Act.	Act.	Act.	Act.	Act.	Proj.	SR 24/193 1/	Proj.	SR 24/193 1/	Proj.	Proj.	Proj.	Proj.	Proj.
							(Annual change, in percent)							
Real GDP														
Cameroon	4.0	3.4	0.5	3.0	3.7	3.2	3.9	3.9	4.2	4.0	4.1	4.4	4.6	4.6
Central African Republic	3.8	3.0	1.0	1.0	0.5	0.7	1.4	1.0	2.9	2.9	3.2	3.6	3.8	3.7
Chad	2.4	5.4	-0.4	0.3	4.1	4.8	3.1	3.2	3.4	3.4	4.5	3.8	4.3	3.7
Congo, Republic of	-2.3	1.1	-6.3	1.1	1.8	2.0	2.8	2.6	3.7	3.7	3.4	3.4	3.8	3.8
Equatorial Guinea	-6.2	-5.5	-4.8	0.9	3.2	-5.1	5.1	1.9	-4.8	-4.2	0.0	0.5	0.7	1.4
Gabon	0.9	3.8	-1.8	1.5	3.0	2.4	2.9	3.1	2.7	2.2	1.9	1.9	2.0	2.7
CEMAC	1.6	2.5	-1.4	1.4	3.3	2.5	3.6	3.2	3.0	2.8	3.4	3.3	3.6	3.7
Nominal GDP														
Cameroon	5.9	4.7	1.0	6.3	10.8	8.1	7.3	7.4	7.5	7.3	6.8	6.7	7.0	6.9
Central African Republic	5.2	5.5	2.8	4.4	6.9	4.2	7.5	6.8	7.5	8.5	9.0	8.6	6.2	6.5
Chad	4.7	2.6	-1.6	8.9	18.9	4.9	6.1	7.7	5.5	6.8	6.4	5.9	6.2	6.3
Congo, Republic of	19.4	-0.2	-19.4	12.4	17.2	-1.2	6.2	5.1	5.8	4.9	6.5	6.4	6.8	6.7
Equatorial Guinea	2.7	-9.9	-14.5	19.0	26.0	-12.3	7.1	2.3	2.0	4.2	2.3	3.0	3.2	4.3
Gabon	7.8	5.8	-10.7	22.1	18.2	-4.6	2.7	3.1	0.9	0.8	2.7	3.2	3.2	2.8
CEMAC	7.5	2.0	-6.0	11.3	15.8	1.6	6.1	5.9	5.3	5.6	5.7	5.7	5.9	6.0
Real non-oil GDP														
Cameroon	4.2	3.3	0.5	3.2	3.9	3.4	4.1	4.0	4.4	4.2	4.2	4.4	4.6	4.6
Central African Republic	3.8	3.0	1.0	1.0	0.5	0.7	1.4	1.0	2.9	2.9	3.2	3.6	3.8	3.7
Chad	0.3	4.4	0.8	0.3	4.1	4.5	3.7	3.7	3.7	4.2	4.3	4.2	4.3	4.3
Congo, Republic of	-8.0	1.1	-6.9	3.5	3.4	3.0	3.2	3.1	3.8	3.7	4.1	4.4	4.7	4.7
Equatorial Guinea	-2.7	-5.7	-6.9	8.0	6.1	-0.1	3.4	1.4	-2.6	-5.4	4.4	1.3	1.5	2.3
Gabon	1.6	3.2	-1.7	2.8	3.1	1.7	3.1	3.3	3.3	2.8	2.5	2.4	2.5	3.4
CEMAC	1.0	2.4	-1.0	3.0	3.9	2.9	3.7	3.5	3.4	3.1	4.0	3.8	4.0	4.2
Consumer price inflation (period average)														
Cameroon	1.1	2.5	2.5	2.3	6.3	7.4	5.9	4.4	5.5	3.5	3.0	2.8	2.6	2.5
Central African Republic	1.6	2.8	0.9	4.3	5.6	3.0	4.7	3.4	4.6	2.7	3.3	2.8	2.8	3.0
Chad	4.0	-1.0	4.5	-0.8	5.8	4.1	8.7	8.7	2.2	4.4	3.5	3.0	3.0	3.0
Congo, Republic of	1.2	0.4	1.4	2.0	3.0	4.3	4.0	3.1	3.6	3.3	3.2	3.0	3.0	3.0
Equatorial Guinea	1.3	1.2	4.8	-0.1	4.9	2.5	4.0	3.1	2.8	3.7	3.5	2.5	2.4	2.4
Gabon	4.8	2.0	1.7	1.1	4.3	3.6	2.1	1.2	2.2	1.5	2.1	2.0	1.9	2.0
CEMAC	2.1	1.6	2.7	1.5	5.4	5.5	5.2	4.1	4.1	3.3	3.0	2.7	2.6	2.3
End of period inflation														
Cameroon	2.0	2.4	2.1	3.5	7.3	5.9	5.5	3.7	5.2	3.4	2.9	2.6	2.4	2.0
Central African Republic	4.6	-2.0	1.8	2.7	7.6	2.3	5.0	3.0	4.2	2.6	3.5	2.9	2.5	3.0
Chad	4.4	-1.7	3.1	1.0	8.3	4.2	6.2	8.9	3.0	3.2	3.0	3.0	3.0	3.0
Congo, Republic of	0.9	1.4	0.6	1.5	3.2	5.6	4.0	3.9	3.6	3.2	3.2	3.0	3.0	3.0
Equatorial Guinea	2.6	4.3	-0.6	2.9	5.0	3.9	3.6	3.1	2.2	3.5	3.5	2.4	2.4	2.4
Gabon	6.3	1.0	1.6	1.7	5.4	2.3	2.2	0.9	2.2	2.1	2.1	2.0	1.9	2.0
CEMAC	3.0	1.7	1.7	2.6	6.5	4.8	4.7	3.8	4.0	3.1	2.9	2.6	2.5	2.3
							(in percentage of GDP)							
Gross national savings														
Cameroon	15.7	14.4	13.5	13.9	15.6	15.4	16.9	17.2	17.2	18.3	18.6	19.4	19.9	20.4
Central African Republic	8.4	9.7	10.7	4.6	1.9	6.0	7.2	6.7	9.9	10.0	12.7	14.4	16.7	16.3
Chad	17.8	14.7	10.5	13.8	17.1	15.9	14.3	15.1	12.7	15.7	16.0	16.3	12.9	11.5
Congo, Republic of	37.8	37.6	65.0	35.0	44.1	33.8	30.8	29.4	29.7	28.2	28.4	27.2	25.4	23.4
Equatorial Guinea	10.4	21.4	28.1	33.1	31.0	27.9	13.8	27.4	13.7	26.3	26.7	26.8	26.8	26.9
Gabon	23.5	34.6	29.6	37.0	40.9	38.8	36.0	38.9	35.9	35.9	34.8	34.4	33.2	33.2
CEMAC	19.7	21.8	23.3	22.5	25.5	22.8	21.0	22.7	20.6	22.4	22.4	22.7	21.9	21.5
Gross domestic investment														
Cameroon	19.5	18.9	17.7	18.1	19.1	19.5	19.9	20.6	20.2	21.1	22.3	22.9	23.2	23.5
Central African Republic	16.4	14.7	18.9	15.7	14.9	15.0	15.8	15.7	16.9	16.1	17.1	17.9	19.1	19.7
Chad	18.9	18.1	13.6	15.8	12.3	16.6	16.7	16.6	16.7	19.9	19.5	19.3	15.6	14.4
Congo, Republic of	29.5	25.9	23.7	22.2	26.4	27.4	28.7	28.1	28.4	27.9	28.1	26.7	25.9	25.2
Equatorial Guinea	12.5	28.9	28.9	28.9	28.9	28.9	14.7	29.0	16.2	28.9	28.9	28.9	28.9	28.9
Gabon	28.4	30.0	30.1	33.5	29.9	33.5	32.0	34.7	32.9	32.9	32.0	32.3	31.7	32.1
CEMAC	21.5	22.7	21.0	22.1	22.0	23.2	21.9	23.9	22.3	24.2	24.5	24.6	23.9	23.8

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

Note: Gabon numbers reflect a fiscal adjustment scenario broadly consistent with staff advice during the 2024 Article IV. This scenario is anchored in the commitments taken during the HoS meeting but a final projection for the outlook in Gabon will require detailed discussions with the authorities.

1/ Refers to the projection published in the IMF Country Report No 24/193.

Table 3a. CEMAC: Fiscal Indicators of Central Governments, 2018–29

(Percent of GDP)

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025	2026	2027	2028	2029
	Act.	Act.	Act.	Act.	Act.	Proj.	SR 24/193 2/	Proj.	SR 24/193 2/	Proj.	Proj.	Proj.	Proj.	Proj.
Overall fiscal balance (excluding grants)														
Cameroon	-2.8	-3.8	-3.3	-3.3	-1.5	-1.1	-0.7	-0.9	-0.9	-0.6	-1.2	-1.2	-1.2	-1.1
Central African Republic	-8.7	-8.2	-16.0	-10.9	-9.9	-9.6	-8.6	-10.1	-8.3	-7.6	-7.1	-6.6	-6.1	-6.3
Chad	-1.0	-1.3	-1.8	-2.2	2.8	-2.0	-2.9	-1.8	-1.9	-3.1	-4.3	-3.6	-3.5	-3.3
Congo, Republic of	5.1	3.6	-2.6	1.2	8.3	5.0	3.2	1.9	2.2	2.9	2.5	3.4	4.2	4.4
Equatorial Guinea	0.5	1.8	-1.8	2.6	11.7	2.5	3.1	3.1	1.2	1.2	-1.5	-2.7	-4.5	-5.2
Gabon	-0.2	2.1	-2.2	-2.0	-0.9	1.8	-4.5	-4.2	-6.4	-3.1	-0.4	1.1	2.2	2.0
CEMAC	-0.7	-0.8	-3.0	-1.9	1.9	0.2	-1.0	-1.1	-1.5	-1.0	-1.3	-1.0	-0.8	-0.9
Overall fiscal balance (including grants)														
Cameroon	-2.4	-3.2	-3.2	-3.0	-1.1	-0.6	-0.4	-0.6	-0.7	-0.3	-1.1	-1.1	-1.1	-1.1
Central African Republic	-1.0	1.4	-3.4	-6.0	-5.3	-3.6	-3.1	-4.5	-1.8	-0.9	0.1	0.3	0.7	-2.1
Chad	1.4	-0.1	1.2	-1.3	3.8	-1.2	-1.5	-0.2	-0.6	-1.3	-2.4	-1.6	-1.6	-1.4
Congo, Republic of	5.2	4.3	-1.1	1.6	8.9	5.8	3.8	2.6	3.0	3.7	3.3	4.2	5.0	5.2
Equatorial Guinea	0.5	1.8	-1.8	2.7	11.7	2.5	3.1	3.1	1.2	1.2	-1.5	-2.7	-4.5	-5.2
Gabon	-0.2	2.1	-2.2	-1.9	-0.9	1.8	-4.2	-3.8	-6.4	-2.8	-0.4	1.1	2.2	2.0
CEMAC	0.0	-0.1	-1.9	-1.4	2.4	0.7	-0.4	-0.4	-1.0	-0.2	-0.7	-0.3	-0.2	-0.3
Reference fiscal balance 1/														
Cameroon	-2.8	-4.1	-3.2	-3.2	-3.0	-1.6	-0.7	-0.7	0.2	-0.1	-0.7	-1.0	-1.2	-1.4
Central African Republic	-1.0	1.4	-3.4	-6.0	-5.3	-3.6	-3.1	-4.5	-1.8	-0.9	-0.9	-1.4	-0.5	-2.8
Chad	-0.5	-1.5	-2.6	-3.0	-2.4	-4.3	-1.8	-1.1	-0.9	-1.2	-1.3	-1.8	-2.0	-2.3
Congo, Republic of	-2.3	-2.1	0.1	-1.4	-3.1	2.8	2.9	3.0	3.5	4.2	2.0	2.6	3.7	4.2
Equatorial Guinea	-2.4	-1.6	-0.6	1.4	-2.2	-3.6	-0.8	-1.3	1.3	1.2	-2.2	-2.9	-2.3	-3.6
Gabon	-1.4	-0.6	-3.5	-2.0	-5.5	-3.7	-5.7	-6.1	-5.8	-3.3	-0.5	0.6	1.6	1.2
CEMAC	-2.0	-2.3	-2.1	-2.1	-3.4	-2.1	-1.4	-1.0	-1.3	-0.6	-0.2	0.0	0.0	0.0
Primary fiscal balance (including grants)														
Cameroon	-1.5	-2.2	-2.3	-2.0	-0.4	0.4	0.6	0.4	0.3	0.8	0.0	0.0	-0.1	-0.1
Central African Republic	-0.6	1.8	-3.1	-5.7	-4.9	-3.0	-2.1	-3.5	-0.9	0.1	1.0	1.1	1.3	-1.5
Chad	2.2	0.6	1.9	-0.6	4.9	-0.1	-0.5	1.0	0.9	0.1	-1.5	-0.8	-0.8	-0.7
Congo, Republic of	7.0	7.3	0.1	3.7	11.6	9.0	7.0	6.6	6.0	7.2	6.6	7.1	7.6	7.5
Equatorial Guinea	1.1	2.6	-0.6	3.6	12.6	3.3	4.6	-0.5	3.0	-0.2	-1.0	-1.6	-1.9	-2.1
Gabon	1.1	3.6	1.2	0.9	1.7	4.8	-1.3	-0.8	-2.9	0.5	3.0	4.5	5.5	5.2
CEMAC	1.1	1.2	-0.6	0.0	3.8	2.3	1.3	0.9	0.8	1.3	0.9	1.3	1.4	1.3
Government revenue (excluding grants)														
Cameroon	15.2	14.8	13.2	13.8	15.6	16.0	16.2	15.6	15.4	15.6	15.2	15.4	15.5	15.8
Central African Republic	8.9	8.7	9.2	8.8	7.8	8.3	9.2	9.2	9.8	9.5	9.9	10.1	11.2	11.1
Chad	8.7	9.2	12.1	10.8	15.5	14.6	14.6	15.0	15.3	14.3	12.6	13.2	13.2	13.5
Congo, Republic of	22.9	23.8	18.5	22.1	31.2	25.6	25.6	24.7	24.8	25.2	25.0	24.7	24.3	23.9
Equatorial Guinea	19.6	18.6	14.4	15.4	26.5	21.6	21.3	21.6	19.2	19.1	16.7	16.2	14.9	14.9
Gabon	16.9	19.5	17.5	15.2	18.8	23.3	18.5	20.8	17.5	20.7	21.2	22.3	22.9	22.8
CEMAC	16.0	16.4	14.4	14.7	19.2	18.6	17.9	17.9	17.2	17.5	16.9	17.1	17.1	17.2
Government expenditure (including net lending)														
Cameroon	18.0	18.7	16.6	17.1	17.1	17.1	17.0	16.5	16.3	16.1	16.5	16.6	16.6	16.9
Central African Republic	17.6	16.9	25.1	19.7	17.6	17.9	17.8	19.2	18.1	17.1	16.9	16.7	17.3	17.4
Chad	9.6	10.5	14.0	13.1	12.7	16.6	17.5	16.9	17.2	17.4	16.9	16.7	16.7	16.8
Congo, Republic of	17.8	20.2	21.1	20.9	22.8	20.7	22.5	22.8	22.6	22.3	22.5	21.3	20.2	19.5
Equatorial Guinea	19.1	16.8	16.2	12.7	14.8	19.2	18.2	19.6	17.9	18.9	18.5	18.4	18.4	18.3
Gabon	18.2	18.2	19.7	17.3	19.7	21.5	23.0	25.1	23.9	23.8	21.6	21.2	20.7	20.8
CEMAC	16.9	17.3	17.4	16.5	17.3	18.4	18.9	19.1	18.7	18.6	18.3	18.0	17.8	17.9
Total public debt														
Cameroon	38.3	41.6	44.9	47.2	45.6	43.2	41.8	41.3	39.5	38.7	37.3	36.0	34.6	33.3
Central African Republic	50.0	48.2	44.4	48.5	51.0	57.5	57.5	59.7	55.6	56.4	51.3	47.1	43.6	43.0
Chad	33.4	38.2	40.1	40.6	31.5	30.3	32.1	30.0	30.9	30.0	30.8	31.3	31.9	32.9
Congo, Republic of	71.2	77.6	102.5	97.8	92.5	99.0	92.8	94.6	88.8	90.4	85.0	78.7	71.2	63.3
Equatorial Guinea	40.6	43.2	49.4	42.3	29.8	36.3	35.3	35.8	34.4	35.6	37.0	38.9	41.0	43.1
Gabon	61.1	59.8	78.2	68.4	65.6	70.6	73.1	73.0	78.9	75.5	74.0	70.6	66.3	62.4
CEMAC	46.6	49.6	56.9	55.6	51.0	52.1	51.7	50.9	50.7	49.3	47.9	46.1	44.0	42.2

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

Note:The CEMAC countries produce and disseminate Government Finance Statistics Manual 2014 format TOFE (Tableau des Opérations Financières de l'Etat) covering the Budgetary Central Government (BCG), while only Congo has expanded the TOFE coverage beyond BCG.

Member countries are reported in domestic GDP. CEMAC aggregates are not weighted.

Gabon numbers reflect a fiscal adjustment scenario broadly consistent with staff advice during the 2024 Article IV. This scenario is anchored in the commitments taken during the HoS meeting but a final projection for the outlook in Gabon will require detailed discussions with the authorities.

1/ The reference fiscal balance is defined as 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.

2/ Refers to the projection published in the IMF Country Report No 24/193.

Table 3b. CEMAC: Fiscal Non-oil Balances, Central Governments, 2018–29

(Percent of non-oil GDP)

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025	2026	2027	2028	2029
	Act.	Act.	Act.	Act.	Act.	Proj.	SR 24/193 2/	Proj.	SR 24/193 2/	Proj.	Proj.	Proj.	Proj.	Proj.
Non-oil fiscal balance (excluding grants)														
Cameroon	-5.2	-6.6	-5.3	-5.4	-5.3	-4.2	-3.4	-3.4	-2.6	-2.8	-2.9	-2.8	-2.7	-2.8
Central African Republic	-8.7	-8.2	-16.0	-10.9	-9.9	-9.6	-8.6	-10.1	-8.3	-7.6	-7.1	-6.6	-6.1	-6.3
Chad	-5.8	-6.0	-9.3	-9.1	-9.8	-13.6	-12.2	-11.3	-11.6	-12.3	-11.3	-10.5	-10.0	-9.7
Congo, Republic of	-18.2	-20.0	-15.0	-16.6	-20.3	-13.6	-15.0	-14.9	-14.4	-13.0	-12.6	-10.7	-8.8	-7.5
Equatorial Guinea	-20.7	-17.4	-15.7	-12.7	-16.5	-18.8	-19.5	-18.6	-18.2	-17.4	-19.2	-19.1	-17.8	-18.2
Gabon	-9.6	-8.1	-12.1	-11.6	-18.3	-15.3	-20.1	-21.2	-20.2	-17.3	-12.0	-8.8	-6.6	-6.4
CEMAC	-9.2	-9.3	-9.2	-9.0	-10.8	-9.8	-10.0	-9.9	-9.2	-8.8	-8.1	-7.3	-6.6	-6.4
Non-oil fiscal balance (including grants)														
Cameroon	-4.8	-6.0	-5.1	-5.1	-4.9	-3.7	-3.1	-3.1	-2.3	-2.5	-2.7	-2.7	-2.7	-2.7
Central African Republic	-1.0	1.4	-3.4	-6.0	-5.3	-3.6	-3.1	-4.5	-1.8	-0.9	0.1	0.3	0.7	-2.1
Chad	-3.0	-4.5	-5.9	-8.0	-8.5	-12.7	-10.6	-9.4	-10.0	-10.0	-9.0	-8.3	-7.8	-7.5
Congo, Republic of	-18.0	-18.9	-13.2	-16.1	-19.4	-12.5	-14.2	-14.1	-13.4	-12.0	-11.6	-9.7	-7.8	-6.5
Equatorial Guinea	-20.7	-17.4	-15.7	-12.7	-16.5	-19.0	-19.5	-23.6	-18.2	-20.3	-20.0	-19.4	-16.6	-16.6
Gabon	-9.6	-8.1	-12.1	-11.4	-18.3	-15.3	-19.6	-20.7	-20.2	-16.9	-12.0	-8.8	-6.6	-6.4
CEMAC	-8.3	-8.4	-8.0	-8.5	-10.2	-9.2	-9.3	-9.6	-8.6	-8.3	-7.5	-6.7	-5.8	-5.6
Basic balance 1/														
Cameroon	0.6	0.2	-1.2	-1.2	1.1	0.3	1.6	1.3	2.1	1.7	1.4	1.5	1.4	1.4
Central African Republic	-2.1	-3.9	-6.9	-5.4	-4.9	-4.2	-3.9	-5.3	-3.2	-2.4	-2.4	-1.8	-1.5	-2.0
Chad	0.8	0.2	0.7	-1.3	4.8	-1.3	-0.5	0.1	0.6	0.2	-0.7	0.1	0.3	0.5
Congo, Republic of	9.9	9.3	-1.4	3.1	14.3	8.5	7.1	5.0	6.0	6.4	6.1	6.6	7.6	7.6
Equatorial Guinea	0.7	2.5	-2.2	3.5	15.7	2.9	4.8	6.1	2.3	3.7	-0.1	-1.4	-3.5	-4.3
Gabon	2.3	4.8	-1.6	-2.2	-0.4	4.2	-5.6	-5.2	-8.3	-2.5	0.5	2.7	4.2	3.8
CEMAC	1.8	1.9	-1.2	-0.5	4.4	1.6	1.1	0.5	0.9	1.2	1.1	1.6	0.0	0.0
Non-oil primary fiscal balance (including grants)														
Cameroon	-3.9	-4.9	-4.3	-4.1	-4.1	-2.6	-2.0	-2.0	-1.4	-1.4	-1.7	-1.6	-1.6	-1.7
Central African Republic	-0.6	1.8	-3.1	-5.7	-4.9	-3.0	-2.1	-3.5	-0.9	0.1	1.0	1.1	1.3	-1.5
Chad	-2.1	-3.7	-5.1	-7.2	-7.1	-11.4	-9.4	-8.0	-8.3	-8.5	-7.9	-7.3	-7.0	-6.7
Congo, Republic of	-15.0	-14.1	-11.8	-13.4	-15.7	-8.4	-10.1	-9.0	-9.7	-7.6	-7.5	-6.1	-4.6	-3.7
Equatorial Guinea	-19.9	-16.4	-14.2	-11.4	-15.2	-17.9	-17.7	-22.8	-16.1	-19.1	-18.7	-18.0	-14.9	-14.8
Gabon	-7.6	-5.8	-7.5	-7.0	-14.0	-10.5	-15.0	-15.9	-14.9	-12.0	-7.0	-4.0	-2.1	-2.1
CEMAC	-7.1	-6.9	-6.6	-6.8	-8.4	-7.2	-7.3	-7.6	-6.5	-6.2	-5.6	-4.8	-4.1	-4.0
Government revenue (excluding grants)														
Cameroon	15.7	15.4	13.6	14.3	16.6	16.7	16.8	16.2	15.9	16.0	15.6	15.7	15.8	16.1
Central African Republic	8.9	8.7	9.2	8.8	7.8	8.3	9.2	9.2	9.8	9.5	9.9	10.1	11.2	11.1
Chad	10.3	10.9	13.5	12.9	19.9	18.0	17.3	18.2	17.8	17.0	14.9	15.3	15.2	15.3
Congo, Republic of	39.5	38.1	22.3	28.4	44.0	33.3	33.0	31.8	31.4	31.7	31.1	30.4	29.8	28.9
Equatorial Guinea	26.2	25.1	18.1	20.2	35.5	25.2	26.4	25.1	22.8	21.8	18.5	17.8	16.3	16.1
Gabon	25.1	29.2	23.7	23.4	32.0	37.0	29.2	32.5	26.6	30.5	30.5	31.4	31.7	31.2
CEMAC	19.7	19.9	16.2	17.4	24.1	21.9	21.0	20.9	19.8	20.1	19.1	19.2	19.1	19.0
Government expenditure (including net lending)														
Cameroon	18.6	19.4	17.0	17.7	18.2	17.8	17.5	17.1	16.8	16.6	16.9	17.0	17.0	17.3
Central African Republic	17.6	16.9	25.1	19.7	17.6	17.9	17.8	19.2	18.1	17.1	16.9	16.7	17.3	17.4
Chad	11.4	12.4	15.5	15.5	16.3	20.4	20.7	20.4	20.1	20.7	19.9	19.4	19.2	19.1
Congo, Republic of	30.6	32.3	25.4	26.9	32.2	26.9	28.9	29.3	28.5	28.0	28.1	26.3	24.6	23.6
Equatorial Guinea	25.5	22.6	20.3	16.7	19.9	22.4	22.5	22.7	21.3	21.6	20.5	20.3	20.1	19.9
Gabon	27.0	27.2	26.6	26.5	33.6	34.2	36.4	39.1	36.3	35.2	31.2	29.8	28.7	28.4
CEMAC	20.7	21.0	19.5	19.6	21.7	21.8	22.2	22.3	21.6	21.3	20.7	20.2	19.9	19.8
Non-oil revenues (excluding grants)														
Cameroon	13.4	12.8	11.7	12.3	12.9	13.6	14.1	13.7	14.2	13.8	14.0	14.2	14.3	14.5
Central African Republic	8.9	8.7	9.2	8.8	7.8	8.3	9.2	9.2	9.8	9.5	9.9	10.1	11.2	11.1
Chad	5.6	6.5	6.2	6.4	6.5	6.8	8.5	9.0	8.5	8.4	8.6	8.9	9.1	9.4
Congo, Republic of	12.5	12.3	10.4	10.3	12.0	13.2	13.9	14.4	14.1	15.0	15.5	15.5	15.8	16.1
Equatorial Guinea	4.9	5.2	4.6	4.0	3.4	3.4	3.7	3.8	4.1	3.9	4.2	4.6	5.0	5.4
Gabon	15.8	17.9	14.6	14.9	15.2	18.9	16.2	17.8	16.2	17.8	19.2	21.0	22.1	22.0
CEMAC	11.3	11.6	10.3	10.6	10.9	11.9	12.3	12.4	12.5	12.5	12.8	13.2	13.6	13.8

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

Note: The CEMAC countries produce and disseminate Government Finance Statistics Manual 2014 format TOFE (Tableau des Opérations Financières de l'Etat) covering the Budgetary Central Government (BCG), while only Congo has expanded the TOFE coverage beyond BCG.

Member countries are reported in domestic GDP. CEMAC aggregates are not weighted.

Gabon numbers reflect a fiscal adjustment scenario broadly consistent with staff advice during the 2024 Article IV. This scenario is anchored in the commitments taken during the HoS meeting but a final projection for the outlook in Gabon will require detailed discussions with the authorities.

1/ Overall fiscal balance excluding grants and foreign-financed investment.

2/ Refers to the projection published in the IMF Country Report No 24/193.

Table 4a. CEMAC: Balance of Payments, 2018–29

(Billions of CFA Francs)

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025	2026	2027	2028	2029
	Act.	Act.	Act.	Act.	Act.	Proj.	SR 24/193 1/	Proj.	SR 24/193 1/	Proj.	Proj.	Proj.	Proj.	Proj.
						(Billions of CFA Francs)								
Current account balance	747	-437	1,389	266	2,505	-314	-713	-908	-1,300	-1,452	-1,737	-1,741	-1,913	-2,233
Balance on goods and services	2,462	2,177	1,599	2,099	6,810	2,259	1,692	1,631	855	879	401	256	-21	-318
Total exports	19,086	19,272	14,866	17,630	25,634	21,380	21,358	21,663	21,096	21,341	21,364	21,747	22,377	23,005
Exports of goods	16,885	17,260	13,263	16,096	23,908	19,440	19,324	19,627	18,926	19,154	18,998	19,236	19,735	20,210
Oil exports	12,550	12,372	9,347	11,295	18,779	14,226	13,729	13,748	12,989	12,707	12,331	12,078	12,130	12,078
Non-oil exports	4,335	4,888	3,916	4,800	5,129	5,214	5,595	5,879	5,938	6,447	6,667	7,157	7,605	8,132
Exports of services	2,201	2,012	1,603	1,534	1,726	1,940	2,034	2,036	2,170	2,187	2,366	2,511	2,643	2,795
Total imports	16,624	17,095	13,267	15,531	18,824	19,121	19,667	20,032	20,241	20,461	20,964	21,491	22,398	23,323
Imports of goods	10,518	10,879	8,780	10,103	11,809	12,498	12,875	13,050	13,261	13,263	13,676	14,050	14,727	15,326
Imports of services	6,106	6,217	4,487	5,428	7,015	6,623	6,791	6,983	6,980	7,199	7,288	7,441	7,671	7,997
Income, net	-2,248	-3,421	-1,220	-2,630	-5,136	-3,497	-3,305	-3,404	-3,133	-3,263	-3,123	-3,023	-2,983	-2,978
Income credits	228	233	180	218	284	271	271	274	281	291	305	319	335	352
Income debits	2,491	3,662	1,401	2,849	5,424	3,768	3,577	3,678	3,414	3,555	3,428	3,343	3,318	3,330
Investment income, debit	-1,128	-1,903	-66	-1,116	-2,571	-1,335	-1,176	-1,204	-1,201	-1,146	-926	-829	-810	-838
of which: Interest paid on public debt	-448	-579	-404	-475	-502	-588	-479	-488	-500	-515	-469	-486	-497	-511
of which: Interest paid on nonpublic debt	-902	129	-90	53	227	165	108	90	90	50	59	66	75	84
Current transfers, net	533	807	1,010	797	826	924	901	865	978	932	986	1,026	1,091	1,064
Private current transfers, net	441	666	790	642	561	707	688	650	774	693	739	766	813	880
Official current transfers, net	92	141	221	154	265	216	213	215	203	239	247	261	278	184
Capital and financial account balance	-323	1,392	-2,130	-74	-1,489	-234	856	917	973	1,835	2,003	2,069	2,425	2,782
Capital account balance (incl. capital transfers)	195	295	257	182	278	377	314	364	342	446	476	500	508	537
Financial account balance (incl. reserves)	-518	1,097	-2,387	-256	-1,767	-611	543	553	631	1,389	1,526	1,569	1,917	2,245
Direct investment, net 2/	-2,227	93	-99	955	1,056	1,497	1,625	1,554	1,717	1,668	1,786	1,862	1,718	1,783
Portfolio investment, net	733	324	398	65	-61	-56	79	-22	-211	-31	185	4	-18	-73
Other investment, net	976	681	-2,686	-1,277	-2,762	-2,052	-1,162	-979	-875	-248	-445	-297	217	535
of which: Long-term other investment, net	994	802	-192	943	-2,377	-1,261	-552	83	-96	530	634	572	813	862
of which: SDR				0										
Errors and omissions, net	-395	-654	-193	-157	107	115	0	0	0	0	0	0	0	0
Overall Balance	30	301	-934	35	1,123	-434	143	9	-327	383	266	328	512	549
Financing	-30	-301	934	-35	-1,123	434	-143	-9	327	-383	-266	-328	-512	-549
Reserve assets (accumulation -) 3/	-589	-537	86	-391	-2,056	340	-446	-28	322	-646	-126	-140	-251	-282
of which: SDRs				0										
Exceptional financing	559	236	848	356	933	94	303	19	4	263	-140	-188	-261	-268
Net IMF financing	255	227	397	185	276	36	-85	-78	-234	30	-271	-322	-334	-326
Budget support (excl. IMF)	842	665	451	29	139	182	316	444	57	614	55	0	0	0
Other external financing	86	-156	952	424	846	471	174	155	…	…	…	…	…	…
Commercial	0	-79	595	456	0	302	0	0	…	…	…	…	…	…
Other exceptional financing	86	-77	357	-32	846	169	174	155	…	…	…	…	…	…
Residual gap	-624	-500	-952	-282	-328	-124	72	-347	181	-381	76	134	73	-268
Memorandum items:														
Nominal GDP	56,922	58,046	54,581	60,726	70,296	71,398	73,841	75,596	77,730	79,811	84,329	89,135	94,371	99,988
Gross foreign assets (end of period)														
Billions CFAF	3,777	4,362	4,193	4,677	6,854	6,886	7,316	6,937	6,975	7,579	7,733	7,918	8,181	8,440
Months of imports of goods and services	2.8	4.0	3.4	3.3	4.3	4.3	4.5	4.2	4.2	4.5	4.5	4.4	4.3	4.3
Oil prices (U.S. dollars per barrel, brent)	68.5	61.4	41.8	69.2	80.6	80.6	82.5	79.0	77.8	69.8	68.0	67.0	66.6	66.5

Sources: BEAC; and IMF staff estimates and projections.

1/ Refers to the projection published in the IMF Country Report No 24/193.

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

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

Table 4b. CEMAC: Balance of Payments, 2018–29

(Percent of GDP)

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025	2026	2027	2028	2029
							SR 24/193		SR 24/193					
	Act.	Act.	Act.	Act.	Act.	Proj.	1/	Proj.	1/	Proj.	Proj.	Proj.	Proj.	Proj.
	(In percent of GDP)													
Current account balance	1.3	-0.8	2.5	0.4	3.6	-0.4	-1.0	-1.2	-1.7	-1.8	-2.1	-2.0	-2.0	-2.2
Balance on goods and services	4.3	3.8	2.9	3.5	9.7	3.2	2.3	2.2	1.1	1.1	0.5	0.3	0.0	-0.3
Total exports	33.5	33.2	27.2	29.0	36.5	29.9	28.9	28.7	27.1	26.7	25.3	24.4	23.7	23.0
Exports of goods	29.7	29.7	24.3	26.5	34.0	27.2	26.2	26.0	24.3	24.0	22.5	21.6	20.9	20.2
Oil exports	22.0	21.3	17.1	18.6	26.7	19.9	18.6	18.2	16.7	15.9	14.6	13.6	12.9	12.1
Non-oil exports	7.6	8.4	7.2	7.9	7.3	7.3	7.6	7.8	7.6	8.1	7.9	8.0	8.1	8.1
Exports of services	3.9	3.5	2.9	2.5	2.5	2.7	2.8	2.7	2.8	2.7	2.8	2.8	2.8	2.8
Total imports	29.2	29.5	24.3	25.6	26.8	26.8	26.6	26.5	26.0	25.6	24.9	24.1	23.7	23.3
Imports of goods	18.5	18.7	16.1	16.6	16.8	17.5	17.4	17.3	17.1	16.6	16.2	15.8	15.6	15.3
Imports of services	10.7	10.7	8.2	8.9	10.0	9.3	9.2	9.2	9.0	9.0	8.6	8.3	8.1	8.0
Income, net	-3.9	-5.9	-2.2	-4.3	-7.3	-4.9	-4.5	-4.5	-4.0	-4.1	-3.7	-3.4	-3.2	-3.0
Income credits	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Income debits	4.4	6.3	2.6	4.7	7.7	5.3	4.8	4.9	4.4	4.5	4.1	3.8	3.5	3.3
Investment income, debit	-2.0	-3.3	-0.1	-1.8	-3.7	-1.9	-1.6	-1.6	-1.5	-1.4	-1.1	-0.9	-0.9	-0.8
of which: Interest paid on public debt	-0.8	-1.0	-0.7	-0.8	-0.7	-0.8	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5
of which: Interest paid on nonpublic	-1.6	0.2	-0.2	0.1	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current transfers, net	0.9	1.4	1.9	1.3	1.2	1.3	1.2	1.1	1.3	1.2	1.2	1.2	1.2	1.1
Private current transfers, net	0.8	1.1	1.4	1.1	0.8	1.0	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9
Official current transfers, net	0.2	0.2	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Capital and financial account balance	-0.6	2.4	-3.9	-0.1	-2.1	-0.3	1.2	1.2	1.3	2.3	2.4	2.3	2.6	2.8
Capital account balance (incl. capital	0.3	0.5	0.5	0.3	0.4	0.5	0.4	0.5	0.4	0.6	0.6	0.6	0.5	0.5
Financial account balance (incl. reserves)	-0.9	1.9	-4.4	-0.4	-2.5	-0.9	0.7	0.7	0.8	1.7	1.8	1.8	2.0	2.2
Direct investment, net 2/	-3.9	0.2	-0.2	1.6	1.5	2.1	2.2	2.1	2.2	2.1	2.1	2.1	1.8	1.8
Portfolio investment, net	1.3	0.6	0.7	0.1	-0.1	-0.1	0.1	0.0	-0.3	0.0	0.2	0.0	0.0	-0.1
Other investment, net	1.7	1.2	-4.9	-2.1	-3.9	-2.9	-1.6	-1.3	-1.1	-0.3	-0.5	-0.3	0.2	0.5
of which: Long-term other investment, net	1.7	1.4	-0.4	1.6	-3.4	-1.8	-0.7	0.1	-0.1	0.7	0.8	0.6	0.9	0.9
of which: SDR														
Errors and omissions, net	-0.7	-1.1	-0.4	-0.3	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	0.1	0.5	-1.7	0.1	1.6	-0.6	0.2	0.0	-0.4	0.5	0.3	0.4	0.5	0.5
Financing	-0.1	-0.5	1.7	-0.1	-1.6	0.6	-0.2	0.0	0.4	-0.5	-0.3	-0.4	-0.5	-0.5
Reserve assets (accumulation -) 3/	-1.0	-0.9	0.2	-0.6	-2.9	0.5	-0.6	0.0	0.4	-0.8	-0.1	-0.2	-0.3	-0.3
of which: SDRs				0.0										
Exceptional financing	1.0	0.4	1.6	0.6	1.3	0.1	0.4	0.0	0.0	0.3	-0.2	-0.2	-0.3	-0.3
Net IMF financing	0.4	0.4	0.7	0.3	0.4	0.0	-0.1	-0.1	-0.3	0.0	-0.3	-0.4	-0.4	-0.3
Budget support (excl. IMF)	1.5	1.1	0.8	0.0	0.2	0.3	0.4	0.6	0.1	0.8	0.1	0	0	0
Other exceptional financing	0.2	-0.1	0.7	-0.1	1.2	0.2	0.2	0.2	…	…	…	…	…	…
Residual gap	-1.1	-0.9	-1.7	-0.5	-0.5	-0.2	0.1	-0.5	0.2	-0.5	0.1	0.1	0.1	-0.3
Memorandum items:														
Nominal GDP	56,922	58,046	54,581	60,726	70,296	71,398	73,841.4	75,596	77,730	79,811	84,329	89,135	94,371	99,988

Sources: BEAC; and IMF staff estimates and projections.

1/ Refers to the projection published in the IMF Country Report No 24/193.

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

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

Table 5. CEMAC: Monetary Survey, 2018–29

(Billions of CFA Francs, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025 Mar	2025 Jun	2025 Sep	2025	2026	2027	2028	2029
	Act.	Act.	Act.	Act.	Act.	Act.	SR 24/193 2/	Proj.	SR 24/193 2/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	2,509	2,667	1,871	1,186	2,864	2,926	3,981	3,004	3,582	3,870	4,460	3,738	3,876	4,347	4,918	5,615	6,320
Of which: BEAC	2,379	2,730	1,980	1,420	3,169	3,238	4,191	3,449	3,563	3,683	3,798	4,012	4,176	4,554	5,010	5,581	6,173
Foreign assets	3,777	4,362	4,193	4,677	6,854	6,886	8,031	6,937	6,975	7,193	7,191	7,390	7,579	7,733	7,918	8,181	8,440
Of which: SDR				501	358	358	358	358	358	358	358	358	358	358	358	358	358
Of which: Operations account	3,360	3,740	3,633	2,339	3,427	3,443	4,015	3,468	3,488	3,596	3,595	3,695	3,789	3,867	3,959	4,090	4,220
Foreign liabilities	-1,398	-1,632	-2,213	-3,257	-3,685	-3,648	-3,840	-3,488	-3,412	-3,509	-3,393	-3,378	-3,403	-3,179	-2,908	-2,600	-2,267
Of which: SDR				-501	-358	-358	-358	-358	-358	-358	-358	-358	-358	-358	-358	-358	-358
Commercial banks	130	-63	-109	-234	-304	-313	-210	-445	19	187	662	-274	-300	-207	-91	34	147
Foreign assets	735	526	423	423	609	958	686	813	1,169	913	1,500	810	1,035	1,170	1,285	1,426	1,574
Foreign liabilities 1/	-605	-589	-532	-657	-913	-1,270	-896	-1,258	-1,150	-726	-837	-1,083	-1,335	-1,377	-1,377	-1,392	-1,427
Net domestic assets	8,854	9,364	11,490	13,860	14,211	16,236	16,653	16,851	18,711	17,681	14,735	17,410	17,415	18,429	19,344	20,245	21,222
Net credit to government	3,464	4,266	6,385	7,484	7,778	8,603	9,695	7,452	8,836	9,053	8,332	8,631	8,734	8,637	8,475	8,373	8,010
BEAC, net	2,209	2,469	3,348	3,949	3,353	3,905	3,083	1,996	2,829	2,280	2,475	2,226	2,681	1,770	1,051	369	-390
Of which:																	
Advances and consolidated debt	2,773	2,773	2,781	2,772	2,771	2,771	2,772	2,707	2,746	2,691	2,664	2,638	2,760	2,734	2,707	2,679	2,651
IMF lending	798	1,020	1,528	1,849	2,239	2,288	2,529	1,849	2,044	2,165	2,144	2,114	2,090	1,880	1,579	1,239	901
Consolidated debt																	
Other	0	0	0	425	409	399	399	399	399	399	399	399	399	399	399	399	399
Government deposits	-1,363	-1,323	-951	-1,097	-2,067	-1,554	-2,617	-2,959	-2,360	-2,975	-2,733	-2,925	-2,568	-3,243	-3,635	-3,948	-4,341
Commercial banks, net 3/	1,256	1,798	3,037	3,535	4,425	4,698	6,612	5,456	6,007	6,774	5,857	6,405	6,053	6,867	7,424	8,004	8,401
Of which: Government deposits	781	794	925	987	1,106	1,502	-	-	-	-	-	-	-	-	-	- -	
Net credit to public agencies	-280	-281	-229	-258	-257	-188	-236	-89	-87	-62	-96	-74	-79	-56	-35	-11	13
Credit to private sector	7,243	6,988	6,994	7,815	8,550	9,081	9,453	10,982	11,405	10,287	8,386	10,648	10,644	11,583	12,717	13,810	14,962
Other items, net	-1,573	-1,609	-1,660	-1,181	-1,859	-1,260	-2,259	-1494	-1,442	-1598	-1887	-1796	-1,884	-1,735	-1,813	-1,927	-1,762
Broad money	11,363	12,031	13,361	15,046	17,075	18,581	20,634	19,854	3,316	21,551	19,195	21,147	21,291	22,776	24,262	25,860	27,542
Currency outside banks	2,577	2,752	3,116	3,676	3,843	4,183	4,562	4,545	3,357	4,226	4,215	4,393	4,836	5,173	5,511	5,874	6,256
Bank deposits	8,787	9,279	10,245	11,370	13,233	14,398	16,072	15,309	3,398	17,325	14,980	16,755	16,455	17,603	18,751	19,987	21,287
(Annual change in percent of beginning-of-period broad money)																	
Net foreign assets	1.8	1.4	-6.6	-5.1	11.2	0.4	3.2	4.2	-0.3	4.6	2.7	3.3	4.4	2.2	2.5	2.9	3
Net domestic assets	6.3	4.5	17.7	17.7	2.3	11.9	7.4	6.1	7.9	5.0	-1.0	6.8	2.8	4.8	4.0	3.7	3.8
Net credit to government	5.0	7.1	17.6	8.2	2.0	4.8	4.2	-3.2	-1.9	-3.1	4.4	3.9	6.5	-0.5	-0.7	-0.4	-1.4
Net credit to the private sector	2.7	-2.2	0.1	6.2	4.9	3.1	4.4	3.4	7.7	4.0	-1.4	5.9	-1.7	4.4	5.0	4.5	4.5
Other items, net	-2.3	-0.3	-0.4	3.6	-4.5	3.5	-1.3	5.0	2.1	3.2	-4.8	-3.5	-2.0	0.7	-0.3	-0.5	0.6
Broad money	8.1	5.9	11.1	12.6	13.5	8.8	10.6	7.4	7.6	4.4	6.6	8.6	7.2	7.0	6.5	6.6	6.5
Velocity (GDP/broad money)	5.0	4.8	4.1	4.0	4.1	3.8	3.4	3.8	3.5	3.7	4.2	3.8	3.7	3.7	3.5	3.4	3.4
(Percent of GDP)																	
Broad money	20.0	20.7	24.5	24.8	24.3	26.0	29.5	26.3	28.7	27.0	24.1	26.5	26.7	27.0	28.8	29.0	29.2
Private bank deposits	11.1	11.5	13.5	13.5	13.6	14.5	16.5	14.6	16.1	15.6	13.5	15.1	14.8	15.0	16.0	16.1	16.2
Net credit to the private sector	12.7	12.0	12.8	12.9	12.2	12.7	13.5	14.5	14.7	12.9	10.5	13.3	13.3	13.7	15.1	15.5	15.9

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 24/193.

3/ Includes a reclassification of the regional deposit insurance fund (FOGADAC) as a domestic liability from June 2022.

Table 6. CEMAC: Compliance with Convergence Criteria, 2018–29

(Percent of GDP unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025	2026	2027	2028	2029
	Actual	Actual	Actual	Actual	Actual	Proj.	SR 24/193 4/	Proj.	SR 24/193 4/	Proj.	Proj.	Proj.	Proj.	Proj.
Reference fiscal balance (fiscal balance before 2016) 1/						(in percent of GDP)								
Cameroon	-2.8	-4.1	-3.2	-3.2	-3.0	-1.6	-0.7	-0.7	0.2	-0.1	-0.7	-1.0	-1.2	-1.4
Central African Republic	-1.0	1.4	-3.4	-6.0	-5.3	-3.6	-3.1	-4.5	-1.8	-0.9	-0.9	-1.4	-0.5	-2.8
Chad	-0.5	-1.5	-2.6	-3.0	-2.4	-4.3	-1.8	-1.1	-0.9	-1.2	-1.3	-1.8	-2.0	-2.3
Congo, Republic of	-2.3	-2.1	0.1	-1.4	-3.1	2.8	2.9	3.0	3.5	4.2	2.0	2.6	3.7	4.2
Equatorial Guinea	-2.4	-1.6	-0.6	1.4	-2.2	-3.6	-0.8	-1.3	1.3	1.2	-2.2	-2.9	-2.3	-3.6
Gabon	-1.4	-0.6	-3.5	-2.0	-5.5	-3.7	-5.7	-6.1	-5.8	-3.3	-0.5	0.6	1.6	1.2
Number of countries violating	3	3	4	4	6	5	3.0	2	2	1	1	2	2	3
Consumer price inflation (≤ 3%)						(in percent)								
Cameroon	1.1	2.5	2.5	2.3	6.3	7.4	5.9	4.4	5.5	3.5	3.0	2.8	2.6	2.5
Central African Republic	1.6	2.8	0.9	4.3	5.6	3.0	4.7	3.4	4.6	2.7	3.3	2.8	2.8	3.0
Chad	4.0	-1.0	4.5	-0.8	5.8	4.1	8.7	8.7	2.2	4.4	3.5	3.0	3.0	3.0
Congo, Republic of	1.2	0.4	1.4	2.0	3.0	4.3	4.0	3.1	3.6	3.3	3.2	3.0	3.0	3.0
Equatorial Guinea	1.3	1.2	4.8	-0.1	4.9	2.5	4.0	3.1	2.8	3.7	3.5	2.5	2.4	2.4
Gabon	4.8	2.0	1.7	1.1	4.3	3.6	2.1	1.2	2.2	1.5	2.1	2.0	1.9	2.0
Number of countries violating	2	0	2	1	5	4	5.0	5	3	4	4	0	0	0
Level of public debt (≤ 70% GDP)						(in percent of GDP)								
Cameroon	38.3	41.6	44.9	47.2	45.6	43.2	41.8	41.3	39.5	38.7	37.3	36.0	34.6	33.3
Central African Republic	50.0	48.2	44.4	48.5	51.0	57.5	57.5	59.7	55.6	56.4	51.3	47.1	43.6	43.0
Chad	33.4	38.2	40.1	40.6	31.5	30.3	32.1	30.0	30.9	30.0	30.8	31.3	31.9	32.9
Congo, Republic of	71.2	77.6	102.5	97.8	92.5	99.0	92.8	94.6	88.8	90.4	85.0	78.7	71.2	63.3
Equatorial Guinea	40.6	43.2	49.4	42.3	29.8	36.3	35.3	35.8	34.4	35.6	37.0	38.9	41.0	43.1
Gabon	61.1	59.8	78.2	68.4	65.6	70.6	73.1	73.0	78.9	75.5	74.0	70.6	66.3	62.4
Number of countries violating	1	1	2	1	1	2	2.0	2	2	2	2	2	1	0
Non-accumulation of government arrears (≤ 0) 2/						(in percent of GDP)								
Cameroon	-2.0	0.3	-0.3	0.4	-0.4	0.0	-1.1	-1.9	-0.6	-0.7	-0.5	-0.2	0.0	0.0
Central African Republic	-2.6	-3.6	-1.3	-0.2	-3.0	-0.2	-1.1	-0.9	-1.0	-1.3	-1.1	-1.0	-0.6	-0.6
Chad	-1.6	5.1	-0.3	-1.4	-3.8	0.0	-0.4	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Congo, Republic of	5.6	-4.9	10.2	-6.7	-4.9	3.6	-4.1	-2.9	-2.8	-2.7	-3.0	-2.7	-2.6	-2.7
Equatorial Guinea	-1.3	0.1	0.8	-3.2	-3.1	0.6	-1.3	-0.8	-0.8	-1.0	-0.7	-0.7	-0.7	-0.7
Gabon	-0.8	-1.5	8.9	-3.8	-1.4	-1.0	2.3	1.1	-2.9	-0.6	-0.9	-0.9	-1.1	-6.1
Number of countries violating 3/	1	0	3	1	0	2	1.0	1	0	0	0	0	1	1

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.

Gabon numbers reflect a fiscal adjustment scenario broadly consistent with staff advice during the 2024 Article IV. This scenario is anchored in the commitments taken during the HoS meeting but a final projection for the outlook in Gabon will require detailed discussions with the authorities.

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 projection published in the IMF Country Report No 24/193.

Table 7. CEMAC: Summary Accounts of Central Bank, 2018–29

(Billions of CFA Francs, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024'	2024	2025'	2025	2025	2025	2025	2026	2027	2028	2029
										Mar	Jun	Sep					
	Act.	Act.	Act.	Act.	Act.	Act.	SR 24/193 2/	Proj.	SR 24/193 2/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	2,379	2,730	1,980	1,420	3,169	3,238	4,191	3,449	3,563	3,683	3,798	4,012	4,176	4,554	5,010	5,581	6,173
Assets 1/	3,777	4,362	4,193	4,677	6,854	6,886	8,031	6,937	6,975	7,193	7,191	7,390	7,579	7,733	7,918	8,181	8,440
Unallocated	452	308	101	388	431	716	593	716	716	716	716	716	716	716	716	716	716
Cameroon	2,004	2,199	2,153	2,522	3,191	2,930	3,644	3,282	3,544	3,367	3,448	3,530	3,603	3,378	3,140	3,022	2,928
CAR	215	214	242	292	243	298	214	273	234	263	260	254	235	243	276	346	445
Congo	251	617	643	551	578	519	959	576	682	663	620	641	663	740	862	973	1,072
Gabon	766	813	808	766	882	874	1,004	608	301	667	726	786	845	1,044	1,205	1,337	1,439
EG	-5	21	30	26	897	913	832	812	876	846	752	796	840	887	954	966	957
Chad	93	191	216	134	633	636	785	670	623	669	668	667	677	726	763	821	883
Of which:																	
Operations account	3,360	3,740	3,633	2,339	3,427	3,443	4,015	3,468	3,488	3,596	3,595	3,695	3,789	3,867	3,959	4,090	4,220
Liabilities	-1,398	-1,632	-2,213	-3,257	-3,685	-3,648	-3,840	-3,488	-3,412	-3,509	-3,393	-3,378	-3,403	-3,179	-2,908	-2,600	-2,267
Unallocated 4/	-16	80	233	65	135	148	221	148	147	148	148	148	148	148	148	148	148
Cameroon	-529	-546	-809	-1,171	-1,337	-1,404	-1,477	-1,398	-1,409	-1,398	-1,398	-1,398	-1,409	-1,279	-1,128	-991	-853
CAR	-163	-177	-193	-303	-299	-302	-298	-305	-310	-305	-305	-305	-310	-312	-278	-257	-238
Congo	-89	-138	-203	-277	-433	-469	-590	-495	-516	-516	-492	-491	-516	-510	-505	-461	-391
Gabon	-348	-428	-577	-831	-924	-838	-716	-701	-668	-675	-648	-622	-595	-525	-452	-393	-354
EG	-26	-146	-297	-210	-213	-207	-247	-201	-172	-240	-187	-213	-236	-277	-332	-357	-351
Chad	-227	-276	-366	-530	-615	-575	-733	-536	-485	-523	-510	-497	-485	-424	-360	-287	-228
Net domestic assets	2,316	2,316	3,459	4,563	3,987	5,006	3,380	4,962	5,584	4,493	4,353	3,663	4,774	5,020	5,189	5,289	5,405
Net credit to government	2,209	2,469	3,348	3,949	3,353	3,905	3,083	1,996	2,798	2,280	2,475	2,226	2,681	1,770	1,051	369	-390
Claims	3,571	3,792	4,299	5,046	5,419	5,458	5,699	4,955	5,190	5,255	5,208	5,151	5,250	5,013	4,686	4,317	3,951
Advances and consolidated debt	2,773	2,773	2,781	2,772	2,771	2,771	2,772	2,707	2,746	2,691	2,664	2,638	2,760	2,734	2,707	2,679	2,651
Advances			2,773	2,772	2,772	2,772	2,734	2,707		2,211	2,185	2,158					
IMF credit	798	1,020	1,528	1,849	2,239	2,288	1,880	1,849	2,044	2,165	2,144	2,114	2,090	1,880	1,579	1,239	901
Government deposits	-1,362.6	-1,323.1	-951	-1,097	-2,067	-1,554	-3,012	-2,959	-2,391	-2,975	-2,733	-2,925	-2,568	-3,243	-3,635	-3,948	-4,341
Net claims on financial institutions 3/	432	274	377	669	460	912	114	2,762	2,565	1,996	1,800	1,546	1,876	3,018	3,890	4,657	5,514
Fogadac reclassification as domestic liability					138	138	138	138	138	138	138	138	138	138	138	138	138
Other items, net	-324	-426	-266	-55	174	189	183	204	220	217	78	-109	217	232	247	264	281
Base money	4,695	5,046	5,439	5,982	7,156	7,998	7,571	8,411	9,147	8,176	8,151	7,675	8,950	9,574	10,198	10,870	11,577
Currency in circulation	2,577	2,752	3,116	3,676	3,843	4,183	4,562	4,545	4,941	4,226	4,215	4,393	4,836	5,173	5,511	5,874	6,256
Banks' reserves	2,050	2,222	2,245	2,212	3,029	3,469	3,616	3,512	3,812	3,848	4,225	3,732	3,754	4,016	4,278	4,560	4,857
o.w. Required reserves	569	700	743	825	960	1,045	1,166	1,111	1,206	1,353	995	1,115	1,194	1,277	1,360	1,450	1,544
Excess reserves	1,125	1,160	1,145	1,038	1,650	1,789	1,941	1,926	2,088	1,904	2,768	2,160	2,049	2,192	2,335	2,489	2,651
Cash in vaults	356	363	357	349	419	448	509	476	518	591	463	458	512	547	583	621	662
Others	68	72	78	94	284	346	-607	354	395	102	-288	-450	359	384	410	437	465
Memorandum items:																	
Reserve coverage of broad money (in percent)	33.2	36.3	31.4	31.1	40.1	37.1	39	34.9	32.3	33.4	37.5	34.9	35.6	34.0	32.6	31.6	30.6
Base money/deposits (in percent)	53.4	54.4	53.1	52.6	54.1	55.5	47	54.9	55.0	47.2	54.4	45.8	54.4	54.4	54.4	54.4	54.4

Source: BEAC.

Note: Includes a reclassification of the regional deposit insurance fund (FOGADAC) as a domestic liability from June 2022.

Gabon numbers reflect a fiscal adjustment scenario broadly consistent with staff advice during the 2024 Article IV. This scenario is anchored in the commitments taken during the HoS meeting but a final projection for the outlook in Gabon will require detailed discussions with the authorities.

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 projection published in the IMF Country Report No 23/440.

3/ Includes cash in vault and deposits of commercial banks with the BEAC.

4/ Includes a reclassification of the regional deposit insurance fund (FOGADAC) as a domestic liability from June 2022.

Table 8. CEMAC: Net Foreign Assets of the Central Bank, 2018–29

(Billions of CFA Francs)

	2018	2019	2020	2021	2022	2023'	2024'	2024	2025'	2025	2025	2025	2025	2026	2027	2028	2029
										Mar	June	Sept					
	Act.	Act.	Act.	Act.	Act.	Act.	SR 24/193 1/	Proj.	SR 24/193 1/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
BEAC's net foreign assets																	
Stock	2,379	2,730	1,980	1,420	3,169	3,238	4,191	3,449	3,563	3,683	3,798	4,012	4,176	4,554	5,010	5,581	6,173
Change since end of previous year	248	348	-750	-561	1,749	70	456	210	-135	613	977	1,061	727	378	456	571	592
o.w. Cameroon	152	179	-309	7	504	-328	192	359	204	309	-95	-87	309	-95	-87	18	45
Central African Republic	-22	-15	12	-60	-46	52	-18	-28	-20	-42	5	67	-42	5	67	91	119
Congo	43	313	-38	-167	-128	-95	124	31	63	1	-2	33	67	82	128	154	169
Gabon	111	-34	-154	-297	24	77	174	-129	-325	-47	5	67	343	269	235	190	141
Equatorial Guinea	25	-95	-143	83	867	24	-10	-95	-47	-4	-2	33	-8	7	13	-14	-3
Chad	123	48	-65	-246	413	43	-5	73	-9	-4	-2	33	58	110	100	131	120
Unallocated	-185	-49	-53	119	114	297	0	0	0	0	0	0	0	0	0	0	0

Sources: BEAC; and IMF staff projections.

Note: Gabon numbers reflect a fiscal adjustment scenario broadly consistent with staff advice during the 2024 Article IV. This scenario is anchored in the commitments taken during the HoS meeting but a final projection for the outlook in Gabon will require detailed discussions with the authorities.

1/ Refers to the projections published in the IMF Country Report No 24/193.

Table 9. CEMAC Program Countries: External Financing Sources, 2019–25

(Billions of CFA Francs)

	2019	2020	2021	2022	2023	2024						2025		
	Act.	Act.	Act.	Act.	Act.	H1 SR 24/193 2/	H1 Proj	H2 SR24/193 2/	H2 Proj	SR 24/193 2/	Proj	H1 Proj	H2 Proj	Proj
1. External financing needs [1]	**1122**	**-41**	**757**	**764**	**539**	**367**	**169**	**567**	**549**	**934**	**718**	**427**	**543**	**971**
2. Net IMF Financing	**228**	**572**	**147**	**262**	**36**	**-40**	**-50**	**-45**	**-28**	**-85**	**-78**	**15**	**15**	**30**
3. Budget suport from other donors	**665**	**451**	**29**	**139**	**182**	**58**	**45**	**258**	**399**	**316**	**444**	**269**	**345**	**614**
World Bank	291	123	0	31	18	6	6	224	54	**230**	59	**64**	**140**	**204**
African development Bank	184	220	13	45	60	0	6	0	6	**0**	12	**0**	**0**	**0**
European Union	16	68	3	4	0	0	0	0	0	**0**	0	**0**	**0**	**0**
France	174	11	13	59	13	37	26	0	11	**37**	37	**0**	**0**	**0**
Other [3]	0	29	0	0	91	7	7	7	310	**14**	317	**205**	**205**	**410**
4. Commercial borrowing	**-79**	**595**	**456**	**0**	**302**	0	**0**	0	**0**	**0**	**0**	**0**	**102**	**102**
5. Debt relief	**0**	**286**	**104**	**624**	**0**	**0**	**-1**	**0**	**-1**	**0**	**0**	**0**	**0**	**0**
6. External arrears	**47**	**-7**	**-57**	**-1**	**0**	**0**	**-1**	**-1**	**-1**	**-1**	**-3**	**0**	**0**	**0**
7. Residual financing gap	**361**	**-2021**	**243**	**-177**	**182**	**15**	**0**	**15**	**0**	**30**	**0**	**0**	**0**	**0**

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

1 After projected/targeted change in gross reserves.

2 Refers to the projections of the IMF SR 24/193.

3 Includes external financing from the BDEAC in CFAF.

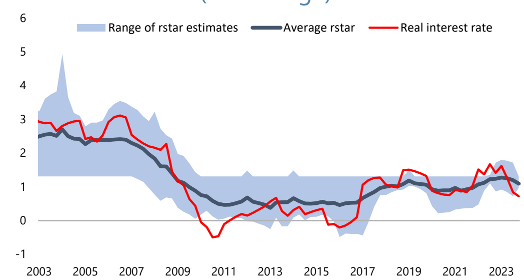
Annex I. Assessing the Monetary Policy Stance in CEMAC[1]

This annex assesses the monetary policy stance and its consistency with broader financial conditions in CEMAC. The analysis indicates that the current stance is neutral, with a delayed transmission to financial conditions. Specifically, monetary policy shocks take time to fully impact these conditions, suggesting long lagged effects on output and prices. These findings underscore the need for policies to enhance the effectiveness of monetary policy and its transmission.

1. **The tightening of monetary policy in CEMAC in response to the inflation surge in 2021–23 has reignited the debate about the appropriate monetary policy stance.**[2] This annex empirically evaluates the stance of monetary policy in CEMAC by providing estimates of the neutral real interest rate (r^*), which serves as a benchmark to gauge the monetary stance.[3] Additionally, it complements this analysis by assessing whether the monetary policy stance is consistent with broader financial conditions and how these conditions are affected by changes in the policy rate.

Annex I. Figure 1. CEMAC: Neutral Interest Rate

(Percentage)



Source: IMF staff calculations.

Note: The average r-star is the mean of all the estimated r-stars by methodology, excluding the Taylor rule. The shaded area shows the range between the highest and lowest r-star estimates from the different methodologies. The ex ante real interest rate is measured as the nominal policy rate minus the one-year ahead expectations of headline inflation. Inflation expectations are proxied by the one-year-ahead CPI inflation forecasts from the IMF's World Economic Outlook.

- **Where is the neutral real interest rate for CEMAC?**

69. **The neutral real interest rate is defined as the level of the real policy rate consistent with output at its potential and inflation at its target, once the effects of cyclical shocks have dissipated** (Laubach and Williams, 2003; Mendes, 2014).[4] Staff analysis employs a range of empirical methodologies commonly used in the literature, including univariate time series methods, reduced-form econometric models, and semi-structural models that account for CEMAC's small-open economy characteristics. Given the uncertainty inherent in each approach, the analysis is based on the average of the neutral rate estimates across all methodologies.

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[1] Prepared by Johanna Tiedemann and Olivier Bizimana.

[2] Although the CFAF is pegged to the euro, BEAC retains some scope to conduct an independent monetary policy due to relatively limited capital mobility and financial integration.

[3] For more discussion, see Bizimana and Tiedemann (forthcoming, 2024). "Assessing the Stance of Monetary Policy in Sub-Saharan African Emerging and Frontier Market Economies".

[4] In the empirical literature, the terms "neutral", "natural" or "equilibrium" interest rate are sometimes used interchangeably. This annex only uses the term "neutral" rate of interest. For a discussion on the distinction between these concepts, see for example Obstfeld (2023), who distinguishes between the natural rate (the real interest rate prevailing in an equilibrium with flexible prices) and the neutral rate (the real policy rate that eliminates inflationary or deflationary pressures), noting, however, that they are closely related conceptually and empirically highly correlated with each other.

70. Despite differences in methodologies, the estimated neutral rates across the different methods are broadly consistent in CEMAC, though some divergences exist in the point estimates (Annex I Figure 1). Staff's estimates suggest that the neutral real interest rate peaked around 2 percent by the end of 2007, declining below 1 percent during the 2008–09 Global Financial Crisis (GFC). It remained relatively stable in subsequent years before increasing slightly to around 1 percent during 2017–19. The r^* estimates declined slightly during the pandemic, with the average of the estimates around 1.1 percent at the end of 2023 (Annex I. Table 1).

Annex I. Table 1. CEMAC: Summary of the R* Estimates by Methodology

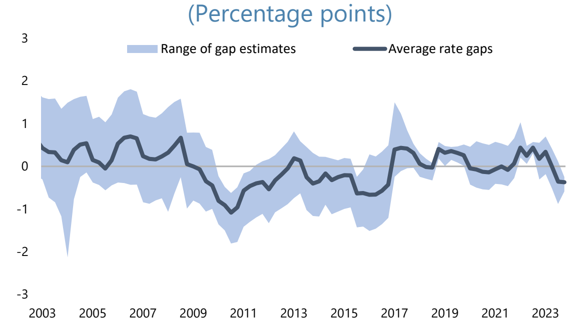
Methods	2007Q4	2019Q4	2023Q4
Sample averages	-	-	1.31
Hodrick-Prescott filter	1.87	1.09	1.00
Christiano-Fitzgerald filter	1.91	1.28	0.97
Taylor rule	-	-0.71	0.79
Reduced-form model	2.78	0.83	1.72
TVP-VAR model	0.96	1.03	0.72
HLW model	2.95	0.81	1.51
Average of methods	1.96	1.06	1.09

Source: IMF staff calculations.

Note: The sample average is calculated by averaging the short-term real interest rate over the period 2003Q1-2023Q4. The r-start from the Taylor rule is generated through recursive estimation over the period 2009Q4-2023Q4. The reduced-form model is based on Mendes (2014), which links the neutral rate to potential growth and the world interest rate. The time-varying parameter vector autoregressive (TVP-VAR) model, based on Lubik and Matthes (2015) and modified to include real effective exchange rate (REER)—to account for the small-open economy characteristics—captures the co-movements between key macroeconomic variables (GDP growth, inflation, and the real interest rate) to generate estimates of the neutral rate using the model's 5-year ahead forecasts of the real interest rate. The HLW model, a semi-structural model–based on Holston et al. (2017) and modified to include the REER—to account for the small-open economy characteristics—uses movements in inflation, output and interest rates to inform the estimation of the real neutral rate. The "average of methods" refers to the mean of all estimated r-stars across methodologies, excluding the Taylor rule. The r-star for each methodology is calculated for the end of three subperiods: pre-GFC (2007Q4), pre-COVID (2019Q4) and post-COVID (2023Q4).

71. The monetary policy stance is broadly neutral in CEMAC. The difference between the actual real interest rate and the neutral rate—the interest rate gap—is a measure of the monetary policy stance. Monetary policy is deemed expansionary if the real interest rate is below the neutral rate, and restrictive if the real interest rate is above it. The results indicate that the policy stance turned restrictive over the period 2021–23. However, by the end of 2023, the real policy rate was close to the neutral rate, suggesting that the stance of monetary policy was broadly neutral for CEMAC (Annex I. Figure 2).

Annex I. Figure 2. CEMAC: Interest Rate Gap
(Percentage points)



Source: IMF staff calculations.

Note: The average interest rate gap is calculated as the difference between the actual ex ante real interest rate and the mean of all the estimated r-stars, excluding the Taylor rule. The shaded area shows the range between the highest and lowest interest rate gap estimates from the different methodologies.

- **Is the monetary policy stance consistent with broader financial conditions?**

72. However, relying solely on the neutral rate may not fully capture the monetary policy stance, as monetary policy influences the broader economy through financial conditions, such

as market rates, long-term interest rates, asset prices, and exchange rates. Monitoring these financial conditions indicators becomes particularly relevant when the relationship between the policy rate and these indicators exhibits instability or unpredictability (Dudley, 2010). This is true for CEMAC, and more broadly for low-income countries (LICs), where weak institutional frameworks, underdeveloped financial markets, and imperfect competition in the banking sector hinder traditional monetary policy transmission channels (see, Mishra et al. 2010, 2014; Christensen 2011). Since the monetary policy stance should be transmitted to the financial sector, ideally, changes in the interest rate gap should correspond with—or signal—future developments in financial conditions.

73. To assess these broader financial conditions, a financial conditions index (FCI) for CEMAC is constructed.[5] The FCI is a synthetic indicator that summarizes a set of relevant financial indicators into a single index. A visual analysis shows that episodes of restrictive (positive interest rate gaps) or accommodative (negative interest rate gaps) monetary policy have coincided with tighter or looser financial conditions, respectively (Annex I Figure 3). For example, during the GFC, a tighter monetary policy stance coincided with tighter financial conditions. After the GFC, CEMAC adopted an accommodative monetary policy until around 2014–15, which aligned with looser financial conditions. Additionally, the tighter monetary policy stances from 2021 to 2023 were accompanied by tightening financial conditions.

- **What are the effects of monetary policy on financial conditions?**

74. Financial conditions in CEMAC tighten in response to policy rate hikes. Staff analysis suggests that the transmission of these shocks occurs with a lag, indicating a slow pass-through.[6] Typically, a one percentage point increase in the policy rate leads to a tightening of financial conditions by about 2 points in the index, with the peak effect observed in the sixth quarter following the hike (Annex I. Figure 4). The results suggest that changes in the monetary stance may take time to fully affect output and prices. The relatively slow transmission of monetary policy shocks to financial conditions in CEMAC is likely due to the region's bank-based economy, which faces several impairments to effective transmission. These include underdeveloped financial markets, such as the nascent and inefficient interbank market and the absence of secondary markets for government securities, a fragmented banking system with excess liquidity and limited competition.

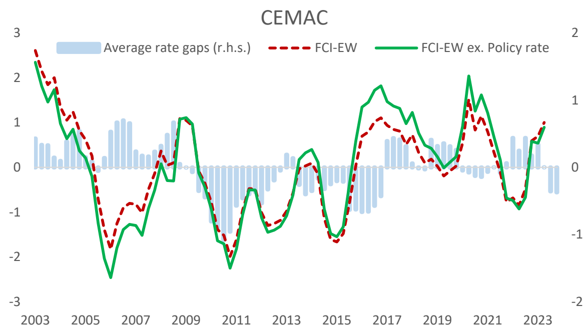
[5] The FCI for CEMAC includes the following components: i) the policy rate; ii) quantity indicators, primarily monetary aggregates (year-on-year growth rates of the monetary base and broad money) and credit aggregates (year-on-year growth rates of credit to the private and public sectors); iii) the nominal effective exchange rate; and iv) global financial risk indicators, such as the US volatility index (VIX) and the Emerging Market Bond Index (EMBI) spread), which capture tensions in global financial markets that impact capital flows. Typically, FCIs include various interest rates (e.g., bank deposit and lending rates, government bond and bill rates) to capture the interest rate channels. However, these are not available for CEMAC. As a result, the index for CEMAC relies primarily on quantity indicators as domestic financial variables. Specifically, monetary aggregates provide insight into financial conditions in CEMAC, and in low-income countries (LICs) more broadly, as many of these economies have limited financial markets and relatively little experience with interest rates playing a market-clearing role (IMF, 2015). For the construction of the FCI, we use the equal-weighted approach, assigning the same importance to each financial indicator included in the index.

[6] The local projections method (Jordà, 2005) is used to estimate the impact of monetary policy shocks on the FCI.

Additionally, the FCI for CEMAC does not incorporate interest rates, thus excluding the interest rate channel from its scope. In contrast, in advanced economies and major emerging market economies, where financial markets are more developed, financial conditions typically react immediately to policy rate hikes, with peak effects occurring within the first year (Avalos et. al, 2023).

Annex I. Figure 3. CEMAC: Interest Rate Gap and FCI

(Standard deviations; percentage points)

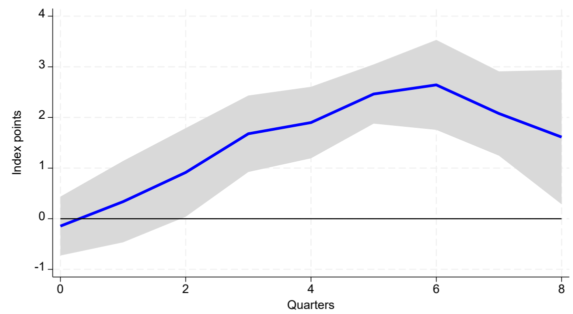


Source: IMF staff calculations.

Note: The average interest rate gap is calculated as the difference between the actual ex ante real interest rate and the mean of all the estimated r-stars, excluding the Taylor rule. FCI-EW is an index constructed using the equal weights approach, while FCI-EW ex. Policy rate refers to the index that excludes the policy rate. An increase in the FCI denotes a tightening of financial conditions.

Annex I. Figure 4. CEMAC: Response of FCI to Monetary Policy Shocks

(Percentage points)



Source: IMF Staff calculations.

Note: The figures show local projections impulse response functions of the FCI to a one-percentage-point monetary policy shock over the 8 quarters following the shock. The shaded areas represent the 90 percent confidence bands.

75. Overall, the findings highlight the need for policies to improve the effectiveness of monetary policy and its transmission in CEMAC. Staff analysis suggests that the neutral rate in CEMAC has declined since the GFC, and the current monetary policy stance appears to be neutral. However, monetary policy shocks seem to take time to fully impact these conditions, suggesting that effects on output and prices may also be delayed. This creates a challenging environment for monetary policy. Consequently, a number of actions by the central bank and other regional authorities (COBAC, COSUMAF, BVMAC) could help enhance the effectiveness of monetary policy. BEAC should strengthen its independence and credibility, by improving its governance and continuing to modernize its framework, including enhancing communication strategies (with market participants and the public) as well as data collection, processing, and analysis. To improve the interest rate transmission mechanism, BEAC should conduct all monetary policy operations (injections and absorptions) at the main policy rate, preferably using a fixed-rate full allotment procedure. Furthermore, developing a well-functioning secondary market for government securities, including with support from Fund-capacity building initiatives, would enable the central bank to more effectively influence financial markets. Lastly, addressing the fragmentation of the banking system would enhance the functioning of the interbank market and facilitate competition, ensuring that banks can effectively pass on changes in policy rates to lending and deposit rates for customers.

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Annex II. Risk Assessment Matrix[1]

Risks	Likelihood	Expected Impact if Realized	Recommended Policy Response
Conjunctural risks			
Intensification of regional conflict(s). Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High	High • Limited direct trade and financial links to Russia and Ukraine. However, higher global energy and food prices could: • increase inflation, • intensify food insecurity leading to increased poverty and inequality, • heightened spending pressures, including on fuel subsidies and tax exemptions in some member states, putting additional pressures on reserves, and further hindering fiscal consolidation. • In the CEMAC region, *political uncertainty* may slow down reform momentum, disrupt regional trade and financial integration, and weigh on growth prospects. The same may arise from *security challenges in member countries*, including owing to potential cross-border security implications of both the ongoing conflict in Sudan—notably the influx of refugees in Chad, 630,000 since April 2023—and the political crises in the Sahel region, weak governance, as	• Accelerate fiscal adjustment to create fiscal space for policies to mitigate supply shocks. • Prioritize and provide targeted support to vulnerable households to mitigate the impact of higher fuel and food prices. • Promote security, strengthen social safety nets, and facilitate job creation in the private sector.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risks	Likelihood	Expected Impact if Realized	Recommended Policy Response
		well as significant corruption, and rule of law shortcomings.	
• **Commodity price volatility.** Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	High	Medium • A *sharp slowdown in global demand*, coupled with the global transition to low-carbon economies, could lower demand for CEMAC exports, adversely affecting public finances, external stability, and social indicators. • In the short term, *higher oil prices* (for example related to geopolitical tensions in the middle east) could result in increased export and fiscal revenues for the region. • High oil prices partially offset rising food and fertilizer prices, but inflation pressures could build up and fiscal positions could worsen if food security is addressed through price controls and subsidies.	• Improve the region's capacity to absorb shocks by restoring fiscal discipline and rebuilding buffers in line with Fund advice. • Prioritize and target social spending to the most vulnerable. • Where social safety nets are not well developed and price controls are needed, offset spending by strengthening collection, broadening tax bases, and phasing out exemptions. • Implement structural reforms and encourage intra-regional trade to diversify and reduce reliance on oil and commodity prices.
• **Social discontent.** High inflation, real income loss, spillovers from conflicts (including migration), and worsening inequality stir social unrest, drive populist policies, and increase resistance to reforms, especially in the context of polarized or disputed elections. This exacerbates imbalances and weakens growth prospects, leading to policy uncertainty and market repricing.	High	High • Social tensions could delay fiscal adjustments, further disrupt agricultural production, affect market confidence and hence financing flows and private investment, leading to further imbalances in the external sector and weakened growth.	• Rebuild external and fiscal buffers to boost market confidence and attract private investment. • Maintain effective social dialogue, protect and prioritize social spending, and build social safety nets to reduce poverty. • Increase social investment in health, education, welfare, and youth upskilling to keep tensions at bay.
• **Global growth surprises:** • **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	Medium	High • Slower growth due to weaker demand from trade partners and lower oil prices. • Worsening fiscal and current account positions, ultimately weighing on the reserves position. • Stronger demand from trade partners would support external trade and economic growth.	• Adjust fiscal policy to anchor expectations of economic agents. • Design fiscal contingency plans to address deterioration of the current account. • Enforce the FX regulation keeping an open and constructive dialogue with the private sector; strengthen repatriation efforts, including from SOEs.

Risks	Likelihood	Expected Impact if Realized	Recommended Policy Response
• **Acceleration.** Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions.	Low		• Fiscal and structural reforms to entrench the gains from global growth acceleration.
Monetary policy calibration. Amid high uncertainty and data surprises, major central banks' stances turn out to be too loose, hindering disinflation, or too tight for longer than warranted, which stifles growth and triggers increased capital-flow and exchange-rate volatility in EMDEs.	Medium	Medium • Rate cuts by major central banks exert downward pressure on local interest rates, potentially leading to higher inflation. If inflation expectations become de-anchored, it would impede progress toward achieving price stability. • *Persistently high inflation* could weigh on growth, entrench inflation expectations, and threaten food security. This could stoke social tensions and unrest.	• BEAC should keep monetary policy with a tightening bias and remain vigilant to adjust the monetary stance as needed to anchor expectations and support reserves. • Restore a prudent fiscal policy stance to protect the peg and alleviate crowding-out in the regional market. • Accelerate the implementation of the structural reform agenda to support capital flows (FDI in particular) and confidence.
Systemic financial instability. High interest rates and risk premia, and asset repricing amid economic slowdowns and elevated policy uncertainty (including from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	Medium	Medium • Tightening global financial conditions and spiking risk premia would raise borrowing costs and increase debt vulnerabilities, with knock-on effects on growth. These effects could result in financial difficulties for SMEs, state-owned enterprises, and banks already facing high liquidity needs. • This risk along with elevated global economic and political uncertainty, and existing vulnerabilities, including the tight bank-sovereign nexus and high NPLs could further weaken bank balance sheets and AML/CFT frameworks. This could also exacerbate macro-financial stability risks, including by fueling sudden capital outflows.	• Enhance banking supervision and enforce prudential regulations. • Improve processes and procedures for collection of debts and collateral. • Create fiscal space to absorb financial shocks. • (BEAC in cooperation with COBAC) Engage proactively with banks facing high liquidity needs. • (COBAC) Ensure that undercapitalized banks submit credible medium-term recapitalization plans and establish a strategy for NPL reduction.

Risks	Likelihood	Expected Impact if Realized	Recommended Policy Response
Sovereign debt distress. Domino effects from high global interest rates, deteriorating debt sustainability in some AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, loss of market access, and contraction of growth and social spending.	Medium	**High** • Capital outflows, and increased borrowing costs, that coupled with limited fiscal space, could jeopardize economic recovery, exacerbate debt sustainability pressures, and require additional fiscal tightening.	• Continue fiscal and structural reforms to (i) reduce external imbalances and vulnerabilities; (ii) enhance competitiveness and deepen regional integration; and (iii) improve investor confidence to increase economy's capacity to attract investment.
Structural risks			
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	High	**Medium** • An escalation of the geo-economic fragmentation may reduce supply of external concessional financing, adding to the region's budget support shortfalls and slowing external reserve accumulation.	• Boost the resilience of the economy and key supply chains, including through diversification.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	High	**Medium** • Impact on public services that rely on digital infrastructure.	• Create contingent plans for cyberattacks. • Assess the risk and impact of cyberattacks on public services, including IT systems of public institutions.

Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	Medium	**High**
		• The CEMAC region remains vulnerable to climate-related shocks and natural disasters, which could be amplified by the absence of a CEMAC-wide adaptation strategy to climate change.
		• More frequent floods and draughts (CAM, TCD). Rising sickness (e.g., meningitis) and poor harvests due to dryer weather (CAR, EQN). Higher sea levels, dry rivers/lakes (GAB, EQN, TCD), displace populations and destroyed capital.
			• Create a CEMAC-wide adaptation strategy to climate change, including actions to:
			  • Improve capacity for monitoring and strengthened early warning systems.
			  • Improve shock response mechanisms to cope with floods and droughts.
			  • Work with partners to identify vulnerable populations and regions, conduct risk assessments, and design disaster mitigation measures.
			• Free up fiscal space to invest in climate mitigation and adaptation infrastructure.

Risks	Likelihood	Expected Impact if Realized	Recommended Policy Response
		• In the near term, climate-related risks, pose significant risks to the fiscal position though heightened food insecurity and the need for post-disaster rehabilitation efforts.	• Mitigate the impact on the poor through targeted fiscal transfers and other types of public spending.
Domestic risks (in CEMAC region)			
Further fiscal slippages. Additional spending pressures.	High	High • Adverse impact on debt sustainability, further slow reserve accumulation, and heighten debt vulnerabilities. These challenges may warrant a more aggressive monetary policy, tightening to safeguard price and external stability, with an adverse growth impact. Additionally, sovereign rollover and financing risks could increase. The uncertainty stemming from the political transition in Gabon could compound the existing financing squeeze in the regional market.	• Aggressive monetary policy tightening to safeguard price and external stability. • Restore fiscal discipline and rebuild buffers in line with Fund advice.
Structural reforms and FX regulations **Downside.** Slow progress on structural reforms, failure to restore fiscal discipline. Non-predictable application of FX regulations, persistent technical delays in FX requests, failure to maintain a constructive dialogue with the private sector.	High	High • Potential delays on donor support, heighten economic vulnerabilities, and delay growth benefits. • Decreased investors' confidence resulting in capital outflows, lower FDI and rising risk premia.	• Accelerate structural reforms and restore fiscal discipline in line with Fund advice. Key areas where faster progress is required include strengthening the AML/CFT frameworks, governance, regulatory oversight, anti-corruption measures. • Intensify efforts to reduce technical delays in FX requests to ensure there are processed quickly, smoothly, efficiently and in line with the regulation. • Resume constructive engagements with the extractive sector to ensure an efficient enforcement of the repatriation of funds dedicated to the rehabilitation of oil sites (RES).
Upside. Stricter compliance with FX regulations or higher oil prices. Reform acceleration.		• Increased repatriation of export proceeds. Reform acceleration could also help bolster economic resilience to shocks.	• Rebuild buffers in line with Fund advice.

Annex III. External Sector Assessment

Overall Assessment: *The external position of CEMAC in 2023 was weaker than the level implied by fundamentals and desirable policies. A continued weak fiscal position and lower oil prices relative to 2022 are the main contributors to a level of reserves further below the assessed adequate level for the region and a widening of the estimated current account deficit —factors that persisted and even became more pronounced in 2024.Absent corrective measures, the reserve coverage and current account balance path should significantly worsen over the medium term.*

Potential Policy Responses: *Renewed concerted regional efforts are paramount to address fiscal imbalances and safeguard the region's external stability. Strengthening reserves requires sustained fiscal consolidation and improved compliance with foreign exchange regulations. Additionally, reaching agreements with the extractive sector on escrow accounts for oil site rehabilitation funds and timely completion of IMF-supported program reviews and Fund surveillance advice will help catalyze donor support and diversify financing. In the medium term, removing trade restrictions within the region can promote growth in non-oil sectors and reduce reliance on food imports. Pushing forward the steady implementation of long-standing structural reforms to improve the business environment and the competitiveness of the region is also essential to attract durable foreign capital inflows and encourage diversification to shield reserves from volatility in hydrocarbon markets.*

Foreign Assets and Liabilities and Reserves Level[1]

Background. CEMAC's **net foreign assets (NFA)** exhibited a downward trend throughout 2023, with a temporary rebound at the end of the year that brought the region's NFA to 4.7 percent of GDP (up from 4.6 percent in 2022). Data for 2024 indicates that the decline in NFA resumed in the first half of the year, reaching 3.9 percent of GDP by August. This decrease is primarily driven by a drop in foreign assets, which fell from 9.8 percent of GDP in 2022 to 8.5 percent by August 2024, while foreign liabilities remained steady at around 4.7 percent of GDP.

Within foreign assets, the region ended 2023 with **gross foreign reserves** at US$11.4 billion, equivalent to 4.3 months of imports of goods and non-factor services (GNFS). The 2023 reserve coverage is below the adequate level for a resource-rich monetary union (5 months). This reflects continued fiscal slippages and the deterioration of the current account (see below), which further weakened reserve coverage in 2024, estimated at 4.2 months. Over the medium term, assuming the reversal of recent fiscal slippages, a recommitment to gradually comply with the regions' convergence criteria, and a sustained and complete implementation of the FX regulation, reserves are projected to improve over the medium term.

The drop in oil prices and revised lower current account forecast is closely correlated with the decline in foreign assets—CEMAC's asset position has historically been strongly linked to hydrocarbon market cycles. Peak reserves were accumulated during the oil price boom preceding the Global Financial Crisis (GFC), but since then, weaker trade dynamics, lower oil prices, and the steady drawdown of government deposits at BEAC have limited further accumulation.

Assessment. A reserve coverage of five months of imports remains adequate for CEMAC, a resource-rich monetary union that is vulnerable to volatile commodity prices[2]. The risk of additional fiscal loosening materialized in 2023 bringing reserve coverage farther below the five-month benchmark. This is a risk to external sustainability in a context of oil price volatility and slowing trading partner demand. To bolster external reserves in the face of declining oil and gas prices, a two-pronged approach is needed: sustained fiscal consolidation consistent with Fund advice, alongside enhanced compliance with existing foreign exchange (FX) regulations, particularly among state-owned enterprises where compliance is still lacking.

Additionally, the availability of more frequent, and consistent external statistics, including for International Investment Position (IIP) data, would equip regional and national authorities with better tools to evaluate external risks and ensure sufficient reserve coverage.

Current Account

Background. CEMAC's current account balance (CAB) significantly deteriorated in 2023, falling to-0.4 percent of GDP at end-2023 from a surplus of 3.6 percent at end-2022. The CAB continued to deteriorate in 2024, falling to -1.2 percent of GDP. Two main factors contributed to this decline: lower hydrocarbon exports and worsening fiscal positions across the region. Oil exports significantly declined between 2022 and 2023, from 26.7 percent of GDP to 19.9 percent, driven by lower oil prices in 2023 and a contraction in hydrocarbon production. Through 2024Q3, oil prices continued to decline, reaching their lowest level in over a year in September. Similarly, oil exports continued to drop, falling to 18.2 percent of GDP in 2024. Over the medium term, the external position is expected to weaken further due to lower forecasted WEO oil prices. As a result, the current account deficit is projected to widen progressively, reaching 2.2 percent by 2029.

More structurally, CEMAC's CAB has been persistently negative, averaging -2.2 percent of GDP over the past decade. This fact is driven by several key factors: (i) sustained fiscal deficits; (ii) underdeveloped non-oil exports, hampered by low productivity, a lack of structural features that foster alternative industries (such as infrastructure and skilled human capital), and weak private sector credit mechanisms; (iii) poor governance and public investment management practices, which further limit productivity and undermine investor confidence; and (iv) a relatively restrictive capital control environment compared to peers. These factors are consistent with the prevalence of Dutch Disease effects in a region facing structural competitiveness issues.

Assessment. The staff assesses CEMAC's external position as weaker than the level implied by medium-term fundamentals and desirable policies. The EBA-lite CA model indicates an estimated CA gap of -2.8 percent of GDP, worsening from the estimated CA gap of -1.5 percent of GDP in 2022. The widening difference between the adjusted CA norm and the adjusted actual CA primarily reflects increased disparity between desirable and realized policy variables. Specifically, the decline in the accumulation of international reserves and the further deterioration in the fiscal balance have placed the region further from achieving desirable reserve growth and cyclically adjusted fiscal balance than in 2022. Closing the CA gap will require renewed, concerted regional efforts to address fiscal imbalances and redirect the reserve coverage path toward the adequate level.

CEMAC: EBA-lite Model Results, 2023

	CA model 1/	**REER model**
	(in percent of GDP)	
CA-Actual	**-0.4**	
Cyclical contributions (from model) (-)	0.2	
Additional temporary/statistical factors (-) 2/		
Natural disasters and conflicts (-)	0.2	
Adjusted CA	**-0.8**	
CA Norm (from model)	**2.0**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**2.0**	
CA Gap	**-2.8**	**-2.4**
o/w Relative policy gap	-1.4	
Elasticity	-0.2	
REER Gap (in percent)	**13.2**	**11.1**

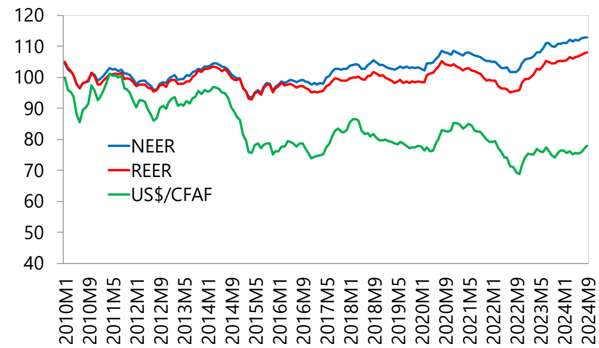
1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. In 2023, the real effective exchange rate (REER) appreciated by 6.7 percent, compared to 2 percent in 2022. This increase primarily reflected higher domestic inflation than in trading partners, even if inflation decreased from 6.5 percent at the end of 2022 to 4.7 percent at the end of 2023. In 2024, the REER continued to appreciate, while domestic inflation declined to an estimated 3.8 percent at the end of 2024. Over the longer term, the REER has remained broadly stable with annual fluctuations not exceeding 10 percent.

Figure 1. CEMAC: Real Effective Exchange Rates

(CPI based; 2010=100)



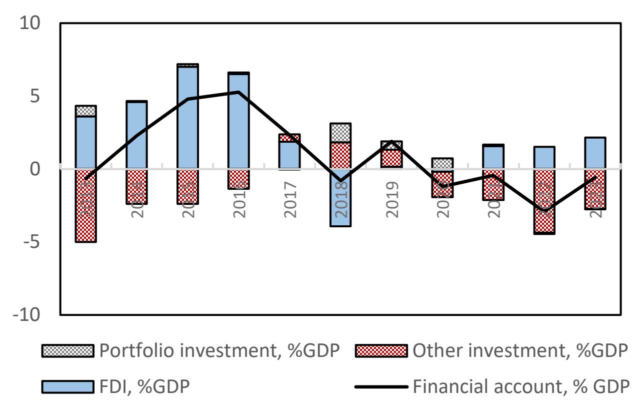
Source: CEMAC authorities and IMF staff calculations.

Assessment. The EBA-lite CA model estimates an overvaluation of 13.2 percent in 2023. This point estimate is qualitatively consistent with that of the REER model which suggests an overvaluation of 11.2 percent in the same year. Based on these results, staff assesses the REER to be overvalued. Weak non-price competitiveness measures such as governance and doing business that have shown little improvement over the last years further support the assessment. Correcting the estimated REER overvaluation requires structural reforms that improve competitiveness in the medium term.

Capital and Financial Accounts: Flows and Policy Measures

Background. In 2023, CEMAC's financial inflows began to recover (-0.9 percent of GDP), and continued to do so in 2024, after hitting its lowest level in 5 years in 2022 (-2.5 percent). The improvement is attributed to the recovery of foreign direct investment (FDI) and a sharp drop in long-term other investment outflows. Over the medium term, net capital inflows are expected to continue rising through lower debt repayments starting in 2024, while FDI is expected to stabilize at around 2 percent of GDP—significantly below the region's pre-2017 long-term average of 5.5 percent. The decline in oil prices from 2014 to 2017, political instability in some member states, stricter capital controls introduced in 2018, and a challenging investment climate marked by weak infrastructure and governance issues discouraged external investors, driving FDI to its lowest recorded level (-3.9 percent). Since then, financial inflows have remained subdued. Both private and official capital flows remain subject to significant uncertainty.

Figure 2. CEMAC: Financial Account



Sources: CEMAC authorities; and IMF staff calculations.

Assessment. Net financial inflows are projected to recover modestly in the medium term, reaching 2.3 percent of GDP by 2029 amidst a slight drop in FDI inflows as a share of GDP from 2.16 percent of GDP in 2023 to 1.8 percent in 2027. The modest drop in FDI over the medium term is driven by subdued flows into the hydrocarbon sector, owing to the depletion of hydrocarbon resources and the potential realization of diminished oil and gas prices. However, risks to a steeper decline are high. In 2023, market perceptions of CEMAC countries were already mixed with growing concerns on public financial management in some member states, stricter capital control regulations, and political instability that could further hamper members' market access. In 2024, these concerns continued and intensified, partly due to the Congolese domestic debt reprofiling operation that took place in October 2024 (see Box 1). Attracting durable foreign capital inflows requires: (i) addressing fiscal imbalances; (ii) improving efficiency in enforcing FX regulations to process requests swiftly and smoothly; and (iii) advancing the steady implementation of long-standing structural reforms to enhance the business environment and regional competitiveness

[1] No comprehensive union-wide net international investment position (NIIP) is available, given disparities and significant lags in external data reporting among CEMAC Members. This precludes the use of the External Sustainability approach in this assessment. NIIP data is only available for Cameroon who reported -29.8 percent at end-2020.

[2] Cost-benefit scenario analysis indicates the optimal level of reserves for CEMAC could range between 6.3 to 9.7 months of imports depending on the scenario. In the case of CEMAC, to cover a two standard deviation current account shock, import coverage should amount to about 7 months of imports for the average country. See also CEMAC—Common Policies in Support of Member Countries Reform Programs—Staff Report and Statement by the Executive Director, IMF Country Report No. 21/21 and Dabla-Norris, E. J, I. Kim, and K. Shoran, "Optimal Precautionary Reserves for Low-Income Countries: A Cost-Benefits Analysis" IMF Working Paper 11/249, 2011.

Annex IV. Response to Past IMF Advice

2023 Regional Consultation Recommendations		CEMAC Authorities' Response
Policy mix	• Tackle fiscal slippages and pursue fiscal consolidation, including through improved non-oil tax revenue mobilization and better management of tax compliance risks in the extractive sector. • Faster progress on other PFM reforms, notably on Treasury Single Accounts (TSA). • Gradually phasing out of inefficient untargeted subsidies, while rolling out targeted social safety nets to protect the most vulnerable. • Accelerate structural reforms implementation, including to improve governance, financial integrity, and diversify the region's economies away from oil price fluctuations.	• The non-oil primary fiscal balance (incl. grants) deteriorated more than projected at the time of the previous Article IV (1.2 percent of GDP lower than projected). Underlying fiscal positions are expected to improve slightly in 2024, thanks to subsidy reforms and subsequent structural fiscal measures, but well below the projected balance during the previous Article IV (by 1.3 percent of GDP). • BEAC has continued the implementation of its IT platform to facilitate the deployment of the Treasury Single Account (TSA) systems. This project is in the pilot phase in Cameroon and Gabon, with a full migration to the TSA system expected in2025. The migration will subsequently be extended to other member countries' treasuries. • Most CEMAC member countries have started phasing out fuel subsidies. • Progress was made, albeit rather slowly, on the region's reform agenda (second phase 2021–25), including linked to Fund-supported programs. The Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC)'s annual report points to some progress, with 62 percent of the action matrix implemented as of end- 2023Q4, up from 59 percent in 2023Q3.

2023 Regional Consultation Recommendations		CEMAC Authorities' Response
Monetary policy and safeguards reform	• Consider further policy rate hikes if additional evidence of rising inflation or deviations from the targeted reserve path. • Gradually raise the rates on liquidity-absorbing operations and increase the volume of weekly liquidity absorption operations to absorb excess liquidity and strengthen monetary policy transmission. • Switch to a full allotment procedure to absorb excess liquidity more effectively, strengthen monetary policy transmission, and support reserve accumulation. • Engage with banks facing high liquidity needs before they become structurally dependent on BEAC support. • Continue to adjust haircuts on collateral to reflect risks and provision for potential losses to contain risks to BEAC's balance sheet. • Enforce the forex (FX) regulation to ensure full repatriations of export proceeds, notably by the public sector and continue discussions with operators and regional banks regarding the appropriate mechanism to repatriate both the extractive sector's required 35 percent of proceeds and the funds set aside for the rehabilitation of oil site (RES funds).	• BEAC maintained its main policy interest rate (the auction rate—TIAO) at 5.0 percent since March 2023 (a cumulative increase of 175 basis points since November 2021), with a tightening bias. • BEAC tightened refinancing conditions for banks by suspending active weekly liquidity injections on the money market at the beginning of March 2023, and began weekly liquidity absorption operations. BEAC resumed its liquidity injection operations in June 2024 to alleviate the increased volatility of liquidity conditions in the banking system. • BEAC's dialogue with banks and businesses helped to streamline the verification and approval process of FX requests over time. BEAC addressed the extractive sector's concerns about the draft model contract of the escrow account attached to the RES funds and looked forward to the new round of discussions solicited by the sector.

	2023 Regional Consultation Recommendations	CEMAC Authorities' Response
Macrofinancial linkages and the financial sector	• Sanction or take supervisory corrective actions when banks are systematically non-compliant with regulations within a short timeframe. • Strictly enforce BEAC's refinancing policies for liquidity-stressed banks. • Assess the adequacy of non-performing exposures' classification and provisioning rigorously. • Ensure that undercapitalized banks submit credible medium-term recapitalization plans within a short timeframe and establish a strategy for NPL reduction. • Recapitalize without a delay or resolve weak banks in a timely manner by national government. • Ensure that banks account for sovereign risk adequately. • Prioritize work agenda to focus on risk-based prudential and AML/CFT-compliance supervision, modernizing regulatory and risk management frameworks, and improving banks' governance. • Swiftly address COBAC's long-standing under-staffing issues and strengthen its supervisory capacity. • Address the segmentation of the government issuance market. • Monitor and manage new forms of risks posed by digital payments and assets. • BEAC and regional supervisors to promptly issue and transmit to the Fund a legal opinion regarding C.A.R.'s recent law allowing the tokenization of its resource wealth with mandatory payment use of crypto assets. • Zero risk weighting	• The resource constraints and understaffing issues are the main reasons explaining the significant reduction of onsite inspections in recent past years. • Bank exposure to the sovereign has remained excessively high, at about 31 percent of total assets at end-2023, up from 10 percent at end-2015, with several banks having exposure above 50 percent to CEMAC governments. • BEAC has committed to swiftly address COBAC longstanding understaffing issues. • Several regulatory projects are currently being completed, including COBAC regulations on AML/CFT that have been revised to incorporate recent FATF developments, notably the risk-based approach. The new COBAC regulation R2023/01 on AML/CFT entered into force in July 2024. • COBAC indicated that it continues to implement the recently adopted risk-based supervision. • COBAC has started some works on transposing the Basel framework with Fund support, including the transposition of the interest rate risk in the banking book (IRRBB) and the Basel III liquidity coverage ratio (LCR). COBAC continues to work closely with national and regional authorities (GABAC, BEAC) to address the strategic AML/CFT deficiencies identified in the evaluations of the CEMAC member states. • BVMAC launched its first composite stock index (BVMAC All Share Index) in December 2023 to enhance appeal to international investors. • BEAC is continuing its work on the legal opinion regarding the consistency of C.A.R.'s law with regional legal/regulatory frameworks.

	2023 Regional Consultation Recommendations	CEMAC Authorities' Response
Regional integration and convergence framework	• Step up concertation efforts with the UMAC ministerial council to swiftly bring back on track the adoption process of the draft sanction mechanism for breaches of regional surveillance rule. • Move ahead with the previously identified key prerequisites for strengthening compliance with the regional convergence criteria. • Put forward a harmonized view among the Commission, BEAC and PREF-CEMAC on the contemplated multilateral stabilization fund.	• The adoption of the draft sanction mechanism by the Conference of Heads of States is still pending. • The final Multilateral Surveillance Reports for 2022, as well as the provisional report for 2023, along with the perspectives for 2024 and 2025 (expected to be released in October 2024) were approved in April 2024.

Annex V. Data Issues

Annex V. Table 1. Central African Economic and Monetary Community: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	NA	C	NA	D	C	NA	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	NA	C	NA	D	C		
Granularity 3/	NA		NA	D	C		
			NA		B		
Consistency			NA	D		NA	
Frequency and Timeliness	NA	C	NA	D	D		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data weaknesses, particularly regarding monetary and financial statistics, are affecting staff's ability to conduct an in-depth analysis of macroeconomic and financial development and risks.

Changes since the last Article IV consultation. Overall, work is ongoing to address identified weaknesses, but in the meantime, data provision capacity has deteriorated.

Corrective actions and capacity development priorities. Efforts must be accelerated to significantly improve the quality and timeliness of monetary and financial statistics as well as external sector statistics. Staff regularly discuss data issues with the authorities during missions and coordinate with them to identify data-related CD priorities

Use of data and/or estimates different from official statistics in the Article IV consultation. N.A.

Other data gaps. Large gaps remain in some areas, such as climate change, poverty and social indicators.

Annex V. Table 2. Central African Economic and Monetary Community: Data Standards Initiatives

All CEMAC countries are e-GDDS participants. Cameroon, Chad, Equitorial Guinea and Gabon publish data on an National Summary Data Page (NSDP) while Central African Republic and the Republic of Congo have not launch an NSDP yet. Learn more here: https://dsbb.imf.org/

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

Yaoundé, 7th of February 2025

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, DC 20431
U.S.A.

<u>Subject:</u> Follow-up to the Letter of Support for the Recovery and Reform Programs Undertaken by the CEMAC Member Countries

Dear Ms. Georgieva:

This letter is a renewal of the assurances provided in June 2024 by the Community institutions in support of the economic recovery and reform programs undertaken by the member states of the countries of the Central African Economic and Monetary Community (CEMAC). It reflects the commitments made during discussions held as part of the regional consultations on October 29–November 12, 2024, December 18–19, 2024, and January 7, 2025, between the staff of the International Monetary Fund (IMF) and the CEMAC institutions.

The macroeconomic outlook for CEMAC has weakened somewhat amid increasing uncertainties. After a slowdown in 2023 (2.0 percent compared to 3.0 percent in 2022), real GDP growth is reached 2.7 percent [1]in 2024, mainly due to the strength of domestic demand and the activities of the non-oil sector (agriculture, construction, manufacturing and market services). This positive trend should continue in 2025 with growth reaching 3.2 percent, driven by the performance of all sectors, notwithstanding the recessionary effects of fiscal consolidation. Although declining (from an annual average of 5.6 percent at end-2023 to around 4.4 percent at end-2024), it [2]remains above the 3 percent community standard. The current account surplus narrowed further to 1.1 percent of GDP in 2024, from 1.4 percent in 2023 and 5.7 percent in 2022, due to lower oil prices.

[1] According to the IMF, the growth rate stood at 3.2 percent in 2024, following 2.5 percent in 2023 and 3.3 percent in 2022, in line with sustained public demand and robust oil production. By 2025, it is expected to return to 2.5 percent due to fiscal consolidation efforts, despite positive oil sector growth.

[2] Inflation fell from 4.8 percent at end-2023 to around 3.8 percent at end-2024, according to the IMF.

Despite the rise in oil prices in 2022, the Central Bank's net foreign assets (NFA) recorded a significant decline of 25 percent between April 2023 and October 2024. Gross reserves fell by 14 percent over the period, lowering reserve coverage by about 0.1 months of imports between 2023 and 2024. Total reserve coverage by end-2024 is estimated at around 4.2 months of imports of goods and services, a level that could however be undermined by the volatility of oil prices and the slowdown in demand from trading partners. The regional NFA target for end-June 2024 (EUR 4.5 billion) was narrowly missed with a gap of EUR 0.07 billion.

Management of fiscal balances resulted in a small surplus of 0.3 percent of GDP in 2024, compared to -0.3 percent of GDP in 2023 and 2.2 percent in 2022. However, the non-oil primary fiscal balance deficit remains high at 6.8 percent[3] of GDP in 2024, despite efforts to improve it, with marked disparities among the countries in the subregion.

Although CEMAC's public debt ratio declined slightly to 47.3 percent of GDP in 2024, the overall debt situation deteriorated. Indeed, the ratio of debt service to total budget revenues, nevertheless increased, from 45.5 percent in 2023 to nearly 47.5 percent in 2024, reflecting in particular the rise in borrowing costs. This has increased the vulnerabilities of some countries, as evidenced by the recent payment incidents in the government securities market and the increase in arrears.

Liquidity pressures have intensified significantly in recent months. BEAC resumed weekly liquidity injections in June 2024 to mitigate the higher volatility of liquidity conditions in the banking system. The Central Bank increased its injections to about CFAF 260 billion at end-September 2024, compared to about CFAF 90 billion at end-June 2024. Oversubscription rates in weekly operations (exceeding 175 percent during the last operation in September) underscore the intensity of pressures facing banks. However, from October to December 2024, the average subscription rate stood at 91.29 percent for a volume of injections of 200 billion CFA as of the end of December 2024.

Recent fiscal developments have increased risks of debt distress and weakened the external position. Thus, during their extraordinary summit of December 16, 2024, the CEMAC Heads of State renewed their commitments to: (i) pursue fiscal policies consistent with debt sustainability and the external position of CEMAC; (ii) strengthen the independence of the central bank, COBAC and other regional institutions; (iii) take strong measures to reduce banks' over-exposure to the sovereign and further establish the COBAC's credibility as banking supervisor; (iv) ensure and reinforce the effective, uniform, and predictable enforcement of the foreign exchange regulations, particularly through the prompt repatriation of foreign exchange, and more specifically the signing of escrow account agreements for the domiciliation of funds for the restoration of oil and mining sites (RES funds) by April 30, 2025; (v) accelerate structural reforms; and (vi) ensure transparency and reliability of fiscal, economic and financial data.

[3] According to the IMF, the non-oil primary fiscal balance is expected to widen to around -7.7 percent of GDP, compared to -7.1 percent in 2023.

The economic outlook will depend on these commitments, and decisive corrective actions to address recurrent fiscal slippages in some member countries, and an acceleration of reform implementation under Fund-supported programs and the CEMAC Economic and Financial Reform Program (PREF-CEMAC). The outlook is also subject to increased uncertainties, related to oil price volatility, persistent inflationary pressures, the impact of climate change, the tightening of global financial conditions that raises the risks of refinancing and debt distress, as well as the risks of escalation of tensions geopolitical, food security, and financial instability. The recovery could nevertheless benefit from the timely conclusion of reviews of ongoing Fund-supported programs, as well as the predictable disbursement of budget support from other development partners, given the scale of the Financing requirements of the subregion. To this end, the countries and development partners should work together to ensure greater predictability of budget support disbursements, including the financing pledges made during the roundtable of donors held in Paris in November 2023 for the second generation of CEMAC priority integration projects. The outlook will also hinge on certain regional developments, particularly in connection with the security and sociopolitical situation in some CEMAC countries, as well as any humanitarian and security repercussions of the ongoing crises in the neighboring countries.

Despite this uncertain macroeconomic context, based on the commitments made by the extraordinary Conference of CEMAC Heads of State of December 16, 2024, and in accordance with its mandate, BEAC will continue to implement the measures needed to strengthen both the external and internal stability of the region.

Monetary Policy and Liquidity Management

BEAC will continue to maintain a tight, data-dependent monetary policy that can respond quickly to economic developments. Despite the encouraging signs that inflation is decelerating, the BEAC will remain vigilant and will consider easing monetary policy only once the deceleration of inflation is firmly anchored towards the 3 percent target and the risks to external stability have abated.

BEAC plans to maintain its weekly refinancing operations to ease liquidity pressures in the banking system. Indeed, banks continue to use the marginal lending facility window, reflecting an increased need for liquidity. BEAC could consider conducting its active liquidity injection operations through a *fixed-rate full-allotment* procedure, taking into account market conditions and macroeconomic conditions, in order to strengthen monetary policy transmission.

At the same time, excess liquidity in the banking system has remained volatile, although the downward trend observed since last year slowed in the third quarter. After a sharp contraction to CFAF 531 billion at end-July 2024 (compared to CFAF 814 billion at end-June 2024), excess reserves reached about CFAF 895 billion at end-September 2024, well below end-2023 levels (CFAF 1000 billion). In the context of the downturn in the liquidity situation, the Central Bank suspended the issuance of short-term BEAC debt securities ("BEAC Bills"). In addition, in collaboration with COBAC, it will strictly enforce the prudential regulation on concentration limits. The issue of zero-weighting for new government securities issuances backed by an escrow account system is currently under review by COBAC, which will submit its conclusions to the UMAC Ministerial Committee.

Foreign Exchange Regulations

The BEAC will also continue to pursue a full and transparent implementation of the foreign exchange regulations. The efforts deployed so far have led to an improved compliance of foreign exchange regulations by commercial banks, as confirmed by key indicators such as the effective surrender rate and processing times for foreign exchange surrender, which improved in 2024.
To consolidate the gains, BEAC will further strengthen its cooperation with member states to ensure public and extractive sectors' compliance with the foreign exchange repatriation and surrendering requirements. Regarding the restoration funds for oil sites (RES fund), BEAC will continue discussions with the extractive sector to finalize the framework escrow account agreement governing the opening and operation of escrow accounts in which these funds will be domiciliated. Discussions are ongoing with the extractive sector on the outstanding issues, including the terms of dispute settlement. In addition, the Conference of Heads of State of December 16, 2024, invited the IMF, the World Bank, and all the other partners to support CEMAC member states and BEAC in the process of repatriating and domiciliating oil revenues.

Public Financial Management

BEAC stepped up its efforts to promote stronger public financial management. To this end, it has established an IT platform to facilitate the implementation of Treasury Single Accounts (TSAs). Although the pilot phase in Cameroon and Gabon encountered some technical delays, the system is expected to be put into production by the third quarter of 2025. This initiative will then be gradually extended to the treasuries of the other Member States.

Regional Government Securities Market

The regional government securities market has recently experienced tensions, resulting in difficulties in managing peak debt repayment in 2025 and 2026 for some states. Against this backdrop, the Congolese authorities embarked on a program of voluntary (over-the-counter) exchanges of their securities, in October 2024 (Programme National d'Optimisation de la Trésorerie – PNOT), with the aim of extending the maturity of their entire portfolio and smoothing out their repayment obligations over time, thereby reducing cash flow pressures.

As of January 27, 2025, BEAC had executed securities exchanges for a total amount of CFAF 914.7173 billion. Regarding the PNOT, BEAC had not exchanged any securities as of January 29, 2025, and does not plan to exchange any securities from its portfolio under this program, in accordance with its investment policy and the direction of its monetary policy.

Banking Supervision and Regulation

Regarding banking supervision, in July 2022, the COBAC lifted the transitional forbearance measures taken during the COVID-19 pandemic. In June 2023, COBAC also lifted the suspension on dividend distributions, authorizing a dividend distribution for the first time in three years. In the coming years, COBAC will continue to apply the relevant regulatory provisions before authorizing dividend distribution. However, some indicators of banking sector soundness deteriorated by the end of 2023. The banking sector remains fragile, with numerous breaches of prudential standards.

BEAC and COBAC are working together to review the refinancing plans of banks structurally dependent on BEAC refinancing, and are committed to tightening their refinancing conditionality. The two institutions are also committed to closely monitoring the risk associated with banks' exposure to the sovereign and to taking adequate measures to control it, including the phasing out of systematic zero weights for new government securities issuances.

The support of the States will be required to strengthen state-owned banks and for swiftly implementing, together with their submission to the CEMAC Commission, comprehensive strategies for clearing domestic payment arrears, which will have to be based on the principles of transparency, and supported by measures to strengthen public financial management with a view to avoiding the resurgence of new payment arrears that threaten financial stability. The support of the countries will also be essential to ensure that sovereign risk is reduced on bank balance sheets.

Based on the commitment and support of the member states expressed at the Extraordinary Conference of Heads of State in December 2024, BEAC and COBAC provide the following assurances:

- *Human resources*. BEAC is working to address the understaffing at COBAC as quickly as possible. Based on the needs already expressed by the COBAC Secretariat, BEAC is committed to launching a specific recruitment process for COBAC by June 2025 to enable it to effectively carry out its missions. Moreover, the SG-COBAC will submit to BEAC an assessment of its human resources needs over five years by the end of the first half of 2025. BEAC will review this assessment and, if necessary, provide the SG COBAC with the corresponding human resources by June 2026, aiming to fill two-thirds of the required positions by December 2025. Thus, COBAC will ensure the intensification of on-site inspections, the acceleration of resolution procedures for undercapitalized banks and financing plans for banks structurally dependent on BEAC funding. It will also strengthen AML/CFT supervision and the regulatory framework, including gradually enforcing sanctions and requiring undercapitalized banks to submit credible recapitalization plans within a short time frame, in compliance with existing regulations.

- *Regulatory framework*. With the additional staff received, COBAC is committed to modernizing the regulatory framework for banking supervision and resolution. In line with its strategic plan, COBAC will complete by December 2025 a framework document outlining the objectives of a reform to strengthen CEMAC's supervision and resolution framework, in consultation with the IMF and other partners. This framework document will serve as the basis for preparing a modern banking law proposal that will align CEMAC's convention and regulations with international best practices, to be submitted for approval to the UMAC Ministerial Committee in 2026.

Framework for New Means of Payment and Digital Assets

Regional institutions continue to monitor crypto asset risks in the sub-region. The regional supervisors (BEAC, COBAC, COSUMAF and GABAC) will work jointly to develop a consistent and adequate regulatory framework for crypto assets. In addition, BEAC is still examining the compliance of Law No. 23-010 of July 24, 2023, regulating the tokenization of natural and land resources in the Central African Republic, with community regulations— particularly regarding the use of virtual currencies in transactions, the exclusive right to issue currency within CEMAC, and their potential effects on financial integrity, governance, consumer protection, and compliance with AML/CFT standards in CEMAC.[4]

BEAC will reconfigure the working group to continue discussions on a central bank digital currency (CBDC), in coordination with the other subregional institutions (COBAC, COSUMAF, GABAC) with the aim of developing a coherent and appropriate regulatory framework to monitor and manage the new risks associated with the emergence of digital payment methods. In this regard, BEAC is awaiting the technical assistance requested from the IMF.

Regional Policy Assurances on NFA

In 2024, NFA exhibited a downward trend. Their level in June 2024 was 0.07 billion euros below the target set at 4.5 billion euros, and preliminary information indicates that the same will be true for the December 2024 target. This development reflects the weakening of CEMAC's external position, which deteriorated in 2024 due to a decline in oil and gas exports. The aforementioned measures, including those aimed at addressing recurring fiscal slippages in some member states, should contribute to the consolidation of NFA by 2025. Similarly, the acceleration of structural reforms, the strengthening of transparency and governance by member countries, and the materialization of budget support from development partners within the framework of ongoing IMF-supported programs should reinforce this momentum. BEAC is also committed to intensifying efforts to monitor public and extractive sectors' compliance with foreign exchange regulations. Member states should also ensure that all public entities fully repatriate all their deposits held abroad. These efforts, combined with continued constructive dialogue to ensure full implementation of the foreign exchange regulations, should lead to a more diligent repatriation of foreign exchange. Under these conditions, the region is expected to record an accumulation of NFA in the first half of 2025, reaching an average minimum baseline value of EUR 4.5 billion in the first quarter of 2025 and EUR 4.7 billion in the second quarter of 2025 [5]. The amounts correspond to the targets for end-March 2025 and end-June 2025. BEAC proposes, on an exceptional basis, to introduce the March

[4] The delay in processing this law is justified by the need to extend the discussions to COSUMAF, allowing it to take ownership of the matter and provide a conclusion on its compliance with the relevant community frameworks.

[5] Starting in December 2024, to mitigate the high volatility in the evolution of NFA and better understand the underlying trend, the NFA target will be assessed based on the average of monthly NFA outcomes over the three months preceding the test date.

2025 target to ensure progress and provide regional policy assurances to countries under IMF programs, following the challenges encountered in 2024.

Regional Surveillance

To expedite the adoption of the new sanction mechanism for violations of multilateral surveillance rules, BEAC will work closely with the CEMAC Commission and the PREF-CEMAC Permanent Secretariat. Following its reconsideration at the UEAC Council of Ministers in March 2023, the CEMAC Commission will quickly organize consultations with the other community institutions (BEAC, BDEAC, BVMAC, COBAC, and COSUMAF) in order to finalize the revised draft. The aim is to enable its adoption by the competent bodies in 2025. The effective operationalization of this mechanism is essential to enhance the credibility and effectiveness of the multilateral surveillance framework, particularly as member countries continue to struggle to comply with convergence criteria despite the favorable evolution of oil prices.

Data Sharing

BEAC and COBAC reiterated their commitment to broaden the range of economic and financial statistics included in the December 2023 letter of assurance, and to share them with IMF staff for close monitoring of macroeconomic developments. COBAC will also provide IMF staff with all the necessary information every six months, at least two months before the review mission, to enable close monitoring of the soundness of the banking system. In addition, with the agreement of the member states, BEAC will share with the IMF Statistics Department by March 2025, the data on foreign exchange reserves, including a breakdown of statistics by country for the calculation of quota shares for 2023.

Program Monitoring

BEAC will diligently monitor the development of CEMAC countries' programs through regular updates to the competent bodies (the Board of Directors, Ministerial Committee, and the CEMAC Economic and Financial Reform Program (PREF-CEMAC)). It will also continue to work closely with IMF staff to support the regional strategy aimed at fostering economic growth consolidation. It stands ready to notify and consult IMF staff in a timely manner on economic developments likely to affect the external stability of CEMAC, by end-June and December 2025, and to take any corrective measures, including in the area of monetary policy, that may be required in the event of any adverse developments.

I remain available to work alongside the CEMAC member countries, and in partnership with the IMF, with the aim of achieving sustainable growth and restoring macroeconomic balances in the subregion. Please accept, **Madame Managing Director**, the expression of my highest consideration.

/s/

Yvon SANA BANGUI

Statement by Mr. Regis O. N'Sonde, Executive Director for Member Countries of the Central African Economic and Monetary Community and Mr. Thierry Paul Nguema-Affane, Senior Advisor to the Executive Director

February 24, 2025

On behalf of our CEMAC authorities, we thank the IMF Executive Board, Management and staff for their support to the member countries and regional institutions of CEMAC. The regional authorities appreciate the productive discussions held with staff over the past few months and view the staff report as an accurate account of those exchanges. The authorities broadly agree with the staff's policy recommendations to strengthen macro-financial stability in the region.

I. INTRODUCTION AND BACKGROUND

It is in the context of challenging macroeconomic circumstances, including declining net foreign assets (NFA), that an extraordinary Conference of CEMAC Heads of State was held on December 16, 2024, in Yaoundé, Cameroon to, among other things, reaffirm their commitment to the strategy to strengthen the region's external and internal stability.

In particular, during the Extraordinary Conference, the CEMAC Heads of State renewed their commitment to: (i) pursue fiscal policies aimed at improving debt sustainability and the external position of the CEMAC; (ii) strengthen the independence and capacity of the regional central bank BEAC, the banking commission COBAC and other regional institutions; (iii) take strong measures to reduce excessive banks' sovereign exposure and further enhance COBAC's credibility as the banking supervisor; (iv) ensure and strengthen the full application of the foreign exchange regulations, notably through the diligent repatriation of foreign currency, and more particularly the signing, before April 30, 2025, of escrow account agreements for the domiciliation of oil and mining site restoration funds (RES funds); (v) accelerate structural reforms, including through IMF-supported programs and the CEMAC Economic and Financial Reform Program (CEMAC-PREF); and (vi) ensuring the transparency and reliability of budgetary, economic and financial data. Implementing these commitments is expected to reverse the current downward trend of NFA observed since April 2023.

II. RECENT DEVELOPMENTS AND PROSPECTS

The economic growth rate in CEMAC increased to 2.7 percent in 2024, driven by strong domestic demand and non-oil sector activities, notably agriculture, construction, manufacturing, and market services. Inflation continued to decline in 2024 to around 4 percent with lower global prices but remains above the regional convergence criterion of 3 percent. The current account balance contracted due to lower oil prices. The NFA target for end-June 2024 (€4.5 billion) was narrowly missed by €0.07 billion, and preliminary information indicates that the same is true for the December 2024 target. This reflects the weakening of CEMAC's external position, which deteriorated in 2024 due to a decline in oil and gas exports. Total reserve coverage fell by about

0.1 months to 4.2 months of imports of goods and services at the end of 2024. The regional banking sector is still fragile and remains highly exposed to the sovereign. Some CEMAC countries are making plans to address weak banks and appropriately tackle the bank-sovereign nexus.

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The regional authorities assess a better fiscal position than staff's estimates for 2024 but agree that debt vulnerabilities have increased in view of large debt repayments scheduled in 2025 and 2026 amid tight global and regional financial conditions. While the region's primary fiscal balance remains positive, the non-oil primary fiscal deficit remains elevated, with strong disparities between countries in the sub-region. Although the overall debt-to-GDP ratio decreased slightly in 2024, the debt service to total fiscal revenue ratio has increased, reflecting in particular the increase in borrowing costs. In addition, payment incidents on the government securities market were recorded due to difficulties in managing debt service peaks in 2024-2026 for some countries. The increased debt vulnerabilities amid high banks' sovereign exposure have augmented refinancing risks in the government securities market. This context prompted Congo, which faced a heavy debt schedule, to undertake a debt reprofiling operation in October 2024 to extend the maturity of its government securities.

Some progress is being made on the structural front although more remains to be done. The implementation of action matrix of the PREF-CEMAC is steadily advancing with an execution rate of 65 percent in October 2024 against 62 percent at end-2023. The UMAC Ministerial Council adopted in October 2024 the Guidelines for Economic Policies (GOPE) for CEMAC member countries and regional institutions for 2025 to improve regional coordination of economic policies. However, the implementation of an IT platform at BEAC to facilitate the implementation of the Treasury Single Accounts (TSAs) in the two pilot countries Cameroon and Gabon has encountered some technical difficulties, delaying its full launch from end-2024 to the third quarter of 2025.

The macroeconomic outlook for CEMAC is positive considering renewed high-level political commitment to the regional strategy. Contrary to IMF staff, the authorities expect the growth trend to continue in 2025, with growth expected to reach 3.2 percent, supported by good performance in all sectors, notwithstanding the recessionary effects of fiscal consolidation efforts. The disinflation process is expected to continue in 2025. The outlook is subject to increased uncertainty, particularly related to oil price volatility, the persistence of inflationary pressures, the impact of climate change, the tightening of global financial conditions which increases the risks of refinancing and debt distress, as well as the risks of escalating geopolitical tensions, food insecurity and financial instability. At the regional level, risks related to the security and socio-political situation in some CEMAC countries, as well as the possible humanitarian and security repercussions of crises in neighboring countries, remain high. The materialization of those risks could delay the return of inflation to below 3 percent in 2025 as projected by BEAC.

The regional authorities agree that the economic outlook remains dependent on the effective implementation of commitments made by the Heads of State, and timely conclusion of the ongoing Fund-supported programs reviews, as well as the predictable disbursement of budget support from other development partners, given the large financing needs of the region. Also, important is a timely fulfillment of funding pledges made at the donor roundtable in Paris in November 2023 for the second generation of CEMAC priority integration projects. The regional authorities stress the importance of further strengthening public finances and debt management to increase fiscal space for priority spending. They agree that member countries need to accelerate structural reforms to boost CEMAC's growth potential, notably by strengthening governance, improving the business climate, diversifying the economy and fostering private sector development.

III. REGIONAL POLICIES IN SUPPORT OF REFORM PROGRAMS IN CEMAC COUNTRIES

Despite a macroeconomic context marked by uncertainty, all regional institutions will continue to implement the necessary measures to support countries' reform programs, strengthen their capacities and institutional and operational frameworks, and advance the regional strategy in line with the commitments of Heads of State, and in accordance with their respective mandates. They will continue to share economic and financial statistics with IMF for close monitoring of macroeconomic developments, including country-specific foreign exchange reserve data needed for the calculation of IMF quotas.

Monetary Policy and Liquidity Management

The regional central bank BEAC will continue a data-driven monetary policy and active liquidity management to preserve the internal and external stability of the currency

In view of heightened uncertainty, BEAC's monetary policy committee kept the policy rates unchanged in its September 2024 meeting, thereby maintaining the restrictive monetary policy stance. In view of tight liquidity conditions for most banks, BEAC resumed its weekly liquidity injections in June 2024, which will also mitigate the increased volatility of liquidity conditions in the banking system. Also, the central bank suspended the issuance of its short-term debt securities which had limited success in mopping up excess liquidity, which is mainly detained by a few banks that are subsidiaries of international banks and are not very active in the regional money market. The central bank plans to maintain its weekly refinancing operations to ease liquidity pressures in the banking system. BEAC could possibly consider carrying out its active liquidity injection operations through a full- allotment procedure at a fixed rate, considering market conditions and the macroeconomic situation, in order to strengthen the transmission of monetary policy.

BEAC will continue to pursue a full and transparent implementation of foreign exchange regulations. Progress was made in the effective retrocession rate and processing times for foreign exchange in 2024. To consolidate the gains, BEAC will further strengthen its cooperation with countries to ensure the compliance of the public and extractive sectors with the obligation to repatriate and return foreign currency. Regarding the petroleum site restoration funds (RES funds), discussions are continuing with the extractive sector on the outstanding points concerning the model agreement governing the opening and operation of the escrow accounts in which these funds will be domiciled, including the terms of dispute settlement. The signing of agreements is expected by April 2025. The regional authorities note that this reform should also be accompanied by an effective operationalization of the regional import-substitution strategy to limit the pressure exerted on foreign exchange reserves by imports of goods also produced within the CEMAC.

Banking Supervision and Regulation

BEAC and the regional banking commission COBAC are actively working towards addressing the large human resources needs in the two institutions. A recruitment process to strengthen human capacities at COBAC has already been launched and should bring in substantial additional specialist staff by the end of 2025. Thus, with such additional resources, COBAC will ensure that on-site inspection missions are intensified, and the resolution procedures of undercapitalized banks are accelerated. Additionally, AML/CFT supervision and the regulatory framework will be strengthened, including by gradually applying sanctions, and requiring undercapitalized banks to submit credible recapitalization plans within a short timeframe, in accordance with existing regulations.

BEAC and COBAC are already working together to examine the refinancing plans of banks in a situation of structural dependence on the BEAC's refinancing and are committed to tightening the conditions of their refinancing. The two institutions also commit to closely monitoring the risk associated with banks' sovereign exposure and taking appropriate measures. In addition, COBAC will ensure strict application of prudential regulations on concentration limits. COBAC is examining a gradual elimination of the zero- risk weight for new issues of government securities backed by an escrow account arrangement and will submit the conclusions to the Ministerial Committee of the UMAC. The regional authorities stress that support from member countries will be needed to strengthen state-owned banks and implement very quickly comprehensive strategies for clearing domestic payment arrears and measures to avoid the recurrence of new arrears that affect financial stability. Member countries' support will also be essential to ensure the reduction of sovereign risk on bank balance sheets.

The regional supervisors (BEAC, COBAC, the capital market commission COSUMAF and the anti-money laundering body GABAC) continue to monitor the risks related to digital payments and assets in the region. They will work together to develop coherent and appropriate regulatory frameworks governing these digital assets and a possible digital currency. BEAC has requested technical support from the IMF regarding its digital currency project.

Multilateral Surveillance and Program Monitoring

In order to strengthen the credibility and effectiveness of the **multilateral surveillance** framework, the CEMAC Commission will consult other regional institutions to finalize the revised draft of the new sanctions' mechanism envisaged for breaches of the rules of multilateral surveillance for its adoption by the competent bodies in 2025.

Policy Assurance on Net Foreign Assets and Financial Stability

The above-mentioned measures, including those aimed at improving the fiscal position in some member countries, ensuring full repatriation of foreign deposits by public entities, concluding discussions on RES Funds, and ensuring timely delivery of budget support from development partners under the ongoing IMF-supported programs, are expected to contribute to the consolidation of NFAs in 2025. Under these conditions, the region is expected to record an accumulation of NFAs in the first half of 2025 to reach an average minimum reference value of €4.5 billion in the first quarter of 2025, and €4.7 billion in the second quarter of 2025. These amounts correspond to the targets for the end of March 2025 and the end of June 2025. The March 2025 target is introduced, on an exceptional basis, to ensure progress and provide regional assurances to countries on a program with the IMF, following the challenges encountered in 2024.

BEAC and COBAC provide two assurances on financial stability. First, they commit to reduce COBAC's human resources deficit as quickly as possible by the end of 2025, to enable it to effectively carry out its missions. Second, COBAC will complete by December 2025, in consultation with the IMF and other partners, a framework document that will serve to prepare a modern banking bill that will align CEMAC conventions and regulations with international best practices.