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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

July 2022

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

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

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 22, 2022, following discussions with regional institutions that ended on May 17, 2022. Based on information available at the time of these discussions, the staff report was completed on June 10, 2022.
- A **Statement by the Executive Director.**

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

June 10, 2022

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

KEY ISSUES

Context and risks. CEMAC ended 2021 in a fragile external position, with gross reserves at only 2.7 months of prospective imports and net foreign assets (NFA) at their lowest level in decades, despite the availability of Fund financing, the SDR allocation, and monetary policy tightening. The terms of trade shock this year is expected to be broadly positive for CEMAC. This more favorable outlook is, however, subject to heightened external uncertainties associated with the fallout from the war in Ukraine (notably global inflation pressure, global growth uncertainties, and high oil price volatility), faster-than-anticipated global financial tightening, possible emergence of new COVID strains and risks from cryptoassets. Current high oil prices, if sustained, will help rebuild fiscal and external buffers, provided fiscal policies remain prudent. Shielding vulnerable populations from soaring energy and food prices adds to the complexity of navigating this uncertain environment, given CEMAC's already limited policy options.

Policy Recommendations:

Seize the opportunity offered by high oil prices to rebuild both fiscal and external buffers. Social safety nets should be strengthened to protect vulnerable populations from the effects of soaring energy, food, and fertilizer prices.

Maintain the prudent monetary policy stance and continue strengthening the liquidity management framework, including by tackling liquidity-stressed banks. Continue to implement the forex (FX) regulations to ensure larger FX repatriations.

Normalize the prudential framework by end-June 2022 as planned and ensure that banks account for sovereign risk adequately.

COBAC's May 6 decision to prohibit their use by banks contributes to mitigating risks from cryptoassets. Ultimately, addressing the risks stemming from the unilateral adoption of cryptoassets, and the bitcoin in particular, as legal tender in the Central African Republic will require a collective political solution.

Intensify non-oil revenue collection and accelerate structural reforms implementation, including to strengthen PFM systems, upgrade public infrastructure quality, improve governance and financial integrity, and diversify the region's economies away from fossil fuel.

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

Discussions were held in-person during May 3–6 and May 9–17, 2022, in Libreville and Yaoundé, respectively. The Staff team comprised Ms. Lahreche (head), Messes. Belianska and Martin and Messrs. Lautier and Mr. Tapsoba (all AFR); Mr. Dehmej (MCM); and Ms. Mendez (SPR). It was assisted by Messrs. Gomez and Staines (Resident Representatives in Gabon and Cameroon, respectively), and Messrs. Nzebi and Ambassa (local economists in Gabon and Cameroon, respectively). Mr. Nguema Affane (OED) participated in some policy meetings. The mission held discussions with Mr. Abbas Mahamat Tolli, Governor of the Central Bank of Central African States (BEAC and Chairman of COBAC); Mr. Maurice Christian Ouanzin (Secretary General of COBAC); Mr. Nagoum Yamassoum, President of the capital markets regulator (COSUMAF); Prof. Djiena Wembou (Secretary General of the Economic and financial Reforms Program (PREF) CEMAC); and other senior officials of these institutions, as well as with representatives of financial institutions. This report was prepared with the assistance of Ms. Adjahouinou and Mr. Ouattara.

This is a report on the common policies in support of CEMAC member countries' IMF-supported programs. Throughout the report, the term "authorities" refers to regional institutions responsible for common policies in the currency union. CEMAC covers six countries: Cameroon, Chad, Congo, Gabon, Equatorial Guinea, and Central African Republic.

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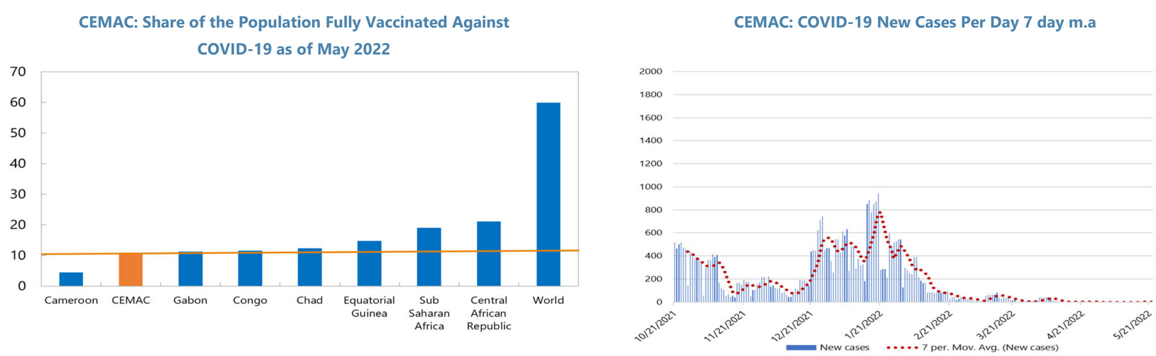
BACKGROUND AND RECENT DEVELOPMENTS

A. Background

1. CEMAC stands to benefit from elevated oil prices but is facing heightened uncertainties. CEMAC came out of the acute phase of the COVID-19 crisis in a fragile position, ending 2021 with gross reserves at only 2.7 months of prospective imports and NFA at their lowest level in decades, despite the availability of Fund financing, the SDR allocation, and monetary policy tightening. The oil price shock triggered by the war in Ukraine is expected to be positive for CEMAC, except for the oil-importing Central African Republic. Provided fiscal policies remain prudent, higher oil prices should support the rebuilding of fiscal and external buffers. This more favorable outlook is, however, subject to heightened external uncertainties, notably global inflation pressure and global financial tightening, risks from the possible emergence of new COVID strains and new risks from cryptoassets. Shielding vulnerable populations from soaring energy and food prices adds to the complexity of navigating this uncertain environment, given CEMAC's already limited policy options on account of its elevated fiscal and debt vulnerabilities.

2. Vaccination rates remain low in the region. The CEMAC average vaccination rates at mid- May 2022 remain low at 10.9 percent of the population, due to continued rollout logistical challenges and high vaccine hesitancy. Most containment measures have now been lifted.

Text Figure 1. CEMAC: Covid Trend and Vaccination Rates



Source: Our World in Data.

Sources: Our World in Data COVID-19 Dataset; IMF Staff estimations.

3. Progress on implementing the recommendations from the August 2021 Heads of State (HOS) summit remains slow. Fund-supported programs are ongoing. Oversight and coordination units have been established in all member countries to follow up on reforms, with quarterly reporting to the Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC). The CEMAC Commission's annual regional consultations have resumed in 2022 after two consecutive years of interruption owing to COVID-19. The completed consultations with three countries (Chad, C.A.R., and Congo) point to room for improvement in transcribing regional directives, fully operationalizing integrated financial information management systems, switching to program-based budgeting, and implementing comprehensive medium-term debt management strategies, including for domestic arrears clearance. Capacity constraints slow down progress in PFM reforms. The rollout of treasury single accounts (TSA) is now expected for 2022Q3. Progress was made towards finalizing the unified financial market, with an improved schedule for public issuances, and three countries (Equatorial Guinea, Congo, and Gabon) have submitted the list of SOEs that could be listed on the stock exchange (BVMAC). The sanction mechanism for countries breaching the regional convergence framework is yet to be adopted by the HOS Conference.

B. Recent Economic Developments

4. Economic recovery in 2021 was tepid. Real GDP increased by 1.1 percent, 0.8 percentage points lower than initially projected, mostly due to a much larger than expected contraction of the oil sector, reflecting underinvestment (Chad and Congo) and technical production accidents (Equatorial Guinea) that held back oil and gas production. In line with rising global inflationary pressures, inflation is estimated to have increased to 1.9 percent at end of 2021, below the 3 percent convergence criterion, reflecting lagged pass-through of global inflation, price controls, and local market dynamics.

5. Available data point to a declining debt-to-GDP ratio in 2021, supported by improved fiscal positions. The overall fiscal deficit is estimated to have narrowed down to 2 percent of GDP, from 3.1 in 2020. The improved fiscal stance exceeded initial expectations by 0.7 percentage points of GDP, reflecting larger restraint on current expenditure (C.A.R. and Equatorial Guinea), higher oil revenue collection, except in Chad and Gabon, and stronger non-oil revenue collection, except in Congo, C.A.R. and Equatorial Guinea. As a result, public debt decreased to 58.1 percent of GDP, from 60 percent in 2020.

6. BEAC has continued to tighten monetary policy. On November 25, 2021, BEAC increased the policy rate by 25 basis points to stem the decline in reserves, and by a further 50 basis points (to 4 percent) on March 28, 2022, to anchor inflation expectations. The rate at the marginal financing window was hiked in parallel, leaving the 175-basis points corridor unchanged. BEAC also tightened liquidity. It increased the rate on liquidity absorptions operations, which had been reintroduced in August, by 30 basis points in November, and by another 25 basis points in February (to 0.75 percent), to increase the attractiveness of its liquidity absorption window. It also reduced its weekly liquidity injections from CFAF 250 billion to CFAF 230 billion in December, and gradually to CFAF 160 billion in April. During March–May 2022, BEAC shifted three additional banks structurally dependent on its liquidity injections, away from the main weekly window towards the marginal lending facility window, in line with staff recommendations. Two out of the three long-term liquidity injection operations were discontinued and the maturity of the remaining one was shortened. In September 2021, BEAC unwound the relaxation of the collateral framework for government securities adopted at the onset of the crisis, bringing haircuts on government securities back to their pre-pandemic levels. In May 2022, it increased the haircuts for non-rated countries further. Meanwhile, in January 2022, it started implementing the repatriation and surrender requirements of the FX regulations to the extractive sector.

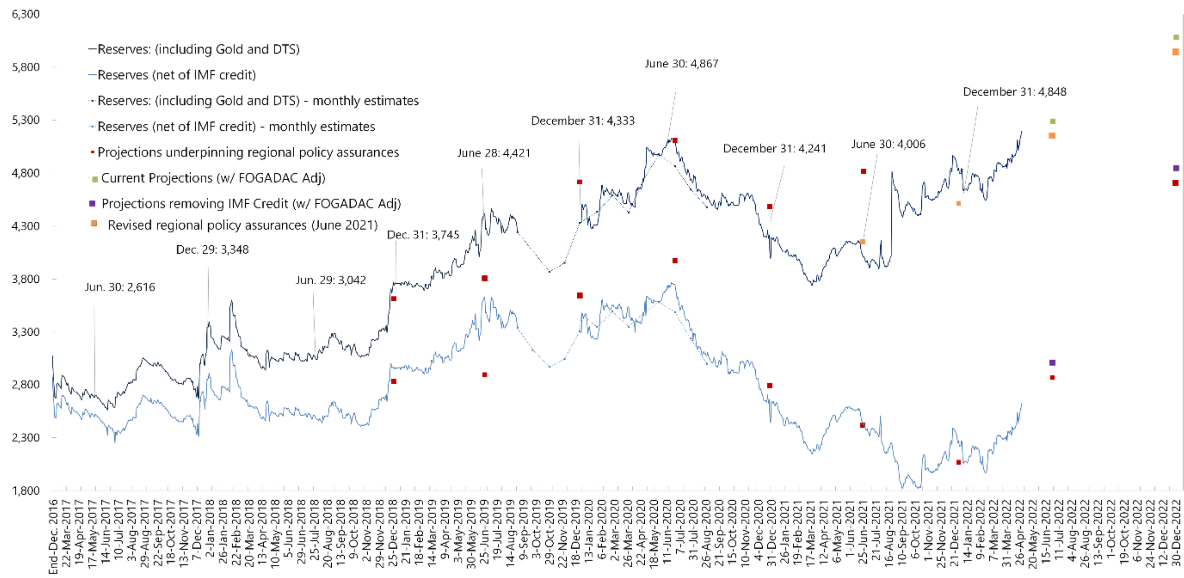
7. COBAC started curtailing the relaxation measures taken during the pandemic, against a background of bank's growing exposure to the sovereign. With the temporary relaxation of prudential requirements implemented since mid-2020, the reported NPL ratio peaked at 20.6 percent in 2020Q3, before coming down to 19.4 percent in 2022Q1. COVID-19 crisis-related impaired loans were estimated at CFAF 443 billion in 2021Q3, or about 4.7 percent of total loans. COBAC has initiated the normalization of its supervisory stance, hiking the capital conservation buffer by 50 basis points to 2 percent, and bringing it closer to its pre-COVID level of 2.5 percent. The COVID-related relaxation measures are expected to end by end-June 2022. Banks' exposure to the sovereign peaked in 2021 at 28.4 percent of total banking sector assets, up from 16 percent at end-2018, reflecting mounting financing needs during the COVID-19 crisis, a bank-based financial system, a rising share of sovereign assets bearing zero-risk weights, and the large and increasing number of banks in breach of individual concentration limits. BEAC is working with CEMAC member countries to broaden the investor base for government securities on the regional securities market.

8. CEMAC member countries used most of the 2021 SDR allocated (CFAF 797 billion) to them. Staff's advice had been that countries with stronger fiscal positions and better market access save half of their SDR allocation to support reserves build-up, and that SDR use substitute for domestic financing. Staff considers that practice has broadly aligned with this guidance. Chad drew its full SDR allocation upon receipt (CFAF 103 billion), using it to address urgent social needs, including food insecurity. C.A.R. used CFAF 35 billion out its allocation (CFAF 88 billion) in 2021 and drew the remainder in 2022, mostly to offset external budget support shortfalls. Congo is expected to use its fully drawn SDR allocation (CFAF 119 billion) for social and development spending and domestic arrears clearance in 2022. Cameroon used CFAF 50 billion to substitute for delayed IMF support in 2021 and drew another CFAF 70 billion in 2022 for COVID-related measures, planning to save the balance (about 40 percent) of its SDR allocation to rebuild fiscal buffers and external reserves. Gabon plans to use about 15 percent of its allocation in 2022 to repay domestic debt and improve the composition of domestic financing. Equatorial Guinea plans to use its fully drawn allocation (CFAF 120 billion) for domestic arrears clearance (CFAF 106 billion), with the balance mostly expected to support BEAC's external reserves accumulation.

9. Against the background of budget support shortfalls, and despite a tighter monetary stance, the regional policy assurances for end-December 2021 were missed. Gross external reserves reversed their downward trend during the last quarter of 2021. Notwithstanding this improvement, gross reserves stood at 2.7 months of prospective imports of goods and services at end-December 2021, down from 3.2 months in December 2020. The regional policy assurances on the NFA for end-December 2021 (EUR 2.20 billion) were temporarily missed (EUR 35.1 million), mostly owing to a shortfall in budget support (EUR 71.6 million). Meeting the end-June regional policy assurances (EUR 2.81 billion) will require discipline in repatriating export proceeds and continued fiscal prudence.

Text Figure 2. CEMAC: Regional Daily Reserves, 2017–22[1/ 2/]

(Billions of CFA francs)



1/ Excludes the reserve position with the IMF (about CFAF 36 billion), which is not explicitly reported in the situation comptable.
2/ The red squares represent levels consistent with the previously endorsed (December 2018, June 2019, December 2019 and June 2020) NFA regional policy assurances. The orange squares represent the revised NFA regional policy assurances (June 2021). Green square indicates current projections without the FOGADAC Adjustment, while the purple squares refer to the NFA level without IMF credit without FOGADAC Adjustment
Source: BEAC and IMF Staff calculation

OUTLOOK AND RISKS

10. The macroeconomic outlook is favorable but predicated on continued fiscal prudence and expectation of a limited inflation pass-through. The outlook is supported by much higher oil prices than initially projected, and policies underpinning the recently approved Fund-supported arrangements. [1] Real GDP growth is projected to reach 4.2 percent in 2022, driven by a strong recovery in the non-oil sector, on account of improved non-oil terms of trade (manganese, wood, gas), relaxation of COVID-19 containment measures, as well as by buoyant oil sector amid the surge in oil prices along with its positive spillover to the services sector. Inflation is projected to rise to 3.3 percent on average in 2022, slightly above the 3 percent convergence criterion, and to reach 3.5 percent by end-2022. Inflation over the medium term will depend on the magnitude and persistence of the commodity price shock, and delays in passing global inflation through to domestic prices (due to price controls, implicit subsidies, or tax reliefs granted to suppliers).

11. Fiscal positions are expected to improve. Barring slippages in adhering to program fiscal targets, the region's overall fiscal balance is projected to improve by 3.1 percentage points of GDP in 2022, aided by the larger-than expected oil windfalls (particularly in Congo, Chad and Gabon).

[1] The baseline oil price assumed during recent programs' approval was about 50 percent below its current level.

12. CEMAC's external position is expected to strengthen. The current account balance is projected to improve by 3 percentage points of GDP in 2022, up from -2.3 percent in 2021, reflecting the expected net positive impact of improved non-oil terms of trade and the oil price shock for CEMAC oil producers (Box 1). As a result, gross external reserves are projected to rise to 3.5 months of imports by end-2022.

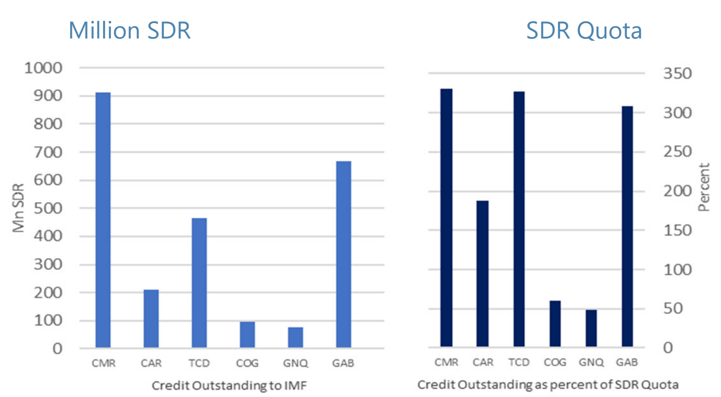
13. The outlook is clouded by heightened uncertainties, with risks heavily tilted to the downside, underscoring the importance for the authorities to start preparing contingency plans.

- An escalation of sanctions and other disruptions related to Russia's invasion of Ukraine is one of the main downside risks. Global demand uncertainties, should they translate into larger oil price volatility, would cloud growth prospects. High (food) inflation could pass through to domestic prices, affecting the poor and the urban middle class and weighing on growth and possibly triggering social unrest. High fertilizers inflation could affect agriculture production and worsen food insecurity in coming years. Food and fertilizer subsidies would contain inflationary pressures but would weigh on budgets and ultimately on reserves. Tightening global financial conditions, including owing to a de-anchoring of inflationary expectations in advanced economies, would raise vulnerabilities to rollover risks, notably if they spill over into the regional market.

- Oil subsidies represent a fiscal risk and may erode the positive impact of higher revenues if the higher subsidy bill is not offset by a reprioritization of spending. Higher oil prices may also reduce the urgency to make progress towards debt restructuring under the Common Framework (Chad).

- Slow progress on structural reforms and failures to adhere to targets under Fund-supported programs[2] may delay IMF financing and generate external financing shortfalls (Text Table 1). More broadly, strong policy implementation is needed to avoid the repeated shortfalls in catalytic donor support that have occurred over 2020–21, which is critical for strengthening external stability, diversifying the region's financing mix, and ensuring a more equitable burden sharing, against the background of heightened Fund's exposure to the region (Text Figure 3).

Text Figure 3. CEMAC: IMF Credit Outstanding as of April 2022



[2] New Fund-supported programs with Cameroon and Gabon were approved over the summer of 2021, with Chad in December 2021, and Congo January 2022. A staff monitored program was approved for C.A.R. in December 2021 with the first review completed in March 2022. Discussions with Equatorial Guinea on the first review of its current Fund-supported program are ongoing.

Text Table 1. CEMAC: External Financing Sources

(EUR millions)

	2017 Est.	2018 Est.	2019 Est.	2020 Est.	2021 CR 22/013[2] Dec	2021 Proj.	2022 H1	2022 H2	2022 CR 22/013[2] Dec	2022 Proj.
1. External financing needs [1]	**1761**	**1849**	**967**	**3430**	**1760**	**1449**	**678**	**792**	**1859**	**1471**
2. IMF Financing	**491**	**430**	**383**	**878**	**556**	**380**	**464**	**302**	**682**	**766**
Program	491	430	384	77	505	328	470	307	682	777
Emergency assistance (RCF/RFI)	0	0	-1	801	52	52	0	-2	0	-2
3. Budget suport from other donors	**1216**	**1042**	**1014**	**688**	**265**	**194**	**210**	**484**	**923**	**694**
World Bank	398	76	443	187	122	123	40	248	399	288
African development Bank	515	411	281	336	60	0	50	183	221	233
European Union	68	87	25	103	49	29	0	17	88	17
France	235	227	265	17	10	20	119	37	180	156
Other	1	241	0	45	23	23	0	0	34	0
4. Commercial borrowing	**0**	**0**	**-120**	**907**	**755**	**695**	**0**	**0**	**0**	**0**
of which: Bridge Loan	0	0	-120	0	0	0	**0**	**0**	0	**0**
of which: Eurobond	0	0	0	907	755	695	**0**	**0**	0	**0**
5. Debt relief	**0**	**0**	**0**	**434**	**362**	**411**	**2**	**0**	**2**	**2**
Official creditors	0	0	0	434	362	411	**2**	**0**	2	**2**
of which: DSSI	0	0	0	425	347	396	**-1**	**0**	-1	**-1**
Commercial creditors	0	0	0	0	0	0	**0**	**0**	0	**0**
6. External arrears	**0**	**0**	**102**	**44**	**-147**	**-87**	**0**	**-58**	**0**	**-58**
7. Residual financing gap	**-1**	**246**	**-223**	**353**	**92**	**120**	**0**	**0**	**220**	**0**

Sources: World Bank, African Development Bank, European Union, France, other national authorities; and IMF estimates

1/ After projected/targeted change in gross reserves.

2/ Refers to the projections of the IMF CR 22/013 (December 2021 SR)

- Low vaccination rates and, more generally, weak health infrastructure in the CEMAC also leave growth prospects vulnerable to new waves or variants of COVID-19.

- A persistence or worsening of security challenges, weak governance and AML/CFT regimes, high perceptions of corruption, and possible post-electoral political instability may weigh on growth prospects.

- The CEMAC region is vulnerable to climate-related shocks. In addition to energy preferences shifting away from hydrocarbons, climate change is likely to exacerbate the region's vulnerabilities due to high poverty rates, food insecurity, political instability, and conflicts.

- On the upside, even more elevated oil prices could allow CEMAC to rebuild buffers without compromising the recovery, and resolute advances in its governance and structural reforms could also boost growth potential.

Box 1. Possible Spillover Channels of the War in Ukraine on CEMAC

The main channel through which the war in Ukraine is expected to affect CEMAC is a marked increase in international commodity prices, in particular oil and food prices, given Ukraine and Russia's 30-percent share of global wheat exports, and Russia and Belarus' share of global fertilizer exports (20 percent). Overall, under the baseline, the impact is expected to be positive for the five oil producers in CEMAC, while C.A.R is expected to be adversely affected.

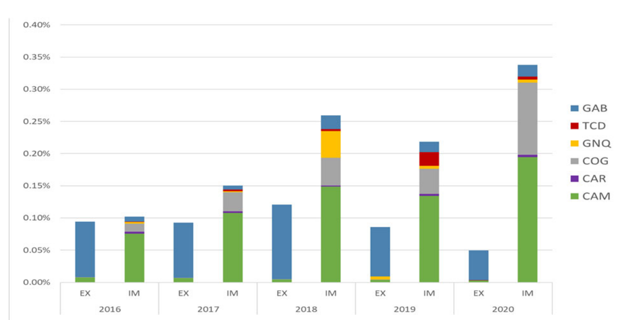
- Higher oil prices can support CEMAC's fiscal revenue and external balances and help rebuild reserves faster. Most CEMAC member countries, however, subsidize retail fuel prices, and subsidies may amount to more than 2 percent of GDP in some countries at current oil prices.

- Higher wheat prices are expected to fuel food inflation and weigh both on the fiscal balance (if government spending on implicit or explicit food subsidies increases) and the current account balance (through a higher import bill). In addition, the combination of higher prices and underdeveloped social assistance systems is expected to affect the poor and the urban middle class adversely. This, in turn, could trigger social unrest.

- Supply disruption of key industrial metals from Russia and Ukraine —both countries are major global suppliers of metals— causes disruptions in global supply chains and increases global metal prices, contributing to higher imported inflation in CEMAC through further global inflation.

Under a more adverse scenario, CEMAC would also be affected by spillovers from the war on global growth and inflation, and monetary policy responses in advanced countries, which would in turn impact global financial conditions, and possibly exchange rates for major currencies.

CEMAC Trade with Ukraine and Russia



- A deteriorating global demand could have significant negative spillovers for CEMAC through lower trade and lower financing from partners.

- The tightening of global financial conditions could adversely affect external financing costs, and lead to a reassessment of risk, especially term premiums and sovereign risks. In such a scenario, the cost of Eurobond issuance could rise.

- A depreciation of the euro against the dollar would be positive for the region as it would increase oil revenue in CFAF, while the inflationary impact would be limited given CEMAC's large import share from the EU, provided inflation remains under control in the Eurozone.

TAKING ADVANTAGE OF HIGH OIL PRICES TO REBUILD BUFFERS

14. **Discussions focused on taking advantage of high oil prices to rebuild dearly needed buffers while navigating a very uncertain environment**. Higher oil prices are a positive terms of trade shock for CEMAC on balance, offering opportunities to rebuild fiscal and external buffers. Given the volatility in oil and commodity markets, mounting global inflationary pressures, and

tightening global financial conditions, CEMAC policies should be focused on strengthening fiscal balance sheets, ensuring the recovery of the banking system, and rebuilding reserves. In the meantime, structural reforms should be accelerated, including to improve governance and transparency, and diversify the economies away from fossil fuel.

A. Managing the Oil Windfall Prudently to Strengthen External Stability

15. The oil windfall offers CEMAC a unique opportunity to rebuild fiscal and external buffers. Higher oil revenues combined with prudent fiscal policies under Fund-supported programs are expected to help strengthen fiscal positions and support a reserves buildup. Staff stressed that national authorities should fend off the temptation of pro-cyclical spending, in light of the costly experience of the latest oil cycle, and gear fiscal policies towards supporting the monetary policy stance. Prudence is all the more needed in light of large shortfalls in external budget supports in recent years. Additional oil revenues could also be used to reduce debt servicing costs, by paying off expensive debts or pre-paying the stock of past statutory advances without changing previously determined expenditure envelopes. Staff stressed that CEMAC countries should respect borrowing limits under their Fund-supported programs; for low-income member countries, this includes refraining from relying on non-concessional external financing (including drawing on already contracted loans). The expected decrease in overall financing needs should lead to a reduction in domestic borrowing, which would in turn reduce fiscal dominance, enhance monetary policy space, and allow the banking system to better comply with regulatory requirements and rely less on BEAC's refinancing. Rebuilding the SDR position with the Fund to bring holdings back to 50 percent of the allocation in countries that are not liquidity-constrained would also help sterilize excess liquidity, while limiting the risk of tighter financial conditions on governments balance sheets which stems from higher interest rates on SDR drawings.

16. Measures to shield the most vulnerable segments of the population from global energy and food price pressures should be carefully designed to ensure proper targeting and avoid consuming the oil windfalls in a prolonged surge in subsidies. Staff recommended that social safety nets be strengthened, including through targeted cash transfers, using part of the fiscal space created by higher oil prices or savings from streamlining fuel subsidies. Staff advocated reforming fuel subsidies, including crafting communication plans, with a view to increasing the pass-through of higher international oil prices to domestic retail prices. Any remaining subsidy should be well targeted, ideally limited to fuel consumed by the poorest segments of the population, like kerosene rather than petroleum, and combined with targeted social safety nets to protect the most vulnerable. If these are not available, it is advisable to implement the necessary social assistance through existing infrastructure such as those for school food programs. Subsidies should be explicit and on budget, and timebound where possible. Food subsidies should be limited to essential food items. They should be accommodated within the established budget envelopes —which may include flexibility embedded in member countries' programs —to minimize fiscal slippages, or be financed by donors on concessional terms for low-income countries. Price controls should be discouraged given the risk of generating shortages that will push inflation into the informal economy, where it is hard to measure and could distort BEAC's ability to take adequate policy decisions. Trade restrictions should be avoided.

17. Structural fiscal reforms should be accelerated to allow meeting the region's development needs while preserving debt and macroeconomic stability.

- Non-oil revenue collection needs to be intensified and tax policy reforms accelerated. Tax policy coordination across CEMAC countries is key to designing national tax systems, mobilizing additional revenues, and minimizing regional spillovers. Timely adoption of new regional tax directives (VAT, corporate income, and personal income taxes) and their subsequent implementation in domestic laws will be important to help mobilize more non-oil revenues.

- Public investment efficiency should be improved, including through conducting PIMA exercises in countries where they have not taken place yet (C.A.R., Congo, and Equatorial Guinea), and accelerating the implementation of recommendations provided in the context of past PIMA reviews (Cameroon, Gabon, Chad).

- Treasury single accounts (TSA) should be swiftly operationalized**.** Cameroon and Gabon have made progress on the implementation of the TSA. C.A.R expressed interest in signing a convention with BEAC, while the three other CEMAC countries are still in the initial phase of the reform. Progress should accelerate to provide all ministries of finance with better oversight of government cash flows and improve budget control and monitoring.

- To enhance transparency, the coverage and dissemination of government finance and public sector debt statistics should be improved by accelerating the implementation of CEMAC's directive related to fiscal tables (*Tableau des Operations Financieres de l'Etat*—TOFE).[3]

B. Maintaining a Prudent Monetary Policy

18. Staff and BEAC concurred that monetary policy should continue to focus on preserving the credibility of the peg and containing inflationary pressures, given exceptional global uncertainties. Staff welcomed the monetary policy committee (MPC)'s decision to hike rates in March, which, coupled with the tightening of liquidity since the Fall, attests to BEAC's commitment to safeguard the domestic and external stability of the currency. While the tightening of the monetary and liquidity stance has been effective, Staff advised BEAC to stand ready to further contain liquidity growth, e.g., should external reserves fail to grow in line with the NFA targets, and second-round effects of global energy and food prices threaten to pass through to other prices. Supportive fiscal policies anchored in Fund-supported programs will be instrumental in ensuring that BEAC can use its policy space and avoiding a costly scenario of uncoordinated monetary and fiscal policies.

[3] Currently, only three countries (Gabon, Congo, and Equatorial Guinea) have expanded the TOFE coverage beyond the budgetary central government while public debt data reporting remains weak across all CEMAC countries.

19. BEAC has continued appropriately to strengthen its liquidity management framework. Liquidity provision is being normalized to be driven by the autonomous factors of banking liquidity (AFBL). Pressures on liquidity demand are also being contained, with BEAC moving three additional liquidity-stressed banks out of the monetary policy operations and into the marginal liquidity window, in line with Staff's advice. Staff noted that the number of banks with liquidity needs that are high but below the 10 percent of liabilities dependency threshold, had been gradually increasing since 2019. Staff recommended proactively engaging with such banks, ideally with COBAC's support, to resolve liquidity needs before they become structurally dependent on BEAC's support. Staff reiterated that only banks compliant with their prudential obligations should be granted access to the standard weekly liquidity window. Liquidity-stressed banks should gradually reduce their dependence on BEAC's support, including through submitting credible refinancing plans, to contain the risks that could stem from a durable increase of BEAC's balance sheet. BEAC emphasized that the success of such a strategy requires member countries' support, under Fund-supported programs. BEAC and Staff also discussed required reserves, which BEAC does not currently use actively for liquidity management but could consider using should liquidity surge amid high oil prices.

20. BEAC concurred with Staff on the need to carefully contain risks to its balance sheets. The stock of past statutory advances and the stock of bonds bought in the context of BEAC's COVID- related bond purchase program, which starts maturing in 2022Q2, should be repaid as scheduled. Higher oil prices make timely repayments feasible. BEAC's credit line to the regional development bank (BDEAC), opened to support COVID-related investments, should be retired as credits are amortized, as should any undrawn amounts. Staff also stressed that contingent liabilities, such as BEAC's sizeable exposure to BDEAC's capital, should be reduced to safeguard BEAC's balance sheet. There has been progress in clearing domestic arrears through securitization exercises in member countries (Text Table 2). These exercises help restore government solvency, support private sector growth, and improve companies' and banks' balance sheets. They should however be carefully designed to avoid any unintended consequences, notably an excessive buildup of government securities on BEAC's balance sheet through refinancing, which could impede the central bank's monetary policy implementation. Staff notably recommended that securitized government arrears, if used as collateral for refinancing operations, carry larger haircuts to reflect the lower credit quality of the underlying assets as well as to ensure such securities do not ultimately thwart BEAC's liquidity management objectives.

Text Table 2. CEMAC: Past Domestic Arrears Securitization Experiences
(Billions of CFAF)

Country	Amount	Interest Rate	Valuation Date
Equatorial Guinea	291	5	Dec. 31, 2021
C.A.R	15	2.95	Dec. 04, 2020
Cameroon	70	0 and 3.4	Dec. 17, 2021
	48	4.5 and 5.25	Mar. 16, 2022
Congo	201	6	Mar. 31, 2022

21. The FX regulation, including its adaptation to the extractive sector, remains an important element of the authorities' toolkit.[4] It is critical to ensure that high oil prices lead to

[4] The stricter enforcement of forex regulations (since 2018) is a tightening of a capital flow management measure (CFM), which continues to be appropriate for ensuring further external reserves build-up.

greater FX repatriations by the public sector and to larger government deposits, in line with program projections. The implementation of the FX regulation to the extractive industry is ongoing, with foreign currency accounts being authorized, in line with the agreement between the extractive sector and BEAC. Discussions continue regarding the repatriation of the funds set aside for the rehabilitation of oil sites.[5] BEAC has continued to demand full implementation of the regulation by banks and is imposing sanctions to banks failing to comply with surrender requirements.

22. Safeguards Assessment. The 2022 safeguards assessment update of BEAC was concluded in April 2022. BEAC has maintained strong governance arrangements following legal reforms in 2017. BEAC also completed its multi-year initiative in 2019 to transition to International Financial Reporting Standards, strengthening its financial reporting practices. The external audit arrangements continue to be robust. BEAC should continue to strengthen its risk management and resilience framework.

C. Thwarting Risks from Cryptoassets

23. On April 22, C.A.R. issued a law providing "cryptocurrencies", and bitcoin in particular, legal tender status, making it the second country after El Salvador to do so, but the first case applied in a monetary union. The law allows tax payments to be made in cryptocurrency and provides for convertibility of bitcoin into CFAF through the creation of a trust fund. Non-compliance with the law is subject to imprisonment (10 to 20 years) and/or fine (CFAF 0.1 million to 1 million).

24. The adoption of bitcoin raises major legal issues for CEMAC and could create significant macroeconomic and financial stability risks (Annex 1). C.A.R.'s law appears to be inconsistent with the CEMAC Treaty, which provides the BEAC with the exclusive right to issue banknotes and coins serving as legal tender in the member states of the monetary union. Staff cautioned against giving legal tender status to cryptoassets and stressed that C.A.R.'s adoption of bitcoin as legal tender poses significant risks for macro-financial stability, consumer protection, and policymaking more broadly. It would be appropriate to remove the legal tender status of bitcoin, and a collective political solution would help address the inconsistencies between the C.A.R. law and the laws of the monetary union.

25. The law also raises serious financial integrity concerns. Unless effective anti-money laundering and combating the financing of terrorism (AML/CFT) measures are put in place, cryptoassets present financial integrity risks: they could be used to easily conceal and launder proceeds of corruption among other crimes, commit crimes such as terrorist financing, through undetected and unreported transactions, due notably to their pseudo-anonymous and decentralized nature. The establishment and effective implementation of a framework in line with the international standards on AML/CFT is a prerequisite to mitigate these risks.

[5] The agreement provides for the repatriation of 35 percent of export proceeds (against 70 percent for other sectors) and the possibility for extractive sector companies, including transporters and subcontractors, to hold accounts in foreign currencies in CEMAC banks (after BEAC's authorization). The agreement provides for the protection of these accounts, which can be used with great agility and at low cost, against the risk of abusive seizures. It also provides for the repatriation of funds set aside for the rehabilitation of oil sites in long-term foreign currency escrow accounts in the CEMAC within three years.

26. Staff welcomed COBAC's May 6 decision[6] prohibiting the use of cryptocurrencies, and bitcoin in particular, by entities under its remit. The decision prohibits entities under its remit (credit, microfinance, and payment institutions, including mobile money operators, and foreign exchange offices) from holding and using cryptoassets, converting them into CFAF or legal foreign currencies, denominating balance sheets or off-balance sheet items in cryptoassets, as well as keeping their books in cryptoassets. Finally, the measures require financial sector's entities to report identified cryptoassets-backed operations monthly to the regulators, and to upgrade their IT systems accordingly. Staff stressed the need for enhanced coordination between BEAC, the banking commission (COBAC), and the capital markets regulator (COSUMAF) in exploring regulatory options to manage the development of cryptoassets and effectively tackle the supervisory challenges that they pose.

D. Strengthening Financial Sector Policies

27. Staff advised COBAC to exit the prudential relaxation measures adopted to support the banking system during COVID by end-June 2022, as planned. Aggregate solvency in the banking system is solid but is marked by a large heterogeneity across countries and between private and public banks, and by sizable capital shortfalls, provisioning needs, and numerous prudential breaches. The stock of COVID loans was estimated by COBAC to be CFAF 433 billion (4.7 percent of total loans) as of September 2021, down from a peak of 14 percent in March 2021. These loans are concentrated in a few well-capitalized banks, and only a small portion is deemed nonperforming. As economies reopen, COBAC should avoid extending temporary measures beyond June-2022, to prevent veiling financial sector weaknesses and blunting incentives to address problem banks. It should also step-up supervision to monitor the impact of exiting COVID measures. Banks' asset classification and provisioning should reflect credit risks and expected losses on a timely basis. Dividend distributions should be limited, especially for banks that are close to the capital adequacy regulatory minimum, until asset quality and profitability uncertainties have abated, and more robust determinations of capital adequacy can be made using on-site inspections and stress tests.

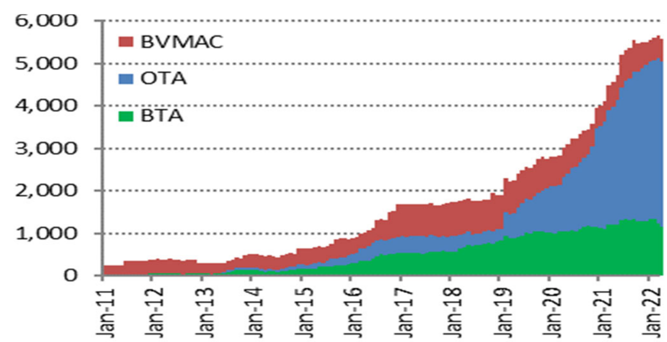
28. COBAC should ensure that banks account for sovereign risk adequately. Banks' sovereign exposure almost doubled during the last five years, to reach 25.6 percent in 2022Q1, reflecting large public financing needs during COVID. As post-COVID fiscal consolidation takes hold, COBAC should enforce concentration limits and non-zero risk weights on sovereign exposure. This would ensure that only banks with sufficient resources build up additional risks and would help avoid crowding out the private sector. The resumption of multilateral surveillance is welcome and should allow COBAC to update risk weights. COBAC should end zero-risk weight exceptions on government bonds, or at least define their conditions very conservatively (e.g., restricting them to banks complying with concentration limits and conditioning them on properly structured and audited escrow accounts). BEAC and COBAC should also make sure that primary dealers, mainly banks, gradually sell government securities to their clients as specified in their contracts, with a view to supporting the development of the secondary market.

[6] Decision D-2022/071.

29. Staff urged COBAC to monitor banks' asset quality actively, strengthen its early intervention and sanction powers, and firmly tackle weak banks. COBAC should require undercapitalized banks to submit credible medium-term recapitalization plans and establish a strategy for NPLs reduction. It should also avoid delaying the treatment of banks that were insolvent prior to the pandemic and/or those assessed as nonviable looking forward. As many banks have several breaches of solvency, liquidity ratios, and concentration limits, and since several banks do not submit timely and satisfactory refinancing, recapitalization, and recovery plans, henceforth delaying the processes, Staff recommended that COBAC escalate its actions by using gradually all the available arsenal, including early intervention, sanctions, and resolution powers when needed. Such actions would enforce the regulatory framework, ensure timely compliance, and improve the soundness of the banking system while limiting the fiscal cost of delayed decisions. COBAC should be involved in the rollout of domestic arrears repayment plans, to assess and monitor their impact on banks' balance sheets and business viability. The coordination between BEAC and COBAC should be reinforced so that access of banks with structural liquidity needs to monetary policy operations is informed by COBAC supervisory judgment and review of recapitalization and funding plans.

Text Figure 4. CEMAC: Stock of Government Securities

Monthly – CFAF Billion



30. COBAC is developing the regulatory framework. After the delays caused by the pandemic, COBAC has resumed its work agenda on implementing risk-based prudential and AML/CFT supervision, modernizing the regulatory framework in line with the Basel framework implementation plan. Progress was made on implementing the liquidity coverage ratio (LCR). Staff advised COBAC to prioritize the revision of solvency requirements and steadily improve banks governance, risk management frameworks, AML/CFT compliance, and cybersecurity. Staff reiterated the importance of strengthening COBAC's resources and upgrading its supervisory capacity (including IT solutions), given the large number of banks and microfinance companies under its supervision, as well as the emergence of new topics and activities.

31. Staff advised against the segmentation of the government issuance market. Despite the development of a government bond market (with BEAC as the single central depository), government issuances on the stock exchange (BVMAC) have continued, with government bonds issued through BVMAC standing at about 16 percent of those issued through BEAC as of 2022Q1 (Text Figure 4). This is creating a dual market, as government bonds are heterogeneous across platforms, and hampers the development of the secondary market. Staff advised that government securities should be issued through BEAC, while BVMAC should focus on capital markets. The issuance of public securities through BVMAC, if any, should be accompanied by a strict enforcement, for acquiring banks, of the non-zero weight exception for member countries that either do not meet the regional convergence criteria or for which the issued securities are not backed with a proven-funded escrow account at BEAC.

E. Moving Forward with the Regional Surveillance Framework

32. Staff welcomed the resumption of regional surveillance by the CEMAC Commission, after two years of pandemic-related interruption. Staff reiterated that adherence to regional convergence criteria is essential for the credibility of the regional surveillance framework. A rapid adoption by the HOS Conference of the new sanction mechanism for breaches of regional surveillance rules would strengthen the enforceability of the regional surveillance framework.[7] The Commission should conduct the first internal analysis of the early warning system as planned in 2022 and urge member countries to submit updated triennial convergence plans. Staff supported the Commission's call to accelerate the transcription of regional PFM directives into national legislations, operationalize integrated financial information management systems, switch into program-based budgeting, and implement comprehensive domestic arrears clearance strategies and medium-term debt management strategies built on integrated information systems.

REKINDLING THE REFORM MOMENTUM FOR STRONGER AND INCLUSIVE GROWTH

33. The reform momentum needs to accelerate to achieve stronger and inclusive growth. The needed global transition to a low-carbon world economy, high oil price volatility, and increasing food price pressures underscore the need to reduce the region's dependence on fossil fuel and unlock its non-oil growth potential, including in agriculture. Particularly:

- National and regional authorities should accelerate the implementation of the revised 2021–25 five axes-based reforms matrix[8], building on the recently established national oversight units.

- The PREF-CEMAC steering committee (PREF-COPIL)'s growth and resilience strategy rests on regional infrastructure investments and import-substitution to enhance food security. To ensure highly effective infrastructure spending, Staff recommended strengthening PFM practices, including by upgrading public investment management and better monitoring PPP-related fiscal risks. Staff cautioned that restrictive foreign exchange practices should be avoided at all costs in the context of developing domestic agricultural production to support food security. It also urged the authorities to seek concessional resources to limit the cost of

[7] The sanction mechanism was adopted by the council of ministers in January 2021. Only one (inflation) out of the four convergence criteria is met by all member countries (except CAR). Four countries meet the debt level criterion, but none has met the criterion on the non-accumulation of domestic payment arrears.

[8] The five axes consist of budgetary policies, monetary policies and financial system, structural reforms, regional integration, and international cooperation.

possible fertilizer subsidies, to ensure that oil windfalls are used in priority to rebuild fiscal and external buffers.

- Staff welcomed the COPIL's call on national governments and SOEs to repatriate FX held abroad, to strengthen external stability and foster private sector development.

34. The CEMAC Commission should work closely with member countries to ease supply-side inflation pressure, by designing and implementing structural policies to facilitate intra-regional trade, and improve competition, including at the retail level. Key steps include harmonizing taxation within the region, removing key bottlenecks, leveling off the playing field between public and private firms, aligning the treatment of firms in the formal and informal sectors, reducing red tape, and improving governance, transparency in the oil sector, and broadening financial inclusion.

MONITORING OF REGIONAL POLICY ASSURANCES

35. The regional authorities moved forward with the policy commitments from the December 2021 follow-up to the Letter of support to member countries' recovery and reform programs. BEAC maintained an appropriate monetary and liquidity stance (see para. 6, 18), hiking the interest rate to contain nascent inflationary pressures and normalizing the provision of liquidity. The FX regulation was adapted to the oil industry and implementation started in January 2022, with discussions ongoing to finalize the framework for the repatriation of rehabilitation funds. COBAC initiated the normalization of its supervisory stance, increasing the capital conservation buffer by 50 basis points to 2 percent and bringing it closer to its pre-COVID level of 2.5 percent. Despite these efforts, the regional policy assurances on NFA set for end-December 2021 were missed by a EUR 35 million margin. The deviation took place against the background of external budget support shortfalls (EUR 71.6 million), a larger than expected current account deficit due to lower than expected oil exports, and significant volatility in net inflows into reserves. Daily data confirm that the assurances were met on January 3, 2022, implying that the deviation was only temporary. After a decline in January and February 2022, the NFA resumed their upward trend.

36. The NFA position was increased to [FCFA 1,558] billion following a methodological revision. The deposit insurance fund (FOGADAC)'s deposits at BEAC (CFAF 138 billion), which are in CFAF, were originally classified as external liabilities of BEAC. Following an audit of the monetary survey methodology, BEAC has reclassified FOGADAC deposits as domestic liabilities, an approach endorsed by Staff. The move triggered a one-off increase in the NFA and commensurate decline in the NDA. While this adjustment is not taken into account when assessing performance on the NFA assurance for end-December 2021, the assurances for end-June and end-December 2022 reflect the methodological change.

37. The attached follow-up letter describes proposed revisions to end- June and December 2022 NFA targets, and regional institutions' policy intentions in support of national programs. Consistent with staff projections, the end-June 2022 and end-December 2022 proposed NFA targets covered by the updated policy assurance were set to EUR 2.81 billion and EUR 3.73 billion (Text Table 3), respectively, using the revised monetary survey methodology. The targets are in line with staff advice and consistent with program projections at the time of the review.

Text Table 3. CEMAC: Regional Policy Assurance on NFAs, 2021–22

(Billions of euros)

			Without FOGADAC adjustment		With FOGADAC adjustment	
	Jun. 2021	Dec. 2021	Jun. 2022	Dec. 2022	Jun. 2022	Dec. 2022
Assurance endorsed in November 2021*	2.80	2.20	2.78		2.99	
Outcome	2.68	2.16	…		…	
Proposed new assurances to be discussed with regional authorities	…	…	2.60	3.52	2.81	3.73

* December 2021 targets were endorsed in December 2020.

STAFF APPRAISAL

38. Rising oil prices and projected prudent policies are expected to support a strengthening of CEMAC's external position amid elevated risks. Two years of COVID-19 crisis brought gross reserves down to only 2.7 months of prospective imports, and NFA reached their lowest level in decades, despite the availability of Fund financing, the SDR allocations, and monetary policy tightening. The outlook for 2022 is positive, driven by high oil prices and expectations of fiscal prudence in the context of Fund-supported programs. However, this outlook faces heightened uncertainties associated with the fallout from the war in Ukraine, a possible decline in oil prices, fiscal risks created by the cost of subsidies, the irruption cryptoasset risks, domestic security issues, and the continued risks from COVID-19.

39. The BEAC's monetary and liquidity stance was appropriately tightened. BEAC tightened monetary policy twice to stem the decline in reserves and contain nascent inflationary risks, and normalized its liquidity supply framework, returning gradually to the pre-crisis focus on the autonomous factors of banking liquidity. Normal liquidity operations are being restricted to liquid and solvent banks, with banks with structural liquidity needs being shifted to the marginal lending facility. To avert deviations from the revised NFA targets including due to rising euro area interest rates (or should inflationary expectations de-anchor), BEAC and the CEMAC member states should stand ready to identify and adopt additional measures, including further monetary and liquidity policy tightening, if needed, and tighter fiscal stances. BEAC and COBAC should address liquidity-stressed banks, including by proactively treating banks that show emerging structural liquidity needs. Progress on the TSA infrastructure are welcome, and the operationalization of TSAs should support the effectiveness of liquidity management operations.

40. COBAC's swift reaction to the introduction of crypto currencies, and bitcoin in particular, as a legal tender in C.A.R. was a welcome stopgap to the financial sector risks created by cryptoassets. C.A.R.'s law appears to be inconsistent with the CEMAC Treaty, which grants currency issuance power to BEAC. Because it could create significant risks for macroeconomic and financial stability, financial integrity, consumer protection, and policymaking more broadly in CEMAC, Staff cautions against giving legal tender status to cryptoassets. COBAC's May 6, 2022, decision prohibits the holding and use of cryptoassets by entities under its remit, thereby contributing to the mitigation of systemic and financial integrity risks that could arise from banks balance sheets being exposed to bitcoin's volatility and weak AML/CFT regimes. Going forward, BEAC, COBAC, and COSUMAF should strengthen their coordination to tackle the supervisory challenges posed by cryptoassets.

41. In light of the positive macroeconomic outlook for 2022, COBAC should normalize the regulatory framework and step up its enforcement. The prudential relaxation measures taken during the pandemic are no longer justified given the expected economic rebound driven by high oil prices, and should be retired by end-June 2022, as planned. The expected resumption of dividend distributions should be conditioned on banks not breaching prudential regulations. COBAC should also ensure that banks account for sovereign risk adequately, by limiting the recourse to zero-risk weights, notably in the context of domestic arrears settlement plans. There is also a need to monitor actively banks' asset quality, decisively reduce NPLs and tackle weak banks. To carry out its heavy workload, COBAC's longstanding under-staffing issues need to be addressed.

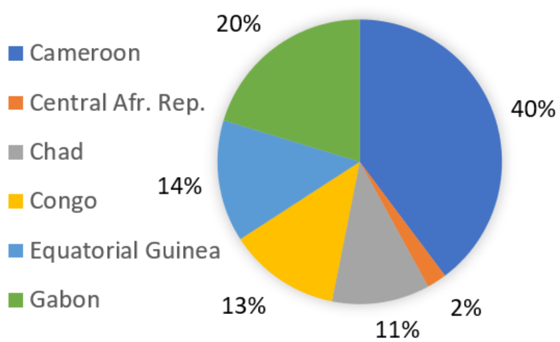
42. Achieving stronger and inclusive growth requires a rekindled momentum on reforms implementation, building on priorities set out by the HOS summit. Governance, transparency, and structural reforms need to be rekindled to unleash the region's non-oil growth potential, bolster domestic revenue mobilization and build up adequate external reserves. Improvements in PFM are needed to maximize growth dividends from envisaged infrastructure projects aimed to unlock intra-regional trade. Restrictive foreign exchange practices should be avoided at all costs in the context of developing domestic agricultural production to support food security. Concessional resources will be critical to shoulder the cost of subsidies for the agriculture sector's development strategy, to ensure that the oil windfalls support fiscal and external buffers buildup.

43. Overall, staff: (i) notes that BEAC missed the policy assurance on the NFA provided in the November 2021 follow-up letter, largely due to lower external financing in 2021, and the deviation was temporary; (ii) supports the updated policy assurance on NFA accumulation (to bring NFA to €2.81 billion and €3.73 billion at end-June 2022 and end-December 2022, respectively). BEAC could not meet the policy assurance on the NFA provided in the December 2021 follow-up letter, despite appropriately tightening the monetary and liquidity stance. The deviation was temporary and took place against the background of external budget support shortfalls (EUR 71.6 million) and significant volatility in net inflows into reserves. Since January 2022, reserves have been building up. Staff supports the proposed updated policy assurances on the NFA targets set at EUR 2.81 billion and EUR 3.73 billion for end-June 2022 and end-December 2022, respectively, which rest on a continued prudent monetary and liquidity stance. Member states also intend to maintain macroeconomic stability, including through appropriate fiscal policy measures, and to implement ambitious structural, transparency, and governance measures to unlock the growth potential of the region, in the context of program engagement with the Fund. Nevertheless, external reserves build-up will hinge on timely disbursements of external financing in member countries. Meeting the proposed policy assurance on NFAs is critical to allow the continuation of (or approval of new) financial support as part of the Fund-supported programs with CEMAC members.

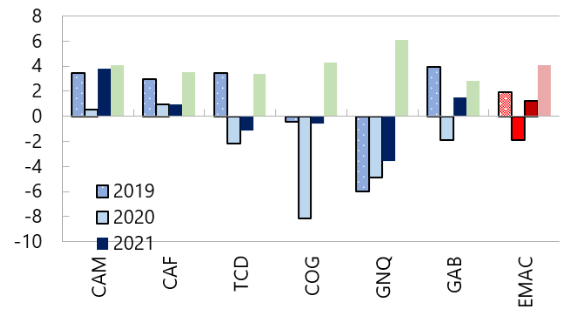
Figure 1. CEMAC: Selected Economic Indicators, 2001–22

Real GDP rebounded to 1.1 percent in 2021 and is forecasted to reach 4.2 percent in 2022, on the back of a recovery in the non-oil sector and a buoyant oil sector amid the surge in oil prices

CEMAC: Nominal GDP, 2022
(National shares)

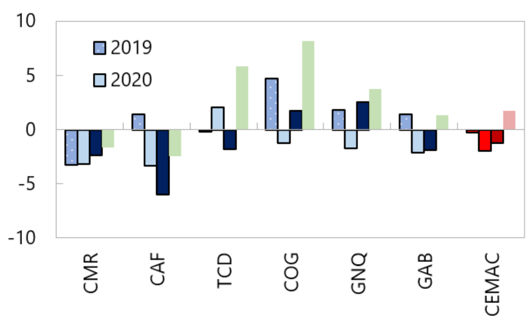


CEMAC: Real GDP Growth, 2019–22
(Percent)

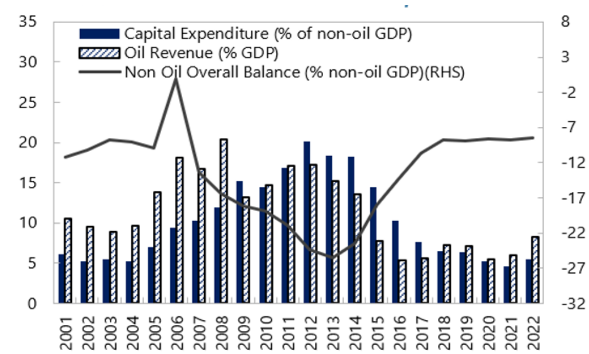


In 2021, the overall fiscal deficit is estimated to have narrowed down to 2 percent of GDP and is projected to turn into a surplus of 1.1percent of GDP in 2022.

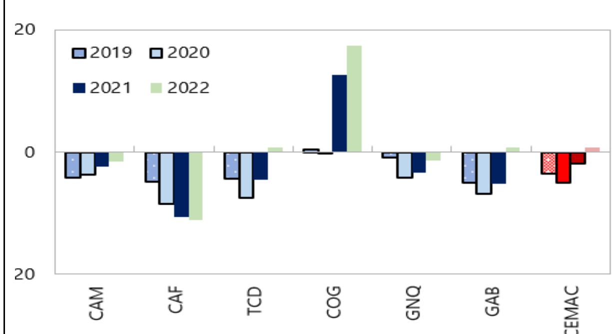
CEMAC: Overall Fiscal Balance incl. Grants, 2019–22 (Percent of GDP)



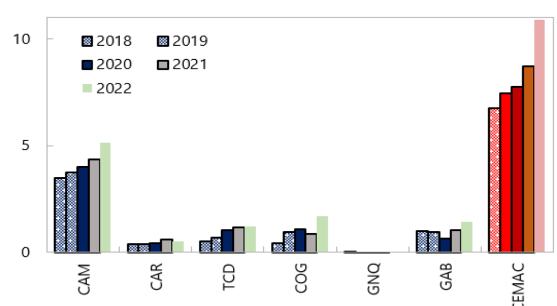
CEMAC: Selected Fiscal Indicators, 2001–21



CEMAC: Current Account, 2019–22
(Percent of GDP)



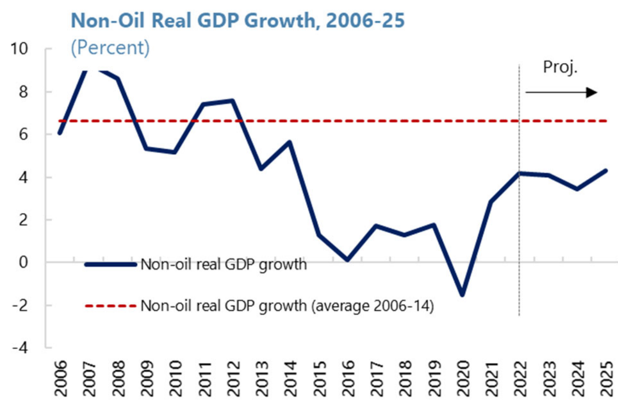
CEMAC: International Reserves, 2018–20
(Billions of USD)

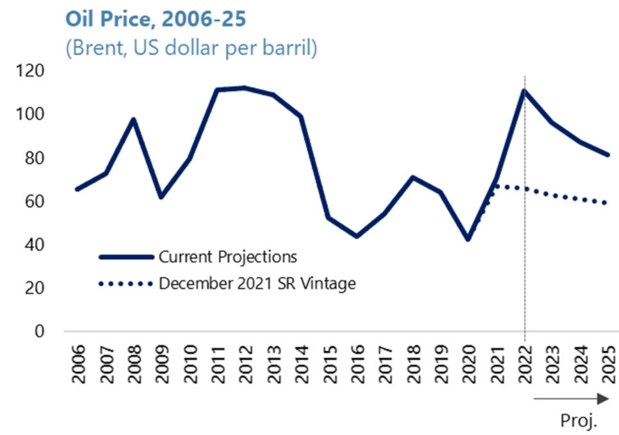


Sources: CEMAC authorities; and IMF staff estimates.

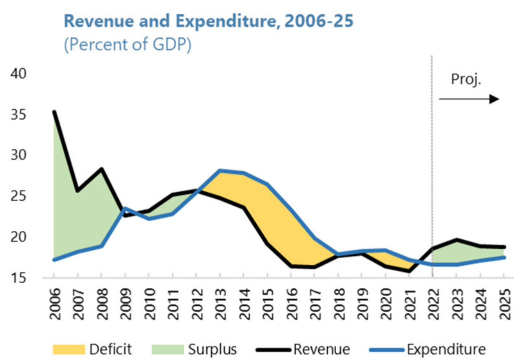
Figure 2. CEMAC: Selected Economic Indicators, 2006–25

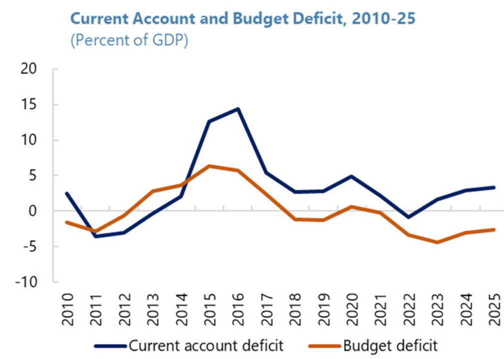
The oil prices forecast was revised upwards to $69.1 and $106.8 for 2021 and 2022, respectively. Non-oil GDP growth recovered in 2021 and is expected to remain vibrant in 2022 with the reopening of economies and stronger activity in the service sector.



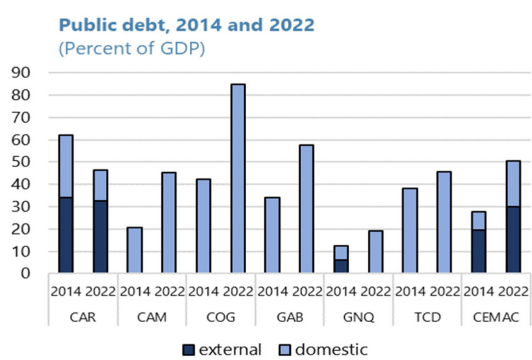


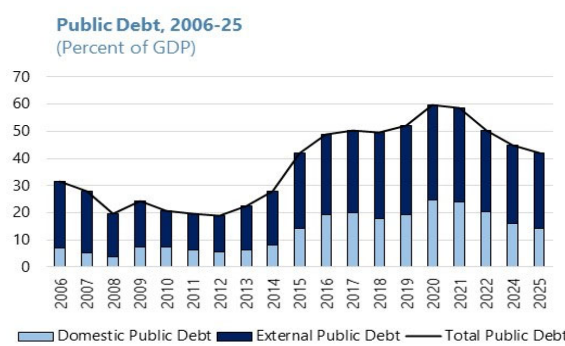
Large twin current account and fiscal deficits in 2020 and 2021 contributed to lower net external reserves. The surge in oil prices, rapid global growth, and appropriate fiscal adjustments in 2022 should allow for the build-up in net external reserves to resume.





Public debt declined to 58.1 percent of GDP in 2021, supported by improved fiscal balances, and should decline further to below 50 percent in 2022.

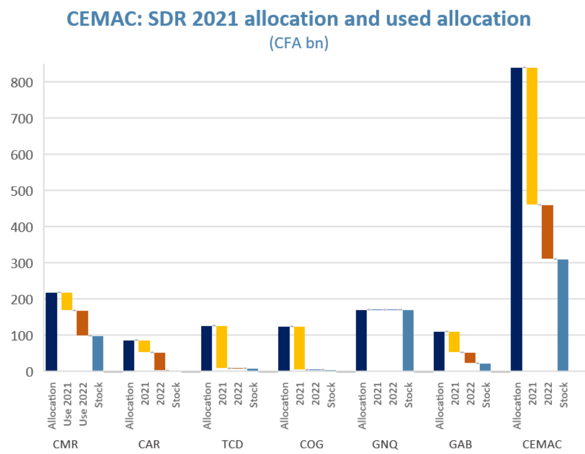




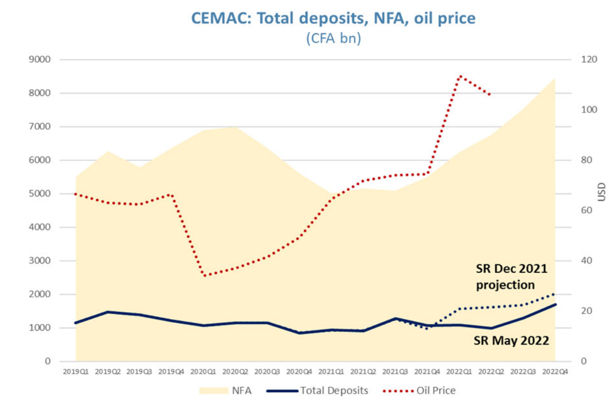
Sources: GAS Live, CEMAC authorities; and IMF staff estimates.

Figure 3. CEMAC: Recent Monetary Developments

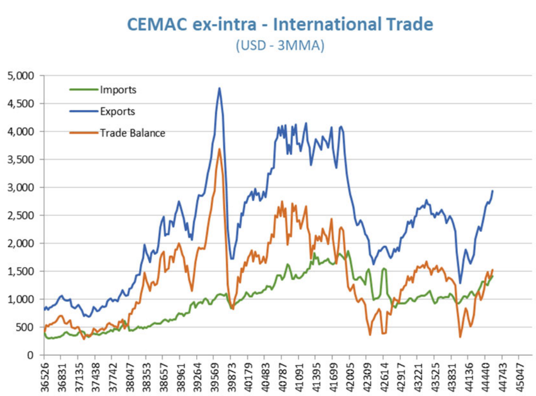
A large part of the SDR allocation has been drawn



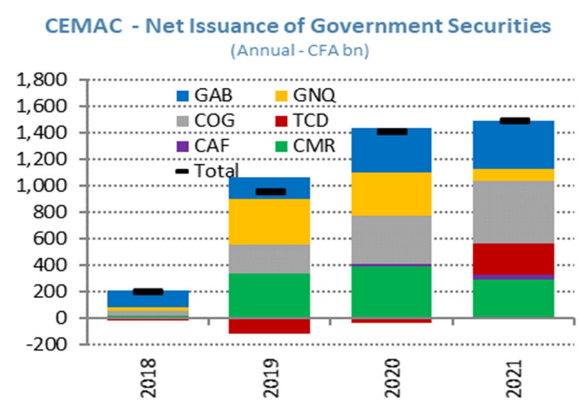
Despite high oil prices, government deposits increased only moderately, in part because of accelerated repayment clauses in some debt contracts



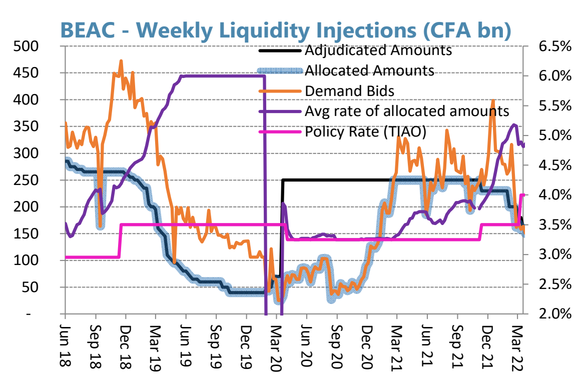
Imports accelerated, financed in part by increasing exports



Domestic financing continued to increase



BEAC tightened liquidity injections related to monetary policy operations…



But liquidity provision to stressed banks increased through 2021, raising BEAC's exposure to the sovereign, but declined in 2022.

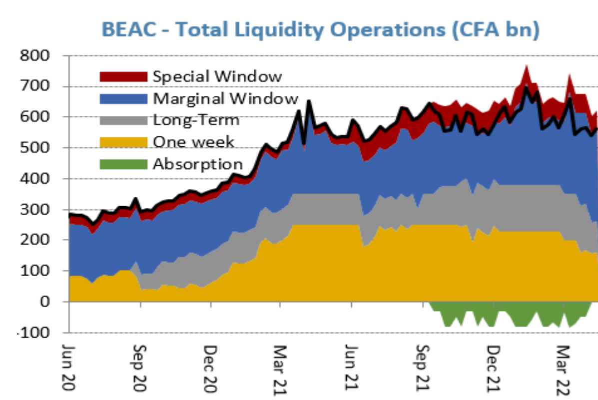


Table 1. CEMAC: Selected Economic and Financial Indicators, 2016–26

	2016	2017	2018	2019	2020	2021	2021	2022	2022	2023	2024	2025	2026
	Est.	Est.	Est.	Est.	Est.	CR 22/013 4/	Proj.	CR 22/013 4/	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual change, in percent)													
National income and prices													
GDP at constant prices[1]	-1.3	0.8	1.2	1.9	-1.9	1.9	1.1	2.8	4.2	3.6	3.1	3.6	3.4
Oil GDP[1]	-8.2	-3.9	0.8	2.8	-4.1	-3.4	-9.7	-0.5	4.2	0.4	0.8	-1.1	-4.2
Non-oil GDP[1]	0.1	1.7	1.3	1.8	-1.5	3.0	2.9	3.5	4.2	4.1	3.5	4.3	4.4
Consumer prices (period average)[2]	1.1	0.8	2.1	1.6	2.7	1.8	1.4	2.3	3.3	2.9	2.5	2.4	2.4
Consumer prices (end of period)[2]	0.3	1.2	3.0	1.7	1.7	2.0	1.9	2.7	3.5	2.4	2.5	2.2	2.5
(Annual change, in percent of beginning-of-period broad money)													
Money and credit													
Net foreign assets	-31.4	-0.9	1.8	1.4	-6.6	-0.9	-5.1	3.3	8.3	...	...	...	...
Net domestic assets	26.7	0.5	6.3	4.5	17.7	14.3	15.4	3.4	6.0	...	...	...	...
Broad money	-4.6	-0.4	8.1	5.9	11.1	13.4	12.6	6.7	12.0	...	...	...	...
(In percent of GDP, unless otherwise indicated)													
Gross national savings	13.9	17.4	17.7	17.3	15.2	22.1	18.9	23.5	22.4	22.5	22.0	22.4	23.0
Gross domestic investment	28.3	23.1	20.7	20.8	19.9	24.2	21.0	25.9	21.0	23.6	24.6	25.8	26.5
Of which: public investment	7.9	5.7	5.6	5.0	4.1	4.6	4.1	4.8	4.2	4.7	4.9	5.3	5.7
Government financial operations													
Total revenue, excluding grants	15.7	15.5	17.0	17.2	15.3	15.3	15.2	16.7	17.6	18.8	18.0	18.1	18.1
Government expenditure	23.3	19.8	17.8	18.2	18.4	17.9	17.2	18.0	16.4	16.5	17.1	17.4	17.9
Primary fiscal basic balance[3]	-3.9	-0.5	2.6	3.0	0.3	1.3	1.4	2.7	4.7	5.9	4.8	4.5	4.1
Overall fiscal balance, excluding grants	-7.7	-4.4	-0.9	-1.0	-3.1	-2.7	-2.0	-1.3	1.1	2.2	1.0	0.7	0.3
Primary fiscal balance, including grants	-5.7	-2.3	1.1	1.2	-0.6	-0.4	0.0	1.3	3.3	4.3	3.0	2.6	2.1
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-15.1	-11.8	-9.9	-10.0	-9.9	-9.9	-9.7	-8.8	-9.4	-7.6	-7.4	-6.5	-6.0
Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-12.8	-9.4	-7.5	-7.2	-7.0	-7.2	-7.2	-5.8	-6.5	-5.1	-4.9	-4.2	-3.9
Total Public Debt	49.0	50.2	49.5	52.3	60.0	56.2	58.1	54.1	49.7	46.4	44.1	41.3	38.7
External sector													
Exports of goods and nonfactor services	28.0	31.7	36.0	35.1	27.1	33.4	32.7	32.9	41.3	36.9	33.8	31.5	29.5
Imports of goods and nonfactor services	37.0	32.8	33.4	33.0	28.4	30.3	28.6	31.4	32.2	31.5	30.8	29.9	28.6
Balance on goods and nonfactor services	-9.0	-1.1	2.6	2.1	-1.3	3.0	4.1	1.5	9.1	5.4	3.1	1.6	0.9
Current account, including grants	-14.4	-5.4	-3.2	-3.5	-5.1	-2.1	-2.3	-2.6	0.7	-1.8	-2.9	-3.3	-3.4
External public debt	28.2	31.6	30.6	32.9	37.5	32.3	32.8	31.5	29.8	29.2	28.3	27.1	26.1
Gross official reserves (end of period)													
Millions of U.S. dollars	4,972	5,807	6,555	7,390	7,779	8,971	8,060	11,074	10,496	12,848	14,518	15,771	16,628
Months of imports of goods and services (less intra regional imports)	2.2	2.2	2.6	3.6	3.2	3.3	2.7	3.9	3.5	4.2	4.6	5.0	5.0
Percent of broad money	29.3	30.6	33.2	36.3	31.4	32.6	31.1	37.2	36.7	41.1	43.9	45.0	44.5
Memorandum items:													
Nominal GDP (billions of CFA francs)	48,161	50,226	53,821	55,089	51,546	56,659	58,206	58,979	68,186	69,368	70,996	73,956	77,330
CFA francs per U.S. dollar, average	593	581	555	586	575	549	554	...	...	...	...	...	...
CFA francs per U.S. dollar, end-of-year	622	554	576	590	539	551	580	...	...	...	...	...	...
Oil production (thousands of barrels per day)	873.8	827.5	872.5	905.7	870.2	838.2	786.8	843.1	824.7	832.5	847.2	837.2	802.3
Oil prices (U.S. dollars per barrel, brent)	44.0	54.4	68.3	61.4	41.3	66.9	69.1	65.9	106.8	92.6	84.2	78.5	74.7

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

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

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

3/ Excluding grants and foreign-financed investment and interest payments.

4/ Refers to the projection published in the IMF Country Report No 22/013

Table 2. CEMAC: National Accounts, 2016–26

	2016	2017	2018	2019	2020	2021	2021	2022	2022	2023	2024	2025	2026
	Est.	Est.	Est.	Est.	Est.	CR 22/013 1/	Proj.	CR 22/013 1/	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual change, in percent)												
Real GDP													
Cameroon	4.5	3.5	4.0	3.5	0.5	3.5	3.5	0.0	4.3	4.9	5.0	5.1	5.1
Central African Republic	4.7	4.5	3.8	3.0	1.0	1.0	1.0	4.0	3.5	3.7	4.0	4.0	4.0
Chad	-5.6	-2.4	2.4	3.4	-2.2	0.6	-1.1	2.2	3.3	3.4	3.4	3.5	3.6
Congo, Republic of	-10.7	-4.4	-4.8	-0.4	-8.1	-0.2	-0.6	2.4	4.3	4.6	7.1	1.7	0.6
Equatorial Guinea	-8.8	-5.7	-6.2	-6.0	-4.9	1.2	-3.5	-3.7	6.1	-2.9	-12.0	-2.5	-4.5
Gabon	2.1	0.5	0.8	3.9	-1.9	1.5	1.5	3.0	2.8	3.7	3.7	3.8	3.8
CEMAC	-1.3	0.8	1.2	1.9	-1.9	1.9	1.1	2.8	4.2	3.6	3.1	3.6	3.4
Nominal GDP													
Cameroon	5.2	4.6	5.9	4.7	1.0	6.8	6.3	6.5	7.8	6.8	6.3	7.0	7.1
Central African Republic	7.9	11.3	5.2	5.5	2.8	4.0	4.3	6.7	7.5	7.4	6.8	6.6	6.6
Chad	-6.6	-3.2	4.7	5.1	-4.3	6.9	6.0	3.5	16.5	3.0	3.8	4.6	5.2
Congo, Republic of	-14.3	7.2	17.4	-1.1	-20.8	17.3	18.0	3.3	24.5	0.4	4.9	1.0	1.5
Equatorial Guinea	-14.5	6.4	2.7	-8.0	-13.8	26.7	22.1	-3.5	34.9	-9.7	-14.0	-1.8	-2.2
Gabon	-2.3	4.3	8.1	5.5	-10.8	14.0	27.3	4.3	23.9	-0.7	1.3	2.6	3.5
CEMAC	-3.4	4.3	7.2	2.4	-6.4	11.4	12.9	4.1	17.1	1.7	2.3	4.2	4.6
Real non-oil GDP													
Cameroon	4.8	4.3	4.2	3.3	0.5	3.7	3.6	4.7	4.4	5.1	5.2	5.2	5.2
Central African Republic	4.7	4.5	3.8	3.0	1.0	1.0	1.0	4.0	3.5	3.7	4.0	4.0	4.0
Chad	-6.0	-0.5	0.3	2.0	-1.8	0.2	0.2	2.1	2.9	3.0	3.7	3.9	4.0
Congo, Republic of	-11.3	-8.6	-9.4	-1.7	-8.0	0.9	3.6	3.3	3.3	3.9	4.0	4.5	5.0
Equatorial Guinea	-4.7	0.8	-2.7	-6.0	-7.0	6.4	2.8	0.3	8.6	0.0	-9.4	-2.3	-1.8
Gabon	3.3	2.5	1.5	3.3	-1.8	2.7	2.8	2.5	2.4	4.5	4.5	4.5	4.5
CEMAC	0.1	1.7	1.3	1.8	-1.5	3.0	2.9	3.5	4.2	4.1	3.5	4.3	4.4
Consumer price inflation (period average)													
Cameroon	0.9	0.6	1.1	2.5	2.5	2.3	2.3	2.1	2.9	2.4	2.0	2.0	2.0
Central African Republic	4.9	4.2	1.6	2.8	0.9	4.3	4.3	2.6	4.0	3.6	2.8	2.5	2.5
Chad	-1.6	-0.9	4.0	-1.0	4.5	1.1	-0.8	2.8	4.1	3.1	3.0	3.0	3.0
Congo, Republic of	3.2	0.4	1.2	0.4	1.4	2.0	2.0	2.8	3.5	3.2	3.0	3.0	3.0
Equatorial Guinea	1.4	0.7	1.3	1.2	4.8	-0.1	-0.1	3.1	4.0	3.9	3.4	3.2	3.1
Gabon	2.1	2.7	4.8	2.0	1.3	2.0	1.1	2.0	3.5	3.2	2.5	2.2	2.2
CEMAC	1.1	0.8	2.1	1.6	2.7	1.8	1.4	2.3	3.3	2.9	2.5	2.4	2.4
End of period inflation													
Cameroon	0.3	0.8	2.0	2.4	2.1	2.1	2.1	2.0	2.7	2.0	2.0	2.0	2.0
Central African Republic	-4.5	7.2	4.6	-2.0	1.8	3.5	2.7	3.1	5.4	2.4	2.5	2.5	2.5
Chad	-5.0	3.1	4.4	-1.7	3.0	-0.3	1.0	5.9	3.8	3.1	3.0	3.0	3.0
Congo, Republic of	0.0	1.8	0.9	1.4	0.6	2.7	1.5	3.0	3.5	3.2	3.0	3.0	3.0
Equatorial Guinea	2.0	-0.2	2.6	4.1	-0.5	3.2	2.9	3.0	4.9	3.0	3.7	2.8	3.4
Gabon	4.1	1.1	6.3	1.0	1.6	2.0	1.7	2.0	4.6	2.0	2.9	1.6	2.7
CEMAC	0.3	1.2	3.0	1.7	1.7	2.0	1.9	2.7	3.5	2.4	2.5	2.2	2.5
Gross national savings													
Cameroon	16.5	16.3	15.7	14.4	13.5	25.1	16.1	27.3	18.8	19.9	20.9	22.4	23.9
Central African Republic	8.2	5.7	8.4	9.7	10.4	5.7	5.1	13.5	5.3	8.0	9.8	11.4	12.2
Chad	6.1	13.6	17.6	18.9	15.9	16.2	17.8	17.5	23.0	24.8	24.2	22.3	21.3
Congo, Republic of	25.3	31.2	24.9	22.6	22.5	33.8	33.6	29.4	41.1	33.7	30.6	27.3	27.0
Equatorial Guinea	-9.3	6.2	10.4	6.8	1.1	5.6	5.1	5.5	8.1	8.1	4.8	6.3	5.6
Gabon	24.4	23.1	23.3	27.1	24.0	25.3	27.0	27.6	28.9	30.0	28.2	29.0	29.1
CEMAC	13.9	17.4	17.7	17.3	15.2	22.1	18.9	23.5	22.4	22.5	22.0	22.4	23.0
Gross domestic investment													
Cameroon	19.8	19.4	19.5	18.9	17.7	28.0	19.3	29.8	20.4	22.8	24.4	26.1	27.5
Central African Republic	13.6	13.5	16.4	14.7	18.9	16.2	15.7	17.5	16.3	16.5	17.4	18.0	18.4
Chad	16.5	20.7	18.9	23.2	23.5	22.6	22.3	23.3	22.2	27.2	28.8	28.4	27.7
Congo, Republic of	74.0	37.2	25.0	22.2	22.6	21.5	21.0	23.7	23.9	25.7	25.9	27.0	27.4
Equatorial Guinea	16.7	14.0	12.5	7.7	5.3	9.1	8.5	10.9	9.5	10.0	10.0	11.1	11.2
Gabon	35.5	31.8	28.2	32.1	30.9	30.3	32.2	30.9	28.0	31.1	30.1	31.2	31.2
CEMAC	28.3	23.1	20.7	20.8	19.9	24.2	21.0	25.9	21.0	23.6	24.6	25.8	26.5

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

1 Refers to the projection published in the IMF Country Report No 22/013

Table 3a. CEMAC: Balance of Payments, 2016–26

(Billions of CFA francs)

	2016	2017	2018	2019	2020	2021'	2021	2022'	2022	2023	2024	2025	2026
	Est.	Est.	Est.	Est.	Est.	CR 22/013 3/	Proj.	CR 22/013 3/	Proj.	Proj.	Proj.	Proj.	Proj.
Balance on current account	-6,950	-2,704	-1,703	-1,951	-2,618	-1,201	-1,323	-1,512	474	-1,273	-2,066	-2,435	-2,619
Balance on goods and services	-4,317	-555	1,381	1,144	-651	1,711	2,372	898	6,230	3,751	2,174	1,185	693
Total exports	13,484	15,938	19,377	19,321	13,986	18,867	19,034	28,739	28,168	25,590	24,010	23,272	22,820
Exports of goods	11,576	13,723	17,088	16,903	11,974	16,561	16,750	26,079	25,542	22,879	21,178	20,238	19,571
Oil exports	7,841	9,351	12,640	12,400	7,799	11,734	11,826	20,118	19,586	16,796	14,834	13,446	12,234
Non-oil exports	3,736	4,372	4,448	4,502	4,175	5,082	4,925	5,520	5,956	6,083	6,344	6,792	7,337
Exports of services	1,908	2,215	2,289	2,419	2,012	2,220	2,283	2,679	2,627	2,711	2,832	3,034	3,248
Total imports	17,801	16,493	17,996	18,178	14,636	16,795	16,662	21,917	21,938	21,839	21,836	22,087	22,126
Imports of goods	11,618	9,874	10,702	10,724	8,859	10,040	9,861	13,206	13,176	13,063	13,170	13,338	13,551
Imports of services	6,184	6,619	7,294	7,453	5,777	6,616	6,801	7,140	8,762	8,777	8,666	8,749	8,576
Income, net	-2,648	-2,234	-3,123	-3,223	-2,347	-3,903	-4,118	-5,535	-5,807	-5,007	-4,489	-4,234	-4,009
Income credits	206	243	258	284	271	271	265	304	299	310	322	332	346
Income debits	2,854	2,477	3,381	3,507	2,618	4,174	4,383	5,839	6,106	5,317	4,811	4,566	4,356
Investment income, debit	-2,180	-1,779	-2,625	-2,671	-1,810	-3,296	-3,520	-4,847	-5,131	-4,435	-4,026	-3,788	-3,576
Of which: Interest paid on public debt	-354	-279	-312	-441	-219	-307	-307	-288	-305	-261	-267	-246	-226
Of which: Interest paid on nonpublic debt	-98	-171	-21	-12	-283	-104	-132	-6	-63	-61	-86	-115	-115
Current transfers, net	11	47	3	78	520	596	562	763	761	702	661	725	822
Private current transfers, net	-101	-62	-82	-35	273	371	357	516	477	468	432	478	567
Official current transfers, net	112	109	85	113	247	234	205	282	284	233	228	247	255
Balance on capital and financial accounts	3,377	2,294	1,777	2,216	836	1,450	1,069	1,342	138	1,815	2,665	3,250	3,296
Balance on capital account (incl. capital transfers)	172	357	205	190	253	253	154	272	272	283	334	358	377
Balance on financial account (incl. reserves)	3,206	1,937	1,572	2,026	583	1,195	914	1,081	-134	1,532	2,331	2,892	2,919
Direct investment, net 1/	3,849	1,864	1,713	2,228	1,805	1,916	2,000	1,977	2,235	2,546.5	2,843.2	2,874.0	2,937.9
Portfolio investment, net	25	30	160	258	334	84	84	14	0	-22	-9	-9	-10
Other investment, net	-669	43	-301	-460	-1,556	-818	-1,170	-907	-2,369	-993	-503	27	-9
of which: Long-term other investment, net	789	1,237	338	406	-109	507	138	-246	-714	-288	-171	-110	117
of which: SDR						-797	-797						
Errors and omissions, net	86	-123	0	0	-201	4	4	0	0	0	0	0	0
Overall Balance	-3,487	-533	73	265	-1,983	253	-251	-169	612	542	598	816	677
Financing	3,195	758	-73	-265	1,983	-253	251	169	-612	-542	-598	-816	-677
Reserve assets (accumulation -) 2/	3,108	-231	-474	-459	243	-918	-435	-795	-1,681	-1,301	-900	-665	-452
of which: SDRs						-797	-797						
Exceptional financing	87	988	400	194	1,740	665	686	964	1,069	759	302	-151	-225
IMF financing	21	322	282	251	576	276	250	...	529	178	175	...	...
Budget support (excl. IMF)	0	798	684	665	451	174	127	...	454	289	162	...	...
Other external financing	66	35	86	-136	991	562	589	...	-37	...	...	...	...
Commercial	0	0	0	-79	595	495	456	...	0	...	...	...	...
Other exceptional financing	66	35	86	-57	396	67	133	...	-37	...	...	...	...
Residual gap	0	-167	-651	-587	-278	-347	-280	964	124	293	-36	-151	-225
Memorandum items:													
Nominal GDP	48,161	50,226	53,821	55,089	51,546	57,755	58,206	67,948	68,186	69,368	70,996	73,956	77,330
Gross foreign assets (end of period)													
Billions CFAF	3,093	3,218	3,777	4,362	4,193	4,941	4,677	5,974	6,150	7,405	8,273	8,915	9,352
Months of imports of goods and services	2.2	2.2	2.6	3.6	3.2	3.3	2.7	3.9	3.5	4.2	4.6	5.0	5.0
Oil prices (U.S. dollars per barrel, brent)	44.0	54.4	68.3	61.4	41.3	66.9	69.1	65.9	106.8	92.6	84.2	78.5	74.7

Sources: BEAC; and IMF staff estimates and projections.

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

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

3/ Refers to the projection published in the IMF Country Report No 22/013

Table 3b. CEMAC: Balance of Payments, 2016–26
(Percent of GDP)

	2016	2017	2018	2019	2020	2021	2021	2022'	2022	2023	2024	2025	2026
	Est.	Est.	Est.	Est.	Est.	CR 22/013 3/	Proj.	CR 22/013 3/	Proj.	Proj.	Proj.	Proj.	Proj.
Balance on current account	-14.4	-5.4	-3.2	-3.5	-5.1	-2.1	-2.3	-2.6	0.7	-1.8	-2.9	-3.3	-3.4
Balance on goods and services	-9.0	-1.1	2.6	2.1	-1.3	3.0	4.1	1.5	9.1	5.4	3.1	1.6	0.9
Total exports	28.0	31.7	36.0	35.1	27.1	33.4	32.7	32.9	41.3	36.9	33.8	31.5	29.5
Exports of goods	24.0	27.3	31.7	30.7	23.2	29.4	28.8	28.4	37.5	33.0	29.8	27.4	25.3
Oil exports	16.3	18.6	23.5	22.5	15.1	20.5	20.3	19.0	28.7	24.2	20.9	18.2	15.8
Non-oil exports	7.8	8.7	8.3	8.2	8.1	9.0	8.5	9.4	8.7	8.8	8.9	9.2	9.5
Exports of services	4.0	4.4	4.3	4.4	3.9	3.9	3.9	4.5	3.9	3.9	4.0	4.1	4.2
Total imports	37.0	32.8	33.4	33.0	28.4	30.3	28.6	31.4	32.2	31.5	30.8	29.9	28.6
Imports of goods	24.1	19.7	19.9	19.5	17.2	18.7	16.9	19.3	19.3	18.8	18.6	18.0	17.5
Imports of services	12.8	13.2	13.6	13.5	11.2	11.7	11.7	12.1	12.9	12.7	12.2	11.8	11.1
Income, net	-5.5	-4.4	-5.8	-5.8	-4.6	-6.2	-7.1	-5.4	-8.5	-7.2	-6.3	-5.7	-5.2
Income credits	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.5	0.4	0.4
Income debits	5.9	4.9	6.3	6.4	5.1	6.7	7.5	5.9	9.0	7.7	6.8	6.2	5.6
Of which:													
Investment income, debit	-4.5	-3.5	-4.9	-4.8	-3.5	-5.1	-6.0	-4.6	-7.5	-6.4	-5.7	-5.1	-4.6
Of which: Interest paid on public debt	-0.7	-0.6	-0.6	-0.8	-0.4	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.3
Of which: Interest paid on nonpublic debt	-0.2	-0.3	0.0	0.0	-0.5	-0.2	-0.2	-0.4	-0.1	-0.1	-0.1	-0.2	-0.1
Current transfers, net	0.0	0.1	0.0	0.1	1.0	1.1	1.0	1.4	1.1	1.0	0.9	1.0	1.1
Private current transfers, net	-0.2	-0.1	-0.2	-0.1	0.5	0.7	0.6	0.9	0.7	0.7	0.6	0.6	0.7
Official current transfers, net	0.2	0.2	0.2	0.2	0.5	0.4	0.4	0.5	0.4	0.3	0.3	0.3	0.3
Balance on capital and financial accounts	7.0	4.6	3.3	4.0	1.6	2.6	1.8	2.3	0.2	2.6	3.8	4.4	4.3
Balance on capital account (incl. capital transfers)	0.4	0.7	0.4	0.3	0.5	0.4	0.3	0.4	0.4	0.4	0.5	0.5	0.5
Balance on financial account	6.7	3.9	2.9	3.7	1.1	2.1	1.6	1.8	-0.2	2.2	3.3	3.9	3.8
Direct investment, net[1]	8.0	3.7	3.2	4.0	3.5	3.4	3.4	3.4	3.3	3.7	4.0	3.9	3.8
Portfolio investment, net	0.1	0.1	0.3	0.5	0.6	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net	-1.4	0.1	-0.6	-0.8	-3.0	-1.4	-2.0	-1.5	-3.5	-1.4	-0.7	0.0	0.0
Of which: long-term other investment, net	1.6	2.5	0.6	0.7	-0.2	0.9	0.2	-0.4	-1.0	-0.4	-0.2	-0.1	0.2
Errors and omissions, net	0.2	-0.2	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-7.2	-1.1	0.1	0.5	-3.8	0.4	-0.4	-0.3	0.9	0.8	0.8	1.1	0.9
Financing	6.6	1.5	-0.1	-0.5	3.8	-0.4	0.4	0.3	-0.9	-0.8	-0.8	-1.1	-0.9
Reserve assets (accumulation -)[2]	6.5	-0.5	-0.9	-0.8	0.5	-1.6	-0.7	-1.3	-2.5	-1.9	-1.3	-0.9	-0.6
Exceptional financing	0.2	2.0	0.7	0.4	3.4	1.2	1.2	1.6	1.6	1.1	0.4	-0.2	-0.3
IMF financing	0.0	0.6	0.5	0.5	1.1	0.5	0.4	...	529	178	175	...	...
Budget support (excl. IMF)	0.0	1.6	1.3	1.2	0.9	0.3	0.2	...	454	289	162	...	...
Other external financing	0.1	0.1	0.2	-0.2	1.9	1.0	1.0	...	-37	...	...	...	...
Residual gap	0.0	-0.3	-1.2	-1.1	-0.5	-0.6	-0.5	1.6	0.2	0.4	-0.1	-0.2	-0.3
Memorandum items:													
Nominal GDP (billions of CFAF)	48,161	50,226	53,821	55,089	51,546	56,659	58,206	58,979	68,186	69,368	70,996	73,956	77,330

Sources: BEAC; and IMF staff estimates and projections.

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

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

3/ Refers to the projection published in the IMF Country Report No 22/013

Table 4a. CEMAC: Fiscal Indicators, 2016–26

(Percent of GDP)

	2016	2017	2018	2019	2020	2021'	2021	2022'	2022	2023	2024	2025	2026
						CR 22/013		CR 22/013					
	Est.	Est.	Est.	Est.	Est.	2/	Proj.	2/	Proj.	Proj.	Proj.	Proj.	Proj.
Overall fiscal balance (excluding grants)													
Cameroon	-6.2	-5.0	-2.8	-3.8	-3.3	-3.5	-3.4	-2.3	-1.7	0.4	-0.7	-0.1	-0.6
Central African Republic	-4.7	-6.1	-8.7	-8.2	-16.0	-11.3	-10.9	-11.3	-10.4	-8.9	-8.3	-7.9	-7.4
Chad	-4.8	-4.3	-1.3	-1.8	-2.2	-5.1	-2.9	-1.9	3.3	5.0	1.3	1.0	2.1
Congo, Republic of	-16.1	-6.4	5.6	3.9	-2.9	1.2	1.3	2.0	7.7	4.4	4.5	1.8	0.5
Equatorial Guinea	-10.9	-2.6	0.5	1.8	-1.7	0.8	2.5	1.1	3.7	4.4	2.8	1.7	0.9
Gabon	-5.0	-2.6	-1.3	1.4	-2.2	-3.0	-2.0	-0.7	0.9	3.0	2.5	2.0	1.8
CEMAC	-7.7	-4.4	-0.9	-1.0	-3.1	-2.7	-2.0	-1.3	1.1	2.2	1.0	0.7	0.3
Overall fiscal balance (including grants)													
Cameroon	-5.9	-4.7	-2.4	-3.2	-3.2	-3.2	-3.2	-1.7	-1.2	0.7	-0.4	0.0	-0.5
Central African Republic	1.1	-1.1	-1.0	1.4	-3.4	-6.4	-6.0	-0.4	-2.5	-2.0	-1.8	-1.6	-1.4
Chad	-1.9	-0.2	1.9	-0.2	2.1	-2.4	-1.8	1.0	5.8	7.7	4.1	3.7	4.8
Congo, Republic of	-15.4	-5.9	5.7	4.7	-1.2	1.7	1.7	2.6	8.2	5.1	5.0	2.4	1.1
Equatorial Guinea	-10.9	-2.6	0.5	1.8	-1.7	0.9	2.5	1.1	3.7	4.4	2.8	1.7	0.9
Gabon	-5.0	-2.6	-1.3	1.4	-2.1	-2.5	-1.9	-0.2	1.3	3.0	2.5	2.0	1.8
CEMAC	-7.0	-3.6	-0.2	-0.2	-2.0	-1.9	-1.6	-0.2	1.9	2.9	1.7	1.3	0.9
Reference fiscal balance 1													
Cameroon	-5.0	-4.2	-2.8	-4.1	-3.2	-3.4	-3.3	-2.2	-2.6	-0.8	-1.2	0.1	-0.4
Central African Republic	1.1	-1.1	-1.0	1.4	-3.4	-6.4	-6.0	-0.4	-2.5	-2.0	-1.8	-1.6	-2.4
Chad	1.8	0.5	-0.8	-2.1	-3.3	-2.8	-4.4	-1.2	-1.2	1.2	3.2	4.8	4.7
Congo, Republic of	-8.9	-3.3	-2.8	-2.4	-0.2	-0.5	-1.1	-1.0	1.2	-0.1	1.9	1.4	0.8
Equatorial Guinea	-6.2	-1.5	-2.6	-1.5	-0.4	1.1	1.7	-0.7	0.2	0.7	1.8	2.3	1.9
Gabon	0.1	-2.1	-2.5	-1.4	-3.5	-2.4	-1.7	-1.6	-0.5	0.7	1.3	1.9	1.9
CEMAC	-2.6	-2.2	-2.4	-2.6	-2.2	-2.2	-2.2		-1.4	-0.1	0.9	1.1	0.7
Primary fiscal balance (including grants)													
Cameroon	-5.2	-3.9	-1.5	-2.2	-2.3	-2.0	-2.0	-0.8	-0.3	1.5	0.3	0.8	0.2
Central African Republic	1.6	-0.7	-0.6	1.8	-3.1	-6.1	-5.7	0.1	-1.9	-1.6	-1.3	-1.1	-1.0
Chad	0.1	1.3	3.0	0.8	3.0	-1.5	-0.6	1.7	6.7	8.5	5.1	4.5	5.4
Congo, Republic of	-13.4	-4.2	7.6	7.9	0.1	3.6	3.9	5.0	10.2	7.7	7.5	4.9	3.7
Equatorial Guinea	-10.5	-2.2	1.2	2.7	-0.4	2.0	3.6	2.7	4.9	5.6	4.0	2.9	2.0
Gabon	-2.7	-0.1	1.1	3.6	1.2	0.4	0.9	2.8	3.7	5.4	4.8	4.3	4.1
CEMAC	-5.7	-2.3	1.1	1.2	-0.6	-0.4	0.0	1.3	3.3	4.3	3.0	2.6	2.1
Government revenue (excluding grants)													
Cameroon	14.0	14.2	15.2	14.8	13.2	14.0	13.6	14.9	15.6	17.2	16.6	17.3	17.6
Central African Republic	7.4	7.8	8.9	8.7	9.2	8.6	8.8	9.2	8.6	9.3	10.3	10.9	11.4
Chad	9.5	10.6	12.0	12.5	16.9	13.2	15.5	15.5	20.1	22.1	18.5	17.8	18.4
Congo, Republic of	25.4	21.9	24.8	26.0	20.6	23.1	23.4	25.2	27.3	26.7	26.6	25.7	25.0
Equatorial Guinea	16.9	17.5	19.9	18.5	14.2	13.9	14.8	15.5	16.2	16.6	15.5	14.5	13.7
Gabon	17.1	16.4	16.9	19.5	17.6	16.5	14.6	18.2	15.8	17.6	17.6	17.8	17.9
CEMAC	15.7	15.5	17.0	17.2	15.3	15.3	15.2	16.7	17.6	18.8	18.0	18.1	18.1
Government expenditure (including net lending minus repayments)													
Cameroon	20.2	19.2	18.0	18.7	16.6	17.4	17.0	17.2	17.3	16.8	17.4	17.4	18.2
Central African Republic	12.1	13.9	17.6	16.9	25.1	19.9	19.7	20.5	19.0	18.2	18.6	18.8	18.7
Chad	14.4	14.9	13.3	14.3	19.1	18.3	18.4	17.4	16.7	17.1	17.2	16.8	16.3
Congo, Republic of	41.5	28.3	19.3	22.0	23.5	21.9	22.2	23.1	19.6	22.3	22.1	23.8	24.5
Equatorial Guinea	27.8	20.1	19.4	16.7	16.0	13.0	12.3	14.4	12.5	12.2	12.7	12.7	12.7
Gabon	22.1	19.0	18.2	18.2	19.8	19.5	16.6	18.9	14.9	14.5	15.1	15.8	16.1
CEMAC	23.3	19.8	17.8	18.2	18.4	17.9	17.2	18.0	16.4	16.5	17.1	17.4	17.9
Total public debt													
Cameroon	32.1	36.5	38.3	41.6	44.9	46.8	47.1	45.1	45.2	41.0	38.5	35.4	33.0
Central African Republic	53.9	50.3	50.0	47.2	43.4	49.2	47.6	45.5	46.3	44.7	43.3	42.1	40.8
Chad	50.0	48.7	48.4	52.3	53.8	48.4	57.1	49.9	45.7	39.2	35.0	31.7	27.6
Congo, Republic of	91.0	94.2	77.1	84.8	114.0	93.6	105.1	90.3	85.0	80.1	73.0	71.6	70.5
Equatorial Guinea	41.1	36.2	41.2	43.0	48.8	38.0	41.3	36.9	28.0	27.6	30.1	28.0	26.0
Gabon	64.2	62.9	60.9	59.8	78.3	72.1	65.8	67.2	53.6	52.4	50.0	47.3	44.3
CEMAC	49.0	50.2	49.5	52.3	60.0	56.2	58.1	54.1	49.7	46.4	44.1	41.3	38.7

Sources: Authorities' data; and IMF staff estimates and projections.
1 From 2017 onward, the reference fiscal balance (i.e. the overall budget balance minus 20 percent of oil revenue and minus 80 percent of the oil revenue in excess of the average observed during the 3 previous years)
2/ Refers to the projection published in the IMF Country Report No 22/013

Table 4b. CEMAC: Fiscal Indicators, 2016–26

(Percent of Non-oil GDP)

	2016	2017	2018	2019	2020	2021'	2021	2022	2022	2023	2024	2025	2026
						CR 22/013		CR					
	Est.	Est.	Est.	Est.	Est.	2/	Proj.	22/013 2/	Proj.	Proj.	Proj.	Proj.	Proj.
Non-oil fiscal balance (excluding grants)													
Cameroon	-8.5	-7.1	-5.2	-6.6	-5.3	-5.7	-5.5	-4.6	-5.0	-3.1	-3.8	-2.7	-2.9
Central African Republic	-4.7	-6.1	-8.7	-8.2	-16.0	-11.3	-10.9	-11.3	-10.4	-8.9	-8.3	-7.9	-7.4
Chad	-9.6	-9.3	-8.4	-8.7	-13.2	-13.3	-13.4	-11.4	-13.0	-12.4	-11.5	-10.0	-8.5
Congo, Republic of	-31.8	-21.8	-19.2	-22.5	-19.4	-20.9	-21.4	-20.0	-19.8	-21.7	-20.3	-20.6	-18.9
Equatorial Guinea	-31.9	-21.9	-21.1	-16.9	-15.2	-12.6	-11.8	-12.6	-13.1	-11.3	-10.3	-9.4	-8.3
Gabon	-14.3	-13.3	-11.1	-9.2	-11.9	-11.7	-11.7	-10.2	-11.2	-7.5	-6.3	-5.7	-5.0
CEMAC	-15.1	-11.8	-9.9	-10.0	-9.9	-9.9	-9.7	-8.8	-9.4	-7.6	-7.4	-6.5	-6.0
Non-oil fiscal balance (including grants)													
Cameroon	-8.2	-6.8	-4.8	-6.0	-5.1	-5.4	-5.2	-4.0	-4.4	-2.7	-3.5	-2.5	-2.8
Central African Republic	1.1	-1.1	-1.0	1.4	-3.4	-6.4	-6.0	-0.4	-2.5	-2.0	-1.8	-1.6	-1.4
Chad	-6.0	-4.5	-4.4	-6.6	-8.3	-9.9	-12.0	-7.9	-9.6	-8.8	-7.9	-6.5	-5.2
Congo, Republic of	-31.3	-21.2	-19.1	-21.3	-17.1	-20.2	-20.7	-19.2	-19.0	-20.5	-19.5	-19.6	-17.9
Equatorial Guinea	-31.9	-21.9	-21.1	-16.9	-15.2	-12.5	-11.8	-12.6	-13.1	-11.3	-10.3	-9.4	-8.3
Gabon	-13.8	-12.0	-9.5	-8.1	-11.9	-11.0	-11.5	-9.5	-10.5	-7.5	-6.3	-5.7	-5.0
CEMAC	-14.3	-10.7	-8.8	-8.9	-8.6	-9.0	-9.1	-7.6	-8.3	-6.8	-6.6	-5.7	-5.3
Basic balance1													
Cameroon	-3.8	-1.4	0.6	0.2	-1.2	-0.5	-0.5	0.8	1.2	3.5	2.4	3.0	2.5
Central African Republic	-2.0	-2.4	-2.1	-3.9	-6.9	-5.8	-5.4	-6.1	-4.6	-3.9	-3.2	-2.8	-2.6
Chad	-3.4	-1.5	1.2	0.3	1.4	-1.7	-1.7	2.4	9.1	11.5	6.6	6.1	7.4
Congo, Republic of	-12.8	-3.3	10.5	10.5	-1.8	4.6	4.0	6.8	17.9	12.0	11.7	7.3	4.6
Equatorial Guinea	-14.7	-3.4	0.7	2.4	-2.1	1.0	3.2	1.4	5.0	5.6	3.4	2.1	1.1
Gabon	-2.6	-1.4	2.3	4.8	-1.6	-1.8	-2.1	0.8	3.5	7.0	6.1	5.3	4.9
CEMAC	-6.0	-1.9	1.9	2.0	-1.3	-0.3	-0.2	1.4	4.3	5.7	4.2	3.9	3.3
Non-oil primary fiscal balance (including grants)													
Cameroon	-7.5	-5.9	-3.9	-4.9	-4.3	-4.1	-4.0	-3.1	-3.5	-1.9	-2.7	-1.8	-2.1
Central African Republic	1.6	-0.7	-0.6	1.8	-3.1	-6.1	-5.7	0.1	-1.9	-1.6	-1.3	-1.1	-1.0
Chad	-3.5	-2.5	-3.0	-5.3	-7.1	-8.9	-10.6	-7.1	-8.4	-7.8	-6.6	-5.6	-4.5
Congo, Republic of	-28.7	-19.0	-15.8	-15.9	-15.2	-17.2	-17.3	-15.5	-15.3	-16.1	-15.4	-15.8	-14.1
Equatorial Guinea	-31.3	-21.3	-20.2	-15.8	-13.5	-11.1	-10.5	-10.6	-11.5	-9.8	-8.8	-8.0	-7.1
Gabon	-11.0	-9.7	-7.6	-5.8	-7.4	-6.9	-7.1	-5.3	-6.2	-3.4	-2.6	-2.1	-1.6
CEMAC	-12.8	-9.4	-7.5	-7.2	-7.0	-7.2	-7.2	-5.8	-6.5	-5.1	-4.9	-4.2	-3.9
Government revenue (excluding grants)													
Cameroon	14.5	14.7	15.7	15.4	13.6	14.5	14.1	15.4	16.4	18.0	17.3	17.8	18.1
Central African Republic	7.4	7.8	8.9	8.7	9.2	8.6	8.8	9.2	8.6	9.3	10.3	10.9	11.4
Chad	11.9	12.9	14.9	15.7	19.8	16.3	19.4	18.9	27.2	29.1	23.7	22.2	22.6
Congo, Republic of	29.2	28.3	41.7	42.9	28.8	36.8	36.7	39.0	49.7	45.5	44.3	40.2	36.7
Equatorial Guinea	22.7	23.1	26.8	24.3	17.5	17.5	18.7	18.9	21.8	21.1	18.8	17.2	15.7
Gabon	24.2	23.6	25.0	29.0	23.4	22.9	23.5	25.3	28.9	29.8	28.3	27.5	26.8
CEMAC	18.2	18.2	20.8	21.0	17.4	18.2	18.5	19.7	22.9	23.6	22.2	21.7	21.3
Government expenditure (including net lending minus repayments)													
Cameroon	20.9	19.9	18.6	19.4	17.0	18.1	17.6	17.8	18.2	17.6	18.0	18.0	18.8
Central African Republic	12.1	13.9	17.6	16.9	25.1	19.9	19.7	20.5	19.0	18.2	18.6	18.8	18.7
Chad	18.0	18.0	16.5	18.0	22.3	22.6	23.0	21.2	22.8	22.5	22.0	21.0	20.0
Congo, Republic of	47.7	36.5	32.4	36.4	32.8	34.9	34.7	35.8	35.6	38.0	36.8	37.3	36.1
Equatorial Guinea	37.4	26.6	26.1	21.9	19.6	16.4	15.5	17.5	16.8	15.5	15.4	15.2	14.7
Gabon	31.3	27.4	26.9	27.0	26.3	27.1	26.7	26.3	27.3	24.6	24.3	24.4	24.1
CEMAC	27.2	23.3	21.9	22.3	21.0	21.4	21.0	21.2	21.4	20.8	20.9	20.9	21.0
Non-oil revenues (excluding grants)													
Cameroon	12.3	12.8	13.4	12.8	11.7	12.5	12.1	13.2	13.2	14.5	14.2	15.3	15.9
Central African Republic	7.4	7.8	8.9	8.7	9.2	8.6	8.8	9.2	8.6	9.3	10.3	10.9	11.4
Chad	8.4	8.7	8.1	9.3	9.1	9.3	9.6	9.8	9.8	10.1	10.5	11.1	11.5
Congo, Republic of	15.9	14.7	13.2	13.9	13.4	13.9	13.2	15.8	15.8	16.3	16.5	16.8	17.2
Equatorial Guinea	5.6	4.7	5.0	5.0	4.4	3.8	3.7	4.9	3.6	4.2	5.1	5.7	6.3
Gabon	17.0	14.1	15.8	17.8	14.4	15.4	15.0	16.1	16.0	17.1	18.0	18.7	19.1
CEMAC	12.0	11.6	12.0	12.3	11.1	11.5	11.3	12.4	12.1	13.2	13.5	14.4	15.0

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

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

2/ Refers to the projection published in the IMF Country Report No 22/013

Table 5. CEMAC: Compliance with Convergence Criteria, 2016–26

	2016	2017	2018	2019	2020	2021	2021	2022	2022	2023	2024	2025	2026
	Est.	Est.	Est.	Est.	Est.	CR 22/013 4/	Proj.	CR 22/013 4/	Proj.	Proj.	Proj.	Proj.	Proj.
Reference fiscal balance (fiscal balance before 2016)[1]					(in percent of GDP)								
Cameroon	-3.7	-4.2	-2.8	-4.1	-3.2	-3.4	-3.3	-2.2	-2.6	-0.8	-1.2	0.1	-0.4
Central African Republic	-2.0	-1.1	-1.0	1.4	-3.4	-6.4	-6.0	-0.4	-2.5	-2.0	-1.8	-1.6	-2.4
Chad	-2.7	0.5	-0.8	-2.1	-3.3	-2.8	-4.4	-1.2	-1.2	1.2	3.2	4.8	4.7
Congo, Republic of	-11.1	-3.3	-2.8	-2.4	-0.2	-0.5	-1.1	-1.0	1.2	-0.1	1.9	1.4	0.8
Equatorial Guinea	-10.9	-1.5	-2.6	-1.5	-0.4	1.1	1.7	-0.7	0.2	0.7	1.8	2.3	1.9
Gabon	-1.8	-2.1	-2.5	-1.4	-3.5	-2.4	-1.7	-1.6	-0.5	0.7	1.3	1.9	1.9
Number of countries violating	6	4	4	3	4	4	4	2	2	1	1	1	1
Consumer price inflation (≤ 3%)					(in percent)								
Cameroon	0.9	0.6	1.1	2.5	2.5	2.3	2.3	2.1	2.9	2.4	2.0	2.0	2.0
Central African Republic	4.9	4.2	1.6	2.8	0.9	4.3	4.3	2.6	4.0	3.6	2.8	2.5	2.5
Chad	-1.6	-0.9	4.0	-1.0	4.5	1.1	-0.8	2.8	4.1	3.1	3.0	3.0	3.0
Congo, Republic of	3.2	0.4	1.2	0.4	1.4	2.0	2.0	2.8	3.5	3.2	3.0	3.0	3.0
Equatorial Guinea	1.4	0.7	1.3	1.2	4.8	-0.1	-0.1	3.1	4.0	3.9	3.4	3.2	3.1
Gabon	2.1	2.7	4.8	2.0	1.3	2.0	1.1	2.0	3.5	3.2	2.5	2.2	2.2
Number of countries violating	2	1	2	0	2	1	1	1	5	5	1	1	2
Level of public debt (≤ 70% GDP)					(in percent of GDP)								
Cameroon	32.1	36.5	38.3	41.6	44.9	46.8	47.1	45.1	45.2	41.0	38.5	35.4	33.0
Central African Republic	53.9	50.3	50.0	47.2	43.4	49.2	47.6	45.5	46.3	44.7	43.3	42.1	40.8
Chad	50.0	48.7	48.4	52.3	53.8	48.4	57.1	49.9	45.7	39.2	35.0	31.7	27.6
Congo, Republic of	91.0	94.2	77.1	84.8	114.0	93.6	105.1	90.3	85.0	80.1	73.0	71.6	70.5
Equatorial Guinea	41.1	36.2	41.2	43.0	48.8	38.0	41.3	36.9	28.0	27.6	30.1	28.0	26.0
Gabon	64.2	62.9	60.9	59.8	78.3	72.1	65.8	67.2	53.6	52.4	50.0	47.3	44.3
Number of countries violating	1	1	1	1	2	2	1	1	1	1	1	1	1
Non-accumulation of government arrears[2] (≤ 0)					(in percent of GDP)								
Cameroon	...	1.3	-2.0	0.3	-0.3	-0.6	-0.6	-0.5	-0.5	0.0	0.0	0.0	0.0
Central African Republic	-5.3	-8.0	-2.2	-3.5	-2.0	-0.5	-0.6	-0.7	-0.7	0.0	0.0	0.0	0.0
Chad	0.7	0.5	-1.1	6.3	-1.3	-2.2	-0.1	-0.9	-1.8	-1.1	-1.1	-1.1	-1.1
Congo, Republic of	2.3	11.9	6.5	-5.1	6.7	-8.5	-9.5	...	...	...	...	...	...
Equatorial Guinea	5.4	-3.5	-1.1	-0.2	0.6	-3.9	-3.5	-0.3	-3.6	0.0	0.0	0.0	0.0
Gabon	...	-5.1	-1.5	-2.1	0.8	-1.4	-0.5	-0.1	-1.3	0.0	0.0	0.0	0.0
Number of countries violating[3]	3	3	1	1	3	0	0	...	...	...	...	...	...

Sources: Authorities' data; and IMF staff estimates.

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

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

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

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

4/ Refers to the projection published in the IMF Country Report No 22/013

Table 6. CEMAC: Monetary Survey, 2016–26

(Billions of CFA francs, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2021	2022	2022	2022	2022	2023	2024	2025	2026
						Dec	Dec	Jun	Jun	Dec	Dec				
	Est.	Est.	Est.	Est.	Est.	CR 22/013 2/	Proj.	CR 22/013 2/	Proj.	CR 22/013 2/	Proj.	Proj.	Proj.	Proj.	Proj.
						(In CFAF billions)									
Net foreign assets	2,416	2,322	2,509	2,667	1,871	1,757	1,186	1,901	1,724	2,261	2,428	3,502	4,485	5,440	6,225
Of which: BEAC	2,254	2,131	2,379	2,730	1,980	1,831	1,420	1,916	1,886	2,302	2,565	3,657	4,528	5,460	6,209
Foreign assets	3,093	3,218	3,777	4,362	4,193	4,941	4,677	5,401	5,277	5,974	6,150	7,405	8,273	8,915	9,352
Of which: SDR						804	501		366		232				
Of which: Operations account	1,156	2,552	3,360	3,740	3,633	2,470	2,339	2,701	2,638	2,987	3,075	3,703	4,137	4,458	4,676
Foreign liabilities	-839	-1,088	-1,398	-1,632	-2,213	-3,109	-3,257	-3,485	-3,391	-3,671	-3,585	-3,748	-3,745	-3,455	-3,143
Of which: SDR						-804	-501		-366		-232				
Commercial banks	162	191	130	-63	-109	-74	-234	-16	-162	-41	-137	-155	-43	-20	15
Foreign assets	754	802	735	526	423	439	423	480	501	455	477	485	499	532	568
Foreign liabilities[1]	-592	-611	-605	-589	-532	-513	-657	-496	-663	-496	-614	-640	-542	-552	-553
Net domestic assets	8,140	8,190	8,854	9,364	11,490	13,394	13,546	13,456	14,158	13,909	14,428	14,634	14,466	14,424	14,563
Net credit to government	2,689	2,937	3,464	4,266	6,385	8,371	7,544	8,996	8,293	9,101	8,494	7,884	7,999	7,456	7,544
BEAC, net	1,645	1,946	2,209	2,469	3,348	3,685	4,009	4,006	4,274	4,084	4,139	3,527	2,917	2,070	1,271
Of which:															
Advances and consolidated debt	2,446	2,770	2,773	2,772	2,770	2,792	2,893	2,792	2,893	2,704	2,893	2,893	2,893	2,855	2,759
IMF lending	201	491	798	1,020	1,528	1,909	1,855	2,049	2,059	2,352	2,358	2,512	2,496	2,210	1,912
Other	0	0	0	0	0	263	421	263	421	263	421	421	421	421	421
Government deposits	-1,002	-1,316	-1,363	-1,323	-951	-1,280	-1,160	-1,100	-1,099	-1,235	-1,534	-2,300	-2,893	-3,417	-3,822
Commercial banks, net[3]	1,044	991	1,256	1,798	3,037	4,687	3,535	4,990	4,018	5,017	4,355	4,358	5,083	5,386	6,274
Of which: Government deposits	867	873	781	794	925	-	987	-	-	-	-	-	-	-	-
Net credit to public agencies	-418	-371	-280	-281	-229	-311	-258	-308	-290	-308	-310	-284	-257	-229	-201
Credit to private sector	7,082	6,955	7,243	6,988	6,994	7,012	7,815	7,021	7,831	7,321	8,189	9,210	9,212	9,362	9,321
Other items, net	-1,213	-1,331	-1,573	-1,609	-1,660	-1,677	-1,555	-2,253	-1,675	-2,205	-1,944	-2,177	-2,488	-2,165	-2,102
Broad money	10,556	10,512	11,363	12,031	13,361	15,152	15,046	15,357	15,882	16,170	16,856	18,136	18,952	19,864	20,787
Currency outside banks	2,432	2,436	2,577	2,752	3,116	3,317	3,676	3,599	4,053	3,649	4,631	5,055	5,356	5,772	6,163
Bank deposits	8,123	8,076	8,787	9,279	10,245	11,835	11,370	11,758	11,830	12,521	12,224	13,081	13,596	14,092	14,624
						(Annual change in percent of beginning-of-period broad money)									
Net foreign assets	-31.4	-0.9	1.8	1.4	-6.6	-0.9	-5.1	1.9	-0.8	3.3	8.3	6.4	5.4	5.0	3.9
Net domestic assets	26.7	0.5	6.3	4.5	17.7	14.3	15.4	7.3	13.8	3.4	6.0	1.2	-0.9	-0.2	0.7
Net credit to government	24.3	2.4	5.0	7.1	17.6	14.9	8.7	13.5	7.4	4.8	6.3	-3.6	0.6	-2.9	0.4
Net credit to the private sector	2.1	-1.2	2.7	-2.2	0.1	0.1	6.2	0.2	6.0	2.0	2.5	6.1	0.0	0.8	-0.2
Other items, net	-0.6	-1.1	-2.3	-0.3	-0.4	-0.1	0.8	-4.9	1.8	-3.5	-2.6	-1.4	-1.7	1.7	0.3
Broad money	-4.6	-0.4	8.1	5.9	11.1	13.4	12.6	9.2	12.9	6.7	12.0	7.6	4.5	4.8	4.6
Velocity (GDP/broad money)	4.6	4.8	4.7	4.6	3.9	3.7	3.9	3.8	4.0	3.6	4.0	3.8	3.7	3.7	3.7
						(Percent of GDP)									
Broad money	21.9	20.9	21.1	21.8	25.9	26.7	25.8	26.6	25.1	27.4	24.7	26.1	26.7	26.9	26.9
Private bank deposits	12.1	11.6	11.8	12.1	14.3	15.0	14.1	14.6	13.5	15.3	12.9	13.6	13.8	13.7	13.6
Net credit to the private sector	14.7	13.8	13.5	12.7	13.6	12.4	13.4	12.1	12.4	12.4	12.0	13.3	13.0	12.7	12.1

Sources: BEAC; and IMF staff estimates.

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

[2] Refers to the projections published in the IMF Country Report No 22/013

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

Table 7. CEMAC: Summary Accounts of the Central Bank, 2016–26

(Billions of CFA francs, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2021	2022	2022	2022	2022	2023	2024	2025	2026
						Dec	Dec	Jun	Jun	Dec	Dec				
						CR 22/013		CR 22/013		CR 22/013					
	Est.	Est.	Est.	Est.	Est.	2/	Proj.	2/	Proj	2/ Proj	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	2,254	2,131	2,379	2,730	1,980	1,831	1,420	1,916	1,886	2,302	2,565	3,657	4,528	5,460	6,209
Assets[1]	3,093	3,218	3,777	4,362	4,193	4,941	4,677	5,401	5,277	5,974	6,150	7,405	8,273	8,915	9,352
Unallocated	744	638	452	308	101	101	388	101	388	101	388	388	388	388	388
Cameroon	1,406	1,770	2,004	2,199	2,153	2,446	2,522	2,776	2,790	3,186	3,050	3,280	3,365	3,323	3,300
CAR	157	206	215	214	242	258	292	295	260	293	218	182	165	162	154
Congo	452	216	251	617	643	757	551	788	793	905	998	1,391	1,756	2,177	2,480
Gabon	500	537	766	813	808	929	766	1,001	733	1,050	963	1,262	1,465	1,579	1,692
EG	15	-31	-5	21	30	139	26	122	43	99	141	267	297	315	270
Chad	-181	-117	93	191	216	310	134	317	270	339	392	635	837	972	1,068
Of which:															
Operations account	1,156	2,552	3,360	3,740	3,633	2,470	2,339	2,701	2,638	2,987	3,075	3,703	4,137	4,458	4,676
Liabilities	-839	-1,088	-1,398	-1,632	-2,213	-3,109	-3,257	-3,485	-3,391	-3,671	-3,585	-3,748	-3,745	-3,455	-3,143
Unallocated[3]	-18	-17	-16	80	233	233	20	233	158	233	158	158	158	158	158
Cameroon	-301	-448	-529	-546	-809	-995	-1,171	-1,222	-1,279	-1,266	-1,321	-1,373	-1,365	-1,286	-1,154
CAR	-119	-132	-163	-177	-193	-288	-303	-294	-296	-299	-312	-317	-296	-270	-240
Congo	-126	-96	-89	-138	-203	-375	-277	-407	-383	-477	-436	-489	-541	-536	-534
Gabon	-129	-230	-348	-428	-577	-700	-831	-730	-933	-736	-939	-924	-855	-750	-680
EG	-26	-24	-26	-146	-297	-453	-209	-490	-173	-522	-173	-173	-164	-141	-122
Chad	-121	-140	-227	-276	-366	-530	-485	-574	-485	-604	-563	-630	-683	-632	-571
Net domestic assets	1,858	2,066	2,316	2,316	3,459	3,970	4,563	4,322	4,835	4,526	4,697	4,213	3,810	3,433	3,286
Net credit to government	1,645	1,946	2,209	2,469	3,348	3,685	4,009	4,006	4,274	4,084	4,139	3,527	2,917	2,070	1,271
Claims	2,647	3,261	3,571	3,792	4,299	4,965	5,169	5,105	5,374	5,319	5,672	5,826	5,810	5,487	5,093
Advances and consolidated debt	2,446	2,770	2,773	2,772	2,770	2,792	2,893	2,792	2,893	2,704	2,893	2,893	2,893	2,855	2,759
o.w. Cameroon	231	577	577	577	577	598	577	598	577	540	577	577	577	577	519
Central African Republic	78	79	81	81	81	81	81	81	81	81	81	81	81	81	81
Chad	494	480	480	480	480	480	480	480	480	432	480	480	480	480	480
Congo, Republic of	572	572	572	572	572	572	694	572	694	572	694	694	694	672	651
Equatorial Guinea	618	609	609	609	609	609	609	609	609	626	609	609	609	609	609
Gabon	453	453	453	453	453	453	453	453	453	453	453	453	453	436	419
IMF credit	201	491	798	1,020	1,528	1,909	1,855	2,049	2,059	2,352	2,358	2,512	2,496	2,210	1,912
o.w. Cameroon	50	191	268	302	547	644	672	752	780	796	822	874	866	787	655
Central African Republic	70	87	117	131	150	164	171	170	167	175	183	188	167	141	111
Chad	75	97	183	232	324	383	383	325	325	457	461	528	581	530	469
Congo, Republic of	6	4	2	28	26	76	26	108	132	178	185	237	290	285	283
Equatorial Guinea	0	0	0	24	23	60	62	95	62	129	62	53	30	12	8
Gabon	0	111	228	304	459	582	541	600	593	618	645	631	562	456	387
Other claims	0	0	0	0	0	263	421	263	421	263	421	421	421	421	421
Government deposits	-1,002	-1,316	-1,362.6	-1,323.1	-951	-1,280	-1,160	-1,100	-1,099	-1,235	-1,534	-2,300	-2,893	-3,417	-3,822
o.w. Unallocated	-1	-1	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Cameroon	-299	-656	-558	-496	-371	-307	-285	-297	-232	-287	-180	-150	-177	-230	-256
Central African Republic	-35	-45	-39	-37	-15	-25	-9	-30	-8	-15	-6	-7	-6	-8	-9
Chad	-77	-93	-227	-113	-129	-161	-193	-116	-18	-195	-331	-505	-618	-774	-974
Congo, Republic of	-206	-93	-64	-214	-101	-243	-219	-101	-238	-87	-386	-654	-924	-1,189	-1,387
Equatorial Guinea	-177	-114	-157	-225	-121	-243	-322	-215	-325	-187	-354	-494	-557	-504	-387
Gabon	-208	-315	-316	-237	-212	-299	-132	-339	-277	-462	-275	-490	-610	-712	-808
Net claims on financial institutions[3]	628	440	432	274	377	618	669	649	676	775	683	820	1,034	1,513	2,175
Other items, net	-415	-319	-324	-426	-266	-333	-115	-333	-115	-333	-124	-133	-141	-150	-160
Base money	4,112	4,197	4,695	5,046	5,439	5,802	5,982	6,238	6,721	6,828	7,262	7,871	8,338	8,893	9,495
Currency in circulation	2,432	2,436	2,577	2,752	3,116	3,317	3,676	3,599	4,053	3,649	4,631	5,055	5,356	5,772	6,163
Banks' reserves	1,631	1,717	2,050	2,222	2,245	2,460	2,212	2,476	2,256	2,483	2,373	2,539	2,663	2,798	2,944
o.w. Required reserves	448	442	569	700	743	859	825	884	856	908	887	949	986	1,022	1,061
Excess reserves	857	977	1,125	1,160	1,145	1,189	1,038	1,169	1,038	1,139	1,110	1,188	1,259	1,342	1,433
Cash in vaults	326	297	356	363	357	412	349	424	363	436	376	402	418	433	449
Others	48	44	68	72	78	26	94	163	412	696	258	276	320	323	388
Memorandum items:															
Reserve coverage of broad money (in percent)	29.3	30.6	33.2	36.3	31.4	33	31.1	35	33.2	37	36.5	40.8	43.7	44.9	45.0
Base money/deposits (in percent)	50.6	52.0	53.4	54.4	53.1	49.0	52.6	53.1	56.8	54.5	59.4	60.2	61.3	63.1	64.9

Source: BEAC.

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

2 Refers to the projection published in the IMF Country Report No 22/013

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

Table 8. CEMAC: Net Foreign Assets of the Central Bank, 2016–26

(Billions of CFA francs)

	2016	2017	2018	2019	2020	2021	2021	2022	2022	2022	2022	2023	2024	2025	2026
						Dec	Dec.	Jun	Jun	Dec					
						CR 22/013		CR 22/013		CR 22/013					
	Est.	Est.	Est.	Est.	Est.	1/	Proj.	1/	Proj	1/	Proj.	Proj.	Proj.	Proj.	Proj.
BEAC's net foreign assets															
Stock	2,254	2,131	2,379	2,730	1,980	1,831	1,420	1,916	1,886	2,302	2,565	3,657	4,528	5,460	6,209
Change since end of previous year	-3,294	-123	248	348	-750	-149	-561	85	466	471	1,145	1,093	871	932	749
o.w. Cameroon	-824	216	152	179	-309	109	11	103	160	472	379	177	94	37	109
Central African Republic	12	35	-22	-15	12	-80	-60	32	-25	25	-83	-41	4	23	22
Congo	-912	-207	43	313	-41	-58	-167	-1	136	46	289	340	313	426	306
Gabon	-630	-64	111	-34	-154	50	-246	41	-133	84	90	314	272	220	183
Equatorial Guinea	-712	-43	25	-95	-143	-47	83	-54	53	-111	152	127	39	40	-27
Chad	-448	45	123	48	-65	-70	-201	-37	136	-46	180	176	150	186	157
Unallocated	220	-105	-185	-49	-53	-53	-53	0	138	0	0	0	0	0	0

Sources: BEAC; and IMF staff projections.

[1] Refers to the projections published in the IMF Country Report No 22/013.

Table 9. CEMAC: Financial Soundness Indicators, 2015–22

(Percent)

	2015	2016	2017	2018	2019	2020	2021 [3] Q2	2022 Q1
Capital								
Regulatory capital to risk-weighted assets [1,]	14.0	13.1	14.5	15.0	13.0	12.7	13.8	14.6
Asset quality								
Non-performing loans (gross) to total loans (gross)	9.6	12.5	14.3	17.0	19.1	19.3	18.7	19.4
Earnings and profitability								
Return on equity	9.8	10.4	9.0	8.7	7.9	4.9	14.4	
Return on assets [2]	1.6	1.5	1.4	1.4	1.3	1.0	2.4	
Liquidity								
Ratio of liquid assets to short-term liabilities	151.9	145.2	155.4	162.1	153.5	167.2	167.5	174.6
Total deposits to total (noninterbank) loans	111.6	100.4	102.9	104.3	114.1	115.2	117.5	101.3
Credit								
Gross loan (banks' book) - bn FCFA	8486	10501	10559	10969	10761	9427	9852	10333
Gross loan - annualized growth rate	10.2	23.7	0.6	3.9	-1.90	-12.40	2.9	4.9

Source: Banking Commission of Central Africa (COBAC).

1. Calculated according to the Basel I guidance.

2. Return in ROE and ROA is calcilated based on annualized net profit before tax,

3. Latest data available for 2021 is from June and August 2021

Table 10. CEMAC: External Financing Sources, 2017–22

(Billions of CFA francs)

	2017	2018	2019	2020	2021	2021	2022	2022	2022	2022
	Est.	Est.	Est.	Est.	CR 22/013[2] Dec	Proj.	H1	H2	CR 22/013[2] Dec	Proj.
1. External financing needs [1]	**1155**	**1213**	**635**	**2250**	**1154**	**951**	**445**	**520**	**1219**	**965**
2. IMF Financing	**322**	**282**	**251**	**576**	**365**	**250**	**304**	**198**	**448**	**502**
3. Budget suport from other donors	**798**	**684**	**665**	**451**	**174**	**127**	**138**	**318**	**605**	**455**
World Bank	261	50	291	123	80	80	27	162	262	189
African development Bank	338	270	184	220	40	0	33	120	145	153
European Union	45	57	16	68	32	19	0	11	58	11
France	154	149	174	11	7	13	78	24	118	102
Other	1	158	0	29	15	15	0	0	23	0
4. Commercial borrowing	**0**	**0**	**-79**	**595**	**495**	**456**	**0**	**0**	**0**	**0**
of which: Bridge Loan	0	0	-79	0	0	0	**0**	**0**	0	**0**
of which: Eurobond	0	0	0	595	495	456	**0**	**0**	0	**0**
5. Debt relief	**0**	**0**	**0**	**285**	**237**	**269**	**1**	**0**	**1**	**1**
Official creditors	0	0	0	285	237	269	**1**	**0**	1	**1**
of which: DSSI	0	0	0	279	228	260	**-1**	**0**	-1	**-1**
Commercial creditors	0	0	0	0	0	0	**0**	**0**	0	**0**
6. External arrears	**0**	**0**	**67**	**29**	**-96**	**-57**	**0**	**-38**	**0**	**-38**
7. Residual financing gap	**-1**	**161**	**-146**	**232**	**60**	**79**	**0**	**0**	**144**	**0**

Sources: World Bank, African Development Bank, European Union, France, other national authorities; and IMF estimates

1/ After projected/targeted change in gross reserves.

2/ Refers to the projections of the IMF CR 22/013 (December 2021 SR)

Annex I. Cryptoassets as a Legal Tender: Risks and Policy Response

The use of cryptoassets as an official currency with a legal tender status poses major risks, notably for macro-financial stability, financial integrity, and consumer protection, but also more generally for sound macroeconomic policymaking across CEMAC. To contain risks, measures such as the decision taken by COBAC on May 6 to prohibit financial institutions from transacting in or holding cryptoassets are appropriate. They should be completed, in time, with measures to strengthen the regulatory oversight of the financial system, ensure that regulatory and supervisory gaps are addressed, and reinforce consumer protection. It is worth noting that more than nine months after bitcoin adoption as a legal tender by El Salvador, the first country to do so, cryptoassets experienced a limited take-on in the country, including for remittances.[1] This Annex explores the macroeconomic implications of using bitcoin as legal tender, as well as the risks that could stem from a broad development of volatile cryptoasset.

A. Macroeconomic Implications of Bitcoin as Legal Tender

The volatility of bitcoin impedes its effectiveness as means of payments, unit of account or store of value. This, in itself, disqualifies their use as money, and therefore legal tender. In addition, such adoption would have consequences for macroeconomic policies, and macro and financial risks.

1. Fiscal policy. In C.A.R, the use of bitcoin as legal tender could disrupt the government's ability to conduct fiscal policy and weaken its solvency.

The volatility of bitcoin[2] would translate onto public finances, for instance if it was used for the denomination of tax proceeds and/or spending, with possible currency mismatches creating sizeable costs. As a result, the conduct of fiscal policy would be disrupted.

Bitcoin price (USD)

Should financing needs fail to be met through domestic or external financing, bond issuances based on bitcoin could be initialized. This, in turn, would pass on the volatility onto the country's debt burden.

[1] Significant fiscal losses also occurred on El Salvador government's crypto investments, contributing to a deteriorating fiscal situation and ratings downgrades (see, e.g., Alvarez et al., 2022).

[2] The three month realized volatility for Bitcoin stands at 60 percent (compared with 13 percent for gold and 16 percent for the S&P 500) (FSB, 2022). For example, Bitcoin prices rose from $29,000 to roughly $68,000, between January and early November 2021, before falling to about $31,000 in early May 2022.

Legal convertibility of bitcoin to CFAF could create large contingent liabilities on the state. Incentives designed to foster the use by the population, such as a one-time endowment, installation of ATMs, or subsidies on some products if paid with cryptoassets (El Salvador, 2021 Article IV), could have a significant fiscal costs.

2. Monetary policy. Should the use of bitcoin spread widely in the Union, BEAC's ability to effectively conduct monetary policy could be impeded, due to the consequent fluctuating money demand, a lack of traction bitcoins holdings, and the risk of banking disintermediation. In addition, the BEAC's seigniorage revenue would be reduced (Kahn et al., 2022).

3. External sustainability. Free convertibility between CFAF and bitcoin could create a risk for the accumulation of pooled reserves in the region, insofar as it would create a parallel mechanism of capital inflows and outflows that are *a priori* hardly traceable and not controlled by BEAC. Demand for CFAF from bitcoin holders, including possibly non-residents, could lead to large increases in the supply of CFAF which might be difficult to sterilize and could complicate the management of the FCFA peg. The IMF recommends classifying bitcoin as a nonfinancial asset, given the absence of counterparty liability; this implies that it cannot be counted as international reserves (Treatment of crypto assets in macroeconomic statistics", IMF 2019). In addition, capital flow measures (CFM) laws and regulations could be weakened if bitcoin was used to circumvent them (IMF Fintech note, 2022).

4. Statistical transparency. The pseudonymity of bitcoin reduces the transparency and traceability of transactions and would therefore likely limit the completeness and reliability of balance of payments, monetary, fiscal, financial and inflation data. In turn, a deterioration in the quality of statistical information and data gaps would impede risk assessment disrupt economic analysis, and calibration of policy options.

B. Financial Sector Risks Related to the Use of Bitcoin and Cryptoassets

A growing usage of bitcoin or other volatile cryptoassets could create significant risks to a country's financial system. Banks and other financial institutions could be exposed to considerable swings in their balance sheets. Moreover, financial stability risks could easily spill over to public finances, given the strong link between the sovereign and banks. The exposure of banks and financial institutions to cryptoassets affects their balance sheets and likely their prudential ratios, although in different ways depending on their classification (e.g., assets, domestic or foreign currency).

Assets Side Risks

5. Credit. The acceptance of cryptoassets as collateral, with improperly designed haircuts, could increase credit risk. Their volatility could give rise to wealth effect; adverse wealth effects, in turn, could reduce households' repayment capacity and deteriorate assets quality through raising NPLs.

6. **Solvency**. Although there is no guidance to date on prudential regulations for cryptoassets, their risk profile would justify high-risk weights[3], which would in turn impact banks' balance sheets (through higher capital requirement, or deleveraging) and economic activity (crowding out lending activities).

7. **Liquidity**. For the specific case of cryptocurrency, banks' (assets) liquidity could deteriorate as cryptoassets may not qualify as high-quality liquid assets (HQLA).

8. **Market**. Banks holdings of extremely volatile cryptoassets could increase market risk. Over the past few years, the correlation between the changes in the price of cryptoassets and equities has increased, reducing potential diversification gains (Iyer, 2022).

9. **Operational**. In addition to cybersecurity and legal risks that may arise due to the incompatibility of national and supranational laws, leading to fines for misconduct or poor systems and controls, technical glitches highlight the operational risks that can result in significant downtime preventing the use of services. These risks increase banks' costs and capital requirements.

Liabilities Side Risks

10. **Funding structure**. Cryptoasset-induced banking disintermediation reduces the availability and stability of deposits. Higher funding costs could lead banks to choose riskier funding and/or lending strategies to maintain profitability. In addition, a loss of customer relationships and data on transactions would undermine credit risk assessment for clients and ability to offer targeted products (GFSR, October 2021). Finally, cryptoassets might increase the speed of bank runs, necessitating an adapted safety net framework.

11. **Liquidity**. The transformation of funding (reduction of deposits or their stability, if depositors prefer sight deposits to take potential opportunities) and assets liquidity structure could deteriorate liquidity ratios.

12. **Leverage**. Financial institutions in CEMAC could increase their exposures to cryptoassets relative to the size of their portfolios. Risks would be heightened if such exposures employ high levels of leverage, including through the use of derivatives referencing cryptoassets. Losses in cryptoassets, where accompanied by leverage, liquidity mismatch and interconnections with the traditional financial system, may amplify systemic risk arising from wealth effects.

13. **Counterparty**. A rapid growth of cryptoassets trading platforms, in the absence of clearly identifiable parties responsible for governance, could challenge core financial stability, regulatory and supervisory disciplines. Payment systems may be exposed to heightened counterparty risks, especially if traded assets are volatile and participants positions are weak. This could give rise to the

[3] For example, a BCBC consultation paper (2021) indicates the possibility of imposing a risk-weight of 1,250 percent to exposure to Bitcoin (cryptoasset, category 2).

risk of contagion across market participants. The use cryptoassets for settlement would magnify those risks.

C. Financial Integrity, Anti-Corruption, and Consumer Protection

14. Financial integrity and Anti-corruption. Unless effective anti-money laundering and combating the financing of terrorism (AML/CFT) mitigating measures are put in place, cryptoassets can raise significant risks to financial integrity. Cryptoassets can also significantly increase corruption risks in the absence of strong institutions and a robust legal framework. This is notably due to their pseudo-anonymous and decentralized nature, the speed at which transactions can be done, including in a cross-border context, and other characteristics such as potential anonymity-enhancing features. In that context, a sound legal and regulatory framework is essential to ensure that the authorities can effectively manage the risks of cryptoassets being misused for illegal purposes. The problem could be particularly acute in countries with weak institutions and AML/CFT regimes and in the absence of measures to identify, prevent and prosecute illegal crypto asset use and mitigate money laundering and terrorist financing risks related to these assets. A weak cryptocurrency framework may also create new corruption opportunities, particularly to evade controls when exchanging cryptoassets against fiat money.

15. Correspondent banking relationships. Cryptoassets could create a risk of loss of correspondent bank relationships, if they constrain the ability of banks to exert know-your-customer procedures effectively.

16. Consumer protection. Important consumer protection issues arise if cryptoassets use becomes widespread. Fluctuations in the value of cryptoassets, fraud or cyber-attacks could dent the wealth of households and businesses. In the case of bitcoin, recourse is difficult because of the absence of legal issuer.

17. Financial inclusion. Cryptoassets might cloud financial inclusion amid poor electricity and internet access, and under-developed technology platforms.[4] Alternatively, e-wallet ecosystem and e-money could in fact increase the reach and use of electronic payments, ameliorating financial inclusion (IMF COVID note, 2021).

D. Policy Response

Cryptoassets as a Legal Tender

- **Cryptoassets should not be given legal tender status.** In the case of C.A.R., the Law appears to contradict the legal framework of the monetary union, which provides BEAC with the exclusive right to issue banknotes and coins serving as legal tender in the member states of the monetary union. More generally, changes to a country's legal tender status and

[4] Internet adoption in Central African Republic was 11.4 percent in 2021 (DataReportal, 2021).

monetary unit require complex and widespread changes to monetary laws to avoid creating a disjointed legal system that inflicts regulatory arbitrage and legal uncertainty.

- **The Decision by COBAC on May 6 contains risks from cryptoassets** on financial institutions under its remit by prohibiting them from using cryptoassets in transaction, accounting, and balance sheet and off-balance sheet valuations.

Cryptoasset Usage without Legal Tender Status

Beyond the specific question of bitcoin, the development of cryptoassets in the CEMAC region calls for actions to coordinate the actions of regulators, protect financial integrity, and support consumers protection.

- **Coordinated regulatory response.** Unless they decide to maintain the ban on cryptoasset, regional regulators (BEAC, COBAC and COSUMAF) should coordinate to advance the regulation to prevent risks. An adequate regulatory framework is needed to address new risks from the volatility, pseudonymity, and financial market integrity issues from crypto assets. Regulation should be developed to explicitly define the cryptoassets phenomenon, in order to arrive at a clear definition of the scope of monitoring activities, the regulatory perimeter and enforcement regime. The regulation should incorporate clear division of responsibilities, clearly define the boundaries of regulation, in particular the legal treatment for non-resident and cross-border transactions. The sanctioning, inspection and enforcement regimes should also be developed, including measures to strengthen the supervisory capacity of authorities.

- **Mitigating consumer protection, AML/CFT and operational risks**. Given low financial literacy in CEMAC member states, it is necessary to mitigate consumer protection and operational risks by informing customers of the risks involved in transacting and holding cryptoassets.

- **Mitigating AMF/CFT risks.** The Financial Action Task Force (FATF) recommends ensuring appropriate coverage of virtual assets in legal frameworks (notably in the criminal laws) and, unless the authorities decide to ban activities in these assets, ensure appropriate AML/CFT regulation of virtual asset service providers. Steps to mitigate risks related to crypto assets include (1) a risk assessment and review and commensurate tailoring of the existing legal and institutional framework; (2) the active, ongoing participation of the private sector (crypto assets services providers, financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) as defined by the FATF) and of relevant governmental agencies ; and (3) in light of the often cross-border nature of crypto assets-related activities, extensive dialogue and cooperation with foreign counterparts. .

- **Upgrading the statistical framework** to capture developments, risks, and improve decision making process.

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

Yaoundé, June 10 , 2022

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, DC 20431
USA

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

Dear Madame Georgieva:

This letter reiterates the assurances provided in November 2022 by the community institutions in support of the economic recovery and reform programs undertaken by the member states of the Economic and Monetary Community of Central Africa (CEMAC). It reflects the commitments made during the discussions held during the regional consultations taking place from May 3 to 17, 2022 between International Monetary Fund (IMF) Staff with the CEMAC institutions.

CEMAC suffered the brunt of the COVID-19 crisis, due to not only the weakness of health infrastructure requiring strict containment measures, but also its heavy dependence on the oil sector, which experienced a violent shock in 2020. In 2021, the relaxation of sanitary restrictions, the fiscal stimulus efforts by the member states and rising oil prices driven by the global economic recovery, contributed to a timid but tangible economic recovery in the sub-region. GDP growth is estimated to have reached 1.1 percent, driven primarily by the non-oil sector. Average inflation was contained at 1.9 percent in 2021, well below the regional convergence criterion of 3 percent.

Following the severe crisis in the region in 2020, national and regional authorities focused their economic policy efforts during 2021 on macroeconomic stabilization and preparation for the exit from the crisis. In this context, the monetary and prudential easing measures mentioned in our previous letter of support, which had helped mitigate the impact of the crisis while containing the risks, have been gradually normalized. Thus, even though the aggregate liquidity needs of banks in the sub-region remained high, BEAC kept its bank refinancing ceiling unchanged for most of 2021, before embarking on monetary tightening. In November 2021, given the unsatisfactory progress on reserves accumulation, BEAC raised its key policy rate (TIAO) by 25 basis points. The marginal lending facility rate was raised in parallel, leaving the corridor unchanged at 175 basis points. BEAC also tightened liquidity policy, lowering weekly liquidity injections from CFAF 250 billion to CFAF 230 billion in December and increasing the liquidity absorption rate, reintroduced in August, by 30 basis points, in order to increase the attractiveness of the liquidity absorption window. The haircuts applied to government securities for monetary operations, which were eased in 2020, were raised in September 2021. At the prudential level, normalization has begun through the gradual increase in capital requirements under capital conservation buffers. In an environment where most central banks have used ultra-accommodative monetary policies, BEAC has, in accordance with its statutes, refrained from providing direct monetary financing to member states.

The external financial support received by CEMAC, notably the allocation of special drawing rights (SDRs) in August 2021, facilitated a buildup of foreign exchange reserves. However, imports dynamics, which recorded strong growth due to the reopening of economies, masks this progress, since reserves stood only at 2.7 months of imports at end-2021. Net foreign assets (NFA) have increased since the trough of the 3rd quarter of 2021. Nevertheless, the sub-region has experienced delays in the disbursement of budget support, resulting in a shortfall amounting EUR 71.6 million in the last quarter of 2021. Moreover, a weaker than expected performance of the oil sector disrupted the amelioration of the current account balance. These factors weighed down on NFAs. In this context, the target on NFAs of the sub-region at end December 2021 (EUR 2.20 billion) could not be achieved. Were it not for these factors, NFAs at end-December 2021 would have surpassed the level projected during the last review of regional policies. However, the target was met on the first business day following December 31, 2021, on January 3, 2022.

BEAC is committed to continuously enhance the quality of its monetary survey. Following an audit of our methodology, the deposit insurance fund (FOGADAC) deposits (EUR 0.2 billion), which were originally accounted for in external liabilities, were reclassified to domestic liabilities in accordance with the IMF's monetary statistics manual. This led to an upward revision of NFA, resulting in a position of EUR 2.32 billion at end-December 2021, which is above the NFA target established for this date. BEAC propose to adjust the assurances to reflect the methodological change for end-June and end-December 2022 respectively.

The year 2022 should be marked by growth acceleration, which is expected to reach 4.2 percent supported by the recovery of aggregate demand, high oil prices and the catch-up of non-oil growth.

Additionally, fiscal projections for 2022 are more encouraging – the sub-region's overall fiscal balance, excluding grants, is expected to improve to 1.2 percent of GDP, helped by rising oil revenues (particularly in the Congo and Chad). Total public debt is expected to reach 50.4 percent of GDP in 2022, down 8.4 percentage points from its estimated 2021 level. The current account balance is also expected to improve significantly, from a deficit position of 2.6 percent of GDP in 2021 to a surplus of 0.9 percent, reflecting the positive impact of higher hydrocarbon prices in the oil-producing countries of the sub-region. Due to growing global inflationary pressures, inflation is expected to increase to 3.4 percent, driven primarily by higher food prices.

These favorable prospects are subject to high uncertainties, specifically linked to the risk of an escalation of the war in Ukraine, which could lead to a slowdown in global demand, an acceleration in inflation, particularly for foodstuffs, and a more rapid tightening of global financial conditions. Global inflation could trigger an increase in the cost of subsidies (fuel, food and possibly fertilizer), which could weigh on budgets, eroding the gains from higher oil revenues and ultimately weighing on foreign exchange reserves. Tighter global financial conditions would increase refinancing vulnerabilities, especially if spilling over to the regional market. The recovery will also be subject to performances under the ongoing Fund-supported programs, as well as the budgetary support expected from other development partners and progress in debt restructuring negotiations in some countries (Congo and Chad), given the significant external financing needs of the sub-region. Furthermore, growth prospects remain susceptible to the evolution of the pandemic in the sub-region, the spread of new waves or variants of COVID-19 as well as the pace of vaccination, which could delay economic recovery. The prospects are also conditioned by certain internal developments, particularly with respect to the security and socio-political situation in Cameroon, C.A.R. and Chad, which are likely to weaken the performance of program implementation.

Given this uncertain macroeconomic environment, BEAC continues to implement the necessary measures both to strengthen the external stability of the sub-region and internal monetary stability, in accordance with its mandate.

In a context of economic recovery, the expected magnitude of inflationary pressures in 2022 has led us to pursue monetary policy tightening. In March 2022, BEAC raised the policy rate (TIAO) by 50 basis points, setting it at 4.0 percent. It also raised the marginal lending facility rate to 5.75 percent leaving the corridor unchanged at 175 basis points. BEAC also increased the rate on liquidity absorption operations by 25 basis points in February (to 0.75 percent), continued the normalization of its weekly liquidity injections, which were modified from their highest level of 250 billion FCFA in 2021 to FCFA 160 billion in April, and terminated two of the three long-term liquidity injection operations. In March 2022, BEAC withdrew access to the main liquidity window from three new banks in a situation of structural dependence on liquidity injections. In total, currently five banks are admitted exclusively to the marginal lending facility window and were requested credible refinancing plans. The haircuts applied to government securities for monetary operations also continued to be tightened in May 2022. Changes in the interbank rate and the weighted average bid rate reflect the effectiveness of the measures taken in terms of liquidity management. BEAC stands ready to continue adapting its monetary policy measures as needed to preserve internal and external stability.

BEAC also proceeds with the practical implementation of the agreements concluded at end 2021 on the application of foreign exchange regulations in the oil sector. Authorization procedures for foreign currency accounts are underway, and more than 230 accounts have already been approved, which will allow the repatriation of a significant part of export revenues. These accounts can be used with great flexibility and at low cost and will be protected from intervention, such as seizure-attribution and/or seizure, on the bank account. Discussions on the operational modalities for the repatriation of funds dedicated to the rehabilitation of oil sites are equally continuing. Beyond the application of exchange regulations to the oil sector, the support of member states will be critical for the proper implementation of repatriations, including for public enterprises, and with a view to reinforce the sub-region’s external stability.

Furthermore, BEAC has pursued its work to ameliorate efficiency of member countries’ public financial management. Efforts are ongoing on IT platform installation aimed at facilitating single treasury accounts management at the BEAC. Amendments to further strengthen the quality and security of the platform are underway and operational implementation is expected at end 2022 for Cameroon and Gabon, while increased interest from new countries in the sub-region has been noted.

Concurrently, BEAC had continued to implement its reinforcement of financial transparency strategy. A prequalification phase for approval of a credit information bureau (BIC) was held in June 2021 and one candidate was retained, with which negotiations will begin in the next few days, after obtaining a no-objection opinion from the World Bank. In addition, the new credit risk registry is at acceptance phase before being piloted in Gabon in September 2022 and before being extended to the other countries.

Regarding banking supervision, on-site inspection missions have resumed since 2021 and are continuing despite staffing constraints. The reform of processes and tools for the implementation of risk-based supervision and the alignment certain prudential rules with the Basel standards is ongoing.

COBAC is also working to exit the temporary easing of prudential measures adopted during the pandemic. These measures are expected to be lifted in mid-2022. Subsequently, COBAC will ensure that banks comply with asset classification and provisioning rules as well as submit recapitalization plans, if deemed necessary. It will carefully monitor the evolution of non-performing loans and will ensure that banks have established mechanisms to strengthen capital, allowing the financial system to be in a strong position to support the forthcoming economic recovery. In this context, government arrears clearance strategies and vulnerable banks' recapitalization efforts will play a crucial role, and COBAC will closely monitor recapitalization procedures, the evolution of the sovereign-bank nexus risk, and will stand ready to accelerate bank resolution procedures, if deemed necessary.

Support of member states will be necessary regarding the reinforcement of public banks and the implementation of arrears clearance plans respecting the principles of transparency, which will have to be supported by appropriate measures to strengthen public finance management intended to prevent the emergence of new arrears endangering financial stability. Support of member states will also be essential to ensure the reduction of banks' exposure to sovereign risk.

In addition, COBAC will support efforts of BEAC to control liquidity injections by monitoring banks' refinancing needs and supporting the requirements for refinancing plans of banks in structural liquidity needs.

Confronted with the emergence of the cryptoassets issue in the sub-region, COBAC has taken emergency measures aimed at preserving the stability of bank balance sheets as well as financial stability. The decision taken on May 6, 2022, prohibits institutions under its remit from using cryptoassets and strengthens the reporting requirements to which they are subject. In view of the rapidly changing cryptoassets landscape in the sub-region, regional regulators (BEAC, COBAC and COSUMAF) are committed to cooperate closely to adapt regulations to contain the risks associated with cryptoassets in CEMAC.

The measures introduced by BEAC, combined with the continued fiscal consolidation in the member states, structural reforms implementation and transparency and governance reinforcement by the member states coupled with development partners' budget support within the framework of ongoing programs with the IMF should contribute to the consolidation of net foreign assets and would thus make it possible to reach EUR 2.81 billion at end June 2022 and to consider a significantly higher reserve target, at EUR 3.73 billion at end December 2022. These projections are based on external financing assumptions (including exceptional financing but excluding IMF financing) of EUR 210 million in the first half of 2022 and EUR 484 million in the second half of 2022.

BEAC and COBAC will maintain their efforts to ensure diligent monitoring of the status of the programs of the CEMAC countries and will continue to work in close cooperation with IMF staff to support the regional strategy to exit the crisis. These institutions stand ready to notify and consult IMF staff in a timely manner on economic developments, which are likely to affect CEMAC's external stability through end December 2022, and to take the necessary corrective measures, including with respect to monetary policy, in the event of unfavorable developments.

I remain available to work alongside the IMF and the CEMAC member states with the aim of achieving the restoration of macroeconomic balances in the sub-region.

Sincerely yours,

/s/

Abbas Mahamat Tolli

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

June 22, 2022

On behalf of the CEMAC authorities, we would like to thank the Executive Board, Management, and staff for the continued support to CEMAC member states and regional institutions in the implementation of the regional strategy to strengthen internal and external stability of the currency union.

As the regional economy recovers from the pandemic, the authorities are particularly grateful for the strong Fund support provided to the region during the health crisis, which has been critical to mitigate its human, social and economic impact in the region after experiencing a large commodity price shock at the inception of the pandemic. All six CEMAC countries (Cameroon, Central African Republic, Chad, Congo, Gabon, and Equatorial Guinea) now have arrangements with the Fund or are implementing a staff-monitored program. Moreover, they have used the SDR allocation for priority spending and other budget financing due to external support shortfalls, as well as for reserve accumulation at the central bank (BEAC).

The regional authorities have continued to provide policy support to CEMAC member states and implemented policies and reforms in the first half of 2022 consistent with the policy commitments from the December 2021 Follow-up to the Letter of Policy Support to Member Countries' Recovery and Reform Programs undertaken by the Member Countries. They pursued the withdrawal of pandemic-related policy support measures and tightened policy stance as needed to support reserve accumulation and contain inflationary expectations. Despite lower-than-expected external support, net foreign assets (NFA) stood above the target for end-December 2021 owing mainly to an upward revision following a methodological change in the monetary survey.

The CEMAC authorities agree that the external position remains fragile but expect that high oil prices will support rebuilding of fiscal and external buffers. They concur with staff's recommendations on fiscal policies and reforms to this end; pursuing financial sector stability; implementing steadfastly the foreign exchange regulation while being attentive of the specificities of the extractive industries; and strengthening the regional convergence framework. They remain committed to the regional strategy and the implementation of the recommendations of the August 2021 Heads of State Conference which benefited from the participation of the IMF Managing Director. In this regard, they have provided updated policy assurances in the June 2022 Follow-up Letter of Policy Support.

Recent Developments, Outlook, and Risks

The macroeconomic situation of the CEMAC region has improved in 2021 amid the global recovery, despite the persistence of the COVID-19 pandemic. The CEMAC economy is estimated to have grown by 1,1% in 2021, driven by higher commodity prices, relaxation of COVID-related restrictions and an accommodative fiscal stance in member states. Inflation was contained at 1.9 percent below the convergence criterion of 3 percent, but inflationary pressures developed in late 2021 with the global recovery and intensified in the first half of 2022, exacerbated by the spillovers of the war in Ukraine. Taking advantage of the improved environment, prudent budget execution and progress in revenue mobilization, overall fiscal deficit in CEMAC shrank by one third to 2 percent of GDP. At the same time, the public debt declined from 60.0 percent of GDP in 2020 to 58.1 percent in 2021. The current account deficit contracted sharply on the back of expanded exports, and gross international reserves increased although they declined in terms of imports coverage. However, delays in the completion of some Fund-supported program reviews and in disbursements of approved external support accentuated the decline in NFA. The NFA are on an upward trend since March 2022.

The outlook of CEMAC economies for 2022 and the medium term is broadly favorable. Some restrictions linked to the response to COVID-19 were lifted at the beginning of 2022 by the CEMAC countries to take account of the slowdown in contamination. Despite a low uptake in inoculation, the states are continuing vaccination campaigns, COVID tests and all other measures to contain the risks of new variants appearing in the sub-region. Economic growth is projected to accelerate to 4.2%, thus providing a favorable framework for the recovery objectives pursued as part of the community and solidarity strategy to get the crisis under control. High global food prices will push inflation above the regional convergence criterion of 3 percent in 2022. Consistent with countries' Fund-supported programs, efforts will be made to mobilize non-oil domestic revenue and further rationalize current expenditure in favor of capital investments and priority social spending. Together with projected high oil revenues, such efforts will further improve the overall fiscal balance by 3.1 percent of GDP and bring it back to positive territories. Public debt will continue to decline, with improved fiscal balances, and significant expectations remain about the outcome of the negotiations underway with external creditors to achieve the restructuring of public debt in Chad under the G20 Common Framework on the treatment of debt. The current account balance is expected to turn positive in 2022 on the back of higher commodity exports. Assuming seamless implementation of Fund-supported programs and timely disbursements of external support, gross reserves will increase to 3.5 months of imports.

This outlook is nevertheless marred by significant risks and uncertainties, which highlights the need for pursuing prudent policy implementation in the context of current Fund arrangements. A major risk is a rebound of COVID infections which could once again constrain growth dynamics. Projections also hinge on the duration and intensity of the crisis between Russia and Ukraine. Ongoing monetary policy normalization and tightening by major central banks in reaction to global inflation could lead to tighter financial conditions and limit investment and financing flows to the region. A large passthrough of global inflation into domestic prices will present both regional and national authorities with a significant challenging policy tradeoff between protecting the most vulnerable and pressing ahead with policy normalization. It is worth stressing the security risk that high inflation could heighten. Considering all the above, the authorities remain resolutely committed to pursuing the appropriate and necessary structural reforms and macroeconomic policies to preserve the viability of public finances and consolidate the external stability of the currency, while pursuing their development objectives. They call for greater flexibility in Fund arrangements to account for these potential risks to program implementation.

Monetary and Prudential Policies and Structural Reforms

The normalization of monetary and prudential policies initiated in 2021 continued in the first half of 2022. Considering the declining trend in international reserves, the central bank BEAC commenced tightening its monetary policy by raising its key policy rate (TIAO) and the marginal lending facility rate by 25bps in November 2021, and by additional 50 bps in March 2022. In the same vein, BEAC tightened its liquidity policy by gradually lowering its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion over the past six months and increasing its liquidity absorption rate. Further, BEAC terminated two of its three long-term liquidity injection operations and withdrew access by banks in a situation of structural dependence on liquidity injections. The haircuts applied to government securities for monetary operations eased in 2020, were raised in September 2021 and again in May 2022. Changes in the interbank rate and the weighted average bid rate reflect the effectiveness of the measures taken in terms of liquidity management.

BEAC also proceeds with the implementation of the foreign exchange regulations. The agreement concluded in December 2021 with oil and mining companies is now being implemented. The opening of foreign exchange accounts within the banks in the region to allow repatriation of export revenues is proceeding as planned, and those accounts will be protected from seizure-attribution and/or seizure on bank account. Discussions on the operational modalities for the repatriation of funds dedicated to the rehabilitation of oil sites are still ongoing. The application of the foreign exchange regulations to the public enterprises will be also critical to strengthen the region's external stability. The full impact of the application of the foreign exchange regulations on reserve accumulation is expected in the next few years.

Other reforms carried out by the central bank to enhance public financial management (PFM) and safeguard BEAC's balance sheets also continue. The modernization and security upgrade of the IT infrastructure to support public financial management, notably the operations of members' single treasury accounts, are advancing and should be completed by end-2022. At the same time, progress is being made in implementing the financial transparency strategy with steady progress in the selection of a credit information bureau and the establishment of the credit risk registry. BEAC welcome the recent safeguards assessment report and will work on implementing related recommendations. BEAC share staff's view on the need to contain risks stemming notably from its holdings of bonds bought in the context of the COVID-19 pandemic.

Normalization of prudential policy by the regional banking commission COBAC is progressing. Normalization begun through the gradual increase in capital requirements under capital conservation buffers in 2021. COBAC is working on lifting all remaining temporary prudential easing measures by mid-2022 and ensuring that banks comply with asset classification and provisioning rules afterwards. COBAC will also closely monitor recapitalization procedures and the evolution of the sovereign-bank nexus risk and stand ready to accelerate bank resolution procedures as necessary. The banking commission will support efforts of BEAC to control liquidity injections by monitoring banks' refinancing needs and supporting the requirements for refinancing plans for banks in structural liquidity needs. COBAC will particularly work with member states on strengthening public banks and advancing the implementation of arrears clearance strategy to reduce risks to financial stability. The reform of the processes and tools for the implementation of the risk-based prudential framework and AML/CFT supervision and alignment of certain prudential rules with Basel standards are ongoing. The authorities take note of staff’s recommendation against a segmentation of the government issuance market and will examine it.

COBAC is closely monitoring the emergence of crypto assets in member states and took emergency measures to preserve financial stability. In May 2022, COBAC reminded certain prohibitions related to the use of crypto assets within CEMAC, to the subscription or holding of cryptocurrencies of any kind, and the prohibition of bitcoin or any other cryptocurrency. COBAC has also decided to take several measures aimed at setting up a system for identifying and reporting transactions related to cryptocurrencies. All regional regulators (BEAC, COBAC and COSUMAF) will work together to adapt the regulatory framework to contain risks associated with crypto assets in CEMAC. The regional authorities appreciated very much the discussions with staff on the issue.

The CEMAC Commission is resuming the regional surveillance consultations in 2022 following a pause during the pandemic. The Commission will continue to develop directives for strengthening public financial management in member states, with the assistance of the Fund, encourage the transposition of the six regional PFM directives adopted in December 2021 into national legislation and promote the implementation of structural reforms to boost intra-regional trade under the PREF-CEMAC.

Policy Assurances

The regional authorities remain committed to supporting the economic recovery and reforms undertaken by the CEMAC member states under Fund-supported programs. While noting that the region should overall benefit from the rise in oil prices, they are of the view that policies need to be put in place to contain inflationary pressures and limit their impact on people's purchasing power, in a context already marked by security and socio-political challenges. Indeed, through the surge in the energy and food prices, the war in Ukraine is inducing significant supply and demand shocks, the persistence of which could deteriorate the living standards of the populations and lead to social claims and, possibly, unrest. This could also affect the proper functioning of enterprises and deteriorate the viability of public finances in the CEMAC countries. In addition, this situation could limit the increase in foreign exchange reserves and highlights the problem of food security in CEMAC and the need to develop existing local production chains. Thus, the war in Ukraine has brought further to light the low levels of economic diversification, resilience, and intra-community trade in CEMAC.

Given the uncertain international environment, the regional authorities have provided updated policy assurances to support internal and external stability. Considering policy commitments for the period ahead and assuming satisfactory implementation of Fund-supported programs, BEAC projects that

NFA will respectively increase to EUR 2.81 billion at end-June 2022 and EUR 3.73 billion at end-December 2022, using the updated monetary survey methodology.

Conclusion

While the regional outlook has improved, elevated external and regional risks call for continued vigilance and the need for the Fund to support regional and national policy efforts to sustain the recovery, safeguard internal and external stability and promote long-term diversified and inclusive growth. To this end, the regional authorities remain committed to working closely with member states and the Fund and provide the necessary policy assurances.