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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

January 2023

STAFF REPORT ON COMMON POLICIES OF MEMBER COUNTRIES, AND COMMON POLICIES IN SUPPORT OF MEMBER COUNTRIES REFORM PROGRAMS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 20, 2022, following discussions with regional institutions that ended on November 15, 2022. Based on information available at the time of these discussions, the staff report was completed on December 7, 2022.
- A **Statement by the Executive Director.**

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PRESS RELEASE

PR 22/457

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

FOR IMMEDIATE RELEASE

- The positive terms-of-trade shock amidst the fallout from Russia's war in Ukraine has broadly benefited CEMAC, reinforcing its external position and gradual post-pandemic recovery.
- Rising global inflation has passed through to domestic prices, putting pressure on real incomes and threatening food security and tight global financial conditions create headwinds to growth.
- A prudent management of the oil windfall and faster progress on deep structural and governance reforms are pivotal for laying the foundations for a more diversified, inclusive, and sustainable growth.

Washington, DC: On December 20, 2022, the IMF Executive Board concluded the annual discussions with the Central African Economic and Monetary Community (CEMAC) on Common Policies of Member Countries and Common Policies in Support of Member Countries Reform Programs.[1]

CEMAC is broadly benefiting from the positive terms of trade shock amidst the fallout from Russia's war in Ukraine. Post-pandemic economic recovery is gradually taking hold, with real GDP growth expected to reach 3.4 percent in 2022, mostly supported by high oil prices and the lifting of COVID-19 containment measures. External reserves have started to build up (though still short of the desired level), with gross reserves expected to reach 3.5 months of prospective imports at end-2022, thanks to higher oil export revenues and tighter monetary policies. The regional policy assurance on net foreign assets (NFA) for end-June 2022 (EUR 2.81 billion) was met with a good margin (EUR 378 million). Global inflation pressures have passed through to domestic prices, with regional inflation expected to reach 4.6 percent by end-2022, putting pressure on real incomes and threatening food security.

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

Regional authorities tightened monetary policy and normalized prudential regulation in 2022, while continuing to advance the reform agenda. The Central Bank (BEAC) increased its policy rate three times in less than a year to respond to inflationary pressures and support reserves levels. In addition, it reinforced its liquidity management framework, steadily scaling back weekly liquidity injections at its monetary operations window, discontinuing all three long-term liquidity injection operations upon their maturation, and gradually returning to the pre-COVID liquidity management framework. The Banking Commission (COBAC) normalized prudential regulation, ending the temporary COVID-related prudential forbearance as planned in July 2022 and increasing the capital conservation buffer by 50 basis points to 2.5 percent. The CEMAC Commission completed its regional surveillance consultations for all six member countries in July 2022, after the post-COVID resumption in April 2022.

The outlook for 2023 is broadly positive, driven by high oil prices, the lifting of COVID-19 containment measures, and assumed continued prudent management of the oil windfall in the context of Fund-supported programs and policy advice. Inflation is projected to slow to 3.3 percent in 2023 and to revert to below the 3 percent convergence criterion from 2024 on, as monetary policy is expected to remain appropriately tight to anchor inflation expectations firmly and to support the external position. However, this outlook is also subject to headwinds and heightened uncertainties stemming from elevated debt vulnerabilities, risks of persistently high inflationary pressures, the prospect of continued tightening of global financial conditions, and regional security issues. Particularly, the near-term recalibration of fiscal stances, motivated by the desire to cushion the social impact of external shocks, will tend to slow the positive trends in public debt reduction and reserve accumulation.

In the medium term, growth is expected to rise gradually to above 3.5 percent, mostly owing to a stronger rebound in the non-oil sector, as the reforms to improve governance, transparency, and business climate are projected to bear fruit progressively. Current high oil prices, if sustained, will help rebuild fiscal and external buffers, as well as curb debt levels significantly by 2024, provided fiscal policies remain prudent. Public debt is expected to decline to close to 40 percent of GDP by 2026, down from about 53 percent of GDP in 2022. After improving in 2022, the current account balance is expected to fall to -1.2 percent of GDP in 2023, and to about -3 percent of GDP over the medium term. Gross reserves are projected to reach about 4½ months of prospective imports by 2026, slightly below staff's adequate metrics for a resource-rich monetary union (5 months), assuming a more active management of liquidity and greater foreign exchanges repatriations, including from governments, state-owned enterprises, and the extractive sector.

Executive Board Assessment[2]

Executive Directors welcomed the strengthening of CEMAC's external position and gradual post-COVID recovery amid the positive terms-of-trade shock linked to Russia's war in Ukraine. Given headwinds and heightened uncertainties from elevated debt vulnerabilities, persistently high inflationary pressures, tight global financial conditions, and regional security issues, Directors urged CEMAC authorities to manage the oil windfalls prudently, to rebuild buffers and sustain a recovery that protects the most vulnerable, including through reforming energy and food subsidies while implementing targeted social safety nets.

Directors welcomed BEAC's monetary policy tightening to date and encouraged BEAC to tighten further should it observe evidence of rising inflation, deviations from the targeted reserve path, or fiscal slippages.

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

Directors also encouraged BEAC to work to absorb excess liquidity more effectively and implement the FX regulation transparently and consistently.

Directors encouraged the regional and country authorities in CEMAC to cooperatively resolve the inconsistency between C.A.R.'s cryptoasset law and the CEMAC Treaty. Directors also urged regional supervisors to step up coordination to ensure greater capacity in regulating digital assets, with a view to preserving the single currency, mitigating risks, and protecting consumers, while creating space for legitimate innovation.

Directors welcomed the normalization of prudential regulation and urged COBAC to move to conduct thorough asset quality reviews in the banking sector following the normalization, to better monitor and tackle NPLs, and appropriately address undercapitalized banks. They also advised COBAC to pursue a prudent approach on dividend distribution and to ensure banks account for sovereign risks adequately.

Noting mixed progress in ongoing Fund-supported programs and likely delays in completing a number of upcoming reviews, Directors underscored the importance of accelerating progress on deep structural and governance reforms, which, if coupled with prudent management of the oil windfall, should lay the foundations for a more diversified, inclusive, and sustainable growth.

Directors considered that BEAC met the policy assurance on the NFA for June 2022 provided in the July 2022 follow-up letter, which reflected *inter alia* greater FX repatriation and tighter monetary policy. They endorsed the updated policy assurance on NFA accumulation for end-December 2022 and end-June 2023 outlined in the December 2022 Follow-up Letter from the BEAC governor. Directors emphasized that implementation of this assurance is critical for the success of Fund-supported programs with CEMAC member countries.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

December 7, 2022

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

EXECUTIVE SUMMARY

Context and risks. CEMAC is broadly benefiting from the positive terms of trade shock amidst the fallout from Russia's war in Ukraine. Post-pandemic economic recovery is taking hold, albeit slowly, supported by high oil prices and the lifting of COVID-19 containment measures. External reserves have started to build up, though still short of the desired level, owing in part to costly untargeted energy and food subsidies. Global inflation pressures have passed through to domestic prices, putting pressure on real incomes. Rebuilding buffers and sustaining a recovery that protects the most vulnerable will require stricter adherence to budget and reform plans consistent with Fund-supported programs and policy advice; this will ensure that part of the oil windfall is saved. Implementation of these policies in current favorable conditions is critical to strengthening resilience in the face of rising risks, including most notably to food security, debt vulnerabilities, and tightening of global financial conditions.

Policy Recommendations:

To reduce inflation and secure the NFA targets, stand ready to tighten monetary policy further given prospects of inflationary pressures and further ECB tightening; improve liquidity absorption attractiveness; and continue to implement the foreign exchange (FX) regulations transparently and consistently.

To strengthen fiscal and external stability, ensure a coherent policy mix by saving part of the oil windfall; reform subsidies and provide targeted safety nets to protect poorer groups from high food and energy prices.

To enhance food security and resilience, step up efforts on growth diversification, regional trade integration, non-oil revenue collection, and governance reforms.

To strengthen COBAC's supervisory capacity, conduct thorough post-COVID asset quality reviews, ensure banks adequately account for the rising sovereign exposure, tackle liquidity-stressed banks, and monitor new risks from digital payments and cybersecurity.

To address risks related to cryptoassets, collaborate on settling the legal inconsistency between C.A.R.'s cryptoasset law and CEMAC Treaty; ensure consistency across regional regulatory frameworks related to digital assets and transactions, and strengthen communication.

Approved By
Vitaliy Kramarenko (AFR) and Geremia Palomba (SPR)

Discussions were held in-person during November 2–4 and November 7–15, 2022, in Libreville (Gabon) and Yaoundé (Cameroon), respectively. The Staff team comprised Mr. Mills (head), Messrs. Tapsoba, Lautier, and Dalmau, and Ms. Belianska (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). The mission held discussions with Mr. Abbas Mahamat Tolli, Governor of the Central Bank of Central African States (BEAC) and Chairman of the banking commission (COBAC); Prof. Djiena Wembou (Secretary General of CEMAC's Economic and financial Reforms Program (PREF-CEMAC)); senior officials of COBAC, BEAC, the capital markets regulator (COSUMAF) and the regional stock exchange (BVMAC); as well as with representatives of business and banking associations. This report was prepared with Ms. Adjahouinou's assistance

This is a staff report on common policies of member countries, and 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 is benefiting broadly from a positive terms of trade shock amidst the fallout from the war in Ukraine, but uncertainties and risks weigh on the outlook**. Post-pandemic economic recovery is taking hold, with real GDP growth expected to reach 3.4 percent in 2022, mostly supported by the lifting of COVID-19 containment measures and high oil prices (albeit lower than previously expected). The rise in external reserves has accelerated in recent months, though still short of the desired level, owing in part to costly untargeted food and energy subsidies. Rising global inflation has passed through to domestic prices, putting pressure on real incomes, and increasingly tighter financial conditions create headwinds to growth. Rebuilding buffers, protecting the vulnerable, and sustaining a recovery that protects the most vulnerable will require stricter adherence to budget and reform plans—recalibrated for 2022 and 2023 because of significant concerns about social stability and slow progress on targeted social assistance—consistent with Fund-supported programs and policy advice.

2. **Progress has been mixed in implementing the recommendations from the August 2021 Heads of State (HOS) summit, including advancing governance and transparency reforms**. Fund-supported programs are ongoing, although some are experiencing delays in completing reviews. Quarterly reporting to the Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC) points to about 42 percent of the action matrix being implemented through 2022Q3, with heterogeneity across member countries. After resuming in April 2022 (after two years of COVID-related interruption), consultations under CEMAC Commission's regional surveillance were completed by July 2022 for all six member countries. Findings point to room for improvement (including through addressing capacity constraints), particularly in transcribing regional directives and completing PFM systems modernization reforms (especially: rolling out Treasury Single Accounts and integrated financial information management systems, switching to program-based budgeting, advancing internal and budget controls, and strengthening debt management and arrears clearance strategies). Progress continued on the unified financial market, with an improved public issuance schedule, submissions from member countries (except Chad) of SOEs proposed for listing on BVMAC, and the clarification of the ownership structure of the company managing the single central depository.[3] The new sanction mechanism for compliance with the regional convergence framework is yet to be adopted by the HOS Conference.

3. **Progress on Fund-supported programs has been mixed, with likely delays in completing a number of upcoming reviews**. Program reviews with Cameroon, Congo, and Gabon were concluded in the summer of 2022 largely as expected. However, delays are likely for upcoming reviews, owing to reform implementation challenges and ongoing discussions on recalibrating programs and finalizing corrective actions (particularly on missed structural benchmarks), in light of shocks. A staff-level agreement was reached with Congo on the conclusion of the third review,

[3] BVMAC (40 percent), BEAC (20 percent), BDEAC, brokerage firms and primary dealers (SVTs) (10 percent each), asset managers and enterprises operating in the CEMAC (5 percent each).

allowing the preparation of Board consideration in February. The first program review for Chad was delayed by several months because of ongoing debt treatment discussions, while the authorities have implemented policies broadly consistent with the proposed recalibrated program. The recent agreement on debt restructuring under the Common Framework has paved the way for the conclusion of the first and second reviews under the ECF arrangement with Chad. In C.A.R., the 2nd review under the SMP could not be completed, and the SMP was extended to end-September 2022 but subsequently expired. An Article IV mission is planned for December 2022, and discussions continue on a possible ECF arrangement in 2023. An EFF-supported program with Equatorial Guinea was approved in 2019 (with no reviews completed) but is expected to expire in December 2022. The authorities have expressed interest in a follow-up program.

B. Recent Economic Developments

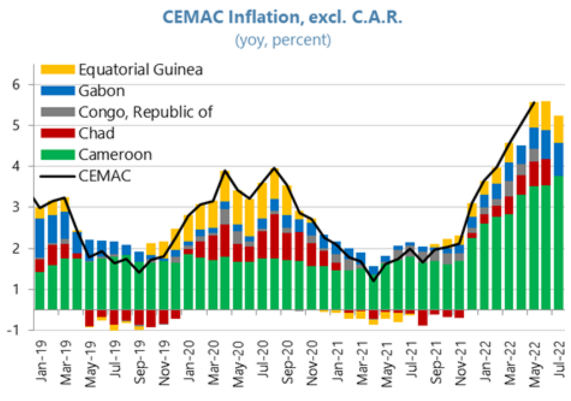
4. **The post-COVID recovery has been building gradually amid the positive terms of trade shock**. After real GDP growth reached a tepid 1.1 percent in 2021, economic activity strengthened in the first half of 2022. This upturn owes much to a buoyant oil sector in most countries, of which the impact was partly offset by a decline in production in Gabon owing to compliance with the OPEC+ commitments. The non-oil sector also grew moderately, supported by improved non-oil terms of trade (especially manganese, wood, gas), the lifting of COVID-19 containment measures, and spillovers from high oil revenues. After slowing to 2.6 percent at end-2021, inflation has picked up in 2022, as global inflation pressures passed through to domestic prices, notably food prices (Box 1).

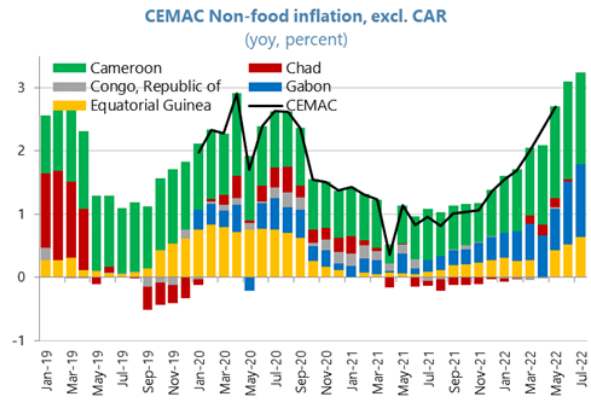
5. **Fiscal balances improved in 2021, largely thanks to higher oil revenues and somewhat lower spending, although debt vulnerabilities remain elevated**. The overall fiscal deficit (excl. grants) narrowed to 1.7 percent of GDP; important causes were expenditure compression in C.A.R. and Equatorial Guinea, as well as higher oil revenue collection, except in Chad, Gabon and C.A.R. These developments led to a decline in public debt to 57.6 percent of GDP at end-2021.[4] The non-oil primary fiscal balance (incl. grants) was broadly unchanged from 2020 at about 7 percent of non-oil GDP in 2021, reflecting slower-than-expected progress on non-oil revenue collection owing in part to pandemic- or food-related tax exemptions. The overall fiscal balance (excl. grants) is estimated to have continued to improve in 2022H1. Despite the improved fiscal balances, debt vulnerabilities remain elevated, notably in low-income member countries (C.A.R., Chad, and Congo) (Text Table 1).

[4] Regional debt-to-GDP ratio is calculated as a weighted average by individual countries' GDP.

Box 1. Inflation Developments

Inflation in CEMAC has been rising since early 2022, mainly owing to external factors—the commodity price shock and global inflationary pressures stemming from disruption in global supply amid COVID-19 lockdowns, pervasive supply chain bottlenecks, and the sharp increases in international energy and food prices.





Source: Haver Analytics and IMF Staff calculations. Available data for Cameroon, Chad, Republic of Congo, Gabon, Equatorial Guinea.

High-frequency available data through 2022H1 for Cameroon, Chad, Gabon, and Equatorial Guinea point to regional inflationary pressures. The main drivers are food prices which represent around 40 percent of the CPI basket and have increased 10.5 percent y.o.y. in June, up from 7.8 percent y.o.y. in March. For end-2022, inflation is projected at 4.6 percent. Lags in passing global inflation through to domestic prices (due especially to price controls, implicit subsidies, or tax relief granted to suppliers) and some evidence of switching to local products have helped shield population from sharper local price increases as compared to global inflation. While continuing increases in transportation costs and energy subsidy reforms would contribute to inflationary pressures, inflation is expected to decline next year as global pressures ease. Overall, however, the risks are heavily skewed toward inflation exceeding projections in the region over the next year. Although the risks of a de-anchoring of regional inflation expectations—difficult to measure given data limitations—are rising and merit attention, they remain limited for the moment given that second-round effects on non-food inflation remain subdued so far.

Text Table 1. CEMAC: DSA Ratings Pre- and Post-COVID and Shock from War in Ukraine

		Risk of external debt distress	Overall risk of debt distress	Granularity in risk rating
Cameroon	2019: Pre shocks	High ▲	High ▲	Sustainable
	2022: Post shocks	High ▲	High ▲	Sustainable
CAR	2019: Pre shocks	High ▲	High ▲	Sustainable
	2022: Post shocks	High ▲	High ▲	Sustainable
Chad[1]	2019: Pre shocks	High ▲	High ▲	Sustainable
	2022: N/A			
Republic of Congo[2]	2019: Pre shocks	In debt distress ●	In debt distress ●	Unsustainable
	2022: N/A			
Equtorial Guinea[3]	2019: Pre shocks	N/A	N/A	Sustainable
	2022: Post shocks	N/A	N/A	Sustainable
Gabon[3,4]	2019: Pre shocks	N/A	N/A	Sustainable
	2022: Post shocks	N/A	N/A	Sustainable

[1,2] Updated DSA were not published for Chad and Republic of Congo.
[3] Equatorial Guinea and Gabon are market access countries, subject to Market Access Country (MAC) DSA framework.
[4] Risk assessment in Gabon is considered as preliminary (last July 2022 DSA used the old MAC framework).

6. BEAC tightened monetary policy and liquidity management over 2021 and 2022 as inflationary pressures rose. After raising its policy rate in 2021Q4 and 2022Q1, BEAC hiked it further to 4.5 percent in September 2022. It also tightened banks' refinancing conditions, steadily scaling back weekly liquidity injections at its monetary operations window (going from CFAF 250 billion in June 2021 to CFAF 50 billion in November 2022). Rates at the marginal financing window were increased to 6.25 percent to keep the 175-basis point corridor unchanged. Two banks (down from five) that are structurally dependent on BEAC's liquidity injections are currently restricted to access only to the marginal lending facility window. All three long-term liquidity injection operations have now been discontinued following the maturation of the last remaining one in October 2022. Liquidity demand remained high amid BEAC's tightening, with weekly auctions largely oversubscribed, driven by liquidity-stressed banks. Consequently, auction rates have risen close to the marginal refinancing rate, gradually shifting banks into the interbank market, which has experienced stronger dynamism since June 2022. Staff and BEAC welcomed the dynamism in the interbank market but shared concerns over specific banks experiencing increasing liquidity stresses. Broad money decreased by 1.7 percent of GDP in 2022H1, driven by lower net credit to government more than offsetting the contribution of the NFA accumulation over 2022H1 (Table 6). However, continued excess bank liquidity limits the traction of monetary policy transmission.

7. BEAC's liquidity absorption operations have encountered difficulties recently, owing to unattractive rates for banks with ample excess liquidity. With the absorption rate at 0.75 percent (with an increase of only 55-basis points through February 2022), BEAC's absorption operations have largely failed, mostly owing to unattractive interest rates and a segmented market where few banks have large excess liquidity. These failures point to room for strengthening monetary policy transmission on banks with large excess liquidity. Autonomous factors of banking liquidity (AFBL) rose in 2022H2, driven by net redemption of public securities, declining financing needs and rising NFA amid high oil prices, adding to overall liquidity in the banking system (Figure 3, panel 4).[5]

8. COBAC normalized the prudential regulations. As planned, in July 2022, COBAC ended the temporary COVID-related forbearance prudential requirements (applied since mid-2020) and increased the capital conservation buffer by 50 basis points to 2.5 percent. The termination of these measures, coupled with resumed regular onsite inspections, are expected to contribute to a more accurate assessment of banks' health. Capital adequacy modestly improved on average in 2022 to 14.7 percent, in part owing to the suspension of dividend distribution. After improving in 2021, the reported NPL ratio increased to 19.4 percent of total gross loans in 2022Q1, even with forbearance (Text Table 2). The reported NPL ratio is likely to increase further following the normalization of temporary measures and COBAC on-site inspections that may shed light on pandemic-related credit losses. Although liquidity is segmented, overall liquidity ratios are at 171 percent of short-term liabilities in 2022Q1. The banks' loan portfolio grew 7.7 percent in 2022Q1 from end-2021.

[5] "AFBL" refers to Central Bank (CB)'s balance sheet items that affect banks' reserves at the CB, but that are beyond its control. The AFBL components are the NFA, net credit to government, currency in circulation and other items net.

Text Table 2. CEMAC: Banking System's Financial Soundness Indicators, 2016–22

(Percent)

	2016	2017	2018	2019	2020	2021	2022*
Capital							
Regulatory capital to risk-weighted assets[1]	13.44	16.14	16.47	13.40	13.19	14.09	14.70
Asset quality							
Non-performing loans (gross) to total loans (gross)	14.3	16.5	20.6	20.5	20.5	18.5	19.4
Earnings and profitability							
Return on equity[2]	7.2	10.4	10.1	9.2	8.4	10.2	
Return on assets	1.3	1.6	1.7	1.6	1.4	1.6	
Liquidity							
Ratio of liquid assets to short-term liabilities	141.3	158.2	163.5	148.0	167.2	171.8	171.0
Total deposits to total (noninterbank) loans	104.1	102.3	104.8	114.1	116.3	120.1	116.1
Credit							
Gross loan (banks' book) - bn FCFA	8853	8748	9017	8697	9339	9607	10344
Gross loan - annualized growth rate	6.8	-1.2	3.1	-3.5	7.4	2.9	7.7

Source: Banking Commission of Central Africa (COBAC).
1. Calculated according to the Basel I guidance.
2. Return in ROE is calculated based on annualized net profit before tax.
* As of end-April.

9. **Banks' exposure to the sovereign is persistently and uncomfortably high**. This exposure stood at about 30 percent of total assets on average as of June 2022, up from 19 percent in 2019. The causes are largely structural—the bank-based nature of the financial system, a rising share of sovereign assets with a zero-risk weight as backed by escrow accounts with a zero-risk weight, rampant non-compliance with concentration limits, and high financing needs during COVID-19.

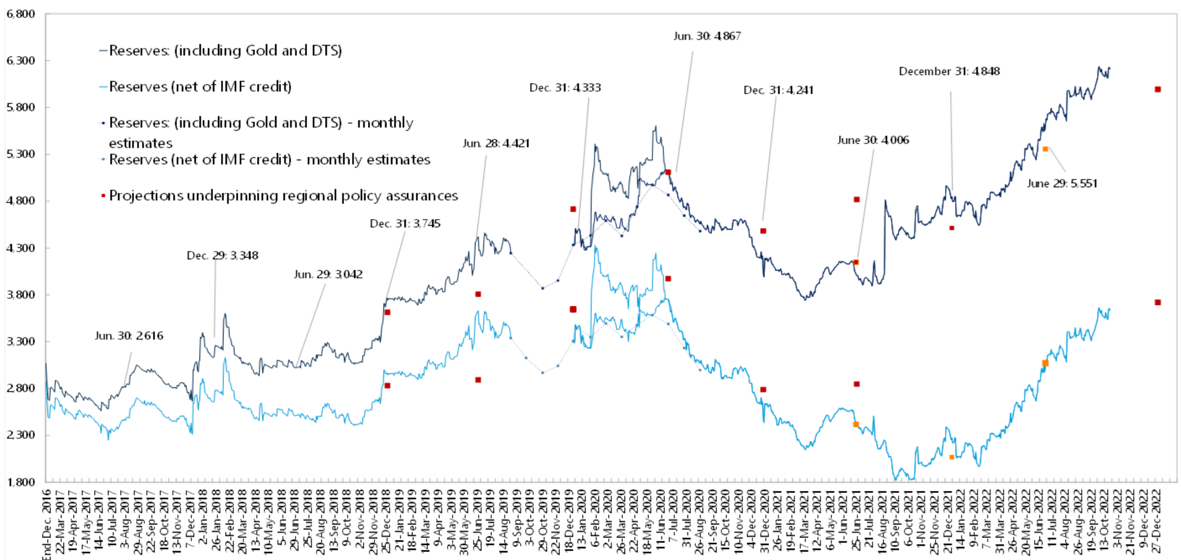
10. **CEMAC's external position strengthened in 2022H1, thanks to the positive terms of trade shock**. CEMAC's competitiveness improved on account of the CFAF depreciation in real effective terms over 2022H1, linked to the Euro depreciation relative to the dollar.

- The current account balance (CAB) is expected to reach a surplus of 1.6 percent of GDP for 2022, following a deficit of 2.3 percent of GDP in 2021.[6] The 2022 CAB projection has been modestly lowered (by CFAF 96 billion), due largely to lower net transfers for Cameroon and Chad (despite higher net income from Gabon) and in spite of a slightly stronger projected trade balance (as lower oil export receipts were offset by lower imports). The projection for the capital and financial account, however, was revised down significantly (by CFAF 1,000 billion), on account of substantially higher debt service, particularly from Congo to G20 DSSI creditors, and larger payments to two large external commercial creditors. Compared to the July projections, the overall balance deteriorates by about CFAF 1,100 billion (Table 4a). Meanwhile, budget support is expected to fall short of expectations, by CFAF 172 billion mostly due to delays in IMF-supported program reviews.

[6] Staff revised the presentation of certain historical BOP data and projections in Tables 4a and 4b, specifically for current account balance, overall balance and residual financing gap. However, other macroeconomic data and historical projections (including NFA) remain unchanged.

- Nevertheless, after an initial decline in early 2022, gross FX reserves bounced back in 2022Q2 (Text Figure 1), reflecting the lagged impact of improved terms of trade and the SDR allocation. CEMAC member countries with stronger fiscal positions saved a portion of the 2021 SDR allocation to support reserve buildup.[7] The regional policy assurance on net foreign assets (NFA) for end-June 2022 (EUR 2.81 billion) is estimated to have been met with a good margin (CFAF 248 billion). The annual NFA accumulation in 2022 is on track to be the largest ever, by factor of more than two, with gross external reserves projected to rise to 3.5 months of imports by end-2022.

Text Figure 1. CEMAC: Regional Daily Reserves, 2017–22
(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).
3/ Starting in June 2022, Projections underpinning regional policy assurances incorporate FOGADAC Adjustment.
Source: BEAC and IMF Staff calculation

OUTLOOK AND RISKS

11. The outlook is favorable, although enhanced resilience depends on managing prudently the oil windfalls and accelerating reforms. The outlook is predicated on continued high oil prices—albeit lower relative to the previous forecast[8]—and adherence to objectives under Fund-supported programs and policy advice. Vulnerabilities remain elevated, because of strong dependence on oil revenue and donor support, mixed progress on reforms, and heightened debt vulnerabilities against the background of tightening global financial conditions. Real GDP growth is

[7] Other CEMAC member countries used most of the 2021 allocated SDR to meet social and development spending (including food insecurity), repay domestic debt and clear domestic payment arrears, improve domestic financing composition, and offset external budget support shortfalls, broadly in line with staff's guidance (Figure 3, Panel I).

[8] The assumed World Economic Outlook (WEO) oil prices are below the previous forecasts from the spring, by about 8 percent for 2022 and 2023, and about 3 percent over the medium term.

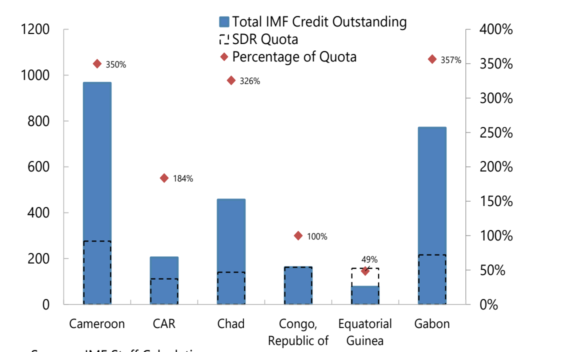
projected to reach 3.4 percent in 2022, a downward revision of 0.7 percent points relative to projections from mid-2022, owing to lower oil production in Congo in H1 and in Equatorial Guinea in Q4. Inflation is projected at 4.6 percent at end-2022 (Box 1), which threatens to heighten social tensions over the rising cost of living. Inflation is projected to revert to below the 3 percent convergence criterion from 2024 on, provided inflation expectations remain firmly anchored. Stepped-up reforms implementation is critical for diversifying economies away from hydrocarbon and raising growth potential over the medium term.

12. Fiscal positions are expected to continue improving, thanks to strong oil revenues and subsequent structural fiscal measures. With the lagged effect of high oil prices on revenues, the region's overall fiscal balance (excluding grants) for 2022 is projected at 0.7 percent of GDP—while stronger than 2021, this forecast is 0.4 percentage points lower than previously projected, owing to surging energy subsidies (1.5 percent of GDP) and lower non-oil revenue collection (Table 3a). Primarily for similar reasons, the non-oil primary fiscal deficit (including grants) is projected to deteriorate by 0.8 percentage points to 7.6 percent of non-oil GDP in 2022. It is expected to improve to 4 percent of non-oil GDP in the medium term, driven by structural revenue and expenditure measures (Table 3b). The near-term recalibration of fiscal stances, motivated by the desire to cushion the social impact of external shocks, will tend to slow—but not reverse—the positive trends in public debt reduction and reserve accumulation. Public debt is expected to decline, to 52.8 percent of GDP in 2022 and then gradually to 40 percent over the medium term. Nevertheless, debt dynamics remain vulnerable to negative oil price shocks, thus calling for stepping up fiscal consolidation and debt reduction over the medium term.

13. After improving in 2022, CEMAC's external position is expected to weaken gradually over the medium term. The CAB is projected to deteriorate to -1.2 percent of GDP in 2023, 0.4 percentage points of GDP lower than the previous projection (Tables 4a and 4b). This weakening is driven by a deterioration in net income in Equatorial Guinea and Gabon driven by oil investment income outflows. The capital and financial account is expected to improve in 2023 (but revised slightly downward from the previous projection), thanks to lower outflows in Congo, and modest improvements in FDI. The CAB gradually reverts to just below its historical average (-3.1 percent of GDP) over the medium term, on account of lower oil prices and production. Nonetheless, capital inflows are expected to offset this deterioration and sustain reserve accumulation over the medium-term, through lower debt repayments from 2024 onwards (mostly by Congo and Chad) and continuing increases in foreign direct investment (FDI). Donor support remains critical for strengthening external stability and diversifying the region's financing mix; it would also support a more even distribution of support, against the background of rising

Text Figure 2. CEMAC: Credit Outstanding to the IMF

(SDR, percentage of SDR quota)



Sources: IMF Staff Calculations

Fund exposure to the region (Text Figure 2).[9] The reserve coverage ratio is projected to increase to around 4½ months of imports in the medium-term, slightly below staff's adequacy target for a resource-rich monetary union (5 months, Annex III).

14. The outlook is clouded by heightened uncertainties, with risks tilted to the downside (Annex I. Risk Assessment Matrix):

- Higher food and fertilizer prices. If targeted assistance is not in place, larger and longer-than-expected surges in food subsidies could delay reserve accumulation to adequate levels.[10]

- Inflation pressures could also weigh on growth, threaten food security, notably for low-income households, and entrench inflation expectations. Social tensions could also rise.

- A larger-than-forecast decline in oil and other commodities' prices linked to a likely stronger slowdown in global demand would lower demand for CEMAC exports, adversely affect public finances, external stability, and social indicators, which would require significant policy adjustments.

- Failure to enhance spending efficiency or improve non-oil tax revenue collection could worsen the region's elevated debt vulnerabilities and add to the challenges posed by its fragile external position, especially should multiple Fund-supported programs in the region go off-track. The subsidy bill would rise if targeted social assistance and automatic fuel price adjustment mechanisms are not implemented in the medium term. The associated fiscal slippages would consume the oil windfalls, delay reserve accumulation to adequate levels, and heighten debt vulnerabilities.

- A greater-than-expected tightening of global financial conditions could sharpen risk premia and raise debt service and rollover risks. The narrowing market borrowing capacity could hinder growth and reserves buildup. Faster than assumed interest rate hikes from the ECB could require a faster monetary policy tightening by BEAC, negatively affecting growth.

- A persistence or worsening of security challenges (C.A.R. and Chad), weak governance (particularly in natural resources management and including shortcomings in AML/CFT frameworks), high corruption perceptions, and possible post-election political instability may also weigh on growth prospects. Those risks are particularly acute in fragile and conflict-affected states.

- The CEMAC region also remains vulnerable to climate-related shocks. In addition to a broader shift in energy preferences away from hydrocarbons, climate change is likely to exacerbate the region's vulnerabilities, owing to high poverty rates, food insecurity, political instability, and conflicts, especially in drought-affected areas.

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[9] This is in line with assumptions under ongoing Fund-supported programs and requires their timely implementation.
[10] See also Box 1. Possible Spillover Channels of the War in Ukraine on CEMAC in CR/22/208.

- Slow progress on structural reforms and failures to adhere to targets under Fund-supported programs may delay IMF and other donor financing, generate external financing shortfalls, and postpone growth benefits.

- 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.

- The materialization of the above risks, along with existing vulnerabilities, could weaken banks' balance sheets, affecting their ability to provide credit to governments and enterprises, further tightening the banks-sovereign nexus, and potentially triggering systemic risks.

- On the upside, stricter compliance with the FX regulations could lead to greater repatriation of export proceeds, especially oil. In addition, larger-than-expected investments in the extractive sector amid higher oil prices, coupled with a rekindled momentum in reform implementation, could raise growth and help reduce vulnerabilities more rapidly. BEAC agreed with staff's risk assessment, emphasizing the risk of tightening financial conditions, which could reduce financial flows and strain CEMAC member countries' budgets, thereby raising debt vulnerabilities.

BALANCING INTERNAL AND EXTERNAL STABILITY, FOOD SECURITY, AND THE RECOVERY

15. Discussions focused on balancing the triple task of supporting internal and external stability, addressing growing social vulnerability, and sustaining the recovery. Given energy and food price pressures, higher inflation, tightening global financial conditions, disruptions in global supply chains, food insecurity and volatility in oil and commodity markets, achieving this delicate balancing act boils down to keep managing prudently the oil windfalls and accelerating reforms.

A. Strengthening Resilience While Protecting Vulnerable Populations

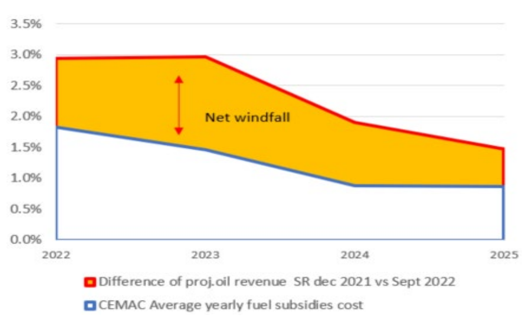
16. Prudent management of the oil windfalls is pivotal for enhancing CEMAC's resilience while protecting vulnerable populations and supporting the recovery. Given their volatility, staff reiterated the criticality of seizing the unique opportunity offered by persistently high oil prices to strengthen resilience to potential shocks, by rebuilding fiscal and external buffers, including possibly through explicit saving targets. Staff urged national authorities to fend off the temptation of pro-cyclical spending and avoid fiscal slippages to ensure coherence with the monetary policy stance, through improved adherence to objectives under Fund-supported programs. Staff recommended that the oil windfalls could also be used in part to address social needs (see below). In light of the social impact of external shocks (especially food and fuel prices), fiscal stances in the region are being recalibrated in the near-term to cushion the impact, while maintaining debt reduction and reserve accumulation; all other things equal, the recalibration of fiscal policies in some member countries, largely to protect vulnerable people from price increases, will tend to slow these positive trends, although the magnitude of the impact is not clear yet. To limit procyclicality of fiscal policy and avoid long-term impact on fiscal sustainability, staff advocated for temporary and limited fiscal recalibrations and for plans to phase out additional fuel subsidies, accounting for countries' specific circumstances. Debt servicing costs could be reduced by pre-paying BEAC's past statutory advances or paying off expensive debts. Moreover, staff stressed that CEMAC's low-income countries should resort to non-concessional external financing only if consistent with safeguarding debt sustainability and debt limits under Fund-supported programs. All CEMAC countries could benefit from continuing efforts to improve debt transparency, particularly on non-guaranteed SOE's debt, and through avoiding non-transparent borrowing guaranteed by future natural resource deliveries.

17. Better targeting social assistance is critical for protecting vulnerable populations from high energy and food prices while preserving fiscal sustainability. Staff reiterated that more targeted assistance is critical for protecting the poorest groups while avoiding consuming oil windfalls in a prolonged surge in generalized subsidies (Text Table 3). Staff recommended that subsidies be targeted, transparent and time-bound where possible. Generalized subsidies, where unavoidable, should ideally be limited to essential food items and fuel consumed by the poorest groups, like kerosene rather than petroleum. To the extent that targeting mechanisms are limited, the needed social assistance could be delivered through existing infrastructure such as those for school food programs where feasible. Staff advocated for gradually phasing out inefficient untargeted fuel subsidies, through stricter enforcement of automatic fuel price adjustment mechanisms to increase the pass-through of global energy prices to domestic retail fuel prices, while at the same time rolling out targeted cash transfers; the latter requires investments to improve social registry to identify the most vulnerable. Other accompanying measures (for example, subsidized public transportation where feasible) should be considered, and a communication strategy should explain the merits of reforming energy subsidies, including their highly regressive nature.

Text Table 3. CEMAC: Estimations of Oil Windfall (SR December 2021[1] vs September 2022)

CEMAC: Projections of Net Oil Windfalls Estimates 2022–24[2]

(Percent of GDP)



	2022	2023	2024	2025
SR December[1] projections Oil price (USD/barrel brent)	65.9	63.0	61.0	59.4
September projections[3] Oil price (USD/barrel brent)	100.8	84.7	78.6	74.7
Difference of proj. oil revenue SR Dec 2021 vs. Sept 2022 as % of GDP	2.94%	2.97%	1.91%	1.48%

Text Table 3. CEMAC: Estimations of oil windfall (SR December 2021[1] vs September 2022)
CEMAC: Projections of Net Oil Windfalls Estimates 2022–24[2] (continued)
(Percent of GDP)

Estimation of Fuel Subsidy Fiscal Cost 2022–25 Based on Current Oil Price Projections[3]

FUEL SUBSIDIES COST								
	2022		2023		2024		2025	
Country	Percent of GDP	CFAF billion	Percent of GDP	CFAF billion	Percent of GDP	CFAF billion	Percent of GDP	CFAF billion
Cameroon	1.8%	**480**	2.4%	**298**	0.9%	**271**	0.7%	**253**
CAR	0.8%	**12**	0.7%	**12**	0.6%	**10**	0.5%	**9**
Chad[4]	1.1%	**86**	1.1%	**85**	1.0%	**84**	1.0%	**83**
Republic of Congo	2.8%	**251**	1.4%	**125**	0.8%	**71**	0.9%	**84**
Equatorial Guinea	0.7%	**69**	0.7%	**59**	0.6%	**46**	0.5%	**42**
Gabon	1.1%	**150**	0.7%	**100**	0.2%	**30**	0.1%	**15**
CEMAC	1.5%	**1048**	1.0%	**679**	0.7%	**512**	0.6%	**486**

Source: IMF Staff Calculations
[1] Refers to the projections published in the IMF Country Report No 22/208.
[2] At current oil prices forecast (2022–25), oil windfall is estimated at 2.3 percent of GDP annually. Although subject to uncertainties, fuel subsidies (incl. implicit ones), if maintained, are estimated at 1.2 percent of GDP annually (Annex 3).
[3] Refers to a GDP PPP weighted average of oil prices used in country frameworks
[4] Chad aggregate does not include implicit fuel subsidies and only includes direct transfer to the national electrical company to produce electricity from fuel subsidies.

18. The CEMAC region has developed an import-substitution strategy to tackle food insecurity amid global supply disruptions from the fallout of the war in Ukraine. Given risks of regional food shortages (Annex II), PREF-CEMAC's steering committee (PREF-COPIL) put forth an import-substitution strategy, intended to enhance food security, including through bolstering domestic agricultural, animal-raising, and fishing production. While implementation has begun, financing is a constraint, and staff encouraged national and regional authorities to step up cooperation with donors (World Bank, UN Food and Agricultural Organization, African Development Bank, etc.) to secure concessional resources, including to promote domestic fertilizer production, which should help boost domestic agriculture productivity, especially if coupled with well-designed research and development activities; promising initiatives include irrigation projects and more climate resilient seeds and practices. Staff also supported PREF-COPIL's call to remove intra-regional transit and non-tariff barriers, as well as supply chain bottlenecks. Staff encouraged stepping up implementation of the Africa Continental Free Trade Agreement (AfCFTA) and Payment Settlement System (PAPSS),[11] along with structural regulatory and business climate reforms, to

[11] Launched in 2022, the PAPSS is a centralized payment and settlement system for intra-African trade.

boost inter-African trade, including in food products, which would help tackle food insecurity.[12] But staff cautioned against any related foreign exchange or trade restrictions.

19. Staff emphasized that key structural measures are necessary to meet the region's medium-term development objectives while preserving fiscal sustainability.

- Non-oil revenue collection should be steadily improved to delink much-needed priority social and infrastructure spending from hydrocarbon price volatility. Efforts should focus on phasing out tax exemptions (especially related to COVID-19) and broadening the tax base, including through advancing interest limitation rules and measures geared towards better asserting taxing rights over income from multinationals (e.g., permanent establishment rules and withholding taxes). New regional tax directives (including CEMAC's Community Tax Procedures Code) should be adopted in a timely manner and subsequently transcribed into national legislations, while moving gradually towards more direct taxation, notably corporate income tax (CIT), personal income tax (PIT), and property tax.[13]

- Improved spending composition along with greater spending efficiency are key to creating more fiscal space. In addition to subsidy reforms, savings could be gained from rationalization of various outlays, including the public wage bill and non-priority recurrent spending, such as costly transfers to SOEs, which could be supported by reforms enhancing SOEs' governance and by stronger government management of SOE-related fiscal risks.[14] Public investment efficiency should be also continually upgraded through accelerating the implementation of recommendations from Public Investment Management Assessment (PIMA) carried out in Cameroon, Gabon, and Chad, and conducting PIMA exercises in countries where they have not taken place yet (C.A.R., Congo, and Equatorial Guinea).[15]

- Faster progress on other PFM reforms, notably on Treasury Single Accounts (TSA), would help ensure a more efficient use of public resources. Cameroon and Gabon have made stronger progress after resolving initial IT difficulties. BEAC developed cash management guidelines and an IT platform, which was integrated into Cameroon Treasury's information system and is set to be integrated into the other Treasuries' information systems by end-2022 (Gabon, Congo, Chad and C.A.R.) and early 2023 (Equatorial Guinea). Related standard conventions are expected to be signed between BEAC and all Treasuries by end-2022.[16]

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[12] Key elements of such regulatory and business climate reforms could include harmonizing taxation within the region, removing key bottlenecks, aligning the treatment of firms in the formal and informal sectors, reducing red tape, promoting fair competition, and improving governance and transparency in the extractive sector.

[13] Excise taxes on goods (tobacco, alcohol, high sugar content product) could also bring rapid tax revenues and foster public health, although they may prove detrimental to long-term growth.

[14] Key reforms could include redefining SOE's strategic role, reducing their involvement in activities better performed by the private sector, and levelling the playing field.

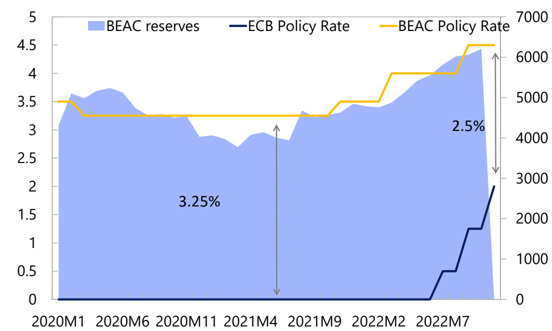
[15] Congo requested a PIMA.

[16] Subsequently, each Treasury's information system should be interfaced with BEAC's one and SWIFT for regional and international transfers, respectively.

- Ongoing efforts to improve external statistics, including with planned Fund's capacity development, are critical for accelerating BOP data collection and compilation, which would ultimately help reduce oil revenue and external flows forecasting errors.

B. Monetary Policy: Balancing Domestic Needs and External Pressures

Text Figure 3. BEAC-ECB Policy Rate Spread and CEMAC Gross External Reserves (RHS)



Sources: BEAC, ECB, IMF Staff Calculations

20. Staff commended BEAC's monetary policy tightening and recommended that it stand ready to tighten further. Rising inflation and the need to build external buffers required policy responses, both in rates and liquidity management. BEAC concurred with Fund staff that additional evidence of rising inflation, deviations from the targeted reserve path, or fiscal slippages would warrant further policy rate increases and tightening liquidity. Although BEAC indicated that it took prospects of future ECB tightening into account in its analysis guiding monetary policy decisions, it clarified that further increases in ECB's policy rate would not automatically warrant further hikes in BEAC's policy rate and liquidity tightening, as this needs to be balanced in the context of the main factors informing monetary policy decisions (regional inflation expectations and the external reserve path). BEAC also pointed out that regional inflation was much lower than in the Euro area, although staff argued that the differential was partly due to fuel subsidies. In addition, BEAC highlighted that the spread between BEAC's policy rate and the Euro area policy rate (Text Figure 3) has not proven to be a key factor driving capital flow movements between CEMAC and Euro area markets, given limited integration of both markets owing to CEMAC's restricted capital account. While seeing merit in balancing all factors informing monetary policy decisions, staff nuanced by advocating that a greater weight should be assigned to maintaining the spread at least at its historical average (3.25 bps), especially in a more forward-looking approach in the current context of heightened external uncertainties.

21. Staff recommended that BEAC explore additional instruments to ensure a more active management of liquidity and to strengthen monetary policy transmission. Staff recommended that BEAC gradually raise the rates on its liquidity absorption operations, at least to maintain the historical spread with the main policy rate, to absorb excess liquidity and strengthen monetary policy transmission. Staff also recommended that BEAC explore other absorption modalities (e.g., full allotment) and additional instruments, including raising the deposit facility rate (maintained at 0 percent) as well as boosting and better remunerating reserves requirements (coefficients were maintained at 7 and 4.5 percent on sight and term deposits, respectively; the remuneration currently stands at 0.05 percent).

- BEAC indicated that it intended to pursue a progressively more active liquidity management and is currently weighing all relevant options (including those mentioned above) in the context of its new operational framework for the conduct of monetary policy—specifically through a recently created dedicated working group.[17] That said, findings from their preliminary consultations with banks with excess liquidity show that these banks' liquidity holding decisions were shaped not by profitability, but rather by parent-bank's investment policies and precautionary motives (incompressible reserves). BEAC also expressed concerns over likely crowding out of transactions in the interbank market—which is critical for ultimately improving monetary policy transmission—from raising the rate on liquidity absorptions. In addition, BEAC pointed out that given segmented liquidity in the banking system, raising reserves requirement coefficients would disproportionately penalize liquidity-stressed banks, worsening the segmentation. Staff stressed the need to move expeditiously on strengthening further liquidity management and monetary policy transmission, while welcoming the direction of BEAC's plans—including conducting a more thorough analysis and comprehensive consultations with banks in 2023 to better inform its future choice of more active liquidity management instruments—and acknowledging concerns over the interbank market dynamics. To combat liquidity segmentation across banks, staff reiterated the priorities of more resolutely tackling weak banks (see below), as well as generally strengthening supervision and capital adequacy to build confidence among banks.

- BEAC and staff concurred on the importance of engaging proactively with banks facing high liquidity needs but standing below the 10 percent of liabilities dependency threshold, to tackle head-on their liquidity needs before they become structurally dependent on BEAC's support, ideally in collaboration with COBAC. They also agreed that ultimately, effectively addressing these banks' liquidity woes requires governments' ability to run primary fiscal surpluses or find other sustainable financing to settle domestic arrears, which are one of the root causes of their liquidity stress. Staff welcomed BEAC's steady reduction of weekly liquidity injections in the main monetary operations window—along with the increase in the haircut on collateral from two countries since May 2022—with a view to discontinuing them gradually in 2023 and focusing on liquidity absorption operations, building on AFBL.

22. Staff welcomed BEAC's commitment to containing risks to its balance sheets. BEAC and staff agreed that only banks compliant with prudential obligations should be granted access to the standard weekly liquidity window and that liquidity-stressed banks should gradually reduce their dependence on BEAC's support, including through submitting credible refinancing plans, to contain risks from a durable increase in

Text Table 4. 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

[17] The working group, created in November 2022 through Decision n°371/GR/2022, is tasked with diagnosing banks' liquidity situation and proposing steps to ensure better resources allocation in the monetary market.

BEAC's balance sheet. Staff supported BEAC continuing adjustment of the haircuts on collateral to reflect risks and establish exposure limits by bank and/or country. BEAC and staff concurred with the need to keep repaying, as scheduled, past statutory advances and the stock of bonds bought in the context of BEAC's COVID-related bond purchase program, which started maturing in 2022Q2. Staff welcomed BEAC's continued readiness to retire its COVID-related credit line to the regional development bank (BDEAC) for undrawn amounts and as credits get amortized. Although arrears securitization exercises in member countries (Text Table 4) are a welcome means for clearing domestic arrears, staff reiterated concerns about any unintended consequences, including weakening fiscal discipline, reinforcing the bank-sovereign nexus, and an excessive buildup of government securities on BEAC's balance sheet through refinancing. Staff argued that such securities should not be allowed to ultimately thwart BEAC's liquidity management objectives and called on national authorities to step up efforts to strengthen expenditure commitment controls and cash management to prevent the resurgence of new domestic payment arrears.

23. The stronger enforcement of FX regulations is beginning to bear fruit, with room for improvement on some aspects of implementation. As recommended by staff, BEAC has implemented a large number of actions aimed at boosting the repatriation of export proceeds, and the amounts surrendered to BEAC have increased steadily. However, several sectors have expressed concerns about slower processing times in the provision of FX by BEAC and suggest that the process could be more efficient and less onerous—particularly for external clients, who in most cases have already complied with the Know-Your-Client (KYC) requirements of correspondent banks. The private sector nevertheless acknowledged that enforcement of the legislation was necessary to strengthen external stability. Acknowledging that the verification and approval process of FX requests could be burdensome in some cases, BEAC has conducted an ongoing dialogue with commercial banks and businesses to ensure an appropriate application of the regulation in a way that does not hamper the business climate or limit or delay current account payments. BEAC also explained that some delays stemmed from other parties in the transactions. Staff encouraged BEAC to continue the ongoing dialogue with the private sector to reduce undue delays, including by ensuring a consistent and predictable application of the regulation. These measures will avoid causing possible foreign exchange restrictions. Staff also recommended that BEAC deploy sufficient human resources to ensure that FX requests are examined and processed speedily, smoothly, and efficiently; BEAC noted that it had increased resources already and would continue to do so as needed.

24. Effective application of FX regulations to the extractive sector is paramount to ensuring the success of the regulation framework.[18] Although the repatriation and surrender requirements of the FX regulations adapted to the extractive sector came into effect in January 2022,[19] BEAC is not yet enforcing sanctions for non-compliance, pending the resolution of technical

[18] 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.

[19] The adaptation 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.

difficulties raised by the sector, including in opening and operating foreign currency accounts in the CEMAC region. Discussions continue among BEAC, operators, and regional banks regarding the appropriate mechanism to repatriate both the sector's required 35 percent of proceeds (compared to 70 percent for non-extractive sectors) and the funds set aside for the rehabilitation of oil sites.[20] Staff noted the complexity of the issues involved and expressed hope that all parties would continue to work together to find cooperative and pragmatic solutions that comply with the existing regulation and allow the sector to contribute their share of FX flows.

25. An update safeguards assessment of BEAC was finalized in April 2022. Findings indicate that BEAC maintained strong governance arrangements and transitioned to international financial reporting standards (IFRS). Nonetheless, staff recommended that BEAC strengthen its internal audit mechanisms and risk management, as well as its cyber-resilience and business continuity framework.

C. Strengthening Financial Sector Policies and Banks' Balance Sheets

26. Staff welcomed COBAC's unwinding of temporary forbearance measures, while urging more post-COVID supervisory reviews and a prudent approach on dividend distribution. With the normalization of prudential supervision, COBAC should conduct comprehensive and rigorous asset quality reviews in the banking sector, with a view to estimating needed loan-loss provisions and subsequent capital shortfalls; these reviews would also help prepare for any early intervention and/or corrective actions needed for fragile banks. Until post-COVID uncertainties on asset quality and profitability have abated, a prudent dividend distribution policy is advisable regarding important breaches of regulatory measures (capital adequacy and concentration limits) that are detrimental for distribution. Stress tests could help get a forward-looking perspective on banks' risks and losses and inform better dividend distribution authorizations. Staff advocated for COBAC to pursue efforts to ensure undercapitalized banks submit credible medium-term recapitalization plans and establish a strategy for NPLs reduction; it further stressed that in case of delays in addressing weaknesses, COBAC should escalate its actions by gradually using all the available tools, including early intervention, sanctions, and resolution powers when needed. The coordination between BEAC and COBAC should be reinforced to ensure liquidity-stressed banks' access to the monetary operations windows are informed by COBAC's supervisory judgment and the review of recapitalization and funding plans. COBAC largely concurred with staff advice, while noting that resource limitations may delay strengthening policies as desired. Regarding dividend distribution, pointing to its limited capacity to conduct numerous thorough asset quality reviews, COBAC explained opting for a case-by-case approach for the time being, in line with the current regulations, which stipulate that only banks meeting capital adequacy and concentration ratios could do so.

27. Staff reiterated the need to ensure banks account for sovereign risk adequately. Banks' sovereign exposure has continued to rise, reaching 31 percent in 2022Q3 (34 percent when including SOEs), with a large heterogeneity between banks. Staff advised that COBAC should start

[20] The sector is required to repatriate funds set aside for the rehabilitation of oil sites in long-term foreign currency escrow accounts in the CEMAC within three years.

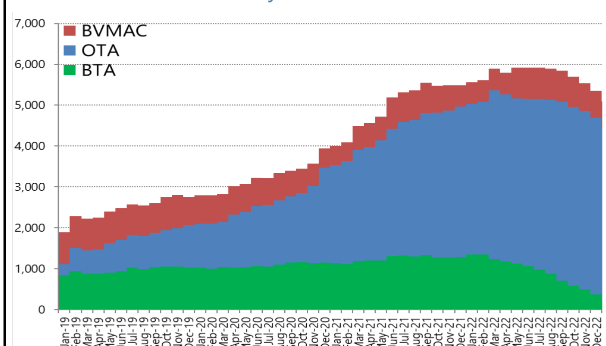
to progressively enforce the existing concentration limits, especially for banks with excessive exposure. Banks should also be encouraged to implement prudent internal risk management, with exposure limits. Also, building on CEMAC Commission's resumed regional surveillance, COBAC should move more systematically away from zero-risk weight on government exposure; in the absence of this move, it would be advisable to at least define their conditions very conservatively (e.g., restricting zero-risk weights to banks complying with concentration limits, conditioned on properly structured and audited escrow accounts only in countries with operational single treasury account). COBAC and BEAC should work together to ensure that primary dealers, mostly banks, do not hold to maturity more that 70 percent of sovereign new issuances, as stated in their contracts. Although BEAC and COBAC largely concurred with staff on risks and the direction of policy recommendations, they highlighted the need both to consider financing needs for governments and to enhance fiscal discipline as a way to contain risks, in addition to banking regulatory measures.

28. COBAC should prioritize its work agenda to focus on risk-based prudential and AML/CFT-compliance supervision, modernizing regulatory and risk management frameworks, and improving banks' governance. Moreover, staff and COBAC concurred on the need to swiftly address COBAC's long-standing under-staffing issues and strengthen its supervisory capacity. Its current capacity does not appear adequate, given the large number of banks, microfinance and other financial companies under its supervision, the delays in implementing Basel framework, as well as the emergence of new risks.

29. Staff reiterated its advice against the segmentation of the government issuance market. Government issuances on the stock exchange (BVMAC) continued, with such securities rising as a share of government securities issued through the primary market (BEAC) (Text Figure 4). Staff stressed again that this market dualism would hamper the development of the secondary market and securities liquidity. Going forward, staff encouraged BEAC to intensify awareness campaigns, including through the consultation framework set up in collaboration with AFRITAC Center, on innovative provisions introduced in the amended 2018 regulatory framework to overcome initial shortcomings that were diverting stakeholders away from the primary market towards BVMAC, notably the availability of longer maturities and syndicated loans-type and securities repurchasing operations in the primary market. Staff also urged BVMAC and COSUMAF to design and implement a strategy towards raising investors' appetite for the 17 SOEs' stocks set to be listed on BVMAC, including through operationalizing the management company of the single central depository by end-2022, as planned. Staff also called for clearing arrears vis-à-vis BVMAC, in line with recommendations from the August 2022 meeting of PREF-CEMAC steering committee (PREF-COPIL). Lastly, it also recommended lengthening securities' maturities and diversifying the

Text Figure 4. CEMAC: Stock of Government Securities

Monthly – CFAF Billion



investor base, including through enhanced financial literacy towards individual investors and stepping up awareness campaigns to broaden the investor base, which would ultimately help foster the secondary market development. Promising investors include non-bank institutional investors (pension funds, insurance companies, asset managers), personal investors from the diaspora, and non-resident investment funds; the latter would benefit from addressing FX repatriation concerns. BEAC fully agreed with staff recommendations, emphasizing the need for BVMAC to concentrate on the secondary market. BVMAC also largely agreed, except for arguing that its platform for government securities was attracting activity because it responded to needs not met elsewhere.

D. Using Digital Payments for Innovation and Inclusion While Tackling Related Risks

30. The digital finance ecosystem has steadily evolved, with the CEMAC region steadily tapping into digitalization to foster innovation and financial inclusion. Particularly, mobile money has sparked rising appetite from users. Given the rising interest in digital assets, staff encouraged regional authorities to enable a regulatory framework that supports innovation, financial inclusion, consumer protection, and safeguards financial integrity. BEAC should unlock the potential of mobile money by revising the current tariffication that burdens small transactions and deepen financial intermediation, including through accelerating the ongoing establishment of a regional credit bureau and a financial statements' repository for CEMAC companies. Over the past few years, the digital payment ecosystem has widened, with growing appetite for new forms of digital assets, including cryptoassets.

31. Staff urged national and regional authorities to settle the legal inconsistency between C.A.R.'s cryptoassets-related law and the CEMAC treaty.[21] The resolutions from UMAC's (Monetary Union of Central Africa) July 2022 ministerial committee's meeting for settling the legal inconsistency from C.A.R.'s adoption of cryptoassets as legal tender are initial steps in the right direction. Staff encouraged national and regional authorities to implement them in a timely manner. During the upcoming Article IV mission to C.A.R., staff and the authorities will discuss the plans for aligning the cryptoasset law, including the legal tender and convertibility provisions, with the CEMAC legislation. Staff also advised that regulations tackling supervisory challenges from digital assets be developed expeditiously, to ensure they support innovation and financial inclusion while preserving financial stability, protecting consumers, and fostering compliance with AML/CFT standards.

32. Staff also reiterated the need for enhanced coordination between BEAC, COBAC, and the capital markets regulator (COSUMAF) to advance crypto-related regulatory frameworks. Following COBAC's Decision D-2022/071 prohibiting the use of cryptocurrencies by entities under its remit, UMAC's ministerial committee adopted a COSUMAF-led regulation (No-01-2022 relative to the organization and functioning of CEMAC's financial market) in July 2022 that included a provision governing the use of digital assets. The adoption of this regulation raised clarity and

[21] See IMF's Country Report No. 2022/208 (Annex I) for a related detailed discussion.

consistency concerns with respect to COBAC's earlier decision and BEAC's mandate on payments.[22] Staff recommended that regional supervisors (BEAC, COBAC, COSUMAF) work collectively to come up with a consistent approach on regulation of digital assets across their respective purviews and enhance communication to provide users with a coherent framework on the matter. BEAC assured staff that joint working groups, involving stakeholders from all regional supervisors, are expected to be set up soon. They would be tasked with coming up with options to harmonize regulatory approaches across CEMAC and to assess the desirability and feasibility of introducing a central bank digital currency (CBDC), in line with BEAC Executive Board's recommendation. Staff indicated Fund's readiness to support efforts as needed on both fronts.

E. Pressing Ahead With the Regional Surveillance Framework

33. Staff welcomed the completion of regional surveillance consultations in July 2022 for all six countries, after their post-COVID resumption by the CEMAC Commission in April 2022. Staff reiterated that adherence to regional convergence criteria is essential for the credibility of the regional surveillance framework. Staff advocated for the HOS Conference to adopt the new sanction mechanism for breaches of regional surveillance rules expeditiously[23], as this would strengthen the enforceability of the regional surveillance framework.[24] Staff encouraged the Commission to carry out the first internal analysis of the early warning system as planned in 2023, stressing the importance of member countries submitting updated triennial convergence plans. Faster progress is needed to transcribe regional PFM and the newly adopted VAT directives into national legislations, with the support of Fund technical assistance. Staff seconded the CEMAC Commission's emphasis on pressing ahead with unfinished reform priorities in member countries, including most notably: rolling out treasury single accounts (TSA) and integrated financial information management systems, internal and budget controls, switching into program-based budgeting; and implementing comprehensive strategies for domestic arrears clearance and medium-term debt management.

HARNESSING EXTERNAL TAILWINDS FOR GROWTH DIVERSIFICATION AND RESILIENCE

34. Staff stressed that favorable external conditions provided an opportunity to accelerate reform plans. Moreover, rising uncertainties make it urgent to step up efforts to boost resilience. Staff welcomed progress on reforms under PREF-CEMAC's supervision, while noting that much remains to be done (¶2 and 16); the authorities largely concurred, while noting capacity

[22] The regulation's implementation texts are pending.

[23] The new sanction mechanism was adopted by the council of ministers in January 2021.

[24] Member countries met at least two out of four convergence criteria in 2021, except Gabon and C.A.R., which met only one criterion (inflation and debt, respectively). No country has met the criterion related to the non-accumulation of domestic payment arrears.

constraints. Boosting competitiveness through productivity gains over the medium-term is vital to sustained non-oil growth and resilience.

35. CEMAC's external position in 2021 is assessed as weaker than the level implied by medium-term fundamentals and desirable policies. Based on the EBA-lite model, the current account gap is -3.9 percent of GDP, implying exchange rate overvaluation consistent with prevalence of Dutch Disease effects in a region with structural competitiveness issues (Annex III). BEAC staff agreed with Fund staff on the drivers of CEMAC's external position, highlighting competitiveness and fiscal discipline as key to bring it in line with fundamentals. BEAC staff also considers the application of the FX regulation, including to the extractive sector, coupled with greater efforts to repatriate the public sector's proceeds, as essential to narrow imbalances.

36. Price competitiveness improved in 2022. During 2022H1, the regional real effective exchange rate (REER) depreciated by 7.5 percent, reflecting a weaker euro against the dollar and negative inflation differentials vis-à-vis external partners, though the latter is partly driven by price controls. The real depreciation effect is unified across CEMAC countries. Although inflation risks could reverse these gains, the recent REER dynamics provide a window of opportunity to advance diversification from oil through stepped-up reforms (¶15–17).

37. Deep structural reforms are essential for laying the foundations for a more diversified, inclusive, and sustainable growth. In line with priorities set out by the 2021 HOS Summit, progress on this front requires re-invigorated implementation of deep structural, governance, transparency and regulatory reforms with a range of priority objectives: strengthen human capital, improve the business climate to boost investment in new sectors and develop local production capacities, better adapt to climate change, enhance social protection, reinforce banking sector solidity, foster regional trade integration, and raise productivity and competitiveness, including in the agriculture sector. On the latter particularly, a careful implementation of regional authorities' import-substitution strategy—while avoiding foreign exchange or trade restrictions—could pave the way to strengthening food security.

MONITORING OF REGIONAL POLICY ASSURANCES

38. The regional authorities moved forward with the policy commitments from the June 2022 follow-up to the Letter of support to member countries' recovery and reform programs. BEAC maintained an appropriate monetary and liquidity stance (¶ 5 and 19), hiking its policy rate to tame inflationary pressures and tightening further liquidity management.
The adaptation of FX regulation to the extractive sector came into effect in January 2022, although BEAC is not yet enforcing sanctions for non-compliance, pending resolution of concerns over technical difficulties raised by the sector for opening/operating foreign currency accounts in the CEMAC. Discussions are ongoing to finalize implementation of the framework for the repatriation of rehabilitation funds. COBAC normalized the prudential regulations, ending the temporary forbearance prudential requirements in place since mid-2020 and increasing the capital conservation buffer by 50 basis points to 2.5 percent. With these efforts, the regional policy

assurance on NFA set for end-June 2022 (EUR 2.81 billion) was met with a comfortable margin (EUR 378 million).

39. BEAC requests a downward revision to the regional policy assurance on the NFA for end-December 2022 (to EUR 3.39 billion) to account for exogenous factors. Meeting the NFA target for end-December 2022 (EUR 3.73 billion) set at the July 2022 Board meeting could be difficult due to shortfalls in external financing, while financing needs increased as the projected overall balance deteriorated relative to the previous forecast (by the equivalent of EUR 1.2 billion, ¶10). Relative to the projections underlying the previous NFA target, budget support is expected to fall short by EUR 260 million. BEAC thus requests to revise the end-December 2022 policy assurances to account for the shortfall in donor financing as well as an additional modest adjustment to help offset higher financing needs (EUR 80 million). Despite this revision, the NFA annual accumulation in 2022 will be the largest ever, by factor of more than two. Staff and BEAC agreed that rapid accumulation is desirable, particularly in a context of high oil prices. BEAC also indicated that its efforts to strengthen FX repatriation were still ongoing and would yield further fruit, even as procedural burdens were reduced.

40. The attached follow-up letter describes the proposed revision to the end-December 2022 NFA target, the proposed June 2023 NFA target, and associated regional institutions' policy intentions in support of national programs. Consistent with staff projections, which accounted for the expected NFA deviation from its initial target for end-December 2022 owing to the above-highlighted factors (¶39), the proposed end-June 2023 NFA target covered by the updated policy assurances was set at EUR 3.93 billion, respectively (Text Table 5). The target is in line with staff advice and consistent with program projections at the time of the mission. Staff projections of NFA accumulation in 2023 have been revised down relative to projections during the July 2022 Staff Report, owing to a deterioration in the financial account (with large debt repayments linked to higher oil prices and more costly debt amortization, partly due to the stronger dollar), but it would still be the second largest—by far—after 2022. In the medium term, gross reserves are projected to reach 4½ months of imports. That said, as in the past, these proposed NFA targets for end-December 2022 and end-June 2023 remain subject to risks from heightened external uncertainties, including volatility in the oil market and delays in donor support disbursements.

Text Table 5. CEMAC: Regional Policy Assurance on NFAs, 2022–23

(Billions of euros)

	2021	2022		2023
	Dec.	June	Dec.	June
Assurance endorsed in June. 2022	2.20	2.81	3.73	...
Outcome	2.15	3.19	...	...
Proposed new assurances	...	...	3.39	3.93

STAFF APPRAISAL

41. High oil prices, coupled with prudent management of oil windfalls, are expected to support strengthening CEMAC's external position amid heightened risks. The positive terms-of-trade shock linked to Russia's war in Ukraine has reinforced the external position and the nascent post-pandemic recovery. The outlook for 2023 is on balance positive, driven by high oil prices, the lifting of COVID-19 containment measures, and assumed continued prudent management of the oil windfalls in the context of Fund-supported programs and policy advice. However, this outlook is also subject to headwinds and heightened uncertainties stemming from stubbornly elevated debt vulnerabilities, risks of persistently high inflationary pressures, the prospect of continued tightening of global financial conditions, and regional security issues.

42. In this context, BEAC's tightening to date is welcome and it should stand ready to tighten monetary policy further in anticipation of pressures. BEAC increased its policy rate three times in less than a year to stem the decline in reserves and respond to inflationary pressures, which is welcome. In addition, it reinforced its liquidity management framework, returning gradually to the pre-crisis focus on the autonomous factors of banking liquidity. BEAC rightly stands ready to tighten monetary policy further if it observes evidence of rising inflation, deviations from the targeted reserve path, or fiscal slippages. Staff considers that decisions should also account for the impact of continued tightening by the ECB, with a view to preserving further external reserves accumulation. BEAC should also absorb more excess liquidity to strengthen monetary policy transmission. A transparent and consistent implementation of the FX regulation should help ensure greater FX repatriation while fostering trade and investment.

43. COBAC's normalization of the prudential regulation is welcome. Following the appropriate discontinuation of COVID-related forbearance prudential measures, COBAC should conduct thorough asset quality reviews in the banking sector, to estimate needed loan-loss provisions and detect capital shortfalls. Based on this information, it should be prepared for early intervention and/or corrective actions for fragile banks if needed. COBAC should also reduce and eventually shift away from zero-risk weight on government exposure, to ensure banks accounts adequately for the rising bank-sovereign risk. The dividend distribution policy should be prudently implemented, given heightened uncertainties from previous forbearance and rising sovereign. COBAC should scale up efforts to ensure that undercapitalized banks submit credible medium-term recapitalization plans and establish strategies for NPLs reduction. In case of delays in addressing weaknesses, it should signal that it would gradually escalate its actions by using all the available tools. COBAC's long-standing under-staffing issues and supervisory capacity should be addressed, to allow achieving its mandate, to resume the implementation of Basel II/III, risk-based prudential and AML/CFT-compliant supervision, and to coping with emerging risks.

44. The coherence of the region's approach towards regulating digital assets should be boosted, drawing on enhanced coordination among regional supervisors (BEAC, COBAC, COSUMAF). The most important inconsistency to address is that between C.A.R.'s cryptoasset law and the CEMAC Treaty, through implementing UMAC ministerial committee's resolutions. COBAC's decision prohibiting cryptocurrencies usage by banks appropriately helped address related risks, but a coordinated regulatory approach should address the lack of clarity between this decision and the regulation governing digital assets recently adopted under COSUMAF's leadership. C.A.R. authorities are encouraged to complete examination of their options for aligning their crypto assets law, including the legal tender provisions, with the CEMAC legislation. Going forward, regulatory frameworks for digital assets should be coordinated and coherent, with the goals of preserving the single currency, mitigating risks including ML/TF risks in line with the FATF standards for AML/CFT, and protecting consumers, while at the same time creating space for legitimate innovation.

45. Going forward, progressively strengthening non-oil primary balances, along with accelerating reforms, is critical for boosting the region's resilience. Enhancing economic resilience through rebuilding external and fiscal buffers is a top priority currently, given favorable conditions amid rising uncertainties. Although fiscal positions are being recalibrated in 2022 and 2023 in the face of the social impact of inflation pressures, it is vital that a significant part of the oil windfall from historically high prices continues to be saved. Reform priorities include resolutely improving non-oil tax revenue collection, upgrading public spending efficiency, reforming energy subsidies while moving as rapidly as possible toward targeted, transparent, and time-bound social assistance to protect vulnerable populations from the rising cost of living and growing food insecurity.

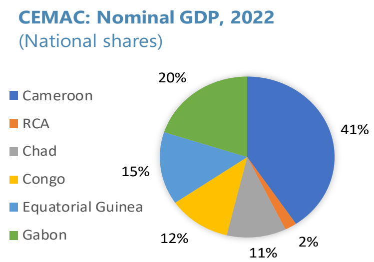
46. Deep structural reforms remain essential for laying the foundations for a more diversified, inclusive, and sustainable growth. In line with priorities set out by the 2021 HOS Summit, achieving progress requires re-invigorated implementation of deep structural, governance, transparency, and regulatory reforms, with the multiple goals of strengthening human capital, improving the business climate, better adapting to climate change, enhancing social protection, reinforcing banking sector solidity, fostering regional trade integration, and raising productivity and competitiveness, including in the agriculture sector. On the latter particularly, a careful implementation of regional authorities' import-substitution strategy—while avoiding foreign exchange or trade restrictions—could pave the way to strengthening food security.

47. Overall, staff: (i) notes that BEAC met the policy assurance on the NFA provided in the July 2022 follow-up letter, reflecting greater FX repatriation and tighter monetary policy; (ii) supports the updated policy assurance on NFA accumulation (to bring NFA to €3.39 billion and € 3.93 billion at end-December 2022 and end-June 2023, respectively). Anchored by Fund-supported programs and Fund policy advice, 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 and diversify the economies away from fossil fuel, while enhancing food security. Nonetheless, building up external reserves will depend on timely disbursements of external financing for member countries. Meeting the proposed policy assurance on NFAs is critical to allowing the continuation of (or approval of new) financial support as part of the Fund-supported programs with CEMAC members.

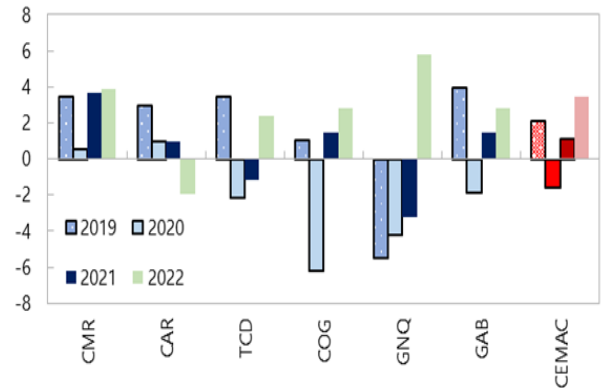
Figure 1. CEMAC: Selected Economic Indicators, 2001–22

Real GDP growth rebounded to 1.2 percent in 2021 and is forecasted to reach 4.1 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

Nominal GDP, 2022
(National shares)

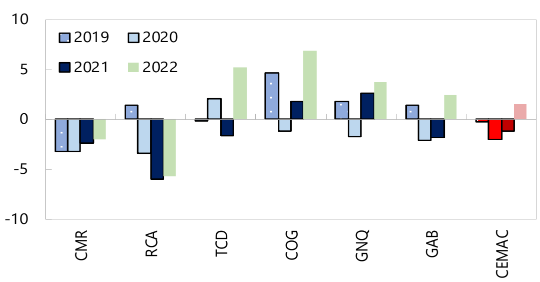


Real GDP Growth, 2019–22
(Percent)

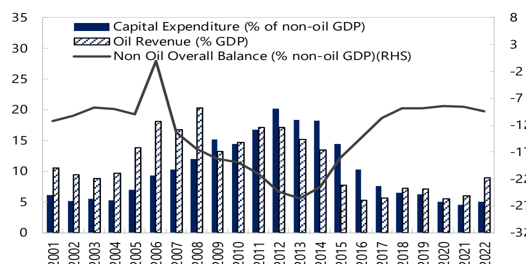


In 2021, the overall fiscal deficit is estimated to have narrowed to 1.6 percent of GDP and is projected to turn into a surplus of 0.9 percent of GDP in 2022.

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



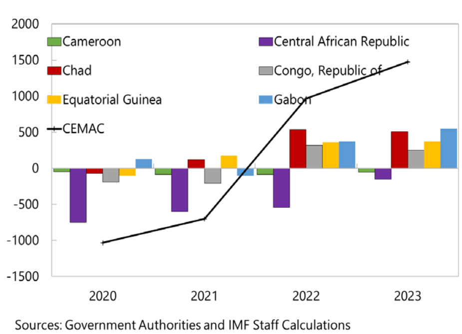
Selected Fiscal Indicators, 2001–22



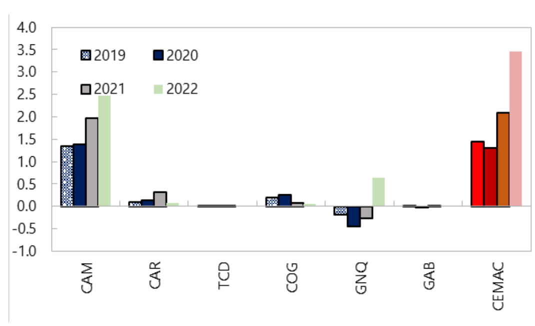
Overall, the terms-of-trade shock is expected to have a positive effect on CEMAC trade balance, and the overall balance of payments is expected to turn positive in 2022 reducing financing needs except for C.A.R. and Cameroon

While external reserves are projected to increase in 2022 assuming CEMAC countries meet their fiscal targets

Current Account, 2020–23
(Percent of GDP)



International Reserves, 2019–22
(Billions, CFAF)

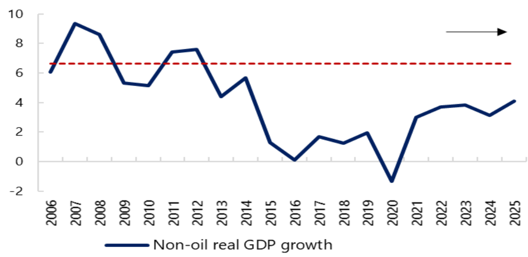


Sources: CEMAC authorities; and IMF staff estimates.

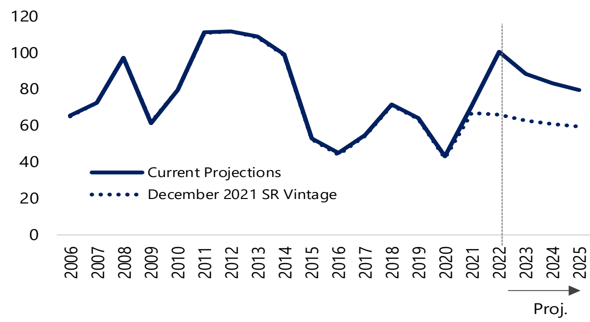
Figure 2. CEMAC: Selected Economic Indicators, 2006–25

The oil prices forecast was revised upwards to $69 and $107 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.

Non-Oil Real GDP, 2006–25
(percent)

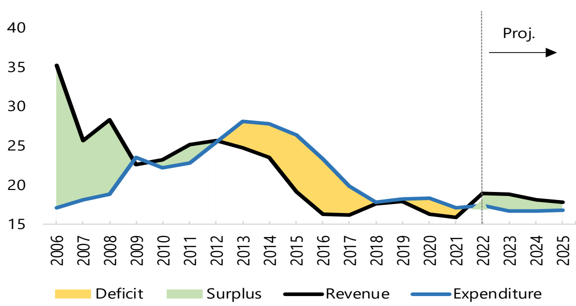


Oil Price, 2006–25
(Brent, USD per barrel)

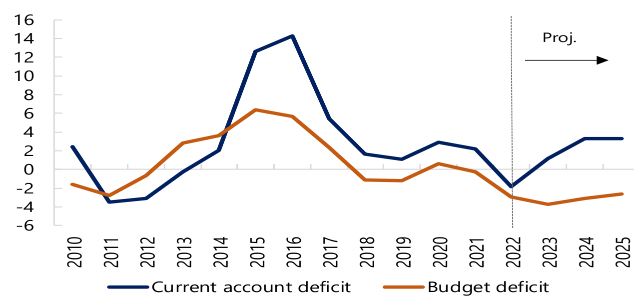


Large twin current account and fiscal deficits in 2020 and 2021 contributed to lower net external reserves. The surge in oil prices, and appropriate fiscal adjustments in 2022 should allow for the build-up in net external reserves to resume.

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

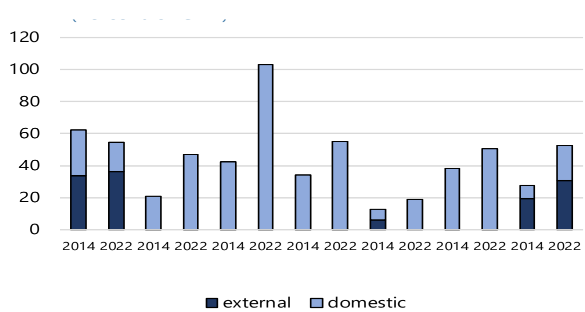


Current Account and Budget Deficit, 2010–25
(Percent of GDP)

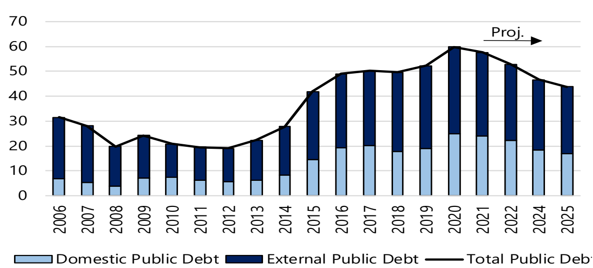


Public debt declined to 57.2 percent of GDP in 2021, supported by improved fiscal balances, and should decline further to 52.7percent in 2022.

Public Debt, 2014–22
(Percent of GDP)



Public Debt, 2006–25
(Percent of GDP)



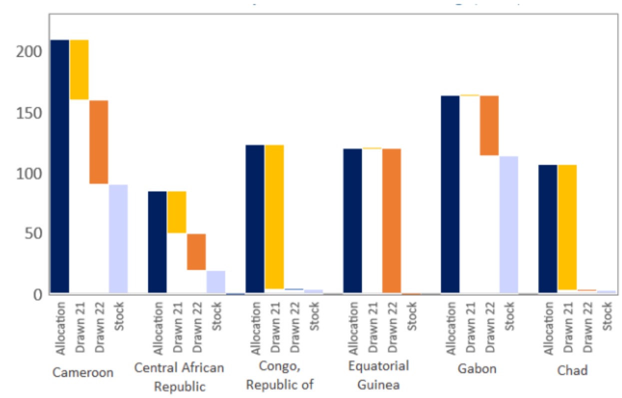
Sources: GAS Live, CEMAC authorities; and IMF staff estimates.

Figure 3. CEMAC: Recent Monetary Developments

A large part of the SDR allocation has been drawn

SDR 2021 Special Allocation and Drawings

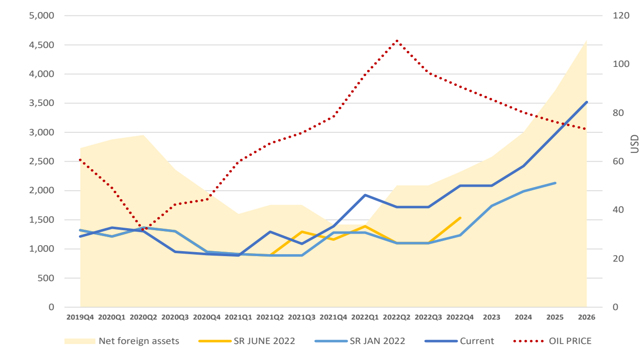
(SDR mn)



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

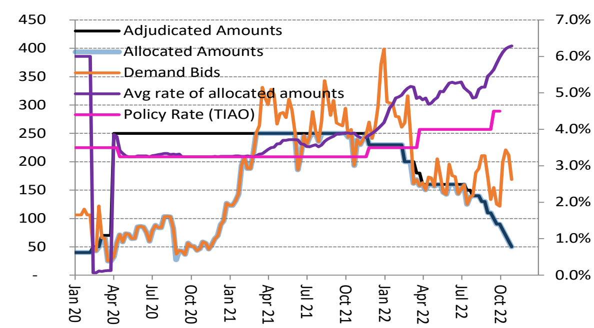
Total Deposits, NFA, Oil Price

(CFA, bn)



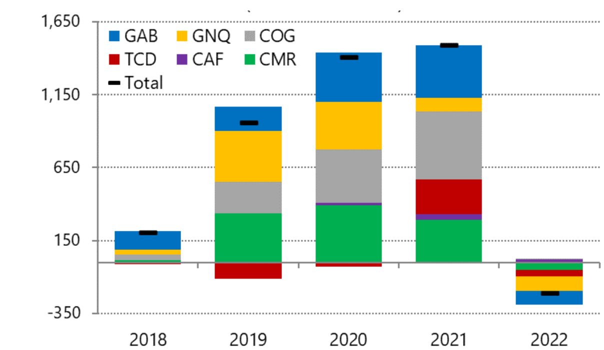
BEAC tightened liquidity injections related to main monetary policy operations…

BEAC: Weekly Liquid Operations
(CFA bn)



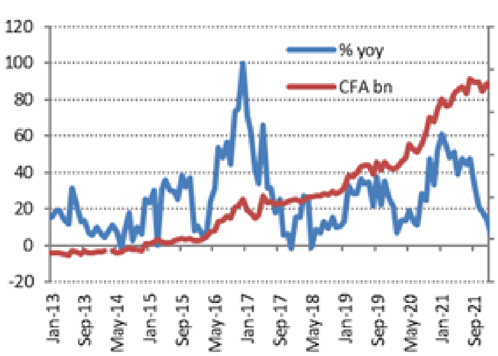
Heavy maturities drove net issuances into the negative territory.

Net Issuance Government Securities (Annual – CFA billion)



And net credit to government from Commercial banks remained flat

Credit to the Government
(Monthly, percent y.o.y.)



Weekly liquidity injections steadily declined in 2022.

BEAC: Weekly Liquid Operations

(CFA bn)

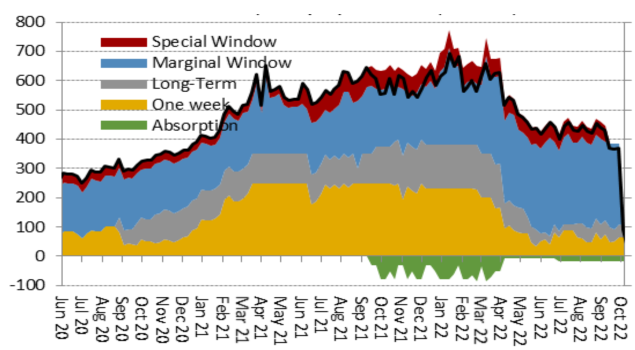
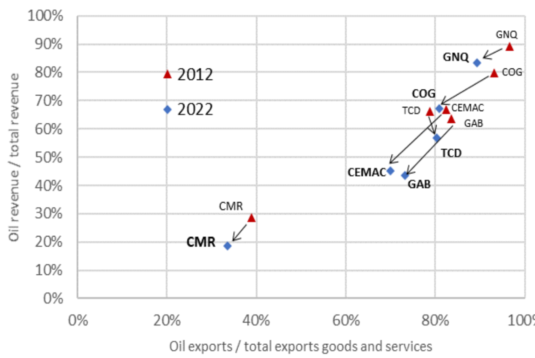


Figure 4. CEMAC: An Overall Positive Terms of Trade Shock

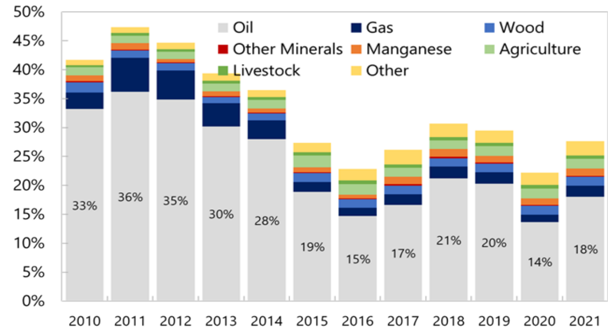
CEMAC's exports remain concentrated in oil which benefitted from higher prices, although exports have started to diversify over the past ten years, partly explained by decreasing oil production…

Oil Dependence, 2012 and 2022
(Percentage change)



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

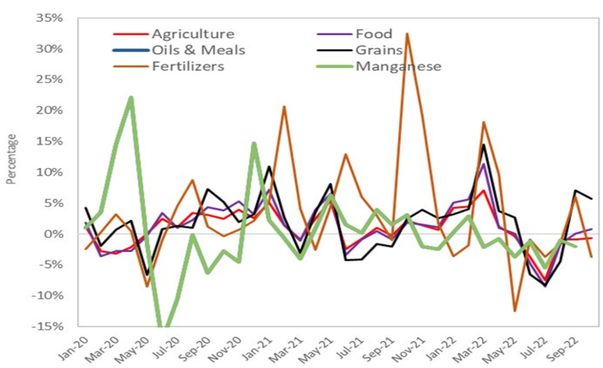
Main Exports, Change in Value, 2012–21
(Percentage of GDP)



Sources: Government authorities and IMF Staff Calculations

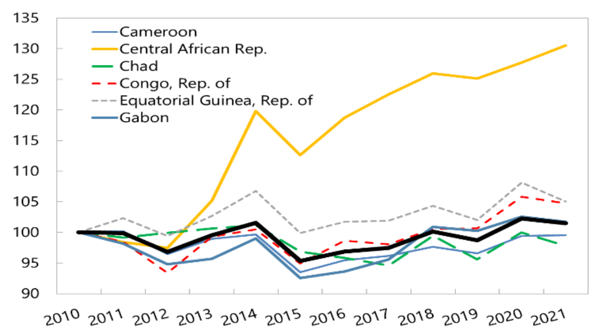
… and these were recently supported by high commodity prices, which have started to decline recently.

Main Non-oil Exports Change in Global Prices, 2021–22 (Percentage change)



Competitiveness has been broadly steady in recent years, driven by price differentials.

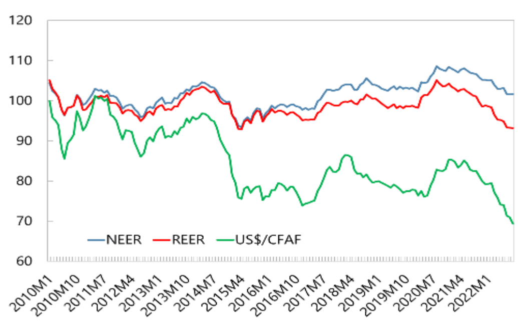
Real Effective Exchange Rate, 2010–22
(CPI based: 2010 = 100)



Source: CEMAC authorities: and IMF staff calculations.

And, recently, Euro/US$ movements.

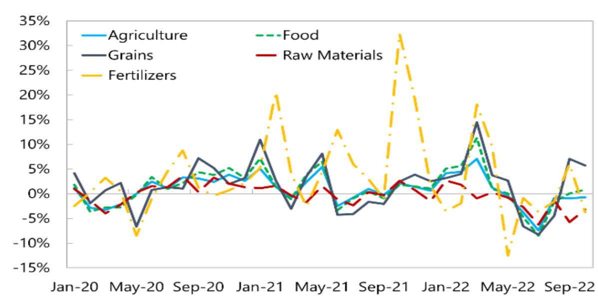
Real Effective Exchange Rate, 2010–22
(CPI based: 2010 = 100)



Sources: Autorités de la CEMAC; et calculs des services du FMI.

Meanwhile, a sharp rise in import prices contributed to domestic inflation pressures.

Main Imports: Global Prices, 2021–22
(Percentage change)



Sources: IMF Staff

Table 1. CEMAC: Selected Economic and Financial Indicators, 2017–27

	2017	2017	2018	2019	2020	2021'	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Est.	SR 22/208 4/	Proj.	SR 22/208 4/	Proj.	SR 22/208 4/	Proj.	Proj.	Proj.	Proj.	Proj.
								(Annual change, in percent)							
National Income and Prices															
GDP at constant prices[1]	-0.6	0.8	1.3	2.1	-1.6	1.1	1.1	4.2	3.5	3.6	3.4	2.6	3.5	3.5	3.8
Oil GDP[1]	-3.7	-3.6	1.3	3.2	-3.1	-9.7	-9.4	4.2	1.9	0.4	0.7	-0.6	-0.6	-2.5	-1.4
Non-oil GDP[1]	1.3	1.7	1.3	1.9	-1.3	2.9	3.0	4.2	3.7	4.1	3.8	3.1	4.1	4.3	4.4
Consumer prices (period average)[2]	1.1	0.8	2.1	1.6	2.7	1.4	1.5	3.3	4.6	2.9	3.3	2.9	2.6	2.5	2.4
Consumer prices (end of period)[2]	1.3	1.2	3.0	1.7	1.7	1.9	2.6	3.5	4.6	2.4	3.1	2.6	2.6	2.5	2.4
								(Annual change, in percent of beginning-of-period broad money)							
Money and Credit															
Net foreign assets	-1.1	-0.9	1.8	1.4	-6.6	-5.1	-5.1	8.3	8.3	6.4	4.5	4.9	4.9	3.6	3.5
Net domestic assets	-2.4	0.5	6.3	4.5	17.7	15.4	17.7	6.0	0.9	1.2	2.9	3.9	1.8	3.3	3.3
Broad money	-3.5	-0.4	8.1	5.9	11.1	12.6	12.6	12.0	9.2	7.6	7.4	8.8	6.7	6.8	6.9
								(In percent of GDP, unless otherwise indicated)							
Gross National Savings	15.6	17.4	19.0	20.2	16.1	18.9	18.0	22.4	21.6	22.5	21.0	20.6	21.2	21.5	22.0
Gross domestic investment	20.6	23.1	20.7	21.4	19.2	21.0	20.1	21.0	20.2	23.6	22.2	23.6	24.4	24.7	25.0
Of which: public investment	5.1	5.7	5.6	5.1	4.2	4.1	3.6	4.2	4.0	4.7	4.3	4.7	4.9	5.2	5.2
Government Financial Operations															
Total revenue, excluding grants	15.8	15.5	16.9	17.2	15.2	15.2	15.5	17.6	18.2	18.8	18.0	17.5	17.2	17.1	16.9
Government expenditure	20.2	19.8	17.8	18.2	18.3	17.2	17.1	16.4	17.5	16.5	16.7	16.6	16.8	17.1	17.0
Primary fiscal basic balance[3]	-0.2	-0.5	2.6	3.0	0.3	1.4	1.3	4.7	4.3	5.9	5.2	4.9	4.4	3.9	3.6
Overall fiscal balance, excluding grants	-4.8	-4.4	-0.9	-1.0	-3.1	-2.0	-1.7	1.1	0.7	2.2	1.3	0.9	0.4	0.0	-0.2
Primary fiscal balance, including grants	-1.9	-2.3	1.1	1.2	-0.6	0.0	0.3	3.3	2.9	4.3	3.7	3.1	2.6	2.1	1.9
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-12.0	-11.8	-10.0	-10.0	-9.7	-9.7	-9.0	-9.4	-10.4	-7.6	-8.1	-7.2	-6.7	-6.5	-6.0
Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-8.5	-9.4	-7.5	-7.2	-6.9	-7.2	-6.8	-6.5	-7.6	-5.1	-5.2	-4.5	-4.1	-4.0	-3.6
Total Public Debt	52.1	50.2	49.5	52.3	59.9	58.1	57.6	49.7	52.7	46.4	49.4	46.5	43.7	41.4	38.9
External Sector															
Exports of goods and nonfactor services	32.2	31.7	36.2	34.8	26.6	32.7	32.9	41.3	40.3	36.9	36.9	33.8	31.7	29.8	28.7
Imports of goods and nonfactor services	32.8	32.8	32.1	31.0	27.3	28.6	29.1	32.2	30.8	31.5	31.0	30.7	29.4	28.2	27.3
Balance on goods and nonfactor services	-0.6	-1.1	4.1	3.8	-0.7	4.1	3.8	9.1	9.5	5.4	5.9	3.1	2.3	1.6	1.4
Current account, including grants	-5.0	-5.5	-1.6	-1.1	-2.9	-2.3	-2.3	0.7	1.6	-1.8	-1.2	-3.0	-3.2	-3.3	-3.1
External public debt	32.6	31.6	30.5	32.9	37.4	32.8	31.9	29.8	29.4	29.2	29.2	28.2	26.8	25.6	24.1
Gross Official Reserves (end of period)															
Millions of U.S. dollars	5,890	5,807	6,555	7,390	7,779	8,060.2	8,060	10,495.8	9,478	12,847.8	11,014	12,187	13,153	13,807	14,584
Months of imports of goods and services (less intra regional imports)	2.7	2.3	2.8	3.7	3.2	2.7	3.0	3.5	3.5	4.2	3.9	4.3	4.6	4.7	4.4
Percent of broad money	31.1	30.6	33.2	36.3	31.4	31.1	31.1	36.7	33.3	41.1	36.7	37.9	38.1	38.0	4524.3
Memorandum items:															
Nominal GDP (billions of CFA francs)	46,206	50,215	53,836	55,128	51,707	58,205.7	57,874	68,186.4	67,277	69,367.9	69,692	71,970	75,246	79,031	83,349
CFA francs per U.S. Dollar, average	...	581	555	586	575	554.2	554	...	621	...	...	...	...	...	...
CFA francs per U.S. Dollar, end-of-year	...	554	576	590	539	580.3	580	...	642	...	...	...	...	...	...
Oil Production (thousands of barrels per d	854.0	827.5	872.5	905.7	870.2	786.8	786.8	824.7	810.6	832.5	821.4	824.0	821.0	808.7	801.2
Oil Prices (U.S. dollars per barrel, brent)	54.9	52.9	66.2	61.2	41.8	69.1	69.4	106.8	98.2	92.6	85.5	80.2	76.2	73.3	71.0

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 22/208.

Table 2. CEMAC: National Accounts, 2017–27

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Proj.	SR 22/208 1/	Proj.	SR 22/208 1/	Proj.	Proj.	Proj.	Proj.	Proj.
						(Annual change, in percent)							
Real GDP													
Cameroon	3.5	4.0	3.4	0.5	3.6	4.3	3.8	4.9	4.6	4.7	5.0	4.9	4.9
Central African Republic	4.5	3.8	3.0	1.0	1.0	3.5	-2.0	3.7	5.5	3.8	3.8	3.8	3.7
Chad	-2.4	2.4	3.4	-2.1	-1.1	3.3	2.7	3.4	3.5	3.6	3.5	3.8	3.6
Congo, Republic of	-4.4	-4.8	1.0	-6.2	1.5	4.3	2.8	4.6	4.1	4.6	3.5	4.0	4.1
Equatorial Guinea	-5.7	-6.2	-5.5	-4.2	-3.2	6.1	5.8	-2.9	-3.1	-12.3	-2.6	-4.7	-1.1
Gabon	0.5	0.8	3.9	-1.9	1.5	2.8	2.8	3.7	3.0	3.1	3.0	3.3	3.0
CEMAC	0.8	1.3	2.1	-1.6	1.1	4.2	3.5	3.6	3.4	2.6	3.5	3.5	3.8
Nominal GDP													
Cameroon	4.6	5.9	4.7	1.0	7.1	7.8	8.5	6.8	7.7	7.3	7.0	7.0	6.8
Central African Republic	11.3	5.2	5.5	2.8	4.3	7.5	4.3	7.4	12.0	6.8	6.5	6.4	6.2
Chad	-3.2	4.7	5.1	-4.0	5.8	16.5	13.2	3.0	3.6	4.7	5.1	5.7	5.7
Congo, Republic of	6.4	17.9	-0.4	-20.2	11.4	24.5	16.4	0.4	4.1	5.5	4.9	5.8	6.2
Equatorial Guinea	6.4	2.7	-8.5	-12.7	17.0	34.9	44.3	-9.7	-8.9	-12.9	-0.5	-1.1	2.3
Gabon	4.3	8.1	5.5	-10.8	27.3	23.9	19.9	-0.7	3.2	2.6	1.2	2.7	3.1
CEMAC	4.2	7.2	2.4	-6.2	11.9	17.1	16.2	1.7	3.6	3.3	4.6	5.0	5.5
Real Non-Oil GDP													
Cameroon	4.3	4.2	3.3	0.5	3.8	4.4	3.8	5.1	4.8	4.8	5.1	5.0	5.0
Central African Republic	4.5	3.8	3.0	1.0	1.0	3.5	-2.0	3.7	5.5	3.8	3.8	3.8	3.7
Chad	-0.5	0.3	2.0	-1.7	0.2	2.9	2.1	3.0	3.1	3.9	4.0	4.4	4.1
Congo, Republic of	-8.8	-9.9	0.2	-6.5	3.6	3.3	3.3	3.9	4.0	4.0	4.5	5.0	5.0
Equatorial Guinea	0.8	-2.7	-5.7	-6.2	2.5	8.6	9.1	0.0	-0.2	-9.8	-2.4	-2.1	1.2
Gabon	2.5	1.5	3.3	-1.8	2.8	2.4	2.6	4.5	3.1	3.5	3.8	4.4	3.8
CEMAC	1.7	1.3	1.9	-1.3	3.0	4.2	3.7	4.1	3.8	3.1	4.1	4.3	4.4
Consumer Price Inflation (period average)													
Cameroon	0.6	1.1	2.5	2.5	2.3	2.9	4.6	2.4	2.8	2.6	2.1	2.1	2.0
Central African Republic	4.2	1.6	2.8	0.9	4.3	4.0	6.5	3.6	6.3	2.7	2.8	2.5	2.5
Chad	-0.9	4.0	-1.0	4.5	-0.8	4.1	5.3	3.1	3.4	3.0	3.0	3.0	3.0
Congo, Republic of	0.4	1.2	0.4	1.4	2.0	3.5	3.5	3.2	3.3	3.2	3.1	3.0	3.0
Equatorial Guinea	0.7	1.3	1.2	4.8	-0.1	4.0	5.1	3.9	5.7	5.2	4.7	4.2	3.5
Gabon	2.7	4.8	2.0	1.3	1.1	3.5	3.8	3.2	3.0	2.6	2.7	2.7	2.7
CEMAC	0.8	2.1	1.6	2.7	1.5	3.3	4.6	2.9	3.3	2.9	2.6	2.5	2.4
End of Period Inflation													
Cameroon	0.8	2.0	2.4	2.1	3.5	2.7	4.1	2.0	2.9	2.1	2.1	2.1	2.0
Central African Republic	7.2	4.6	-2.0	1.8	2.7	5.4	11.0	2.4	3.3	1.6	2.5	2.5	2.5
Chad	3.1	4.4	-1.7	3.0	1.0	3.8	5.8	3.1	2.6	3.0	3.0	3.0	3.0
Congo, Republic of	1.8	0.9	1.4	0.6	1.5	3.5	3.5	3.2	3.3	3.2	3.1	3.0	3.0
Equatorial Guinea	-0.2	2.6	4.1	-0.5	2.9	4.9	6.0	3.0	5.5	5.0	4.5	4.0	3.0
Gabon	1.1	6.3	1.0	1.6	1.7	4.6	4.0	2.0	2.6	2.7	2.7	2.7	2.7
CEMAC	1.2	3.0	1.7	1.7	2.6	3.5	4.6	2.4	3.1	2.6	2.6	2.5	2.4
						(in percentage of GDP)							
Gross National Savings													
Cameroon	16.3	15.7	14.4	13.5	14.4	18.8	16.1	19.9	17.4	18.9	20.3	21.7	23.0
Central African Republic	5.6	8.5	9.6	10.3	5.0	5.3	1.3	8.0	6.1	9.0	10.7	11.3	12.8
Chad	13.6	17.8	18.9	16.1	18.1	23.0	24.6	24.8	26.3	25.7	24.2	22.5	22.0
Congo, Republic of	31.4	34.1	40.7	31.2	36.3	41.1	48.4	33.7	36.4	30.8	29.9	28.0	26.5
Equatorial Guinea	6.2	10.4	10.0	0.4	1.3	8.1	7.9	8.1	7.7	4.6	4.5	4.0	4.1
Gabon	23.1	23.3	27.1	24.0	26.8	28.9	27.8	30.0	27.1	25.5	26.6	26.8	27.1
CEMAC	17.4	19.0	20.2	16.1	18.0	22.4	21.6	22.5	21.0	20.6	21.2	21.5	22.0
Gross Domestic Investment													
Cameroon	19.4	19.5	18.9	17.7	17.9	20.4	17.7	22.8	19.5	22.1	23.6	24.8	25.9
Central African Republic	13.5	16.4	14.7	18.9	15.7	16.3	15.2	16.5	15.3	16.2	17.5	17.8	18.5
Chad	20.7	18.9	23.2	23.4	22.3	22.2	23.2	27.2	29.0	30.5	29.8	28.7	28.0
Congo, Republic of	37.3	25.2	23.8	17.7	21.8	23.9	26.8	25.7	27.9	28.1	27.8	26.4	25.5
Equatorial Guinea	14.0	12.5	10.9	4.6	4.8	9.5	9.5	10.0	9.8	9.8	10.9	11.0	11.1
Gabon	31.8	28.2	32.1	30.9	32.5	28.0	28.2	31.1	29.5	28.5	29.0	28.8	28.7
CEMAC	23.1	20.7	21.4	19.2	20.1	21.0	20.2	23.6	22.2	23.6	24.4	24.7	25.0

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

[1] Refers to the projection published in the IMF Country Report No 22/208.

Table 3a. CEMAC: Fiscal Indicators, 2017–27
(Percent of GDP)

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Proj.	SR 22/208 2/	Proj.	SR 22/208 2/	Proj.	Proj.	Proj.	Proj.	Proj.
Overall Fiscal Balance (excluding grants)													
Cameroon	-5.0	-2.8	-3.8	-3.3	-2.7	-1.7	-2.5	0.4	-0.8	-0.6	-0.5	-1.4	-1.4
Central African Republic	-6.1	-8.7	-8.2	-16.0	-10.9	-10.4	-10.3	-8.9	-9.0	-8.8	-9.0	-8.1	-7.6
Chad	-4.3	-1.3	-1.8	-2.2	-2.9	3.3	2.5	5.0	3.8	2.0	1.8	3.7	2.5
Congo, Republic of	-6.4	5.6	3.9	-2.9	1.3	7.7	6.3	4.4	5.4	5.3	3.4	3.4	4.2
Equatorial Guinea	-2.6	0.5	1.8	-1.7	2.6	3.7	3.7	4.4	4.1	2.4	1.2	0.3	0.0
Gabon	-2.6	-1.3	1.4	-2.2	-2.0	0.9	2.0	3.0	1.6	1.2	0.6	-0.2	-0.7
CEMAC	-4.4	-0.9	-1.0	-3.1	-1.7	1.1	0.7	2.2	1.3	0.9	0.4	0.0	-0.2
Overall Fiscal Balance (including grants)													
Cameroon	-4.7	-2.4	-3.2	-3.2	-2.4	-1.2	-2.0	0.7	-0.5	-0.3	-0.4	-1.3	-1.3
Central African Republic	-1.1	-1.0	1.4	-3.4	-6.0	-2.5	-5.7	-2.0	-3.0	-1.9	-2.0	-1.4	-1.2
Chad	-0.2	1.9	-0.2	2.1	-1.6	5.8	5.0	7.7	7.2	4.6	4.3	6.0	4.7
Congo, Republic of	-5.9	5.6	4.7	-1.2	1.8	8.2	6.9	5.1	6.3	5.9	4.2	4.2	5.0
Equatorial Guinea	-2.6	0.5	1.8	-1.7	2.6	3.7	3.7	4.4	4.1	2.4	1.2	0.3	0.0
Gabon	-2.6	-1.3	1.4	-2.1	-1.9	1.3	2.4	3.0	1.8	1.2	0.6	-0.2	-0.7
CEMAC	-3.6	-0.2	-0.2	-2.0	-1.2	1.9	1.4	2.9	2.1	1.5	1.0	0.6	0.4
Reference Fiscal Balance [1]													
Cameroon	-4.2	-2.8	-4.1	-3.2	-2.5	-2.6	-3.6	-0.8	-1.4	-0.6	-0.2	-1.2	-1.3
Central African Republic	-1.1	-1.0	1.4	-3.4	-6.0	-2.5	-5.7	-2.0	-3.0	-1.9	-2.0	-2.4	-3.0
Chad	0.5	-0.8	-2.1	-3.3	-4.2	-1.2	-2.3	1.2	1.3	3.3	4.4	5.1	4.6
Congo, Republic of	-3.3	-2.8	-2.3	0.0	-1.8	1.2	-2.6	-0.1	-0.3	2.7	3.5	3.7	3.7
Equatorial Guinea	-1.5	-2.6	-1.5	-0.3	1.4	0.2	0.4	0.7	0.8	1.9	1.9	1.4	0.7
Gabon	-2.1	-2.5	-1.4	-3.5	-1.7	-0.5	-1.2	0.7	0.3	0.3	0.5	-0.5	-1.0
CEMAC	-2.2	-2.4	-2.6	-2.2	-1.9	-1.4	-2.5	-0.1	0.1	0.6	0.6	0.5	0.0
Primary Fiscal Balance (including grants)													
Cameroon	-3.9	-1.5	-2.2	-2.3	-1.4	-0.3	-1.1	1.5	0.6	0.6	0.6	-0.3	-0.3
Central African Republic	-0.7	-0.6	1.8	-3.1	-5.7	-1.9	-5.3	-1.6	-2.5	-1.2	-1.2	-0.6	-0.3
Chad	1.3	3.0	0.8	3.0	-0.4	6.7	6.6	8.5	8.4	5.5	5.5	6.7	5.3
Congo, Republic of	-4.2	7.6	7.9	0.1	4.1	10.2	9.5	7.7	9.0	8.6	6.9	7.0	7.7
Equatorial Guinea	-2.2	1.2	2.7	-0.4	3.7	4.9	4.8	5.6	5.3	3.6	2.3	1.3	0.9
Gabon	-0.1	1.1	3.6	1.2	0.9	3.7	4.8	5.4	4.4	4.2	3.7	3.1	2.6
CEMAC	-2.3	1.1	1.2	-0.6	0.3	3.3	2.9	4.3	3.7	3.1	2.6	2.1	1.9
Government Revenue (excluding grants)													
Cameroon	14.2	15.2	14.8	13.2	13.9	15.6	15.6	17.2	15.6	15.6	15.5	15.5	15.4
Central African Republic	7.8	8.9	8.7	9.2	8.8	8.6	7.7	9.3	7.8	8.3	8.9	9.5	10.1
Chad	10.6	12.0	12.5	16.9	15.5	20.1	20.7	22.1	21.9	19.0	18.9	19.6	18.0
Congo, Republic of	22.0	24.8	25.7	20.2	24.4	27.3	30.9	26.7	30.0	29.6	28.2	27.4	27.5
Equatorial Guinea	17.5	19.9	18.6	14.1	15.3	16.2	15.8	16.6	16.0	14.5	13.2	12.3	11.6
Gabon	16.4	16.9	19.5	17.6	14.6	15.8	17.7	17.6	16.7	16.5	16.5	16.5	16.4
CEMAC	15.5	16.9	17.2	15.2	15.5	17.6	18.2	18.8	18.0	17.5	17.2	17.1	16.9
Government Expenditure (including net lending)													
Cameroon	19.2	18.0	18.7	16.6	16.5	17.3	18.1	16.8	16.4	16.2	16.1	16.8	16.8
Central African Republic	13.9	17.6	16.9	25.1	19.7	19.0	18.0	18.2	16.8	17.1	18.0	17.6	17.8
Chad	14.9	13.3	14.3	19.0	18.4	16.7	18.2	17.1	18.0	17.1	17.1	15.9	15.6
Congo, Republic of	28.4	19.2	21.8	23.1	23.1	19.6	24.6	22.3	24.7	24.3	24.8	24.0	23.3
Equatorial Guinea	20.1	19.4	16.8	15.8	12.7	12.5	12.1	12.2	11.8	12.1	12.0	12.0	11.6
Gabon	19.0	18.2	18.2	19.8	16.6	14.9	15.7	14.5	15.1	15.3	15.9	16.6	17.1
CEMAC	19.8	17.8	18.2	18.3	17.1	16.4	17.5	16.5	16.7	16.6	16.8	17.1	17.0
Total Public Debt													
Cameroon	36.5	38.3	41.6	44.9	45.5	45.2	46.9	41.0	43.7	40.6	37.7	35.9	34.2
Central African Republic	50.3	50.0	47.1	43.4	47.6	46.3	54.8	44.7	51.6	49.9	48.5	46.7	45.2
Chad	48.7	48.4	52.3	54.1	55.9	45.7	49.5	39.2	42.2	36.7	32.3	27.8	26.0
Congo, Republic of	94.4	77.0	84.0	112.1	107.9	85.0	103.0	80.1	96.4	87.8	83.1	77.7	72.2
Equatorial Guinea	36.2	41.2	43.2	48.4	42.8	28.0	27.1	27.6	26.5	28.5	26.2	24.1	21.1
Gabon	62.9	60.9	59.8	78.3	65.8	53.6	55.4	52.4	52.6	49.8	48.6	47.8	44.8
CEMAC	50.2	49.5	52.3	59.9	57.6	49.7	52.7	46.4	49.4	46.5	43.7	41.4	38.9

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

1 The reference fiscal balance is defined as the overall budget balance minus 20 percent of oil revenue and minus 80 percent of the oil revenue in excess of the average observed during the 3 previous years.

2 Refers to the projection published in the IMF Country Report No 22/208.

Table 3b. CEMAC: Fiscal Indicators, 2017–27

(Percent of Non-Oil GDP)

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
						SR 22/208		SR 22/208					
	Est.	Est.	Est.	Est.	Proj.	2/	Proj.	2/	Proj.	Proj.	Proj.	Proj.	Proj.
Non-Oil Fiscal Balance (excluding grants)													
Cameroon	-7.1	-5.2	-6.6	-5.3	-4.7	-5.0	-6.1	-3.1	-3.7	-3.1	-2.7	-3.4	-3.2
Central African Republic	-6.1	-8.7	-8.2	-16.0	-10.9	-10.4	-10.3	-8.9	-9.0	-8.8	-9.0	-8.1	-7.6
Chad	-9.3	-8.4	-8.7	-13.2	-13.4	-13.0	-14.2	-12.4	-13.1	-11.0	-10.1	-7.9	-7.0
Congo, Republic of	-22.1	-19.6	-21.6	-15.9	-17.6	-19.8	-20.0	-21.7	-18.0	-16.4	-16.0	-13.9	-12.3
Equatorial Guinea	-21.9	-21.1	-17.4	-15.4	-11.7	-13.1	-13.3	-11.3	-11.4	-10.3	-9.5	-8.5	-7.5
Gabon	-13.3	-11.1	-9.2	-11.9	-11.7	-11.2	-12.5	-7.5	-9.8	-9.1	-9.0	-9.0	-9.0
CEMAC	-11.8	-10.0	-10.0	-9.7	-9.0	-9.4	-10.4	-7.6	-8.1	-7.2	-6.7	-6.5	-6.0
Non-Oil Fiscal Balance (including grants)													
Cameroon	-6.8	-4.8	-6.0	-5.1	-4.4	-4.4	-5.5	-2.7	-3.4	-2.8	-2.6	-3.3	-3.1
Central African Republic	-1.1	-1.0	1.4	-3.4	-6.0	-2.5	-5.7	-2.0	-3.0	-1.9	-2.0	-1.4	-1.2
Chad	-4.5	-4.4	-6.6	-8.2	-11.8	-9.6	-10.9	-8.8	-8.8	-7.7	-7.0	-5.0	-4.3
Congo, Republic of	-21.5	-19.4	-20.4	-14.0	-17.0	-19.0	-19.2	-20.5	-16.8	-15.6	-15.1	-12.9	-11.3
Equatorial Guinea	-21.9	-21.1	-17.4	-15.4	-11.7	-13.1	-13.3	-11.3	-11.4	-10.3	-9.5	-8.5	-7.5
Gabon	-12.0	-9.5	-8.1	-11.9	-11.5	-10.5	-11.7	-7.5	-9.4	-9.1	-9.0	-9.0	-9.0
CEMAC	-10.7	-8.8	-8.9	-8.4	-8.5	-8.3	-9.4	-6.8	-7.2	-6.4	-6.0	-5.8	-5.3
Basic Balance[1]													
Cameroon	-1.4	0.6	0.2	-1.2	-0.6	1.2	0.4	3.5	2.1	2.5	2.5	1.7	1.5
Central African Republic	-2.4	-2.1	-3.9	-6.9	-5.4	-4.6	-5.2	-3.9	-4.2	-4.1	-3.9	-3.4	-2.9
Chad	-1.5	1.2	0.3	1.4	-1.7	9.1	7.9	11.5	9.6	7.0	6.5	8.5	6.9
Congo, Republic of	-3.3	10.7	10.0	-1.5	3.3	17.9	11.9	12.0	11.1	10.9	8.0	6.9	6.9
Equatorial Guinea	-3.4	0.7	2.5	-2.2	3.2	5.0	5.1	5.6	5.4	3.0	1.4	0.3	0.0
Gabon	-1.4	2.3	4.8	-1.6	-2.1	3.5	4.7	7.0	4.2	4.2	2.4	1.3	0.4
CEMAC	-1.9	1.9	2.0	-1.3	-0.2	4.3	3.5	5.7	4.4	4.0	3.3	2.6	2.3
Non-Oil Primary Fiscal Balance (including grants)													
Cameroon	-5.9	-3.9	-4.9	-4.3	-3.5	-3.5	-4.6	-1.9	-2.2	-1.8	-1.6	-2.3	-2.1
Central African Republic	-0.7	-0.6	1.8	-3.1	-5.7	-1.9	-5.3	-1.6	-2.5	-1.2	-1.2	-0.6	-0.3
Chad	-2.5	-3.0	-5.3	-7.1	-10.3	-8.4	-8.7	-7.8	-7.2	-6.5	-5.4	-4.2	-3.6
Congo, Republic of	-19.3	-16.1	-15.2	-12.5	-14.2	-15.3	-15.7	-16.1	-13.3	-12.1	-11.7	-9.5	-8.1
Equatorial Guinea	-21.3	-20.2	-16.3	-13.7	-10.4	-11.5	-11.7	-9.8	-9.9	-8.9	-8.2	-7.3	-6.5
Gabon	-9.7	-7.6	-5.8	-7.4	-7.1	-6.2	-7.2	-3.4	-4.7	-3.9	-3.9	-3.9	-3.9
CEMAC	-9.4	-7.5	-7.2	-6.9	-6.8	-6.5	-7.6	-5.1	-5.2	-4.5	-4.1	-4.0	-3.6
Government Revenue (excluding grants)													
Cameroon	14.7	15.7	15.4	13.6	14.3	16.4	16.2	18.0	16.1	16.0	15.9	15.8	15.8
Central African Republic	7.8	8.9	8.7	9.2	8.8	8.6	7.7	9.3	7.8	8.3	8.9	9.5	10.1
Chad	12.9	14.9	15.7	19.8	19.4	27.2	27.5	29.1	28.3	24.1	23.5	24.0	21.8
Congo, Republic of	28.7	42.6	41.1	23.6	30.1	49.7	41.4	45.5	39.0	37.8	35.0	33.4	32.8
Equatorial Guinea	23.1	26.8	25.0	17.7	18.5	21.8	21.8	21.1	20.6	17.8	15.8	14.2	13.1
Gabon	23.6	25.0	29.0	23.4	23.5	28.9	32.4	29.8	29.7	28.3	27.0	25.9	25.0
CEMAC	18.2	20.9	21.0	17.1	18.2	22.9	22.9	23.6	22.1	21.0	20.2	19.7	19.2
Government Expenditure (including net lending)													
Cameroon	19.9	18.6	19.4	17.0	17.1	18.2	18.8	17.6	17.0	16.7	16.5	17.2	17.2
Central African Republic	13.9	17.6	16.9	25.1	19.7	19.0	18.0	18.2	16.8	17.1	18.0	17.6	17.8
Chad	18.0	16.5	18.0	22.3	23.0	22.8	24.2	22.5	23.4	21.7	21.3	19.5	18.8
Congo, Republic of	37.0	33.0	34.8	27.0	28.5	35.6	33.0	38.0	32.1	31.0	30.8	29.2	27.8
Equatorial Guinea	26.6	26.1	22.6	19.9	15.3	16.8	16.7	15.5	15.3	14.9	14.4	13.8	13.1
Gabon	27.4	26.9	27.0	26.3	26.7	27.3	28.8	24.6	26.9	26.2	26.1	26.1	26.1
CEMAC	23.4	21.9	22.2	20.6	20.2	21.4	22.0	20.8	20.4	19.9	19.8	19.8	19.4
Non-Oil Revenues (excluding grants)													
Cameroon	12.8	13.4	12.8	11.7	12.3	13.2	12.8	14.5	13.3	13.6	13.8	13.9	14.0
Central African Republic	7.8	8.9	8.7	9.2	8.8	8.6	7.7	9.3	7.8	8.3	8.9	9.5	10.1
Chad	8.7	8.1	9.3	9.1	9.6	9.8	10.0	10.1	10.3	10.7	11.2	11.6	11.8
Congo, Republic of	14.9	13.4	13.3	11.0	10.9	15.8	13.1	16.3	14.1	14.6	14.8	15.3	15.5
Equatorial Guinea	4.7	5.0	5.2	4.5	3.6	3.6	3.4	4.2	3.9	4.6	4.9	5.4	5.6
Gabon	14.1	15.8	17.8	14.4	15.0	16.0	16.3	17.1	17.1	17.1	17.1	17.1	17.1
CEMAC	11.6	12.0	12.2	10.9	11.2	12.1	11.6	13.2	12.3	12.8	13.0	13.3	13.4

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 22/208.

Table 4a. CEMAC: Balance of Payments, 2017–27

(Billions of CFA Francs)

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
						Revised. July		Revised. July					
	Est.	Est.	Est.	Est.	Proj.	SR Proj. 1/	Proj.	SR Proj. 1/	Proj.	Proj.	Proj.	Proj.	Proj.
						(Billions of CFA Francs)							
Current Account Balance	-2,738	-877	-607	-1,479	-1,326	1,184	1,089	-555	-820	-2,191	-2,426	-2,580	-2,593
Balance on goods and services	-548	2,184	2,109	-358	2,213	6,230	6,367	3,751	4,146	2,253	1,731	1,283	1,136
Total exports	15,938	19,469	19,195	13,738	19,040	28,168	27,083	25,590	25,725	24,313	23,839	23,588	23,893
Exports of goods	13,723	17,222	16,841	11,721	17,044	25,542	24,777	22,879	23,291	21,759	21,072	20,600	20,639
Oil exports	9,351	12,716	12,772	7,982	12,017	19,586	19,091	16,796	17,379	15,645	14,498	13,588	13,132
Non-oil exports	4,372	4,506	4,069	3,738	5,027	5,956	5,686	6,083	5,912	6,114	6,574	7,012	7,506
Exports of services	2,215	2,247	2,354	2,017	1,997	2,627	2,307	2,711	2,434	2,554	2,767	2,988	3,254
Total imports	16,486	17,285	17,086	14,096	16,828	21,938	20,716	21,839	21,580	22,060	22,108	22,304	22,757
Imports of goods	9,871	10,116	10,530	8,833	10,082	13,176	12,320	13,063	12,805	13,302	13,400	13,685	14,049
Imports of services	6,615	7,169	6,556	5,263	6,745	8,762	8,396	8,777	8,775	8,758	8,708	8,620	8,707
Income, net	-2,234	-3,466	-3,207	-1,804	-4,070	-5,807	-5,738	-5,007	-5,478	-4,935	-4,690	-4,424	-4,327
Income credits	243	293	292	224	212	299	278	310	293	306	316	330	344
Income debits	2,477	3,759	3,499	2,028	4,283	6,106	6,016	5,317	5,770	5,241	5,005	4,754	4,671
Investment income, debit	-1,779	-3,027	-2,685	-1,225	-3,537	-5,131	-5,024	-4,435	-4,853	-4,414	-4,198	-3,950	-3,857
of which: Interest paid on public debt	-279	-314	-441	-219	-307	-305	-312	-261	-321	-259	-293	-260	-274
of which: Interest paid on nonpublic debt	-171	-1,035	-12	-271	-118	-63	-58	-61	-40	-76	-109	-109	-109
Current transfers, net	6	369	411	683	532	761	459	702	512	491	532	561	597
Private current transfers, net	-74	268	263	434	390	477	197	468	241	245	268	291	305
Official current transfers, net	80	101	148	249	142	284	262	236	270	246	264	270	292
Capital and Financial Account Balance	2,311	1,117	1,060	-21	1,636	147	-864	1,816	1,275	2,768	3,296	3,262	3,531
Capital account balance (incl. capital	357	205	299	257	163	280	261	284	272	319	345	355	366
Financial account balance (incl. reserves)	1,954	912	761	-278	1,473	-134	-1,125	1,532	1,003	2,449	2,951	2,907	3,165
Direct investment, net [2]	1,864	1,713	878	1,071	2,021	2,235	2,347	2,547	2,554	2,854	2,980	3,063	3,167
Portfolio investment, net	30	160	355	441	257	0	139	-22	115	125	133	134	135
Other investment, net	60	-960	-473	-1,790	-806	-2,369	-3,611	-993	-1,665	-530	-162	-290	-137
of which: Long-term other investment, net	1,264	364	475	-36	457	-714	-1,308	-288	-746	-510	-87	64	136
of which: SDR					-797								
Errors and omissions, net	-123	0	0	-201	4	0	0	0	0	0	0	0	0
Overall Balance	-550	241	453	-1,701	314	1,331	225	1,261	455	577	870	682	938
Financing	758	-241	-453	1,701	-314	-1,331	-225	-1,261	-455	-577	-870	-682	-938
Reserve assets (accumulation -) [3]	-231	-474	-459	245	-654	-1,681	-1,348	-1,301	-912	-841	-641	-436	-672
of which: SDRs					-797								
Exceptional financing	988	233	6	1,456	340	350	1,123	40	458	265	-229	-246	-266
IMF financing	322	282	251	576	250	529	391	178	378	184	…	…	…
Budget support (excl. IMF)	798	684	665	451	141	454	368	289	386	271	…	…	…
Other external financing	35	86	-136	987	589	-37	-31	-1	-1	-1	…	…	…
Commercial	0	0	-79	595	456	0	0	0	0	0	…	…	…
Other exceptional financing	35	86	-57	392	133	-37	-31	-1	-1	-1	…	…	…
Residual gap	-167	-818	-775	-559	-639	-596	395	-426	-307	-190	-229	-246	-266
Memorandum items:													
Nominal GDP	50,215	53,836	55,128	51,707	57,874	68,186	67,277	69,368	69,692	71,970	75,246	79,031	83,349
Gross foreign assets (end of period)							6,026		6,996	7,884	8,399	8,194	8,992
Billions CFAF	3,218	3,777	4,362	4,193	4,677	6,150	6,083	7,405	7,043	7,758	8,321	8,678	9,106
Months of imports of goods and services	2.3	2.8	3.7	3.2	3.0	3.5	3.5	4.2	3.9	4.3	4.6	4.7	4.4
Oil prices (U.S. dollars per barrel, brent)	52.9	66.2	61.2	41.8	69.4	106.8	98.2	92.6	85.5	80.2	76.2	73.3	71.0

Sources: BEAC; and IMF staff estimates and projections.

1/ Staff revised the BOP table historical data and projections, which results in an upward revision to the current account balance 2018–2023. Other historical Bop data and projections remain unchanged. Changes to projections from 2024 onwards are minor. The revisions modified the overall balance, mostly upward for historical data and estimates through 2021 and downward for projections 2022–23. Revised July SR refers to a revised projection from the one published in the IMF Country Report No 22/208 for 2022 and 2023.

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

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

Table 4b. CEMAC: Balance of Payments, 2017–27

(Percent of GDP)

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Proj.	Revised. July SR Proj. 1/	Proj.	Revised. July SR Proj. 1/	Proj.	Proj.	Proj.	Proj.	Proj.
						(In percent of GDP)							
Current Account Balance	-5.5	-1.6	-1.1	-2.9	-2.3	1.7	1.6	-0.8	-1.2	-3.0	-3.2	-3.3	-3.1
Balance on goods and services	-1.1	4.1	3.8	-0.7	3.8	9.1	9.5	5.4	5.9	3.1	2.3	1.6	1.4
Total exports	31.7	36.2	34.8	26.6	32.9	41.3	40.3	36.9	36.9	33.8	31.7	29.8	28.7
Exports of goods	27.3	32.0	30.5	22.7	29.4	37.5	36.8	33.0	33.4	30.2	28.0	26.1	24.8
Oil exports	18.6	23.6	23.2	15.4	20.8	28.7	28.4	24.2	24.9	21.7	19.3	17.2	15.8
Non-oil exports	8.7	8.4	7.4	7.2	8.7	8.7	8.5	8.8	8.5	8.5	8.7	8.9	9.0
Exports of services	4.4	4.2	4.3	3.9	3.4	3.9	3.4	3.9	3.5	3.5	3.7	3.8	3.9
Total imports	32.8	32.1	31.0	27.3	29.1	32.2	30.8	31.5	31.0	30.7	29.4	28.2	27.3
Imports of goods	19.7	18.8	19.1	17.1	17.4	19.3	18.3	18.8	18.4	18.5	17.8	17.3	16.9
Imports of services	13.2	13.3	11.9	10.2	11.7	12.9	12.5	12.7	12.6	12.2	11.6	10.9	10.4
Income, net	-4.4	-6.4	-5.8	-3.5	-7.0	-8.5	-8.5	-7.2	-7.9	-6.9	-6.2	-5.6	-5.2
Income credits	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Income debits	4.9	7.0	6.3	3.9	7.4	9.0	8.9	7.7	8.3	7.3	6.7	6.0	5.6
Investment income, debit	-3.5	-5.6	-4.9	-2.4	-6.1	-7.5	-7.5	-6.4	-7.0	-6.1	-5.6	-5.0	-4.6
of which: Interest paid on public debt	-0.6	-0.6	-0.8	-0.4	-0.5	-0.4	-0.5	-0.4	-0.5	-0.4	-0.4	-0.3	-0.3
of which: Interest paid on	-0.3	-1.9	0.0	-0.5	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Current transfers, net	0.0	0.7	0.7	1.3	0.9	1.1	0.7	1.0	0.7	0.7	0.7	0.7	0.7
Private current transfers, net	-0.1	0.5	0.5	0.8	0.7	0.7	0.3	0.7	0.3	0.3	0.4	0.4	0.4
Official current transfers, net	0.2	0.2	0.3	0.5	0.2	0.4	0.4	0.3	0.4	0.3	0.4	0.3	0.3
Capital and Financial Account Balance	4.6	2.1	1.9	0.0	2.8	0.2	-1.3	2.6	1.8	3.8	4.4	4.1	4.2
Capital account balance (incl. capital	0.7	0.4	0.5	0.5	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4
Financial account balance (incl. reserves)	3.9	1.7	1.4	-0.5	2.5	-0.2	-1.7	2.2	1.4	3.4	3.9	3.7	3.8
Direct investment, net 2/	3.7	3.2	1.6	2.1	3.5	3.3	3.5	3.7	3.7	4.0	4.0	3.9	3.8
Portfolio investment, net	0.1	0.3	0.6	0.9	0.4	0.0	0.2	0.0	0.2	0.2	0.2	0.2	0.2
Other investment, net	0.1	-1.8	-0.9	-3.5	-1.4	-3.5	-5.4	-1.4	-2.4	-0.7	-0.2	-0.4	-0.2
of which: Long-term other investment, net	2.5	0.7	0.9	-0.1	0.8	-1.0	-1.9	-0.4	-1.1	-0.7	-0.1	0.1	0.2
of which: SDR													
Errors and omissions, net	-0.2	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-1.1	0.4	0.8	-3.3	0.5	2.0	0.3	1.8	0.7	0.8	1.2	0.9	1.1
Financing	1.5	-0.4	-0.8	3.3	-0.5	-2.0	-0.3	-1.8	-0.7	-0.8	-1.2	-0.9	-1.1
Reserve assets (accumulation -) 3/	-0.5	-0.9	-0.8	0.5	-1.1	-2.5	-2.0	-1.9	-1.3	-1.2	-0.9	-0.6	-0.8
of which: SDRs					-1.4								
Exceptional financing	2.0	0.4	0.0	2.8	0.6	0.5	1.7	0.1	0.7	0.4	-0.3	-0.3	-0.3
IMF financing	0.6	0.5	0.5	1.1	0.4	0.8	0.6	0.3	0.5	0.3	...	...	...
Budget support (excl. IMF)	1.6	1.3	1.2	0.9	0.2	0.7	0.5	0.4	0.6	0.4	...	...	...
Other exceptional financing	0.1	0.2	-0.1	0.8	0.2	-0.1	0.0	0.0	0.0	0.0	...	...	...
Residual gap	-0.3	-1.5	-1.4	-1.1	-1.1	0.2	0.6	0.4	-0.4	-0.3	-0.3	-0.3	-0.3
Memorandum items:													
Nominal GDP	50,215	53,836	55,128	51,707	57,874	68,186	67,277	69,368	69,692	71,970	75,246	79,031	83,349

Sources: BEAC; and IMF staff estimates and projections.

1/ Staff revised the BOP table historical data and projections, which results in an upward revision to the current account balance 2018–2023. Other historical Bop data and projections remain unchanged. Changes to projections from 2024 onwards are minor. The revisions modified the overall balance, mostly upward for historical data and estimates through 2021 and downward for projections 2022–23. Revised July SR refers to a revised projection from the one published in the IMF Country Report No 22/208 for 2022 and 2023.

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

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

Table 5. CEMAC: Compliance with Convergence Criteria, 2016–27

	2016	2017	2018	2019	2020	2021'	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Est.	SR 22/208 4/	Proj.	SR 22/208 4/	Proj.	SR 22/208 4/	Proj.	Proj.	Proj.	Proj.	Proj.
Reference Fiscal Balance (fiscal balance before 20							(in percent of GDP)								
Cameroon	-3.7	-4.2	-2.8	-4.1	-3.2	-3.3	-2.5	-2.6	-3.6	-0.8	-1.4	-0.6	-0.2	-1.2	-1.3
Central African Republic	-2.0	-1.1	-1.0	1.4	-3.4	-6.0	-6.0	-2.5	-5.7	-2.0	-3.0	-1.9	-2.0	-2.4	-3.0
Chad	-2.7	0.5	-0.8	-2.1	-3.3	-4.4	-4.2	-1.2	-2.3	1.2	1.3	3.3	4.4	5.1	4.6
Congo, Republic of	-11.1	-3.3	-2.8	-2.3	0.0	-1.1	-1.8	1.2	-2.6	-0.1	-0.3	2.7	3.5	3.7	3.7
Equatorial Guinea	-10.9	-1.5	-2.6	-1.5	-0.3	1.7	1.4	0.2	0.4	0.7	0.8	1.9	1.9	1.4	0.7
Gabon	-1.8	-2.1	-2.5	-1.4	-3.5	-1.7	-1.7	-0.5	-1.2	0.7	0.3	0.3	0.5	-0.5	-1.0
Number of countries violating	6	4	4	4	4	4	5	2	4	1.0	1	1	1	1	0
Consumer Price Inflation (≤ 3%)							(in percent)								
Cameroon	0.9	0.6	1.1	2.5	2.5	2.3	2.3	2.9	4.6	2.4	2.8	2.6	2.1	2.1	2.0
Central African Republic	4.9	4.2	1.6	2.8	0.9	4.3	4.3	4.0	6.5	3.6	6.3	2.7	2.8	2.5	2.5
Chad	-1.6	-0.9	4.0	-1.0	4.5	-0.8	-0.8	4.1	5.3	3.1	3.4	3.0	3.0	3.0	3.0
Congo, Republic of	3.2	0.4	1.2	0.4	1.4	2.0	2.0	3.5	3.5	3.2	3.3	3.2	3.1	3.0	3.0
Equatorial Guinea	1.4	0.7	1.3	1.2	4.8	-0.1	-0.1	4.0	5.1	3.9	5.7	5.2	4.7	4.2	3.5
Gabon	2.1	2.7	4.8	2.0	1.3	1.1	1.1	3.5	3.8	3.2	3.0	2.6	2.7	2.7	2.7
Number of countries violating	2	1	2	0	2	1	1	5	6	5.0	4	3	2	2	0
Level of Public Debt (≤ 70% GDP)							(in percent of GDP)								
Cameroon	32.1	36.5	38.3	41.6	44.9	47.1	45.5	45.2	46.9	41.0	43.7	40.6	37.7	35.9	34.2
Central African Republic	53.9	50.3	50.0	47.1	43.4	47.6	47.6	46.3	54.8	44.7	51.6	49.9	48.5	46.7	45.2
Chad	50.0	48.7	48.4	52.3	54.1	57.1	55.9	45.7	49.5	39.2	42.2	36.7	32.3	27.8	26.0
Congo, Republic of	90.5	94.4	77.0	84.0	112.1	105.1	107.9	85.0	103.0	80.1	96.4	87.8	83.1	77.7	72.2
Equatorial Guinea	41.1	36.2	41.2	43.2	48.4	41.3	42.8	28.0	27.1	27.6	26.5	28.5	26.2	24.1	21.1
Gabon	64.2	62.9	60.9	59.8	78.3	65.8	65.8	53.6	55.4	52.4	52.6	49.8	48.6	47.8	44.8
Number of countries violating	1	1	1	1	2	1	1	1	1	1	1	1	1	1	0
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	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Central African Republic	-5.3	-8.0	-2.2	-3.5	-2.0	-0.6	-0.6	-0.7	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Chad	0.7	0.5	-1.1	6.3	-1.0	-0.1	-1.7	-1.8	-1.7	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1
Congo, Republic of	2.2	12.0	6.4	-5.2	11.4	-9.5	-7.1	…	-5.5	…	-3.8	-5.0	-3.2	0.0	0.0
Equatorial Guinea	5.4	-3.5	-1.1	-0.1	0.4	-3.5	-3.0	-3.6	-4.3	0.0	0.0	0.0	0.0	0.0	0.0
Gabon	…	-5.1	-1.5	-1.1	1.9	-0.5	-0.9	-1.3	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Number of countries violating[3]	3	3	1	0	3	0	0	…	0	…	0	0	0	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 22/208.

Table 6. CEMAC: Monetary Survey, 2017–27

(Billions of CFA francs, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022'	2022	2022'	2022	2023'	2023'	2023	2024	2025	2026	2027
						Jun	Jun	Dec	Dec	Jun						
	Est.	Est.	Est.	Est.	Proj.	SR 22/208 2/	Proj.	SR 22/208 2/	Proj.	Proj	SR 22/208 2/	Proj.	Proj.	Proj.	Proj.	Proj.
(Billions CFA Francs)																
Net Foreign Assets	2,322	2,509	2,667	1,871	1,186	1,724	1,839	2,428	2,441	2,873	3,502	3,183	4,049	4,989	5,719	6,490
Of which: BEAC	2,131	2,379	2,730	1,980	1,420	1,886	2,091	2,565	2,324	2,581	3,657	3,000	3,719	4,586	5,267	6,157
Foreign assets	3,218	3,777	4,362	4,193	4,677	5,277	5,612	6,150	6,083	6,576	7,405	7,043	7,758	8,321	8,678	9,106
Of which: SDR					501	366	366	232	358	358	358	358	358	358	358	358
Of which: Operations account	2,552	3,360	3,740	3,633	2,339	2,638	2,806	3,075	3,042	3,288	3,703	3,522	3,879	4,160	4,339	4,553
Foreign liabilities	-1,088	-1,398	-1,632	-2,213	-3,257	-3,391	-3,521	-3,585	-3,759	-3,995	-3,748	-4,043	-4,039	-3,735	-3,410	-2,949
Of which: SDR					-501	-366	-501	-232	-358	-358	-358	-358	-358	-358	-358	-358
Commercial banks	191	130	-63	-109	-234	-162	-252	-137	117	292	-155	183	330	403	452	333
Foreign assets	802	735	526	423	423	501	521	477	747	955	485	867	928	1,022	1,081	962
Foreign liabilities[1]	-611	-605	-589	-532	-657	-663	-773	-614	-630	-663	-640	-683	-598	-619	-629	-629
Net Domestic Assets	8,190	8,854	9,364	11,490	13,860	14,158	13,523	14,428	13,991	14,644	14,634	14,473	15,166	15,517	16,190	16,923
Net credit to government	2,937	3,464	4,266	6,385	7,493	8,293	6,917	8,494	7,944	7,617	7,884	7,370	7,498	7,006	6,932	6,640
BEAC, net	1,946	2,209	2,469	3,348	3,958	4,274	3,434	4,139	3,746	3,434	3,527	3,258	2,695	1,810	888	-143
Of which:																
Advances and consolidated deb	2,770	2,773	2,772	2,770	2,772	2,893	2,772	2,893	2,772	2,714	2,893	2,714	2,714	2,676	2,638	2,542
IMF lending	491	798	1,020	1,528	1,849	2,059	2,159	2,358	2,266	2,378	2,512	2,538	2,524	2,225	1,914	1,569
Consolidated debt																
Other	0	0	0	0	425	421	428	421	428	428	421	428	428	428	428	428
Government deposits	-1,316	-1,363	-1,323	-951	-1,087	-1,099	-1,925	-1,534	-1,719	-2,085	-2,300	-2,421	-2,970	-3,518	-4,092	-4,682
Commercial banks, net[3]	991	1,256	1,798	3,037	3,535	4,018	3,484	4,355	4,198	4,183	4,358	4,112	4,802	5,196	6,044	6,783
Of which: Government deposits	873	781	794	925	987	-	1,264	-	-	-	-	-	-	-	-	-
Net credit to public agencies	-371	-280	-281	-229	-258	-290	-335	-310	-312	-283	-284	-305	-298	-291	-283	-263
Credit to private sector	6,955	7,243	6,988	6,994	7,815	7,831	8,360	8,189	8,759	8,869	9,210	9,786	9,863	10,663	11,263	12,626
Other items, net	-1,331	-1,573	-1,609	-1,660	-1,190	-1,675	-1,419	-1,944	-2,400	-1,558	-2,177	-2,379	-1,897	-1,860	-1,721	-2,079
Broad Money	10,512	11,363	12,031	13,361	15,046	15,882	15,361	16,856	16,432	17,517	18,136	17,656	19,214	20,506	21,910	23,413
Currency outside banks	2,436	2,577	2,752	3,116	3,676	4,053	3,610	4,631	4,120	4,130	5,055	4,414	4,722	5,039	5,384	5,754
Bank deposits	8,076	8,787	9,279	10,245	11,370	11,830	11,751	12,224	12,312	13,387	13,081	13,242	14,493	15,467	16,526	17,660
(Annual change in percent of beginning-of-period broad money)																
Net Foreign Assets	-0.9	1.8	1.4	-6.6	-5.1	-0.8	-0.2	8.3	8.3	2.6	6.4	4.5	4.9	4.9	3.6	3.5
Net Domestic Assets	0.5	6.3	4.5	17.7	17.7	13.8	9.5	6.0	0.9	4.0	1.2	2.9	3.9	1.8	3.3	3.3
Net credit to government	2.4	5.0	7.1	17.6	8.3	7.4	-1.4	6.3	3.0	-2.0	-3.6	-3.5	0.7	-2.6	-0.4	-1.3
Net credit to the private sector	-1.2	2.7	-2.2	0.1	6.2	6.0	9.8	2.5	6.3	0.7	6.1	6.3	0.4	4.2	2.9	6.2
Other items, net	-1.1	-2.3	-0.3	-0.4	3.5	1.8	2.9	-2.6	-8.0	5.1	-1.4	0.1	2.7	0.2	0.7	-1.6
Broad Money	-0.4	8.1	5.9	11.1	12.6	12.9	9.2	12.0	9.2	6.6	7.6	7.4	8.8	6.7	6.8	6.9
Velocity (GDP/broad money)	4.8	4.7	4.6	3.9	3.8	4.0	4.4	4.0	4.1	4.0	3.8	3.9	3.7	3.7	3.6	3.4
(Percent of GDP)																
Broad Money	20.9	21.1	21.8	25.8	26.0	25.1	24.5	24.7	24.4	25.1	26.1	25.3	26.7	27.3	27.7	29.6
Private Bank Deposits	11.6	11.8	12.1	14.3	14.1	13.5	13.5	12.9	13.2	13.8	13.6	13.7	14.5	14.8	15.1	16.1
Net Credit to the Private Sector	13.9	13.5	12.7	13.5	13.5	12.4	13.4	12.0	13.0	12.7	13.3	14.0	13.7	14.2	14.3	16.0

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 22/208.

[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, 2017–27

(Billions of CFA francs, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022'	2022	2022'	2022	2023	2023'	2023	2024	2025	2026	2027
						Jun	Jun	Dec	Dec	Jun						
						SR 22/208		SR 22/208			SR 22/208					
	Est.	Est.	Est.	Est.	Proj.	2/	Proj.	2/	Proj.	Proj.	2/	Proj.	Proj.	Proj.	Proj.	Proj.
Net Foreign Assets	2,131	2,379	2,730	1,980	1,420	1,886	2,091	2,565	2,324	2,581	3,657	3,000	3,719	4,586	5,267	6,157
Assets[1]	3,218	3,777	4,362	4,193	4,677	5,277	5,612	6,150	6,083	6,576	7,405	7,043	7,758	8,321	8,678	9,106
Unallocated	638	452	308	101	388	388	431	388	431	431	388	431	431	431	431	431
Cameroon	1,770	2,004	2,199	2,153	2,522	2,790	2,722	3,050	2,967	3,064	3,280	3,204	3,326	3,349	3,405	3,573
CAR	206	215	214	242	292	260	241	218	158	196	182	97	71	50	18	20
Congo	216	251	617	643	551	793	498	998	543	654	1,391	765	1,092	1,392	1,604	1,909
Gabon	537	766	813	808	766	733	757	963	999	1,105	1,262	1,211	1,422	1,540	1,657	1,767
EG	-31	-5	21	30	26	43	653	141	540	581	267	622	644	656	605	554
Chad	-117	93	191	216	134	270	311	392	445	545	635	712	773	903	958	853
Of which:																
Operations account	2,552	3,360	3,740	3,633	2,339	2,638	2,806	3,075	3,042	3,288	3,703	3,522	3,879	4,160	4,339	4,553
Liabilities	-1,088	-1,398	-1,632	-2,213	-3,257	-3,391	-3,521	-3,585	-3,759	-3,995	-3,748	-4,043	-4,039	-3,735	-3,410	-2,949
Unallocated[3]	-17	-16	80	233	64	158	124	158	22	22	158	22	22	22	22	22
Cameroon	-448	-529	-546	-809	-1,171	-1,279	-1,296	-1,321	-1,286	-1,345	-1,373	-1,345	-1,338	-1,256	-1,120	-958
CAR	-132	-163	-177	-193	-303	-296	-310	-312	-298	-298	-317	-297	-275	-247	-215	-185
Congo	-96	-89	-138	-203	-277	-383	-347	-436	-386	-468	-489	-496	-551	-546	-544	-535
Gabon	-230	-348	-428	-577	-831	-933	-952	-939	-969	-1,029	-924	-1,059	-987	-876	-803	-719
EG	-24	-26	-146	-297	-209	-173	-198	-173	-228	-228	-173	-232	-218	-195	-177	-173
Chad	-140	-227	-276	-366	-529	-485	-541	-563	-614	-649	-630	-636	-691	-638	-574	-401
Net Domestic Assets	2,066	2,316	2,316	3,459	4,563	4,835	4,173	4,697	4,354	4,226	4,213	4,176	3,971	3,622	3,502	3,213
Net credit to government	1,946	2,209	2,469	3,348	3,958	4,274	3,434	4,139	3,746	3,434	3,527	3,258	2,695	1,810	888	-143
Claims	3,261	3,571	3,792	4,299	5,045	5,374	5,359	5,672	5,465	5,519	5,826	5,679	5,665	5,328	4,980	4,539
Advances and consolidated debt	2,770	2,773	2,772	2,770	2,772	2,893	2,772	2,893	2,772	2,714	2,893	2,714	2,714	2,676	2,638	2,542
Advances				2,773	2,772		2,772	2,893	2,772	2,714		2,714				
IMF credit	491	798	1,020	1,528	1,849	2,059	2,159	2,358	2,266	2,378	2,512	2,538	2,524	2,225	1,914	1,569
Government deposits	-1,316	-1,362.6	-1,323.1	-951	-1,087	-1,099	-1,925	-1,534	-1,719	-2,085	-2,300	-2,421	-2,970	-3,518	-4,092	-4,682
Net claims on financial institutions[3]	440	432	274	377	669	676	508	683	678	925	820	992	1,356	1,896	2,704	3,454
Fogadac reclassification as domestic liability						138	138	138	138	138	138	138	138	138	138	138
Other items, net	-319	-324	-426	-266	-65	-115	231	-124	-70	-133	-133	-75	-79	-85	-91	-97
Base Money	4,197	4,695	5,046	5,439	5,982	6,721	6,264	7,262	6,678	6,807	7,871	7,175	7,690	8,207	8,769	9,371
Currency in circulation	2,436	2,577	2,752	3,116	3,676	4,053	3,610	4,631	4,120	4,130	5,055	4,414	4,722	5,039	5,384	5,754
Banks' reserves	1,717	2,050	2,222	2,245	2,212	2,256	2,389	2,373	2,551	2,674	2,539	2,738	2,950	3,149	3,364	3,595
o.w. Required reserves	442	569	700	743	825	856	859	887	893	971	949	961	1,051	1,122	1,199	1,281
Excess reserves	977	1,125	1,160	1,145	1,038	1,038	1,181	1,110	1,279	1,325	1,188	1,370	1,453	1,551	1,657	1,771
Cash in vaults	297	356	363	357	349	363	348	376	378	378	402	407	445	475	508	543
Others	44	68	72	78	94	412	265	258	8	3	276	24	19	20	21	23
Memorandum items:																
Reserve Coverage of Broad Money (in pe	30.6	33.2	36.3	31.4	31.1	33	34.2	36	37.0	37.2	41	39.9	40.4	40.6	39.6	38.9
Base Money/Deposits (in percent)	52.0	53.4	54.4	53.1	52.6	57	50.9	59	54.2	51.4	60	54.2	53.1	53.1	53.1	53.1

Sources: BEAC.

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

[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 22/208.

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

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

Table 8. CEMAC: Net Foreign Assets of the Central Bank, 2017–27

(Billions of CFA francs)

	2017	2018	2019	2020	2021	2022[1]	2022	2022[1]	2022	2023	2023[1]	2023[1]	2024	2025	2026	2027
						Jun	Jun	Dec	Dec	Jun						
	Est.	Est.	Est.	Est.	Proj.	SR 22/208 1/	Proj.	SR 22/208 1/	Proj.	Proj	SR 22/208 1/	Proj.	Proj.	Proj.	Proj.	Proj.
BEAC's Net Foreign Assets																
Stock	2,131	2,379	2,730	1,980	1,420	1,886	2,091	2,565	2,324	2,581	3,657	3,000	3,719	4,586	5,267	6,157
Change since end of previous year	-123	248	348	-750	-561	466	671	1,145	904	257	1,093	676	719	867	681	890
o.w. Cameroon	216	152	179	-309	7	160	75	379	330	38	177	178	128	106	192	330
Central African Republic	35	-22	-15	12	-60	-25	-58	-83	-129	38	-41	-60	-4	7	0	33
Congo	-207	43	313	-38	-167	136	-122	289	-116	28	340	112	271	306	214	313
Gabon	-64	111	-34	-154	-297	-133	-129	90	96	46	314	123	282	229	190	194
Equatorial Guinea	-43	25	-95	-143	84	53	638	152	496	41	127	78	35	35	-33	-47
Chad	45	123	48	-65	-245	136	165	180	226	65	176	245	6	184	119	67
Unallocated	-105	-185	-49	-53	118	138	102	0	0	0	0	0	0	0	0	0

Sources: BEAC and IMF staff projections.

[1] Refers to the projections published in the IMF Country Report No 22/208.

Table 9. CEMAC: External Financing Sources, 2017–23

(Billions of CFA francs)

	2017	2018	2019	2020	2021	2022'	2022	2022'	2022	2022'	2022	2023
	Est.	Est.	Est.	Est.	Proj.	CR 22/208 2/ H1	Proj. H1	CR 22/208 2/ H2	Proj. H2	CR 22/208 2/	Proj.	Proj.
1. External financing needs [1]	**1155**	**1213**	**781**	**2020**	**1005**	**445**	**374**	**520**	**360**	**965**	**734**	**763**
2. IMF Financing	**322**	**282**	**251**	**576**	**250**	**304**	**270**	**198**	**121**	**502**	**391**	**378**
3. Budget suport from other donors	**798**	**684**	**665**	**451**	**141**	**138**	**98**	**318**	**270**	**455**	**368**	**386**
World Bank	261	50	291	123	80	27	0	162	84	189	84	191
African development Bank	338	270	184	220	13	33	33	120	69	153	102	91
European Union	45	57	16	68	19	0	0	11	4	11	4	20
France	154	149	174	11	13	78	65	24	39	102	104	69
Other [3]	1	158	0	29	15	0	0	0	75	0	75	15
4. Commercial borrowing	**0**	**0**	**-79**	**595**	**456**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
of which: Bridge Loan	0	0	-79	0	0	0	**0**	0	**0**	0	**0**	**0**
of which: Eurobond	0	0	0	595	456	0	**0**	0	**0**	0	**0**	**0**
5. Debt relief	**0**	**0**	**0**	**285**	**269**	**1**	**5**	**1**	**3**	**1**	**7**	**-1**
6. External arrears	**0**	**0**	**67**	**29**	**-57**	**0**	**0**	**-38**	**-38**	**-38**	**-38**	**0**
7. Residual financing gap	**-1**	**161**	**0**	**5**	**113**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

1 After projected/targeted change in gross reserves.

2 Refers to the projections of the IMF CR 22/208 (June 2022 SR).

3 Includes external financing from the BDEAC in CFAF.

Annex I. Risk Assessment Matrix[1]

Risks	Likelihood	Expected Impact	Proposed Policies to Mitigate Risks
Conjunctural Shocks and Scenario			
Commodity price shocks. A combination of continuing supply disruptions (e.g., due to conflicts and export restrictions) and negative demand shocks causes recurrent commodity price volatility. **Upside.** High commodity prices boost income from oil and commodity production. **Downside.** Costly food imports negatively affect the spending of the urban middle class and endanger food security in poor households. High fertilizer prices affect agriculture and negatively impact future harvests. Inflation builds up and threatens the recovery.	High	Medium High oil prices partially offset rising food and fertilizer prices and buoy fiscal and external positions, but inflation pressures could build up and fiscal positions could worsen if food insecurity is addressed through widespread price controls and significant subsidies. Revenues underperform due to lower consumption and imports. Food insecurity in urban areas could result in social tensions.	• Prioritize targeted social spending to the most vulnerable. Where social safety nets are not well developed and price controls are needed, offset spending by strengthening tax collection, broadening tax bases, and phasing out exemptions. • Adhere to the program deficit targets to contain inflation, lower debt, and build back fiscal space for the next commodity downturn; streamline/target spending, including through PFM. • Implement structural reforms and encourage intra-region trade to diversify and reduce reliance on oil and commodity prices. • To help decouple reserve accumulation from oil revenue, implement fully the new FX law and strengthen repatriation efforts, including from SOEs.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth slowdown, with outright recessions in some countries, spillovers through trade and financial channels, and downward pressures on some commodity prices. For EMDEs, tighter global financial conditions leads to spiking risk premia, wider external	Medium	High Weaker global growth would lead to lower oil prices, worsening fiscal and current account positions in oil-dependent CEMAC countries, ultimately	• Fully implement the FX law; strengthen repatriation efforts, including from SOEs. • Adhere to IMF-supported fiscal targets to create space for rising debt costs • Design fiscal contingency plans to address deterioration of the current account.

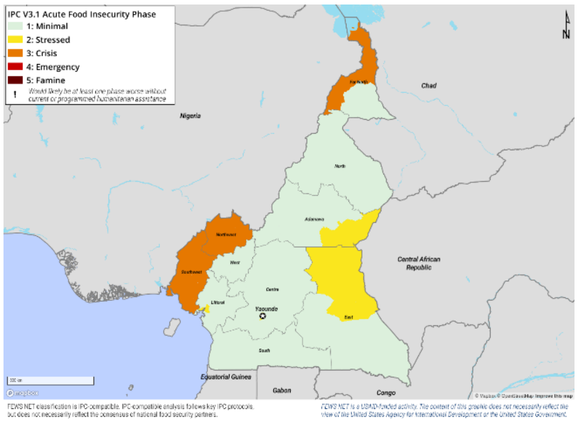
[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability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

imbalances, fiscal pressures, capital outflows, and potential sudden stops, and debt and financial crises across EMDEs.		weighing on the reserves position. Higher interest rate payments could increase debt and deteriorate public finances, crowding out social spending.	• Implement structural measures to diversify the economy, enhance competitiveness, and deepen regional integration.
Risks	**Likelihood**	**Expected Impact**	**Proposed Policies to Mitigate Risks**
Conjunctural Shocks and Scenario			
Systemic social unrest. Rising inflation, declining incomes, and worsening inequality amplify social unrest and political instability, slowing economic growth, and giving rise to social and economic instability and economically damaging populist policies (e.g., preserving fossil fuel subsidies).	High	**High** Political uncertainty could affect market confidence, private investment, and financing flows, delay economic and policy reforms, and weaken institutions. Rising tensions could delay fiscal adjustments, with negative consequences for external stability.	• Use oil windfalls to reduce macroeconomic stability and rebuild external and fiscal buffers to maintain market confidence and attract private investment. • Maintain effective social dialogue, protect social spending, and build social safety nets to reduce poverty. • Increase social investment in health, education, welfare, and youth upskilling to keep tensions at bay.
Local COVID-19 outbreaks. Outbreaks due to slow vaccination or emergence of more contagious vaccine-resistant variants force new lockdowns or inhibit commerce.	Medium	Disruptions to economic activity could delay the economic recovery, further lockdowns would impact educational outcomes hurting productivity.	• Continue with the government vaccination programs and health-sector improvements.
De-anchoring of inflation expectations and stagflation. External inflation spills over to domestic factors and expectations become de-anchored. Growth slows.	Medium	High inflation hurts household purchasing power, exacerbating poverty. Interest rate hikes are higher to rein in inflation, hurting growth.	• Adhere to the program deficit targets to contain inflation. • Stand ready to tighten monetary policy pre-emptively to check inflation.
Structural Risks			
Missed window of opportunity for structural transformation. Changes in consumption reduce demand for hydrocarbons. Future trends in industry and labor (digitization, automation, Internet-of-Things) raise the bar for competition on non-oil sectors.	High	**High** Lower hydrocarbon demand renders the engine of growth (oil) obsolete. The window of opportunity to	• Implement deep governance, structural, and growth-enhancing reforms. • Invest in education/upskilling, enhance the business climate and infrastructure (including for

		compete on non-oil sectors narrows,	digital development) to improve competitiveness.
Structural Risks			
Missed window of opportunity for structural transformation (cont.)		lowering the likelihood of diversification and the potential for inclusive growth. This could increase poverty and widen already-high wealth disparities	• Accelerate efforts to establish social safety nets to protect vulnerable populations from future shocks and transitions.
Natural disasters related to climate change. More frequent natural disasters deal severe damage to infrastructure (especially in smaller vulnerable economies) and amplify supply chain disruptions and inflationary pressures, causing water and food shortages and reducing medium-term growth.	**Medium**	More frequent floods and draughts (CAM, TCD). Rising sickness (e.g., meningitis) and poor harvests due to dryer weather (C.A.R., EQN). Higher sea levels, dry rivers/lakes (GAB, EQN, TCD), displace populations and destroy capital.	• Improve the business climate to boost investment in new sectors and encourage diversification. • Free up fiscal space to invest in mitigation and adaptation infrastructure. • Work with partners to identify vulnerable populations and regions, conduct risk assessments, plan disaster mitigation measures.
Slow progress in tackling corruption and governance issues.	**High**	Systemic corruption could affect market confidence, private investment, and financing flows, delay economic and policy reforms, and weaken institutions.	• Implement deep governance, structural, and growth enhancing reforms. • Work with partners to identify measures to address governance weaknesses and appropriate response.

Annex II. Food Security in CEMAC Countries

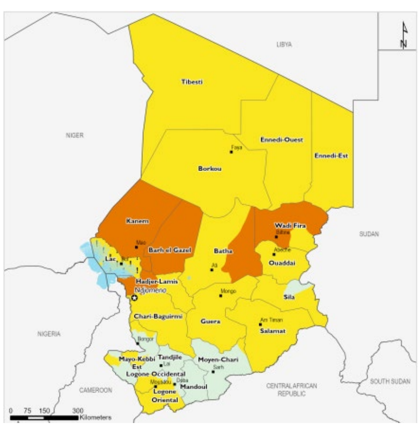
In Cameroon, more stable food prices (due to controls) and positive harvests have improved food security; pockets of food insecurity linger in the North due to rains or tension.



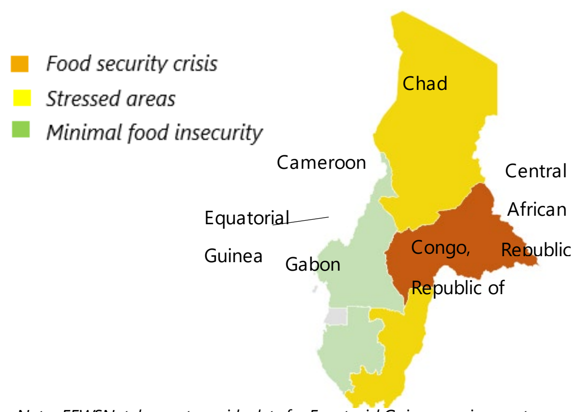
C.A.R. is the most food insecure country in CEMAC, more than half the population is food insecure due to conflict and floods, and more recently global shock of food and fuel prices.

Note: the entire country is under food security crisis according to FAO

Chad's food insecurities are linked to the armed conflict in the Chad Lake's basin, but thanks to a good year in rains, undernourishment seems to be decreasing.



Broadly in the CEMAC region, conflict, floods, and heavy rains are the main contributors to food insecurity. The poor domestic food production infrastructure and barriers to internal trade make the region depend on food imports.



Note: FEWSNet does not provide data for Equatorial Guinea, nor in-country regional breakdown for Gabon or Republic of Congo

Source: FAO (Food and Agriculture Organization), FEWSNet, and USAID.

Annex III. External Sector Assessment

Overall Assessment: *The external position of CEMAC in 2021 was weaker than the level implied by medium term fundamentals and desirable policies. CEMAC's current account balance (CAB) has recovered steadily from the 2015 oil shock, with a dip in 2020 caused by the COVID-19 pandemic, reaching -2.3 percent of GDP in end-2021 This trend is expected to peak in 2022, with the current account achieving a surplus of 1.6 percent of GDP. Regional gross reserves declined through 2021, despite Fund emergency financing, IMF-supported program disbursements, and the SDR allocation. The decline was driven by deposit drawdowns at the BEAC by member countries and lower reserve accumulation linked to low oil prices. External reserves have started to build up in 2022, though still short of the desired level. The quantitative assessment of the exchange rate using the Fund's EBA-lite Current Account (CA) methodology suggests over-valuation of CEMAC's real effective exchange rate (REER) of 16.8 percent in 2021, while the REER model suggests mild under-valuation. The CAB is expected to revert to its historical average in the medium-term, while in the same period reserves are expected to increase, supported by capital and financial account developments, but remain below the benchmark considered adequate for a resource-rich monetary union exposed to volatile commodity prices.*

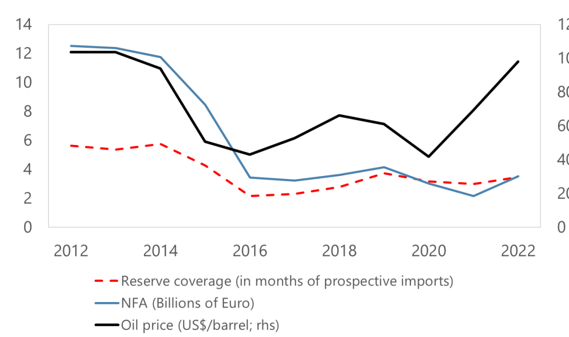
Potential Policy Responses: *A stronger external position aligned with economic fundamentals coupled with adequate reserve buffers and sustainable capital inflows in the medium term require an appropriate policy mix of prudent fiscal and monetary policies that foster macro-economic stability combined with deep structural and governance reforms that improve productivity and competitiveness and encourage diversification to shield reserves from volatility in hydrocarbon markets. Removing non-trade barriers within the union, stronger revenue collection (to improve capacity to repay), and full implementation of FX regulations, particularly of hydrocarbon market players, would also strengthen the external position.*

Foreign Assets and Liabilities & Reserves Adequacy

Background. The CEMAC region ended 2021 with the net foreign asset (NFA) position declining to 2.8 percent of GDP (from 3.8 percent of GDP in 2020) and gross reserves standing at 3.0 months of imports of goods and non-factor services (GNFS), from 3.2 months of GNFS in 2020. Reserves declined despite improvement in the current account balance (CAB, see below), tighter monetary policy towards in 2021Q4, the availability of IMF emergency financing and IMF-supported program disbursements, and the SDR allocation. Historically, however, CEMAC's asset position has been strongly linked to hydrocarbon market cycles, with peak buffers built up during the oil price boom that preceded the Great Financial Crisis (GFC), with reserves reaching 6.8 months of GNFS. Since then, poor trade dynamics, lower oil prices—combined with lower oil production in certain members—and a steady drawdown of government deposits at the central bank (BEAC) have contributed to lower reserve accumulation. No comprehensive union-wide net international investment position (NIIP) is available, given

CEMAC. Oil Price and Reserve Coverage, 2010–22 (Proj.)

(in US$ per barril, and months of prospective imports)



Sources: BEAC, Country authorities, WEO and IMF staff calculations.

disparities and significant lags in external data reporting among CEMAC Members.[1] This precludes the use of the External Sustainability approach in this assessment.

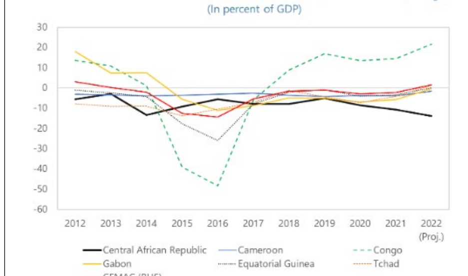
Assessment. CEMAC's fragile reserve position at end-2021 represents a high risk to external sustainability in a context of oil price volatility strongly linked to unpredictable geopolitical events, uncertain slowing trading partner demand, and expectations of tighter financial conditions, particularly in the Euro Area. Coverage at end-2021 (3.0 months of GNFS) is less than half the level adequate for a resource-rich monetary union exposed to volatile commodity prices (5 months of GNFS).[2] While external buffers are strongly driven by oil prices and production, repeated deposit drawdown has also been a key driver of the decline. CEMAC member countries used most of their SDR allocation (CFAF 797 billion), broadly in line with staff's guidance, as countries with stronger fiscal positions and better market access saved a portion of the allocation to support reserve buildup. Some SDRs were used to substitute domestic financing, while a remaining share was rightly used for social and development spending, COVID-19 related measures, or to offset external budget support shortfalls.[3]

During 2022, gross external reserves have accumulated faster due to higher oil prices and tighter fiscal and monetary policies, a more stringent application of FX regulations, and inflows driven by the commodity price rally. Reserve coverage is expected to strengthen by end-2022 (to 3.5 months of GNFS). That said, further delays in completing upcoming IMF-supported program reviews or additional fiscal loosening would result in external financing shortfalls in 2022. Going forward, reserves are expected to increase but remain just below the adequate benchmark, in tandem with a projected decline in the current account to its historical average of -3.5 percent of GDP in the medium-term (see below). To shore up external reserves, a combination of sustained fiscal consolidation, in line with IMF-supported programs that restrain deposit drawdown and prevent loosening elsewhere and stronger compliance with existing foreign exchange (FX) regulations (particularly from SOEs, where compliance is still weak) is needed, in addition to improved trade dynamics. More frequent and internally consistent external statistics, including availability of IIP data, would provide better tools for regional and country authorities to assess external risks and ensure adequate reserve coverage.

Current Account, the Real Exchange Rate, and Capital Flows

Background. The **current account balance** has improved from the 2015 oil shock trough of - 14.4 percent to -2.3 percent of GDP at end-2021, dipping temporarily to -2.9 percent in 2020 due to the COVID-19 pandemic (Text Chart). The improvement in 2021 also reflects a modest increase in national savings of 1.5 percentage points of GDP from 2020 amidst lower growth in capital formation (Figure I.2). Historically, the persistently negative CAB (ten-year average: -3.9 percent of GDP) reflects poor trade balances dominated by oil trade, structural fiscal deficits, low levels of public health expenditures, and shallow and under-developed

CEMAC: Current Account Balance, 2012–22 (Proj.)
(In percent of GDP)

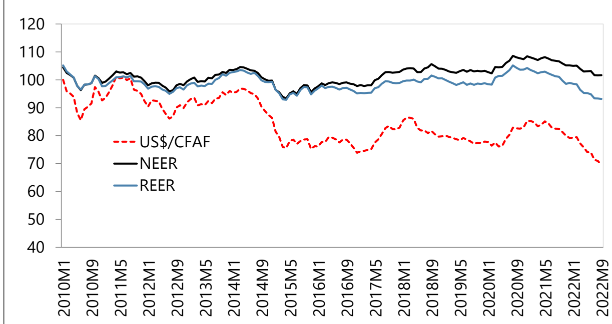


Sources: CEMAC authorities and IMF staff estimates.

private credit provision. The main transmission mechanisms include: (i) under-developed non-oil exports, due to low comparative advantage a result of low productivity, absence of structural features that would foster alternative industries (infrastructure, qualified human capital), and weak private sector credit mechanisms; (ii) weak governance and public investment management practices that further limit productivity and investor confidence; and (iii) a relatively restrictive capital control environment compared to peers, all elements consistent with prevalence of Dutch Disease effects in a region with structural competitiveness issues. In 2022, the CA is expected to achieve a surplus (1.6 percent of GDP), buoyed by commodity prices (oil, but also gas, metals, minerals, forestry) and gains in competitiveness driven by the real depreciation of the CFAF relative to the euro and U.S. dollar. In the medium term, the CAB is expected to revert to slightly over its medium-term average (to -3.1 percent of GDP).

CEMAC: Real and Nominal Effective Exchange Rates, 2010–22

(2010=100)



Source: IMF Statistics department. IMF Staff estimates.
Note: REER and NEER are first computed across CEMAC member countries and weighted using nominal gross domestic product in purchasing-power-parity dollars.

The **real effective exchange rate** (REER) has been broadly stable after the 1994 devaluation with fluctuations averaging under 1 percent and not exceeding 10 percent. In this sense, the gains from the 1994 devaluation appear to have been preserved over the last decades. In 2020, the REER appreciated on the back of a weak dollar, but this has subsequently reversed driven by the depreciation of the Euro vis-à-vis the US$ dollar with an average y/y depreciation of the REER of 2.6 in percent in 2021 and 5.5 percent through September 2022. Notwithstanding the recent gains, other non-price competitive measures, such as governance, remain weak and have deteriorated in recent years, while those that have improved (e.g., business environment) have done so less rapidly than in peers (see Figure I.2). Given the global context, where technological advances (automation, IoT, robotics) are lowering the cost of inputs and significantly raising the bar for export-led growth strategies, CEMAC countries risk being left behind and missing the window of opportunity for competing in non-oil sectors.

Capital inflows remain lower than during the decade prior to the GFC, when foreign direct investment (FDI) peaked at 8.8 percent of GDP, driven by the oil price rally. Since then, capital inflows have remained low though stable around 3 percent of GDP in 2020–21 while other investment outflows halved in 2021 from 2020 following Eurobond issuances (Cameroon, Gabon), despite the SDR allocation in 2021. In the medium term, under baseline projections, portfolio outflows are expected to surpass inflows, while FDI inflows will remain increase modestly from 3.3 to about 4 percent of GDP, net portfolio investment stabilizes near balance, while completion of debt repayments by Chad and Congo (2022–24) would drive other investment to near-balance as well by 2025.[4] Official financing, including balance of payments support from the Fund, other IFIs and bilateral donors, is expected to continue. On balance, improvements in the financial account would more than offset the deterioration in the current account balance. However, capital flows from both private and official sources remain subject to significant uncertainty.

Assessment. The approach and methodology used for the external sector assessment is based on the Revised EBA-Lite's Current Account (CA) model. The CA model is calibrated to compare the regional current account balance with the model-estimated current account norm.
The model is calibrated to reflect the latest desirable policies with: (i) a projected cyclically-adjusted fiscal balance reflecting recommended medium-term fiscal objectives; (ii) the level of public health expenditures at 2.3 percent of regional GDP; (iii) a revised desired change in reserves that positions the CEMAC on the path to reach 5 months of import coverage at end-2026.[5] (iv) private sector credit level at around 20 percent of GDP, reflecting member countries' fundamentals; and (v) the assumption of stable regional capital controls. The estimation includes a measure of the potential impact of natural disasters and conflicts on the CAB. The elasticity of the current account to REER at -0.23 is calculated using an average of countries' elasticities. Based on these assumptions, the assessment of the 2021 CAB suggests a weaker external position than warranted by fundamentals and desirable policies (see text table below). The EBA-Lite CA model applied to 2021 data estimates a CA norm of 0.3 percent of GDP against a cyclically-adjusted CA of -3.5 percent of GDP. This implies a gap of -3.9 percent of GDP, under current policies, equivalent to an overvaluation of 16.8 percent. On the other hand, the REER model shows a mild undervaluation of 1.7 percent. However, the final assessment is anchored on the CA model, which is the better fit for medium-sized economies (see Text Table on Model Estimates).

CEMAC: EBA-Lite Model Estimates, 2021

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-2.3**	
Cyclical contributions (from model) (-)	0.2	
COVID-19 adjustor (-) 2/	0.6	
Additional temporary/statistical factors (-)	0.0	
Natural disasters and conflicts (-)	0.5	
Adjusted CA	**-3.5**	
CA Norm (from model) 3/	**0.3**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**0.3**	
CA Gap	**-3.9**	**-0.4**
o/w Relative policy gap	1.5	
Elasticity	-0.23	
REER Gap (in percent)	**16.8**	**1.7**

1/ Based on the EBA-lite 3.0 methodology
2/ Additional cyclical adjustment to account for the temporary impact of the tourism ([x] percent of GDP) and remittances ([x] percent of GDP).
3/ Cyclically adjusted, including multilateral consistency adjustments.

Policy Recommendations

A stronger external position aligned with economic fundamentals in the medium term requires an appropriate policy mix of prudent fiscal and monetary policies that fosters macro-economic stability, combined with deep structural and governance reforms that improve productivity and competitiveness and encourage diversification. Removing trade restrictions within the union would spur growth in non-oil sectors (such as agriculture) and lower dependence on food imports (strengthening the CA), while full implementation of FX regulations, particularly of SOEs, would strengthen reserves. The above-mentioned policies would also help attract sustainable, longer term capital inflows (from both official and private sources) that finance growth-friendly projects.

[1] NIIP data is only available for Cameroon (-30 percent at end-2020, based on 2019 data). The Republic of Congo submits IIP data in domestic currency to the IMF, but technical delays have precluded publication of the results. Preliminary NIIP data have been compiled for Equatorial Guinea and Gabon, but these are not yet disseminated to the Fund. Chad's IIP data suffers from inconsistencies and is not submitted yet; C.A.R. does not produce IIP data.

[2] The five-month benchmark continues to be appropriate for a resource-rich monetary union exposed to volatile commodity prices. Cost-benefit scenario analysis indicates the optimal level of reserves for CEMAC could range between 6.3 to 9.7 months of imports depending on the scenario. See also *CEMAC—Common Policies in Support of Member Countries Reform Programs—Staff Report and Statement by the Executive Director*, IMF Country Report No. 21/21 and Dabla-Norris, E. J, I. Kim, and K. Shoran, "*Optimal Precautionary Reserves for Low-Income Countries: A Cost-Benefits Analysis*" IMF Working Paper 11/249, 2011.

[3] See also *CEMAC—Common Policies in Support of Member Countries Reform Programs—Staff Report and Statement by the Executive Director, IMF Country Report No. 22/208* (IMF/CR/22/208).

[4] Following Gabon's Eurobond issuance in 2021 the baseline does not assume any further Eurobond placements.

[5] The calibration relies on gross foreign assets statistics from the BEAC's monetary survey and the most recent CEMAC macro framework projections.

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

Yaoundé, December 1, 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 Managing Director:

This letter renews the assurances provided in June 2022 by the regional 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 November 2 to 15, 2022 between Fund Staff and CEMAC institutions.

In 2022, National and Regional Authorities continued their economic policy and macroeconomic stabilization efforts against the background of the fallout from the war in Ukraine just as the sub-region was exiting the COVID-19 crisis. In this context marked by inflation accelerating to around 4.6 percent in 2022, above the 3 percent convergence criterion, the normalization of monetary easing measures, mentioned in our last letter of assurance, has been pursued. Accounting for the expected magnitude of inflationary pressures, BEAC continued the proactive tightening of its monetary policy, initiated in end-2021, to preserve price stability and external reserves. In 2022, BEAC raised its main policy rate by 50 basis points in March, and subsequently in September to reach 4.5 percent. In addition, the liquidity absorption rate was raised by 25 basis points to 0.75 percent. BEAC continued scaling down its weekly liquidity injections, which were brought down from their highest level of CFAF 250 billion in 2021 to CFAF 50 billion in November 2022 and discontinued all three of its long-term liquidity injection operations. In November 2022, two banks structurally dependent on BEAC liquidity were granted access exclusively to the marginal lending facility window. Haircuts on public securities used in the monetary operations for half of CEMAC member countries were tightened in May 2022. In accordance with its statutes, BEAC did not provide direct monetary financing to the Member States. BEAC stands ready to continue tightening its monetary policy in the event of surging inflationary pressures, to ensure internal and external monetary stability in an appropriate manner, including by adjusting its key policy rate and tightening liquidity.

Moreover, fiscal projections for 2022 are encouraging––the sub-region's overall fiscal balance (excluding grants) is expected to gradually improve to 0.7 percent of GDP in 2022. The non-oil primary deficit is expected to remain stable at around 7 percent of non-oil GDP in 2022. Nonetheless, the fiscal cost of fuel subsidies, projected at 1.5 percent of GDP at end-2022, along with their sustainability, pose major risks to the budgets. Structural fiscal measures––notably non-oil tax revenue collection, public spending restraint and efficiency, PFM improvement, and reduction of non-targeted subsidies––should help improve fiscal balances in 2023. Total public debt remains contained below the convergence threshold of 70 percent of GDP and is expected to decline to 52.7 percent of GDP in 2022, 4.9 percentage points lower than its estimated level in 2021. The current account balance is also expected to improve significantly, from a deficit of 2.3 percent of GDP in 2021 to a surplus of 1.6 percent, reflecting the positive impact of high hydrocarbon prices in the sub-region's oil-producing countries, combined with a very modest increase in imports by end-2022.

Owing to tighter monetary policy and improved overall fiscal balances on account of strong oil export proceeds, the external position improved during 2022Q2, reflected by an increase in net foreign assets (NFA) since their trough of end-2021. This performance is also due to CEMAC Member States with stronger fiscal positions and better market access, saving part of their exceptional 2021 SDR allocation. The regional NFA assurance for end-June 2022 (EUR 2.81 billion) was therefore met with a margin of EUR 378 million.

The macroeconomic outlook is marked by a firmer economic recovery—albeit of lower magnitude than projected during the previous Fund staff visit owing to the slight downward revision of oil price forecast in the *World Economic Outlook* (WEO). The recovery will thus be driven by a rebound in non-oil sector activity due to the lifting of COVID-19 containment measures, improved terms of trade on non-oil products (manganese, wood, gas) and positive spillovers of high oil prices onto the services sector.

This outlook, while favorable, is conditional on continued prudence in managing the oil windfall and accelerating reform implementation momentum under Fund-supported programs. However, this outlook is subject to high uncertainties, notably in relation to the tightening of global financial conditions (which accentuate vulnerabilities to refinancing risks), soaring food prices, donor support, and the rate of government's indebtedness. The rise in global inflation could also lead to higher subsidy costs (fuel and food products), which could significantly weigh on budgets, thus eroding the oil windfall and ultimately weighing on BEAC's external reserves. The recovery will also be conditional on the reviews of ongoing Fund-supported programs, as well as the materialization of expected budget support from other donors and progress in the external debt restructuring for Congo, in the context of the magnitude of the sub-region's external financing needs. Moreover, the outlook is susceptible to internal developments, notably on the security and socio-political situations in Cameroon, C.A.R. and Chad, which may affect the implementation of Fund-supported programs. In this macroeconomic context marked by uncertainties, BEAC will continue to implement necessary measures to strengthen the sub-region's internal and external stability, in accordance with its mandate.

BEAC is also proceeding with efforts to fully implement the foreign exchange (FX) regulations. These efforts, which have started to bear fruit, have been reflected in the strengthening external monetary stability. To further encourage compliance with the provisions in force and in particular with the FX surrender requirements, we are in an ongoing dialogue with banking sector and other economic actors with a view to refine the process. Regarding the oil sector and the application of the agreements reached in end-2021, the processes for authorizing the opening of foreign currency accounts are continuing, and more than 500 accounts have already been approved to facilitate the repatriation of a significant part of export proceeds. These accounts can be used flexibly at low cost and are protected from seizure-attribution and/or seizure of a bank account. BEAC is also continuing discussions with oil companies regarding the operational modalities for the repatriation of the funds set aside for the rehabilitation of oil sites. Beyond the application of the FX regulations to the oil sector, Member States' support and cooperation will be essential to guarantee and promote the repatriation of export revenues, including by SOEs, to strengthen the region's external stability.

BEAC continued its efforts to contribute to a more efficient PFM, notably by establishing an IT platform to facilitate the roll-out of treasury single accounts, which is in its implementation phase in some pilot countries.

Concerning banking supervision, in July 2022, COBAC lifted the temporary COVID-related measures and intensified onsite inspections over the recent months. COBAC stands ready to monitor banks' refinancing needs and to accelerate resolution procedures for undercapitalized banks. COBAC reiterates its readiness to continue collaborating with BEAC to examine the refinancing plans of banks structurally dependent on BEAC's refinancing and provide all necessary supervisory information. In addition, following the normalization of prudential regulations, COBAC will adopt a cautious approach regarding dividend distribution, in line with the banking regulations.

Government support will be necessary for strengthening banks with government ownership and implementing plans to clear domestic payment arrears, which should be based on transparency principles, and backed by PFM-enhancing measures, to avoid the resurgence of new domestic payment arrears that continue to threaten financial stability. Government support will be also essential to reduce the risk to banks' balance sheets from exposure to the sovereign.

Given emerging cryptoasset-related risks in the region following C.A.R.'s adoption of a cryptoasset law giving legal tender status to crypto-currencies, COBAC took a decision on May 6, 2022 prohibiting entities under its remit to hold and carry out transactions in cryptocurrencies and strengthening the reporting requirements to which these entities are subject. An extraordinary meeting of UMAC's Ministerial Council in July 2022 reiterated the inconsistency of C.A.R.'s cryptoassets law with the Convention of the Central African Monetary Union and urged the country to comply. BEAC is looking forward to working with C.A.R.'s Authorities, when they are ready, to assess the range of possibilities for consistency with the Monetary Union Convention. Also, the Coordination in the design of a regulatory framework to resolve the inconsistency between C.A.R.'s cryptoassets law and the regulation governing cryptoassets and digital payments has been assigned to BEAC. We envisage to set up two working groups which will start work as soon as possible and in close coordination with COBAC, COSUMAF and GABAC, to ensure a more concerted, common, and coherent position on digital assets regulation.

The above-mentioned measures, combined with the continuing fiscal consolidation and the implementation of structural, transparency and governance-enhancing reforms by the Member States, as well as donor budget support under ongoing Fund-supported programs, have contributed to the consolidation of net foreign assets (NFA). Nonetheless, despite recent improvements in the external position, the downward revision of oil prices forecast, possible deterioration of fiscal balances caused by fuel subsidies, possible delays in disbursements of budget support in some member countries, and growing external financing needs owing to higher-than-expected debt service (notably in Congo) could weigh on external reserves build-up in the second half of 2022 (which could be lower than projected). The forecast deviation from the initial NFA target at end-December 2022 stands at around EUR 341 million. Had it not been for these factors, NFA at end-December 2022 would have reached the level projected during the last review of regional policies. It was thus agreed to revise downwards the regional NFA target at end-December 2022 from EUR 3.73 billion to EUR 3.39 billion. In addition, the NFA target for end-June 2023 is proposed to be set at EUR 3.93 billion. It should be noted that these projections remain dependent on external financing assumptions (including exceptional financing, excluding IMF financing) of EUR 412 million during the second half of 2022 and EUR 163 million during the first half of 2023.

BEAC and COBAC will maintain their efforts to ensure a diligent monitoring of CEMAC member countries' Fund-supported program status and will continue to work in close cooperation with Fund staff to support the economic recovery. These institutions stand ready to notify and consult with Fund staff in a timely manner on economic developments which may affect CEMAC's external stability through end-December 2022 and end-June 2023 and to take the necessary corrective measures, including with respect to monetary policy, in the event of unfavorable developments.

As I remain available to work alongside the IMF and the CEMAC Member States with the aim of achieving an improvement in macroeconomic balances in the sub-region, please accept, **Madame Managing Director**, the expression of my highest consideration.

/s/

ABBAS MAHAMAT TOLLI

CEMAC

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

December 16, 2022

Prepared By
The African Department
(In consultation with other Departments)

CONTENTS

RELATIONS OF CEMAC MEMBER COUNTRIES WITH THE FUND

Cameroon, Central African Republic (C.A.R.), Chad, Republic of Congo, and Gabon joined the IMF in 1963, and Equatorial Guinea joined in 1969. All Central African Economic and Monetary Community (CEMAC) member countries accepted the obligations of Article VIII, Sections 2, 3 and 4 of the IMF Articles of Agreement on June 1, 1996.

Relations of CEMAC Member Countries with the Fund

Cameroon. On May 4, 2020, the Executive Board approved a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR 165.6 million (about US$ 226 million, 60 percent of quota), a second emergency disbursement equivalent to SDR 110.4 million (about US$156 million, 40 percent of quota) was approved on October 21, 2020. On July 29, 2021, the Executive Board approved a three-year arrangement under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) for SDR 483 million (about US$689.5 million or 175 percent of Cameroon's quota at the IMF), respectively, to support the country's economic and financial reform program. Cameroon is on a 24-month consultation cycle.

Central African Republic. On December 20, 2019, the Executive Board approved a three-year ECF arrangement for SDR 83.55 million (about US$115.1 million, 75 percent of Central African Republic's quota at the IMF) to support the country's economic and financial reform program which expired in July 2022 due to the lack of review completion for more than 18 months. On April 20, 2020, the Executive Board approved a disbursement under the Rapid Credit Facility (RCF) for SDR 27.5 million (US$37.6 million or 25 percent of CAR's quota at the IMF). On December 17, 2021, IMF Management approved a seven-month Staff Monitored Program (SMP). The First Review of the SMP was completed by Management on March 31, 2022. The last Article IV consultation was concluded on December 19, 2018, and an Article IV consultation is expected to be concluded in December 2022. CAR is on a 24-month consultation cycle but is experiencing delays due to delayed program reviews.

Chad. On July 22, 2020, the Executive Board approved a disbursement under the RCF (RCF-2 of SDR 49.07 million (equivalent to $68.4 million or 35 percent of Chad's quota), which followed RCF-1 of SDR 84.12 million (equivalent to $115.1 million or 60 percent of quota on April 14, 2020) and cancelled the ECF previously approved on June 30, 2017. On December 10, 2021, The IMF Executive Board approved a new 36-month arrangement under the Extended Credit Facility, in an amount equivalent to SDR 392.56 million (equivalent to US$ 570.75 million or 280 percent of quota). The last Article IV consultation was concluded on July 3, 2019. Chad is on a 12-month consultation cycle but is experiencing delays due to delayed program reviews.

Republic of Congo. On January 21, 2022, the Executive Board approved a three-year arrangement under the ECF for SDR 324 million (equivalent to US$448.6 million or 200 percent of the Republic of Congo's quota) to support the country's economic and financial reform program. The last Article IV consultation was concluded on September 24, 2021. Congo is on a 24-month consultation cycle.

Equatorial Guinea. On December 18, 2019, the Executive Board approved a three-year arrangement under the EFF for SDR 205 million (equivalent to US$282.8 million or 130 percent of Equatorial Guinea's quota) to support the country's economic and financial reform program which will end on December 17th 2022 without review. On September 15, 2021, the Executive Board approved Equatorial Guinea's request for emergency assistance of SDR 47.25 million (equivalent to US$67.38 million or 30 percent of quota) under the Rapid Financing Instrument. The last Article IV consultation was concluded on July 25, 2022. It was proposed that the next Article IV consultation with Equatorial Guinea take place in accordance with the Executive Board decision on consultation cycles for members with Fund Arrangements.

Gabon. On April 9, 2020, the Executive Board approved the disbursement of SDR 108 million (equivalent to US$ 147 million or 50 percent of Gabon's quota) under the Rapid Financing Instrument, a second disbursement of SDR 108 million (equivalent to US$152.61 million or 50 percent of quota) was approved on July 31, 2020. On July 28, 2021, the Executive Board approved a three-year extended arrangement under the EFF with Gabon for SDR 388.8 million (about US$553 million or 180 percent of quota) to support the country's economic and financial reform program. The last Article IV consultation was concluded on December 16, 2019. Gabon is on a 24-month consultation cycle.

Safeguards Assessments

The Bank of the Central African States (BEAC) is the regional central bank of the Central African Economic and Monetary Community (CEMAC). Under the IMF safeguards policy and in line with the four-year cycle for safeguards assessments of regional central banks, an update safeguards assessment was completed in April 2022. The assessment found that the BEAC maintained strong governance arrangements following the comprehensive 2017 legal reforms that strengthened both governance and autonomy arrangements and completed the supplementary work on secondary legal instruments in 2019. The BEAC accomplished an important milestone and strengthened its financial reporting practices with the implementation of International Financial Reporting Standards. The external audit arrangements continue to be robust with joint audits conducted by experienced firms. Nevertheless, the internal audit function faces capacity constraints and has not yet achieved full alignment with international practices, and efforts are needed to develop the risk management function, cyber resilience, and business continuity and disaster recovery plans.

Statistical Issues

Assessment of data adequacy for surveillance and coverage of statistical issues are discussed in individual Article IV country reports.

Exchange System

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

Article IV Consultation Discussions

Following an Executive Board decision in January 2006, discussions with monetary unions have been formalized and are part of the Article IV consultation process with member countries. The consultation discussions reported in the companion staff report are thus in relation with Article IV consultations with the six CEMAC member countries. The Executive Board concluded the last Article IV consultation discussion on common policies of CEMAC members on December 1, 2021. Article IV consultation discussions for CEMAC are held on a 12-month cycle.

FSAP Participation and ROSCs

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

Statement by Mr. Sylla, Executive Director for Member Countries of the Central African Economic and Monetary Community, Mr. N'Sonde, Alternate Executive and Mr. Nguéma-Affane, Senior Advisor to the Executive Director

December 20, 2022

On behalf of our CEMAC authorities, we would like to thank Executive Directors, Management, and staff for the continued support to the regional institutions and CEMAC member countries in the context of the second phase of their regional strategy aimed at strengthening internal and external stability while supporting growth. They appreciate the constructive policy discussions held with staff in Libreville and Yaoundé last month. They are of the view that the staff report provides an accurate account of those discussions.

Introduction

The regional and national authorities pursued in 2022 their efforts to strengthen macroeconomic stability and resilience against shocks, consistent with the policy commitments made in the June 2022 Follow-up to Letter of Support to the Recovery and Reform Programs Undertaken by the CEMAC Members Countries. Normalization of monetary and prudential policies continued as the Covid-related epidemiological situation improved and the regional economy recovered. Also, the multilateral surveillance framework continues to be strengthened. Furthermore, the net foreign assets (NFA) policy assurance for end-June 2022 has been met with a margin. The use of the 2021 SDR allocations has been broadly in line with staff recommendations. Although the oil price spike induced by geopolitical tensions has contributed to improving the macroeconomic situation in oil-producing countries and in the region overall, its corollary--high inflationary pressures—remains persistent and is exacerbating the cost of living, poverty, and inequalities. It is substantially augmenting food insecurity particularly in the Lake Chad Basin Region.

The CEMAC authorities remain committed to the regional strategy while taking the necessary steps to fight high inflation. They have reiterated their dedication to prudent policies in the updated letter of support to policies and reforms undertaken by the CEMAC member countries as annexed to the staff report.

Recent Developments, Outlook, and Risks

The macroeconomic situation of the region has improved markedly in 2022 thanks to favorable terms of trade shock and the lifting of Covid containment measures. Growth in the CEMAC region accelerated in 2022 and is expected to reach 3.4 percent, up from 1.2 percent in 2021, driven by higher oil production and supported by the removal of COVID-related restrictive measures. Inflationary pressures intensified in 2022 owing to higher prices of imported goods. Inflation is projected to pick up to 4.6 percent (end of period) from 2.6 percent in 2021. The fiscal and external positions improved in 2022 on the back of higher oil prices despite measures taken to mitigate the social impact of high fuel and food prices. While the non-oil fiscal deficit remains large notably due to food and fuel subsidies which country authorities had to adopt to ease the impact of elevated prices of those essential products on the populations, the overall fiscal deficit is projected to reach a surplus in 2022. Total public debt is set to decline to 52.8 percent of GDP down from 57.6 percent in 2021, well below the CEMAC convergence threshold of 70 percent. The current account balance is also expected to recover significantly, from a deficit position of 2.3 percent of GDP in 2021 to a surplus of 1.6 percent, reflecting the positive impact of higher commodity prices. Foreign exchange reserves should cover more than 3.5 months of imports of goods and services by the end of the year. Thanks to tighter monetary policy and improved overall fiscal balances, the external situation improved in the second quarter of 2022, resulting in an increase in NFAs since their low level at the end of 2021. Thus, regional NFA assurances for the end of June 2022 (EUR 2.81 billion) were reached with a margin of EUR 378 million.

The region's macroeconomic outlook is favorable, supported by a strengthening of the economic recovery but is subject to heightened uncertainties. The CEMAC authorities acknowledge that the relatively high level of oil prices provides a favorable opportunity to further build resilience and achieve the objectives pursued under the regional strategy. However, they also recognize that the economic and financial environment —marked by the fragmentation stemming from geopolitical tensions, the fragility of the global economic recovery including on the back of indeterminate Covid developments, and the tightening of financial conditions at both the global and sub-regional level— presents significant downside risks. Rising global inflation could lead to higher fuel and food subsidy costs, which could weigh significantly on budgets, eroding gains from higher oil revenues, and ultimately affect the pace of reserve accumulation. In addition, domestic developments such as the persistence of security and socio-political tensions in some countries, could exacerbate food insecurity and severely set back the progress made in poverty reduction. Moreover, the outlook is conditional on maintaining prudence in managing the increase in oil revenues and accelerating the momentum of implementing reforms under IMF-supported programs to increase fiscal space, strengthen public financial management (PFM) and improve governance and transparency. National authorities in countries with a Fund-supported program have renewed their respective commitments in these areas. The regional authorities are looking forward to formal Fund-supported arrangements with Equatorial Guinea and Central African Republic (CAR) in 2023, which together with financial assistance from other development partners and progress in debt restructuring in Congo and Chad, will help meet the still large external financing needs of CEMAC.

The CEMAC region faces significant climate change challenges but also offers substantial mitigation potential. As staff rightly stresses in the risk assessment matrix, the region is already experiencing the effects of climate change including more frequent floods and droughts, increasing sea levels and shrinking lakes. These effects are contributing to compound already difficult lives and livelihoods in affected regions. The region also hosts large rainforests that CEMAC countries are strongly engaged to preserve for global climate change mitigation.

Monetary and Prudential Policies and Structural Reforms

Against the backdrop of accelerating inflation in 2022, BEAC continued the proactive tightening of its monetary policy, to preserve price stability and foreign exchange reserves, and stands ready to adjust this stance as needed. BEAC raised again its policy rate by 50 basis points in September 2022 to 4.5 percent. In addition, the liquidity absorption rate was increased by 25 basis points to 0.75 percent, but it has remained unattractive for banks with excess liquidity and hence has hampered monetary policy transmission. BEAC continued to reduce its weekly liquidity injections from their highest level of CFAF 250 billion in 2021 to CFAF 50 billion in November 2022 which contributed to greater dynamism in the interbank market. BEAC also ended the last of the three long-term liquidity injection operations in October 2022. Since November 2022, the two remaining banks in a situation of structural dependence on BEAC liquidity have only access to the marginal lending facility window, which has helped reduce the risks to the central bank's balance sheet. In accordance with its statutes, BEAC refrained from providing direct monetary financing to member states. It stands ready to adjust further its monetary policy stance to safeguard internal and external stability.

Progress is being made in the reforms undertaken by the central bank. The implementation of the 2019 foreign exchange regulations aimed at strengthening external stability through the accumulation of buffers is advancing and has begun to bear fruit. Implementation issues are being addressed. In particular, the operational modalities of the repatriation funds for the rehabilitation of oil extraction sites are being strengthened, in collaboration with the oil and gas sector. The repatriation of export earnings, including by state-owned enterprises (SOEs), with the support and cooperation of member countries, will also help enhance the external stability. BEAC continued its actions aimed at contributing to more efficient public financial management (PFM), through notably the establishment of the IT platform to facilitate the deployment of treasury single accounts systems, which is in its implementation phase in pilot countries.

The regional banking commission (COBAC) has normalized prudential regulations since July 2022 and accelerated on-site supervision missions in recent months. As financial indicators are expected to deteriorate following the lifting of prudential easing measures, COBAC will monitor banks' refinancing needs and accelerate the resolution procedures of banks that are undercapitalized and/or structurally dependent on BEAC refinancing, as appropriate. This action should support BEAC's liquidity control efforts. In addition, COBAC will take a cautious case-by-case approach to dividend distribution. The authorities agree that ensuring financial stability in the region will require further progress in strengthening weak public banks, implementing domestic payment arrears clearance plans, and reducing sovereign risk on bank balance sheets.

Work on enhancing coherence of, and compliance with, the regulation on crypto assets is underway. Following the decision in May 2022 prohibiting the use of crypto-assets and strengthening the reporting requirements by institutions under COBAC jurisdiction, the CEMAC authorities entrusted BEAC with coordinating the development of a regulatory framework to resolve the inconsistency between the CAR's law on cryptocurrencies and the regional regulation governing crypto-assets and digital payments. Work in this regard will be undertaken in close coordination with COBAC, COSUMAF (the capital markets regulator) and GABAC (the agency in charge of enforcing AML/CFT requirements).

The regional multilateral framework has been strengthened. The CEMAC Commission resumed its regional surveillance, and consultations with all six member countries have been completed. Until the sanction mechanism is adopted by the Conference of Heads of State, the Commission will continue to encourage transcription of regional PFM and VAT directives into national legislations and further progress in the implementation of domestic arrears clearance strategy. The first early warning exercise is planned to take place in 2023.

The regional authorities stress that renewed inflationary pressures highlight the need to accelerate the implementation of structural measures aimed at reducing member countries' dependence on imported products and limiting pressure on foreign exchange reserves. In this respect, the recent adoption of a regional strategy for the import-substitution of raw products constitutes a crucial stage which will make it possible to foster intra-Community trade and create the conditions for strengthening the diversification of CEMAC economies. A regional brigade for the surveillance of CEMAC trade corridors has been set up to contain to the strict minimum the tariff and non-tariff barriers that hinder the development of intra-Community trade. The regional authorities concur with staff on the need to improve targeting of social protection programs to reduce subsidy costs.

The authorities remain committed to the regional strategy going forward. Faced with multiple challenges, the national authorities have reaffirmed their commitment to preserve the viability of their public finances and strengthen budgetary margins while also taking into account the need to support as adequately as possible the purchasing power of households and the smooth functioning of economic activity. The continuation of fiscal consolidation and the implementation of structural reforms along with enhanced transparency and governance by member countries should contribute to the consolidation of NFAs. The latter is also predicated on the effective delivery of budget support from development partners to CEMAC countries under Fund-supported programs. The regional institutions will diligently monitor the evolution of those programs to support the recovery of economic activity. BEAC stands ready to tighten monetary policy and liquidity management should high inflation persist or in the event of fiscal slippages or deviations from the targeted reserve path. Other factors, including ECB tightening, will also be considered in future monetary policy committee meetings. The authorities appreciate staff recommendations on a more active liquidity management to improve monetary policy transmission.

Policy Assurances

Recent developments and the outlook call for an adjustment of the policy assurances on NFAs.
The regional authorities consider that the downward revision of oil prices, possible fiscal slippages due to fuel subsidies, potential delays in budget support disbursements, and a widening external

financing requirement due to the higher-than-expected debt servicing could result in a slower accumulation of external reserves in the second half of 2022. Therefore, the target on NFAs in the region at the end of December 2022 has been reduced from EUR 3.73 billion to EUR 3.39 billion. As for the next six months, the NFA target at the end of June 2023 is set at EUR 3.93 billion.

Conclusion

The regional authorities have continued to implement policies consistent with their commitments to strengthen internal and external stability amid high inflationary pressures and a volatile global environment. Despite the heightened uncertainties around the growth outlook, they will continue to take the necessary measures to advance the regional strategy and have renewed policy assurances in the December 2022 Follow-up to the Letter of Support to Reform Programs Undertaken by CEMAC Members Countries.