INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/440

# CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY

December 2023

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

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 18, 2023, following discussions with regional institutions that ended on November 16, 2023. Based on information available at the time of these discussions, the staff report was completed on December 5, 2023.
- A **Statement by the Executive Director.**

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PRESS RELEASE

PR23/460

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

**FOR IMMEDIATE RELEASE**

- The CEMAC economy continued to recover, supported by favorable hydrocarbon prices, strengthening its external position.
- Global inflationary pressures have eased somewhat, though remain elevated, while continued tightening of financial conditions could put a dent on economic growth.
- Maintaining fiscal consolidation paths consistent with Fund-supported programs and surveillance advice, and accelerating structural reforms are critical for boosting economic diversification and resilience.

**Washington, DC – December 19, 2023**: On December 18, 2023, the IMF Executive Board concluded the annual discussions with the Central African Economic and Monetary Community (CEMAC) on Common Policies of Member Countries and Common Policies in Support of Member Countries Reform Programs.[1]

The CEMAC's recovery gained strength in 2022, supported by higher hydrocarbon prices, with real GDP growth accelerating to 3.0 percent. The external position strengthened, with rapid accumulation of foreign exchange (FX) reserves, though still below adequate levels. The positive momentum carried into 2023, as oil prices stayed at a relatively high level. The regional policy assurances on the net foreign assets (NFA) set for end-June 2023 (EUR 4.47 billion) were met by a comfortable margin (EUR 880 million), reflecting the continued increase in hydrocarbon export receipts and improved FX repatriations linked to a stepped-up enforcement of the FX regulations. However, the rise in NFA was reversed in 2023Q3, with NFA falling, driven by a likely deterioration in the current and financial accounts, partly reflecting the combined effects of a steep drop in FX repatriations by the public sector, and dividend payment outflows from the banking sector. Inflation spiked to 6.7 percent at end-2022

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

and continued to climb in early 2023, as price pressures broadened, but preliminary estimates suggest it decelerated in 2023Q2.

Regional authorities maintained a data-dependent approach to monetary policy decisions, while continuing to advance the reform agenda. The Central Bank (BEAC) left the policy rate unchanged at 5 percent at the September 2023 meeting, after having raised it by a cumulative 175 basis points between November 2021 and March 2023. In addition, it tightened banks' refinancing conditions, discontinuing its weekly liquidity injections at its main refinancing window, and stepped up its liquidity absorption operations. BEAC also continued making progress on the enforcement of the FX regulations. BEAC and the Banking Commission of Central Africa (COBAC) continue to work together to examine the refinancing plans of banks structurally dependent on BEAC's refinancing. The CEMAC Commission has continued its regional surveillance consultations in all member States, while the Permanent Secretariat of CEMAC's Economic and Financial Reform Program (PREF-CEMAC) is overseeing the implementation of the region's structural reforms action matrix.

The outlook remains subject to high uncertainty and hinges on sustained reform implementation, in line with Fund-supported program objectives and staff advice. GDP growth is projected to slow to 2.6 percent in 2023—mainly owing to a contraction in hydrocarbon output. Inflation is projected to decelerate to 4.9 percent by end-2023. This reflects the cooling effects of policy tightening on economic activity and declining global food prices but is somewhat offset by energy-related inflation from fuel subsidy reforms in some member states. The risks to the outlook remain skewed to the downside and include: declining commodity prices; tighter financial conditions; heightened political uncertainty; further fiscal slippages; entrenched inflation; financial instability; slow progress on structural reforms; food insecurity; domestic conflicts and insecurity; and climate-related events.

In the medium term, growth is projected to pick up gradually to around 3.5 percent, mostly owing to a rebound in the non-oil sector, as structural reforms to improve governance, the business climate, and access to finance are expected to pay off. Member states are set to undertake sustained fiscal consolidation in the medium term. Public debt is projected to decline to about 43 percent of GDP by 2028, down from about 54 percent of GDP in 2023. After improving in 2022, the current account balance is projected to deteriorate to -1.9 percent of GDP in 2023, and to about -4 percent of GDP over the medium term. Gross reserves are projected to rise to about 4.7 months of prospective imports in the medium term, slightly below staff's adequate metrics for a resource-rich monetary union (5 months). This is assuming forceful actions to tighten liquidity conditions, greater compliance of member countries with foreign exchange regulations, stronger fiscal discipline, and acceleration of structural reforms.

**Executive Board Assessment**[2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the continued strengthening of the region's recovery and external position during the first half of this year, amid favorable hydrocarbon prices. With risks tilted to the downside, Directors urged CEMAC authorities to renew fiscal prudence to enhance resilience to shocks while protecting the vulnerable, and stressed the need for prudent macroeconomic policies and structural reforms to preserve macroeconomic and financial stability.

In light of recent fiscal slippages, Directors stressed the importance of bringing policies back in line with fiscal consolidation paths consistent with Fund-supported programs and surveillance advice to strengthen resilience to shocks. This will require efforts to improve non-oil tax revenue mobilization and expenditure efficiency and rationalization, including by reforming inefficient energy subsidies while protecting the poor. Directors also called for strengthening debt management and addressing fiscal risks from SOEs.

Directors welcomed BEAC's data-dependent approach to monetary policy and the tightening of liquidity conditions. BEAC should stand ready to further tighten monetary policy as needed to anchor inflation expectations and bring reserves back to adequate levels. Directors welcomed BEAC's decision to further increase the interest rate on its liquidity-absorbing operations and its commitment to align this interest rate with the policy rate within a relatively short timeframe, to strengthen monetary policy transmission. Continued enforcement of FX regulations transparently and consistently also remains a priority.

Directors stressed the need for strong collective action from national and regional authorities to preserve financial stability. They urged CEMAC regional and country authorities to swiftly address COBAC's longstanding supervisory capacity limitations, strictly enforce regulations for non-compliance, resolutely resolve weak banks, ensure banks adequately account for sovereign exposure and strengthen the AML/CFT framework. Directors also urged CEMAC authorities to strengthen the supervisory framework and capacity to monitor and manage new risks posed by digital payments and assets.

Directors reiterated their concerns about the delayed adoption of the draft new sanction mechanism for breaches of regional surveillance rules and encouraged renewed efforts towards swift adoption.

Directors reiterated the importance of accelerating structural reforms in the areas of governance and regulation, which would help bolster economic diversification and inclusiveness, as well as resilience to shocks, including climate shocks.

Directors considered that BEAC met the policy assurance on the NFA for June 2023 provided in the June 2023 follow-up letter, which reflected inter alia the improvement in the trade balance, greater FX repatriations, and tighter monetary policy. Directors endorsed the updated policy assurance on NFA accumulation for end-December 2023 and end-June 2024 outlined in the December 2023 Follow-up Letter from the BEAC Governor. They emphasized that implementation of this assurance is critical for the success of Fund-supported programs with CEMAC member countries.

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

INTERNATIONAL MONETARY FUND

# CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

December 5, 2023

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

## EXECUTIVE SUMMARY


**Context and risks.** The CEMAC's recovery gained momentum in 2022, supported by higher hydrocarbon prices. The external position strengthened, with a rapid foreign reserve build-up, though still below adequate levels. The recent weakening in external buffers will require more forceful action to tighten liquidity conditions, greater compliance of member countries with foreign exchange regulations and stronger fiscal discipline. Underlying non-oil fiscal positions, however, also deteriorated, stressing the need for accelerating structural reforms, addressing recent fiscal slippages, and bringing polices back in line with Fund-supported program objectives and staff advice. This will be critical to strengthen the region's resilience to hydrocarbon prices volatility, financial instability, entrenched inflation, tighter financial conditions, food insecurity, domestic conflicts and insecurity, and climate-related events.

### Policy Recommendations:

**To preserve price stability and strengthen external buffers**, maintain a data-dependent monetary policy with a tightening bias; further increase interest rates on liquidity absorption and gradually converge towards the main policy rate, and switch to a full allotment procedure; and resolve remaining issues to a complete and effective implementation of the foreign exchange regulations.

**To ensure fiscal sustainability and a coherent policy mix**, address recent fiscal slippages; keep saving part of the oil windfall; bring subsidy reforms to completion and develop effective, well-targeted social safety nets for the vulnerable.

**To preserve financial stability**, urgently strengthen COBAC's supervisory capacity and strictly enforce regulations for non-compliance; trigger resolution of non-viable banks; tackle liquidity-stressed ones; and ensure governments do not delay bank recapitalization when needed; ensure banks adequately account for sovereign exposure; and monitor emerging risks from new digital payments.

**To lift potential growth and enhance economic diversification and resilience**, accelerate structural reforms in areas of governance and regulation; productivity-enhancing investments; and deepen regional trade integration.

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

Discussions were held in-person during October 30–November 2, 2023, in Libreville (Gabon), and November 6–14 in Yaoundé (Cameroon) in person, and November 16 (virtually) respectively. The Staff team comprised Ms. Verdier (head), Messrs. Tapsoba, Bizimana, 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. Lluis Dalmau Taulés (AFR) supported the mission from headquarters. 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. Baltasar Engonga Edjo, President of the CEMAC Commission; Mr. Michel Dzombala, Vice-Governor of the Central Bank of Central African States (BEAC); 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 BEAC, the CEMAC Commission, and COBAC; as well as with representatives of the banking sector. Mr. Dalmau assisted the mission from headquarters. 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.

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# BACKGROUND AND RECENT DEVELOPMENTS

## A. Background

1. **The CEMAC economy continued to recover in 2022, supported by favorable hydrocarbon prices, but headwinds persist amid heightened global and domestic uncertainties.** In 2022, real GDP growth accelerated, while global inflationary pressures broadened and intensified. The external position strengthened, with increasing foreign reserves, though still lower than the reserve adequacy metric for a resource-rich monetary union (5 months). Prospects for oil prices, though lower than in 2022, have improved since the June forecast (WEO oil prices are about 17 percent lower than in 2022 but 7 percent higher than the June forecast) but prices are still projected to fall through 2023. Continued tightening of financial conditions could put a dent on economic growth while lower oil prices would slow down the build-up of external and fiscal buffers. Similarly, heightened regional political uncertainty, including the recent events in Gabon, and prolonged security challenges in some member countries—notably due to potential cross-border security implications of the ongoing conflict in Sudan and the political crisis in Niger—could impede economic activity. Safeguarding macroeconomic and financial stability through an appropriately tight policy mix and prudential supervision, while protecting the most vulnerable, and accelerating structural reforms to boost potential growth and enhance resilience and economic diversification, remain the key policy priorities.

2. **The region's economic and financial reforms continue to be framed around the agenda laid out by the August 2021 Heads of State (HOS) summit**. The Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC) points to modest progress, with 59 percent of the action matrix implemented as of end-2023Q3, slightly up from 56 percent in 2023Q1. However, further efforts are needed to develop attractive financial products to diversify the investor base and foster the development of a secondary market in government securities. The business plan of the company set to manage the single central depository for government securities was adopted in January 2023. Its full operationalization is rescheduled for end-2024. Progress was made on economic diversification, with the establishment of local industries (textile, agro-industry, wood and construction), which will boost productivity and potential growth, the production of a draft regional industrial policy, as well as an increase in the BDEAC guarantee fund and strengthened coordination between banks and business associations to help finance SMEs. In addition, there has been some progress on financial inclusion, with the development of a regional financial inclusion strategy. Various regional directives were also adopted to deepen regional trade integration. Coordination challenges with administrative entities along the borders and corridors are, however, 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.).

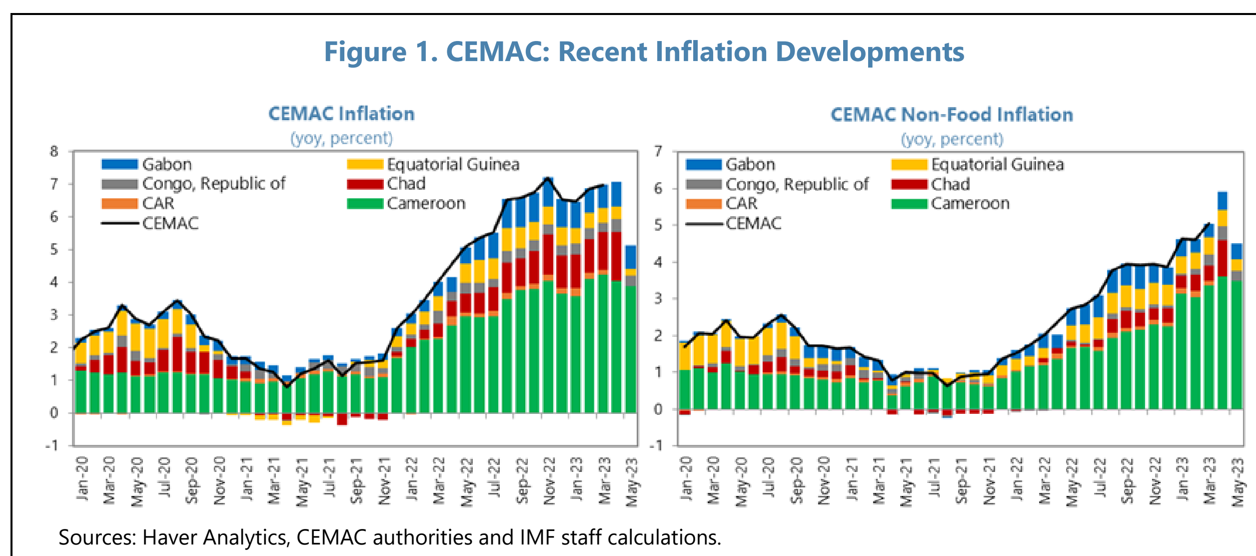
3. **Progress on Fund-supported programs remains slow, with delays in completing several reviews, which has further added to macroeconomic uncertainty in the near term**.

Program reviews with Cameroon and Congo were completed in June and July 2023, respectively. A new 3-year ECF arrangement was approved for C.A.R. in April 2023, with its first review completed at end-October 2023. The third review of Chad's program is pending because of time needed to correct fiscal slippages and address weak banks. Gabon's program is clouded with the uncertainty associated with the ongoing political transition adding to the pre-existing setbacks associated with recurrent external debt arrears, fiscal slippages, and slower progress on structural reforms. Discussions are still ongoing on a possible Fund arrangement with Equatorial Guinea.

## B. Recent Economic Developments

**4. Economic activity strengthened in 2022, partly supported by favorable hydrocarbon prices**. After a lackluster 1.4 percent in 2021, real GDP growth accelerated to 3.0 percent in 2022, driven by the 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 receipts. Still, growth is 0.2 percentage point higher than expected in June 2023 (see Table 1), mainly reflecting a smaller than originally expected decline in oil production due to technical oil-site accidents (Equatorial Guinea).[3] Inflation spiked, more than doubling to 6.7 percent at end-2022 and continuing to climb in early 2023, at 6.9 percent y-o-y in February, as price pressures broadened (Figure 1), before decelerating toward 5.2 percent y-o-y in September 2023 (according to BEAC's preliminary data).[4]

**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 stance was somewhat loosened**. The non-oil primary fiscal deficit (incl. grants) has widened from 7.1 percent of non-oil GDP in 2021 to an estimated 8.2 percent of non-oil GDP in 2022, reflecting costly subsidies and lower non-oil revenue collection, owing in part to pandemic- or food-related tax exemptions.

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

[4] The methodology to compute the consumer price index in CEMAC has been updated. BEAC calculates an index following the CEMAC Commission's definition of Harmonized Index of Consumer Prices (HICP) (base 100, 2019).

The overall fiscal balance (excl. grants) is estimated to have turned into a surplus of 2.5 percent of GDP from a deficit of 1.9 percent of GDP in 2021, mainly owing to higher oil revenue. The public debt-to-GDP ratio dropped from 57.6 percent to 53.4 percent at end-2022 (partly reflecting revisions to historical debt data). Still, debt vulnerabilities remain elevated in some member states (Text Table 1).

**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[1]** | 2018: Pre shocks | High | High | Sustainable |
| | 2023: Post shocks[1] | High | High | Sustainable |
| **CAR[1]** | 2019: Pre shocks | High | High | Sustainable |
| | 2023: Post shocks | High | High | Sustainable |
| **Chad[1]** | 2019: Pre shocks | High | High | Sustainable |
| | 2023: Post shocks | High | High | Sustainable |
| **Republic of Congo[1,2]** | 2019: Pre shocks | in debt distress | in debt distress | Unsustainable |
| | 2023: Post shocks | in debt distress | in debt distress | Sustainable |
| **Equtorial Guinea[3,4]** | 2019: Pre shocks | N/A | N/A | Sustainable |
| | 2022: Post shocks | N/A | N/A | Sustainable |
| **Gabon [3,4]** | 2019: Pre shocks | N/A | N/A | Sustainable |
| | 2022: Post shocks | N/A | N/A | Sustainable |

Note: Risk levels follows latest published SR.

[1] Cameroon's DSA was published in July 2023 SR 23/251. CAR's DSA was published in May 2023 SR 23/155. Chad's DSA was published in January 2023 SR 23/7. Republic of Congo DSA was last published in June 2023 SR 23/271.

[2] Republic of Congo only external arrears on one external commercial debt, disputed debts, and pre-HIPC claims remain while all other external arrears to bilateral and commercial creditors have been resolved.

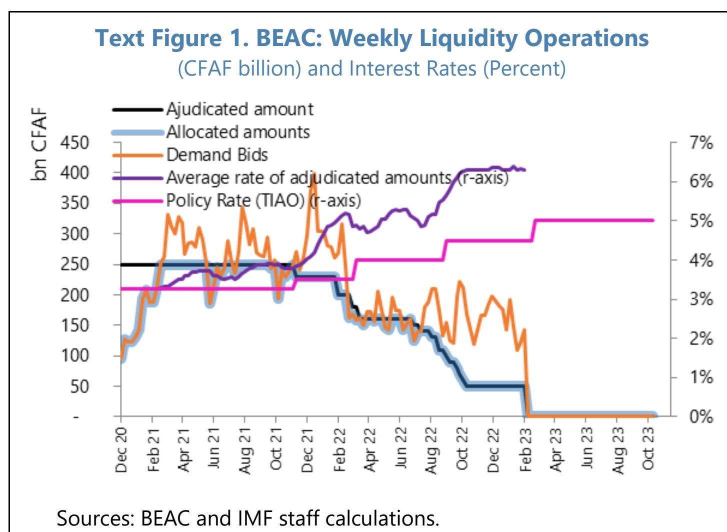
[3] Equatorial Guinea and Gabon are market access countries, subject to Market Access Country (MAC) DSA framework, different from Low Income Country (LIC) DSA framework.

[4] Risk assessment in Gabon dates from July 2022 DSA SR 22/216. Risk assessment in Eq Guinea dates from August 2022 SR 22/267.

6. **The main policy rate remained on hold with a tightening bias since March 2023, while banks' borrowing at the marginal lending facility increased**. At the September 2023 meeting, BEAC's Monetary Policy Committee left the policy rate unchanged at 5 percent, after having raised it by a cumulative 175 basis points between November 2021 and March 2023. The marginal lending facility rate remained unchanged at 6.75 percent, keeping the 175-basis point corridor (Text Figure 1). BEAC also discontinued its weekly liquidity injections at its main refinancing window at the beginning of March 2023, such that the increase in the average outstanding liquidity injections from about CFAF 530 billion in June to about CFAF 840 billion in September, mainly stems from higher borrowing at the marginal lending facility (about CFAF 735 billion), reflecting persistently high liquidity demand by structurally liquidity-dependent banks (whose number has increased as of late), and, to a lesser extent, the special window. Meanwhile, the interbank market lost some of its momentum, as the volume of activity declined in September relative to June 2023.

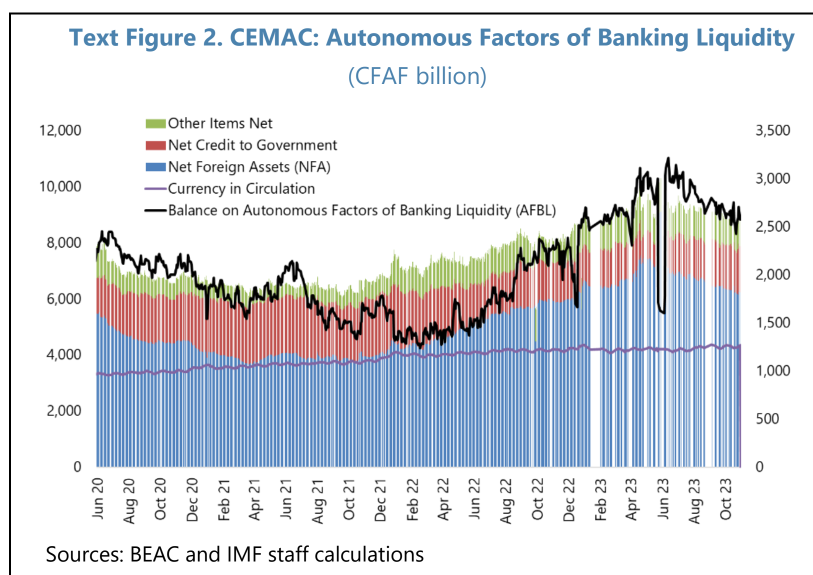
**7. BEAC has started to raise its liquidity absorption operations, but banks' participation remained lackluster**. The volume of weekly liquidity absorption operations gradually increased, from CFAF 28 billion in March 2023 to CFAF 120 billion in September 2023.[5] However, the associated interest rate was increased only marginally, from 0.75 percent in March 2023 to 0.85 percent since June 2023, thus remaining unattractive for banks. As a result, the level of excess liquidity in the banking system remains high, with excess reserves amounting to about CFAF 1,000 billion at the end of September 2023 but down from about 1,200 billion in June 2023. This impairs monetary policy transmission. Autonomous factors of banking liquidity (AFBL) declined slightly between June and September 2023, mainly driven by lower NFA, partly offset by higher net credit to governments and other net items (Figure 2).

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




Sources: BEAC and IMF staff calculations.

**Text Figure 2. CEMAC: Autonomous Factors of Banking Liquidity**
(CFAF billion)




Sources: BEAC and IMF staff calculations

**8. The banking system presents a mixed picture since the pandemic**. Onsite inspections have resumed with the end of temporary COVID-related forbearance measures in July 2022. However, banking sector soundness indicators slightly deteriorated in 2023H1. Capital adequacy

[5] The volume of one-month liquidity absorption operations increased from CFAF 49 billion in March 2023 to CFAF 120 billion in September. The interest rate for such operations was raised from 0.8 percent to 1 percent in June 2023. In addition, it should be noted that, while the auctioned volume of liquidity absorptions increased, some of the auctions have failed.

slightly declined to 14 percent in June 2023, but several banks are severely undercapitalized, or insolvent, highlighting large recapitalization needs. The reported NPL ratio increased to 19.1 percent in 2023Q2 from 17.7 percent of total gross loans in 2022 (Text Table 2). Although the short-term liquidity ratio is satisfactory at 187 percent as of 2023Q2, liquidity is segmented, with several banks below 100 percent. Overall, less than one-third of banks comply with all prudential requirements. Banks' total assets soared by 20 percent year-on-year in 2023Q2, driven by high deposits' mobilization. Banks' loan portfolio grew by 4.2 percent.

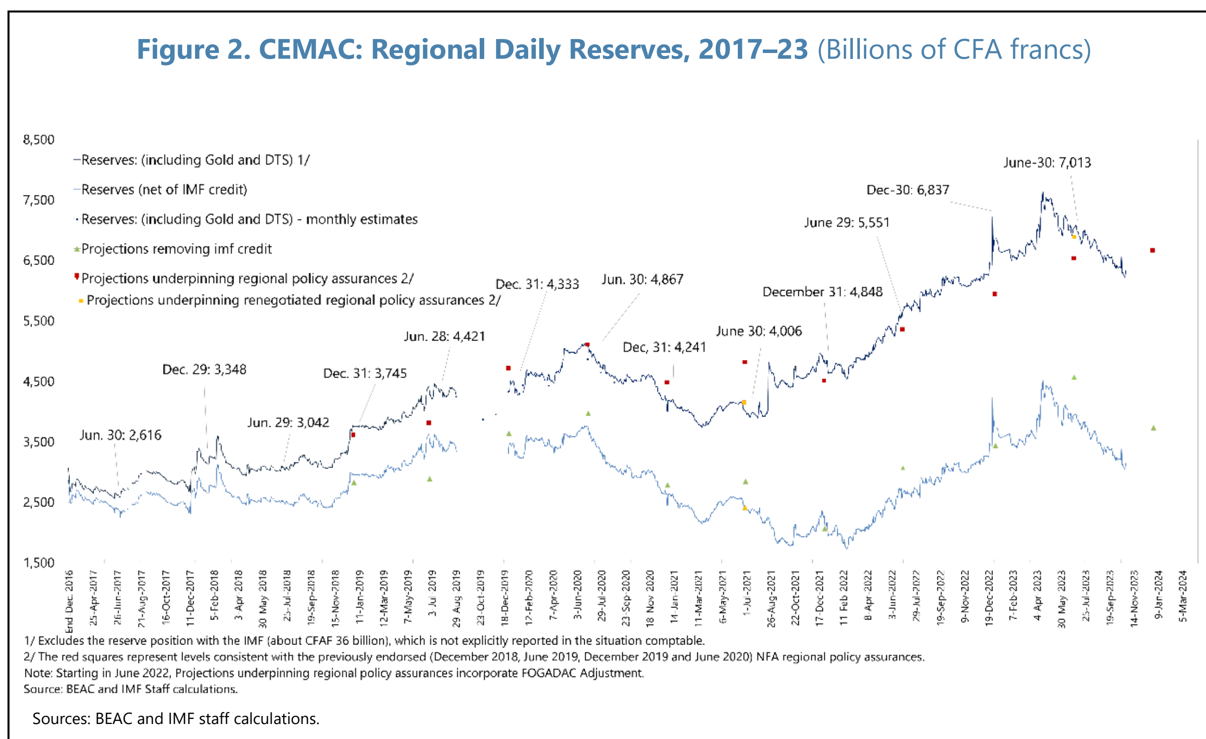
**Text Table 2. CEMAC: Financial Soundness Indicators for the Banking Sector, 2016–23** (Percent)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 Q2 |
|---|---|---|---|---|---|---|---|---|
| **Capital** | | | | | | | | |
| Regulatory capital to risk-weighted assets[1] | 13.4 | 16.1 | 16.5 | 13.4 | 13.2 | 14.1 | 14.6 | 14.0 |
| Tier 1 capital to assets (leverage) | 7.1 | 8.2 | 7.8 | 6.5 | 6.7 | 6.7 | 7.2 | 6.4 |
| Total assets (growth) | 1.9 | -3.0 | 6.1 | 5.1 | 7.6 | 19.5 | 10.5 | 20.7 |
| **Asset quality** | | | | | | | | |
| Non-performing loans (gross) to total loans (gross) | 13.0 | 15.7 | 19.3 | 19.3 | 19.2 | 18.5 | 17.7 | 19.1 |
| Provisions to nonperforming loans | 61.2 | 61.2 | 56.9 | 58.9 | 62.8 | 63.6 | 62.7 | 58.9 |
| **Earnings and profitability** | | | | | | | | |
| Return on equity[2] | 7.5 | 10.0 | 9.8 | 8.9 | 6.0 | 12.7 | | |
| Return on assets | 1.3 | 1.6 | 1.7 | 1.6 | 1.0 | 2.2 | | |
| **Liquidity** | | | | | | | | |
| Ratio of liquid assets to short-term liabilities | 141.3 | 158.2 | 163.5 | 147.2 | 167.2 | 171.0 | 174.6 | 187.3 |
| Total deposits to total (noninterbank) loans | 102.4 | 102.0 | 104.6 | 113.7 | 115.8 | 116.1 | 131.3 | 137.7 |
| Liquid assets to total assets | 23.6 | 26.2 | 27.0 | 25.1 | 27.7 | 27.0 | 30.7 | 32.2 |
| **Credit** | | | | | | | | |
| Gross loan (banks' book) - bn FCFA | 8990 | 8768 | 9038 | 8727 | 9377 | 10433 | 11059 | 11524 |
| Gross loan - annualized (growth) | 5.9 | -2.5 | 3.1 | -3.4 | 7.4 | 11.3 | 6.0 | 4.2 |
| **Other** | | | | | | | | |
| Foreign-currency-denominated loans to total loans | 1.9 | 3.0 | 2.1 | 0.8 | 0.5 | 0.3 | 0.2 | 0.2 |
| Foreign-currency-denominated liabilities to total liabilities | | | | | | | 5.4 | 6.8 |

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

**9. Bank exposure to the sovereign has remained excessively high**. Total exposure (loans and securities) increased from 10 percent at end-2015 to about 30 percent of total assets in June 2023. 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. The potential crowding out of the private sector could impede economic diversification efforts. The growing sovereign exposure is accompanied by a notable lengthening of securities' maturities (from short-term treasury bills to long-term bonds), and consequently, a maturity mismatch risk as long as banks' liabilities remain dominated by deposits. In addition, the liquidity of these securities remains very low in the absence of a dynamic secondary market.

**Figure 2. CEMAC: Regional Daily Reserves, 2017–23** (Billions of CFA francs)

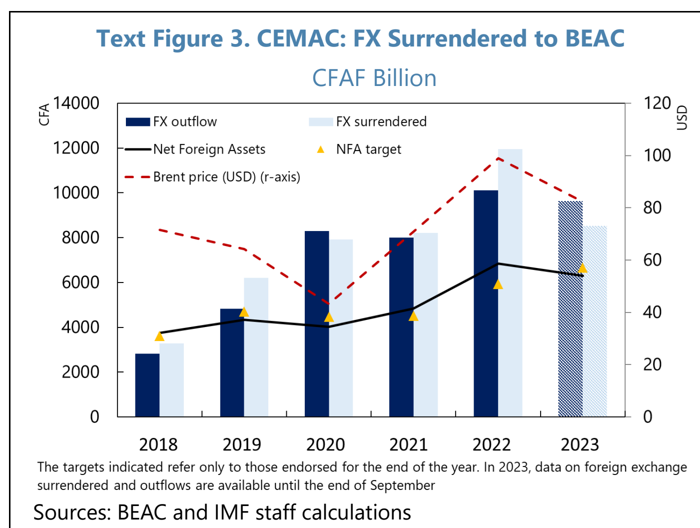



1/ Excludes the reserve position with the IMF (about CFAF 36 billion), which is not explicitly reported in the situation comptable.
2/ The red squares represent levels consistent with the previously endorsed (December 2018, June 2019, December 2019 and June 2020) NFA regional policy assurances.
Note: Starting in June 2022, Projections underpinning regional policy assurances incorporate FOGADAC Adjustment.
Source: BEAC and IMF Staff calculations.

Sources: BEAC and IMF staff calculations.

**10. Continued strengthening of the external position supported a faster reserve build-up in 2023H1, but the downward trend in NFA in the second half of the year is concerning**. The estimated current account balance (CAB) reached a surplus of 2.8 percent of GDP in 2022, from a deficit of 1.0 percent of GDP in 2021, buoyed by higher hydrocarbon prices and a real depreciation against the U.S. dollar through most of the year. Gross reserves reached 4.0 months of prospective imports in 2022. Preliminary data suggest that the end-June 2023 regional policy assurance on the NFA (EUR 4.47 billion) was met with a significant margin (EUR 880 million).[6] This overperformance stems from continued increase in hydrocarbon export receipts and improved FX repatriations linked to a stepped-up enforcement of the FX regulations following the expiration of the grace period for complying with the surrender and repatriation requirements. However, the rise in NFA was reversed in 2023Q3, driven by a likely deterioration in the current and financial accounts, with the combined effect of a steep drop in FX

**Text Figure 3. CEMAC: FX Surrendered to BEAC**
CFAF Billion




The targets indicated refer only to those endorsed for the end of the year. In 2023, data on foreign exchange surrendered and outflows are available until the end of September

Sources: BEAC and IMF staff calculations

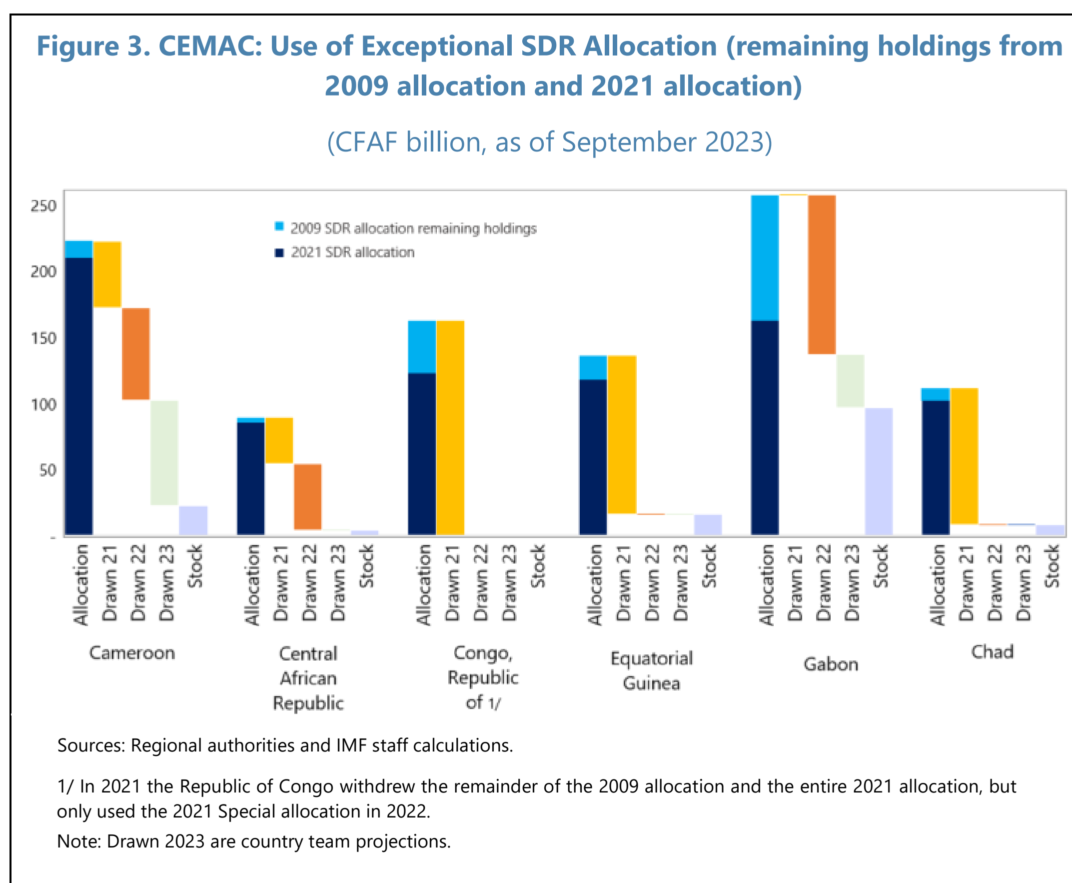
[6] The data underpinning this assessment have not yet been reflected in all country projections attached to this Staff Report.

repatriations by the public sector, and a sharp increase in FX outflows (dividend payments by the banking and insurance sectors and higher foreign currency bill for wholesale intermediary services)[7] (Text Figure 3).[8]

**11. CEMAC member states used most of the 2021 allocated SDR** (Figure 3). Although SDRs were used broadly in line with staff's recommendation for CEMAC countries, withdrawals in Cameroon and Gabon exceeded initial commitments (to save at least half of their allocation), given higher-than-expected borrowing costs and spending. These additional withdrawals did not hamper the targeted NFA accumulation. Still, member countries should not lose sight of the risk of tighter financial conditions on their balance sheets, given the higher interest rates on SDR drawings.

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

(CFAF billion, as of September 2023)




Sources: Regional authorities and IMF staff calculations.

1/ In 2021 the Republic of Congo withdrew the remainder of the 2009 allocation and the entire 2021 allocation, but only used the 2021 Special allocation in 2022.

Note: Drawn 2023 are country team projections.

[7] As part of the lifting in July 2022 of the regulatory forbearance measures put in place during the COVID-19 period, COBAC has also lifted the suspension of dividend distribution, authorizing for the first time in three years a dividend distribution for banks.

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

# OUTLOOK AND RISKS

**12. The outlook remains subject to high uncertainty and hinges on prudent management of oil windfalls and sustained reform implementation.** In the near term, it is partly based on the Brent oil price projection from the most recent World Economic Outlook (WEO) of about US$82/bbl for 2023, up from US$78/bbl assumed in June 2023. Real GDP growth is projected to slightly decelerate to 2.6 percent in 2023—a 0.4 percentage point downward revision relative to the June projection. The revision to GDP growth stems from the sharper than previously expected contraction in oil production (especially in Equatorial Guinea), partly offset by a stronger rebound in oil output in Congo. In contrast, non-oil GDP growth is expected to continue to recover, albeit at a slower pace than in 2022. In the medium term, sustained growth is predicated on the implementation of structural reforms geared towards improving governance, the business climate, and access to finance. Pent-up demand from domestic arrears clearance, public infrastructure projects resumption, and a resolution of security tensions are also expected to boost medium-term growth.

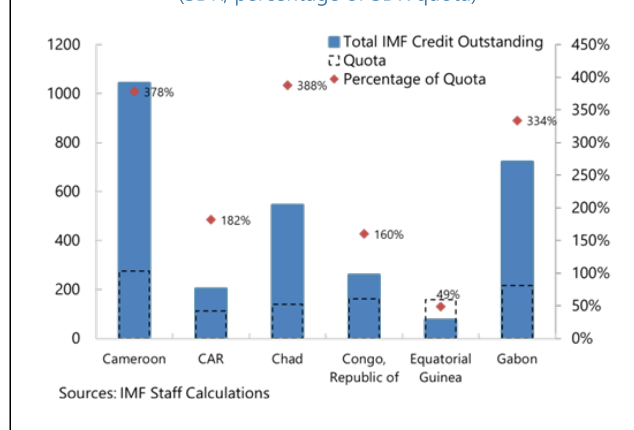
**13. Inflation is projected to decelerate to 4.9 percent by end-2023**. Still, the inflation forecast has been revised upward by about 0.6 percentage point relative to the June 2023 projection, mainly owing to higher food prices and transportation costs. The expected deceleration reflects the cooling effects of policy tightening on economic activity and declining global food prices, somewhat offset by energy-related inflation from fuel subsidy reforms in some member states. Yet, various price controls on essential food items still represent upside risks to the inflation forecast, should possible funding constraints force their removal. Inflation is expected to return below the regional 3 percent convergence criterion by 2026.

**14. Underlying fiscal positions are expected to improve, partly correcting the previous year's slippages**. The non-oil primary fiscal deficit including grants (NOPFD) is projected to improve by 1.6 percentage points to 6.6 percent of non-oil GDP in 2023 (though 1.1 percentage points lower compared to the June 2023 projection). This improvement reflects the projected increase in non-oil revenue collection and some streamlining (though the latter is smaller than initially projected in June 2023) of government spending (including net savings from fuel subsidy reforms). Member states are expected to undertake meaningful fiscal consolidation in the medium term. The NOPFD is expected to improve by about 4 percentage points of non-oil GDP between 2022 and 2028, on account of structural revenue and expenditure measures (Table 3b). Still, preliminary data suggest that some countries are likely to have loosened their fiscal policy in early 2023. The region's overall fiscal balance (excluding grants) is projected to deteriorate from 2.5 percent of GDP in 2022 to 0.4 percent of GDP in 2023—unchanged compared to the June 2023 projections (Table 3a) —mainly driven by lower hydrocarbon revenue (Congo and Equatorial Guinea), and spending overruns in some member countries. With newly audited and validated domestic payments arrears (Congo and Equatorial Guinea), despite the improved NOPFD, public debt will rise to around 53.7 percent of GDP in 2023 from 53.4 percent of GDP in 2022. The public debt-to-GDP ratio is expected to decline to about 44 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 from 2.8 percent of GDP in 2022 to -1.9 percent of GDP in 2023. The deterioration mainly reflects a decline in hydrocarbon exports, on account of lower projected WEO oil prices. The CAB is expected to gradually weaken to about -4 percent of GDP over the medium term (lower than its historical average of -3 percent of GDP), mainly 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 external 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 at around 40 percent in 2023 (Table 9), additional donor support will be needed to ensure that any residual external financing gap can be closed. The reserve coverage ratio is projected to rise to about 4.3 in 2023 and 4.7 in the medium term, which is slightly below the staff-estimated adequacy target for a resource-rich monetary union (5 months of prospective imports).

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

(SDR, percentage of SDR quota)




Sources: IMF Staff Calculations

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

## External Risks

- *Commodity prices*. An adverse shock to global commodity prices due to a sharp slowdown in global demand (including stemming from China), 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 protracted tightening, including in the Eurozone, or continued tensions in global financial markets could affect risk premia and raise debt service and rollover risks. The recent political transition in Gabon could also push its Eurobond yields up.

- *Geo-economic fragmentation*. An escalation 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**

- *Socio-political environment*. Political uncertainty, including the recent events in Gabon, may slow down structural reform momentum, disrupt regional trade integration, and weigh on growth prospects. The same may arise from a persistence or worsening of security challenges in member countries, including owing to potential cross-border security implications of both the ongoing conflict in Sudan– notably the influx of refugees (estimated to have reached close to 300,000 in Chad)–and the political crisis in Niger, weak governance and AML/CFT frameworks, as well as significant corruption, and rule of law shortcomings.

- *Fiscal policy*. The risk of fiscal slippage is high. Failure to raise spending efficiency or improve non-oil revenue collection—particularly should multiple Fund-supported programs in the region go off-track, including because of political instability—could consume the oil windfall, slow reserve accumulation, heighten debt vulnerabilities, and warrant a 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 more restricted access to international markets, banks' increasingly low take-up of governments' issuances in the regional securities market, and the nearly depleted 2021 SDR allocations (Figure 3). In particular, the uncertainty stemming from the political transition in Gabon could compound the existing financing squeeze in the regional market, given Gabonese banks' active role therein.

- *Cost of living*. Persistently high inflation could weigh on growth, entrench inflation expectations, and threaten food security. This could stoke social tensions and unrest.

- *Financial stability*. The materialization of the above risks, along with elevated global economic uncertainty and existing vulnerabilities, including the tight bank-sovereign nexus and high NPLs, could further weaken bank balance sheets. Uncertainty stemming from political instability, such as the recent events in Gabon, could also exacerbate macro-financial stability risks, including by fueling sudden capital outflows.

- *Structural reforms*. Slow progress on structural reforms and failure to implement targets under Fund-supported programs, including linked to political instability, may delay donor support, heighten economic vulnerabilities, and delay growth benefits.

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

- *Extractive sector*. On the upside, stricter compliance with FX regulations and possible higher oil prices linked to OPEC+ actions could lead to greater repatriation of export proceeds. In addition, reform acceleration could help bolster the region's economic resilience to shocks.

- **Authorities' views**. BEAC broadly shared staff's views on risks to the outlook but were more optimistic about growth prospects for the non-hydrocarbon sectors, with forecasts of real GDP growth at 2.5 percent and 3 percent in 2023 and 2024, respectively. In particular, BEAC expects economic activity to strengthen next year, thanks to accelerating growth in the non-oil activities, including agriculture, manufacturing and market services. BEAC agreed with staff that inflation in the region is persistent, and hence risks to price stability are on the upside, especially considering the expected removal of subsidies in several countries. BEAC projects inflation to stay elevated in the near term, but to decelerate faster, with headline inflation reverting to the 3 percent convergence criterion in 2024.

# SAFEGUARDING MACROECONOMIC STABILITY, WHILE PROTECTING GROWTH AND THE VULNERABLE

**17. Discussions focused on safeguarding macroeconomic and financial stability through tight monetary and fiscal policies and strengthened prudential supervision**. Given the expected moderation in oil prices, a fragile growth outlook, persistent inflation pressures, weaker reserve accumulation, amid heightened uncertainty about the global environment, CEMAC policymakers must strike the right balance of policies. They should stay the course on preserving price, fiscal, external, and financial stability, and accelerating structural reforms to enhance resilience, while sustaining the recovery and protecting the vulnerable.

## A. Continuing the Build-Up of Fiscal Buffers to Strengthen Resilience to Shocks

**18. Renewing prudence in managing oil windfalls and tackling recent fiscal slippages is critical for enhancing resilience to potential shocks.** There is a great deal of uncertainty surrounding future oil revenues. The needed green transition to a low-carbon world economy is casting a shadow over the future of the oil industry. This long-term trend, in addition to the uncertainty linked to oil market volatility, highlights the urgency to accelerate external and fiscal buffers build-up before the tailwinds from favorable oil prices dissipate. Hence, staff reiterated the importance of bringing policies back in line with the ambitious fiscal consolidation paths consistent with Fund-supported programs and surveillance advice. Sustaining these policies is even more important as it will ensure the coherence of the short-term policy-mix in cooling aggregate demand, reversing the downward trend of reserve accumulation and reducing the burden on monetary policy for containing inflation pressures. Staff reiterated that delivering on the fiscal consolidation objectives requires CEMAC member countries to:

- **Improve non-oil tax revenue mobilization**, to break the link between much-needed priority social and infrastructure spending and hydrocarbon price volatility. Staff reiterated its recommendations to broaden the tax base, step up the fight against tax and customs fraud, and modernize revenue administration. Key steps to broaden the tax base include phasing

out various tax exemptions, enhancing the progressivity of the personal tax income, advancing interest limitation rules, and better asserting taxing rights over income from multinationals. The mission also stressed that a timely endorsement of the new regional tax directives (income tax, tax expenditures and customs procedures) and the swift implementation of the new VAT directive by member countries could help boost revenue collection. Improved domestic revenue mobilization would also allow for appropriately sequenced reductions in the high level of common external tariffs which impede trade integration and investment.

- **Better manage tax compliance risks in the extractive sector**, staff renewed its recommendation to sustain efforts to gradually strengthen capacity in natural resource taxation (transfer pricing, profit shifting, etc.). This should involve: i) setting up a dedicated team within the tax administration of each country and ensure it can access third-party information and conduct comprehensive audits of multinational enterprises, free of political interference; and ii) ensuring a systematic exchange of information and expertise between the tax administration, the customs administration, and the ministerial authorities in charge of the sector.

- **Enhance spending efficiency**, staff reiterated the need to gradually phase out inefficient subsidies, while rolling out targeted social safety nets to protect the most vulnerable, possibly with donor support. Where social safety nets are weak, the enhancement of the coverage and targeting could leverage on existing programs and digitalization to help to identify eligible households. Staff underscored that the first phases of fuel subsidy reforms are steps in the right direction, which should be completed to yield the expected savings over the medium term. The mission also emphasized that further savings should be sought from rationalizing other outlays, including the wage bill, non-priority recurrent spending and costly transfers to SOEs. Staff thus called for Ministries of Finance to step up efforts to monitor fiscal risks associated with SOEs, including through systematizing the production of fiscal risk statements (FRS) in all member countries, with a specific section dedicated to SOEs. Relatedly, staff encouraged member countries to tackle the root causes of SOEs' financial woes, which would allow reducing transfers from the budget.[9] Further efficiency gains could also be achieved by conducting or updating Public Investment Management Assessments (PIMA), possibly in combination with Climate Change Assessments (CCA) and accelerating PIMA recommendations implementation.[10]

**19. Staff emphasized that member countries should accelerate PFM modernization reforms, along with measures to enhance governance, fiscal discipline, and debt management practices.**

[9] This calls for reducing the state's involvement in commercial activities, stepping up efforts to improve the governance structure of SOEs, and actively monitoring SOEs.

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

- It reiterated that CEMAC low-income member countries should only resort to non-concessional external financing if consistent with safeguarding debt sustainability and debt limits under Fund-supported programs. All CEMAC countries should also enhance debt transparency, particularly on non-guaranteed SOE debt, by avoiding non-transparent collateralized debt, especially natural resource-backed loans.

- Staff stressed that member countries should swiftly implement comprehensive domestic arrears clearance and medium-term debt management strategies, in line with Fund-supported programs. Staff also called for efforts to prevent the resurgence of new arrears, including through enhanced fiscal discipline and alignment of expenditure commitment plans with cash forecasts and procurement plans.[11] Similarly, staff noted that improved alignment between expenditure commitment plans, cash forecasts and borrowing plans, along with enhanced coordination between national treasuries and BEAC, is essential for avoiding persistent external debt arrears in some member countries, which are holding back their performance under Fund-supported programs. Staff also called for greater transparency and arears monitoring. It stressed that measures should aim to strengthen in-year tracking of expenditures, with governments reporting the stocks (of outstanding domestic payment arrears, new arrears, and arrears paid) in fiscal reports (monthly, quarterly, and bi-annual budget execution). This requires all expenditure to be recorded in IFMIS at the liquidation stage where arrears arise.

- Staff urged BEAC to accelerate the implementation of actions required to operationalize its IT platform (AMS/X solution) aimed at the deployment of the treasury single account (TSA) in member states[12]. However, the mission noted the further slippages of the revised timetable which foresaw the platform going live in the two advanced pilot countries (Cameroon and Gabon)—and the other member countries subsequently—by 2023Q3. Addressing the remaining technical problems would enable the platform to be put into production at the two pilot sites and the balances of the banks' treasury accounts to be transferred to the TSA at BEAC by the end of the first half of 2024, as planned, and then gradually rolled out to the other four treasuries. This requires signing a standard convention between BEAC and all Treasuries. Staff noted that addressing structural governance and anti-corruption concerns is also critical for more efficient PFM.

## B. Preserving Price Stability and Containing External Pressures

**20. Staff recommended that BEAC maintain its data-dependent approach to changes to the main policy rate (TIAO) with a tightening bias to keep inflation expectations in check.**

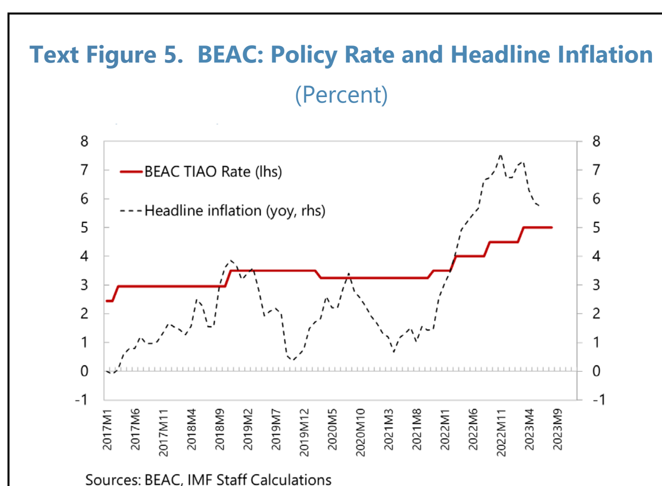
[11] This requires delimiting domestic arrears perimeter, along with a clear definition of responsibilities and close coordination between Treasuries and Debt departments on the monitoring of domestic payment arrears.

[12] Staff welcomed recent progress in Equatorial Guinea, including the adoption of a decree establishing the TSA.

- The mission advised BEAC to stand ready to tighten monetary policy further should inflationary pressures persist, or external reserves start to deviate from the targeted path, using both policy rate increases and more effective liquidity absorption. This tightening bias is warranted, given that the risk of inflation becoming entrenched has increased recently, reflecting heightened uncertainty around global inflationary pressures, broadening domestic price pressures and the persistence of inflation in CEMAC (see Appendix I). The central bank's readiness to tighten further is also justified by ongoing political instability in some countries, possible second-round effects of fuel subsidy reforms, and, to a lesser extent, the significant narrowing of the BEAC-ECB policy rate spread compared to its historical average.

**Text Figure 5. BEAC: Policy Rate and Headline Inflation**

(Percent)




Sources: BEAC, IMF Staff Calculations

- **Authorities' views**. BEAC concurred with staff that future monetary policy decisions will continue to be based on incoming data, and a tightening bias is warranted given heightened uncertainty around inflationary pressures and inflation persistence. The central bank noted that, while headline inflation has eased somewhat over recent months, it remains at a high level. Underlying inflation remains stubbornly high. It also pointed out that supply-side domestic factors (including fresh foods and domestic gas price hikes) have overtaken external factors as the main drivers of inflation. Still, it stressed that caution is warranted in the near term as the full effects of past interest rate hikes have yet to materialize, reflecting the long lags of monetary policy transmission in the region. Meanwhile, BEAC indicated that risks to external stability appear limited, with still comfortable reserve coverage, although it noted the downward trend in foreign reserves since the third quarter. BEAC also reiterated that the BEAC-ECB policy rate spread has little influence on capital flows between CEMAC and Euro area markets, given the limited integration of these markets owing to CEMAC's restricted capital account.

**21. Staff urged BEAC to further increase the interest rates on liquidity absorption operations to effectively absorb excess liquidity.**

- Staff reiterated its recommendation of an increase in the volumes of weekly liquidity absorption operations, to go in tandem with further efforts to boost banks' participation, and meaningful increases in the associated interest rates that should converge toward the main policy rate, which signals the monetary policy stance. Given the significant initial gap, and the fact that this could impair the functioning of the interbank market, the rate increase should be gradual but much more significant than the one observed so far and take place

within a short timeframe (9 to 12 months). Staff welcomed the recent 50 basis point increase in the interest rate on liquidity absorbing-operations. Staff also stressed that BEAC should swiftly switch to a full allotment procedure to absorb excess liquidity more effectively, strengthen monetary policy transmission, and support reserve accumulation. Prompt action on liquidity will also be crucial to reverse the recent downward trend in NFA. To combat liquidity segmentation across banks, staff reiterated that BEAC should more resolutely tackle weak banks, as well as generally strengthen supervision and capital adequacy to build confidence among banks.

- **Authorities' views**. BEAC agreed with staff that reducing excess liquidity would strengthen monetary policy transmission. BEAC noted that the discontinuation of its weekly liquidity injections at the main refinancing window has pushed structurally liquidity-dependent banks to the marginal lending facility, resulting in an increase in the overall liquidity injections. It also acknowledged that the liquidity-absorbing operations that have been conducted over recent months have not been successful in effectively reducing excess liquidity. BEAC argued that the ineffectiveness of these operations is due to the high degree of market fragmentation and the fact that a large proportion of excess liquidity is concentrated among few banks that are not actively involved in the interbank market. In addition, the interest rates on liquidity-absorbing operations may appear relatively low. However, the results of a survey conducted by BEAC among banks with the largest excess liquidity, especially subsidiaries of banking groups, revealed that parent companies' policies were the main hurdles to their participation in BEAC's liquidity-absorbing operations and in the CEMAC interbank market. BEAC stressed that it is open to explore new instruments that would help mop up excess liquidity more effectively, including a fixed-rate full allotment procedure. However, it expressed some reservation about the success of the latter, as the fragmentation of the banking sector is considered as one of the main causes of the excess liquidity problem. In addition to an increase in the interest rate on liquidity-absorbing operations, BEAC indicated that it is contemplating targeted actions for banks with ample excess liquidity, including the issuance of BEAC debt certificates, and pursuing efforts to stimulate the interbank market. Meanwhile, it confirmed that it intends to continue to absorb excess liquidity, with a view to calibrating the amount of the weekly operations exclusively based on autonomous factors of liquidity. In particular, BEAC indicated that it will keep draining liquidity via weekly and long-maturity liquidity absorbing operations and pursue consultations with excess-liquidity banks in order to boost their participation in these operations.

**22. Staff called for BEAC, in cooperation with COBAC, to continue to engage with banks facing high liquidity needs.**

- Staff reiterated that liquidity needs should be tackled swiftly before banks become structurally dependent on BEAC support. Staff advocated tightening BEAC's conditionality for the structurally liquidity-stressed banks that absorb the bulk of its refinancing—including by requesting credible refinancing plans—and, in cooperation with COBAC, considering triggering resolution in case of continued non-compliance. Staff also noted that, effectively

tackling these banks' liquidity woes depends on the governments' ability to find sustainable financing to settle domestic arrears, which is one of the root causes of the affected banks' liquidity stress.

- **Authorities' views**. BEAC concurred with staff's advice and committed to engage more proactively with liquidity-stressed banks, in collaboration with COBAC, to ensure that they submit credible refinancing plans in a timely manner, and are appropriately restructured or recapitalized if needed.

**23. Staff reiterated the need for BEAC to keep containing risks to its balance sheet**.

- Staff reiterated that BEAC should continue to adjust haircuts on collateral based on market intelligence to reflect risks, and provision for potential losses. In particular, staff recommended that BEAC apply: (i) its collateral framework in line with risk equivalence (including differential haircuts); (ii) no reserve requirement exemptions; (iii) its funding plan framework in case of a bank's excessive dependence on BEAC's refinancing; and, if needed; (iv) its emergency liquidity assistance (ELA) framework with appropriately strict conditionality and enhanced supervisory oversight. While acknowledging that arrears securitization in member countries (Text Table 3) helps clear domestic arrears, staff reiterated concerns related to unintended consequences, including weakening the fiscal discipline, reinforcing the bank-sovereign nexus, and building up excessively 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. Staff 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 broadly agreed with staff's advice to continue to adjust haircuts on collateral to reflect risks and set exposure limits by bank and/or country. In particular, it reiterated that haircuts are set in accordance with the framework in force, by monitoring changes in the credit ratings of CEMAC countries and the joint World Bank/IMF debt sustainability analysis. However, BEAC was less inclined to apply larger haircuts to securities issued from arrears securitization to reflect the lower credit quality of the underlying assets, as they are deemed to have the same characteristics as sovereign securities issued by the same government. BEAC also indicated that its balance sheet exposure to BDEAC's credit risk is gradually being reduced in line with repayments made under the various facilities granted to BDEAC by the Central Bank.

**24. While commending BEAC for progress on the enforcement of the FX regulations, staff noted that there is scope for improving efficiency.**

- Staff commended the continued progress made in resolving operational compliance challenges raised by the extractive sector, which should lead to greater compliance with the surrender and repatriation requirements, following the expiration of its grace period in October 2022. Staff encouraged BEAC to continue the constructive dialogue with the extractive sector to ensure an efficient enforcement of the repatriation of funds dedicated to the rehabilitation of oil sites (RES).

- While a stepped-up enforcement of the FX regulations following the expiration of the grace period for complying with the surrender and repatriation requirements led to a significant increase in NFA in 2022 through the first half of 2023, the downturn in the second half of the year calls for further policy actions. Staff recommended that BEAC intensify its efforts to ensure a more complete, efficient, consistent, and predictable application of the FX regulations, including a closer monitoring of compliance by the public and extractive sectors, with the FX repatriation and surrender requirement. Staff also reiterated that BEAC should strengthen its capacity to map out FX accounts held abroad by governments, SOEs, and other public entities, possibly with support from the Bank of International Settlements, to ensure greater compliance by the public sector with the FX repatriation requirement. Staff urged BEAC to establish consistency in the application and enforcement of the FX regulation to help build market participants' confidence. The mission reiterated the importance of ensuring consistency between national legislations and regional FX regulations.

- **Authorities' views**. BEAC indicated that its engagement with banks and businesses led to a more efficient verification and approval process for FX requests. BEAC also stressed that it is prepared to deploy additional staff if necessary. It noted the progress made during the discussions held in Paris in July 2023 with the extractive sector concerning the draft model contract of the escrow account attached to the RES funds. While it was agreed that these model contract escrow accounts should be validated and signed by the member states and the extractive sector by October 21, by early November 2023 no signed model contract account had yet been transmitted to BEAC. It indicated that discussions resumed at the beginning of November with the extractive sector in Paris on the remaining unresolved points, including: (i) the terms and conditions for remunerating escrow accounts attached to the RES funds; and (ii) the draft model contract escrow account attached to RES funds constituted in the form of accounting provisions.

**25. Safeguards assessment**. The 2022 safeguards assessment found that BEAC maintained strong governance arrangements. A safeguards monitoring mission is planned before end-2023 to follow up with BEAC's senior management team on an external quality assessment of internal audit and resulting recommendations and implementation of the other remaining 2022 safeguards recommendations.

## C. Preserving Financial Stability Amid Continued Uncertainty

**26. Staff stressed the urgency of faster progress on the long overdue collective action needed from national and regional authorities to preserve financial stability, especially against the current background of heightened uncertainty, and non-compliance of several banks with regulatory measures.** Immediate and timely action is essential to ward off the risk of a vicious cycle between weak banks and sovereign fragility, tackle protracted reliance on BEAC liquidity support, and address weak banks. Staff advocated the following actions to take: (i) urgently provide COBAC SG with adequate human and financial resources so it could step up onsite inspections; (ii) rigorously sanction or take supervisory corrective actions when banks are systematically non-compliant with regulations within a short timeframe; (iii) strictly enforce BEAC's refinancing policies for liquidity-stressed banks; (iv) assess the adequacy of non-performing exposures' classification and provisioning rigorously—as well as subsequent potential capital shortages in case of insufficient loan-loss provisioning—by undertaking a comprehensive program of onsite supervision of the credit portfolio of banks (at least for systemically-important banks) using a prioritized and risk-based approach; (v) ensure that undercapitalized banks submit credible medium-term recapitalization plans within a short timeframe and establish a strategy for NPL reduction; (vi) recapitalize without a delay or resolve weak banks in a timely manner by national governments; (vii) accelerate the implementation by national governments of comprehensive domestic arrears clearance and prevention strategy. In addition, staff also recommended that insolvent banks cannot be sold to fit and proper investors without first being recapitalized. Finally, COBAC should resist any temptation to relax prudential regulations, which could create dangerous precedents.

**27. Staff reiterated that COBAC should ensure that banks account adequately for sovereign risk.** It advised to 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 the 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. Staff noted that these efforts should go hand in hand with developing a sizeable non-bank investor base to prevent the risks of under-subscription.

**28. Staff urged COBAC to work closely with national and regional authorities (GABAC, BEAC) to address the strategic AML/CFT deficiencies identified in the mutual evaluation of the CEMAC member countries**. Staff noted that this would also be essential to mitigate some of the possible implications of the Financial Action Task Force's (FATF) potential or existing grey listing of CEMAC member countries, such as the reduced ability to trade internationally, including through the loss of correspondent banking.

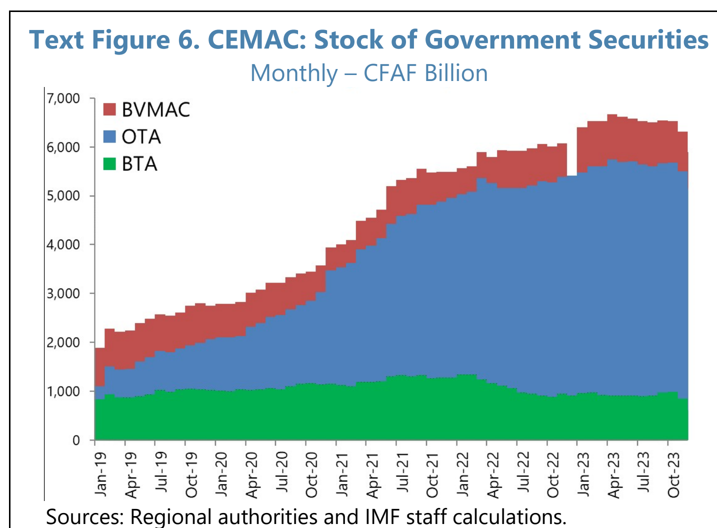
**29. Staff encouraged COBAC to step up the prioritization of its work agenda.** Staff reiterated the need to focus on the following actions: risk-based prudential and AML/CFT supervision; modernizing the regulatory framework (Basel II/III and in relation to AML/CFT);

strengthening bank resolution framework; developing stress tests; and improving risk management and bank governance.

**30. Staff reiterated its advice to address the segmentation of the government issuance market.** Staff noted that the rising share of government securities issued on the regional stock exchange (BVMAC) creates a market dualism that could hamper the development of the secondary market and securities liquidity (Text Figure 6). Staff called on BEAC and all stakeholders to step up efforts to foster the development of a secondary market in government securities, including by building on recent capacity development (CD) from AFRITAC Centre.[13] The mission also stressed that a local-currency bond market (LCBM) diagnostic could also help identify bottlenecks in the government securities market and allow developing a roadmap along with a better prioritized reform action plan. Staff encouraged BVMAC to undertake steps to raise investor appetite for the stocks from 17 SOEs set to be listed on BVMAC. In addition, BVMAC, in collaboration with BEAC and COSUMAF, should ensure that the company in charge of managing the single central depository is operationalized by end-2024 as scheduled. The mission also encouraged member countries that have not submitted yet their SOEs to be listed to swiftly do so.

**Text Figure 6. CEMAC: Stock of Government Securities**

Monthly – CFAF Billion




Sources: Regional authorities and IMF staff calculations.

**31. Staff encouraged regional supervisors to monitor and manage new forms of risks posed by digital payments and assets**. To allow supporting innovation and financial inclusion, while preserving financial stability, protecting consumers, and ensuring compliance with the FATF's AML/CFT standards, staff reiterated the need for regional supervisors (BEAC, COBAC, COSUMAF, and the AML/CFT regional body, GABAC) to advance a crypto-related regulatory framework and enhance coordination of the issuance of laws or regulations. Staff emphasized that regional supervisors should 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 called for BEAC and regional supervisors to examine whether initiatives, such as C.A.R.'s recent law allowing the

[13] Key recommendations include: (i) improving the predictability and transparency of CEMAC member government securities' issuance; (ii) developing the regulatory framework (notably regarding the control of valuation rules); (iii) enhancing transparency by providing the market with an adequate infrastructure (listing platform, listing rules adapted to the market development stage); and (iv) diversifying the investor base, including by stepping up financial literacy and ensuring a smooth and efficient enforcement of FX regulations, which is imperative to mitigate the high degree of sovereign-bank nexus. Prospective investors include non-bank institutional investors (pension funds, insurance companies, asset managers), individual investors from the diaspora, and non-resident investment funds.

tokenization of its resource wealth via crypto assets violate BEAC's exclusive right to issue currency in the CEMAC or come at the expense of financial integrity, governance, consumer protection, and compliance with AML/CFT standards. Staff advised BEAC to diligently account for the risks posed by digital payments and assets on its operations and monetary policy implementation, which may entail adapting its internal controls accordingly. It noted that BEAC's exploration of a CBDC—for which it already requested Fund CD—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. In the meantime, the mission encouraged BEAC to step up its efforts to further unlock the financial inclusion potential of mobile money without undermining financial integrity, given its already widespread take-up in the region, including by revising the current tariffication that burdens small transactions. In particular, staff calls for increased efforts to validate and adopt the new revised pricing project drawn up by GIMAC, by the end of April 2024 as planned.

**32. Authorities' Views**

- **COBAC agreed with staff's recommendations.** BEAC committed to address COBAC longstanding understaffing issues, which has worsened with continued decline in staff numbers. COBAC expressed its view that a risk-based supervision is fully implemented. It also indicated that several regulatory projects are currently being completed, including COBAC regulations on AML/CFT that have been revised to incorporate recent FATF developments, notably the risk-based approach. COBAC indicated that it is working closely with national and regional authorities (GABAC, BEAC) to address the strategic AML/CFT deficiencies identified in the mutual evaluation of the CEMAC member countries. COBAC stressed that the existing prudential regulatory framework can address the problems of weak banks, including through sanction mechanism in case of non-compliance. However, it noted that the cooperation with national authorities is paramount, particularly in cases of recapitalization and resolution of weak banks.

- **BVMAC concurred with staff that diversifying the investor base would help foster the development of a secondary market in government securities**. It also noted that it is working on the conditionality for the companies that will be listed on the stock exchange. BVMAC indicated that it has finalized the creation of a composite stock index, which should also help attract foreign investors.

- **BEAC stressed the continued rise in costs of government securities**. It highlighted that this was related to higher interest rates, reflecting the tightening of monetary policy as well as market risk perception of countries, including issuance uncertainty. BEAC indicated that it has developed a regulatory text on issuance calendar that will provide better visibility to market participants.

- **Regional supervisors agreed with staff on 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 assets**. BEAC confirmed that the IMF's technical assistance will help explore the possibility of setting up a central

bank digital currency (CBDC). This support could help strengthen the regulation and supervision of digital assets in the region, and modernize the financial and payment systems and further promote financial inclusion. BEAC also indicated that it is examining the consistency of C.A.R.'s recent law allowing the tokenization of its resource wealth with exclusive payment use of crypto assets for the transactions with regional legal/regulatory frameworks.

- **The new COSUMAF AML/CFT regulation entered into force on May 24, 2023 and aims at establishing a framework for the COSUMAF to apply a risk-based approach to AML/CFT supervision**. COSUMAF has requested Fund's technical assistance to help identify potential areas of reforms to enhance financial market supervision and financial inclusion.

## D. Moving Ahead with the Regional Surveillance Framework

**33. Staff urged the Commission to strengthen the credibility and enforceability of the regional surveillance framework**. Staff recommended that the Commission step up concertation efforts with the UMAC ministerial council to swiftly bring back on track the adoption process of the draft sanction mechanism for breaches of regional surveillance rules. Staff argued that the questioning of its merit by some member countries during the March 2023 ministerial council weakens the enforceability and credibility of the regional surveillance framework. This is especially concerning given that only few countries met the convergence criteria in 2022, despite favorable hydrocarbon prices (Table 6). Staff noted that the inclusion of the draft new sanction mechanism as a potential item for discussion at the next PREF-CEMAC COPIL session could help build consensus around the project[14]. Meanwhile, staff urged the Commission to ensure that all member countries share their medium-term convergence plans[15]. It also encouraged the Commission to finalize the first internal analysis of the early warning system on macroeconomic imbalances initiated through the regional surveillance missions underway since August 2023 in the six member countries, whose reports are expected to be validated by the first quarter of 2024.

**34. Staff urged regional institutions and member countries to move ahead with the 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 stressed that ongoing efforts to improve external statistics, including with recent and future Fund's CD as well as World Bank support, are critical for accelerating BOP data collection and

[14] The Fund stands ready to examine the conformity of the draft new sanction mechanism with international best practice, as requested by the Commission's staff.

[15] Cameroon's medium-term convergence plan has been adopted by the UEAC Ministerial Council in October 2023.

compilation, which would ultimately help reduce oil revenue and external flows forecasting errors.[16] Staff also noted that it is essential that COBAC and BEAC regularly report updated data on financial soundness indicators and monetary and financial Statistics data to the IMF for further dissemination.[17] In addition, staff reiterated the need for the Commission to accelerate the establishment of the Observatory for the implementation of CEMAC customs and tax legislation to support the convergence of practices and results. It should also work with member countries' customs to operationalize the technical sub-committee for trade facilitation created in December 2021, in order to accelerate the implementation of trade facilitation measures.

**35. Staff advised that the Commission work with BEAC and the PREF-CEMAC Secretariat to put forward a harmonized view on the contemplated multilateral stabilization fund.** It underscored the importance of harmonizing views on the feasibility and modalities for setting up such a fund that would be funded by part of oil windfalls. Staff indicated that the Fund stands ready to provide technical assistance on the matter if needed.

**36. Authorities' Views.** The CEMAC Commission concurred with staff on the importance of strengthening the credibility and enforceability of the regional surveillance framework. The Commission indicated that it would intensify concertation efforts with the UMAC ministerial council to bring back on track the adoption process of the draft sanction mechanism for breaches of regional surveillance rules. In addition, it suggested that conditionality under individual CEMAC member countries' Fund-supported programs be considered as an additional potential vehicle for accelerating the adoption of the new draft sanction mechanism. It also noted that it is working on ensuring that all member countries share their medium-term convergence plans and finalizing the internal analysis of the early warning system on macroeconomic imbalances. It highlighted that it is making progress on strengthening compliance with the regional convergence criteria, including with the support of the Fund's technical assistance.

# ACCELERATING STRUCTURAL REFORMS TO LIFT POTENTIAL GROWTH AND ENHANCE RESILIENCE

**37. Staff called for accelerating structural reform implementation to bolster productivity and competitiveness**. Staff emphasized that faster progress on longstanding reforms in areas of governance, regulation, AML/CFT and anti-corruption frameworks, combined with ambitious policies to improve human capital, the business climate, the rule of law, financial inclusion, and regional infrastructure projects would help enhance economic diversification and resilience, broaden the non-oil tax base, and deepen regional trade integration. In particular, staff welcomed the development of a regional financial inclusion strategy. It also encouraged member states to increase budgets

[16] In May 2023, the World Bank approved US$460 million in credits and grants from the International Development Association to improve and harmonize data systems in eight countries in Western Africa and three regional organizations (the *Harmonizing and Improving Statistics in West and Central Africa project)*.

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

allocated to improving human capital as soon as possible, in line with their commitments made at the African Heads of State Summit organized by the World Bank on human capital in July 2023 in Dar es Salaam.

**38. Staff welcomed regional efforts to enhance food security**. It commended the adoption of the financing plan for the regional food self-sufficiency strategy, and called for intensified efforts to ensure its prudent implementation—while carefully avoiding FX or trade restrictions—which should help boost domestic agriculture production and strengthen much-needed food security.

**39. Staff reiterated the need for coordinated action to enhance resilience to climate shocks.** To allow for coordinated action against climate-related risks in the region, staff advised for the Commission to perform a climate change risk assessment to define a regional climate adaptation strategy, intensify forest and water conservation efforts, and explore distributional impacts and socio-economic benefits. Staff indicated also that the Commission would benefit from accelerating work on a regional climate change adaptation strategy, in collaboration with the World Bank, to strengthen the resilience of the region's economies to climate shocks.

# MONITORING OF REGIONAL POLICY ASSURANCES

**40. Regional authorities moved forward with policy commitments from the June 2023 follow-up to the Letter of support to member countries' recovery and reform programs**. BEAC appropriately maintained the tightening path of monetary policy and liquidity conditions (¶6–7 and 20–21) and discontinuing weekly liquidity injections at its main refinancing window. BEAC also started mopping up excess liquidity, by increasing the rate and volumes of its liquidity absorbing operations. The resolution of operational challenges raised by the extractive sector has paved the way for greater compliance with the surrender and repatriation requirements of the FX regulations. In addition, discussions are still ongoing on the draft model contract for the escrow account for the funds set aside for the rehabilitation of oil sites. CEMAC national authorities have started to take action to preserve financial stability, including under Fund-supported programs, by making plans to address weak banks and appropriately tackle the bank-sovereign nexus. With these efforts, the regional policy assurance on the NFA set for end-June 2023 (EUR 4.47 billion) was met with a significant margin (EUR 880 million) (¶10).

**41. BEAC requests a downward revision to the regional policy assurance on the NFA for end-December 2023 (to EUR 3.91 billion) to account for the reversal of the exceptional overperformance at end-June 2023 and the decreasing trend in early 2023H2.** This partly accounts for the fact that the overperformance observed at end-June 2023 (EUR 880 million) was due to one-off factors that reversed in the following months. High frequency data on FX reserves and transfers points to a correction in the third quarter, driven by a likely deterioration in the current and financial accounts (¶10). Staff and BEAC agreed that an accelerated external reserves build-up is needed before the positive outlook offered by favorable hydrocarbon and oil prices fades away. Going forward, member countries stand ready to implement offsetting policy adjustments, should external financing support fall short of expectations, consistent with commitments under Fund-

supported programs. BEAC will step up efforts to monitor the compliance of the public and extractive sectors with the FX regulations. Member countries should also ensure that all public entities fully repatriate their deposits held abroad. These efforts, combined with continued constructive dialogue with a view to a more complete, effective, and consistent application of FX regulations, should contribute to a more diligent repatriation of foreign currency. The decline in NFAs also justifies accelerating the tightening of liquidity. Staff and BEAC agreed that an accelerated external reserves build-up is needed before the positive outlook offered by favorable hydrocarbon and oil prices fades away.

42. **The attached follow-up letter describes the proposed end-December 2023 NFA target, the proposed June 2024 NFA target, and associated regional institutions' policy intentions in support of national programs**. Consistent with staff projections, which accounts for the downward revised end-December 2023 owing to the above-mentioned factors (¶10), the proposed end-June 2024 NFA target covered by the updated policy assurances was set at EUR 4.30 billion (Text Table 4). The higher proposed NFA target for end-June 2024 compared to the proposed end-December 2023 NFA target reflects an expected smaller deterioration of the CAB in 2024H1 compared to 2023H2. Indeed, given that oil prices started increasing in the third quarter of 2023, the impact on oil export receipts is expected to be felt in 2024H1, 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 4.7 months of imports. As in the past, these proposed NFA targets for end-December 2023 and end-June 2024 are subject to risks from heightened external uncertainties, including volatility in the oil market and donor support shortfalls, as well as domestic macroeconomic and political risks.

**Text Table 4. CEMAC: Regional Policy Assurance on NFAs, 2023-2024**

(Billions of euros)

| | 2023 | | 2024 | |
|---|---|---|---|---|
| | June | Dec. | June | Dec. |
| Assurance endorsed in June 2023 | 4.47 | 4.32 | … | … |
| Outcome | 5.35 | … | … | … |
| Proposed new assurances | … | 3.91 | 4.30 | … |

# STAFF APPRAISAL

43. **The CEMAC's recovery gained strength in 2022, supported by higher hydrocarbon prices.** The external position strengthened, with rapid accumulation of foreign exchange reserves (FX), which remain below adequate levels. The positive momentum carried into 2023, as oil prices stayed at a relatively high level, but FX accumulation has slowed toward the second half of the year. The outlook remains subject to high uncertainty and hinges on sustained reform implementation, in line with Fund-supported program objectives and staff advice. Staff projects GDP growth to slow to 2.6 percent in 2023, mainly owing to a contraction in hydrocarbon output (Equatorial Guinea), and stabilize at around 3½ percent over the medium term. A more prudent approach to managing oil

windfalls is warranted; and tackling recent fiscal slippages is a priority to enhance resilience to potential shocks. The risks to the outlook remain skewed to the downside and include: declining commodity prices; tighter financial conditions; heightened political uncertainty; further fiscal slippages; entrenched inflation; financial instability; slow progress on structural reforms; food insecurity; and climate-related events.

**44. Tackling recent fiscal slippages is critical for strengthening resilience to potential shocks**. The volatility in energy markets and resulting uncertainty surrounding future oil revenues, combined with the needed green transition to a low-carbon world economy cast a shadow over the future of the oil industry. This highlights the urgency to accelerate external and fiscal buffers build-up before the tailwinds from favorable oil prices dissipate. Hence, policies need to be brought back in line with the ambitious fiscal consolidation paths consistent with Fund-supported programs and surveillance advice. This entails efforts to intensify non-oil tax revenue collection, enhance spending efficiency, phase out inefficient energy subsidies, while ensuring adequate targeted safety nets to protect the vulnerable.

**45. The uncertainty around inflationary pressures warrants a data-dependent approach to changes to the main policy rate (TIAO) with a tightening bias to keep inflation expectations firmly anchored**. BEAC left the policy rate unchanged at 5 percent at the September 2023 meeting, following a cumulative 175 basis points increase between November 2021 and March 2023. It also tightened banks' refinancing conditions, discontinuing its weekly liquidity injections at its main refinancing window, and stepped up its liquidity absorption operations. While the halt in the interest rate-rising cycle seems appropriate in the short term, in light of signs of easing inflation, staff reiterated its call for further increases in the interest rate on liquidity-absorbing operations to converge toward the main policy rate within a relatively short timeframe. In that regard, the 50 basis-point hike in the interest rate on liquidity absorbing-operations in November 2023 is a welcome first step. Swiftly switching to a full allotment procedure will allow BEAC to absorb excess liquidity more effectively, strengthen monetary policy transmission, and support reserve accumulation. A more efficient, transparent, and consistent enforcement of the FX regulations to all economic sectors, especially the public sector and the extractive industry, is expected to help ensure greater FX repatriations.

**46. Strong collective action from national and regional authorities is urgently needed to preserve financial stability**. Against the background of heightened uncertainty and non-compliance of several banks with regulatory measures, such collective action should focus on: (i) urgently addressing COBAC's longstanding understaffing issues; (ii) rigorously sanctioning or taking supervisory corrective actions when banks are systematically non-compliant with regulations; (iii) rigorously enforcing BEAC's refinancing policies for liquidity-stressed banks; (iv) assessing the adequacy of non-performing exposures' classification and provisioning, as well as subsequent potential capital shortages in case of insufficient loan-loss provisioning; (v) recapitalizing or resolving weak banks by national governments; and (vi) implementing comprehensive domestic arrears clearance and prevention strategy by national governments. COBAC should also pursue efforts to ensure that undercapitalized banks submit credible medium-term recapitalization plans

and establish a strategy for NPL reduction within a short timeframe. COBAC's ongoing progress related to the risk-based prudential supervision and the regulatory framework for AML/CFT supervision is welcome. COBAC should continue to work closely with national and regional authorities (GABAC, BEAC) to address the strategic AML/CFT deficiencies identified in the mutual evaluation of the CEMAC member countries. Finally, COBAC should accelerate the implementation of Basel II/III and ensure that banks account adequately for sovereign risk.

**47. The delay in the adoption of new sanction mechanism for breaches of regional surveillance rules raises concerns**. The CEMAC Commission should intensify coordination efforts with the UMAC ministerial council to swiftly bring its adoption process back on track, to enhance the enforceability and credibility of the regional surveillance framework. It is essential that the Commission urges member states to make faster progress on previously identified key prerequisites for ensuring greater compliance with the regional convergence criteria.

**48. Enhancing the supervisory framework and capacity is needed to appropriately monitor and manage new forms of risks posed by digital payments and assets**. Regional supervisors need to advance the crypto-related regulatory framework and enhance coordination of the issuance of laws and regulations. This would include confirming that initiatives, such as C.A.R.'s recent law allowing the tokenization of its resource wealth with exclusive payment use of crypto assets for the transactions, does not violate BEAC's exclusive right to issue currency in the CEMAC or come at the expense of financial integrity, governance, consumer protection, and compliance with AML/CFT standards. BEAC should diligently account for potential effects of digital payments and assets on its operations and the conduct of monetary policy. In addition, BEAC's exploration of the feasibility of a CBDC should be based on a cost-benefit analysis.

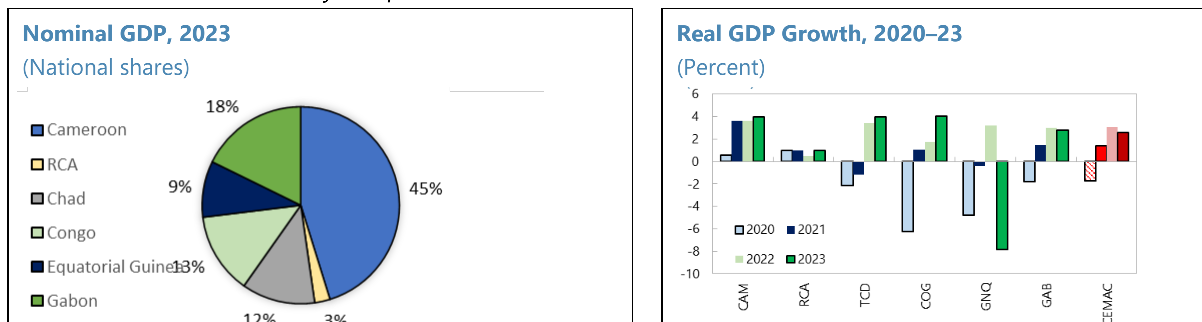
**49. Accelerating structural reform implementation is essential to boost the region's potential growth, and enhance diversification and inclusiveness**. Faster progress on longstanding governance, transparency, and corruption frameworks, and regulatory reforms, and measures to improve human capital, the business climate, financial inclusion, and regional infrastructure projects would help bolster economic diversification and inclusiveness, and enhance resilience to shocks, including climate-related events.

**50. Overall, staff: (i) notes that BEAC met the policy assurance on the NFA provided in the July 2023 follow-up letter, reflecting the improved trade balance, greater FX repatriation and tighter monetary policy; (ii) supports the updated policy assurance on NFA accumulation (to bring NFA to €3.91 billion and €4.30 billion at end-December 2023 and end-June 2024, respectively)**. To meet the NFA target in 2024, and reverse the downward trend in 2023H2, the following actions are needed: (i) BEAC to step up its efforts to monitor the compliance of the public and extractive sectors with the repatriation and surrender requirements of the FX regulations; (ii) member countries to tackle recent fiscal slippages in line with Fund-supported programs and staff advice; and (iii) an accelerated tightening of liquidity conditions, with meaningful increases in the interest rates on liquidity-absorbing operations. Anchored by Fund-supported programs and surveillance advice, member countries should also stand ready to maintain macroeconomic stability, including through appropriate fiscal policy measures, and to implement structural reforms,

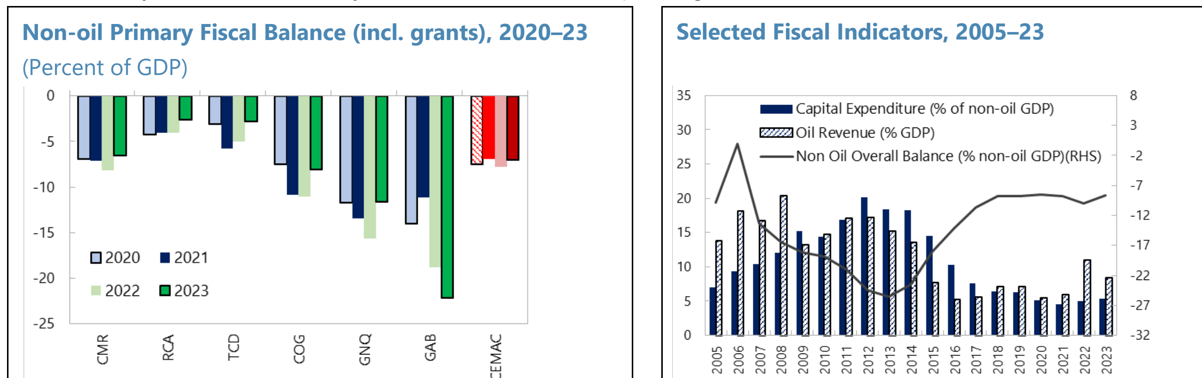
including in areas of governance, regulation, AML/CFT and anti-corruption frameworks, combined with ambitious policies to improve human capital and the business climate, which should help enhance economic diversification and resilience. Nonetheless, building up FX reserves will depend on timely disbursements of external financing. 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, 2005–23**

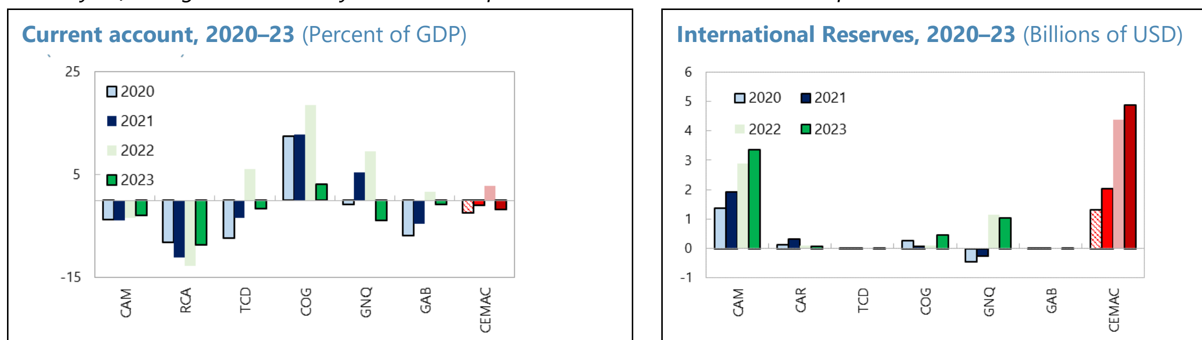
*Real GDP is projected to decelerate to 2.6 percent in 2023, from 3.0 percent in 2022, mainly reflecting a sharp contraction in economic activity in Equatorial Guinea.*




*The overall fiscal balance is projected to deteriorate from 2.5 percent of GDP in 2022 to 0.4 percent of GDP in 2023, mainly because of lower hydrocarbon revenue and spending overruns in some member countries.*



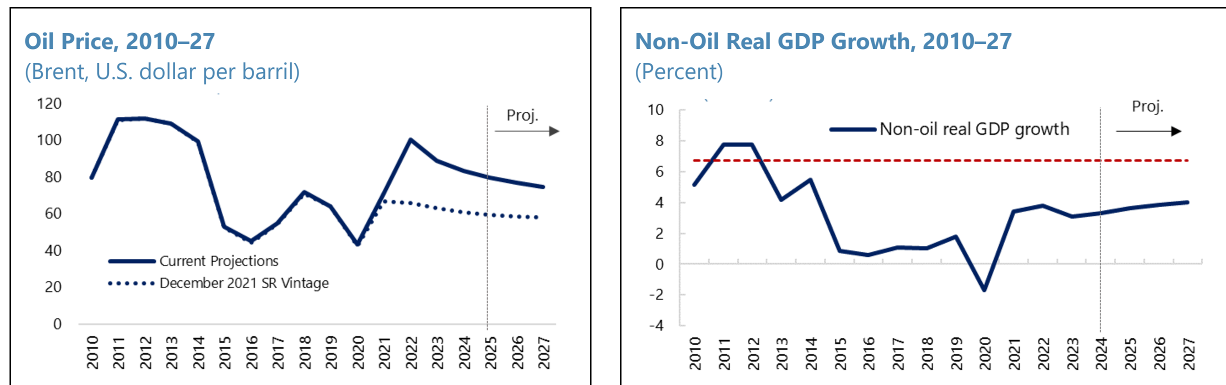

*The current account balance is projected to deteriorate from 2.8 percent of GDP to -1.9 percent of GDP in 2023, mainly reflecting a decline in hydrocarbon exports. Reserves accumulation is expected to continue.*



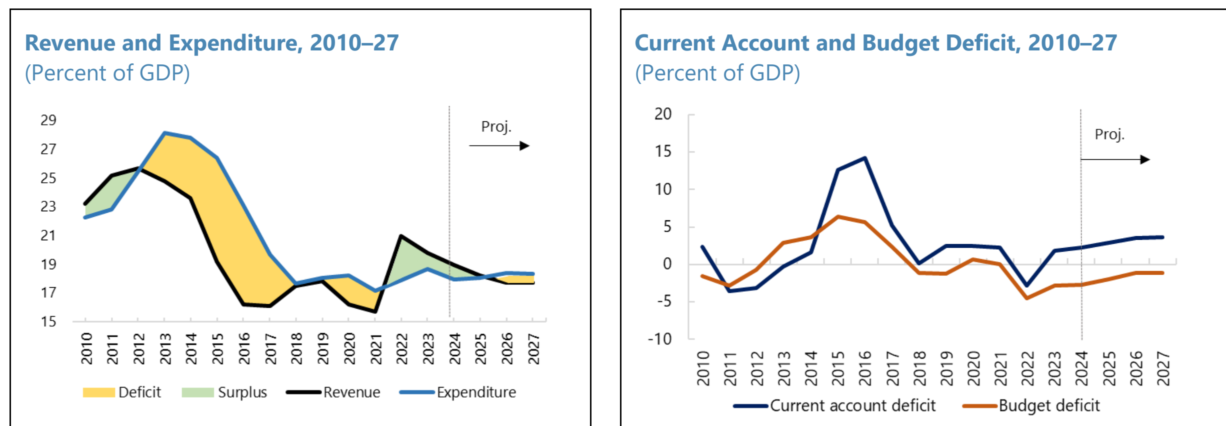

Sources: CEMAC authorities; and IMF staff estimates.

## Figure 5. CEMAC: Selected Economic Indicators, 2010–27

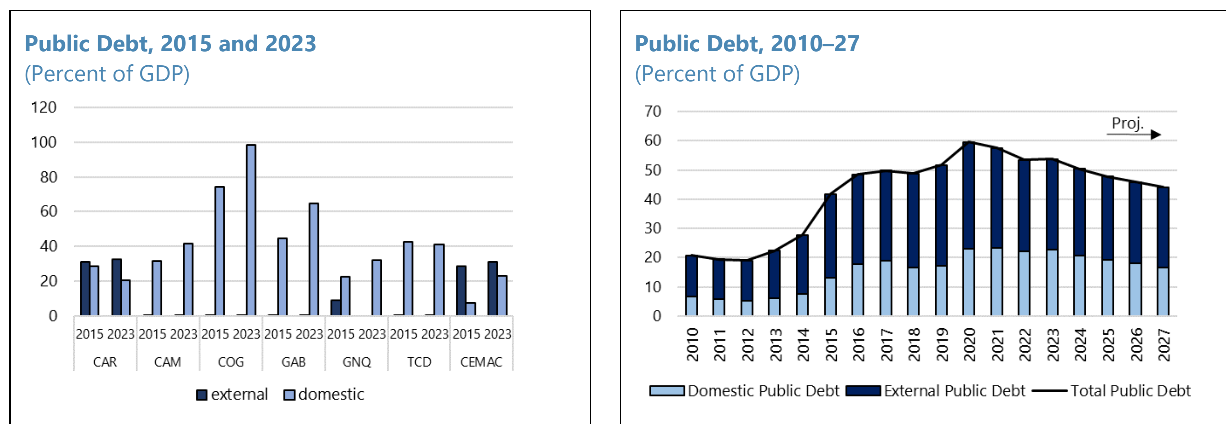
*The oil price path was revised up to $82.4 per barrel on average in 2023. Higher oil prices boosted both oil and non-oil GDP and led to higher oil export receipts of about 9 percentage points of GDP in 2022.*




*The continued build-up of fiscal and external buffers will strengthen reserve accumulation over the projection horizon.*




*Public debt is expected decline to around 53.7 percent of GDP in 2023, and 43 percent of GDP in the medium term.*



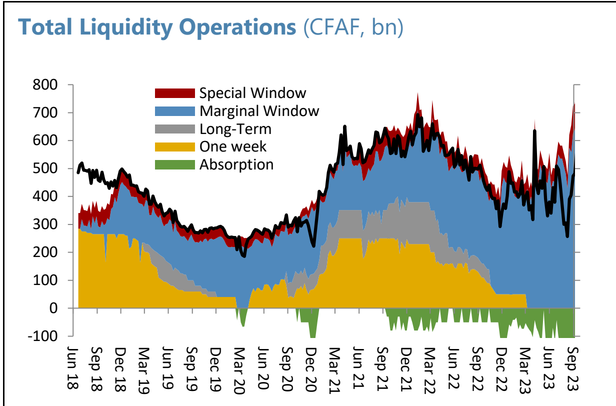

Sources: GAS Live, CEMAC authorities; and IMF staff estimates.

Note: Public debt refers to General Government debt.

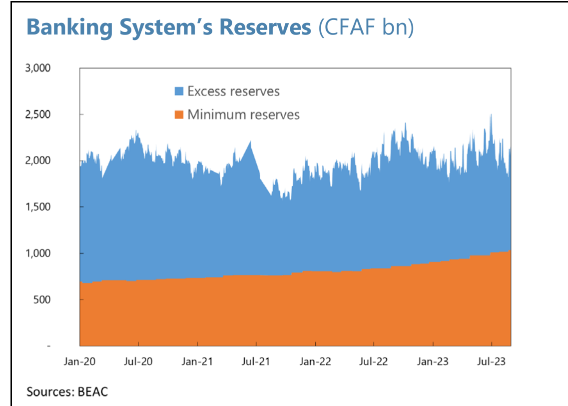
## Figure 6. CEMAC: Recent Monetary Developments

*BEAC discontinued its weekly liquidity injections, but borrowing at the marginal lending facility increased, while excess liquidity remains ample.*

**Total Liquidity Operations** (CFAF, bn)



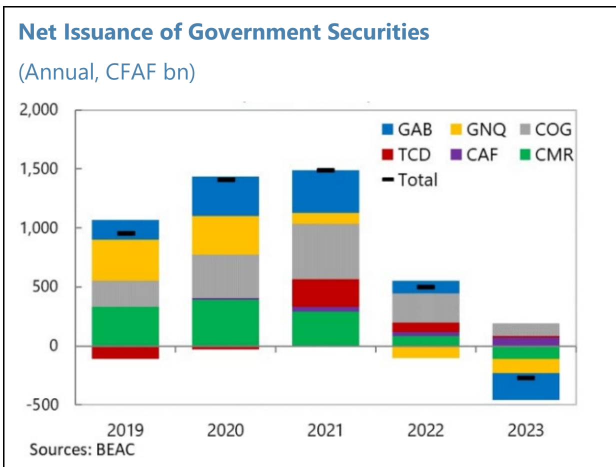

**Banking System's Reserves** (CFAF bn)




Sources: BEAC

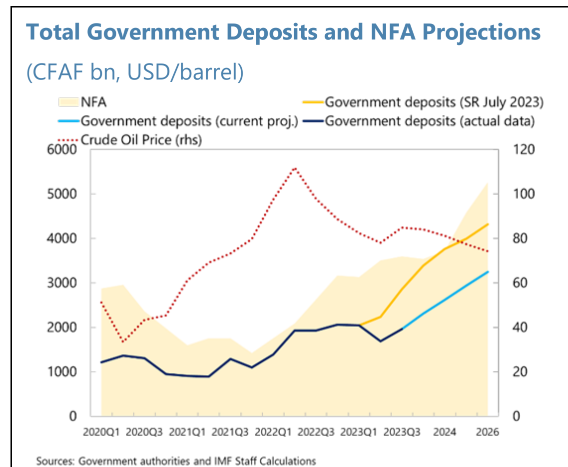
*Heavy maturities pushed net issuances of governments securities into negative territory, while governments' deposits at the BEAC increased driven by oil windfalls.*

**Net Issuance of Government Securities**
(Annual, CFAF bn)




Sources: BEAC

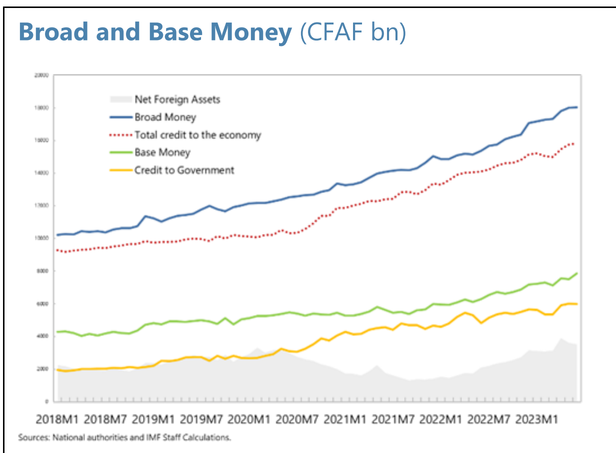
**Total Government Deposits and NFA Projections**
(CFAF bn, USD/barrel)




Sources: Government authorities and IMF Staff Calculations

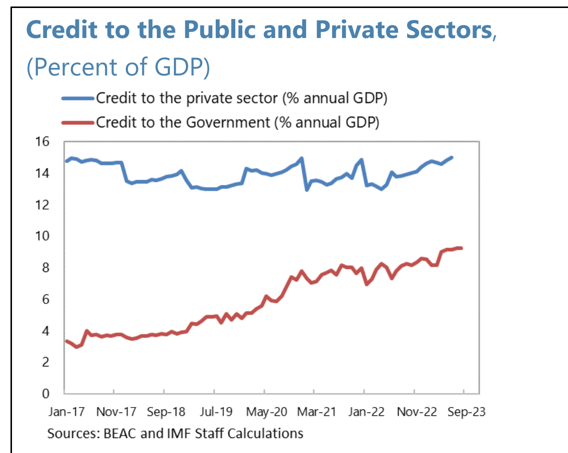
*Money supply continued to expand in early 2023, reflecting higher net foreign assets and credit to the private sector.*

**Broad and Base Money** (CFAF bn)




Sources: National authorities and IMF Staff Calculations.

**Credit to the Public and Private Sectors,**
(Percent of GDP)




Sources: BEAC and IMF Staff Calculations

## Table 1. CEMAC: Selected Economic and Financial Indicators, 2017–28

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023' | 2023 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Est. | Est. | Est. | SR 23/245 4/ | Proj. | SR 23/245 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 | -1.7 | 1.4 | 3.0 | 3.0 | 2.6 | 3.1 | 3.5 | 2.9 | 3.1 | 3.4 | 3.4 |
| Oil GDP 1/ | -10.6 | -0.2 | 5.8 | 0.1 | -6.0 | 1.0 | 2.6 | -0.8 | 0.8 | 3.6 | -0.5 | -1.5 | -0.7 | -1.1 |
| Non-oil GDP 1/ | 1.1 | 1.0 | 1.8 | -1.7 | 3.4 | 3.8 | 3.0 | 3.1 | 3.1 | 3.3 | 3.6 | 3.9 | 4.0 | 4.1 |
| Consumer prices (period average) 2/ | 0.8 | 2.1 | 1.6 | 2.7 | 1.5 | 5.4 | 5.0 | 5.9 | 3.9 | 4.6 | 4.0 | 3.8 | 3.0 | 2.5 |
| Consumer prices (end of period) 2/ | 1.2 | 2.9 | 1.7 | 1.7 | 2.6 | 6.5 | 4.3 | 4.9 | 3.3 | 4.5 | 3.7 | 3.1 | 2.3 | 2.2 |
| | | | | | | | (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 | 11.2 | -0.6 | 3.0 | 2.5 | 3.2 | 3.1 | 2.2 | 2.7 | 3.4 |
| Net domestic assets | 0.5 | 6.3 | 4.5 | 17.7 | 17.7 | 2.3 | 8.8 | 6.3 | 7.2 | 7.4 | 4.6 | 5.5 | 4.4 | 3.2 |
| Broad money | -0.4 | 8.1 | 5.9 | 11.1 | 12.6 | 13.5 | 8.3 | 9.3 | 9.7 | 10.6 | 7.6 | 7.7 | 7.0 | 6.6 |
| | | | | | | | (In percent of GDP, unless otherwise indicated) | | | | | | | |
| Gross national savings | 18.9 | 21.2 | 19.0 | 17.3 | 19.3 | 24.4 | 19.4 | 20.8 | 18.5 | 20.0 | 20.3 | 19.9 | 20.0 | 20.2 |
| Gross domestic investment | 24.3 | 21.5 | 21.6 | 19.9 | 20.0 | 21.6 | 21.9 | 22.7 | 21.6 | 22.2 | 23.2 | 23.4 | 23.7 | 24.0 |
| Of which: public investment | 5.8 | 5.6 | 5.2 | 4.4 | 3.6 | 4.0 | 4.3 | 4.6 | 4.5 | 4.6 | 5.0 | 5.4 | 5.6 | 5.5 |
| Government financial operations | | | | | | | | | | | | | | |
| Total revenue, excluding grants | 15.3 | 16.8 | 17.0 | 15.1 | 15.2 | 20.3 | 17.9 | 19.0 | 16.9 | 18.3 | 17.6 | 17.1 | 17.2 | 16.9 |
| Government expenditure | 19.7 | 17.6 | 18.0 | 18.2 | 17.2 | 17.9 | 17.5 | 18.6 | 16.9 | 17.9 | 18.1 | 18.4 | 18.3 | 18.2 |
| Primary fiscal basic balance 3/ | -0.5 | 2.6 | 3.0 | 0.2 | 1.0 | 5.6 | 4.3 | 4.2 | 3.9 | 4.3 | 3.7 | 2.8 | 2.8 | 2.6 |
| Overall fiscal balance, excluding grants | -4.2 | -0.7 | -0.9 | -3.1 | -1.9 | 2.5 | 0.4 | 0.4 | 0.0 | 0.4 | -0.5 | -1.3 | -1.2 | -1.3 |
| Primary fiscal balance, including grants | -2.3 | 1.1 | 1.2 | -0.6 | 0.0 | 4.5 | 2.9 | 2.9 | 2.2 | 2.7 | 2.0 | 1.1 | 1.2 | 1.0 |
| Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP) | -11.5 | -9.7 | -9.8 | -9.7 | -9.4 | -10.8 | -8.4 | -9.5 | -7.1 | -8.1 | -7.6 | -7.4 | -6.8 | -6.3 |
| Non-oil primary fiscal balance, including grants (percent of non-oil GDP) | -9.3 | -7.4 | -7.2 | -6.9 | -7.1 | -8.2 | -5.5 | -6.6 | -4.5 | -5.4 | -4.8 | -4.7 | -4.2 | -3.7 |
| Total public debt | 49.8 | 48.7 | 51.6 | 59.6 | 57.6 | 53.4 | 52.1 | 53.7 | 49.4 | 50.4 | 47.7 | 45.8 | 44.2 | 42.6 |
| External sector | | | | | | | | | | | | | | |
| Exports of goods and nonfactor services | 31.5 | 34.7 | 33.8 | 25.2 | 30.2 | 40.1 | 33.5 | 33.9 | 31.6 | 33.2 | 31.1 | 28.9 | 27.4 | 26.2 |
| Imports of goods and nonfactor services | 32.6 | 30.2 | 30.5 | 26.3 | 26.2 | 31.6 | 30.8 | 31.1 | 29.8 | 30.9 | 30.0 | 28.8 | 27.9 | 27.2 |
| Balance on goods and nonfactor services | -1.1 | 4.6 | 3.3 | -1.1 | 4.1 | 8.5 | 2.7 | 2.8 | 1.8 | 2.3 | 1.1 | 0.0 | -0.5 | -1.0 |
| Current account, including grants | -5.2 | -0.2 | -2.5 | -2.4 | -1.0 | 2.8 | -2.5 | -1.9 | -3.1 | -2.2 | -2.9 | -3.5 | -3.6 | -3.8 |
| External public debt | 32.4 | 31.0 | 34.1 | 38.8 | 32.7 | 31.3 | 30.3 | 31.0 | 29.2 | 29.7 | 28.5 | 27.8 | 27.4 | 27.2 |
| Gross official reserves (end of period) | | | | | | | | | | | | | | |
| Millions of U.S. dollars | 5,807 | 6,555 | 7,390 | 7,779 | 8,060 | 11,064 | 11,298.9 | 12,499 | 11,839.8 | 13,413 | 14,183 | 14,537 | 14,862 | 15,532 |
| Months of imports of goods and services (less intra regional imports) | 2.4 | 2.8 | 3.8 | 3.5 | 3.0 | 4.0 | 4.1 | 4.3 | 4.2 | 4.5 | 4.7 | 4.7 | 4.7 | 4.9 |
| Percent of broad money | 30.6 | 33.2 | 36.3 | 31.4 | 31.1 | 36.9 | 34.4 | 36.5 | 34.2 | 36.2 | 35.5 | 33.9 | 32.6 | 32.7 |
| *Memorandum items:* | | | | | | | | | | | | | | |
| Nominal GDP (billions of CFA francs) | 50,644 | 54,424 | 55,723 | 52,153 | 58,559 | 65,935 | 67,114.8 | 65,678 | 71,078.2 | 69,966 | 73,930 | 78,136 | 82,560 | 87,109 |
| CFA francs per U.S. dollar, average | 581 | 555 | 586 | 575 | 554 | 622 | 617.2 | 603 | ... | ... | ... | ... | ... | ... |
| CFA francs per U.S. dollar, end-of-year | 554 | 576 | 590 | 539 | 580 | 619 | 620.3 | 600 | ... | ... | ... | ... | ... | ... |
| Oil production (thousands of barrels per day) | 827.5 | 872.5 | 905.7 | 870.2 | 786.8 | 793.5 | 800.7 | 794.3 | 812.9 | 831.2 | 816.6 | 791.5 | 783.8 | 772.7 |
| Oil prices (U.S. dollars per barrel, brent) | 54.9 | 71.6 | 64.2 | 43.3 | 70.8 | 99.0 | 75.4 | 82.4 | 71.3 | 81.2 | 77.4 | 74.3 | 71.6 | 65.6 |

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 23/245.

# Table 2. CEMAC: National Accounts, 2017–28

## (Percent of GDP)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023' | 2023 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Est. | Est. | Est. | SR 23/245 1/ | Proj. | SR 23/245 1/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| | | | | | | | (Annual change, in percent) | | | | | | | |
| Real GDP | | | | | | | | | | | | | | |
| Cameroon | 3.5 | 4.0 | 3.4 | 0.5 | 3.6 | 3.6 | 4.0 | 4.0 | 4.1 | 4.3 | 4.5 | 4.5 | 4.5 | 4.6 |
| Central African Republic | 4.5 | 3.8 | 3.0 | 1.0 | 1.0 | 0.5 | 2.2 | 1.0 | 3.0 | 1.5 | 2.5 | 3.7 | 3.7 | 3.3 |
| Chad | -2.4 | 2.4 | 3.4 | -2.1 | -1.2 | 3.4 | 4.1 | 4.0 | 3.6 | 3.7 | 3.0 | 2.9 | 2.9 | 3.0 |
| Congo, Republic of | -5.6 | -2.3 | 1.1 | -6.3 | 1.1 | 1.7 | 4.0 | 4.0 | 4.4 | 4.4 | 3.2 | 3.7 | 3.9 | 3.9 |
| Equatorial Guinea | -5.7 | -6.2 | -5.5 | -4.8 | -0.4 | 3.2 | -4.5 | -7.8 | -4.6 | -0.1 | -3.9 | -4.1 | -0.8 | -1.2 |
| Gabon | 0.5 | 0.9 | 3.8 | -1.8 | 1.5 | 3.0 | 2.8 | 2.8 | 2.6 | 2.6 | 2.5 | 2.8 | 2.8 | 2.8 |
| CEMAC | 0.7 | 1.6 | 2.1 | -1.7 | 1.4 | 3.0 | 3.0 | 2.6 | 3.1 | 3.5 | 2.9 | 3.1 | 3.4 | 3.4 |
| Nominal GDP | | | | | | | | | | | | | | |
| Cameroon | 4.6 | 5.9 | 4.7 | 1.0 | 7.1 | 10.1 | 8.6 | 7.2 | 8.6 | 7.9 | 8.6 | 7.7 | 7.2 | 6.4 |
| Central African Republic | 11.3 | 5.2 | 5.5 | 2.8 | 4.3 | 6.8 | 9.1 | 7.9 | 7.2 | 6.1 | 5.3 | 6.3 | 6.2 | 5.9 |
| Chad | -3.2 | 4.7 | 5.1 | -4.0 | 5.7 | 15.2 | 2.1 | 5.0 | 5.0 | 6.2 | 4.4 | 4.7 | 4.9 | 5.2 |
| Congo, Republic of | 6.1 | 19.4 | -0.2 | -19.4 | 12.4 | 17.1 | -1.2 | 0.5 | 5.8 | 7.1 | 4.7 | 5.3 | 5.8 | 6.0 |
| Equatorial Guinea | 6.4 | 2.7 | -8.5 | -14.5 | 19.5 | 7.9 | -22.6 | -17.7 | 0.2 | 7.6 | 0.1 | 0.7 | 2.5 | 2.6 |
| Gabon | 4.3 | 7.8 | 5.5 | -10.6 | 27.2 | 17.2 | -6.7 | -11.4 | 3.5 | 2.2 | 2.5 | 3.4 | 3.1 | 4.1 |
| CEMAC | 4.2 | 7.5 | 2.4 | -6.4 | 12.3 | 12.6 | -0.8 | -0.4 | 5.9 | 6.5 | 5.7 | 5.7 | 5.7 | 5.5 |
| Real non-oil GDP | | | | | | | | | | | | | | |
| Cameroon | 4.3 | 4.2 | 3.3 | 0.5 | 3.8 | 3.6 | 4.3 | 4.1 | 4.4 | 4.3 | 4.5 | 4.6 | 4.6 | 4.7 |
| Central African Republic | 4.5 | 3.8 | 3.0 | 1.0 | 1.0 | 0.5 | 2.2 | 1.0 | 3.0 | 1.5 | 2.5 | 3.7 | 3.7 | 3.3 |
| Chad | -0.5 | 0.3 | 2.0 | -1.7 | 0.1 | 1.9 | 3.5 | 3.5 | 3.7 | 3.6 | 3.7 | 3.8 | 3.8 | 3.8 |
| Congo, Republic of | -10.8 | -8.0 | 1.1 | -6.9 | 3.5 | 3.3 | 3.9 | 3.9 | 3.8 | 3.8 | 4.3 | 4.8 | 4.8 | 4.8 |
| Equatorial Guinea | 0.8 | -2.7 | -5.7 | -7.0 | 6.7 | 8.5 | -2.5 | -2.5 | -3.8 | -2.3 | -2.2 | -1.3 | 0.4 | 0.8 |
| Gabon | 2.5 | 1.6 | 3.2 | -1.7 | 2.8 | 3.1 | 2.8 | 2.8 | 2.9 | 2.9 | 3.2 | 3.5 | 3.4 | 3.5 |
| CEMAC | 1.1 | 1.0 | 1.8 | -1.7 | 3.4 | 3.8 | 3.0 | 3.1 | 3.1 | 3.3 | 3.6 | 3.9 | 4.0 | 4.1 |
| Consumer price inflation (period average) | | | | | | | | | | | | | | |
| Cameroon | 0.6 | 1.1 | 2.5 | 2.5 | 2.3 | 6.3 | 6.2 | 7.2 | 4.8 | 5.9 | 5.5 | 4.9 | 3.4 | 2.5 |
| Central African Republic | 4.2 | 1.6 | 2.8 | 0.9 | 4.3 | 5.6 | 6.3 | 6.5 | 2.7 | 3.2 | 2.8 | 2.5 | 2.5 | 2.6 |
| Chad | -0.9 | 4.0 | -1.0 | 4.5 | -0.8 | 5.8 | 4.1 | 7.4 | 3.0 | 3.4 | 3.1 | 3.0 | 3.0 | 3.0 |
| Congo, Republic of | 0.4 | 1.2 | 0.4 | 1.4 | 2.0 | 3.0 | 3.5 | 4.5 | 3.2 | 3.6 | 3.0 | 3.0 | 3.0 | 3.0 |
| Equatorial Guinea | 0.7 | 1.3 | 1.2 | 4.8 | -0.1 | 4.9 | 4.2 | 2.5 | 3.7 | 4.5 | 1.6 | 2.5 | 2.2 | 2.0 |
| Gabon | 2.7 | 4.8 | 2.0 | 1.7 | 1.1 | 4.3 | 3.3 | 3.8 | 2.4 | 2.5 | 2.3 | 2.2 | 2.2 | 2.2 |
| CEMAC | 0.8 | 2.1 | 1.6 | 2.7 | 1.5 | 5.4 | 5.0 | 5.9 | 3.9 | 4.6 | 4.0 | 3.8 | 3.0 | 2.5 |
| End of period inflation | | | | | | | | | | | | | | |
| Cameroon | 0.8 | 2.0 | 2.4 | 2.1 | 3.5 | 7.3 | 5.9 | 6.2 | 3.7 | 5.5 | 5.2 | 3.6 | 2.0 | 2.0 |
| Central African Republic | 7.2 | 4.6 | -2.0 | 1.8 | 2.7 | 7.6 | 4.4 | 5.5 | 2.5 | 2.8 | 2.7 | 2.1 | 2.6 | 2.5 |
| Chad | 3.1 | 4.4 | -1.7 | 3.0 | 1.0 | 8.3 | 1.3 | 4.6 | 3.1 | 3.5 | 3.0 | 3.0 | 3.0 | 3.0 |
| Congo, Republic of | 1.8 | 0.9 | 1.4 | 0.6 | 1.5 | 3.2 | 3.5 | 4.5 | 3.2 | 3.6 | 3.0 | 3.0 | 3.0 | 3.0 |
| Equatorial Guinea | -0.2 | 2.6 | 4.3 | -0.6 | 2.9 | 5.0 | 4.0 | 1.9 | 3.5 | 5.8 | 0.3 | 2.2 | 2.3 | 1.8 |
| Gabon | 1.1 | 6.3 | 1.0 | 1.6 | 1.7 | 5.4 | 2.4 | 3.0 | 2.2 | 2.4 | 2.2 | 2.2 | 2.2 | 2.2 |
| CEMAC | 1.2 | 3.0 | 1.7 | 1.7 | 2.6 | 6.5 | 4.3 | 4.9 | 3.3 | 4.5 | 3.7 | 3.1 | 2.3 | 2.2 |
| | | | | | | | (in percentage of GDP) | | | | | | | |
| Gross national savings | | | | | | | | | | | | | | |
| Cameroon | 16.3 | 15.7 | 14.4 | 13.5 | 14.4 | 15.3 | 14.0 | 15.6 | 14.3 | 16.2 | 17.0 | 17.3 | 18.3 | 19.1 |
| Central African Republic | 5.7 | 8.4 | 9.7 | 10.7 | 4.6 | 2.1 | 6.7 | 7.0 | 8.2 | 7.5 | 10.1 | 11.9 | 13.9 | 14.6 |
| Chad | 13.6 | 17.8 | 19.0 | 16.0 | 18.9 | 25.3 | 22.5 | 22.5 | 20.5 | 19.0 | 22.0 | 20.3 | 20.2 | 19.7 |
| Congo, Republic of | 42.0 | 37.8 | 37.5 | 36.3 | 35.0 | 44.9 | 32.4 | 31.6 | 30.1 | 31.3 | 28.6 | 26.6 | 24.8 | 23.9 |
| Equatorial Guinea | 6.2 | 10.4 | 3.4 | 3.9 | 10.2 | 23.3 | 4.0 | 10.7 | 3.9 | 10.9 | 10.6 | 10.4 | 9.8 | 9.4 |
| Gabon | 22.6 | 23.5 | 26.6 | 23.5 | 27.3 | 32.6 | 32.6 | 32.0 | 29.6 | 28.7 | 28.6 | 28.1 | 27.6 | 27.3 |
| CEMAC | 18.9 | 19.7 | 19.0 | 17.3 | 19.3 | 24.4 | 19.4 | 20.8 | 18.5 | 20.0 | 20.3 | 19.9 | 20.0 | 20.2 |
| Gross domestic investment | | | | | | | | | | | | | | |
| Cameroon | 19.4 | 19.5 | 18.9 | 17.7 | 17.9 | 18.7 | 17.1 | 18.6 | 17.5 | 19.0 | 19.4 | 20.1 | 20.9 | 21.8 |
| Central African Republic | 13.5 | 16.4 | 14.7 | 18.9 | 15.7 | 14.9 | 15.3 | 15.6 | 16.0 | 15.8 | 16.9 | 17.3 | 18.4 | 19.1 |
| Chad | 20.7 | 18.9 | 23.2 | 23.4 | 22.3 | 19.1 | 24.8 | 24.1 | 24.8 | 23.8 | 27.2 | 26.8 | 26.4 | 25.9 |
| Congo, Republic of | 45.9 | 29.5 | 25.9 | 23.7 | 22.2 | 26.4 | 28.7 | 28.5 | 28.5 | 28.0 | 28.0 | 27.5 | 26.3 | 25.7 |
| Equatorial Guinea | 14.0 | 12.5 | 10.9 | 4.7 | 4.8 | 13.6 | 10.9 | 14.7 | 11.0 | 13.7 | 15.4 | 15.7 | 15.2 | 14.9 |
| Gabon | 31.3 | 28.4 | 31.6 | 30.4 | 31.8 | 31.0 | 34.2 | 32.8 | 32.3 | 30.8 | 32.1 | 32.6 | 32.9 | 33.3 |
| CEMAC | 24.3 | 21.5 | 21.6 | 19.9 | 20.0 | 21.6 | 21.9 | 22.7 | 21.6 | 22.2 | 23.2 | 23.4 | 23.7 | 24.0 |

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

1/ Refers to the projection published in the IMF Country Report No 23/245.

## Table 3a. CEMAC: Fiscal Indicators of Central Governments, 2017–28

(Percent of GDP)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023' | 2023 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Est. | Proj. | Proj. | SR 23/245 2/ | Proj. | SR 23/245 2/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| Overall fiscal balance (excluding grants) | | | | | | | | | | | | | | |
| Cameroon | -5.0 | -2.8 | -3.8 | -3.3 | -3.2 | -1.5 | -1.4 | -1.0 | -1.4 | -0.6 | -0.5 | -0.9 | -1.0 | -0.9 |
| Central African Republic | -6.1 | -8.7 | -8.2 | -16.0 | -10.9 | -9.9 | -8.9 | -9.7 | -8.1 | -8.3 | -8.2 | -7.1 | -6.9 | -6.4 |
| Chad | -4.3 | -1.3 | -1.8 | -2.6 | -3.3 | 3.5 | 5.6 | 5.9 | 2.1 | 0.8 | 1.4 | 0.4 | 1.1 | 0.2 |
| Congo, Republic of | -6.0 | 5.1 | 3.6 | -2.6 | 1.2 | 8.3 | 3.6 | 3.2 | 4.2 | 4.6 | 3.2 | 2.5 | 3.1 | 3.4 |
| Equatorial Guinea | -2.6 | 0.5 | 1.8 | -1.8 | 2.6 | 13.6 | 1.0 | 0.3 | 0.1 | 3.9 | -2.4 | -5.6 | -4.4 | -5.1 |
| Gabon | -1.7 | -0.2 | 2.1 | -2.2 | -2.0 | 1.5 | 0.1 | -0.7 | 0.0 | -1.1 | -2.3 | -3.7 | -4.5 | -5.2 |
| CEMAC | -4.2 | -0.7 | -0.9 | -3.1 | -1.9 | 2.5 | 0.4 | 0.4 | 0.0 | 0.4 | -0.5 | -1.3 | -1.2 | -1.3 |
| Overall fiscal balance (including grants) | | | | | | | | | | | | | | |
| Cameroon | -4.7 | -2.4 | -3.2 | -3.2 | -3.0 | -1.1 | -1.0 | -0.7 | -1.0 | -0.3 | -0.3 | -0.8 | -0.9 | -0.9 |
| Central African Republic | -1.1 | -1.0 | 1.4 | -3.4 | -6.0 | -5.4 | -3.0 | -3.3 | -2.4 | -3.1 | -1.7 | 0.2 | 0.1 | 0.6 |
| Chad | -0.2 | 1.9 | -0.1 | 1.6 | -2.0 | 5.1 | 8.4 | 8.5 | 4.3 | 2.9 | 3.4 | 2.3 | 2.9 | 2.0 |
| Congo, Republic of | -5.6 | 5.2 | 4.3 | -1.1 | 1.6 | 8.9 | 4.5 | 4.1 | 4.9 | 5.2 | 4.0 | 3.3 | 3.9 | 4.3 |
| Equatorial Guinea | -2.6 | 0.5 | 1.8 | -1.8 | 2.6 | 13.6 | 1.0 | 0.3 | 0.1 | 3.9 | -2.4 | -5.6 | -4.4 | -5.1 |
| Gabon | -1.7 | -0.2 | 2.1 | -2.2 | -1.9 | 1.9 | 0.4 | -0.4 | 0.0 | -1.1 | -2.3 | -3.7 | -4.5 | -5.2 |
| CEMAC | -3.4 | 0.0 | -0.1 | -2.0 | -1.5 | 3.1 | 1.2 | 1.1 | 0.6 | 1.0 | 0.2 | -0.7 | -0.6 | -0.8 |
| Reference fiscal balance 1/ | | | | | | | | | | | | | | |
| Cameroon | -4.2 | -2.8 | -4.1 | -3.2 | -3.1 | -3.0 | -1.6 | -1.7 | -0.6 | -0.6 | 0.1 | -0.6 | -0.9 | 0.0 |
| Central African Republic | -1.1 | -1.0 | 1.4 | -3.4 | -6.0 | -5.4 | -3.0 | -3.3 | -2.4 | -3.1 | -1.7 | -0.8 | -1.6 | 0.0 |
| Chad | 0.5 | -0.8 | -2.1 | -3.8 | -4.6 | -3.9 | 2.0 | 0.6 | 4.2 | 3.8 | 4.7 | 4.5 | 2.5 | 0.0 |
| Congo, Republic of | -2.5 | -2.3 | -2.1 | 0.1 | -1.4 | -3.1 | 1.6 | 1.0 | 4.2 | 3.8 | 4.2 | 2.5 | 3.1 | 0.0 |
| Equatorial Guinea | -1.5 | -2.6 | -1.5 | -0.5 | 1.5 | -4.2 | -1.9 | -5.3 | 1.0 | 0.7 | 2.0 | -2.5 | -2.3 | 0.0 |
| Gabon | -1.2 | -1.4 | -0.7 | -3.5 | -1.7 | -1.7 | -0.6 | -2.2 | -0.6 | -2.5 | -2.6 | -3.8 | -4.7 | 0.0 |
| CEMAC | -1.9 | -2.2 | -2.4 | -2.2 | -2.2 | -3.0 | 0.3 | -0.4 | 0.8 | 0.2 | 0.1 | 0.2 | 0.0 | 0.0 |
| Primary fiscal balance (including grants) | | | | | | | | | | | | | | |
| Cameroon | -3.9 | -1.5 | -2.2 | -2.3 | -2.0 | -0.3 | 0.1 | 0.4 | 0.1 | 0.7 | 0.7 | 0.2 | 0.1 | 0.1 |
| Central African Republic | -0.7 | -0.6 | 1.8 | -3.1 | -5.7 | -5.0 | -2.5 | -2.7 | -1.7 | -2.4 | -0.9 | 1.1 | 0.9 | 1.3 |
| Chad | 1.3 | 3.0 | 0.8 | 2.7 | -0.8 | 6.6 | 9.4 | 10.1 | 5.2 | 4.1 | 4.9 | 3.3 | 3.7 | 2.9 |
| Congo, Republic of | -4.0 | 7.0 | 7.3 | 0.1 | 3.7 | 11.6 | 7.1 | 6.7 | 7.5 | 7.9 | 6.6 | 5.9 | 6.3 | 6.5 |
| Equatorial Guinea | -2.2 | 1.2 | 2.7 | -0.4 | 3.7 | 14.8 | 2.6 | 1.9 | 1.6 | 5.4 | -0.5 | -3.7 | -2.4 | -3.1 |
| Gabon | -0.1 | 1.1 | 3.7 | 1.2 | 0.9 | 4.4 | 3.4 | 2.7 | 2.8 | 2.5 | 1.6 | 0.6 | 0.1 | -0.4 |
| CEMAC | -2.3 | 1.1 | 1.2 | -0.6 | 0.0 | 4.5 | 2.9 | 2.9 | 2.2 | 2.7 | 2.0 | 1.1 | 1.2 | 1.0 |
| Government revenue (excluding grants) | | | | | | | | | | | | | | |
| Cameroon | 14.2 | 15.2 | 14.8 | 13.2 | 13.7 | 15.6 | 15.4 | 15.6 | 14.9 | 15.5 | 15.2 | 15.4 | 15.6 | 15.7 |
| Central African Republic | 7.8 | 8.9 | 8.7 | 9.2 | 8.8 | 7.8 | 7.9 | 8.3 | 8.8 | 9.0 | 9.8 | 10.6 | 10.9 | 11.1 |
| Chad | 10.6 | 12.0 | 12.5 | 16.9 | 15.5 | 22.4 | 23.2 | 24.5 | 19.0 | 18.1 | 18.7 | 16.7 | 17.2 | 16.1 |
| Congo, Republic of | 20.6 | 22.9 | 23.8 | 18.5 | 22.1 | 31.2 | 25.5 | 25.6 | 25.4 | 26.0 | 25.2 | 24.6 | 24.2 | 23.7 |
| Equatorial Guinea | 17.5 | 19.9 | 18.6 | 14.4 | 15.3 | 30.8 | 16.9 | 23.3 | 14.2 | 23.6 | 18.3 | 16.4 | 15.8 | 14.6 |
| Gabon | 16.4 | 16.9 | 19.6 | 17.6 | 14.6 | 17.7 | 17.5 | 18.3 | 17.3 | 18.5 | 18.2 | 17.8 | 17.7 | 17.6 |
| CEMAC | 15.3 | 16.8 | 17.0 | 15.1 | 15.2 | 20.3 | 17.9 | 19.0 | 16.9 | 18.3 | 17.6 | 17.1 | 17.2 | 16.9 |
| Government expenditure (including net lending) | | | | | | | | | | | | | | |
| Cameroon | 19.2 | 18.0 | 18.7 | 16.6 | 16.9 | 17.1 | 16.8 | 16.6 | 16.3 | 16.2 | 15.8 | 16.3 | 16.6 | 16.6 |
| Central African Republic | 13.9 | 17.6 | 16.9 | 25.1 | 19.7 | 17.6 | 16.8 | 18.0 | 16.9 | 17.3 | 18.0 | 17.7 | 17.9 | 17.5 |
| Chad | 14.9 | 13.3 | 14.3 | 19.5 | 18.8 | 18.8 | 17.6 | 18.6 | 16.9 | 17.3 | 17.3 | 16.3 | 16.1 | 15.8 |
| Congo, Republic of | 26.6 | 17.8 | 20.2 | 21.1 | 20.9 | 22.8 | 21.9 | 22.4 | 21.1 | 21.4 | 22.0 | 22.1 | 21.2 | 20.3 |
| Equatorial Guinea | 20.1 | 19.4 | 16.8 | 16.2 | 12.7 | 17.2 | 15.9 | 23.0 | 14.1 | 19.7 | 20.8 | 22.0 | 20.2 | 19.7 |
| Gabon | 19.0 | 18.2 | 18.2 | 19.8 | 16.6 | 16.2 | 17.3 | 19.0 | 17.3 | 19.5 | 20.5 | 21.5 | 22.3 | 22.9 |
| CEMAC | 19.7 | 17.6 | 18.0 | 18.2 | 17.2 | 17.9 | 17.5 | 18.6 | 16.9 | 17.9 | 18.1 | 18.4 | 18.3 | 18.2 |
| Total public debt | | | | | | | | | | | | | | |
| Cameroon | 36.5 | 38.3 | 41.6 | 44.9 | 46.8 | 45.6 | 44.0 | 43.5 | 41.5 | 41.3 | 38.5 | 36.6 | 35.2 | 34.3 |
| Central African Republic | 50.3 | 50.0 | 47.2 | 43.4 | 47.6 | 51.9 | 50.4 | 51.0 | 49.5 | 50.6 | 50.1 | 47.3 | 44.6 | 42.5 |
| Chad | 48.3 | 54.3 | 52.2 | 58.7 | 47.0 | 43.2 | 41.7 | 40.5 | 38.0 | 36.4 | 33.7 | 30.6 | 29.6 | 28.7 |
| Congo, Republic of | 88.5 | 71.2 | 77.6 | 102.5 | 97.8 | 90.5 | 91.3 | 89.8 | 84.7 | 82.2 | 78.7 | 74.9 | 70.3 | 64.5 |
| Equatorial Guinea | 36.2 | 41.2 | 43.2 | 49.4 | 42.6 | 38.6 | 28.7 | 35.8 | 27.9 | 32.4 | 31.3 | 29.7 | 27.2 | 24.8 |
| Gabon | 62.9 | 61.1 | 60.0 | 78.3 | 66.2 | 57.5 | 62.0 | 65.3 | 60.1 | 64.0 | 63.4 | 63.2 | 63.7 | 64.0 |
| CEMAC | 49.8 | 48.7 | 51.6 | 59.6 | 57.6 | 53.4 | 52.1 | 53.7 | 49.4 | 50.4 | 47.7 | 45.8 | 44.2 | 42.6 |

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 23/245.

## Table 3b. CEMAC: Fiscal Non-oil Balances, Central Governments, 2017–28
(Percent of non-oil GDP)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023' | 2023 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Est. | Est. | Est. | SR 23/245 2/ | Proj. | SR 23/245 2/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| Non-oil fiscal balance (excluding grants) | | | | | | | | | | | | | | |
| Cameroon | -7.1 | -5.2 | -6.6 | -5.3 | -5.3 | -5.2 | -4.0 | -4.1 | -3.2 | -3.3 | -2.6 | -2.8 | -2.8 | -2.7 |
| Central African Republic | -6.1 | -8.7 | -8.2 | -16.0 | -10.9 | -9.9 | -8.9 | -9.7 | -8.1 | -8.3 | -8.2 | -7.1 | -6.9 | -6.4 |
| Chad | -9.3 | -8.4 | -8.6 | -13.7 | -13.9 | -15.2 | -12.0 | -13.5 | -10.3 | -11.1 | -10.2 | -8.4 | -7.6 | -6.8 |
| Congo, Republic of | -21.0 | -18.2 | -20.0 | -15.0 | -16.6 | -20.3 | -15.2 | -16.1 | -13.4 | -14.1 | -13.8 | -12.8 | -10.9 | -9.1 |
| Equatorial Guinea | -21.9 | -21.1 | -17.4 | -15.7 | -12.5 | -20.6 | -15.9 | -24.2 | -12.9 | -19.3 | -19.2 | -19.1 | -15.8 | -14.5 |
| Gabon | -12.0 | -9.6 | -8.2 | -12.1 | -11.4 | -13.0 | -10.0 | -12.1 | -9.4 | -12.0 | -12.3 | -12.7 | -13.0 | -13.1 |
| CEMAC | -11.5 | -9.7 | -9.8 | -9.7 | -9.4 | -10.8 | -8.4 | -9.5 | -7.1 | -8.1 | -7.6 | -7.4 | -6.8 | -6.3 |
| Non-oil fiscal balance (including grants) | | | | | | | | | | | | | | |
| Cameroon | -6.8 | -4.8 | -6.0 | -5.1 | -5.1 | -4.8 | -3.6 | -3.7 | -2.9 | -2.9 | -2.3 | -2.7 | -2.7 | -2.6 |
| Central African Republic | -1.1 | -1.0 | 1.4 | -3.4 | -6.0 | -5.4 | -3.0 | -3.3 | -2.4 | -3.1 | -1.7 | 0.2 | 0.1 | 0.6 |
| Chad | -4.5 | -4.4 | -6.5 | -8.8 | -12.3 | -13.1 | -8.5 | -10.1 | -7.6 | -8.5 | -7.7 | -6.1 | -5.4 | -4.7 |
| Congo, Republic of | -20.4 | -18.0 | -18.9 | -13.2 | -16.1 | -19.4 | -14.1 | -15.0 | -12.5 | -13.3 | -12.8 | -11.8 | -9.9 | -8.1 |
| Equatorial Guinea | -21.9 | -21.1 | -17.4 | -15.7 | -12.5 | -20.6 | -15.9 | -24.2 | -12.9 | -19.3 | -19.2 | -19.1 | -15.8 | -14.5 |
| Gabon | -12.0 | -9.6 | -8.2 | -12.1 | -11.2 | -12.2 | -9.6 | -11.7 | -9.4 | -12.0 | -12.3 | -12.7 | -13.0 | -13.1 |
| CEMAC | -10.6 | -8.8 | -8.8 | -8.5 | -8.8 | -10.0 | -7.5 | -8.6 | -6.4 | -7.4 | -6.9 | -6.7 | -6.2 | -5.7 |
| Basic balance 1/ | | | | | | | | | | | | | | |
| Cameroon | -1.4 | 0.6 | 0.2 | -1.2 | -1.2 | 1.0 | 1.5 | 1.5 | 1.6 | 2.0 | 2.4 | 2.0 | 1.8 | 1.6 |
| Central African Republic | -2.4 | -2.1 | -3.9 | -6.9 | -5.4 | -4.9 | -4.1 | -4.4 | -3.4 | -3.5 | -3.0 | -2.4 | -2.1 | -1.7 |
| Chad | -1.5 | 1.2 | 0.3 | 0.9 | -2.2 | 6.7 | 11.2 | 11.5 | 6.6 | 4.8 | 5.5 | 3.9 | 4.7 | 3.6 |
| Congo, Republic of | -3.1 | 9.9 | 9.3 | -1.4 | 3.1 | 14.3 | 8.3 | 7.8 | 8.6 | 9.4 | 7.1 | 6.1 | 6.2 | 6.5 |
| Equatorial Guinea | -3.4 | 0.7 | 2.5 | -2.2 | 3.4 | 19.6 | 1.3 | 0.4 | 0.1 | 5.1 | -3.0 | -6.6 | -5.1 | -5.7 |
| Gabon | -1.4 | 2.3 | 4.8 | -1.6 | -2.0 | 3.7 | 1.6 | 0.4 | 1.5 | 0.0 | -1.7 | -3.4 | -4.5 | -5.2 |
| CEMAC | -1.9 | 1.8 | 2.0 | -1.3 | -0.6 | 5.2 | 3.1 | 2.9 | 2.6 | 3.0 | 2.1 | 1.1 | 1.1 | 0.0 |
| Non-oil primary fiscal balance (including grants) | | | | | | | | | | | | | | |
| Cameroon | -5.9 | -3.9 | -4.9 | -4.3 | -4.1 | -4.0 | -2.5 | -2.6 | -1.7 | -1.9 | -1.3 | -1.7 | -1.7 | -1.6 |
| Central African Republic | -0.7 | -0.6 | 1.8 | -3.1 | -5.7 | -5.0 | -2.5 | -2.7 | -1.7 | -2.4 | -0.9 | 1.1 | 0.9 | 1.3 |
| Chad | -2.5 | -3.0 | -5.3 | -7.5 | -10.8 | -11.1 | -7.2 | -8.0 | -6.4 | -6.8 | -6.0 | -5.0 | -4.4 | -3.7 |
| Congo, Republic of | -18.3 | -15.0 | -14.1 | -11.8 | -13.4 | -15.7 | -10.8 | -11.7 | -9.2 | -9.8 | -9.5 | -8.6 | -7.0 | -5.4 |
| Equatorial Guinea | -21.3 | -20.2 | -16.3 | -14.0 | -11.2 | -18.9 | -13.9 | -22.2 | -11.1 | -17.5 | -16.8 | -16.8 | -13.4 | -12.2 |
| Gabon | -9.7 | -7.6 | -5.9 | -7.5 | -6.9 | -7.8 | -5.0 | -7.0 | -5.0 | -6.8 | -6.8 | -6.8 | -6.8 | -6.8 |
| CEMAC | -9.3 | -7.4 | -7.2 | -6.9 | -7.1 | -8.2 | -5.5 | -6.6 | -4.5 | -5.4 | -4.8 | -4.7 | -4.2 | -3.7 |
| Government revenue (excluding grants) | | | | | | | | | | | | | | |
| Cameroon | 14.7 | 15.7 | 15.4 | 13.6 | 14.1 | 16.2 | 15.8 | 16.1 | 15.3 | 16.0 | 15.7 | 15.8 | 15.9 | 16.0 |
| Central African Republic | 7.8 | 8.9 | 8.7 | 9.2 | 8.8 | 7.8 | 7.9 | 8.3 | 8.8 | 9.0 | 9.8 | 10.6 | 10.9 | 11.1 |
| Chad | 12.9 | 14.9 | 15.7 | 19.8 | 19.4 | 30.0 | 29.5 | 31.5 | 23.7 | 23.1 | 23.3 | 20.4 | 20.5 | 18.9 |
| Congo, Republic of | 27.2 | 39.5 | 38.1 | 22.3 | 28.4 | 44.0 | 33.1 | 33.5 | 32.5 | 33.9 | 32.0 | 30.4 | 29.4 | 28.2 |
| Equatorial Guinea | 23.1 | 26.8 | 25.0 | 18.1 | 19.8 | 44.3 | 21.2 | 29.9 | 17.3 | 30.3 | 22.6 | 19.3 | 18.2 | 16.4 |
| Gabon | 23.6 | 25.1 | 29.3 | 23.7 | 23.0 | 31.4 | 27.2 | 27.5 | 26.3 | 26.9 | 25.5 | 24.2 | 23.5 | 22.8 |
| CEMAC | 18.1 | 20.7 | 20.9 | 17.1 | 18.1 | 25.6 | 21.2 | 22.4 | 19.7 | 21.4 | 20.2 | 19.3 | 19.1 | 18.6 |
| Government expenditure (including net lending) | | | | | | | | | | | | | | |
| Cameroon | 19.9 | 18.6 | 19.4 | 17.0 | 17.5 | 17.8 | 17.2 | 17.1 | 16.6 | 16.7 | 16.2 | 16.7 | 16.9 | 17.0 |
| Central African Republic | 13.9 | 17.6 | 16.9 | 25.1 | 19.7 | 17.6 | 16.8 | 18.0 | 16.9 | 17.3 | 18.0 | 17.7 | 17.9 | 17.5 |
| Chad | 18.0 | 16.5 | 17.9 | 22.9 | 23.5 | 25.3 | 22.3 | 24.0 | 21.0 | 22.1 | 21.5 | 19.9 | 19.3 | 18.7 |
| Congo, Republic of | 35.2 | 30.6 | 32.3 | 25.4 | 26.9 | 32.3 | 28.4 | 29.3 | 27.1 | 27.9 | 27.9 | 27.4 | 25.7 | 24.1 |
| Equatorial Guinea | 26.6 | 26.1 | 22.6 | 20.3 | 16.4 | 24.8 | 19.9 | 29.5 | 17.1 | 25.3 | 25.6 | 26.0 | 23.3 | 22.1 |
| Gabon | 27.4 | 27.0 | 27.3 | 26.6 | 26.1 | 28.7 | 27.0 | 28.5 | 26.4 | 28.5 | 28.8 | 29.2 | 29.5 | 29.5 |
| CEMAC | 23.2 | 21.8 | 22.1 | 20.6 | 20.4 | 22.5 | 20.7 | 22.0 | 19.7 | 21.0 | 20.7 | 20.8 | 20.4 | 20.1 |
| Non-oil revenues (excluding grants) | | | | | | | | | | | | | | |
| Cameroon | 12.8 | 13.4 | 12.8 | 11.7 | 12.2 | 12.6 | 13.2 | 13.1 | 13.5 | 13.4 | 13.6 | 13.9 | 14.1 | 14.3 |
| Central African Republic | 7.8 | 8.9 | 8.7 | 9.2 | 8.8 | 7.8 | 7.9 | 8.3 | 8.8 | 9.0 | 9.8 | 10.6 | 10.9 | 11.1 |
| Chad | 8.7 | 8.1 | 9.3 | 9.1 | 9.6 | 10.0 | 10.3 | 10.5 | 10.8 | 11.0 | 11.3 | 11.4 | 11.7 | 11.9 |
| Congo, Republic of | 14.2 | 12.5 | 12.3 | 10.4 | 10.3 | 12.0 | 13.2 | 13.2 | 13.7 | 13.8 | 14.1 | 14.6 | 14.8 | 15.1 |
| Equatorial Guinea | 4.7 | 5.0 | 5.2 | 4.6 | 3.9 | 4.2 | 4.0 | 5.3 | 4.2 | 5.9 | 6.3 | 6.8 | 7.5 | 7.7 |
| Gabon | 14.1 | 15.8 | 18.0 | 14.6 | 14.6 | 15.8 | 17.0 | 16.4 | 17.0 | 16.5 | 16.5 | 16.5 | 16.5 | 16.5 |
| CEMAC | 11.5 | 11.9 | 12.2 | 10.9 | 11.0 | 11.7 | 12.3 | 12.5 | 12.6 | 12.9 | 13.1 | 13.4 | 13.6 | 13.8 |

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 23/245.

# Table 4a. CEMAC: Balance of Payments, 2017–28

(Billions of CFA Francs)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023' | 2023 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Est. | Est. | Est. | SR 23/245 1/ | Proj. | SR 23/245 1/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| | | | | | | | (Billions of CFA Francs) | | | | | | | |
| Current account balance | -2,621 | -99 | -1,379 | -1,264 | -563 | 1,854 | -1,652 | -1,218 | -2,232 | -1,568 | -2,137 | -2,746 | -3,002 | -3,300 |
| Balance on goods and services | -553 | 2,494 | 1,855 | -556 | 2,388 | 5,576 | 1,828 | 1,840 | 1,296 | 1,601 | 828 | 37 | -415 | -876 |
| Total exports | 15,938 | 18,904 | 18,829 | 13,140 | 17,704 | 26,408 | 22,471 | 22,280 | 22,480 | 23,238 | 22,980 | 22,543 | 22,604 | 22,796 |
| Exports of goods | 13,723 | 16,709 | 16,687 | 11,321 | 15,935 | 24,063 | 19,741 | 19,714 | 19,561 | 20,474 | 19,996 | 19,341 | 19,172 | 19,147 |
| Oil exports | 9,351 | 12,249 | 12,379 | 7,707 | 11,632 | 19,047 | 14,008 | 14,314 | 13,501 | 14,694 | 13,777 | 12,677 | 12,010 | 11,404 |
| Non-oil exports | 4,372 | 4,460 | 4,308 | 3,613 | 4,303 | 5,016 | 5,733 | 5,400 | 6,060 | 5,780 | 6,219 | 6,664 | 7,163 | 7,743 |
| Exports of services | 2,215 | 2,195 | 2,142 | 1,820 | 1,768 | 2,345 | 2,730 | 2,566 | 2,919 | 2,764 | 2,984 | 3,203 | 3,432 | 3,650 |
| Total imports | 16,491 | 16,411 | 16,974 | 13,696 | 15,316 | 20,832 | 20,643 | 20,441 | 21,184 | 21,637 | 22,152 | 22,507 | 23,019 | 23,673 |
| Imports of goods | 9,846 | 10,000 | 10,354 | 8,482 | 9,610 | 12,710 | 12,447 | 12,484 | 12,645 | 13,190 | 13,490 | 13,821 | 14,169 | 14,585 |
| Imports of services | 6,645 | 6,411 | 6,620 | 5,214 | 5,706 | 8,122 | 8,196 | 7,957 | 8,538 | 8,447 | 8,662 | 8,686 | 8,850 | 9,088 |
| Income, net | -2,118 | -3,135 | -4,052 | -1,690 | -3,813 | -4,653 | -4,116 | -3,938 | -4,039 | -3,916 | -3,800 | -3,618 | -3,453 | -3,344 |
| Income credits | 229 | 242 | 251 | 193 | 198 | 253 | 293 | 289 | 322 | 317 | 317 | 332 | 347 | 356 |
| Income debits | 2,347 | 3,378 | 4,304 | 1,883 | 4,010 | 4,906 | 4,409 | 4,227 | 4,361 | 4,233 | 4,117 | 3,950 | 3,800 | 3,700 |
| Investment income, debit | -1,627 | -2,687 | -3,510 | -1,098 | -3,367 | -3,845 | -3,536 | -3,445 | -3,502 | -3,382 | -3,228 | -3,012 | -2,805 | -2,659 |
| of which: Interest paid on public debt | -279 | -314 | -438 | -224 | -305 | -337 | -300 | -321 | -310 | -275 | -316 | -273 | -289 | -313 |
| of which: Interest paid on nonpublic debt | -171 | -1,035 | -12 | -271 | -118 | 62 | -100 | -80 | -135 | -101 | -126 | -125 | -125 | -124 |
| Current transfers, net | 33 | 543 | 818 | 982 | 862 | 932 | 636 | 881 | 512 | 747 | 835 | 836 | 865 | 920 |
| Private current transfers, net | -47 | 444 | 668 | 726 | 698 | 749 | 393 | 663 | 381 | 647 | 653 | 669 | 684 | 719 |
| Official current transfers, net | 80 | 99 | 150 | 255 | 164 | 183 | 243 | 218 | 131 | 100 | 182 | 167 | 181 | 201 |
| Capital and financial account balance | 2,298 | 478 | 1,925 | 355 | 1,044 | 333 | 1,433 | 1,635 | 2,246 | 1,990 | 2,570 | 3,082 | 3,458 | 3,955 |
| Capital account balance (incl. capital transfers) | 357 | 195 | 295 | 257 | 182 | 336 | 240 | 307 | 289 | 288 | 317 | 327 | 331 | 319 |
| Financial account balance (incl. reserves) | 1,941 | 283 | 1,630 | 98 | 861 | -3 | 1,193 | 1,328 | 1,957 | 1,702 | 2,253 | 2,754 | 3,127 | 3,636 |
| Direct investment, net 2/ | 1,864 | -1,242 | 1,029 | 820 | 1,599 | 2,261 | 2,766 | 2,261 | 2,863 | 2,375 | 2,814 | 2,895 | 2,973 | 3,079 |
| Portfolio investment, net | 31 | 926 | 377 | 461 | -3 | 329 | 143 | 205 | 155 | 204 | 216 | 222 | 228 | 231 |
| Other investment, net | 46 | 598 | 224 | -1,183 | -735 | -2,593 | -1,715 | -1,138 | -1,061 | -877 | -777 | -362 | -74 | 326 |
| of which: Long-term other investment, net | 1,265 | 662 | 307 | 100 | 174 | -958 | -515 | -497 | -116 | -13 | -127 | 240 | 462 | 437 |
| of which: SDR | | | | | -797 | | | | | | | | | |
| Errors and omissions, net | -498 | -818 | -775 | -760 | -635 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Overall Balance | -821 | -439 | -229 | -1,669 | -154 | 2,187 | -219 | 418 | 14 | 422 | 433 | 335 | 455 | 656 |
| Financing | 821 | 439 | 229 | 1,669 | 154 | -2,187 | 219 | -418 | -14 | -422 | -433 | -335 | -455 | -656 |
| Reserve assets (accumulation -) 3/ | -231 | -592 | -539 | 89 | -400 | -2,059 | -379 | -453 | -369 | -478 | -391 | -159 | -231 | -441 |
| of which: SDRs | | | | | -797 | | | | | | | | | |
| Exceptional financing | 1,051 | 1,031 | 768 | 1,580 | 554 | -128 | 598 | 35 | 355 | 56 | -42 | -176 | -225 | -215 |
| Net IMF financing | 294 | 254 | 227 | 569 | 126 | 261 | 348 | 144 | 255 | 28 | ... | ... | ... | ... |
| of which: under IMF program | ... | ... | ... | ... | 141 | 283 | 266 | 253 | 135 | 227 | ... | ... | ... | ... |
| of which: potential new program | ... | ... | ... | ... | -11 | -40 | 83 | -109 | 120 | -198 | ... | ... | ... | ... |
| Budget support (excl. IMF) | 798 | 684 | 665 | 451 | 29 | 141 | 385 | 609 | 516 | 712 | ... | ... | ... | ... |
| Other external financing | 148 | 86 | -136 | 987 | 424 | 229 | -1 | 165 | -1 | 0 | ... | ... | ... | ... |
| Commercial | 112 | 0 | -79 | 595 | 456 | 0 | 0 | 0 | 0 | 0 | ... | ... | ... | ... |
| Other exceptional financing | 35 | 86 | -57 | 392 | -32 | 229 | -1 | 165 | -1 | 0 | ... | ... | ... | ... |
| Residual gap | -189 | 7 | 12 | -427 | -25 | -760 | -135 | -718 | -416 | -685 | -42 | -176 | -225 | -215 |
| *of which: IMF financing under proposed new arrangements* | ... | ... | ... | ... | 16 | 42 | 0 | 143 | 0 | 198 | ... | ... | ... | ... |
| *Memorandum items:* | | | | | | | | | | | | | | |
| Nominal GDP | 50,644 | 54,424 | 55,723 | 52,153 | 58,559 | 65,935 | 67,115 | 65,678 | 71,078 | 69,966 | 73,930 | 78,136 | 82,560 | 87,109 |
| Gross foreign assets (end of period) | | | | | | | | | | | | | | |
| Billions CFAF | 3,218 | 3,777 | 4,362 | 4,193 | 4,677 | 6,854 | 7,008 | 7,500 | 7,377 | 8,031 | 8,464 | 8,688 | 8,918 | 9,356 |
| Months of imports of goods and services | 2.4 | 2.8 | 3.8 | 3.5 | 3.0 | 4.0 | 4.1 | 4.3 | 4 | 4.5 | 4.7 | 4.7 | 4.7 | 4.9 |
| Oil prices (U.S. dollars per barrel, brent) | 54.9 | 71.6 | 64.2 | 43.3 | 70.8 | 99.0 | 75.4 | 82.4 | 71 | 81.2 | 77.4 | 74.3 | 71.6 | 65.6 |

Sources: BEAC; and IMF staff estimates and projections.

1/ Refers to the projection published in the IMF Country Report No 23/245.

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, 2017–28

(Percent of GDP)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023' | 2023 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Est. | Est. | Est. | SR 23/245 1/ | Proj. | SR 23/245 1/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| | (In percent of GDP) | | | | | | | | | | | | | |
| Current account balance | -5.2 | -0.2 | -2.5 | -2.4 | -1.0 | 2.8 | -2.5 | -1.9 | -3.1 | -2.2 | -2.9 | -3.5 | -3.6 | -3.8 |
| Balance on goods and services | -1.1 | 4.6 | 3.3 | -1.1 | 4.1 | 8.5 | 2.7 | 2.8 | 1.8 | 2.3 | 1.1 | 0.0 | -0.5 | -1.0 |
| Total exports | 31.5 | 34.7 | 33.8 | 25.2 | 30.2 | 40.1 | 33.5 | 33.9 | 31.6 | 33.2 | 31.1 | 28.9 | 27.4 | 26.2 |
| Exports of goods | 27.1 | 30.7 | 29.9 | 21.7 | 27.2 | 36.5 | 29.4 | 30.0 | 27.5 | 29.3 | 27.0 | 24.8 | 23.2 | 22.0 |
| Oil exports | 18.5 | 22.5 | 22.2 | 14.8 | 19.9 | 28.9 | 20.9 | 21.8 | 19.0 | 21.0 | 18.6 | 16.2 | 14.5 | 13.1 |
| Non-oil exports | 8.6 | 8.2 | 7.7 | 6.9 | 7.3 | 7.6 | 8.5 | 8.2 | 8.5 | 8.3 | 8.4 | 8.5 | 8.7 | 8.9 |
| Exports of services | 4.4 | 4.0 | 3.8 | 3.5 | 3.0 | 3.6 | 4.1 | 3.9 | 4.1 | 4.0 | 4.0 | 4.1 | 4.2 | 4.2 |
| Total imports | 32.6 | 30.2 | 30.5 | 26.3 | 26.2 | 31.6 | 30.8 | 31.1 | 29.8 | 30.9 | 30.0 | 28.8 | 27.9 | 27.2 |
| Imports of goods | 19.4 | 18.4 | 18.6 | 16.3 | 16.4 | 19.3 | 18.5 | 19.0 | 17.8 | 18.9 | 18.2 | 17.7 | 17.2 | 16.7 |
| Imports of services | 13.1 | 11.8 | 11.9 | 10.0 | 9.7 | 12.3 | 12.2 | 12.1 | 12.0 | 12.1 | 11.7 | 11.1 | 10.7 | 10.4 |
| Income, net | -4.2 | -5.8 | -7.3 | -3.2 | -6.5 | -7.1 | -6.1 | -6.0 | -5.7 | -5.6 | -5.1 | -4.6 | -4.2 | -3.8 |
| Income credits | 0.5 | 0.4 | 0.5 | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 |
| Income debits | 4.6 | 6.2 | 7.7 | 3.6 | 6.8 | 7.4 | 6.6 | 6.4 | 6.1 | 6.0 | 5.6 | 5.1 | 4.6 | 4.2 |
| Investment income, debit | -3.2 | -4.9 | -6.3 | -2.1 | -5.7 | -5.8 | -5.3 | -5.2 | -4.9 | -4.8 | -4.4 | -3.9 | -3.4 | -3.1 |
| of which: Interest paid on public debt | -0.6 | -0.6 | -0.8 | -0.4 | -0.5 | -0.5 | -0.4 | -0.5 | -0.4 | -0.4 | -0.4 | -0.3 | -0.3 | -0.4 |
| of which: Interest paid on nonpublic | -0.3 | -1.9 | 0.0 | -0.5 | -0.2 | 0.1 | -0.1 | -0.1 | -0.2 | -0.1 | -0.2 | -0.2 | -0.2 | -0.1 |
| Current transfers, net | 0.1 | 1.0 | 1.5 | 1.9 | 1.5 | 1.4 | 0.9 | 1.3 | 0.7 | 1.1 | 1.1 | 1.1 | 1.0 | 1.1 |
| Private current transfers, net | -0.1 | 0.8 | 1.2 | 1.4 | 1.2 | 1.1 | 0.6 | 1.0 | 0.5 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 |
| Official current transfers, net | 0.2 | 0.2 | 0.3 | 0.5 | 0.3 | 0.3 | 0.4 | 0.3 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| | | | | | | | | | | | | | | |
| Capital and financial account balance | 4.5 | 0.9 | 3.5 | 0.7 | 1.8 | 0.5 | 2.1 | 2.5 | 3.2 | 2.8 | 3.5 | 3.9 | 4.2 | 4.5 |
| Capital account balance (incl. capital | 0.7 | 0.4 | 0.5 | 0.5 | 0.3 | 0.5 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Financial account balance (incl. reserves) | 3.8 | 0.5 | 2.9 | 0.2 | 1.5 | 0.0 | 1.8 | 2.0 | 2.8 | 2.4 | 3.0 | 3.5 | 3.8 | 4.2 |
| Direct investment, net 2/ | 3.7 | -2.3 | 1.8 | 1.6 | 2.7 | 3.4 | 4.1 | 3.4 | 4.0 | 3.4 | 3.8 | 3.7 | 3.6 | 3.5 |
| Portfolio investment, net | 0.1 | 1.7 | 0.7 | 0.9 | 0.0 | 0.5 | 0.2 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Other investment, net | 0.1 | 1.1 | 0.4 | -2.3 | -1.3 | -3.9 | -2.6 | -1.7 | -1.5 | -1.3 | -1.1 | -0.5 | -0.1 | 0.4 |
| of which: Long-term other investment, net | 2.5 | 1.2 | 0.6 | 0.2 | 0.3 | -1.5 | -0.8 | -0.8 | -0.2 | 0.0 | -0.2 | 0.3 | 0.6 | 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 | 0.0 |
| | | | | | | | | | | | | | | |
| Overall Balance | -1.6 | -0.8 | -0.4 | -3.2 | -0.3 | 3.3 | -0.3 | 0.6 | 0.0 | 0.6 | 0.6 | 0.4 | 0.6 | 0.8 |
| | | | | | | | | | | | | | | |
| Financing | 1.6 | 0.8 | 0.4 | 3.2 | 0.3 | -3.3 | 0.3 | -0.6 | 0.0 | -0.6 | -0.6 | -0.4 | -0.6 | -0.8 |
| Reserve assets (accumulation -) 3/ | -0.5 | -1.1 | -1.0 | 0.2 | -0.7 | -3.1 | -0.6 | -0.7 | -0.5 | -0.7 | -0.5 | -0.2 | -0.3 | -0.5 |
| of which: SDRs | | | | | -1.4 | | | | | | | | | |
| Exceptional financing | 2.1 | 1.9 | 1.4 | 3.0 | 0.9 | -0.2 | 0.9 | 0.1 | 0.5 | 0.1 | -0.1 | -0.2 | -0.3 | -0.2 |
| Net IMF financing | 0.6 | 0.5 | 0.4 | 1.1 | 0.2 | 0.4 | 0.5 | 0.2 | 0.4 | 0.0 | ... | ... | ... | ... |
| Budget support (excl. IMF) | 1.6 | 1.3 | 1.2 | 0.9 | 0.0 | 0.2 | 0.6 | 0.9 | 0.7 | 1.0 | ... | ... | ... | ... |
| Other exceptional financing | 0.1 | 0.2 | -0.1 | 0.8 | -0.1 | 0.3 | 0.0 | 0.3 | 0.0 | 0.0 | ... | ... | ... | ... |
| Residual gap | -0.4 | 0.0 | 0.0 | -0.8 | 0.0 | -1.2 | -0.2 | -1.1 | -0.6 | -1.0 | -0.1 | -0.2 | -0.3 | -0.2 |
| | | | | | | | | | | | | | | |
| *Memorandum items:* | | | | | | | | | | | | | | |
| Nominal GDP | 50,644 | 54,424 | 55,723 | 52,153 | 58,559 | 65,935 | 67,115 | 65,678 | 71,078.2 | 69,966 | 73,930 | 78,136 | 82,560 | 87,109 |

Sources: BEAC; and IMF staff estimates and projections.

1/ Refers to the projection published in the IMF Country Report No 23/245.

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, 2017–28

(Billions of CFA Francs, unless otherwise indicated)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2023' | 2023 | 2023 | 2023' | 2023 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Mar | Jun | Jun | Sep | | | | | | | | |
| | Est. | Est. | Est. | Est. | Est. | Est. | Est. | SR 23/245 2/ | Proj. | Proj. | SR 23/245 2/ | Proj. | SR 23/245 2/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| Net foreign assets | 2,322 | 2,509 | 2,667 | 1,871 | 1,186 | 2,864 | 2,784 | 3,322 | 2,892 | 3,152 | 2,768 | 3,377 | 3,223 | 3,981 | 4,616 | 5,097 | 5,731 | 6,609 |
| Of which: BEAC | 2,131 | 2,379 | 2,730 | 1,980 | 1,420 | 3,169 | 3,135 | 3,125 | 3,509 | 3,600 | 3,134 | 3,735 | 3,442 | 4,191 | 4,775 | 5,200 | 5,756 | 6,559 |
| Foreign assets | 3,218 | 3,777 | 4,362 | 4,193 | 4,677 | 6,854 | 6,782 | 6,910 | 7,071 | 7,231 | 7,008 | 7,500 | 7,377 | 8,031 | 8,464 | 8,688 | 8,918 | 9,356 |
| Of which: SDR | | | | | 501 | 358 | 430 | 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 | 3,427 | 3,391 | 3,455 | 3,536 | 3,616 | 3,504 | 3,750 | 3,688 | 4,015 | 4,232 | 4,344 | 4,459 | 4,678 |
| Foreign liabilities | -1,088 | -1,398 | -1,632 | -2,213 | -3,257 | -3,685 | -3,646 | -3,785 | -3,562 | -3,632 | -3,874 | -3,765 | -3,935 | -3,840 | -3,688 | -3,488 | -3,162 | -2,796 |
| Of which: SDR | | | | | -501 | -358 | -430 | -358 | -358 | -430 | -358 | -358 | -358 | -358 | -358 | -358 | -358 | -358 |
| Commercial banks | 191 | 130 | -63 | -109 | -234 | -304 | -352 | 197 | -617 | -447 | -366 | -358 | -218 | -210 | -160 | -103 | -26 | 49 |
| Foreign assets | 802 | 735 | 526 | 423 | 423 | 609 | 737 | 1,091 | 470 | 698 | 598 | 616 | 664 | 686 | 755 | 832 | 909 | 1,002 |
| | 1,874 | 1,752 | 1,805 | 2,283 | 2,948 | 3,524 | 3,890 | 3,678 | 3,585 | 3,393 | 3,510 | 3,531 | 3,576 | 3,602 | 3,670 | 3,748 | 3,825 | 3,917 |
| Foreign liabilities 1/ | -611 | -605 | -589 | -532 | -657 | -913 | -1,089 | -894 | -1,087 | -1,145 | -963 | -974 | -882 | -896 | -915 | -935 | -935 | -953 |
| | -824 | -829 | -900 | -873 | -1,146 | -1,320 | -1,831 | -1,387 | -1,898 | -1,405 | -1352 | -1,380 | -1,270 | -1,303 | -1,322 | -1,342 | -1,342 | -1,360 |
| Net domestic assets | 8,190 | 8,854 | 9,364 | 11,490 | 13,860 | 14,211 | 14,547 | 13,151 | 15,450 | 14,153 | 15,722 | 15,282 | 17,053 | 16,653 | 17,594 | 18,812 | 19,857 | 20,671 |
| Net credit to government | 2,937 | 3,464 | 4,266 | 6,385 | 7,484 | 7,797 | 7,389 | 7,431 | 8,022 | 8,234 | 8,051 | 8,912 | 8,077 | 9,695 | 10,091 | 9,925 | 9,758 | 9,462 |
| BEAC, net | 1,946 | 2,209 | 2,469 | 3,348 | 3,948 | 3,372 | 3,298 | 3,391 | 3,635 | 3,455 | 3,007 | 3,297 | 2,536 | 3,083 | 2,610 | 2,007 | 1,274 | 421 |
| *Of which:* | | | | | | | | | | | | | | | | | | |
| Advances and consolidated debt | 2,770 | 2,773 | 2,772 | 2,770 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,757 | 2,726 | 2,694 | 2,662 |
| IMF lending | 491 | 798 | 1,020 | 1,528 | 1,849 | 2,257 | 2,171 | 2,446 | 2,156 | 2,245 | 2,690 | 2,436 | 2,742 | 2,529 | 2,399 | 2,133 | 1,802 | 1,339 |
| Consolidated debt | | | | | | | | | | | | | | | | | | |
| Other | 0 | 0 | 0 | 0 | 425 | 409 | 399 | 409 | 399 | 399 | 409 | 399 | 409 | 399 | 399 | 399 | 399 | 399 |
| Government deposits | -1,316 | -1,363 | -1,323 | -951 | -1,097 | -2,067 | -2,044 | -2,236 | -1,691 | -1,961 | -2,863 | -2,309 | -3,387 | -2,617 | -2,945 | -3,251 | -3,621 | -3,980 |
| Commercial banks, net 3/ | 991 | 1,256 | 1,798 | 3,037 | 3,535 | 4,425 | 4,091 | 4,041 | 4,387 | 4,779 | 5,044 | 5,615 | 5,541 | 6,612 | 7,480 | 7,918 | 8,483 | 9,041 |
| Of which: Government deposits | 873 | 781 | 794 | 925 | 987 | 1,106 | 1,104 | - | 1,464 | - | - | - | - | - | - | - | - | - |
| | | 1,239 | 1,784 | 2,454 | 2,843 | 2,915 | 2,835 | 3,275 | 2970 | 3475 | 3,593 | 4,105 | 4,090 | 5,102 | 5,971 | 6,408 | 6,974 | 7,532 |
| | | | | | 11.8% | 9% | 0% | 0 | 3% | -3% | | | | | | | | |
| Net credit to public agencies | -371 | -280 | -281 | -229 | -258 | -257 | -312 | -332 | -150 | -212 | -249 | -242 | -228 | -236 | -231 | -220 | -193 | -202 |
| Credit to private sector | 6,955 | 7,243 | 6,988 | 6,994 | 7,815 | 8,550 | 8,583 | 7,734 | 8,795 | 8,058 | 10,348 | 8,626 | 11,306 | 9,453 | 9,918 | 10,939 | 12,145 | 13,416 |
| Other items, net | -1,331 | -1,573 | -1,609 | -1,660 | -1,181 | -1,878 | -1,113 | -1,682 | -1,217 | -1,927 | -2,428 | -2,014 | -2,101 | -2,259 | -2,184 | -1,832 | -1,853 | -2,005 |
| Broad money | 10,512 | 11,363 | 12,031 | 13,361 | 15,046 | 17,075 | 17,331 | 16,473 | 18,033 | 17,306 | 18,490 | 18,658 | 20,277 | 20,634 | 22,209 | 23,909 | 25,588 | 27,280 |
| Currency outside banks | 2,436 | 2,577 | 2,752 | 3,116 | 3,676 | 3,843 | 3,702 | 3,618 | 3,643 | 3,711 | 4,150 | 4,188 | 4,482 | 4,562 | 4,910 | 5,286 | 5,657 | 6,031 |
| Bank deposits | 8,076 | 8,787 | 9,279 | 10,245 | 11,370 | 13,233 | 13,628 | 12,856 | 14,389 | 13,595 | 14,341 | 14,471 | 15,795 | 16,072 | 17,299 | 18,623 | 19,931 | 21,249 |
| | | | | | | | | (Annual change in percent of beginning-of-period broad money) | | | | | | | | | | |
| Net foreign assets | -0.9 | 1.8 | 1.4 | -6.6 | -5.1 | 11.2 | 9.3 | 9.7 | 6.9 | 6.3 | -0.6 | 3.0 | 2.5 | 3.2 | 3.1 | 2.2 | 2.7 | 3.4 |
| Net domestic assets | 0.5 | 6.3 | 4.5 | 17.7 | 17.7 | 2.3 | 5.6 | -2.4 | 12.5 | 1.3 | 8.8 | 6.3 | 7.2 | 7.4 | 4.6 | 5.5 | 4.4 | 3.2 |
| Net credit to government | 2.4 | 5.0 | 7.1 | 17.6 | 8.2 | 2.1 | 2.5 | 3.3 | 7.2 | 3.5 | 1.4 | 6.5 | 0.1 | 4.2 | 1.9 | -0.7 | -0.7 | -1.2 |
| Net credit to the private sector | -1.2 | 2.7 | -2.2 | 0.1 | 6.2 | 4.9 | 5.3 | -4.1 | 2.8 | -1.7 | 10.5 | 0.4 | 5.2 | 4.4 | 2.3 | 4.6 | 5.0 | 5.0 |
| Other items, net | -1.1 | -2.3 | -0.3 | -0.4 | 3.6 | -4.6 | -1.4 | -1.7 | 1.3 | -0.8 | -3.1 | -0.8 | 1.8 | -1.3 | 0.4 | 1.6 | -0.1 | -0.6 |
| Broad money | -0.4 | 8.1 | 5.9 | 11.1 | 12.6 | 13.5 | 14.9 | 7.2 | 17.4 | 7.6 | 8.3 | 9.3 | 9.7 | 10.6 | 7.6 | 7.7 | 7.0 | 6.6 |
| Velocity (GDP/broad money) | 4.8 | 4.8 | 4.6 | 3.9 | 3.9 | 3.9 | 3.8 | 4.1 | 3.6 | 3.8 | 3.6 | 3.5 | 3.5 | 3.4 | 3.3 | 3.3 | 3.1 | 3.0 |
| | | | | | | | | | (Percent of GDP) | | | | | | | | | |
| Broad money | 20.8 | 20.9 | 21.6 | 25.6 | 25.7 | 25.9 | 26.4 | 24.5 | 27.5 | 26.3 | 27.6 | 28.4 | 28.5 | 29.5 | 30.0 | 30.6 | 32.7 | 33.0 |
| Private bank deposits | 11.5 | 11.6 | 12.0 | 14.1 | 14.0 | 14.5 | 14.9 | 13.8 | 15.8 | 14.9 | 15.4 | 15.9 | 16.0 | 16.5 | 16.8 | 17.2 | 18.4 | 18.5 |
| Net credit to the private sector | 13.7 | 13.3 | 12.5 | 13.4 | 13.3 | 13.0 | 13.1 | 11.5 | 13.4 | 12.3 | 15.4 | 13.1 | 15.9 | 13.5 | 13.4 | 14.0 | 15.5 | 16.2 |

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 23/245.

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, 2017–28

(Percent of GDP unless otherwise indicated)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023' | 2023 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Est. | Est. | Est. | SR 23/245 4/ | Proj. | SR 23/245 4/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| Reference fiscal balance (fiscal balance before 2016) 1/ | | | | | | | (in percent of GDP) | | | | | | | |
| Cameroon | -4.2 | -2.8 | -4.1 | -3.2 | -3.1 | -3.0 | -1.6 | -1.7 | -0.6 | -0.6 | 0.1 | -0.6 | -0.9 | 0.6 |
| Central African Republic | -1.1 | -1.0 | 1.4 | -3.4 | -6.0 | -5.4 | -3.0 | -3.3 | -2.4 | -3.1 | -1.7 | -0.8 | -1.6 | 1.4 |
| Chad | 0.5 | -0.8 | -2.1 | -3.8 | -4.6 | -3.9 | 2.0 | 0.6 | 4.2 | 3.8 | 4.7 | 4.5 | 2.5 | 8.5 |
| Congo, Republic of | -2.5 | -2.3 | -2.1 | 0.1 | -1.4 | -3.1 | 1.6 | 1.0 | 4.2 | 3.8 | 4.2 | 2.5 | 3.1 | 14.7 |
| Equatorial Guinea | -1.5 | -2.6 | -1.5 | -0.5 | 1.5 | -4.2 | -1.9 | -5.3 | 1.0 | 0.7 | 2.0 | -2.5 | -2.3 | 3.7 |
| Gabon | -1.2 | -1.4 | -0.7 | -3.5 | -1.7 | -1.7 | -0.6 | -2.2 | -0.6 | -2.5 | -2.6 | -3.8 | -4.7 | -0.6 |
| *Number of countries violating* | 3 | 3 | 4 | 4 | 4 | 6 | 3 | 4 | 1.0 | 2 | 2 | 2 | 0 | 0 |
| Consumer price inflation (≤ 3%) | | | | | | | (in percent) | | | | | | | |
| Cameroon | 0.6 | 1.1 | 2.5 | 2.5 | 2.3 | 6.3 | 6.2 | 7.2 | 4.8 | 5.9 | 5.5 | 4.9 | 3.4 | 2.5 |
| Central African Republic | 4.2 | 1.6 | 2.8 | 0.9 | 4.3 | 5.6 | 6.3 | 6.5 | 2.7 | 3.2 | 2.8 | 2.5 | 2.5 | 2.6 |
| Chad | -0.9 | 4.0 | -1.0 | 4.5 | -0.8 | 5.8 | 4.1 | 7.4 | 3.0 | 3.4 | 3.1 | 3.0 | 3.0 | 3.0 |
| Congo, Republic of | 0.4 | 1.2 | 0.4 | 1.4 | 2.0 | 3.0 | 3.5 | 4.5 | 3.2 | 3.6 | 3.0 | 3.0 | 3.0 | 3.0 |
| Equatorial Guinea | 0.7 | 1.3 | 1.2 | 4.8 | -0.1 | 4.9 | 4.2 | 2.5 | 3.7 | 4.5 | 1.6 | 2.5 | 2.2 | 2.0 |
| Gabon | 2.7 | 4.8 | 2.0 | 1.7 | 1.1 | 4.3 | 3.3 | 3.8 | 2.4 | 2.5 | 2.3 | 2.2 | 2.2 | 2.2 |
| *Number of countries violating* | 1 | 2 | 0 | 2 | 1 | 5 | 6.0 | 5 | 3.0 | 5 | 2 | 1 | 0 | 0 |
| Level of public debt (≤ 70% GDP) | | | | | | | (in percent of GDP) | | | | | | | |
| Cameroon | 36.5 | 38.3 | 41.6 | 44.9 | 46.8 | 45.6 | 44.0 | 43.5 | 41.5 | 41.3 | 38.5 | 36.6 | 35.2 | 34.3 |
| Central African Republic | 50.3 | 50.0 | 47.2 | 43.4 | 47.6 | 51.9 | 50.4 | 51.0 | 49.5 | 50.6 | 50.1 | 47.3 | 44.6 | 42.5 |
| Chad | 48.3 | 54.3 | 52.2 | 58.7 | 47.0 | 43.2 | 41.7 | 40.5 | 38.0 | 36.4 | 33.7 | 30.6 | 29.6 | 28.7 |
| Congo, Republic of | 88.5 | 71.2 | 77.6 | 102.5 | 97.8 | 90.5 | 91.3 | 89.8 | 84.7 | 82.2 | 78.7 | 74.9 | 70.3 | 64.5 |
| Equatorial Guinea | 36.2 | 41.2 | 43.2 | 49.4 | 42.6 | 38.6 | 28.7 | 35.8 | 27.9 | 32.4 | 31.3 | 29.7 | 27.2 | 24.8 |
| Gabon | 62.9 | 61.1 | 60.0 | 78.3 | 66.2 | 57.5 | 62.0 | 65.3 | 60.1 | 64.0 | 63.4 | 63.2 | 63.7 | 64.0 |
| *Number of countries violating* | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 1.0 | 1 | 1 | 1 | 0 | 0 |
| Non-accumulation of government arrears (≤ 0) 2/ | | | | | | | (in percent of GDP) | | | | | | | |
| Cameroon | 1.3 | -2.0 | 0.3 | -0.3 | 0.4 | -0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Central African Republic | -8.0 | -2.3 | -3.5 | -2.0 | -0.6 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Chad | 0.5 | -1.1 | 6.3 | -0.2 | -1.7 | -3.0 | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 |
| Congo, Republic of | 11.3 | 5.6 | -4.9 | 10.2 | -6.7 | -4.8 | 3.2 | 3.9 | -4.1 | -4.0 | -2.5 | 0.0 | 0.0 | 0.0 |
| Equatorial Guinea | -3.5 | -1.1 | -0.1 | 0.8 | -3.3 | -1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gabon | -4.3 | -1.6 | -0.2 | -0.1 | -0.4 | -1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Number of countries violating 3/* | 3 | 1 | 0 | 2 | 1 | 0 | 1.0 | 1 | 0.0 | 0 | 0 | 0 | 0 | 0 |

Sources: Authorities' data; and IMF staff estimates.

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

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

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

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

4/ Refers to the projection published in the IMF Country Report No 23/245.

## Table 7. CEMAC: Summary Accounts of Central Bank, 2017–28

(Billions of CFA Francs, unless otherwise indicated)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023' | 2023' | 2023 | 2023 | 2023' | 2023 | 2024 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Mar | Jun | Jun | Sept | | | Jun | | | | | | |
| | | | | | | | | SR 23/245 | | | SR 23/245 | | | SR 23/245 | | | | | |
| | Est. | Est. | Est. | Est. | Est. | Est. | Est. | 2/ | Est. | Proj. | 2/ | Proj. | Proj. | 2/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| Net foreign assets | 2,131 | 2,379 | 2,730 | 1,980 | 1,420 | 3,169 | 3,135 | 3,125 | 3,509 | 3,600 | 3,134 | 3,735 | 4,205 | 3,442 | 4,191 | 4,775 | 5,200 | 5,756 | 6,559 |
| Assets 1/ | 3,218 | 3,777 | 4,362 | 4,193 | 4,677 | 6,854 | 6,782 | 6,910 | 7,071 | 7,231 | 7,008 | 7,500 | 7,734 | 7,377 | 8,031 | 8,464 | 8,688 | 8,918 | 9,356 |
| Unallocated | 638 | 452 | 308 | 101 | 388 | 431 | 697 | 253 | 593 | 593 | 253 | 593 | 593 | 253 | 593 | 593 | 593 | 593 | 593 |
| Cameroon | 1,770 | 2,004 | 2,199 | 2,153 | 2,522 | 3,191 | 3,062 | 3,288 | 3,321 | 3,459 | 3,198 | 3,414 | 3,491 | 3,226 | 3,644 | 3,838 | 3,912 | 4,009 | 4,230 |
| CAR | 206 | 215 | 214 | 242 | 292 | 243 | 219 | 176 | 238 | 227 | 159 | 230 | 220 | 126 | 214 | 200 | 200 | 225 | 259 |
| Congo | 216 | 251 | 617 | 643 | 551 | 578 | 480 | 719 | 502 | 553 | 861 | 783 | 871 | 1,151 | 959 | 1,089 | 1,241 | 1,471 | 1,831 |
| Gabon | 537 | 766 | 813 | 808 | 766 | 882 | 734 | 909 | 925 | 946 | 935 | 968 | 996 | 986 | 1,004 | 996 | 938 | 848 | 703 |
| EG | -31 | -5 | 21 | 30 | 26 | 897 | 914 | 887 | 956 | 838 | 877 | 819 | 826 | 849 | 832 | 849 | 862 | 809 | 752 |
| Chad | -117 | 93 | 191 | 216 | 134 | 633 | 674 | 679 | 536 | 615 | 725 | 693 | 737 | 786 | 785 | 898 | 941 | 964 | 987 |
| Of which: | | | | | | | | | | | | | | | | | | | |
| Operations account | 2,552 | 3,360 | 3,740 | 3,633 | 2,339 | 3,427 | 3,391 | 3,455 | 3,536 | 3,616 | 3,504 | 3,750 | 3,867 | 3,688 | 4,015 | 4,232 | 4,344 | 4,459 | 4,678 |
| Liabilities | -1,088 | -1,398 | -1,632 | -2,213 | -3,257 | -3,685 | -3,646 | -3,785 | -3,562 | -3,632 | -3,874 | -3,765 | -3,528 | -3,935 | -3,840 | -3,688 | -3,488 | -3,162 | -2,796 |
| Unallocated 4/ | -17 | -16 | 80 | 233 | 65 | 136 | 149 | 375 | 221 | 221 | 375 | 221 | 221 | 375 | 221 | 221 | 221 | 221 | 221 |
| Cameroon | -448 | -529 | -546 | -809 | -1,171 | -1,337 | -1,358 | -1,449 | -1,376 | -1,440 | -1,449 | -1,440 | -1,440 | -1,442 | -1,477 | -1,444 | -1,315 | -1,166 | -1,028 |
| CAR | -132 | -163 | -177 | -193 | -303 | -299 | -293 | -307 | -295 | -297 | -318 | -295 | -295 | -327 | -298 | -300 | -301 | -268 | -246 |
| Congo | -96 | -89 | -138 | -203 | -277 | -433 | -417 | -513 | -384 | -384 | -540 | -538 | -564 | -593 | -590 | -584 | -579 | -573 | -530 |
| Gabon | -230 | -348 | -428 | -577 | -831 | -924 | -912 | -982 | -924 | -924 | -938 | -853 | -611 | -868 | -716 | -611 | -542 | -469 | -390 |
| EG | -24 | -26 | -146 | -297 | -210 | -213 | -211 | -215 | -210 | -214 | -232 | -224 | -234 | -257 | -247 | -288 | -350 | -347 | -340 |
| Chad | -140 | -227 | -276 | -366 | -529 | -615 | -604 | -694 | -594 | -594 | -773 | -636 | -606 | -822 | -733 | -683 | -622 | -560 | -482 |
| Net domestic assets | 2,066 | 2,316 | 2,316 | 3,459 | 4,563 | 3,987 | 3,985 | 4,489 | 4,338 | 4,198 | 4,194 | 3,464 | 3,666 | 4,199 | 3,380 | 3,374 | 3,573 | 3,632 | 3,450 |
| Net credit to government | 1,946 | 2,209 | 2,469 | 3,348 | 3,948 | 3,372 | 3,298 | 3,391 | 3,635 | 3,455 | 3,007 | 3,297 | 3,026 | 2,536 | 3,083 | 2,610 | 2,007 | 1,274 | 421 |
| Claims | 3,261 | 3,571 | 3,792 | 4,299 | 5,046 | 5,438 | 5,341 | 5,627 | 5,327 | 5,416 | 5,871 | 5,607 | 5,699 | 5,923 | 5,699 | 5,555 | 5,258 | 4,895 | 4,400 |
| Advances and consolidated debt | 2,770 | 2,773 | 2,772 | 2,770 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,757 | 2,726 | 2,694 | 2,662 |
| Advances | | | | 2,773 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | | | | | | |
| IMF credit | 491 | 798 | 1,020 | 1,528 | 1,849 | 2,257 | 2,171 | 2,446 | 2,156 | 2,245 | 2,690 | 2,436 | 2,529 | 2,742 | 2,529 | 2,399 | 2,133 | 1,802 | 1,339 |
| Government deposits | -1,316 | -1,362.6 | -1,323.1 | -951 | -1,097 | -2,067 | -2,044 | -2,236 | -1,691 | -1,961 | -2,863 | -2,309 | -2,674 | -3,387 | -2,617 | -2,945 | -3,251 | -3,621 | -3,980 |
| Net claims on financial institutions 3/ | 440 | 432 | 274 | 377 | 669 | 460 | 419 | 857 | 674 | 480 | 1,038 | -3 | 609 | 1,504 | 114 | 566 | 1,353 | 2,131 | 2,787 |
| Fogadac reclassification as domestic liability | | | | | | 138 | 138 | 138 | 138 | 138 | 138 | 138 | 138 | 138 | 138 | 138 | 138 | 138 | 138 |
| Other items, net | -319 | -324 | -426 | -266 | -55 | 156 | 269 | 241 | 29 | 263 | 149 | 170 | 32 | 159 | 183 | 197 | 212 | 227 | 242 |
| Base money | 4,197 | 4,695 | 5,046 | 5,439 | 5,982 | 7,156 | 7,121 | 7,614 | 7,847 | 7,797 | 7,328 | 7,198 | 7,872 | 7,641 | 7,571 | 8,149 | 8,773 | 9,389 | 10,009 |
| Currency in circulation | 2,436 | 2,577 | 2,752 | 3,116 | 3,676 | 3,843 | 3,702 | 3,618 | 3,643 | 3,711 | 4,150 | 4,188 | 3,933 | 4,482 | 4,562 | 4,910 | 5,286 | 5,657 | 6,031 |
| Banks' reserves | 1,717 | 2,050 | 2,222 | 2,245 | 2,212 | 3,029 | 3,090 | 2,409 | 3,838 | 2,740 | 3,276 | 3,306 | 4,187 | 3,553 | 3,616 | 3,892 | 4,190 | 4,484 | 4,781 |
| o.w. Required reserves | 442 | 569 | 700 | 743 | 825 | 960 | 1,006 | 867 | 970 | 953 | 1,040 | 1,050 | 1,078 | 1,146 | 1,166 | 1,255 | 1,351 | 1,446 | 1,542 |
| Excess reserves | 977 | 1,125 | 1,160 | 1,145 | 1,038 | 1,650 | 1,662 | 1,194 | 2,416 | 1,401 | 1,781 | 1,798 | 2,608 | 1,906 | 1,941 | 2,089 | 2,249 | 2,407 | 2,566 |
| Cash in vaults | 297 | 356 | 363 | 357 | 349 | 419 | 422 | 348 | 451 | 387 | 454 | 459 | 501 | 501 | 509 | 548 | 590 | 632 | 673 |
| Others | 44 | 68 | 72 | 78 | 94 | 284 | 329 | 1,587 | 366 | 1,347 | -98 | -296 | -249 | -393 | -607 | -653 | -703 | -753 | -802 |
| *Memorandum items:* | | | | | | | | | | | | | | | | | | | |
| Reserve coverage of broad money (in percent) | 30.6 | 33.2 | 36.3 | 31.4 | 31.1 | 40.1 | 39.1 | 42 | 39.2 | 41.8 | 38 | 40.2 | 41.4 | 36 | 38.9 | 38.1 | 36.3 | 34.9 | 34.3 |
| Base money/deposits (in percent) | 52.0 | 53.4 | 54.4 | 53.1 | 52.6 | 54.1 | 52.3 | 59 | 54.5 | 57.4 | 51 | 49.7 | 54.4 | 48 | 47.1 | 47.1 | 47.1 | 47.1 | 47.1 |

Sources: BEAC.

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

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

2/ Refers to the projection published in the IMF Country Report No 23/245.

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, 2017–28

(Billions of CFA Francs)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2023' | 2023 | 2023' | 2023' | 2023' | 2024 | 2024' | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Mar | Jun | June | Sept. | | | June | | | | | | |
| | Est. | Est. | Est. | Est. | Est. | Est. | Est. | SR 23/245 1/ | Proj. | Proj. | SR 23/245 1/ | Proj. | Proj. | SR 23/245 1/ | Proj. | Proj. | Proj. | Proj. | Proj. |
| BEAC's net foreign assets | | | | | | | | | | | | | | | | | | | |
| Stock | 2,131 | 2,379 | 2,730 | 1,980 | 1,420 | 3,169 | 3,135 | 3,125 | 3,509 | 3,600 | 3,134 | 3,735 | 4,205 | 3,442 | 4,191 | 4,775 | 5,200 | 5,756 | 6,559 |
| Change since end of previous year | -123 | 248 | 348 | -750 | -561 | 1,749 | -33 | -43 | 340 | 431 | -35 | 566 | 471 | 308 | 456 | 585 | 424 | 557 | 803 |
| o.w. Cameroon | 216 | 152 | 179 | -309 | 7 | 503 | -150 | -16 | 91 | 165 | -105 | 120 | 77 | 35 | 192 | 228 | 202 | 247 | 360 |
| Central African Republic | 35 | -22 | -15 | 12 | -60 | -46 | -18 | -22 | 0 | -13 | -50 | -9 | -10 | -42 | -18 | -16 | -1 | 58 | 56 |
| Congo | -207 | 43 | 313 | -38 | -167 | -128 | -81 | 62 | -27 | 25 | 177 | 101 | 62 | 236 | 124 | 136 | 157 | 235 | 403 |
| Gabon | -64 | 111 | -34 | -154 | -297 | 24 | -136 | -32 | 42 | 63 | 38 | 156 | 270 | 121 | 174 | 96 | 12 | -18 | -66 |
| Equatorial Guinea | -43 | 25 | -95 | -143 | 83 | 867 | 20 | -12 | 63 | -59 | -39 | -89 | -3 | -53 | -10 | -23 | -50 | -50 | -50 |
| Chad | 45 | 123 | 48 | -65 | -245 | 413 | 53 | -32 | -75 | 3 | -65 | 39 | 75 | 11 | -5 | 163 | 104 | 85 | 101 |
| Unallocated | -105 | -185 | -49 | -53 | 118 | 114 | 279 | 9 | 247 | 247 | 9 | 247 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Sources: BEAC; and IMF staff projections.

1/ Refers to the projections published in the IMF Country Report No 23/245.

## Table 9. CEMAC Program Countries: External Financing Sources, 2017–24

(Billions of CFA Francs)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | | | | | | 2024 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Est. | Est. | Est. | H1 SR 23/245 2/ | H1 Proj | H2 SR 23/245 2/ | H2 Proj | SR 23/245 2/ | Proj | H1 Proj | H2 Proj | Proj |
| **1. External financing needs** [1] | **1269** | **1211** | **1077** | **1757** | **481** | **131** | **406** | **28** | **390** | **564** | **797** | **592** | **307** | **275** | **582** |
| **2. Net IMF Financing** | **307** | **265** | **237** | **224** | **141** | **354** | **201** | **71** | **147** | **73** | **348** | **144** | **52** | **-24** | **29** |
| **3. Budget suport from other donors** | **798** | **684** | **665** | **451** | **29** | **141** | **130** | **67** | **255** | **534** | **385** | **600** | **91** | **196** | **287** |
| World Bank | 261 | 50 | 291 | 123 | 0 | 31 | 25 | 23 | 151 | 141 | 175 | 164 | **24** | **129** | **153** |
| African development Bank | 338 | 270 | 184 | 220 | 13 | 45 | 49 | 10 | 88 | 79 | 137 | 89 | **35** | **42** | **77** |
| European Union | 45 | 57 | 16 | 68 | 3 | 4 | 0 | 0 | 3 | 3 | 3 | 3 | **6** | **13** | **20** |
| France | 154 | 149 | 174 | 11 | 13 | 59 | 56 | 33 | 13 | 13 | 69 | 46 | **32** | **16** | **48** |
| Other[3] | 1 | 158 | 0 | 29 | 0 | 2 | 0 | 0 | 0 | 298 | 0 | 298 | **0** | **0** | **0** |
| **4. Commercial borrowing** | **112** | **0** | **-79** | **595** | **456** | **0** | 0 | **0** | 0 | **0** | 0 | **0** | **0** | **0** | **0** |
| **5. Debt relief** | **0** | **0** | **0** | **285** | **104** | **7** | **0** | **0** | -1 | -1 | -1 | -1 | **0** | **0** | **0** |
| **6. External arrears** | **0** | **0** | **67** | **29** | **-57** | **-1** | **0** | **0** | **-35** | **-35** | -35 | **-35** | **0** | **-1** | **-1** |
| **7. Residual financing gap** | **-1** | **161** | **297** | **-258** | **-26** | **-315** | **0** | **-106** | **0** | **-71** | **0** | **-177** | **-67** | **-67** | **-133** |

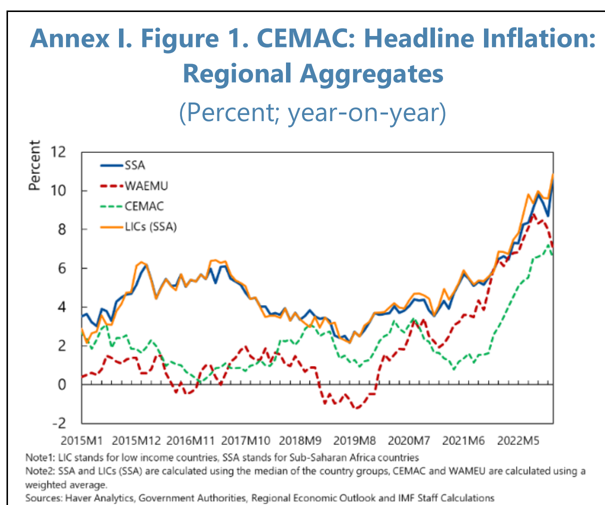
1 After projected/targeted change in gross reserves.

2 Refers to the projections of the IMF SR 23/245.

3 Includes external financing from the BDEAC in CFAF.

# Annex I. The Risk of Entrenched Inflation in CEMAC

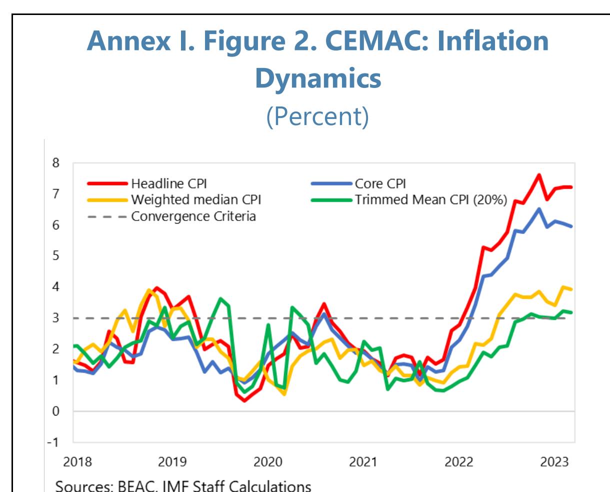
**1. As in the rest of the world, inflation in CEMAC surged more quickly and persistently than expected in 2022, converging closer to peer countries.** Inflation reached its peak since 2009, at 7.6 percent year-on-year (y-o-y) in November 2022, and hovered around 7.2 percent y-o-y in the first quarter of 2023. While the initial surge in headline inflation was largely driven by the spike in global food and energy prices associated with the post-pandemic global supply chain disruptions and the fallout of Russia's invasion of Ukraine, there are signs of broadening price pressures, which increases the risk of inflation becoming entrenched. This appendix discusses this risk and policy implications.




**Annex I. Figure 1. CEMAC: Headline Inflation: Regional Aggregates**
(Percent; year-on-year)

Note1: LIC stands for low income countries, SSA stands for Sub-Saharan Africa countries
Note2: SSA and LICs (SSA) are calculated using the median of the country groups, CEMAC and WAMEU are calculated using a weighted average.
Sources: Haver Analytics, Government Authorities, Regional Economic Outlook and IMF Staff Calculations

**2. Inflation pressures have become more broad-based.** Various indicators of underlying inflation, which typically exclude volatile components, such as food and energy items, have been increasing and remain persistently high (Annex I. Figure 2). BEAC's measure of core inflation (excluding food and non-alcoholic beverages and transport) reached 5.9 percent y-o-y in March 2023 from 3.4 percent y-o-y in the same month the previous year. Other alternative measures of underlying inflation also suggest that price pressures have broadened. For example, staff's trimmed mean CPI inflation and the weighted median increased by around 1.7 percentage points between March 2022 and March 2023.[1] In addition, inflation has become more diffuse. For example, more than two-thirds of the CPI basket contained items with inflation rates above 3 percent in March 2023, up from less than 10 percent at the beginning of the year, and some of these items have prices increasing by more than 5 percent.




**Annex I. Figure 2. CEMAC: Inflation Dynamics**
(Percent)

Sources: BEAC, IMF Staff Calculations

[1] The trimmed mean and weighted median are measures of core inflation that exclude CPI components whose rates of change in a given month are located in the tails of the distribution of price changes. The 20 percent trimmed mean removes 10 percent of the year-on-year rates of change from each tail of the distribution of 12 price changes in the CPI each month and aggregates the year-on-year rates of change using rescaled weights. The weighted median (or the 50 percent trimmed mean) is the price change at the 50th percentile (by weight) of the ordered distribution of price changes.

**3. Inflation in CEMAC is influenced by global factors, and exhibits strong persistence.**[2] Staff's econometric analysis indicates that global price shocks, such as shipping costs, and oil and food prices–after controlling for domestic factors (expectations and economic slack)–are all positively and significantly correlated with headline inflation. Importantly, headline inflation is highly persistent, with lagged inflation terms having highly significant large coefficients.

**4. Global price shocks have a persistent effect on domestic headline inflation.**[3] Staff analysis also suggests that the impact of food commodity price shocks on inflation is more gradual, but larger and more persistent than an oil price shock (Annex I, Figure 3 and 4). This reflects the large share of food items in the consumption basket across the region (around 40 percent). In contrast, shocks to global shipping costs have a more modest effect and build up more gradually than oil and food price shocks but are persistent.

**5. A data-dependent approach to monetary policy decisions, with a tightening bias is appropriate.** Indeed, early evidence of broad-based price pressures, the strong persistence of headline inflation, and the more persistent pass-through of global price shocks suggest that it could take time for inflation to fall back to the convergence criterion of 3 percent. This creates a challenging environment for monetary policy in CEMAC. This supports BEAC's decision to tighten monetary policy by increasing its policy rates several times since November 2021 to prevent inflation expectations from being de-anchored. The persistent effect of global price shocks on inflation suggests also that the recent moderation in global commodity prices will likely take time to fully reflect in domestic prices. Consequently, BEAC should remain data-dependent, monitoring closely domestic and external price pressures, and keep a tightening bias, while tightening further liquidity conditions. Aligned with a tight monetary stance, fiscal policy should play an important complementary role in reducing inflationary pressures by constraining aggregate demand.

[2] Tiedemann, Ambassa and Bizimana (forthcoming, 2024). "Understanding Inflation Dynamics". To better assess the drivers of inflation, the Phillips curve framework–which relates inflation to economic slack–is used. The version of the Phillips curve estimated for the CEMAC region is augmented by measures of inflation persistence and expectations, and proxy of external price pressures (global energy and food prices, and supply chain pressures) over the quarterly period from 2001 to 2022.

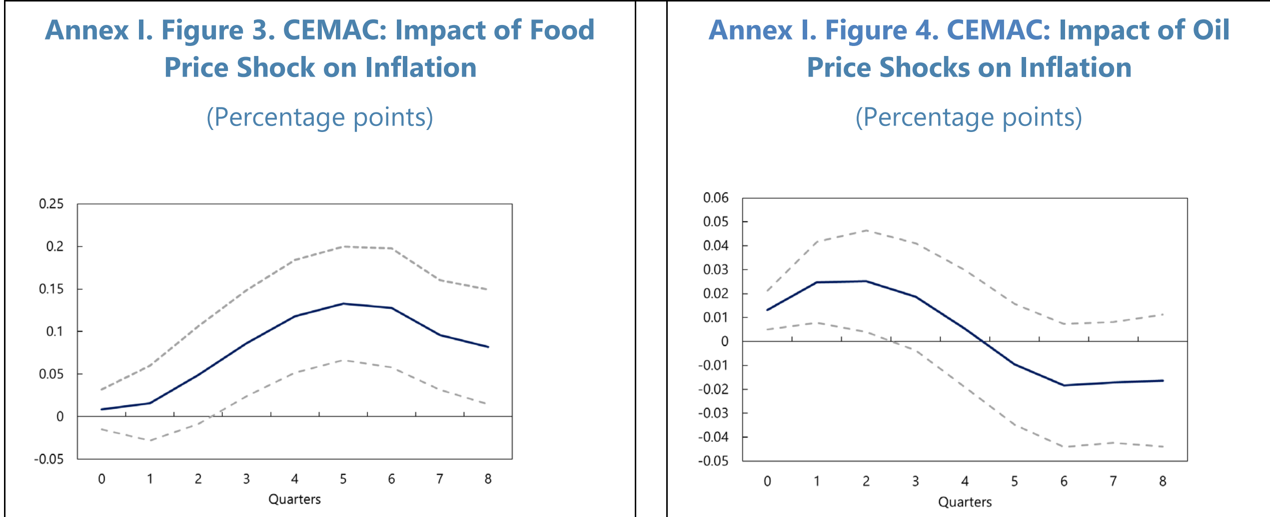
[3] The local projection method (Jordà, 2005) is used to estimate the impulse responses of inflation to global price shocks.

### Annex I. Figure 3. CEMAC: Impact of Food Price Shock on Inflation

(Percentage points)

### Annex I. Figure 4. CEMAC: Impact of Oil Price Shocks on Inflation

(Percentage points)




Source: BEAC, IMF staff calculations.

Notes: Core inflation calculated by BEAC excludes food and non-alcoholic beverages and transport.

**Annex I. Figure 3** presents the impact of 1 percentage point change in world commodity food price inflation on domestic CPI inflation. The solid line represents impulse response function; dotted lines indicate 90 percent confidence bands. t=0 denote the quarter of the shock.

**Annex I. Figure 4** presents the impact of 1 percentage point change in oil price inflation on domestic CPI inflation. The solid line represents impulse response function; dotted lines indicate 90 percent confidence bands. t=0 denote the quarter of the shock.

# Annex II. Net Foreign Assets and Oil Prices

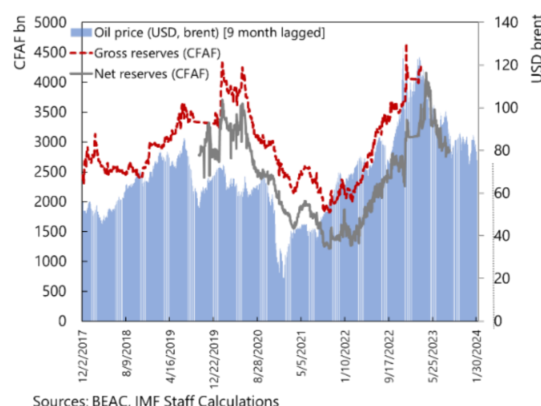
**1. For most CEMAC member countries, NFA accumulation broadly follows movements in global oil prices.** In 2022, oil exports represented 71 percent of total exports, but with heterogeneity across countries (Annex II. Table1). Yet, NFA buildup seldom follows short-term trends in oil prices exactly. Two stylized facts stand out:

- *While net exporters of hydrocarbons have benefited from windfall gains from the high oil and gas prices since last year, this has translated into higher reserves with a substantial lag.* Staff statistical analysis suggests that historically, changes in NFA in the CEMAC region respond to changes in oil prices with an average lag of around 9 months (Annex II. Figure 1).[1] There is heterogeneity amongst CEMAC member states, however—in Congo, the lag stretches to almost 18 months. The lag between oil price movements and NFA build-up is due to several factors, including the maturity of oil price future contracts and the contractual revenue-sharing arrangements between governments and petroleum companies. CEMAC countries' governments have stakes in petroleum companies and share in the windfall through profits, which may take weeks/months to materialize.

**Annex II. Table 1. CEMAC: Oil Exports by Country, 2022**

| | Percent of Own Exports |
|---|---|
| CAR | 0.0 |
| Cameroon | 40.1 |
| Congo | 82.2 |
| Gabon | 72.2 |
| Equatorial Guinea | 92.8 |
| Chad | 81.0 |
| **CEMAC** | **72.1** |

**Annex II. Figure 1.CEMAC: Daily Oil Prices and NFA**

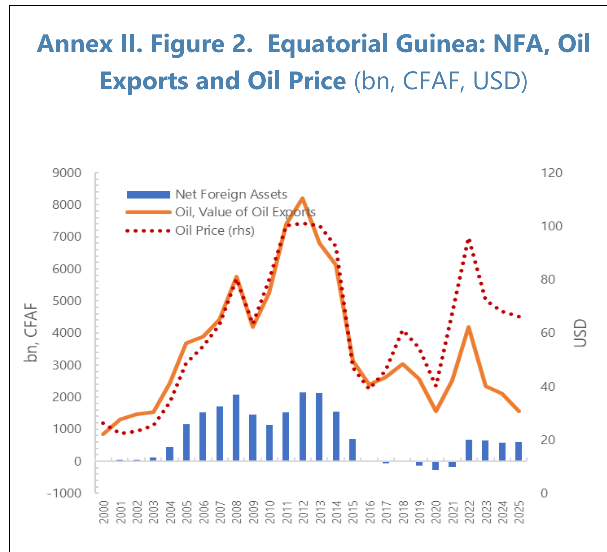



Sources: BEAC, IMF Staff Calculations

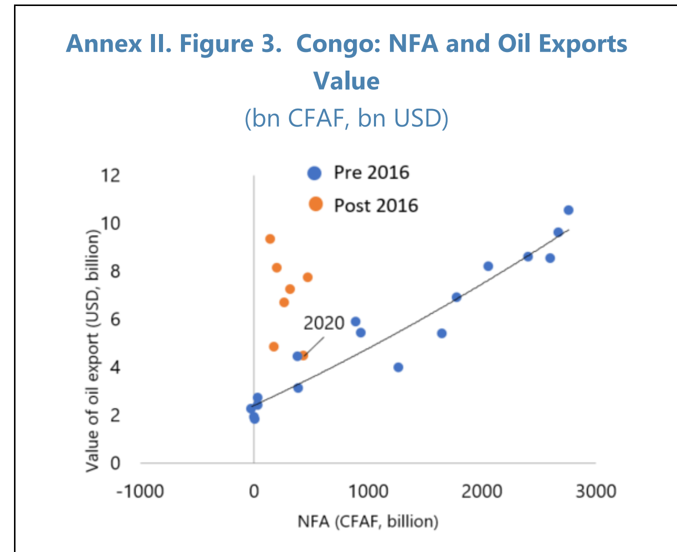
- *While historically the relationship between NFA and oil prices has been strong for CEMAC net exporters of hydrocarbons, it has weakened in recent years***.** This is especially true for Equatorial Guinea and Congo. In Equatorial Guinea, after 2016, oil export volumes stopped moving in tandem with oil prices (Annex II. Figure 2), reflecting the depletion of oil fields and underinvestment. Congo has not accumulated reserves in line with their oil export receipts

[1] We use a Pooled OLS/WLS and fixed effects (within) regression model with Driscoll and Kraay standard errors: $NFA_{i,t} = \alpha + NFA_{i,t-1} + NFA_{i,t-2} + NFA_{i,t-3} + NFA_{i,t-4} + Oil_Price_{i,t-3} + \varepsilon_{i,t}$, where $t = quarterly$ and $i = country$. This model does not take into account other structural factors that may affect the NFA accumulation, such as budget support, changes in oil reserves or regulation regarding export receipts (such as FX regulation). The model also does not include any idiosyncratic factors.

since 2016 (Annex II. Figure 2). This came after a large oil price drop in 2014-2016, when oil prices slumped by about 70 percent and the CAB switched from a surplus of around 0.1 percent of GDP in 2014 to a deficit of about 40 percent of GDP in 2015 and 45 percent of GDP in 2016.



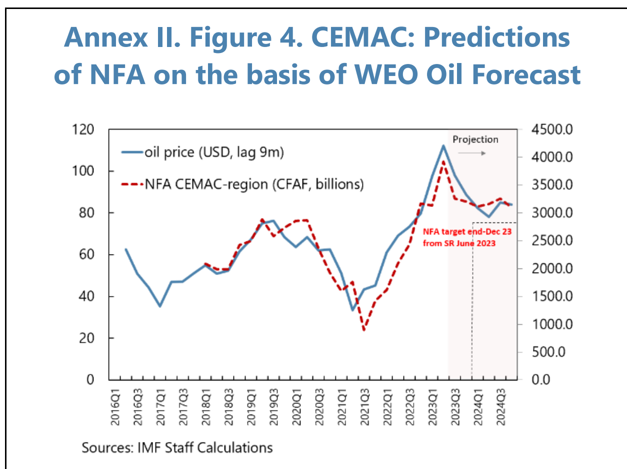

**Annex II. Figure 2. Equatorial Guinea: NFA, Oil Exports and Oil Price** (bn, CFAF, USD)




**Annex II. Figure 3. Congo: NFA and Oil Exports Value**
(bn CFAF, bn USD)

**2. Staff analysis points to some upside risks to the end-December 2023 NFA target, set in June 2023.** The lagged and variable impact of oil prices on NFA accumulation, and idiosyncratic country factors make projections difficult but simple methods can be informative. Using a simple regression model, we control for past performance (lags of NFA) to estimate the historical relationship between changes in oil prices and NFA. The past stock of NFA captures surprises in recent performances. Using the estimated elasticities and the WEO oil price forecast, the results are used to estimate the NFA accumulation as shown in Figure 4. The projected build up slightly exceeds the December 2023 NFA target set in June (EUR 4.32 billion) , owing in part to the upward revisions in oil prices.[2] This projection, however, does not account for the September correction in NFA or any other idiosyncratic factors, such as the temporary disturbances in oil production during the coup d'état in Gabon. An agreement reached between the extractive sector and BEAC on the operational modalities for the repatriation of funds dedicated to the rehabilitation of oil sites, would constitute an upside risk to NFA accumulation.

**Annex II. Figure 4. CEMAC: Predictions of NFA on the basis of WEO Oil Forecast**




Sources: IMF Staff Calculations

[2] Central African Economic and Monetary Community: Staff Report on the Common Policies of Member Countries, and Common Policies in Support of Member Countries Reform Programs-Press Release; Staff Report; and Statement by the Executive Director (imf.org).

# Annex III. Risk Assessment Matrix[1]

| Risks | Likelihood | Expected Impact if Realized | Recommended Policy Response |
|---|---|---|---|
| **Global risks** | | | |
| **Intensification of regional conflict(s).** Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows. | High | **High**<br><br>Limited direct trade and financial links to Russia and Ukraine. However, higher global energy and food prices could further increase inflation, worsen the external position, and put additional pressures on reserves, slow down the recovery and increase poverty and inequality.<br><br>Additional pressure on public expenditure and tax exemptions, which jeopardize fiscal consolidation strategy and sustainability. | Accelerating fiscal adjustment, raising the policy rate to curb inflation, and seeking affordable external financing and mobilize additional grants and concessional loans, would support reserves and the currency peg.<br><br>Provide targeted support to vulnerable households to mitigate the impact of higher fuel and food prices. |

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

| Risks | Likelihood | Expected Impact if Realized | Recommended Policy Response |
|---|---|---|---|
| **Commodity price volatility.** A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability. | **High** | **Medium**<br>High oil prices partially offset rising food and fertilizer prices and buoy fiscal and external positions, but inflation pressures could build up and fiscal positions could worsen if food security is addressed through price controls and subsidies. The deterioration in food security, especially in urban areas, could stoke social tensions and weigh on growth.<br><br>**Upside.** High commodity prices boost income from oil and commodity production.<br><br>**Downside.** Costly food imports negatively affect the spending of the urban middle class and endanger food security in poor households. High fertilizer prices affect agriculture and negatively impact future harvests. Inflation builds up and threatens the recovery. | • Keep fiscal spending in line with program deficit targets to contain inflation, lower debt, and build back fiscal space for the next commodity downturn; streamline and target spending, including through PFM.<br>• Prioritize targeted social spending to the most vulnerable. Where social safety nets are not well developed and price controls are needed, offset spending by strengthening collection, broadening tax bases, and phasing off exemptions.<br>• Implement structural reforms and encourage intra-region trade to diversify and reduce reliance on oil and commodity prices.<br>• To help decouple reserve accumulation from oil revenue, BEAC should 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). |
| **Abrupt global slowdown or recession.** Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs. | **Medium** | **High**<br>Weaker global growth would lead to lower oil prices, worsening fiscal and current account positions in oil-dependent CEMAC, ultimately weighing on the reserves position. | • Enforce the FX regulations; strengthen repatriation efforts, including from SOEs.<br>• Design fiscal contingency plans to address deterioration of the current account.<br>• Implement structural measures to diversify the economy, enhance competitiveness, and deepen regional integration. |

| Risks | Likelihood | Expected Impact if Realized | Recommended Policy Response |
|---|---|---|---|
| **Monetary policy miscalibration.** Amid high economic uncertainty and financial sector fragility, major central banks pause monetary policy tightening or pivot to loosen policy stance prematurely, de-anchoring inflation expectations, triggering a wage-price spiral and spillovers to financial markets. | **Medium** | **Medium**<br>Premature rate cuts by major central banks, could result in premature loosening of the BEAC as well. This could increase inflation and the BEACs credibility would suffer. De-anchored inflation expectations would hinder progress towards price stability. | • BEAC should keep monetary policy on hold with a tightening bias, to anchor expectations and support reserves.<br>• Maintain a prudent fiscal policy stance to protect the peg and alleviate crowding-out in the regional market.<br>• Accelerate the implementation of the structural reform agenda to support capital flows (in particular FDI) and confidence. |
| **Systemic financial instability.** Sharp swings in real interest rates and risk premia, and asset repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing market dislocations and adverse cross-border spillovers. | **Medium** | **Medium**<br>Tightening global financial conditions and spiking risk premia would raise borrowing costs and increase debt vulnerabilities, with knock-on effects on growth. These effects could result in financial difficulties for SMEs, state-owned enterprises, and banks already facing high liquidity needs. This would also disrupt progress on increasing financial access, and deepening. | • Enhance banking supervision and enforce prudential regulations.<br>• Improve processes and procedures for collection of debts and collateral.<br>• Create fiscal space to absorb financial shocks.<br>• BEAC should, in cooperation with COBAC, engage proactively with banks facing high liquidity needs<br>• COBAC should ensure that undercapitalized banks submit credible medium-term recapitalization plans and establish a strategy for NPL reduction. |
| **Social discontent.** High inflation, real income loss, and spillovers from crises in other countries (including migration) worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing. | **Medium** | **High**<br>Social tensions erupt as fiscal consolidation result in unemployment and, amid rising food inflation, hurts vulnerable groups. This and other forms of political instability could delay the regional fiscal convergence, with possible adverse effects on the external position. | • Use oil windfalls to reduce macroeconomic instability and rebuild external and fiscal buffers to maintain market confidence and attract private investment.<br>• Maintain effective social dialogue, protect social spending and build social safety nets to reduce poverty.<br>• Increase social investment in health, education, welfare, and youth upskilling to keep |

| Risks | Likelihood | Expected Impact if Realized | Recommended Policy Response |
|---|---|---|---|
| | | | tensions at bay. |
| **Deepening geoeconomic fragmentation.** Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth. | **High** | **Medium**<br>Trade restructuring and deglobalization may reduce imports and exports, increasing costs for imported goods and capital and affecting growth. It may also lead to divergence within the CEMAC-member states. Access to international capital markets may fragment, with stability and growth implications in the medium to long term. | • Boost the resilience of the economy and key supply chains, including through diversification. |
| **Cyberthreats.** Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets ecosystems) or misuse of AI technologies trigger financial and economic instability. | **Medium** | **Medium**<br>Impact on public services that rely on digital infrastructure. | • Create contingent plans for cyberattacks<br>• Assess the risk and impact of cyberattacks on public services, including IT systems of public institutions. |
| **Extreme climate events.** Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability. | **Medium** | **High**<br>More frequent floods and draughts (CAM, TCD). Rising sickness (e.g., meningitis) and poor harvests due to dryer weather (CAR, EQN). Higher sea levels, dry rivers/lakes (GAB, EQN, TCD), displace populations and destroy capital. fiscal positions. | • Invest in climate adaptation and improve shock response mechanisms to cope with floods and droughts. Enhance food security, including through irrigation and productivity in agriculture. Mitigate the impact on the poor through targeted fiscal transfers and other types of public spending.<br>• Improve the business climate to boost investment in new sectors and encourage diversification.<br>• Free up fiscal space to invest in mitigation and adaptation infrastructure.<br>• Work with partners to identify vulnerable populations and regions, conduct risk assessments, plan disaster mitigation |

| Risks | Likelihood | Expected Impact if Realized | Recommended Policy Response |
| --- | --- | --- | --- |
| | | | measures. |
| **Disorderly energy transition.** Disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth. | **Medium** | **Medium**<br>Lower hydrocarbon demand renders the engine of growth (oil) obsolete. The window of opportunity to compete on non-oil sectors narrows, lowering the likelihood of diversification and the potential for inclusive growth. This could increase poverty and widen already-high wealth disparities. | • Implement deep governance, structural, and growth-enhancing reforms.<br>• Invest in education/upskilling, business climate and infrastructure (including for digital development) to improve competitiveness.<br>• Accelerate efforts to establish social safety nets to protect vulnerable populations from future shocks and transitions. |
| **Domestic risks (in CEMAC region)** | | | |
| **Intensified security risks, including due to regional spillovers.** | **High** | **High**<br>Intensification or contagion of security shocks could have large adverse effects on investment, activity, and public finances, and complicate policy implementation. The region is also vulnerable to sudden regime changes. | • Promote security, strengthen social safety nets, and facilitate job creation in the private sector.<br>• Create fiscal space by accelerating revenue mobilization reforms and<br>• Reprioritizing non-priority spending. Ensure that the pace of medium-term consolidation is gradual, but consistent with fiscal stability. |

# Annex IV. CEMAC External Sector Assessment

***Overall Assessment:*** *The external position of CEMAC is moderately weaker than the level implied by fundamentals and desirable policies at end-2022. CEMAC's current account balance (CAB) has recovered steadily from the 2015 oil shock, reaching 3.6 percent of GDP at end-2022. The CA surplus was buoyed by higher hydrocarbon prices and real depreciation against the U.S. dollar through most of the year. In 2023 a deficit is projected (-1.1 percent of GDP).*

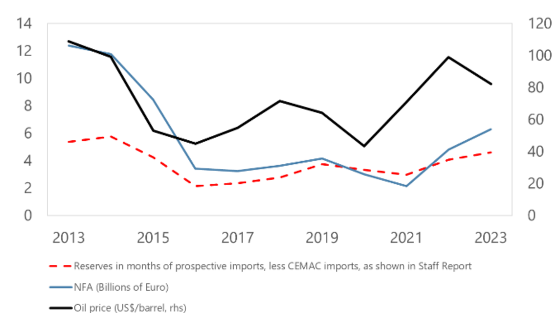
*Regional gross reserves increased substantially through 2022, on the back of higher hydrocarbon export receipts and improved FX repatriations linked to stepped-up enforcement of the FX regulations. The quantitative assessment of the exchange rate using the Fund's EBA-lite Current Account (CA) methodology suggests over-valuation of CEMAC's real effective exchange rate (REER) of 6.4 percent in 2022. The CAB is expected to revert to its historical average in the medium term, while in the same period reserves are expected to increase, supported by capital and financial account developments, and is projected to reach the benchmark considered adequate for a resource-rich monetary union exposed to volatile commodity prices (5 months) on the medium term.*

***Potential Policy Responses:*** *A strong external position coupled with adequate reserve buffers and sustainable capital inflows in the medium term require an appropriate policy mix of prudent fiscal and monetary policies. Structural and fiscal reforms are needed through policies that boost non-hydrocarbon sector's output and productivity—including reforms to the business environment, governance, financial sector, and human capital.*

**Foreign Assets and Liabilities & Reserves Adequacy**

**Background.** The CEMAC region ended 2022 with the gross foreign reserves at US$11.1 billion—at 4.1 months of imports of goods and non-factor services (GNFS)—still below the adequacy target for a resource-rich monetary union (5 months) but up from 3 months of GNFS in 2021. Reserves increased due to an improvement in the CAB driven by an increase in hydrocarbon export receipts and stepped-up enforcement of FX regulations, tighter monetary policy, fiscal surpluses, the availability of emergency financing and IMF-supported program disbursements, and the SDR allocation.

**Annex IV. Figure 1. CEMAC: Oil Price and Reserve Coverage, 2013–23 (Proj.)**
(US$ per barril and months of prospective imports)




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

Historically, CEMAC's asset position has been strongly linked to hydrocarbon market cycles, with peak buffers built up during the oil price boom that preceded the Great Financial Crisis (GFC) (See Appendix II). Since then, poor trade dynamics, lower oil prices—combined with lower oil production in some member countries—and a steady drawdown of government deposits at the

BEAC have contributed to lower reserve accumulation. In 2022, foreign liabilities at BEAC stood at 5.6 percent of GDP in 2022, while IMF financing for the region amounted to 0.6 percent of GDP and SDR drawings at 0.4 percent of GDP. No comprehensive union-wide net international investment position (NIIP) is available, given disparities and significant lags in external data reporting among CEMAC Members.[1] This precludes the use of the External Sustainability approach in this assessment.

**Assessment.** During 2022, gross external reserves have accumulated faster due to higher oil prices and tighter fiscal and monetary policies, a more stringent application of FX regulations, and inflows driven by the commodity price rally. Despite the favorable external environment, CEMAC's reserves still sits below the target reserve position at end-2022, a risk to external sustainability in a context of oil price volatility, uncertain slowing trading partner demand, and expectations of tighter global financial conditions. Coverage at end-2022 (4.1 months of GNFS) is less than the level adequate for a resource-rich monetary union exposed to volatile commodity prices (5 months of GNFS).[2] CEMAC member countries used most of their SDR allocation as countries with stronger fiscal positions and better market access saved a portion of the allocation to support reserve buildup. Although SDRs were used broadly in line with staff guidance, in Cameroon and Gabon, withdrawals exceeded initial commitments (to save at least half of their allocation), given higher-than-expected borrowing costs. That said, these additional withdrawals did not hamper the targeted NFA accumulation.

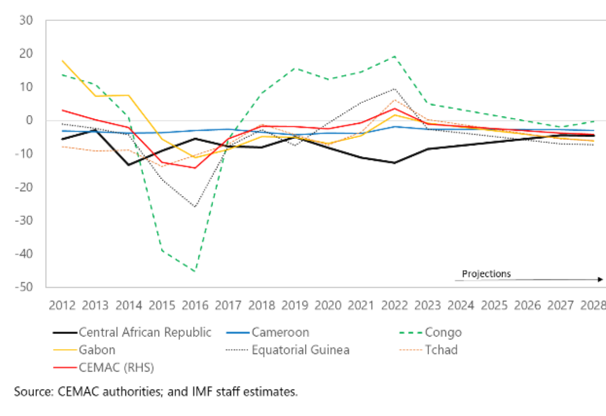
Reserve coverage is expected to further strengthen by end-2023 (to 4.6 months of GNFS). Further delays in completing upcoming IMF-supported program reviews or weaker-than-expected fiscal stances are risks for 2023. Going forward, reserves are expected to increase and reach the adequate benchmark (5 months of GNFS) in 2028.

**Current Account, the Real Exchange Rate, and Capital Flows**

**Background.** The CAB has improved from the 2015–2016 oil shock trough of -14.4 percent to 3.6 percent of GDP at end-2022, dipping temporarily to -2.5 percent in 2020 due to the COVID-19 pandemic. The improvement in 2022 reflects higher hydrocarbon prices and real depreciation against the U.S. dollar through most of the year. Oil exports as percent of GDP stood at 28.8 in 2022 compared to 19.7 in 2021. Historically, the persistently negative CAB (-3.5 percent of GDP over the past decade) reflects: (i) under-developed non-oil exports, due to low comparative advantage as a result of low productivity, absence of structural features that would foster alternative industries (infrastructure, qualified human capital), and weak private sector credit

**Annex IV. Figure 2. CEMAC: Current Account, 2012–22 (Proj.)**

(Percent of GDP)




Source: CEMAC authorities; and IMF staff estimates.

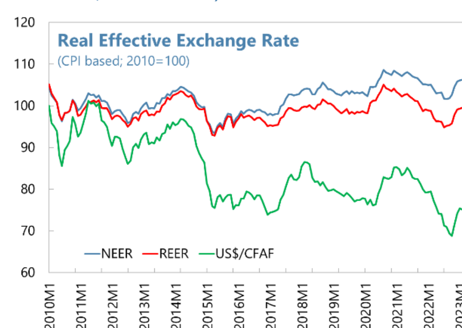
mechanisms; (ii) weak governance and public investment management practices that further limit productivity and investor confidence; and (iii) a relatively restrictive capital control environment compared to peers, all elements consistent with prevalence of Dutch Disease effects in a region with structural competitiveness issues.

The external position is expected to weaken over the medium term. The CAB is projected to deteriorate to -1.1 percent of GDP in 2023, 1.4 percentage point of GDP less compared to the projection in June 2023. This reflects a smaller decline in hydrocarbon exports, on account of higher forecasted WEO oil prices. The CAB gradually reverts to -4.1 percent (above its historical average of-3 percent of GDP) over the medium term, on account of lower hydrocarbon export receipts and production, as well as higher imports.

In 2022, the real effective exchange rate (REER) depreciated (see Figure) but the first half of 2023 saw a gradual appreciation of the REER. Also, other non-price competitiveness measures such as governance and doing business remain weak and have showed little improvement over the last years. Given the current global context, where technological advances (automation, Internet of Things, robotics) are lowering the cost of inputs and significantly raising the bar for export-led growth strategies, CEMAC countries risk being left behind and missing the window of opportunity for competing in non-oil sectors.

**Annex IV. Figure 3. CEMAC: Real Effective Exchange Rate**

(CPI based; 2010=100)




Source: CEMAC authorities; and IMF staff calculations.

Capital inflows remain lower than during the decade prior to the GFC, when foreign direct investment (FDI) peaked at 8.8 percent of GDP, driven by the oil price rally. Since then, capital inflows have remained low and currently stand at 3.6 percent of GDP. Other investment dropped to -5.1 percent of GDP in 2022.

In the medium term, net capital inflows are expected to increase, also through lower external debt repayments from 2024 onwards (mostly by Congo and Chad) and higher FDI.[3] Official financing, including balance of payments support from the Fund, other IFIs and bilateral donors, is expected to continue, at least until 2024. On balance, improvements in the financial account would more than offset the deterioration in the current account balance. However, capital flows from both private and official sources remain subject to significant uncertainty, reflecting the downside risks surrounding the outlook (¶16).

**Text Table 1. CEMAC: EBA-Lite Model Results, 2022[1]**

| | (in percent of GDP) | |
|---|---|---|
| **CA-Actual** | **3.9** | |
| Cyclical contributions (from model) (-) | 1.0 | |
| Additional temporary/statistical factors (-) | 5.0 | |
| Natural disasters and conflicts (-) | 0.6 | |
| **Adjusted CA** | **-2.7** | |
| **CA Norm** (from model) 2/ | **-1.3** | |
| Adjustments to the norm (-) | 0.0 | |
| **Adjusted CA Norm** | **-1.3** | |
| **CA Gap** | **-1.5** | **2.6** |
| o/w Relative policy gap | 5.9 | |
| Elasticity | -0.23 | |
| **REER Gap** (in percent) | **6.4** | **-11.3** |

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

**Assessment.** The approach and methodology used for the external sector assessment is based on the Revised EBA-Lite's Current Account (CA) model. The CA model is calibrated to compare the regional current account balance with the model-estimated current account norm and to reflect the latest desirable policies with: (i) a projected cyclically-adjusted fiscal balance reflecting recommended medium-term fiscal objectives (average of the individual countries); (ii) the level of public health expenditures at 2 percent of regional GDP (average of the individual countries); (iii) no desired change in reserves, as CEMAC is positioned to reach 5 months of import coverage at end-2028; (iv) private sector credit level at around 25 percent of GDP, reflecting member countries' fundamentals; and (v) the assumption of stable regional capital controls (no loosening over the medium-term). The estimation includes the cyclical contributions which incorporates terms-of-trade adjustments for the oil-exporting countries within CEMAC. The estimation includes a measure of the potential impact of natural disasters and conflicts on the CAB.
The average CAB for CEMAC over the medium term is projected at -3.4 percent of GDP. The non-oil CAB over the medium term is projected at -4.2 percent of GDP. Given the exceptional high CAB in 2022, buoyed by higher hydrocarbon prices, we correct for the additional temporary/statistical factors (-) with a factor of 5, which brings the Adjusted CAB more in line with medium-term projections.[4]

The elasticity of the current account to REER at -0.23 is calculated using an average of countries' elasticities. Based on these assumptions, the assessment of the 2022 CAB suggests a moderately weaker external position than warranted by fundamentals and desirable policies (see text table below). The EBA-Lite CA model applied to 2022 data estimates a CA norm of -1.3 percent of GDP against a cyclically adjusted CA of -2.7 percent of GDP. This implies a gap of -1.5 percent of GDP, under current policies, equivalent to an overvaluation of 6.4 percent. The REER model shows an undervaluation of 11.3 percent. However, the final assessment is anchored on the CA model, which is the better fit for medium-sized economies (see Text Table on Model Estimates).

**CEMAC Policy Recommendations**

A stronger external position aligned with economic fundamentals in the medium term requires an appropriate policy mix of prudent fiscal and monetary policies that fosters macro-economic stability, combined with deep structural and governance reforms that improve productivity and competitiveness and encourage diversification.

To strengthen reserves, a combination of sustained fiscal consolidation, in line with IMF-supported programs that restrain deposit drawdown and prevent loosening elsewhere, and stronger compliance with existing foreign exchange (FX) regulations (particularly from state-owned enterprises, where compliance is still weak) is needed. Finding an agreement with the extractive sector on model contracts of the escrow account attached to the funds set aside for the rehabilitation of oil sites (RES), would also strengthen reserves. Moreover, 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. Additional donor support will be needed to close any residual external financing gap.

In the medium term, the region can strengthen the current account by removing trade restrictions within the union, which would spur growth in non-oil sectors (such as agriculture) and lower dependence on food imports. During periods of high oil prices, CEMAC-members can use their oil windfall to steadily ramp up public investment and gradually boost the stock of public capital and non-oil output.

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

[2] The five-month benchmark continues to be appropriate for a resource-rich monetary union exposed to volatile commodity prices. Cost-benefit scenario analysis indicates the optimal level of reserves for CEMAC could range between 6.3 to 9.7 months of imports depending on the scenario. In the case of the CEMAC, to cover a two standard deviation current account shock, import coverage should amount to about 7 months of imports for the average country. See also CEMAC—*Common Policies in Support of Member Countries Reform Programs—Staff Report and Statement by the Executive Director*, IMF Country Report No. 21/21 and Dabla-Norris, E. J, I. Kim, and K. Shoran, "*Optimal Precautionary Reserves for Low-Income Countries: A Cost-Benefits Analysis*" IMF Working Paper 11/249, 2011.

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

[4] Within CEMAC, only Equatorial Guinea has an updated EBA-lite exercise including the ToT commodity adjuster. Therefore, the cyclical contributions adjuster, which incorporates the terms-of-trade adjustments for the buoyant oil-exports in 2022, incorporates Equatorial Guinea but not other CEMAC oil-exporting countries. Therefore, we include an adjuster (the additional/temporary factor) to cyclically adjust for the other member states. Given that Equatorial Guinea exports around 30 percent of the total oil exports in the region, we take 70 percent of the difference between the actual CEMAC CAB of 3.9 percent for 2022 and the average CAB projected for CEMAC (-3.4 percent) over the medium term. [5] The CA norm was estimated by aggregating inputs by country, with weights based on GDP (nominal) for economic indicators and population for demographics.

# Annex V. Response to Past IMF Advice

| | 2022 Regional Consultation Recommendations | CEMAC Authorities' Response |
|---|---|---|
| Policy mix | - Take advantage of the opportunity offered by high oil prices to rebuild fiscal and external buffers, including possibly through explicit saving targets. Ensure that fiscal policies are supportive of monetary policy and are geared towards strengthening external stability, including by managing oil windfalls prudently.<br>- Faster progress on other PFM reforms, notably on Treasury Single Accounts (TSA).<br>- Gradually phasing out of inefficient untargeted subsidies, while rolling out targeted social safety nets to protect the most vulnerable.<br>- Accelerate structural reforms implementation, including to improve governance, financial integrity, and diversify the region's economies away from oil price fluctuations. | - The overall fiscal balance (excl. grants) is estimated to have turned into a surplus in 2022, mainly owing to higher oil revenue. However, the non-oil primary fiscal deficit (incl. grants) deteriorated. Underlying fiscal positions are expected to improve in 2023, thanks to subsidy reforms and subsequent structural fiscal measures.<br>- BEAC has continued the implementation of its IT platform 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 of the first half of 2024. The migration will subsequently be extended to other member countries' treasuries.<br>- Most CEMAC member countries have started phasing out fuel subsidies.<br>- Progress was made on the region's reform agenda (second phase 2021–25), including linked to Fund-supported programs. The Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC)'s annual report points to encouraging progress, with 59 percent of the action matrix implemented as of end-2023Q3, up from 56 percent in 2023Q1. |

| | 2022 Regional Consultation Recommendations | CEMAC Authorities' Response |
|---|---|---|
| Monetary policy and safeguards reform | - Consider further policy rate hikes if additional evidence of rising inflation, deviations from the targeted reserve path, or fiscal slippages.<br>- Gradually raise the rates on liquidity-absorbing operations, at least to maintain the historical spread with the main policy rate, to absorb excess liquidity and strengthen monetary policy transmission.<br>- Explore other absorption modalities (e.g., full allotment) and additional instruments, including raising the deposit facility rate as well as boosting and better remunerating reserves requirements.<br>- Enforce the forex (FX) regulation to ensure full repatriations of export proceeds, notably by the public sector and continue discussions with operators and regional banks regarding the appropriate mechanism to repatriate both the extractive sector's required 35 percent of proceeds and the funds set aside for the rehabilitation of oil site (RES funds). | - 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).<br>- BEAC also tightened refinancing conditions for banks by suspending active weekly liquidity injections on the money market at the beginning of March 2023, and began weekly liquidity absorption operations. The interest rate on weekly liquidity absorbing operations was increased from 0.75 percent in March 2023 to 0.85 percent in June 2023. The interest rate on one-month liquidity absorption operation was raised from 0.8 percent to 1 percent in June 2023. Liquidity conditions have been tightened further, with a 50 basis-point increase in the rate of monthly and weekly maturity operations on November 20 and 21, 2023.<br>- BEAC's dialogue with banks and businesses helped to streamline the verification and approval process of FX requests over time. BEAC addressed the extractive sector's concerns about the draft model contract of the escrow account attached to the RES funds and looked forward to the new round of discussions solicited by the sector. Once a tripartite signature of the escrow account contract is secured (extractive companies, national governments, and BEAC), BEAC expects the repatriation of the RES funds over three years for accounts held abroad, and immediately for those already held in the CEMAC. |

| | 2022 Regional Consultation Recommendations | CEMAC Authorities' Response |
|---|---|---|
| Macrofinancial linkages and the financial sector | With the normalization of prudential supervision, conduct comprehensive and rigorous asset quality reviews in the banking sector to estimate needed loan-loss provisions and subsequent capital shortfalls.<br>Ensure that banks account for sovereign risk adequately.<br>Prioritize work agenda to focus on risk-based prudential and AML/CFT-compliance supervision, modernizing regulatory and risk management frameworks, and improving banks' governance.<br>Swiftly address COBAC's long-standing under-staffing issues and strengthen its supervisory capacity. | Onsite inspections have resumed with the end of temporary COVID-related forbearance measures in July 2022. Their findings, together 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.<br>Bank exposure to the sovereign has remained excessively high, at about 30 percent of total assets at end-2022, up from 10 percent at end-2015, with several banks having exposure above 50 percent to CEMAC governments.<br>BEAC promised to swiftly address COBAC longstanding understaffing issues.<br>Several regulatory projects are currently being completed, including COBAC regulations on AML/CFT that have been revised to incorporate recent FATF developments, notably the risk-based approach. |
| Regional integration and convergence framework | Adoption by the Conference of Heads of States of the new sanction mechanism for breaches of regional surveillance rules expeditiously to strengthen the enforceability of the regional surveillance framework. | The adoption of the draft sanction mechanism by the Conference of Heads of States was pending. However, the questioning of its merit by some member countries during the March 2023 ministerial council suggests a concerning lack of ownership of the mechanism. |

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

Yaoundé, December 1, 2023

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
U.S.A.

**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 June 2023 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 from October 30 to November 16, 2023, between staff of the International Monetary Fund (IMF) and the CEMAC Institutions.

In 2023, the national and regional authorities continued their macroeconomic stabilization and economic policy implementation efforts. The economic recovery that began in 2022 strengthened in the first half of 2023 and is expected to continue for the rest of the year, thanks to high hydrocarbon prices. In a context marked by high inflation of around 6.5 percent year-on-year at the end of 2022, which is above the 3 percent convergence criterion, BEAC has maintained its data-dependent approach to monetary policy, with a tightening bias, while waiting for further signs of easing inflationary pressures, which have begun in the third quarter of 2023, to take hold. Indeed, year-on-year inflation declined from 7.2 percent in March to 6.0 percent in June 2023, partly reflecting the increase in the main policy rate (Tender Interest Rate, or TIAO) by 175 basis points since November 2021, with the rate reaching 5.0 percent in March 2023. In addition, the interest rate on liquidity absorption operations was increased by 5 basis points to 0.85 percent in June 2023. BEAC also tightened refinancing conditions for banks by suspending weekly liquidity injections on the money market at the beginning of March 2023, to focus on weekly liquidity absorption operations. BEAC has gradually increased the volume of weekly liquidity absorption operations, from CFAF 50 billion in March 2023 to CFAF 150 billion in June 2023.It also allotted CFAF 50 billion in

longer-term liquidity (one month) absorption operation in August 2023. 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 inflationary pressures persist, or net foreign assets (NFA) start to deviate from the targeted path, in order to appropriately preserve the internal and external stability of the currency. BEAC is also committed to tightening liquidity conditions further, by starting as soon as possible a more significant increase in interest rates on its liquidity-absorbing operations, to converge towards the policy rate, which signals the monetary policy stance. Given the substantial initial gap, this increase should be gradual but significant and should take place before the end of 2024, taking into account economic conditions. The 50 basis-point increase in the interest rate on liquidity absorbing-operations in November 2023 is the expression of our commitment. BEAC will also swiftly switch to a full allotment procedure.

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 2.5 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 1.1 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 the fiscal balances in 2023. Total public debt has remained below the community threshold of 70 percent of GDP and declined by 4.2 percentage points to 53.4 percent of GDP at the end of 2022. It is expected to rise again to 53.7 percent of GDP in 2023 and should subsequently decline once again to approximately 43 percent of GDP in the medium term. The current account balance has also improved substantially from a deficit of 1.0 percent of GDP in 2021 to a surplus of 2.8 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 first half of 2023, leading to an increase in net foreign assets (NFA). This overperformance also owes to the more rigorous enforcement of the foreign exchange (FX) regulations in the context of its extension to all economic sectors, which led to greater-than-projected FX repatriations. Accordingly, the regional assurance on the NFA at end-June 2023 (EUR 4.47 billion) was met with a comfortable margin of EUR 880 million.

The macroeconomic outlook is marked by a gradual strengthening of the post-COVID economic recovery in 2023, albeit at a slower pace than projected at the time of the previous IMF staff mission, reflecting a decline in oil and gas production in Equatorial Guinea and Cameroon, which was partially offset by a stronger rebound in oil production mainly in Congo following technical difficulties in 2022, and by new oil fields coming on stream.

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. This outlook is also subject to heightened uncertainties, including

the volatility of oil markets, persistent inflationary pressures, tighter global financial conditions that exacerbate refinancing and debt distress risks, as well as the risks of escalating geopolitical tensions, food insecurity, and financial instability. 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, Gabon, and Chad, as well as possible humanitarian and security spillovers of the ongoing conflict in Sudan and the political crisis in Niger. 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 ensure the full, transparent, efficient, and predictable implementation of the FX regulations. To further strengthen 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 a constant dialog with the banking sector and the private sector to ensure FX requests are processed more smoothly, speedily, and efficiently. Given the sharp drop in FX repatriation in the first nine months of 2023 by the public sector (treasuries and state-owned enterprises), we will further strengthen cooperation with member states to ensure more diligent monitoring of compliance by the public and extractive sectors with the FX repatriation and surrender requirements. We also welcome the progress made during the discussions in 2023 with the extractive sector. The draft model contracts of the escrow account attached to the funds set aside for the rehabilitation of oil sites (RES funds) have been finalized. These model contracts are expected to be approved and signed by the member states and the extractive sector shortly. Discussions are ongoing with the extractive sector on the remaining unresolved issues, including: (i) the terms and conditions for remunerating escrow accounts attached to the RES funds; and (ii) treatment of RES funds constituted in the form of accounting provisions. Once the agreement has been signed, the RES funds set up before January 1, 2022 are expected to be repatriated to the escrow accounts at BEAC at a rate of at least one third (1/3) per year from January 1, 2022 and immediately repatriated for those set up after the above date. It is expected that the RES Funds will be set up directly in the accounts opened in CEMAC as soon as the agreement is signed. In addition, BEAC will continue to discuss with the IMF and World Bank staff its efforts to increase the extractive sector's compliance with the FX regulations as way to enhance transparency. BEAC has continued its actions to contribute to more efficient public financial management, and more specifically through the implementation of the IT platform meant to facilitate the deployment of the Treasury Single Account (TSA) systems.
This project, which is in the pilot phase in Cameroon and Gabon, has experienced some technical delays, but we are planning on a full migration to the TSA system by end-June 2024. 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. In June 2023, COBAC also lifted the suspension of dividend distribution, authorizing for

the first time in three years a dividend distribution for 15 banks. Banking sector soundness indicators deteriorated slightly in the first half of 2023, however. The banking sector remains fragile with several breaches of prudential standards. BEAC is working to address COBAC's long-standing understaffing issues as quickly as possible. 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, including by gradually escalating sanctions and requiring undercapitalized banks to submit credible recapitalization plans within a short timeframe, in compliance with existing regulations. BEAC and COBAC continue to work jointly to examine the refinancing plans of banks structurally dependent on BEAC's refinancing and are committed to tightening the conditionality of refinancing for these banks. The two institutions are also committed to closely monitoring banks' sovereign exposure.

Member countries' support will be essential for strengthening state-owned banks and to implement domestic arrears clearance plans. 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.

Regional institutions continue to monitor crypto-asset related risks in the region. The regional supervisors (BEAC, COBAC, the Financial Market Surveillance Commission, or COSUMAF, and the Group Against Money Laundering in Central Africa, or GABAC, the regional AML/CFT body) will work to promote a regulatory framework for crypto-assets and engage in more coordination in the development of laws or regulations in this area. In addition, BEAC, in collaboration with the other regional supervisors, will in due course issue an opinion on compliance by initiatives such as the law recently passed in the Central African Republic authorizing the tokenization of its natural resources with exclusive payment use of crypto-assets for the transactions, in particular with regard to the exclusive right of BEAC to issue currency in CEMAC, as well as the possible unintended effects of these initiatives on financial integrity, governance, consumer protection, and compliance with AML/CFT standards within CEMAC.

In addition, a working group set up by BEAC in September 2023 to consider the issue of a central bank digital currency will concert with other regional supervisors (COBAC, COSUMAF, and GABAC) with a view to developing a consistent, appropriate regulatory framework to monitor and manage the new risks posed by the emergence of digital payment mechanisms, under the coordination of BEAC. We look forward to Fund's 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. Since June, NFAs have fallen from EUR 5.35 billion at end-June 2023 to EUR 3.86 billion at end-October 2023. This is the result of the combined effect of a sharp decline in FX repatriations by the public sector, and a sharp increase in FX outflows during the first nine months of 2023, driven by dividends payment by the banking and insurance sectors following the lifting of the suspension of dividend distribution by COBAC, and higher foreign currency for wholesale trade intermediaries' services. The above-mentioned measures, including the tightening of bank liquidity,

combined with the tackling of recent fiscal slippages in some member states, the continued prudent management of oil windfalls, and the continuation of the expected ambitious fiscal consolidation, should contribute to the build-up of NFAs in 2024. Similarly, accelerated implementation of structural reforms, strengthened transparency and governance by member states (including the adoption and implementation of regional directives on taxation and PFM), as well as budgetary support from development partners under ongoing Fund-supported programs should bolster this trend. BEAC is also committed to intensifying efforts to monitor compliance by the public and extractive sectors with the FX regulations. Member states should also ensure that all public entities fully repatriate their deposits held abroad. These efforts, combined with a continuation of the constructive dialog with a view to a more comprehensive, effective, and consistent application of the FX regulations, should contribute to more effective repatriation of FX. We are therefore requesting a downward revision of the region's NFA target for end-December 2023 from EUR 4.32 billion to EUR 3.91 billion. Based on this downward revision of the NFA target for end-December 2023, and taking into account the updated projections of a deterioration in the current account balance in 2024 linked to the projected decline in hydrocarbon export earnings, which will be partially offset by the above-mentioned efforts to strengthen the FX regulations, as well as the further tightening of liquidity conditions, the NFA target for end-June 2024 is set at EUR 4.30 billion.

BEAC will work jointly with the CEMAC Commission and the CEMAC Economic and Financial Reforms Program (PREF-CEMAC) Permanent Secretariat 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 question 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 states' compliance with the convergence criteria was mixed in 2022, despite favorable oil prices.

BEAC and COBAC will seek to expand the range of economic and financial statistics and to expedite their sharing with IMF staff in order to ensure close monitoring of NFA and monetary and financial developments. Starting in December 2023, the BEAC will produce and send to IMF staff a dashboard of relevant weekly and monthly indicators (see attached table) for close monitoring of macroeconomic developments. COBAC will also provide IMF staff with all appropriate information to enable close monitoring of the soundness of the CEMAC banking system.

BEAC will diligently monitor developments in CEMAC country programs and will provide regular updates to competent authorities (BEACs' 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. It is prepared to notify and consult with IMF staff in a timely manner on economic developments likely to affect the external stability of CEMAC, by

end-December 2023 and June 2024, 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 states and the IMF to restore macroeconomic balances in the region.

Sincerely yours,

/s/

**ABBAS MAHAMAT TOLLI**

| Table 1. CEMAC: List of Macroeconomic and Financial Data | | | | | | |
|---|---|---|---|---|---|---|
| **List of data and documents to be supplied** | **Institution** | **Format** | **Frequency** | **Composition** | **Transmission to IMF** | **Shared data** |
| Financial Market Data: Government Securities (T-bills and bonds) | BEAC | Excel | | CEMAC and by country | 10 days after month-end | |
| Daily Accounting Statements | BEAC | Excel | Monthly | CEMAC and by country | 30 days after month-end | |
| Inflation Data | BEAC | Excel | Monthly | CEMAC and by country | 30 days after month-end | |
| Monetary statistics | BEAC | Excel | Monthly | CEMAC and by country | 60 days after month-end | |
| Outgoing Transfers (Outflows) | BEAC | Excel | Monthly | | 30 days after month-end | |
| Incoming Transfers (Inflows) | BEAC | Excel | Monthly | | 30 days after month-end | |
| Net Foreign Assets | BEAC | Excel | Daily, weekly, monthly | | 30 days after month-end | |
| Refinancing and Interbank Transactions | BEAC | Excel | Daily | | 10 days after month-end | |
| Banks' Reserves at the Central Bank | BEAC | Excel | Daily | | 10 days after month-end | |
| Weekly Monetary Policy Operations Report | BEAC | Excel | Weekly | | 10 days after month-end | |
| Interbank Data: Volumes and Rates | BEAC | Excel | Daily | | 10 days after month-end | |
| Autonomous Factors of Banking Liquidity (AFBL) Data | BEAC | Excel | Monthly | | 10 days after month-end | |
| Composite Index of Economic Activities | BEAC | Excel | Quarterly | | 10 days after month-end | |
| Haircuts on Sovereign Securities applied by BEAC | BEAC | | | | 10 days after month-end | |
| Quarterly Bulletin of the CEMAC Government Securities Market | BEAC | PDF | Quarterly | | 30 days after month-end | |
| Financial Stability Review | BEAC | PDF | Yearly | | October | |

INTERNATIONAL MONETARY FUND

# CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

December 5, 2023

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

Prepared By

The African Department
(In consultation with other Departments)

## CONTENTS

RELATIONS OF CEMAC MEMBER COUNTRIES WITH THE FUND 2

# RELATIONS OF CEMAC MEMBER COUNTRIES WITH THE FUND

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

**Relations of the CEMAC Member Countries with the Fund**

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

respectively, to support the country's economic and financial reform program. In May 2021 the authorities requested an Extended Credit Fund (ECF)/Extended Fund Facility (EFF) Program. The ECF/EFF Program was completed with the 4th Review in June 2023. The last Article IV Executive Board Consultation was on December 2, 2021, and the next Article IV is expected in end-December 2023.

**Central African Republic**. On December 20, 2019, the Executive Board approved a three-year ECF arrangement for SDR 83.55 million (about US$115.1 million, 75 percent of Central African Republic's quota at the IMF) to support the country's economic and financial reform program which expired in July 2022 due to the lack of review completion for more than 18 months. On April 20, 2020, the Executive Board approved a disbursement under the Rapid Credit Facility (RCF) for SDR 27.5 million (US$37.6 million or 25 percent of CAR's quota at the IMF). On December 17, 2021, IMF Management approved a seven-month Staff Monitored Program (SMP). The First Review of the SMP was completed by Management on March 31, 2022. CAR is on a 24-month consultation cycle but is experiencing delays due to delayed program reviews. CAR requested an Extended Credit Fund (ECF) Program in March 2023. The first ECF Review took place in August 2023. The last Article IV Executive Board Consultation was on December 5, 2022, and the next one is expected in early 2024.

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

completed in December 2022 following the agreement reached on debt restructuring under the Common Framework. The third review of Chad's program is pending because of time needed to correct fiscal slippages and resolve address problem weak banks. The last Article IV Consultation took place on April 27, 2023, and the next one is expected in early 2024.

**Republic of Congo.** On January 21, 2022, the Executive Board approved a three-year arrangement under the ECF for SDR 324 million (equivalent to US$448.6 million or 200 percent of the Republic of Congo's quota) to support the country's economic and financial reform program. The last Article IV consultation was concluded on September 24, 2021, with the next one planned for mid-2024. Congo is on a 24-month consultation cycle.

**Equatorial Guinea.** On December 18, 2019, the Executive Board approved a three-year arrangement under the EFF for SDR 205 million (equivalent to US$282.8 million or 130 percent of Equatorial Guinea's quota) to support the country's economic and financial reform program, which ended on December 17th, 2022, without review. On September 15, 2021, the Executive Board approved Equatorial Guinea's request for emergency assistance of SDR 47.25 million (equivalent to US$67.38 million or 30 percent of quota) under the Rapid Financing Instrument. The last Article IV consultation was concluded on July 25, 2022. The next Article IV will be considered at the Board in early 2024.

**Gabon**. On April 9, 2020, the Executive Board approved the disbursement of SDR 108 million (equivalent to US$ 147 million or 50 percent of Gabon's quota) under the Rapid Financing Instrument, a second disbursement of SDR 108 million (equivalent to US$152.61 million or 50 percent of quota) was approved on July 31, 2020. On July 28, 2021, the Executive Board approved a three-year extended arrangement under the EFF with Gabon for SDR 388.8 million (about US$553 million or 180 percent of quota) to support the country's economic and financial reform program. The last Article IV consultation was concluded on December 16, 2019. Gabon is on a 24-month consultation cycle. The last Article IV consultation was concluded on December 23, 2019, and the next Article IV is expected in early 2024.

**Safeguards Assessments**

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

### Statistical Issues

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

### Exchange System

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

### Article IV Consultation Discussions

Following an Executive Board decision in January 2006, discussions with monetary unions have been formalized and are part of the Article IV consultation process with member countries. The consultation discussions reported in the companion staff report are thus in relation with Article IV consultations with the six CEMAC member countries. The Executive Board concluded the last Article IV consultation discussion on common policies of CEMAC members on December 20, 2022. Article IV consultation discussions for CEMAC are held on a 12-month cycle.

### FSAP Participation and ROSCs

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

**IMF Capacity Development to CEMAC Institutions, 2018–24**

| | |
|---|---|
| November 2024: | FAD:  Workshop - Reinitiate medium-term engagement |
| April 2024: | FAD: STX - Implementation of Technical Committee on Customs Enforcement |
| [December] 2023: | MCM:  Central Bank Digital Currency and Digital Finance for the Economic and Monetary Community of Central Africa |
| September 2023: | MCM: Debt Management |
| July 2023: | FAD: LTX mission to participate in CEMAC Customs Committee - July 31 - AFC Phase 3 |
| May 2023: | FAD: LTX Tax mission 2nd validation workshop. |
| March 2023: | STA: Strengthen compilation and dissemination of external sector statistics |
| February 2023: | FAD: LTX tax -participation in joint CD identification. |
| January 2023: | MCM: Payments and Infrastructure |
| December 2022: | MCM: Debt Management |
| October 2022: | FAD: LTX tax-participation in workshop validation |
| July 2022: | FAD: STX Customs - Assisting the CEMAC Committee in the consolidation of its legal framework |
| May 2022: | AFC: General Macroeconomic Analysis-Macroframeworks. |
| March 2021: | CEMAC workshop on debt management strategy implementation |
| March 2021: | AFC: CEMAC Virtual Workshop to validate regional tax procedures code and discuss implementation of the legislation |
| February 2021: | AFC Development of the LCR (Basel framework implementation). |
| February 2021: | AFC: Strengthening revenue administration, management, and governance arrangements |
| February 2021: | STX: Upgrading tax and customs procedures. |
| February 2021: | STA: Enhancing External Sector Statistics |
| February 2021: | MCM: Enhancing government securities issuance coordination in the CEMAC |
| January 2021: | MCM: Strengthening Financial Soundness indicators. |
| January 2021: | AFC: Drafting methodological guidance for on-site supervision of payment institutions |
| December 2020: | FAD: Harmonization of Regional custom procedures code for improved revenue performance and business climate in the region |
| December 2020: | FAD: Draft a new Personal Income tax Directive |
| December 2020: | AFC: Enhancing Government Securities Issuance Coordination in the CEMAC |
| November 2020: | FAD: Regional coordination/harmonization on revenue administration. |
| November 2020: | IT/Cyber Security |
| October 2020: | AFC: Implementation of the RBS strategic plan |
| October 2020: | AFC: Review of the sanctioning process and the CEMAC regulation |
| September 2020: | FAD: Revision of the Personal Income Tax Directive |
| August 2020: | FAD: Regional revenue administration procedures |
| July 2020: | STA: Validation workshop for the draft directive and the draft guide to material accounting |

### IMF Capacity Development to CEMAC Institutions, 2018–24 (concluded)

| | |
|---|---|
| June 2020: | Virtual (COVID) TA Review of the SYSCO 2 bank-rating model |
| June 2020: | FAD: Customs STX |
| June 2020: | FAD: Customs STX |
| May 2020: | AFC: Review of the SYSCO bank-rating model. |
| January 2020: | FAD: Seminar on the development of a good governance framework. |
| January 2020: | AFC: Review of COBAC's Supervisory Processes<br>Relating to Addressing Prudential Infringements and Sanctioning Banks and MFIs |
| November 2019: | AFC: Joint seminar (AFC – Afristat – CEMAC) on macrofiscal forecasting |
| September 2019: | FAD: Revising the corporate income tax directive workshop |
| September 2019: | AFW/AFC/MCM: Regional Seminar on Cybersecurity in the banking sector |
| September 2019: | AFC: Roadmap for Basel framework Implementation |
| September 2019: | AFC: Methodological guidance for on-site control of credit risk. |
| July 2019: | FAD: scoping mission on harmonization of tax procedures, functioning of the customs union, and role of the Commission in monitoring implementation of tax and customs rules by Member States |
| June 2019: | AFC/SPR/WB: Joint Regional Seminar on Public Debt Management |
| April 2019: | AFC: Methodological guidance on on-site control of liquidity risk |
| March 2019: | FAD: Assessment and advice on regional coordination of VAT (follow-up) workshop |
| February 2019: | AFC: Upgrading the supervisory process of fragile microfinance institution. |
| January 2019: | AFC: Banking Regulation and Supervision Seminar on the Supervision of Governance in Credit Institutions |
| December 2018: | FAD: Assessment and advice on regional coordination of VAT workshop |
| September 2018: | MCM: Central Bank Communications |
| August 2018: | FAD: VAT in CEMAC countries |
| July 2018: | AFC: Public Debt Management Regional Seminar |
| July 2018: | AFC: Banking Regulation and Supervision Seminar |
| May 2018: | MCM/LEG: Review of Foreign Exchange Regulations |
| March 2018: | FAD: Coordination of Excise Taxes |

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

**December 18, 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 second phase aims at supporting an inclusive and resilient growth while strengthening internal and external stability. They appreciate the constructive policy discussions held with staff in Libreville and Yaoundé in October-November 2023, and view the staff report as an accurate account of those discussions.

The national and regional authorities continued the implementation of the regional strategy in 2023 while remaining broadly consistent with the policy commitments made in the June 2023 Follow-up Letter of Support to the Recovery and Reform Programs Undertaken by CEMAC Member Countries. Improvement in the region’s macroeconomic stability has been pursued. The economic recovery continues to strengthen, and preliminary data indicate that inflationary pressures are easing. Furthermore, net foreign assets (NFA) accumulated in the first half of 2023 on the back of positive terms-of-trade shock and further application of the foreign exchange (FX) regulations. However, the downward trend in NFA in the second half of the year underscores the importance of the regional central bank (BEAC) rigorously pursuing the implementation of FX regulations, with the support of member countries, to strengthen CEMAC's external resilience.

While domestic revenue mobilization has been subpar due to the challenging external environment and domestic constraints, the CEMAC country authorities have committed to scale up their efforts while continuing to rationalize spending notably by withdrawing nontargeted subsidies, with a view to strengthening fiscal and debt sustainability.

Monetary and financial sector policies remain geared towards strengthening price and financial stability. Tackling troubled banks, scaling up supervision including by providing adequate resources to the regional banking commission (COBAC), and addressing the sovereign-bank nexus will be of the essence. Structural reforms are advancing in the context of the regional program of economic and financial reforms (PREF-CEMAC). Recently, the PREF-CEMAC organized a roundtable in Paris that successfully helped garner pledges for the financing of the second program of integration projects, which should help to i) reduce the infrastructure deficit, particularly in the crucial transport and energy sectors, ii) promote intra-community trade, and iii) contribute to economic diversification.

Going forward, the country authorities remain committed to pursuing critical policies and reforms under Fund-supported programs, and the regional institutions are eager to support their efforts through policies to strengthen the stability and resilience of the

monetary and economic union. IMF's continued assistance to the region remains essential.

## I. Recent Developments and Outlook

A major development in the region has been the political regime change in Gabon on August 30, 2023. While this event initially brought greater uncertainty about the implementation of Gabon's Fund-supported program--which was already experiencing difficulties since 2022, owing to accumulation of external arrears and fiscal slippages notwithstanding satisfactory progress on the structural front--the new authorities have expressed interest in the Fund maintaining its engagement in Gabon to help the country address macroeconomic imbalances and strengthen economic governance during the two-year transition aimed to enhance institutions. The Gabonese authorities are looking forward to the forthcoming Article IV mission next month to discuss such Fund engagement.

The post-pandemic recovery continued in CEMAC region in 2023--albeit at a slower pace—benefitting from positive developments in the oil sector. After increasing from 1.4 percent in 2021 to 3.0 percent in 2022, growth is projected to decelerate to 2.6 percent in 2023 owing to higher-than-expected decline in oil production. The central bank (BEAC) is more optimistic than staff about nonoil activity, notably in agriculture, manufacturing, and market services. After peaking at 6.9 percent in February 2023, year-on-year inflation has been on a downward trend, as inflationary pressures abated. Inflation will decline to 4.9 percent by year-end despite recent surges in food prices and transportation costs, and the disinflation will continue in 2024. Considering previous high-inflation episodes in the region, BEAC anticipates that inflation will fall below the regional criterion of 3 percent in 2024 unlike staff who projects this occurrence in 2026.

The fiscal positions are on a favorable path overall. The overall fiscal surplus is projected to shrink from 2.5 percent of GDP in 2022 to 0.4 percent of GDP in 2023, reflecting lower oil revenue in Equatorial Guinea. However, following a deterioration in 2022, the underlying fiscal position anchored by the nonoil primary fiscal deficit (NOPFD) is projected to improve from 8.2 percent of nonoil GDP in 2022 to 6.6 percent this year with higher mobilization of nonoil revenue and rationalization of petroleum subsidies in some member countries. Despite the improved NOPFD, public debt will inch up from 53.4 percent of GDP in 2022 to 53.7 percent in 2023 due to newly audited and validated domestic arrears in Congo and Equatorial Guinea. It is however expected to resume declining to around 44 percent of GDP over the medium-term.

The external position has strengthened with an increase in reserves at the Central Bank which covered over 4 months of prospective imports in 2022. NFA continued to build up in 2023H1 and the related end-June 2023 policy assurance provided in support of member countries' programs has been met with a significant margin, reflecting the strong enforcement of the FX regulations. However, since June 2023, NFAs have fallen from EUR

5.35 billion at end-June 2023 to EUR 3.86 billion at end-October 2023. This development reflects the combined effect of a sharp decline in FX repatriations by the public sector, and a sharp increase in FX outflows during the first nine months of 2023. The latter was driven by dividend payments by the banking and insurance sectors in 2023H2 following the lifting of a 3-year suspension of dividend distribution by the regional banking commission COBAC in July 2022, and higher foreign currency for wholesale trade intermediaries' services. The current account balance as a percentage of GDP is expected to deteriorate over the medium-term on account of lower oil and gas export receipts. Nevertheless, lower debt repayments and higher FDI are expected to support reserve accumulation above the 5-month reserve adequacy threshold recommended for the monetary union.

This medium-term outlook remains dependent on maintaining efforts to implement priority structural reforms in the areas of non-oil revenue mobilization, expenditure rationalization, business environment, and strengthening of human capital, notably in the context of Fund-supported programs. The streamlining of certain subsidies, notably those on petroleum products, together with reforms to strengthen social protection systems, remains an essential element of fiscal consolidation programs. The support of technical and financial partners, notably the IMF, is essential to sustain the efforts of member states in preserving macroeconomic stability and to ensure the success of the regional strategy. To this end, it is worth emphasizing the need to work towards a rapid resolution of the outstanding issues that hinder the completion of some program reviews and the approval of a new IMF arrangement for Equatorial Guinea which is warranted by substantial progress in improving the governance framework. The regional authorities recognize that uncertainty around the global economy and financial conditions, oil price volatility, and insecurity in the Lake Chad region remain risks to the outlook.

## II. Regional Policies in Support of Reform Programs in CEMAC Countries

The authorities agree on the importance of greater coordination of fiscal and monetary policies to strengthen macroeconomic stability, as well as the urgency of implementing structural reforms to address supply constraints, advance the regional integration agenda, and enhance economic resilience in CEMAC.

The central bank remains committed to price stability and pursues a data-dependent monetary policy. After raising 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, monetary policy tightening was paused as inflationary pressures are easing and the full effects of past interest rates hikes have not yet materialized. At the same time, given the high level of excess liquidity in the banking system, BEAC suspended liquidity injections and ramped up liquidity absorption operations, which improves monetary policy transmission and bank liquidity management. The central bank stands ready to tighten monetary policy further if inflationary pressures resume or NFA deviates from its planned trajectory to preserve

internal and external stability. In addition, BEAC will significantly increase its liquidity absorption operations by gradually increasing the related interest rate and bringing it closer to the policy interest rate. BEAC will reach out to banks with excess liquidity that have not been active in recent operations to increase their participation.

Structural fiscal measures are advancing as implementation issues are being addressed. BEAC is continuing its efforts to ensure a full, transparent, efficient, and predictable implementation of the FX regulations. Implementation issues that affected processing of FX requests are being resolved in concertation with the banking sector and the business sector. Given the decrease in FX repatriation in the first nine months of 2023 by the public sector (treasuries and state-owned enterprises), the central bank will further strengthen cooperation with member states to ensure more diligent monitoring of compliance by the public and extractive sectors with the FX repatriation and surrender requirements. Progress is being made with the extractive sector regarding the funds set aside for the rehabilitation of oil sites (RES funds). The draft model contracts of the escrow account attached to the RES funds have been finalized and are expected to be approved and signed by member states and extractive companies in the coming weeks. Discussions are ongoing with the extractive sector on the remaining unresolved issues including: (i) the terms and conditions for remunerating escrow accounts attached to the RES funds; and (ii) treatment of RES funds constituted in the form of accounting provisions. BEAC will continue to report to the IMF and World Bank staff its efforts to increase the extractive sector's compliance with the FX regulations as way to enhance transparency and revenue mobilization. The central bank is also resolving technical issues in the implementation of the IT project to facilitate the deployment of the Treasury Single Account (TSA) systems, currently in a pilot phase in Cameroon and Gabon. A full migration to the TSA system initially projected for end-2023 is now expected to occur by end-June 2024. The migration will subsequently be extended to other member countries' treasuries.

The normalization of prudential regulations has continued but the fragility of the banking system calls for resolute collective actions to preserve financial stability. The banking commission is prepared to intensify its on-site supervision missions, accelerate resolution procedures for undercapitalized banks, and strengthen both AML/CFT supervision and regulatory frameworks, including by requiring undercapitalized banks to submit credible recapitalization plans, in compliance with existing regulations. BEAC and COBAC continue to work jointly to examine the refinancing plans of banks structurally dependent on BEAC's refinancing and are committed to tightening the conditionality of refinancing for those banks. The two institutions are also determined to closely monitor banks' sovereign exposure. Addressing COBAC's long-standing understaffing issues is critical to conduct adequate financial sector supervision. Given the banking sector's fragility, COBAC concurs that member countries' support will be essential to contain financial stability risks by strengthening state-owned banks and advancing domestic debt clearance plans together with public financial management reforms to avoid the recurrence of new payment

arrears. Member countries' support will also be essential to ensure that the high sovereign risk to bank balance sheets is reduced.

The two regional financial market institutions--the stock exchange bureau BVMAC and the financial market supervision body COSUMAF are pursuing the implementation of their institutional and regulatory reforms to enhance and deepen regional financial markets. BVMAC has finalized the creation of its composite index and is working on the listing requirements for the main market. The stock exchange bureau agrees with IMF staff on the need to diversify its investor base to help develop this secondary market. COSUMAF has requested Fund TA to help enhance financial market supervision and financial inclusion by leveraging the popular use of mobile money. AFRITAC Center has provided capacity development assistance to BEAC to develop a secondary market for government securities.

The regional supervisors, notably BEAC, COBAC, COSUMAF, and GABAC (Group Against Money Laundering in Central Africa) will pursue work on the legal and regulatory frameworks for digital assets, including crypto-currencies and central bank digital currency (CBDC). BEAC, in collaboration with the other regional supervisors, will in due course issue an opinion on compliance by initiatives such as the law recently passed in the Central African Republic authorizing the tokenization of its natural resources, as well as the possible unintended effects of these initiatives on financial integrity, governance, consumer protection, and compliance with AML/CFT standards. In addition, the central bank has requested Fund's technical assistance to support the multidisciplinary working group recently set up to consider the issue of a CBDC with a view to developing a consistent, appropriate regulatory framework to monitor and manage risks posed by the emergence of digital payment mechanisms.

The CEMAC Commission continues to strengthen the credibility and enforceability of the regional surveillance framework. It has initiated the first internal analysis of the early warning system during the regional surveillance mission in the six countries in August 2023 and related reports are expected in 2024Q1. The Commission is sustaining its outreach to member countries to encourage them to submit their convergence plans, operationalize multilateral surveillance units, transpose regional tax and PFM directives in domestic legislations, and comply with regional convergence criteria. The Commission will pursue its efforts to advance the regional statistical program to improve external statistics. BEAC will work jointly with the Commission and PREF-CEMAC Permanent Secretariat 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 regional authorities are committed to pursue the actions undertaken to realize the objectives of diversification and structural transformation of their economies and achieve real post-program resilience to external shocks. In this perspective, the completion of the

regional import-substitution strategy adopted by the PREF-CEMAC Steering Committee should help develop intraregional trade, promote economic diversification, and limit pressure on the sub-region's external stability. The implementation of the second program of integration projects for which financing pledges were secured will also be critical in promoting regional integration.

## III. 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 December 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 tightening bank liquidity, enforcing compliance of public entities with the FX regulations, continued prudence in managing oil windfalls, progress in reforms implementation under ongoing Fund-supported programs sustained by budget support from development partners, should contribute to further NFA build-up in 2024. In the meantime, to account for the decline in NFA in 2023H2, the authorities are requesting a downward revision to the regional policy assurance on the NFA target at end-December 2023 from EUR 4.32 billion to EUR 3.91 billion. In addition, taking into account the updated projections of a deterioration in the current account balance in 2024 linked to the expected decline in hydrocarbon export earnings, which will be partially offset by efforts to strengthen the FX regulations as well as further tightening of liquidity conditions, the NFA target for end-June 2024 is set at EUR 4.30 billion.