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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)—STAFFREPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE CENTRAL AFRICAN ECONOMIC AND ONETARYCOMMUNITY

STAFF REPORT ON COMMON POLICIES FOR MEMBER COUNTRIES

August 2014

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2014 discussions on common policies for member countries forming the Central African Economic and Monetary Community (CEMAC), the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board'sconsideration on July 25, 2014, following discussions that ended on June 5, 2014 with theofficials of CEMAC on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 11, 2014.
- An **Informational Annex** prepared by the IMF.
- A **Press Release** summarizing the views of the Executive Board as expressed during its July 25, 2014 consideration of the staff report.
- A **Statement by the Executive Director** on the common policies of member countries of CEMAC.

The publication policy of staff reports and other documents allows for the deletion of market-sensitive information.

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International Monetary Fund
Washington, D.C.

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

STAFF REPORT ON COMMON POLICIES OF MEMBER COUNTRIES

July 11, 2014

KEY ISSUES

Context. Regional growth weakened in 2013 due to a fall in oil production in most countries. GDP growth is expected to pick-up in 2014 due to the recovery of oil production and the continuation of the implementation of public investment plans in most of CEMAC countries. Despite large spending of oil wealth during the last years, poverty, income inequality and unemployment remain high. The business climate is one of the most challenging in Africa. The region's most pressing challenge is to implement structural reforms to promote sustainable and inclusive growth while adopting macro policies to preserve financial stability, ensure an efficient use of oil revenues and increase resilience to shocks.

Key policy recommendations:

- **Policy mix.** The policy mix should be adjusted to support stability and growth. In a medium-term context of declining oil production, expansionary fiscal policies have reduced policy buffers and certain countries would have difficulties to withstand a large adverse external shock. The effectiveness of monetary policy is very limited due to weak transmission channels. The level of external reserves remains adequate but the issue of the not full repatriation of reserves needs to be resolved with the cooperation of member states.
- **Fiscal policy coordination.** The regional fiscal surveillance framework should be revised to limit pro-cyclicality and strengthen long-term sustainability of CEMAC's oil rich countries, possibly by adopting a structural fiscal balance rule based on an oil-price smoothing formula and lowering the public debt ceiling.
- **Monetary policy framework.** The conduct of monetary policy should be rationalized by improving systemic liquidity management and establishing effective transmission channels.
- **Financial sector.** Risks remain despite recent capacity strengthening of the regional regulator. Stricter enforcement of prudential norms and expediting the restructuring of unviable banks are key priorities. Financial deepening and access to finance require more ambitious financial sector and legal system reforms with a closer collaboration between regional and national authorities.
- **Growth.** Limited regional integration and weak coordination of development policies undermine competitiveness and growth potential. Strengthening regional institutions is a priority to boost CEMAC's growth prospects. Coordination between regional and national authorities is necessary to improve a challenging regional business climate, and promote diversification and private investment led growth.

Approved By
Anne-Marie Gulde-Wolf and Bob Traa

Discussions were held May 21–June 5, 2014 with the regional central bank (Banque Centrale des Etats d'Afrique Centrale, BEAC), the Banking Commission (Commission Bancaire, COBAC), the CEMAC Commission and the Central African Development Bank (Banque de Développment des Etats d'Afrique Centrale, BDEAC). The staff team comprised Mr. Toujas-Bernaté (head), Mr. Gijon, and Mesdames Yontcheva (Resident Representative), Zdzienicka and Pouokam (all AFR), and El Hamiani Khatat (MCM). Mr. Bah (OED) joined the discussions. Other contributors to this report include Messrs. Dernaoui and Tweneboah (all AFR).

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INTRODUCTION

1. **The CEMAC region has recorded robust growth for more than a decade but substantial development challenges remain.** Oil producing countries (all CEMAC countries except CAR) have benefited from a prolonged period of high oil prices and launched ambitious public investment programs to fill infrastructure gaps.[1] Despite large spending of oil wealth, poverty, income inequality and unemployment (especially among the young) remain high as public spending was often poorly targeted and used unproductively.[2] The business climate is one of the most challenging in Africa. The region's most pressing challenge is to implement structural reforms to promote sustainable and inclusive growth while adopting macro policies to preserve financial stability, ensure an efficient use of oil revenues and increase resilience against shocks. Regional institutions face important capacity constraints and should be strengthened to support reform efforts.

2. **Policy direction has been broadly in line with IMF recommendations but reform implementation has been too slow (see Annex 1).** Weak governance and capacity of CEMAC institutions (i.e. regional central bank -Banque Centrale des Etats d'Afrique Centrale, BEAC, the Banking Commission—Commission Bancaire, COBAC, the CEMAC Commission and the Central African Development Bank—Banque de Développment des Etats d'Afrique Centrale, BDEAC) hamper regional integration and growth. Following serious governance challenges, the BEAC launched an ambitious reform agenda and has made progress in some areas. The CEMAC Commission activities were substantially affected by the conflict in Central African Republic (CAR) where it was headquartered, seriously limiting progress in various policy coordination initiatives. The issue of non-full repatriation of foreign assets by some member states remains unresolved, the monetary policy framework is unchanged despite the extensive technical assistance provided by the Fund, and preparation for possible reform of the surveillance framework has not progressed much.

RECENT ECONOMIC DEVELOPMENTS, MEDIUM-TERM OUTLOOK AND RISKS

3. **Overall macroeconomic performance weakened in 2013, due to a further decline in oil production.** Real GDP growth decelerated in 2013 to 2½ percent, due to falls in oil production in most member countries (Chad, Congo, Equatorial Guinea and Gabon). Non-oil GDP growth remained solid, largely driven by the continuation of large public investment programs (Cameroon, Congo, Gabon) and buoyant domestic consumption contributing to a 4½ percent growth in the non-oil sectors. Inflation declined to 1.8 percent, below the regional

[1] CEMAC countries include Cameroon, Chad, Central African Republic, Equatorial Guinea, Gabon, and Republic of Congo.

[2] See "Oil Wealth in Central Africa: Policies for Inclusive Growth" Bernardin Akitoby and Sharmini Coorey (eds.), IMF (2012).

convergence ceiling of 3 percent due to the decline of food prices and an appreciation of the nominal effective exchange rate.

4. The regional fiscal position further deteriorated in 2013. The continuation of expansionary fiscal policies and declining oil revenues turned the regional primary balance into a deficit for the first time since 2009 and the non-oil primary deficit reached 24.6 percent of non-oil GDP (NOGDP)[3]. With all but one eligible country (Chad) having benefited from debt relief, the average public debt for the region has slightly increased but remains low at around 23 percent of GDP, well below the 70 percent of GDP ceiling set by the regional surveillance framework for individual countries. The debt sustainability analyses (DSAs) for the individual countries show only low risk of debt distress.

5. The external current account widened in 2013 but the external reserves position remains sound. The current account deficit increased to 3.1 percent of GDP as oil exports declined and investment-related imports remained large. Foreign reserves (not taking into account the non-repatriated foreign assets) decreased slightly but remained around US$17.5 billion, equivalent to 5.1 months of imports at end-2013.

6. Large unsterilized surpluses resulting from the surge in oil export revenues over the last decade continue to impair the monetary policy transmission mechanism and make monetary policy largely ineffective. The growth of bank deposits slowed in 2013 but remained strong, while the growth of credit accelerated due to the dynamism of the non-oil sector and domestic consumption. Liquidity in the banking system decreased following a decline in foreign assets. Nevertheless, excess liquidity in the system remains high in part due to some liquidity injection by the BEAC to support some financial institutions.

7. In 2014, regional growth is projected to pick-up to 5 to 5½ percent. The increase in oil production (mostly in Cameroon and Chad) and the continued implementation of public investment plans in a large number of CEMAC countries is expected to support growth. The inflation rate should remain moderate, reflecting favorable trends in food prices. The continuation of expansionary fiscal policies in some countries (Cameroon, Republic of Congo and Gabon) will maintain the fiscal deficit at around 3 percent of GDP on average despite an increase in hydrocarbon revenues. The current account deficit is expected to remain around 3 percent of GDP as higher hydrocarbon export revenues (nearly 90 percent of the total exports) will be offset by strong imports.

8. CEMAC's medium-term outlook would remain relatively positive, provided significant reforms are implemented[4]. Assuming the implementation of reforms to promote private investment, including an improved business climate and deepening of the financial sector, non-oil growth could average around 5½ percent per annum over the 2014–19 period, while oil output

[3] Regional fiscal figures are weighted averages of individual countries' fiscal ratios.

[4] Regional growth prospects are based on individual country projections which generally consider the implementation of a reform agenda.

would initially grow by 1 to 1½ percent before declining at the end of the period. The regional fiscal balance would remain in deficit due to declining hydrocarbon revenue, which would be partially offset by a considerable improvement of the non-oil primary deficit (from 28 percent of non-oil GDP in 2013 to 16 percent in 2019) resulting from a substantial scaling back of public investment in Equatorial Guinea, Republic of Congo and Chad. The current account deficit is expected to stay between 3 and 4 percent of GDP owing to lower oil prices and continued high levels of imports associated with public and private investment. However, capital account surpluses would support the steady growth of reserves, which should be around the equivalent of six months of goods and services imports in 2019.[5]

9. The CEMAC could face potentially significant risks in the coming years (see Annex 2). The region remains highly dependent on oil revenues, and a significant, prolonged drop in oil and other commodity prices represents the main risk for the CEMAC. It would have a significant impact on fiscal balances and the current account balance.[6] Although the baseline scenario already asssumes a substiantial scaling down in public investment, the materialization of the downside scenario would require a larger and more abrupt fiscal consolidation effort. In addition, in a context where an extremely difficult business climate severely limits private investment growth, the lack of reforms could weigh on the potential for medium-term growth. Without enhanced capacity of regional institutions and stronger political support by member states, regional integration will remain limited.[7] Finally, increased political instability and security risks in the region with the deepening of the crisis in the Central African Republic and a number of attacks by Boko Haram could weigh on FDI and growth.

Figure 1. CEMAC Nominal GDP, 2013
(CFAF, Billions)

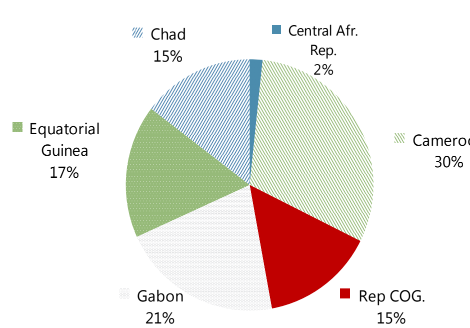
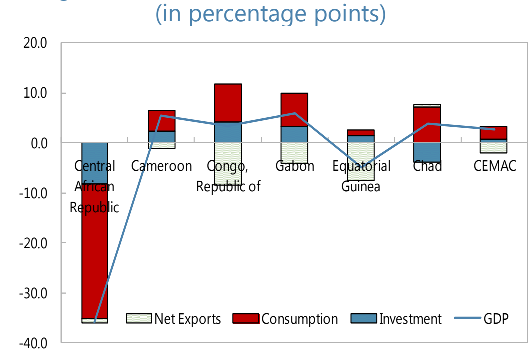


Figure 2. GDP Growth Contribution, 2013
(in percentage points)



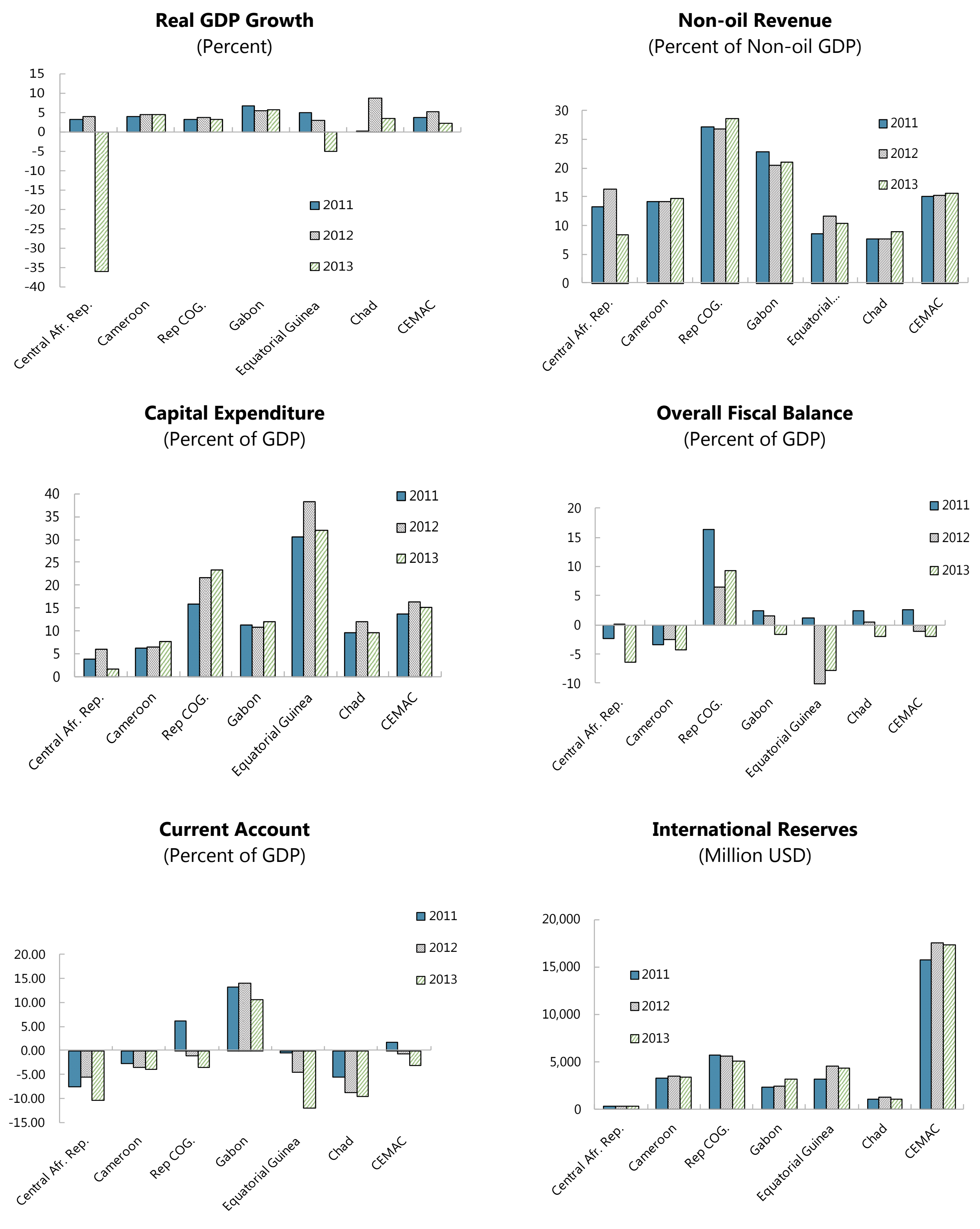
Sources: WEO Database and IMF Staff Estimates

[5] This projection assumes that foreign exchange receipts from l future balance of payments surpluses would be repatriated and would not be kept in off-shore accounts.

[6] Staff's estimates suggest that lower commodity prices and external demand would immediate reduce the fiscal and current account balance. Under the downside scenario, non-oil and oil commodity prices would decrease by about 3 and 5 percent, respectively, with a larger fall taking place in 2014 (about 15 percent for oil and 8 percent for non-oil commodity prices); the overall fiscal balance (excl. grants) would be reduced by about 2 percentage points of GDP in 2014–15. Similarly, the regional current account balance would decrease by about 1.5 percentage points. This scenario would result in a cumulative reduction of CEMAC official reserves by about US$ 3.5 billion by 2019.

[7] As noted at the March 2014 seminar on growth in the region organized by the CEMAC Commission and the international development research foundation FERDI, regional integration and continued reforms could increase the regional growth rate by 2 percent.

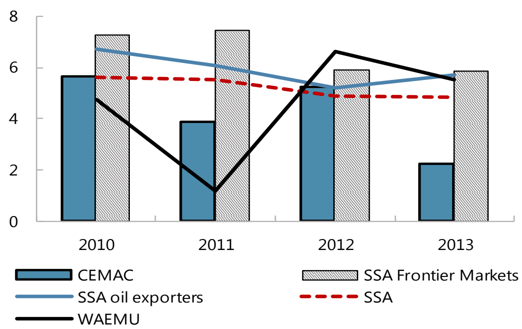
Figure 3. CEMAC Selected Economic Indicators, 2011–13



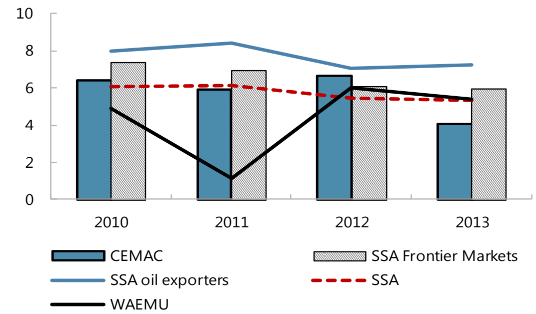
Sources: Country authorities and IMF Staff Estimates.

Figure 4. Recent Economic Developments, 2010–13

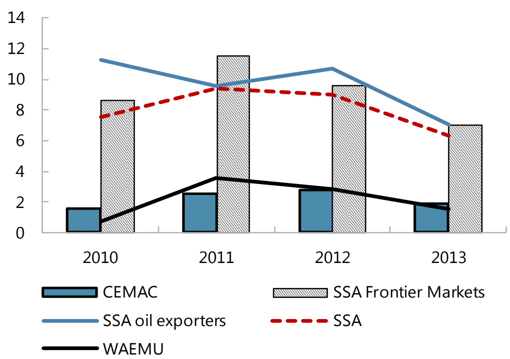
Real GDP Growth
(In percent)



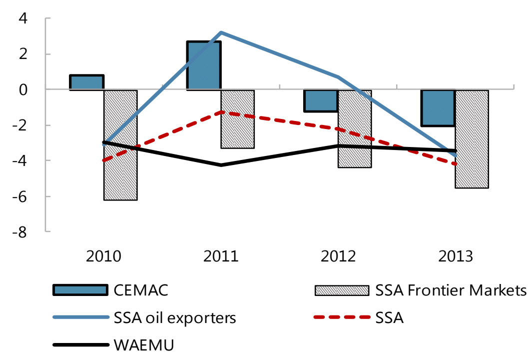
Real Non-Oil GDP Growth
(In percent)



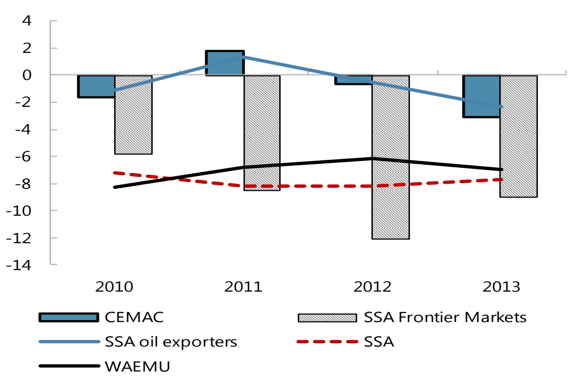
CPI Inflation
(In percent)



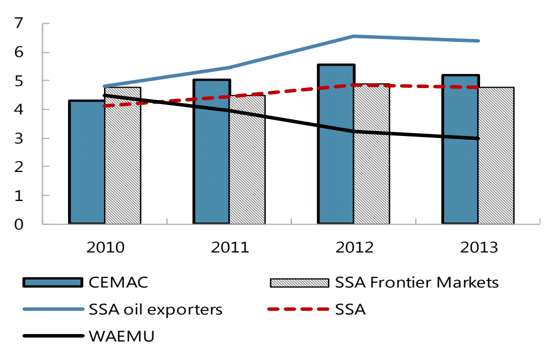
Overall Fiscal Balance
(In percent of GDP)



Current Account Balance
(In percent of GDP)

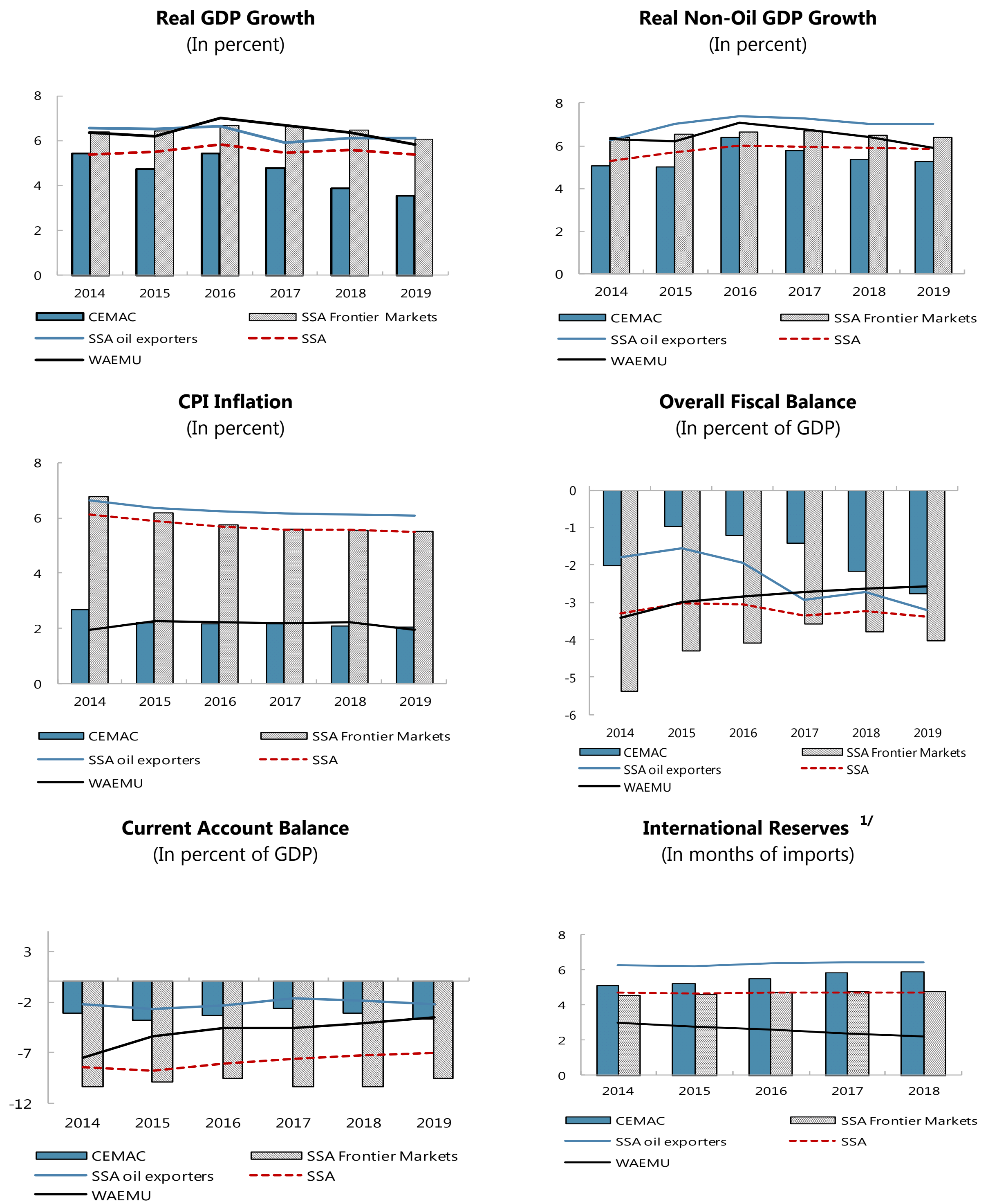


International Reserves
(In months of imports)



Source: IMF Regional Economic Outlook, April, 2014.

Figure 5. Medium-term Outlook, 2014–19



Source: IMF Regional Economic Outlook, April, 2014.

POLICY DISCUSSIONS

The discussions covered four major challenges: a) improving the fiscal surveillance framework to ensure stability and sustainability of the Monetary Union; b) making the conduct of monetary policy more effective; c) ensuring the stability and development of the financial sector and financing of the economy; and d) promoting regional integration and enhancing the potential for regional growth. The strengthening of regional institutions needed to overcome these challenges was also discussed. A number of reforms will require stronger support by CEMAC member states.

A. Improving the Regional Surveillance Framework to Ensure the Stability of the Union

Fiscal surveillance framework reform

10. The CEMAC's current fiscal surveillance framework does not provide an appropriate anchor for fiscal policies of CEMAC member states. Natural resources, particularly oil, offer a unique opportunity to foster economic development but also pose significant challenges to macroeconomic management (IMF, 2012).[8] In this context, the current fiscal convergence criteria do not provide an effective basis to ensure the sustainability of fiscal policies. For example, the budget balance rule based on the basic fiscal balance[9] could contribute to procyclicality of fiscal policies, and the failure to include investment expenditure financed from external resources could mask an unsustainable debt dynamic. In a monetary union, this challenge is even more complex because fiscal policy management at the individual country level can have implications for the stability of the entire zone. Also, following debt relief and the increase in hydrocarbon resources, the public debt criterion of 70 percent of GDP no longer presents a constraint and would not prevent the risk of another debt crisis.

Staff advice

11. The CEMAC's budget rule could be improved to address current challenges. As discussed also during the 2013 regional consultations, staff identified potential avenues of reform to ensure sustainability and reduce procyclicality of fiscal policies while remaining simple, transparent, and as uniform as possible.[10] One option could be to adopt a rule based on a structural primary fiscal balance with an oil price smoothing formula. Fiscal objectives should be calibrated to ensure building-up or preserving adequate fiscal buffers. The new rule could also

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[8] IMF 2012, *Macroeconomic Policy Frameworks for Resource-Rich Developing Countries.*

[9] The basic fiscal balance is defined as total revenue (net of grants) minus total expenditure excluding foreign-financed capital spending.

[10] See Annex 4 of the 2013 Staff Report on Common Policies for CEMAC Member Countries (ID # 5194867). The study presents scenarios suggesting that a zero or slightly positive structural balance should be targeted to ensure sufficient savings to protect against downturns in oil prices.

include country-specific objectives on the level of fiscal savings accumulated, for example in stabilization funds. These types of funds could be important for those countries most dependent on hydrocarbon resources, which need to protect themselves against large and prolonged commodity price fluctuations and avoid sudden, drastic adjustments in public spending.

12. The reform of the budget rule could be supplemented with a downward revision of the public debt ceiling. Staff conducted an analysis to determine an appropriate debt ceiling and concluded that the risk of debt distress for the region would increase considerably if public debt exceeded 50 percent of GDP (see Annex 4). On this basis, the debt ceiling could be lowered from 70 percent to around 50 percent of GDP to limit the risk of debt distress in the future. The aim should also be to establish consistency among the fiscal surveillance criteria to ensure, for instance, that an excessively high limit on the primary fiscal balance does not lead countries to exceed the debt ceiling. In addition, complementary fiscal rules, consistent with the regional rules, could be considered at the national level to provide better anchoring of policies taking account of the economies' specific structural characteristics. The criteria should be simple, transparent, and easy to implement and monitor.

13. The authorities should design a comprehensive regional medium-term debt strategy. The definition of an optimal composition of debt in CEMAC would help the authorities to balance the cost-risk debt management objectives. A regional medium-term debt strategy[11] should play a supportive role in strengthening the regional debt market by setting harmonized rules for government debt issuance, while preventing crowding-out one country by another when issuing debt at the regional market. A regional debt strategy would have to go in tandem with capacity building at the individual country level.

14. Enforcement of the fiscal surveillance framework should be strengthened. Fiscal convergence criteria are often not respected, with no consequence (Table 7). First of all, ownership of the surveillance framework by member states should be enhanced. To this end, an inclusive, participatory approach should be adopted in any reform of the regional surveillance mechanism. The regional institutions (especially the CEMAC commission) should be strengthened to ensure wider dissemination of the results of regional surveillance, and should be more involved in the preparation of national budgets. Authorities should also consider improving compliance with fiscal criteria, by expanding the role of national supervisory entities in monitoring and disseminating regional rules. Finally, the regional surveillance framework should be supplemented by additional structural changes at the national level, including strengthening public financial management in the selection of investment projects.

15. Authorities should pursue their efforts to strengthen fiscal coordination and harmonization. Staff welcomed the progress made in the implementation of the CEMAC public financial management (PFM) directives but noted substantial delays in their implementation.

[11] Regional debt strategy means the coordination at the regional level of different national debt strategies for CEMAC member states.

Moreover, regional authorities should ensure that measures taken by several member states such as tax exemptions, which have tended to proliferate and erode the tax base, remain within the limits proposed by regional legislation.

Authorities' views

16. The regional authorities concurred on the need to revise the fiscal convergence criteria. The CEMAC commission held a Regional Surveillance Committee meeting in late June to discuss possible reform of the fiscal surveillance framework with national authorities. The commission will also prepare a study with specific recommendations on the reform of the regional surveillance framework for the Franc Zone meeting in 2015. The regional authorities also agreed on the need to review the debt ceiling criterion to make it consistent with the budget rule while leaving enough room for financing public investment. However, they considered it would be difficult to strike the right balance between calibrating fiscal rules in each country to reflect the large structural differences among the area's economies and keeping the rules simple and transparent. They also suggested that the quality and efficiency of use of funds being borrowed should be taken into account when assessing the debt level.

17. The authorities stressed that the implementation of CEMAC's PFM directives would strengthen the surveillance framework. The CEMAC Commission noted that the action plan developed in cooperation with the IMF Fiscal Affairs Department has enabled substantial progress in four countries of the region (Cameroon, Congo, Gabon, and Chad). The monitoring and implementation will continue based on clear roadmaps discussed with all the partners and with additional technical assistance from AFRITAC.

Ensuring a sustainable external position

18. The external position remains sustainable, but vulnerabilities have increased. The regional current account deficit widened to about 3 percent of GDP in 2013 due to higher public investment and the deterioration of the balance of trade in most CEMAC countries. Nevertheless, according to various analyses, the current account balance and real effective exchange rate (REER) remain broadly in line with regional fundamentals (Annex 3). REERs vary across CEMAC members but none of them shows a significant misalignment. The deterioration of the member states' current accounts in the last couple of years is more related to an excessively expansionary fiscal stance in certain countries than exchange rate overvaluation. The regional official reserves, which declined slightly in 2013, remain adequate but not excessive according to different metrics.

Staff advice

19. While the reserve coverage appears adequate, the continued only-partial compliance of several member states with the foreign assets centralization requirement is a potential risk for the union. Foreign assets directly held abroad by member states appear to be substantial, although only limited data are made available by member countries on their external assets held abroad. Staff encouraged the BEAC to continue discussions with member states to agree on a framework for managing foreign reserves and fiscal savings that could include a requirement to maintain an adequate level of regional reserves, allow more effective and transparent management of the member states' fiscal savings, and ensure adherence to regional rules vis-à-vis emerging donors. Staff initiated discussions with the BEAC on possible options for such a framework and encouraged a more proactive process to find appropriate solutions to this issue.

Figure 6. CEMAC real and nominal effective exchange rates (2007–14, 2005=100)

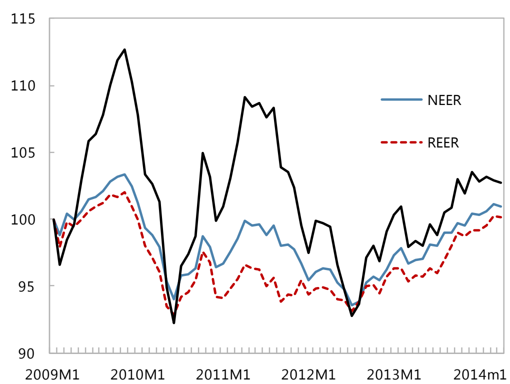
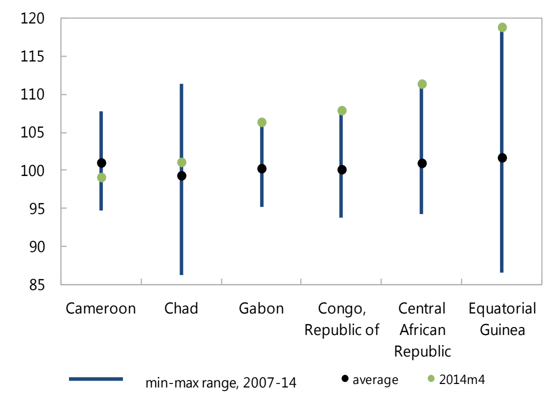


Figure 7. Real effective exchange rate of CEMAC countries(2007–14; 2003 = 100)



Source: IMF Staff Estimates.

Authorities' views

20. The BEAC is exploring options to solve noncompliance of the reserve pooling requirement. The authorities reiterated that this issue does not endanger the area's stability and that they are working with member states to find a suitable solution. One alternative could be the creation of a more diversified portfolio of financial assets for foreign exchange holdings in excess of balance of payment needs managed by the BEAC and offering higher returns to member states.

B. Making the Conduct of Monetary Policy more Effective

21. Excess liquidity weakens monetary policy transmission. The BEAC's main monetary policy rate is disconnected from lending rates, reflecting the ineffective interest rate channel while the shallow banking system and the underdeveloped financial markets induce weaknesses of both the credit and asset price channels. Further, the peg of the Franc CFA to the Euro leaves little room for the exchange rate channel to play a role in the monetary policy transmission mechanism.

22. Despite the low volume of interventions, BEAC's monetary policy actions end up injecting liquidity in a banking system already in surplus. In view of the absence of a well functioning interbank market to allocate the ample liquidity available in the region, the BEAC had to provide liquidity to some banks unable to mobilize funding through the market because of a lack of trust among banks. Simultaneous liquidity injections and withdrawals are constraining market development, as the BEAC is substituting the market. Excess reserves represented around 200 percent of reserves requirements in August 2013. In an effort to encourage banks to trade in the interbank market, the BEAC suspended its liquidity-absorbing operations in 2012. Nevertheless, the interbank market activity has remained virtually nonexistent in recent years.

***Staff advice*[12]**

23. The BEAC can enhance the effectiveness of its monetary policy through a well planned, accelerated transition to a market-based monetary policy. The fixed exchange rate regime and government subsidies in some CEMAC countries for key products including petroleum products help stabilize inflation. The existence of capital controls provides some narrow space for monetary policy actions and prevents structural liquidity surpluses to flow outside the CEMAC. These features create an environment favorable to a reform of monetary policy without running the risk of endangering monetary stability. In this context, enhancing the capacity of the BEAC to manage liquidity effectively is particularly critical. As a first step, the BEAC could accelerate the implementation of the 2011 decision of the Monetary Policy Committee to freeze and gradually eliminate over 10 years the stock of central bank advances to governments, including by encouraging government to issue T-Bills to repay the central bank. While the excess liquidity in the banking system has not led to inflationary pressures so far, the BEAC could start undertaking monetary operations aimed at sterilizing the structural liquidity surpluses with a view to develop the interbank market.

24. Looking forward, monetary policy modernization in the CEMAC involves a number of challenges, the most important being:

- *Calibrating BEAC's interventions based on standard liquidity forecasting processes.* BEAC staff in charge of liquidity forecasting should analyze the effect of autonomous factors underlying the decline of bank reserves in 2013, in relation with the decrease of foreign assets. To this end, the creation of daily databases and the development of forecasting techniques for autonomous liquidity factors will help understand and anticipate trends in banks reserves;

- *Streamlining monetary policy instruments.* To this end, the reform plan should include eliminating the refinancing facility for long-term loans and excluding the troubled banks from monetary policy counterparties. Furthermore, while the list of eligible collateral may be expanded to take into account the development of new financial instruments and new monetary instruments may be introduced, caution is warranted to ensure that these measures do not lead to more than necessary liquidity injection;

[12]See SIP on Improving Liquidity Management and Operational Framework of BEAC Monetary Policy for a more detailed account of staff's recommendations.

- *Taking concrete actions to revitalize the money market.* In particular, the BEAC should play an important role in the development of the government securities markets during the transitional phase;

- *Providing rapidly the human and IT resources needed to implement its reform plan*; and

- *Strengthening policy coordination* between the different stakeholders (i.e. COBAC, the national governments, and primary dealers), given that it will be a key factor for the success of the reform.

Figure 8. CEMAC Policy Rate
(Jan 2000- Dec. 2013)

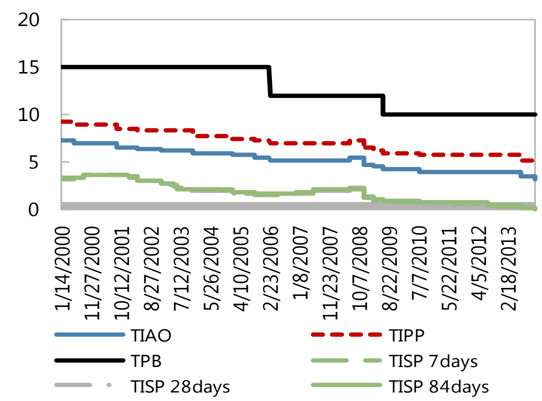
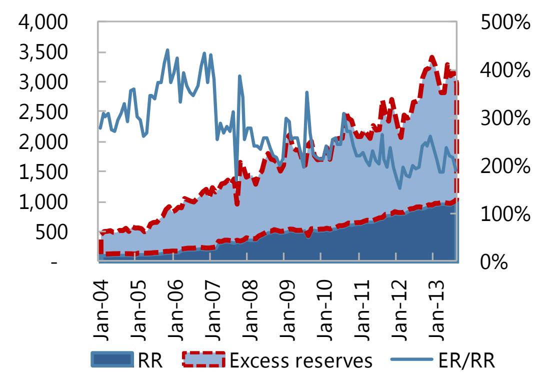


Figure 9. CEMAC Reserve Requirements (RR) and Excess Reserves (ER)
(in billions of CFA Francs) (Oct 2001- Aug. 2013)



Sources: IMF staff estimates.

Figure 10 CEMAC. BEAC's interventions
(in billions of CFAF) (Jan 2000-Dec. 2013)

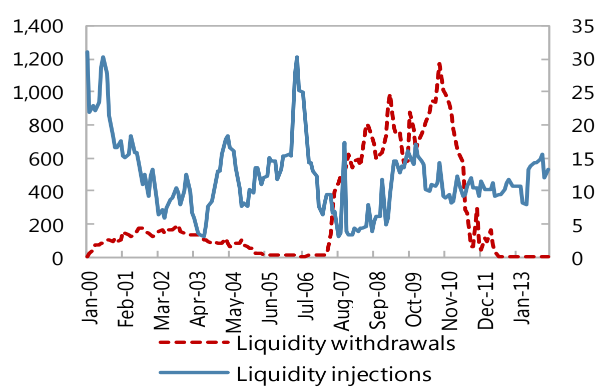
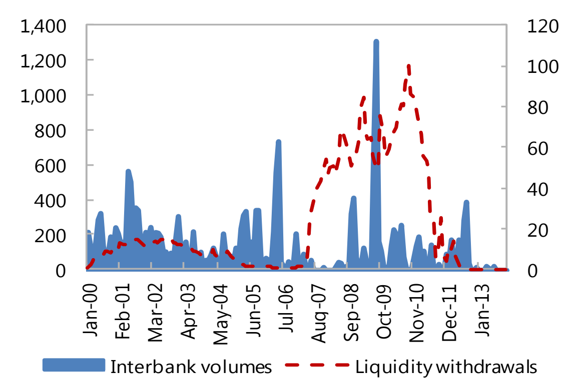


Figure 11. CEMAC: Liquidity withdrawals and Interbank volumes (Jan 2000-Dec. 2013)



Sources: Country Authorities.

Authorities' views

25. The BEAC is aware of the limits of its interventions and is planning an ambitious reform of its monetary policy framework. The reform under consideration will entail the transformation of the organization of monetary policy activities as well as a better linkage of monetary policy strategic and operational frameworks. This linkage would consist of reinstating monetary policy transmission channels by revitalizing the interbank and governments securities market.

C. Ensuring the Stability of the Financial Sector and Adequate Financing of the Economy

Financial sector stability

26. The banking system continues to be vulnerable to a number of risks. Credit risk appears to be predominant but the banking system also remains vulnerable to liquidity, operational, reputational, and legal risks. Banks' exposures stemming from lending to connected parties have contributed to the capital erosion of some banks that have been restructured or placed under provisional administration. Banks are also potentially exposed to liquidity shocks caused by fluctuations in oil revenues or by troubled banks. Microfinance institutions have started to gain importance in some countries (Cameroon and the Congo), and their financial linkages with the banking sector have been strengthened through their deposits at the banks.

27. Financial soundness indicators in the region vary considerably across countries and banks. While overall asset quality indicators and solvency ratios remained broadly stable in 2013, non-performing loans and solvency ratios vary considerably across countries and institutions. Moreover, the situation of unviable and undercapitalized banks did not improve. The aggregate solvency ratio in Cameroon, while remaining below the regulatory minimum of 8 percent, continued to improve from 6.3 percent at end-December 2012 to 7.9 percent at end-December 2013, while the nonperforming loans ratio deteriorated substantially in Equatorial Guinea.

28. The strengthening of COBAC capacities should improve financial sector surveillance. The COBAC, which lacked sufficient resources to carry out all its banking supervision missions, has substantially increased its staffing very recently. The additional human resources, after proper training, should enable COBAC to enhance its capacity to enforce compliance with prudential regulations. However, additional staff will also be needed in the analytical and regulation areas. The expansion of the nonbank financial sector and the development of microfinance and mobile banking services will also require increased and targeted monitoring by COBAC.

Staff advice

29. Staff recommended accelerating bank resolution plans and strengthening banks' internal controls. While progress was made in the reform of the regulatory framework, it should be accompanied by reforms to enhance the internal capacity at the COBAC with regard to the rating of financial institutions under its purview, as well as external credit ratings.

30. Staff welcomed COBAC's efforts to implement the regulatory reform, particularly relating to: (i) banks resolution, (ii) non-performing loans classification; (iii) consolidated and cross-border supervision; and (iv) licensing mechanism and pre-authorization. Furthermore, the mission encouraged BEAC and COBAC to initiate preparations for the upcoming financial sector assessment program (FSAP) update planned for the second half of 2014. The assessment will provide an opportunity for a more detailed review of the reforms undertaken in the past few years and identification of the remaining challenges.

Authorities' views

31. COBAC considered that significant progress was made to improve banking supervision and strengthen financial sector stability. In addition to the adoption of new regulation, new recruitments will allow to double the frequency and the speed of banking inspections. Moreover, the full implementation of ECERBER, a remote financial reporting system for financial institutions, improved the quality of financial information disclosure and off-site supervision tools.

32. The authorities considered that the situation of troubled banks in the region has improved—especially in Cameroon. However, there are still significant constraints to liquidate insolvent institutions. The COBAC has been monitoring closely all the troubled banks, but faces difficulties due to weaknesses in the regional judicial system and the delays in the adoption of a new regulation on crisis management. COBAC's relocation to Libreville in early July 2014 will slowdown its activities for a few months but should not result in major disruptions.

Financial sector development and financing of the regional economy

33. The size and structure of the financial sector constrain its capacity to finance the regional economy. Total assets represent 25 percent of regional GDP, and sector activity is dominated by banks whose business model is largely based on a restrictive credit policy geared toward attracting large companies and charging high service fees. Access to finance for individuals and small and medium-size businesses is limited and represents a significant challenge in the region. Difficulties in assessing credit risk and issues involving securing collateral and title instruments are significant obstacles to the development of banking intermediation. Moreover, the presence of large foreign banks and local banks, and the lack of trust among these two groups of institutions, represent an important challenge for monetary policy and banking supervision.

34. Financial inclusion in the CEMAC remains extremely limited. For most countries, the proportion of the population with access to financial services—financial inclusion—is well below the expected level given the structure of the economies and their level of development (see Selected Issues Paper (SIP) on Financial Inclusion in the CEMAC).

Staff advice

35. Measures to foster financial deepening should help resolve the constraints on financing the Community's economies. The measures should focus essentially on: (i) creating a genuine regional debt market; (ii) creating credit bureaus and rating systems for businesses; (iii) merging the two regional stock exchanges; (iv) improving the guarantee and collateral system; (v) improving the financial infrastructure—including the payment system—; and (vi) improving the regional business climate. The authorities could develop strategies to provide access to financial services for the most vulnerable segments of the population and small businesses, including regulatory reforms and the development of financial infrastructure. The regulatory reforms could aim to promote financing for rural areas and adopt regulations on virtual and mobile banking services.

36. Staff advised against the BEAC using government deposits to create new financing instruments for infrastructure projects. It stressed that this type of measures would be equivalent to direct lending to government and interfere with the conduct of monetary policy. Instead, staff encouraged the authorities to boost efforts toward coordination and transparency for the development of the government securities markets. These efforts should include: (i) improved governments cash and debt management; (ii) the resolution of potential constraints relating to syndication; and (iii) enhancing the role of primary dealers in improving the liquidity of CEMAC governments' securities secondary market. A more developed medium —and long—term securities market should provide adequate financing for budget deficits related to infrastructure development projects. Staff also encouraged the authorities to strengthen the capacities of BDEAC to finance large regional infrastructure projects.

37. Larger financing for infrastructure projects could also be based on an institutional framework promoting private sector participation.[13] This could include more public-private partnerships, and a strengthened role for financial markets and commercial banks through the targeted use of innovative financing methods. These mechanisms would help limiting the build-up of public debt related to infrastructure investment scaling-up provided that proper safeguards are put in place to limit fiscal contingent liabilities and other fiscal risks[14]. To facilitate bank lending, infrastructure projects could be unbundled into successive sub-projects corresponding to different stages of maturity. Moreover, regional authorities could also implement guarantee systems to reduce investors' exposure to risk.

Authorities' views

38. The authorities considered that they have taken significant steps to support financial sector development. They made progress to create a credit information bureau and rating system which should become operational by end 2015. Moreover, they have taken steps

[13] See SIP on Financing Public Infrastructure Investments.

[14] See also SIP on Public Investment Scaling-Up, Growth and Debt Dynamics.

to enhance the financial infrastructure through an enhanced payment system to support the development of mobile banking and regional banking networks. The authorities noted however that important measures to develop the financial system such as undertaking judicial reforms to address lengthy and inefficient court proceedings or developing new financial products (e.g. leasing) are the competence of member states.

39. The authorities stressed the need to find alternative and innovative sources of financing to support growth. They saw the need to better use governments' savings to finance the region's infrastructure needs and considered that BEAC could support mechanisms to channel resources from countries with financial surpluses to finance infrastructure projects in deficit countries. At the same time, they agreed that greater private sector participation should be sought in order to limit public debt.

D. Promoting Regional Integration and Enhancing Regional Growth Potential

40. Limited regional integration and weak coordination of national development policies undermine regional growth potential. CEMAC intra-regional trade levels are around 3 percent of total trade and below other African regional integration initiatives. Greater integration could boost regional growth by two percentage points by promoting regional trade and a more efficient implementation of regional policies.[15] The signature of an economic partnership agreement (EPA) with the European Union could also open new markets to the CEMAC countries and promote greater consolidation of the common market.

41. Weak regional competitiveness and productivity hamper private investment growth. In comparison with other fast-growing sub-Saharan African countries, the growth of real per capita GDP in the CEMAC has been relatively modest (see SIP on Growth and Competitiveness in CEMAC). CEMAC's weak structural competitiveness and low factor productivity are largely due to limited investment absorption capacities, difficulties for the private sector in accessing financing, and a challenging business climate that constrains private investment. In addition, the recurrence of shocks coupled with ineffective absorption mechanisms have also undermined growth prospects. The combination of these factors reduces the effectiveness of investment and limits the advantages of regional macroeconomic stability and a favorable international environment.

[15] « Évaluation des gains attendus de l'intégration économique régionale dans les pays de la Zone franc », FERDI, Septembre 2012, (http://www.ferdi.fr/uploads/sfCmsContent/html/135/Rapport_ZF_4oct_IMP.pdf)

Staff advice

42. Greater coordination between regional and national authorities is needed to promote regional integration and development. Staff considered that better cooperation among member states and with regional authorities was necessary for the successful implementation of key regional initiatives. For example, member states should try to reach a common standing on the EPA negotiations to avoid a multiple speed negotiation process which could create distortions within the CEMAC. Regional and national authorities should also define a regional action plan to improve the business environment, drawing on international best practices. Similarly, the management of public investment projects should be improved through the creation of monitoring committees for major national and regional projects, focusing on projects that generate growth. In this context, efforts to strengthen the role of the BDEAC in supporting regional development policies could be particularly important.

Authorities' views

43. Despite important operational constraints, the regional authorities pursued a number of regional initiatives, such as (i) monitoring the adoption of PFM directives at the national level; (ii) implementing the organizational and budgetary reform of the CEMAC commission; (iii) preparing a review of the regional development plan by 2015 to ensure consistency among national development plans; (iv) preparing-with the support of the World Bank-a feasibility study to create a business climate regional observatory; (v) continuing the implementation of measures to reduce regional trade barriers; and (vi) preparing a study to reduce the common external tariff, eliminate double taxation to third-country products and create CEMAC—wide rules of origin.

E. Strengthening Institutional Capacity

44. The BEAC has made some progress on its reform and modernization plan but institutional autonomy should be strengthened. The current framework does not provide the BEAC management with sufficient latitude to make management decisions. In addition, progress is still needed in the area of human resource management. The BEAC should also review budget allocations according to priorities, especially to ensure the success of the monetary policy reform.

45. The CEMAC Commission faces tight personnel and financial constraints. New staff will be necessary to enable the Commission to fulfill its role as central institution in promoting and implementing regional initiatives. In addition to the challenges related operating outside its headquarters because of the conflict in CAR, the commission also faces serious financial constraints due to problems in collecting its main source of financing, the TCI (i.e. *taxe communautaire d'intégration*, in French, a regional tax), from member states.

Staff advice

46. Staff encouraged the BEAC and COBAC to strengthen their modernization efforts to enhance their capacities and governance. Efforts should be particularly targeted to areas of reform that have suffered delays, such as the reform of the monetary policy framework. Staff welcomed the significant increase in BEAC's and—especially—COBAC's personel, which should strengthen regional supervision. Morever, it welcomed the greater role played by the trading room which is currently managing a large share of BEAC's reserves, generating reasonable returns. Staff encourages the authorities to continue strengthening the trading rooms's capacities including with the assistance of the World Bank. However, staff still noted significant staffing needs in BEAC's and COBAC's research departments, which could adversely impact the production and monitoring of key economic, monetary and financial indicators.

47. The BEAC has made progress in reinforcing its safeguards framework but continues to face some challenges. Consistent with the safeguards policy requirement for regional central banks, the BEAC was subject to a quadrennial assessment in 2013. It 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" in the context of new program requests and reviews for CEMAC countries. The 2013 assessment found that risks remain elevated and that annual IMF staff visits to monitor priority recommendations and progress on the BEAC's reform plan would continue as part of the safeguards "rolling measures" approach.[16] Consistent with this approach, a safeguards staff visit to the BEAC was conducted in early April 2014. Staff concluded that the BEAC has made good progress in implementing recommendations from the 2013 assessment and is advancing its reform plan to strengthen controls at the bank. That said, the BEAC continues to face challenges on institutional autonomy and broader governance reforms remain paramount in the medium-term. Staff will maintain close engagement with the BEAC to assess sustainability of the measures already in place and implementation of the reforms and new safeguards measures going forward. Developments on implementation of these measures will allow staff to consider whether sufficient progress has been made to discontinue the annual monitoring of safeguards rolling measures and thereby revert to the four-year cycle of full safeguards assessments for regional central banks.

48. Staff encouraged the CEMAC commission to continue its efforts to promote the implementation of regional policies. The new Commission organizational chart should be implemented with the necessary new hires. Moreover, the events in the Central African Republic have greatly constrained the CEMAC Commission's effectiveness over the past year. Following its planned relocation to Libreville (Gabon), the Commission should continue the implementation of several important regional initiatives such as (i) monitoring the countries' adoption of public financial management directives; (ii) reviewing the regional economic plan and ensuring its consistency with national development initiatives; (iii) ensuring the coordination and

[16] Staff has been conducting annual monitoring of safeguards developments at the BEAC since 2010.

complementarities of national infrastructure plans; and (iv) supporting regional integration initiatives (functioning of the single market, intra-community trade, and free movement of persons).

49. Staff underscored the need to strengthen the capacities of regional institutions to improve the quality of economic and financial statistics. The production of balance of payments statistics and verification of national accounts produced by member states are constrained by the lack of resources in the BEAC research and analysis units at headquarters and national directorates. Major improvements are needed to ensure a better monitoring, evaluation and coordination of policies pursued by member states.

Authorities' views

50. Progress has been made in BEAC's reform plan but governance reform is more difficult. The authorities considered that the implementation of reforms has accelerated in most areas (e.g. internal accounting, budget management, human resource management and IT) and hoped to complete most of them by end 2014. However, they recognized that progress remains slow in the reform of BEAC's charter and BEAC's governance because it requires the approval of member states.

STAFF APPRAISAL

51. Short-term regional growth prospects should remain solid but downside risks are significant. Non-oil growth will continue to rely on public investment programs. However, a prolonged decline in hydrocarbon prices triggered by a global slowdown would have a substantial impact on the fiscal and external current account balances and would likely force a large scaling down of public investment. In addition, a challenging regional business climate severely limits the growth of private investment. The regional institutions continue to face significant capacity constraints and should continue to be strengthened in order to play a greater role in coordinating reform efforts. Finally, increased security risks in the region could weigh on FDI and growth.

52. The policy mix should be adjusted to support stability and growth. High oil prices and debt relief have supported efforts to fill the infrastructure gap but the fiscal stance has become too expansionary in several countries. In a context of declining oil production, the materialization of downsize risks would make it difficult for some countries to withstand a large adverse external shock. The effectiveness of monetary policy is very limited due to weak transmission channels. The level of external reserves remains adequate but widening current account deficits could become a source of concern. The issue of the non-compliance of repatriation of reserves by some member states remains unresolved.

53. The current CEMAC surveillance framework should be adapted to better ensure the stability and sustainability of policies. The current fiscal deficit rule can encourage procyclical policies in face of volatile oil revenues and does not control for external borrowing for capital spending. One option could be to adopt a rule based on a structural primary fiscal balance with an oil price smoothing formula. In addition, the debt ceiling could be lowered from 70 percent to around 50 percent of GDP to limit the risk of debt distress in the future and reinforce the consistency among the fiscal surveillance criteria. Moreover, enforcement of fiscal surveillance needs to be strengthened, based on enhanced ownership by member countries.

54. The monetary policy framework needs to become effective. Excess liquidity, inefficient liquidity management, and underdeveloped regional interbank and debt markets make monetary policy largely ineffective. Stronger reform efforts by the regional central bank are needed to address these challenges. The coordination between the different actors (i.e. BEAC, the national governments, and primary dealers) will be a key factor for the success of any reform.

55. Stronger regulatory and supervisory frameworks are needed to ensure financial stability and support financial sector development in the region. The improvements in COBAC's operational capacity and new regulation will help reducing excessive risks, ensuring compliance with prudential requirements and improving the soundness of the financial sector. However, further progress is needed in implementing bank resolution plans. Furthermore, the creation of credit registries and judicial system reforms are essential for fostering credit growth. Regional and national authorities should promote strategies to enhance access to finance.

56. Promoting financing of regional economies should be based on greater private sector participation. Regional authorities should be cautious in considering the use of governments' savings deposited at BEAC to finance infrastructure projects. Adopting these types of measures may have destabilizing effects on CEMAC's macroeconomic policy implementation. Authorities should rather focus on promoting a greater private sector participation based on the creation of appropriate investment incentives.

57. Greater efforts are needed to foster integration and boost growth and competitiveness. While the real effective exchange rate appears to be in line with fundamentals, the region is facing important structural competitiveness issues. Authorities should devise concerted actions to improve CEMAC's business environment and governance to boost private investment growth and economic diversification. Efforts should be complemented with a faster implementation of regional institutions' institutional reform which has been too slow. In particular, BEAC's institutional autonomy needs to be reinforced.

58. Regional institutions also need to focus on enhancing the quality of economic and financial information to improve the monitoring, assessment and transparency of the policies. In particular, the national accounts and balance of payments analysis are hampered by the poor quality of statistics compiled in these areas.

59. The Fund will continue to provide technical assistance to support modernization and reform efforts of regional institutions (see Informational Annex), provided that its effectiveness can be demonstrated.

60. It is proposed that the discussions with the CEMAC authorities remain on the standard 12-month cycle.

Table 1. CEMAC: Selected Economic and Financial Indicators, 2011–19

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
	(Annual percent change)								
National income and prices									
GDP at constant prices	3.9	5.2	2.6	5.3	4.7	6.4	5.4	3.8	3.5
Oil GDP	-2.2	-2.7	-7.1	3.2	1.8	6.1	5.9	-3.3	-6.5
Non-oil GDP	5.9	6.6	4.6	5.4	5.1	6.4	5.7	5.3	5.3
Consumer prices (period average)[1]	2.5	2.7	1.8	2.7	2.1	2.1	2.0	2.0	2.0
Consumer prices (end of period)[1]	4.3	3.1	2.3	2.7	2.6	2.6	2.7	2.4	2.5
Nominal effective exchange rate[1]	1.1	-3.1	3.1	...	...	...	...	...	...
Real effective exchange rate[1]	-0.9	-1.5	3.6	...	...	...	...	...	...
	(Annual changes in percent of beginning-of-period broad money)								
Money and credit									
Net foreign assets	16.9	9.5	-0.4	...	...	...	...	...	...
Net domestic assets	0.4	6.7	9.0	...	...	...	...	...	...
Broad money	18.0	16.6	6.4	...	...	...	...	...	...
	(Percent of GDP, unless otherwise indicated)								
Gross national savings	33.0	30.4	28.3	28.7	27.3	26.3	24.7	23.4	22.3
Gross domestic investment	31.2	31.0	31.4	31.9	31.1	29.7	27.4	26.5	26.0
Of which: public	13.9	14.1	14.8	14.5	13.4	11.8	10.6	9.8	9.4
Government financial operations									
Total revenue, excluding grants	27.9	27.9	26.8	26.1	25.9	25.3	24.8	24.1	23.1
Government expenditure	25.6	29.4	29.5	29.5	29.2	28.0	26.9	26.5	26.1
Primary basic fiscal balance[2]	5.6	2.0	2.3	1.4	1.6	1.3	1.7	1.5	0.9
Basic fiscal balance[3]	4.9	0.7	0.5	-0.1	0.2	0.4	0.8	0.5	-0.2
Overall fiscal balance, excluding grants	2.0	-1.6	-2.7	-3.5	-3.4	-2.7	-2.2	-2.4	-3.0
Primary balance	3.6	0.3	-0.4	-1.3	-1.3	-1.2	-0.7	-0.8	-1.4
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-26.2	-31.1	-27.9	-26.8	-24.4	-21.7	-19.6	-17.7	-16.1
Non-oil primary balance (percent of non-oil GDP)	-23.7	-28.0	-24.6	-23.6	-21.5	-19.7	-17.6	-15.7	-14.1
Total Public Debt	19.2	20.0	22.9	23.7	25.2	26.7	28.2	30.4	32.2
External sector									
Exports of goods and nonfactor services	55.5	55.1	51.3	49.3	46.3	45.1	43.9	41.2	38.3
Imports of goods and nonfactor services	43.8	43.5	43.4	42.2	41.6	40.2	38.5	37.1	36.0
Balance on goods and nonfactor services	11.7	11.6	7.9	7.2	4.7	4.9	5.4	4.2	2.3
Current account, including grants	1.8	-0.6	-3.1	-3.2	-3.8	-3.4	-2.7	-3.2	-3.7
External public debt	12.4	14.2	16.8	17.2	18.4	19.0	19.7	20.6	21.1
Gross official reserves (end of period)									
Millions of U.S. dollars	15,717	17,531	17,490	17,698	17,528	18,325	19,750	20,945	21,489
Months of imports of goods and services (less intra regional imports)	5.0	5.4	5.1	5.0	4.8	4.8	5.1	5.3	5.8
Percent of broad money	85.6	88.6	80.4	...	...	...	...	...	...
Memorandum items:									
Nominal GDP (Billions of CFA francs)	42,407	45,445	45,727	48,273	49,827	52,728	55,904	57,872	60,027
CFA francs per U.S. dollar, average	471.9	510.5	494	479	471	465	458	452	445
Oil prices (US dollars per barrel)	104.0	105.0	104	104	98	93	90	88	87

Sources: IMF staff compilations.

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

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

[3] Excluding grants and foreign-financed investment.

Table 2. CEMAC: Millennium Development Goals, 2012

	1990		2012	
	CEMAC	SSA	CEMAC	SSA
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	64	63	67	66
Employment to population ratio, ages 15-24, total (%)	50	49	45	48
GDP per person employed (constant 1990 PPP $)	...	2,479	2,882	3,504
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)	...	...	...	...
Literacy rate, youth male (% of males ages 15–24)	...	...	...	...
Persistence to last grade of primary, total (% of cohort)	...	...	...	...
Primary completion rate, total (% of relevant age group)	40	51	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 (%)	71	...	89	94
Ratio of female to male secondary enrollment (%)	52	...	67	88
Ratio of female to male tertiary enrollment (%)	19	...	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)	68	57	66	79
Mortality rate, infant (per 1,000 live births)	95	105	70	58
Mortality rate, under-5 (per 1,000)	151	175	105	87
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15–19)	...	...	118	99
Births attended by skilled health staff (% of total)	58	...	91	69
Contraceptive prevalence (% of women ages 15–49)	16	15	38	21
Maternal mortality ratio (modeled estimate, per 100,000 live births)	763	870	...	...
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)	126	210	284	280
Prevalence of HIV, female (% ages 15–24)	...	...	2	3
Prevalence of HIV, male (% ages 15–24)	...	...	1	1
Prevalence of HIV, total (% of population ages 15–49)	2	2	4	5
Tuberculosis case detection rate (%, all forms)	52	39	58	59
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	27	27	34
Improved water source (% of population with access)	49	49	72	73
Marine protected areas (% of territorial waters)	0	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	85
Debt service (PPG and IMF only, in % of exports, excluding workers' remittances)	...	...	4	4
Internet users (per 100 people)	0	0	7	11
Mobile cellular subscriptions (per 100 people)	0	0	78	67
Telephone lines (per 100 people)	0.6	1	1	3
Fertility rate, total (births per woman)	6	6	5	5
Other				
GNI per capita, Atlas method (current US dollars)	690	586	4,800	2,298
GNI, Atlas method (current US dollars), billions	21	...	77	1,372
Gross capital formation (% of GDP)	15	18	29	26
Life expectancy at birth, total (years)	53	50	55	58
Literacy rate, adult total (% of people ages 15 and above)	34	...	...	...
Population, total (millions)	25	...	45	875
Trade (% of GDP)	67	52	79	83

Source: World Development Indicators.

Table 3. CEMAC: National Accounts, 2011–19

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
				(Annual percent change)					
Real GDP									
Cameroon	4.1	4.6	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Central African Republic	3.3	4.1	-36.0	1.5	5.3	5.7	5.7	5.8	5.7
Chad	0.1	8.9	3.9	9.2	6.6	9.6	7.0	3.1	3.3
Congo, Republic of	3.4	3.8	3.3	6.0	7.5	7.3	9.0	3.5	1.9
Equatorial Guinea	5.0	3.2	-4.9	-2.4	-8.3	0.9	-5.5	-7.7	-9.4
Gabon	6.9	5.5	5.9	5.8	6.4	6.8	6.1	6.1	5.8
CEMAC	3.9	5.2	2.6	5.3	4.7	6.4	5.4	3.8	3.5
Nominal GDP									
Cameroon	7.2	7.7	7.0	7.6	7.5	7.6	7.5	7.5	7.6
Central African Republic	5.3	6.9	-31.4	6.4	10.2	8.1	7.7	8.1	8.0
Chad	8.7	10.1	4.9	13.5	8.8	12.3	7.7	2.0	4.0
Congo, Republic of	14.4	2.6	-4.6	3.2	5.2	4.1	13.1	1.2	-1.9
Equatorial Guinea	29.2	13.5	-8.6	-3.2	-13.4	-3.0	-7.6	-8.5	-9.0
Gabon	22.9	2.7	4.6	5.6	2.8	4.3	4.9	5.5	6.1
CEMAC	15.0	7.2	0.6	5.6	3.2	5.8	6.0	3.5	3.7
Real non-oil GDP									
Cameroon	4.6	4.6	5.6	5.6	5.4	5.4	5.4	5.4	5.5
Central African Republic	3.3	4.1	-36.0	1.5	5.3	5.7	5.7	5.8	5.7
Chad	0.2	11.6	5.9	6.3	4.9	4.9	4.9	4.9	5.0
Congo, Republic of	7.4	9.7	8.1	7.5	7.3	8.5	6.3	5.0	5.2
Equatorial Guinea	9.9	0.3	2.9	-0.4	-4.8	5.6	2.7	-1.0	-1.0
Gabon	12.2	10.4	9.1	7.2	8.9	9.2	8.2	7.9	7.2
CEMAC	5.9	6.6	4.6	5.4	5.1	6.4	5.7	5.3	5.3
Consumer price inflation (period average)									
Cameroon	2.9	2.4	2.1	2.2	2.2	2.2	2.2	2.2	2.2
Central African Republic	1.2	5.9	6.6	4.5	4.2	2.0	1.8	2.0	2.0
Chad	1.9	0.9	-0.5	0.2	0.2	0.2	0.2	0.2	0.2
Congo, Republic of	1.8	5.0	4.6	3.0	2.9	2.9	2.8	2.7	2.4
Equatorial Guinea	4.8	3.4	3.2	3.9	3.7	3.4	3.2	3.0	3.0
Gabon	1.3	2.7	0.5	4.7	2.5	2.5	2.5	2.5	2.5
CEMAC	2.5	2.7	1.8	2.7	2.1	2.1	2.0	2.0	2.0
End of period inflation									
Cameroon	2.7	2.5	1.7	2.2	2.2	2.2	2.2	2.2	2.2
Central African Republic	4.3	5.9	5.9	3.9	2.3	1.5	2.0	2.0	2.0
Chad	10.8	2.1	0.9	3.7	3.0	3.0	3.0	3.0	3.0
Congo, Republic of	1.8	7.5	2.1	3.2	2.5	2.6	3.9	2.0	2.5
Equatorial Guinea	4.9	2.6	4.9	3.7	3.4	3.4	3.2	2.8	2.7
Gabon	2.3	2.2	3.3	1.7	2.5	2.5	2.5	2.5	2.5
CEMAC	4.3	3.1	2.3	2.7	2.6	2.6	2.7	2.4	2.5
				(Percent of GDP)					
Gross national savings									
Cameroon	17.5	17.1	17.2	17.6	17.7	17.9	18.1	18.4	18.7
Central African Republic	4.6	9.4	-1.7	-2.3	3.0	5.0	5.9	6.8	7.5
Chad	22.8	22.8	17.3	26.3	24.9	25.6	21.4	18.7	16.2
Congo, Republic of	31.1	24.7	27.4	33.4	30.7	31.9	32.4	31.3	29.1
Equatorial Guinea	59.7	49.9	46.4	42.8	44.0	40.2	38.1	36.2	38.8
Gabon	44.3	44.2	41.2	36.6	34.0	31.0	27.8	26.1	24.2
CEMAC	33.0	30.4	28.3	28.7	27.3	26.3	24.7	23.4	22.3
Gross domestic investment									
Cameroon	20.2	20.7	21.1	21.4	21.9	22.3	22.5	22.9	23.1
Central African Republic	12.2	15.0	8.7	11.6	16.4	17.5	18.1	18.7	19.4
Chad	28.5	31.5	26.7	33.1	31.1	30.2	25.1	23.2	21.3
Congo, Republic of	25.3	26.0	30.9	36.4	34.9	34.0	30.9	30.8	31.5
Equatorial Guinea	60.3	54.4	58.4	53.0	54.6	49.1	46.2	44.2	45.9
Gabon	31.1	30.1	30.7	30.1	30.0	28.5	26.5	25.5	24.3
CEMAC	31.2	31.0	31.4	31.9	31.1	29.7	27.4	26.5	26.0

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

Table 4. CEMAC: Nominal and Real Effective Exchange Rates, 2005–13

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nominal effective exchange rate									
					(Index, 2005=100)				
Cameroon	100.0	99.5	102.6	105.1	106.1	101.4	102.7	99.4	103.0
Central African Republic	100.0	99.9	102.9	105.5	104.7	100.3	101.1	98.1	101.6
Chad	100.0	100.0	102.5	105.4	106.3	103.2	104.4	101.9	103.9
Congo, Republic of	100.0	99.9	102.6	106.4	105.6	100.3	101.5	98.5	102.3
Equatorial Guinea	100.0	99.7	104.3	110.4	109.0	104.1	106.1	100.9	103.5
Gabon	100.0	100.0	102.1	104.1	103.3	99.8	100.1	97.5	100.5
CEMAC [1]	100.0	99.8	102.7	105.9	105.9	101.6	102.8	99.6	102.7
					(Annual percent change)				
Cameroon	-1.7	-0.5	3.1	2.5	0.9	-4.4	1.2	-3.2	3.6
Central African Republic	-1.4	-0.1	3.0	2.5	-0.8	-4.2	0.8	-3.0	3.6
Chad	0.0	0.0	2.5	2.8	0.9	-2.9	1.2	-2.4	1.9
Congo, Republic of	-1.1	-0.1	2.7	3.7	-0.8	-5.0	1.1	-2.9	3.9
Equatorial Guinea	-0.2	-0.3	4.6	5.8	-1.3	-4.5	2.0	-5.0	2.6
Gabon	-0.5	0.0	2.2	1.9	-0.7	-3.4	0.3	-2.6	3.1
CEMAC [1]	-0.9	-0.2	3.0	3.1	0.0	-4.0	1.1	-3.1	3.1
Real effective exchange rate					(Index, 2005=100)				
Cameroon	100.0	101.5	102.5	105.5	107.8	101.1	101.1	96.8	99.6
Central African Republic	100.0	104.0	105.2	113.3	115.7	110.3	109.2	109.4	110.1
Chad	100.0	104.7	94.9	102.5	112.0	103.6	96.2	100.4	103.8
Congo, Republic of	100.0	101.7	103.6	108.6	112.0	108.7	108.0	106.4	112.3
Equatorial Guinea	100.0	101.5	106.4	115.5	119.3	120.5	127.4	125.8	135.1
Gabon	100.0	96.4	101.0	104.5	105.3	101.3	99.9	97.7	99.5
CEMAC [1]	100.0	101.1	101.6	106.8	110.4	105.2	104.2	102.7	106.3
					(Annual percent change)				
Cameroon	-2.6	1.5	1.0	3.0	2.2	-6.3	0.1	-4.2	2.8
Central African Republic	-0.8	4.0	1.2	7.7	2.0	-4.7	-1.0	0.2	0.6
Chad	4.9	4.7	-9.4	8.0	9.3	-7.5	-7.1	4.3	3.4
Congo, Republic of	-1.2	1.7	1.9	4.8	3.2	-3.0	-0.7	-1.5	5.6
Equatorial Guinea	2.6	1.5	4.9	8.6	3.3	1.0	5.7	-1.3	7.4
Gabon	1.0	-3.6	4.7	3.5	0.8	-3.8	-1.4	-2.2	1.9
CEMAC [1]	0.3	1.1	0.5	5.1	3.4	-4.7	-0.9	-1.5	3.6

Sources: IMF, Information Notice System.

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

Table 5a. CEMAC: Balance of Payments, 2011–19

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
	(CFAF billions)								
Balance on current account	775	-295	-1,421	-1,525	-1,893	-1,781	-1,529	-1,832	-2,229
Balance on goods and services	4,961	5,263	3,599	3,461	2,341	2,604	3,007	2,413	1,361
Total exports	23,518	25,040	23,465	23,813	23,081	23,777	24,554	23,869	22,974
Exports of goods	21,923	23,421	21,637	21,866	21,011	21,575	22,209	21,369	20,296
Oil exports	19,197	20,382	18,112	18,117	17,000	17,222	17,436	16,221	14,734
Non- oil exports	2,726	3,039	3,526	3,749	4,011	4,353	4,772	5,147	5,562
Exports of services	1,594	1,620	1,828	1,947	2,070	2,202	2,346	2,501	2,678
Total imports	18,557	19,777	19,866	20,352	20,740	21,173	21,547	21,457	21,613
Imports of goods	12,104	12,982	13,026	13,271	13,380	13,458	13,560	13,445	13,614
Imports of services	6,453	6,796	6,841	7,081	7,360	7,715	7,987	8,011	8,000
Income, net	-4,243	-5,609	-5,143	-5,124	-4,358	-4,499	-4,651	-4,379	-3,732
Income credits	232	266	204	203	207	211	216	221	228
Income debits	-4,474	-5,875	-5,347	-5,327	-4,565	-4,710	-4,867	-4,600	-3,960
Of which:									
Investment income, debit	-2,012	-1,683	-1,564	-1,754	-2,023	-2,083	-2,382	-2,397	-2,344
Interest paid on public debt	-69	-63	-73	-89	-101	-130	-156	-174	-193
Interest paid on nonpublic debt	-445	-505	-469	-474	-441	-428	-5	-6	-6
Current transfers, net	57	51	124	138	125	113	115	134	142
Private current transfers, net	-123	-83	-62	-56	-57	-66	-66	-63	-58
Official current transfers, net	181	135	186	194	181	179	180	197	200
Balance on capital and financial accounts	-294	-685	1,584	1,778	2,037	1,855	1,640	1,973	2,368
Balance on capital account (incl. capital transfers)	154	202	147	242	244	234	247	263	282
Balance on financial account (incl. reserves)	-448	-887	1,437	1,537	1,792	1,621	1,393	1,710	2,087
Direct investment, net	2,432	2,405	2,607	2,865	2,739	2,750	2,281	2,186	2,015
Portfolio investment, net	-25	-1	-26	-25	-25	-24	-24	-24	-23
Other investment, net	-2,203	-1,757	-1,454	-1,463	-1,151	-834	-342	-39	209
Reserve assets (accumulation -)	-652	-1,533	309	160	229	-270	-522	-413	-113
Errors and omissions, net	-481	980	-163	-253	-144	-74	-111	-141	-139
Memorandum items:									
Nominal GDP	42,407	45,445	45,727	48,273	49,827	52,728	55,904	57,872	60,027
Gross official reserves (end of period)									
Billions CFAF	7,416	8,950	8,641	8,481	8,252	8,522	9,044	9,457	9,570
Millions U.S. dollars	15,717	17,531	17,490	17,698	17,528	18,325	19,750	20,945	21,489
Months of imports of goods and services	5.0	5.4	5.1	5.0	4.8	4.8	5.1	5.3	5.8

Sources: BEAC and IMF staff estimates and projections.

Table 5b. CEMAC: Balance of Payments Indicators by Country, 2011–19

(Percent of GDP)

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
Balance on Current Account									
Cameroon	-2.7	-3.6	-3.9	-3.8	-4.2	-4.4	-4.4	-4.5	-4.4
Central African Republic	-7.6	-5.6	-10.4	-13.9	-13.4	-12.5	-12.1	-11.9	-11.9
Chad	-5.6	-8.7	-9.5	-6.8	-6.2	-4.6	-3.6	-4.5	-5.1
Congo, Republic of	6.1	-1.2	-3.6	-3.0	-4.2	-2.1	1.6	0.6	-2.4
Equatorial Guinea	-0.6	-4.6	-12.0	-10.2	-10.6	-9.0	-8.1	-8.0	-7.1
Gabon	13.2	14.0	10.6	6.5	4.0	2.4	1.3	0.6	-0.1
CEMAC	1.8	-0.6	-3.1	-3.2	-3.8	-3.4	-2.7	-3.2	-3.7
Oil Exports									
Cameroon	11.1	11.2	10.7	10.5	10.0	9.7	9.5	9.4	9.3
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	32.2	30.2	24.1	27.1	27.7	32.1	32.8	29.2	25.5
Congo, Republic of	76.2	63.8	62.7	60.4	57.2	53.6	54.6	51.4	45.9
Equatorial Guinea	89.7	91.8	87.3	85.5	82.1	81.5	78.4	72.2	64.6
Gabon	48.9	48.5	44.2	40.3	35.8	31.9	28.7	26.3	24.0
CEMAC	45.3	44.8	39.6	37.5	34.1	32.7	31.2	28.0	24.5
Imports									
Cameroon	30.9	30.8	30.3	30.0	29.8	29.2	28.8	28.7	28.5
Central African Republic	22.4	21.6	24.6	26.4	25.9	24.9	24.4	24.0	23.8
Chad	48.0	49.0	42.4	42.2	41.6	42.7	41.6	39.1	36.4
Congo, Republic of	59.6	51.4	63.4	64.2	62.5	58.4	53.3	52.1	52.6
Equatorial Guinea	69.4	65.3	68.5	64.5	68.7	65.9	65.2	62.7	64.3
Gabon	30.1	31.7	32.8	31.9	31.4	30.5	29.8	29.5	28.8
CEMAC	43.8	43.5	43.4	42.2	41.6	40.2	38.5	37.1	36.0
Balance on Capital Account									
Cameroon	0.1	0.1	0.0	0.3	0.3	0.1	0.1	0.1	0.1
Central African Republic	2.5	3.9	1.4	2.9	3.6	3.7	3.7	3.7	3.7
Chad	1.5	2.2	1.6	1.8	1.8	1.7	1.7	1.8	1.8
Congo, Republic of	0.5	0.1	0.4	0.6	0.3	0.4	0.3	0.3	0.3
Equatorial Guinea	0.0	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	0.0
CEMAC	0.4	0.4	0.3	0.5	0.5	0.4	0.4	0.5	0.5
Foreign Direct Investment									
Cameroon	1.9	3.1	2.7	2.3	1.9	1.7	1.4	1.2	1.1
Central African Republic	1.7	3.3	0.0	0.5	2.2	2.1	2.0	1.9	2.0
Chad	2.3	2.8	3.9	6.1	5.5	5.3	3.5	2.6	1.7
Congo, Republic of	22.2	15.1	19.5	20.4	18.3	17.9	12.0	11.8	11.0
Equatorial Guinea	3.6	3.5	3.8	4.3	4.8	4.8	5.0	5.2	5.6
Gabon	3.7	3.8	4.3	3.6	3.2	2.9	3.0	3.1	3.1
CEMAC	5.7	5.3	5.7	5.9	5.5	5.2	4.1	3.8	3.4
Reserves				(Million USD)					
Cameroon	3,199	3,381	3,288	3,252	3,185	3,119	3,054	2,989	2,926
Central African Republic	155	158	179	181	204	206	208	207	214
Chad	951	1,156	1,134	1,134	1,111	1,655	2,440	3,288	3,952
Congo, Republic of	5,641	5,550	5,005	5,795	7,133	8,462	9,672	10,465	10,762
Equatorial Guinea	3,054	4,397	4,258	3,866	3,015	2,515	2,451	2,401	2,362
Gabon	2,157	2,352	3,087	3,016	2,957	3,023	3,078	3,128	3,161
CEMAC	15,717	17,531	17,490	17,782	18,143	19,519	21,441	23,016	23,917

Sources: BEAC and IMF staff estimates and projections.

Table 6a. CEMAC: Fiscal Balances, 2011–19

(Percent of GDP)

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
Overall fiscal balance (excluding grants)									
Cameroon	-3.7	-2.9	-4.4	-6.1	-6.2	-5.3	-5.2	-5.1	-4.9
Central African Republic	-4.9	-4.9	-9.0	-11.8	-2.3	-3.2	-3.8	-4.0	-4.1
Chad	0.8	-2.2	-4.2	-2.6	-3.1	-1.1	0.4	0.8	-0.6
Congo, Republic of	15.9	6.3	8.1	4.9	4.2	3.9	4.8	4.0	1.9
Equatorial Guinea	1.1	-9.8	-7.8	-6.4	-3.7	-1.9	-1.4	-0.7	0.7
Gabon	2.4	1.5	-1.7	-2.7	-3.9	-4.5	-4.9	-5.6	-6.3
CEMAC	2.0	-1.6	-2.7	-3.5	-3.4	-2.7	-2.2	-2.4	-3.0
Overall fiscal balance (including grants)									
Cameroon	-3.2	-2.5	-4.1	-5.6	-5.7	-5.0	-4.9	-4.8	-4.7
Central African Republic	-2.4	0.0	-6.3	-8.9	1.3	0.5	0.0	-0.3	-0.4
Chad	2.4	0.5	-2.1	-0.4	-1.2	0.8	2.3	2.6	1.3
Congo, Republic of	16.5	6.4	8.5	5.4	4.5	4.2	5.1	4.3	2.2
Equatorial Guinea	1.1	-9.8	-7.8	-6.4	-3.7	-1.9	-1.4	-0.7	0.7
Gabon	2.4	1.5	-1.7	-2.7	-3.9	-4.5	-4.9	-5.6	-6.3
CEMAC	2.7	-1.2	-2.1	-2.8	-2.7	-2.1	-1.7	-1.9	-2.5
Basic balance[1]									
Cameroon	-2.4	-0.9	-1.0	-2.3	-2.6	-2.8	-2.9	-2.9	-2.8
Central African Republic	-2.0	-0.2	-7.5	-8.9	2.7	1.5	1.0	0.7	0.6
Chad	3.1	1.7	-2.0	-0.1	0.5	2.3	3.8	4.4	3.1
Congo, Republic of	19.1	10.5	16.0	10.9	8.7	7.9	8.1	7.1	4.8
Equatorial Guinea	5.0	-9.8	-7.8	-6.4	-3.7	-1.9	-1.4	-0.7	0.7
Gabon	5.2	3.5	1.2	0.8	0.5	0.0	-0.2	-1.1	-2.0
CEMAC	4.9	0.7	0.5	-0.1	0.2	0.4	0.8	0.5	-0.2
Primary fiscal balance (including grants)									
Cameroon	-2.2	-1.2	-3.6	-5.0	-5.0	-4.2	-4.0	-3.9	-3.7
Central African Republic	-1.7	0.7	-5.7	-8.1	2.0	1.1	0.6	0.3	0.2
Chad	3.0	0.9	-1.5	0.3	-0.7	1.2	2.7	3.0	1.5
Congo, Republic of	19.3	10.6	16.3	11.0	8.8	4.4	5.3	4.5	2.4
Equatorial Guinea	1.5	-9.5	-7.4	-6.2	-3.4	-1.6	-1.2	-0.5	0.9
Gabon	2.4	3.3	-0.2	-0.8	-1.8	-2.2	-2.5	-2.9	-3.4
CEMAC	3.6	0.3	-0.4	-1.3	-1.3	-1.2	-0.7	-0.8	-1.4
Government revenue (excluding grants)									
Cameroon	17.5	17.5	17.8	18.0	17.7	17.5	17.3	17.2	17.3
Central African Republic	10.8	11.5	5.7	6.4	18.9	19.6	20.2	20.5	21.0
Chad	23.2	21.8	17.8	18.1	16.9	19.0	20.3	21.0	20.4
Congo, Republic of	42.0	42.5	46.5	46.1	44.0	43.3	40.0	38.8	37.4
Equatorial Guinea	38.4	38.0	34.7	33.4	38.5	35.8	34.8	32.8	30.0
Gabon	28.0	29.0	28.4	27.0	26.3	25.9	25.2	24.6	23.5
CEMAC	27.9	27.9	26.8	26.1	25.9	25.3	24.8	24.1	23.1
Government expenditure									
Cameroon	20.5	19.5	22.1	24.0	23.9	22.7	22.5	22.3	22.2
Central African Republic	15.7	16.3	14.7	18.2	21.2	22.8	24.0	24.5	25.1
Chad	22.4	23.9	22.1	20.7	20.0	20.1	19.9	20.2	21.0
Congo, Republic of	26.1	36.2	38.4	41.2	39.8	39.4	35.2	34.7	35.5
Equatorial Guinea	37.3	47.8	42.6	39.8	42.2	37.7	36.1	33.5	29.3
Gabon	25.7	27.4	30.0	29.8	30.2	30.3	30.1	30.2	29.9
CEMAC	25.6	29.4	29.5	29.5	29.2	28.0	26.9	26.5	26.1

Sources: Country authorities' actual data and IMF staff projections.

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

Table 6b. CEMAC: Fiscal Non-oil Balances, 2011–19
(Percent of non-oil GDP)

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
Non-oil fiscal balance (excluding grants)									
Cameroon	-9.5	-8.7	-10.0	-11.5	-11.3	-10.1	-9.8	-9.6	-9.5
Central African Republic	-4.9	-4.9	-9.0	-11.8	-2.3	-3.2	-3.8	-4.0	-4.1
Chad	-23.6	-26.3	-21.3	-20.5	-19.0	-19.9	-19.2	-17.8	-17.1
Congo, Republic of	-57.2	-74.9	-62.7	-61.9	-54.4	-48.1	-42.4	-36.9	-31.8
Equatorial Guinea	-80.8	-105.3	-85.0	-74.8	-73.6	-60.1	-50.6	-41.2	-30.6
Gabon	-25.0	-24.4	-26.7	-25.5	-23.5	-21.3	-19.6	-18.8	-18.3
CEMAC	-26.2	-31.1	-27.9	-26.8	-24.4	-21.7	-19.6	-17.7	-16.1
Non-oil fiscal balance (including grants)									
Cameroon	-8.3	-7.3	-9.5	-10.8	-10.6	-9.7	-9.5	-9.3	-9.3
Central African Republic	-2.4	0.0	-6.3	-8.9	1.3	0.5	0.0	-0.3	-0.4
Chad	-21.4	-22.5	-18.3	-17.3	-16.3	-17.2	-16.5	-15.3	-14.6
Congo, Republic of	-55.5	-74.5	-61.8	-60.7	-53.7	-47.4	-41.8	-36.3	-31.2
Equatorial Guinea	-80.8	-105.3	-85.0	-74.8	-73.6	-60.1	-50.6	-41.2	-30.6
Gabon	-25.0	-24.4	-26.7	-25.5	-23.5	-21.3	-19.6	-18.8	-18.3
CEMAC	-24.9	-29.9	-27.1	-25.8	-23.4	-20.9	-18.9	-17.0	-15.4
Basic balance[1]									
Cameroon	-2.6	-1.0	-1.1	-2.5	-2.8	-2.9	-3.1	-3.1	-3.0
Central African Republic	-2.0	-0.2	-7.5	-8.9	2.7	1.5	1.0	0.7	0.6
Chad	4.3	2.4	-2.7	-0.1	0.6	3.4	5.7	6.3	4.2
Congo, Republic of	62.0	29.8	38.1	24.0	18.3	15.7	16.8	13.8	8.5
Equatorial Guinea	11.9	-24.1	-17.6	-13.6	-7.5	-3.6	-2.3	-1.2	0.9
Gabon	9.4	6.0	1.8	1.3	0.7	0.0	-0.3	-1.5	-2.6
CEMAC	7.7	1.1	0.8	-0.2	0.2	0.6	1.0	0.6	-0.2
Non-oil primary fiscal balance (including grants)									
Cameroon	-7.9	-6.9	-9.1	-10.3	-9.9	-8.9	-8.6	-8.3	-8.2
Central African Republic	-1.7	0.7	-5.7	-8.1	2.0	1.1	0.6	0.3	0.2
Chad	-20.6	-21.9	-17.6	-16.3	-15.6	-16.5	-15.8	-14.8	-14.3
Congo, Republic of	-46.3	-62.9	-43.4	-48.5	-44.8	-47.0	-41.3	-35.9	-30.8
Equatorial Guinea	-79.9	-104.4	-84.0	-74.3	-72.9	-59.6	-50.3	-40.9	-30.3
Gabon	-23.4	-22.8	-24.4	-22.2	-20.2	-17.9	-16.2	-15.2	-14.5
CEMAC	-23.7	-28.0	-24.6	-23.6	-21.5	-19.7	-17.6	-15.7	-14.1
Government revenue (excluding grants)									
Cameroon	18.9	19.0	19.2	19.4	19.0	18.6	18.4	18.3	18.4
Central African Republic	10.8	11.5	5.7	6.4	18.9	19.6	20.2	20.5	21.0
Chad	32.4	31.2	24.5	25.6	23.9	28.1	30.2	30.0	27.9
Congo, Republic of	136.4	120.1	110.7	101.8	92.6	85.4	82.3	75.1	65.7
Equatorial Guinea	91.9	92.8	77.8	71.4	77.3	67.3	59.2	51.6	43.1
Gabon	50.5	49.0	45.1	41.4	38.2	35.7	33.6	31.8	29.7
CEMAC	44.0	43.3	39.3	37.3	35.7	34.3	33.0	31.1	28.8
Government expenditure									
Cameroon	22.2	21.2	23.9	25.8	25.5	24.2	23.9	23.6	23.5
Central African Republic	15.7	16.3	14.7	18.2	21.2	22.8	24.0	24.5	25.1
Chad	31.3	34.4	30.3	29.3	28.3	29.7	29.5	28.8	28.8
Congo, Republic of	84.7	102.2	91.4	91.0	83.7	77.8	72.4	67.3	62.3
Equatorial Guinea	89.3	116.9	95.4	85.0	84.7	70.9	61.6	52.8	42.2
Gabon	46.2	46.4	47.7	45.6	43.7	41.9	40.1	39.0	37.7
CEMAC	40.3	45.8	43.2	42.1	40.3	37.8	35.9	34.2	32.5

Sources: Country authorities' actual data and IMF staff projections.

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

Table 7. CEMAC: Compliance with Convergence Criteria, 2011–19

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
	(Percent of GDP)								
Basic fiscal balance[1] (≥ 0)									
Cameroon	-2.4	-0.9	-1.0	-2.3	-2.6	-2.8	-2.9	-2.9	-2.8
Central African Republic	-2.0	-0.2	-7.5	-8.9	2.7	1.5	1.0	0.7	0.6
Chad	3.1	1.7	-2.0	-0.1	0.5	2.3	3.8	4.4	3.1
Congo, Republic of	19.1	10.5	16.0	10.9	8.7	7.9	8.1	7.1	4.8
Equatorial Guinea	5.0	-9.8	-7.8	-6.4	-3.7	-1.9	-1.4	-0.7	0.7
Gabon	5.2	3.5	1.2	0.8	0.5	0.0	-0.2	-1.1	-2.0
Number of countries violating	2.0	3.0	4.0	4.0	2.0	2.0	3.0	3.0	2.0
Consumer price inflation (≤ 3%)									
Cameroon	2.9	2.4	2.1	2.2	2.2	2.2	2.2	2.2	2.2
Central African Republic	1.2	5.9	6.6	4.5	4.2	2.0	1.8	2.0	2.0
Chad	1.9	0.9	-0.5	0.2	0.2	0.2	0.2	0.2	0.2
Congo, Republic of	1.8	5.0	4.6	3.0	2.9	2.9	2.8	2.7	2.4
Equatorial Guinea	4.8	3.4	3.2	3.9	3.7	3.4	3.2	3.0	3.0
Gabon	1.3	2.7	0.5	4.7	2.5	2.5	2.5	2.5	2.5
Number of countries violating	1.0	3.0	3.0	4.0	2.0	1.0	1.0	1.0	0.0
Level of public debt[2] (≤ 70% GDP)									
Cameroon	7.0	9.0	12.5	14.7	16.4	17.2	17.7	17.8	17.8
Central African Republic	21.6	24.3	35.7	34.4	31.9	28.5	26.0	24.0	24.2
Chad	21.8	20.7	22.6	18.3	16.2	15.4	14.9	15.4	15.6
Congo, Republic of	22.2	26.2	33.0	34.8	35.4	36.1	33.4	34.3	35.8
Equatorial Guinea	8.0	10.2	9.0	6.9	6.0	5.1	6.5	7.5	7.3
Gabon	9.0	10.7	12.7	14.5	17.8	20.5	23.4	25.3	26.4
Number of countries violating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-accumulation of government arrears[3] (≤ 0)									
Cameroon	-0.6	-0.9	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Central African Republic	0.4	-0.4	2.3	-2.0	-2.2	-1.6	-1.4	-1.2	0.0
Chad	-2.9	-1.7	-3.5	-1.6	-1.5	-1.2	-1.2	-1.2	-1.4
Congo, Republic of	-1.3	-0.9	-2.7	-2.0	-1.4	-0.9	-0.8	-0.4	0.0
Equatorial Guinea	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gabon	-1.3	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of countries violating	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Country authorities' actual data and IMF staff projections.

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

[2] External debt only. Calculated by converting the foreign-currency denominated external debt in CFA francs using end-year exchange rates. The CEMAC's convergence criterion also includes domestic debt, on which the World Economic Outlook database provides insufficient information.

[3] External and domestic arrears.

Table 8. CEMAC: Monetary Survey, 2008–13

	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec.	2013 Dec.
	(CFAF billions)					
Net foreign assets	7,798	7,039	6,764	8,008	8,830	8,788
BEAC	7,274	6,345	6,152	7,471	8,228	8,123
Foreign assets	7,394	6,536	6,748	8,113	8,871	8,777
Of which:						
Operations account	7,238	5,483	4,737	6,108	6,813	4,974
Foreign liabilities	-121	-191	-596	-642	-643	-654
Commercial banks	524	695	612	537	602	665
Foreign assets	739	957	880	906	981	1,097
Foreign liabilities	-215	-262	-268	-369	-380	-432
Net domestic assets	-2,090	-969	728	759	1,336	2,240
Net credit to government	-3,790	-2,322	-1,840	-2,569	-2,215	-2,215
BEAC	-3,769	-2,340	-1,991	-2,786	-2,376	-2,803
Advances	39	295	526	475	480	478
Consolidated debt	75	76	78	79	81	83
Other	78	158	92	153	151	138
Government deposits	-3,962	-2,869	-2,687	-3,493	-3,088	-3,502
Commercial banks	-22	18	152	217	161	588
Net credit to public agencies	-251	-255	-261	-282	-202	-407
Net credit to private sector	2,477	2,663	3,112	4,074	4,555	5,635
Other items, net	-526	-1,054	-284	-463	-802	-772
Broad money	5,630	6,030	7,341	8,659	10,098	10,748
Currency outside banks	1,458	1,525	1,728	1,975	2,571	2,771
Bank deposits	4,171	4,505	5,613	6,684	7,527	7,977
	(Annual change in percent of beginning-of-period broad money)					
Net foreign assets	30.2	-13.5	-4.6	16.9	9.5	-0.4
Net domestic assets	-10.5	19.9	28.1	0.4	6.7	9.0
Credit to government (net)	-25.1	26.1	8.0	-9.9	4.1	0.0
Credit to the private sector (net)	11.0	3.3	7.4	13.1	5.6	10.7
Other (net)	3.5	-9.5	12.7	-2.7	-3.0	-1.7
Broad money	18.6	7.1	21.7	18.0	16.6	6.4
Velocity (GDP/broad money)	6.3	5.1	5.0	4.9	4.5	4.3
Broad money/GDP	16.0	19.5	19.9	20.4	22.2	23.5
Private bank deposits/GDP	10.7	12.8	13.6	13.8	15.4	16.8
Credit to the private sector/GDP	6.7	8.3	8.1	9.2	9.7	11.5

Sources: BEAC.

Table 9. CEMAC: Summary Accounts of Central Bank, 2008–13

	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec.	2013 Dec.
			(CFAF billions)			
Net foreign assets	7,274	6,345	6,152	7,471	8,228	8,123
Assets[1]	7,394	6,536	6,748	8,113	8,871	8,777
Of which:						
Operations account	7,238	5,483	4,737	6,108	6,813	4,974
Liabilities	-121	-191	-596	-642	-643	-654
Net domestic assets	-4,002	-2,888	-1,824	-2,857	-2,412	-2,799
Net credit to government	-3,769	-2,340	-1,991	-2,786	-2,376	-2,803
Claims	193	529	696	707	712	699
Consolidated debt	75	76	78	79	81	83
Advances	39	295	526	475	480	478
Cameroon	0	0	0	0	0	0
Central African Republic	18	21	22	23	24	25
Chad	22	142	217	209	212	194
Congo, Republic of	0	42	42	0	0	0
Equatorial Guinea	0	0	0	0	0	0
Gabon	0	90	245	243	243	258
Other claims	78	158	92	153	151	138
Government deposits	-3,962	-2,869	-2,687	-3,493	-3,088	-3,502
Net claims on financial institutions	6	5	0	2	5	7
Other items, net	-239	-553	168	-73	-41	-4
Base money	3,272	3,457	4,328	4,614	5,816	5,324
Currency in circulation	1,458	1,525	1,728	1,975	2,571	2,771
Banks' reserves[2]	1,715	1,845	2,493	2,545	2,986	2,322
Other institutions' reserves	81	68	99	59	78	56
Memorandum items:						
Reserve coverage of broad money	97.9	103.2	103.1	99.4	99.4	99.1
Base money/deposits	82.7	81.5	79.9	70.6	75.1	64.7

Sources: BEAC.

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

[2] Includes cash in vault and deposits of commercial banks with the BEAC.

Table 10. CEMAC: Summary Accounts of Commercial Banks, 2008–13

	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec.	2013 Dec.
			(CFAF billions)			
Net foreign assets	524	695	612	537	602	665
Assets	739	957	880	906	981	1,097
Liabilities	215	262	268	369	380	432
Net domestic assets	1,726	1,710	2,313	3,427	3,566	4,634
Net credit to public sector	-272	-238	-109	-66	-41	180
Cameroon	-27	-70	-73	-23	0	248
Central African Republic	21	17	19	24	24	20
Chad	-29	-40	-53	-47	-70	-61
Congo, Republic of	-7	-1	-7	-12	8	-46
Equatorial Guinea	-264	-157	-157	-213	-225	-203
Gabon	33	12	161	206	222	221
Credit to the economy	2,376	2,567	2,980	3,921	4,408	5,261
Cameroon	1,088	1,188	1,286	1,649	1,693	1,944
Central African Republic	62	66	87	102	132	107
Chad	140	167	213	264	353	435
Congo, Republic of	167	218	325	462	667	780
Equatorial Guinea	362	402	538	703	607	813
Gabon	556	527	531	740	956	1,180
Other items, net	-378	-619	-558	-429	-800	-807
Net refinancing from central bank	-1,709	-1,840	-2,493	-2,573	-3,579	-2,933
Borrowing	6	5	0	2	5	7
Cameroon	0	0	0	0	5	5
Central African Republic	0	0	0	0	0	0
Chad	6	5	0	2	0	3
Congo, Republic of	0	0	0	0	0	0
Equatorial Guinea	0	0	0	0	0	0
Gabon	0	0	0	0	0	0
Reserves	1,715	1,845	2,493	2,576	3,584	2,940
Cameroon	644	732	790	784	895	810
Central African Republic	9	27	14	12	9	13
Chad	72	76	103	149	155	167
Congo, Republic of	342	264	704	638	711	476
Equatorial Guinea	233	373	428	727	1,179	982
Gabon	415	372	453	581	634	493
Deposits	3,959	4,244	5,418	6,537	7,747	8,231
Demand deposits	2,516	2,688	3,587	4,484	5,315	5,631
Public enterprises	146	214	262	565	571	422
Private sector	2,370	2,474	3,326	3,919	4,745	5,209
Term deposits	1,442	1,556	1,830	2,053	2,432	2,601
Public enterprises	53	57	137	138	174	131
Private sector	1,390	1,498	1,693	1,914	2,258	2,470
Memorandum items:						
Reserves/deposits	43.3	43.5	46.0	39.4	46.3	35.7
Credit to the economy/deposits	60.0	60.5	55.0	60.0	56.9	63.9

Sources: BEAC.

Table 11. CEMAC: Summary Medium-Term Projections, 2011–19

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
National income and prices					(Annual percent change)				
Real GDP	3.9	5.2	2.6	5.3	4.7	6.4	5.4	3.8	3.5
Oil	-2.2	-2.7	-7.1	3.2	1.8	6.1	5.9	-3.3	-6.5
Non-oil	5.9	6.6	4.6	5.4	5.1	6.4	5.7	5.3	5.3
Nominal GDP	15.0	7.2	0.6	5.6	3.2	5.8	6.0	3.5	3.7
Consumer prices (period average)	2.5	2.7	1.8	2.7	2.1	2.1	2.0	2.0	2.0
External sector									
Exports, f.o.b	30.9	-1.6	-3.2	4.6	-1.3	4.3	4.9	-1.4	-2.4
Export volume	1.6	2.5	-20.0	8.8	4.5	5.1	10.6	0.0	0.0
Imports, c.i.f.	18.9	-1.5	3.8	5.6	3.7	3.3	3.3	1.0	2.1
Import volume	1.0	3.2	-7.9	4.5	3.4	0.7	0.6	0.0	0.0
Terms of trade	15.6	-1.1	0.5	-0.1	-3.7	-3.3	-3.6	-3.6	-0.9
Central government					(Percent of GDP)				
Overall balance, including grants	2.7	-1.2	-2.1	-2.8	-2.7	-2.1	-1.7	-1.9	-2.5
Grants	0.7	0.5	0.5	0.7	0.6	0.6	0.5	0.5	0.5
Total revenue and grants	28.6	28.3	27.4	26.8	26.5	25.9	25.3	25.3	24.6
Total expenditure and net lending	25.6	29.4	29.5	29.5	29.2	28.0	26.9	26.5	26.1
External sector									
Current account balance, including grants	1.8	-0.6	-3.1	-3.2	-3.8	-3.4	-2.7	-3.2	-3.7
Trade balance	11.7	11.6	7.9	7.2	4.7	4.9	5.4	4.2	2.3
					(Percent of non-oil GDP)				
Overall balance, excluding grants	3.1	-2.6	-3.9	-5.0	-4.6	-3.6	-2.9	-3.1	-3.8
Non-oil overall balance, including grants	-24.9	-29.9	-27.1	-25.8	-23.4	-20.9	-18.9	-17.0	-15.4
Non-oil primary balance, including grants	-23.7	-28.0	-24.6	-23.6	-21.5	-19.7	-17.6	-15.7	-14.1

Sources: Country authorities' actual data and IMF staff projections.

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

Table 12. CEMAC: Relative Size of CEMAC Economies and Importance of Oil Sector, 2011–19

	2011	2012	2013 Est.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
				(Percent of CEMAC's nominal GDP)					
Nominal GDP									
Cameroon	29.6	29.7	31.6	32.2	33.6	34.1	34.6	36.0	37.3
Central African Republic	2.4	2.4	1.7	1.7	1.8	1.8	1.9	1.9	2.0
Chad	13.5	13.9	14.5	15.6	16.4	17.4	17.7	17.5	17.5
Congo, Republic of	16.0	15.4	14.6	14.2	14.5	14.3	15.2	14.9	14.1
Equatorial Guinea	17.5	18.5	16.8	15.4	12.9	11.9	10.3	9.1	8.0
Gabon	20.9	20.1	20.8	20.8	20.8	20.5	20.2	20.6	21.1
CEMAC	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nominal oil GDP (percent of CEMAC)									
Cameroon	2.2	2.4	2.3	2.2	2.2	2.1	2.0	2.1	2.1
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	3.8	4.2	3.9	4.6	4.8	5.7	5.8	5.2	4.7
Congo, Republic of	11.1	9.9	8.4	7.8	7.6	7.0	7.8	7.2	6.1
Equatorial Guinea	10.2	10.9	9.3	8.2	6.5	5.5	4.3	3.3	2.4
Gabon	9.3	8.2	7.7	7.2	6.4	5.7	5.1	4.7	4.4
CEMAC	36.6	35.7	31.7	30.0	27.5	26.0	25.0	22.5	19.8
Nominal oil GDP									
Cameroon	7.5	8.0	7.4	7.0	6.5	6.2	5.9	5.8	5.7
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	28.4	30.3	27.1	29.3	29.2	32.5	32.6	29.9	27.1
Congo, Republic of	69.2	64.6	58.0	54.7	52.5	49.4	51.4	48.4	43.1
Equatorial Guinea	58.2	59.1	55.4	53.2	50.2	46.7	41.3	36.5	30.4
Gabon	44.5	40.9	37.1	34.7	30.9	27.7	25.0	22.7	20.8
CEMAC	36.6	35.7	31.7	30.0	27.5	26.0	25.0	22.5	19.8
Oil exports									
Cameroon	52.4	51.4	52.0	51.4	50.1	50.1	50.0	49.7	49.5
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	86.5	86.3	82.8	85.3	85.9	88.3	88.7	86.8	84.7
Congo, Republic of	90.5	89.6	82.5	81.4	80.6	78.7	79.2	77.6	74.0
Equatorial Guinea	99.3	99.5	99.4	99.4	99.2	99.0	98.6	97.9	96.5
Gabon	89.5	87.9	83.8	82.8	80.5	77.0	73.3	70.6	68.2
CEMAC	87.6	87.0	83.7	82.9	80.9	79.8	78.5	75.9	72.6
Fiscal oil revenue									
Cameroon	28.3	28.6	26.7	24.9	23.8	23.3	22.9	22.8	23.5
Central African Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	71.5	66.1	56.5	58.0	54.9	59.3	60.3	58.4	53.5
Congo, Republic of	78.9	77.0	73.5	70.6	67.8	64.7	63.0	59.0	53.0
Equatorial Guinea	90.7	87.5	86.6	85.7	85.6	84.0	81.5	77.6	73.1
Gabon	54.7	58.0	53.3	50.7	46.2	41.8	38.5	36.1	34.5
CEMAC	65.5	64.3	59.9	57.2	54.0	51.7	49.5	46.1	42.0

Sources: Country authorities' actual data and IMF staff projections.

Table 13. CEMAC: Violations of Main Prudential Ratios, 2011–13

	Capital Adequacy			Liquidity[1]			Fixed Assets[2]			Maturity[3] Transformation			Minimum[4] Capital			Limit on Single[5] large exposure		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
	8%			Min 100%						Min 50%								
Country (number of banks in 2012)																		
Cameroon (13)	3	5	5	0	1	2	5	8	5	6	5	5	4	5	5	4	9	7
Central African Republic (4)	1	0	0	1	1	1	2	0	0	1	0	0	2	1	2	1	2	3
Chad (8)	2	0	0	1	0	1	3	0	0	2	0	1	4	2	3	4	1	1
Republic of Congo (9)	0	2	1	0	1	0	0	1	1	0	0	1	2	1	3	2	3	2
Equatorial Guinea (4)	1	0	0	0	0	0	0	1	0	1	1	1	0	0	0	0	0	1
Gabon (10)	0	0	1	1	2	1	0	0	2	0	0	1	1	1	3	1	4	3
CEMAC (48)	7	7	7	3	5	5	10	10	8	10	6	9	13	10	16	12	19	17
									Percent of deposits[6]									
Cameroon (13)	17	21	28	0	2	4	39	46	28	45	19	28	13	19	n.a	19	37	41
Central African Republic (4)	21	0	0	18	17	17	75	0	0	21	0	0	29	22	n.a	21	38	91
Chad (8)	27	0	0	6	0	15	31	0	0	27	0	14	40	14	n.a	61	13	15
Republic of Congo (9)	0	19	3	0	7	0	0	3	5	0	0	3	10	3	n.a	41	61	52
Equatorial Guinea (4)	11	0	0	0	0	0	0	24	0	11	16	15	0	0	n.a	0	0	23
Gabon (10)	0	0	2	0	62	2	0	0	13	0	0	2	0	0	n.a	0	37	15

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 14. CEMAC: Bank Ratings, December 2013
(Number of Banks)

	1	2	3A	3B	3C	4A	4B	Not Rated
Country (number of banks)								
Cameroon (13)	1	7	--	--	--	1	2	2
Central African Republic (4)	--	1	2	--	--	--	--	1
Chad (8)	--	3	1	2	1	--	--	1
Republic of Congo (10)	--	4	--	--	--	--	--	6
Equatorial Guinea (5)	1	2	--	--	1	--	--	1
Gabon (10)	1	5	--	--	--	--	1	3
CEMAC (50)	3	22	3	2	2	1	3	14

Source: Banking Commission of Central Africa (COBAC).

[1] Ratings: 1=strong; 2=good; 3A=fragile; 3B=moderately fragile; 3C=highly fragile; 4A=critical; and 4B=highly critical. Please note that this table will be updated as soon as data are available.

Table 15. CEMAC: Quality of Loan Portfolio, 2012–13

	Gross Loans (Billion CFA)		Non-Performing Loans[1] (Billion CFA)		Provisions Against Non-Performing Loans (Billion CFA)		Share of Non-Performing Loans[2] (Percent of Gross Loans)		Rate of Provisioning (Percent of Non-Performing Loans)	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Cameroon	1968	2382	316	330	225	196	16	14	71	60
Central African Republic	156	130	18	41	14	18	11	32	88	43
Chad	428	546	37	59	21	36	9	11	57	60
Republic of Congo	741	1051	21	24	13	14	3	2	60	57
Equatorial Guinea	669	888	48	195	57	80	7	22	120	41
Gabon	1463	1740	56	83	47	53	4	5	84	63
CEMAC	5424	6737	495	733	377	396	9	11	76	54

Sources : Banking Commission of Central Africa (COBAC) and IMF staff calculations.

[1] According COBAC Definition

[2] According to CEMAC Definition

Annex 1. Regional Authorities' Responses to 2013 Policy Recommendations

	2013 Article IV recommendations	Authorities response
Policy mix	• Some countries should have a more cautious fiscal stance due to limited policy buffers. • Resolve the issue of only partial repatriation of reserves by certain member states .	• Macroeconomic policies at country level have not been fully consistent with Fund advise. Most countries have continued their fiscal expansionary stance reducing policy buffers. That said, most countries have plans to initiate some degree of fiscal consolidation in 2015. • The regional authorities are working -with IMF support- on a new reserve management system to resolve the issue of only partial repatriation of reserves.
Fiscal policy coordination	• Review key fiscal convergence criterion on fiscal balance. • 70 percent of GDP debt limit could be revised downward. • Strengthen compliance with regional surveillance.	• CEMAC commission agreed to review the fiscal convergence framework but no report or study has been prepared yet. • The implementation of CEMAC PFM directives has continued but has not been finalized, the degree of implementation varies among countries. • Not much has been done in strengthening the compliance with regional surveillance.
Monetary policy framework/financial development	• Reassess current framework for monetary policy. • Continue with the reforms to strengthen the safeguard framework. • Strengthen the regulatory and supervisory framework to reinforce financial stability. • Accelerate creation of regional interbank and debt markets.	• Monetary policy remains largely ineffective due to weak transmission mechanisms that are hampered by excessive systemic liquidity. The reform of monetary policy instruments has been slow. The new MCM long-term resident expert has been working on the monetary framework reform. • Progress in the implementation of the safeguard framework has continued. • Progress was made in the reform of the regulatory framework but authorities should accelerate the implementation of key pending 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 regional business environment. • Strengthening key regional institutions (COBAC, CEMAC commission) to implement regional growth enhancing policies. • Enhance the quality of the economic and financial information.	• CEMAC commission has created a unit to support improving the business environment in the region. Certain countries -but not all- have been launching reforms to improve business climate. • COBAC has increased its headcount by 50 percent and its operational capacity should improve. Its relocation to Libreville could cause some short-term operational problems. CEMAC commission's has been temporally relocated to Libreville and should improve its operational activities. Under budgeting and under staffing remains a problem. • BEAC authorities are working on the creation of a regional CPI index and on improved monetary statistics. STA TA assistance has been requested. Not much has been done at national level to improve statistics (e.g. national accounts).

Annex 2. Risk Assessment Matrix[1]

	Source	Likelihood	Expected Impact
Short-term	Protracted period of slower growth in advanced (AE) and emerging economies (EM)	**High (AE), High (EM),** ● **AE:** Lower-than-expected potential growth and persistently low inflation due to a failure to address legacies of the financial crisis, leading to secular ● **EM:** maturing of the cycle, misallocation of investment and incomplete structural reforms leading to prolonged slower growth.	**Low to Medium** ● Negative impact on hydrocarbon exports hydrocarbon fiscal revenues in most of the countries of the region. ● Some impact on remittances and aid flows especially to the poorer countries of the region (CAR and Chad). ● Lower foreign investment in the region.
	Growth slowdown in China	**Medium/ Low** ● Large financial and fiscal losses owing to buildup of excess capacity. ● Growth may fall significantly below the authorities' target, with the slowdown caused by a variety of possible reasons and absent offsetting stimulus measures.	**Medium to High** ● Lower growth in China will depressed oil prices. Negative impact on hydrocarbon exports and hydrocarbon fiscal revenues in most of the countries of the region. Lower hydrocarbon revenue will erode fiscal sustainability in ● Lower sources of external financing for large infrastructure projects and hamper long-term growth.
	Sociopolitical instability and security issues (including regional spillovers)	**Medium/Low** ● Consequences of continued instability in the region (CAR) as well as in neighboring countries (northern Nigeria, Mali, and Libya).	**Medium** ● The continuation or worsening of the crisis in the CAR and the displacement of populations to neighboring CEMAC member countries could lead to instability. ● The continuation or worsening of the crisis in northern Nigeria could lead to the displacement population and greater instability could affect CEMAC countries (especially Cameroon). ● Additional fiscal costs (security spending, refugee inflows) or lower fiscal revenue.
Medium-term	Sustained decline in commodity prices	**Medium** ● Deceleration in global demand and coming-on-stream of many global excess capacity projects.	**Medium to High** ● Lower oil prices will have a negative impact on hydrocarbon exports and hydrocarbon fiscal revenues in most of the countries of the region. Lower hydrocarbon revenue will erode fiscal sustainability in many countries of the region.
	Delays in implementing CEMAC regional and national reforms	**Medium** ● Sustaining fiscal space and introducing reforms will require significant efforts and strong political will to oppose vested interests. ● Weak implementation capacity and bureaucratic delays both at regional and national levels. The relocation of the CEMAC and banking commissions could stall reforms.	**Medium to High** ● Reforms solve BEAC/CEMAC governance issues will be delayed. ● Inaction could slowdown financial sector reform and delay problem banks resolution issues in some countries. Higher spending required to resolve problem banks issues could increase budget deficits in some countries (Cameroon and Gabon). ● Modest progress in public finance and financial sector reforms could continue to limit financing, private investment growth and diversification of the regional

[1]Based on March 2014 Global Risk Assessment Matrix (RAM). The 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 of risks listed 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 of 30 percent or more). 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.

Annex 3. External Sustainability Assessment[1]

The regional current account balance has fallen in the recent period due to higher levels of imports related to public investment and a deterioration in the trade balance. In the medium term, CEMAC's current account is projected to oscillate at around 3–4 percent of GDP as public investment gradual scaling down will be largely offset by declining oil-related exports. FDI remains a stable source of external financing. Reserves continue to be adequate according to different metrics. Various analyses of the current account balance and real effective exchange rate do not indicate significant misalignments and price—competitiveness concern, but in the light of recent developments, they warrant monitoring. Survey-based indicators, however, point to important structural competitiveness issues.

A. Balance of Payments

1. The regional current account balance has deteriorated recently reflecting important investment efforts and a deterioration in the trade balance in most of CEMAC countries (Figure 1). The regional current account balance has turned from a surplus of 1.8 percent of GDP in 2011 to a deficit of 0.6 percent of GDP in 2012 and 3.1 percent in 2013. The current account deficit is expected to increase slightly to 3.2 percent in 2014. This overall deterioration has been driven mainly by substantial investment efforts in most of the member states –which contributed to higher imports—and a gradual fall in oil-related exports. In 2014, the current account balance in individual members is projected to range from—14 percent of GDP in Central African Republic to 6.5 percent of GDP in Gabon. In the medium term, although the pace of public investment would be reduced, falling exports are expected to maintain the regional current account deficit at around 3–4 percent of GDP

2. Foreign direct investment (FDI) constitutes a stable source of external financing. FDI has been a steady source of external financing averaging around 6 percent of GDP over the last decade. Portfolio investment and aid have averaged about 0.5 percent of GDP over the same period. Debt-creating flows averaged around 1 percent of GDP over the last decade and are expected to remain limited over the medium term.

B. Reserves Adequacy

3. Official reserves coverage appears adequate according to different metrics.[2] Regional official reserves are projected to remain stable from US$17. 5 billion at the end-2013 to US$17.7 billion at the end-2014. Reserves coverage remains adequate at about 5 months of next year imports, 80 percent of broad money, and about 1000 percent of short-term liabilities. Reserves also cover around 260 percent of the RA ratio, remaining well above the *optimal* level

[1] Prepared by Aleksandra Zdzienicka.
[2] These approaches, however, 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.

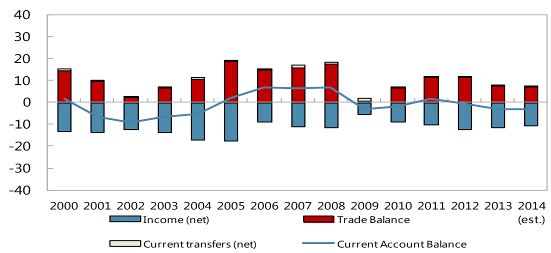
to provide adequate buffers for crisis prevention.[3] The cost-benefit analysis[4] indicates that the level of reserve is at the low end of the *optimal* reserves range which varies between 5.6 to 13 months of imports depending on the interest rate differential with the rest of the world.

Figure 1. CEMAC: External Sector Developments

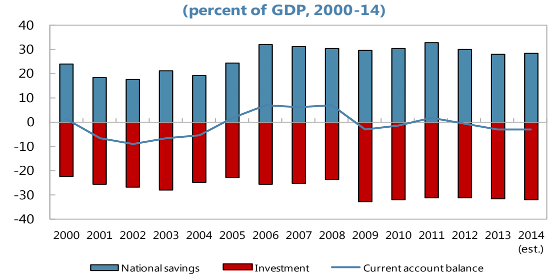
Regional current account balance has deteriorated recently reflecting the evolution of trade balance and ...

... important investment efforts ...

A. Current account balance of the region (percent of GDP, 2000-14)



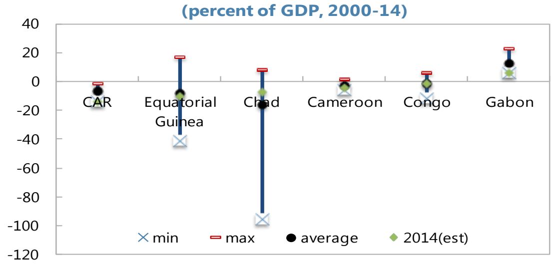
B. Current account balance components (percent of GDP, 2000-14)



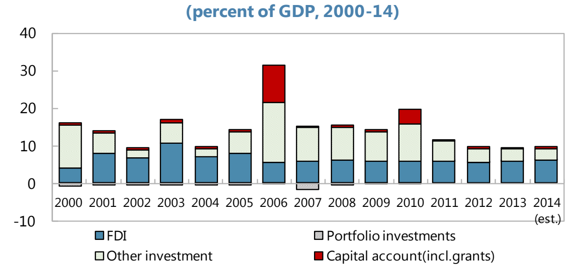
... in most CEMAC countries.

FDI constitute a stable source of external financing while loans have been decreasing

C. Current account balances of CEMAC countries (percent of GDP, 2000-14)



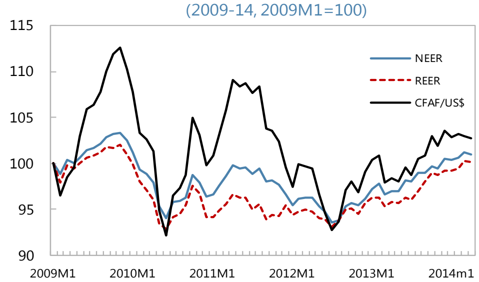
D. Current account financing (percent of GDP, 2000-14)



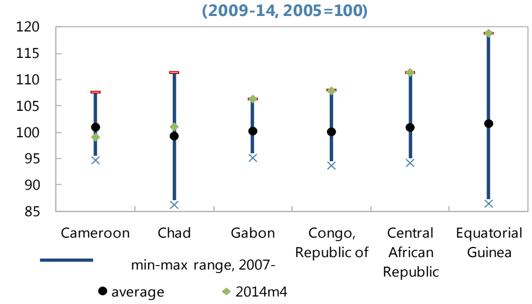
Regional real effective exchange rate have appreciated reflecting the euro appreciation and ...

...inflationary pressures in some CEMAC countries.

E. Real and nominal effective exchange rates (2009-14, 2009M1=100)



F. Real effective exchange rate CEMAC countries (2009-14, 2005=100)



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

[4] 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.

C. Price Competitiveness

4. The assessments of the current account and real effective exchange rate at the regional level do not indicate any significant misalignment and price-competitiveness issues. The effective real exchange rate (REER) appreciated slightly by about 5 percent during the last 12 months, reflecting essentially the evolution of the nominal effective exchange rate and euro appreciation. Some divergences could be noticed at the individual country level with about 1 percent appreciation in Cameroon and Chad, 7–8 percent in Republic of Congo, and more than 10 percent appreciation in Gabon and the CAR. Model-based assessments (Box 1) continue to not indicate significant misalignments of the current account balance and real effective exchange rate.

Box 1. Model-based Real Effective Exchange Rate Assessments

Three alternative approaches applied to assess the regional current account and real effective exchange misalignments.

- The first CGER-based external sustainability method comparing the underlying current account balance with the balance that stabilizes net foreign assets at its 2013 level shows a positive deviation of about 10.5 percent.
- To better account for natural resources windfalls in CEMAC countries, the Bems and Carvalho[1] real annuity method is used. It computes the current account norm consistent with a long-term trend in net foreign assets to account for the impact of the oil revenues pointing out to about 11.5-percent positive deviation. However, the model ignores other factors such as temporary investment needs, financial frictions, and low investment productivity in CEMAC countries.[2]
- The third method developed using Araujo *et al.* model [3] corrects theses drawbacks. In particular, it estimates the current account norm consistent with the natural resources revenue, investment needs and real and financial frictions (absorptive capacities, investment productivity and efficiency, and borrowing constraints). The model indicates about 7.5-percent REER overvaluation.

Taking into account CEMAC-specific factors the results do not indicate significant misalignments of the regional current account and real effective exchange rate provided that the current account deficit narrows as expected over the medium term.

CEMAC: Model-based current account equilibrium

	Bems/Carvalho Constant real annuity	CGER External sustainability	Araujo et al. model
Medium-term CA Norm	1.5	1.1	-0.3
Underlying current account[1]	-3.7	-3.7	-3.7
Current account elasticity[2]	0.4	0.4	0.4
Overvaluation	11.6	10.6	7.6

Source: IMF staff estimates.
[1] The medium-term current account deficit.
[2] Elasticities are based on total exports and imports.

[1] Bems, R., Carvalho I. (2009) "Exchange Rate Assessments: Methodologies for Oil Exporting Countries", IMF Working Papers 09/281.
[2] IMF (2012) "Macroeconomic Policy Frameworks for Resource-Rich Developing Countries".
[3] Araujo, J., Li B., Poplawski-Ribeiro M., Zanna L-F., (2013), "Current Account Norms in Natural Resource Rich and Capital Scare Economies", IMF Working Paper 13/80.

D. Structural Competitiveness

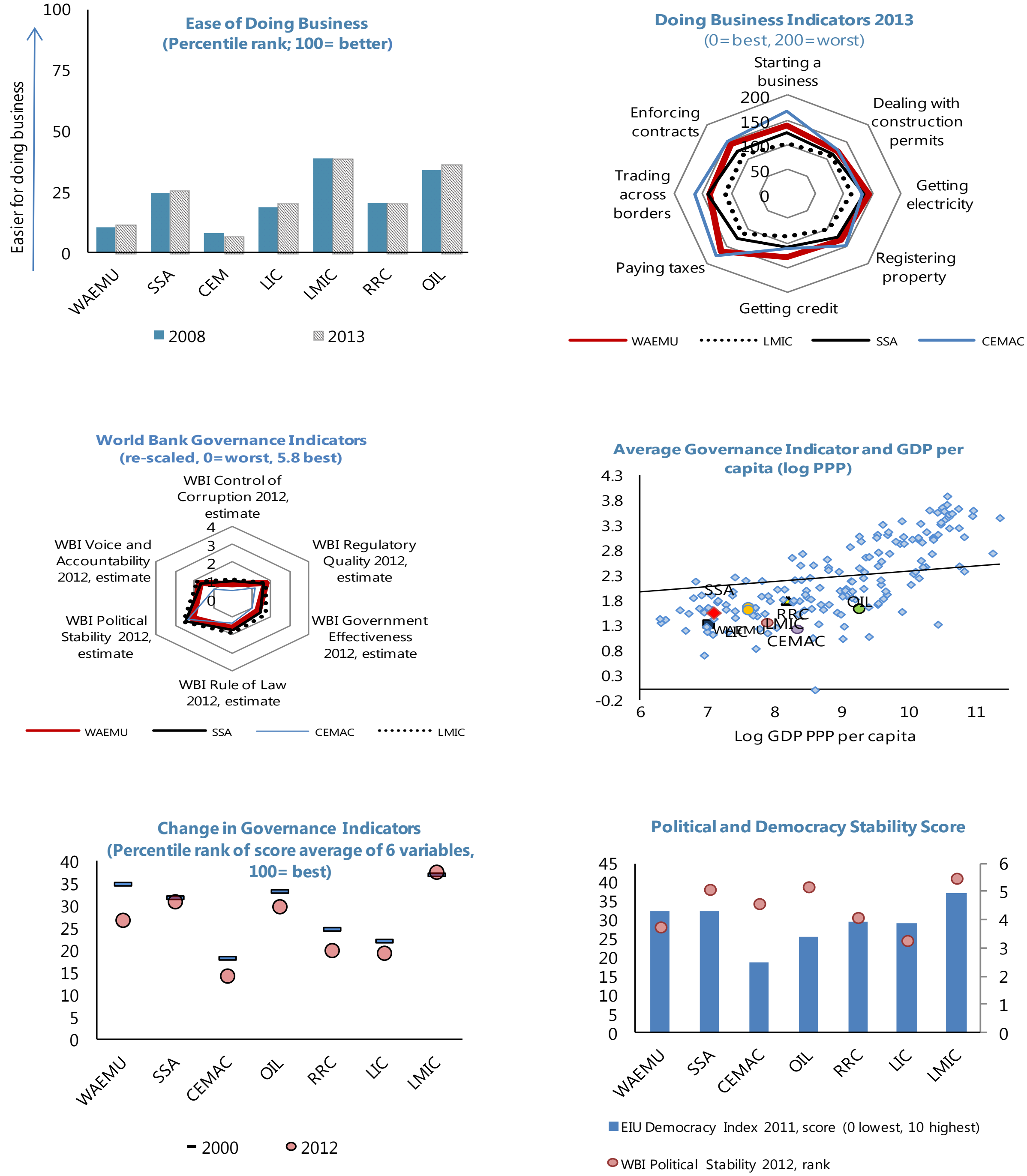
5. Survey-based indicators, however, point to important structural competitiveness issues. Various competitiveness indicators continue to rank CEMAC countries among the worst performers.

- The World Bank's "Doing Business" indicators show an overall worsening of the CEMAC countries' situation over the last 5 years (Figure 2, upper panels).[5] In particular, the region faces challenges in starting a business, enforcing contracts, and trading across borders. Supply of infrastructure and electricity remains inadequate and procedures for paying taxes and registering properties continue to be cumbersome.

- The World Bank's Governance Indicators (WGI) also rank CEMAC countries behind the peers show a relative deterioration in terms of governance over the last 5 years (Figure 2, middle and lower panels). In particular, the CEMAC lags behind its peers in terms of government effectiveness, accountability, and quality of regulation.

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

Figure 2. CEMAC: Business Environment and Governance



Annex 4. Revising the Debt Limit Criterion[1]

The regional fiscal framework has suffered from a number of weaknesses to effectively anchor fiscal policies. The debt criterion, for instance, is no longer a binding constraint to provide effective policy guidance, as the public debt ratio in all CEMAC countries decreased substantially below the 70 percent ceiling. As shocks are frequent and development needs remain important, lowering the debt criterion is needed to better control debt accumulation and ensure the long-term sustainability of the Union.

1. Public debt ratios of CEMAC countries remain well below the regional debt criterion. With Republic of Congo and Central African Republic reaching the HIPC completion point and a substantial increase in oil-related revenue, the average CEMAC public debt decreased to about 18 percent of GDP in 2010 (its lowest historical level). Over the last 3 years, the public debt ratio has been increasing moderately, remaining, however, well below the 70 percent ceiling established by the regional surveillance framework. The debt-to-GDP ratio is expected to increase moderately over the medium term as public investment stabilizes and oil revenues decrease.

2. The increase in the debt-to-GDP ratio in recent years has slightly exceeded expectations. Following a substantial reduction in mid-2000, debt accumulation has increased beyond projections, owing to higher-than-expected public investment and unanticipated shocks in some CEMAC countries (e.g. lower oil-related revenues, unfavorable weather conditions, and social conflicts).

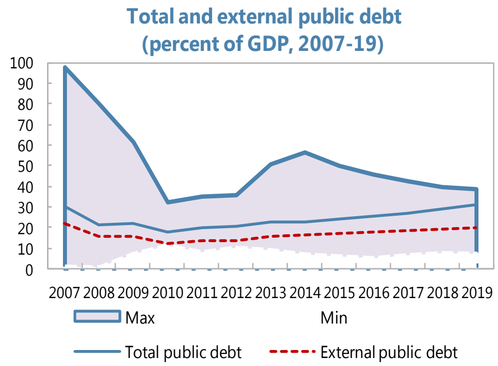
3. There is a need for revising the regional surveillance framework to anchor fiscal policies and ensure long-term sustainability. Regional fiscal rules suffer from a number of weaknesses to anchor policies and ensure long-term sustainability.[2] First, the fiscal balance ignores important sources of external indebtedness. Second, the overall compliance with the rules has been weak and many countries have run deficits. Third, the debt criterion is no longer constraining to provide effective policy guidance. Finally, the regional enforcement mechanism has not been effective due to a lack of credibility, transparency, and member states' ownership.

4. This annex extends previous discussion on the CEMAC surveillance framework[3] and focuses on reforming the regional debt criterion. In doing so, first, it uses some elements of the Fund-Bank debt sustainability framework to determine the debt burden threshold for the CEMAC region. Second, it tests if the threshold allows for scaling up investment and quantifies—based on the past experience—the potential cost of debt crises for the region. Finally, it provides suggestions on how to revise the regional surveillance framework.

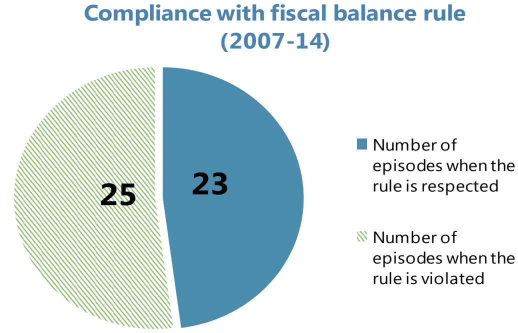
[1] Prepared by Aleksandra Zdzienicka.
[2] IMF (2013).
[3] IMF (2013).

Figure 1. CEMAC: Fiscal and Debt Indicators

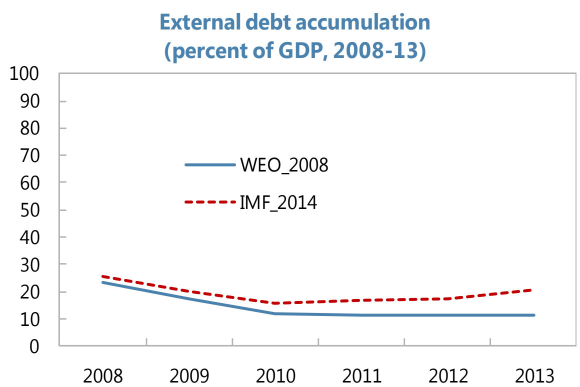
longer constraining ....



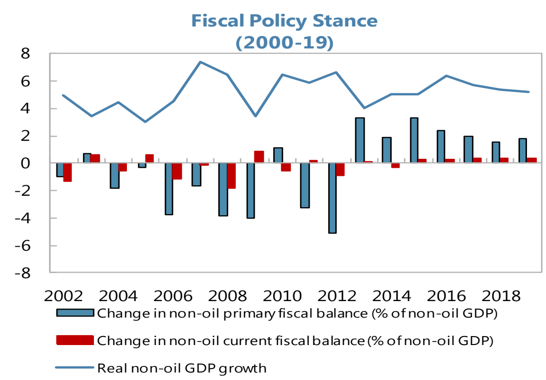
...and fiscal balance criterion is inadequate and often violated.



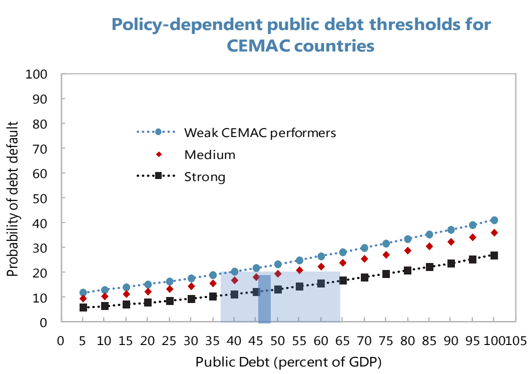
Debt accumulation has slightly exceeded expectations....

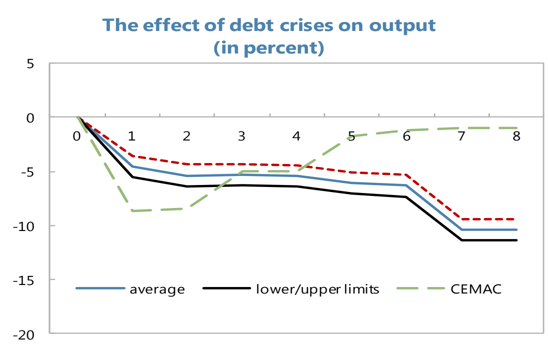


...owing to increasing public investment and shocks.



Debt criterion should be lowered to anchor fiscal policies and ....





Source: BEAC, IMF, IMF Staff estimations

A. Estimating Total Debt Thresholds

5. Limited experience with domestic debt crises makes it difficult to estimate debt thresholds. Compared to external debt crises, it is very difficult to identify when default on domestic debt occurred. First, because domestic debt can easily be monetized or swapped away by financial restrictions. Second because domestic debt crises episodes are very heterogeneous across countries. To overcome these difficulties, this note defines a domestic debt crisis as a failure to meet principals or interest payments to domestic creditors and uses IMF Historical Public Debt Database on domestic arrears to identify these episodes.[4]

Box 1. Elements of Debt Sustainability Framework (DSF)

The 2012 DSF methodology estimated a probit model of debt distress following the approach developed by Kraay and Nehru (2004) and IMF (2004). In particular, the following model is estimated:

$$P(debt\ distress_t) = \Phi\left(\beta_1 debt\ burden_{t-1} + \beta_2 governance_{t-1} + \beta_3 shock_{t-1} + \beta_4 other_{t-1}\right) \quad (1),$$

where *debt distress* takes value of 1 if the country experiences a debt crisis and 0 otherwise. *Debt burden* measures a country's indebtedness before the crisis, governance captures the quality of policy and institutions, *shock* denotes real GDP growth, and *others* is a set of controls including several country features such as the level of income per capita.

The following events are used to characterize debt crises: (i) public and public guaranteed (PPG) external arrears are higher than 5 percent of external debt, (ii) debt is rescheduled, (iii) IMF GRA financing exceeds 50 percent of the quota or (iv) the sovereign failed to meet principal or interest pavement on the due date.

An indicative debt burden threshold is then calibrated by fixing the values for the probability of debt distress, governance, and macroeconomic shocks. Three methods are used to determine the default probability: (i) the medium debt burden indicator, (ii) unconditional probability, and (iii) the noise-to-signal ratio. The DSF probability of the debt distress varies from 12 to 15 percent.

6. Elements of the recently revisited Fund-Bank debt sustainability framework are used to determine the risk of debt default and debt burden thresholds for CEMAC countries.[5] In particular, a Probit model is used to determine the risk of debt distress in the CEMAC taking into account the regional indebtedness, repayment capacities, policy and institutional capacity, macroeconomic shocks, and heterogeneity of CEMAC economies (Box 1). Debt burden thresholds are computed as the average unconditional probability of debt distress for low and lower-middle income countries a year before the debt crisis occurrence.[6] The probability ranges from 17 to 23 percent, and is a function of policy and institutional capacities of the country.

[4] The database covers debt-to-GDP ratio for 174 countries over 130 years. Data are available upon request.
[5] IMF (2012).
[6] To identity the debt crises, the note relies on several databases: (i) Laeven and Valencia (2008) that includes sovereign default to private sector and debt rescheduling; (ii) Reinhart et al. (2003) that includes data on default and restructuring and Standard and Poor's Credit Week information. Additionally, episodes of debt default are also identified when the areas on principals on external obligations exceeds 15 percent of the total debt.

7. The resulting debt burden threshold varies between about 35 and 65 percent depending on policy and institutional capacity of CEMAC members. Assuming an average real GDP growth of 4.6 percent, the estimated debt burden threshold varies between 35 and 65 percent depending on institutional capacity of each member state. On average, the risk of debt distress increases substantially if the public debt to GDP ratio exceeds the threshold of about 45 percent.

8. A 50-percent debt ceiling would still leave room for scaling up public investment, but its effectiveness and absorption capacity have to improve. The debt-to-GDP ratio is projected to increase moderately to about 32 percent in 2019 and about 46 percent in 2030[7] as public investment stabilize at about 10 percent of GDP and oil-related revenue continue to decrease. This projection assumes, however, a relative improvement in the return of public capital and the efficiency of public investment.

B. Assessing the Costs of a Debt Crisis

9. Debt crises are associated with significant and long-lasting output losses. Debt crises can affect output limiting access to external financing and increasing the cost of borrowing. The exclusion from international capital and credit markets can last up to 5.5 years after the crisis episode (Richmond and Dias, 2008). Debt crises can also reduce trade flows by approximately 8 percent per year (Rose, 2005). Finally, debt default can lead to banking and/or currency crisis amplifying output losses (De Paoli et al., 2009). Previous empirical analyses suggest that debt crises can reduce output by about 6–10 percent in the short term and by about 10 percent over the medium term. A similar approach applied to the CEMAC indicates that debt crises have lowered output by about 9 percent in the short term and about 1 percent over the medium term (i.e. after 5 years of the crisis episode).[8]

10. Output growth can also be reduced when total public debt exceeds certain levels. A high debt level increases significantly risk of debt distress and for similar reason as in case of a debt crisis can lead to output contraction. While there is still debate in the literature, previous empirical studies find that growth is reduced by about 1.8 percentage point when total debt exceeded 70 percent of GDP, and by about 2 percentage point when debt exceed 90 percent of GDP (Kumar and Woo, 2010, Carner et al., 2010, Furceri and Zdzienicka, 2012).

C. Reforming the Regional Surveillance Framework

11. The reform of the regional surveillance framework should follow few simple principles while taking into account CEMAC specific features:

[7] See SIP on Public investment scaling up, growth and debt dynamics.

[8] The methodological approach consist of estimating contemporaneous output growth against a dummy variable that takes values equal to 1 for the crisis occurrence and 0 otherwise. For more details, see Furceri and Zdzienicka (2012).

- *First, the regional convergence criteria should be simplified and refocus on the ultimate objective: the stability of the monetary union*. Simplifying regional criteria implies reducing their number from 8 to two-three main criteria while continuing to monitor others as important economic and financial indicators. The fiscal balance criteria should be aim at reducing pro-cyclicality with the objective of long-term stability. A non-resource primary balance should be set in a way to allow a temporary scaling up of investment.[9]
- *Second, the mutual consistency between main criteria should be ensured.* For instance, the fiscal balance criterion should not be set too high and lead to a medium-term breach of the debt criterion. Also, more tailored fiscal rules could be implemented at the national level to improve policy guidance as long as they are consistent with the regional surveillance framework.
- *Third, debt criterion should be lowered to ensure long-term sustainability and avoid significant output losses*. The debt sustainability framework could be used to determine the level of the debt criterion. The debt criterion—as in the case of the fiscal balance criterion—should be seen as a ceiling to not breach rather than the optimal debt level.
- *Forth, criteria should be simple, transparent, and easy to implement and monitor, while the effectiveness of regional surveillance mechanism should improved.*
- *Fifth, regional rules should be transposed into national laws.* The reform of the surveillance framework should involve all stakeholders. Once a consensus is reached, the rules should be transposed into national budget laws and fiscal framework. The compliance with rules should be monitored and communicated to the public to increase political costs of deviations from the rule.[10]

[9] IMF (2013).
[10] Basdevant et al. (2014).

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INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

July 11, 2014

STAFF REPORT ON COMMON POLICIES OF MEMBER COUNTRIES—INFORMATIONAL ANNEX

Prepared By

The African Department
(in consultation with other departments)

CONTENTS

RELATIONS OF CEMAC MEMBER COUNTRIES AND THE FUND AND MEMBERSHIP STATUS

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 and the Fund

Cameroon: The last financial arrangement, a Poverty Reduction and Growth Facility (PRGF) arrangement in an amount equivalent to SDR 18.6 (about US$26.8), expired on January 31, 2009. The Executive Board approved on July 2, 2009 a SDR 92.9 (about US$ 144.1) disbursement under the Rapid-Access Component of the Exogenous Shocks Facility. The 2013 Article IV consultation was concluded on June 30, 2014. Cameroon is on a 12-month consultation cycle.

C.A.R.: The Executive Board approved on May 14, 2014 financial assistance under the Rapid Credit Facility (RCF) in the amount equivalent to SDR 8.355 million (about US$12.9 million) for the Central African Republic (C.A.R.) in support of the authorities' emergency economic recovery program. The Executive Board noted the authorities' cancellation of the Extended Credit Facility (ECF) arrangement for C.A.R. that was approved on June 25, 2012.

Chad: The last financial arrangement, a PRGF arrangement in an amount equivalent to SDR 25.2 (about US$38.2), expired on May 31, 2008 with no review completed. After several failed attempts at establishing a positive track record of macroeconomic management, performance under an SMP covering the period June-December 2013 was assessed as satisfactory. That paved the way for discussions on a three-year financing arrangement under the Extended Credit Facility (ECF), which are currently at an advanced stage. The last Article IV consultation was concluded on February 21, 2014.

Republic of Congo: The Executive Board approved a three-year PRGF arrangement for Rep. of Congo in an amount equivalent to SDR 8.5 (about US$12.5) 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.

Equatorial Guinea: The last financial arrangements, an Enhanced Structural Adjustment Facility arrangement in an amount equivalent to SDR 9.9 and a Structural Adjustment Facility in an amount equivalent to SDR 3.0, expired both on February 2, 1996. Equatorial Guinea is not expected to seek IMF financial assistance over the next few years. The country is not eligible for assistance under the HIPC initiative. The last Article IV consultation was concluded on, April 29, 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 (about US$117) 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 13, 2013. 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 2013 assessment, completed in November, spanned a period of change at the BEAC and occurred against the backdrop of reforms initiated to address governance challenges and control failures that emerged in 2009. These events led to close engagement with the IMF through monitoring of safeguards "rolling measures" in the context of new program requests and reviews for CEMAC countries. The BEAC had also initiated an action plan to reform its governance, strengthen key safeguards, and build capacity. The 2013 assessment found that the BEAC has made some progress in reinforcing its safeguards framework, but risks remained elevated. Further actions are needed to fully restore sound governance and control, including through amendments to the BEAC charter and commitment to achieve implementation of the reform and modernization plan. Governance at the BEAC continues to be undermined by a legal framework that does not adequately protect institutional autonomy, and problematic partial adherence of several member states to the reserves pooling obligation that is fundamental to the operation of the currency union. The assessment also concluded that annual IMF staff visits to monitor priority recommendations and progress on the BEAC's reform plan would continue as part of the safeguards "rolling measures" approach. Consistent with this approach, a safeguards staff visit to the BEAC was conducted in April 2014. Staff concluded that the BEAC has made good progress in implementing recommendations from the 2013 assessment and is advancing its reform plan to strengthen controls. That said, the BEAC continues to face challenges on institutional autonomy and broader governance reforms remain paramount in the medium-term. Staff will maintain close engagement with the BEAC to assess sustainability of the measures already in place, and implementation of the reforms going forward. Developments on implementation of these measures will allow staff to consider whether sufficient progress has been made to discontinue the annual monitoring of safeguards rolling measures and thereby revert to the four-year cycle of assessments for regional central banks.

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 20, 2011. Such discussions are held on a 12-month cycle.

FSAP Participation and ROSCs

The first regional Financial Sector Assessment Program (FSAP) was carried out 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.

Technical Assistance to the Bank of the Central African States (2010–2014)

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.

January 2011: MCM TA mission on discussing MCM advice in the areas of governance, internal audit and accounting, monetary policy and research, reserve management, and banking supervision.

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

October-November 2010: MCM TA mission on discussing TA program to strengthen the BEAC and the COBAC.

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 (2010–2014)

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.

INTERNATIONAL MONETARY FUND

COM COMMUNICATIONS DEPARTMENT

International Monetary Fund
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July 31, 2014

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

On July 25, 2014, the Executive Board of the International Monetary Fund (IMF) concluded the annual discussions on Common Policies of Member Countries with the Central African Economic and Monetary Community (CEMAC).[1]

Following a period of solid regional economic performance, the CEMAC's economic activity decelerated in 2013. While growth in non-oil sectors continued to be largely driven by public investment plans in several member countries, oil production declined substantially, resulting in overall real GDP growth of around 2.5percent. Anchored by the peg of the CFA franc to the euro, inflation decelerated to below 2 percent on average, below the regional convergence ceiling of 3 percent. In 2014, economic activity is expected to pick-up with regional real GDP growth projected at 5–5.5 percent, as oil production will recover. Inflation is expected to remain moderate owing to low food prices.

The continuation of expansionary fiscal policies and declining oil revenues turned the primary balance into a deficit for the first time since 2009 and the non-oil primary deficit reached 24.6 percent of Non-Oil GDP. Following debt relief and restructuring operations over the last years, the average public debt for the region has increased but remains low at around 23 percent of GDP, well below the 70 percent of GDP ceiling set by the regional surveillance framework for individual countries. The current account deficit widened to around 3 percent of GDP as oil exports declined and investment-related imports remained large. Foreign reserves decreased slightly but remained around US$17.5 billion, equivalent to 5.1 months of imports at end-2013.

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[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. .

Excessive liquidity makes monetary policy largely ineffective. The main monetary policy rate of the BEAC (Banque des Etats d'Afrique Centrale) is disconnected from lending rates, reflecting the ineffective interest rate channel while the shallow banking system and the underdeveloped financial markets induce weaknesses of both the credit and asset price channels. The growth of bank deposits slowed in 2013 but remained strong, while the growth of credit accelerated. Liquidity in the banking system decreased following a decline in foreign assets.

Downside risks remain significant, as the region remains vulnerable to a decline in oil and other commodity prices and a protracted slowdown in its partner countries. A prolonged drop in oil and other commodity prices would have a significant impact on fiscal balances and the current account balance, and would require a larger and more abrupt reduction in public investment. In addition, in a context where an extremely difficult business climate severely limits private investment growth, the lack of reforms could weigh on the potential for medium-term growth. The regional institutions continue to face significant capacity constraints and should continue to be strengthened to coordinate the reform efforts and support regional growth. Finally, increased security risks in the region with the deepening of the crisis in the Central African Republic and the security challenges in Northern Cameroon could weigh on foreign direct investment (FDI) and growth.

Executive Board Assessment

Executive Directors welcomed the region's solid short-term macroeconomic prospects supported by public investment and a recovery in oil production. They noted, however, that favorable medium-term prospects have significant downside risks from a potential oil price shock which could have a substantial impact on CEMAC's fiscal and external current account balances. At the same time, substantial challenges remain, including high poverty, income inequality, and underemployment, especially among the youth.

Directors concurred that the current macroeconomic policy mix should be adjusted. They considered that the fiscal stance has become too expansionary in some countries. They also noted that the effectiveness of monetary policy is very limited due to weak transmission channels. Moreover, the level of external reserves remains adequate but widening current account deficits could become a source of concern. They urged national authorities to act in coordination with the regional central bank (BEAC) to improve the compliance with regional reserves repatriation rules.

Directors encouraged the authorities to adapt the regional fiscal surveillance framework to better ensure the stability and sustainability of policies. The convergence criteria on the fiscal deficit and on public debt should be revised to limit pro-cyclicality and ensure low risks of debt distress, while supporting prudent borrowing. Directors also stressed the need to expedite the reform of the monetary policy framework. Stronger efforts are needed to address the challenges of excess liquidity, inefficient liquidity management, and underdeveloped regional interbank and debt markets which make monetary policy largely ineffective and hamper financial sector development.

Directors welcomed the authorities' efforts to strengthen the regional financial sector. They noted however that a stronger regulatory and supervisory framework is needed to ensure financial stability and support regional financial sector development. Over the medium term, the creation of credit registries and judicial system reforms will be essential to foster efficient credit growth. Directors considered that regional authorities should be cautious in considering the use of governments' savings deposited at BEAC to finance infrastructure projects and should instead seek greater private sector participation in financing the development of the region. They also encouraged national and regional authorities to coordinate efforts to promote financial inclusion in the CEMAC.

Directors underscored that greater efforts are needed to foster regional integration, and boost competitiveness to address structural obstacles to inclusive growth. Improving the regional business environment is essential to promote private sector development and economic diversification. They considered that these efforts should be complemented with a faster implementation of regional institutions' institutional reform. In particular, the institutional autonomy of BEAC should be strengthened and the capacities of the regional banking supervisor and the CEMAC Commission be enhanced.

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, 2010–15

	2010	2011	2012	2013 Est.	2014 Proj.	2015 Proj.
	(Annual percent change)					
National income and prices						
GDP at constant prices	5.6	3.9	5.2	2.6	5.3	4.7
Oil GDP	3.8	-2.2	-2.7	-7.1	3.2	1.8
Non-oil GDP [11]	6.4	5.9	6.6	4.6	5.4	5.1
Consumer prices (period average)[2]	1.5	2.5	2.7	1.8	2.7	2.1
Consumer prices (end of period)[2]	2.1	4.3	3.1	2.3	2.7	2.6
Nominal effective exchange rate[2]	-4.0	1.1	-3.1	3.1	…	…
Real effective exchange rate[2]	-4.7	-0.9	-1.5	3.6	…	…
	(Annual changes in percent of beginning-of-the period broad money)					
Money and credit					…	…
Net foreign assets	-4.6	16.9	9.5	-0.4		
Net domestic assets	28.1	0.4	6.7	9.0	…	…
Broad money	21.7	18.0	16.6	6.4	…	…
	(Percent of GDP, unless otherwise indicated)					
Gross national savings	30.5	33.0	30.4	28.3	28.7	27.3
Gross domestic investment	32.1	31.2	31.0	31.4	31.9	31.1
Of which: public	12.1	13.9	14.1	14.8	14.5	13.4
Government financial operations						
Total revenue, excluding grants	24.9	27.9	27.9	26.8	26.1	25.9
Government expenditure	24.3	25.6	29.4	29.5	29.5	29.2
Primary basic fiscal balance[3]	3.1	5.6	2.0	2.3	1.4	1.6
Basic fiscal balance[4]	2.3	4.9	0.7	0.5	-0.1	0.2
Overall fiscal balance, excluding grants	0.1	2.0	-1.6	-2.7	-3.5	-3.4
-Primary balance	1.9	3.6	0.3	-0.4	-1.3	-1.3
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-23.6	-26.2	-31.1	-27.9	-26.8	-24.4
Non-oil primary fiscal balance (percent of non-oil GDP)	-20.9	-23.7	-28.0	-24.6	-23.6	-21.5
External sector						
Exports of goods and nonfactor services	51.2	55.5	55.1	51.3	49.3	46.3
Imports of goods and nonfactor services	44.4	43.8	43.5	43.4	42.2	41.6
Balance on goods and nonfactor services	6.7	11.7	11.6	7.9	7.2	4.7
Current account, including grants	-1.6	1.8	-0.6	-3.1	-3.2	-3.8
External public debt	12.3	12.4	14.2	16.8	17.2	18.4
Gross official reserves (end of period)	51.2	55.5	55.1	51.3	49.3	46.3
Millions of U.S. dollars	13,658	15,717	17,531	17,490	17,698	17,528
Months of imports of goods and services (less intra regional imports)	4.3	5.0	5.4	5.1	5.0	4.8
percent of broad money	92.1	85.6	88.6	80.4	…	…
Memorandum items:						
Nominal GDP (Billions of CFA francs)	36,863	42,407	45,445	45,727	48,273	49,827
CFA francs per U.S. dollar, average	495.3	471.9	510.5	494	479	471
Oil prices (US dollars per barrel)	79.0	104.0	105.0	104	104	98

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 US dollar.

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

[4] Excluding grants and foreign-financed investment.

Statement by Mr. Yambaye and Mr. Bah on Central African Economic and Monetary Community (CEMAC)
July 25, 2014

I - Introduction

On behalf of our Central African Economic and Monetary Community (CEMAC) authorities, we would like to thank the Executive Board, Management and Staff for the policy advice and technical assistance they are benefiting from the Fund in their efforts to advance the process of economic and financial integration in the region. Our authorities also appreciate the constructive dialogue they have had with staff last June in Yaoundé during the 2014 consultations. They broadly share the thrust of the staff's appraisal and policyrecommendations.

II - Economic Developments in 2013

The regional real GDP growth rate declined to 2.5 percent in 2013 from 5.2 percent in 2012 owing mainly to a decrease in oil production and contraction of economic activity in CAR. However, growth in the non-oil sector was solid thanks to high public investment and buoyant domestic consumption. Inflation in the region stood at 1.8 percent well below the convergence criteria of 3 percent due to the decline of food prices and stability in domestic petroleum prices. As for international reserves, they amounted to the equivalent of 5.1 months of imports. The regional fiscal position turned negative in 2013, but the public debt of CEMAC countries averaged around 23 percent of GDP below the convergence criteria set at 70 percent of GDP. Moreover, the debt analyses for member countries indicate low risk of debt distress.

III - Policies and Reforms Going Forward

The CEMAC authorities remain strongly committed to the pursuit of their reform agenda to deepen regional integration with strong institutions and achieve a single common market conducive to high inclusive growth in a sustainable macroeconomic environment. Policies implemented so far and with the Fund's assistance have benefitted the region and led to higher growth. Considerable progress has been made in strengthening the capacity of the CEMAC institutions and implementing financial reforms. The medium-term outlook, despite some risks, remains positive with the projected increase in oil production and rebound of non-oil growth projected at 5-6 percent.

Fiscal Surveillance

The CEMAC authorities are cognizant that an effective fiscal surveillance framework and full implementation of measures designed to this effect will be helpful in coordinating macroeconomic policies of member countries. In this regard, they will speed up their efforts in implementing the regional directives on public financial management. They also agree on the need to adjust the current surveillance framework in order to better ensure the stability and sustainability of policies. On the fiscal surveillance framework, the Regional Surveillance Committee and national authorities held a meeting last June to discuss the required reform. The CEMAC Commission will prepare specific recommendations for the Zone Franc meeting in 2015. With regard to the debt ceiling, the authorities will review its criterion to make it more consistent with budget rule and the need for financing public investment.

External sustainability

The peg of the CFA Franc to the Euro has served the CEMAC member countries well. Inflation is well below the convergence criterion and international reserves are at a comfortable level in terms of imports and broad money covers. However, the noncompliance with the requirement of foreign assets centralization continues to be a source of concern, and the BEAC has initiated discussions with all stakeholders to agree on an appropriate framework. The authorities are grateful to the Fund for its policy advice and technical assistance in this regard.

Monetary policy framework

The BEAC's monetary policy is aimed at supporting the fixed parity of the CFA Franc to the Euro. In a context of shallow markets and a small range of instruments, this policy has been prudent and helpful. Indeed, inflation has remained low and gross reserves equivalent to more than 5 months of imports. The authorities agree that the excess of liquidity in a context of shallow markets has highlighted the challenges facing the regional central bank notably the need to strengthen the monetary policy transmission mechanism. To address this situation, they plan to implement with the Fund's technical assistance an ambitious reform of the BEAC's monetary policy framework. Under this reform, the interbank and governments securities markets will be revitalized. The BEAC's effective capacity to manage the liquidity will be further enhanced to develop the interbank market.

Financial sector stability and development

The authorities have made significant progress to strengthening the COBAC's capacities to improve banking supervision and strengthen financial sector stability. This progress includes the adoption of new regulations, implementation of a remote financial reporting system for financial institutions and recruitments to speed up banking supervision. Efforts to further enhance the COBAC's capacity will be pursued to address the challenges stemming from the expansion of the nonbank financial sector and the development of microfinance and mobile banking services. The authorities will also focus their efforts to accelerate the adoption of the new regulation on crisis management.

CEMAC authorities intend to further promote the development of the financial sector by increasing its role in financing the regional economy. In this regard, the recently established credit information bureau and rating system will be operational by end 2015. In addition, the authorities are reflecting on alternative and innovative sources of financing to support growth, including greater private sector participation in financing infrastructure projects.

Enhancing regional integration and competitiveness

In order to further enhance the regional integration process and increase regional growth, the CEMAC authorities agree that there is a need to intensify their reform efforts to address the weak structural competitiveness, develop the intra-regional trade and improve the business environment. To achieve these objectives, the authorities will prepare, with the support of the World Bank, a feasibility study to create a business climate regional observatory. They will continue implementing measures to reduce regional trade barriers, prepare a study to reduce the common external tariff, eliminate double taxation to third-country products and create CEMAC wide rules of origin. The authorities are hopeful that with an increased support of development partners they will tackle the growth constraints and improve the business climate through the region.

Strengthening institutional capacity

In view of the daunting challenges they face in their efforts to achieve an effective economic and financial integration, the CEMAC authorities agree on the need to further strengthen the capacity of regional institutions to fully fulfill their mandate. In this regard, remarkable progress has been made notably with the implementation of BEAC's plan of reform and modernization as well as the COBAC staffing. The authorities will pursue their efforts to further enhance the CEMAC Commission and with the support of member states and development partners they will reinforce the BEAC's institutional capacity. Further efforts will be focused on enhancing the quality of economic and financial information to improve the monitoring and assessment of reforms and policies.

IV – Conclusion

Our CEMAC authorities remain committed to strengthen the regional integration process. In this regard, they will press ahead with reforms needed to advance market integration, diversify the production and export base, and reinforce institutions' capacity. The authorities are grateful to staff for their policy recommendations which will be an important input in their efforts to achieve their regional objectives.