IMF Country Report No. 23/245

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

July 2023

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

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

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 26, 2023, following discussions with regional institutions that ended on May 16, 2023. Based on information available at the time of these discussions, the staff report was completed on June 8, 2023.
- A **Statement by the Executive Director.**

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

June 8, 2023

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

EXECUTIVE SUMMARY

Context and risks. CEMAC benefited from favorable hydrocarbon prices in 2022. Economic recovery firmed up and the external position strengthened, with external reserves building up faster in recent months, although still below adequate levels. Monetary policy was tightened to stem rising inflation, and fiscal positions improved owing to higher oil revenues. However, underlying non-oil fiscal positions deteriorated, highlighting the necessity of accelerating reforms and tackling recent fiscal slippages, to help save part of the oil windfalls and bring polices back in line with Fund-supported program objectives and staff advice. This will help cope more effectively with downside risks, including hydrocarbon prices volatility, food insecurity, financial stability risks, higher inflation, funding squeeze, and debt vulnerabilities.

Policy Recommendations:

To anchor inflation expectations and bring reserves to adequate levels, stand ready to tighten monetary policy further; mop up excess liquidity; and resolve pending challenges to a complete, transparent, and consistent implementation of the foreign exchange regulations.

To ensure policy mix coherence and strengthen fiscal sustainability, tackle recent fiscal slippages; save part of the oil windfall; bring subsidy reforms to completion and roll out targeted compensatory safety nets for poorest groups.

To preserve financial stability, urgently strengthen COBAC's supervisory capacity; trigger resolution of non-viable banks and tackle liquidity-stressed ones; ensure banks adequately account for sovereign exposure and meet concentration limits; and monitor emerging risks from new digital payments and cybersecurity.

To enhance economic diversification and resilience, accelerate governance and productivity-enhancing structural and regulatory reforms; broaden the tax base beyond the hydrocarbon sector; and deepen regional trade integration.

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

Discussions were held in-person during May 2–4, 2023 in Libreville (Gabon), and May 5 and May 8–16 in Douala and Yaoundé (both Cameroon), respectively. The Staff team comprised Ms. Verdier (head), Messrs. Tapsoba, Bizimana, and Dalmau, and Ms. Tiedemann (all AFR); Mr. Dehmej (MCM); and Ms. Neuteboom (SPR). It was assisted by Messrs. Gomez and Staines (Resident Representatives in Gabon and Cameroon, respectively), and Messrs. Nzebi and Ambassa (local economists in Gabon and Cameroon, respectively). Mr. Nguema Affane (OED) participated in the meetings. 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); Mr. Maurice Christian Ouanzin, Secretary General of COBAC; Ms. Jacqueline Adiaba and Mr. Louis Banga Ntolo, Head of the capital markets regulator (COSUMAF) and the regional stock exchange (BVMAC), respectively; Prof. Djiena Wembou (Secretary General of CEMAC's Economic and financial Reforms Program (PREF-CEMAC)); senior officials of COBAC, BEAC; 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 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.

CONTENTS

FIGURES

TABLES

ANNEXES

APPENDIX

BACKGROUND AND RECENT DEVELOPMENTS

A. Background

1. CEMAC benefited from favorable hydrocarbon prices in 2022 but faces possible economic headwinds amidst heightened global uncertainty. Real GDP growth is estimated at 2.8 percent in 2022, mostly supported by the lifting of COVID-19 containment measures and high hydrocarbon prices, albeit lower than forecast in December 2022. The rise in external reserves accelerated by end-December, reaching 4.1 months of prospective imports, though still below the reserve adequacy metric for a resource-rich monetary union (5 months). Global inflation pressures are passing through to domestic prices, putting pressure on real incomes. The build-up of external and fiscal buffers could slow down, were oil prices to fall to pre-2022 levels—for 2023, WEO oil prices are 15 percent lower than in the October forecast. The recent short-lived fall of the Brent to $71/barrel is a warning sign.

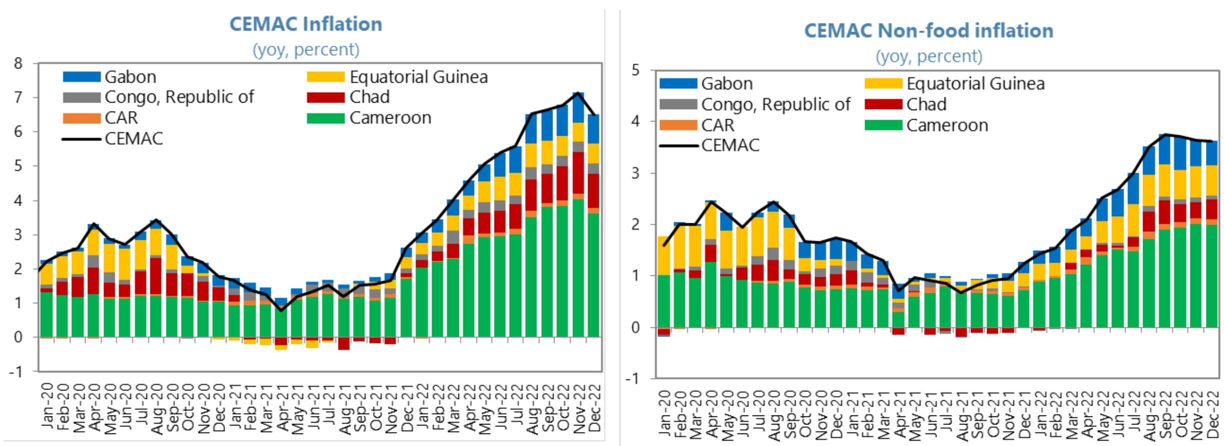
2. Progress was made on the region's reform agenda (second phase 2021–25), including linked to Fund-supported programs, though with room for further improvement. The Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC)'s annual report points to encouraging progress, with 56 percent of the action matrix implemented as of end-2023Q1, up from 42 percent in 2022Q3. Progress was made towards advancing financial inclusion strategies and exploring innovative financing options. However, more needs to be done to develop attractive financial products to diversify the investor base and foster the development of the secondary market. The business plan of the company set to manage the single central depository for government securities was adopted in January 2023. Its full operationalization was rescheduled to end-2024. Encouraging steps were made on economic diversification, with the creation of light local industries (textile, agro-industry, wood). Various regional directives were also adopted to deepen regional trade integration. However, coordination challenges with administrative entities along the borders and corridors are undermining their enforcement, preventing the streamlining of intra-regional transit and the removal of barriers to intra-regional trade. Delays were incurred on endorsing or implementing regional PFM and tax directives (roll-out of treasury single accounts; debt management and arrears clearance strategies; strategy and directive on PPPs; etc.).

3. Progress on Fund-supported programs has been mixed, with delays in completing some reviews. A new 3-year ECF arrangement was recently approved for C.A.R. Program reviews with Congo and Cameroon were recently completed with delays, reflecting the time needed to finalize corrective actions and recalibrate programs to cushion the social impact of soaring global energy and food prices. The third review of Gabon's program is pending because of recurrent external debt arrears, fiscal slippages, and slower progress on structural reforms. The first and second program reviews with Chad were completed at end-2022 following the agreements reached on debt restructuring with official and private creditors under the G20 Common Framework. Discussions are ongoing on a possible Fund arrangement in 2023H2 with Equatorial Guinea.

B. Recent Economic Developments

4. The economic recovery continued gradually over 2022, amid the favorable hydrocarbon prices. After reaching a tepid 1.1 percent in 2021, real GDP growth increased to 2.8 percent in 2022, driven by the gradual recovery in the non-oil sector, supported by improved non-oil terms of trade, the lifting of COVID-19 containment measures, and spillovers from high oil revenues. That said, growth is 0.9 percentage points lower than expected in December 2022 (see Table 1), mainly reflecting technical oil-site accidents (Equatorial Guinea).[1] Inflation has more than doubled to 6.5 percent at end-2022, reflecting second-round effects of global inflation pressures, with non-food inflation more than tripling to 4.7 percent at end-2022 (Figure 1).

Figure 1. CEMAC: Recent Inflation Developments



Sources: Haver Analytics, CEMAC authorities and IMF Staff calculations.

5. Fiscal balances improved in 2022, although the underlying fiscal position was somewhat loosened. The overall fiscal balance (excl. grants) is estimated to have turned into a surplus of 2.1 percent of GDP, up from a deficit of 1.9 percent of GDP in 2021. This improvement, which owes much to higher oil revenue, helped bring public debt down to 51.7 percent of GDP at end-2022, from 56.5 percent of GDP in 2021. However, debt vulnerabilities remain elevated, notably in Cameroon, C.A.R., Chad, and Congo (Text Table 1). The non-oil primary fiscal deficit (incl. grants) deteriorated by 0.7 percentage points of non-oil GDP during 2021–22, reflecting costly subsidies and slower progress on non-oil revenue collection owing in part to pandemic- or food-related tax exemptions.

[1] Hydrocarbon production declined sharply in Equatorial Guinea, on account of a production accident at the Zafiro oil field, the largest in the country.

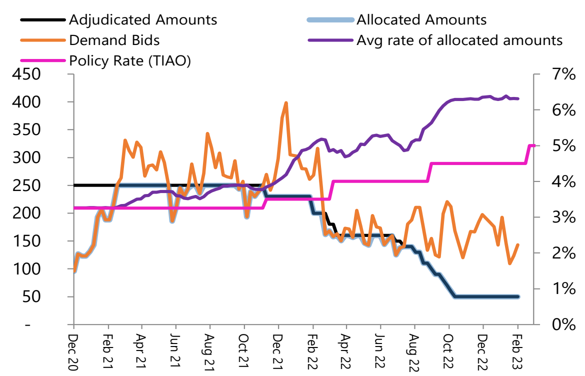
Text Table 1. CEMAC: DSA Ratings Pre- and Post-COVID and Russia's War in Ukraine Shocks

		Risk of external debt distress	Overall risk of debt distress	Granularity in risk rating
Cameroon	2018: Pre shocks	High	High	Sustainable
	2022: Post shocks[1]	High	High	Sustainable
CAR	2019: Pre shocks	High	High	Sustainable
	2022: Post shocks	High	High	Sustainable
Chad	2019: Pre shocks	High	High	Sustainable
	2022: Post shocks	High	High	Sustainable
Republic of Congo	2019: Pre shocks	in debt distress	in debt distress	Unsustainable
	2023: Post shocks	in debt distress	in debt distress	Sustainable
Equtorial Guinea[2]	2019: Pre shocks	N/A	N/A	Sustainable
	2022: Post shocks	N/A	N/A	Sustainable
Gabon[2,3]	2019: Pre shocks	N/A	N/A	Sustainable
	2022: Post shocks	N/A	N/A	Sustainable

Note: Risk levels follows latest published SR.
[1] Cameroon DSA was performed in January 2022.
[2] Equatorial Guinea and Gabon are market access countries, subject to Market Access Country (MAC) DSA framework, different from Low Income Country (LIC) DSA framework.
[3] Risk assessment in Gabon dates from July 2022 DSA SR 22/216.

6. **BEAC raised its policy rate and ended liquidity injections, as inflationary pressures rose**. On March 27, BEAC's Monetary Policy Committee raised the policy rate by 50 bps to 5 percent—a cumulative 175 basis points increase since November 2021. It also tightened banks' refinancing conditions, discontinuing its weekly liquidity injections after steadily scaling them back since June 2021. Rates at the marginal financing window were increased to 6.75 percent to keep the 175-basis point corridor unchanged (Text Figure 1). Volumes at the marginal lending facility window increased by 16 percent between September and December 2022, despite its associated higher interest rates, reflecting persistently high liquidity demands by structurally liquidity-dependent banks, which are excluded from access to the main liquidity window. Higher auction participation in the main liquidity window has gradually shifted banks to the interbank market, contributing to its growing dynamism since 2022H2. However, persistent excess bank liquidity continues to impair monetary policy transmission.

Text Figure 1. BEAC: Weekly Liquidity Operations
(CFAF billion) and Interest Rates (Percent)



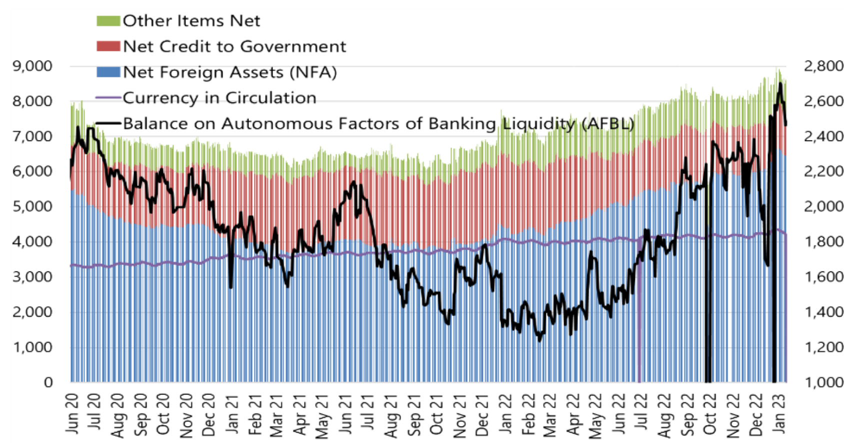
Sources: BEAC and IMF staff calculations.

7. **BEAC's liquidity absorption operations experienced limited bank participation, owing to low absorption rates, which reduced monetary policy transmission effectiveness**. The absorption rate has been increased by only 55 basis points to 0.75 percent since February 2022,

before being slightly raised to 0.80 percent in March 2023. Monetary policy transmission has thus been weak, reflecting persistent excess bank liquidity, concentrated in a few banks. Autonomous factors of banking liquidity (AFBL) peaked at end-December, driven by a sharp increase in the NFA amid high oil prices and lower net credit to governments (Text Figure 2).

Text Figure 2. CEMAC: Autonomous Factors of Banking Liquidity

(CFAF billion)



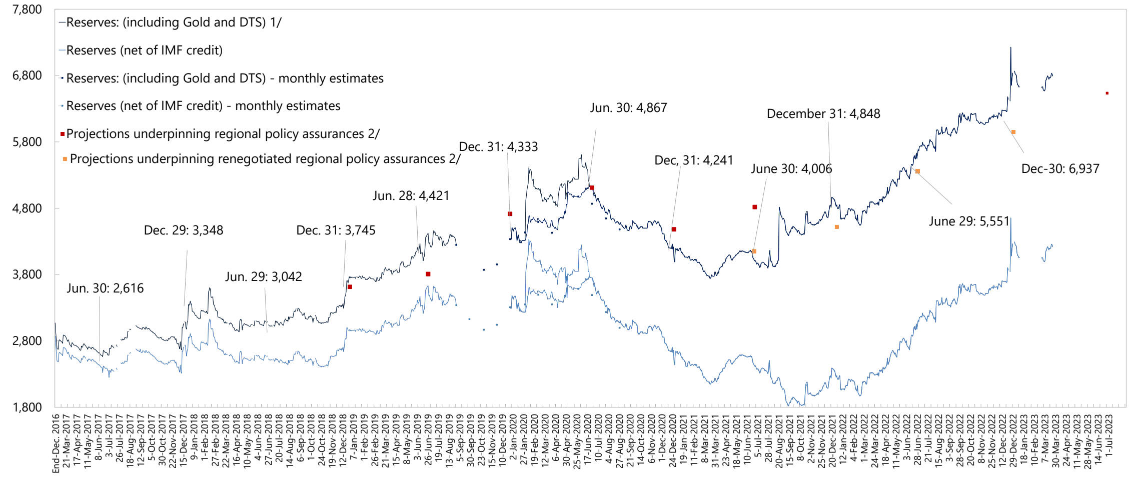
Sources: BEAC and IMF staff calculations

8. The pandemic seems to have had a limited impact on bank asset quality, but significant uncertainty remains until thorough on-site inspections take place. Onsite inspections have resumed with the end of temporary COVID-related forbearance measures in July 2022. Their findings, coupled with an internal COBAC study, point to a limited impact of COVID loans on the soundness of the banking system, with heterogeneity across banks, although full asset quality reviews might have provided more adequate insights on the impact. Capital adequacy stabilized at 14.1 percent in 2022Q4, but several banks are severely undercapitalized, or insolvent, highlighting large recapitalization needs. The reported NPL ratio declined to 17.7 percent of total gross loans in 2022Q4 (Text Table 2). Although the short-term liquidity ratio is satisfactory at 175 percent as of 2022Q4, liquidity is segmented, with several banks below 100 percent. The banks' loan portfolio grew 6 percent year-on-year in 2022Q4, supported by strong deposit growth.

9. Bank exposure to the sovereign has remained excessively high. This exposure (loans and securities) stood at about 30 percent of total assets at end-2022, up from 10 percent at end-2015. Several banks have exposure above 50 percent to CEMAC governments, which poses significant risks to financial stability, including through possible cross-country contagion and banking groups (see Annex II). This increase owes much to: (i) *structural* factors—namely the absence of a diversified investor base in the government bond market, end of central bank's direct lending to governments, and commercial banks' appetite for profitable securities perceived as low risk; (ii) *cyclical* factors—increased bond issuances to finance pandemic-related spending needs amid tight external financial conditions, and the securitization of government domestic arrears; and (iii) *regulatory and supervisory* factors—a growing share of sovereign exposures benefit from a zero-risk weight, and non-compliance with concentration limits by several banks. The potential crowding out of the private sector could impede diversification efforts.

Figure 2. CEMAC: Regional Daily Reserves, 2017–23

(Billions of CFA francs)



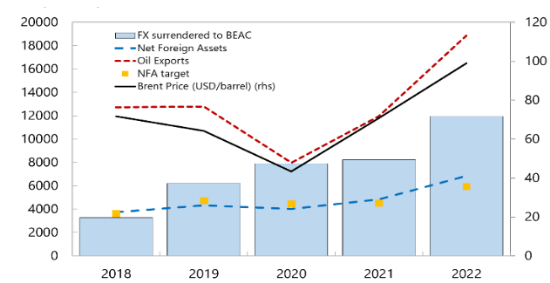
Sources: BEAC and IMF staff calculations.

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.
Note: Starting in June 2022, Projections underpinning regional policy assurances incorporate FOGADAC Adjustment.

10. A stronger current account balance (CAB) supported faster foreign exchange (FX) build-up. The estimated CAB reached a surplus of 2.3 percent of GDP in 2022, from a deficit of 2 percent of GDP in 2021, buoyed by higher hydrocarbon prices and real depreciation against the US dollar through most of the year. Gross FX reached 4.1 months of prospective imports at end-December 2022, 0.6 points higher than expected at the time of the last review (Figure 2). The end-December 2022 regional policy assurance on the NFA (EUR 3.39 billion) is estimated to have been met by a comfortable margin (EUR 1.44 billion). This overperformance stems from the improved trade balance, reflecting a surge in gas export receipts (Equatorial Guinea and Cameroon) driven by the sharp increase in gas prices in 2022, and higher hydrocarbon export receipts more broadly. The overperformance also owes much to large donor support at end-2022 (Cameroon), delayed FX-based bank recapitalization, and to larger-than-projected FX repatriations amid the more rigorous enforcement

Text Figure 3. FX Surrendered to BEAC

CFAF Billion

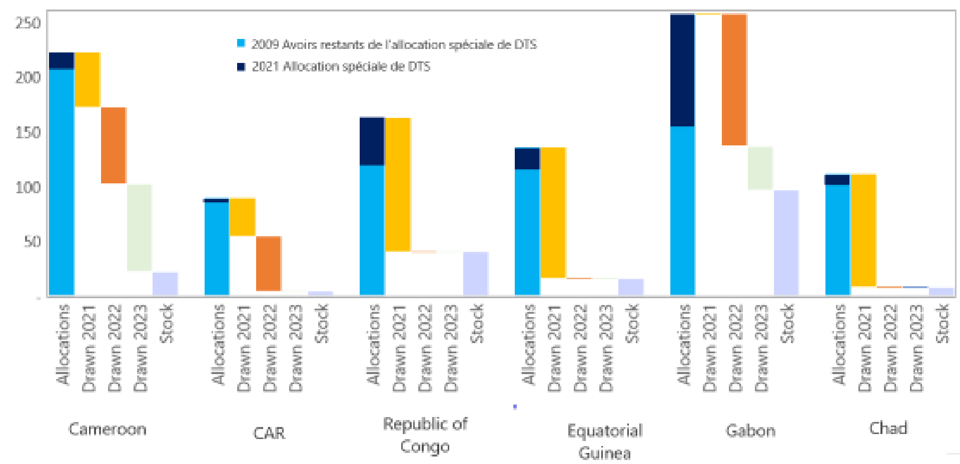


Sources: BEAC and IMF staff calculations of the FX regulations—FX surrendered to BEAC steadily surged in the past two years (Text Figure 3).[2]

11. CEMAC member countries used most of the 2021 allocated SDR (Figure 3). In most countries, SDRs were used broadly in line with staff guidance. However, Cameroon and Gabon—which had committed to save at least half of their allocation—recently further drew down their SDRs, on account of much higher borrowing costs unforeseen at the time of program design. These additional withdrawals did not hamper the targeted NFA accumulation.

Figure 3. CEMAC: Use of Exceptional SDR Allocation (remaining holdings from 2009 allocation and 2021 allocation)

(CFAF billion, as of February 2023)



Note: Drawn 2022, and 2023 are BEAC projections.
Sources: Regional Authorities and IMF Staff Calculations

OUTLOOK AND RISKS

12. The outlook rests on renewed prudence in managing oil windfalls and reform acceleration. Real GDP growth is projected to reach 3 percent in 2023, or 0.4 points lower compared to the previous vintage owing to a slower-than-expected recovery in hydrocarbon production in Equatorial Guinea, partly offset by new oil fields expected to come on stream in Congo. Although lower than in the previous vintage, WEO oil price forecasts remain broadly favorable to CEMAC. In the medium term, growth is expected to firm up, supported by bolstered confidence from assumed stronger reform implementation geared towards improving governance, the business climate, and access to finance. Pent-up demand from domestic arrears clearance, public

[2] CEMAC's repatriation and surrender requirement is considered a capital flow management measure (CFM) subject to the Fund's Institutional View on liberalization and management of capital flows (IV)."

infrastructure projects resumption and security tension resolution is also expected to boost medium-term growth.

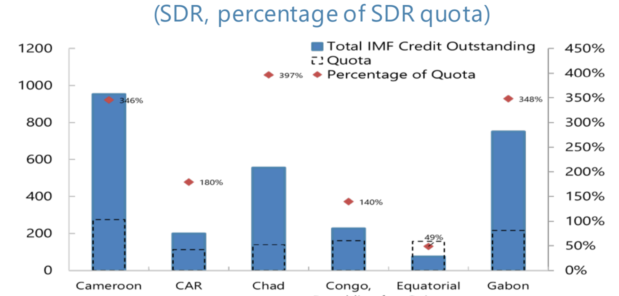
13. Inflation is projected to decelerate to 4.3 percent by end-2023, but with substantial upside risks. Although representing a 1.2 percentage points upward revision, this forecasted deceleration rests on the cooling effects of an assumed tightening of the policy mix as well as declining global energy and food prices. However, likely second-round effects of recent and planned fuel subsidy reforms in some member countries constitute a major upside risk to projected inflation. Additional upside risks may arise from price controls (most often implicit) on essential food items, should possible funding constraints force their removal. Inflation is expected to return below the regional 3 percent convergence criteria by 2025.

14. Underlying fiscal positions are expected to improve, thanks to subsidy reforms and subsequent structural fiscal measures. The region's overall fiscal balance (excluding grants) for 2023 is projected at 0.4 percent of GDP—0.9 percentage points lower than projected in December 2022 (Table 3a), owing to policy recalibrations to cushion the social impact of fuel subsidy reforms. The non-oil primary fiscal deficit (including grants) is projected to improve by 2.2 percentage points to 5.5 percent of non-oil GDP in 2023, reflecting projected government spending streamlining (including net savings from fuel subsidy reforms) and stepped-up non-oil revenue collection. It is expected to improve to around 4 percent of non-oil GDP in the medium term, driven by structural revenue and expenditure measures (Table 3b). Public debt is expected to increase to 52.1 percent of GDP in 2023—driven by the validation of new domestic payments arrears in Congo— before declining to about 45 percent over the medium term. Nevertheless, debt dynamics remain vulnerable to negative oil price shocks, calling for persevering with planned fiscal consolidation.

15. The external position is expected to weaken over the medium term. The CAB is projected to deteriorate to -2.5 percent of GDP in 2023, driven by lower hydrocarbon exports. The CAB gradually reverts to just above its historical average (-3 percent of GDP) over the medium term, on account of lower hydrocarbon export receipts and production, as well as higher imports for non-oil investments (Congo). Nonetheless, net capital inflows are expected to more than offset this deterioration and sustain reserve accumulation over the medium term, through lower debt repayments from 2024 onwards (mostly by Congo and Chad) and higher FDI. Timely completion of Fund-supported program reviews remains critical for catalyzing donor support to strengthen external stability, ensure a more equitable burden sharing across development partners, and diversify the region's financing mix (Text Figure 4). With the Fund's share of external financing for the region nearly at 50 percent in 2023 (Table 9), additional donor support will be needed to close any residual external financing gap.

Text Figure 4. CEMAC: Credit Outstanding to the IMF as of end-April 2023

(SDR, percentage of SDR quota)



Sources: IMF Staff Calculations

The reserve coverage ratio is projected to rise to close to 4½ months of prospective imports in the medium term, slightly below staff's adequacy target for a resource-rich monetary union (5 months of imports).

16. The balance of risks remains tilted to the downside:

External Risks

- *Commodity prices*. A larger-than-forecast decline in commodity prices linked to a stronger slowdown in global demand, coupled with the global transition to low-carbon economies, could lower demand for CEMAC exports, adversely affecting public finances, external stability, and social indicators.

- *Global financial conditions*. A stronger-than-expected tightening, including in the Eurozone, or continued tensions in financial markets could sharpen risk premia and raise debt service and rollover risks.

- *Geo-economic fragmentation*. A deepening of the geo-economic fragmentation may reduce supply of external concessional financing, adding to the region's budget support shortfalls and slowing external reserve accumulation.

Domestic Risks

- *Fiscal policy*. Failure to raise spending efficiency or improve non-oil revenue collection—particularly should multiple Fund-supported programs in the region go off-track—could consume the oil windfall, delay reserve accumulation, heighten debt vulnerabilities, and necessitate more aggressive monetary policy tightening to safeguard price and external stability, with adverse growth impact. This could also increase governments' rollover and financing risks, especially given the nearly depleted 2021 exceptional SDR allocations (¶10), the more restricted access to international markets, and banks' increasingly low take-up of governments' issuances in the regional securities market.[3]

- *Cost of living*. Persistently high inflation could weigh on growth, entrench inflation expectations, and threaten food security. Such preexisting food security risks could be further exacerbated by the potential humanitarian spillover of the ongoing conflict in Sudan on some member countries. Social tensions and unrest could also rise.

- *Financial stability*. The materialization of the above risks, along with elevated current global economic uncertainty and banking turmoil and existing vulnerabilities, including the tight bank-sovereign nexus and high NPLs, could further weaken bank balance sheets.

[3] This reflects banks increasingly reaching their sovereign exposure limits, as well as the impact of BEAC's tightening of monetary policy and liquidity management on the rate and maturity structure of banks' subscriptions.

- *Structural reforms*. Slow progress on structural reforms and failure to adhere to targets under Fund-supported programs may delay donor support, heighten economic vulnerabilities, and postpone growth benefits.

- *Socio-political environment*. A persistence or worsening of security challenges in member countries, including owing to potential cross-border security implications of the ongoing conflict in Sudan, weak governance and AML/CFT frameworks, higher corruption perceptions, rule of law weaknesses, and post-election instability may weigh on growth prospects.

- *Climate risks*. The CEMAC region remains vulnerable to climate-related shocks and natural disasters (floods, drought, etc.), which are amplified by the absence of a CEMAC-wide adaptation strategy to climate change.

- *Extractive sector*. On the upside, stricter compliance with the FX regulations and possible higher oil prices related to the recently announced cuts in OPEC+ production could lead to greater repatriation of export proceeds. In addition, accelerated reforms implementation could help bolster the region's economic resilience to potential shocks.

PRESERVING INTERNAL AND EXTERNAL STABILITY WHILE SUSTAINING THE RECOVERY

17. Discussions focused on preserving internal and external stability without undercutting the nascent recovery. Against the background of a less forgiving global environment, rising regional inflation and tightening bank-sovereign nexus, key policy priorities in the short-term for the region center on keeping inflation in check, continuing to build buffers, and preserving financial stability, while sustaining the nascent recovery and protecting vulnerable populations.

A. Stepping up Buffers Build-up to Cushion Volatile Oil Prices, while Protecting Poorer Groups

18. The possible dissipation of favorable terms of trade calls for renewed prudence in managing oil windfalls and for tackling recent fiscal slippages. Staff urged member countries to correct recent fiscal slippages and continue saving part of the oil windfall, to strengthen fiscal and external sustainability, in line with the planned ambitious fiscal consolidation (2.2 percent of non-oil GDP) in 2023. This will also help enhance resilience to potential shocks, including oil price volatility and reduce budget financing pressures. Importantly, it will ensure much-needed policy mix coherence to cool down aggregate demand and reduce the burden on monetary policy for taming inflation and protecting the peg. To meet the planned fiscal objectives, the mission called for properly managing tax compliance risks in the extractive sector, improving non-oil tax revenue collection, and enhancing spending efficiency.

- **To improve non-oil tax revenue mobilization**, the mission recommended broadening the tax base, including through phasing out various tax exemptions, advancing interest limitation rules, and better asserting taxing rights over income from multinationals. It also argued for potential additional revenue that could be raised from stepping up the fight against tax and customs fraud, modernizing revenue administration, and improving the functioning of VAT refund systems. Staff also stressed that a timely endorsement of the new regional tax directives (income tax, tax expenditures and customs procedures) and the implementation of the new VAT directive by member countries could help boost revenue collection as well.

- **To enhance spending efficiency**, staff reiterated the need to gradually phase out inefficient subsidies while rolling out targeted social safety nets to shield the most vulnerable, in collaboration with development partners. It stressed that the first phases of fuel subsidy reforms should be completed to yield the expected savings over the medium term (Annex I). The mission underscored that further savings should be sought from the rationalization of other outlays, including the wage bill, non-priority recurrent spending and costly transfers to SOEs. Staff and the CEMAC Commission concurred on the need to secure further efficiency gains on public investment management, through conducting or updating Public Investment Management Assessments (PIMA), possibly in combination with Climate Change Assessments (CCA), accelerating PIMA recommendations implementation, and systematizing periodic follow-up at the regional level.[4] The mission and the Commission also agreed on the criticality of swiftly adopting the draft strategies and directives on PPPs and public procurement, to help member countries adequately manage related fiscal risks and costs.

- **To better manage tax compliance risks in the extractive sector**, staff called for sustaining efforts towards gradually strengthening capacity in international taxation (including transfer pricing) over the medium term. Key steps include (i) setting up a dedicated team within the tax administration; and (ii) ensuring it can access third-party information and conduct comprehensive audits of multinational enterprises, free of political interference.

19. Staff also stressed that these revenue-raising and spending rationalization measures should go in tandem with accelerated implementation of PFM modernization reforms.

- The CEMAC Commission and staff agreed on the need to swiftly update and implement the regional action plan to support PFM reforms in member countries. They also concurred that member countries should swiftly adopt and implement comprehensive domestic arrears clearance and medium-term debt management strategies. Staff called for also preventing the resurgence of new arrears, including through greater fiscal discipline and better alignment of expenditure commitment plans with cash forecasts and procurement plans.

- It reiterated that CEMAC low-income member countries should only resort to non-concessional external financing if consistent with safeguarding debt sustainability and debt

[4] PIMAs have not yet been conducted in C.A.R. and Equatorial Guinea. PIMA reviews have been conducted in Cameroon, Gabon, and Chad but without a CCA. In Congo, a PIMA was recently completed jointly with a CCA.

limits under Fund-supported programs. All CEMAC countries should also enhance debt transparency, particularly on non-guaranteed SOE debt, and by avoiding non-transparent natural resource-backed borrowing contracts.

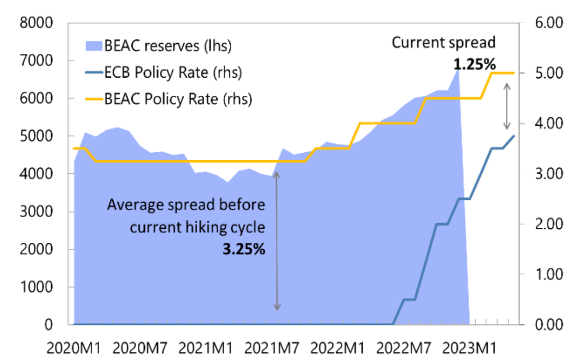
- The mission welcomed progress in developing an IT platform at BEAC to facilitate the member countries' roll-out of Treasury Single Accounts (TSA). It encouraged BEAC to ensure that its platform is ready for operationalizing the TSA in the two advanced pilot countries (Cameroon and Gabon) by 2023Q3. This requires timely organization of the envisaged peer-learning workshop involving all stakeholders (BEAC, treasuries, public entities, banks) and signing a standard convention between BEAC and all Treasuries. Staff urged the other member countries to steadfastly complete pending steps, building on lessons from the pilot countries. Once operational, the TSAs should help ensure a more efficient use of public resources.

- Staff urged member countries to monitor more effectively SOE governance and performance, to limit related fiscal risks. It also called for greater transparency and a systematization of fiscal risk statements production in all member countries, with a specific section dedicated to SOEs.

B. Anchoring Inflation Expectations and Shoring up External Viability

20. Staff welcomed BEAC's monetary policy tightening and recommended that it stand ready to tighten further if needed, to anchor inflation expectations firmly.

Text Figure 5. BEAC-ECB Policy Rate Spread and CEMAC Gross External Reserves (RHS)



Sources: BEAC, ECB, IMF Staff Calculations

- Staff advised that further tightening will be needed should inflation continue to rise, or external reserves start to deviate from the targeted path. It also stressed that this would require both policy rate increases and more effective liquidity absorption. A tightening bias is all the more warranted, given heightened external uncertainties, possible second-round effects of fuel subsidy reforms, and the significant narrowing of the BEAC-ECB policy rate spread compared to its historical average (Text Figure 5).

- **Authorities' views**. BEAC concurred that evidence of rising inflation or deviations from the targeted reserve path would warrant further monetary policy tightening. That said, it cautioned against undercutting the nascent recovery with overtightened monetary policy. First, BEAC argued that although inflation is rising in CEMAC, it remains far below its peers'. Second, it highlighted the possible transmission lags of its cumulative rounds of monetary tightening since November 2021. Third, it pointed to recent abating signs of imported food inflation pressures, stressing that domestic climatic factors (notably poor harvests linked to floods) have overtaken the lead on inflation drivers. BEAC nuanced the role of monetary policy in taming such domestic supply-side inflation pressures. Although it noted the signaling role of monetary policy in anchoring inflation expectations, BEAC advocated for ultimately tackling the root causes of the domestic supply-side inflation pressures, including through boosting climate-resilient agriculture production and removing barriers to regional trade. BEAC also downplayed concerns about the narrower BEAC-ECB policy rate spread, reiterating that the spread is not a key driver of capital flow movements between CEMAC and Euro area markets. It added that this is explained by the limited integration of these markets owing to CEMAC's restricted capital account. BEAC noted the recent overperformance of FX accumulation despite the narrower BEAC-ECB spread, though external reserves are still standing below the staff's recommended target for a resource-rich monetary union.

21. Staff welcomed the discontinuation of weekly liquidity injections in the money market and urged BEAC to mop up excess liquidity to improve monetary policy transmission.

- Staff advised that the recent 5 bps increase in the absorption rate is not sufficiently attractive to absorb banks' ample excess liquidity. It emphasized that BEAC should significantly raise the rate on its liquidity absorption operations until it gets closer to the main policy rate, which signals the monetary policy stance. Given the significant initial gap, the increase should be gradual but significant and take place within a short timeframe. Staff stressed that BEAC should also increase auctioned amounts, building on AFBL, and ultimately switch to full allotment, to strengthen monetary policy transmission. To tackle liquidity segmentation across banks, staff reiterated that COBAC, supported by BEAC, should more resolutely tackle weak banks, and strengthen supervision and capital adequacy to shore up confidence among banks.

- **Authorities' views**. BEAC agreed with staff that mopping up excess liquidity is pivotal for strengthening monetary policy transmission. It indicated that bilateral consultations with foreign banks holding the bulk of excess liquidity revealed that their liquidity management decisions are shaped not only by profitability, but also by headquarter investment policies and precautionary motives. Although BEAC agreed to start a meaningful increase in the rate and volumes of liquidity absorption within a relatively short timeframe, it insisted on moving gradually, to allow its ongoing consultations with excess-liquidity banks to bear fruit, and to avoid hampering the growing dynamism of the interbank market. BEAC also argued that gradualism is warranted, as the roll-out of TSA is also expected to shift sizable liquidity away from banks to BEAC.

22. Staff urged BEAC, in cooperation with COBAC, to engage proactively with banks facing high liquidity needs.

- Staff emphasized that these banks' liquidity needs should be tackled heads-on before they become structurally dependent on BEAC support. Importantly, BEAC should tighten its conditionality for the few structurally liquidity-stressed banks that absorb the bulk of its refinancing—by more forcefully requesting credible refinancing plans and a continuous decline in dependence on its support—and should, in cooperation with COBAC, consider triggering resolution in case of continued non-compliance. Staff also reiterated that ultimately, effectively tackling these banks' liquidity woes centers on 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.

- **Authorities' views**. BEAC agreed with staff's advice and vowed to engage more proactively with these liquidity-stressed banks, in collaboration with COBAC, to ensure they are timely and appropriately restructured/recapitalized.

23. Staff encouraged BEAC to contain risks to its balance sheet.

- Staff reiterated that BEAC should continue to adjust haircuts on collateral based on market intelligence to reflect risks, establish exposure limits by bank and/or country, and provision for potential losses. While acknowledging that arrears securitization in member countries (Text Table 3) helps clear domestic arrears, staff reiterated concerns related to 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. The mission also urged BEAC to monitor repayments of past statutory advances and the stock of bonds bought in the context of its COVID-related bond purchase program, which started maturing in 2022Q2. The mission also called for BEAC to monitor its exposure to the regional development bank (BDEAC).

Text Table 3. CEMAC: Past Domestic Arrears Securitization Experiences

(Billions of CFAF)

Country	Amount	Maturity (years)	Valuation Date
Equatorial Guinea	77.6	2-5	Dec. 31, 2021
	97	6-10	
	97	11-15	
C.A.R.	14.7	2-5	Dec. 04, 2020
	1.2	6	
Cameroon	92	<= 1	Dec. 17, 2021 & Jan. 1, 2023
	68	2-5	Dec. 17, 2021 & Mar. 16, 2022
Congo	150.6	2-5	Mar. 31, 2022 & Fev. 14, 2023
	217.2	6-9	

Sources: BEAC data and IMF staff's calculations.

- **Authorities' views**. BEAC agreed with staff's advice. It reiterated its readiness to keep adjusting haircuts on collateral to reflect risks and set exposure limits by bank and/or country. However, BEAC was less forthcoming on applying larger haircuts to securities issued from arrears securitization to reflect the lower credit quality of the underlying assets. BEAC reconfirmed that repayments are being made as scheduled on past statutory advances, its stock of COVID-related bonds, and its COVID-related credit line to the regional development bank (BDEAC).[5]

24. The rigorous enforcement of FX regulations has continued to bear fruit (¶9), with FX surrendered to BEAC steadily rising, though room for more efficient enforcement remains.

- Staff reiterated the importance of continuing to implement FX regulations transparently and consistently. It encouraged BEAC to pursue ongoing efforts to reduce technical delays. It advised BEAC to swiftly finalize the draft Memorandum of Understanding that lists recurrent difficulties faced by the private sector for obtaining FX, to ultimately ensure that FX requests are processed speedily, smoothly, and efficiently. Staff underscored that BEAC should strengthen its capacity to map out FX accounts held abroad by governments, SOEs and all public entities, possibly with support from the Bank of International Settlements, to ensure greater FX repatriations by the public sector. The mission reiterated the need to ensure consistency between national legislations and the regional FX regulations.

- Staff commended progress towards resolving operational compliance challenges raised by the extractive sector, which should allow greater compliance with the surrender and repatriation requirements, following the expiration of its grace period in October 2022. Staff encouraged BEAC to continue discussing constructively with the extractive sector to ensure a smooth enforcement of the repatriation of funds dedicated to the rehabilitation of oil sites (RES).

- **Authorities' views**. BEAC indicated that its dialogue with banks and businesses helped to streamline the verification and approval process of FX requests over time. This, coupled with the assignment of needed dedicated staff brought down average FX requests processing time to 24 and 48h in 2022 for regional and international transactions, respectively, from 20 days in 2017. This helped avoid limiting or delaying current account payments. BEAC indicated that it stands ready to deploy additional staff if needed. BEAC also deplored that insufficient familiarization with document requirements (from other parties to the transactions), especially regarding their differentiation across transaction types, continues to cause delays in obtaining FX. To address such awareness shortfalls, it set up a hotline and a monthly exchange framework with users, to address operational compliance challenges in a timely manner. It also rolled out an IT platform (e-transfer) along with an e-tracking module, to provide real-time updates on processing status and rejection motives. Although BEAC considers that it addressed the extractive sector's concerns about the draft model contract of the escrow account attached to the RES funds, it looks forward to the new round of discussions solicited by the sector.[6] Once a tripartite signature of the escrow account contract is secured (extractive companies, national governments, and BEAC), BEAC expects

[5] COVID-related bonds stand at CFA 260 billion (end-April 2023), from a starting stock CFAF 430 billion, while the COVID-related credit line to BDEAC stands at CFAF 49 billion (early May 2023), from a starting line of CFA 150 billion.

[6] The sector's concerns center on: (i) agility and flexibility of use of the escrow account; (ii) remunerations; (iii) guarantee against seizure; and (iv) arbitration rules in case of litigation.

the repatriation of the RES funds over three years for accounts held abroad, and immediately for those already held in the CEMAC.

25. Safeguards assessment. The April 2022 findings indicate that BEAC maintained strong governance arrangements and transitioned to international financial reporting standards (IFRS). Nonetheless, BEAC should strengthen its internal audit mechanisms and risk management, as well as its cyber-resilience and business continuity framework. BEAC is making progress toward implementing most safeguards recommendations, particularly on enhancing internal audit and cyber security.

C. Preserving Financial Stability amid the Normalization of Prudential Regulation

26. Staff called for collective action to preserve financial stability. It stressed that collective action is critical for staving off a deepening of the vicious cycle between weak banks and government solvency, tackling protracted reliance on BEAC liquidity support, and resolutely resolving weak banks. Staff highlighted the following underlying key steps: (i) providing COBAC with adequate human and financial resources; (ii) enforcing BEAC's refinancing policies for liquidity-stressed banks more strongly; (iii) recapitalizing, when relevant, or resolving weak banks in a timely manner by national governments; and (iv) accelerating the implementation by national governments of comprehensive domestic arrears clearance and prevention strategy.

27. The mission urged COBAC to step up onsite post-COVID supervisory inspections and ensure a prudent approach to dividend distribution. It emphasized that 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. It reiterated that until post-COVID uncertainties on asset quality and profitability have abated, a prudent dividend distribution policy is advisable in a context of important breaches of regulatory measures (capital adequacy and concentration limits) and high NPLs.

28. Staff urged COBAC to ensure that undercapitalized banks submit credible medium-term recapitalization plans and establish a strategy for NPL reduction. It stressed that in case of delays in addressing weaknesses, COBAC should escalate its actions by increasing the severity of sanctions and using early intervention or resolution powers when needed.

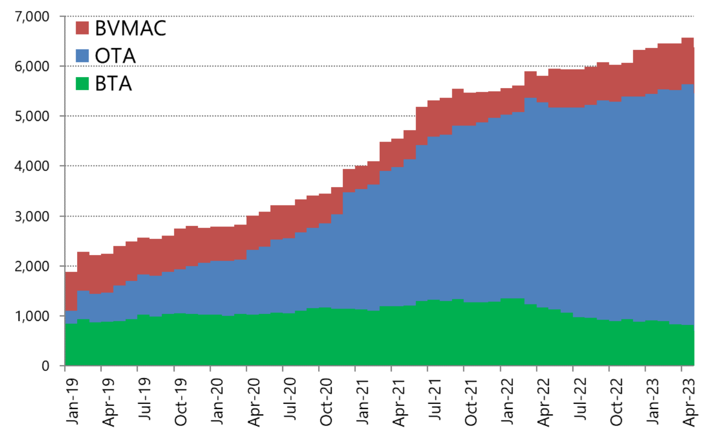
29. The mission called for COBAC to ensure that banks reduce and account adequately for sovereign risk. It recommended that COBAC progressively enforce existing concentration limits and encourage banks to implement prudent internal risk management. Building on the CEMAC Commission's resumed regional surveillance, COBAC should move more systematically away from zero-risk weight on government exposure. Staff reiterated that COBAC and BEAC should work together to ensure that primary dealers, mostly banks, do not hold all new sovereign issuances, as stated in their contracts.

30. Staff encouraged COBAC to prioritize its work agenda. Staff advised that the focus should be on risk-based prudential and AML/CFT supervision, modernizing the regulatory framework (Basel II/III and in relation to AML/CFT), strengthening bank resolution framework, developing stress tests, and improving risk management and bank governance.

31. The mission reiterated the need to address the segmentation of the government issuance market. Staff pointed to the rising share of government securities issued on the regional stock exchange (BVMAC) (Text Figure 6). It explained that this creates a market dualism that could hamper the development of the secondary market and securities liquidity. Staff called on BEAC to intensify awareness campaigns on the improvements in the primary market.[7] The mission recommended lengthening further government securities maturity, and diversifying the investor base, including through stepping up financial literacy of individual investors and awareness campaigns, which would ultimately help foster secondary market development. Staff encouraged stakeholders to operationalize the company in charge of managing the single central depository by end-2024. The mission also encouraged member countries to ensure BVMAC has adequate resources, including through clearing their arrears vis-à-vis BVMAC, as urged by the January 2023 PREF-CEMAC steering committee (PREF-COPIL)'s meeting.[8]

Text Figure 6. CEMAC: Stock of Government Securities

Monthly – CFAF Billion



Sources: Regional Authorities and IMF Staff Calculations.

32. Staff encouraged regional supervisors to develop supervisory capacity to monitor and manage new forms of risks posed by digital payments. Staff welcomed C.A.R.'s amended cryptocurrency law adopted by the Parliament on March 23, which resolved the institutional inconsistency that arose from C.A.R.'s unilateral adoption of crypto currencies as legal tender. It reiterated the need to advance a crypto-related regulatory framework and enhance coordination across regional supervisors (BEAC, COBAC, COSUMAF, and the AML/CFT regional body, GABAC) when it comes to issuing laws or regulations. Staff advised regional supervisors to address clarity and consistency concerns between the July 2022 regulation No-01-2022 relative to the organization and functioning of CEMAC's financial market (which includes a provision governing the use of digital assets), and BEAC's mandate on payments and COBAC's earlier Decision D-2022/071 prohibiting the use of cryptocurrencies by entities under its remit. Staff advocated for ensuring that initiatives such as C.A.R.'s envisaged tokenization of its resource wealth via crypto assets does not come at the

[7] The amended 2018 regulatory framework provided for longer maturities and syndicated loans-type and securities repurchasing operations in the primary market.

[8] These arrears reflect unpaid bills associated with operating on the stock exchange, as well as unpaid capitalization invoicing on bond issuance on the stock exchange since 2018.

expense of financial integrity, governance, consumer protection, and compliance with AML/CFT standards.[9] Staff encouraged BEAC to diligently account for a possible impact of digital payments on its operations and the conduct of monetary policy. It stressed that CBDC exploration should be based on cost-benefit analysis, considering the potential impact on bank intermediation, costs of maintaining a dual payment system, and the quality and access to digital infrastructure.

33. Authorities' Views

- COBAC concurred with staff recommendations. It vowed to vigilantly monitor all discussed forms of risks to financial stability, against the background of the unwinding of forbearance prudential requirements and emerging global banking turmoil. BEAC promised to swiftly address COBAC longstanding understaffing issues.

- BVMAC concurred with staff that ultimately, tackling the market dualism for government securities issuance boils down to ensuring a vibrant secondary market. This would help attract non-bank institutional investors (pension funds, insurance companies, asset managers), individual investors from the diaspora, and non-resident investment funds. This in turn requires the development of attractive financial products and addressing dividend repatriation concerns.

- BEAC noted concerns about rising cost of government securities' issuance. It explained that ensuring a more transparent and coordinated issuance calendar across member countries is central to optimizing government borrowing costs. BEAC is working to that end, in the context of the treasuries' consultation framework.

- Regional supervisors concurred with the need to develop a consistent and appropriate regulatory framework and to strengthen supervisory capacity to monitor and manage new forms of risks posed by digital payments, and to carefully weigh on pros and cons of CBDC introduction. They look forward to Fund technical assistance to that effect.

- COSUMAF has initiated a public consultation on drafting the implementation texts of the abovementioned regulation No-01-2022. The first draft is expected to be submitted to its college scheduled to meet during May 18–19. With all regional supervisors represented in the college, any legal inconsistency across supervisory texts is expected be settled in that context.

D. Pressing Ahead with the Regional Surveillance Framework

34. Staff expressed concern about recent setbacks in operationalizing the draft new sanction mechanism for breaches of regional surveillance rules. The draft sanction mechanism

[9] Tokenization stands for a representation of assets in a decentralized ledger that records the ownership and transfer of ownership of these assets. In addition to the soundness of the legal and regulatory framework, potential benefits from tokenizing assets depend on technological and governance design choices, and on key prerequisites, currently unmet in C.A.R.'s Sango project (tokenization via crypto assets), including infrastructure and institutional quality.

was already adopted by UMAC's ministerial council in January 2021, and only its adoption by the Conference of Heads of States was pending. The recent questioning of its merit by some member countries during the March 2023 ministerial council suggests a concerning lack of ownership of the mechanism. Staff reiterated that swiftly adopting the sanction mechanism is essential to strengthening the enforceability and credibility of the regional surveillance framework. It urged the CEMAC Commission to redouble concertation efforts with the ministerial council to swiftly bring the adoption process back on track. The mission emphasized that this is all the more warranted given that performance on the regional surveillance framework has been mixed this year, with few countries meeting the convergence criteria, despite favorable hydrocarbon prices (Table 6). Staff also encouraged the Commission to carry the first internal analysis of the early warning system on macroeconomic imbalances in 2023, as planned.

35. Staff urged the Commission to press ahead with previously identified key prerequisites for strengthening compliance with the regional convergence criteria. Such preconditions include, among others: (i) the need for member countries to submit updated post-COVID triennial convergence plans; (ii) fully operationalizing national multilateral surveillance units; (iii) adopting and implementing comprehensive and credible national domestic arrears clearance and debt management strategies; (iv) transposing regional tax and PFM directives (internal and budget controls; switching into program-based budgeting; etc.) in a timely manner; and (v) making faster progress on the 2021–30 regional statistical program. On the latter, staff called for enhanced efforts to improve external statistics and data transparency more broadly, including with World Bank support[10]. It stressed the criticality of regular reporting of updated data on financial soundness indicators, and monetary and financial statistics data to the Fund. Staff also pushed for setting a data portal to disseminate key macroeconomic and financial data in all member countries.[11] It advised that the Commission work with BEAC and the PREF-CEMAC Secretariat, to come up with a harmonized regional view as to the feasibility and modalities for setting its contemplated multilateral stabilization fund where would abound part of oil windfalls. Staff indicated that the Fund stands ready to provide related technical assistance as needed.

ACCELERATING REFORMS FOR GROWTH INCLUSIVENESS AND DIVERSIFICATION

36. Staff recommended an acceleration of structural, governance and regulatory reforms to raise productivity and competitiveness. Staff advised that such steps, coupled with further actions geared towards improving human capital, the business climate, and competition, in line with the structural reform agenda under the PREF-CEMAC Secretariat's purview, would foster economic diversification, expand the non-oil tax base, and deepen regional trade integration. Steadfastly adopting and implementing coordinated financial inclusion strategies, would also help lower

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

[11] C.A.R. and Congo are the member countries without a National Summary Data Page (NSDP) yet.

financial service costs and open financing opportunities for small and medium-sized enterprises. This, along with faster progress on regional infrastructure projects and nascent light industry initiatives (textile, agro-industry, wood transformation, etc.), would unleash the private sector's wealth and job creation potential.

37. **Staff welcomed the continued utmost priority attached to food security**. It noted that a careful implementation of the regional food self-sufficiency strategy, mindful of avoiding FX or trade restrictions, could help bolster domestic agricultural production and strengthen food security. To this end, staff encouraged regional and national authorities to streamline intra-regional transit and remove non-tariff barriers, along with accelerated construction of one-stop border posts and regional integration-enhancing transport infrastructure. It also encouraged them to seek concessional resources from development partners (World Bank, UN Food and Agricultural Organization, African Development Bank, etc.) to promote domestic production of fertilizers.

38. **Staff called for coordinated action to enhance resilience to climate shocks.** This includes defining a regional climate change adaptation strategy, stepping-up forest and water conservation efforts and exploring distributional impacts and socio-economic benefits.

MONITORING OF REGIONAL POLICY ASSURANCES

39. **Regional authorities moved forward with policy commitments from the December 2022 follow-up to the Letter of support to member countries' recovery and reform programs**. BEAC appropriately maintained the tightening course of monetary policy and liquidity management (¶ 6–7 and 20–21), raising its policy rate to tame inflation pressures and discontinuing weekly liquidity injections in the monetary market. BEAC also stands ready to mop up excess liquidity more effectively, by starting a meaningful increase in the rate and volumes of its liquidity absorption within a relatively short timeframe. The resolution of operational compliance challenges has paved the way for ensuring a more rigorous enforcement of the surrender and repatriation requirements of the FX regulations to the extractive sector, following the end of the grace period in October 2022. Discussions are ongoing on the draft model contract for the escrow contracts for the funds set aside for the rehabilitation of oil sites. Collective action from regional and national authorities, including through resolutely resolving weak banks and appropriately tackling the tightening bank-sovereign nexus, are expected to help preserve financial stability, against the background of normalized prudential regulations and an emerging global banking turmoil. With these efforts, the regional policy assurance on the NFA set for end-December 2022 (EUR 3.39 billion) was met with a comfortable margin (EUR 1.44 billion) (¶9).

40. **BEAC requests an upward revision to the regional policy assurance on the NFA for end-June 2023 (to EUR 4.47 billion) to account for the overperformance at end-December 2022.** An upward revision of the original NFA target for end-June 2023 (EUR 3.93 billion) set at the December 2022 Board meeting is warranted. This revision builds on the base effect from the overperformance at the end-December 2022, though partly discounted for downside factors (EUR 669.2 million): (i) a weaker-than-initially expected CAB; and (ii) likely budget support shortfalls

in some member countries (Congo and Gabon). BEAC thus requests the revision of the end-June 2023 policy assurances to account for the base effect from the overperformance at end-December 2022 and discounted for weaker-than-expected CAB and likely budget support shortfalls. That said, member countries stand ready to implement offsetting policy adjustments, should external financing support fall short of expectations, consistent with commitments under Fund programs. Staff and BEAC agreed that an accelerated external reserves build-up is needed before the positive outlook offered by favorable hydrocarbon prices fades away. In addition, the more rigorous enforcement of FX regulations, including to the extractive sector once discussions are completed, are expected to continue ensuring greater FX repatriation.

41. **The attached follow-up letter describes the proposed revision to the end-June 2023 NFA target, the proposed December 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-June 2023 owing to the above-mentioned factors (¶40), the proposed end-December 2023 NFA target covered by the updated policy assurances was set at EUR 4.32 billion (Text Table 4). The lower proposed NFA target for end-December 2023 compared to the proposed end-June 2023 NFA target reflects an expected larger deterioration of the CAB in 2023H2 compared to 2023H1. Indeed, given that oil prices started decreasing significantly in March 2023, the impact on oil export receipts is expected to be stronger in 2023H2 than in 2023H1, on account of the usual 9–12-month transmission lag linked to forward oil sale contracts. The target is in line with staff advice and consistent with program projections at the time of the mission. In the medium term, gross reserves are projected to reach about 4½ months of imports. That said, as in the past, these proposed NFA targets for end-June 2023 and end-December 2023 are subject to risks from heightened external uncertainties, including volatility in the oil market and donor support shortfalls.

Text Table 4. CEMAC: Regional Policy Assurance on NFAs, 2022–23

(Billions of euros)

	2022		2023	
	June	Dec.	June	Dec.
Assurance endorsed in Dec. 2022	...	3.39	3.93	...
Outcome	3.19	4.83	...	...
Proposed new assurances	...	...	4.47	4.32

STAFF APPRAISAL

42. **Renewed prudence in managing oi windfalls before favorable oil prices dissipate is key to rebuilding adequate buffers to enhance CEMAC's resilience to potential shocks.** Favorable hydrocarbon prices eased economic headwinds in CEMAC in 2022, helping to gradually firm up the nascent post-COVID recovery and strengthen its external position. FX has accumulated faster in recent months, though gross reserves are still below adequate levels. The positive outlook is broadly expected to prevail in 2023, predicated on persistently favorable oil prices, along with resolute correction of recent fiscal slippages. Staff calls on the authorities to renew prudence in managing oil windfalls, consistently with Fund-supported program objectives and surveillance

advice, as the outlook is subject to heightened uncertainties. Such uncertainties include among others, volatility in oil markets, risk of higher inflation persistence, the funding squeeze, a stronger-than-expected tightening of global financial conditions, debt vulnerabilities, the geo-economic fragmentation, and humanitarian and security-related spillovers from the ongoing conflict in Sudan.

43. Against this background, BEAC's tightening of monetary policy and liquidity management since 2021 is welcome, and it should stand ready to tighten further if needed. BEAC raised its policy rate by 50 bps to 5 percent at end-March 2023 to tame rising inflation and support external reserves accumulation—a cumulative 175 basis points increase since November 2021. It also tightened banks' refinancing conditions, discontinuing its weekly liquidity injections in the monetary market, which is welcome. BEAC rightly stands ready to tighten monetary policy further should inflationary pressures persist, or external reserves start to deviate from the targeted path. Staff stresses the need for BEAC to guard against excessive gradualism and advises a prompt reaction to incoming data. Staff also welcomes BEAC's intention to start a meaningful increase in the rate and volumes of its liquidity absorption within a relatively short timeframe. This is critical for more effectively mopping up excess liquidity, which would help strengthen monetary policy transmission. The next mission will assess progress on these measures. A transparent and consistent enforcement of FX regulations, including to the public sector and extractive companies, is expected to help ensure larger FX repatriations.

44. The recent setback in operationalizing the draft new sanction mechanism for breaches of regional surveillance rules is concerning. The CEMAC Commission should step up concertation efforts with the UMAC ministerial council to swiftly bring its adoption process back on track, to strengthen the enforceability and credibility of the regional surveillance framework. It is important for the Commission to urge member countries to make faster progress on previously identified key prerequisites for ensuring greater compliance with the regional convergence criteria.

45. Strong collective action from national and regional authorities is needed to preserve financial stability. Against the background of post-COVID prudential normalization and emerging global banking turmoil, such collective action should center on addressing COBAC's longstanding understaffing issues, resolutely resolving weak banks or ensuring faster governments' decisions on banks' recapitalization where relevant, stepping-up the roll-out of comprehensive domestic arrears clearance and prevention strategies, and properly tackling the tightening bank-sovereign nexus. On the latter, COBAC should reduce and eventually shift away from zero-risk weight on government exposure, to ensure that banks account adequately for the rising bank-sovereign risk. COBAC should also maintain prudence in approving dividend distribution, given persistent prudential breaches (capital adequacy and concentration limits) and high and likely rising NPLs. Strengthening COBAC's supervisory capacity is pivotal for ensuring faster progress on Basel II/III implementation and strengthening risk-based prudential and AML/CFT-compliant supervision.

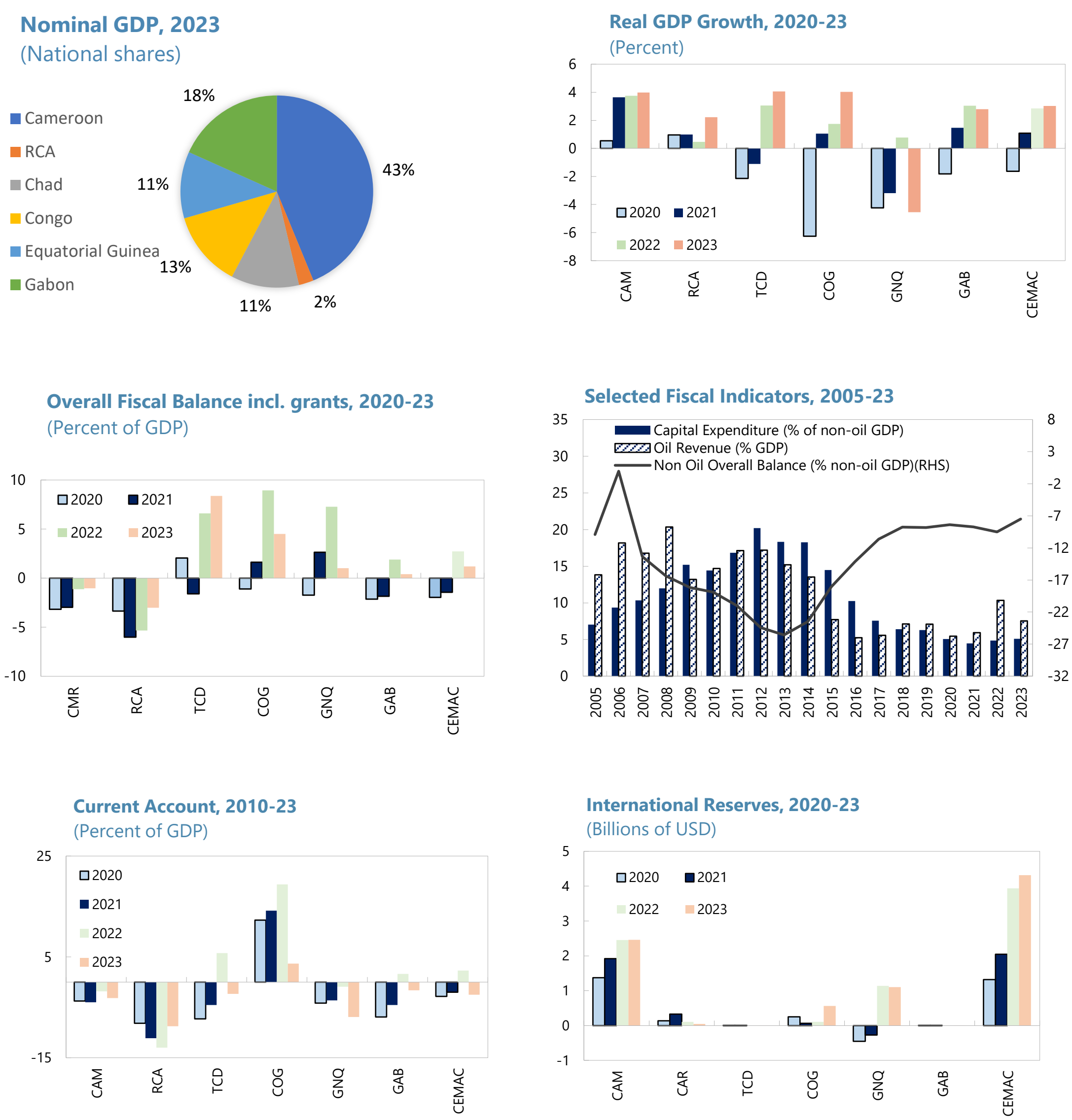
46. Strengthening the supervisory framework and capacity is necessary to appropriately monitor and manage new forms of risks posed by digital payments. Coordination across regional supervisors should be enhanced on laws or regulations issuance, to ensure consistency across regulatory frameworks related to the use of digital assets. A consistent crypto-related regulatory framework would help ensure that initiatives such as C.A.R.'s envisaged tokenization of its resource wealth via crypto assets do not come at the expense of financial integrity, governance, consumer protection, and compliance with AML/CFT standards. BEAC should diligently account for possible impacts of digital payments on its operations and monetary policy conduct. Pros and cons should be diligently assessed when weighing on CBDC feasibility, including potential impacts on bank intermediation, costs of maintaining a dual payment system, and the quality and access to digital infrastructure.

47. Strengthening CEMAC's resilience to potential shocks requires tackling recent fiscal slippages, improving non-oil primary balances and accelerating reforms. Recent drops in the price of Brent, coupled with the needed green transition to a low-carbon world economy, which is casting a shadow over the future of oil industry, renew the urgency to accelerate external and fiscal buffers build-up before the easing of economic headwinds from favorable oil prices dissipates. This calls for bringing policies back in line with the ambitious fiscal consolidation paths consistent with Fund-supported programs and surveillance advice. This requires stepping up non-oil tax revenue collection, enhancing spending efficiency, phasing out inefficient energy subsidies, while rolling out targeted social safety nets to protect vulnerable populations.

48. Accelerating structural, governance and regulatory reforms is essential to enhancing growth diversification and inclusiveness. Such reforms, coupled with faster progress on human capital, business climate, financial inclusion, and regional infrastructure projects would help achieve greater growth diversification and inclusiveness, broader non-oil tax base, and deeper regional trade integration. Carefully implementing the regional food self-sufficiency strategy—mindful of avoiding FX or trade restrictions—in tandem with well-designed research and development activities and coordinated action towards enhancing resilience to climate shocks, would help boost domestic agriculture production and strengthen much-needed food security.

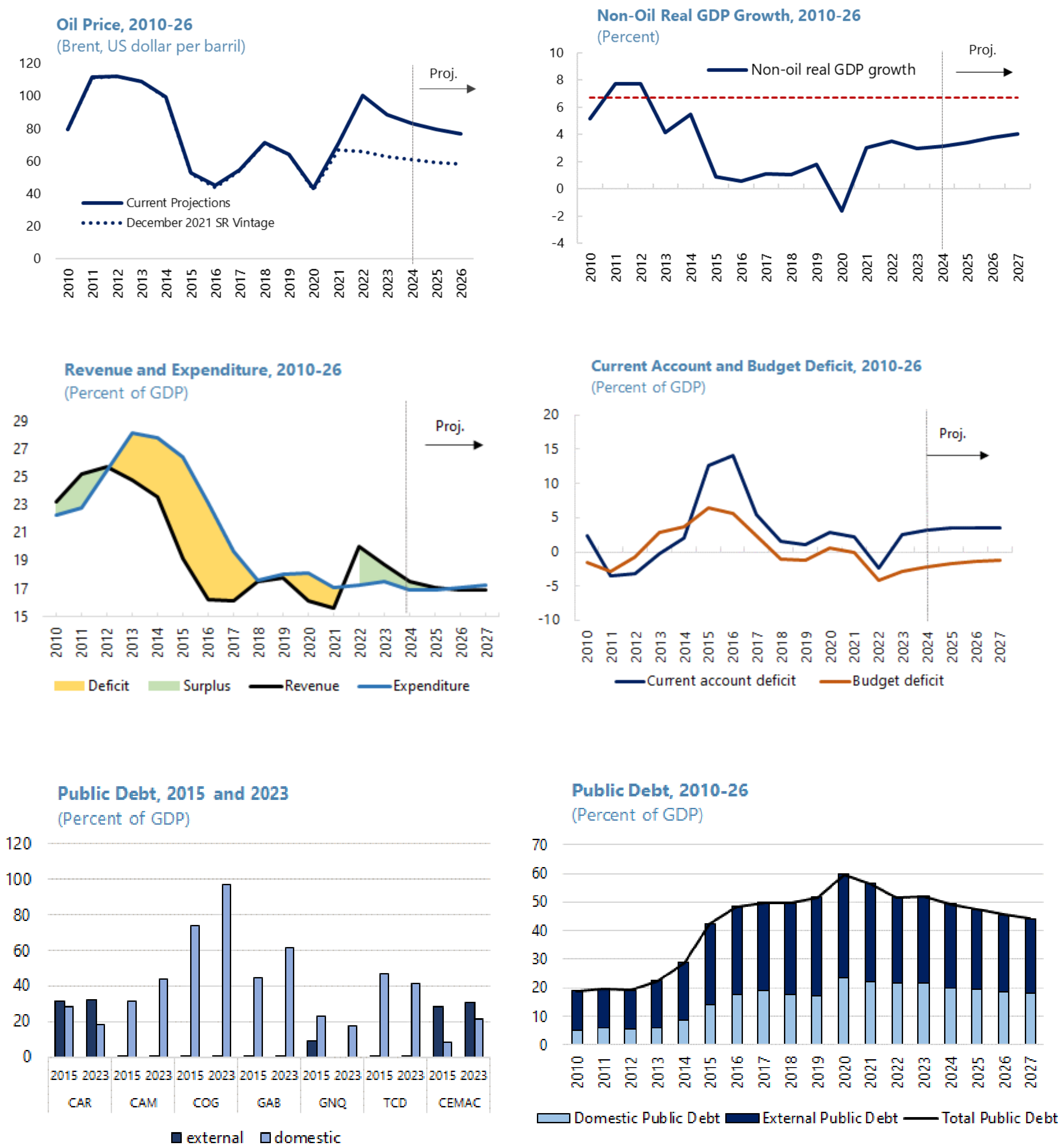
49. Overall, staff: (i) notes that BEAC met the policy assurance on the NFA provided in the December 2022 follow-up letter, reflecting the improved trade balance, greater FX repatriation, tighter monetary policy, strong donor support, and delayed FX-based bank recapitalization; (ii) supports the updated policy assurance on NFA accumulation (to bring NFA to €4.47 billion and € 4.32 billion at end-June 2023 and end-December 2023, respectively). Anchored by Fund-supported programs and surveillance advice, member countries also stand ready to maintain macroeconomic stability, including through tackling recent fiscal slippages and maintaining prudence in managing oil windfalls. Nonetheless, building up FX will depend on timely donor support disbursements. Member countries stand ready to implement offsetting policy adjustments, should donor support fall short of expectations. Meeting the proposed policy assurances on the NFA is critical for allowing the continuation of (or approval of new) financial support as part of the Fund-supported programs with CEMAC member countries.

Figure 4. CEMAC: Selected Economic Indicators, 2001–22



Sources: CEMAC authorities; and IMF staff estimates.

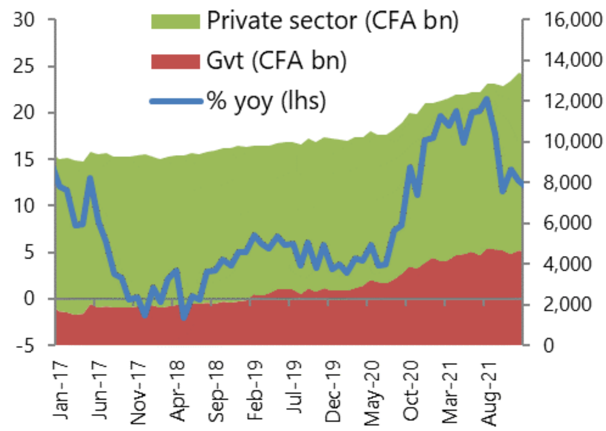
Figure 5. CEMAC: Selected Economic Indicators, 2006–25



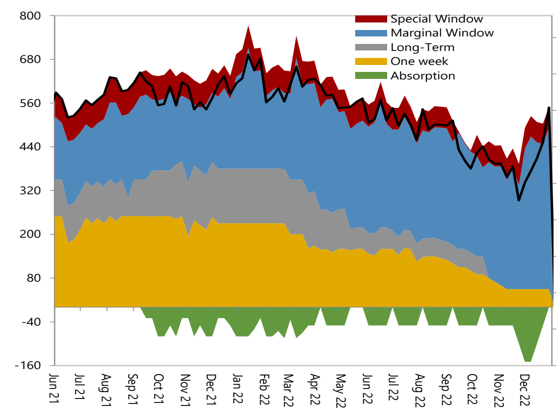
Sources: CEMAC authorities; and IMF staff estimates.

Figure 6. CEMAC: Recent Monetary Developments

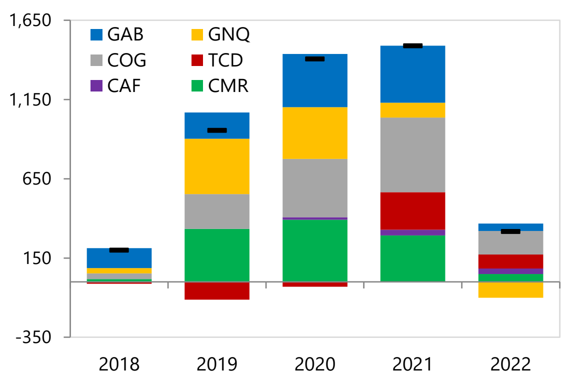
Credit to the Public and Private Sector
(Monthly, % yoy)



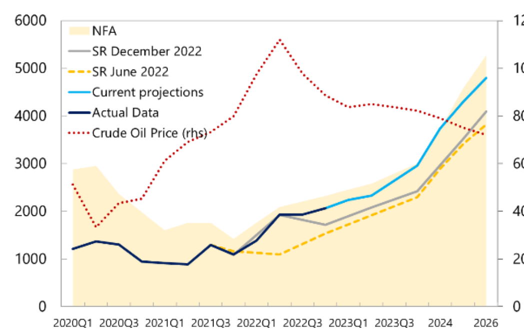
Total Liquidity Operations
(CFAF bn)



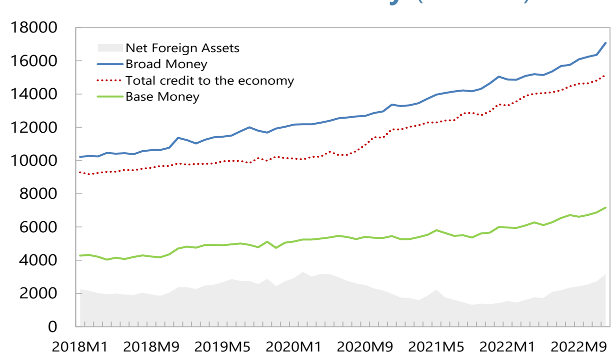
Net Issuance of Government Securities
(Annual, CFAF bn)



Total Government Deposits and NFA Projections (CFAF bn, USD/barrel)



Broad and Base Money (CFAF bn)



International Trade (USD mn)

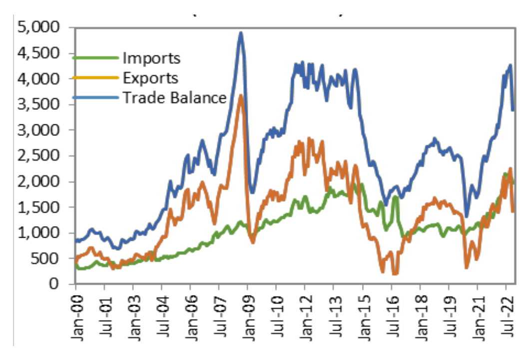
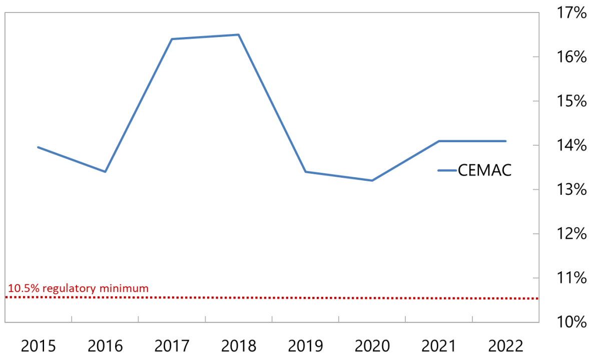


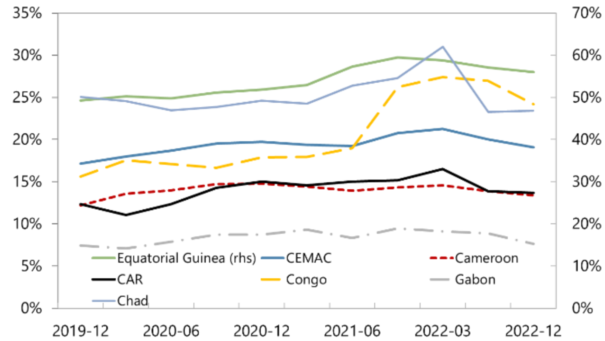
Figure 7. CEMAC: Recent Banking Developments

Capital Adequacy Ratio (Percentage)



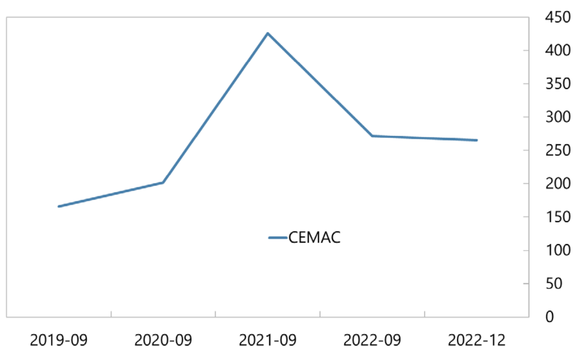
Sources: COBAC and IMF Staff Calculations

Non Performing Loans (Percentage)



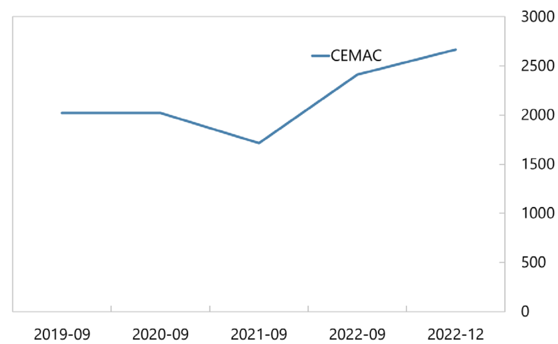
Sources: COBAC and IMF Staff Calculations

Total Liquidity Before BEAC Operations (Billions CFAF)



Sources: COBAC, IMF Staff Calculations

BEAC Liquidity Surplus After Central Bank Operations (Billions CFAF)



Sources: COBAC and IMF Staff Calculations

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

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Est.	SR 23/01 4/	Est.	SR 23/01 4/	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual change, in percent)												
National income and prices													
GDP at constant prices 1/	0.7	1.6	2.1	-1.6	1.1	3.5	2.8	3.4	3.0	3.1	2.5	3.3	3.4
Oil GDP 1/	-3.6	1.3	3.2	-3.1	-9.4	1.9	-1.4	0.7	2.6	0.8	-4.5	-0.9	-1.7
Non-oil GDP 1/	1.1	1.0	1.8	-1.6	3.0	3.7	3.5	3.8	3.0	3.1	3.4	3.8	4.0
Consumer prices (period average) 2/	0.8	2.1	1.6	2.7	1.5	4.6	5.4	3.3	5.0	3.9	2.9	2.5	2.3
Consumer prices (end of period) 2/	1.2	3.0	1.7	1.7	2.6	4.6	6.5	3.1	4.3	3.3	2.5	2.4	2.3
	(Annual change, in percent of beginning-of-period broad money)												
Money and credit													
Net foreign assets	-0.9	1.8	1.4	-6.6	-5.1	8.3	11.2	4.5	-0.6	2.5	2.7	3.5	3.9
Net domestic assets	0.5	6.3	4.5	17.7	17.7	0.9	2.3	2.9	8.8	7.2	3.6	2.8	2.5
Broad money	-0.4	8.1	5.9	11.1	12.6	9.2	13.5	7.4	8.3	9.7	6.3	6.3	6.4
	(In percent of GDP, unless otherwise indicated)												
Gross national savings	18.7	19.7	20.4	16.8	18.3	21.6	22.5	21.0	19.4	18.5	19.2	19.6	20.2
Gross domestic investment	24.3	21.5	21.6	19.9	20.0	20.2	20.2	22.2	21.9	21.6	22.7	23.2	23.7
Of which: public investment	5.8	5.6	5.2	4.4	3.6	4.0	3.9	4.3	4.3	4.5	4.7	5.1	5.2
Government financial operations													
Total revenue, excluding grants	15.3	16.8	17.0	15.1	15.2	18.2	19.4	18.0	17.9	16.9	16.5	16.3	16.3
Government expenditure	19.7	17.6	18.0	18.1	17.1	17.5	17.3	16.7	17.5	16.9	17.0	17.1	17.2
Primary fiscal basic balance 3/	-0.5	2.6	3.0	0.3	1.0	4.3	5.2	5.2	4.3	3.9	3.5	3.1	2.9
Overall fiscal balance, excluding grants	-4.3	-0.9	-1.0	-3.1	-1.9	0.7	2.1	1.3	0.4	0.0	-0.5	-0.8	-0.9
Primary fiscal balance, including grants	-2.3	1.1	1.2	-0.6	0.0	2.9	4.2	3.7	2.9	2.2	1.8	1.3	1.2
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-11.7	-9.9	-9.9	-9.6	-9.3	-10.4	-10.3	-8.1	-8.4	-7.1	-6.5	-6.1	-5.9
Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-9.3	-7.4	-7.2	-6.8	-7.0	-7.6	-7.7	-5.2	-5.5	-4.5	-3.9	-3.7	-3.5
Total public debt	49.7	49.7	51.7	59.8	56.5	52.7	51.7	49.4	52.1	49.4	47.4	45.6	44.1
External sector													
Exports of goods and nonfactor services	31.5	35.8	34.4	26.3	32.4	40.3	40.3	36.9	33.5	31.6	29.8	28.7	28.1
Imports of goods and nonfactor services	32.6	31.8	30.7	27.0	28.4	30.8	30.9	31.0	30.8	29.8	29.0	28.4	28.0
Balance on goods and nonfactor services	-1.1	4.0	3.8	-0.7	4.0	9.5	9.4	5.9	2.7	1.8	0.8	0.4	0.1
Current account, including grants	-5.4	-1.6	-1.1	-2.8	-2.0	1.6	2.3	-1.2	-2.5	-3.1	-3.5	-3.6	-3.5
External public debt	32.4	31.0	34.0	38.7	32.7	29.4	30.0	29.2	30.3	29.2	28.0	26.8	25.9
Gross official reserves (end of period)													
Millions of U.S. dollars	5,807	6,555	7,390	7,779	8,060	9,477.9	11,064	11,014.0	11,299	11,840	12,200	12,844	13,447
Months of imports of goods and services (less intra regional imports)	2.3	2.8	3.7	3.2	3.0	3.5	4.1	3.9	4.1	4.2	4.2	4.3	4.3
Percent of broad money	30.6	33.2	36.3	31.4	31.1	33.3	37.2	36.7	34.4	34.2	33.2	33.7	4196.0
Memorandum items:													
Nominal GDP (billions of CFA francs)	50,644	54,424	55,723	52,271	58,565	67,277.5	67,654	69,692.4	67,115	71,078	74,596	78,652	83,083
CFA francs per U.S. dollar, average	581	555	586	575	554	620.6	622	…	617	…	…	…	…
CFA francs per U.S. dollar, end-of-year	554	576	590	539	580	641.9	619	…	620	…	…	…	…
Oil production (thousands of barrels per day)	827.5	872.5	905.7	870.2	786.8	810.6	791.3	821.4	800.7	812.9	772.4	751.9	740.9
Oil prices (U.S. dollars per barrel, brent)	54.9	71.6	64.2	43.3	70.8	98.2	99.0	85.5	75.4	71.3	69.4	68.0	66.7

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

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

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

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

4/ Refers to the projection published in the IMF Country Report No 23/01.

Table 2. CEMAC: National Accounts, 2017–27
(Percent of GDP)

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Est.	SR 23/01 1/	Est.	SR 23/01 1/	Proj.	Proj.	Proj.	Proj.	Proj.
						(Annual change, in percent)							
Real GDP													
Cameroon	3.5	4.0	3.4	0.5	3.6	3.8	3.7	4.6	4.0	4.1	4.2	4.4	4.6
Central African Republic	4.5	3.8	3.0	1.0	1.0	-2.0	0.5	5.5	2.2	3.0	3.8	3.8	3.7
Chad	-2.4	2.4	3.4	-2.1	-1.1	2.7	3.1	3.5	4.1	3.6	2.8	2.9	3.0
Congo, Republic of	-5.6	-2.3	1.1	-6.3	1.1	2.8	1.7	4.1	4.0	4.4	3.3	3.8	3.9
Equatorial Guinea	-5.7	-6.2	-5.5	-4.2	-3.2	5.8	0.8	-3.1	-4.5	-4.6	-8.5	-1.5	-1.0
Gabon	0.5	0.9	3.8	-1.8	1.5	2.8	3.0	3.0	2.8	2.6	2.5	2.8	2.8
CEMAC	0.7	1.6	2.1	-1.6	1.1	3.5	2.8	3.4	3.0	3.1	2.5	3.3	3.4
Nominal GDP													
Cameroon	4.6	5.9	4.7	1.0	7.1	8.5	7.6	7.7	8.6	8.6	7.3	6.7	7.1
Central African Republic	11.3	5.2	5.5	2.8	4.3	4.3	6.9	12.0	9.1	7.2	6.4	6.3	6.2
Chad	-3.2	4.7	5.1	-4.0	5.8	13.2	14.7	3.6	2.1	5.0	4.6	5.1	5.3
Congo, Republic of	6.1	19.4	-0.2	-19.4	12.4	16.4	17.1	4.1	-1.2	5.8	5.2	5.9	6.2
Equatorial Guinea	6.4	2.7	-8.5	-12.7	17.0	44.3	42.9	-8.9	-22.6	0.2	-3.4	0.9	2.0
Gabon	4.3	7.8	5.5	-10.6	27.2	19.9	17.2	3.2	-6.7	3.5	3.7	4.3	3.5
CEMAC	4.2	7.5	2.4	-6.2	12.0	16.2	15.5	3.6	-0.8	5.9	4.9	5.4	5.6
Real non-oil GDP													
Cameroon	4.3	4.2	3.3	0.5	3.8	3.8	3.8	4.8	4.3	4.4	4.5	4.6	4.6
Central African Republic	4.5	3.8	3.0	1.0	1.0	-2.0	0.5	5.5	2.2	3.0	3.8	3.8	3.7
Chad	-0.5	0.3	2.0	-1.7	0.2	2.1	1.8	3.1	3.5	3.7	3.7	3.8	3.8
Congo, Republic of	-10.8	-8.0	1.1	-6.9	3.5	3.3	3.3	4.0	3.9	3.8	4.3	4.8	4.8
Equatorial Guinea	0.8	-2.7	-5.7	-6.2	2.5	9.1	5.3	-0.2	-2.5	-3.8	-3.3	-1.2	1.3
Gabon	2.5	1.6	3.2	-1.7	2.8	2.6	3.1	3.1	2.8	2.9	3.2	3.5	3.4
CEMAC	1.1	1.0	1.8	-1.6	3.0	3.7	3.5	3.8	3.0	3.1	3.4	3.8	4.0
Consumer price inflation (period average)													
Cameroon	0.6	1.1	2.5	2.5	2.3	4.6	6.3	2.8	6.2	4.8	3.0	2.3	2.0
Central African Republic	4.2	1.6	2.8	0.9	4.3	6.5	5.8	6.3	6.3	2.7	2.8	2.5	2.5
Chad	-0.9	4.0	-1.0	4.5	-0.8	5.3	5.8	3.4	4.1	3.0	3.0	3.0	3.0
Congo, Republic of	0.4	1.2	0.4	1.4	2.0	3.5	3.0	3.3	3.5	3.2	3.0	3.0	3.0
Equatorial Guinea	0.7	1.3	1.2	4.8	-0.1	5.1	4.8	5.7	4.2	3.7	3.2	2.8	2.3
Gabon	2.7	4.8	2.0	1.7	1.1	3.8	4.3	3.0	3.3	2.4	2.1	2.3	2.6
CEMAC	0.8	2.1	1.6	2.7	1.5	4.6	5.4	3.3	5.0	3.9	2.9	2.5	2.3
End of period inflation													
Cameroon	0.8	2.0	2.4	2.1	3.5	4.1	7.3	2.9	5.9	3.7	2.3	2.1	2.0
Central African Republic	7.2	4.6	-2.0	1.8	2.7	11.0	7.9	3.3	4.4	2.5	2.9	2.4	2.5
Chad	3.1	4.4	-1.7	3.0	1.0	5.8	8.3	2.6	1.3	3.1	3.0	3.0	3.0
Congo, Republic of	1.8	0.9	1.4	0.6	1.5	3.5	3.2	3.3	3.5	3.2	3.0	3.0	3.0
Equatorial Guinea	-0.2	2.6	4.1	-0.5	2.9	6.0	5.0	5.5	4.0	3.5	3.0	2.5	2.2
Gabon	1.1	6.3	1.0	1.6	1.7	4.0	5.4	2.6	2.4	2.2	2.1	2.4	2.7
CEMAC	1.2	3.0	1.7	1.7	2.6	4.6	6.5	3.1	4.3	3.3	2.5	2.4	2.3
							(in percentage of GDP)						
Gross national savings													
Cameroon	16.3	15.7	14.4	13.5	14.4	16.1	14.7	17.4	14.0	14.3	15.5	16.6	18.1
Central African Republic	5.7	8.4	9.7	10.7	4.6	1.3	1.9	6.1	6.7	8.2	10.6	12.5	13.9
Chad	13.6	17.8	18.9	16.1	17.8	24.6	25.7	26.3	22.5	20.5	21.4	21.8	21.6
Congo, Republic of	40.3	37.8	41.6	36.0	36.4	48.4	45.8	36.4	32.4	30.1	28.5	26.7	25.6
Equatorial Guinea	6.2	10.4	10.0	0.4	1.2	7.9	10.6	7.7	4.0	3.9	5.5	5.7	5.8
Gabon	22.6	23.5	26.6	23.5	27.3	27.8	32.6	27.1	32.6	29.6	29.7	29.6	29.5
CEMAC	18.7	19.7	20.4	16.8	18.3	21.6	22.5	21.0	19.4	18.5	19.2	19.6	20.2
Gross domestic investment													
Cameroon	19.4	19.5	18.9	17.7	17.9	17.7	16.5	19.5	17.1	17.5	18.4	19.4	20.9
Central African Republic	13.5	16.4	14.7	18.9	15.7	15.2	14.9	15.3	15.3	16.0	17.5	17.8	18.5
Chad	20.7	18.9	23.2	23.4	22.3	23.2	19.9	29.0	24.8	24.8	27.6	27.1	26.7
Congo, Republic of	45.9	29.5	25.9	23.7	22.2	26.8	26.4	27.9	28.7	28.5	28.5	28.0	26.7
Equatorial Guinea	14.0	12.5	10.9	4.6	4.8	9.5	11.5	9.8	10.9	11.0	12.7	12.6	12.5
Gabon	31.3	28.4	31.6	30.4	31.8	28.2	31.0	29.5	34.2	32.3	33.1	33.5	33.6
CEMAC	24.3	21.5	21.6	19.9	20.0	20.2	20.2	22.2	21.9	21.6	22.7	23.2	23.7

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

1/ Refers to the projection published in the IMF Country Report No 23/01.

Table 3a. CEMAC: Fiscal Indicators of Central Governments, 2017–27

(Percent of GDP)

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Proj.	SR 23/01 2/	Proj.	SR 23/01 2/	Proj.	Proj.	Proj.	Proj.	Proj.
Overall fiscal balance (excluding grants)													
Cameroon	-5.0	-2.8	-3.8	-3.3	-3.2	-2.5	-1.5	-0.8	-1.4	-1.4	-1.0	-1.4	-1.6
Central African Republic	-6.1	-8.7	-8.2	-16.0	-10.9	-10.3	-9.9	-9.0	-8.9	-8.1	-8.1	-7.1	-6.9
Chad	-4.3	-1.3	-1.8	-2.2	-2.9	2.5	5.0	3.8	5.6	2.1	1.2	1.4	1.6
Congo, Republic of	-6.0	5.1	3.6	-2.6	1.2	6.3	8.3	5.4	3.6	4.2	2.8	2.1	2.9
Equatorial Guinea	-2.6	0.5	1.8	-1.7	2.6	3.7	7.3	4.1	1.0	0.1	-1.6	-1.5	-1.7
Gabon	-2.6	-1.3	1.4	-2.2	-2.0	2.0	1.5	1.6	0.1	0.0	-0.7	-1.5	-2.1
CEMAC	-4.3	-0.9	-1.0	-3.1	-1.9	0.7	2.1	1.3	0.4	0.0	-0.5	-0.8	-0.9
Overall fiscal balance (including grants)													
Cameroon	-4.7	-2.4	-3.2	-3.2	-3.0	-2.0	-1.1	-0.5	-1.0	-1.0	-0.8	-1.3	-1.5
Central African Republic	-1.1	-1.0	1.4	-3.4	-6.0	-5.7	-5.3	-3.0	-3.0	-2.4	-1.7	0.1	0.0
Chad	-0.2	1.9	-0.2	2.1	-1.6	5.0	6.6	7.2	8.4	4.3	3.3	3.4	3.5
Congo, Republic of	-5.6	5.2	4.3	-1.1	1.6	6.9	8.9	6.3	4.5	4.9	3.6	2.9	3.8
Equatorial Guinea	-2.6	0.5	1.8	-1.7	2.6	3.7	7.3	4.1	1.0	0.1	-1.6	-1.5	-1.7
Gabon	-2.6	-1.3	1.4	-2.1	-1.9	2.4	1.9	1.8	0.4	0.0	-0.7	-1.5	-2.1
CEMAC	-3.6	-0.2	-0.2	-2.0	-1.4	1.4	2.7	2.1	1.2	0.6	0.1	-0.2	-0.4
Reference fiscal balance 1/													
Cameroon	-4.2	-2.8	-4.1	-3.2	-3.1	-3.6	-3.0	-1.4	-1.6	-0.6	0.1	-0.8	-1.4
Central African Republic	-1.1	-1.0	1.4	-3.4	-6.0	-5.7	-5.3	-3.0	-3.0	-2.4	-1.7	-0.9	-1.8
Chad	0.5	-0.8	-2.1	-3.3	-4.2	-2.3	-3.1	1.3	2.0	4.2	5.2	4.7	3.2
Congo, Republic of	-2.5	-2.3	-2.1	0.1	-1.4	-2.6	-3.1	-0.3	1.6	4.2	4.0	2.0	2.6
Equatorial Guinea	-1.5	-2.6	-1.5	-0.3	1.4	0.4	-0.4	0.8	-1.9	1.0	0.6	-1.0	-1.7
Gabon	-2.1	-2.5	-1.4	-3.5	-1.7	-1.2	-1.7	0.3	-0.6	-0.6	-0.6	-1.7	-2.4
CEMAC	-2.1	-2.3	-2.6	-2.1	-2.1	-2.5	-2.7	0.1	0.3	0.8	0.8	0.7	0.0
Primary fiscal balance (including grants)													
Cameroon	-3.9	-1.5	-2.2	-2.3	-2.0	-1.1	-0.4	0.6	0.1	0.1	0.2	-0.3	-0.5
Central African Republic	-0.7	-0.6	1.8	-3.1	-5.7	-5.3	-4.9	-2.5	-2.5	-1.7	-0.9	0.9	0.8
Chad	1.3	3.0	0.8	3.0	-0.4	6.6	8.2	8.4	9.4	5.2	4.5	4.1	4.2
Congo, Republic of	-4.0	7.0	7.3	0.1	3.7	9.5	11.6	9.0	7.1	7.5	6.2	5.6	6.3
Equatorial Guinea	-2.2	1.2	2.7	-0.4	3.7	4.8	8.1	5.3	2.6	1.6	-0.1	-0.1	-0.4
Gabon	-0.1	1.1	3.7	1.2	0.9	4.8	4.4	4.4	3.4	2.8	2.3	1.6	1.2
CEMAC	-2.3	1.1	1.2	-0.6	0.0	2.9	4.2	3.7	2.9	2.2	1.8	1.3	1.2
Government revenue (excluding grants)													
Cameroon	14.2	15.2	14.8	13.2	13.7	15.6	15.9	15.6	15.4	14.9	14.7	14.8	15.0
Central African Republic	7.8	8.9	8.7	9.2	8.8	7.7	7.8	7.8	7.9	8.8	9.9	10.5	10.7
Chad	10.6	12.0	12.5	16.9	15.5	20.7	23.0	21.9	23.2	19.0	18.1	17.3	17.3
Congo, Republic of	20.6	22.9	23.8	18.5	22.1	30.9	31.2	30.0	25.5	25.4	24.7	24.2	24.1
Equatorial Guinea	17.5	19.9	18.6	14.1	15.3	15.8	20.0	16.0	16.9	14.2	12.9	12.8	12.2
Gabon	16.4	16.9	19.6	17.6	14.6	17.7	17.7	16.7	17.5	17.3	17.1	16.7	16.7
CEMAC	15.3	16.8	17.0	15.1	15.2	18.2	19.4	18.0	17.9	16.9	16.5	16.3	16.3
Government expenditure (including net lending)													
Cameroon	19.2	18.0	18.7	16.6	16.9	18.1	17.4	16.4	16.8	16.3	15.7	16.1	16.6
Central African Republic	13.9	17.6	16.9	25.1	19.7	18.0	17.6	16.8	16.8	16.9	18.0	17.6	17.6
Chad	14.9	13.3	14.3	19.0	18.4	18.2	18.0	18.0	17.6	16.9	16.9	15.9	15.7
Congo, Republic of	26.6	17.8	20.2	21.1	20.9	24.6	22.8	24.7	21.9	21.1	21.9	22.1	21.1
Equatorial Guinea	20.1	19.4	16.8	15.8	12.7	12.1	12.7	11.8	15.9	14.1	14.5	14.3	13.9
Gabon	19.0	18.2	18.2	19.8	16.6	15.7	16.2	15.1	17.3	17.3	17.8	18.3	18.8
CEMAC	19.7	17.6	18.0	18.1	17.1	17.5	17.3	16.7	17.5	16.9	17.0	17.1	17.2
Total public debt													
Cameroon	36.5	38.3	41.6	44.9	46.8	46.9	46.7	43.7	44.0	41.5	39.1	37.5	36.2
Central African Republic	50.3	50.0	47.1	43.4	47.6	54.8	51.9	51.6	50.4	49.5	48.5	45.8	43.2
Chad	48.3	54.3	52.2	58.7	47.0	49.5	43.3	42.2	41.7	38.0	35.1	31.8	30.6
Congo, Republic of	88.5	71.2	77.6	102.5	97.8	103.0	90.5	96.4	91.3	84.7	80.7	76.3	71.3
Equatorial Guinea	36.2	41.2	43.2	48.4	42.6	27.1	29.1	26.5	28.7	27.9	27.9	26.4	24.3
Gabon	62.9	61.1	60.0	78.3	66.2	55.4	57.5	52.6	62.0	60.1	58.8	58.0	58.3
CEMAC	49.7	49.7	51.7	59.8	56.5	52.7	51.7	49.4	52.1	49.4	47.4	45.6	44.1

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

Note 1:The CEMAC countries produce and disseminate Government Finance Statistics Manual 2014 format TOFE (Tableau des Opérations Financières de l'Etat) covering the Budgetary Central Government (BCG), while only Congo has expanded the TOFE coverage beyond BCG.

Note 2: Member countries are reported in domestic GDP. CEMAC aggregates are not weighted.

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 23/01.

Table 3b. CEMAC: Fiscal Non-oil Balances, Central Governments, 2017–27

(Percent of non-oil GDP)

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Est.	SR 23/01 2/	Est.	SR 23/01 2/	Proj.	Proj.	Proj.	Proj.	Proj.
Non-oil fiscal balance (excluding grants)													
Cameroon	-7.1	-5.2	-6.6	-5.3	-5.3	-6.1	-5.3	-3.7	-4.0	-3.2	-2.3	-2.4	-2.6
Central African Republic	-6.1	-8.7	-8.2	-16.0	-10.9	-10.3	-9.9	-9.0	-8.9	-8.1	-8.1	-7.1	-6.9
Chad	-9.3	-8.4	-8.7	-13.2	-13.4	-14.2	-14.0	-13.1	-12.0	-10.3	-9.6	-7.8	-7.1
Congo, Republic of	-21.0	-18.2	-20.0	-15.0	-16.6	-20.0	-20.3	-18.0	-15.2	-13.4	-13.6	-12.9	-11.1
Equatorial Guinea	-21.9	-21.1	-17.4	-15.4	-11.9	-13.3	-13.7	-11.4	-15.9	-12.9	-12.3	-11.3	-10.4
Gabon	-13.3	-11.2	-9.3	-12.1	-11.4	-12.5	-13.0	-9.8	-10.0	-9.4	-9.4	-9.5	-9.7
CEMAC	-11.7	-9.9	-9.9	-9.6	-9.3	-10.4	-10.3	-8.1	-8.4	-7.1	-6.5	-6.1	-5.9
Non-oil fiscal balance (including grants)													
Cameroon	-6.8	-4.8	-6.0	-5.1	-5.1	-5.5	-4.9	-3.4	-3.6	-2.9	-2.0	-2.3	-2.5
Central African Republic	-1.1	-1.0	1.4	-3.4	-6.0	-5.7	-5.3	-3.0	-3.0	-2.4	-1.7	0.1	0.0
Chad	-4.5	-4.4	-6.6	-8.2	-11.8	-10.9	-11.9	-8.8	-8.5	-7.6	-7.0	-5.4	-4.8
Congo, Republic of	-20.4	-18.0	-18.9	-13.2	-16.1	-19.2	-19.4	-16.8	-14.1	-12.5	-12.6	-11.9	-10.1
Equatorial Guinea	-21.9	-21.1	-17.4	-15.4	-11.9	-13.3	-13.7	-11.4	-15.9	-12.9	-12.3	-11.3	-10.4
Gabon	-12.0	-9.6	-8.2	-12.1	-11.2	-11.7	-12.2	-9.4	-9.6	-9.4	-9.4	-9.5	-9.7
CEMAC	-10.6	-8.8	-8.8	-8.4	-8.7	-9.4	-9.5	-7.2	-7.5	-6.4	-5.8	-5.5	-5.3
Basic balance 1/													
Cameroon	-1.4	0.6	0.2	-1.2	-1.2	0.4	1.1	2.1	1.5	1.6	2.0	1.6	1.1
Central African Republic	-2.4	-2.1	-3.9	-6.9	-5.4	-5.2	-4.9	-4.2	-4.1	-3.4	-3.0	-2.4	-2.2
Chad	-1.5	1.2	0.3	1.4	-1.7	7.9	8.7	9.6	11.2	6.6	5.2	5.2	5.5
Congo, Republic of	-3.1	9.9	9.3	-1.4	3.1	11.9	14.3	11.1	8.3	8.6	6.7	5.7	6.0
Equatorial Guinea	-3.4	0.7	2.5	-2.2	3.2	5.1	9.5	5.4	1.3	0.1	-1.8	-1.7	-1.9
Gabon	-1.4	2.3	4.8	-1.6	-2.0	4.7	3.7	4.2	1.6	1.5	0.4	-0.7	-1.5
CEMAC	-1.9	1.8	2.0	-1.2	-0.5	3.5	4.7	4.4	3.1	2.6	2.1	1.7	1.4
Non-oil primary fiscal balance (including grants)													
Cameroon	-5.9	-3.9	-4.9	-4.3	-4.1	-4.6	-4.1	-2.2	-2.5	-1.7	-1.0	-1.3	-1.5
Central African Republic	-0.7	-0.6	1.8	-3.1	-5.7	-5.3	-4.9	-2.5	-2.5	-1.7	-0.9	0.9	0.8
Chad	-2.5	-3.0	-5.3	-7.1	-10.3	-8.7	-9.9	-7.2	-7.2	-6.4	-5.5	-4.5	-4.0
Congo, Republic of	-18.3	-15.0	-14.1	-11.8	-13.4	-15.7	-15.7	-13.3	-10.8	-9.2	-9.3	-8.6	-7.0
Equatorial Guinea	-21.3	-20.2	-16.3	-13.7	-10.6	-11.7	-12.5	-9.9	-13.9	-11.1	-10.5	-9.7	-8.9
Gabon	-9.7	-7.6	-5.9	-7.5	-6.9	-7.2	-7.8	-4.7	-5.0	-5.0	-5.0	-5.0	-5.0
CEMAC	-9.3	-7.4	-7.2	-6.8	-7.0	-7.6	-7.7	-5.2	-5.5	-4.5	-3.9	-3.7	-3.5
Government revenue (excluding grants)													
Cameroon	14.7	15.7	15.4	13.6	14.1	16.2	16.6	16.1	15.8	15.3	15.0	15.0	15.2
Central African Republic	7.8	8.9	8.7	9.2	8.8	7.7	7.8	7.8	7.9	8.8	9.9	10.5	10.7
Chad	12.9	14.9	15.7	19.8	19.4	27.5	30.8	28.3	29.5	23.7	22.1	20.8	20.5
Congo, Republic of	27.2	39.5	38.1	22.3	28.4	41.4	44.0	39.0	33.1	32.5	31.0	29.9	29.2
Equatorial Guinea	23.1	26.8	25.0	17.7	18.9	21.8	26.2	20.6	21.2	17.3	14.9	14.6	13.6
Gabon	23.6	25.1	29.3	23.7	23.0	32.4	31.4	29.7	27.2	26.3	25.3	24.3	23.8
CEMAC	18.1	20.7	20.9	17.0	18.0	22.9	24.3	22.1	21.2	19.7	18.9	18.4	18.3
Government expenditure (including net lending)													
Cameroon	19.9	18.6	19.4	17.0	17.5	18.8	18.2	17.0	17.2	16.6	16.0	16.4	16.8
Central African Republic	13.9	17.6	16.9	25.1	19.7	18.0	17.6	16.8	16.8	16.9	18.0	17.6	17.6
Chad	18.0	16.5	18.0	22.3	23.0	24.2	24.1	23.4	22.3	21.0	20.7	19.1	18.6
Congo, Republic of	35.2	30.6	32.3	25.4	26.9	33.0	32.3	32.1	28.4	27.1	27.5	27.3	25.6
Equatorial Guinea	26.6	26.1	22.6	19.9	15.6	16.7	16.6	15.3	19.9	17.1	16.7	16.3	15.6
Gabon	27.4	27.0	27.3	26.6	26.1	28.8	28.7	26.9	27.0	26.4	26.4	26.5	26.8
CEMAC	23.2	21.8	22.1	20.5	20.3	22.0	21.6	20.4	20.7	19.7	19.4	19.3	19.3
Non-oil revenues (excluding grants)													
Cameroon	12.8	13.4	12.8	11.7	12.2	12.8	12.9	13.3	13.2	13.5	13.7	14.0	14.2
Central African Republic	7.8	8.9	8.7	9.2	8.8	7.7	7.8	7.8	7.9	8.8	9.9	10.5	10.7
Chad	8.7	8.1	9.3	9.1	9.6	10.0	10.0	10.3	10.3	10.8	11.1	11.3	11.5
Congo, Republic of	14.2	12.5	12.3	10.4	10.3	13.1	12.0	14.1	13.2	13.7	13.9	14.3	14.5
Equatorial Guinea	4.7	5.0	5.2	4.5	3.7	3.4	3.0	3.9	4.0	4.2	4.4	5.0	5.2
Gabon	14.1	15.8	18.0	14.6	14.6	16.3	15.8	17.1	17.0	17.0	17.0	17.0	17.0
CEMAC	11.5	11.9	12.2	10.9	11.0	11.6	11.4	12.3	12.3	12.6	12.9	13.2	13.4

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

Note 1:The CEMAC countries produce and disseminate Government Finance Statistics Manual 2014 format TOFE (Tableau des Opérations Financières de l'Etat) covering the Budgetary Central Government (BCG), while only Congo has expanded the TOFE coverage beyond BCG.

Note 2: Member countries are reported in domestic GDP. CEMAC aggregates are not weighted.

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

2/ Refers to the projection published in the IMF Country Report No 23/01.

Table 4a. CEMAC: Balance of Payments, 2017–27
(Billions of CFA Francs)

	2016	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Est.	Est.	SR 23/01 1/	Est.	SR 23/01 1/	Proj.	Proj.	Proj.	Proj.	Proj.
							(Billions of CFA Francs)							
Current account balance	-6,884	-2,737	-878	-605	-1,472	-1,151	1,089	1,558	-820	-1,652	-2,232	-2,620	-2,800	-2,892
Balance on goods and services	-4,318	-555	2,182	2,111	-351	2,360	6,367	6,357	4,146	1,828	1,296	615	281	76
Total exports	13,484	15,938	19,469	19,195	13,738	18,998	27,083	27,258	25,725	22,471	22,480	22,263	22,587	23,347
Exports of goods	11,576	13,723	17,222	16,841	11,721	16,998	24,777	24,761	23,291	19,741	19,561	19,104	19,198	19,709
Oil exports	7,841	9,351	12,716	12,772	7,982	11,962	19,091	19,324	17,379	14,008	13,501	12,499	12,069	11,913
Non-oil exports	3,736	4,372	4,506	4,069	3,738	5,036	5,686	5,437	5,912	5,733	6,060	6,605	7,129	7,795
Exports of services	1,908	2,215	2,247	2,354	2,017	2,000	2,307	2,497	2,434	2,730	2,919	3,158	3,388	3,639
Total imports	17,802	16,492	17,287	17,084	14,089	16,639	20,716	20,901	21,580	20,643	21,184	21,648	22,305	23,272
Imports of goods	11,618	9,847	10,117	10,528	8,827	10,065	12,320	12,509	12,805	12,447	12,645	12,950	13,553	14,320
Imports of services	6,184	6,645	7,169	6,556	5,262	6,574	8,396	8,392	8,775	8,196	8,538	8,698	8,753	8,952
Income, net	-2,648	-2,233	-3,466	-3,207	-1,804	-4,049	-5,738	-5,348	-5,478	-4,116	-4,039	-3,830	-3,675	-3,589
Income credits	206	243	293	292	224	213	278	281	293	293	322	318	334	349
Income debits	2,854	2,477	3,759	3,499	2,028	4,262	6,016	5,629	5,770	4,409	4,361	4,148	4,009	3,938
Investment income, debit	-2,180	-1,779	-3,027	-2,685	-1,225	-3,522	-5,024	-4,640	-4,853	-3,536	-3,502	-3,297	-3,122	-3,034
of which: Interest paid on public debt	-354	-279	-314	-441	-219	-307	-312	-337	-321	-300	-310	-311	-264	-281
of which: Interest paid on nonpublic debt	-98	-171	-1,035	-12	-271	-118	-58	61	-40	-100	-135	-151	-151	-151
Current transfers, net	78	12	369	411	683	538	459	549	512	636	512	595	594	622
Private current transfers, net	-20	-68	268	263	434	396	197	310	241	393	381	401	416	428
Official current transfers, net	98	80	101	148	249	142	262	239	270	243	131	194	178	194
Capital and financial account balance	3,376	2,413	1,235	1,140	128	1,361	-864	-209	1,275	1,433	2,246	2,983	3,398	3,585
Capital account balance (incl. capital transfers)	172	357	205	299	257	163	261	211	272	240	289	318	327	330
Financial account balance (incl. reserves)	3,205	2,056	1,030	841	-129	1,198	-1,125	-420	1,003	1,193	1,957	2,665	3,071	3,255
Direct investment, net 2/	3,849	1,864	1,713	879	1,071	1,963	2,347	3,100	2,554	2,766	2,863	3,158	3,290	3,405
Portfolio investment, net	25	31	160	355	435	241	139	143	115	143	155	166	169	172
Other investment, net	-670	160	-842	-393	-1,635	-1,006	-3,611	-3,663	-1,665	-1,715	-1,061	-658	-388	-323
of which: Long-term other investment, net	791	1,265	465	496	-48	605	-1,308	-902	-746	-515	-116	-11	89	437
of which: SDR						-797								
Errors and omissions, net	86	-498	-818	-775	-760	-635	0	0	0	0	0	0	0	0
Overall Balance	-3,421	-822	-460	-240	-2,104	-426	225	1,349	455	-219	14	364	598	694
Financing	3,421	822	460	240	2,104	426	-225	-1,349	-455	219	-14	-364	-598	-694
Reserve assets (accumulation -) 3/	2,896	-231	-592	-539	89	-400	-1,348	-1,791	-912	-379	-369	-251	-435	-449
of which: SDRs						-797								
Exceptional financing	526	1,053	1,052	779	2,015	825	1,123	442	458	598	355	-112	-163	-245
IMF financing	21	321	281	251	577	151	391	371	378	348	255	…	…	…
of which: under IMF program	…	…	…	…	…	81	211	210	184	266	135	…	…	…
of which: potential new program	…	…	…	…	…	38	162	143	180	83	120	…	…	…
Budget support (excl. IMF)	0	798	684	665	451	29	368	319	386	385	516	…	…	…
Other external financing	66	35	86	-136	987	424	-31	-217	-1	-1	-1	…	…	…
Commercial	0	0	0	-79	595	456	0	0	0	0	0	…	…	…
Other exceptional financing	66	35	86	-57	392	-32	-31	-217	-1	-1	-1	…	…	…
Residual gap	0	-101	2	-2	0	221	395	-31	-307	-135	-416	-112	-163	-245
of which: IMF financing under proposed new arrangements	…	…	…	…	…	0	0	0	0	0	0	…	…	…
Memorandum items:														
Nominal GDP	48,617	50,644	54,424	55,723	52,271	58,565	67,277	67,654	69,692	67,115	71,078	74,596	78,652	83,083
Gross foreign assets (end of period)														
Billions CFAF	3,093	3,218	3,777	4,362	4,193	4,677	6,083	6,854	7,043	7,008	7,377	7,628	8,063	8,512
Months of imports of goods and services	2.2	2.3	2.8	3.7	3.2	3.0	3.5	4.1	3.9	4.1	4.2	4.2	4.3	4.3
Oil prices (U.S. dollars per barrel, brent)	45.1	54.9	71.6	64.2	43.3	70.8	98.2	99.0	85.5	75.4	71.3	69.4	68.0	66.7

Sources: BEAC; and IMF staff estimates and projections.
1/ Refers to the projection published in the IMF Country Report No 23/01.
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.	Est.	SR 23/01 1/	Est.	SR 23/01 1/	Proj.	Proj.	Proj.	Proj.	Proj.
							(In percent of GDP)						
Current account balance	-5.4	-1.6	-1.1	-2.8	-2.0	1.6	2.3	-1.2	-2.5	-3.1	-3.5	-3.6	-3.5
Balance on goods and services	-1.1	4.0	3.8	-0.7	4.0	9.5	9.4	5.9	2.7	1.8	0.8	0.4	0.1
Total exports	31.5	35.8	34.4	26.3	32.4	40.3	40.3	36.9	33.5	31.6	29.8	28.7	28.1
Exports of goods	27.1	31.6	30.2	22.4	29.0	36.8	36.6	33.4	29.4	27.5	25.6	24.4	23.7
Oil exports	18.5	23.4	22.9	15.3	20.4	28.4	28.6	24.9	20.9	19.0	16.8	15.3	14.3
Non-oil exports	8.6	8.3	7.3	7.2	8.6	8.5	8.0	8.5	8.5	8.5	8.9	9.1	9.4
Exports of services	4.4	4.1	4.2	3.9	3.4	3.4	3.7	3.5	4.1	4.1	4.2	4.3	4.4
Total imports	32.6	31.8	30.7	27.0	28.4	30.8	30.9	31.0	30.8	29.8	29.0	28.4	28.0
Imports of goods	19.4	18.6	18.9	16.9	17.2	18.3	18.5	18.4	18.5	17.8	17.4	17.2	17.2
Imports of services	13.1	13.2	11.8	10.1	11.2	12.5	12.4	12.6	12.2	12.0	11.7	11.1	10.8
Income, net	-4.4	-6.4	-5.8	-3.5	-6.9	-8.5	-7.9	-7.9	-6.1	-5.7	-5.1	-4.7	-4.3
Income credits	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4
Income debits	4.9	6.9	6.3	3.9	7.3	8.9	8.3	8.3	6.6	6.1	5.6	5.1	4.7
Investment income, debit	-3.5	-5.6	-4.8	-2.3	-6.0	-7.5	-6.9	-7.0	-5.3	-4.9	-4.4	-4.0	-3.7
of which: Interest paid on public debt	-0.6	-0.6	-0.8	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.3
of which: Interest paid on nonpublic	-0.3	-1.9	0.0	-0.5	-0.2	-0.1	0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
Current transfers, net	0.0	0.7	0.7	1.3	0.9	0.7	0.8	0.7	0.9	0.7	0.8	0.8	0.7
Private current transfers, net	-0.1	0.5	0.5	0.8	0.7	0.3	0.5	0.3	0.6	0.5	0.5	0.5	0.5
Official current transfers, net	0.2	0.2	0.3	0.5	0.2	0.4	0.4	0.4	0.4	0.2	0.3	0.2	0.2
Capital and financial account balance	4.8	2.3	2.0	0.2	2.3	-1.3	-0.3	1.8	2.1	3.2	4.0	4.3	4.3
Capital account balance (incl. capital	0.7	0.4	0.5	0.5	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Financial account balance (incl. reserves)	4.1	1.9	1.5	-0.2	2.0	-1.7	-0.6	1.4	1.8	2.8	3.6	3.9	3.9
Direct investment, net 2/	3.7	3.1	1.6	2.0	3.4	3.5	4.6	3.7	4.1	4.0	4.2	4.2	4.1
Portfolio investment, net	0.1	0.3	0.6	0.8	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other investment, net	0.3	-1.5	-0.7	-3.1	-1.7	-5.4	-5.4	-2.4	-2.6	-1.5	-0.9	-0.5	-0.4
of which: Long-term other investment, net	2.5	0.9	0.9	-0.1	1.0	-1.9	-1.3	-1.1	-0.8	-0.2	0.0	0.1	0.5
of which: SDR													
Errors and omissions, net	-1.0	-1.5	-1.4	-1.5	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-1.6	-0.8	-0.4	-4.0	-0.7	0.3	2.0	0.7	-0.3	0.0	0.5	0.8	0.8
Financing	1.6	0.8	0.4	4.0	0.7	-0.3	-2.0	-0.7	0.3	0.0	-0.5	-0.8	-0.8
Reserve assets (accumulation -) 3/	-0.5	-1.1	-1.0	0.2	-0.7	-2.0	-2.6	-1.3	-0.6	-0.5	-0.3	-0.6	-0.5
of which: SDRs					-1.4								
Exceptional financing	2.1	1.9	1.4	3.9	1.4	1.7	0.7	0.7	0.9	0.5	-0.2	-0.2	-0.3
IMF financing	0.6	0.5	0.5	1.1	0.3	0.6	0.5	0.5	0.5	0.4	…	…	…
Budget support (excl. IMF)	1.6	1.3	1.2	0.9	0.0	0.5	0.5	0.6	0.6	0.7	…	…	…
Other exceptional financing	0.1	0.2	-0.1	0.8	-0.1	0.0	-0.3	0.0	0.0	0.0	…	…	…
Residual gap	-0.2	0.0	0.0	0.0	0.4	0.6	0.0	-0.4	-0.2	-0.6	-0.2	-0.2	-0.3
Memorandum items:													
Nominal GDP	50,644	54,424	55,723	52,271	58,565	67,277	67,654	69,692	67,115	71,078	74,596	78,652	83,083

Sources: BEAC; and IMF staff estimates and projections.

1/ Refers to the projection published in the IMF Country Report No 23/01.

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

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

Table 5. CEMAC: Monetary Survey, 2017–27
(Billions of CFA Francs, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2022'	2022	2023	2023'	2023	2023'	2023	2024	2025	2026	2027
						Jun		Dec	Mar	Jun	Jun						
	Est.	Est.	Est.	Est.	Est.	Est.	SR 23/01 2/	Est.	Proj.	SR 23/01 2/	Proj.	SR 23/01 2/	Proj.	Proj.	Proj.	Proj.	Proj.
(Billions CFA Francs)																	
Net foreign assets	2,322	2,509	2,667	1,871	1,186	1,839	2,441	2,864	3,262	2,873	3,322	3,183	2,768	3,223	3,768	4,529	5,412
Of which: BEAC	2,131	2,379	2,730	1,980	1,420	2,091	2,324	3,169	3,000	2,581	3,125	3,000	3,134	3,442	3,918	4,630	5,431
Foreign assets	3,218	3,777	4,362	4,193	4,677	5,612	6,083	6,854	7,043	6,576	6,910	7,043	7,008	7,377	7,628	8,063	8,512
Of which: SDR					501	366	358	358	430	358	358	358	358	358	358	358	358
Of which: Operations account	2,552	3,360	3,740	3,633	2,339	2,806	3,042	3,427	3,522	3,288	3,455	3,522	3,504	3,688	3,814	4,032	4,256
Foreign liabilities	-1,088	-1,398	-1,632	-2,213	-3,257	-3,521	-3,759	-3,685	-4,043	-3,995	-3,785	-4,043	-3,874	-3,935	-3,711	-3,433	-3,081
Of which: SDR					-501	-501	-358	-358	-430	-358	-358	-358	-358	-358	-358	-358	-358
Commercial banks	191	130	-63	-109	-234	-252	117	-304	262	292	197	183	-366	-218	-150	-101	-19
Foreign assets	802	735	526	423	423	521	747	609	1,177	955	1,091	867	598	664	753	819	900
Foreign liabilities 1/	-611	-605	-589	-532	-657	-773	-630	-913	-915	-663	-894	-683	-963	-882	-903	-920	-920
Net domestic assets	8,190	8,854	9,364	11,490	13,860	13,523	13,991	14,211	13,748	14,644	13,151	14,473	15,722	17,053	17,784	18,378	18,958
Net credit to government	2,937	3,464	4,266	6,385	7,494	6,925	7,944	7,815	7,465	7,617	7,431	7,370	8,051	8,077	8,161	8,081	8,001
BEAC, net	1,946	2,209	2,469	3,348	3,958	3,441	3,746	3,390	3,305	3,434	3,391	3,258	3,007	2,536	1,881	1,331	608
Of which:																	
Advances and consolidated debt	2,770	2,773	2,772	2,770	2,772	2,772	2,772	2,772	2,723	2,714	2,772	2,714	2,772	2,772	2,734	2,696	2,658
IMF lending	491	798	1,020	1,528	1,849	2,159	2,266	2,263	2,306	2,378	2,446	2,538	2,690	2,742	2,502	2,219	1,861
Consolidated debt																	
Other	0	0	0	0	425	428	428	409	421	428	409	428	409	409	409	409	409
Government deposits	-1,316	-1,363	-1,323	-951	-1,087	-1,917	-1,719	-2,054	-2,146	-2,085	-2,236	-2,421	-2,863	-3,387	-3,765	-3,993	-4,320
Commercial banks, net 3/	991	1,256	1,798	3,037	3,535	3,484	4,198	4,425	4,161	4,183	4,041	4,112	5,044	5,541	6,280	6,751	7,392
Of which: Government deposits	873	781	794	925	987	1,264	-	1,106	-	-	-	-	-	-	-	-	-
Net credit to public agencies	-371	-280	-281	-229	-258	-335	-312	-257	-152	-283	-332	-305	-249	-228	-220	-226	-201
Credit to private sector	6,955	7,243	6,988	6,994	7,815	8,360	8,759	8,550	7,399	8,869	7,734	9,786	10,348	11,306	12,071	12,758	13,687
Other items, net	-1,331	-1,573	-1,609	-1,660	-1,190	-1,427	-2,400	-1,896	-964	-1,558	-1,682	-2,379	-2,428	-2,101	-2,229	-2,235	-2,529
Broad money	10,512	11,363	12,031	13,361	15,046	15,361	16,432	17,075	17,011	17,517	16,473	17,656	18,490	20,277	21,552	22,906	24,370
Currency outside banks	2,436	2,577	2,752	3,116	3,676	3,610	4,120	3,843	4,414	4,130	3,618	4,414	4,150	4,482	4,763	5,063	5,386
Bank deposits	8,076	8,787	9,279	10,245	11,370	11,751	12,312	13,233	12,597	13,387	12,856	13,242	14,341	15,795	16,788	17,844	18,984
(Annual change in percent of beginning-of-period broad money)																	
Net foreign assets	-0.9	1.8	1.4	-6.6	-5.1	-0.2	8.3	11.2	12.5	2.6	9.7	4.5	-0.6	2.5	2.7	3.5	3.9
Net domestic assets	0.5	6.3	4.5	17.7	17.7	9.5	0.9	2.3	0.3	4.0	-2.4	2.9	8.8	7.2	3.6	2.8	2.5
Net credit to government	2.4	5.0	7.1	17.6	8.3	-1.3	3.0	2.1	3.1	-2.0	3.3	-3.5	1.4	0.1	0.4	-0.4	-0.4
Net credit to the private sector	-1.2	2.7	-2.2	0.1	6.2	9.8	6.3	4.9	-2.6	0.7	-4.1	6.3	10.5	5.2	3.8	3.2	4.1
Other items, net	-1.1	-2.3	-0.3	-0.4	3.5	2.8	-8.0	-4.7	-0.5	5.1	-1.7	0.1	-3.1	1.8	-0.6	0.0	-1.3
Broad money	-0.4	8.1	5.9	11.1	12.6	9.2	9.2	13.5	12.8	6.6	7.2	7.4	8.3	9.7	6.3	6.3	6.4
Velocity (GDP/broad money)	4.8	4.8	4.6	3.9	3.9	4.4	4.1	4.0	3.9	4.0	4.1	3.9	3.6	3.5	3.5	3.4	3.2
(Percent of GDP)																	
Broad money	20.8	20.9	21.6	25.6	25.7	24.3	24.4	25.2	25.3	25.1	24.5	25.3	27.6	28.5	28.9	29.1	31.0
Private bank deposits	11.5	11.6	12.0	14.1	14.0	13.4	13.2	14.1	13.5	13.8	13.8	13.7	15.4	16.0	16.2	16.3	17.4
Net credit to the private sector	13.7	13.3	12.5	13.4	13.3	13.2	13.0	12.6	11.0	12.7	11.5	14.0	15.4	15.9	16.2	16.2	17.4

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 23/01.

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

Table 6. CEMAC: Compliance with Convergence Criteria, 2017–27

(Percent of GDP unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022'	2022	2023'	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Est.	Est.	SR 23/01 4/	Est.	SR 23/01 4/	Proj.	Proj.	Proj.	Proj.	Proj.
Reference fiscal balance (fiscal balance before 2016) 1/							(in percent of GDP)							
Cameroon	-3.7	-4.2	-2.8	-4.1	-3.2	-3.1	-3.6	-3.0	-1.4	-1.6	-0.6	0.1	-0.8	-1.4
Central African Republic	-2.0	-1.1	-1.0	1.4	-3.4	-6.0	-5.7	-5.3	-3.0	-3.0	-2.4	-1.7	-0.9	-1.8
Chad	-2.7	0.5	-0.8	-2.1	-3.3	-4.2	-2.3	-3.1	1.3	2.0	4.2	5.2	4.7	3.2
Congo, Republic of	-10.3	-2.5	-2.3	-2.1	0.1	-1.4	-2.6	-3.1	-0.3	1.6	4.2	4.0	2.0	2.6
Equatorial Guinea	-10.9	-1.5	-2.6	-1.5	-0.3	1.4	0.4	-0.4	0.8	-1.9	1.0	0.6	-1.0	-1.7
Gabon	-1.8	-2.1	-2.5	-1.4	-3.5	-1.7	-1.2	-1.7	0.3	-0.6	-0.6	-0.6	-1.7	-2.4
Number of countries violating	6	4	4	4	4	4	4	5	1	3	1	1	1	0
Consumer price inflation (≤ 3%)							(in percent)							
Cameroon	0.9	0.6	1.1	2.5	2.5	2.3	4.6	6.3	2.8	6.2	4.8	3.0	2.3	2.0
Central African Republic	4.9	4.2	1.6	2.8	0.9	4.3	6.5	5.8	6.3	6.3	2.7	2.8	2.5	2.5
Chad	-1.6	-0.9	4.0	-1.0	4.5	-0.8	5.3	5.8	3.4	4.1	3.0	3.0	3.0	3.0
Congo, Republic of	3.2	0.4	1.2	0.4	1.4	2.0	3.5	3.0	3.3	3.5	3.2	3.0	3.0	3.0
Equatorial Guinea	1.4	0.7	1.3	1.2	4.8	-0.1	5.1	4.8	5.7	4.2	3.7	3.2	2.8	2.3
Gabon	2.1	2.7	4.8	2.0	1.7	1.1	3.8	4.3	3.0	3.3	2.4	2.1	2.3	2.6
Number of countries violating	2	1	2	0	2	1	6	5	4.0	6	3	2	0	0
Level of public debt (≤ 70% GDP)							(in percent of GDP)							
Cameroon	32.1	36.5	38.3	41.6	44.9	46.8	46.9	46.7	43.7	44.0	41.5	39.1	37.5	36.2
Central African Republic	53.9	50.3	50.0	47.1	43.4	47.6	54.8	51.9	51.6	50.4	49.5	48.5	45.8	43.2
Chad	49.6	48.3	54.3	52.2	58.7	47.0	49.5	43.3	42.2	41.7	38.0	35.1	31.8	30.6
Congo, Republic of	84.6	88.5	71.2	77.6	102.5	97.8	103.0	90.5	96.4	91.3	84.7	80.7	76.3	71.3
Equatorial Guinea	41.1	36.2	41.2	43.2	48.4	42.6	27.1	29.1	26.5	28.7	27.9	27.9	26.4	24.3
Gabon	64.2	62.9	61.1	60.0	78.3	66.2	55.4	57.5	52.6	62.0	60.1	58.8	58.0	58.3
Number of countries violating	1	1	1	1	2	1	1	1	1	1	1	1	1	0
Non-accumulation of government arrears (≤ 0) 2/							(in percent of GDP)							
Cameroon	…	1.3	-2.0	0.3	-0.3	0.4	-0.7	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Central African Republic	-5.3	-8.0	-2.3	-3.5	-2.0	-0.6	-0.4	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Chad	0.7	0.5	-1.1	6.3	-1.0	-1.7	-1.7	-1.9	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1
Congo, Republic of	1.6	11.3	5.6	-4.9	10.2	-6.7	-5.5	-4.9	-3.8	3.2	-4.1	-2.7	0.0	0.0
Equatorial Guinea	5.4	-3.5	-1.1	-0.1	0.4	-3.0	-4.3	-4.2	0.0	0.0	0.0	0.0	0.0	0.0
Gabon	…	-5.1	-1.5	-1.1	1.9	-0.9	-1.8	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of countries violating 3/	3	3	1	0	3	1	0	0	0.0	1	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 23/01.

Table 7. CEMAC: Summary Accounts of Central Bank, 2017–27

(Billions of CFA Francs, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022'	2022	2023'	2023'	2023	2023'	2023	2024	2025	2026	2027
								Mar	Jun	Jun						
	Est.	Est.	Est.	Est.	Est.	SR 23/01 2/	Est.	Est.	SR 23/01 2/	Proj.	SR 23/01 2/	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	2,131	2,379	2,730	1,980	1,420	2,324	3,169	3,135	2,581	3,125	3,000	3,134	3,442	3,918	4,630	5,431
Assets 1/	3,218	3,777	4,362	4,193	4,677	6,083	6,854	6,782	6,576	6,910	7,043	7,008	7,377	7,628	8,063	8,512
Unallocated	638	452	308	101	388	431	477	253	431	253	431	253	253	253	253	253
Cameroon	1,770	2,004	2,199	2,153	2,522	2,967	3,191	3,250	3,064	3,288	3,204	3,198	3,226	3,213	3,286	3,319
CAR	206	215	214	242	292	158	197	187	196	176	97	159	126	116	124	152
Congo	216	251	617	643	551	543	578	649	654	719	765	861	1,151	1,375	1,637	1,965
Gabon	537	766	813	808	766	999	882	895	1,105	909	1,211	935	986	996	991	928
EG	-31	-5	21	30	26	540	897	892	581	887	622	877	849	871	894	921
Chad	-117	93	191	216	134	445	633	656	545	679	712	725	786	804	877	975
Of which:																
Operations account	2,552	3,360	3,740	3,633	2,339	3,042	3,427	3,391	3,288	3,455	3,522	3,504	3,688	3,814	4,032	4,256
Liabilities	-1,088	-1,398	-1,632	-2,213	-3,257	-3,759	-3,685	-3,646	-3,995	-3,785	-4,043	-3,874	-3,935	-3,711	-3,433	-3,081
Unallocated 4/	-17	-16	80	233	64	22	142	375	22	375	22	375	375	375	375	375
Cameroon	-448	-529	-546	-809	-1,171	-1,286	-1,337	-1,449	-1,345	-1,449	-1,345	-1,449	-1,442	-1,362	-1,227	-1,069
CAR	-132	-163	-177	-193	-303	-298	-306	-302	-298	-307	-297	-318	-327	-337	-332	-302
Congo	-96	-89	-138	-203	-277	-386	-433	-486	-468	-513	-496	-540	-593	-588	-586	-577
Gabon	-230	-348	-428	-577	-831	-969	-924	-953	-1,029	-982	-1,059	-938	-868	-760	-687	-604
EG	-24	-26	-146	-297	-209	-228	-213	-215	-228	-215	-232	-232	-257	-274	-277	-275
Chad	-140	-227	-276	-366	-529	-614	-615	-615	-649	-694	-636	-773	-822	-766	-699	-629
Net domestic assets	2,066	2,316	2,316	3,459	4,563	4,354	3,987	4,259	4,226	4,489	4,176	4,194	4,199	4,104	3,896	3,639
Net credit to government	1,946	2,209	2,469	3,348	3,958	3,746	3,390	3,305	3,434	3,391	3,258	3,007	2,536	1,881	1,331	608
Claims	3,261	3,571	3,792	4,299	5,046	5,465	5,444	5,451	5,519	5,627	5,679	5,871	5,923	5,645	5,324	4,929
Advances and consolidated debt	2,770	2,773	2,772	2,770	2,772	2,772	2,772	2,723	2,714	2,772	2,714	2,772	2,772	2,734	2,696	2,658
Advances				2,773	2,772	2,772	2,772	2,723	2,714	2,772	2,714	2,772				
IMF credit	491	798	1,020	1,528	1,849	2,266	2,263	2,306	2,378	2,446	2,538	2,690	2,742	2,502	2,219	1,861
Government deposits	-1,316	-1,362.6	-1,323.1	-951	-1,087	-1,719	-2,054	-2,146	-2,085	-2,236	-2,421	-2,863	-3,387	-3,765	-3,993	-4,320
Net claims on financial institutions 3/	440	432	274	377	669	678	460	640	925	857	992	1,038	1,504	2,054	2,386	2,840
Fogadac reclassification as domestic liability						138	138	138	138	138	138	138	138	138	138	138
Other items, net	-319	-324	-426	-266	-65	-70	138	315	-133	241	-75	149	159	169	180	191
Base money	4,197	4,695	5,046	5,439	5,982	6,678	7,156	7,394	6,807	7,614	7,175	7,328	7,641	8,022	8,526	9,071
Currency in circulation	2,436	2,577	2,752	3,116	3,676	4,120	3,843	3,572	4,130	3,618	4,414	4,150	4,482	4,763	5,063	5,386
Banks' reserves	1,717	2,050	2,222	2,245	2,212	2,551	3,029	2,391	2,674	2,409	2,738	3,276	3,553	3,776	4,013	4,270
o.w. Required reserves	442	569	700	743	825	893	960	930	971	867	961	1,040	1,146	1,218	1,295	1,377
Excess reserves	977	1,125	1,160	1,145	1,038	1,279	1,650	1,113	1,325	1,194	1,370	1,781	1,906	2,026	2,153	2,291
Cash in vaults	297	356	363	357	349	378	419	348	378	348	407	454	501	532	565	602
Others	44	68	72	78	94	8	284	1,431	3	1,587	24	-98	-393	-518	-550	-586
Memorandum items:																
Reserve coverage of broad money (in percent)	30.6	33.2	36.3	31.4	31.1	37	40.1	39.9	37	41.9	40	37.9	36.4	35.4	35.2	34.9
Base money/deposits (in percent)	52.0	53.4	54.4	53.1	52.6	54	54.1	58.7	51	59.2	54	51.1	48.4	47.8	47.8	47.8

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 23/01.

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'	2022	2023	2023'	2023	2023'	2023'	2024	2025	2026	202
								Mar	June	June						
	Est.	Est.	Est.	Est.	Est.	SR 23/01 1/	Est.	Est.	SR 23/01 1/	Proj.	SR 23/01 1/	Proj.	Proj.	Proj.	Proj.	Pro
BEAC's net foreign assets																
Stock	2,131	2,379	2,730	1,980	1,420	2,324	3,169	3,135	2,581	3,125	3,000	3,134	3,442	3,918	4,630	5,43
Change since end of previous year	-123	248	348	-750	-561	904	1,749	-33	257	-43	676	-35	308	476	712	80
o.w. Cameroon	216	152	179	-309	7	330	503	-53	38	-16	178	-105	35	68	207	19
Central African Republic	35	-22	-15	12	-60	-129	-98	-7	38	-22	-60	-50	-42	-19	13	5
Congo	-207	43	313	-38	-167	-116	-128	18	28	62	112	177	236	230	264	33
Gabon	-64	111	-34	-154	-297	96	24	-16	46	-32	123	38	121	119	67	2
Equatorial Guinea	-43	25	-95	-143	84	496	867	-7	41	-12	78	-39	-53	4	22	2
Chad	45	123	48	-65	-245	226	413	23	65	-32	245	-65	11	74	140	16
Unallocated	-105	-185	-49	-53	118	0	167	9	0	9	0	9	0	0	0	

Sources: BEAC; and IMF staff projections.

1/ Refers to the projections published in the IMF Country Report No 23/01.

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

(Billions of CFA Francs)

	2017	2018	2019	2020	2021	2022		2023			
	Est.	Est.	Est.	Est.	Est.	SR 23/01 2/	Est.	Proj. H1	Proj. H2	SR 23/01 2/	Proj.
1. External financing needs 1/	**1155**	**1213**	**781**	**2020**	**630**	**734**	**471**	**406**	**390**	**763**	**797**
2. Net IMF Financing	**321**	**281**	**251**	**577**	**151**	**391**	**371**	**201**	**147**	**378**	**348**
3. Budget suport from other donors	**798**	**684**	**665**	**451**	**29**	**368**	**319**	**130**	**255**	**386**	**385**
World Bank	261	50	291	123	0	84	93	25	151	191	175
African development Bank	338	270	184	220	13	102	116	49	88	91	137
European Union	45	57	16	68	3	4	4	0	3	20	3
France	154	149	174	11	13	104	104	56	13	69	69
Other 3/	1	158	0	29	0	75	2	0	0	15	0
4. Commercial borrowing	**0**	**0**	**-79**	**595**	**456**	**0**	**0**	**0**	**0**	**0**	**0**
5. Debt relief	**0**	**0**	**0**	**285**	**104**	**7**	**7**	**0**	**-1**	**-1**	**-1**
6. External arrears	**0**	**0**	**67**	**29**	**-57**	**-38**	**-1**	**0**	**-35**	**0**	**-35**
7. Residual financing gap	**-1**	**161**	**0**	**4**	**113**	**0**	**-252**	**0**	**0**	**0**	**0**

1/ After projected/targeted change in gross reserves.

2/ Refers to the projections of the IMF SR 23/01.

3/ Includes external financing from the BDEAC in CFAF.

Annex I. Fuel Subsidy Reforms in CEMAC

Most CEMAC member countries have started phasing out fuel subsidies. This movement came as global oil prices soared amid the fallout from the war in Ukraine, sparking a surge in subsidy costs that was so sizable and prolonged that it laid bare the unsustainability of untargeted fuel subsidies.

- **Cameroon**. In early February 2023, the government increased domestic retail fuel prices (diesel and gasoline by 25 percent and 16 percent, respectively; and 60 percent on kerosene), the first time in seven years–along with social mitigation measures (increase in the minimum wage and public wages; and doubling of cash transfers to the vulnerable).
- **C.A.R**. In early January 2023, the authorities increased the prices of diesel, gasoline, and kerosene by 70 percent, 50 percent, and 78 percent, respectively, without social mitigation measures.
- **Chad.** In mid-April 2023, the government approved a 27.7 percent increase in the price of diesel at the pump, to cover the increased cost of procuring fuel. The measure is expected to yield savings of about 0.1 percent and 0.2 percent of GDP in 2023 and 2024, respectively.
- **Congo**. In early January 2023, the government increased fuel prices at the pump (gasoline and diesel) by 5 percent, along with mitigation measures (suspension of the road tax payment, 50 percent reduction of the patent, and reduction of toll fees).
- **Gabon**. The government removed fuel subsidies for businesses in September 2022, but no decision has yet been taken on fuel subsidies for households.
- **Equatorial Guinea**. In March 2022, the authorities increased retail gasoline and diesel prices by 3 percent and 34 percent, respectively, while keeping kerosene price unchanged, the first time in 15 years, generating savings of 0.1 percent of GDP.

These initial steps should be brought to completion, to achieve the planned savings. In countries at the early stages of reform, consultations with stakeholders should be accelerated to ensure a timely phasing out of energy subsidies. For stronger popular buy-in, subsidy reforms should also be accompanied by appropriate mitigating measures to cushion their social impact, along with communication campaigns on the merits of the reforms. The development of targeted social assistance should be accelerated, possibly with donor support.

FISCAL COST OF SUBSIDIES

Year	2022	2023		2024		2025	
(percent of GDP)							
Country	Estimate	Projection	Implied fiscal effort	Projection	Implied fiscal effort	Projection	Implied fiscal effort
Cameroon	2.2	1.2	0.8	0.7	0.4	0.0	0.4
CAR	0.1	0.7	N/A	0.6	N/A	0.5	N/A
Chad[1]	1.2	1.2	N/A	1.2	N/A	1.1	N/A
Republic of Congo	3.2	1.5	0.9	0.7	0.0	0.8	0.0
Equatorial Guinea	0.9	0.4	0.4	0.4	0.4	0.4	0.4
Gabon	1.4	1.1	0.0	0.9	0.0	0.7	0.0
CEMAC	**1.8**	**1.1**	-	**0.8**	-	**0.4**	-

"Implied fiscal effort" is defined as the size of fiscal consolidation, excluding the effect from future changes in oil prices.

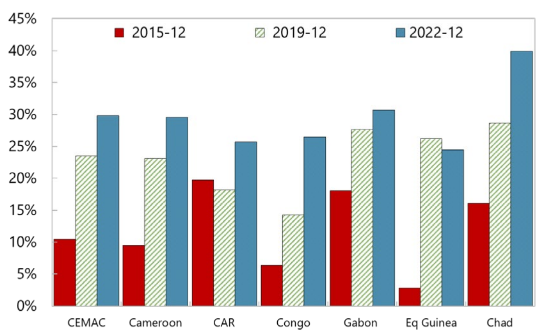
[1]Chad aggregate estimate does not include implicit fuel subsidies and only includes direct transfer to the national electrical company to produce electricity financed by fuel subsidies. Size of implied policy action is not available due to limited data on actual fuel subsidy distributed by the government.

Sources: Regional authorities and IMF staff calculations. Subsidy costs reflect the impact of policy actions taken (C.A.R., Cameroon, and Congo) for 2023 and policy commitments under Fund-supported programs for 2024–25

Annex II. Bank-Sovereign Nexus in CEMAC[1]

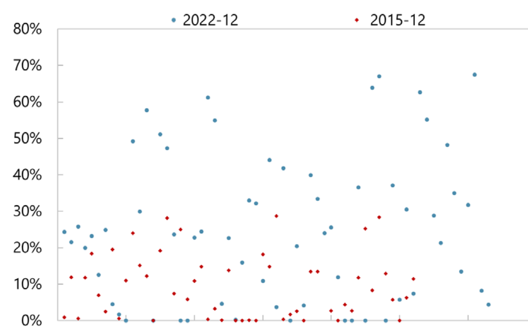
The exposure of CEMAC banks to sovereign risk has been rising steadily. This exposure, to loans as well as CEMAC government securities, stood at around 30 percent of total assets in 2022, up from 10 percent in 2015, with significant heterogeneity between countries and banks (Figures 1 and 2). The size and increase in exposure, particularly in the wake of the COVID-19 pandemic, is due to (i) *structural* factors—namely the absence of a diversified investor base in the government bond market, end of central bank's direct lending to governments, and commercial banks' appetite for profitable securities perceived as low risk; (ii) *cyclical* factors—increased bond issuances to finance pandemic-related spending needs amid tight external financial conditions, and the securitization of government domestic arrears; and (iii) *regulatory and supervisory* factors—a growing share of sovereign exposures benefit from a zero-risk weight, and non-compliance with concentration limits by several banks.[2]

Figure 1. CEMAC: Evolution of Bank's Exposure to States, by Country (As percentage of the balance sheet total, without weighting)



Sources: BEAC and IMF Staff Calculations

Figure 2. CEMAC: Evolution of Bank's Exposure to States, by Bank (Share of assets, end 2022)



Sources: BEAC and IMF Staff Calculations

This high exposure reinforces a potential vicious circle linking bank soundness to public finances, indirectly dependent on commodity prices. It also contributes to the buildup of macro-financial vulnerabilities. In the absence of a strong financial safety net and ample buffers, banks have a limited ability to absorb a commodity price shocks. Any reduction in commodity revenue will immediately impact both the sovereign fiscal position as well as banks balance sheets. In addition, the over-reliance on the purchase of government securities as a business model crowds out the private sector, weakening efforts to sustain private-sector growth and diversify economies. While growing bank exposure to the public sector is observed in many

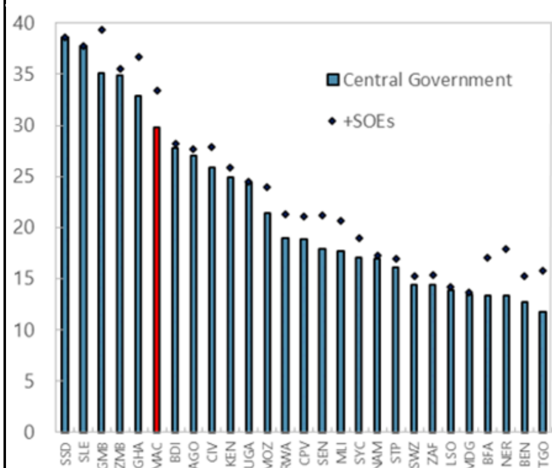
---

[1] Prepared by Salim Dehmej (MCM).

[2] In accordance with COBAC regulation R-2010/01, and unless banks' claims on member-states are backed by escrow accounts, risk weights range between 0 and 100 percent depending on member-states' observance of convergence criteria—accumulation of arrears (65 percent), negative budget balance (20 percent), stock of debt above 70 percent of GDP (10 percent), and rate of inflation. greater than 3 percent (5 percent).

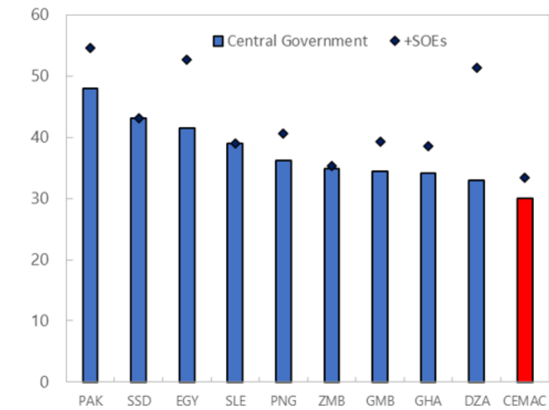
emerging and developing countries particularly since the pandemic, some CEMAC countries rank high relative to other countries in both sub-Saharan Africa and the rest of the world (Figures 3 and 4).[3]

Figure 3. Bank-sovereign Nexus in Sub-Saharan Africa (Share of banks' assets, end 2022)



Source: COBAC and Dehmej (2023).

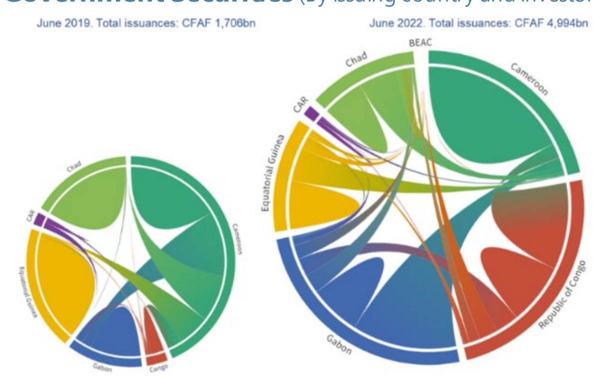
Figure 4. Top 10 Countries with Highest Nexus (Share of banks' assets, June 2022)



Source: COBAC and Dehmej (2023).
Note: CEMAC numbers cover banks' exposure to CEMAC countries instead of residence country.

The strong increase in cross-country holding of government securities could amplify the risk of contagion. While financial integration has benefits in terms of risk diversification, it comes with potential contagion risks in CEMAC. These risks could be assessed either through the rising cross-country holding of securities since 2019 (Figure 5). This rise took place amid the large increase of issuances and a significant decrease in home bias, particularly in Congo and Gabon. It also came through banking groups that operate in several countries and could potentially transmit a shock from one bank in one country to other subsidiaries or branches in other countries.

Figure 5. Cross-country Holding of Outstanding Government Securities (By issuing country and investors)



Sources: CRCT/BEAC and IMF Staff Calculations.

Note. Circles' size show issuance amounts. The base of arrows represents the relative size of each country's outstanding government securities held by CEMAC banks, with arrows' destination indicating banks' country.

[3] GFSR, April 2022, "Chapter 2: The Sovereign-Bank Nexus in Emerging Markets: A Risky Embrace"

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

Yaoundé, June 8, 2023

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.
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 is a renewal of the assurances provided in December 2022 by the Community Institutions in support of the economic recovery and reform programs initiated by the member countries of the Central African Economic and Monetary Community (CEMAC). It reflects the commitments made in the discussions held in connection with the regional consultations during May 2–16, 2023 between staff of the International Monetary Fund (IMF) and the CEMAC Institutions.

In 2022, the national and regional authorities continued their macroeconomic stabilization and economic policy implementation efforts. Economic activity in the region continued to benefit from high hydrocarbon prices. In this context—marked by an acceleration of year-on-year inflation at approximately 6.5 percent at the end of 2022, above the 3 percent convergence criteria—the normalization of monetary easing measures described in our last letter of assurance continued. In light of persistently rising inflation, the Bank of Central African States (BEAC) continued the proactive tightening of its monetary policy initiated at end-2021 to preserve price stability and external reserves. BEAC raised its main policy interest rate (the auction rate—TIAO) by 50 basis points to 5.0 percent in March 2023 (a cumulative increase of 175 basis points since November 2021). In addition, the rate for liquidity absorption operations was increased by 5 basis points to 0.8 percent. BEAC also tightened refinancing conditions for banks by suspending weekly liquidity injections on the money market at the beginning of March 2023, and began weekly liquidity absorption operations right away. Accordingly, in March 2023, two banks structurally dependent on liquidity from BEAC only had access to the marginal lending facility window. In accordance with its Charter, BEAC has not provided direct monetary financing to its member countries. BEAC stands ready to tighten its monetary policy further should inflation pressures persist, to appropriately preserve the internal and external stability of the currency. BEAC is also committed to tightening liquidity management, including liquidity absorptions in larger amounts, and by starting a meaningful increase in the rate and volumes of liquidity absorption operations to converge towards the policy rate. Given the substantial initial gap, this increase should be gradual but significant and should take place within a short timeframe.

In addition, fiscal balances improved in 2022, largely on account of higher oil revenue. The region's overall fiscal balance, excluding grants, recorded a surplus of 2.1 percent of GDP in 2022, as opposed to a deficit of 1.9 percent in 2021. However, the non-oil primary deficit (including grants) widened by 0.7 percentage points of non-oil GDP in 2022, on account of fuel subsidies and a slower improvement in non-oil revenue. Structural fiscal measures–including mobilization of non-oil revenue, greater control and efficiency in public expenditure, more effective public financial management, and the reduction of nontargeted subsidies–should help to improve fiscal balances in 2023. Total public debt has remained below the community threshold of 70 percent of GDP, and declined by 4.8 percentage points to 51.7 percent of GDP at the end of 2022. It is expected to rise again to 52.1 percent of GDP in 2023, reflecting the recognition of new domestic payment arrears in Congo, and should subsequently decline once again to approximately 45 percent of GDP in the medium term.
The current account balance also improved substantially from a deficit of 2.0 percent of GDP in 2021 to a surplus of 2.3 percent in 2022, reflecting the positive impact of high hydrocarbon prices in the region's oil producing countries, combined with a real depreciation of the CFA franc against the U.S. dollar during most of the year.

Reflecting the tightening of monetary policy and the improvement in overall fiscal balances amid high oil export revenue, the external position improved during the second half of 2022, leading to an increase in net foreign assets (NFA). Accordingly, the regional policy assurance on the NFA at end-December 2022 (EUR 3.39 billion) was met with a comfortable margin of EUR 1.44 billion. This overperformance also owes much to the more rigorous enforcement of the foreign exchange (FX) regulations, which led to greater FX repatriations.

The macroeconomic outlook is marked by a gradual strengthening of the post-COVID economic recovery, albeit slower than projected at the time of the previous IMF mission, reflecting a much weaker recovery in oil and gas production in Equatorial Guinea. The recovery is expected to be mainly driven by the firming-up of the non-oil sector and new oil fields expected to come on stream in Congo.

Although favorable, this outlook rests on maintaining prudence in managing the oil windfall, tackling recent fiscal slippages in some member countries, and accelerating reform implementation under Fund-supported programs and surveillance. This outlook is also subject to heightened uncertainties, including the volatility of oil markets, persistent inflationary pressures, stronger-than-expected tightening of global financial conditions that exacerbates refinancing and debt distress risks, as well as food insecurity and financial instability risks. The recovery will also be contingent on the successful completion of ongoing Fund-supported program reviews, along with the effective and timely disbursement of budget support expected from other development partners, in light of the region's large external financing needs. Governments and donors should work together to ensure greater predictability of budget support disbursement. The outlook will also depend on certain domestic developments, including the security and sociopolitical situation in Cameroon, the Central African Republic, and Chad; and possible humanitarian and security spillovers of the ongoing conflict in Sudan. In this uncertain macroeconomic context, BEAC will continue to implement the measures required to strengthen the region's internal and external stability, in accordance with its mandate.

BEAC is also continuing its efforts to fully implement the FX regulations, which have started to bear fruit, reflected in the strengthening of the currency's external stability. To further encourage compliance with the current provisions, including the surrender and repatriation requirements of the FX regulations following the expiration of the grace period in October 2022, we are in constant dialogue with the banking sector and the private sector to ensure FX requests are processed more smoothly, speedily, and efficiently. Regarding the extractive sector, procedures to authorize the opening of FX accounts are continuing, with more than 500 accounts having already been approved to facilitate larger repatriation of export revenue. Discussions to finalize escrow account contracts for funds set aside for the rehabilitation of oil sites (RES) are continuing, notably on operational modalities for the repatriation and use of these RES funds (agility of access before the life cycle end of the oil sites, remuneration conditions, protection against any seizure, and arbitration rules in case of litigations). Once a tripartite agreement is reached between member States, the extractive companies, and BEAC, we expect the RES funds currently held outside of CEMAC to be repatriated to the escrow accounts at BEAC within three years, and for those already held in banks within the CEMAC to be repatriated immediately. In addition to the implementation of FX regulations to the extractive sector, the support and cooperation of member countries will be essential to ensure and promote the repatriation of export revenue, including by SOEs and national treasuries, to strengthen the region's external stability. In addition, BEAC will continue to discuss with the IMF and the World Bank staff its effort to increase the extractive sector's compliance with the FX regulations as a way to enhance transparency.

BEAC has continued its actions to contribute to more efficient public financial management, and more specifically through the implementation of its IT platform meant to facilitate the deployment of the Treasury Single Account (TSA) systems. This project is in the pilot phase in Cameroon and Gabon, with a full migration to the TSA system expected by end-September 2023. The migration will subsequently be extended to other member countries' treasuries.

Regarding banking supervision, in July 2022, the Central African Banking Commission (COBAC) lifted the temporary prudential forbearance measures applied as part of the effort to fight COVID-19. Pending more comprehensive and thorough assessments, the findings of the first post-COVID on-site supervision missions and a study by COBAC based on a sample of CEMAC banks pointed to a rather limited but heterogeneous impact of the pandemic on the quality of the asset portfolio in the CEMAC banking system. BEAC is working to address COBAC's longstanding understaffing issues. With this, COBAC is prepared to intensify its on-site supervision missions, accelerate resolution procedures for undercapitalized banks and strengthen both AML/CFT supervision and regulatory framework. BEAC and COBAC continue to work jointly to examine the refinancing plans of banks structurally dependent on BEAC's refinancing, and to provide any supervision information that may be required. In addition, following the normalization of regulatory forbearance measures, COBAC will adopt a prudent approach to dividend distribution in line with the banking regulations.

Member countries' support will be essential for strengthening publicly owned banks and to implement plans to clear domestic payment arrears. Such plans should be based on the principles of transparency and supported by measures to strengthen public financial management, to avoid the recurrence of new payment arrears that continue to undermine financial stability. Member countries' support will also be essential to ensure that sovereign risk to bank balance sheets is reduced.

Progress has been made in addressing the emergence of crypto asset-related risks in the region. Central African Republic's Parliament adopted an amended version of the country's Cryptocurrency Law on March 23, aiming to remove bitcoin's legal tender status as well as the convertibility of cryptocurrencies. The upcoming July 2023 meeting of UMAC's ministerial council will be an opportunity for regional authorities to confirm whether the amendments resolved the institutional inconsistency that arose from the country's unilateral adoption of cryptocurrencies as legal tender through March 23, 2023.

In addition, a multidisciplinary working group that includes representatives from the regional supervisors (BEAC, COBAC, the Financial Market Surveillance Commission—COSUMAF, and the Action Group Against Money Laundering in Central Africa—GABAC) will soon be established to develop a consistent and appropriate regulatory framework to monitor and manage the new risks posed by the emergence of digital payment mechanisms, coordinated by the BEAC. This working group will also continue assessing the feasibility of introducing a digital central bank currency, along with its likely related modalities. We look forward to the Fund technical assistance, which we have recently requested to that effect.

CEMAC's current account balance is expected to deteriorate in 2023, reflecting a decline in oil exports linked to lower oil prices. However, private capital inflows, including FDI in the extractive sector, should offset this deterioration and contribute to the accumulation of external reserves. The measures discussed above, along with the resolute correction of recent fiscal slippage in some member countries, continued prudence in managing oil windfalls and implementation of the ambitious fiscal consolidation planned in 2023, accelerated implementation of structural reforms, strengthened transparency and governance by member countries (including the adoption and transposition of regional directives on taxation and PFM), as well as budget support from the development partners under ongoing Fund-supported programs, should contribute to the build-up of NFA. The more rigorous implementation of the FX regulations is also expected to continue bearing fruit in 2023. We are therefore requesting an upward revision of the region's NFA target at end-June 2023 from EUR 3.93 billion to EUR 4.47 billion. In addition, the NFA target for end-December 2023 is set at EUR 4.32 billion. It is worth noting that these targets account for downside risk factors of about EUR 669.2 million linked to a stronger-than-expected decline in oil prices; to possible FX-based recapitalization of some banks; and anticipated delays in the disbursement of some budget support from the development partners.

BEAC will work jointly with the CEMAC Commission to bring back on track as soon as possible, the adoption process of the draft new sanction mechanism for breaches of the convergence rules in CEMAC, after some member countries questioned its merit at the March 2023 Central African Economic Union (UEAC) Ministerial Council. The adoption of this mechanism and its entry into force remain essential for strengthening the credibility and enforceability of the multilateral surveillance framework, especially given member countries' compliance with the convergence criteria was mixed in 2022, despite favorable oil prices.

BEAC will diligently monitor developments in CEMAC countries' programs and will provide regular updates to competent authorities (BEAC's Executive Board, UMAC Ministerial Committee, and the PREF-CEMAC). In addition, it will continue to collaborate closely with Fund staff to support the regional strategy to sustain the economic recovery. They are prepared to notify and consult IMF staff in a timely manner on economic developments likely to affect the external stability of CEMAC, by end-June and December 2023, and to take any corrective measures, including in the area of monetary policy, that may be required in the event of any adverse developments.

We remain available to work alongside the CEMAC member countries and the IMF to restore macroeconomic equilibria in the region.

Sincerely yours

/s/

ABBAS MAHAMAT TOLLI

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

June 26, 2023

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. This phase aims at strengthening internal and external stability while supporting an inclusive and resilient growth. They appreciate the constructive policy discussions held with staff in Libreville, Douala, and Yaoundé in May 2023, and view the staff report as an accurate account of those discussions.

I. Introduction

The regional and national authorities pursued in 2022 their efforts to strengthen macroeconomic stability and resilience against current global shocks, consistent with the policy commitments made in the December 2022 Follow-up to the Letter of Support to the Recovery and Reform Programs Undertaken by the CEMAC Member Countries. The external position of the region has improved markedly in 2022, benefitting from favorable terms-of-trade shock and the implementation of the foreign exchange regulations. As a result, the end-December 2022 objective for the net foreign assets (NFA) was met with a large margin. Amid persistently high inflation, monetary policy was further tightened, while financial supervision is being enhanced to address any emerging financial stability risks following the prudential normalization in July 2022. Progress is also being made in other reforms undertaken in the framework of the regional program of economic and financial reforms (PREF-CEMAC). Going forward, the regional authorities remain committed to pursue critical policies and reforms aimed at strengthening the internal and external stability of the region, notably in the context of CEMAC countries' respective Fund-supported programs.

II. Recent Developments and Outlook

The consolidation of the post-pandemic economic recovery that began in 2021 continued into 2022. Growth reached 2.8 percent of GDP, from 1.1 percent in 2021, supported notably by the recovery of non-oil activity and the high oil prices. Inflationary pressures intensified, with inflation reaching 6.5 percent at end-2022. Higher oil and gas prices have also contributed to an improvement in the fiscal and external balances. For the first time since 2017, the increase in oil export revenues has led to a budget surplus, excluding grants, of around 2.1 percent of GDP (from a deficit of 1.9 percent of GDP in 2021), and a current account surplus of 2.3 percent of GDP (from a deficit of 2.0 percent of GDP in 2021). As a result of these favorable trends, the overall public debt-to-GDP ratio declined by 4.8 percentage points to 51.7 percent in 2022, and foreign exchange reserves increased to cover 4.1 months of imports of goods and services, compared with 3.0 months in 2021. In particular, net foreign assets (NFA) increased by 123 percent. As a result, the regional policy assurance on the NFA at end-December 2022 (EUR 3.39 billion) was met with a margin of EUR 1.44 billion. This positive trend of NFA continued through the first quarter of 2023, highlighting the positive contribution of the new foreign exchange regulations in strengthening the region's external position.

Overall, the outlook for CEMAC is favorable, but risks remain significant. The recovery is expected to strengthen with growth projected at 3.0 percent in 2023, supported notably by new oil production in Republic of Congo. Inflation would decline with lower global inflation and continued tight monetary policy but should remain above the convergence criterion of 3 percent. The current account balance will decrease with oil price normalization, but reserve coverage should remain elevated around the current level. Notwithstanding, the outlook remains subject to significant uncertainties, including about global growth, the war in Ukraine, the continuation of restrictive monetary policies, the commodity price volatility, and the humanitarian and security spillovers from the conflict in Sudan. In addition, CEMAC countries must cope with social crises linked to high costs of living, security tensions in certain countries, and adverse climate events. The recent increase in fuel prices in many CEMAC countries to lower related subsidies could further exacerbate inflationary pressures and generate social discontent. Moreover, mobilizing external financing is a major challenge, especially in a context of increasing debt-related vulnerabilities and tighter international financial conditions.

The regional authorities agree that timely completion of Fund-supported program reviews and disbursements of support from other donors remain essential to strengthen macroeconomic stability. Steady implementation of current Fund-supported programs (Cameroon, Congo, Gabon, Chad, Central African Republic) will be essential to strengthen domestic revenue mobilization, improve efficiency of spending, limit fiscal risks, enhance governance and transparency, and preserve financial stability, including by gradually clearing domestic arrears. Lower fuel subsidies—accompanied by support measures targeted to the vulnerable populations—should improve nonoil fiscal balances and increase fiscal space for social and development expenditures. Continued structural fiscal reforms should underpin fiscal sustainability. The regional authorities encourage the Fund and Equatorial Guinea to speed up discussions on a new arrangement, which will ensure that all CEMAC countries are contributing to the regional adjustment effort, and help catalyze additional external financing. Fund support under the Resilience and Sustainability Facility (RSF) will also be important to help CEMAC countries strengthen resilience to climate change and preserve their vast environmental riches (forests, waterways, wildlife). However, although the region is home to Africa's equatorial forest, notably the Congo Basin, and despite the region's positive contribution to mitigating the effects of climate change, to date, no CEMAC country has benefited from the RSF. Timely disbursements from other donors will also be critical to close the financing gap in the region and support reserve accumulation.

III. Regional Policies in Support of Reform Programs in CEMAC Countries

The central bank (BEAC) has further tightened its monetary policy amid persistent high inflation and stands ready to further tighten it if needed. BEAC has raised its policy interest rate (TIAO) and marginal lending rate in March 2023 (the third time since November 2021) by 50 basis points to 5.0 percent and 6.75 percent, respectively. At the same time, given the high level of excess liquidity in the banking system, the central bank has suspended active liquidity injections into the money market. Furthermore, since March 2023, BEAC has started weekly liquidity absorption operations to improve monetary policy transmission and bank liquidity management, and will gradually achieve a meaningful increase in the rate and volume of liquidity absorptions. However, given the importance of imported goods in the general price index in CEMAC and the increasing domestic supply-side constraints, the authorities agree that monetary policy alone cannot solve the problem of rising prices. They highlight the importance of greater coordination of fiscal and monetary policies, as well as the urgency of implementing structural reforms to address supply constraints and strengthening regional integration in CEMAC.

Reforms at the central bank are advancing. The implementation of the 2019 foreign exchange (FX) regulations is bearing fruit as evidenced by the near fourfold increase in the volume of foreign currency surrendered to the central bank between 2018 and 2022. The implementation of the FX regulations to the extractive sector since the expiration in September 2022 of the grace period for extractive companies to comply with the surrender and repatriation requirements should support further NFA accumulation. The central bank is working with banks and the private sector on addressing implementation issues. In addition, the support and cooperation of member countries will be essential to ensure the repatriation of export proceeds, including by state-owned enterprises and national treasuries, to strengthen the region's external stability. The implementation of the IT platform to facilitate the deployment of the Treasury Single Account (TSA) systems is in the pilot phase in Cameroon and Gabon, with a full migration to the TSA system expected by end-September 2023. Other member countries' treasuries will follow suit later. Moreover, BEAC will continue to make progress in the implementation of the safeguards recommendations.

The regional banking commission (COBAC) is strengthening its supervision following the lifting of pandemic-related prudential measures in July 2022. The findings of the first post-COVID on-site supervision missions, and those of a study by COBAC based on a sample of CEMAC banks pointed to a limited but heterogeneous impact of the pandemic on the quality of asset portfolios in the CEMAC banking system. COBAC is prepared to intensify its on-site supervision missions, accelerate resolution procedures for undercapitalized banks, and strengthen AML/CFT supervision and regulatory frameworks. BEAC and COBAC continue to work jointly to examine the refinancing plans of banks that are structurally dependent on BEAC's refinancing, and COBAC will provide BEAC with any supervision information that may be required. COBAC will continue to closely monitor possible financial stability risks, including those stemming from the growing bank-sovereign nexus, and agrees that strong collective action is needed to address them. In addition, following the prudential normalization, COBAC will adopt a prudent approach to dividend distribution in line with the banking regulations. In addition, BEAC is working to address COBAC's longstanding understaffing issues.

The development of regional financial markets continues. Following the merging in 2019 of the two stock exchanges and related regulators into one regional stock exchange (BVMAC) under the surveillance of a unique regional regulator (COSUMAF), the authorities are taking actions to enhance and deepen financial markets. This is being done through both institutional and regulatory reforms to notably strengthen COSUMAF and ensure the smooth functioning of markets. Transactions in the financial markets increased notably in 2022, although from a very low base. The authorities agree with staff on the need to develop a vibrant secondary market for sovereign securities issuance that will help attract new investors beyond banks.

Work on augmenting coherence of, and compliance with, the regulation on crypto assets is progressing. Central African Republic (CAR)'s Parliament adopted amendments to the country's Cryptocurrency Law on March 23, 2023, aiming to remove bitcoin's legal tender status as well as the convertibility of cryptocurrencies. The upcoming July 2023 meeting of the monetary union's ministerial council will confirm whether these amendments resolved the institutional inconsistency with the regional regulation governing crypto-assets and digital payments. The Fund and the CAR authorities maintain a communication in the same vein. A multidisciplinary working group comprising representatives of BEAC, COBAC, COSUMAF and GABAC (the Action Group Against Money Laundering in Central Africa) will soon be established to develop a consistent and appropriate regulatory framework to monitor and manage the new risks posed by the emergence of digital payment mechanisms.

The challenging global and regional environment affected compliance with the regional surveillance framework. The regional surveillance resumed in April 2022 after a 2-year hiatus due to the pandemic. While the national authorities agree that compliance with regional convergence criteria remains essential to the credibility of the regional surveillance framework, they note the lack of flexibility in the framework in times of exceptional stresses and have called on reflecting on those criteria when applied in such circumstances. The CEMAC Commission has been recently tasked with reviewing the sanction mechanism for non-compliance with the requirements of the surveillance framework to ensure its relevance and enforceability. The Commission will continue to encourage the transposition and implementation of regional directives on taxation and the harmonized public financial management framework into the national legislations. The authorities appreciate staff recommendation to adopt a regional strategy to strengthen resilience to climate shocks, and to reinforce water and forest conservation efforts.

The regional reform agenda is placing an increased focus on supply-side reforms. A PREF-CEMAC implementation review shows an achievement rate of almost 55 percent in relation to the 2022 targets for all the expected objectives. To date, eight of the twelve priority sub-regional integration projects presented at the Paris Roundtable in November 2020 have begun, mobilizing pledges of nearly 3.8 billion euros. In March 2023, the CEMAC Heads of State Conference adopted another program of 13 sub-regional integration projects to foster diversification and structural transformation of the CEMAC economies.

The Conference also adopted the implementation plan for the sub-regional import- substitution strategy, which aims to strengthen food security, advance the diversification of CEMAC economies, encourage and develop intra-Community trade, and support external stability. The authorities call on technical and financial partners, including the IMF, to provide technical assistance and help finance this important initiative.

IV. Policy Assurances

The CEMAC authorities remain committed to the successful implementation of the regional strategy and have reiterated their policy commitments and assurances in the June 2023 Follow-up to Letter of Support to the Recovery and Reform Programs Undertaken by the CEMAC Members Countries. The regional policies and reforms, notably tight monetary policy and the application of the FX regulations, will be pursued along with continued prudence in managing oil windfalls. In addition, progress in the implementation of IMF-supported, programs coupled with budget support from the development partners, should contribute to further NFA build-up. The authorities are therefore requesting an upward revision to the regional policy assurance on the NFA target at end-June 2023 from EUR 3.93 billion to EUR 4.47 billion. In addition, the NFA target for end-December 2023 is set at EUR 4.32 billion, reflecting notably a stronger-than-expected decline in oil prices and anticipated delays in the disbursement of some budget support from development partners this year.