INTERNATIONAL MONETARY FUND

IMF Country Report No. 15/222

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

COMMON POLICIES OF MEMBER COUNTRIES—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR

August 2015

This staff report on discussions with regional institutions of the Central African Economic and Monetary Community (CEMAC) was prepared by a staff team of the International Monetary Fund in the context of the periodic regional surveillance of the CEMAC. The regional perspective of such discussions is intended to strengthen the bilateral discussions that the IMF holds with the members in the region under Article IV of the IMF's Articles of Agreement. The following documents have been released and are included in the package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 17, 2015 discussion of the staff report.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 17, 2015, following discussions with regional institutions that ended on May 7, 2015. Based on information available at the time of these discussions, the staff report was completed on July 1, 2015.
- An **Informational Annex** prepared by the IMF staff
- A **Statement by the Executive Director**

The documents listed below will be separately released.

Selected Issues

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International Monetary Fund
Washington, D.C.

Press Release No. 15/354
FOR IMMEDIATE RELEASE
July 24, 2015

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes Annual Discussions on CEMAC Countries' Common Policies

On July 17, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the annual discussions on Common Policies and Challenges of Member Countries with the Central African Economic and Monetary Community (CEMAC).[1]

CEMAC growth remained robust in 2014, but the full effect of the oil-price shock will be felt in 2015. Regional growth is estimated to have reached 4.7 percent, driven by an increase in oil production and the continuation of public investment programs. Nonetheless, growth in 2015 is projected to slow down to 2.8 percent, mostly because of lower public investment. Inflation remains below the regional inflation criterion of 3 percent. The regional fiscal deficit is estimated to have widened to 5.0 percent of regional GDP in 2014 and is projected to deteriorate to 5.7 percent in 2015. The current account deficit, meanwhile, is estimated to have reached 3.8 percent of GDP in 2014 and is projected to widen to 5.8 percent in 2015, as oil exports are expected to decline and investment-related imports to remain significant. Reserve adequacy remains adequate.

CEMAC countries have reacted differently to this new economic context with most countries scaling back their spending plans by reducing public investment and limiting current expenditure. All countries have also sought advances from the regional central bank. As a result of these and other debt-related developments, regional public debt is rising.

[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 consultation discussion, 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, the 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. 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's authorities. An explanation of any qualifiers used in summing up can be found here: http:www.imf.org/external/np/sec/misc/qualifiers.htm.

Medium-term prospects for CEMAC are uncertain. Despite their recent stabilization, oil prices are projected to remain well below pre-shock levels in the medium term. In addition, oil production is projected to start falling after 2017. This puts the burden of ensuring macroeconomic sustainability on boosting non-oil revenue, prudent public spending, and improving the competitiveness of the non-oil economy. The fall in imports related to the public investment programs will contribute to improving current accounts. Because of the magnitude of the required adjustment, maintaining this course of action will be a challenge. Moreover, a relapse in the security situation in the Lake Chad region or in the Central African Republic could curtail efforts to invest in regional infrastructure—a key factor for non-oil growth—and could weaken an already difficult business climate. In this context, CEMAC's main challenge is to embark on an ambitious reform agenda to underpin macroeconomic stability and better support sustainable and inclusive growth. The regional institutions should be the cornerstones of this effort.

Executive Board Assessment[2]

Executive Directors welcomed CEMAC's robust growth performance in 2014, but noted that the region's prospects have been adversely impacted by the slump in oil prices and heightened security risks. Directors agreed that to deal with this challenging situation, ambitious reforms are needed to strengthen the macroeconomic and financial policy mix, facilitate the transition to more broad-based and inclusive growth, and boost CEMAC countries' external competitiveness and resilience to shocks. Fund and development partners' technical assistance will need to support the region's reform efforts.

Directors stressed the importance of timely fiscal consolidation to ensure macroeconomic stability. They welcomed the efforts already being made by many CEMAC members, and emphasized that the adjustment should be growth-friendly, with careful investment prioritization, while improving efficiency and safeguarding priority social spending. Directors agreed that the regional surveillance framework needs to be strengthened. They welcomed ongoing reform efforts, and encouraged the authorities to aim for a budget rule that is simple and transparent, and a lower public debt ceiling, consistent with safeguarding sustainability. Creation of a regional fiscal unit to help monitor, evaluate, and coordinate national policies will also be important. Directors also called for continued progress with the implementation of CEMAC-wide public financial management directives.

Directors encouraged the authorities to accelerate the reform of the monetary policy framework to improve transmission channels and better manage systemic liquidity. They welcomed progress in establishing a liquidity forecasting framework and efforts to reactivate the interbank market, and noted that the transition toward a market-based monetary policy should be aided by the development of local debt markets and a more active interbank market. Although reserve levels remain broadly adequate, Directors stressed the importance of full compliance with the pooling of foreign exchange earnings with the regional central bank (BEAC). They also called for stepped-up efforts to implement outstanding safeguards recommendations.

Directors acknowledged progress in adopting new banking regulations, and looked forward to a well-sequenced plan to implement the recommendations of the 2015 FSAP Update. They advised continued upgrading of prudential regulations and their prompt publication; undertaking an asset quality review of bank assets; introduction of a new bank resolution mechanism; and strengthened cross-border supervision and enforcement. Directors also encouraged efforts to promote financial sector development and inclusion. They welcomed the provision of increased human and financial resources for the regional bank regulator (COBAC), and supported capacity-building assistance.

Directors highlighted the important role that greater regional integration could play in boosting non-oil growth and accelerating poverty reduction. Trade within CEMAC should be facilitated by reducing non-trade barriers, and harmonizing customs procedures, taxes on goods and services, and technical standards. Concerted national and regional efforts to improve competitiveness and the business climate, enhance investor protections, and strengthen regional institutions should also be important priorities.

Directors emphasized the need to improve the quality and timeliness of regional and national statistics, and supported the provision of technical assistance.

The views expressed by Executive Directors today will form part of the Article IV consultation discussions on individual members of the CEMAC that take place until the next Board discussion of CEMAC common policies.

CEMAC: Selected Economic and Financial Indicators, 2011–16

	2011	2012	2013	2014 Est.	2015 Proj.	2016 Proj.
	(Annual percent change)					
National income and prices						
GDP at constant prices	3.6	5.4	2.4	4.7	2.8	4.7
Oil GDP	-3.7	-1.3	-8.0	2.7	0.5	7.2
Non-oil GDP [1]	5.8	6.4	4.6	4.7	3.6	4.3
Consumer prices (period average)[2]	2.6	2.8	2.1	2.7	2.6	2.4
Consumer prices (end of period)[2]	4.0	3.2	2.4	2.6	2.5	2.4
	(Annual changes in percent of beginning-of-the period broad money)					
Money and credit						
Net foreign assets	17.0	9.5	-0.4	-7.4	-1.8	-1.4
Net domestic assets	0.4	6.7	9.0	17.0	6.9	5.7
Broad money	18.2	16.6	9.3	9.6	5.1	4.2
	(Percent of GDP, unless otherwise indicated)					
Gross national savings	28.3	26.8	25.1	24.4	21.7	22.2
Gross domestic investment	30.7	29.3	30.6	31.3	31.2	29.2
Of which: public	13.8	14.0	14.5	13.2	11.9	10.4
Government financial operations						
Total revenue, excluding grants	27.6	27.6	26.8	24.8	21.7	22.4
Government expenditure	25.3	29.2	30.3	29.7	27.4	26.1
Primary basic fiscal balance[3]	5.1	1.3	0.3	-1.2	-0.8	1.3
Basic fiscal balance[4]	4.8	0.7	-0.3	-1.8	-1.7	0.4
Overall fiscal balance, excluding grants	1.9	-1.6	-3.5	-5.0	-5.7	-3.7
Primary balance	3.1	-0.3	-2.3	-3.6	-3.9	-2.0
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-26.1	-31.0	-29.1	-26.3	-19.0	-17.8
Non-oil primary fiscal balance (percent of non-oil GDP)	-24.2	-28.9	-27.3	-24.3	-16.8	-15.6
External sector						
Exports of goods and nonfactor services	56.5	58.0	53.8	50.5	45.4	47.3
Imports of goods and nonfactor services	40.4	42.1	40.4	40.8	40.5	39.7
Balance on goods and nonfactor services	16.1	15.8	13.4	9.8	4.9	7.7
Current account, including grants	1.5	-0.1	-1.6	-3.8	-5.8	-3.8
External public debt	12.0	13.1	15.4	17.5	22.0	22.0
Gross official reserves (end of period)						
millions of U.S. dollars	15,717	17,531	18,222	17,162	15,389	15,146
Months of imports of goods and services (less intra regional imports)	5.1	5.8	5.8	7.0	5.8	5.5
percent of broad money	85.7	88.7	81.6	70.2	71.2	66.9
Memorandum items:						
Nominal GDP (Billions of CFA francs)	42,834	45,877	45,576	46,717	44,294	48,044
CFA francs per U.S. dollar, average	471.9	510.5	494	494	...	…
Oil prices (US dollars per barrel)	104.0	105.0	104	96	59	64

Sources: IMF staff compilations.

[1] For Equatorial Guinea, non-oil GDP includes output from hydrocarbon derivatives.

[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] Excluding grants and foreign-financed investment.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

STAFF REPORT ON COMMON POLICIES AND CHALLENGES OF MEMBER COUNTRIES[1]

July 1, 2015

KEY ISSUES

Context and risks. CEMAC's economic outlook has changed dramatically since the last discussions because of the significant decline in international oil prices. The financial sector is shallow, and financial intermediation and inclusion are limited. The regional institutions face considerable challenges, including from political interference and capacity constraints. Downside risks are important, as CEMAC is vulnerable to protracted low oil prices and a possible relapse in regional security crises.

Key policy recommendations

- **Policy mix.** CEMAC countries should embark on fiscal consolidation to confront a possible lasting fall in oil revenues focusing, on increasing non-oil revenues. At present, reserve coverage remains adequate and the real effective exchange rate is broadly aligned with the current account norm. However, renewed external shocks or lack of appropriate policy responses could deplete reserves below appropriate levels.
- **Surveillance framework.** Although the authorities' surveillance framework reform proposal may help to manage oil revenue volatility, the envisaged reform does not ensure long-term sustainability and does not provide a good anchor against fiscal pro-cyclicality.
- **Monetary policy.** The monetary policy framework is impaired. The authorities need to address the management of excessive systemic liquidity and mend weak monetary transmission channels.
- **Financial sector.** The oil price shock brought macro-financial linkages to the forefront and revealed pockets of vulnerabilities. The authorities should implement 2015 FSAP recommendations on a stricter enforcement of prudential norms and provide better support to the deepening of financial intermediation.
- **Regional integration and growth.** Greater integration and stronger regional institutions are necessary to improve the competitiveness of the non-oil economy and support growth. This requires a concerted effort from regional and national authorities.

[1] This regional report is part of a series of cluster documents on CEMAC and will be considered by the Executive Board together with the Article IV consultation reports of the Republic of Congo and Equatorial Guinea, the CEMAC Financial System Stability Assessment report, and the CEMAC safeguards assessment report.

Approved By
Anne-Marie Gulde-Wolf and Bob Traa

Discussions were held during April 23–May 7, 2015 in Libreville, Gabon, and Yaoundé, Cameroon, with the regional central bank (Banque Centrale des États de l'Afrique Centrale, BEAC), the banking commission (Commission Bancaire, COBAC), the CEMAC Commission, and the Central African Development Bank (Banque de Développement des États de l'Afrique Centrale, BDEAC). The staff team comprised Messrs. de Zamaróczy (head), Dernaoui, Gijon, and van Houtte (all AFR), Mmes. El Hamiani Khatat (MCM) and Yontcheva (resident representative), and Mr. Tchakoté (resident economist). Administrative support was provided by Ms. Koulefianou. The mission partially overlapped with a safeguards mission led by Mr. Kabwe (FIN). Mr. Laurens (MCM, FSAP mission chief) joined the latter part of the mission. Mr. Raghani (OED) and World Bank staff members attended policy meetings. The team also met with representatives of academia, the private sector, and the donor community.

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A TALE OF TWO SHOCKS

1. The Central African Economic and Monetary Community (CEMAC) suffered two major shocks in 2014, with potentially lasting consequences. First, the slump in international crude oil prices had a severe impact on a community where five of the six members are net oil exporters. Second, the surge of Boko Haram terrorist attacks in the Lake Chad region has severely disrupted economic activity, requiring extensive military operations in response. The impact of the security shock has been compounded by continuing civil strife in the Central African Republic (CAR). These security crises present a clear danger to economic stability.

2. CEMAC's economic context has significantly changed since the last discussions, as the price of oil, the main regional export, has fallen by more than 40 percent since July 2014. With oil representing more than 81 percent of regional exports and 54 percent of fiscal revenues, most countries are now being forced to scale back their investment plans drastically. CEMAC's main challenge is to embark on an ambitious reform agenda to underpin macroeconomic stability and better support sustainable and inclusive growth. The regional institutions should be the cornerstones of this effort, but they face substantial challenges. Despite the provision of technical assistance, the regional authorities' response to past IMF advice has been mixed (Annex I).

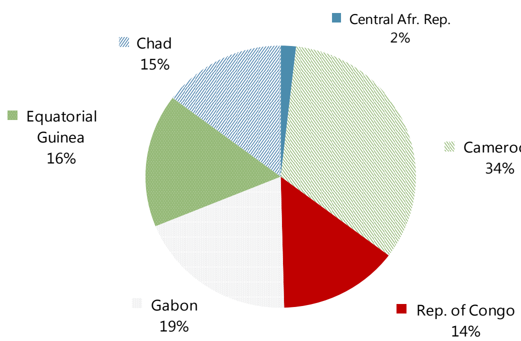
3. Although regional growth remained robust in 2014, the full effect of the oil shock will be felt in 2015 (Figures 1–2). The fall in oil prices did not have a significant impact in 2014. Regional growth is estimated to have reached 4.7 percent, driven by an increase in oil production and the continuation of public investment programs. Nonetheless, growth in 2015 is projected to slow down to 2.8 percent, mostly because of lower public investment. Inflation remains below the regional inflation criterion of 3 percent, but has been persistently above that of the euro area, which is the reference for the peg.

4. The fall in oil revenues, the continuation of public investment programs, and rising security-related expenditures have widened the regional "twin" deficits.[1] The fiscal deficit is estimated to have widened to 5.0 percent of regional GDP in 2014 (or 26.3 percent of non-oil GDP) and is projected to deteriorate to 5.7 percent in 2015. The current account deficit is estimated to have reached 3.8 percent of GDP in 2014 and is projected to widen to 5.8 percent in 2015, as oil exports are expected to decline and investment-related imports to remain significant. In spite of large investment spending in recent years, productivity in the region is lower than in peer countries (Selected Issues Paper—SIP—1).

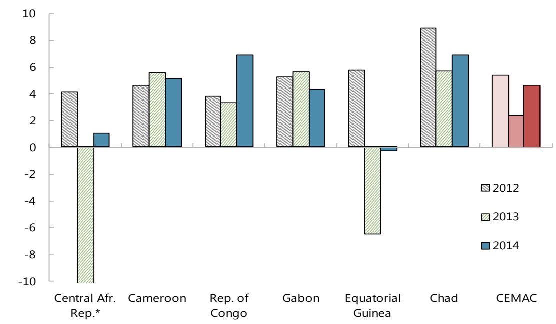
[1] Note: although oil revenue is a generally accepted term, it is not a recurrent, policy-based revenue, but rather a receipt from the sale of an exhaustible, natural resource.

Figure 1. CEMAC: Selected Economic Indicators, 2000–14

CEMAC: Nominal GDP, 2014
(CFAF billions)

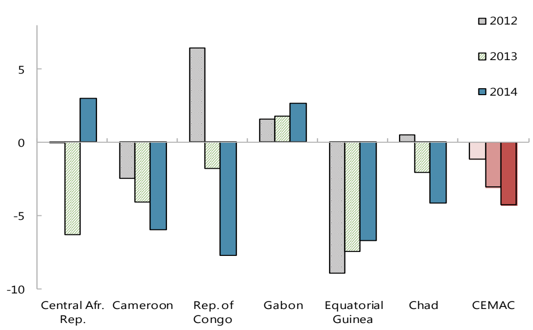


CEMAC: Real GDP Growth, 2012–14
(Percent)

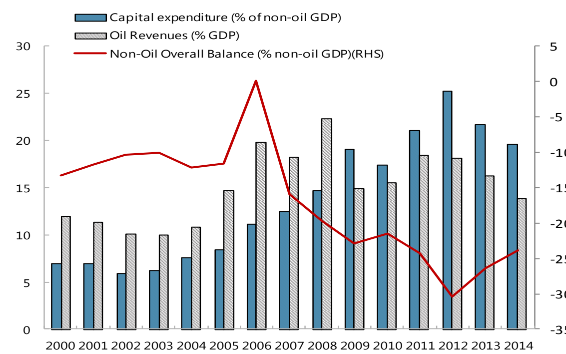


*Central African Republic had a -36 percent change in real GDP in 2013.

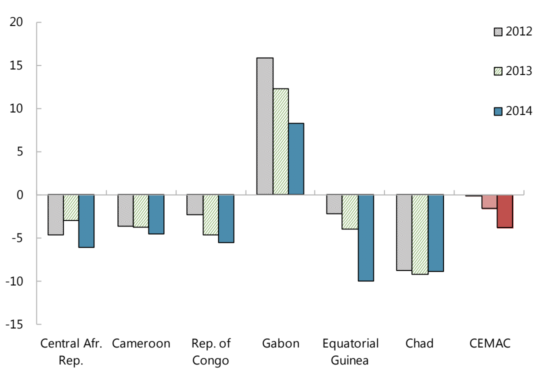
CEMAC: Overall Fiscal Balance, 2012–14
(Percent of GDP)



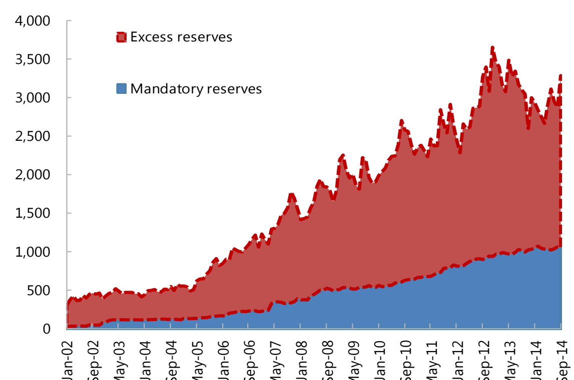
CEMAC: Capital Expenditure, Oil Revenues, and Non-Oil Fiscal Balance, 2000–14



CEMAC: Current Account, 2012–14
(Percent of GDP)



CEMAC: Mandatory Reserves and Excess Reserves at the Central Bank, 2002–14
(CFAF billions)



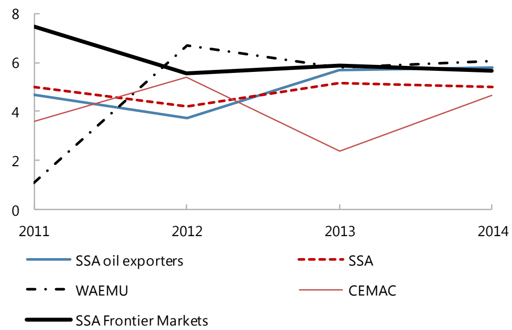
Sources: BEAC; WEO database; and IMF staff estimates.

Figure 2. Recent Economic Developments, 2011–14

Although overall GDP declined because of the contraction of oil GDP…

Real GDP Growth, 2011–14

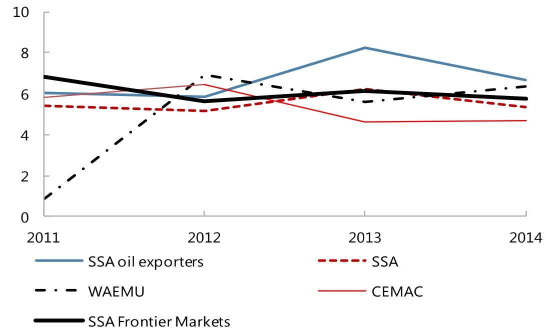
(Percent)



… non-oil GDP growth was sustained by large public investment programs.

Real Non-Oil GDP Growth, 2011–14

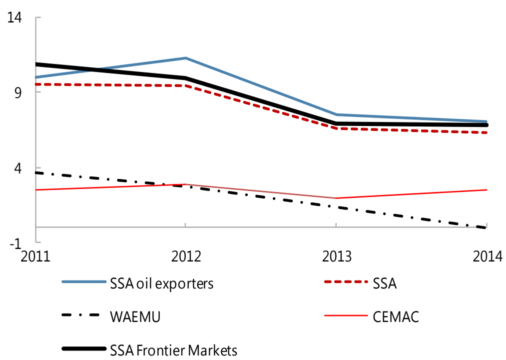
(Percent)



Inflation remained subdued largely because of low food prices and the currency peg.

Inflation, 2011–14

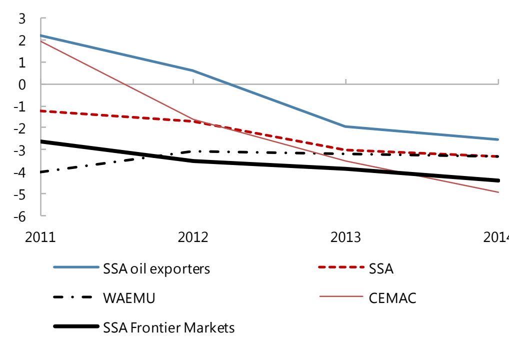
(Percent)



Pro-cyclical fiscal policies, especially regarding investment, deteriorated the fiscal balance.

Overall Fiscal Balance, 2011–14

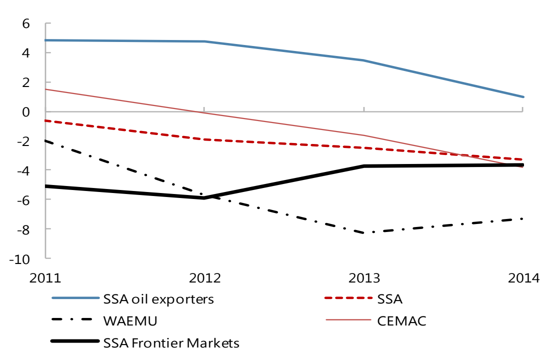
(Percent of GDP)



The current account balance also turned into a deficit because of higher capital goods imports related to public investment.

Current Account Balance, 2011–14

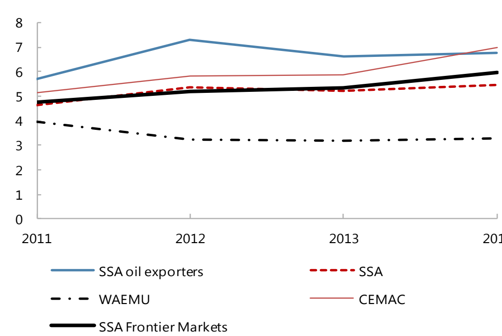
(Percent of GDP)



Nonetheless, reserve coverage increased because of large capital inflows.

International Reserves, 2011–14

(Months of imports)



Sources: WEO database; and IMF staff estimates.

5. CEMAC countries have reacted differently to the oil price shock. Most countries have scaled back their spending plans for 2015 by reducing public investment and limiting current expenditure. However, the fiscal restraint has varied across countries (Box 1) and some countries have opted for drawing down deposits, using existing credit lines, or borrowing. All countries have also sought advances from the BEAC (Figures 3–4).[2] As a result, regional public debt is rising, possibly crowding out credit to the economy.

Box 1. CEMAC: Oil Exporters' Policy Responses to the Price Shock

Cameroon. Revenue losses from the fall in the price of crude oil exports have largely been offset by an equivalent contraction in fuel subsidies. The authorities have not prepared a revised budget for 2015; they continue to use a reference price of US$87 per barrel, while public expenditure levels are expected to remain high. The fiscal deficit is projected to stay around 10 percent of GDP and financing needs are expected to be met by exceptional efforts to increase oil production and non-concessional borrowing.

Chad. The authorities are undertaking a strong fiscal adjustment, which is expected to reduce expenditures by 9 percent of non-oil GDP in 2015–17. The 2015 budget foresees a 25 percent reduction in spending, particularly on public investment, halving the non-oil primary deficit in terms of non-oil GDP. The budget also relies on increased financing, particularly from the rescheduling of non-concessional loans.

Congo. The authorities prepared a revised budget for 2015, which assumes an oil price of US$55 per barrel. Staff expects a reduction in domestically financed capital spending of 17 percent of non-oil GDP, compared to 2014. In the medium term, the authorities remain committed to fiscal consolidation, but they face pressures on spending because of the 2016 presidential elections and delayed investment projects.

Equatorial Guinea. The authorities prepared a revised budget for 2015. The revenue effort is focused on rolling back ad hoc tax exemptions, modernizing the tax administration, and privatizing some state assets. Savings measures aim at cutting expenditure by 24 percentage points of non-oil GDP by containing procurement spending, reducing fuel subsidies, rationalizing public sector enterprises, and halving capital spending.

Gabon. The authorities prepared a revised budget for 2015, which now assumes an oil price of US$45 per barrel; freezes public investment; cuts spending on goods and services; and reschedules payment of government suppliers. The government has recently issued a US$500 million eurobond.

[2] To maintain financial support to governments, BEAC has temporarily frozen the programmed reduction in statutory advances.

Figure 3. Government Deposits at the BEAC, Jan. 2000–March 2015
(CFAF billions)

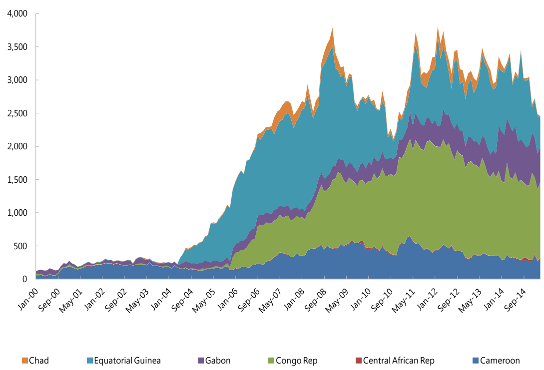
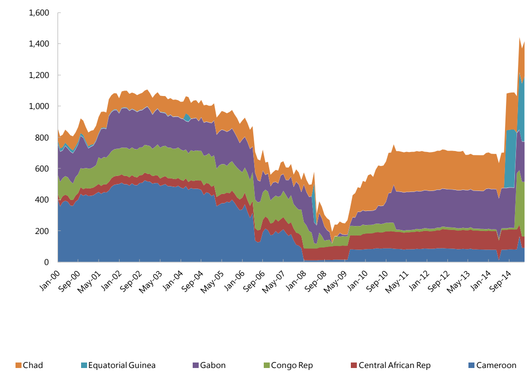


Figure 4. Statutory Advances from the BEAC, Jan. 2000–March 2015
(CFAF billions)



Sources: BEAC; and IMF staff estimates.

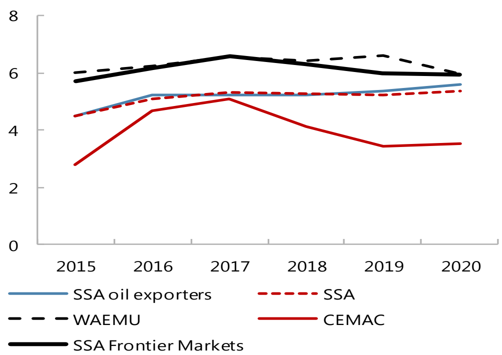
6. Medium-term prospects for the region are uncertain (Figure 5). Oil prices are projected to remain well below pre-shock levels in the medium term. In addition, oil production is projected to start falling after 2017, because of the depletion of reserves. This puts the burden of ensuring macroeconomic sustainability on boosting non-oil revenue, prudent public spending, and improving the competitiveness of the non-oil economy. The fall in imports related to the public investment programs will contribute to improving current account balances. Because of the magnitude of the required adjustment (i.e., a reduction of 4.7 percentage points of non-oil GDP in the non-oil primary fiscal balance between 2015 and 2020), maintaining this course of action will be a challenge.

7. The medium-term outlook entails considerable risks (Annex II). A relapse in security in the Lake Chad region or in the CAR could curtail efforts to invest in regional infrastructure—a key factor for non-oil growth—and could weaken an already difficult business climate and low private investment.

Figure 5. Medium-Term Outlook, 2015–20

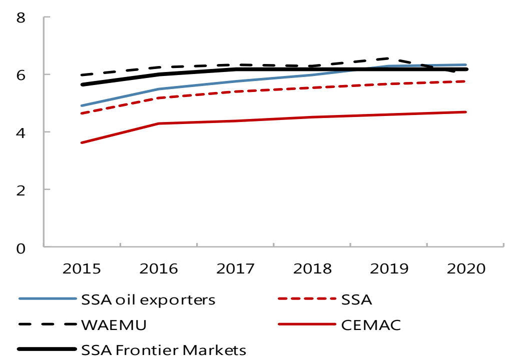
Despite a projected increase in oil GDP, overall growth will be more modest because non-oil growth…

Real GDP Growth, 2015–20
(Percent)



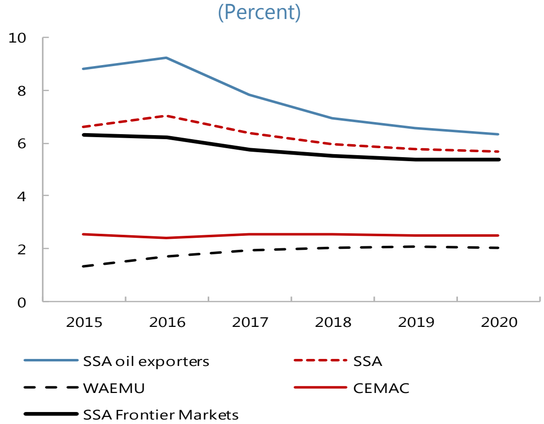
… will be hampered by a scaling down in public investment.

Real Non-Oil GDP Growth, 2015–20
(Percent)



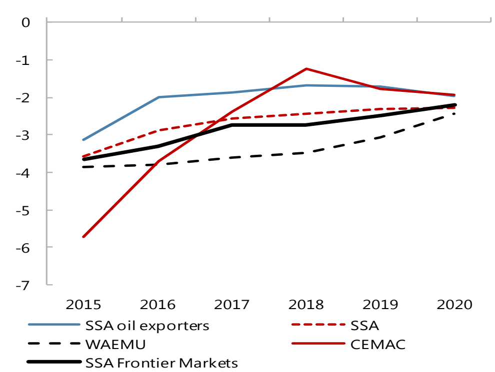
Inflation will remain subdued.

Inflation, 2015–20
(Percent)



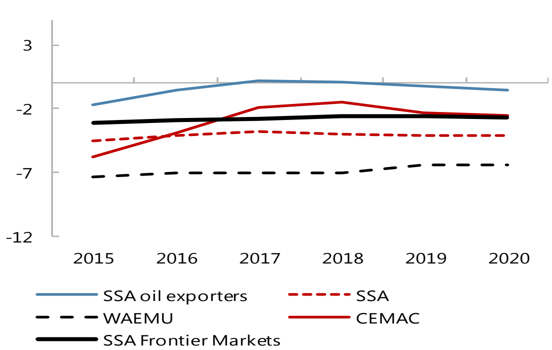
Fiscal consolidation efforts will support the improvement of the regional fiscal balance.

Overall Fiscal Balance, 2015–20
(Percent of GDP)



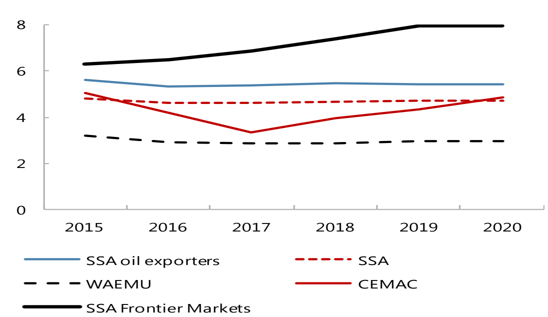
Lower public investment program-related imports and higher oil exports will support a modest recovery in the current account.

Current Account Balance, 2015–20
(Percent of GDP)



In the wake of current account recovery and capital inflows, reserve coverage will grow.

International Reserves, 2015–20
(Months of imports)



POLICY DISCUSSIONS—MITIGATING THE OIL PRICE SHOCK

Discussions were set against the overarching background of the oil price shock. They focused on the appropriate policies to promote regional integration to achieve stronger and more inclusive growth.

A. A Vulnerable External Position

8. Low crude oil prices are eroding CEMAC's external position. After a sharp deterioration in 2015, the current account balance should recover and stabilize at a deficit of about 3 percent of regional GDP in the medium term. International reserves are projected to decline gradually to about 5 months of the following year's imports and 52 percent of broad money. Both the nominal and real effective exchange rates (REERs) depreciated in the 12 months to April 2015 (Figure 6), reflecting mostly the evolution of the euro. However, significant differences exist at the country level (Figure 7). Although model-based assessments of the exchange rate may not fully take into account the fact that economies have adapted to the exchange rate peg for many years, the REER is not significantly misaligned with the current account norm (Annex III).

Figure 6. CEMAC: Real and Nominal Effective Exchange Rates, 2009–15
(2009M1=100)

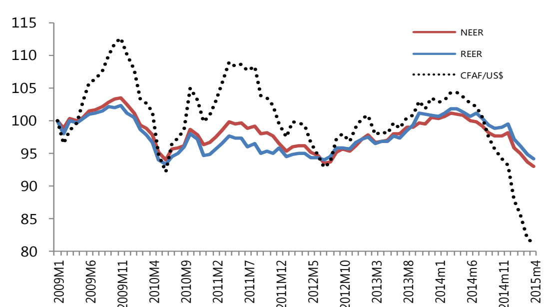
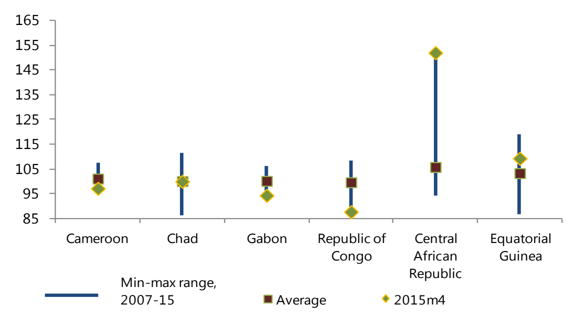


Figure 7. CEMAC: Real Effective Exchange Rates, 2007–15
(2010=100)



Sources: CEMAC authorities; and IMF staff estimates.

Staff advice

9. Reserve coverage remains broadly adequate in the medium-term by most metrics, but its evolution should be monitored closely. Resource-rich and credit-constrained countries, with limited access to international financial markets and a fixed exchange rate, require higher reserves levels than those suggested by traditional reserves adequacy approaches.[3] In 2014, CEMAC reserves were at 7 months of imports and 70 percent of broad money, slightly below the benchmark suggested in the

[3] IMF Executive Board paper "Assessing Reserve Adequacy—Specific Proposals," April 2015.

paper (i.e., about 8 months of imports). For 2015, the projected reserves levels are 5.8 months of imports and 71 percent of broad money. CEMAC, however, also benefits from a guarantee of the exchange rate peg by the French Treasury, which should lower the need for precautionary reserves. Staff considers that it is essential to monitor the evolution of reserves closely to be able to respond appropriately to any adverse development.

10. The decline in reserves makes the pooling of foreign exchange earnings even more pressing. Although there has been significant progress, the lack of full compliance with the surrender requirement of foreign exchange earnings to the BEAC undermines the cooperation among member countries at a challenging time. Staff encouraged the regional authorities to complete their review of the reserve management framework urgently, notably by formalizing the parameters for the optimum level of reserves, and raising the remuneration scale of government deposits at the BEAC.

Authorities' views

11. BEAC authorities noted that they had made progress in improving reserves management and compliance with pooling. Reserves management has become more transparent and a new agreement was signed with the French Treasury to increase the remuneration of BEAC's holdings there, which in turn has allowed BEAC to increase its remuneration of government deposits. The authorities indicated that they were working on a solution to pool reserves without requiring member states to repatriate their foreign currency holdings fully. This solution would entail creating BEAC correspondent accounts in selected international financial institutions (e.g., central or public development banks). In turn, these accounts would hold CEMAC government subaccounts where those governments would be allowed to keep some of their foreign exchange earnings. This solution would meet both BEAC's reserve pooling requirement and member states' developmental objective of keeping some funds abroad for financing infrastructure projects. Staff considered that this was a viable compromise.

B. A Reformed Regional Surveillance Framework for a Novel Economic Context

12. The current surveillance framework is no longer fit for purpose. Its criterion on the basic fiscal balance promotes pro-cyclicality and is not sufficiently binding in times of high oil revenues. Moreover, the exclusion of externally financed capital expenditure delinks the budget deficit from debt accumulation. This is of particular concern, as country-specific analyses point to a general deterioration in debt sustainability.

13. The new economic context underscores the need to overhaul the regional surveillance framework. The CEMAC Commission is working on preparing a new surveillance framework. An external consultant has recommended a new set of criteria including (i) a new budget rule; (ii) new computation methodologies for the public debt ceiling and inflation; and (iii) a range of additional secondary criteria (Annex IV).

Staff advice

14. Although the contemplated surveillance framework deviates from past IMF advice, it is a positive step forward. The proposed budget rule, based on a three-year average of the overall fiscal balance, could help to mitigate oil revenue volatility. Staff also supported a possible reduction in the debt ceiling, as alluded to by the consultant. However, staff considered that the additional criterion to assess debt development through the computation of the divergence between a long-term norm and actual debt levels would be difficult to implement.

15. Past IMF recommendations, in particular regarding the fiscal and debt criteria, remain valid. The staff's proposal of a budget rule based either on a primary non-oil budget balance or a structural primary balance is best suited to CEMAC's oil-exporting economy. Furthermore, debt relief has made the current public debt ceiling criterion of 70 percent of GDP non binding, at a time of rapidly rising debt and declining reserves. Setting a lower, more appropriate ceiling, with credible means for its enforcement, would provide a safeguard against the risk of a debt crisis. BEAC should monitor the negotiations of international sovereign bond issues, which could entail risks for regional reserve adequacy, and warn against potentially abusive clauses, which are not in line with international best practice.

16. The implementation of the new surveillance framework calls for a strengthened monitoring system. The implementation of the surveillance framework will require heightened monitoring to establish its credibility. The creation of a regional fiscal unit to monitor, evaluate, and coordinate national fiscal policies should be envisaged. Staff also encouraged the Commission to continue with the implementation of CEMAC's public financial management directives to achieve greater harmonization of procedures and promote fiscal cooperation.

Authorities' views

17. The CEMAC Commission indicated it would take staff's recommendations under advisement and stressed that the revision of the surveillance framework was a work in progress. It intends to prepare a final proposal, based on a wide consultative process, to be presented at the Zone Franc ministerial meeting in October 2015. The Commission noted staff's recommendation to create a regional fiscal unit to strengthen surveillance monitoring.

C. An Ineffective Monetary Policy

18. Monetary transmission mechanisms remain largely impaired. The inability of the interbank market to allocate central bank liquidity is an obstacle to monetary policy transmission and to the cohesiveness of monetary policy in the union. In addition, CEMAC's banking system is shallow and segmented, and does not finance economic activity sufficiently. The persistence of excessive systemic liquidity and insufficiently deep money and sovereign bond markets hamper the interest rate and credit transmission channels. Banks hold large amounts of excess reserves because of the lack of (i) safe lending opportunities; (ii) trust among interbank market participants because of the presence of weak institutions and the absence of appropriate collaterals; and (iii) an appropriate sterilization policy, for instance through an effective domestic sovereign bond market. Excess liquidity has not affected price stability so far, but it constrains reliance on a market-based monetary policy (SIP 2).

Staff advice

19. Staff welcomed BEAC's analytical work on the monetary policy framework and transmission mechanisms. It also noted the initiatives to revitalize regional money markets through the recent approval of a repo regulation and the establishment of a regional market of certificates of deposits and commercial papers. However, staff urged the BEAC to resume collecting information on interbank operations and emphasized the need to accelerate the resolution of troubled banks, in collaboration with national authorities, to boost the interbank market.

20. Staff encouraged BEAC to continue its efforts to reform monetary policy instruments. It noted the progress made in bolstering interbank transactions and establishing a liquidity forecasting framework. BEAC should accelerate the pace of these reforms, notably with the help of IMF technical assistance, and strengthen human resources in monetary policy operations.

21. Staff noted that monetary policy effectiveness can be enhanced through stronger reliance on market-based mechanisms for financing government deficits. BEAC should continue phasing out statutory advances to promote the development of sovereign bond markets. Staff opined that the rapid completion of supporting measures—such as those related to the automation of sovereign bond settlement—was necessary for the development of a repo market. Staff also called for the establishment of effective sterilization procedures to manage systemic liquidity.

Authorities' views

22. BEAC authorities broadly agreed with staff views on monetary transmission mechanism issues. Nonetheless, they pointed to the difficult business climate, which represents an added difficulty to the conduct of monetary policy beyond the central bank's reach. The authorities also highlighted that, in addition to price stability, the large development needs of member states and their desire of becoming emerging economies constituted important inputs in the formulation of their monetary policy.

D. A Financial Sector in Need of Stability and Development

Financial sector stability

23. The current context of low oil prices and slow growth has brought critical macro-financial linkages to the forefront. In the new economic environment, macro-financial linkages may increase credit risks and restrict banking sector liquidity. The fall in oil prices has resulted in a decline in government revenues, a significant drop in capital expenditure, and could lead to an increase in arrears, all of which could erode non-oil growth and trigger an increase in nonperforming loans (NPLs). Enterprises involved in public contracts and those receiving public financial support could also face liquidity constraints, resulting in a reduction in their bank deposits. Although financial stability indicators at end-2014 do not show a significant deterioration in the health of the regional banking sector, the drop in commodity prices poses a risk to the financial sector and is expected to have a negative impact on both credit quality and the liquidity position of the sector. The 2015 CEMAC FSAP Update's (the "2015 FSAP") stress tests show that if 15 percent of performing loans were to become NPLs, only about one half of banks would meet the minimum capital adequacy ratio (Annex V and Supplement I). Banks with their main business in the CEMAC would be the most exposed. In terms of bank liquidity, stress tests show the importance of deposits in bank funding. With a decline of 25 percent in deposits, the number of banks (excluding those in CAR) meeting the minimum liquidity ratio would fall from 64 percent to 36 percent. In the absence of an effective interbank market, financial institutions under stress have no choice but to turn to the BEAC as a last resort. Moreover, difficulties stemming from the oil price shock could lead to contagion from subsidiaries to parent banks within regional banking groups.

24. The 2015 FSAP has identified pockets of vulnerability in the financial sector. Although the risk of a systemic financial crisis remains low in the short term, a few smaller banks are exposed to the fallout of the oil price shock. BEAC has responded to this development by raising banks' refinancing ceilings for some countries. This aims at countering liquidity problems for individual banks, in a context where, paradoxically, the banking system as a whole remains overly liquid. Moreover, the emergence of pan-African bank groups poses new challenges to the regional banking supervisor (COBAC).

25. Some of the institutional challenges facing COBAC have been addressed, but there is a need to strengthen the quality of supervision and enforcement further, as outlined in the companion FSSA report (chapter on the financial stability policy framework, Section B). COBAC was able to increase its workforce and thus to multiply its on-site inspections. Moreover, important regulations to strengthen financial sector supervision were recently adopted, although they need to be made operational. However, COBAC still has to (i) continue upgrading prudential regulation, in particular urgently review the framework for connected lending; (ii) strengthen its human resources; (iii) implement risk-based supervision; (iv) undertake an asset quality review of banking assets, starting with the most vulnerable banks; and (v) clarify the criteria for assessing the scope of the special restructuring framework for systemically important banks.

Staff advice

26. Staff noted some progress made in adopting new banking regulations, but additional efforts are needed to mitigate risks to financial stability. As pointed out in the 2015 FSAP, other important regulations have met with delays, such as the strengthening of the prudential framework of lending to connected parties and the supervision framework of microfinance institutions (MFIs). Staff regretted forbearance with ailing banks and expressed concerns that CEMAC's internal process for publishing new regulations is cumbersome, delaying their implementation by years. These bureaucratic hurdles hamper effective banking supervision and should be addressed expeditiously. In order to ensure an adequate implementation of the FSAP recommendations, the authorities should develop a medium-term action plan to strengthen their regulatory and supervisory framework.

27. Staff welcomed the progress in addressing COBAC's staffing problems. Now that the number of agents has nearly doubled, the authorities should complement this recruitment effort with appropriate training, and continue hiring in certain areas, such as statistics.

Authorities' views

28. The authorities considered they had made significant progress in strengthening their supervisory framework. In addition to the regulations recently adopted, they are now preparing a new text regarding the definition of banks' equity, based on Basel III definitions. They are also developing additional regulations on (i) systemic institutions; (ii) MFIs' internal control; (iii) MFIs' minimal capital requirements; (iv) consumer protection; and (v) connected lending. COBAC has commenced training its agents on risk-based and consolidated inspection to enhance the efficacy of supervision. COBAC staff noted that the new bank resolution mechanism will give them greater authority in dealing with problem banks. Despite the progress made, they agreed with additional staffing needs.

Financial sector development

29. The financial sector's support of economic diversification is limited and financial inclusion is low (SIP 3). Although the ratio of bank credit to regional GDP has risen from 9 percent in 2004 to 15 percent in 2015, it remains below that of comparable countries in sub-Saharan Africa (SSA). The microfinance sector remains a marginal player in most countries. Less than 15 percent of CEMAC's adult population holds a bank account—about half of SSA's average. Although the number of bank branches almost doubled to 466 between 2008 and 2013, many areas remain under-served.

Staff advice

30. A more transparent and sounder financial sector is a precondition to ensure financial sector development. Staff considered that the first step is to create an environment conducive to confidence among market participants. Staff encouraged the authorities to identify indicators that would be most appropriate for monitoring the impact of oil prices on banks' balance sheets, such as pressures on BEAC's foreign reserves or an increase in NPLs. Such indicators could form the basis of a nascent framework for the monitoring of systemic risks. BEAC's immediate priority, however, should be to encourage the deepening of financial intermediation. This should entail the rigorous application of micro-prudential regulations and expediting the resolution of troubled banks before such a system can evolve into a fully fledged, macro-prudential surveillance framework.

31. Actions are also needed to allow the financial sector to grow, as detailed in the 2015 FSAP.

- ***Business environment.*** Staff advised improving the system for the collateralization of loans, developing training and specialization of judges, implementing region-wide credit databases, and strengthening the fight against money laundering and the financing of terrorism.

- ***Financial inclusion.*** The supervision of MFIs should be strengthened to enable them to play their role fully in providing financial services. Incentives to finance economic sectors under-served by banks should focus on indirect public support mechanisms (e.g., partial credit guarantees, project co-financing). Staff welcomed the success of the conference on financial inclusion in the Economic Community of Central African States (ECCAS), jointly organized by the BEAC and the IMF in March 2015, and urged the BEAC to implement the conference's recommendations.

- ***Regional financial infrastructure.*** Staff noted delays in unifying the two regional stock exchanges, despite efforts to harmonize their regulations and supervision, and urged the technological and regulatory harmonization of CEMAC's three central securities depositories.

- ***New technologies.*** BEAC should promote new technologies, such as mobile and internet banking, electronic signature, and biometric identification. BEAC could allow mobile money transfers between CEMAC countries to facilitate trade.

32. Effectiveness of regional financial agencies will require greater operational autonomy. Staff encouraged a more effective articulation of the roles of regional and national monetary authorities. Increased centralization of responsibilities should also be accompanied by increased transparency and accountability in CEMAC's decision-making bodies. Monetary authorities should support the return of the presidency of BEAC's Board to its governor. Member states' intervention in the process of selection and appointment of BEAC's and COBAC's senior management should be replaced by transparent and competitive recruitment procedures.

33. To ensure success, BEAC should establish a list of priorities. It should quickly finalize the following projects: (i) reform of monetary policy and the management of foreign exchange reserves; (ii) establishment of efficient financial and credit information centers; (iii) implementation of an action plan to promote electronic transfers; (iv) assurance that COBAC can act decisively in case of a serious deterioration in the solvency of a financial institution; (v) enforcement of prudential regulations; (vi) implementation of a risk-based supervision, including with respect to AML/CFT; and (vii) evaluation of the quality of the assets of the most vulnerable banks.

Authorities' views

34. The authorities considered that the 2015 FASP recommendations will help to devise a plan for developing the financial sector. They also noted they had already made some progress in this area. This includes (i) developing a surveillance mechanism for the payments system; (ii) developing a new interbank payments platform; (iii) upgrading the international payments platform; (iv) finalizing the implementation of a bureau for payments incidents and; (v) developing a payments platform between WAEMU and CEMAC. Moreover, BEAC and COBAC were developing regulations to strengthen the microfinance sector to allow greater access for the population to sounder institutions, offering more diversified products. With respect to new technologies, the authorities intend to allow mobile banking operators to offer their services using multiple banks.

E. Promoting Regional Integration to Enhance Growth

35. The oil price shock should prompt CEMAC countries to find alternative sources of growth and income (SIP 4). Most CEMAC countries have not experienced a significant increase in per capita GDP in recent years and they are likely to have witnessed an increase in inequality in the distribution of national income.

36. The diversification of sources of growth requires improving the business climate, without which new public investments will remain largely unproductive. CEMAC's challenging business environment undermines private investment and hinders total factor productivity growth (SIP 5). However, the creation of a genuine, single CEMAC market, with sufficient scale to attract new investors, remains an ambitious goal. Current obstacles include a lack of harmonization of taxes on goods and services, cumbersome customs procedures, different technical standards, and varying national lists of duty-free merchandise.

Staff advice

37. Staff considered that regional integration is an important opportunity for promoting higher and more inclusive growth. Staff stressed the need for urgent progress, as public infrastructure projects are being completed, and the debt contracted for their development will require higher tax revenues for its servicing. In that connection, staff urged the Commission to work closely with national authorities to prioritize and coordinate regional investments. The authorities should continue their efforts to ensure the free movement of goods and people.

Authorities' views

38. The CEMAC Commission acknowledged the unfinished and challenging agenda for improving the business climate and promoting regional integration. It considered that the recent decision to return to its headquarters in Bangui, CAR, would help to advance important regional reform projects (e.g., reduction of non-tariff barriers and regional customs harmonization). The Commission noted that the mandate for a number of policy areas for improving the business environment resided with national governments, but expressed the hope that the future implementation of the regional business climate observatory will help in this endeavor.

F. Stronger Regional Institutions for Macroeconomic Stability

39. The deterioration of the economic and security situations should be an incentive for strengthening the governance of CEMAC institutions. BEAC continues to make progress in its modernization, but implementation of reforms has been slow. It lacks sufficient institutional autonomy, an issue that hampers the adoption of management decisions in key areas, such as human resources. The CEMAC Commission faces tight personnel and financial constraints. The latter stem, inter alia, from long delays in receiving dues from member states. The lack of permanent headquarters during the last two years, because of the crisis in the CAR, has undermined the Commission's capacity to carry out its mandate.

40. The current economic uncertainties should encourage regional and national authorities to redouble efforts to improve the quality of statistics. The production of balance of payment statistics and the validation of national accounts by the BEAC are constrained by the lack of staff at headquarters and in national agencies. Member states lack harmonized methodologies to produce key statistical information, such as the consumer price index and national accounts.

Staff advice

41. Staff encouraged the CEMAC Commission to engage with national authorities to promote regional integration and competitiveness. Staff noted that regional growth is undermined by low productivity and structural barriers. To overcome these challenges, countries should improve policy coordination to address market failures. Staff urged the Commission to engage in coordinating infrastructure plans and exploring possible additional sources of funding, including by increasing the resources of the regional development bank (BDEAC). Staff pressed for the implementation of the Commission's plans to (i) remove barriers to trade (e.g., customs procedures, implementation of the rules of origin); and (ii) lower the common external tariff.

42. Staff welcomed the efforts to build capacity at BEAC, COBAC, and the CEMAC Commission. Staff noted that the successful implementation of reforms requires the concerted support of regional and national authorities. Staff welcomed the recent decision of the Commission's return to Bangui, and urged member states to strengthen their support by accelerating the payments of their dues. Staff considered that reinforcing the Commission will be essential to support regional integration and to improve CEMAC's regional competitiveness.

43. The 2015 safeguards monitoring visit concluded that BEAC remains committed to completing its reform plan, but progress in implementing safeguards measures has been mixed. The implementation of recommendations is currently reviewed annually and is a pre-condition for granting new IMF financial support to, and reviewing existing IMF financial arrangements with CEMAC countries. The authorities should implement safeguards reforms quickly to restore credibility and allay possible concerns about BEAC's ability to safeguard IMF financial resources.

44. Staff noted efforts to develop a basic macroeconomic, monetary, and financial statistics database at the BEAC. However, it stressed that much remains to be done at the national and the CEMAC Commission levels. It noted that without an efficient statistical system at both national and regional levels, policy formulation and reform implementation will suffer.

Authorities' views

45. The authorities felt that progress had been made in BEAC's operational reform plan, but governance reform is more difficult. Substantial progress was made in several areas, such as (i) internal controls; (ii) payments systems management; and (iii) accounting system reform. The authorities are working with a consulting firm to develop a human resources management plan and they are developing a new employee charter. They noted, however, that significant efforts are still needed in the upgrading of information and budget management systems.

46. The authorities considered they had taken important steps to improve regional statistics. The BEAC is coordinating efforts with the COBAC to improve the incorporation of banking, microfinance, and insurance data into monetary statistics. They are also creating a database of regional economic and financial data to be completed by end-2015. They noted, however, the difficulties in collating data owing to the lack of harmonized methodologies among national statistical agencies.

STAFF APPRAISAL

47. The oil price shock has impacted CEMAC's short- and medium-term macroeconomic prospects adversely and entails significant downside risks. Although the shock did not affect the 2014 regional growth noticeably, its full effect will be felt this year. The planned scaling down of public investment and falling oil production reduce medium-term growth prospects below the past decade's levels. In this new economic context, developmental challenges could grow significantly and undermine social progress for the most vulnerable segments of the populations. A degeneration in the security situation in the Lake Chad region or the CAR could also severely undermine regional macroeconomic stability.

48. CEMAC countries must adjust their macroeconomic policy mix. With the CFA franc pegged to the euro, countries will have to rely heavily on fiscal consolidation to ensure macroeconomic stability. BEAC should convey this message forcefully to member governments. Relevant metrics indicate that the real exchange rate is broadly consistent with the current account norm, but external competitiveness issues remain. Although external reserves remain broadly adequate for the time being, the materialization of downside risks could bring them below optimal levels. At this time of a major external shock, the BEAC should tackle the lack of full compliance with the reserves pooling requirement with renewed energy.

49. The surveillance framework needs to be reformed and adapted to the new economic context. Past IMF advice recommended establishing a fiscal balance rule that takes into account the fiscal challenges associated with CEMAC's high dependency on oil revenues and to reduce the public debt ceiling to avoid excessive risk of debt distress. Staff considers that the draft reform proposal for a new framework is a positive step, but that the envisaged new criteria fall short of IMF recommendations. The proposed new fiscal criterion would help to reduce oil revenue volatility, but does not address the exhaustibility of resources. The proposed new public debt criterion suggests a possible reduction in the debt ceiling, but it also recommends a monitoring mechanism, which in the staff's view, would be difficult to implement.

50. Monetary policy remains largely ineffective because of weak transmission channels and excessive systemic liquidity. BEAC has made some progress in revitalizing the interbank and public debt markets and in modernizing monetary policy framework instruments. However, reform in some cases has been slow and additional supporting measures are necessary for the development of the repo market. Developing an appropriate lender of last resort framework would limit pressure on monetary policy from distressed financial institutions.

51. The current economic context, with lasting low oil prices, has highlighted critical macro-financial linkages and the 2015 FSAP underlined the risks to financial sector development. The main challenge is to establish the conditions for deepening financial intermediation through a rigorous application of micro-prudential regulation and the acceleration of the resolution of troubled banks. Other important actions should include developing a sound financial market infrastructure, such as an integrated stock exchange and a regional credit information center, and supporting the development of new technologies, such as mobile banking.

52. In the current economic context, greater regional integration could boost growth and productivity. CEMAC has serious competitiveness challenges. Reducing barriers to regional trade and implementing regional projects could help to mitigate them. A concerted effort by regional and national authorities is needed to improve the regional business climate to boost private investment and diversification. The CEMAC Commission should play a greater role in coordinating these efforts.

53. The year 2015 will be critical for BEAC to implement the outstanding safeguards recommendations. The successful completion of BEAC's ambitious reform plan will be an important step in restoring the bank's credibility. Progress in implementing safeguards measures will remain subject to annual monitoring by the IMF until sufficient progress has been made.

54. Reform of regional institutions should be accelerated to support CEMAC's stability and realize its growth potential. Although some progress has been made, reform implementation has been slow. Reforms to allow BEAC to enjoy greater independence are critical for ensuring macro-financial stability and developing a stronger financial sector. National authorities should support these reforms. The return of the CEMAC Commission to Bangui should also have a positive impact on regional integration.

55. The quality of the regional statistics needs to improve. Regional authorities have made initial progress in collecting and updating some data, but important deficiencies remain. In particular, national accounts and balance of payments data are affected by the lack of coordination between national and regional authorities, all of which lack sufficient human resources.

56. The discussions with the CEMAC authorities will be on a 12-month cycle in accordance with Decision No.13654-(06/1), adopted on January 6, 2006.

Table 1. CEMAC: Selected Economic and Financial Indicators, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
		Estim.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percent change)							
National income and prices								
GDP at constant prices	2.4	4.7	2.8	4.7	5.1	4.1	3.5	3.6
Oil GDP	-8.0	2.7	0.5	7.2	9.9	2.1	-4.7	-4.2
Non-oil GDP	4.6	4.7	3.6	4.3	4.4	4.5	4.6	4.7
Consumer prices (period average)[1]	2.1	2.7	2.6	2.4	2.5	2.5	2.5	2.5
Consumer prices (end of period)[1]	2.4	2.6	2.5	2.4	2.5	2.5	2.5	2.5
	(Annual changes in percent of beginning-of-period broad money)							
Money and credit								
Net foreign assets	-0.4	-7.4	-1.8	-1.4	2.5	5.6	1.5	-0.3
Net domestic assets	9.0	17.0	6.9	5.7	4.4	-1.2	5.7	7.0
Broad money	9.3	9.6	5.1	4.2	6.9	4.4	7.2	6.7
	(Percent of GDP, unless otherwise indicated)							
Gross national savings	25.1	24.4	21.7	22.2	22.7	22.8	21.8	21.7
Gross domestic investment	30.6	31.3	31.2	29.2	27.1	26.4	26.1	26.2
Of which: public investment	14.5	13.2	11.9	10.4	9.5	9.1	9.3	8.9
Government financial operations								
Total revenue, excluding grants	26.8	24.8	21.7	22.4	22.5	23.4	23.2	22.8
Government expenditure	30.3	29.7	27.4	26.1	24.8	24.6	24.9	24.7
Primary fiscal basic balance[2]	0.3	-1.2	-0.8	1.3	1.9	2.6	2.1	1.9
Basic fiscal balance[3]	-0.3	-1.8	-1.7	0.4	0.9	1.6	1.0	0.8
Overall fiscal balance, excluding grants	-3.5	-5.0	-5.7	-3.7	-2.4	-1.2	-1.8	-1.9
Primary fiscal balance	-2.3	-3.6	-3.9	-2.0	-0.8	0.3	-0.2	-0.3
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-29.1	-26.3	-19.0	-17.8	-16.7	-15.8	-15.4	-14.2
Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-27.3	-24.3	-16.8	-15.6	-14.6	-13.8	-13.4	-12.1
Total Public Debt	23.1	27.7	33.2	33.6	32.9	33.1	33.3	33.3
External sector								
Exports of goods and nonfactor services	53.8	50.5	45.4	47.3	47.4	46.3	44.1	41.5
Imports of goods and nonfactor services	40.4	40.8	40.5	39.7	37.8	37.0	36.2	34.7
Balance on goods and nonfactor services	13.4	9.8	4.9	7.7	9.6	9.3	7.8	6.8
Current account, including grants	-1.6	-3.8	-5.8	-3.8	-1.9	-1.4	-2.5	-2.8
External public debt	15.4	17.5	22.0	22.0	21.6	21.5	21.3	20.9
Gross official reserves (end of period)								
Millions of U.S. dollars	18,222	17,162	15,389	15,146	15,097	16,034	15,879	15,805
Months of imports of goods and services (less intra regional imports)	5.8	7.0	5.8	5.5	5.2	5.3	5.2	5.2
Percent of broad money	81.6	70.2	71.2	66.9	61.6	62.0	56.6	52.0
Memorandum items:								
Nominal GDP (billions of CFA francs)	45,576	46,717	44,294	48,044	52,496	55,381	57,905	60,325
CFA francs per U.S. dollar, average	494	494	...	...	...	...	...	...
Oil production (thousands of barrels per day)	893	915	924	981	1,066	1,081	1,028	988
Oil prices (US dollars per barrel)	104	96	59	64	67	70	71	71

Source: IMF staff compilations.

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

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

[3] Excluding grants and foreign-financed investment.

Table 2. CEMAC: Millennium Development Goals, 1990-2013

	1990		2013	
	CEMAC	SSA	CEMAC	SSA
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	64	63	67	65
Employment to population ratio, ages 15-24, total (%)	50	49	45	47
GDP per person employed (constant 1990 PPP $)	...	2,479	2,880	4,040
Income share held by lowest 20%	...	...	...	...
Malnutrition prevalence, weight for age (% of children under 5)	18	...	7	14
Poverty gap at $1.25 a day (PPP) (%)	...	...	...	...
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	...	...	...	...
Vulnerable employment, total (% of total employment)	...	...	...	...
Goal 2: Achieve universal primary education				
Literacy rate, youth female (% of females ages 15–24)	...	58	77	...
Literacy rate, youth male (% of males ages 15–24)	...	73	80	...
Persistence to last grade of primary, total (% of cohort)	40	56	57	58
Primary completion rate, total (% of relevant age group)	41	54	56	68
Total enrollment, primary (% net)	65	...	79	80
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliaments (%)	12	...	12	20
Ratio of female to male primary enrollment (%)	72	83	89	94
Ratio of female to male secondary enrollment (%)	52	76	67	88
Ratio of female to male tertiary enrollment (%)	27	52	49	82
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	13	...	...	48
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12–23 months)	56	57	68	74
Mortality rate, infant (per 1,000 live births)	93	108	69	61
Mortality rate, under-5 (per 1,000)	155	180	108	92
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15–19)	163	136	118	99
Births attended by skilled health staff (% of total)	58	...	91	69
Contraceptive prevalence (% of women ages 15–49)	16	16	38	21
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1045	990	565	510
Pregnant women receiving prenatal care (%)	79	...	94	89
Unmet need for contraception (% of married women ages 15–49)	22	...	27	27
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Incidence of tuberculosis (per 100,000 people)	260	278	282	282
Prevalence of HIV, female (% ages 15–24)	2	2	1	2
Prevalence of HIV, male (% ages 15–24)	1	1	1	1
Prevalence of HIV, total (% of population ages 15–49)	2	2	3	5
Tuberculosis case detection rate (%, all forms)	39	29	59	51
Goal 7: Ensure environmental sustainability				
CO2 emissions (kg per PPP $ of GDP)	0	1	...	...
CO2 emissions (metric tons per capita)	1	1	...	...
Forest area (% of land area)	53	31	...	...
Improved sanitation facilities (% of population with access)	21	24	27	34
Improved water source (% of population with access)	50	48	72	73
Marine protected areas (% of territorial waters)	1	3	2	10
Terrestrial protected areas (% of total land area)	8	11	19	16
Goal 8: Develop a global partnership for development				
Net ODA received per capita (current US$)	94	35	35	51
Debt service (PPG and IMF only, in % of exports, excluding workers' remittances)	13	...	4	4
Internet users (per 100 people)	0	0	7	17
Mobile cellular subscriptions (per 100 people)	0	0	87	66
Telephone lines (per 100 people)	1	1	1	1
Fertility rate, total (births per woman)	6	6	5	5
Other				
GNI per capita, Atlas method (current US dollars)	849	600	1795	1670
GNI, Atlas method (current US dollars), billions	21	304	83.3	1560
Gross capital formation (% of GDP)	18	18	30.26	20.6
Life expectancy at birth, total (years)	52	50	55	58
Literacy rate, adult total (% of people ages 15 and above)	34	53	...	...
Population, total (millions)	25	507	47	937
Trade (% of GDP)	55	50	89	64

Source: World Development Indicators.

Table 3. CEMAC: National Accounts, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
		Estim.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
				(Annual percent change)				
Real GDP								
Cameroon	5.6	5.1	4.9	4.8	4.9	5.0	5.0	5.0
Central African Republic	-36.0	1.0	5.7	7.3	7.6	5.5	5.5	5.5
Chad	5.7	6.9	7.6	4.9	8.3	5.0	5.1	2.9
Congo, Republic of	3.3	6.8	1.0	6.5	7.0	3.4	-1.6	0.3
Equatorial Guinea	-6.5	-0.3	-9.4	-0.3	-3.3	-2.6	-2.3	-1.9
Gabon	5.6	4.3	4.4	5.5	5.6	5.7	5.7	5.9
CEMAC	2.4	4.7	2.8	4.7	5.1	4.1	3.5	3.6
Nominal GDP								
Cameroon	8.1	7.0	6.9	6.9	7.1	7.1	7.1	7.1
Central African Republic	-31.4	12.1	12.3	14.4	14.7	11.6	9.9	9.9
Chad	1.3	7.6	1.7	10.9	13.5	7.8	8.2	4.5
Congo, Republic of	-4.6	0.5	-17.3	16.1	22.2	2.0	-4.7	-4.8
Equatorial Guinea	-7.9	-9.3	-19.2	3.8	-0.3	-0.4	-0.4	0.0
Gabon	-0.9	3.4	-12.2	7.3	6.8	6.3	5.9	6.0
CEMAC	-0.7	2.5	-5.2	8.5	9.3	5.5	4.6	4.2
Real non-oil GDP								
Cameroon	5.5	4.9	4.5	4.8	5.0	5.1	5.0	5.1
Central African Republic	-36.0	1.0	5.7	7.3	7.6	5.5	5.5	5.5
Chad	8.0	7.1	2.0	4.4	4.9	4.9	4.8	4.8
Congo, Republic of	8.1	7.9	2.3	3.4	3.3	3.4	3.6	2.9
Equatorial Guinea	3.3	-0.5	0.1	-0.5	-2.0	-1.1	-0.5	-0.1
Gabon	7.8	4.9	5.8	6.3	6.4	6.5	6.6	6.8
CEMAC	4.6	4.7	3.6	4.3	4.4	4.5	4.6	4.7
Consumer price inflation (period average)								
Cameroon	2.1	1.9	2.0	2.1	2.2	2.2	2.2	2.2
Central African Republic	6.6	11.6	5.7	4.9	4.9	4.0	2.4	2.4
Chad	0.2	1.7	4.4	3.1	3.0	3.0	3.0	3.0
Congo, Republic of	4.6	0.9	0.9	1.7	2.5	2.5	2.5	2.5
Equatorial Guinea	3.2	4.3	3.5	2.9	2.8	2.8	2.8	2.8
Gabon	0.5	4.5	2.5	2.5	2.5	2.5	2.5	2.5
CEMAC	2.1	2.7	2.6	2.4	2.5	2.5	2.5	2.5
End of period inflation								
Cameroon	1.7	2.6	2.0	2.1	2.2	2.2	2.2	2.2
Central African Republic	5.9	8.4	9.4	2.5	5.6	2.4	2.4	2.4
Chad	0.9	3.7	3.2	3.0	3.0	3.0	3.0	3.0
Congo, Republic of	2.1	0.5	1.8	2.1	2.4	2.5	2.5	2.5
Equatorial Guinea	4.9	4.3	3.5	2.9	2.8	2.8	2.8	2.8
Gabon	3.3	1.7	2.5	2.5	2.5	2.5	2.5	2.5
CEMAC	2.4	2.6	2.5	2.4	2.5	2.5	2.5	2.5
				(Percent of GDP)				
Gross national savings								
Cameroon	17.8	17.8	17.3	16.6	16.1	15.3	14.8	14.5
Central African Republic	5.7	4.1	7.7	7.6	7.2	8.0	11.5	13.3
Chad	18.3	21.6	19.4	20.3	18.9	21.5	20.6	19.3
Congo, Republic of	26.5	29.9	23.9	25.4	30.1	29.0	25.1	26.0
Equatorial Guinea	29.4	25.3	24.6	24.9	25.2	24.8	25.2	25.7
Gabon	38.7	35.0	31.0	33.5	34.4	35.7	35.4	35.7
CEMAC	25.1	24.4	21.7	22.2	22.7	22.8	21.8	21.7
Gross domestic investment								
Cameroon	21.5	22.4	22.0	21.2	20.7	19.8	19.0	18.6
Central African Republic	8.7	10.2	19.9	19.6	15.7	16.2	18.3	18.8
Chad	27.5	30.5	29.4	29.2	25.2	25.1	23.6	24.3
Congo, Republic of	30.9	35.4	34.6	31.4	26.7	26.4	28.1	27.2
Equatorial Guinea	54.7	54.3	58.4	50.3	46.5	42.7	41.2	42.4
Gabon	26.5	26.7	30.0	29.4	30.4	32.4	34.1	35.7
CEMAC	30.6	31.3	31.2	29.2	27.1	26.4	26.1	26.2

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

Table 4. CEMAC: Nominal and Real Effective Exchange Rates, 2005–14

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nominal effective exchange rate										
	(Index, 2010=100)									
Cameroon	98.6	98.1	101.1	103.7	104.6	100.0	101.2	98.1	101.7	103.3
Central African Republic	99.7	99.6	102.6	105.2	104.4	100.0	100.8	97.8	101.3	103.0
Chad	96.9	96.9	99.4	102.0	103.0	100.0	101.1	98.8	100.7	102.2
Congo, Republic of	99.7	99.6	102.3	106.1	105.2	100.0	101.1	98.2	102.0	103.5
Equatorial Guinea	96.1	95.8	100.2	106.0	104.7	100.0	102.0	96.9	99.4	99.3
Gabon	100.2	100.2	102.4	104.3	103.5	100.0	100.3	97.7	100.7	102.0
CEMAC [1]	98.4	98.1	101.1	104.3	104.3	100.0	101.1	98.0	101.0	102.3
	(Annual percent change)									
Cameroon	-1.7	-0.5	3.1	2.5	0.9	-4.4	1.2	-3.1	3.7	1.6
Central African Republic	-1.4	-0.1	3.0	2.5	-0.8	-4.2	0.8	-3.0	3.5	1.7
Chad	0.0	0.0	2.5	2.7	1.0	-2.9	1.1	-2.3	2.0	1.4
Congo, Republic of	-1.2	-0.1	2.7	3.7	-0.8	-5.0	1.1	-2.9	3.8	1.5
Equatorial Guinea	-0.2	-0.3	4.6	5.8	-1.3	-4.5	2.0	-4.9	2.6	-0.2
Gabon	-0.5	0.0	2.2	1.9	-0.7	-3.4	0.3	-2.5	3.0	1.3
CEMAC [1]	-0.9	-0.2	3.0	3.2	0.0	-4.1	1.1	-3.1	3.2	1.3
Real effective exchange rate	(Index, 2010=100)									
Cameroon	98.9	100.4	101.3	104.4	106.7	100.0	100.2	96.7	99.5	101.0
Central African Republic	90.7	94.2	95.4	102.8	104.9	100.0	99.0	99.2	102.3	127.6
Chad	96.4	101.0	91.5	98.8	108.1	100.0	94.0	101.7	101.8	103.8
Congo, Republic of	92.1	93.6	95.4	99.9	103.1	100.0	99.3	96.8	104.0	101.3
Equatorial Guinea	83.0	84.2	88.3	95.9	99.0	100.0	105.7	104.4	112.1	117.3
Gabon	98.7	95.2	99.7	103.2	104.0	100.0	98.6	96.4	98.2	102.3
CEMAC [1]	94.5	95.5	96.4	101.3	104.6	100.0	99.7	98.6	102.2	104.4
	(Annual percent change)									
Cameroon	-2.6	1.5	1.0	3.0	2.2	-6.3	0.2	-3.5	3.0	1.4
Central African Republic	-0.8	4.0	1.2	7.7	2.0	-4.6	-1.0	0.2	3.1	24.8
Chad	4.9	4.8	-9.4	7.9	9.5	-7.5	-6.0	8.2	0.1	1.9
Congo, Republic of	-1.2	1.7	1.9	4.8	3.2	-3.0	-0.7	-2.5	7.4	-2.6
Equatorial Guinea	2.6	1.5	4.8	8.6	3.3	1.0	5.7	-1.3	7.4	4.6
Gabon	1.0	-3.6	4.7	3.5	0.8	-3.8	-1.4	-2.2	1.9	4.1
CEMAC [1]	0.2	1.1	1.0	5.1	3.2	-4.4	-0.3	-1.0	3.6	2.1

Source: IMF Information Notice System.

[1] CEMAC data are weighted by country GDP in purchasing power parity in US dollars.

Table 5a. CEMAC: Balance of Payments, 2013–20

	2013	2014 Estim.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.	2020 Proj.
	(CFAF billions)							
Balance on current account	-740	-1,765	-2,549	-1,816	-973	-754	-1,419	-1,667
Balance on goods and services	6,097	4,557	2,177	3,681	5,055	5,155	4,545	4,117
Total exports	24,505	23,612	20,111	22,735	24,898	25,641	25,528	25,030
Exports of goods	22,636	21,712	18,127	20,563	22,559	23,157	22,920	22,277
Oil exports	18,580	17,476	13,308	15,358	16,936	17,193	16,551	15,616
Non-oil exports	4,056	4,236	4,819	5,205	5,623	5,964	6,369	6,661
Exports of services	1,869	1,900	1,984	2,172	2,339	2,485	2,608	2,753
Total imports	18,408	19,054	17,933	19,054	19,842	20,487	20,983	20,913
Imports of goods	11,667	12,144	11,265	11,958	12,361	12,840	13,330	13,345
Imports of services	6,741	6,910	6,669	7,096	7,482	7,646	7,653	7,568
Income, net	-6,879	-6,709	-4,846	-5,594	-6,115	-6,041	-6,099	-5,940
Income credits	186	191	236	231	235	242	252	264
Income debits	-7,066	-6,899	-5,082	-5,826	-6,349	-6,283	-6,351	-6,204
Of which:								
Investment income, debit	-1,381	-2,362	-1,078	-1,659	-2,239	-2,347	-2,294	-2,222
Of which: Interest paid on public debt	-73	-92	-126	-153	-189	-206	-226	-237
Of which: Interest paid on nonpublic debt	-468	-473	-440	-427	-5	-5	-5	-6
Current transfers, net	43	386	119	98	87	132	136	155
Private current transfers, net	-142	-81	-122	-120	-119	-90	-90	-84
Official current transfers, net	185	467	241	218	206	222	226	239
Balance on capital and financial accounts	1,274	1,765	2,549	1,816	972	754	1,419	1,667
Balance on capital account (incl. capital transfers)	147	174	292	257	227	242	257	270
Balance on financial account (incl. reserves)	1,126	1,591	2,257	1,560	745	512	1,162	1,397
Direct investment, net	2,717	2,713	2,363	2,919	2,510	2,427	2,237	2,131
Portfolio investment, net	12	13	13	13	14	14	15	15
Other investment, net	-1,261	-1,659	-1,162	-1,515	-1,806	-1,394	-1,176	-790
Reserve assets (accumulation -)	-341	524	1,043	142	28	-536	87	41
Errors and omissions, net	-534	0	0	0	0	0	0	0
Memorandum items:								
Nominal GDP	45,576	46,717	44,294	48,044	52,496	55,381	57,905	60,325
Gross official reserves (end of period)								
Millions U.S. dollars	18,222	17,162	15,389	15,146	15,097	16,034	15,879	15,805
Months of imports of goods and services	5.8	7.0	5.8	5.5	5.2	5.3	5.2	5.2

Sources: BEAC; and IMF staff estimates and projections.

Table 5b. CEMAC: Balance of Payments Indicators by Country, 2013–20

(Percent of GDP)

	2013	2014 Estim.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.	2020 Proj.
Balance on Current Account								
Cameroon	-3.8	-4.5	-4.7	-4.6	-4.6	-4.5	-4.3	-4.1
Central African Republic	-3.0	-6.1	-12.2	-12.1	-8.5	-8.1	-6.9	-5.5
Chad	-9.2	-8.9	-10.1	-8.9	-6.3	-3.6	-3.0	-5.0
Congo, Republic of	-4.6	-5.5	-8.9	-6.0	3.4	2.7	-3.1	-1.2
Equatorial Guinea	-4.0	-10.0	-7.0	-2.4	-1.4	1.1	0.3	0.3
Gabon	12.2	8.3	1.0	4.1	4.0	3.3	1.3	0.0
CEMAC	-1.6	-3.8	-5.8	-3.8	-1.9	-1.4	-2.5	-2.8
Balance on Non-Oil Current Account								
Cameroon	-26.5	-8.6	-8.4	-8.3	-8.2	-8.0	-7.8	-7.5
Chad	-15.6	-13.3	-13.5	-15.1	-17.1	-16.6	-17.4	-17.5
Congo, Republic of	-31.6	-29.4	-23.6	-24.6	-18.7	-20.6	-24.6	-21.0
Equatorial Guinea	-70.2	-76.2	-67.7	-63.7	-59.5	-56.1	-51.8	-48.1
Gabon	-17.8	-15.9	-17.4	-15.8	-15.1	-14.7	-14.7	-14.8
CEMAC	-31.4	-24.3	-20.5	-19.8	-18.2	-17.5	-17.3	-16.0
Oil Exports								
Cameroon	10.5	9.7	8.3	8.6	8.7	8.7	8.5	8.2
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	24.9	23.1	22.4	24.7	29.3	29.8	29.2	26.6
Congo, Republic of	62.7	57.1	38.9	57.8	59.6	58.0	52.7	47.8
Equatorial Guinea	85.3	87.8	85.0	84.1	81.0	79.0	75.3	71.5
Gabon	48.3	42.3	29.7	30.6	29.6	28.6	26.7	25.0
CEMAC	40.8	37.4	30.0	32.0	32.3	31.0	28.6	25.9
Imports of goods and non factor services								
Cameroon	29.4	28.9	28.2	28.4	28.0	27.5	26.8	25.9
Central African Republic	24.7	37.1	35.7	34.4	29.5	28.3	26.6	24.8
Chad	43.2	44.1	44.2	43.3	42.8	41.0	38.8	38.5
Congo, Republic of	61.5	60.8	52.8	62.9	53.1	54.0	58.1	55.3
Equatorial Guinea	50.0	54.6	54.5	49.8	47.0	44.7	41.9	39.6
Gabon	34.2	32.3	34.5	33.1	33.2	33.4	33.5	33.3
CEMAC	40.4	40.8	40.5	39.7	37.8	37.0	36.2	34.7
Balance on Capital Account								
Cameroon	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Central African Republic	1.4	2.0	7.9	6.5	2.5	2.2	2.0	1.8
Chad	1.6	1.5	2.3	1.9	1.8	1.8	1.8	1.8
Congo, Republic of	0.4	0.5	0.5	0.4	0.3	0.3	0.4	0.4
Equatorial Guinea	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gabon	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CEMAC	0.3	0.4	0.7	0.5	0.4	0.4	0.4	0.4
Foreign Direct Investment								
Cameroon	2.4	2.4	1.9	1.6	1.4	1.2	1.1	0.9
Central African Republic	0.1	0.1	0.3	1.5	1.7	1.6	1.6	1.6
Chad	4.0	5.2	5.8	5.4	4.0	3.2	2.2	2.2
Congo, Republic of	19.4	19.6	13.3	21.8	13.5	12.9	11.9	10.9
Equatorial Guinea	4.3	2.1	3.0	2.9	2.8	2.8	2.8	2.8
Gabon	5.8	5.6	6.8	6.8	6.6	6.2	6.2	6.1
CEMAC	6.0	5.8	5.3	6.1	4.8	4.4	3.9	3.5
Reserves				(Millions of USD)				
Cameroon	3,381	3,345	3,238	3,094	2,912	2,691	2,430	2,214
Central African Republic	158	182	186	188	191	194	201	205
Chad	1,156	932	956	962	1,069	1,507	1,786	1,594
Congo, Republic of	5,550	5,852	5,043	4,290	4,309	4,547	4,025	3,815
Equatorial Guinea	4,397	3,815	1,910	1,889	1,862	1,911	1,842	1,762
Gabon	2,352	2,151	2,082	2,220	2,258	2,643	3,223	3,808
CEMAC	18,222	17,162	15,389	15,146	15,097	16,034	15,879	15,805

Sources: BEAC; and IMF staff estimates and projections.

Table 6a. CEMAC: Fiscal Balances, 2013–20

(Percent of GDP)

	2013	2014	2015	2016	2017	2018	2019	2020
		Estim.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Overall fiscal balance (excluding grants)								
Cameroon	-4.4	-6.3	-6.3	-5.7	-5.5	-4.7	-4.5	-4.3
Central African Republic	-9.1	-7.7	-14.7	-11.4	-4.9	-3.5	-4.1	-2.7
Chad	-4.3	-6.2	-3.8	-2.5	-2.0	0.8	0.1	-0.3
Congo, Republic of	-2.2	-8.2	-10.6	-2.4	2.4	4.1	1.0	0.4
Equatorial Guinea	-7.5	-6.8	-4.7	-2.8	-1.8	-1.3	-0.8	-0.6
Gabon	1.8	2.7	-2.6	-1.1	-0.4	0.1	-0.1	-0.6
CEMAC	-3.5	-5.0	-5.7	-3.7	-2.4	-1.2	-1.8	-1.9
Overall fiscal balance (including grants)								
Cameroon	-4.1	-5.9	-5.9	-5.4	-5.3	-4.5	-4.4	-4.1
Central African Republic	-6.3	3.0	-4.9	-3.5	-2.4	-1.3	-2.0	-0.9
Chad	-2.1	-4.2	-0.8	-0.2	0.2	2.9	2.2	1.8
Congo, Republic of	-1.8	-7.8	-10.0	-2.0	2.7	4.5	1.4	0.7
Equatorial Guinea	-7.5	-6.8	-4.7	-2.8	-1.8	-1.3	-0.8	-0.6
Gabon	1.8	2.7	-2.6	-1.1	-0.4	0.1	-0.1	-0.6
CEMAC	-3.0	-4.3	-4.8	-3.0	-1.8	-0.7	-1.2	-1.4
Basic balance[1]								
Cameroon	-1.0	-2.0	-1.6	-1.4	-1.5	-1.2	-1.3	-1.2
Central African Republic	-7.5	-5.7	-4.9	-3.3	-1.5	-0.5	-1.0	0.1
Chad	-2.0	-3.9	-0.9	1.3	1.6	4.4	3.7	3.1
Congo, Republic of	5.7	-2.9	-3.3	2.9	6.5	6.5	4.0	3.4
Equatorial Guinea	-7.5	-6.8	-4.7	-2.8	-1.8	-1.3	-0.8	-0.6
Gabon	4.9	5.5	1.0	4.1	2.5	2.8	2.6	2.0
CEMAC	-0.3	-1.8	-1.7	0.4	0.9	1.6	1.0	0.8
Primary fiscal balance (including grants)								
Cameroon	-3.6	-5.3	-5.1	-4.4	-4.1	-3.2	-2.9	-2.6
Central African Republic	-5.7	3.6	-4.1	-2.8	-2.0	-0.8	-1.3	-0.3
Chad	-1.5	-3.6	-0.2	0.5	0.9	3.5	2.7	2.2
Congo, Republic of	-1.5	-7.5	-9.7	-1.7	3.0	4.7	1.6	1.0
Equatorial Guinea	-7.1	-6.1	-3.6	-2.2	-1.3	-0.9	-0.4	-0.3
Gabon	3.5	3.8	-0.8	0.9	1.6	2.0	1.8	1.3
CEMAC	-2.3	-3.6	-3.9	-2.0	-0.8	0.3	-0.2	-0.3
Government revenue (excluding grants)								
Cameroon	17.6	17.1	16.3	16.6	16.7	16.7	16.7	16.7
Central African Republic	5.7	4.9	6.7	7.3	7.8	8.3	10.1	11.3
Chad	18.5	15.9	13.8	15.5	15.9	21.7	22.9	23.0
Congo, Republic of	46.5	42.3	39.6	40.2	38.1	38.6	38.4	37.6
Equatorial Guinea	31.8	33.6	29.7	28.3	28.2	27.8	27.0	26.3
Gabon	30.2	26.1	23.3	25.1	25.4	25.6	25.5	25.5
CEMAC	26.8	24.8	21.7	22.4	22.5	23.4	23.2	22.8
Government expenditure								
Cameroon	21.9	23.4	22.4	22.3	22.1	21.4	21.2	21.0
Central African Republic	14.7	12.6	21.5	18.7	12.7	11.8	14.2	14.0
Chad	22.9	22.1	17.6	18.0	17.8	20.9	22.8	23.4
Congo, Republic of	48.7	50.5	50.2	42.5	35.7	34.5	37.3	37.2
Equatorial Guinea	39.3	40.4	34.4	31.1	30.0	29.1	27.8	26.9
Gabon	28.4	23.5	25.9	26.2	25.8	25.6	25.6	26.1
CEMAC	30.3	29.7	27.4	26.1	24.8	24.6	24.9	24.7
Memo item:								
Non-oil revenue (CEMAC)	10.6	11.2	12.4	12.3	12.1	12.4	12.8	13.3

Sources: Authorities' data; and IMF staff estimates and projections.
[1] Overall budget balance excluding grants and foreign-financed investment.

Table 6b. CEMAC: Fiscal Non-oil Balances, 2013–20

(Percent of non-oil GDP)

	2013	2014 Estim.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.	2020 Proj.
Non-oil fiscal balance (excluding grants)								
Cameroon	-9.9	-10.8	-9.6	-9.4	-9.3	-8.5	-8.3	-8.0
Central African Republic	-9.1	-7.7	-14.7	-11.4	-4.9	-3.5	-4.1	-2.7
Chad	-22.1	-20.0	-13.0	-13.5	-14.1	-18.0	-20.4	-19.7
Congo, Republic of	-87.3	-82.7	-58.4	-52.2	-49.6	-44.0	-41.9	-35.2
Equatorial Guinea	-71.5	-67.2	-42.7	-38.0	-35.6	-33.5	-30.5	-27.8
Gabon	-23.3	-14.4	-13.7	-14.2	-12.7	-11.5	-10.9	-10.6
CEMAC	-29.1	-26.3	-19.0	-17.8	-16.7	-15.8	-15.4	-14.2
Non-oil fiscal balance (including grants)								
Cameroon	-9.4	-10.3	-9.1	-9.0	-9.0	-8.3	-8.1	-7.8
Central African Republic	-6.3	3.0	-4.9	-3.5	-2.4	-1.3	-2.0	-0.9
Chad	-19.0	-17.4	-9.1	-10.4	-11.0	-15.0	-17.5	-16.9
Congo, Republic of	-86.4	-81.7	-57.5	-51.4	-48.9	-43.2	-41.2	-34.5
Equatorial Guinea	-71.5	-67.2	-42.7	-38.0	-35.6	-33.5	-30.5	-27.8
Gabon	-23.3	-14.4	-13.7	-14.2	-12.7	-11.5	-10.9	-10.6
CEMAC	-28.3	-25.2	-17.9	-16.8	-15.9	-15.1	-14.7	-13.5
Basic balance[1]								
Cameroon	-1.1	-2.2	-1.7	-1.5	-1.6	-1.3	-1.4	-1.3
Central African Republic	-7.5	-5.7	-4.9	-3.3	-1.5	-0.5	-1.0	0.1
Chad	-2.7	-5.3	-1.1	1.7	2.3	6.2	5.2	4.2
Congo, Republic of	13.5	-6.4	-5.8	5.8	14.8	14.4	7.9	6.2
Equatorial Guinea	-15.4	-12.7	-7.0	-4.3	-2.7	-2.0	-1.2	-0.9
Gabon	8.3	8.9	1.2	5.3	3.2	3.6	3.2	2.5
CEMAC	-0.5	-2.5	-2.1	0.5	1.2	2.0	1.3	1.0
Non-oil primary fiscal balance (including grants)								
Cameroon	-9.0	-9.8	-8.3	-8.0	-7.8	-6.9	-6.6	-6.2
Central African Republic	-5.7	3.6	-4.1	-2.8	-2.0	-0.8	-1.3	-0.3
Chad	-18.3	-16.6	-8.3	-9.4	-10.0	-14.3	-16.7	-16.3
Congo, Republic of	-85.7	-81.2	-56.9	-50.9	-48.4	-42.7	-40.7	-34.1
Equatorial Guinea	-70.6	-65.9	-41.0	-37.2	-34.8	-33.0	-29.9	-27.3
Gabon	-20.3	-12.4	-11.4	-11.4	-10.1	-9.1	-8.5	-8.2
CEMAC	-27.3	-24.3	-16.8	-15.6	-14.6	-13.8	-13.4	-12.1
Government revenue (excluding grants)								
Cameroon	19.0	18.3	17.1	17.6	17.6	17.7	17.6	17.6
Central African Republic	5.7	4.9	6.7	7.3	7.8	8.3	10.1	11.3
Chad	25.5	21.2	17.9	20.7	22.4	30.6	32.3	31.5
Congo, Republic of	110.7	92.8	70.7	79.3	87.2	85.3	76.1	67.9
Equatorial Guinea	65.3	63.0	44.6	43.6	43.1	42.3	40.3	38.3
Gabon	51.2	42.1	30.1	32.5	32.6	32.6	32.1	31.7
CEMAC	39.4	34.7	27.1	28.5	29.2	30.1	29.3	28.1
Government expenditure								
Cameroon	23.6	24.9	23.6	23.5	23.4	22.6	22.4	22.1
Central African Republic	14.7	12.6	21.5	18.7	12.7	11.8	14.2	14.0
Chad	31.4	29.5	22.9	24.1	25.1	29.4	32.2	31.9
Congo, Republic of	116.0	110.9	89.6	84.0	81.6	76.2	74.1	67.2
Equatorial Guinea	80.7	75.6	51.6	47.8	45.8	44.2	41.5	39.2
Gabon	48.2	37.8	33.4	33.9	33.1	32.5	32.2	32.4
CEMAC	44.5	41.5	34.1	33.2	32.3	31.7	31.5	30.4
Memo item:								
Non-oil revenue (CEMAC)	15.6	15.6	15.4	15.7	15.8	16.0	16.2	16.3

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

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

Table 7. CEMAC: Compliance with Convergence Criteria, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
		Estim.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
				(Percent of GDP)				
Basic fiscal balance[1] (≥ 0)								
Cameroon	-1.0	-2.0	-1.6	-1.4	-1.5	-1.2	-1.3	-1.2
Central African Republic	-7.5	-5.7	-4.9	-3.3	-1.5	-0.5	-1.0	0.1
Chad	-2.0	-3.9	-0.9	1.3	1.6	4.4	3.7	3.1
Congo, Republic of	5.7	-2.9	-3.3	2.9	6.5	6.5	4.0	3.4
Equatorial Guinea	-7.5	-6.8	-4.7	-2.8	-1.8	-1.3	-0.8	-0.6
Gabon	4.9	5.5	1.0	4.1	2.5	2.8	2.6	2.0
Number of countries violating	*4*	*5*	*5*	*3*	*3*	*3*	*3*	*2*
Consumer price inflation (≤ 3%)								
Cameroon	2.1	1.9	2.0	2.1	2.2	2.2	2.2	2.2
Central African Republic	6.6	11.6	5.7	4.9	4.9	4.0	2.4	2.4
Chad	0.2	1.7	4.4	3.1	3.0	3.0	3.0	3.0
Congo, Republic of	4.6	0.9	0.9	1.7	2.5	2.5	2.5	2.5
Equatorial Guinea	3.2	4.3	3.5	2.9	2.8	2.8	2.8	2.8
Gabon	0.5	4.5	2.5	2.5	2.5	2.5	2.5	2.5
Number of countries violating	*3*	*3*	*3*	*2*	*1*	*1*	*0*	*0*
Level of public debt (≤ 70% GDP)								
Cameroon	18.6	24.6	30.7	34.2	37.1	39.4	41.0	42.1
Central African Republic	52.3	47.6	42.1	36.5	34.2	32.0	31.1	29.2
Chad	30.1	38.2	33.3	30.7	26.8	24.7	21.9	20.0
Congo, Republic of	38.2	41.8	54.4	48.3	40.4	38.7	39.2	39.8
Equatorial Guinea	7.9	12.0	15.3	14.6	14.7	15.6	16.2	16.6
Gabon	26.3	26.1	36.6	38.1	36.0	35.2	34.6	33.6
Number of countries violating	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Non-accumulation of government arrears[2] (≤ 0)								
Cameroon	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Central African Republic	2.3	-1.4	-0.8	-0.7	-0.8	-0.6	0.0	-4.1
Chad	-3.6	-2.0	-2.6	-1.5	-1.3	-1.3	-1.4	-1.6
Congo, Republic of	-2.7	-0.7	-0.7	-1.1	-0.9	-0.4	-0.4	-0.5
Equatorial Guinea	0.0	22.6	0.0	0.0	0.0	0.0	0.0	0.0
Gabon	-1.5	-3.1	-2.0	-0.7	-0.7	0.0	0.0	0.0
Number of countries violating	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Sources: Authorities' data; and IMF staff estimates.

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

[2] Includes external and domestic payments arrears. Data reported by country authorities. A negative sign indicates a reduction in the stock of past arrears.

Table 8. CEMAC: Monetary Survey, 2013–20

	2013	2014 Estim.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.	2020 Proj.
	(CFAF billions)							
Net foreign assets	8,788	7,975	7,758	7,575	7,908	8,696	8,920	8,879
Of which: BEAC	8,123	7,720	7,060	6,893	7,196	7,914	8,117	8,080
Net domestic assets	2,240	4,113	4,948	5,671	6,249	6,084	6,926	8,032
Net credit to government	-2,430	-1,568	1,690	1,575	1,360	657	378	283
BEAC, net	-2,803	-1,450	1,820	1,725	1,525	838	569	483
Advances	478	1,194	1,960	2,021	2,075	2,112	2,169	2,236
Consolidated debt	83	84	83	83	83	84	84	84
Other	138	156	144	149	148	148	149	150
Government deposits	-3,502	-2,883	-366	-528	-781	-1,505	-1,833	-1,986
Commercial banks, net	373	-119	-131	-150	-165	-182	-191	-200
Net credit to public agencies	-407	-263	-241	-205	-174	-148	-126	-107
Net credit to private sector	5,635	6,061	4,937	5,725	6,647	7,184	8,427	9,157
Other items, net	-557	-116	-1,438	-1,424	-1,584	-1,608	-1,753	-1,300
Broad money	11,028	12,087	12,706	13,245	14,156	14,780	15,846	16,911
Currency outside banks	2,998	3,098	3,180	3,454	3,686	3,935	4,299	4,646
Bank deposits	8,030	8,989	9,526	9,791	10,470	10,845	11,547	12,265
	(Annual change in percent of beginning-of-period broad money)							
Net foreign assets	-0.4	-7.4	-1.8	-1.4	2.5	5.6	1.5	-0.3
Net domestic assets	9.0	17.0	6.9	5.7	4.4	-1.2	5.7	7.0
Net credit to government	-2.2	7.8	27.0	-0.9	-1.6	-5.0	-1.9	-0.6
Net credit to the private sector	10.7	3.9	-9.3	6.2	7.0	3.8	8.4	4.6
Other items, net	0.5	5.3	-10.7	0.4	-1.0	0.0	-0.8	3.0
Broad money	9.3	9.6	5.1	4.2	6.9	4.4	7.2	6.7
Velocity (GDP/broad money)	4.1	3.9	3.5	3.6	3.7	3.7	3.7	3.6
	(Percent of GDP)							
Broad money	24.2	25.9	28.7	27.6	27.0	26.7	27.4	28.0
Private bank deposits	16.8	16.9	15.5	14.7	14.4	14.1	14.4	14.6
Net credit to the private sector	11.5	10.2	11.1	11.9	12.7	13.0	14.6	15.2

Sources: BEAC; and IMF staff estimates.

Table 9. CEMAC: Summary Medium-Term Projections, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
		Estim.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National income and prices	(Annual percent change)							
Real GDP	2.4	4.7	2.8	4.7	5.1	4.1	3.5	3.6
Oil	-8.0	2.7	0.5	7.2	9.9	2.1	-4.7	-4.2
Non-oil	4.6	4.7	3.6	4.3	4.4	4.5	4.6	4.7
Nominal GDP	-0.7	2.5	-5.2	8.5	9.3	5.5	4.6	4.2
Consumer prices (period average)	2.1	2.7	2.6	2.4	2.5	2.5	2.5	2.5
External sector								
Exports, f.o.b	-4.8	-3.7	-28.4	13.6	10.8	4.2	0.7	-0.4
Export volume	-16.6	-6.9	19.4	9.7	16.1	0.0	0.0	0.0
Imports, c.i.f.	-1.6	3.4	-20.9	6.8	5.4	4.4	3.6	1.2
Import volume	-6.2	22.2	-2.9	3.0	4.4	0.0	0.0	0.0
Terms of trade	-0.3	-3.8	-20.5	1.5	-1.2	-2.5	-0.3	-2.7
Central government	(Percent of GDP)							
Overall balance, including grants	-3.0	-4.3	-4.8	-3.0	-1.8	-0.7	-1.2	-1.4
Grants	0.5	0.7	0.9	0.7	0.6	0.6	0.5	0.5
Total revenue and grants	27.3	25.5	22.6	23.2	23.0	23.0	23.9	23.7
Total expenditure and net lending	30.3	29.7	27.4	26.1	24.8	24.6	24.9	24.7
External sector								
Current account balance, including grants	-1.6	-3.8	-5.8	-3.8	-1.9	-1.4	-2.5	-2.8
Trade balance	13.4	9.8	4.9	7.7	9.6	9.3	7.8	6.8
Central government	(Percent of non-oil GDP)							
Overall balance, excluding grants	-5.2	-6.9	-7.1	-4.7	-3.1	-1.6	-2.3	-2.4
Non-oil overall balance, including grants	-28.3	-25.2	-17.9	-16.8	-15.9	-15.1	-14.7	-13.5
Non-oil primary balance, including grants	-27.3	-24.3	-16.8	-15.6	-14.6	-13.8	-13.4	-12.1

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

Note: The export volume, import volume, and terms of trade are calculated as PPP weighted averages of member countries' values.

Table 10. CEMAC: Relative Size of CEMAC Economies and Importance of Oil Sector, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
		Estim.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percent of CEMAC's nominal GDP)							
Nominal GDP								
Cameroon	32.0	33.4	37.7	37.2	36.4	37.0	37.8	38.9
Central African Republic	1.7	1.8	2.2	2.3	2.4	2.5	2.7	2.8
Chad	14.0	14.7	15.8	16.2	16.8	17.1	17.7	17.8
Congo, Republic of	14.6	14.3	12.5	13.4	14.9	14.5	13.2	12.0
Equatorial Guinea	18.6	16.4	14.0	13.4	12.2	11.5	11.0	10.6
Gabon	19.1	19.2	17.8	17.6	17.2	17.4	17.6	17.9
CEMAC	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	(Percent of each country's nominal GDP)							
Nominal oil GDP								
Cameroon	7.2	6.1	5.0	5.3	5.3	5.2	5.1	4.8
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	27.1	25.2	23.2	25.3	29.0	29.1	29.0	26.8
Congo, Republic of	58.0	54.4	44.0	49.3	56.2	54.7	49.6	44.7
Equatorial Guinea	51.3	46.6	33.3	35.0	34.6	34.3	33.0	31.4
Gabon	41.1	37.9	22.5	22.7	22.1	21.4	20.4	19.4
CEMAC [1/]	31.9	28.5	19.7	21.4	23.2	22.5	20.8	18.8
	(Percent of each country's total exports)							
Oil exports								
Cameroon	50.9	49.1	43.8	44.7	45.1	45.6	45.3	45.1
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	83.0	82.1	81.1	82.9	85.8	85.7	85.1	83.1
Congo, Republic of	86.4	84.6	76.5	80.5	82.1	81.3	78.0	74.2
Equatorial Guinea	92.6	92.4	88.1	88.0	87.3	86.6	85.7	84.8
Gabon	80.9	78.7	69.1	69.9	68.4	67.1	65.1	64.1
CEMAC [2/]	82.1	80.5	73.4	74.7	75.1	74.2	72.2	70.1
	(Percent of each country's total fiscal revenues)							
Fiscal oil revenue								
Cameroon	26.7	21.9	17.0	18.8	19.3	19.7	19.6	19.7
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	56.6	49.3	36.8	42.5	44.6	57.1	58.3	56.2
Congo, Republic of	73.5	68.9	55.2	59.3	62.8	61.7	57.2	52.2
Equatorial Guinea	85.9	86.6	79.9	77.5	76.2	74.7	72.6	70.3
Gabon	51.3	44.0	34.4	38.7	37.0	35.5	33.3	31.1
CEMAC [3/]	59.5	54.2	42.3	44.4	45.2	46.1	43.9	41.0

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

[1/] The sum of the countries' nominal oil GDP divided by CEMAC's nominal GDP.

[2/] The sum of the countries' oil exports divided by CEMAC's total exports.

[3/] The sum of the countries' fiscal oil revenues divided by CEMAC's fiscal revenues.

Table 11. CEMAC: Violations of Main Prudential Ratios, 2012–14

	Capital Adequacy			Liquidity[1]			Fixed Assets[2]			Maturity[3] Transformation			Minimum[4] Capital			Limit on Single[5] large exposure		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
	8%			Min 100%						Min 50%								
Country (number of banks)																		
Cameroon (13)	5	5	4	1	2	3	8	5	4	5	5	4	5	5	3	9	7	5
Central African Republic (4)	0	0	0	1	1	0	0	0	0	0	0	0	1	2	0	2	3	2
Chad (8)	0	0	1	0	1	0	0	0	2	0	1	1	2	3	2	1	1	3
Republic of Congo (9)	2	1	0	1	0	0	1	1	1	0	1	1	1	3	1	3	2	2
Equatorial Guinea (5)	0	0	1	0	0	0	1	0	1	1	1	1	0	0	0	0	1	1
Gabon (10)	0	1	3	2	1	3	0	2	4	0	1	3	1	3	1	4	3	4
CEMAC (50)	7	7	9	5	5	6	10	8	12	6	9	10	10	16	7	19	17	17
									Percent of deposits[6]									
Cameroon (13)	21	28	24	2	4	21	46	28	24	19	28	24	19	n.a	9	37	41	29
Central African Republic (4)	0	0	0	17	17	0	0	0	0	0	0	0	22	n.a	0	38	91	24
Chad (8)	0	0	13	0	15	0	0	0	18	0	14	13	14	n.a	6	13	15	38
Republic of Congo (9)	19	3	0	7	0	0	3	5	2	0	3	2	3	n.a	0	61	52	4
Equatorial Guinea (5)	0	0	32	0	0	0	24	0	32	16	15	32	0	n.a	0	0	23	32
Gabon (10)	0	2	5	62	2	19	0	13	19	0	2	5	0	n.a	2	37	15	19

Source: Banking Commission of Central Africa (COBAC).

[1] Short-term assets of up to one month (remaining maturity) over short-term liabilities of up to one month (remaining maturity).

[2] Net capital and other premanent resources over fixed assets.

[3] Long-term assets of more than five years over long term liabilities of more than five years.

[4] Minimum capital varied by country until May 2010 (CFA millions): Cameroon 1000; Central African Republic 200; Chad 150; Republic of Congo 150; Equatorial Guinea 300; Gabon 1000. From June 2010, minimum capital is 5 billion CFAF for all the countries.

[5] Single large exposure is limited to 45 percent of capital.

[6] Percentage of deposits represented by the number of banks in violation in the country.

Table 12. CEMAC: Bank Ratings, December 2014

(Number of Banks)

	1	2	3	4	5	Not Rated
Country (number of banks)						
Cameroon (13)	0	3	5	2	1	2
Central African Republic (4)	…	…	3	…	…	1
Chad (8)	0	0	5	1	1	1
Republic of Congo (10)	0	2	5	0	0	3
Equatorial Guinea (5)	0	1	2	1	0	1
Gabon (10)	1	2	2	1	1	3
CEMAC (50)	1	8	22	5	3	11

Source: Banking Commission of Central Africa (COBAC).

[1] Ratings: 1=strong; 2=good; 3=not satisfactory; 4=fragile; 5=critical.

Table 13. CEMAC: Financial Soundness Indicators, 2013–14

	Cameroon		Central African Republic		Chad		Congo		Equatorial Guinea		Gabon	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Capital adequacy												
Capital/risk-weighted assets	7.9	10.6	39.1	42.2	22.0	13.4	11.9	16.1	22.3	25.5	12.3	9.4
Base Capital/ risk-weighted assets	6.3	9.1	37.4	40.3	20.0	12.0	10.3	13.7	22.5	26.2	11.6	8.8
Non-performing loans less provisions/Equity	18.6	10.3	50.0	44.4	15.6	23.9	0.3	4.7	42.9	40.5	-0.3	0.2
Capital/Assets	3.6	3.3	18.3	18.1	12.3	8.9	8.2	4.5	4.0	4.1	9.2	9.1
Asset quality, profitability and liquidity												
Non-performing loans/total loans	10.3	9.7	28.5	27.7	9.8	11.7	1.2	2.5	20.1	19.7	2.7	4.1
Large exposures/equity	354.3	258.4	105.5	100.1	97.6	176.5	201.7	200.8	165.8	176.6	151.6	198.6
Results and profitability												
Return on Assets (ROA)	1.5	0.8	-1.1	0.8	2.3	1.8	2.0	1.0	0.6	0.7	1.6	1.7
Return on Equity (ROE)	42.7	21.8	-5.4	3.8	21.1	19.4	28.4	23.4	14.1	16.9	19.6	21.5
Liquidity												
Liquid assets/Total assets	9.4	9.0	14.9	22.7	24.0	25.7	25.2	17.1	17.7	15.6	20.0	19.0
Liquid assets/ST liabilities	127.6	139.5	149.1	203.1	139.3	152.9	142.7	182.9	220.2	194.0	125.2	112.9
Total deposits /Total loans (non interbank)	114.6	112.2	70.7	71.9	112.9	107.8	159.3	173.5	202.8	177.7	108.6	105.5

Sources: Banking Commission of Central Africa (COBAC).

Annex I. CEMAC: Response to Past IMF Advice

	2014 Regional recommendations	Authorities' response
Policy mix	• Some countries should have a more cautious fiscal stance owing to limited policy buffers. • Resolve the issue of partial repatriation of reserves by certain member states.	• With a few exceptions (Chad, Gabon) macroeconomic policies in 2014 at country level have not been fully consistent with IMF advice. Most countries have continued their expansionary fiscal stance, reducing policy buffers. However, most countries have plans to initiate some degree of fiscal consolidation in 2015. • The BEAC has been working on a new reserves management system to address the issue of partial repatriation of reserves.
Fiscal policy coordination	• Review the key fiscal convergence criterion on fiscal balance. • The 70 percent of GDP debt limit could be revised downward. • Strengthen compliance with regional surveillance.	• CEMAC Commission agreed to review the surveillance framework and an external consultant's proposal has been put forward. • The implementation of CEMAC public financial management directives has continued, but has not been completed; the degree of implementation varies among countries. • Not much has been done in strengthening the compliance with regional surveillance.
Monetary operations framework / financial sector development	• Reassess the current framework for monetary policy. • Continue with the reforms to strengthen the safeguards framework. • Strengthen the regulatory and supervisory framework to reinforce financial stability. • Accelerate the creation of regional interbank and debt markets.	• Monetary policy remains largely ineffective because of weak transmission mechanisms and excessive systemic liquidity. The reform of monetary policy instruments has been slow. • Progress in the implementation of the safeguards framework has continued but progress is uneven. • The 2015 FSAP update noted some progress in the reform of the regulatory framework, but authorities should accelerate the implementation of key reforms. • The regional authorities have not made much progress in the creation of regional interbank and debt markets.
Growth / regional integration	• Take measures to support the improvement of the regional business environment. • Strengthen key regional institutions (i.e., COBAC, CEMAC Commission) to implement regional growth-enhancing policies. • Enhance the quality of the economic and financial information.	• The CEMAC Commission plans to create a unit to support the improvement of the business environment in the region. Certain countries have started reforms to improve the business climate. • The COBAC has increased its headcount by more than 50 percent and its operational capacity has improved. • The CEMAC Commission is in the process of being repatriated to its headquarters in Bangui, CAR, but it continues to have significant operational challenges. • BEAC authorities are working on the creation of a regional CPI index and on improved monetary statistics. Limited progress at national level to improve statistics (e.g., national accounts).

Annex II. CEMAC: Risk Assessment Matrix[1]

Source/Likelihood	Expected Impact
Protracted period of slower growth in advanced (AEs) and emerging economies (EMs): **High** in AEs and medium in EMs	**Medium**
• Euro area and Japan: Weak demand and persistently low inflation from a failure to fully address crisis legacies and appropriately calibrate macro policies, leading to "new mediocre" rate of growth.	• Lower oil and other commodity prices will have a negative impact on regional exports and fiscal revenues. Lower hydrocarbon revenue will further erode fiscal sustainability in most CEMAC countries which have been already affected by a 50 percent fall in oil prices during the second half of 2014.
• EMs: Maturing of the business cycle, misallocation of investment, and incomplete structural reforms leading to prolonged slower growth.	• Lower growth in AEs, especially in the euro area, could impact remittances and aid flows, especially to the poorer countries of the region (e.g., the CAR and Chad). • Lower foreign investment in the region and in the oil sector, especially from EMs.
Risks to energy prices: **High**	**High**
• Increased volatility owing to uncertainty about the persistence of the oil supply shock and the underlying drivers of the price decline. • Persistently low prices triggered by supply factors reversing only gradually, and weaker demand.	• Lower oil and other commodity prices will have a negative impact on regional exports and fiscal revenues.
Political fragmentation erodes the globalization process and fosters inefficiency: **Medium**	**High**
• Heightened risk of fragmentation/state failure/security dislocation in the Middle East and some countries in Africa, leading to a sharp rise in oil prices, with negative global spillovers.	• The continuation or worsening of the crisis in Nigeria/Cameroon/Chad owing to Boko Haram could lead to the displacement of large numbers of populations and greater economic instability, which could affect investment and trade in CEMAC countries (especially Cameroon) and delay the implementation of regional integration plans. A possible disruption in oil production could erode fiscal sustainability (especially in Chad). • The continuation or worsening of the crisis in the Central African Republic could force additional displacement of populations to neighboring CEMAC countries and could lead to further economic instability. • The military conflicts could lead to additional fiscal security costs (military defense spending, refugee inflows) and lower fiscal revenues.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). 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.

Source/Likelihood	Expected Impact
Growth slowdown in China: **Medium/Low**	**Low**
• Insufficient progress with reforms leads to a continued buildup of vulnerabilities, which over the medium term results in a significant growth slowdown.	• Lower growth in China will depress commodity prices, including oil, and will have a negative impact on regional exports and fiscal revenues. Lower hydrocarbon revenues will further erode fiscal sustainability in most CEMAC countries.
• Sharp slowdown in 2015–16. Growth falls significantly below target, possibly owing to a severe housing downturn or a shock in the shadow banking sector, and absent offsetting stimulus.	• Lower growth in China could hamper external financing for large infrastructure projects and cloud CEMAC's long-term growth prospects.
Delays in the implementation of regional and national reforms: **High**	**High**
• In an environment of low oil prices, ensuring fiscal sustainability and introducing reforms to diversify CEMAC economies will require significant efforts and strong political leadership. • Weak implementation capacity and bureaucratic delays, both at the regional and national levels, could hamper the pace of reforms. The lack of coordination between the different regional bodies (BEAC, COBAC, and CEMAC Commission) and with member states could delay much-needed reforms, such as those recommended in the 2015 FSAP.	• Slow pace of reforms to address BEAC/CEMAC governance and operational weaknesses could adversely affect policy effectiveness. • Lackluster momentum for financial sector reform could prevent regional authorities from taking decisive actions to deal with weak financial institutions and thus lead to fiscal liabilities. • The absence of significant progress in public finance and financial sector reforms could constrain private investment and undermine efforts to diversify the regional economy.

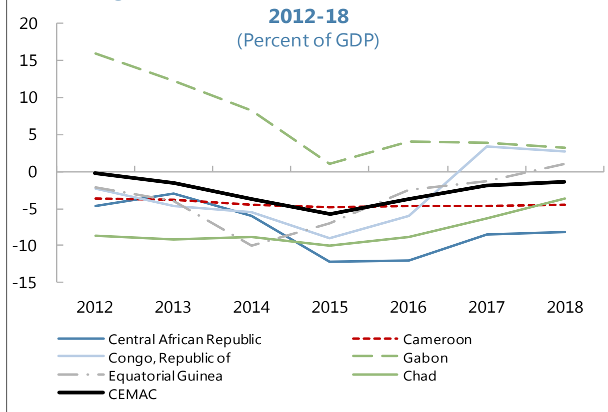
Annex III. CEMAC: External Sustainability Assessment

The regional current account balance continues its downward trend, mainly driven by a deteriorating trade balance. The current account deficit is projected to widen in 2015 because of the oil price slump, but it is expected to recover gradually over the medium term, as investment-related imports decline while oil production increases. Foreign direct investment remains a stable source of external financing. Reserves are expected to decline in 2015, although they remain broadly adequate according to relevant metrics. Based on statistical indicators, the current account balance and real effective exchange rate appear to be broadly aligned with the current account norm, although recent developments warrant close monitoring. Non-price competitiveness assessments continue to point to important structural competitiveness issues, which need to be addressed to ensure that public investment translates into growth and to make the region more attractive to private investment.[1]

A. Balance of Payments

1. The regional external current account deficit is projected to widen in 2015 owing to the international crude oil price slump. It deteriorated from -0.1 percent of GDP in 2012 to -1.6 percent of GDP in 2013, and -3.8 percent of GDP in 2014; it is expected to widen further to -5.8 percent of GDP in 2015. This deterioration has been driven mainly by substantial public investment efforts in most of the member states—which led to higher imports—and has been exacerbated by the recent fall in oil sales. In 2015, the current account balance in member countries is projected to range from -12.2 percent of GDP in the Central African Republic (CAR) to 1.0 percent of GDP in Gabon (Figure 1). In the medium term, a contraction in public investments and a progressive recovery in oil exports are expected to stabilize the regional current account deficit between -2 to -4 percent of GDP.

Figure 1. CEMAC: Current Account Balance 2012-18
(Percent of GDP)



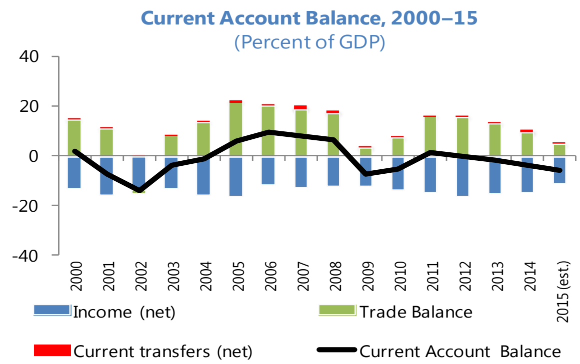
Sources: Authorities; and IMF staff estimates.

2. Foreign direct investment (FDI) constitutes a stable source of external financing (Figure 2). FDI has been a steady source of external financing, averaging 6 percent of GDP in the last decade. Portfolio investment and official aid have averaged 0.5 percent of GDP over the same period. Debt-creating flows averaged 1 percent of GDP over the last decade and are expected to remain limited in the medium term. However, net financial inflows have not been able to match the external financing needs completely, inducing a projected decline in the official reserve coverage.

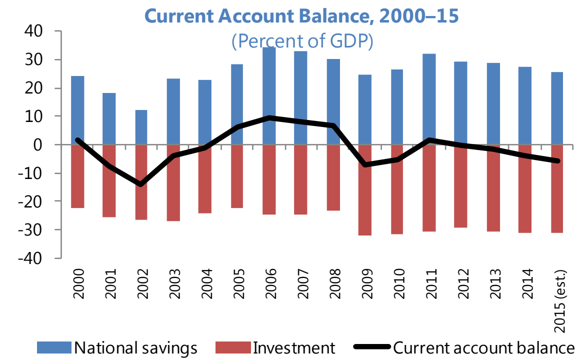
[1] Prepared by Zaki Dernaoui.

Figure 2. CEMAC: External Sector Developments, 2000–15

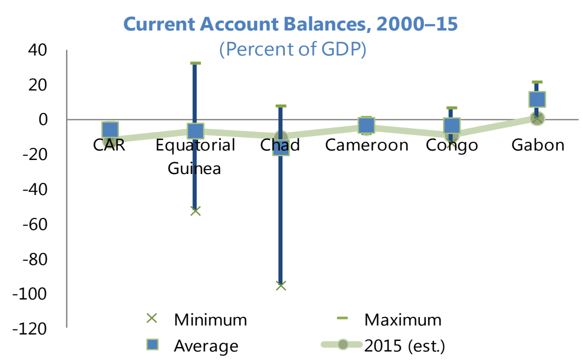
The regional current account balance has deteriorated recently reflecting the evolution of the trade balance …



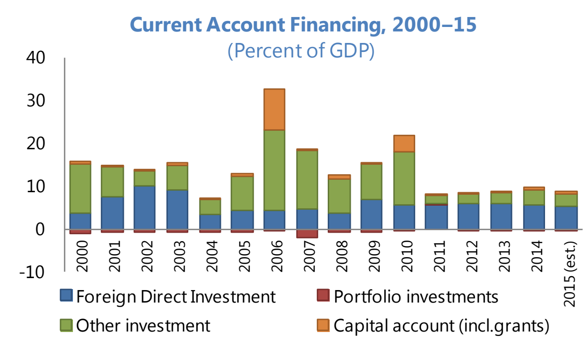
… and important investment efforts …



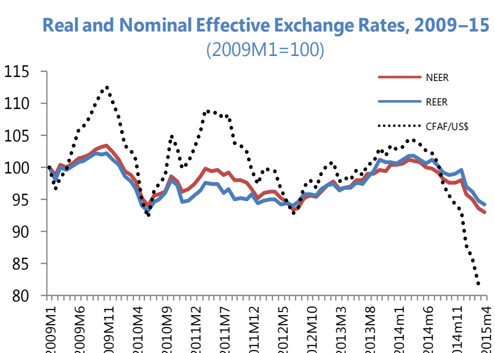
… in most CEMAC countries.



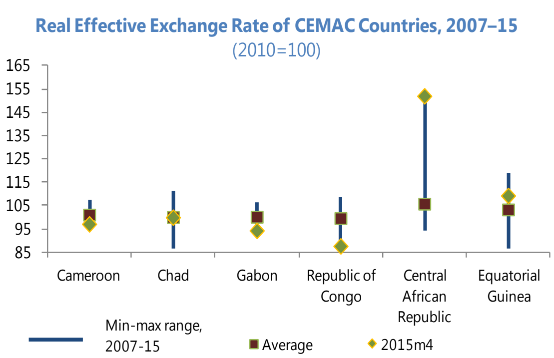
A foreign direct investment constitutes a stable source of external financing although loans have been decreasing.



Regional real effective exchange rates have depreciated, reflecting the euro's depreciation…



…with some disparities among CEMAC countries.

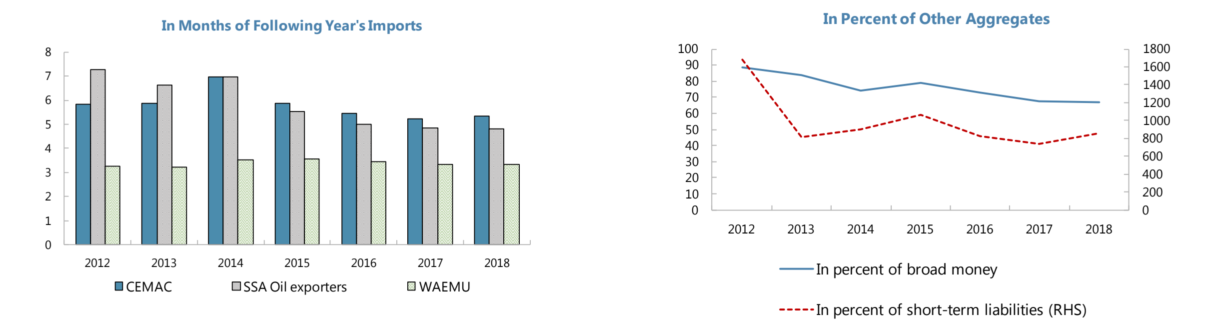


Sources: BEAC; DTTS; and IMF staff calculations.

B. Reserves Adequacy

3. **Official reserves coverage in the CEMAC is projected to decline in 2015** (Figure 3). Regional official reserves are projected to decrease from US$17.2 billion at the end-2014 to US$15.4 billion at end-2015, corresponding to a decrease from 7.0 months of the following year's extra-regional imports to 5.8 months. Nonetheless, reserves coverage appears broadly adequate according to relevant metrics,[2] with gross reserves covering about 70 percent of broad money and 900 percent of short-term liabilities. This mostly reflects limited market access and reliance on long-term financing from official sources. Reserves also cover 230 percent of the reserve adequacy ratio,[3] remaining well above the *optimal* level to provide adequate buffers for crisis prevention.[4] The cost-benefit analysis[5] indicates that the level of reserves is at the low end of the *optimal* reserves range, which varies from 5 months to 13 months of imports, depending on the interest rate differentials with the rest of the world.

Figure 3. CEMAC: International Reserve Coverage, 2012–18



Sources: Authorities; and IMF staff estimates.

C. Price Competitiveness

4. **The assessment of the real effective exchange rate (REER) at the regional level does not point to a significant misalignment with the current account norm.** The REER depreciated by about 7 percent during the 12-month period to April 2015, reflecting essentially the evolution of the nominal effective exchange rate and the euro depreciation vis-à-vis the US dollar. Divergences can be noted at the individual country level with a 16 percent depreciation in the Congo, a 9 percent depreciation in Gabon, and a 26 percent appreciation in the CAR. Model-based assessments (Box 1) indicate that the REER could be somewhat overvalued. However, taking into account public investment needs and CEMAC-specific factors (i.e., a monetary union with pooled reserves), the statistics do not indicate fundamental misalignment with the norm.

[2] These approaches do not take into account the access to reserves guaranteed by the French Treasury under the franc zone arrangements. For more details on the methodology, see IMF Country Report 13/322.
[3] The reserve adequacy ratio is calculated as the sum of 30 percent of short-term debt; 15 percent of other portfolio liabilities; 10 percent of M2; and 10 percent of exports.

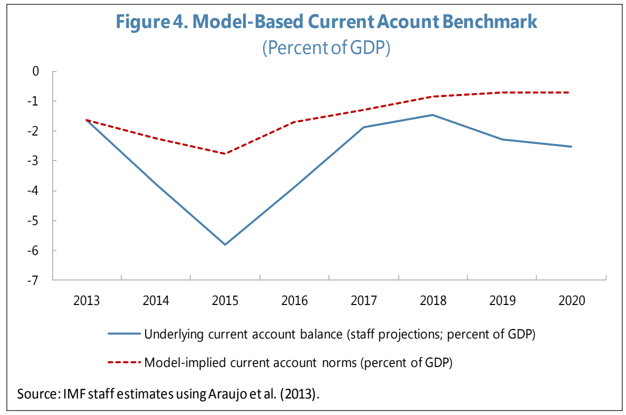
[4] IMF, (2011), "Assessing Reserves Adequacy" (www.imf.org/external/np/pp/eng/2011/021411b.pdf.

[5] Dabla-Norris, E., J, .I. Kim, and K. Shorono, (2011), "Optimal Precautionary Reserves for Low-Income Countries: A Cost-Benefits Analysis," IMF WP 11/249.

Box 1. CEMAC: Model-Based Real Effective Exchange Rate Assessments[1]

Three alternative approaches are used to assess the regional external current account and real effective exchange rate positions.[2]

- The first CGER-based external sustainability method, comparing the underlying current account balance with the balance that stabilizes net foreign assets around their 2014 level, shows an overvaluation of about 9.5 percent.
- To account for natural resources revenues in CEMAC countries better, the Bems and Carvalho real annuity method is used.[3] This method computes the current account norm consistent with a long-term trend in net foreign assets to account for the impact of oil revenues; this method points to a 8.9 percent overvaluation. However, the model ignores other factors, such as temporary investment needs, financial frictions, and low investment productivity in CEMAC countries.[4]
- The third method uses the Araujo et al. model, which addresses these drawbacks.[5] This model estimates the current account norm consistent with the natural resources revenues, investment needs, and real and financial frictions (absorptive capacities, investment productivity and efficiency, borrowing constraints). The model indicates a 5.1 percent overvaluation.



CEMAC: External Stability Assessments, 2020

	Bems and Carvalho Constant Real Annuity	CGER External Sustainability	Araujo et al.
MT Current account norm (percent of GDP)	0.8	1.1	-0.7
Underlying current account (percent of GDP)	-2.8	-2.8	-2.8
Current account elasticity	0.4	0.4	0.4
Overvaluation (percent)	8.9	9.5	5.1

Source: IMF staff estimates.

- Taking into account CEMAC-specific factors, namely a monetary union with pooled reserves, the results show there is a broad alignment of the current account and the real effective exchange rate with generally accepted norms, provided that the current account deficit narrows as expected in the medium term.[6]

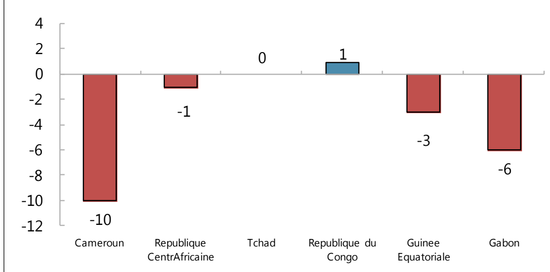
[1] The alternative Araujo et al. model-based approach was prepared in collaboration with Bin Li and Michele Andreolli.
[2] The selection of the three exchange assessment methods is consistent with low-income, oil-exporting countries' structural characteristics, such as pertaining to CEMAC countries.
[3] Bems, R., Carvalho I. (2009) "Exchange Rate Assessments: Methodologies for Oil-Exporting Countries", IMF Working Paper 09/281.
[4] IMF (2012) "Macroeconomic Policy Frameworks for Resource-Rich Developing Countries."
[5] Araujo, J., Li B., Poplawski-Ribeiro M., Zanna L-F., (2013), "Current Account Norms in Natural Resource-Rich and Capital-Scarce Economies," IMF Working Paper 13/80.
[6] Total factor productivity is assumed to improve because of new infrastructure being built in the region.

D. Structural Competitiveness

5. Survey-based indicators point to significant structural competitiveness issues. Various competitiveness indicators continue to rank CEMAC countries among the worst performers in the world.

- The World Bank's 2015 "Doing Business" indicators show that the CEMAC countries rank at the bottom of the assessed countries, with most countries either stagnating or regressing in 2015 compared to 2014 (Figure 4). The CEMAC countries remain behind their peers in sub-Saharan Africa and the West African Economic and Monetary Union (WAEMU) in terms of business environment (Figure 5).[6] The situation is particularly challenging with regard to starting a business, enforcing contracts, and trading across borders. Infrastructure remains inadequate and electricity supply, problematic. Procedures for paying taxes and registering properties continue to be cumbersome.

Figure 4. CEMAC: Progression in Doing Business Ranking, 2014-15



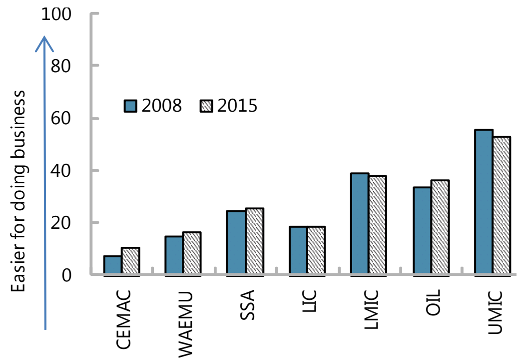
Source: World Bank *Doing Business, 2015*

- The World Bank's Governance Indicators (WGI) also rank CEMAC countries behind their peers and show a relative deterioration in terms of governance over the last five years. In particular, CEMAC countries lag their peers in terms of government effectiveness, accountability, and quality of regulation.

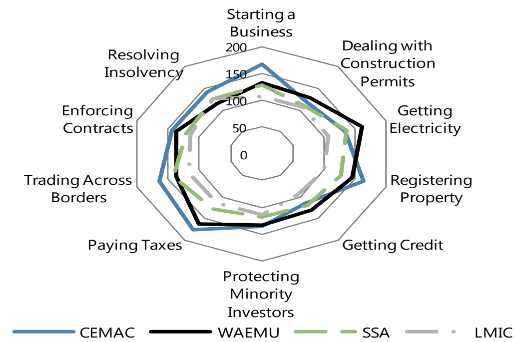
[6] These indicators should be interpreted with caution owing to a limited number of respondents, a limited geographical coverage, and standardized assumptions on business constraints and information availability.

Figure 5. CEMAC: Business Environment and Governance, 2014-15

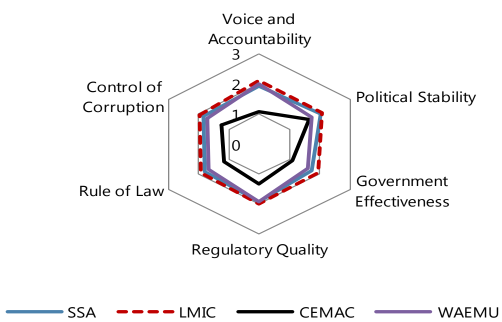
Ease of Doing Business
(Percentile rank; 100= better)



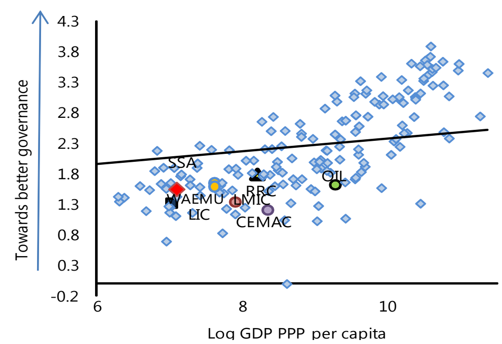
Doing Business Indicators



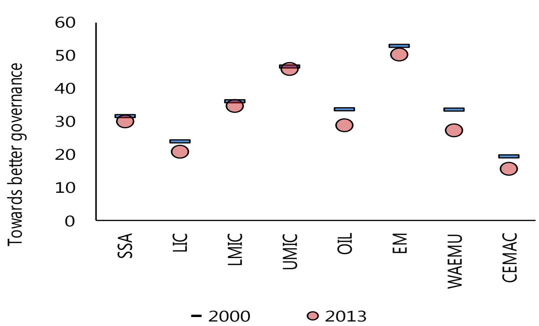
World Bank Governance Indicators 2013
(Re-scaled, 0 = worst, 5 = best)



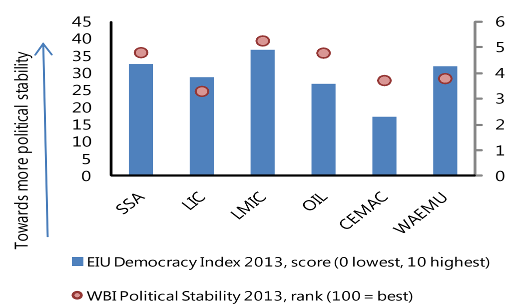
Average Governance Indicator and GDP per capita
(Log of purchasing power parity)



Change in Governance Indicator
(Percentile Rank of 6 score average, 100 = best)



Political and Democracy Stability Score



Sources: Doing Business, 2015; World Bank's Governance Indicators, 2014, (average of control of corruption, government effectiveness, rule of law, regulatory quality, political stability and voice and accountability); Economist Intelligence Unit (EIU); and IMS staff calculations.

SSA = Sub-Saharan Africa; LIC=Low-income country; UMIC= Upper-middle income country; LMIC= Low-middle-income country; OIL=Oil producers; EM=Emerging Markets; WBI= World Bank Indicators.

Annex IV. CEMAC: Proposal for a Reformed Regional Surveillance Framework

	External Consultant's Proposal	IMF Recommendations	Staff Comments
Budget rule	A new fiscal rule based on the overall balance with an oil revenues savings rule. The consultant made two proposals: Rule 1= $(Overall\ Balance)/GDP - \alpha\ (oil\ revenues\ )/GDP$ Rule 2= $(Overall\ Balance)/GDP - \beta\ \ (oil\ revenues)/(total\ revenues)$ Parameters α and β would be the agreed shares of oil revenues to be saved for each country. The new rule would be based on three-year averages to smooth short-term fluctuations.	In the 2013 and 2014 regional discussions reports, staff considered that the current criterion based on the basic balance (i.e., total revenue -net of grants- minus total expenditure excluding foreign-financed capital spending) could contribute to pro-cyclical fiscal policies and recommended adapting a budget rule more consistent with the oil-exporting nature of CEMAC countries. Based on a FAD analysis (Annex IV in the 2013 regional discussions report), staff advised adopting either the *non-oil primary deficit* or the *structural primary deficit*, for the regional budget rule.	Based on staff analysis, an overall balance rule is not the most appropriate for oil-producing countries. The new rules are difficult to compute and agreeing on the parameters α and β would be difficult for countries with different levels of oil resources and budgetary dependence on oil revenues.
Debt ceiling	A new debt criterion based on the net present value of total public debt with a lower debt ceiling. No specific number was provided, but the report suggested between 50 percent and 70 percent of GDP. A new mechanism would assess the difference between the three-year average debt levels with respect to a long-term norm. The new criterion combines a debt ceiling and a mechanism to limit debt accumulation.	In the 2014 regional discussions report, a staff analysis (Annex 3 of the 2014 regional discussions report) found that the regional public debt ceiling of 70 percent of GDP should be reduced to 50 percent to minimize the probability of debt distress. The aim was also to establish consistency among the fiscal surveillance criteria to ensure that an excessively high limit on the primary fiscal balance rule did not lead countries to excessive debt accumulation.	Reducing the debt ceiling is a good starting point, but setting a long-term norm would be difficult. Monitoring the deviations with respect to the norm would be difficult for many CEMAC countries because of their limited debt management capacities.

Annex IV. CEMAC: Proposal for a Reformed Regional Surveillance Framework *(Concluded)*

	External Consultant's Proposal	IMF Recommendations	Staff Comments
Other Main Criteria (inflation and non-accumulation of budgetary arrears)	*Inflation:* the consultant recommended using a three-year average instead of the yearly average. *Non-accumulation of budgetary arrears:* No specific recommendation.	In October 2014 staff expressed the view that the inflation criterion was more relevant to regional monetary policy, as opposed to national policies, and the non accumulation of budgetary arrears was particularly difficult to monitor.	N/A.
Monitoring	The proposal did not make any recommendation on how to improve CEMAC's surveillance monitoring.	In the 2014 regional discussions report, staff recommended to strengthen monitoring mechanisms to improve the effectiveness of CEMAC's surveillance framework (Section A "Improving the Regional Surveillance Framework to Ensure the Stability of the Union"). Staff advised greater cooperation between regional and national authorities in the preparation of national budgets, the creation of independent budget units, and enhanced transparency in the dissemination of data on surveillance compliance.	Staff considers that an improved surveillance mechanism is essential to create an effective surveillance framework, especially if the CEMAC adopts more complex budget rules and public debt criteria.

Annex V. CEMAC: 2015 FSAP Recommendations[1]

Key Recommendations (By responsible decision-making body)	Impact 1/ S	Impact 1/ D	Time-frame 2/
Conference of Heads of State and/or the Ministerial Committee (CM)			
1. MC to validate the methodology to assess the optimal level/structure of international reserves. 2. Streamline the procedure for the approval of CEMAC regulations on the financial sector.	High	Neutral	Less than a year
3. Formalize cooperation procedures among all the authorities to be involved in a financial crisis.	High	High	1-2 years
4. Identify actions to return chairmanship of the BEAC board to the governor.	High	High	1-2 years
5. Complete the streamlining of the two competing stock markets.	High	High	1-2 years
6. Strengthen the institutional autonomy and accountability of the BEAC and COBAC.	High	Average	Over 2 years
7. Review the rules and practices for appointing senior staff of the regional financial agencies.	High	High	Over 2 years
Regional Financial Agencies: BEAC and COBAC			
1. Increase the BEAC's transparency by adopting an appropriate accounting framework.	Average	High	Less than a year
2. Adopt a regional approach to credit reporting systems, keeping duplications to a minimum.	Average	High	Less than a year
3. Accelerate implementation of the monetary policy reform.	Average	High	Less than a year
4. Initiate an asset quality review, at least of the systemic and the most vulnerable banks.	High	Neutral	Less than a year
5. Put in place an appropriate lender of last resort framework	High	Neutral	Less than a year
6. Strengthen and formalize the role of the BEAC's national branches in financial sector reforms.	High	Neutral	1-2 years
7. Strengthen the FOGADAC's pay box function.	High	Average	1-2 years
8. Continuously strengthen the SG-COBAC's staffing.	High	High	1-2 years
9. Strengthen the prudential framework of lending to connected parties. 10. Review the tools available to the supervisor for implementing risk-based supervision.	High	High	1-2 years
11. Establish a mechanism for monitoring financial inclusion.	High	High	1-2 years
12. Implement coordinated actions to promote the use of electronic money.	Average	High	1-2 years
National authorities			
1. Ensure that governance of the state-owned banks is consistent with best practices.	High	Average	Less than a year
2. Streamline mortgage foreclosure procedures within the framework of the OHADA.	Average	High	Less than a year
3. Secure land rights and strengthen the registration systems.	Average	High	1-2 years
4. Give preference to official support mechanisms open to all credit institutions.	Average	High	1-2 years
5. Adopt an AML/CFT prosecution policy (including for predicate offenses).	Neutral	High	1-2 years
6. Improve the training/specialization of magistrates and the governance of judicial bodies.	High	High	Over 2 years
7. Put the national FIUs in Congo and Equatorial Guinea into operation.	Average	High	Over 2 years

1/ S: Stability - D: Development	**High**	**Average**	**Neutral**
2/ Timeframe for implementation	**Less than a year**	**1-2 years**	**Over 2 years**

[1] Prepared by the FSAP team.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

July 1, 2015

STAFF REPORT ON COMMON POLICIES AND CHALLENGES OF MEMBER COUNTRIES—INFORMATIONAL ANNEX

Prepared By

African Department
(In collaboration with other departments)

CONTENTS

RELATIONS OF CEMAC MEMBER COUNTRIES WITH THE FUND

Cameroon, Central African Republic (C.A.R.), Chad, Republic of Congo, and Gabon joined the IMF in 1963, and Equatorial Guinea joined in 1969. All CEMAC members accepted Article VIII of the IMF articles of agreement on June 1, 1996.

Relations of the CEMAC Member Countries with the Fund

Cameroon. The last financial arrangement, a Poverty Reduction and Growth Facility (PRGF) arrangement in an amount equivalent to SDR 18.6 million (about US$26.8 million), expired on January 31, 2009. The Executive Board approved a SDR 92.9 million (about US$144.1 million) disbursement under the Rapid-Access Component of the Exogenous Shocks Facility on July 2, 2009. The last Article IV consultation was concluded on June 30, 2014. Cameroon is on a 12-month consultation cycle.

Central African Republic. The Executive Board approved financial assistance under the Rapid Credit Facility (RCF) in the amount of SDR 5.57 million (10 percent of quota) on March 18, 2015 in support of the Transitional Authorities' emergency economic recovery program to restore macroeconomic stability, achieve fiscal consolidation, and strengthen administrative capacity. Total assistance under the RCF has reached SDR 13.9 million (25 percent of quota). The Transition Authorities are seeking a new disbursement under the RCF of SDR 8.33 million, equivalent to 15 percent of quota, to cover the remaining fiscal gap for 2015. CAR is on a 12-month consultation cycle, but because of civil unrest, the last Article IV consultation was concluded on January 30, 2012.

Chad. The Executive Board approved a three-year Extended Credit Facility (ECF) arrangement for Chad amounting to SDR 79.92 million (120 percent of quota) on August 1, 2014. On April 27, 2015, the Board completed the first review of Chad's performance under the ECF program and approved the authorities' request for an augmentation of access by SDR 26.64 million (40 percent of quota). The Boards of Directors of the IMF and the World Bank also determined, on April 27 and 28, 2015, respectively, that Chad had met the requirements to reach the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative, paving the way for the country to receive US$1.1 billion in total debt relief. The last Article IV consultation was concluded on February 21, 2014. Chad is on a 12-month consultation cycle.

Republic of Congo. The Executive Board approved a three-year PRGF arrangement for Congo in an amount equivalent to SDR 8.5 million (about US$12.5 million) on December 8, 2008.The country reached the Decision Point under the enhanced HIPC initiative on March 8, 2006 and the Completion Point on January 27, 2010. Following completion of the three-year Extended Credit Facility (ECF) arrangement in August 2011, Article IV consultations with Congo are now on a 12-month cycle. The last Article IV consultation was concluded on July 21, 2014. Congo is on a 12-month consultation cycle.

Equatorial Guinea. The last financial arrangement, an Enhanced Structural Adjustment Facility (ESAF) arrangement, in an amount equivalent to SDR 9.9 million, and a Structural Adjustment Facility (SAF) in an amount equivalent to SDR 3.0 million, both expired on February 2, 1996. The country is not eligible for assistance under the HIPC initiative. The last Article IV consultation was concluded on, April 30, 2014. Equatorial Guinea is on a 12-month consultation cycle.

Gabon. The three-year Stand-By Arrangement in an amount equivalent to SDR 77.2 million (about US$117 million) expired on May 7, 2010, with only the first three reviews completed. Gabon is not eligible for assistance under the HIPC initiative. The last Article IV consultation was concluded on February 18, 2015. Gabon is on a 12-month consultation cycle.

Safeguards Assessments

The Bank of the Central African States (BEAC) is the regional central bank of the Central African Economic and Monetary Community (CEMAC). As with other regional central banks, the BEAC is subject to a safeguards assessment every four years. The quadrennial assessment in 2013 occurred against the backdrop of significant change at the BEAC to address governance challenges and control failures that emerged in 2009 and led to close engagement in the period after through close IMF monitoring of safeguards "rolling measures." The BEAC also embarked on a reform and modernization plan (RMP) to strengthen controls. The 2013 assessment concluded that despite some progress made by the BEAC in reinforcing its safeguards framework, further actions were needed to fully restore sound governance and control, including through amendments to the BEAC charter and commitment to achieve the RMP. The assessment also recommended maintaining the annual monitoring visits to the BEAC to follow up on progress on implementing the safeguards rolling measures and advancing work on the BEAC's own reform plan in the context of new program requests and reviews to CEMAC countries. Consistent with this close engagement, a safeguards staff visit to the BEAC was conducted in April 2015. Staff concluded that while the BEAC continues the implementation of its reform plan, slippages have occurred and the timeframe of the RMP has been revised. Progress on implementing the safeguards rolling measures has been mixed, and priority recommendations on amendments to the BEAC charter and adoption of an internationally-recognized financial reporting framework (IFRS) are delayed. The BEAC has requested IMF technical assistance to advance the implementation of the above recommendations, and steps for the prompt delivery of these actions have been initiated. Strong actions and close coordination with member states to gain consensus will be needed in the period ahead for the BEAC to conclude its reforms and the outstanding safeguards recommendations. Progress on implementation of the latter will remain subject to monitoring by the IMF, as a condition to continuing new program requests and reviews for CEMAC member countries.

Exchange System

The regional currency is the CFA franc. From 1948 to 1999, it was pegged to the French franc. Since the euro was introduced in 1999, it has been pegged to the euro at the rate of CFAF 655.957 per euro.

Article IV Consultation

Following an Executive Board decision in January 2006, discussions with monetary unions have been formalized and are part of the Article IV consultations with member countries. The discussions reported here are thus in relation with Article IV consultations with the six CEMAC member countries. The Executive Board concluded the last discussion on common policies of CEMAC members on July 25, 2014. Such discussions are held on a 12-month cycle.

FSAP Participation and ROSCs

The first regional Financial Sector Assessment Program (FSAP) was carried out during January-March 2006. Regional Reports on Observance of Standards and Codes (ROSCs) were done in the areas of monetary and financial policy transparency, banking supervision, and anti-money laundering and combating the financing of terrorism (AML/CFT) in June 2006. A FSAP update took place during November 2014-January 2015.

Technical Assistance to the Bank of the Central African States (2010–14)

April 2015: MCM Technical Assistance (TA) on bank supervision and regulations and financial stability.

November - December 2014: MCM TA bank supervision and regulations.

October 2014: MCM TA risk-based supervision.

May 2014: MCM TA liability management.

April 2014: MCM TA debt management.

March 2014: MCM TA financial soundness indicators.

December 2013: MCM TA sub-regional course on macroeconomic management and debt issues.

July 2013: MCM TA on prudential framework update.

May 2013: MCM TA on central bank governance.

March-April 2012: MCM advisory mission on central bank accounting, monetary operations, and stress testing.

March 2012: STA TA mission on development and improvement of monetary and financial statistics and financial soundness indicators.

Since October 2011: MCM resident advisor to the COBAC.

July 2011: MCM advisory mission on monetary policy design and implementation.

Since May 2011: MCM resident general advisor to the Governor of the BEAC on governance, accounting, and internal controls.

March, April, and May 2011: MCM TA missions on accounting, reserve management, and banking supervision.

March 2011: STA TA mission on development of monetary and financial database.

November 2010: STA participation in the BEAC's workshop on the economic, monetary, and financial database.

January 2010: STA participation in the BEAC's workshop on balance of payments statistics.

Technical Assistance to the Central African Economic and Monetary Community Commission (2010–14)

November 2014: FAD customs administration CEMAC regional workshop.

June 2014: FAD support to CEMAC directives implementation.

January 2014: FAD CEMAC customs administration workshop.

March- June 2013: FAD TA missions on CEMAC's PFM directives implementation.

May, June and November 2012: TA missions on CEMAC's PFM directives implementation.

May 2012: CEMAC customs administration workshop.

April 2012: FAD and STA participation in the CEMAC's workshop on the design of an implementation strategy for new PFM directives and implementation of the *GFSM 2001* directive.

March 2012: FAD TA mission on the development of technical guides.

March 2012: STA TA mission on the preparation of guidelines for the TOFE directive.

July 2011: FAD mission on assessment of the CEMAC's technical assistance needs.

February and April 2011: FAD and STA participation in workshops on the design of new PFM directives and the TOFE draft.

February 2011: STA participation in the CEMAC's workshop on the analyses of macroeconomic aggregates.

November 2010: STA TA mission on drafting the TOFE directive.

September 2010: FAD TA mission on the strategy to redraft the regional fiscal directives.

Statement by Mr. Yambaye, Executive Director for the Central African Economic and Monetary Community (CEMAC), and Mr. Raghani, Alternate Executive Director, and Mr. Bah, Senior Advisor to Executive Director
July 17, 2015

I. Introduction

The authorities of the Central African Economic and Monetary Community (CEMAC) express their appreciation to Staff, management and the Executive Board for the support they are benefiting from the Fund in their efforts to achieve the CEMAC objectives. They also appreciate the constructive policy dialogue they have had with staff last April and May in Libreville and Yaoundé under the 2015 regional consultations.

The CEMAC region is experiencing a difficult situation due to the combination of the sharp decline in international oil prices that started in mid-2014 and security shocks stemming from terrorists attacks around the Lake Chad and political instability in the Central African Republic (CAR). Given the region's high dependence on the oil sector – more than 80 percent of exports and more than 50 percent of fiscal revenues - these shocks are taking a heavy toll on economic performance and prospects. They also highlight the need to deepen the community's reform agenda with a view to better increase the region's resilience to shocks. Mindful of the need to forcefully address these daunting challenges, the CEMAC authorities remain committed to pursuing prudent fiscal and monetary policies to strengthen the macroeconomic stability while further deepening the structural reforms to create a conducive environment for business and private investment.

II. Economic Developments in 2014

In 2014, the regional growth is estimated to have reached 4.7 percent against 2.4 percent in 2013. This performance, uneven across the region, is mainly due to the increase in crude oil production and continuation of public investments. The non-oil sector grew by 4.7 per cent largely sustained by public investment projects. As for inflation, it stood at 2.7 percent in 2014 owing mainly to the low food prices. Although unevenly distributed between member countries it thus remained below the convergence criterion of 3 percent. The international reserves of the BEAC –the common central bank –remained largely adequate to cover 7 months of imports in 2014 against 5.8 months in 2013. The fiscal deficit widened to 5.0 percent of GDP from 3.5 percent in 2013 following the fall in oil revenues combined with the pursuit of public investments and rising security expenditures. In addition, the deficit of the current account increased from 1.6 per cent of GDP in 2013 to 3.8 percent of GDP in 2014, as oil revenues declined and investment-related imports remained important.

III. Policies and Structural Reforms in 2015 and Going Forward

The CEMAC's economic prospects in 2015 will be heavily affected by the shocks the economies are experiencing with the slump in oil prices and increases in security related expenditure. In this context, growth is projected to slow down, the fiscal and current account deficits will widen further, although most member countries have reduced their public investment and limited current expenditure. This could lead to an increase in the regional public debt to meet the member countries' financial needs.

To address the new challenges, our CEMAC authorities will pursue the implementation of needed reforms. Under the technical assistance from the Fund and other development partners, the CEMAC authorities will intensify their efforts to further strengthen fiscal and debt sustainability, promote a dynamic financial sector and achieve the common market in the CEMAC region.

1. Fiscal and Debt Surveillance

The authorities' efforts to make the fiscal surveillance framework more efficient will be further enhanced. In this regard, they will continue, with the implementation of CEMAC public financial management directives, to achieve greater harmonization of procedures and promote fiscal cooperation among member countries. Moreover, a proposal revising the surveillance framework and strengthening the monitoring system will be presented at the zone franc ministerial meeting scheduled for October 2015. On the debt ceiling, they intend to review its criterion based on the countries' needs for financing public investment.

2. Monetary Policy

The authorities' monetary policy is aimed at price stability and supporting the fixed exchange rate of the CFA Franc to the Euro. They are mindful of the need to further improve the monetary transmission mechanisms in a context of excess liquidity and large needs of economic activity financing. With Fund technical assistance, initiatives to revitalize the regional money markets are underway like the approval of repo regulation, the introduction of certificates of deposits and commercial papers at the regional level. Good progress has also been made in bolstering the interbank transactions and establishing a liquidity forecasting framework. Moreover, the phasing out of statutory advances to public treasuries will continue in order to promote the development of sovereign bond markets.

3. External Sustainability

The CFA Franc peg to the Euro has served the BEAC member countries very well. The authorities will closely monitor its evolution to meet the monetary union requirements. Their continued efforts to improve reserves management and compliance with pooling rules will be further enhanced. An agreement with the French treasury to increase the remuneration of BEAC's deposits has been signed. Moreover, the BEAC will establish correspondent accounts with selected international financial institutions to hold subaccounts for member countries. This will help meet both BEAC's reserve pooling requirement and member countries' development objectives.

4. Financial Sector Reforms

The CEMAC authorities welcome the 2015 FSAP and value its recommendations as their implementation will help address the vulnerabilities facing the financial sector. Based on progress made under the technical assistance, the authorities will pursue their reform efforts to mitigate risks to financial stability and enable the sector to play its role in financing the development of CEMAC member countries. In this respect, they are developing additional regulations on systemic institutions and implementing measures to enhance the supervision of microfinance institutions in addition to recently adopted regulation to further strengthen the financial sector supervision. The new bank resolution mechanism will be fully implemented to give greater authority in dealing with banks in difficult situation. The authorities intend also to develop a sound financial market infrastructure and allow mobile banking services while developing a surveillance mechanism for the payments system. With further improvements in enhancing the business climate, these reform measures will enable the financial sector to increase its contribution to the financing of CEMAC economies.

5. Enhancing Growth and Competitiveness

Cognizant of the need to reduce the CEMAC countries' dependence on oil crude production, the authorities are determined to diversify the sources of growth and increase the region's resilience to shocks. To this end, improving the business environment will be crucial. In this regard, their efforts to remove regulatory bottlenecks to the private investment and regional trade will be increased through needed measures including the reduction of non-tariff barriers, harmonization of taxes on goods and services and streamlining customs procedures. More importantly, investments in the infrastructure sector will be further encouraged. The authorities are also hopeful that the implementation of the regional business climate observatory will help make significant inroads in the process of regional integration.

6. Strengthening CEMAC Institutions

In order to achieve the CEMAC objectives, the authorities are committed to further strengthen the regional institutions' capacity. Good progress has been made in implementing the BEAC's operational reform plan. The authorities are also developing a human resources management plan and a new employee charter. In addition, COBAC human capacity has been increased with the hiring of new staff. Moreover, the coordination between national authorities and CEMAC institutions will be further enhanced to improve economic data collection and policy formulation and implementation as well.

IV. Conclusion

The slump in oil prices in a context of security strong concerns has increased the challenges facing the CEMAC region. The authorities remain strongly committed to the regional integration objective and economic growth. Progress made in his regard will be consolidated through further efforts to diversify the production and export base while deepening financial intermediation and reinforcing regional institutions capacity. The CEMAC authorities are grateful to Fund for its policy dialogue and technical assistance which are helpful in their efforts to achieve the economic regional integration.