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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

July 2018

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

This paper on the Central African Economic and Monetary Community (CEMAC) was prepared by a staff team of the IMF as background documentation for reviews of, and requests for, arrangements with CEMAC member countries. It is based on information available at the time of its completion on June 15, 2018.

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KEY ISSUES

Context and risks. While improving, CEMAC's economic situation remains fragile. Growth picked up slightly but remains well below potential. Governments' fiscal consolidation efforts, along with BEAC's tighter monetary policy and stricter enforcement of foreign exchange regulations, have contributed to a significant reduction in the region's fiscal and external imbalances. All CEMAC countries are committed to macroeconomic policies agreed with IMF staff to support the economic recovery and financial sustainability of each country and of the region. The regional central bank and banking supervisor continue to implement policies in support of the IMF-supported programs with CEMAC members. However, fiscal slippages in some countries contributed to the underperformance of international reserve accumulation in early 2018. Looking ahead, a further improvement in the economic and financial situation is projected, assuming full implementation of policy commitments by CEMAC member states and regional institutions. This outlook remains subject to substantial risks from possible weaker program implementation, lower oil prices, and insufficient external financing.

Policy Recommendations

Fiscal consolidation efforts need to continue as planned. Recent fiscal slippages should be corrected promptly, as committed by national authorities. Given the risks to the outlook, the revenue windfall from higher oil prices should be largely saved and used to rebuild fiscal buffers and/or accelerate the repayment of domestic arrears. Strengthening the regional convergence framework is key to ensuring lasting fiscal sustainability.

The BEAC must be ready to act along national authorities, including by tightening monetary policy, should reserve underperformance persist. While the current level of the policy interest rate appears appropriate, the BEAC should build on ongoing modernization of monetary policy operations and start absorbing excess liquidity to strengthen monetary policy transmission.

Member states need to support the regional institutions' efforts to strengthen and better enforce foreign exchange regulations. Higher compliance with these regulations, including foreign exchange repatriation by extractive industries, is key to rebuilding an adequate level of international reserves.

Continued actions by the regional supervisor are needed to address the banking sector weaknesses, including the further development of risk-based supervision, the identification and dissemination of best practices in key areas, and the prompt resolution of small insolvent banks.

Approved By Anne-Marie Gulde-Wolf (AFR) and Zuzana Murgasova (SPR)

Discussions were held from April 26–May 8, 2018 in Libreville (Gabon) and Yaoundé (Cameroon). The staff team comprised Mr Toujas-Bernaté (head), Ms. Perinet, and Messrs. Martin, Rosa, (all AFR), Dupont (MCM), and Bouveret (SPR). The mission held discussions with Mr. Abbas Mahamat Tolli, Governor of the Central Bank of Central African States (BEAC); Mr. Halilou Yerima Boubakary, Secretary General of the Banking Commission of the Central African States; Prof. Clément Belingaba, Commissioner for Economic, Monetary, and Financial Affairs (CEMAC Commission); and other senior officials of these institutions and of the banking sector. This report was prepared with the assistance of Ms. Tawiah.

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BACKGROUND AND RECENT DEVELOPMENTS

A. Background

- 1. The CEMAC region is going through a challenging social and political period. Tensions persist in Cameroon's Anglophone regions. The security situation has deteriorated in the Central African Republic and remains precarious in some other areas, such as the Lake Chad region, and Congo's Pool region. Social tensions also increased in some countries in reaction to adjustment reforms. The resolve for adjustment and reforms will be tested in the context of forthcoming elections, including parliamentary elections in Gabon and in Chad later this year, and presidential elections in October in Cameroon.
- 2. All CEMAC countries now have reached agreement with IMF staff on policies and macroeconomic frameworks that underpin the regional strategy to restore fiscal and external imbalances. Implementation of IMF-supported programs already in place was broadly satisfactory in the first part of 2017, allowing the completion of program reviews for Cameroon, Gabon and CAR in December 2017, and for Chad in April 2018 (following the agreement in principle on the restructuring of Chad's debt to Glencore). Since then, program implementation appears mixed in some countries. Fiscal slippages were observed in Cameroon and Gabon at end-2017, with Gabon also accumulating new external arrears in early 2018. The Cameroon authorities reached agreement with IMF staff on policies that would ensure achieving the program objectives going forward. The Gabon authorities confirmed their commitment to the IMF-supported program and continue to work with IMF staff on identifying measures to correct recent slippages. Implementation of programs with CAR and Chad continue to be broadly satisfactory. In addition, a staff-monitored program with Equatorial Guinea was approved by IMF management in April 2018, and could pave the way for an IMF-supported program by end-year. The Republic of Congo authorities also reached agreement with IMF staff on policies that could underpin a possible three-year ECF arrangement to be submitted soon to the IMF Executive Board consideration.

B. Recent Economic Developments

- 3. The economic outlook for the region has improved slightly, following the recent rise in oil prices, but remains fragile. Growth was limited to just under 1 percent in 2017, reflecting continued fiscal consolidation and a further contraction in oil production in all producing countries but Congo. Growth is expected to increase in 2018, to about 2¾ percent. This increase—particularly marked in Congo and Chad, while Equatorial Guinea's recession would deepen—would mainly result from a rebound in oil production (+6 percent in 2018 after -3 percent in 2017). Non-oil sector growth would remain relatively low at about 2 percent, as an improvement in half of the countries is projected to be offset by a slowdown in Cameroon, CEMAC's largest economy, and a deeper recession in Equatorial Guinea.
- **4. Inflation should remain moderate.** It was limited to less than 2 percent year-on-year (less than 1 percent on annual average) in 2017, owing to weak domestic demand and moderate food

prices. In a context of still weak growth and limited rise in international food prices, inflation is expected to remain below 2 percent in 2018.

- Fiscal consolidation efforts continued to be significant in 2017 but fell short of 5. expectations in some countries. These efforts again focused on the rationalization of spending, particularly of investment projects. Expenditure cuts, however, were smaller than expected, notably in Cameroon, Chad and Congo and the non-oil revenue performance was again disappointing. As higher oil revenue largely offset larger spending and lower non-oil revenue and grants, the overall fiscal deficit on average across the region was only slightly higher than expected, at just under 4 percent of GDP (vs. the projected 3¾ percent of GDP), down from a 7½ percent of GDP deficit in 2016. The adjustment in the non-oil primary balance was lower than programmed (by 2 percent of non-oil GDP). After increasing by more than 20 percentage points over the previous two years, the public debt-to-GPP ratio increased by about 1 percentage point in 2017, to 54.5 percent, with still significant differences in debt ratios across countries. Access by member states to the regional government securities market continued to be satisfactory, albeit with a recent shift to shorter maturities. After being close to zero during the second half of 2017, net issuances increased to about CFAF 70 billion during January-April 2018, with short-term securities now amounting to just over two thirds of total government securities. Interest rates declined slightly for maturities up to 6 months and were stable for longer maturities, with significant differences in yields between countries.
- 6. The large decline in the current account deficit contributed to the stabilization of external reserves in 2017, but these have levelled off in early 2018. The current account deficit contracted significantly by more than 9 percent of GDP in 2017, reflecting higher oil exports (+2.5 percent of GDP) and lower imports (-6.3 percent of GDP). This, along with higher-than-expected FDIs, helped net reserves accumulation to be broadly in line with expectations despite larger apparent net capital outflows (including large negative errors and omissions)¹, and delays in disbursements of external budget financing. Despite the large adjustment in the current account deficit, CEMAC's external position remains weaker than implied by fundamentals and desirable policy settings. Net foreign assets (NFA) of the central bank declined slightly in the first quarter of 2018 (below previous projections), owing to larger government cash spending related to 2017 budget execution which resulted in lower government deposits with BEAC. Nevertheless, NFA are projected to increase significantly during the second half of 2018, surpassing previous projections, with gross reserves coverage projected at over 3 months of imports by end-2018. This is predicated on member states addressing recent fiscal slippages, as committed by respective authorities, and reflects higher oil exports as well as increased exceptional financing under the IMF-supported programs during the remainder of the year.
- 7. The banking sector's weaknesses persist, with differences across countries, despite a still strong capital position. The ratio of overdue loans has increased significantly since end-2016,

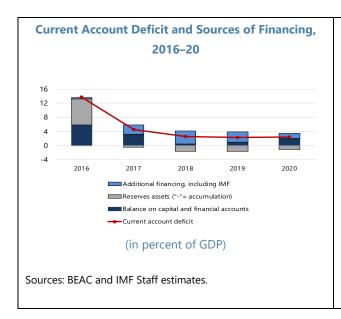
¹ The large net capital outflows and errors and omissions reflect significant weaknesses in BOP statistics, as well as possible weak repatriation of exports receipts. STA is providing TA to assist the authorities in strengthening BOP statistics.

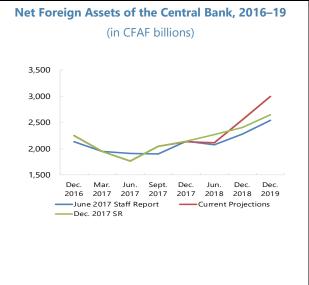
from an average of 15.0 percent in December 2016 to 17.5 percent in December 2017 and 19.7 percent in March 2018.² This increase reflects weak economic activity, still large government arrears to the private sector, and financial difficulties of a few large firms. The situation differs substantially across countries, with the ratio of overdue loans in March 2018 ranging from 15 to 32 percent. In this context, and while bank deposits stabilized in the recent period, banks continued to be cautious in extending new credit and credit to the private sector declined further (-3 percent yo-y at end-March 2018). Reflecting these trends, the overall liquidity of the banking system remained broadly stable in early 2018 following the improvement during the second half of 2017. Despite these difficulties, CEMAC banks' capital position remains strong overall, with an average capital ratio at 17.5 percent in March 2018, in steady progress.

OUTLOOK AND RISKS

8. The outlook has somewhat improved with the upward revision of oil price projections, which should help to restore the fiscal and external sustainability of the region. This outlook will critically depend on the full implementation of policy commitments by CEMAC member states, including continued tightening of fiscal policies and adequate support by regional institutions, notably a sufficiently tight monetary policy stance and enforcement of foreign exchange regulation. It assumes that the additional oil revenue in 2018–19 will be used to both smooth the member states' fiscal adjustment paths and gradually repay domestic arrears and/or rebuild external and fiscal buffers more rapidly. While the non-oil primary deficit would decline slightly more gradually than previously envisaged (to less than 5 percent of non-oil GDP by 2020), higher oil revenue in 2018–19 would allow to bring back public debt to under 50 percent of GDP by 2020, as previously envisaged. The repayment of government arrears, coupled with higher confidence of the private sector from enhanced fiscal sustainability and from reforms to improve the business environment and strengthen the financial sector, would contribute to the gradual recovery of non-oil growth, to 4 ½ percent by 2021. Reflecting higher oil exports in 2018–19, the current account deficit would already converge to around 2½ percent of GDP from 2018 onward. Although partly offset by large capital outflows (in line with the still to be identified outflows estimated for recent years), the lower current account deficits over 2018–20 would contribute to a more rapid increase in BEAC's net foreign assets, with the reserves cover reaching 5 months of imports by 2022.

² About 70 percent of these loans are to the private sector, with an average provisioning ratio of 86 percent, the rest being loans to the public sector, which are not provisioned in line with COBAC regulations.





9. The outlook remains subject to significant risks, including:

- **possibly weaker fiscal consolidation** in the face of political and/or social pressures (notably in the countries holding elections this year), capacity constraints, or owing to complacency following the recent rise in oil prices. In this regard, the fiscal slippages observed in Cameroon and Gabon are a cause of concern and need to be promptly corrected. Also, delays in implementing PFM and tax administration reforms would jeopardize the programs' fiscal objectives of increasing non-oil revenue collection, avoiding the emergence of additional government arrears, and bringing public debt to a declining path. Under such a scenario, with monetary policy likely not being able to offset fiscal slippages, a resulting smaller NFA accumulation would cast doubts about the external sustainability of the region and may derail the regional strategy, leading to a deeper financial crisis. To mitigate the risk of such behavior putting pressure on regional reserves, the BEAC should continue to monitor closely the access to the regional securities market and the liquidity of banks in any country incurring fiscal slippages.
- reversal in oil prices, possibly driven by stronger-than-expected U.S. shale gas and/or recovery of oil production in the African continent. This would put additional pressure on fiscal and external balances and on the financial sector, more significantly in countries most dependent on oil revenue (including Republic of Congo and Equatorial Guinea). Should this risk materialize, CEMAC countries and regional institutions would need to consult on, and promptly implement, the optimal policy response, which could be a combination of tighter fiscal and monetary policies. This risk has, however, somewhat subsided with the recent increase in oil prices, whose persistence constitute a significant upside risk. If oil prices were to remain higher than assumed in the baseline, additional oil revenues would be largely saved (or used for additional arrears repayments) and contribute to more rapid accumulation of regional reserves.
- deterioration in the security situation, which has already worsened in the Central African
 Republic, remains precarious in some other regions, and could be exacerbated by the challenging

economic and social situation. Such a deterioration would negatively affect economic activity and lead to increased military spending.

lower-than-projected external budget support. So that this risk does not materialize, the
national authorities will have to ensure that the conditions for this external aid are fulfilled as
soon as possible, while staff will continue to work with the authorities and development partners
to secure sufficient funding assurances.

	C	Country Re	eport No	17/389 ¹				Currer	nt Projecti	ons		
	2016	2017	2018	2019	2020	2021	2016	2017	2018	2019	2020	202
National income and prices		(annual	percent ch	ange)				(annual	percent ch	ange)		
GDP at constant prices	-1.0	-0.6	1.6	3.2	3.8	3.7	-0.7	0.9	2.7	3.4	3.2	2.
Oil GDP	-6.2	-3.7	7.0	1.7	0.3	-3.7	-6.8	-3.5	5.9	2.3	-1.1	-5.
Non-oil GDP	1.1	1.3	1.9	3.9	4.6	5.0	1.0	2.0	1.9	3.6	4.2	4.
Consumer prices (period average)	1.3	1.1	1.5	1.8	2.2	2.3	1.3	8.0	1.6	1.8	2.2	2.
External sector	(percent of GDP, unless otherwise indicated) (percent of GDP, unless otherwise indicated)							ated)				
Current account, including grants	-9.9	-5.0	-4.3	-5.2	-2.6	-1.5	-13.7	(percent of GDP, unless otherwise indicated) -13.7 -4.5 -2.6 -2.3 -2.4				
Government financial operations												
Primary fiscal balance	-6.2	-1.9	-0.1	0.6	1.2	1.2	-6.1	-2.6	1.0	1.0	1.5	1.
Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-13.5	-8.5	-6.4	-5.2	-4.2	-3.7	-14.1	-10.5	-7.4	-6.3	-4.8	-4.
Total public debt	50.4	52.1	52.5	51.4	49.2	46.7	53.2	54.5	52.3	51.6	49.8	47.
Gross official reserves (end of period)												
Months of imports of goods and services	2.2	2.7	3.0	3.6	4.2	4.5	2.3	2.4	3.1	3.7	3.9	4.
Net foreign assets (annual change in billion CFAF)	-3,294	-107	259	245	125		-3,294	-123	421	443	363	62

IMPLEMENTATION OF THE REGIONAL STRATEGY TO ADDRESS THE CRISIS

Staff discussed with the regional authorities progress in implementing the regional strategy aimed at restoring fiscal and external sustainability and ensuring financial stability in the region. As the authorities shared staff concerns about recent fiscal slippages, the recent slowdown in reserve accumulation, and the further increase in overdue loans, discussions focused on the best policy response at the national and regional levels. There was an agreement that the fiscal slippages should be promptly addressed through corrective fiscal measures. For their part, the BEAC and the COBAC remain committed to maintain an appropriate monetary policy stance, support the build-up of regional reserves, and promote financial sector stability. In its follow-up to the letter of policy support (Appendix I), the BEAC also committed that, in the event of a further underperformance of NFA, it would participate in joint consultations with IMF staff and national authorities to identify and implement the necessary corrective measures.

A. Member States' Efforts to Ensure Fiscal Sustainability

10. Member states need to deliver fully on their fiscal consolidation commitments for the regional strategy to succeed and an adequate level of international reserves to be rebuilt. The recent fiscal slippages played a significant role in the underperformance of international reserve

accumulation. The BEAC agreed with staff that, if not addressed promptly, these slippages could erode reserve accumulation further, undermine confidence in the potential success of the regional strategy, affect negatively external budgetary support, and plunge the region in a deeper economic and financial crisis. While higher oil prices provide some limited room to slightly smooth fiscal consolidation efforts, the gains made so far remain fragile, leaving no room for complacency. In this regard, staff noted that the supplementary budget prepared by the Cameroonian government, which addresses fiscal slippages through strengthened expenditure controls and revenue-enhancing measures, should be adopted promptly. Also, in Gabon, the President has publicly announced priority policy reforms and asked the new government to address urgently the most critical economic challenges, including the need to enhance the tax system to mobilize more non-oil revenues, reduce the wage bill, and improve public finance and debt management. Such corrective measures will need to be approved promptly to put fiscal consolidation back on track. Looking ahead, efforts to streamline non-priority expenditures while preserving social spending will need to continue over the medium term and be complemented by measures to increase non-oil revenue, including through the streamlining of tax exemptions and the strengthening of tax and customs administration. Non-oil revenue performance has indeed been disappointing so far and should be significantly strengthened to support fiscal adjustment while making room for priority development and social spending. An increase in non-oil revenue would also contribute to reducing inequality in the region.³ The BEAC also agreed on the importance of strengthening, and strictly respecting, public financial management procedures/rules, including with regard to the expenditure chain and the single treasury account. Member states also need to adopt, and start implementing, gradual repayment plans for their domestic arrears.

11. In addition to continued strong fiscal adjustment, CEMAC's external sustainability will depend on the availability of substantial external financing. The BEAC noted that some budget support expected in 2017 was slightly delayed, resulting in a shortfall that year. Staff indicated that total remaining external financing needs over 2018–20 are currently estimated at about CFAF 4 trillion (about US\$ 7.6 billion) for the five CEMAC countries with IMF-supported programs in place or soon to be submitted to Executive Board consideration (see text table 2).⁴ IMF resources are projected to cover about 20 percent of these financing needs. Other IFIs (World Bank and African Development Bank) and creditors/donors (France and EU), as well as debt restructuring in some countries would cover the remaining financing needs.

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³ See chapter 2 of May 2018 Sub-Saharan Africa Regional Economic Outlook.

⁴ They include all CEMAC countries apart from Equatorial Guinea, which is currently under Staff-Monitored Program.

Text Table 2. Fir	nancing S	ources,	2017–2	20		
(Bi	lions of CF	AF)				
	2017		2018	2019	2020	2018-20
C	R 17/389	Est.		P	roj.	
1. Financing gap	1,499	1,237	1,747	1,483	774	4,004
2. IMF financing	372	338	304	326	162	792
of which: to be adopted	0	0	50	75	74	199
3. Budget support from other donors	1,024	799	985	693	254	1,932
4. Other exceptional financing	104	100	458	464	358	1,280
Sources: Country authorities and IMF Staff estimates.						
Note: CEMAC countries excluding Equatorial Guinea						

B. Monetary Policy and Other Central Bank Measures to Protect Reserves

Monetary Policy Stance and Modernization of the Operational Framework

12. Monetary policy will continue to aim primarily at rebuilding an adequate level of foreign exchange reserves. The BEAC agreed that the lower-than-expected reserve accumulation in the first quarter was a source of concern and reiterated that it stood ready to tighten its monetary stance should this underperformance persist. The BEAC considered, however, that this was largely due to the fiscal slippages observed in some member states and that reserve accumulation would go back to the envisaged path and even surpass previous projections once the slippages are addressed and higher international oil prices are fully reflected in oil export receipts. In this context, as growth remains well below potential, inflation moderate, credit to the private sector sluggish, and the banking sector fragile, staff agreed that a further increase in the policy rate does not appear warranted at this stage, although tighter management of liquidity to improve traction of the policy rate will be required. Preliminary staff analysis on the neutral interest rate in CEMAC (to be presented in a forthcoming Working Paper) also suggests that BEAC's current policy rate appears broadly adequate from a business cycle standpoint. Staff emphasized, however, that BEAC should continue to closely monitor domestic and external economic developments, to ensure that they remain consistent with the objectives of the regional recovery strategy. It welcomed BEAC's commitment to consult with staff, jointly with national authorities, and take corrective measures, which may include tighter monetary policy, as soon as indications emerge (such as not meeting the end-June targets) that BEAC's net foreign net assets' accumulation diverge from the path envisaged in the Governor's follow-up to the letter of support (see Appendix I).

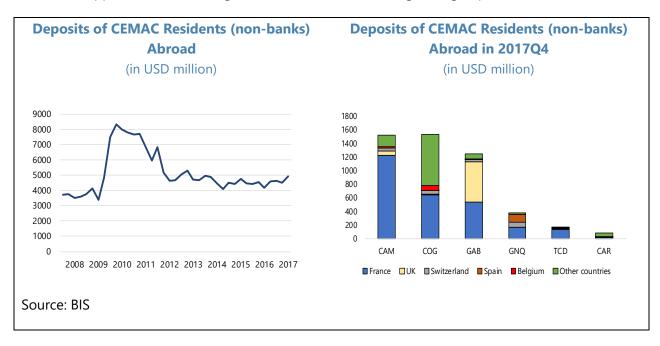
13. Staff welcomed the substantial progress made in modernizing the monetary policy implementation framework which should contribute to strengthen monetary policy transmission:

- The elimination of statutory advances has been finalized, with the existing balances converted into long-term loans and BEAC's Charter amended in March 2018 to preclude any future monetary financing of budgets.
- The framework for emergency liquidity assistance is now operational, with one bank using it.
- At its March 2018 meeting, the Monetary Policy Committee approved: (i) the unification of reserve requirement rates at their highest level (since mid-December, these requirements are assessed based on monthly averages, allowing banks more flexibility in their liquidity management) and the reduction of the number of exempted banks from four to one; and (ii) the removal of BEAC's refinancing ceilings (by national banking sector and by issuing state) for government securities used as collateral and their replacement by a system of progressive haircuts better accounting for differences in CEMAC countries' sovereign risks.
- Banks can now use repurchase agreements for interbank transactions.
- Building on this reform, BEAC will start in June 2018 basing its liquidity management on forecasts
 of autonomous factors and providing liquidity through competitive multi-interest rate auctions.
 Weekly meetings of the newly created Monetary Market Committee since early March have
 helped paved the way for this shift, now scheduled for June.
- BEAC indicated that the modernization of the monetary policy operations framework will be completed in the coming months (by end-2018) with the formal setting up of an interest rate corridor and use of a new accounting scheme for recording monetary operations.
- 14. The BEAC plans to deepen its understanding of monetary policy transmission after completing the above reforms to better calibrate monetary policy tools. BEAC's analysis indicates that monetary policy has contributed to changes in foreign exchange reserves in recent past mainly through the expansion, and then stabilization, of statutory advances. These advances being now frozen, the BEAC plans to deepen its analysis of other transmission channels, including the interest rate channel. This should involve building modeling capacity, collection of additional data, and design of shock scenarios. The BEAC also needs to enhance its coordination with fiscal policies, requiring enhanced visibility on budget execution. In that regard, staff welcomed BEAC's ongoing discussions with national authorities on their domestic arrears repayment plans to ensure that their implementation is compatible with the external viability of the region.
- 15. The BEAC should now gradually absorb banks' excess liquidity, which remains an obstacle to the development of the interbank market and to a more effective monetary policy transmission. After increasing slightly during the second half of 2017 (to a level still significantly below the one until 2014), excess liquidity has remained broadly stable since the beginning of the year. While the unification of reserve requirement rates implemented in March 2018 has helped absorb some of the excess liquidity, BEAC agreed on the need to further reduce it gradually toward a neutral level (whose determination must account for specific features of the regional money market, including its strong segmentation). It intends to bring excess liquidity close to a neutral level by end-

2019, emphasizing that a more abrupt liquidity absorption would risk pushing a number of sound banks into liquidity crisis given the remaining reluctance of liquid banks to lend to other banks. Staff noted that liquidity absorption should be facilitated by the new liquidity management system (including through scaling back of liquidity provision operations when sterilization is required) and bilateral agreements signed between banks on the use of repurchase agreements which should spur interbank transactions. Staff also advised that a further (possibly remunerated) increase in reserve requirements or the introduction of a standing deposit facility should be considered.

Revision and Enforcement of Foreign Exchange Regulations

16. Many banks and residents appear not to comply with some of the foreign exchange regulations. According to BEAC and SG-COBAC studies, the repatriation of export receipts is very weak, particularly for oil companies, while foreign exchange demands by banks to BEAC are often insufficiently documented. Also, some banks in the region keep foreign exchange assets abroad on behalf of their clients, often in breach of forex regulations, while many non-financial companies have bank accounts abroad in foreign banks (see Chart below) Potential factors relate to past lax enforcement (at a time when external reserves were large), exemptions in the conventions between member states and operators in the extractive industries—included in the national codes for these industries—as well as reported delays in BEAC's provision of foreign exchange to banks. The lack of investment opportunities in the region also contributes to savings being deposited abroad.



17. To address these issues and support reserve accumulation, the BEAC will submit (for adoption) to the UMAC ministerial committee by end-2018 revised foreign exchange regulations and aim at strengthening their enforcement. The BEAC indicated that the new regulations, which will be finalized after consultation with staff, will notably aim at: clarifying the regulations relating to the repatriation of export receipts and investment revenue, the opening of accounts abroad by companies, and the surrendering of foreign exchange by banks; strengthening

reporting requirements; broadening the scope of BEAC and SG-COBAC controls; and including more realistic sanctions.

18. Staff encouraged the authorities to implement additional measures to strengthen forex repatriation. With a view to enhance the repatriation of oil receipts, the BEAC should continue its efforts to obtain copies of conventions signed with the oil companies, while working with the national authorities to align their national extractive industries codes with the community foreign exchange regulation. BEAC agreed with staff that its stepped-up efforts to control more strictly the documentation required for foreign exchange purchases should not introduce undue delays for legitimate demands. BEAC intends to streamline its internal procedures and enhance communication with banks in that regard.

C. Strengthening the Banking Sector

19. The Secretary General of the banking commission (SG-COBAC) has strengthened some banking regulations, in line with its action plan:⁵

- The rules of application of the 2017 CEMAC regulation on micro-finance institutions (MFIs) were adopted in early 2018 and some MFIs have already taken steps to comply.
- A new regulation sets periodic penalty payments based on the net banking income, increasing significantly the cost of non-compliance.
- Several other regulations have been adopted, paving the way for the application of several Basel
 Committee rules: the definition of systemically important institutions; the identification of banking
 assets subject to liquidation rules; and the accelerated resolution of small MFIs.
- In 2018, the SG-COBAC plans to adopt, with Afritac and World Bank support: a legislation implementing the Deposit Guarantee Fund (which is being funded with banks contributions); a regulation on payment systems and electronic money; supervision on a consolidated basis; instructions on risk management; and formalized risk-based supervision practices.
- **20. Staff encouraged the SG-COBAC to clarify the regulation and rules for exemption on risk concentration.** While claiming that the weights applied on sovereign risk according to the regulation have reduced their appetite for sovereign securities, banks have been reluctant to request the exemption to this regulation introduced by SG-COBAC in October 2017. SG-COBAC and staff agreed that this regulation was important and effective in trying to induce market discipline on budget financing, and should therefore be preserved. Staff suggested that SG-COBAC could clarify further the conditions under which exemptions can be granted, including with regard to dividend payments. Staff also noted that, in the medium term, after current fiscal imbalances are addressed,

⁵ SG-COBAC's action was presented in Annex IV of IMF Country Report No. 17/389.

SG-COBAC could review the implementation rules of sovereign risk weights to avoid sudden large changes in these weights.

- 21. Staff emphasized that additional measures could also be taken in the areas identified by SG-COBAC's action plan to better address the sector's vulnerabilities. The SG-COBAC welcomed these recommendations and will consider including them in its strategic plan for 2019–21, which it intends to finalize, after consultation with the IMF and the World Bank, by end-2018.
- **Further progress towards risk-based supervision.** Several projects are already planned (formalization of processes with IMF and the World Bank, new system for declarative statements in 2019) and COBAC' inspection missions in 2018 will be largely targeted on risk management. Several additional areas of development could be considered:
 - ➤ **Identification and dissemination of best practices**. The SG-COBAC could more systematically identify the banks' best practices, and disseminate them without being prescriptive. This could cover risk management policy, rating instruments, treatment of overdue loans, and anti-money laundering processes.
 - > Strengthen actions on overdue loans. In complement to enforcing loan classification and provisioning rules, the SG-COBAC should require banks, when needed, to strengthen their risk management policies, rating instruments, and processes to recover overdue loans. The SG-COBAC could also consider increasing capital requirements for banks with excessive overdue loans, and request clearance plans.
 - Alert national authorities on governance issues in the judicial systems. The SG-COBAC alerted the OHADA on the recurring difficulties banks face in resolving their legal disputes, and began systematically collecting information on their judicial problems. The SG-COBAC should also be ready to respond favorably to requests from national authorities for training of judges specializing in banking disputes.
- Ensure quick resolution of non-systemic institutions, and accelerate infringement procedures.
 - In view of past delays in the **resolution of non-systemic banks in difficulty**, staff encouraged the SG-COBAC to set shorter deadlines for non-systemic banks which have been in distress for several years. SG-COBAC noted that it aims at as quick as possible resolution processes, within the existing regulations.
 - > Prudential non-compliance remains high. In addition to implementing it new regulation increasing financial penalties, the SG-COBAC could **review its infringement procedures**, including to speed up processing and impose penalties more rapidly to recidivists.
- **22.** Banking supervision could further contribute to anti-money laundering and combating financing of terrorism (AML/CFT) efforts. All CEMAC national authorities pledged to strengthen this fight in the Yaoundé declaration of November 2017. In this context, the SG-COBAC plans to

adopt by end-2018 a regulation detailing the implementation procedures of the CEMAC AML / CFT regulation. Staff offered IMF assistance (together with the World Bank) for updating/improving SG-COBAC's expertise in this area if needed. It encouraged SG-COBAC to identify and disseminate best practices in the region, and ensure that non-compliant banks face injunctions and penalties.

D. Development of Financial Markets

- 23. Staff welcomed the regional authorities' stepped-up efforts to establish a unified regional stock market, market regulator, and central securities depositary. Following the heads of states' October 2017 decision for that purpose, an action plan was adopted, providing for: (i) the unification, by end-September 2018, of the existing two stock markets, two regulators, and three depositaries; and (ii) the subsequent implementation of reforms to align the practices of the three resulting institutions (which will be based in Douala, Libreville, and within BEAC, respectively) with best international standards by mid-2019.
- **24. Despite some delays, the BEAC is making progress toward establishing financial sector databases.** Once fully operational, these databases—which will include a database on firms' financial information, a payment incident database, a credit risk database— along with the envisaged establishment of a private credit bureau, will be key sources of financial information for credit institutions to strengthen their risk management tools. Staff encouraged the BEAC to continue its work, including through coordination with Cameroon's National Credit Council financial information project.
- 25. SG-COBAC's audit of the regional development bank (BDEAC) emphasized the need to address acute governance and financing issues. The SG-COBAC identified significant weaknesses, including in the areas of hiring, internal audit and control, provisioning, risk management, and financing. In view of BEAC's already substantial financial exposure to the BDEAC, staff emphasized the need for BEAC to wait for these reforms to be implemented before considering proceeding to the next disbursement under the 2015 agreement between the two institutions.

E. Promoting Regional Integration

Economic and Financial Reform Program (PREF)

26. While welcoming the CEMAC Commission's and national authorities' progress in implementing the PREF, staff emphasized the need for a more coordinated approach. Consistent with their commitments under the PREF, member states are notably adopting measures to enhance revenue collection and social spending. Hence, work is underway in Cameroon to: quantify tax expenditures and gradually reduce them starting in 2019; and to audit regularly import declarations. In Chad, non-oil revenue performance has been encouraging, reflecting efforts to channel revenues through banks and reforms to improve VAT collection. In Equatorial Guinea, reforms are underway to simplify tax payment procedures. In Gabon, work is progressing to establish a unified tax authority, which should help gradually increase non-oil revenue. Staff reiterated the need

for member states: to translate community directives into national legislations, and, once done, to implement them; and to step up efforts to enhance the business climate, which is key to addressing the region's overdependence on oil exports/revenue.

Regional Surveillance Framework

27. The CEMAC Commission needs to step up its efforts to strengthen the regional convergence framework. Staff welcomed the Commission's decision to hire consultants to help national authorities prepare 3-year convergence plans articulating their medium-term macroeconomic policies and reforms. Staff emphasized, however, that these plans—which will constitute baselines against which the Commission will assess progress towards meeting all convergence criteria—should be finalized promptly (national authorities did not comply with the initial end-March 2018 deadline). It also stressed that the Commission should not shy away from proposing sanctions to the Ministerial Committee if some plans are not ambitious enough.

Regional Statistics

28. Regional institutions' ability for close monitoring of economic developments needs to be strengthened. The CEMAC commission is currently constrained by several factors: (i) its limited human and financial resources (especially as member states' contributions are not always paid on time); and (ii) the fact that the community regulation for compilation and provision of regular statistics is not fully enacted in national legislations. The BEAC is also working under a relative weak regional data exchange framework, for example not receiving regularly high frequency data on budget execution, and faces difficulties in compiling BOP statistics. Also, the framework for the compilation of high-frequency business indicator is still in development. To address these shortcomings, staff emphasized the need to fast track measures to close the gap between community regulation in the area of public financial management and data production, and their actual implementation through national legislation. It also encouraged the BEAC to enhance BOP statistics, with IMF assistance, and the Commission to strengthen, with the World Bank and EU assistance, its data collection and analysis capacity. Member states' technical and financial assistance will be key to the success of this endeavor. Finally, staff suggested re-establishing the Treasury Operations Committees, which used to be meeting monthly, with BEAC's guidance, to share and discuss budget execution data and assess/close gaps with regards to common statistical standards.

MONITORING OF REGIONAL DEVELOPMENTS AND POLICIES

29. BEAC and COBAC have pursued the implementation of the policy commitments provided in the June 2017 Letter of Policy Support and the December 2017 Follow-Up Letter. BEAC continued to implement a tight monetary policy, while strengthening controls on foreign exchange outflows. It also finalized, and adopted in its Charter in April 2018, the elimination of statutory advances, and made much progress in modernizing the monetary policy

operational framework. The COBAC continued its efforts to enhance its supervision of the banking sector, including through the modernization of its penalties system, a stricter application of certain supervisory rules, and an intensification of its efforts to resolve banks in difficulty. The two institutions have also maintained a continuous engagement with staff, allowing for a close monitoring of economic and policy developments and for an assessment on an ongoing basis of the implementation of the assurances they had provided.

- 30. Consistent with the March 2018 IMF policy paper on program design in currency unions, the attached follow-up letter provides policy assurances by the regional institutions of measures deemed critical to the national programs' success. The policy assurances include the completion by end-2018 of the modernization of the monetary policy operation framework following the formal set-up of an interest rate corridor and the start of usage of a new accounting scheme for recording monetary operations (policy assurance), and the submission (for adoption) to the ministerial committee by end-2018 of revised foreign exchange regulations (policy assurance). The first reform should contribute to enhance monetary policy transmission, while the latter would support better centralization at BEAC of foreign exchange reserves. Moreover, the letter indicates projections for NFA accumulation, on the basis of which IMF staff will assess progress in restoring regional external sustainability, which is critical to the success of CEMAC countries IMF-supported programs. With respect to the NFA accumulation projections, the policy assurance comprises BEAC's commitment to implement an adequately tight monetary policy aimed at rebuilding the level of reserves along the projected path, together with the commitment by the member states to contribute to the NFA accumulation through implementation of adjustment policies in the context of the IMFsupported programs. The NFA accumulation will also depend on continued budget support from development partners. In the event of deviation from the stated NFA accumulation projections, and if requested by IMF staff, BEAC undertakes in its letter to participate in joint consultations between IMF staff and the authorities of CEMAC member countries to identify and adopt additional corrective measures that would be deemed necessary at national and/or regional policy levels to allow the continuation of (or approval of new) IMF financial support as part of the IMF-supported programs with CEMAC members. The three policy assurances provided by BEAC are critical for the success of the CEMAC countries programs as they will support rebuilding sufficient external reserves cover for the external sustainability of the region and of each member country. Staff will continue to provide semi-annually updated assessments of regional developments and implementation of these three policy assurances at the earliest relevant juncture to inform the Executive Board's consideration of the reviews under the individual IMF-supported programs.
- **31.** The BEAC is implementing the remaining recommendations of the 2017 safeguards assessment of the central bank. Revisions to BEAC's secondary legal instruments (including by-Laws and codes of ethics and deontology), in consultation with IMF staff, to align them with and operationalize the governance-focused amendments of its Charter are being finalized and are expected to be adopted by its board of directors and the Ministerial Committee in the coming weeks. The BEAC is also on track towards transitioning fully to IFRS, beginning with the 2018 financial statements.

STAFF APPRAISAL

- **32. While improving, CEMAC's economic situation remains fragile.** Growth has picked up slightly but remains well below potential, while inflation is subdued. Governments' fiscal consolidation efforts, rising oil prices, along with BEAC's tighter monetary policy and stricter enforcement of foreign exchange regulations, have contributed to a significant reduction in the region's fiscal and external imbalances. Sources of concern have, however, emerged over the last few months, including fiscal slippages in some countries, the recent underperformance of international reserves, and the further increase in overdue loans. Despite the large adjustment in the current account deficit, CEMAC's external position remains weaker than implied by fundamentals and desired policy settings. Looking ahead, the medium-term outlook predicts a further improvement in the economic and financial situation, assuming full implementation of policy commitments by CEMAC member states and regional institutions. This outlook remains subject to substantial risks, including from weak program implementation, possible reversal in oil prices, and insufficient external financing.
- 33. The recent increase in oil prices should not lead to complacency. Given the substantial risks to the outlook, the resulting additional government revenue should be mostly saved and used to finance the repayment of domestic arrears and/or rebuild fiscal buffers. In this regard, the recent fiscal slippages should be addressed promptly, and measures be taken to bring fiscal deficits in line with previously envisaged consolidation paths. To avoid the recurrence of fiscal slippages in the future, governments should improve public finance management, including by following strictly expenditure and treasury single account procedures.
- **34. The BEAC has made substantial progress aimed at enhancing monetary policy transmission.** The changes to BEAC's Charter precluding any future monetary financing of budgets and the conversion of existing statutory advances into long-term loans are decisive steps toward restoring fiscal discipline in the region. The establishment of an emergency liquidity assistance system, the modernization of the reserve requirement and collateral frameworks, the introduction of repurchase agreements for interbank transactions, and the ongoing modernization of the monetary policy operations framework (to be completed by end-2018) are major steps for enhancing monetary policy transmission.
- 35. Staff welcomes BEAC's commitment to consult with staff, jointly with national authorities, on the optimal corrective measures to be implemented, should BEAC's net foreign assets' accumulation diverge from its projected path. Assuming that recent fiscal slippages are addressed (a necessary condition for reserve accumulation to return to the previously targeted levels), and given the well below-potential economic activity and moderate inflation, a further increase in the policy rate does not appear warranted at this stage. The BEAC should, however, start absorbing excess liquidity, which will help ensure that it does not exert undue pressure on reserves while contributing to the development of the interbank market and thereby strengthening monetary policy transmission. The BEAC should also stand ready to take corrective measures, which may include tighter monetary policy, as soon as indications emerge that underperformance in BEAC's net foreign assets accumulation would persist.

- **36. Member states need to support the regional institutions' efforts to strengthen and better enforce foreign exchange regulations.** In view of the reported non-compliance, these efforts are key to rebuilding adequate international reserves. Member states should therefore provide the regional institutions with all their conventions with the extractive industries, and work with them to ensure that these conventions, as well as the national codes for these industries, are consistent with community foreign exchange regulations. Staff welcomes BEAC's plan to revise the foreign exchange regulation (by end-2018) with a view to strengthen centralization at BEAC of foreign reserves and enhance the powers of BEAC and COBAC to better enforce these regulations.
- **37.** The SG-COBAC needs to strengthen some actions to address increasing weaknesses in the banking sector. Its continued commitment to strengthening risk-based supervision and forcefully implementing prudential regulations is welcome. The further development of risk-based supervision should be pursued by the identification and dissemination of best practices in key areas, including the treatment of overdue loans, credit risk or anti-money laundering. The resolution of small insolvent banks should be accelerated to protect member states from higher future resolution costs. The procedures to deal with breaches of prudential rules should be strengthened and accelerated. Staff encourages the SG-COBAC to take these considerations into account when it will prepare its next strategy plan covering the period 2019–21, including to support enhanced regional efforts on anti-money laundering and combatting financing of terrorism.
- **38.** The regional convergence framework needs to be strengthened. This will be critical to contribute to a lasting fiscal and external sustainability beyond the period of the current IMF-supported programs with CEMAC countries. The preparation of three-year convergence plans should notably anchor member states' fiscal policies consistently with regional external sustainability. Member states need to help the Commission—financially and through better data dissemination—to implement the convergence framework, while contributing to strengthened regional integration through the transcription and implementation of regional directives in PFM.
- **39. Further efforts are needed to help develop financial markets**. By helping banks to better assess credit and counterparty risks, the establishment of financial databases and of a credit bureau should help strengthen credit supply. The merger of the two existing stock markets is key to the development of equity financing in the region. BDEAC's governance issues need to be tackled promptly, as precondition for receiving additional financing from BEAC.
- 40. Overall, staff considers that BEAC and SG-COBAC have implemented the policy commitments provided in the June Letter of Policy Support and December Follow-up Letter and that the new policy assurances in the June 2018 BEAC Letter in support of CEMAC countries' IMF-supported programs are adequate. Implementation of previous commitments included tighter monetary policy, the elimination of statutory advances, and maintaining firm control over the extension of credit to banks. Moreover, regional NFA accumulation up to December 2017 was in line with projections, and corrective actions addressing recent fiscal slippages are being implemented to put NFA accumulation back on a desired upward path, following the underperformance in early 2018. The BEAC is also in the process of implementing the remaining recommendations of the 2017 safeguards assessment. Implementation of the new policy assurances

CEMAC

on (i) completing by end-2018 the modernization of BEAC's monetary policy operations framework, (ii) submitting to the UMAC ministerial committee for adoption revised foreign exchange regulations by end-2018, and (iii) achieving the projected NFA accumulation based on BEAC's commitment to implement an adequately tight monetary policy together with the commitment by the member states to implement adjustment policies in the context of IMF-supported programs will be critical for the continuation of (or approval of new) IMF financial support as part of the IMF-supported programs with CEMAC members.

Figure 1. Selected Economic Indicators, 2000–18

After a limited recovery in 2017, economic activity is expected to accelerate in 2018 due to a rebound in oil production and the impact of expected large domestic arrear repayments by governments.

CEMAC: Nominal GDP, 2017 (National shares)

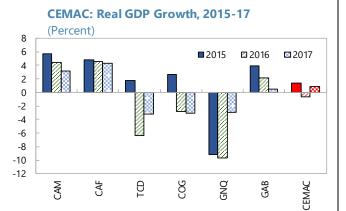
□ Congo

11%

■ Gabon 19% ■ Cameroon Equatorial 42% Guinea 14%

Chad

12%



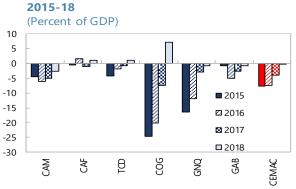
Achieved primarily through large cuts in non-priority spending in 2016–17, from 2018 onward fiscal consolidation will also rely on revenue-enhancing measures, which will help further reduce deficits and stabilize public debt.

Central Afr.

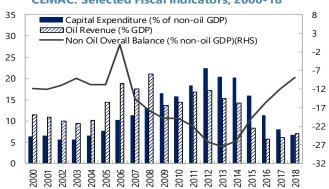
Rep.

2%

CEMAC: Overall Fiscal Balance incl. grants,

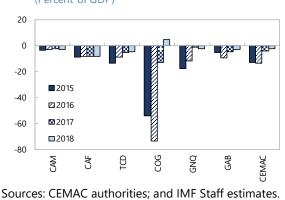






Fiscal consolidation will support a sizeable reduction in the current account deficit. Along with financing from donors and BEAC's tight monetary policy and enforcement of fx regulations, this will contribute to stabilize BEAC's net foreign assets.

CEMAC: Current Account, 2015-18 (Percent of GDP)



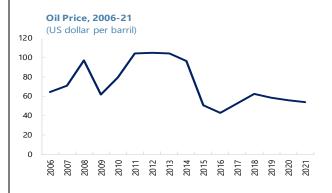
CEMAC: Change in Net Foreign Assets, 2015-18

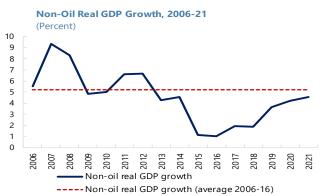


Figure 2. Selected Economic Indicators, 2006–21

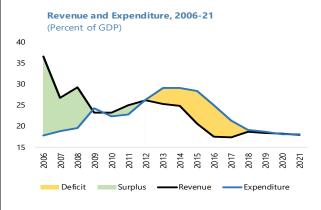
Oil prices are projected to remain below past peaks and oil production in CEMAC is on a slow but secular downtrend.

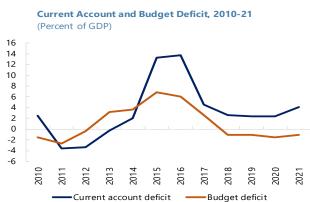
Over the medium term, overall growth will be supported by a more vibrant non-oil sector.



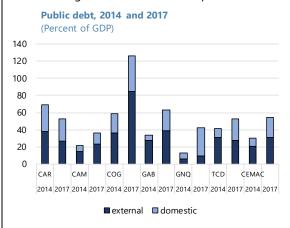


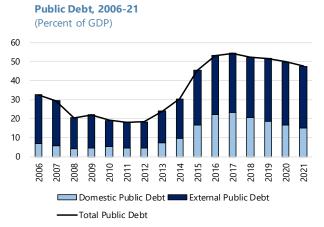
Consolidation efforts will be the main engine for restoring external stability, supported by expenditure rationalization and non-oil revenue-enhancing measures over the medium term.





After a large increase in 2014-16, public debt started stabilizing in 2017 and is expected to decline from 2018 onward.



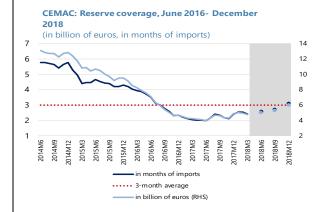


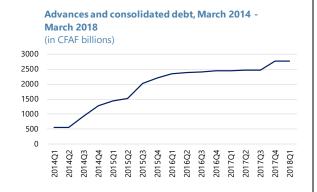
Sources: GAS Live, CEMAC authorities; and IMF Staff estimates.



After recovering somewhat in the second half of 2017, official reserves fell slightly during the first quarter of 2018.

While statutory advances are now frozen...

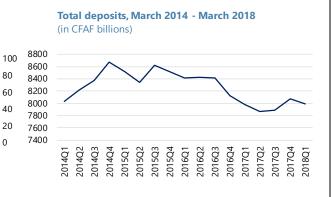




... governments reduced their deposit with BEAC during the first quarter of 2018, with some governments now having quite limited cash buffers. Despite a decline in deposits in the first quarter...

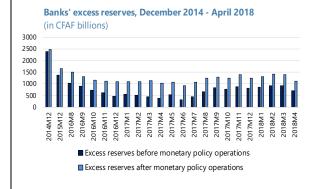
Government and banks deposits at the BEAC, March 2014 - March 2018 (in CFAF billions) 3500 3000 2500 2000 1500 1000 500 2014Q3 2015Q2 2015Q4 2016Q2 2016Q3 201702 2014Q4 2016Q1 2016Q4 2017Q4 2018Q1 2015Q1 2017Q1

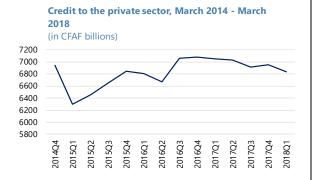
Government (incl. public banks)



...the banking sector's excess reserves remained broadly stable in early 2018, owing in part to a further contraction of credit to the private sector.

Banks (RHS)





Sources: BEAC and IMF Staff calculations.

	2015	2016	2017	2017	2018	2018	2019	2020	2021	2022
		Est.	CR 17/389 ⁴	Prel. Est.	CR 17/389 ⁴	Proj.	Proj.	Proj.	Proj.	Proj
				(Anni	ual change, i	in percent)				
National income and prices										
GDP at constant prices ¹	1.4	-0.7	-0.6	0.9	1.6	2.7	3.4	3.2	2.7	3.
Oil GDP ¹	2.4	-6.8	-3.7	-3.5	7.0	5.9	2.3	-1.1	-5.2	-1.
Non-oil GDP ¹	1.1	1.0	1.3	2.0	1.9	1.9	3.6	4.2	4.6	4
Consumer prices (period average) ²	2.8	1.3	1.1	0.8	1.5	1.6	1.8	2.2	2.4	2
Consumer prices (end of period) ²	1.9	0.5	1.3	1.7	1.7	1.1	2.2	2.2	2.7	2
		(A	nnual char	nge, in perce	ent of begin	ning-of-per	iod broad m	noney)		
Money and credit										
Net foreign assets	-17.7	-29.6	-1.1	-0.4	2.3	4.0	4.0	3.2		
Net domestic assets	11.7	24.9	-2.4	0.0	4.8	2.4	3.9	4.1		
Broad money	-6.0	-4.6	-3.5	-0.4	7.1	6.4	7.9	7.3		
			(In	percent of 0	GDP, unless	otherwise ir	ndicated)			
Gross national savings	16.6	12.9	15.6	18.7	16.8	20.8	21.8	22.3	22.3	22
Gross domestic investment	29.8	26.6	20.6	23.2	21.0	23.3	24.1	24.7	26.4	2
Of which: public investment	9.0	7.3	5.1	5.4	4.9	4.6	4.9	4.8	4.8	4
Government financial operations										
Total revenue, excluding grants	19.9	16.8	15.8	16.6	16.5	17.8	17.6	17.5	17.3	17
Government expenditure	28.4	24.9	20.2	21.3	18.9	19.1	18.7	18.1	18.0	1
Primary fiscal basic balance ³	-5.3	-4.1	-0.2	-0.6	1.6	2.4	2.9	3.3	2.9	3
Overall fiscal balance, excluding grants	-8.5	-8.2	-4.8	-4.7	-2.9	-1.3	-1.1	-0.6	-0.8	-(
Primary fiscal balance, including grants	-6.8 -20.8	-6.1 -16.6	-1.9 -12.0	-2.6 -13.1	-0.1 -9.8	1.0 -10.2	1.0 -8.9	1.5 -7.3	1.1	-
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP) Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-20.6	-16.6	-12.0	-10.5	-9.6 -6.4	-7.4	-6.3	-7.5 -4.8	-6.4 -4.2	-
Total Public Debt	45.4	53.2	52.1	54.5	52.5	52.3	51.6	49.8	47.6	44
External sector										
Exports of goods and nonfactor services	34.6	30.1	32.2	33.1	31.4	34.2	32.7	31.0	29.2	28
Imports of goods and nonfactor services	43.2	39.0	32.8	32.7	31.9	32.0	30.8	29.8	30.2	2
Balance on goods and nonfactor services	-8.7	-8.9	-0.6	0.4	-0.5	2.2	1.8	1.2	-1.0	(
Current account, including grants	-13.2	-13.7	-5.0	-4.5	-4.3	-2.6	-2.3	-2.4	-4.1	-2
External public debt	28.1	29.6	32.6	32.8	34.2	31.8	33.4	33.1	32.7	3
Gross official reserves (end of period)										
Millions of U.S. dollars	10,344	4,972	5,890	5,807	7,199	7,513	9,110	10,248	11,710	13,0
Months of imports of goods and services (less intra regional imports) Percent of broad money	4.3 56.4	2.3 29.3	2.7 31.1	2.4 30.6	3.0 35.4	3.1 35.3	3.7 39.2	3.9 40.8	4.5 42.9	4
Memorandum items:										
Nominal GDP (billions of CFA francs)	46,449	45,092	46,206	46,779	47,633	49,162	50,920	53,269	55,766	58,8
CFA francs per U.S. dollar, average	591	593		581						
CFA francs per U.S. dollar, end-of-year	603	622		554						
Oil production (thousands of barrels per day)	943.1	881.3	854.0	827.2	884.5	874.6	888.7	886.3	840.0	82
Oil prices (US dollars per barrel)	50.8	42.8	50.3	52.8	50.2	62.3	58.2	55.6	54.1	5

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.

 $^{^{\}rm 3}$ Excluding grants and foreign-financed investment and interest payments.

 $^{^{\}rm 4}$ Refers to the estimates published in the IMF Country Report No 17/389.

	2015	2016	2017	2018	2019	2020	2021	2022
	Est.	Est.	Prel. Est.	Proj.	Proj.	Proj.	Proj.	Proj
Real GDP			(Anni	ual change,	in percent	:)		
Cameroon	5.7	4.5	3.2	4.0	4.5	4.8	5.0	5.2
Central African Republic	4.8	4.5	4.3	4.3	5.0	5.0	5.0	5.0
Chad	1.8	-6.4	-3.1	3.5	3.4	6.8	4.8	4.0
Congo, Republic of	2.6	-2.8	-3.1	2.0	3.7	-0.1	-1.8	0.
Equatorial Guinea Gabon	-9.1 3.9	-9.7 2.1	-2.9 0.5	-7.9 2.0	-2.7 3.4	-2.5 4.2	-1.5 4.5	1. 4.
CEMAC	1.4	-0.7	0.5	2.7	3.4	3.2	2.7	3.
Nominal GDP								
Cameroon	5.8	4.5	3.6	4.6	5.8	6.4	6.6	6.
Central African Republic	11.3	11.1	8.0	8.4	8.6	8.3	8.1	8.
Chad	-6.3	-7.6	-4.0	5.7	6.0	9.9	7.9	7.
Congo, Republic of	-27.3	-8.7	9.7	13.7	1.5	-4.1	-6.0	-0.
Equatorial Guinea	-32.2	-16.1	5.7	-1.4	-3.0	-0.6	1.5	4.
Gabon	-5.4	-2.3	4.4	5.2	2.0	5.2	5.3	4.
CEMAC	-10.0	-2.9	3.7	5.1	3.6	4.6	4.7	5.
Real non-oil GDP Cameroon	4.4	5.1	4.7	4.2	4.9	5.1	5.4	5.
Central African Republic	4.8	4.5	4.3	4.3	5.0	5.0	5.0	5
Chad	-2.9	-6.0	-0.5	1.5	2.5	3.6	4.0	3
Congo, Republic of	5.3	-3.2	-7.9	-5.4	1.7	2.5	3.6	4.
Equatorial Guinea	-10.1	-5.9	-0.2	-4.4	-0.3	0.1	0.6	2
Gabon	3.8	3.3	1.7	2.3	4.0	5.0	5.2	5
CEMAC	1.1	1.0	2.0	1.9	3.6	4.2	4.6	4.
Consumer price inflation (period average)								
Cameroon	2.7	0.9	0.6	1.1	1.3	2.0	2.0	2
Central African Republic Chad	4.5 6.8	4.6 -1.1	4.1 -0.9	4.0 2.1	3.4 2.6	3.2 3.0	3.0 3.0	3. 3.
Congo, Republic of	3.2	3.2	0.5	1.6	1.8	2.1	2.4	2
Equatorial Guinea	1.7	1.4	0.7	0.6	1.4	1.9	2.5	3
Gabon	-0.1	2.1	2.7	2.8	2.5	2.5	2.5	2
CEMAC	2.8	1.3	8.0	1.6	1.8	2.2	2.4	2
End of period inflation								
Cameroon	1.5	0.3	0.8	1.1	1.3	2.0	2.0	2
Central African Republic	4.8	4.7	4.2	3.6	3.4	3.0	3.0	3
Chad	4.1	-4.9	7.2	-2.3	5.4	2.5	5.1	2
Congo, Republic of	4.1	0.0	1.8	1.7	2.1	2.2	2.6	3
Equatorial Guinea	1.6	2.0	-0.2	1.3	1.5	2.3	2.7	3.
Gabon CEMAC	-1.2 1.9	4.1 0.5	1.1 1.7	2.8 1.1	2.5 2.2	2.5 2.2	2.5 2.7	2
CEMIAC	1.9	0.3		n percent o		2.2	2.1	۷
Gross national savings								
Cameroon	23.9	24.3	23.5	23.8	24.3	24.8	25.3	25
Central African Republic	4.9	5.1	5.2	6.9	8.4	9.1	9.6	10
Chad	13.3	7.5	16.1	18.1	18.4	19.3	19.6	16
Congo, Republic of Equatorial Guinea	-6.9 4.0	-27.6 -1.4	11.0 5.3	23.2 4.3	24.3 5.8	20.1 6.8	16.0 5.9	13 7
Gabon	29.2	24.3	25.6	27.4	29.4	31.4	32.0	33
CEMAC	16.6	12.9	18.7	20.8	21.8	22.3	22.3	22
Gross domestic investment	27.7	27.5	26.2	26.0	27.2	277	20.2	20
Cameroon Central African Republic	27.7 13.9	27.5 13.7	26.2 13.8	26.8 15.3	27.2 15.9	27.7 16.0	28.3 15.5	28 15
Chad	26.9	16.7	21.4	22.8	23.9	24.2	24.6	21
Congo, Republic of	47.2	46.3	24.0	19.0	18.9	19.0	19.6	20
Equatorial Guinea	21.7	10.4	6.7	6.7	8.7	10.7	22.8	12
Gabon	34.8	34.2	30.5	30.8	31.5	31.1	30.6	29
CEMAC	29.8	26.6	23.2	23.3	24.1	24.7	26.4	25

	•	CFAF k	ollilons)						
	2015	2016	2017	2017	2018	2018	2019	2020	2021	20
	Est.	Est.	CR 17/389	Prel. Est.	CR 17/389	Proj.	Proj.	Proj.	Proj.	Р
Balance on current account	-6,145	-6,192	-2,298	-2,128	-2,040	-1,261	-1,188	-1,265	-2,298	-1,
Balance on goods and services	-4,032	-4,009	-267	171	-220	1,092	938	619	-566	
Total exports	16,052	13,559	14,873	15,471	14,970	16,834	16,633	16,490	16,282	16
Exports of goods	14,140	11,594	12,863	13,377	12,915	14,682	14,424	14,217	13,872	14
Oil exports	10,453	8,001	9,010	9,487	8,818	10,727	10,063	9,446	8,691	8
Non-oil exports	3,686	3,593	3,853	3,890	4,097	3,955	4,362	4,771	5,181	5
Exports of services	1,912	1,965	2,010	2,094	2,055	2,152	2,209	2,273	2,410	2
Total imports	20,084	17,568	15,140	15,300	15,190	15,742	15,695	15,870	16,848	16
Imports of goods	12,532	10,442	8,873	8,782	8,939	8,912	8,945	9,010	9,972	9
Imports of services	7,552	7,125	6,267	6,518	6,250	6,830	6,749	6,860	6,876	7
Income, net	-2,377	-2,469	-2,545	-2,716	-2,304	-2,838	-2,629	-2,449	-2,294	-2
Income credits	213	221	231	217	243	245	270	286	302	
Income debits	2,590	2,690	2,777	2,933	2,548	3,083	2,899	2,735	2,596	2
Investment income, debit	-2,044	-2,128	-1,090	-2,316	-1,157	-2,442	-2,294	-2,151	-2,029	-2
Of which: Interest paid on public debt	-126	-328	-292	-279	-266	-275	-280	-267	-257	
Of which: Interest paid on nonpublic debt	-18	-30	-33	-29	-25	-20	-10	0	3	
Current transfers, net	264	285	513	416	484	485	503	565	562	
Private current transfers, net	266	252	461	407	387	434	431	443	435	
Official current transfers, net	-2	34	52	9	96	51	72	121	127	
Balance on capital and financial accounts	3,111	2,631	1,907	1,512	1,120	221	536	1,073	2,498	1
Balance on capital account (incl. capital transfers)	191	177	223	340	200	201	233	251	268	
Balance on financial account (incl. reserves)	2,920	2,453	1,684	1,172	920	20	304	821	2,229	1
Direct investment, net	3,663	3,679	2,490	3,283	2,866	3,070	3,429	3,535	4,138	3
Portfolio investment, net	-23	-13	-6	-6	-5	-6	-7	-6	-5	
Other investment, net	-720	-1,213	-800	-2,106	-1,941	-3,044	-3,118	-2,708	-1,903	-1
Errors and omissions, net	579	94	0	-399	0	0	0	0	0	
Overall Balance	-2,456	-3,467	-391	-1,015	-921	-1,040	-651	-192	200	
Financing	2,456	3,467	391	1,015	921	1,040	651	192	-200	
Reserve assets (accumulation -) ¹	2,345	3,314	-296	-231	-724	-785	-817	-558	-713	
Exceptional financing	111	153	688	1,245	1,644	1,825	1,468	750	513	
Memorandum items:										
Nominal GDP	46,449	45,092	46,206	46,779	47,633	49,162	50,920	53,269	55,766	58
Gross foreign assets (end of period)	,0,3	.5,052	.5,255	.0,113	,055	.5,102	30,320	33,203	33,100	50
Billions CFAF	6,238	3,093	3,285	3,218	4,004	3,953	4,738	5,283	5,993	6
Months of imports of goods and services	6,236 4.3	2.3	3,265	3,216 2.4	3.0	3,953	4,736 3.7	3,263	5,993 4.5	0
Net foreign assets (end of period)	4.3	2.3	۷.1	2.4	5.0	5.1	5.1	5.5	4.5	
Billions CFAF	5,548	2,254	2,147	2,131	2,405	2,552	2,994	3,358	3,982	4
Months of imports of goods and services	3,546	2,25 4 1.7	2,147	1.6	2, 4 05 1.8	2,552	2,994	3,356 2.5	3,962	4
urces: BEAC; and IMF staff estimates and projections.	3.6	1.7	1.7	1.0	1.0	2.0	2.3	2.5	3.0	

Table 3b. CEMAC: Balance of Payments, 2015–22

(in percent of GDP)

	2015	2016	2017	2017	2018	2018	2019	2020	2021	2022
	Est.	Est.	CR 17/389	Prel. Est.	CR 17/389	Proj.	Proj.	Proj.	Proj.	Proj
Balance on current account	-13.2	-13.7	-5.0	-4.5	-4.3	-2.6	-2.3	-2.4	-4.1	-2.7
Balance on goods and services	-8.7	-8.9	-0.6	0.4	-0.5	2.2	1.8	1.2	-1.0	0.4
Total exports	34.6	30.1	32.2	33.1	31.4	34.2	32.7	31.0	29.2	28.
Exports of goods	30.4	25.7	27.8	28.6	27.1	29.9	28.3	26.7	24.9	23.
Oil exports	22.5	17.7	19.5	20.3	18.5	21.8	19.8	17.7	15.6	14.
Non-oil exports	7.9	8.0	8.3	8.3	8.6	8.0	8.6	9.0	9.3	9.
Exports of services	4.1	4.4	4.3	4.5	4.3	4.4	4.3	4.3	4.3	4.
Total imports	43.2	39.0	32.8	32.7	31.9	32.0	30.8	29.8	30.2	27.
Imports of goods	27.0	23.2	19.2	18.8	18.8	18.1	17.6	16.9	17.9	15.
Imports of services	16.3	15.8	13.6	13.9	13.1	13.9	13.3	12.9	12.3	11.
Income, net	-5.1	-5.5	-5.5	-5.8	-4.8	-5.8	-5.2	-4.6	-4.1	-4.
Income credits	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.
Income debits	5.6	6.0	6.0	6.3	5.3	6.3	5.7	5.1	4.7	4
Of which:										
Investment income, debit	-4.4	-4.7	-2.4	-5.0	-2.4	-5.0	-4.5	-4.0	-3.6	-3
Of which: Interest paid on public debt	-0.3	-0.7	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0
Of which: Interest paid on nonpublic debt	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.
Current transfers, net	0.6	0.6	1.1	0.9	1.0	1.0	1.0	1.1	1.0	1.
Private current transfers, net	0.6	0.6	1.0	0.9	0.8	0.9	0.8	0.8	0.8	0
Official current transfers, net	0.0	0.1	0.1	0.0	0.2	0.1	0.1	0.2	0.2	0.
Balance on capital and financial accounts	6.7	5.8	4.1	3.2	2.4	0.4	1.1	2.0	4.5	3
Balance on capital account (incl. capital transfers)	0.4	0.4	0.5	0.7	0.4	0.4	0.5	0.5	0.5	0
Balance on financial account	6.3	5.4	3.6	2.5	1.9	0.0	0.6	1.5	4.0	2
Direct investment, net	7.9	8.2	5.4	7.0	6.0	6.2	6.7	6.6	7.4	5
Portfolio investment, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Other investment, net	-1.5	-2.7	-1.7	-4.5	-4.1	-6.2	-6.1	-5.1	-3.4	-3
Errors and omissions, net	1.2	0.2	0.0	-0.9	0.0	0.0	0.0	0.0	0.0	0
Overall Balance	-5.3	-7.7	-0.8	-2.2	-1.9	-2.1	-1.3	-0.4	0.4	0.
inancing	5.3	7.7	0.8	2.2	1.9	2.1	1.3	0.4	-0.4	-0
Reserve assets (accumulation -) ¹	5.0	7.3	-0.6	-0.5	-1.5	-1.6	-1.6	-1.0	-1.3	-1
Exceptional financing	0.2	0.3	1.5	2.7	3.5	3.7	2.9	1.4	0.9	0
Memorandum items:										
Nominal GDP (billions of CFAF)	46,449	45.092	46.206	46,779	47,633	49,162	50,920	53,269	55,766	58,88

Sources: BEAC; and IMF staff estimates and projections.

 $^{^{\}rm 1}$ Does not reflect reserve accumulation by BEAC's central services.

Table 4a. CEMAC: Fiscal Balances, 2015–22

(in percent of GDP)

		(ın p	ercent (of GDP)						
	2015	2016	2017	2017	2018	2018	2019	2020	2021	2022
			CR							
		Est.	17/389	Prel. Est. C	R 17/389	Proj.	Proj.	Proj.	Proj.	Proj.
Overall fiscal balance (excluding grants)										
Cameroon	-4.5	-6.5	-4.3	-5.3	-3.8	-2.9	-2.2	-1.7	-1.7	-1.6
Central African Republic	-7.8	-4.4	-5.5	-6.5	-5.4	-6.6	-6.9	-6.7	-6.0	-5.8
Chad	-7.8	-4.9	-4.6	-4.6	-3.3	-3.4	-3.7	-2.5	-2.0	-1.2
Congo, Republic of	-25.6	-21.0	-7.5	-8.2	2.0	6.6	7.4	6.8	2.7	3.4
Equatorial Guinea	-16.3	-12.0	-8.1	-2.9	-5.8	-0.9	-0.5	0.3	-0.1	-0.2
Gabon	-1.0	-5.0	-1.9	-2.6	-1.2	-0.7	-1.7	-0.2	0.9	1.2
CEMAC	-8.5	-8.2	-4.8	-4.7	-2.9	-1.3	-1.1	-0.6	-0.8	-0.6
Overall fiscal balance (including grants)										
Cameroon	-4.4	-6.2	-3.9	-5.0	-3.5	-2.6	-2.0	-1.5	-1.5	-1.4
Central African Republic	-0.6	1.6	0.4	-1.1	1.0	0.9	0.7	0.2	0.2	0.3
Chad	-4.4	-2.0	0.6	-0.8	0.6	0.9	-0.2	0.7	0.6	1.5
Congo, Republic of	-24.8	-20.1	-7.1	-7.6	2.6	7.1	7.9	7.4	3.3	4.1
Equatorial Guinea	-16.3	-12.0	-8.1	-2.9	-5.8	-0.9	-0.5	0.3	-0.1	-0.2
Gabon	-1.0	-5.0	-1.9	-2.6	-1.2	-0.7	-1.7	-0.2	0.9	1.2
CEMAC	-7.8	-7.4	-3.7	-3.9	-2.1	-0.4	-0.3	0.2	-0.1	0.1
Reference fiscal balance ¹										
Cameroon	-4.0	-5.4	-3.3	-4.5	-3.5	-2.8	-2.3	-1.5	-1.5	-1.5
Central African Republic	-0.6	1.6	0.4	-1.1	1.0	0.9	0.7	0.2	0.2	0.3
Chad	1.5	1.7	1.2	-0.2	-0.4	-1.0	-1.2	-0.8	-0.4	0.3
Congo, Republic of	-11.6	-13.3	-2.8	-3.8	-3.9	-2.5	1.0	2.9	4.2	4.1
Equatorial Guinea	-22.2	-8.2	-6.4	-2.4	-4.9	-0.2	-0.6	1.2	0.5	0.0
Gabon	5.4	0.1	-1.7	-2.1	-1.8	-2.7	-3.0	-0.5	0.9	0.9
CEMAC	-3.6	-3.1	-2.0	-2.5	•••	-2.0	-1.5	-0.2	0.2	0.0
Primary fiscal balance (including grants)										
Cameroon	-4.0	-5.4	-2.1	-4.1	-1.5	-1.8	-1.3	-0.9	-1.0	-0.9
Central African Republic	-0.1	2.1	0.8	-0.8	1.3	1.2	1.0	0.5	0.5	0.6
Chad	-2.7	0.1	2.2	0.8	1.2	2.2	8.0	1.7	1.6	2.3
Congo, Republic of	-23.8	-17.4	-5.1	-5.4	5.7	9.5	9.9	9.3	5.3	5.9
Equatorial Guinea	-15.9	-11.5	-7.2	-2.4	-4.3	-0.2	1.0	1.8	1.4	1.4
Gabon	1.1	-2.7	0.6	-0.1	1.3	2.1	1.1	2.5	3.5	3.6
CEMAC	-6.8	-6.1	-1.9	-2.6	-0.1	1.0	1.0	1.5	1.1	1.3
Government revenue (excluding grants)										
Cameroon	16.4	14.7	14.3	15.0	14.8	15.5	15.6	15.6	15.8	15.9
Central African Republic	7.1	8.2	9.1	8.3	9.6	9.2	9.5	9.8	10.1	10.3
Chad	10.5	9.6	10.4	10.8	10.6	11.5	11.1	12.0	12.1	12.6
Congo, Republic of	31.8	33.2	23.6	27.9	27.8	34.4	34.5	35.0	33.5	34.5
Equatorial Guinea	28.8	18.7	18.7	19.4	18.3	18.3	17.3	16.6	16.0	15.8
Gabon	21.1	17.1	17.6	16.4	17.8	17.7	17.6	17.8	18.2	18.1
CEMAC	19.9	16.8	15.8	16.6	16.5	17.8	17.6	17.5	17.3	17.3
Government expenditure (including net lending n	ninus repayments)									
Cameroon	20.9	21.2	17.7	20.4	17.5	18.4	17.9	17.3	17.5	17.5
Central African Republic	14.9	12.6	14.6	14.8	14.9	15.8	16.4	16.5	16.1	16.2
Chad	18.3	14.5	14.9	15.5	13.9	14.9	14.8	14.4	14.1	13.8
Congo, Republic of	57.4	54.1	31.2	36.1	25.7	27.8	27.2	28.2	30.8	31.1
Equatorial Guinea	45.1	30.7	26.8	22.3	24.1	19.3	17.8	16.3	16.2	15.9
Gabon	22.1	22.1	19.4	19.0	19.1	18.4	19.2	18.0	17.2	16.9
CEMAC	28.4	24.9	20.2	21.3	18.9	19.1	18.7	18.1	18.0	17.9
Total public debt										
Cameroon	30.9	32.5	33.7	36.7	34.5	37.7	37.8	37.2	36.0	34.6
Central African Republic	64.0	56.0	51.8	52.9	47.0	47.0	41.9	38.6	35.7	33.0
Chad	43.8	52.4	49.3	52.9	46.7	48.1	45.1	41.5		
									38.4	35.1
Congo, Republic of	110.2	126.5	126.6	126.6	119.1	110.3	107.2	110.0	113.1	107.6
Equatorial Guinea	36.4	47.9	45.5	42.6	56.5	43.5	46.0	46.4	47.2	45.3
Gabon	44.7	64.2	59.0	62.7	59.1	58.3	58.9	55.1	50.9	47.4
CEMAC	45.4	53.2	52.1	54.5	52.5	52.3	51.6	49.8	47.6	44.6

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

' 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.

Table 4b. CEMAC: Fiscal Balances, 2015–22

(in percent of non-oil GDP)

	2015	2016	2017 CR	2017	2018	2018	2019	2020	2021	2022
		Est.	17/389	Prel. Est. C	R 17/389	Proj.	Proj.	Proj.	Proj.	Proj.
Non-oil fiscal balance (excluding grants)										
Cameroon	-7.9	-9.0	-6.3	-7.5	-5.9	-5.2	-4.3	-3.5	-3.3	-3.2
Central African Republic	-7.8	-4.4	-5.5	-6.5	-5.4	-6.6	-6.9	-6.7	-6.0	-5.8
Chad	-14.6	-9.6	-9.7	-9.7	-8.6	-9.8	-9.3	-9.0	-8.3	-7.8
Congo, Republic of	-64.9	-57.3	-26.9	-41.0	-22.1	-32.4	-28.3	-24.9	-22.6	-18.6
Equatorial Guinea	-56.7	-34.8	-29.5	-24.7	-24.0	-19.3	-15.5	-12.0	-10.8	-9.7
Gabon	-12.1	-14.3	-13.2	-13.3	-9.6	-11.3	-11.3	-8.0	-5.6	-4.8
CEMAC	-20.8	-16.6	-12.0	-13.1	-9.8	-10.2	-8.9	-7.3	-6.4	-5.8
Non-oil fiscal balance (including grants)										
Cameroon	-7.8	-8.7	-5.2	-7.2	-4.3	-4.9	-4.1	-3.2	-3.1	-3.0
Central African Republic	-0.6	1.6	0.4	-1.1	1.0	0.9	0.7	0.2	0.2	0.3
Chad	-10.4	-6.0	-3.5	-5.2	-3.9	-4.5	-5.1	-5.0	-5.0	-4.4
Congo, Republic of	-63.5	-56.5	-26.0	-39.9	-20.9	-31.2	-27.1	-23.7	-21.4	-17.4
Equatorial Guinea	-56.7	-34.8	-29.5	-24.7	-24.0	-19.3	-15.5	-12.0	-10.8	-9.7
Gabon	-12.3	-13.8	-13.2	-12.0	-9.6	-10.6	-11.3	-8.0	-5.6	-4.8
CEMAC	-19.9	-15.7	-10.3	-11.9	-8.1	-9.0	-7.9	-6.3	-5.6	-4.9
Basic balance ¹										
	4 7	4.0	4.4	4.5	1.0	0.0	0.0	4.4	1.3	4.3
Cameroon	-1.7	-4.0	-1.1	-1.5	-1.0	0.0	0.6	1.1	1.2	1.3
Central African Republic	-3.5	-1.6	-2.1	-2.5	-1.6	-1.8	-1.5	-1.2	-1.0	-0.8
Chad	-6.9	-3.4	-2.2	-1.9	-0.4	-0.3	-0.6	0.8	1.5	2.6
Congo, Republic of	-36.7	-23.0	-4.3	-6.1	9.9	20.2	21.6	18.7	9.4	10.2
Equatorial Guinea	-22.9	-15.9	-10.7	-3.9	-7.4	-1.2	-0.6	0.4	-0.2	-0.2
Gabon	1.5	-2.6	0.4	-1.4	2.2	2.2	2.5	3.5	4.3	4.7
CEMAC	-7.7	-6.6	-2.0	-2.2	0.2	1.4	1.9	2.4	2.0	2.3
Non-oil primary fiscal balance (including grants)										
Cameroon	-7.4	-7.9	-4.1	-6.3	-3.5	-4.0	-3.4	-2.6	-2.6	-2.4
Central African Republic	-0.1	2.1	0.8	-0.8	1.3	1.2	1.0	0.5	0.5	0.6
Chad	-8.3	-3.5	-1.6	-3.2	-3.1	-3.0	-3.8	-3.7	-3.8	-3.3
Congo, Republic of	-62.0	-51.7	-22.5	-35.7	-14.4	-26.0	-22.6	-19.7	-17.9	-14.4
Equatorial Guinea	-56.1	-34.2	-28.4	-24.1	-22.0	-18.4	-13.7	-10.2	-8.9	-7.8
Gabon	-9.0	-11.0	-9.2	-9.7	-6.1	-7.2	-7.3	-4.2	-2.1	-1.5
CEMAC	-18.7	-14.1	-8.5	-10.5	-6.4	-7.4	-6.3	-4.8	-4.2	-3.6
Government revenue (excluding grants)										
Cameroon	17.2	15.2	14.8	15.6	15.3	16.1	16.1	16.0	16.1	16.3
Central African Republic	7.1	8.2	9.1	8.3	9.6	9.2	9.5	9.8	10.1	10.3
Chad	13.2	11.9	12.4	12.9	13.0	13.9	13.6	15.1	15.4	16.4
Congo, Republic of	52.4	52.7	43.4	53.1	58.3	77.9	76.9	71.4	60.6	58.0
Equatorial Guinea	40.4	24.8	24.8	26.2	23.2	24.3	22.0	20.5	19.3	18.8
Gabon	31.7	24.2	25.1	23.7	24.9	25.7	24.8	24.4	24.5	24.1
CEMAC	24.6	20.1	19.1	20.2	19.9	22.0	21.4	20.9	20.3	20.2
Government expenditure (including net lending	minus repayments)									
Cameroon	21.8	21.9	18.4	21.1	18.1	19.1	18.4	17.8	17.9	17.9
Central African Republic	14.9	12.6	14.6	14.8	14.9	15.8	16.4	16.5	16.1	16.2
Chad	22.9	18.0	17.9	18.4	17.0	18.1	18.1	18.2	17.9	17.9
Congo, Republic of	94.5	85.9	57.2	68.6	54.0	62.9	60.5	57.5	55.8	52.2
Equatorial Guinea	63.3	40.7	35.4	30.0	30.5	25.5	22.6	20.2	19.5	19.0
Gabon	33.1	31.3	27.8	27.4	26.6	26.8	27.2	24.7	23.2	22.5
CEMAC	35.1	29.8	24.3	25.9	22.8	23.6	22.8	21.6	21.2	20.8
Non-Alexander (male P										
Non-oil revenues (excluding grants)	140	12.0		13.5		12.0	111	143	14.0	447
Cameroon	14.0	12.9		13.5		13.8	14.1	14.3	14.6	14.7
Central African Republic	7.1	8.2		8.3		9.2	9.5	9.8	10.1	10.3
Chad	8.3	8.4		8.7		8.3	8.8	9.2	9.6	10.0
Congo, Republic of	29.6	28.6		27.6		30.5	32.2	32.6	33.1	33.6
Equatorial Guinea	6.6	5.9		5.3		6.2	7.1	8.1	8.7	9.3
Gabon	21.0	17.0		14.1		15.5	15.9	16.7	17.6	17.7
CEMAC	14.4	13.2	13.1	12.8	13.8	13.4	13.9	14.4	14.8	15.0

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

 $^{\rm 1}\,{\rm Overall}$ budget balance excluding grants and foreign-financed investment.

Table 5. CEMAC: Co	omplianc	e with	Converg	jence Cı	iteria, 2	2015–22		
-	2015	2016	2017	2018	2019	2020	2021	2022
		Est.	Prel. Est.	Proj.	Proj.	Proj.	Proj.	Proj.
				(In percent	of GDP)			
Fiscal balance ¹				(,			
Cameroon	-1.6	-3.9	-4.5	-2.8	-2.3	-1.5	-1.5	-1.5
Central African Republic	-3.5	-1.6	-1.1	0.9	0.7	0.2	0.2	0.3
Chad	-5.5	-2.7	-0.2	-1.0	-1.2	-0.8	-0.4	0.1
Congo, Republic of	-22.3	-14.5	-3.8	-2.5	1.0	2.9	4.2	4.1
Equatorial Guinea	-16.3	-12.0	-2.4	-0.2	-0.6	1.2	0.5	0.0
Gabon	1.0	-1.8	-2.1	-2.7	-3.0	-0.5	0.9	0.9
Number of countries violating	5	6	4	3	2	0	0	0
Consumer price inflation (≤ 3%)				(in perc	ent)			
Cameroon	2.7	0.9	0.6	1.1	1.3	2.0	2.0	2.0
Central African Republic	4.5	4.6	4.1	4.0	3.4	3.2	3.0	3.0
Chad	6.8	-1.1	-0.9	2.1	2.6	3.0	3.0	3.0
Congo, Republic of	3.2	3.2	0.5	1.6	1.8	2.1	2.4	2.8
Equatorial Guinea	1.7	1.4	0.7	0.6	1.4	1.9	2.5	3.0
Gabon	-0.1	2.1	2.7	2.8	2.5	2.5	2.5	2.5
Number of countries violating	3	2	1	1	1	1	0	0
Level of public debt (≤ 70% GDP)				(in percent	of GDP)			
Cameroon	30.9	32.5	36.7	37.7	37.8	37.2	36.0	34.6
Central African Republic	64.0	56.0	52.9	47.0	41.9	38.6	35.7	33.0
Chad	43.8	52.4	53.1	48.1	45.1	41.5	38.4	35.1
Congo, Republic of	110.2	126.5	126.6	110.3	107.2	110.0	113.1	107.6
Equatorial Guinea	36.4	47.9	42.6	43.5	46.0	46.4	47.2	45.3
Gabon	44.7	64.2	62.7	58.3	58.9	55.1	50.9	47.4
Number of countries violating	1	1	1	1	1	1	1	1
Non-accumulation of government arrears ² (≤ 0)				(in percent	of GDP)			
Cameroon			-1.7	-0.5	0.0	0.1	-0.5	0.0
Central African Republic	-3.6	-6.5	-7.7	-5.5	-3.3	-0.9	-0.8	-0.7
Chad	2.3	0.6	0.8	-2.1	-0.9	-0.4	-0.3	-0.3
Congo, Republic of	2.0	2.3	0.1	-2.2	-0.7	-0.1	0.0	
Equatorial Guinea	14.6	6.6	-3.9	-0.5	-1.0	-1.5	-1.1	-1.5
Gabon			-4.9	-2.0	-0.5	-0.9	-0.9	0.0
Number of countries violating ³	0	6	6				•••	

Sources: Authorities' data; and 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.

		Dimons		otherwis						
	2015	2016	2017	2017	2017	2017	2018	2018	2019	2020
			June	Sept.						
			. .	.	CR	D 15. 6	D 47/200	ъ.	ъ.	
			Est.	Est.	17/389	Prel. Est. C	.R 17/389	Proj.	Proj.	Proj
					(In CFAF	billions)				
Net foreign assets	5,888	2,616	2,192	2,314	2,495	2,573	2,735	2,998	3,448	3,83
Of which: BEAC	5,548	2,254	1,768	2,049	2,147	2,131	2,405	2,552	2,994	3,35
Foreign assets	6,238	3,093	2,624	3,014	3,285	3,218	4,004	3,953	4,738	5,28
Of which:										
Operations account	3,288	1,156	1,961	2,438	2,300	2,552	2,002	2,767	2,843	2,64
Foreign liabilities	-691	-839	-857	-965	-1,139	-1,088	-1,599	-1,401	-1,743	-1,92
Commercial banks	341	362	424	265	348	442	329	447	453	47
Foreign assets	735	754	797	688	734	802	719	817	825	84
Foreign liabilities	-395	-392	-373	-423	-386	-360	-390	-370	-371	-36
Net domestic assets	5,181	7,940	7,921	7,772	8,080	7,939	8,587	8,191	8,624	9,12
Net credit to government	-6	2,689	2,666	2,706	2,564	2,937	2,688	2,965	3,077	3,10
BEAC, net	-96	1,645	1,636	1,796	1,671	1,946	1,819	1,878	2,034	1,95
Of which:										
Advances and consolidated debt	2,214	2,446	2,468	2,474	2,754	2,770	2,668	2,773	2,773	2,77
IMF lending	177	201	235	354	543	491	1,008	803	1,145	1,32
Other	-3	0	0	0	0	0	0	0	0	
Government deposits	-2,484	-1,002	-1,067	-1,032	-1,626	-1,316	-1,942	-1,698	-1,884	-2,14
Commercial banks, net	90	1,044	1,031	910	893	991	869	1,087	1,043	1,15
Net credit to public agencies	-516	-418	-480	-373	-419	-371	-425	-382	-391	-39
Net credit to private sector	6,851	7,082	7,033	6,911	7,027	6,955	7,378	7,069	7,346	7,81
Other items, net	-1,147	-1,413	-1,298	-1,471	-1,093	-1,582	-1,054	-1,461	-1,409	-1,39
Broad money	11,070	10,556	10,113	10,086	10,575	10,512	11,322	11,190	12,072	12,95
Currency outside banks	2,556	2,432	2,245	2,195	2,601	2,436	2,790	2,468	2,652	2,82
Bank deposits	8,513	8,123	7,867	7,892	7,973	8,076	8,532	8,722	9,420	10,13
		(Annual cha	nge in perd	ent of be	ginning-of-p	eriod broa	d money)		
Net foreign assets	-17.7	-29.6	-18.9	-8.1	-1.1	-0.4	2.3	4.0	4.0	3
Net domestic assets	11.7	24.9	13.1	2.3	-2.4	0.0	4.8	2.4	3.9	4
Net credit to government	14.5	24.3	11.4	8.3	-1.1	2.4	1.2	0.3	1.0	0
Net credit to the private sector	-0.8	2.1	3.4	-1.4	-0.5	-1.2	3.3	1.1	2.5	3
Other items, net	0.1	-2.4	-2.4	-5.4	-0.7	-1.6	0.4	1.2	0.5	0
Broad money	-6.0	-4.6	-5.7	-5.8	-3.5	-0.4	7.1	6.4	7.9	7
Velocity (GDP/broad money)	4.2	4.3	4.6	4.6	4.4	4.5	4.2	4.4	4.2	4
					(Percent	of GDP)				
Broad money	23.8	23.4	21.6	21.6	22.9	22.5	23.8	22.8	23.7	24
Private bank deposits	13.2	13.0	12.1	12.1	12.4	12.4	12.9	12.8	13.3	13
Net credit to the private sector	14.7	15.7	15.0	14.8	15.2	14.9	15.5	14.4	14.4	14.

Table 7. CEMAC: Summary Accounts of the Central Bank, 2015–20

(in CFAF billions, unless otherwise indicated)

	2015	2016	2017	2017	2017	2017	2017	2018	2018	2018	2018	2018	2019	2020
	Dec.	Dec.	Mar.	June	Sept.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Dec.	Dec.	Dec.
						CR					CR			
		Est.	Est.	Est.	Est.	17/389	Est.	Est.	Proj.	Proj.	17/389	Proj.	Proj.	Proj.
Net foreign assets	5,548	2,254	1,955	1,768	2,049	2,147	2,131	2,024	2,120	2,252	2,405	2,552	2,994	3,358
Assets ¹	6,238	3,093	2,766	2,624	3,014	3,285	3,218	3,103	3,297	3,459	4,004	3,953	4,738	5,283
Of which:														
Operations account	3,288	1,156	2,008	1,961	2,438	2,300	2,552	2,617	2,637	2,594	2,002	2,767	2,843	2,642
Liabilities	-691	-839	-811	-857	-965	-1,139	-1,088	-1,078	-1,177	-1,207	-1,599	-1,401	-1,743	-1,925
Net domestic assets	-70	1,864	1,945	1,960	1,954	1,868	2,069	2,195	2,096	2,020	1,821	1,931	1,733	1,675
Net credit to government	-96	1,645	1,652	1,636	1,796	1,671	1,946	2,061	1,958	1,897	1,819	1,878	2,034	1,953
Claims	2,388	2,647	2,638	2,703	2,827	3,297	3,261	3,250	3,345	3,375	3,762	3,576	3,918	4,099
Advances and consolidated debt	2,214	2,446	2,450	2,468	2,474	2,754	2,770	2,773	2,773	2,773	2,754	2,773	2,773	2,772
o.w. Cameroon	138	231	266	281	294	577	577	577	577	577	577	577	577	577
Central African Republic	76	78	78	78	78	78	79	81	81	81	27	81	81	81
Chad	457	494	466	468	469	469	480	480	480	480	435	480	480	480
Congo, Republic of	572	572	572	572	572	572	572	572	572	572	572	572	572	572
Equatorial Guinea	517	618	615	615	606	604	609	609	609	609	604	609	609	609
Gabon	453	453	453	453	453	453	453	453	453	453	453	453	453	453
IMF credit	177	201	187	235	354	543	491	477	572	602	1,008	803	1,145	1,327
Government deposits	-2,484	-1,002	-985	-1,067	-1,032	-1,626	-1,316	-1,190	-1,387	-1,478	-1,942	-1,698	-1,884	-2,146
o.w. Unallocated		-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Cameroon	-782	-299	-308	-343	-303	-880	-656	-662	-610	-610	-1,009	-592	-478	-403
Central African Republic	-14	-35	-21	-16	-32	-40	-45	-23	-34	-31	-49	-27	-19	-21
Chad	-123	-77	-75	-77	-122	-117	-93	-134	-124	-114	-111	-144	-108	-157
Congo, Republic of	-709	-206	-237	-106	-122	-121	-93	-114	-246	-307	-235	-380	-619	-819
Equatorial Guinea	-323	-177	-144	-280	-217	-234	-114	-144	-227	-269	-225	-239	-286	-318
Gabon	-532	-208	-200	-245	-235	-232	-315	-111	-146	-146	-311	-315	-374	-429
Net claims on financial institutions	277	628	603	634	453	509	440	462	466	451	314	381	27	50
Other items, net	-250	-409	-311	-310	-295	-313	-316	-328	-328	-328	-313	-328	-328	-328
Base money	5,478	4,118	3,900	3,727	4,002	4,014	4,200	4,219	4,216	4,272	4,227	4,483	4,728	5,032
Currency in circulation	2,556	2,432	2,276	2,245	2,195	2,601	2,436	2,273	2,248	2,283	2,717	2,468	2,652	2,823
Banks' reserves	2,846	1,631	1,554	1,425	1,750	1,201	1,717	1,863	1,877	1,893	1,231	1,914	1,993	2,118
o.w. Required reserves	1,071	448	442	441	439		442	450	578	588		598	646	695
Excess reserves	1,451	857	814	718	1,041		977	1,115	995	995		995	1,000	1,050
Cash in vaults	323	326	297	266	270		297	299	305	310		321	347	373
Others	76	54	70	57	57	212	47	84	90	96	193	102	83	91
Memorandum items:														
Reserve coverage of broad money (in percent)	56.4	29.3	27.3	26.0	29.9	31.1	30.6	n.a.	n.a.	n.a.		35.3	39.2	40.8
Base money/deposits (in percent)	64.3	50.7	48.9	47.4	50.7	50.3	52.0	n.a.	n.a.	n.a.		51.4	50.2	49.7

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

			(in CFA	F billio	ns)								
	2016	2017	2017	2017	2017	2017	2018	2018	2018	2018	2018	2019	2020	20
	Dec.	Mar.	Jun.	Sep.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Dec.	Dec.	Dec.	D
					CR					CR				
	Est.	Est	Est	Est.	17/389	Prel. Est.	Est.	Proj.	Proj.	17/389	Proj.	Proj.	Proj.	Р
BEAC's net foreign assets														
Stock	2,254	1,955	1,768	2,049	2,147	2,131	2,024	2,120	2,252	2,405	2,552	2,994	3,358	3,9
Change since end of previous year	-3,294	-298	-486	-205	-107	-123	-106	-11	121	259	421	443	363	(
o.w. Cameroon	-824	-88	-106	70	83	216	92	44	-61	-17	2	19	-15	
Central African Republic	12	4	20	27	-15	35	-21	-21	-16	-30	-21	0	13	
Congo	-912	-61	-220	-219	-247	-207	-72	-11	76	298	300	162	-28	
Gabon	-630	-27	-145	-105	-10	-64	-75	-14	23	75	52	141	245	3
Equatorial Guinea	-712	-54	30	82	70	-43	-74	-41	-1	-99	55	93	68	
Chad	-448	-16	0	33	105	45	25	37	127	32	83	58	91	1
Unallocated	220	-56	-65	-93	-93	-105	19	-5	-27	0	-50	-30	-10	

	1	2	3	4	5
Country (number of banks)					
Cameroon (14)	0	5	5	2	2
Central African Republic (4)	0	0	4	0	0
Chad (8)	0	1	4	2	1
Republic of Congo (11)	0	3	7	0	1
Equatorial Guinea (5)	0	2	3	0	0
Gabon (8)	0	3	4	3	0
CEMAC (52)	0	14	27	7	4

Source: Banking Commission of Central Africa (COBAC)

^{1/} Ratings: 1=strong, 2=good, 3= not fully satisfactory, 4=fragile, 5=critical

^{2/} Because it uses stringent criteria, the COBAC deems banks in the first three categories to be broadly in good condition.

Table 10. CEMAC: Financial Soundness Indicators, 2010–17												
(in percent)												
	2010	2011	2012	2013	2014	2015	2016	2017 November				
Capital												
Regulatory capital to risk-weighted assets 1, 2	14.8	11.2	12.4	13.0	13.7	14.0	13.4	15.4				
Asset quality												
Non-performing loans (gross) to total loans (gross)	6.9	6.8	6.4	8.3	9.1	9.6	11.9	14.8				
Non-performing loans less provisions to regulatory capital	7.5	0.2	1.0	25.9	22.4	22.9	35.4	46.8				
Earnings and profitability												
Return on equity	18.2	23.9	23.2	27.2	20.3	16.4	23.5	-				
Return on assets ³	2.0	2.2	2.1	2.5	2.0	1.7	2.5	=				
Liquidity												
Ratio of liquid assets to short-term liabilities	188.6	165.2	182.5	150.8	156.3	151.9	141.3	144.3				
Total deposits to total (noninterbank) loans	125.7	138.0	145.7	130.4	127.4	111.6	102.3	103.0				
Credit												
Gross Ioan (banks' book) - bn FCFA	4837	5273	5948	7111	7699	8486	8991	8838				
Gross loan - annualized growth rate		9.0	12.8	19.5	8.3	10.2	5.9	-1.5				

Source: Banking Commission of Central Africa (COBAC).

¹ Current year profits are excluded from the definition of regulatory capital, following the Basel I capital accord guidelines. General provisions are included in Tier 2 capital up to an amount equal to 1.25% of risk-weighted assets. Regulatory capital is the sum of Tier 1 capital, and the minimum of Tier 1 and Tier 2 capital.

² The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the central bank; 100% - all other assets.

³ The ratio of after-tax profits to the average of beginning and end-period total assets.

	Capital Adequacy			Liquidity ¹			Fixed Assets ²				Maturity ³ Transformation				Minimum⁴ Capital				Limit on Single ⁵ large exposure					
	2014	2015	2016	Jan-18	2014	2015	2016	Jan-18	2014	2015	2016	Jan-18	2014	2015	2016	Jan-18	2014	2015	2016	Jan-18	2014	2015	2016	Jan-18
	8%			Min 100%			Min 100%			Min 50%			Min CFAF 10 billions			Max 45%								
Country (number of banks)																								
Cameroon (14)	4	3	3	3	3	3	3	2	4	4	5	3	4	3	3	4	3	4	5	4	5	5	6	5
Central African Republic (4)	0	0	0	0	0	0	0	1	0	0	1	1	0	0	0	0	0	3	2	2	2	1	2	2
Chad (9)	1	1	1	1	0	1	1	1	2	2	1	2	1	3	3	3	2	2	2	2	3	1	2	2
Republic of Congo (11)	0	1	1	1	0	4	4	6	1	5	3	3	1	2	2	1	1	4	3	2	2	2	1	1
Equatorial Guinea (5)	1	0	0	0	0	0	4	0	1	0	4	1	1	0	3	0	0	0	0	1	1	1	2	2
Gabon (8)	3	3	3	1	3	2	1	2	4	4	0	1	3	4	0	2	1	5	4	2	4	5	3	1
CEMAC (51)	9	8	8	6	6	10	0	12	12	15	14	11	10	12	11	10	7	18	16	13	17	14	15	13
(In percent of deposits) ⁶																								
Cameroon (14)	24	29	n.a	n.a	21	6	n.a	n.a	24	23	n.a	n.a	24	6	n.a	n.a	9	n.a	n.a	n.a	29	29	n.a	n.a
Central African Republic (4)	0	0	n.a	n.a	0	0	n.a	n.a	0	0	n.a	n.a	0	0	n.a	n.a	0	46.5	n.a	n.a	24	24	n.a	n.a
Chad (9)	13	1	n.a	n.a	0	12	n.a	n.a	18	16	n.a	n.a	13	28	n.a	n.a	6	15.8	n.a	n.a	38	15	n.a	n.a
Republic of Congo (11)	0	n.a	n.a	n.a	0	56	n.a	n.a	2	19	n.a	n.a	2	1	n.a	n.a	0	10.5	n.a	n.a	4	n.a	n.a	n.a
Equatorial Guinea (5)	32	0	n.a	n.a	0	0	n.a	n.a	32	0	n.a	n.a	32	0	n.a	n.a	0	0	n.a	n.a	32	23	n.a	n.a
Gabon (8)	5	4	n.a	n.a	19	2	n.a	n.a	19	21	n.a	n.a	5	10	n.a	n.a	2	11.6	n.a	n.a	19	21	n.a	n.a

Source: Banking Commission of Central Africa (COBAC).

Short-term assets of up to one month (remaining maturity) over short-term liabilities of up to one month (remaining maturity).

² Net capital and other premanent resources over fixed assets.

³ Long-term assets of more than five years over long term liabilities of more than five years.

⁴ Minimum capital varied by country until May 2010 (CFA millions): Cameroon 1000; Central African Republic 200; Chad 150; Republic of Congo 150; Equatorial Guinea 300; Gabon 1000. From June 2010, minimum capital is 5 billion CFAF for all the countries.

⁵ Single large exposure is limited to 45 percent of capital.

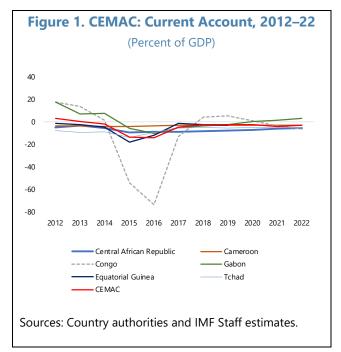
⁶ Percentage of deposits represented by the number of banks in violation in the country.

Annex I. CEMAC: External Sector Assessment

CEMAC's external position is weaker than implied by fundamentals and desirable policy settings. The current account deficit declined in 2017, on the back of a rebound in net exports and a fiscal adjustment. Reserves have stabilized in 2017, but remain far below levels that are appropriate according to reserve adequacy metrics. Further, non-price competitiveness indicators raise concerns, thus calling for urgent reforms to foster an enabling business environment.

A. Recent Developments in External Accounts

After a sharp deterioration in 1. 2015–16, the regional external current account balance has improved, but remains negative. Weak commodity prices, combined with expansionary fiscal and monetary policies have contributed to widen CEMAC's current account balance to -13.7 percent of GDP in 2016, from +3.3 percent of GDP in 2012 (Figure 1). In 2017, the current account deficit declined to around 4.5 percent of GDP on the back of higher oil exports and a reduction in imports. This improvement occurred in all member countries, but considerable crosscountry heterogeneity remains, with current account deficits, ranging from 13 percent of GDP in Congo¹ to less than 3 percent of GDP in Cameroon and Equatorial Guinea. Tighter fiscal and monetary stance and weak domestic



demand helped narrow the current account deficit in most member countries.

2. In the medium term, the current account deficit is projected to return back to precrisis levels. Supported by strong fiscal consolidation (in the context of IMF-supported programs), and tight monetary policy and enforcement of foreign exchange regulations, as well as a recovery in international oil prices, this deficit would narrow to 2.5 percent of GDP in 2018, and stabilize in the medium term around that level.² As a result, official reserves are projected to improve to close to 5 months of imports by 2022, from 2.4 months of imports at end-2017.

¹ Congo's current account was very volatile over 2014–17 due to the impact of the oil price shock, the declining oil production up to 2016, and the increase of oil-sector related imports. The expected improvement over 2017–19 is driven by the compression in oil-sector related imports and the significant increase in oil production (exploitation of a new field).

² In 2021, the current account balance is projected to decline temporarily to about 4 percent of GDP, owing to the one-off import (financed by FDI) of a floating LNG vessel in Equatorial Guinea.

3. Although foreign direct investment (FDI) has traditionally dominated external financing flows, the non-repatriation of export proceeds has recently put pressure on the capital account. FDI has been relatively stable over the last 5 years, averaging 6.5 percent of GDP. Despite the crisis, FDI has not slowed down markedly because it is mainly driven by reinvested earnings. In the medium term, FDI is projected to remain broadly stable as commodity prices recover and structural reforms take hold. On the other hand, uncertainties brought by the crisis in the region and the resulting fear of devaluation has led to the non-repatriation of export proceeds and possibly capital outflows, particularly in 2017. The implementation of sound macroeconomic policies will restore confidence, which, combined with stricter enforcement of the foreign exchange regulations, should support the recovery in foreign reserves.

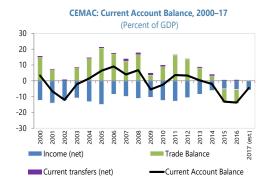
B. Reserves Adequacy

- 4. CEMAC's reserve coverage remains well short of appropriate levels. After falling sharply in the previous years, the reserve coverage stabilized in 2017 at 2.4 months of imports at end-year (Figure 3). This remains, however, far below the benchmark of 5 months of imports considered appropriate for a resource-rich currency union. In the same vein, a cost-benefit analysis indicates that the level of reserves is below the optimal range, which varies between 5 and 12 months of imports, depending on the interest rate differential with the rest of the world. However, one might argue that the optimal reserve level may be lower, considering the guarantee of the French Treasury for the convertibility of the CFA Franc. Further, at end-2017 reserves amounted to no more than 50 percent of the IMF reserve adequacy metric, well below the range of 100–150 percent deemed broadly adequate for precautionary purposes. However, the reserve adequacy assessment looks somewhat more favorable when considering the broad money and short-term liability ratios (respectively 30 and 280 percent, compared to minimum thresholds of 20 and 100 percent).
- 5. Rebuilding reserves buffers in the medium term requires an appropriate policy mix. The reserve coverage is expected to recover gradually in the medium term as fiscal consolidation takes hold and monetary policy is being tightened, while being mindful of growth and financial stability. BEAC reserves reached an inflection point in mid-2017 and increased until February 2018, partly thanks to the disbursement of IMF financing for Cameroon, Gabon and CAR at end-2017, but also reflecting the impact of adjustment efforts. However, reserves appear to have declined during the following 2 months, amid fiscal slippages in Cameroon and Gabon. Even if it is projected to recover strongly by end-year (as these fiscal slippages are addressed and fiscal consolidation efforts continue) and during the subsequent years, the medium-term reserve coverage would remain somewhat lower that what is deemed as adequate for a resource-rich currency union, thus leaving the region vulnerable to adverse external shocks.

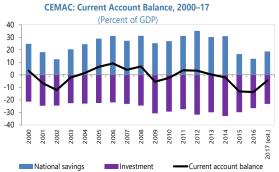
³ Dabla-Norris, E., J, .I. Kim, and K. Shorono, "Optimal Precautionary Reserves for Low-Income Countries: A Cost-Benefits Analysis", IMF Working Paper 11/249, 2011.

Figure 2. CEMAC: External Sector Developments, 2000–17

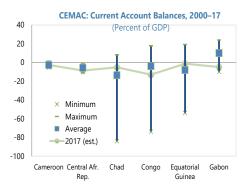
The regional current account balance has improved - reflecting the evolution of trade balance and ...



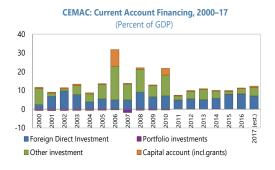
... a slowdown of investment...



... in most CEMAC countries.



Foreign direct investment constitutes a stable source of external financing, although loans have been decreasing.



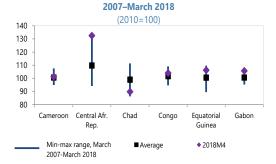
The regional real effective exchange rate has appreciated reflecting the appreciation of the euro...

CEMAC: Real and Nominal Effective Exchange Rates, 2009-March 2018

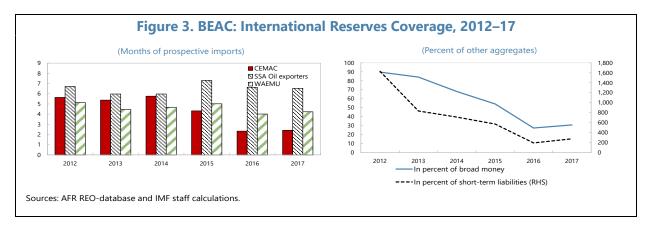


...while inflationary pressures remain subdued in most CEMAC countries.

CEMAC: Real Effective Exchange Rate of CEMAC Countries,



Sources: CEMAC authorities; International Financial Statistics (IFS); and IMF staff calculations.



C. Exchange Rate Assessment

6. The assessments of the 2017 current account and real effective exchange rate (REER) suggest a moderate overvaluation from fundamentals. After being broadly stable in 2016 and during the first half of 2017, the REER appreciated by about 4 percent year-on-year in April 2018, reflecting mainly a strengthening of the euro with respect to the US dollar. Two standard approaches have been used to assess the external position of the CEMAC region. The first approach

is the EBA-Lite's Index Real Effective Exchange Rate (IREER), for which the comparison of the fitted IREER and the norm indicates a modest undervaluation of 5 percent in 2017, however the model does not fit the evolution of the REER very well. The second and preferred approach is the EBA-Lite's Current Account model, which compares the underlying current account balance with the model-estimated current

External Sector Assessment Results	
Implied over(+)/under(-) valuation (percent)	
REER Model	-5.2
Current Account (CA) model	16.6
Memorandum items (percent of GDP)	
2017 CA estimation	-4.5
CA norm	-0.5
CA gap	-4.0
o/w Policy gap	-1.1
Source: IMF staff estimates.	

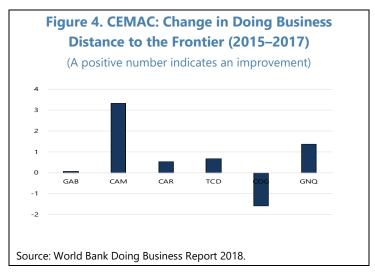
account norm. This model suggests an overvaluation of 16.6 percent, with the 2017 current account balance estimated at -4.5 percent of GDP against a norm of -0.5 percent of GDP (assuming an elasticity of the current account to REER of -0.24).⁴ The external position is therefore assessed to be weaker than implied by fundamentals and desirable policies.⁵ To address this weaker external position, a combination of policy actions will be required, including: fiscal adjustment as envisaged under the IMF-supported programs with CEMAC members to dampen aggregate demand and imports; and structural reforms to strengthen the business environment, governance, and productivity to help support investment and exports (see following section).

⁴ The norm was estimated by aggregating inputs by country, with weights based on GDP (PPP) for economic indicators and population for demographics.

⁵ Desirables policies are based on projections in 2022 and defined as follows: (i) accumulation of reserves equal to 1.3 percent of GDP per year, (ii) a fiscal deficit equal to 0.6 percent of GDP, and (iii) a private credit-to-GDP ratio equal to 15 percent.

D. Structural Competitiveness

- 7. According to the World Bank "Doing Business Indicators", CEMAC countries continue to underperform relative to comparable countries, indicating ample room for strengthening the business environment. It is widely recognized that weaknesses in the business environment, reflected in the relative low scores of CEMAC countries, undermine private sector growth and job creation, which are needed to reduce reliance to public spending-led growth and tackle poverty in a durable manner. Specifically:
- Looking at the overall doing business ranking, CEMAC countries lag peers in the West African Economic and Monetary Union (WAEMU) region, while being comparable to SSA oil exporters. Progress from 2015 to 2017 in doing business ranking was uneven across CEMAC countries, as Cameroon achieved some progress while other countries showed little progress or even a deterioration in the quality of business environment (Figure 4).6 The weak performance of CEMAC countries spans across the different sub-components of the overall doing business indicators, with the more pronounced impediments to business in the areas of starting a business, getting electricity, enforcing contracts and trading across borders (Figure 5). Further, the lack of adequate infrastructure and reliable energy supply remains a challenge, and procedures for paying taxes and registering properties continue to be cumbersome.



• Governance indicators also suggest disappointing performance of CEMAC countries. Indeed, CEMAC countries trailed behind their peers in WAEMU and emerging economies according to the World Bank's "Governance Indicators", and has improved in the last 15 years by a smaller margin than in other country groups. Moreover, governance is weaker in CEMAC even after accounting for income per capita levels (Figure 5).

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⁶ Caution is needed when interpreting the results given the small number of respondents, a limited geographical coverage, and standardized assumptions about business constraints and information availability.



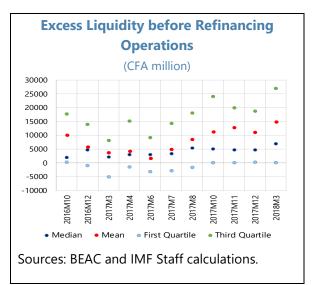
Sources: World Bank Doing Business Report 2018; Worldwide Governance Indicators 2016; and, IMF staff calculations.

¹ SSA oil exporters = Angola, Nigeria, and South Sudan.

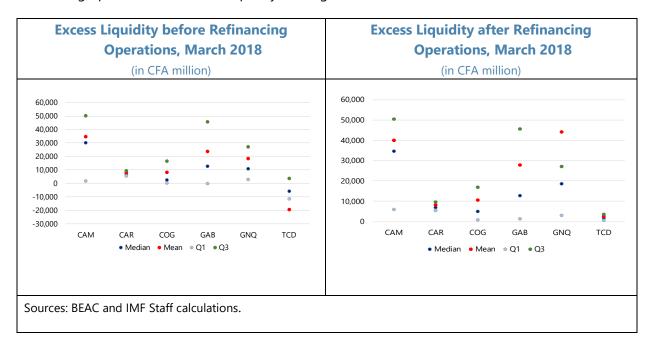
² WGI overall governance indicator is calculated as the simple average of control of corruption, government effectiveness, rule of law, regulatory quality, political stability and voice and accountability. The WGI indicators are perception-based indicators.

Annex II. CEMAC: Excess Liquidity in the Financial Sector

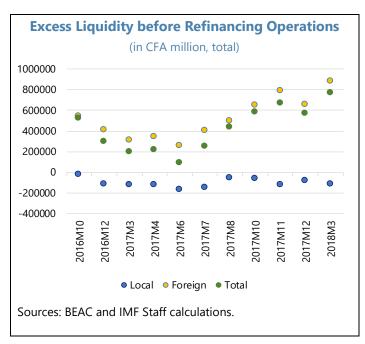
1. High levels of excess liquidity in the financial sector have been an obstacle to the development of the interbank market and therefore to an efficient transmission of BEAC's monetary policy. Before the fall in oil prices, excess liquidity in the financial sector was mainly due to large financial inflows related to oil exports. Excess liquidity started decreasing in end-2014 and has been picking up since mid-2017. Yet, high aggregate levels of excess liquidity hide significant differences, both across and within countries, reflecting differences in the liquidity situation of foreign and local banks.



2. At end-March 2018, elevated levels of excess liquidity were more significant in Cameroon, Gabon and Equatorial Guinea, whereas banks in Chad, Central African Republic and Equatorial Guinea relied more extensively on BEAC's refinancing operations to address liquidity shortages



3. In the region, recent increases in excess liquidity mainly reflect foreign banks' excess liquidity situations. On average, local banks have been characterized by negative levels of excess liquidity (before refinancing operations) whereas foreign banks have shown high levels of excess liquidity. Both groups have seen an increase in excess liquidity since in the second part of 2017, but to very different extents. For foreign banks, the rise in excess liquidity has been very steep whereas it has been much more subdued for local banks.



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

June 15, 2018

Madame Christine Lagarde Managing Director International Monetary Fund 700 19th Street, NW Washington, DC 20431 United States

Object: Follow-up to the letter of support to the recovery and reform programs undertaken by the CEMAC Member Countries

Ms. Managing Director,

As I had done in my letter dated November 30, 2017, I again wanted to inform you about the state of implementation of the measures to which the Bank of Central African States (BEAC) and the Central African Banking Commission (COBAC) had committed to support the economic recovery and reform programs undertaken by the member states of the Economic and Monetary Community of Central Africa (CEMAC), and the steps that both institutions intend to take for that purpose in the coming months.

As you know, our commitments were mainly in the areas of monetary policy, the removal of statutory advances, the reform of the monetary policy framework and of its implementation, and the strengthening of the banking sector. I am pleased to be able to report to you today the significant progress made in each of these areas.

Thus, the tightening of monetary policy and the strict enforcement of foreign exchange regulations, combined with the fiscal adjustment efforts undertaken by the member states, contributed to a clear recovery of the external accounts, which translated into the stabilization of BEAC's foreign exchange reserves. In addition, the BEAC finalized and adopted in its charter in March 2018 the removal of statutory advances, which represents a substantial step forward in terms of monetary policy and of discipline in the management of the public finances in the region. Finally, BEAC continued to reform the monetary policy framework and its implementation, notably through: (i) operationalizing the emergency liquidity assistance system; (ii) allowing the use of the repo operations in interbank transactions; (iii) simplifying the required reserves' coefficient structure and increasing the coefficients, which both resulted in an overall increase in required reserves; (iv) dropping the rule establishing a refinancing objective for each country; (v) reforming the collateral framework for BEAC's bank refinancing operations to better reflect the risks associated with each state by adopting in March 2018 a new discount system on government securities in substitution of the 35-percent

ceiling rule on the refinancing of public securities; and (vi) developing the calibration of monetary policy operations on the basis of autonomous liquidity factors forecasts, in support of the introduction of a multi-interest rate auction system for BEAC's interventions. In this way, the entry into force of the monetary policy operation framework will be effective by end-2018 following the formal set-up of an interest rate corridor and the use of a new accounting scheme for recording monetary operations.

We intend to pursue in the coming months our efforts to support the recovery programs of the region's member states. In particular, the BEAC will continue to act, as part of its mandate and with its instruments, for the recovery of the level of foreign exchange reserves, consistent with the projections for net foreign assets accumulation specified below. In this regard, BEAC's monetary policy will remain guided by this objective and a reform will aim at modernizing our foreign exchange regulations. Thus, a draft revised foreign exchange regulation will be submitted by end-2018, after consulting IMF staff, to the UMAC ministerial committee for adoption. The new regulation will seek to strengthen the provisions relating to export receipts repatriation and the powers of BEAC and COBAC to better enforce these regulations, in order to support the centralization of foreign exchange reserves at the BEAC and limit as much as possible transactions not in line with regulations.

Furthermore, the BEAC will continue to provide foreign currency to banks without undue delays for legitimate and well-documented transactions, after the usual required controls. The BEAC also reaffirms its constant commitment to implementing the remaining priority safeguards recommendations.

As a result of these measures, and of the member states' IMF-supported fiscal consolidation programs together with the development partners' budget support, projections derived from CEMAC countries' program frameworks indicate that BEAC's net foreign assets, relatively to their end-2017 level of euro 3.2 billion, would decline by euro 0.1 billion by end-June 2018 (due to recent fiscal slippages in some CEMAC countries), but increase by a cumulative euro 0.6 billion by end-December 2018, and by a cumulative euro 1.2 billion by end-2019. BEAC recognizes the crucial nature of rebuilding its external assets to ensure the external sustainability of the region and of each of CEMAC member country. Achieving these NFA accumulation projections will, however, depend on the satisfactory implementation of the fiscal adjustment programs and other national policies by CEMAC countries (the convention governing the Central African monetary union notes the responsibility of member states for ensuring a positive level of regional foreign exchange reserves). It will also depend on the disbursement of budget support pledged by our international partners and other exceptional external financing as expected at euro 0.5 billion in the first half of 2018, euro 2.3 billion in 2018 as a whole, and euro 1.9 billion in 2019, as well as on other factors outside the control of the BEAC, such as the international outlook and fluctuations in oil prices and the speed of entry into programs of the Republic of Congo and Equatorial Guinea. In case of deviations from the above NFA accumulation projections and if requested by IMF staff, the BEAC stands ready to use all the monetary policy tools within its jurisdiction while taking into account the risks related to financial stability, and to participate in joint consultations with IMF staff and the authorities of

CEMAC member countries in order to identify and adopt additional corrective measures that would be deemed necessary at national and/or regional policy levels to allow the continuation of (or approval of new) IMF financial support as part of the IMF's engagement with CEMAC members.

For its part, the COBAC continued its efforts to strengthen the situation of the banking sector, in particular through the modernization of its penalties system, a stricter application of certain supervisory rules, and an intensification of its efforts to resolve banks in difficulty. It has also issued numerous regulation to better supervise the microfinance sector. Moreover, the General Secretariat of COBAC will continue to implement its action plans aimed at correcting the most important vulnerabilities of the CEMAC banking system. It will also prepare by the end of the year a strategic plan for 2019–21, which will include the continuation of the implementation of risk-based supervision, the strengthening of the fight against money laundering and financing of terrorism, and the modernization of certain prudential rules.

Furthermore, BEAC and COBAC will pursue their efforts to facilitate the close monitoring of developments, and will continue to work closely with IMF staff to support the regional strategy.

Finally, for all purposes, I authorize the IMF to make a legal and pertinent use of this letter, notably to publish it.

Remaining fully available to work alongside the IMF and CEMAC's member states for the restoration of the latter's macroeconomic balances, I ask you to accept, Ms. Managing Director, the expression of my highest consideration,

/s/

ABBAS MAHAMAT TOLLI