



CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

June 2024

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

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 25, 2024, following discussions with regional institutions that ended on May 14, 2024. Based on information available at the time of these discussions, the staff report was completed on June 10, 2024.
- A **Statement by the Executive Director**.

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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

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

June 10, 2024

EXECUTIVE SUMMARY

Context and risks. The CEMAC's economy lost some momentum in 2023 and the external position deteriorated somewhat, while inflation cooled but remained high. Updated statistics revealed a much more deteriorated fiscal situation than originally estimated. The near-term outlook is one of continued recovery, with growth projected at 3.6 percent in 2024, reflecting still-high oil prices and a strong rebound in oil output. In the medium term, however, sustained growth projected at the regional level masks divergences across the region, with weaker economic performance in countries with no program or off-track Fund-supported programs. In the absence of decisive corrective actions, and with current policies unchanged, fiscal and external imbalances are set to widen in the medium term, threatening to reverse reserve accumulation and add to financial stability risks.

Policy Recommendations:

Fiscal policy. Decisive corrective policies are warranted to address the sustained fiscal slippages and return to fiscal prudence. Continued fiscal consolidation efforts will require improving non-oil tax revenue collection and enhancing spending efficiency. Renewed concerted regional efforts are needed to address fiscal imbalances to preserve the region's external stability.

Monetary policy. BEAC should resume its regular refinancing operations to alleviate growing liquidity pressures in the banking system, and continue efforts to address fragmentation within the banking system. It should also remain vigilant and ready to resume policy rate hikes should inflationary pressures persist, or external reserves deviate from the targeted path.

Financial sector policy. Priorities include addressing COBAC's supervisory capacity constraints; strictly enforcing regulations for non-compliant banks; triggering resolution of non-viable banks; tackling liquidity-stressed ones; avoiding further delays in bank recapitalization by governments when needed; ensuring banks adequately account for sovereign exposure by moving away from the systematic zero risk weights on government exposures; and monitoring emerging risks from new digital payments.

Structural reforms. To boost potential output, faster progress is needed on strengthening AML/CFT, governance, and regulatory policies, as well as improving human capital, the business climate, the rule of law, financial inclusion, and regional infrastructure.

Regional strategy. Reaffirm the member states' political commitment to the regional strategy to contribute collectively to adjustment and financial sector stabilization in the region.

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

Discussions were held in-person during April 29–May 3, 2024, in Libreville (Gabon), and May 6–14 in Yaoundé (Cameroon). The Staff team comprised Ms. Verdier (head), Messrs. Tapsoba, Bizimana, Orav and Ms. Tiedemann (all AFR); Mr. Sangare (MCM); and Ms. Atencio De Leon (SPR). It was assisted by Messrs. Gomez (Resident Representative in Gabon), and Messrs. Nzebi and Ambassa (local economists in Gabon and Cameroon, respectively). Mr. Lluís Dalmau Taulés (AFR) supported the mission from headquarters. Mr. Nguema Affane (OED) participated in the meetings. The mission held discussions with Mr. Yvon Sana Bangui, Governor of the Central Bank of Central African States (BEAC) and Chairman of the banking commission (COBAC); Mr. Baltasar Engonga Edjo, President of the CEMAC Commission; Mr. Michel Dzombala, Vice-Governor of the Central Bank of Central African States (BEAC); Mr. Miguel Engonga Obiang Eyand, Mr. Maurice Christian Ouazin, outgoing Secretary General of COBAC; Mr. Marcel Ondele incoming Secretary General of COBAC; Ms. Jacqueline Adiaba and Mr. Louis Banga Ntolo, Head of the capital markets regulator (COSUMAF) and the regional stock exchange (BVMAC), respectively; Prof. Djiena Wembou (Permanent Secretary of CEMAC’s Economic and financial Reforms Program (PREF-CEMAC)); senior officials of BEAC, the CEMAC Commission, and COBAC; as well as with representatives of the banking sector. This report was prepared with Ms. Adjahouinou’s assistance.

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

CONTENTS

BACKGROUND AND RECENT DEVELOPMENTS	5
A. Background	5
B. Recent Economic Developments	6
OUTLOOK AND RISKS	11
SAFEGUARDING MACROECONOMIC STABILITY AMID GROWING IMBALANCES	16
A. Rebuilding Fiscal Buffers to Enhance Resilience to Shocks	16
B. Strengthening Monetary Policy Transmission and Preserving Price and External Stability	19
C. Safeguarding Financial Stability Amid a Deteriorated Outlook	23

D. Enhancing the Regional Surveillance Framework	27
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ACCELERATING STRUCTURAL REFORMS TO BOOST POTENTIAL OUTPUT	28
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MONITORING OF REGIONAL POLICY ASSURANCES	29
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STAFF APPRAISAL	31
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FIGURES

1. Selected Economic Indicators, 2010–24	34
2. Selected Economic Indicators, 2011–29	35
3. Recent Monetary Developments	36

TABLES

1. Selected Economic and Financial Indicators, 2018–29	37
2. National Accounts, 2018–29	38
3a. Fiscal Indicators of Central Governments, 2018–29, (Percent of GDP)	39
3b. Fiscal Non-oil Balances, Central Governments, 2018–29 (Percent of non-oil GDP)	40
4a. Balance of Payments, 2018–29, (Billions of CFA Francs)	41
4b. Balance of Payments, 2018–29, (Percent of GDP)	42
5. Monetary Survey, 2018–29	43
6. Compliance with Convergence Criteria, 2018–29	44
7. Summary Accounts of Central Bank, 2018–29	45
8. Net Foreign Assets of the Central Bank, 2018–29	46
9. Program Countries: External Financing Sources, 2017–24	47

APPENDIX

I. Follow-up to the Letter of Support to the Recovery and Reform Programs Undertaken by the CEMAC Member Countries	48
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BACKGROUND AND RECENT DEVELOPMENTS

A. Background

1. The CEMAC economy lost some steam in 2023, and the outlook is uncertain amid growing fiscal and external imbalances. Economic activity decelerated in 2023, and the external position weakened somewhat, although foreign reserves remained steady at around 4 months of prospective imports, still below adequate levels (5 months). Domestic inflation is cooling only slowly, remaining well above the regional convergence criterion. The continued easing in global financial conditions could provide some respite. However, persistent fiscal slippages and reform delays in some member countries threaten to hinder the progress toward enhanced economic diversification and resilience. Immediate corrective actions, a well-calibrated policy mix and strengthened prudential supervision are of the utmost importance to safeguard macroeconomic and financial stability.

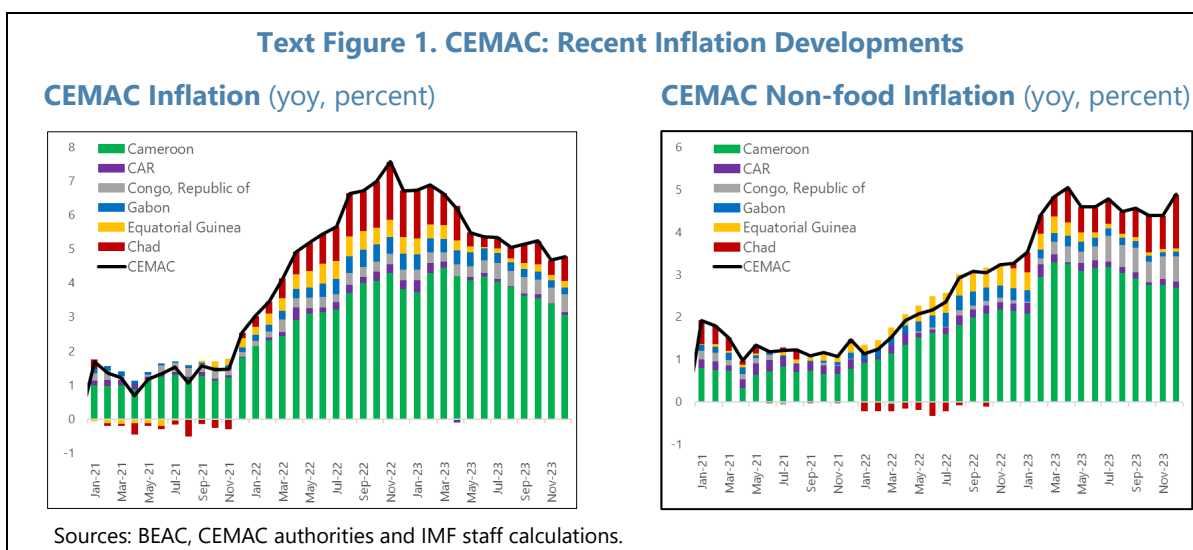
2. Regional economic and financial reform plans remain framed around the agenda set out by the August 2021 Heads of State (HOS) summit. The Permanent Secretariat of CEMAC's Economic and Financial Reforms Program (PREF-CEMAC) highlighted continued progress in the implementation of PREF-CEMAC's action matrix, with a 62 percent execution rate in 2023Q4, slightly up from 59 percent in 2023Q3, albeit indicating the potential for acceleration. Specifically, further efforts are needed to develop attractive financial products to diversify the investor base and foster the development of a secondary market in government securities. The business plan of the company set to manage the single central depository for government securities was adopted in January 2023, while its full operationalization was rescheduled for end-2024. Progress was made on economic diversification, with the establishment of local industries (agro-industry, textile-cotton-manufacturing, wood, and construction), which will boost productivity and potential growth. The elaboration of a draft regional industrial policy, an increase in the Development Bank of the Central African States (BDEAC) guarantee fund, and strengthened coordination between banks and business associations to help finance SMEs are also underway. In addition, there has been some progress on financial inclusion, with the adoption of a regional financial inclusion strategy in December 2023. Progress was also made on social protection, with the roll-out of social safety nets in some member countries. Additionally, the regional strategy on public procurement, along with the PPP-related legal and institutional framework, were also adopted in February 2024. Various PFM regional directives, accompanied by related didactic manuals, were also endorsed in November 2023. Similarly, directives focusing on tax policy and administration (October 2023), and on deepening regional trade integration were also adopted. However, there were delays on endorsing or implementing regional PFM and tax directives (roll-out of treasury single accounts; budget and internal controls; debt management and arrears clearance strategies; etc.).

3. Progress on Fund-supported programs in some countries has stalled, with delays in completing several reviews, which has further clouded the outlook. Reviews on ongoing programs with Cameroon and Congo were completed in December 2023. In addition, a Resilience and Sustainability Facility (RSF) arrangement for Cameroon was approved in January 2024. C.A.R.

completed the first review of its ECF arrangement in October 2023. However, the third review of Chad’s program has been delayed because of time needed to correct fiscal slippages and address weak banks, and the program is likely to lapse in June 2024. The IMF’s Executive Board concluded Gabon’s Article IV consultations in May 2024, noting an outlook clouded with the uncertainty associated with the ongoing political transition adding to the pre-existing setbacks associated with recurrent external debt arrears, fiscal slippages, and slow progress on structural reforms. Its program is set to expire in June 2024 without additional reviews. Discussions on a Staff Monitored Program (SMP) with Equatorial Guinea are ongoing, laying the ground for a potential financing arrangement subject to satisfactory SMP performance.

B. Recent Economic Developments

4. Economic activity is estimated to have moderated in 2023, mainly due to lower hydrocarbon production. After strong economic growth in 2022, real GDP growth is estimated to have decelerated to 2.1 percent in 2023, driven by a contraction in hydrocarbon production and a moderation in non-oil growth (see Table 1).¹ Inflation more than doubled in 2022, peaking in the second half of the year, before slowly receding to 4.7 percent y-o-y in December 2023 (Text Figure 1). In addition, based on BEAC’s preliminary data from releases for four countries, inflation continued to decline in the first quarter of 2024.



5. New data and statistical revisions reveal that fiscal balances deteriorated more than originally estimated. The non-oil primary fiscal deficit (incl. grants) was much larger than originally estimated at 7.9 percent of non-oil GDP in 2023 (instead of 6.6 percent of non-oil GDP), slightly narrowing from 8.6 percent of non-oil GDP in 2022. This masks heterogeneity across countries, with widening non-oil fiscal deficits in half of the member states. The overall fiscal balance (excl. grants) is estimated to have turned into a deficit of 0.5 percent of GDP in 2023 from a surplus of 2.0 percent of

¹ It should be noted that data for 2023 and projections reflect partly the historical data revisions in some member states.

GDP in 2022, mainly owing to large fiscal slippages in Gabon, Equatorial Guinea, and Chad, but also reflecting new data and statistical revisions. The public debt-to-GDP ratio is estimated to have inched up from 51.8 percent in 2022 to 53.5 percent in 2023, driven by large increases in Gabon, in part owing to higher debt service with the continuous increase in the cost of sovereign issuances and newly uncovered payment arrears (including newly recognized domestic arrears in Congo). Thus, debt vulnerabilities remain elevated in most member states (Text Table 1).

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

		Risk of external debt distress	Overall risk of debt distress	Granularity in risk rating
Cameroon ¹	2018: Pre shocks	High	High	Sustainable
	2023: Post shocks ¹	High	High	Sustainable
CAR ¹	2019: Pre shocks	High	High	Sustainable
	2023: Post shocks	High	High	Sustainable
Chad ¹	2019: Pre shocks	High	High	Sustainable
	2022: Post shocks	High	High	Sustainable
Republic of Congo ^{1,2}	2019: Pre shocks	in debt distress	in debt distress	Unsustainable
	2023: Post shocks	in debt distress	in debt distress	Sustainable
Equatorial Guinea ^{3,4}	2019: Pre shocks	N/A	N/A	Sustainable
	2022: Post shocks	N/A	N/A	Sustainable
Gabon ^{3,4}	2019: Pre shocks	N/A	N/A	Sustainable
	2024: Post shocks	N/A	N/A	N/A

Note: Risk levels follows latest published SR.

¹ Cameroon's DSA was published in December 2023, SR 24/51. CAR's DSA was published in October 2023, SR 23/362. Chad's DSA was published in December 2022, SR 23/7. Republic of Congo's DSA was last published in December 2023, SR 24/2.

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

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

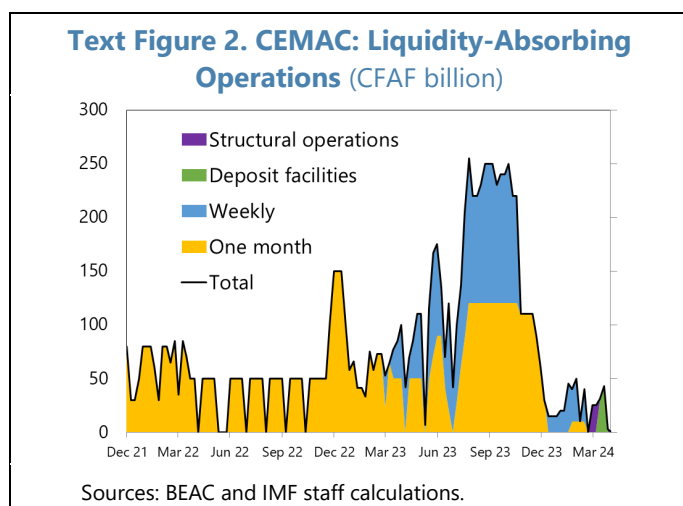
⁴ Risk assessment in Eq Guinea dates from August 2022, SR 22/267. Risk assesment in Gabon dates from April 2024, SR 24/120.

6. Liquidity conditions have tightened in recent months, with the interbank interest rates hovering well above the main policy rate (Tender Interest Rate or TIAO) and an increasing number of banks continually borrowing from the marginal lending facility. At the March 2024 meeting, BEAC's Monetary Policy Committee (MPC) left the policy rate unchanged at 5 percent for the fourth time in a row, after having raised it by a cumulative 175 basis points between November 2021 and March 2023. The marginal lending facility rate remained unchanged at 6.75 percent, keeping the 175-basis point corridor. With the discontinuation of BEAC's weekly liquidity injections at the beginning of March 2023, the changes in the average outstanding liquidity injections, which dropped from about CFAF 925 billion in December to about CFAF 778 billion in March 2024, mainly stemmed from reduced, albeit considerable, borrowing at the marginal lending facility (standing at about CFAF 644 billion at end-March 2024, down from CFAF 794 billion in December 2023). In fact, an increasing number of banks (extending beyond the structurally liquidity-dependent ones or those unable to borrow in the interbank market) have resorted to recurrently borrowing from the marginal lending facility. Consequently, it has effectively evolved into the primary method for refinancing operations (Text Figure 1). Meanwhile, the interbank market gained some momentum, as the

outstanding volume of activity expanded between December 2023 (CFAF 453 billion) and March 2024 (CFAF 612 billion). The average interbank interest rates have continued to fluctuate in the upper band of the interest corridor, edging closer to the interest rate on the marginal lending facility, hovering around 6.3 percent at end-March 2024 (slightly higher than in December 2023). Overall, the interbank interest rates have increased by about 90 basis points since the discontinuation of the main refinancing operations in March 2023.

7. BEAC has consistently raised the interest rates on its liquidity-absorbing operations, while excess reserves dropped considerably.

The volume of weekly liquidity absorption operations steadily increased until September 2023 (monthly average of CFAF 240 billion), before inching down in the second half of the year (monthly average of CFAF 18 billion in December 2023). However, there was an uptick in early 2024 (monthly average of CFAF 28 billion in March 2024) (Text Figure 2). Still, the associated interest rate was further



increased to 1.25 percent in November, from 0.85 percent in September 2023, but remained unattractive for banks, with continued weak participation.² In addition, BEAC has issued since February 2024 short-term debt securities with maturities of 14 and 28 days at interest rates of 2.5 percent and 3.5 percent, respectively, in order to absorb excess liquidity more effectively.³ Overall, the spread between the interest rates on liquidity-absorbing operations and the TIAO shrank from 420 basis points in November 2023 to 150 basis points in February 2024. Meanwhile, the level of excess liquidity in the banking system has significantly decreased since the start of the year. Excess reserves totaled approximately CFAF 682 billion at the end of March 2024, down from about CFAF 1,042 billion in December 2023.⁴ This decrease follows a downward trend in excess reserves that began in the second half of 2023, after peaking at around CFAF 1490 billion in early July 2023, with a notable acceleration in the decline occurring in early 2024. Additionally, it is worth noting that the majority of excess reserves are held by banks that are not actively involved in the money market (primarily consisting of a small number of subsidiaries of foreign financial institutions). Autonomous factors of banking liquidity increased between December 2023 and March 2024, mainly driven by higher other items net, which offset lower net credit to governments and net foreign assets (NFA).

² The amount of one-month liquidity absorption operations decreased from CFAF 120 billion in September to CFAF 5.8 billion in December 2023. The associated interest rate was raised by 50 basis points to 1.5 percent in November 2023.

³ It should be noted that few banks have participated in the issuances of these BEAC short-term securities so far.

⁴ Excess reserves are the amount of reserves held by banks at BEAC (excluding foreign currency accounts) in excess of the reserve requirements.

8. Several banking sector stability indicators deteriorated in the fourth quarter of 2023.

Overall capital adequacy declined to 11.8 percent at end-2023, with several banks being severely undercapitalized, or insolvent, highlighting large recapitalization needs. The reported NPL ratio improved to 15.7 percent at end-2023 from 17.7 percent of total gross loans at end-2022 (Text Table 2). Although the short-term liquidity ratio is satisfactory at 176.4 percent as of end-2023, liquidity is segmented, with several banks below 100 percent. Overall, less than one-third of banks comply with all prudential requirements. Banks' total assets grew by 11.6 percent year-on-year in 2023Q4 albeit decelerating from 2023Q2, driven by slowing deposit mobilization. Banks' loan portfolio grew by 8.3 percent during the last quarter of 2023.

9. Bank exposure to the sovereign has remained excessively high. Total exposure (loans and securities) increased from 10 percent at end-2015 to about 31 percent of total assets at end-2023. Several banks have exposure to CEMAC governments above 50 percent, which poses significant risks to financial stability, including through possible cross-country contagion and banking groups. The significant increase in public sector credit suggests a risk of crowding out effect on the private sector, which could impede economic diversification efforts. The growing sovereign exposure is accompanied by a notable lengthening of securities' maturities (from short-term treasury bills to long-term bonds), and consequently, a maturity mismatch risk as long as banks' liabilities remain dominated by sight deposits. In addition, the liquidity of these securities remains very low in the absence of a dynamic secondary market.

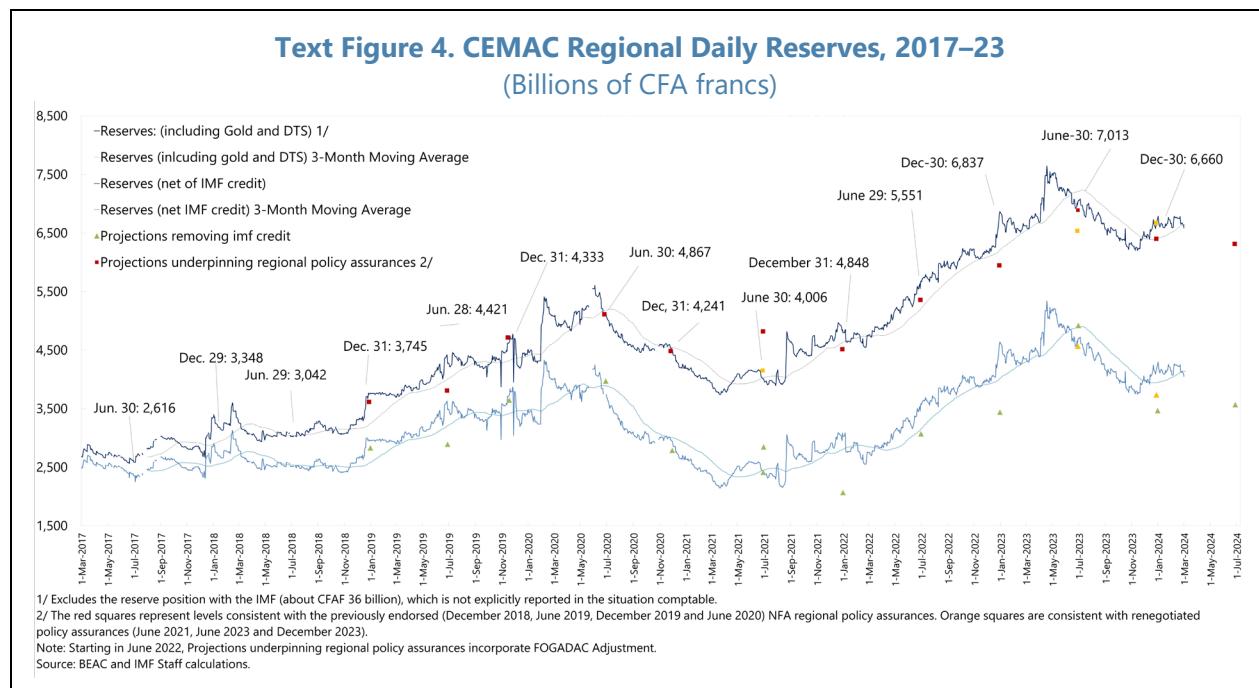
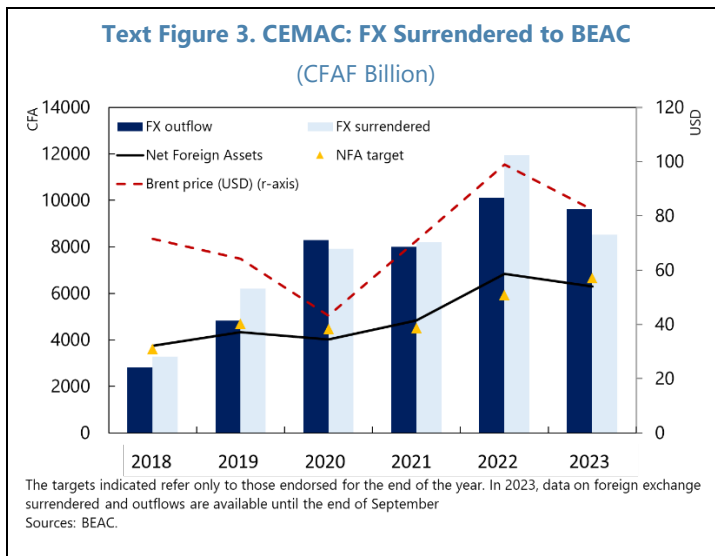
Text Table 2. CEMAC: Financial Soundness Indicators for the Banking Sector, 2017–23
(Percent)

	2017	2018	2019	2020	2021	2022	2023	
							Q2	Q4
Capital								
Regulatory capital to risk-weighted assets ¹	16.1	16.5	13.4	13.2	14.1	14.6	14.1	11.8
Tier 1 capital to assets (leverage)	8.2	7.8	6.5	6.7	6.7	7.2	6.5	5.7
Total assets (growth)	-3.0	6.1	5.1	7.6	19.5	10.5	20.4	11.6
Asset quality								
Non-performing loans (gross) to total loans (gross)	15.7	19.3	19.3	19.2	18.5	17.7	19.1	15.7
Provisions to nonperforming loans	61.2	56.9	58.9	62.8	63.6	62.7	58.5	34.9
Earnings and profitability								
Return on equity	10.0	9.8	8.9	6.0	12.7		16.9	16.1
Return on assets	1.6	1.7	1.6	1.0	2.2		2.3	2.2
Liquidity								
Ratio of liquid assets to short-term liabilities	158.2	163.5	147.2	167.2	171.0	174.6	188.3	176.4
Total deposits to total (noninterbank) loans	102.0	104.6	113.7	115.8	116.1	131.3	138.2	132.9
Liquid assets to total assets	26.2	27.0	25.1	27.7	27.0	30.7	32.1	29.8
Credit								
Gross loan (banks' book) - bn FCFA	8768	9038	8727	9377	10433	11059	11480	11974
Gross loan - annualized (growth)	-2.5	3.1	-3.4	7.4	11.3	6.0	8.7	8.3
Other								
Foreign-currency-denominated loans to total loans	3.0	2.1	0.8	0.5	0.3	0.2	0.2	0.05
Foreign-currency-denominated liabilities to total liabilities						5.4	6.8	6.5

Source: Banking Commission of Central Africa (COBAC).

1. Calculated according to the Basel I guidance.

10. A weakening of the external position slowed reserve accumulation in 2023. The current account (CA) balance is estimated to have turned into a deficit of 0.6 percent of GDP in 2023, from a surplus of 3.6 percent of GDP in 2022, mainly stemming from lower hydrocarbon exports. Gross reserves remained unchanged at about 4.3 months of prospective imports in 2023. Preliminary data suggest that the end-December 2023 regional policy assurance on the NFA (EUR 3.91 billion) was met with a wide margin of about EUR 1 billion. Still, overall, the pace of reserve accumulation was subject to high volatility throughout 2023. High frequency data suggests that the higher-than originally expected NFA outturn mostly reflects one-off technical factors and a rebound in FX repatriations—partly by the public sector. It is important to point out that beyond the usual seasonality and one-off factors, after a peak in April 2023, the underlying trend in NFA remains downward, which reflects the weakening external position on account of lower oil prices relative to 2022 but also deteriorating fiscal positions in some countries (Text Figure 4).



OUTLOOK AND RISKS

11. The outlook is uneven across the region and clouded by sustained fiscal imbalances and potential further delays in reform implementation in some member states. In the near term, it is based on the Brent oil price projection from the most recent World Economic Outlook (WEO) staying at a relatively high level (about US\$81/bbl in 2024, after US\$82/bbl in 2023). Real GDP growth is projected to pick up to 3.6 percent in 2024, mainly driven by a strong rebound in oil output. Non-oil GDP is also expected to recover, expanding by 3.7 percent in 2024, up from 2.6 percent in 2023. In the medium term, sustained growth at the regional level is predicated on the implementation of structural reforms geared towards improving governance, the business climate, and access to finance. Pent-up demand from domestic arrears clearance in some member countries, public infrastructure projects resumption, and a resolution of security tensions are also expected to boost medium-term growth. However, the aggregate development masks divergences across the region in the medium term, with weaker economic performances in countries with currently off-track Fund-supported programs (and nonprogram countries).

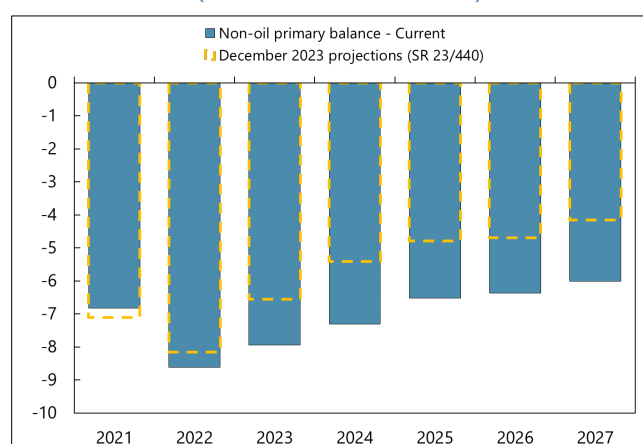
12. Inflation is projected to remain broadly unchanged at 4.7 percent by end-2024.

The expected relative stabilization reflects the cooling effects of policy tightening on economic activity and declining global food prices, which are partially offset by energy-related inflation from phasing out fuel subsidies in some member states as well as climatic factors (floods, droughts) and additional demand pressures from large influx of Sudanese refugees in Chad. Yet, various price controls on essential food items still represent upside risks to the inflation forecast, should possible funding constraints force their removal. Inflation is expected to return to the regional 3 percent convergence criterion by 2026.

13. The sustained deterioration in the regional underlying fiscal position is not fully reversed in the medium term.

The non-oil primary fiscal deficit including grants (NOPFD) is projected to improve by 0.6 percentage points to 7.3 percent of non-oil GDP in 2024, reflecting the projected increase in non-oil revenue collection and some streamlining of government spending (including net savings from fuel subsidy reforms). The NOPFD is projected to improve by about 2.5 percentage points of non-oil GDP between 2023 and 2029, on account of structural revenue and expenditure measures (Text Figure 5). Still, underlying fiscal positions in some member states are expected to remain weak in the medium term (Table 3b). In particular, the NOPFD is projected to

Text Figure 5. CEMAC: Non-oil Primary Fiscal Balance
(Percent of non-oil GDP)



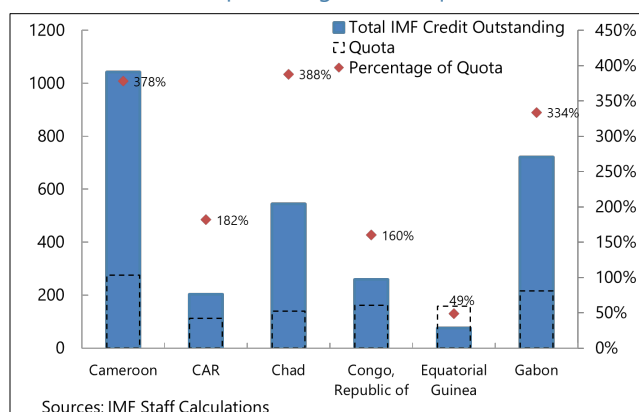
Sources: Authorities and IMF staff calculations.

remain at high levels in Equatorial Guinea (-15.8 percent of non-oil GDP), Gabon (-12.5 percent of non-oil GDP) and, to a lesser extent, in Chad (-4.6 percent of non-oil GDP) in 2029. The region's overall fiscal deficit (excluding grants) is projected to slightly worsen from 0.5 percent of GDP in 2023 to 1.0 percent of GDP in 2024 (Table 3a) —mainly driven by larger fiscal slippages than initially anticipated. Public debt is projected to fall to around 51.7 percent of GDP in 2024 from 53.5 percent of GDP in 2023. The public debt-to-GDP ratio is expected to decline to about 47 percent over the medium term but remains higher than previously projected. Gabon is an outlier: public debt is expected to hover around 100 percent of GDP in the medium term, partly reflecting newly uncovered payment arrears and persistent fiscal imbalances. Overall, debt dynamics remain vulnerable to negative oil price shocks, calling more than ever for persevering with fiscal consolidation, or urgent corrective actions for countries with off-track IMF-supported programs.

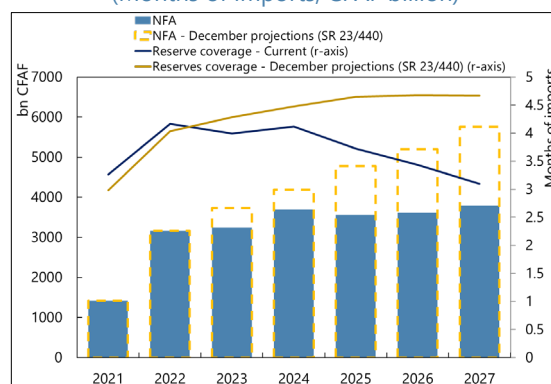
14. The external position is expected to weaken over the medium term.

The CA deficit is projected to slightly deteriorate from 0.6 percent of GDP in 2023 to 1.0 percent of GDP in 2024. The deterioration mainly reflects a decline in exports, and lower income and transfer balances. The CA balance is expected to gradually weaken to about -1.9 percent of GDP over the medium term (slightly above its historical average), mainly on account of lower hydrocarbon export receipts and production. Most countries are expected to experience a CA deterioration in the medium term, except for Cameroon and CAR. Net capital inflows are expected to partly offset this deterioration, cushioning the fall in foreign reserves over the medium term, through lower debt external repayments from 2024 onwards (mostly by Congo and Chad) and sustained high levels of FDI. Timely completion of Fund-supported program reviews remains critical for catalyzing donor support to strengthen external stability, ensure a more equitable burden sharing across development partners, and diversify the region's financing mix (Text Figure 6). With the Fund's share of external financing

Text Figure 6. CEMAC: Credit Outstanding to the IMF as of end-January 2024
(SDR, percentage of SDR quota)



Text Figure 7. CEMAC: Net Foreign Assets and Reserves Coverage
(Months of imports, CFAF billion)

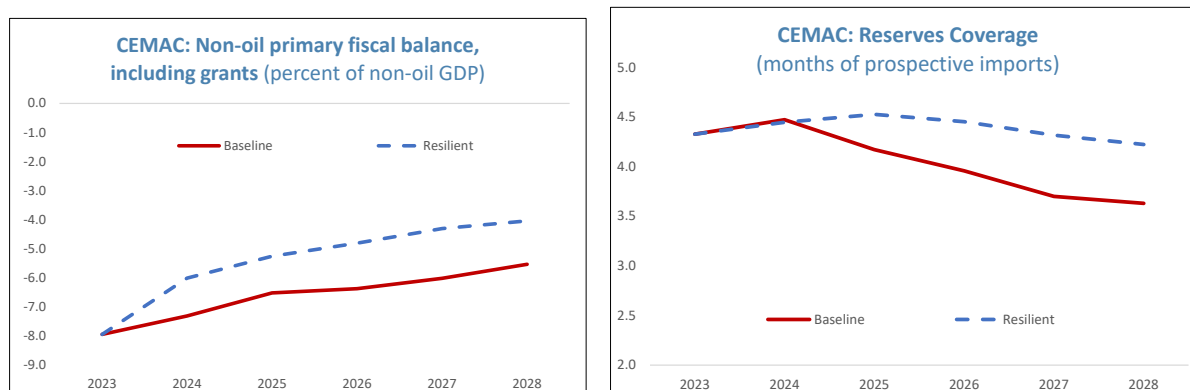


for the region at around 26 percent in 2023 (Table 9), additional financing (grants and highly concessional financing), including in member countries without a Fund-supported program, are necessary to close any residual external financing gap while limiting the impact on existing debt vulnerabilities. The reserve coverage ratio is projected to marginally rise to about 4.5 in 2024 but deteriorate to about 3.6 in the medium term, which is considerably lower than the staff-estimated adequacy target for a resource-rich monetary union (5 months) (Text Figure 7). Against this background, the risks to the capacity to repay the Fund are expected to increase in the medium term.

15. Decisive corrective actions are needed to steer the region towards a resilient outlook.

In an alternative scenario under which Gabon, Equatorial Guinea, and Chad reverse recent fiscal slippages, and recommit to medium-term fiscal consolidation and sustained structural reform implementation, the imbalances would be considerably reduced relative to the baseline scenario (Text Figure 8). In such a scenario, an assumed fiscal adjustment of about 4.7 percentage points of non-oil GDP at the regional level between 2023 and 2028—mainly supported by broader expenditure reduction efforts and, to some extent, enhanced revenue mobilization—would lower public debt to about 42 percent of GDP by 2028 (or 6 percentage points lower than the baseline). The external position would strengthen with an accumulation of foreign reserves to maintain the import cover at about 4 months of prospective imports by 2028 (vs. 3.6 months in the baseline). In addition, Fund review completion by all member states under programs would catalyze donor support, further strengthening external stability of the monetary union.

Text Figure 8. CEMAC: Baseline and Resilient Scenarios

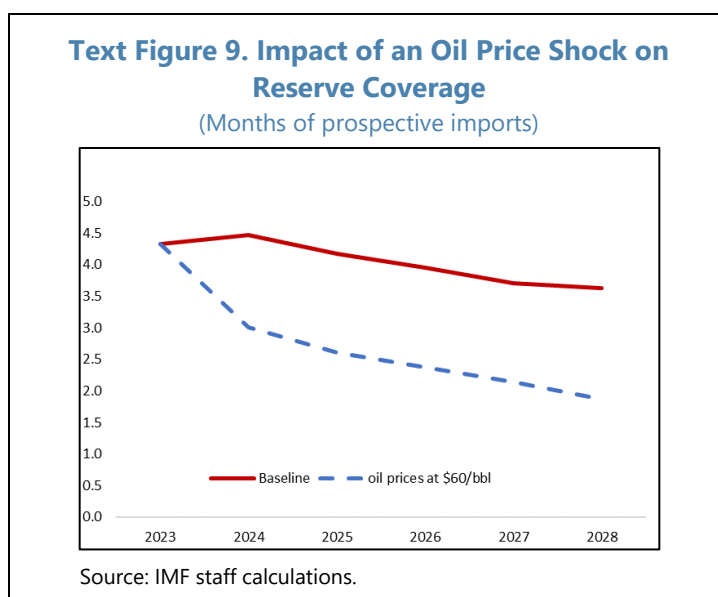


Source: IMF Staff calculations.

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

External Risks

- Commodity prices.* An adverse shock to global commodity prices due to a sharp slowdown in global demand, coupled with the global transition to low-carbon economies, could lower demand for CEMAC exports, adversely affecting public finances, external stability, and social indicators. In an adverse scenario where oil prices drop to \$60/bbl in 2024 and throughout the forecast horizon, reserve coverage would sharply fall to only 1 month of imports by 2028 (Text Figure 9).



- Global financial conditions.* Renewed tensions in global financial markets could affect risk premia and raise debt service and rollover risks. The recent political transition in Gabon could also push its Eurobond yields up. Nevertheless, recent sovereign issuances by sub-Saharan African frontier economies and increased appetite for high-yield assets suggest that the risks of a funding squeeze are less prominent than envisaged a few months ago.
- Geo-economic fragmentation.* An escalation of the geo-economic fragmentation may reduce supply of external concessional financing, adding to the region's budget support shortfalls and slowing external reserve accumulation.

Domestic Risks

- Fiscal policy.* Many of the risks discussed in previous staff reports have materialized—half of the countries have projected deviations from original fiscal targets—but the risk of further slippages remains. Ambitious spending plans in some countries have not yet been incorporated in budget plans and some projected decreases in spending may not materialize. Additional spending pressures could consume the oil windfall, further slow reserve accumulation, heighten debt vulnerabilities, and warrant a more aggressive monetary policy tightening to safeguard price and external stability, with an adverse growth impact. This could also increase governments' rollover and financing risks, especially given the more restricted access to international markets, banks' increasingly low take-up of governments' issuances in the regional securities market, and the nearly depleted 2021 SDR allocations.

In particular, the uncertainty stemming from the political transition in Gabon could compound the existing financing squeeze in the regional market.

- *Socio-political environment.* Political uncertainty, including the recent events in Chad and Gabon, may slow down structural reform momentum, disrupt regional trade and financial integration, and weigh on growth prospects. The same may arise from a persistence or worsening of security challenges in member countries, including owing to potential cross-border security implications of both the ongoing conflict in Sudan—notably the influx of refugees (estimated to have reached about 500,000 in Chad)—and the political crises in the Sahel region, weak governance, as well as significant corruption, and rule of law shortcomings.
- *Cost of living.* Persistently high inflation could weigh on growth, entrench inflation expectations, and threaten food security. This could stoke social tensions and unrest.
- *Financial stability.* The materialization of the above risks, along with uncertainty stemming from elevated global economic uncertainty and political instability, and existing vulnerabilities, including the tight bank-sovereign nexus and high NPLs that could further weaken bank balance sheets and AML/CFT frameworks. This could also exacerbate macro-financial stability risks, including by fueling sudden capital outflows.
- *Structural reforms.* Slow progress on structural reforms and failure to restore fiscal discipline under Fund-supported programs may delay donor support, heighten economic vulnerabilities, and delay growth benefits.
- *Climate risks.* The CEMAC region remains vulnerable to climate-related shocks and natural disasters (floods, drought, etc.), which could be amplified by the absence of a CEMAC-wide adaptation strategy to climate change.
- *Extractive sector.* On the upside, stricter compliance with FX regulations and possible higher oil prices linked to OPEC+ actions could lead to greater repatriation of export proceeds. In addition, reform acceleration could help bolster the region's economic resilience to shocks.

17. Authorities' views. BEAC broadly shared staff's views on the near-term macroeconomic developments and downside risks surrounding the outlook. However, the central bank was more optimistic than staff on the medium-term outlook, with relatively stronger growth driven by non-hydrocarbon activities such as mining, manufacturing, agriculture, and services. GDP growth is projected to accelerate from 3.3 percent in 2024 to about 3.7 percent by 2027. Additionally, BEAC concurred with staff's assessment that inflation remained persistent and risks to price stability were still on the upside. BEAC projects inflation to stay at high levels in the near term, but to recede faster, with headline inflation falling below the 3 percent convergence criterion by 2025. BEAC also forecasts the external position to remain relatively strong, with the current account balance expected to sustain a surplus and only to switch marginally into deficit by 2027, and reserve coverage

improving significantly to reach about 5 months of imports. The relative resilience of the external sector is partly attributable to more optimistic assumptions on fiscal adjustments across the region.

SAFEGUARDING MACROECONOMIC STABILITY AMID GROWING IMBALANCES

18. Discussions centered on policy priorities to safeguard macroeconomic and financial stability, amid growing fiscal and external imbalances. Given the deteriorated regional economic outlook, the expected moderation in oil prices, and persistent domestic inflation, amid heightened uncertainty about the global environment, CEMAC policymakers should focus on policies to reverse the recent fiscal slippages and prevent the build-up of imbalances. They should prioritize restoring fiscal prudence and discipline, controlling inflation, and strengthening prudential supervision, while sustaining growth and protecting the vulnerable.

A. Rebuilding Fiscal Buffers to Enhance Resilience to Shocks

19. Tackling recurrent fiscal slippages and restoring fiscal prudence are critical for enhancing resilience to potential shocks and reversing the projected decline in reserve accumulation. Staff underscored that member states having experienced large imbalances recently will need to undertake more efforts. Indeed, in a long run perspective, the needed green transition to a low-carbon world economy casts a shadow over the future of the oil industry, and hence the oil revenue stream. This long-term trend, in addition to the uncertainty linked to oil market volatility, highlights the urgency to accelerate external and fiscal buffers build-up before the tailwinds from favorable oil prices dissipate. In light of this elevated uncertainty and increased downside risks to macroeconomic stability, staff called for further efforts to bring policies back in line with the ambitious fiscal consolidation paths consistent with Fund-supported programs and surveillance advice. Robust anti-corruption frameworks would also be important for strengthening fiscal discipline and the efficiency of public spending, particularly in the extractive sector. Sustaining these policies in all member countries is even more important as it will contribute to prevent the projected downward trend in reserve accumulation and reduce the need for a tighter-for-longer monetary policy, while mitigating pressures on governments' budget financing. In addition, debt servicing costs could be reduced by pre-paying BEAC's past statutory advances or paying off expensive debts. For all CEMAC member countries, staff stressed that to be effective, fiscal consolidation should:

- **Bolster non-oil tax revenue mobilization**, to break the link between much-needed priority social and infrastructure spending and hydrocarbon price volatility. The mission reiterated its recommendations to broaden the tax base, step up the fight against tax and customs fraud, and modernize revenue administration⁵, notably by accelerating the implementation

⁵ Improving the functioning of VAT refund systems, including through ensuring the establishment of escrow accounts to secure the availability of funds and streamlining the Public Treasury processes to ensure on time payment of VAT

of e-procedures and mobile tax payments. Policies to broaden the tax base include reviewing of tax incentive regimes and improving governance in tax policy making (for example: adherence to the rule of law, phasing out various tax exemptions, enhancing the progressivity of the personal tax income), and better asserting taxing rights over income from multinationals. Staff also stressed the importance for member countries to swiftly implement the new VAT directive and work closely with the CEMAC Commission to ensure a timely endorsement of the new regional tax directives (tax procedures code, income tax, tax expenditures and customs procedures).⁶ Improved domestic revenue mobilization would also require strengthened revenue administration capacity, including through adopting an ambitious regional domestic revenue mobilization strategy and increased efforts to tackle longstanding understaffing at the CEMAC Commission.⁷

- **Better manage tax compliance risks in the extractive sector**, including by sustaining efforts to gradually strengthen capacity in international taxation and in specific areas (oil, mining, etc.). Staff reiterated its call for member countries to: (i) adopt customs processing of the extractive industry (EI) inputs and outputs, in line with recommendations made in the CEMAC EI customs procedures guide; (ii) set up a dedicated team within the tax administration and ensure it can access third-party information and conduct comprehensive audits of multinational enterprises, free of political interference; (iii) accelerate the digitization of tax and customs procedures for the extractive sector companies and their suppliers and service providers; and (iv) ensure a systematic exchange of information and data between the tax administration, the customs administration, the ministerial authorities and the SOE in charge of the sector; (v) strengthen risk analysis, adopt a compliance improvement plan tailored to the EI sector; and (vi) improve the transparency of the extractive industries, including SOEs, and their suppliers' tax operations and performance.
- **Enhance spending efficiency**, by gradually phasing out inefficient subsidies, while rolling out targeted social safety nets (SSN) to protect the most vulnerable, possibly with donor support. Where SSNs are weak, enhancement of coverage and targeting could leverage existing programs and digitalization to help identify eligible households.⁸ The mission emphasized that the first phases of fuel subsidy reform are steps in the right direction, which should be completed to yield the expected savings over the medium term. Staff also stressed that further savings should be sought from rationalizing other outlays, including the wage bill, non-priority recurrent spending, and costly transfers to SOEs. Similarly, staff called for Ministries of Finance to step up efforts to monitor fiscal risks associated with SOEs, including

refunds, would also help strengthen the neutrality of the tax— ensuring that businesses do not bear the excessive burden of VAT itself.

⁶ Excise taxes on goods (tobacco, alcohol, high sugar content product, petroleum products and motor vehicles) could also bring rapid tax revenues and foster public health. The regional tax procedures code should provide for a mechanism allowing for risk-based differentiated treatment on VAT refund.

⁷ Improved revenue mobilization would also allow for appropriately sequenced reductions in the high level of common external tariffs which impede trade integration and investment.

⁸ The Fund stands ready to provide tailored advice on building and strengthening SSNs as needed.

through systematizing the production of fiscal risk statements in all member countries, with a specific section dedicated to SOEs. In addition, the mission encouraged member countries to tackle the root causes of SOEs' financial woes, which would allow reducing transfers from the budget.⁹ Staff noted that further efficiency gains could also be achieved by conducting or updating Public Investment Management Assessments (PIMA), possibly in combination with Climate Change Assessments (CCA) and accelerating PIMA recommendations implementation.¹⁰

20. Staff underscored that member countries should step up PFM modernization reforms, along with measures to enhance governance, fiscal discipline, and debt management practices. The mission called for a focus on:

- **Debt management strategy.** Staff reiterated that CEMAC low-income member countries should only resort to non-concessional external financing if consistent with safeguarding debt sustainability and debt limits under Fund-supported programs. All CEMAC countries should also enhance debt transparency, particularly on non-guaranteed SOE debt, by avoiding non-transparent collateralized debts, especially natural resource-backed loans. Countries should also reform and deepen domestic debt markets and improve arrears reporting (see below).
- **Arrears clearance and prevention.** Given the slow progress in the settlement of domestic arrears, staff called for member countries to swiftly implement comprehensive domestic arrears clearance and medium-term debt management strategies, in line with Fund-supported programs and surveillance advice. This is especially warranted given that new payment arrears of a large magnitude have been recently uncovered in some member countries, heightening fiscal and public debt sustainability concerns (see ¶15). Staff also stressed the need for enhanced efforts to prevent the resurgence of new arrears, including through enhanced fiscal discipline and alignment of expenditure commitment plans with cash forecasts and procurement plans.¹¹ Similarly, staff noted that improved alignment between expenditure commitment plans, cash forecasts, and borrowing plans, along with enhanced coordination between national treasuries and BEAC, are essential for avoiding persistent external debt arrears in some member countries, which are holding back their performance under Fund-supported programs. Staff also renewed its call for greater transparency and monitoring of arrears. Measures should aim to strengthen in-year tracking of expenditures, with governments reporting the stocks (of outstanding domestic payment arrears, new arrears, and arrears paid) in fiscal reports (monthly, quarterly, and bi-annual budget execution), as well as internal control mechanisms, building on the recently validated

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

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

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

technical guides (internal budget control, cash management and TSA, de-concentration of expenditure commitments and delocalization of financial control, etc.). This requires all expenditure to be recorded in IFMIS at the liquidation stage where arrears arise.

- **Swift deployment of the treasury single account (TSA).** To help ensure a more efficient use of public resources, staff urged BEAC to accelerate the implementation of actions required to operationalize its IT platform (AMS/X solution) aimed at the deployment of the TSA in member states.¹² Staff noted further slippages in the revised timeline which foresaw the platform going live in two advanced pilot countries (Cameroon and Gabon)—and the other member countries subsequently—by 2023Q3. Addressing the remaining technical problems would enable the platform to be put into production at the two pilot sites and the balances of the banks' treasury accounts to be gradually transferred to the TSA at BEAC by the end of December 2024, as rescheduled, and then gradually rolled out to the other four treasuries. This requires signing a standard convention between BEAC and all Treasuries.

B. Strengthening Monetary Policy Transmission and Preserving Price and External Stability

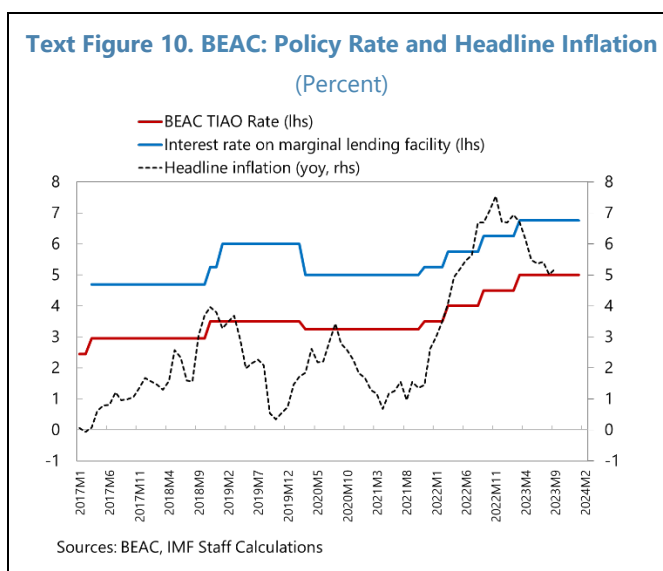
21. The main policy rate remains appropriate at 5 percent, and the temporary tight liquidity conditions should be addressed through a revamping of liquidity injection operations. Staff advised BEAC to resume its regular refinancing operations to alleviate the increased volatility of liquidity conditions in the banking system, which has resulted in tight liquidity, and to continue efforts to address fragmentation within the banking system. Staff recommended that BEAC resume its weekly liquidity-providing operations (the main refinancing operations) at least maintaining the current level of the TIAO. This action is warranted in response to mounting liquidity pressures faced by banks. Indeed, the substantial borrowing witnessed at the marginal lending facility by an increasing number of banks, coupled with the significant decrease in excess liquidity over recent months, suggests a significant tightening of monetary conditions in CEMAC. Staff also underscored that BEAC should conduct its regular lending operations using a fixed-rate full allotment procedure, taking into account market and macroeconomic conditions, to strengthen monetary policy transmission. BEAC in collaboration with COBAC should ensure the strict application of prudential regulations on concentration limits, to ensure that the resumption of active liquidity injections does not lead to a worsening of banks' (already excessive) exposure to sovereign risk. To this end, it is vital to move away from the systematic zero weighting of government securities. To combat liquidity segmentation across banks, staff urged BEAC to tackle weak banks more resolutely, as well as generally strengthen supervision and capital adequacy to build confidence among banks. This action should go in tandem with continued efforts to address the small number of financial institutions that are not participating in the money market. Staff further advised the use of BEAC's short-term debt securities, issued at rates closer to the TIAO, to incentivize increased participation from banks that hold ample excess reserves. Specifically, the mission emphasized the

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

need for BEAC to reassess the conditions associated with these securities to enhance their appeal and foster greater interest from banks.

22. Authorities' views. BEAC concurred that an adjustment of the liquidity management strategy was warranted in CEMAC to address increasing pressures faced by banks. First, it emphasized that it had continued to raise the interest rates on its liquidity-absorbing operations and issued short-term debt securities to mop up excess liquidity more effectively over the past months. Still, it acknowledged the limited success of these actions, with only a few banks regularly participating in these operations. It underscored that these mixed results are mainly due to the limited appetite of banks that hold excess reserves, and partly because of the conditions associated with BEAC's debt securities that make them less appealing. BEAC stressed that, more fundamentally, the high degree of fragmentation in the banking system, with the majority of excess liquidity held by a few banks not actively involved in the money market, complicates monetary policy operations. Second, BEAC agreed with staff's evaluation that the downward trend in excess liquidity over recent months, with a significant acceleration in early 2024, warrants a resumption of regular liquidity injections to ease pressures within the banking system (see details below). Third, it reiterated its commitment to tackle structurally liquidity-stressed banks more resolutely, in coordination with COBAC to build confidence among banks. Lastly, while BEAC was open to issuing short-term debt securities at higher rates to address the few banks that still have ample excess liquidity, the central bank expressed some reservations about a rate too close to TIAO. In particular, BEAC emphasized that the interest rates must be set based on market conditions and ensure that they do not result in a crowding out of liquidity in the interbank market.

23. Monetary policy should remain data-dependent, including timely evaluation of the impact of the normalization of liquidity. Staff renewed its recommendation for BEAC to remain vigilant about inflation risks and to stand ready to hike interest rates again if necessary, while also being mindful of risks to external stability. Additionally, while the resumption of main refinancing operations should ease pressures on liquidity, staff encouraged BEAC to carefully monitor their potential unintended effects, including impacts on the functioning of the interbank market. Staff reiterated that BEAC should stand ready to resume policy rate hikes should inflationary pressures persist, or external reserves start to deviate from the targeted path (reflecting growing fiscal imbalances) (Text Figure 10). Staff also advised BEAC to cut interest rates only when there is tangible evidence that inflation is sustainably receding toward the regional convergence criterion, and that risks to external stability have faded. Maintaining this tightening bias is



warranted, given the projected decline in reserve accumulation. In addition, the risk of inflation becoming entrenched is still high, reflecting heightened uncertainty around global inflationary pressures, broadening domestic price pressures, and the persistence of inflation in CEMAC.¹³ Readiness to tighten further is also justified by possible second-round effects of fuel subsidy reforms, the deterioration in fiscal and external positions in many countries that threaten external stability, and, to a lesser extent, the significant narrowing of the BEAC-ECB policy rate spread relative to its historical average.

24. Authorities' views. BEAC shared staff's assessment that it should stand ready to tighten if needed as risks to price stability and external stability remain elevated. The central bank underscored that the discontinuation of its main refinancing operations has led many banks to rely on the marginal lending facility, creating liquidity tensions within a segmented banking system and still underdeveloped interbank market. Hence, BEAC agreed with staff's recommendation to resume its weekly liquidity injections at the level of TIAO. It noted that the effective interest rates on main refinancing operations would likely be higher due to elevated liquidity demands from banks. However, BEAC expressed concerns about resuming its regular liquidity-providing operations using the fixed rate with full allotment procedure, as this could potentially impact the functioning of the interbank market. More generally, BEAC stressed that the resumption of liquidity injections will be conducted with careful consideration of market dynamics, potential impacts on the interbank market, and macroeconomic conditions. Finally, BEAC reiterated that the BEAC-ECB policy rate spread has little influence on its monetary policy decisions, given its limited impact on capital flows between CEMAC and Euro area markets, reflecting imperfect capital mobility.

25. Staff urged BEAC, in cooperation with COBAC, to continue to engage with banks facing high liquidity needs. Staff stressed that liquidity needs should be tackled swiftly before banks become structurally dependent on BEAC support. Given the continued increase in borrowing at the marginal lending facility, staff encouraged a tightening of BEAC's conditionality for the structurally liquidity-stressed banks that absorb the bulk of its refinancing—including by requesting credible refinancing plans—and, in cooperation with COBAC, considering triggering resolution in case of continued non-compliance. Staff also underscored that, effectively tackling these banks' liquidity woes depends on the governments' ability to find sustainable financing to settle domestic arrears, which is one of the root causes of the affected banks' liquidity stress.

26. Authorities' views. BEAC agreed with staff's advice and reiterated its commitment to continue to engage proactively with liquidity-stressed banks, in collaboration with COBAC, to ensure that they submit credible refinancing plans in a timely manner and are appropriately restructured or recapitalized if needed. BEAC also noted that five financial institutions are deemed structurally dependent on BEAC's refinancing (with only one having submitted a refinancing plan to COBAC).

27. Staff renewed its call for BEAC to contain risks to its balance sheet. Staff continued to stress that BEAC should continue to adjust haircuts on collateral to reflect underlying risks, and

¹³ See Tiedemann, J., O. Bizimana, L. Dalmau, and M. Ambassa. 2024. "Understanding Inflation Dynamics: The Role of Global Shocks in CEMAC". IMF Working Paper No. 2024/055.

provision for potential losses. In particular, staff advised BEAC to apply: (i) its collateral framework in line with risk equivalence (including differential haircuts); (ii) no reserve requirement exemptions; (iii) its funding plan framework in case of a bank's excessive dependence on BEAC's refinancing; and, if needed; and (iv) its emergency liquidity assistance framework with appropriately strict conditionality and enhanced supervisory oversight. Staff also advised BEAC to conduct a bank collateral assessment and ensure the adequacy of collateral effectively available and counterparty balance sheets. Staff recognized that arrears securitization in member countries may help clear domestic arrears, however, it stressed the importance of considering unintended consequences, including weakening fiscal discipline, the growing bank-sovereign nexus, and an excessive build-up of government securities on BEAC's balance sheet through refinancing. Staff also reiterated its recommendation for BEAC to keep monitoring repayments of past statutory advances and the stock of bonds bought in the context of its COVID-related bond purchase program, which started maturing in 2022Q2. Staff also noted that BEAC should monitor its exposure to the regional development bank (BDEAC).

28. Authorities' views. BEAC concurred with staff's recommendation to maintain its approach to adjust haircuts on collateral to reflect risks and set exposure limits by bank and/or country. It emphasized that haircuts are determined in accordance with the current framework, which includes monitoring changes in the credit ratings of CEMAC countries and the joint World Bank/IMF debt sustainability analysis. It also underscored that its current framework enables a comprehensive assessment of all available collateral within the banking system. Furthermore, BEAC noted that its exposure to BDEAC's credit risk on its balance sheet has been steadily decreasing, consistent with the repayments made under the various facilities extended to BDEAC by the central bank.

29. While recognizing the progress made by BEAC on enforcing the FX regulations, staff underscored the scope for further efficiency. Staff called for BEAC to maintain efforts to reduce technical delays, including by continuing the dialogue with banks and businesses and deploying additional resources, if needed, to ensure that FX requests are processed speedily, smoothly, and efficiently. The mission also advised BEAC to intensify its efforts to ensure a more complete, efficient, consistent, and predictable application of the FX regulations, including a closer monitoring of compliance by the public and extractive sectors with the FX repatriation and surrender requirements.¹⁴ Staff urged BEAC to strengthen its capacity to map out FX accounts held abroad by governments, SOEs, and other public entities, possibly with support from the Bank of International Settlements, to ensure greater compliance by the public sector with the FX repatriation requirement. Staff also reiterated the importance of establishing consistency in the application and enforcement of the FX regulation to help build market participants' confidence. Finally, staff encouraged BEAC to continue engaging constructively with the extractive sector to ensure an efficient enforcement of the repatriation of funds dedicated to the rehabilitation of oil sites (RES). The mission encouraged BEAC to continue the discussions with the extractive sector to address the remaining unresolved points, including: (i) the terms and conditions for remunerating escrow accounts attached to the RES funds;

¹⁴ The repatriation and surrender requirement on export proceeds is a capital flow management measure (CFM) under the Fund's Institutional View. The stricter enforcement of this measure (since 2018) is a tightening of an outflow CFM, which continues to be appropriate for ensuring further external reserves build-up.

and (ii) the draft model contract escrow account attached to RES funds constituted in the form of accounting provisions.

30. Authorities' views. BEAC emphasized that the verification and approval process for FX requests have been gradually improving, owing to continued dialogue with banks and businesses. It also reiterated that it is ready to provide additional resources, including more staff, if required. BEAC noted that following discussions held in Paris in July 2023 with the extractive sector regarding the draft model contract of the escrow account attached to the RES funds, it had sent the model contract escrow accounts to the member states. These contracts were initially scheduled for validation and signing by October 21, 2023. However, this deadline was extended to February 15, 2024, during the renewed discussions in November 2023. Nevertheless, as of May 2024, BEAC emphasized that it had not yet received any signed model contract accounts. It stressed that once the agreement has been signed, the RES funds set up before January 1, 2022, are expected to be repatriated to the escrow accounts at BEAC at a rate of at least one third per year from the signature date, and immediately repatriated for those set up after that date. The RES Funds are anticipated to be set up directly into the accounts opened in CEMAC upon the signing of the agreement.

31. Safeguards assessment. The 2022 safeguards assessment found that BEAC maintained strong governance and external audit arrangements, while internal audit and risk management practices needed strengthening. A safeguards monitoring mission took place at end-2023 to follow up on the outstanding 2022 safeguards recommendations, an external quality assessment of internal audit, and the current implementation of the governance framework. The mission's preliminary recommendations include onboarding for new members of senior management and the Board and an enhanced delegation framework for executive decision-making.

C. Safeguarding Financial Stability Amid a Deteriorated Outlook

32. Staff reiterated the urgent need for strong collective action from national authorities and the regional supervisors (BEAC and COBAC) to safeguard financial stability, especially against the background of a deteriorated outlook, and growing fiscal and external imbalances. It recommended the following actions: (i) provide COBAC SG with adequate human and financial resources without delay so it could step up onsite inspections; (ii) rigorously sanction or take supervisory corrective actions when banks are systematically non-compliant with regulations within a short timeframe; (iii) strictly enforce BEAC's refinancing policies for liquidity-stressed banks; (iv) assess the adequacy of non-performing exposures' classification and provisioning rigorously—as well as subsequent potential capital shortages in case of insufficient loan-loss provisioning—by undertaking a comprehensive program of onsite supervision of the credit portfolio of banks (at least for systemically-important banks) using a prioritized and risk-based approach; and (v) accelerate the implementation by national governments of comprehensive domestic arrears clearance and prevention strategy.

33. Staff underlined the importance for COBAC to strictly enforce its regulatory framework for building a resilient and stable regional financial system by avoiding forbearance that

would not be a viable solution for undercapitalized banks. It recommended that COBAC support national authorities in conducting an independent and fair evaluation process of structurally weak and undercapitalized banks with a view of elaborating credible solutions of recapitalization that will make them viable in the medium and long terms. Staff also reiterated that regional supervisors and national authorities should: (i) ensure that undercapitalized banks submit credible medium-term recapitalization plans within a short timeframe and establish a strategy for NPL reduction; and (ii) recapitalize without a delay or resolve weak banks in a timely manner.

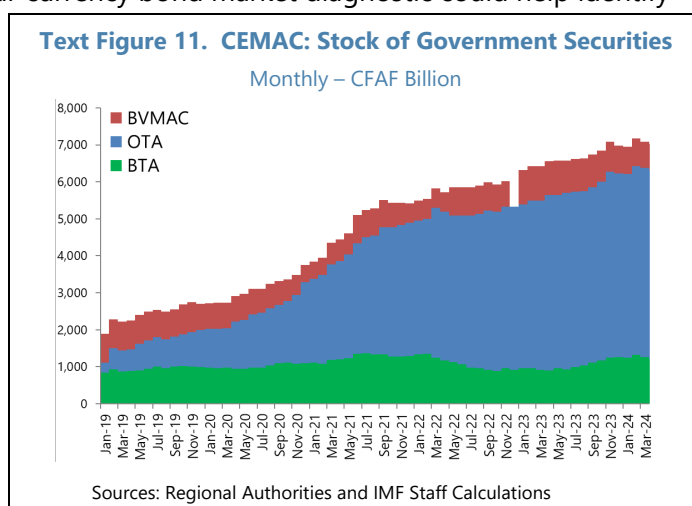
34. Staff renewed its call for COBAC to ensure that banks reduce and account adequately for sovereign risk. It recommended progressively enforcing existing concentration limits and encouraging banks to implement prudent internal risk management. Building on the CEMAC Commission's resumed regional surveillance, COBAC should move more systematically away from the zero-risk weight on government exposure. Staff encouraged COBAC and BEAC to work together to ensure that primary dealers (mostly banks) do not hold all new sovereign issuances, as stated in their contracts. The mission underscored that these efforts should go hand in hand with developing a sizeable non-bank investor base to prevent the risks of under-subscription.

35. The mission advised the national and regional authorities (COBAC, GABAC, BEAC) to continue to work on addressing the strategic AML/CFT deficiencies identified in the mutual evaluation of the CEMAC member states. Staff stressed that this was crucial to mitigate some of the possible implications of the Financial Action Task Force's (FATF) potential or existing grey listing of CEMAC member countries, such as the reduced ability to trade internationally, including through the loss of correspondent banking. Staff welcomed the new COBAC regulation R2023/01 on AML/CFT scheduled to enter into force in July 2024 and encouraged COBAC to continue to work closely with national and regional authorities (GABAC, BEAC) to address the AML/CFT deficiencies identified in the mutual evaluation of the CEMAC member countries.

36. Staff continued to advise COBAC to prioritize its work agenda. It recommended the following actions: risk-based prudential and AML/CFT supervision; modernizing the regulatory framework, including by amending current accounting standards integrating the fair valuation of assets in line with the international best practices, while establishing a reasonable timeline to transition to the implementation of IFRS and make progress on the transition to Basel II/III; strengthening the bank resolution framework; developing stress tests; and improving risk management and bank governance.

37. Staff reiterated its past recommendation for accelerating the development of a secondary market in government securities. The rising number of government securities issued on the regional stock exchange (BVMAC) creates a market dualism that could hamper the development of the secondary market and securities liquidity (Text Figure 11). Staff underscored the need for BEAC and all stakeholders to increase efforts to foster the development of a secondary market in government securities, including by building on capacity development (CD)

recommendations.¹⁵ It also noted that a local-currency bond market diagnostic could help identify bottlenecks in the government securities market and allow for developing a roadmap along with a better prioritized reform action plan. Staff welcomed BVMAC's draft revised general regulations submitted in March 2024 to COSUMAF for approval which should boost market activities. Still, staff called for BVMAC to step up efforts to raise investor appetite for the stocks from 17 SOEs (2 of which are already listed) set to be listed on BVMAC. Staff urged BVMAC, in collaboration with BEAC and COSUMAF,



to ensure that the company responsible for managing the single central depository is operationalized by end-2024 as scheduled. It is essential to establish robust governance structures to mitigate potential operational and financial stability risks, including with capacity-building support from development partners if necessary. It also encouraged member countries that have not submitted yet their SOEs to be listed to swiftly do so.

38. Staff encouraged BEAC, in coordination with other regional and national authorities, to monitor and manage new forms of risks posed by digital payments and assets. To support innovation and financial inclusion, while preserving financial stability, protecting consumers, and ensuring compliance with the FATF's AML/CFT standards, staff stressed that regional supervisors (BEAC, COBAC, COSUMAF, and the AML/CFT regional body, GABAC) should advance a crypto-related regulatory framework and enhance coordination of the issuance of laws or regulations. In particular, staff reiterated that regional supervisors should address clarity and consistency concerns between the July 2022 regulation No-01-2022 relative to the organization and functioning of CEMAC's financial market (which includes a provision governing the use of digital assets), and BEAC's mandate on payments and COBAC's earlier Decision D-2022/071 prohibiting the use of cryptocurrencies by entities under its remit. The mission also urged BEAC and regional supervisors to promptly issue and transmit to the Fund a legal opinion regarding C.A.R.'s recent law allowing the tokenization of its resource wealth with mandatory payment use of crypto assets. The legal opinion should notably: (i) assess whether it violates BEAC's exclusive right to issue currency in the CEMAC; and (ii) examine concerns related to risks to financial integrity, governance, consumer protection, and compliance with AML/CFT standards. Staff recommended that BEAC diligently account for the risks posed by digital payments and assets on its operations and monetary policy implementation. The mission also reiterated that BEAC's exploration of a CBDC—for which it requested Fund CD—should be based on cost-benefit analysis, considering the potential impact on bank intermediation,

¹⁵ Key recommendations include: (i) improving the predictability and transparency of CEMAC member government securities' issuance; (ii) developing the regulatory framework; (iii) enhancing transparency by providing the market with an adequate infrastructure; and (iv) diversifying the investor base.

costs of maintaining a dual payment system, and the quality and access to digital infrastructure. In the meantime, staff encouraged BEAC to intensify its efforts to further unlock the financial inclusion potential of mobile money, given its already widespread take-up in the region, including by revising the current tariffication that burdens small transactions. In particular, increased efforts are required to validate and adopt the new revised pricing project drawn up by GIMAC, by the end of October 2024, as planned.

39. Authorities' Views

- COBAC agreed with staff's recommendations.** BEAC reiterated its commitment to address COBAC's longstanding understaffing problems. COBAC indicated that it continues to implement the recently adopted risk-based supervision. Moreover, it continues to work closely with national and regional authorities (GABAC, BEAC) to address the strategic AML/CFT deficiencies identified in the evaluations of the CEMAC member states. COBAC reiterated that the existing prudential regulatory framework already includes provisions that address the problems of weak banks, including through sanction mechanism in case of non-compliance. It also agreed with staff's recommendation regarding the imperative need to enforce the regulatory framework for concentration and exposure to sovereign risk, including moving from zero-risk weights on government bonds, to ensure that only banks with adequate resources are permitted to take on additional risks. Finally, BEAC emphasized the paramount importance of collaboration with national authorities, especially in cases of recapitalization and resolution of weak banks.
- BVMAC concurred that diversifying the investor base would boost financial market activities and support the development of a secondary market in government securities.** It emphasized that it continues to work on the conditions for companies seeking to be listed on the stock exchange. Furthermore, it indicated that it launched its first composite stock index (BVMAC All Share Index) in December 2023 to enhance appeal to international investors. Finally, BVMAC noted the potential for improvement in its financial position, as some countries have announced plans to clear the arrears they owe.
- BEAC noted the continued increase in government issuances and persistent high costs of government securities.** It pointed to signs of liquidity stress, with some countries encountering challenges in tapping the markets, reflecting concerns about public finances across the region. Finally, BEAC underscored its collaboration with national treasuries to enhance the implementation of the regulatory guidelines on issuance calendar, which is expected to improve issuance planning and offer improved visibility to market participants.
- Regional supervisors shared staff's views on the need to develop a consistent and appropriate regulatory framework and to strengthen supervisory capacity to monitor and manage new forms of risks posed by digital payments and assets.** BEAC reiterated that the IMF's technical assistance will help explore the possibility of setting up a central bank digital currency (CBDC). It underscored that this support could help strengthen the regulation and supervision of digital assets in the region and modernize the financial and

payment systems and further promote financial inclusion. BEAC also indicated that it has started work on a legal opinion regarding the consistency of C.A.R.'s law—allowing the tokenization of its resource wealth, with exclusive use of crypto assets for the transactions—with regional legal/regulatory frameworks. This legal opinion is anticipated to be signed and shared with the C.A.R. authorities by the end of the first half of 2024.

D. Enhancing the Regional Surveillance Framework

40. Staff underscored the importance of strengthening the credibility and enforceability of the regional surveillance framework. Staff urged the Commission to accelerate the envisaged concertation with the other regional institutions (BEAC, BDEAC, COBAC, COSUMAF and BVMAC) to swiftly resume the adoption process of the draft sanction mechanism for breaches of regional surveillance rules, which should align with international best practices.¹⁶ This should facilitate its inclusion on the agenda of the next Conference of Heads of State. Staff reiterated that the questioning of its merit by some member countries during the March 2023 ministerial council has weakened the enforceability and credibility of the regional surveillance framework. This is especially concerning given that performance under the regional surveillance framework has further weakened in 2023, with few countries meeting the convergence criteria (Table 6). In the meantime, staff underscored that the draft sanction mechanism should include among others, the following: (i) broadening the range of sanctions, including a provision aimed at going beyond institutional-type sanctions to incorporate monetary penalties or in the form of premium on governments securities for breaches of fiscal deficit or debt-related multilateral surveillance rules; (ii) clarifying the scope and procedures for addressing non-compliance with budgetary-related surveillance rules; and (iii) providing for escape clauses in case of exceptional circumstances. Staff welcomed the approval of the final Multilateral Surveillance Reports for 2022, as well as the provisional report for 2023, along with the perspectives for 2024 and 2025 (expected to be released in October 2024). The mission called for the Commission to ensure that all member countries share their medium-term convergence plans. It also encouraged the Commission to carry out the first internal analysis of the early warning system on macroeconomic imbalances by October 2024, as rescheduled.

41. Staff advised the Commission to press ahead with previously identified key prerequisites for strengthening compliance with the regional convergence criteria. Such preconditions include: (i) the need for member countries to submit updated post-COVID triennial convergence plans; (ii) fully operationalizing national multilateral surveillance units; (iii) adopting and implementing comprehensive and credible national domestic arrears clearance and debt management strategies; (iv) transposing regional tax and PFM directives (internal and budget controls; switching into program-based budgeting; stock and fixed assets accounting; etc.) in a timely manner; and (v) making faster progress on the 2021–30 regional statistical program. On the latter, ongoing efforts to improve external statistics, including with Fund and World Bank support, are critical for accelerating BOP data collection and compilation, which would ultimately help reduce

¹⁶ Fund staff stands ready to assist as possible.

oil revenue and external flows forecasting errors.¹⁷ Staff also stressed that it is important that COBAC and BEAC regularly report updated data on financial soundness indicators and monetary and financial statistics to the IMF for further dissemination.

42. Staff recommended that the Commission work with BEAC and the PREF-CEMAC Secretariat to come up with a harmonized view on the contemplated multilateral stabilization fund. It reiterated the importance to harmonize views as to the feasibility and modalities for setting such a fund where would abound part of oil windfalls. Fund staff stands ready to provide related CD as needed.

43. Authorities' Views. The CEMAC Commission agreed that enhancing the credibility and enforceability of the regional surveillance framework is critical. The Commission indicated its commitment to stepping up coordination efforts with the UMAC ministerial council to bring back on track the adoption process of the draft sanction mechanism for breaches of regional surveillance rules, while ensuring it incorporates the IMF staff comments and suggestions to align it with best international practices. It emphasized that, subject to timely and satisfactory completion of the envisaged concertation with other regional institutions, the draft sanction mechanism will be up for discussion at the upcoming in-person meeting of the Heads of State. Additionally, the Commission underscored its ongoing efforts to ensure that all member countries share their medium-term convergence plans. It also stated its intention to start analyzing the early warning system on macroeconomic imbalances based on the final Multilateral Surveillance Reports for 2023 and perspectives for 2024 and 2025. The Commission highlighted its progress on strengthening compliance with regional convergence criteria, with support from the IMF's technical assistance. Finally, the Commission stated its intention to dispatch a mission to BEAC by the end of the first half of 2024 to harmonize views and seek consensus on the draft concept note relative to the contemplated multilateral stabilization fund.

ACCELERATING STRUCTURAL REFORMS TO BOOST POTENTIAL OUTPUT

44. Staff reiterated the importance of accelerating structural reform implementation to lift potential output and enhance resilience to shocks. It underscored that it is essential to remedy the persistent structural reform delays, as such delays are threatening to derail progress towards the objectives associated with the second phase of the regional strategy. Faster progress is needed on longstanding structural, including strengthening AML/CFT, governance, and anti-corruption frameworks, and regulatory reforms, coupled with bolder steps to improve human capital, the business climate, the rule of law, financial inclusion, and regional infrastructure projects—including stepping up cooperation with development partners to ensure timely disbursements of the financing pledges (EUR 9.95 billion) made during the November 2023 Paris donors roundtable for the implementation of the second generation of priority regional integration-enhancing projects. They

¹⁷ The World Bank is preparing a project appraisal on *Harmonizing and Improving Statistics in West and Central Africa*.

would help enhance growth diversification and inclusiveness, broaden the non-oil tax base, and deepen regional trade integration. Staff welcomed progress made in implementing measures to improve human capital, including the increase in budgets allocated to the education sector in some member states. However, it emphasized that member states need to ensure that these budget increases are channeled toward improving the quality of education, while encouraging other states which have not yet made such budget increases to do so.

45. Staff encouraged continued regional efforts to enhance food security. It noted that carefully advancing the regional food self-sufficiency strategy under PREF-CEMAC’s steering committee purview—mindful of avoiding FX or trade restrictions—in tandem with well-designed research and development activities and coordinated action towards enhancing resilience to climate shocks, could help boost domestic agriculture production and strengthen much-needed food security. Stepped up cooperation with development partners to secure concessional resources, including delivering on financial pledges made in support of the second generation of priority investment projects, could also help to move forward with the implementation plan of this regional strategy by end-December 2024. Additional steps critical to the success of this strategy include streamlining intra-regional transit, removing non-tariff barriers, and accelerating the construction of one-stop border posts.¹⁸

46. Staff emphasized the importance of coordinated actions to enhance resilience to climate shocks. To allow for coordinated action against climate-related risks in the region, the mission reiterated its recommendation for the Commission to perform a climate change risk assessment with a view to defining a regional climate adaptation strategy, stepping up forest and water conservation efforts and exploring distributional impacts and socio-economic benefits, including building on the recently approved RSF arrangement for Cameroon, and climate projects contemplated by other CEMAC member countries.¹⁹ It thus advised the Commission to accelerate its work towards elaborating a regional climate change adaptation strategy, in collaboration with the World Bank. Related measures could also aim at ensuring a sustainable energy sector and a climate-resilient agriculture, elaborating contingency plans, and more specifically adopting best practices in gender and climate sensitive budgeting and public financial management.

MONITORING OF REGIONAL POLICY ASSURANCES

47. Regional authorities moved forward with policy commitments from the December 2023 follow-up to the Letter of support to member countries’ recovery and reform programs. BEAC appropriately maintained the tightening path of monetary policy and liquidity conditions (¶6–7 and 20–21). After discontinuing weekly liquidity injections at its main refinancing

¹⁸ Stepping up the implementation of the Africa Continental Free Trade Agreement (AfCFTA), along with the Pan-African Payment Settlement System (PAPSS), also stand as important accompanying measures.

¹⁹ The Resilience and Sustainability Trust (RST) could support CEMAC member countries’ climate-related reforms by providing affordable financing to address longer-term structural challenges. Cameroon was the first CEMAC member country to benefit from the RST in January 2024.

window, BEAC continued to mop up excess liquidity, by increasing the rate on its liquidity-absorbing operations and issuing new short-term securities. To further strengthen compliance with the surrender and repatriation requirements of the FX regulations, BEAC has maintained dialogue with the banking and private sectors to ensure that FX requests are processed speedily and efficiently. In addition, discussions are still ongoing on the unresolved issues of the draft model contract for the escrow account for the funds set aside for the rehabilitation of oil sites. Some CEMAC national authorities have started to take action to preserve financial stability, by making plans to address weak banks and appropriately tackle the bank-sovereign nexus.

48. The end-December 2023 overperformance reflects temporary factors rather than a reversal of the downward trend in NFA. This performance must be treated with great caution, as it reflects, at least partly, temporary factors at the end of 2023. The downward trend observed in 2023Q3, driven by lower FX inflows (partly from the public sector), was reversed in 2023Q4. High-frequency data on FX reserves and transfers for the first few months of 2024 now points to a reversal of the December uptick. More fundamentally, the underlying trend in NFA remains downward, reflecting a weakening external position—due to lower hydrocarbon and oil prices relative to 2022 and deteriorating fiscal positions in many countries.

49. Going forward, member countries should stand ready to implement offsetting policy adjustments to reverse the downward trend in reserve accumulation. Equatorial Guinea’s recent discussions on a staff-monitored program are a step in the right direction. CEMAC member countries are also considering a high-level meeting in the coming months to discuss the region’s political commitment to the regional strategy to share the burden of adjustment and financial sector stabilization across countries. In particular, for countries with off-track programs (or nonprogram), decisive actions are warranted to rebuild fiscal and external buffers. Meanwhile, BEAC will maintain efforts to monitor the compliance of the public and extractive sectors with the FX regulations. Member countries should also ensure that all public entities fully repatriate their deposits held abroad. Staff and BEAC agreed that an accelerated external reserves build-up is needed before the positive outlook offered by favorable hydrocarbon and oil prices fades away.

50. The attached follow-up letter describes the proposed end-June 2024 NFA target, the proposed end-December 2024 NFA target, and associated regional institutions’ policy intentions in support of national programs. Consistent with staff projections, the proposed end-June

	2023		2024	
	June	Dec.	June	Dec.
Assurance endorsed in December 2023	4.47	3.91	4.30	...
Outcome	5.35	4.93		
Proposed new assurances	4.50	5.00

Sources: IMF staff calculations

2024 NFA target covered by the updated policy assurances was set at EUR 4.50 billion (Text Table 4). The proposed end-June 2024 NFA target accounts for the overperformance of the end-December 2023 target, owing to the above-mentioned factors (¶10), and lower than expected exports in some

member states due to declining hydrocarbon production. The proposed NFA target for end-December 2024 (EUR 5.0 billion) mainly reflects sustained efforts to ensure greater compliance with the FX regulations while incorporating the external position deterioration. As in the past, these proposed NFA targets for end-June 2024 and end-December 2024 are subject to risks from heightened external uncertainties, including volatility in the oil market and donor support shortfalls, as well as domestic macroeconomic and political risks. To address the high seasonality in the NFA data and capture the underlying trend, the NFA target will be assessed based on a three-month average. This revised methodology will be implemented starting with the NFA target for end-December 2024 (EUR 5.0 billion) and will be computed for the three-month period ending on December 31st, 2024.

STAFF APPRAISAL

51. The CEMAC economy lost some steam in 2023—mainly owing to a contraction in hydrocarbon production—and the outlook is uncertain amid growing fiscal and external imbalances. The external position weakened somewhat, although FX reserves remained steady at around 4 months of prospective imports, still below adequate levels. Staff projects GDP growth to accelerate to 3.6 percent in 2024, reflecting still-high oil prices and a strong rebound in oil output. In the medium term, however, sustained growth projected at the regional level (about 3.5 percent) masks divergences across the region, with weaker economic performance in countries with no program or off-track Fund-supported programs. In the absence of decisive corrective actions and with current policies unchanged, fiscal and external imbalances are set to widen in the medium term, raising the risks to the capacity to repay the Fund. The outlook is subject to sizable downside risks, including from further fiscal slippages, declining commodity prices, tighter financial conditions, heightened political uncertainty, entrenched inflation, financial instability, slow progress on structural reforms, food insecurity, domestic conflicts and insecurity, and climate-related events.

52. Tackling recurrent fiscal slippages and restoring fiscal prudence are essential steps towards enhancing resilience to potential shocks and reversing the projected downward trend in NFA accumulation. Indeed, in the medium term, the green transition to a low-carbon world economy casts uncertainty over the future of the oil industry. This, coupled with volatile oil markets, emphasized the urgency to accelerate external and fiscal buffers build-up before the tailwinds from favorable oil prices fade. Hence, it is imperative to bring policies back in line with the ambitious fiscal consolidation paths consistent with Fund-supported programs and surveillance advice. This requires intensified efforts to boost non-oil tax revenue collection, improve spending efficiency, phase out inefficient energy subsidies, and ensure the provision of targeted safety nets to protect the vulnerable. The high-level CEMAC meeting under consideration would be an opportunity for the authorities to reaffirm the region's political commitment to the regional strategy to share the burden of adjustment and financial sector stabilization across countries.

53. The policy rate remains appropriate at 5 percent, and BEAC should resume its regular liquidity injection operations to alleviate temporary tight liquidity conditions in the banking

system. While keeping its policy rate unchanged, BEAC has consistently raised interest rates on its liquidity-absorbing operations and issued short-term debt securities to effectively absorb excess liquidity, but banks' participation has remained lackluster. Meanwhile, the level of excess liquidity in the banking system has continued its downward trajectory, marked by a steep drop in excess reserves in early 2024. Given the mounting liquidity pressures faced by some banks, staff advised BEAC to resume its weekly liquidity-providing operations (the main refinancing operations) at least at the level of the TIAO. Additionally, to address fragmentation within the banking system, BEAC should tackle weak banks more resolutely, bolster supervision and capital adequacy to build confidence among banks. These actions should go hand in hand with continued efforts to address the limited number of financial institutions holding ample excess reserves, including through the use of BEAC's short-term debt securities issued at rates closer to the TIAO. Furthermore, staff reiterated the importance of BEAC remaining prepared to hike interest rates again should inflationary pressures persist, or external reserves deviate from the targeted path.

54. Taking strong collective action by national authorities and regional supervisors is urgent and imperative to preserve financial stability. Given the background of a deteriorated outlook and growing macroeconomic imbalances, this joint effort should prioritize: (i) promptly allocating adequate human and financial resources to COBAC SG; (ii) swiftly and rigorously sanctioning or implementing supervisory corrective actions when banks are in systematic non-compliance with regulations; (iii) rigorously enforcing BEAC's refinancing policies for liquidity-stressed banks; (iv) assessing the adequacy of non-performing exposures' classification and provisioning rigorously, as well as subsequent potential capital shortages in case of insufficient loan-loss provisioning; (v) recapitalizing or resolving weak banks by national governments; and (vi) accelerating the implementation by national governments of comprehensive domestic arrears clearance and prevention strategy. Additionally, national authorities and regional supervisors should ensure that undercapitalized banks submit credible medium-term recapitalization plans within a short timeframe, establish a strategy for NPL reduction, and weak banks are promptly recapitalized or resolved. COBAC's ongoing progress related to the risk-based prudential supervision and the regulatory framework for AML/CFT supervision is welcome. COBAC should continue to work closely with national and regional authorities (GABAC, BEAC) to address the strategic AML/CFT deficiencies identified in the mutual evaluation of the CEMAC member countries. Finally, COBAC should make progress on the implementation of Basel II/III and ensure that banks account adequately for sovereign risk.

55. Strengthening the regional surveillance framework is imperative. The CEMAC Commission should step up coordination efforts with the UMAC ministerial council to swiftly bring back on track the adoption process of the draft sanction mechanism for breaches of regional surveillance rules. Staff called for the Commission to urge all member countries to share their medium-term convergence plans and make faster progress on previously identified key prerequisites for ensuring greater compliance with the regional convergence criteria, including with support from the Fund's technical assistance. It is also essential that the Commission start analyzing the early warning system on macroeconomic imbalances.

56. Enhancing the supervisory framework and capacity is needed to appropriately monitor and manage new forms of risks posed by digital payments and assets.

Regional supervisors need to advance the crypto-related regulatory framework and enhance coordination of the issuance of laws and regulations. This would include promptly issuing the legal opinion regarding C.A.R.'s recent law allowing the tokenization of its resource wealth with exclusive payment use of crypto assets for the transactions to address concerns that it does not violate BEAC's exclusive right to issue currency in the CEMAC or come at the expense of financial integrity, governance, consumer protection, and compliance with AML/CFT standards. BEAC should diligently account for potential effects of digital payments and assets on its operations, financial stability, and the conduct of monetary policy. In addition, BEAC's exploration of the feasibility of a CBDC should be based on a cost-benefit analysis.

57. Accelerating the implementation of structural reforms remains crucial for boosting the region's potential growth and fostering economic diversification.

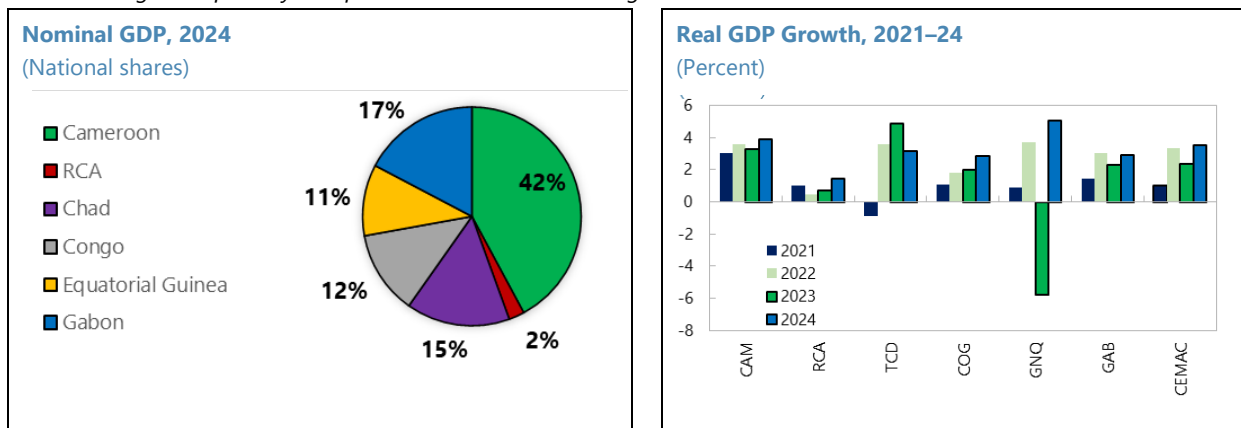
Urgent progress is required on longstanding structural reforms to bolster growth prospects, inclusivity, and resilience to shocks, especially in critical areas, such as AML/CFT, governance, and anti-corruption frameworks, human capital development, business climate improvement, rule of law enforcement, financial inclusion, and the advancement of regional infrastructure projects. Furthermore, regional authorities should step up efforts to develop a comprehensive regional climate change adaptation strategy, in collaboration with the World Bank.

58. BEAC met the policy assurance on the NFA provided in the December 2023 follow-up letter and supports the updated policy assurance on NFA accumulation (to bring NFA to €4.5 billion and €5.0 billion at end-June 2024 and end-December 2024, respectively).

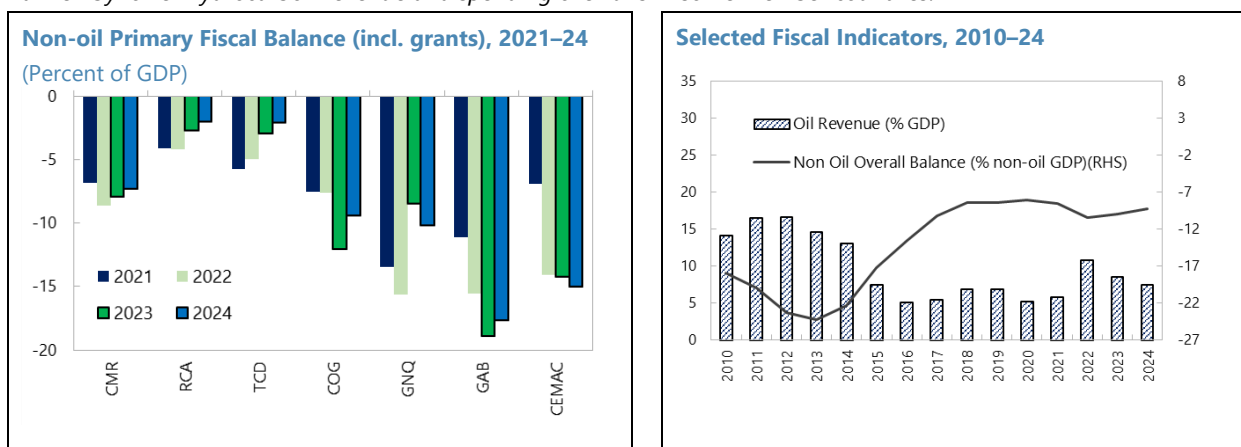
The end-December 2023 NFA level reflects a strong rebound in the effective rate of FX repatriation in 2023Q4 and one-off technical factors. To meet the NFA target in 2024, and reverse the underlying downward trend, the following actions are needed: (i) BEAC to step up its efforts to monitor the compliance and enforce the repatriation and surrender requirements of the FX regulations to consolidate the recovery showed in recent data into a sustainable upward trend; (ii) member countries to tackle recent fiscal slippages in line with Fund-supported programs and staff advice; and (iii) BEAC to stand ready to hike interest rates should inflationary pressures persist, or external reserves deviate from the targeted path. Anchored by Fund-supported programs and surveillance advice, member countries should also stand ready to maintain macroeconomic stability, including through appropriate fiscal policy measures, and to implement structural reforms, including in areas of governance, regulation, AML/CFT and anti-corruption frameworks. These measures should be accompanied by ambitious policies to improve human capital and the business climate, which should help enhance economic diversification and resilience. Nonetheless, building up FX reserves will depend on timely disbursements of external financing. Meeting the proposed policy assurances on the NFA is critical for allowing the continuation of (or approval of new) financial support as part of the Fund-supported programs with CEMAC member countries.

Figure 1. CEMAC: Selected Economic Indicators, 2010–24

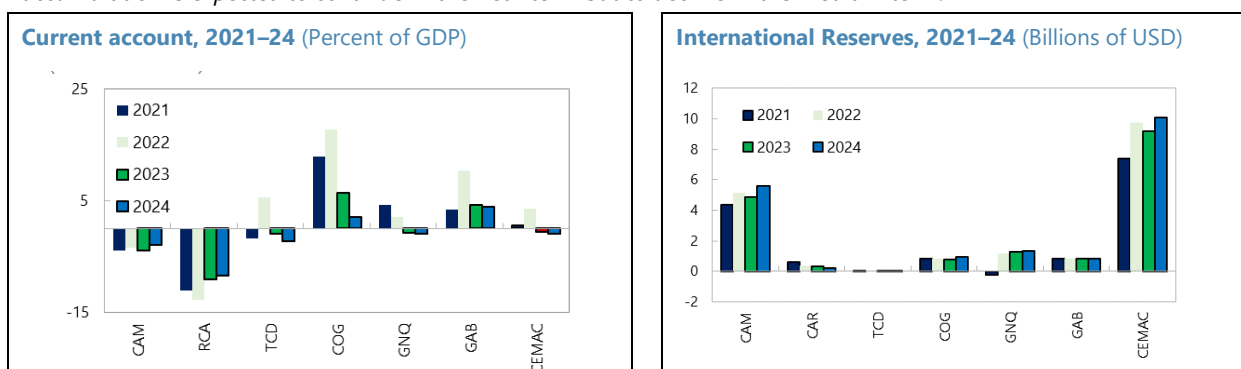
Real GDP is projected to accelerate to 3.6 percent in 2024, from 2.1 percent in 2023, mainly reflecting an improvement across the region, especially in Equatorial Guinea, even though Chad's outlook has deteriorated.



The overall fiscal balance is projected to deteriorate from -0.5 percent of GDP in 2023 to -1.0 percent of GDP in 2024, driven by lower hydrocarbon revenue and spending overruns in some member countries.



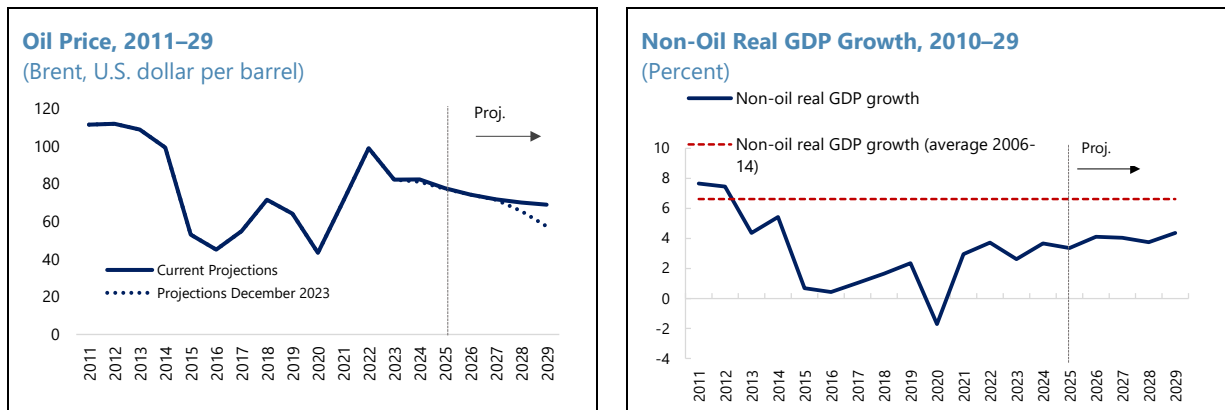
The current account balance is projected to slightly deteriorate from -0.6 percent of GDP in 2023 to -1.0 percent of GDP in 2024, mainly reflecting a decline in hydrocarbon exports and lower income and transfer balances. Reserves accumulation is expected to continue in the near term but to decline in the medium term.



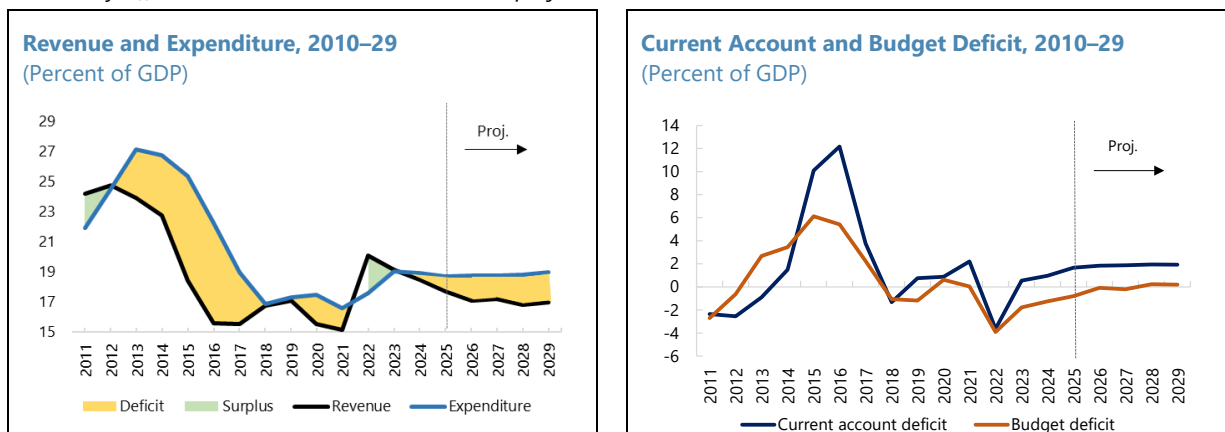
Sources: CEMAC authorities; and IMF staff estimates.

Figure 2. CEMAC: Selected Economic Indicators, 2011–29

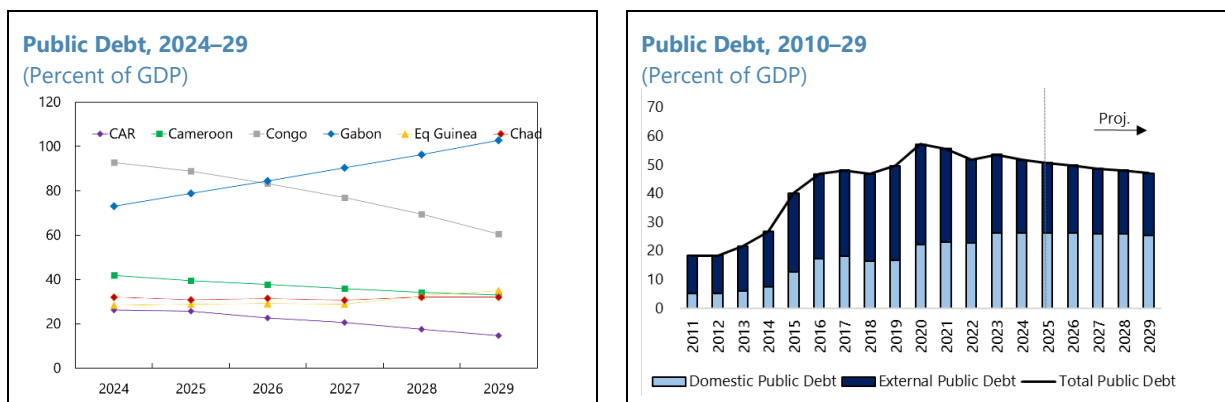
The oil price path was revised downward to \$80.6 per barrel on average in 2024 in the latest WEO submission (vs. \$82.4 per barrel in late 2023). Lower oil prices and a contraction in hydrocarbon production contributed to lower export receipts and slowing non-oil GDP growth in 2023.



The sustained deterioration in the regional underlying fiscal position is not fully reversed in the medium term, which adversely affects reserve accumulation over the projection horizon.



Public debt is expected to decline to around 53.5 percent of GDP in 2023, and 51.7 percent of GDP in 2024, but to remain higher than previously projected in the medium term mainly driven by Gabon.

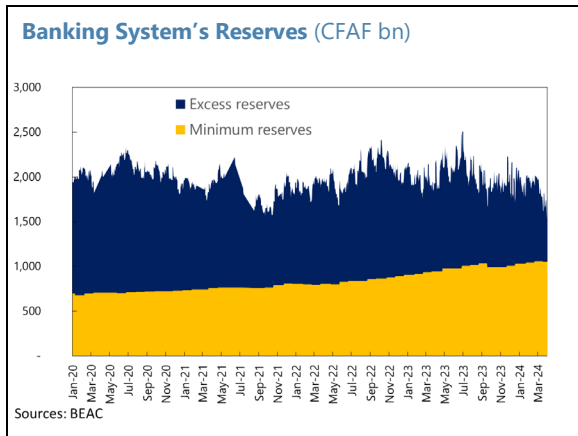
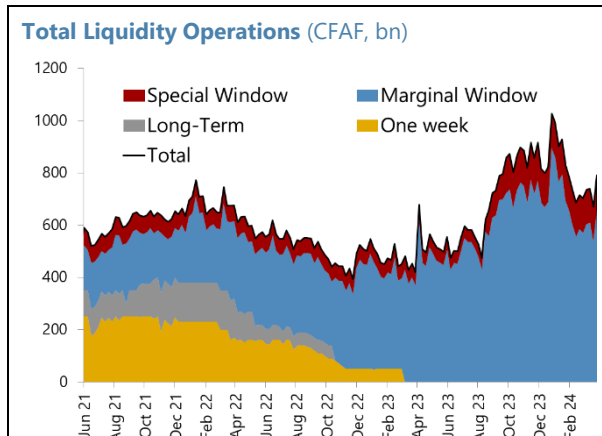


Sources: GAS Live, CEMAC authorities; and IMF staff estimates.

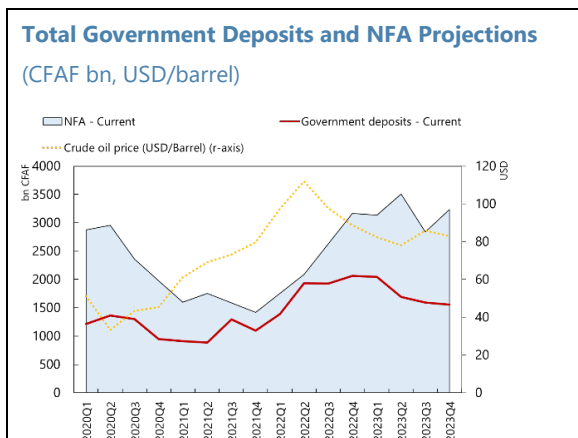
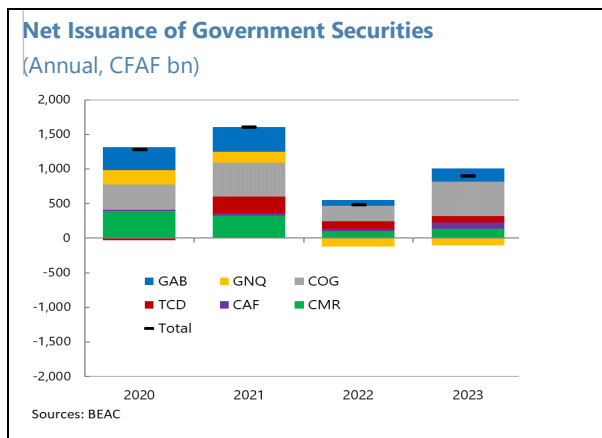
Note: Public debt refers to General Government debt.

Figure 3. CEMAC: Recent Monetary Developments

BEAC discontinued its weekly liquidity injections but borrowing at the marginal lending facility increased in 2023Q4, while excess liquidity dropped.



Net issuances of government securities increased driven by stronger issuances from Gabon and Congo. Governments' deposits at the BEAC moderated in 2023, partly reflecting lower oil fiscal revenues.



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

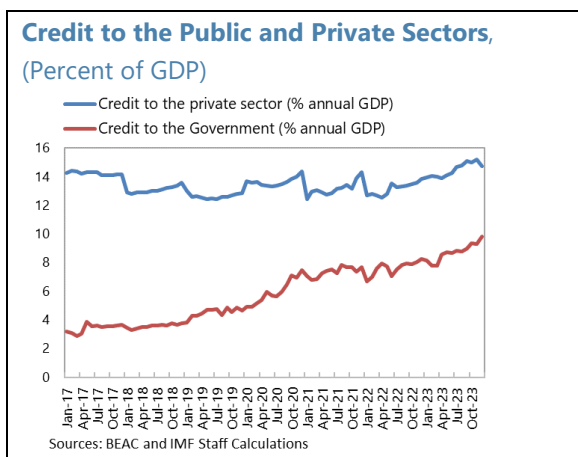
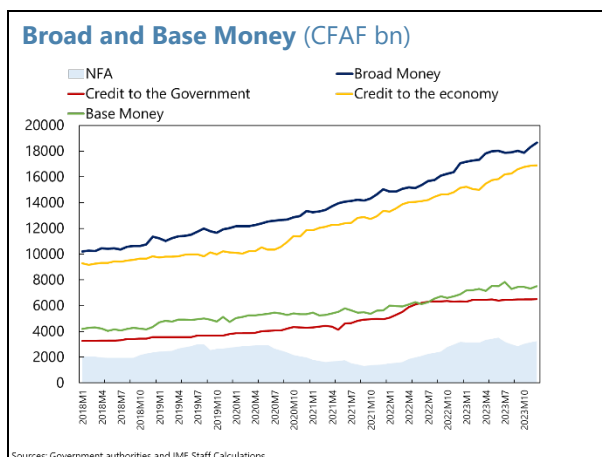


Table 1. CEMAC: Selected Economic and Financial Indicators, 2018–29

	2018	2019	2020	2021	2022	2023 ¹	2023	2024 ⁴	2024	2025	2026	2027	2028	2029
	Est.	Est.	Est.	Est.	Est.	SR 23/440 4/	Est.	SR 23/440 4/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual change, in percent)														
National income and prices														
GDP at constant prices 1/	2.2	2.8	-1.7	1.0	3.1	2.6	2.1	3.5	3.6	3.0	3.5	3.5	3.3	3.7
Oil GDP 1/	3.2	3.5	-3.1	-9.4	-0.7	-0.8	-2.5	3.6	3.0	-0.5	-0.7	-1.1	-1.5	-1.8
Non-oil GDP 1/	1.6	2.3	-1.7	3.0	3.7	3.1	2.6	3.3	3.7	3.4	4.1	4.0	3.7	4.4
Consumer prices (period average) 2/	2.1	1.6	2.7	1.5	5.4	5.9	5.5	4.6	5.2	4.1	3.9	3.0	2.6	2.3
Consumer prices (end of period) 2/	2.9	1.7	1.7	2.6	6.5	4.9	4.7	4.5	4.7	4.0	3.1	2.3	2.3	2.3
(Annual change, in percent of beginning-of-period broad money)														
Money and credit														
Net foreign assets	1.8	1.4	-6.6	-5.1	11.2	3.0	1.2	3.2	3.1	-0.3	0.7	1.3	2.3	3.1
Net domestic assets	6.3	4.5	17.7	17.7	2.3	6.3	7.4	7.4	8.4	7.8	7.3	5.8	4.0	3.6
Broad money	8.1	5.9	11.1	12.6	13.5	9.3	8.6	10.6	11.6	7.5	8.0	7.1	6.3	6.7
(In percent of GDP, unless otherwise indicated)														
Gross national savings	21.5	19.6	17.2	19.9	23.2	20.8	20.7	20.0	21.0	20.6	20.7	21.1	21.1	20.8
Gross domestic investment	20.3	20.5	18.3	19.5	19.6	22.7	21.6	22.2	21.9	22.3	22.6	23.0	23.1	22.8
Of which: public investment	5.4	5.0	4.2	3.5	3.5	4.6	4.2	4.6	5.2	5.4	5.6	5.7	5.7	5.9
Government financial operations														
Total revenue, excluding grants	16.1	16.4	14.5	14.7	19.6	19.0	18.6	18.3	17.9	17.2	16.6	16.7	16.3	16.5
Government expenditure	16.9	17.3	17.5	16.6	17.6	18.6	19.0	17.9	18.9	18.7	18.8	18.8	18.8	19.0
Primary fiscal basic balance 3/	2.5	2.9	0.2	0.9	5.0	4.2	2.4	4.3	2.6	2.5	1.9	1.9	1.4	1.5
Overall fiscal balance, excluding grants	-0.7	-0.8	-3.0	-1.9	2.0	0.4	-0.5	0.4	-1.0	-1.5	-2.2	-2.1	-2.5	-2.4
Primary fiscal balance, including grants	1.1	1.2	-0.6	0.0	3.9	2.9	1.8	2.7	1.3	0.8	0.1	0.2	-0.2	-0.2
Non-oil overall fiscal balance, excluding grants (percent of non-oil GDP)	-9.2	-9.3	-9.3	-9.0	-11.0	-9.5	-10.6	-8.1	-10.0	-9.2	-9.0	-8.6	-8.1	-7.9
Non-oil primary fiscal balance, including grants (percent of non-oil GDP)	-7.1	-6.8	-6.6	-6.8	-8.6	-6.6	-7.9	-5.4	-7.3	-6.5	-6.4	-6.0	-5.5	-5.4
Total public debt	46.7	49.6	57.2	55.6	51.8	53.7	53.5	50.4	51.7	50.7	49.8	48.7	48.0	47.1
External sector														
Exports of goods and nonfactor services	33.6	33.2	23.9	29.1	37.0	33.9	30.2	33.2	28.9	27.1	25.7	24.4	23.8	23.4
Imports of goods and nonfactor services	29.3	29.5	24.4	25.6	27.3	31.1	27.0	30.9	26.6	26.0	25.2	24.4	24.1	23.7
Balance on goods and nonfactor services	4.3	3.8	-0.5	3.5	9.7	2.8	3.2	2.3	2.3	1.1	0.4	0.1	-0.3	-0.3
Current account, including grants	1.3	-0.8	-0.9	0.5	3.6	-1.9	-0.6	-2.2	-1.0	-1.7	-1.8	-1.9	-1.9	-1.9
External public debt	29.3	32.7	37.3	31.1	29.2	31.0	27.7	29.7	25.5	24.4	23.6	22.6	22.0	21.6
Gross official reserves (end of period)														
Millions of U.S. dollars	6,555	7,390	7,779	8,060	11,064	12,498.6	11,446	13,413.2	12,173	11,589	11,203	10,938	11,099	11,700
Months of imports of goods and services (less intra regional imports)	2.8	4.0	3.4	3.3	4.4	4.3	4.3	4.5	4.5	4.2	4.0	3.7	3.6	3.6
Percent of broad money	33.2	36.3	31.4	31.1	37.1	36.5	33.6	36.2	32.9	29.0	26.3	24.2	23.0	23.3
Memorandum items:														
Nominal GDP (billions of CFA francs)	56,807	58,022	54,370	60,619	69,100	65,677.9	69,571	69,966.4	73,841	77,730	82,095	86,768	91,664	97,367
CFA francs per U.S. dollar, average	555	586	575	554	622	602.7	606.5	...	601.1	...	...	...	...	...
CFA francs per U.S. dollar, end-of-year	576	590	539	580	619	600.0	601.6	...	601.0	...	...	...	...	...
Oil production (thousands of barrels per day)	872.5	905.7	870.2	786.8	787.8	794.3	774.8	831.2	791.3	784.6	777.2	768.8	759.5	750.5
Oil prices (U.S. dollars per barrel, brent)	71.6	64.2	43.3	70.8	99.0	82.4	82.3	81.2	82.5	77.8	74.4	71.9	70.1	69.0

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

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

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

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

4/ Refers to the projection published in the IMF Country Report No 23/440.

Table 2. CEMAC: National Accounts, 2018–29
(Percent of GDP)

	2018	2019	2020	2021	2022	2023 ^{1/}	2023	2024 ^{1/}	2024	2025	2026	2027	2028	2029
	Est.	Est.	Est.	Est.	Est.	SR 23/440 1/	Proj.	SR 23/440 1/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual change, in percent)														
Real GDP														
Cameroon	4.0	3.4	0.5	3.0	3.6	4.0	3.3	4.3	3.9	4.2	4.3	4.7	4.8	4.7
Central African Republic	3.8	3.0	1.0	1.0	0.5	1.0	0.7	1.5	1.4	2.9	3.7	3.7	3.6	3.5
Chad	2.4	6.6	-2.1	-0.9	3.6	4.0	4.9	3.7	3.1	3.4	3.8	3.1	3.1	3.0
Congo, Republic of	-2.3	1.1	-6.3	1.1	1.8	4.0	2.0	4.4	2.8	3.7	3.5	3.5	3.8	3.8
Equatorial Guinea	-6.2	-5.5	-4.8	0.9	3.7	-7.8	-5.8	-0.1	5.1	-4.8	1.2	0.5	-4.0	2.9
Gabon	0.9	3.8	-1.8	1.5	3.0	2.8	2.3	2.6	2.9	2.7	2.6	2.6	2.6	2.6
CEMAC	1.6	2.8	-1.7	1.0	3.1	2.6	2.1	3.5	3.6	3.0	3.5	3.5	3.3	3.7
Nominal GDP														
Cameroon	5.9	4.7	1.0	6.2	9.1	7.2	6.5	7.9	7.3	7.5	7.4	7.7	7.9	7.6
Central African Republic	5.2	5.5	2.8	4.3	6.9	7.9	4.2	6.1	7.5	7.5	7.7	7.1	6.8	6.7
Chad	4.7	2.7	-3.9	5.1	14.6	5.0	5.5	6.2	6.1	5.5	5.9	5.5	5.7	5.6
Congo, Republic of	19.4	-0.2	-19.4	12.4	17.2	0.5	-1.2	7.1	6.2	5.8	5.7	5.9	6.5	7.1
Equatorial Guinea	2.7	-8.5	-14.5	19.0	24.2	-17.7	-13.7	7.6	7.1	2.0	3.7	2.6	-1.1	5.1
Gabon	7.8	5.5	-10.6	27.2	17.0	-11.4	-5.1	2.2	2.7	0.9	1.7	2.0	2.5	2.5
CEMAC	7.5	2.1	-6.3	11.5	14.0	-0.4	0.7	6.5	6.1	5.3	5.6	5.7	5.6	6.2
Real non-oil GDP														
Cameroon	4.2	3.3	0.5	3.2	3.7	4.1	3.4	4.3	4.1	4.4	4.4	4.8	4.8	4.7
Central African Republic	3.8	3.0	1.0	1.0	0.5	1.0	0.7	1.5	1.4	2.9	3.7	3.7	3.6	3.5
Chad	0.3	5.5	-1.7	0.1	2.5	3.5	4.5	3.6	3.7	3.7	3.7	3.7	3.7	3.6
Congo, Republic of	-8.0	1.1	-6.9	3.5	3.4	3.9	3.0	3.8	3.2	3.8	4.1	4.4	4.7	4.7
Equatorial Guinea	-2.7	-5.7	-7.0	6.7	7.6	-2.5	-2.4	-2.3	3.4	-2.6	4.2	1.8	-2.0	5.2
Gabon	1.6	3.2	-1.7	2.8	3.1	2.8	2.2	2.9	3.1	3.3	3.3	3.2	3.2	3.2
CEMAC	1.0	2.3	-1.7	3.0	3.7	3.1	2.6	3.3	3.7	3.4	4.1	4.0	3.7	4.4
Consumer price inflation (period average)														
Cameroon	1.1	2.5	2.5	2.3	6.3	7.2	7.4	5.9	5.9	5.5	4.9	3.4	2.5	2.5
Central African Republic	1.6	2.8	0.9	4.3	5.6	6.5	3.2	3.2	4.7	4.6	3.8	3.4	3.1	3.0
Chad	4.0	-1.0	4.5	-0.8	5.8	7.4	4.1	3.4	8.7	2.2	3.0	3.0	3.0	3.0
Congo, Republic of	1.2	0.4	1.4	2.0	3.0	4.5	4.3	3.6	4.0	3.6	3.2	3.0	3.0	3.0
Equatorial Guinea	1.3	1.2	4.8	-0.1	4.9	2.5	2.5	4.5	4.0	2.8	2.6	2.1	2.0	2.1
Gabon	4.8	2.0	1.7	1.1	4.3	3.8	3.6	2.5	2.1	2.2	2.2	2.3	2.4	2.4
CEMAC	2.1	1.6	2.7	1.5	5.4	5.9	5.5	4.6	5.2	4.1	3.9	3.0	2.6	2.3
End of period inflation														
Cameroon	2.0	2.4	2.1	3.5	7.3	6.2	5.9	5.5	5.5	5.2	3.6	2.0	2.0	2.0
Central African Republic	4.6	-2.0	1.8	2.7	7.6	5.5	4.0	2.8	5.0	4.2	3.5	3.3	3.0	3.0
Chad	4.4	-1.7	3.1	1.0	8.3	4.6	4.2	3.5	6.2	3.0	3.0	3.0	3.0	3.0
Congo, Republic of	0.9	1.4	0.6	1.5	3.2	4.5	5.6	3.6	4.0	3.6	3.2	3.0	3.0	3.0
Equatorial Guinea	2.6	4.3	-0.6	2.9	5.0	1.9	2.1	5.8	3.6	2.2	2.2	2.0	2.0	2.0
Gabon	6.3	1.0	1.6	1.7	5.4	3.0	2.3	2.4	2.2	2.2	2.3	2.3	2.4	2.5
CEMAC	3.0	1.7	1.7	2.6	6.5	4.9	4.7	4.5	4.7	4.0	3.1	2.3	2.3	2.3
(in percentage of GDP)														
Gross national savings														
Cameroon	15.7	14.4	13.5	13.9	14.2	15.6	13.4	16.2	16.9	17.2	18.0	19.0	20.0	20.6
Central African Republic	8.4	9.7	10.7	4.6	2.1	7.0	6.0	7.5	7.2	9.9	12.2	14.1	15.3	14.5
Chad	17.8	13.7	9.8	13.6	17.7	22.5	15.8	19.0	14.3	12.7	12.4	12.4	11.9	11.6
Congo, Republic of	37.8	37.6	36.3	35.0	44.1	31.6	33.8	31.3	30.8	29.7	29.1	27.2	25.2	23.8
Equatorial Guinea	10.4	3.4	3.9	8.6	14.6	10.7	14.2	10.9	13.8	13.7	13.9	17.0	16.7	14.2
Gabon	23.5	34.5	29.5	36.9	40.4	32.0	38.3	28.7	36.0	35.9	35.2	34.7	34.3	34.0
CEMAC	19.7	19.6	17.2	19.9	23.2	20.8	20.7	20.0	21.0	20.6	20.7	21.1	21.1	20.8
Gross domestic investment														
Cameroon	19.5	18.9	17.7	18.1	17.8	18.6	18.4	19.0	19.9	20.2	21.3	22.0	22.3	22.5
Central African Republic	16.4	14.7	18.9	15.7	14.9	15.6	15.0	15.8	15.8	16.9	17.3	18.3	19.0	19.7
Chad	18.9	17.0	12.6	15.4	12.2	24.1	16.8	23.8	16.7	16.7	15.8	15.6	15.2	14.9
Congo, Republic of	29.5	25.9	23.7	22.2	26.4	28.5	27.4	28.0	28.7	28.4	27.7	26.5	25.8	25.0
Equatorial Guinea	12.5	10.9	4.7	4.8	12.5	14.7	14.9	13.7	14.7	16.2	16.4	19.6	20.7	18.2
Gabon	28.4	29.9	30.0	33.5	30.0	32.8	34.2	30.8	32.0	32.9	33.1	33.1	33.4	33.5
CEMAC	21.5	20.5	18.3	19.5	19.6	22.7	21.6	22.2	21.9	22.3	22.6	23.0	23.1	22.8

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

1/ Refers to the projection published in the IMF Country Report No 23/440.

Table 3a. CEMAC: Fiscal Indicators of Central Governments, 2018–29
(Percent of GDP)

	2018	2019	2020	2021	2022	2023 ¹	2023	2024 ²	2024	2025	2026	2027	2028	2029
	Est.	Est.	Est.	Proj.	Proj.	SR 23/440 2/	Proj.	SR 23/440 2/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Overall fiscal balance (excluding grants)														
Cameroon	-2.8	-3.8	-3.3	-3.3	-1.5	-1.0	-1.1	-0.6	-0.7	-0.9	-1.1	-1.2	-1.1	-1.3
Central African Republic	-8.7	-8.2	-16.0	-10.9	-9.9	-9.7	-9.6	-8.3	-8.6	-8.3	-7.2	-6.7	-6.1	-5.6
Chad	-0.9	-1.3	-1.9	-2.4	3.0	5.9	-2.1	0.8	-2.9	-1.9	-3.3	-2.1	-4.1	-2.8
Congo, Republic of	5.1	3.6	-2.6	1.2	8.3	3.2	5.0	4.6	3.2	2.2	1.9	2.7	3.4	3.8
Equatorial Guinea	0.5	1.8	-1.8	2.6	11.9	0.3	2.6	3.9	3.1	1.2	-1.5	-2.6	-4.7	-5.4
Gabon	-0.2	2.1	-2.2	-2.0	-0.7	-0.7	-1.8	-1.1	-4.5	-6.4	-7.0	-7.7	-8.2	-8.7
CEMAC	-0.7	-0.8	-3.0	-1.9	2.0	0.4	-0.5	0.4	-1.0	-1.5	-2.2	-2.1	-2.5	-2.4
Overall fiscal balance (including grants)														
Cameroon	-2.4	-3.2	-3.2	-3.0	-1.1	-0.7	-0.7	-0.3	-0.4	-0.7	-1.0	-1.1	-1.0	-1.3
Central African Republic	-1.0	1.4	-3.4	-6.0	-5.3	-3.3	-3.6	-3.1	-3.1	-1.8	0.1	0.3	0.7	-1.3
Chad	1.4	-0.1	1.2	-1.5	4.2	8.5	-1.3	2.9	-1.5	-0.6	-2.0	-0.9	-2.8	-1.6
Congo, Republic of	5.2	4.3	-1.1	1.6	8.9	4.1	5.8	5.2	3.8	3.0	2.7	3.5	4.2	4.7
Equatorial Guinea	0.5	1.8	-1.8	2.7	11.9	0.3	2.6	3.9	3.1	1.2	-1.5	-2.6	-4.7	-5.4
Gabon	-0.2	2.1	-2.2	-1.9	-0.7	-0.4	-1.8	-1.1	-4.2	-6.4	-7.0	-7.7	-8.2	-8.7
CEMAC	0.0	-0.1	-2.0	-1.4	2.5	1.1	0.1	1.0	-0.4	-1.0	-1.7	-1.6	-2.0	-2.0
Reference fiscal balance 1/														
Cameroon	-2.8	-4.1	-3.2	-3.2	-3.0	-1.7	-1.7	-0.6	-0.7	0.2	-0.6	-1.1	0.0	0.0
Central African Republic	-1.0	1.4	-3.4	-6.0	-5.3	-3.3	-3.6	-3.1	-3.1	-1.8	-0.9	-1.4	0.0	1.0
Chad	-0.5	-1.5	-2.8	-3.4	-2.9	0.6	-4.8	3.8	-1.8	-0.9	-1.0	-2.0	0.0	0.0
Congo, Republic of	-2.3	-2.1	0.1	-1.4	-3.1	1.0	2.8	3.8	2.9	3.5	1.9	2.5	0.0	0.0
Equatorial Guinea	-2.6	-1.5	-0.5	1.4	-2.4	-5.3	-4.0	0.7	-0.8	1.3	-2.6	-3.7	0.0	1.0
Gabon	-1.4	-0.7	-3.5	-1.7	-5.2	-2.2	-5.9	-2.5	-5.7	-5.8	-6.7	-7.9	0.0	0.0
CEMAC	-2.0	-2.3	-2.1	-2.1	-3.5	-0.4	-2.1	0.2	-1.4	-1.3	-1.3	0.0	0.0	2.0
Primary fiscal balance (including grants)														
Cameroon	-1.5	-2.2	-2.3	-2.0	-0.4	0.4	0.5	0.7	0.6	0.3	0.0	-0.1	-0.1	-0.3
Central African Republic	-0.6	1.8	-3.1	-5.7	-4.9	-2.7	-3.0	-2.4	-2.1	-0.9	1.0	1.1	1.3	-0.8
Chad	2.2	0.6	2.0	-0.6	5.4	10.1	-0.1	4.1	-0.5	0.9	-1.0	0.1	-2.0	-0.7
Congo, Republic of	7.0	7.3	0.1	3.7	11.6	6.7	9.0	7.9	7.0	6.0	5.6	6.1	6.5	6.7
Equatorial Guinea	1.2	2.7	-0.4	3.7	12.9	1.9	3.8	5.4	4.6	3.0	0.3	-0.6	-2.3	-2.6
Gabon	1.1	3.7	1.2	0.9	1.8	2.7	1.0	2.5	-1.3	-2.9	-3.0	-3.3	-3.5	-3.7
CEMAC	1.1	1.2	-0.6	0.0	3.9	2.9	1.8	2.7	1.3	0.8	0.1	0.2	-0.2	-0.2
Government revenue (excluding grants)														
Cameroon	15.2	14.8	13.2	13.8	15.8	15.6	16.5	15.5	16.2	15.4	15.6	15.6	15.8	15.8
Central African Republic	8.9	8.7	9.2	8.8	7.8	8.3	8.3	9.0	9.2	9.8	10.5	10.9	11.5	12.2
Chad	8.7	9.2	12.4	11.5	17.0	24.5	16.0	18.1	14.6	15.3	13.4	14.7	12.6	13.9
Congo, Republic of	22.9	23.8	18.5	22.1	31.2	25.6	25.6	26.0	25.6	24.8	24.4	24.0	23.6	23.4
Equatorial Guinea	19.9	18.6	14.4	15.4	26.9	23.3	22.3	23.6	21.3	19.2	16.6	16.1	15.5	15.4
Gabon	16.9	19.6	17.6	14.6	18.4	18.3	19.9	18.5	18.5	17.5	17.3	17.1	17.0	17.0
CEMAC	16.1	16.4	14.5	14.7	19.6	19.0	18.6	18.3	17.9	17.2	16.6	16.7	16.3	16.5
Government expenditure (including net lending)														
Cameroon	18.0	18.7	16.6	17.1	17.4	16.6	17.6	16.2	17.0	16.3	16.7	16.7	16.8	17.2
Central African Republic	17.6	16.9	25.1	19.7	17.6	18.0	17.9	17.3	17.8	18.1	17.7	17.6	17.7	17.8
Chad	9.6	10.5	14.3	13.9	14.0	18.6	18.0	17.3	17.5	17.2	16.7	16.8	16.7	16.8
Congo, Republic of	17.8	20.2	21.1	20.9	22.8	22.4	20.7	21.4	22.5	22.6	22.4	21.3	20.2	19.5
Equatorial Guinea	19.4	16.8	16.2	12.7	15.0	23.0	19.7	19.7	18.2	17.9	18.0	18.8	20.2	20.7
Gabon	18.2	18.2	19.8	16.6	19.1	19.0	21.7	19.5	23.0	23.9	24.3	24.8	25.2	25.7
CEMAC	16.9	17.3	17.5	16.6	17.6	18.6	19.0	17.9	18.9	18.7	18.8	18.8	18.8	19.0
Total public debt														
Cameroon	38.3	41.6	44.9	47.2	46.3	43.5	44.5	41.3	41.8	39.5	37.8	36.0	34.3	33.0
Central African Republic	50.0	48.2	44.4	48.5	51.1	51.0	57.7	50.6	57.5	55.6	50.9	47.4	43.6	42.2
Chad	33.3	38.0	41.2	42.4	34.3	40.5	32.6	36.4	32.1	30.9	31.5	30.8	32.1	32.1
Congo, Republic of	71.2	77.6	102.5	97.8	92.5	89.8	98.4	82.2	92.8	88.8	83.1	77.0	69.4	60.5
Equatorial Guinea	41.2	43.2	49.4	42.3	30.2	35.8	37.3	32.4	35.3	34.4	33.7	32.7	36.1	37.8
Gabon	61.1	60.0	78.3	65.8	63.6	65.3	70.5	64.0	73.1	78.9	84.6	90.5	96.4	102.7
CEMAC	46.7	49.6	57.2	55.6	51.8	53.7	53.5	50.4	51.7	50.7	49.8	48.7	48.0	47.1

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

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

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

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

2/ Refers to the projection published in the IMF Country Report No 23/440.

Table 3b. CEMAC: Fiscal Non-oil Balances, Central Governments, 2018–29
(Percent of non-oil GDP)

	2018	2019	2020	2021	2022	2023 ¹	2023	2024 ²	2024	2025	2026	2027	2028	2029
	Est.	Est.	Est.	Est.	Est.	SR 23/440 2/	Proj.	SR 23/440 2/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Non-oil fiscal balance (excluding grants)														
Cameroon	-5.2	-6.6	-5.3	-5.4	-5.4	-4.1	-4.3	-3.3	-3.4	-2.6	-2.7	-2.7	-2.7	-2.8
Central African Republic	-8.7	-8.2	-16.0	-10.9	-9.9	-9.7	-9.6	-8.3	-8.6	-8.3	-7.2	-6.7	-6.1	-5.6
Chad	-5.8	-6.0	-9.7	-9.7	-10.5	-13.5	-14.4	-11.1	-12.2	-11.6	-10.4	-10.2	-9.7	-9.4
Congo, Republic of	-18.2	-20.0	-15.0	-16.6	-20.3	-16.1	-13.7	-14.1	-15.0	-14.4	-13.2	-11.3	-9.3	-8.1
Equatorial Guinea	-21.1	-17.4	-15.7	-12.5	-17.0	-24.2	-20.3	-19.3	-19.5	-18.2	-19.7	-19.6	-18.9	-18.9
Gabon	-9.6	-8.2	-12.1	-11.4	-18.5	-12.1	-18.8	-12.0	-20.1	-20.2	-19.7	-19.6	-19.4	-19.4
CEMAC	-9.2	-9.3	-9.3	-9.0	-11.0	-9.5	-10.6	-8.1	-10.0	-9.2	-9.0	-8.6	-8.1	-7.9
Non-oil fiscal balance (including grants)														
Cameroon	-4.8	-6.0	-5.1	-5.1	-5.0	-3.7	-3.8	-2.9	-3.1	-2.3	-2.6	-2.6	-2.6	-2.8
Central African Republic	-1.0	1.4	-3.4	-6.0	-5.3	-3.3	-3.6	-3.1	-3.1	-1.8	0.1	0.3	0.7	-1.3
Chad	-3.0	-4.5	-6.2	-8.5	-9.0	-10.1	-13.4	-8.5	-10.6	-10.0	-9.0	-8.8	-8.2	-8.0
Congo, Republic of	-18.0	-18.9	-13.2	-16.1	-19.4	-15.0	-12.5	-13.3	-14.2	-13.4	-12.2	-10.3	-8.3	-7.0
Equatorial Guinea	-21.1	-17.4	-15.7	-12.5	-17.0	-24.2	-20.3	-19.3	-19.5	-18.2	-19.7	-19.6	-18.9	-18.9
Gabon	-9.6	-8.2	-12.1	-11.2	-18.5	-11.7	-18.8	-12.0	-19.6	-20.2	-19.7	-19.6	-19.4	-19.4
CEMAC	-8.4	-8.4	-8.1	-8.5	-10.4	-8.6	-9.9	-7.4	-9.3	-8.6	-8.4	-8.0	-7.5	-7.4
Basic balance 1/														
Cameroon	0.6	0.2	-1.2	-1.2	1.1	1.5	0.3	2.0	1.6	2.1	1.7	1.5	1.4	1.2
Central African Republic	-2.1	-3.9	-6.9	-5.4	-4.9	-4.4	-4.2	-3.5	-3.9	-3.2	-2.5	-1.9	-1.5	-1.2
Chad	0.8	0.2	0.6	-1.5	5.1	11.5	-1.3	4.8	-0.5	0.6	-1.2	0.2	-2.1	-0.7
Congo, Republic of	9.9	9.3	-1.4	3.1	14.3	7.8	8.5	9.4	7.1	6.0	5.4	5.8	6.5	7.0
Equatorial Guinea	0.7	2.5	-2.2	3.4	16.2	0.4	3.2	5.1	4.8	2.3	-0.9	-2.3	-4.7	-5.3
Gabon	2.3	4.8	-1.6	-2.2	-0.1	0.4	-1.6	0.0	-5.6	-8.3	-8.1	-8.8	-9.3	-9.8
CEMAC	1.8	1.9	-1.2	-0.6	4.5	2.9	0.9	3.0	1.1	0.9	0.1	0.1	0.0	0.0
Non-oil primary fiscal balance (including grants)														
Cameroon	-3.9	-4.9	-4.3	-4.1	-4.2	-2.6	-2.7	-1.9	-2.0	-1.4	-1.6	-1.6	-1.7	-1.8
Central African Republic	-0.6	1.8	-3.1	-5.7	-4.9	-2.7	-3.0	-2.4	-2.1	-0.9	1.0	1.1	1.3	-0.8
Chad	-2.1	-3.7	-5.3	-7.5	-7.6	-8.0	-12.0	-6.8	-9.4	-8.3	-7.8	-7.7	-7.3	-7.1
Congo, Republic of	-15.0	-14.1	-11.8	-13.4	-15.7	-11.7	-8.4	-9.8	-10.1	-9.7	-8.7	-7.2	-5.6	-4.6
Equatorial Guinea	-20.2	-16.3	-14.0	-11.2	-15.6	-22.2	-18.9	-17.5	-17.7	-16.1	-17.7	-17.2	-16.2	-15.8
Gabon	-7.6	-5.9	-7.5	-6.9	-14.1	-7.0	-14.3	-6.8	-15.0	-14.9	-13.8	-13.2	-12.8	-12.5
CEMAC	-7.1	-6.8	-6.6	-6.8	-8.6	-6.6	-7.9	-5.4	-7.3	-6.5	-6.4	-6.0	-5.5	-5.4
Government revenue (excluding grants)														
Cameroon	15.7	15.4	13.6	14.3	16.9	16.1	17.2	16.0	16.8	15.9	16.0	16.0	16.1	16.2
Central African Republic	8.9	8.7	9.2	8.8	7.8	8.3	8.3	9.0	9.2	9.8	10.5	10.9	11.5	12.2
Chad	10.3	10.9	14.0	13.5	21.1	31.5	19.1	23.1	17.3	17.8	15.5	16.8	14.3	15.6
Congo, Republic of	39.5	38.1	22.3	28.4	44.0	33.5	33.3	33.9	33.0	31.4	30.3	29.4	28.5	28.1
Equatorial Guinea	26.8	25.0	18.1	19.8	36.6	29.9	27.2	30.3	26.4	22.8	19.0	18.2	17.3	16.8
Gabon	25.1	29.3	23.7	23.0	32.7	27.5	31.8	26.9	29.2	26.6	25.5	24.7	24.0	23.6
CEMAC	19.7	19.9	16.3	17.4	24.7	22.4	22.0	21.4	21.0	19.8	18.8	18.8	18.2	18.3
Government expenditure (including net lending)														
Cameroon	18.6	19.4	17.0	17.7	18.5	17.1	18.4	16.7	17.5	16.8	17.1	17.1	17.2	17.6
Central African Republic	17.6	16.9	25.1	19.7	17.6	18.0	17.9	17.3	17.8	18.1	17.7	17.6	17.7	17.8
Chad	11.4	12.4	16.1	16.3	17.4	24.0	21.6	22.1	20.7	20.1	19.3	19.2	18.9	18.8
Congo, Republic of	30.6	32.3	25.4	26.9	32.2	29.3	26.9	27.9	28.9	28.5	27.9	26.0	24.4	23.5
Equatorial Guinea	26.1	22.6	20.3	16.4	20.5	29.5	24.0	25.3	22.5	21.3	20.7	21.2	22.5	22.6
Gabon	27.0	27.3	26.6	26.1	33.9	28.5	34.8	28.5	36.4	36.3	35.9	35.8	35.6	35.5
CEMAC	20.7	21.0	19.7	19.6	22.1	22.0	22.5	21.0	22.2	21.6	21.3	21.1	21.0	21.0
Non-oil revenues (excluding grants)														
Cameroon	13.4	12.8	11.7	12.3	13.1	13.1	14.0	13.4	14.1	14.2	14.4	14.4	14.5	14.8
Central African Republic	8.9	8.7	9.2	8.8	7.8	8.3	8.3	9.0	9.2	9.8	10.5	10.9	11.5	12.2
Chad	5.6	6.5	6.4	6.7	6.9	10.5	7.2	11.0	8.5	8.5	8.9	9.0	9.2	9.4
Congo, Republic of	12.5	12.3	10.4	10.3	12.0	13.2	13.2	13.8	13.9	14.1	14.7	14.8	15.1	15.4
Equatorial Guinea	5.0	5.2	4.6	3.9	3.5	5.3	3.7	5.9	3.7	4.1	4.1	4.2	4.4	4.3
Gabon	15.8	18.0	14.6	14.6	15.4	16.4	16.0	16.5	16.2	16.2	16.2	16.2	16.2	16.2
CEMAC	11.3	11.6	10.4	10.6	11.1	12.5	11.9	12.9	12.3	12.5	12.7	12.8	13.0	13.2

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

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

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

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

2/ Refers to the projection published in the IMF Country Report No 23/440.

Table 4a. CEMAC: Balance of Payments, 2018–29
(Billions of CFA Francs)

	2018	2019	2020	2021	2022	2023*	2023	2024*	2024	2025	2026	2027	2028	2029
	Est.	Est.	Est.	Est.	Est.	SR 23/440 1/	Proj.	SR 23/440 1/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Billions of CFA Francs)													
Current account balance	749	-438	-477	299	2,503	-1,218	-384	-1,568	-713	-1,300	-1,508	-1,629	-1,784	-1,877
Balance on goods and services	2,463	2,177	-267	2,132	6,697	1,840	2,236	1,601	1,692	855	351	57	-309	-302
Total exports	19,086	19,284	12,982	17,636	25,576	22,280	21,023	23,238	21,358	21,096	21,064	21,192	21,789	22,784
Exports of goods	16,884	17,271	11,379	16,102	23,851	19,714	19,098	20,474	19,324	18,926	18,750	18,742	19,179	20,005
Oil exports	12,549	12,371	7,450	11,294	18,771	14,314	14,031	14,694	13,729	12,989	12,441	12,016	11,845	12,052
Non-oil exports	4,335	4,899	3,929	4,807	5,080	5,400	5,068	5,780	5,595	5,938	6,310	6,726	7,335	7,954
Exports of services	2,203	2,013	1,604	1,535	1,725	2,566	1,925	2,764	2,034	2,170	2,314	2,450	2,610	2,779
Total imports	16,624	17,107	13,249	15,505	18,879	20,441	18,787	21,637	19,667	20,241	20,713	21,135	22,098	23,086
Imports of goods	10,518	10,881	8,737	10,145	12,053	12,484	12,407	13,190	12,875	13,261	13,687	13,930	14,642	15,334
Imports of services	6,106	6,226	4,513	5,360	6,826	7,957	6,380	8,447	6,791	6,980	7,026	7,206	7,456	7,752
Income, net	-2,246	-3,421	-1,220	-2,629	-5,029	-3,938	-3,537	-3,916	-3,305	-3,133	-2,915	-2,791	-2,670	-2,744
Income credits	228	233	180	218	281	299	312	317	271	281	295	310	325	342
Income debits	2,489	3,662	1,401	2,849	5,313	4,227	3,849	4,233	3,577	3,414	3,210	3,101	2,995	3,085
Investment income, debit	-1,126	-1,903	-66	-1,116	-2,689	-3,445	-1,238	-3,382	-1,176	-1,201	-1,010	-916	-843	-971
of which: Interest paid on public debt	-447	-579	-404	-475	-502	-321	-589	-275	-479	-500	-467	-483	-469	-479
of which: Interest paid on nonpublic debt	-902	129	-90	53	227	-80	165	-101	108	90	88	84	71	57
Current transfers, net	533	806	1,009	797	831	881	917	747	901	978	1,056	1,106	1,195	1,169
Private current transfers, net	440	665	789	643	565	663	742	647	688	774	812	849	920	987
Official current transfers, net	92	141	221	154	265	218	175	100	213	203	243	257	274	181
Capital and financial account balance	-321	1,392	-263	-85	-1,708	1,635	-76	1,990	856	973	1,497	1,746	2,200	2,587
Capital account balance (incl. capital transfers)	195	295	257	182	278	307	320	288	314	342	353	357	346	355
Financial account balance (incl. reserves)	-515	1,097	-520	-268	-1,986	1,328	-397	1,702	543	631	1,145	1,390	1,854	2,232
Direct investment, net 2/	-2,227	93	-99	955	1,058	2,261	1,554	2,375	1,625	1,717	1,806	1,956	2,027	2,133
Portfolio investment, net	733	323	398	65	-61	205	0	204	79	-211	172	117	66	47
Other investment, net	979	681	-818	-1,288	-2,983	-1,138	-1,951	-877	-1,162	-875	-833	-684	-238	52
of which: Long-term other investment, net	997	803	-214	919	-2,337	-497	-1,334	-13	-552	-96	133	114	352	586
of which: SDR				-797										
Errors and omissions, net	-556	-629	-193	-157	327	0	22	0	0	0	0	0	0	0
Overall Balance	-127	325	-933	57	1,122	418	-438	422	143	-327	-11	117	416	710
Financing	127	-325	933	-57	-1,122	-418	438	-422	-143	327	11	-117	-416	-710
Reserve assets (accumulation -) 3/	-589	-537	86	-398	-2,053	-453	340	-478	-446	322	205	146	-109	-373
of which: SDRs				-797										
Exceptional financing	716	212	847	341	931	35	97	56	303	4	-194	-264	-307	-337
Net IMF financing	255	227	570	157	248	144	122	28	-85	-234	-269	-320	-360	-376
Budget support (excl. IMF)	842	665	451	29	139	609	232	712	316	57	55	0	0	0
Other external financing	86	-156	952	424	846	165	517	0	174	...	...	...	...	...
Commercial	0	-79	595	456	0	0	302	0	0	...	...	...	...	...
Other exceptional financing	86	-77	357	-32	846	165	215	0	174	...	...	...	...	...
Residual gap	-467	-525	-1,126	-269	-301	-718	-256	-685	72	181	20	57	53	-337
<i>Memorandum items:</i>														
Nominal GDP	56,807	58,022	54,370	60,619	69,100	65,678	69,571	69,966	73,841	77,730	82,095	86,768	91,664	97,367
Gross foreign assets (end of period)														
Billions CFA	3,777	4,362	4,193	4,677	6,854	7,500	6,886	8,031	7,316	6,975	6,755	6,606	6,711	7,082
Months of imports of goods and services	2.8	4.0	3.4	3.3	4.4	4.3	4.3	4.5	4.5	4.2	4.0	3.7	3.6	3.6
Oil prices (U.S. dollars per barrel, Brent)	71.6	64.2	43.3	70.8	99.0	82.4	82.3	81.2	82.5	77.8	74.4	71.9	70.1	69.0

Sources: BEAC, and IMF staff estimates and projections.

1/ Refers to the projection published in the IMF Country Report No 23/440.

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

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

Table 4b. CEMAC: Balance of Payments, 2018–29
(Percent of GDP)

	2018	2019	2020	2021	2022	2023*	2023	2024*	2024	2025	2026	2027	2028	2029
	Est.	Est.	Est.	Est.	Est.	SR 23/440 1/	Proj.	SR 23/440 1/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(In percent of GDP)													
Current account balance	1.3	-0.8	-0.9	0.5	3.6	-1.9	-0.6	-2.2	-1.0	-1.7	-1.8	-1.9	-1.9	-1.9
Balance on goods and services	4.3	3.8	-0.5	3.5	9.7	2.8	3.2	2.3	2.3	1.1	0.4	0.1	-0.3	-0.3
Total exports	33.6	33.2	23.9	29.1	37.0	33.9	30.2	33.2	28.9	27.1	25.7	24.4	23.8	23.4
Exports of goods	29.7	29.8	20.9	26.6	34.5	30.0	27.5	29.3	26.2	24.3	22.8	21.6	20.9	20.5
Oil exports	22.1	21.3	13.7	18.6	27.2	21.8	20.2	21.0	18.6	16.7	15.2	13.8	12.9	12.4
Non-oil exports	7.6	8.4	7.2	7.9	7.4	8.2	7.3	8.3	7.6	7.6	7.7	7.8	8.0	8.2
Exports of services	3.9	3.5	2.9	2.5	2.5	3.9	2.8	4.0	2.8	2.8	2.8	2.8	2.8	2.9
Total imports	29.3	29.5	24.4	25.6	27.3	31.1	27.0	30.9	26.6	26.0	25.2	24.4	24.1	23.7
Imports of goods	18.5	18.8	16.1	16.7	17.4	19.0	17.8	18.9	17.4	17.1	16.7	16.1	16.0	15.7
Imports of services	10.7	10.7	8.3	8.8	9.9	12.1	9.2	12.1	9.2	9.0	8.6	8.3	8.1	8.0
Income, net	-4.0	-5.9	-2.2	-4.3	-7.3	-6.0	-5.1	-5.6	-4.5	-4.0	-3.6	-3.2	-2.9	-2.8
Income credits	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Income debits	4.4	6.3	2.6	4.7	7.7	6.4	5.5	6.0	4.8	4.4	3.9	3.6	3.3	3.2
Investment income, debit	-2.0	-3.3	-0.1	-1.8	-3.9	-5.2	-1.8	-4.8	-1.6	-1.5	-1.2	-1.1	-0.9	-1.0
of which: Interest paid on public debt	-0.8	-1.0	-0.7	-0.8	-0.7	-0.5	-0.8	-0.4	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5
of which: Interest paid on nonpublic	-1.6	0.2	-0.2	0.1	0.3	-0.1	0.2	-0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current transfers, net	0.9	1.4	1.9	1.3	1.2	1.3	1.3	1.1	1.2	1.3	1.3	1.3	1.3	1.2
Private current transfers, net	0.8	1.1	1.5	1.1	0.8	1.0	1.1	0.9	0.9	1.0	1.0	1.0	1.0	1.0
Official current transfers, net	0.2	0.2	0.4	0.3	0.4	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.2
Capital and financial account balance	-0.6	2.4	-0.5	-0.1	-2.5	2.5	-0.1	2.8	1.2	1.3	1.8	2.0	2.4	2.7
Capital account balance (incl. capital)	0.3	0.5	0.5	0.3	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Financial account balance (incl. reserves)	-0.9	1.9	-1.0	-0.4	-2.9	2.0	-0.6	2.4	0.7	0.8	1.4	1.6	2.0	2.3
Direct investment, net 2/	-3.9	0.2	-0.2	1.6	1.5	3.4	2.2	3.4	2.2	2.2	2.2	2.3	2.2	2.2
Portfolio investment, net	1.3	0.6	0.7	0.1	-0.1	0.3	0.0	0.3	0.1	-0.3	0.2	0.1	0.1	0.0
Other investment, net	1.7	1.2	-1.5	-2.1	-4.3	-1.7	-2.8	-1.3	-1.6	-1.1	-1.0	-0.8	-0.3	0.1
of which: Long-term other investment, net	1.8	1.4	-0.4	1.5	-3.4	-0.8	-1.9	0.0	-0.7	-0.1	0.2	0.1	0.4	0.6
of which: SDR														
Errors and omissions, net	-1.0	-1.1	-0.4	-0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-0.2	0.6	-1.7	0.1	1.6	0.6	-0.6	0.6	0.2	-0.4	0.0	0.1	0.5	0.7
Financing	0.2	-0.6	1.7	-0.1	-1.6	-0.6	0.6	-0.6	-0.2	0.4	0.0	-0.1	-0.5	-0.7
Reserve assets (accumulation -) 3/	-1.0	-0.9	0.2	-0.7	-3.0	-0.7	0.5	-0.7	-0.6	0.4	0.2	0.2	-0.1	-0.4
of which: SDRs				-1.3										
Exceptional financing	1.3	0.4	1.6	0.6	1.3	0.1	0.1	0.1	0.4	0.0	-0.2	-0.3	-0.3	-0.3
Net IMF financing	0.4	0.4	1.0	0.3	0.4	0.2	0.2	0.0	-0.1	-0.3	-0.3	-0.4	-0.4	-0.4
Budget support (excl. IMF)	1.5	1.1	0.8	0.0	0.2	0.9	0.3	1.0	0.4	57	55	0	0	0
Other exceptional financing	0.2	-0.1	0.7	-0.1	1.2	0.3	0.3	0.0	0.2	...	...	...	...	...
Residual gap	-0.8	-0.9	-2.1	-0.4	-0.4	-1.1	-0.4	-1.0	0.1	0.2	0.0	0.1	0.1	-0.3
<i>Memorandum items:</i>														
Nominal GDP	56,807	58,022	54,370	60,619	69,100	65,678	69,571	69,966.4	73,841	77,730	82,095	86,768	91,664	97,367

Sources: BEAC; and IMF staff estimates and projections.

1/ Refers to the projection published in the IMF Country Report No 23/440.

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

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

Table 5. CEMAC: Monetary Survey, 2018–29
(Billions of CFA Francs, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023 ¹	2023	2024 ²	2024	2024	2024	2025	2026	2027	2028	2029
									Mar	Jun						
	Est.	Est.	Est.	Est.	Est.	SR 23/440 2/	Est.	SR 23/440 2/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	2,509	2,667	1,871	1,186	2,864	2,768	3,061	3,981	3,306	3,520	3,642	3,582	3,729	4,032	4,616	5,464
Of which: BEAC	2,379	2,730	1,980	1,420	3,169	3,134	3,238	4,191	3,231	3,012	3,698	3,563	3,619	3,796	4,263	5,011
Foreign assets	3,777	4,362	4,193	4,677	6,854	7,008	6,886	8,031	6,825	6,518	7,316	6,975	6,755	6,606	6,711	7,082
Of which: SDR				501	358	358	358	358	358	358	358	358	358	358	358	358
Of which: Operations account	3,360	3,740	3,633	2,339	3,427	3,504	3,443	4,015	3,413	3,259	3,658	3,488	3,378	3,303	3,356	3,541
Foreign liabilities	-1,398	-1,632	-2,213	-3,257	-3,685	-3,874	-3,648	-3,840	-3,595	-3,506	-3,617	-3,412	-3,136	-2,810	-2,449	-2,071
Of which: SDR				-501	-358	-358	-358	-358	-358	-358	-358	-358	-358	-358	-358	-358
Commercial banks	130	-63	-109	-234	-304	-366	-177	-210	76	508	-57	19	110	236	353	452
Foreign assets	735	526	423	423	609	598	933	686	772	1,312	1,066	1,169	1,283	1,410	1,543	1,667
Foreign liabilities 1/	1,752	1,805	2,283	2,948	3,524	3,510	3,848	3,602	3,924	3,899	3,981	4,085	4,198	4,325	4,459	4,582
	-605	-589	-532	-657	-913	-963	-1,110	-896	-696	-804	-1,122	-1,150	-1,173	-1,173	-1,190	-1,214
	-829	-900	-873	-1,146	-1,485	-1,352	-1,681	-1,303	-1,705	-1,703	-1,694	-1,722	-1,745	-1,745	-1,762	-1,786
Net domestic assets	8,854	9,364	11,490	13,860	14,211	15,722	15,478	16,653	14,898	16,169	17,039	18,646	20,274	21,811	23,090	24,090
Net credit to government	3,464	4,266	6,385	7,484	7,778	8,051	8,722	9,695	7,753	8,184	9,239	9,741	9,635	9,459	9,418	9,135
BEAC, net	2,209	2,469	3,348	3,948	3,353	3,007	3,895	3,083	3,333	3,268	3,463	2,829	2,073	1,201	294	-538
Of which:																
Advances and consolidated debt	2,773	2,772	2,770	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,746	2,720	2,693	2,665	2,637
IMF lending	798	1,020	1,528	1,849	2,239	2,690	2,278	2,529	2,239	2,246	2,246	2,044	1,780	1,453	1,092	717
Consolidated debt																
Other	0	0	0	425	409	409	399	399	399	399	399	399	399	399	399	399
Government deposits	-1,363	-1,323	-951	-1,097	-2,067	-2,863	-1,554	-2,617	-2,076	-2,149	-1,954	-2,360	-2,826	-3,344	-3,862	-4,291
Commercial banks, net 3/	1,256	1,798	3,037	3,535	4,425	5,044	4,826	6,612	4,421	4,915	5,777	6,912	7,562	8,258	9,124	9,673
Of which: Government deposits	781	794	925	987	1,106	-	-	-	-	-	-	-	-	-	-	-
Net credit to public agencies	-280	-281	-229	-258	-257	-249	-273	-236	-167	-330	-101	-87	-64	-43	-12	7
Credit to private sector	7,243	6,988	6,994	7,815	8,550	10,348	8,262	9,453	8,718	9,066	9,777	10,435	11,402	12,724	13,954	15,129
Other items, net	-1,573	-1,609	-1,660	-1,181	-1,859	-2,428	-1,233	-2,259	-1,406	-751	-1,876	-1,442	-698	-330	-271	-181
Broad money	11,363	12,031	13,361	15,046	17,075	18,490	18,539	20,634	18,204	19,688	20,681	22,229	24,003	25,843	27,706	29,554
Currency outside banks	2,577	2,752	3,116	3,676	3,843	4,150	4,183	4,562	4,154	3,968	4,597	4,941	5,335	5,744	6,158	6,569
Bank deposits	8,787	9,279	10,245	11,370	13,233	14,341	14,356	16,072	14,050	15,720	16,084	17,288	18,668	20,099	21,548	22,985
	(Annual change in percent of beginning-of-period broad money)															
Net foreign assets	1.8	1.4	-6.6	-5.1	11.2	3.0	1.2	3.2	3.0	1.1	3.1	-0.3	0.7	1.3	2.3	3
Net domestic assets	6.3	4.5	17.7	17.7	2.3	6.3	7.4	7.4	2.0	4.1	8.4	7.8	7.3	6.4	4.9	3.6
Net credit to government	5.0	7.1	17.6	8.2	2.0	6.5	5.5	4.2	2.1	1.1	2.8	2.4	-0.5	-0.7	-0.2	-1.0
Net credit to the private sector	2.7	-2.2	0.1	6.2	4.9	0.4	-1.7	4.4	0.8	1.5	8.2	3.2	4.4	5.5	4.8	4.2
Other items, net	-2.3	-0.3	-0.4	3.6	-4.5	-0.8	3.7	-1.3	-1.7	2.5	-3.5	2.1	3.3	1.5	0.2	0.3
Broad money	8.1	5.9	11.1	12.6	13.5	9.3	8.6	10.6	5.0	9.2	11.6	7.5	8.0	7.7	7.2	6.7
Velocity (GDP/broad money)	5.0	4.8	4.1	4.0	4.0	3.5	3.8	3.4	4.1	3.8	3.6	3.5	3.4	3.2	3.1	3.1
	(Percent of GDP)															
Broad money	20.0	20.7	24.6	24.8	24.7	28.4	26.6	29.5	24.7	26.7	28.0	28.6	29.2	31.5	31.9	32.2
Private bank deposits	11.1	11.5	13.6	13.5	13.8	15.9	14.9	16.5	13.7	15.3	15.7	16.0	16.4	17.6	17.9	18.1
Net credit to the private sector	12.7	12.0	12.9	12.9	12.4	13.1	11.9	13.5	11.8	12.3	13.2	13.4	13.9	15.5	16.1	16.5

Sources: BEAC; and IMF staff estimates.

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

2/ Refers to the projections published in the IMF Country Report No 23/440.

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

Table 6. CEMAC: Compliance with Convergence Criteria, 2018–29
(Percent of GDP unless otherwise indicated)

	2018	2019	2020	2021	2022	2023 ¹	2023	2024 ²	2024	2025	2026	2027	2028	2029
	Est.	Est.	Est.	Est.	Est.	SR 23/440 2/	Proj.	SR 23/440 2/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Reference fiscal balance (fiscal balance before 2016) 1/														
	(in percent of GDP)													
Cameroon	-2.8	-4.1	-3.2	-3.2	-3.0	-1.7	-1.7	-0.6	-0.7	0.2	-0.6	-1.1	0.2	-0.1
Central African Republic	-1.0	1.4	-3.4	-6.0	-5.3	-3.3	-3.6	-3.1	-3.1	-1.8	-0.9	-1.4	1.5	-0.1
Chad	-0.5	-1.5	-2.8	-3.4	-2.9	0.6	-4.8	3.8	-1.8	-0.9	-1.0	-2.0	2.7	3.4
Congo, Republic of	-2.3	-2.1	0.1	-1.4	-3.1	1.0	2.8	3.8	2.9	3.5	1.9	2.5	14.4	14.5
Equatorial Guinea	-2.6	-1.5	-0.5	1.4	-2.4	-5.3	-4.0	0.7	-0.8	1.3	-2.6	-3.7	7.8	6.8
Gabon	-1.4	-0.7	-3.5	-1.7	-5.2	-2.2	-5.9	-2.5	-5.7	-5.8	-6.7	-7.9	-3.1	-3.8
Number of countries violating	3	4	4	4	6	4	5	2.0	3	2	2	3	1	1
Consumer price inflation (≤ 3%)														
	(in percent)													
Cameroon	1.1	2.5	2.5	2.3	6.3	7.2	7.4	5.9	5.9	5.5	4.9	4.5	4.2	4.0
Central African Republic	1.6	2.8	0.9	4.3	5.6	6.5	3.2	3.2	4.7	4.6	3.8	3.4	3.1	3.0
Chad	4.0	-1.0	4.5	-0.8	5.8	7.4	4.1	3.4	8.7	2.2	3.0	3.0	3.0	3.0
Congo, Republic of	1.2	0.4	1.4	2.0	3.0	4.5	4.3	3.6	4.0	3.6	3.2	3.0	3.0	3.0
Equatorial Guinea	1.3	1.2	4.8	-0.1	4.9	2.5	2.5	4.5	4.0	2.8	2.6	2.1	2.0	2.1
Gabon	4.8	2.0	1.7	1.1	4.3	3.8	3.6	2.5	2.1	2.2	2.2	2.3	2.4	2.4
Number of countries violating	2	0	2	1	5	5.0	5	5.0	5	3	3	2	2	1
Level of public debt (≤ 70% GDP)														
	(in percent of GDP)													
Cameroon	38.3	41.6	44.9	47.2	46.3	43.5	44.5	41.3	41.8	39.5	37.8	36.0	34.3	33.0
Central African Republic	50.0	48.2	44.4	48.5	51.1	51.0	57.7	50.6	57.5	55.6	50.9	47.4	43.6	42.2
Chad	33.3	38.0	41.2	42.4	34.3	40.5	32.6	36.4	32.1	30.9	31.5	30.8	32.1	32.1
Congo, Republic of	71.2	77.6	102.5	97.8	92.5	89.8	98.4	82.2	92.8	88.8	83.1	77.0	69.4	60.5
Equatorial Guinea	41.2	43.2	49.4	42.3	30.2	35.8	37.3	32.4	35.3	34.4	33.7	32.7	36.1	37.8
Gabon	61.1	60.0	78.3	65.8	63.6	65.3	70.5	64.0	73.1	78.9	84.6	90.5	96.4	102.7
Number of countries violating	1	1	2	1	1	1	2	1.0	2	2	2	2	1	1
Non-accumulation of government arrears (≤ 0) 2/														
	(in percent of GDP)													
Cameroon	-2.0	0.3	-0.3	0.4	-0.3	0.0	0.0	0.0	-1.1	-0.6	-0.5	0.0	0.0	0.0
Central African Republic	-2.6	-3.6	-1.3	-0.2	-3.0	0.0	-0.2	0.0	-1.1	-1.0	-0.9	-0.8	-0.7	-0.7
Chad	-1.6	5.1	-0.1	-1.2	-4.1	-1.1	0.0	-1.1	-0.4	-0.1	-0.1	0.0	0.0	-0.3
Congo, Republic of	5.6	-4.9	10.2	-6.7	-4.9	3.9	3.0	-4.0	-4.1	-2.8	-1.9	-1.7	-1.7	-1.3
Equatorial Guinea	-1.1	-0.1	0.8	-3.2	-3.0	0.0	0.8	0.0	-1.3	-0.8	-0.8	-0.7	-0.5	-0.8
Gabon	-0.8	-1.5	3.6	-3.3	-0.8	0.0	0.3	0.0	2.3	-2.9	-0.7	-0.3	-0.1	-4.1
Number of countries violating 3/	1	0	3	1	0	1.0	4	0.0	1	0	0	1	1	0

Sources: Authorities' data; and IMF staff estimates.

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

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

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

Table 7. CEMAC: Summary Accounts of Central Bank, 2018–29
(Billions of CFA Francs, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023 ¹	2023	2024	2024 ²	2024	2024	2024 ³	2024	2025	2026	2027	2028	2029
						SR 23/440		Mar	Jun	Jun	Sep	SR 23/440						
	Est.	Est.	Est.	Est.	Est.	2/	Proj.	Proj.	2/	Proj.	Proj.	2/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	2,379	2,730	1,980	1,420	3,169	3,735	3,238	3,231	4,205	3,012	3,013	4,191	3,698	3,563	3,619	3,796	4,263	5,011
Assets 1/	3,777	4,362	4,193	4,677	6,854	7,500	6,886	6,825	7,734	6,518	6,458	8,031	7,316	6,975	6,755	6,606	6,711	7,082
Unallocated	452	308	101	388	431	593	716	716	593	716	716	593	716	716	716	716	716	716
Cameroon	2,004	2,199	2,153	2,522	3,191	3,414	2,930	2,970	3,491	3,007	3,059	3,644	3,373	3,544	3,440	3,433	3,789	4,241
CAR	215	214	242	292	243	230	298	286	220	282	274	214	250	234	238	267	320	392
Congo	251	617	643	551	578	783	519	545	871	572	598	959	625	682	788	921	1,034	1,271
Gabon	766	813	808	766	882	968	874	728	996	301	212	1,004	728	301	212	91	-88	-243
EG	-5	21	30	26	897	819	913	943	826	985	938	832	942	876	756	631	480	334
Chad	93	191	216	134	633	693	636	637	737	655	661	785	682	623	606	548	460	371
Of which:																		
Operations account	3,360	3,740	3,633	2,339	3,427	3,750	3,443	3,413	3,867	3,259	3,229	4,015	3,658	3,488	3,378	3,303	3,356	3,541
Liabilities	-1,398	-1,632	-2,213	-3,257	-3,685	-3,765	-3,648	-3,595	-3,528	-3,506	-3,444	-3,840	-3,617	-3,412	-3,136	-2,810	-2,449	-2,071
Unallocated 4/	-16	80	233	65	135	221	147	147	221	147	147	221	147	147	147	147	147	147
Cameroon	-529	-546	-809	-1,171	-1,337	-1,440	-1,404	-1,404	-1,440	-1,404	-1,404	-1,477	-1,442	-1,409	-1,280	-1,130	-992	-853
CAR	-163	-177	-193	-303	-299	-295	-302	-302	-295	-302	-302	-298	-305	-310	-312	-278	-257	-237
Congo	-89	-138	-203	-277	-433	-538	-469	-469	-564	-495	-495	-590	-521	-516	-510	-505	-461	-391
Gabon	-348	-428	-577	-831	-924	-853	-838	-770	-611	-668	-599	-716	-770	-668	-599	-528	-450	-385
EG	-26	-146	-297	-210	-213	-224	-207	-195	-234	-194	-198	-247	-190	-172	-157	-154	-151	-148
Chad	-227	-276	-366	-530	-615	-636	-574	-601	-606	-590	-592	-733	-536	-485	-425	-362	-285	-203
Net domestic assets	2,316	2,316	3,459	4,563	3,987	3,464	4,996	3,905	3,666	4,934	4,386	3,380	4,812	5,584	6,258	6,839	7,138	7,150
Net credit to government	2,209	2,469	3,348	3,948	3,353	3,297	3,895	3,333	3,026	3,268	2,752	3,083	3,463	2,829	2,073	1,201	294	-538
Claims	3,571	3,792	4,299	5,046	5,420	5,607	5,449	5,409	5,699	5,417	5,189	5,699	5,417	5,189	4,899	4,546	4,156	3,753
Advances and consolidated debt	2,773	2,772	2,770	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,746	2,772	2,772	2,746	2,720	2,693	2,665	2,637
Advances			2,773	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,746	2,772	2,772	2,746				
IMF credit	798	1,020	1,528	1,849	2,239	2,436	2,278	2,239	2,529	2,246	2,044	2,529	2,246	2,044	1,780	1,453	1,092	717
Government deposits	-1,362.6	-1,323.1	-951	-1,097	-2,067	-2,309	-1,554	-2,076	-2,674	-2,149	-2,437	-2,617	-1,954	-2,360	-2,826	-3,344	-3,862	-4,291
Net claims on financial institutions 3/	432	274	377	669	460	-3	912	385	609	1,593	1,732	114	1,144	2,534	3,948	5,381	6,569	7,395
Fogadac reclassification as domestic liability				138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
Other items, net	-324	-426	-266	-55	174	170	188	188	32	73	-98	183	205	220	238	256	275	293
Base money	4,695	5,046	5,439	5,982	7,156	7,198	7,998	7,136	7,872	7,946	7,399	7,571	8,510	9,147	9,877	10,634	11,401	12,161
Currency in circulation	2,577	2,752	3,116	3,676	3,843	4,188	4,183	4,154	3,933	3,968	4,089	4,562	4,597	4,941	5,335	5,744	6,158	6,569
Banks' reserves	2,050	2,222	2,245	2,212	3,029	3,306	3,469	3,368	4,187	4,224	3,542	3,616	3,611	3,881	4,191	4,512	4,837	5,160
o.w. Required reserves	569	700	743	825	960	1,050	1,042	1,085	1,078	1,087	1,072	1,166	1,167	1,254	1,354	1,458	1,563	1,668
Excess reserves	1,125	1,160	1,145	1,038	1,650	1,798	1,783	1,810	2,608	2,631	2,029	1,941	1,942	2,088	2,254	2,427	2,602	2,775
Cash in vaults	356	363	357	349	419	459	448	474	501	506	440	509	501	539	582	627	672	717
Others	68	72	78	94	284	-296	346	-386	-249	-246	-231	-607	303	326	352	379	406	433
Memorandum items:																		
Reserve coverage of broad money (in percent)	33.2	36.3	31.4	31.1	40.1	40	37.1	37.9	41	35.2	31.3	39	35.4	31.4	28.1	25.6	24.2	24.0
Base money/deposits (in percent)	53.4	54.4	53.1	52.6	54.1	50	55.7	50.2	54	55.3	46.0	47	52.9	52.9	52.9	52.9	52.9	52.9

Sources: BEAC.

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

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

2/ Refers to the projection published in the IMF Country Report No 23/440.

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

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

Table 8. CEMAC: Net Foreign Assets of the Central Bank, 2018–29
(Billions of CFA Francs)

	2018	2019	2020	2021	2022	2023 ¹	2023 ¹	2024	2024	2024	2024 ¹	2024	2025	2026	2027	2028	2029	
	Est.	Est.	Est.	Est.	Est.	SR 23/440 1/	Proj.	Mar	June	June	Sept	SR 23/440 1/	Proj.	Proj.	Proj.	Proj.	Proj.	
BEAC's net foreign assets																		
Stock	2,379	2,730	1,980	1,420	3,169	3,735	3,238	3,231	4,205	3,012	3,013	4,191	3,698	3,563	3,619	3,796	4,263	5,011
Change since end of previous year	248	348	-750	-561	1,749	566	70	-8	471	-227	-225	456	460	-135	56	177	467	748
o.w. Cameroon	152	179	-309	7	504	120	-328	40	77	77	129	192	405	204	25	143	494	591
Central African Republic	-22	-15	12	-60	-46	-9	52	-12	-10	-16	-24	-18	-51	-20	3	62	75	91
Congo	43	313	-38	-167	-128	101	-95	26	62	27	53	124	54	63	112	139	157	307
Gabon	111	-34	-154	-297	24	156	77	-77	270	-402	-424	174	-77	-325	-22	-49	-101	-90
Equatorial Guinea	25	-95	-143	83	867	-89	24	41	-3	84	33	-10	45	-47	-106	-122	-148	-144
Chad	123	48	-65	-246	413	39	44	-26	75	4	7	-5	85	-9	44	4	-10	-8
Unallocated	-185	-49	-53	119	114	247	296	0	0	0	0	0	0	0	0	0	0	0

Sources: BEAC, and IMF staff projections.

1/ Refers to the projections published in the IMF Country Report No 23/440.

Table 9. CEMAC Program Countries: External Financing Sources, 2019–24

(Billions of CFA Francs)

	2019	2020	2021	2022	2023	2024						
	Est.	Est.	Est.	Est.	Proj	H1 SR	H1 Proj	H2 SR	H2 Proj	SR 23/440	2/	Proj
						23/440 2/		23/440 2/		23/440 2/		
1. External financing needs ¹	1050	1689	632	708	437	406	367	406	567	582	934	
2. Net IMF Financing	228	572	157	249	122		-40		-45		-85	
3. Budget support from other donors	665	451	29	139	214	130	58	130	258	287	316	
World Bank	291	123	0	31	0	25	6	25	224	153	230	
African development Bank	184	220	13	45	83	49	0	49	0	77	0	
European Union	16	68	3	4	0	0	0	0	0	20	0	
France	174	11	13	59	130	56	37	56	0	48	37	
Other ³	0	29	0	0	0	0	7	0	7	0	15	
4. Commercial borrowing	-79	595	456	0	0	0	0	0	0	0	0	
5. Debt relief	0	286	104	624	0	0	0	0	0	0	0	
6. External arrears	67	29	-57	-1	-35	0	0	0	-1	-1	-1	
7. Residual financing gap	269	-326	134	-222	234	0	15	0	15	-133	31	

1 After projected/targeted change in gross reserves.

2 Refers to the projections of the IMF SR 23/440.

3 Includes external financing from the BDEAC in CFAF.

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

June 8, 2024

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

Subject: Follow-up to the Letter of Support for the Recovery and Reform Programs Undertaken by the CEMAC Member Countries

Dear Ms. Georgieva:

This letter is a renewal of the assurances provided in December 2023 by the community Institutions in support of the economic recovery and reform programs initiated by the member countries of the Central African Economic and Monetary Community (CEMAC). It reflects the commitments made in the discussions held in connection with the regional consultations from April 29 to May 14, 2024, between staff of the International Monetary Fund (IMF) and the CEMAC Institutions.

In 2023, the national and regional authorities continued their macroeconomic stabilization and economic policy implementation efforts, albeit more slowly than expected. Economic growth slowed in 2023, primarily owing to the drop in crude oil and gas production. Real GDP growth is forecast at 2.3 percent in 2023, down from 2.9 percent in 2022. After more than doubling in 2022, inflation began to ease, falling from 6.7 percent in 2022 to 4.6 percent in 2023, year-on-year, although still above the 3 percent convergence criterion. BEAC has maintained its data-dependent approach to monetary policy, with a tightening bias, while waiting for further signs of easing inflationary pressures—observed at the end of 2023—to take hold. This decline in inflation partly reflects the effect of the increase in the main policy rate (tender interest rate or TIAO) by 175 basis points since November 2021, reaching 5.0 percent in March 2023. BEAC also tightened refinancing conditions for banks by suspending weekly liquidity injections on the money market at the beginning of March 2023, to focus on weekly liquidity absorption operations. The volume of weekly short-term liquidity absorption operations increased steadily until September 2023 (FCFA 120.7 billion) before declining toward the end of the year (FCFA 12.7 billion). The interest rate on these operations was raised from 0.85 percent in September 2023 to 1.25 percent in November 2023.

Following the December 2023 decision of the Monetary Policy Committee, BEAC has started issuing short-term debt securities since February 2024 with maturities of 14 and 28 days at interest rates of 2.5 percent and 3.5 percent, respectively, in order to absorb excess liquidity more effectively. In accordance with its statutes, BEAC has not provided direct monetary financing to its member countries. BEAC stands ready to tighten its monetary policy should inflationary pressures persist, or net foreign assets (NFA) begin to deviate from the targeted path, in order to appropriately preserve the internal and external stability of the currency.

Since the second half of 2023, however, the level of excess reserves in the banking system has fallen considerably, from CFAF 1,042 billion at end-December 2023 to CFAF 682 billion at end-March 2024. The restrictive liquidity stance and the reduction in excess reserves have led an increasing number of banks to recurrently borrow from the marginal lending facility. In this context, BEAC intends to resume its main weekly refinancing operations, and to determine the direction and volume of its interventions each week based on forecasts of bank liquidity, taking into account autonomous factors. The resumption of weekly liquidity injections will help alleviate the growing liquidity pressures faced by some banks, amid gradually easing inflationary pressures and ongoing efforts to address the segmentation of the banking system. BEAC may also switch to full allotment tender procedures, taking into account market and macroeconomic conditions. The interest rate for the main refinancing operations, the TIAO, BEAC's key interest rate, will serve as the floor rate. The central bank will continue to make use of BEAC short-term debt securities ("BEAC Bills"), issued at rates closer to TIAO, to encourage greater participation by banks holding the bulk of excess reserves. BEAC is committed to assessing the impact of "BEAC Bills" on reducing excess liquidity and defragmenting the interbank market, with a view to modifying the conditions attached to these operations to make them more attractive to investors. In addition, BEAC, in close collaboration with COBAC, will ensure strict application of prudential regulations on concentration limits. The issue of zero risk weighting for new issuances of government securities backed by an escrow account arrangement will be discussed with a view to considering its gradual removal at the next meeting of the Banking Commission scheduled for July 2024.

However, fiscal balances deteriorated significantly in 2023. The region's overall fiscal balance, excluding grants, shifted to a deficit of -0.9 percent of GDP in 2023 from a 2.3-percent GDP surplus in 2022, mainly as a result of significant fiscal slippages in some member states, driven by political events (such as organizing elections and national dialogues), security issues, and managing refugees fleeing the war in Sudan. The non-oil primary deficit (including grants) stood at -9.7 percent of non-oil GDP in 2023, higher than projected at the time of the previous IMF staff mission. Country authorities will have to work to rebuild fiscal buffers by correcting fiscal slippages and being more prudent in managing excess oil revenues. Total public debt remains below the Community threshold of 70 percent of GDP but increased by 1.7 percentage points to 54.7 percent of GDP at the end of 2023, reflecting the recognition of new payment arrears and higher debt service costs in line with the continued rise in the cost of sovereign issuances. It is expected to fall to around 40 percent of GDP in the medium term. The current account balance, including grants, also deteriorated significantly, but remains in surplus, falling from 8.1 percent of GDP in 2022 to 4.2 percent of GDP in 2023, as a result of lower oil and gas exports.

This weakening of the external position slowed the accumulation of foreign exchange (FX) reserves in the second half of 2023. However, the continued tightening of monetary policy, as well as the increase in gross surrenders (*rétrocessions brutes*) and some technical delays in the accounting treatment of transfers in December 2023, resulted in an increase in NFAs at the end of 2023. Accordingly, the regional assurances on net foreign assets at end-December 2023 (EUR 3.919 billion) were achieved with a comfortable margin of EUR 1 billion.

The macroeconomic outlook is marked by a rebound in economic activity in 2024, with growth projected at 3.3 percent. This improvement is driven by the dynamism of the non-oil sector, a stronger rebound in oil production, and persistently high oil prices.

Although favorable, this outlook masks divergences in the region as a whole. A more robust recovery remains dependent on decisive corrective measures to address recurrent fiscal slippages in some member states and an acceleration in the implementation of reforms under IMF-supported programs and the CEMAC Economic and Financial Reform Program (PREF-CEMAC). This economic outlook is also subject to heightened uncertainties, including the volatility of oil markets, persistent inflationary pressures, tighter global financial conditions which accentuate refinancing and debt distress risks, as well as the risks of escalating geopolitical tensions, food insecurity, and financial instability. The recovery will also be contingent upon the successful completion of ongoing IMF-supported program reviews, and upon the predictable, timely disbursement of budget support expected from the other development partners, in light of the region's large external financing needs. Governments and development partners should work together to ensure greater predictability of budget support disbursements, including for the financing pledges made at the donor roundtable in Paris in November 2023 for the second generation of CEMAC priority integrative projects. The outlook will also depend on certain domestic developments, including the security and socio-political situation in Cameroon, the Central African Republic, Gabon, and Chad, as well as possible humanitarian and security spillovers of the ongoing conflict in Sudan and the political crises in the Sahel. In this uncertain macroeconomic context, BEAC will continue to implement the measures required to strengthen both the region's internal and external stability, in accordance with its mandate.

BEAC is also continuing its efforts to ensure the full, transparent, efficient, uniform, and predictable implementation of the FX regulations. To further strengthen compliance with the current provisions, including the surrender and repatriation requirement of the FX regulations, we maintain an ongoing dialogue with the banking sector and the private sector to make procedures more flexible, expeditious, and efficient. In view of the sharp fall in the effective rate of FX surrenders over most of 2023, we will further strengthen cooperation with member states to ensure more diligent monitoring of compliance by the public and extractive sectors with the FX repatriation and surrender requirements. We also welcome the progress made during the discussions held in Paris in July and November 2023 with the extractive sector. The model contracts of the escrow account attached to the funds set aside for the rehabilitation of oil sites (RES funds) is currently being finalized. These model contracts are expected to be approved and signed by the member states and the extractive sector shortly. Discussions are ongoing with the extractive sector on the remaining unresolved

issues, including: (i) the terms and conditions for remunerating escrow accounts attached to the RES funds; and (ii) the treatment of RES funds constituted in the form of accounting provisions. Once the agreement has been signed, the RES funds set up before January 1, 2022, are expected to be repatriated to escrow accounts at BEAC at a rate of at least one-third (1/3) per year from January 1, 2022, and immediately repatriated for those set up after the above date. It is expected that the RES funds will be set up directly in the accounts opened in CEMAC as soon as the agreement is signed. BEAC will continue to discuss with the IMF and World Bank staff its efforts to increase the extractive sector's compliance with the FX regulations as ways to enhance transparency.

BEAC has continued its actions to contribute to more efficient public financial management, and more specifically through the implementation of the information technology platform meant to facilitate the deployment of the Treasury Single Account (TSA) systems. This project, which is in the pilot phase in Cameroon and Gabon, has experienced some technical delays, but we are planning on a full migration to the TSA system by end-December 2024. The migration will then be gradually extended to other member countries' treasuries.

Regarding banking supervision, as of July 2022, COBAC lifted the temporary prudential forbearance measures applied as part of the response to COVID-19. In June 2023, COBAC also lifted the suspension of dividend distribution, authorizing for the first time in three years a dividend distribution. Banking sector soundness indicators deteriorated in the second half of 2023, however. The banking sector remains fragile with several breaches of prudential standards. BEAC is working to address COBAC's long-standing understaffing issues as quickly as possible. With this, COBAC is prepared to intensify its on-site supervision missions, speed up resolution procedures for under-capitalized banks, and strengthen both AML/CFT supervision and regulatory framework, including by gradually escalating sanctions and requiring under-capitalized banks to submit credible recapitalization plans within a short time frame, in compliance with existing regulations. COBAC is committed to modernizing the regulatory framework, in particular by amending current accounting standards to incorporate the fair valuation of assets, in line with international best practice, while setting a reasonable timeline for the transition to the implementation of IFRS and making progress on the transition to Basel II/III. BEAC and COBAC are working together to review the refinancing plans of banks that are structurally dependent on BEAC's refinancing and are committed to tightening the conditionality of refinancing for these banks. The two institutions are also committed to closely monitoring banks' sovereign exposure, and taking steps to reduce it, including the removal of systematic zero weights for new issuances of government securities.

Member countries' support will be essential for strengthening state-owned banks and for swiftly implementing and submitting to the CEMAC Commission comprehensive strategies for clearing domestic arrears. Such strategies should be based on the principles of transparency, and supported by measures to strengthen public financial management to prevent new payment arrears, which continue to threaten financial stability. Member countries' support will also be essential to ensure that sovereign risk to bank balance sheets is reduced.

Regional institutions continue to monitor crypto-asset related risks in the region. The regional supervisors (BEAC, COBAC, COSUMAF, and the regional AML/CFT body, GABAC) will

coordinate further to achieve a coherent and appropriate regulatory framework for crypto-assets. In addition, BEAC, in collaboration with the other regional supervisors, will by June 2024 issue an opinion on compliance by the law passed in the Central African Republic authorizing the tokenization of its natural resources with exclusive payment use of crypto-assets for transactions, in particular with regard to the exclusive right of BEAC to issue currency in CEMAC, as well as the possible unintended effects of these initiatives on financial integrity, governance, consumer protection, and compliance with AML/CFT standards within CEMAC.

Additionally, the working group set up by BEAC in September 2023 to consider a central bank digital currency will consult with the other subregional supervisors (COBAC, COSUMAF, GABAC) with a view to develop a consistent and appropriate regulatory framework to monitor and manage the new risks posed by the emergence of digital payment mechanisms, under the coordination of BEAC. We look forward to the IMF's technical assistance, which BEAC has requested to that effect.

Furthermore, CEMAC's current account balance could deteriorate in 2024, reflecting a decline in oil and gas exports consistent with the reduction in their prices. Despite the sharp rise in NFAs in December 2023, there has been a decrease in NFAs since the beginning of the year, from EUR 4.94 billion at end-December 2023 to EUR 4.22 billion at the beginning of March 2024. The above-mentioned measures, including the tackling of recurrent fiscal slippages in some member states should contribute to the strengthening of NFAs in 2024. Similarly, the acceleration in the implementation of structural reforms, the enhancement of transparency and governance by member states (including the adoption and implementation of regional directives on taxation and the harmonized framework for public financial management), as well as budgetary support from development partners under ongoing IMF-supported programs should bolster this momentum. BEAC is also committed to intensifying efforts to monitor compliance by the public and extractive sectors with the FX regulations. Member states should also ensure that all public entities fully repatriate their deposits held abroad. These efforts, combined with a continuation of the constructive dialogue with a view to a more comprehensive, effective, consistent and predictable application of the FX regulations, should contribute to more effective repatriation of FX. Thus, taking into account the higher-than-anticipated performance of NFAs in December, partially offset by the projected darkening of the outlook for the external sector in 2024, we envisage an upward revision of the NFA target for the region at end-June 2024, from EUR 4.3 billion to EUR 4.5 billion. Based on this upward revision of the NFA target for end-June 2024, and taking into account the updated projections of a deterioration in the current account balance in 2024 linked to the projected decline in oil and gas export earnings, which will be partially offset by the efforts to apply the aforementioned FX regulations more rigorously, the NFA target for end-December 2024 is set at EUR 5.0 billion. From December 2024 onwards, in an effort to counter the high volatility in NFA trends and better understand the underlying trend, the NFA target will be assessed on the basis of an average over the previous three months. For end-December 2024, the target will be assessed for the three-month period ending December 31, 2024.

BEAC will work jointly with the CEMAC Commission and the CEMAC Economic and Financial Reforms Program (PREF-CEMAC) Permanent Secretariat to ensure that the adoption process of the

draft new sanction mechanism for beaches of the convergence rules is put back on track as soon as possible, after some member countries questioned its merit at the March 2023 Central African Economic Union (UEAC) Ministerial Council. To that end, the Commission will urgently organize consultations on the revised draft with the other community institutions (BEAC, BDEAC, BVMAC COBAC, and COSUMAF), in order to enable its adoption to be included on the agenda of a Conference of CEMAC Heads of State. The adoption of this mechanism and its entry into force remain crucial for strengthening the credibility and enforceability of the multilateral surveillance framework, especially as member states' compliance with the convergence criteria was mixed in 2022, despite favorable oil prices.

BEAC and COBAC are renewing their commitment to broadening the range of economic and financial statistics and to accelerating the sharing of such data with IMF staff to closely monitor NFAs and monetary and financial developments (according to the dashboard of relevant weekly and monthly indicators included in our December 2023 letter of assurance) in an effort to ensure close monitoring of macroeconomic developments. COBAC will also provide IMF staff with all appropriate information to enable close monitoring of the soundness of the CEMAC banking system. In addition, with the agreement of the member states, BEAC undertakes to share with the IMF Statistics Department by end-2024, data on FX reserves disaggregated by country for the calculation of quotas for 2023.

BEAC will diligently monitor the progress of programs in CEMAC countries, providing regular updates to the relevant bodies (the Board, the Monetary Policy Committee, and PREF-CEMAC). In addition, it will continue to work closely with IMF staff to support the regional strategy to promote economic recovery. BEAC stands ready to notify and consult with IMF staff in a timely manner on economic developments likely to affect the external stability of CEMAC, by end-June and December 2024, and to take any corrective measures, including in the area of monetary policy, that may be required in the event of any adverse developments.

We remain available to work alongside the CEMAC member states and the IMF to restore macroeconomic balances in the subregion.

Sincerely yours,

/s/

Yvon Sana Bangui

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

June 25, 2024

On behalf of our CEMAC authorities, we would like to thank IMF Executive Directors, Management, and staff for the continued support to the regional institutions and CEMAC member countries in the context of their regional strategy to strengthen the region's internal and external stability. The regional authorities appreciated the constructive policy discussions with staff in Libreville and Yaoundé in April/May 2024, and view the staff report as an accurate account of those exchanges. They broadly concur with staff's assessment of recent macroeconomic developments and the risks surrounding the outlook but are reasonably more optimistic on the medium-term growth prospects for the CEMAC region. The authorities agree with staff's policy recommendations to further strengthen macroeconomic stability and stress existing regional constraints to faster reforms implementation.

I. Recent Developments and Outlook

Hydrocarbon sector developments predominantly dominated economic activity. Growth slowed from 2.9 percent in 2022 to 2.3 percent in 2023 primarily owing to lower hydrocarbon production. Inflation pressures continued to ease throughout 2023 and inflation fell from 6.7 percent in 2022 to 4.6 percent in 2023, year-on-year, but remains above the 3 percent convergence criterion. The current account balance, including grants, declined to 4.2 percent of GDP in 2023 from 8.1 percent of GDP in 2022, as a result of lower hydrocarbon exports. This weakening of the external position slowed the accumulation of foreign exchange (FX) reserves in the second half of 2023, which remain overall unchanged in 2023 at 4.3 months of prospective imports.

Net foreign assets (NFAs) have been very volatile. The continued tightening of monetary policy, as well as the increase in gross FX surrenders and some technical delays in the accounting treatment of transfers in December 2023, resulted in an increase in NFAs at the end of 2023. As a result, the regional assurances on net foreign assets at end-December 2023 (EUR 3.919 billion) were achieved with a comfortable margin of EUR 1 billion. It is worth stressing that the NFA trend remains downward, reflecting the weakening external position on account of lower oil prices relative to 2022 but also deteriorating fiscal positions in some countries. Following the sharp rise in December 2023, there has been a decrease in NFAs since the beginning of 2024, from EUR 4.94 billion at end-December 2023 to EUR 4.22 billion at the beginning of March 2024. To counter the high volatility in NFA trends and better understand the underlying trend, BEAC and IMF staff agree that, from December 2024 onwards, the NFA target will be assessed based on an average over the previous three months.

Fiscal developments were mixed. The non-oil primary deficit (including grants) narrowed slightly from 8.6 to 7.9 percent of non-oil GDP in 2023, and the overall fiscal balance, excluding grants, turned negative at -0.5 percent of GDP in 2023 from a surplus of 2.0 percent of GDP in 2022. The significant fiscal slippages in some member states were notably driven by adverse political events and elevated security and refugees care expenditures. Total public debt increased slightly to 54.7 percent of GDP but remains well below the regional convergence criterion of 70 percent of GDP. It is expected to fall to around 40 percent of GDP in the medium term. The banking sector health has weakened with several soundness indicators deteriorating in the second half of 2023 amid tighter liquidity conditions. Regional banks' high sovereign exposure remains a major concern for the regional authorities.

Uncertainty around the outlook has risen as downside risks are increasing. Growth is expected to accelerate to 3.3 percent in 2024 and 3.7 percent by 2027—slightly higher than in staff's projections—supported notably by a more dynamic non-oil sector and a rebound in oil production. Inflation is projected to continue declining, returning below the 3-percent threshold by 2025. The current account balance should deteriorate in 2024 on account of lower oil prices. The economic outlook is subject to heightened uncertainties, including the volatility of oil markets, tight global financial conditions—which accentuate refinancing and debt distress risks—as well as a possible escalation of geopolitical tensions, food insecurity, and financial instability. The outlook will also depend on some other domestic developments, including the security and socio-political situation in Cameroon, the Central African Republic, Gabon, and Chad, as well as continuing humanitarian and security spillovers from the conflict in Sudan and political crises in the Sahel. The authorities underscored upside risks from sustained reform efforts.

The continuation of reform efforts is essential to improved growth prospects for 2024 and beyond. Despite a challenging context, the implementation of the CEMAC Economic and Financial Reform Program (PREF-CEMAC) is steadily advancing. However, while the approval of a Resilience and Sustainability Facility arrangement for Cameroon is a positive development, progress on some Fund-supported programs has stalled due to delays in program reviews in three countries, which is contributing to greater uncertainty around the growth outlook. The regional authorities share the view that an acceleration in the implementation of reforms under IMF-supported programs and the PREF-CEMAC reform program will be critical to support recovery and make further progress towards the regional economic objectives. As countries are facing challenges in tapping the regional markets owing to already high banks' sovereign exposure, the regional authorities have stressed the need for enhanced fiscal policy prudence, especially in countries with an expansive fiscal policy—including by better managing oil windfalls—which is essential to rebuild fiscal buffers, reduce debt vulnerabilities and support reserve accumulation. Also, considering the region's large external financing needs, timely disbursement of budget support expected from other development partners will be critical to address the balance of payments needs and support the implementation of regional integration projects.

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

The regional authorities will continue to implement the measures required to strengthen both the region's internal and external stability. They will pursue efforts in train to improve the quality of statistics with the assistance of the Fund.

The regional central bank BEAC pursues a data-dependent monetary policy. With inflationary pressures receding, BEAC has kept its policy rates unchanged since March 2023, while stepping up efforts to absorb excess liquidity through greater volumes of weekly short-term liquidity absorption operations and higher interest rate on these operations. The banking sector fragmentation limited the effectiveness of corrective measures as banks with excess reserves usually do not participate in the money market. BEAC has therefore started since February 2024 issuing short-term debt securities with maturities of 14 and 28 days at interest rates of 2.5 percent and 3.5 percent, respectively, in order to absorb excess liquidity more effectively. Subsequently, as overall excess liquidity declined sharply over the past few months and liquidity pressures in the banking sector were growing, BEAC decided to resume weekly liquidity injections in June 2024. BEAC stands ready to tighten monetary policy further should inflationary pressures persist, or net foreign assets (NFA) begin to deviate from the targeted path, in order to preserve the internal and external stability of the currency.

BEAC is also continuing its efforts to ensure full, transparent, efficient, uniform, and predictable implementation of the FX regulation. BEAC maintains an ongoing dialogue with the banking sector and the private sector to make FX market procedures more flexible, expeditious, and efficient with a view to further strengthening compliance with the current provisions of the FX regulation, including the repatriation and surrender requirements. Considerable progress is being made in this area. BEAC will also further strengthen cooperation with member states to ensure more diligent monitoring of compliance by the public and extractive sectors with the FX repatriation and surrender requirements. Discussions are still ongoing with the extractive sector on remaining unresolved issues regarding the repatriation of the funds set aside for the rehabilitation of oil sites (RES funds). BEAC will continue discussions with IMF and World Bank staffs on its efforts to enhance the extractive sector's compliance with the FX regulation and improve transparency.

Work is underway to ensure full migration to Treasury Single Account (TSA) system. The implementation of the information technology platform meant to facilitate the deployment of the TSA systems has experienced delays in Cameroun and Gabon where the IT project is in its pilot phase. The central bank now envisages the full migration to the TSA system by end-December 2024.

After lifting all pandemic-related forbearance measures in 2023, the regional Banking Commission (COBAC) pursues the implementation of the recently adopted risk-based supervision to safeguard financial stability. Although constrained by long-standing understaffing issues –which BEAC is working to address– COBAC is prepared to intensify its on-site supervision missions, speed up resolution procedures for undercapitalized banks, and strengthen both AML/CFT supervision and regulatory frameworks, including by gradually escalating sanctions and requiring undercapitalized banks to submit credible recapitalization plans within a short time frame, in compliance with existing regulations. COBAC is committed to modernizing the regulatory framework, notably by amending current accounting standards to incorporate the fair valuation of assets, in line with international best practice, while setting a reasonable timeline for the transition to the implementation of IFRS and making progress on the transition to Basel II/III. BEAC and COBAC are working together to review the refinancing plans of banks that are structurally dependent on BEAC's refinancing and are committed to tightening the conditionality of refinancing for these banks. The two institutions are also committed to closely monitoring banks' sovereign exposure, and are taking steps to address the issue, including through the removal of systematic zero weights for new issuances of government securities.

The regional institutions continue to monitor and manage risks posed by digital assets and payments in the region. The regional supervisors (BEAC, COBAC, COSUMAF, and the regional AML/CFT body GABAC) will coordinate their actions further to achieve a coherent and appropriate regulatory framework for crypto-assets. In that connection, they are examining the law passed in the Central African Republic authorizing the tokenization of its natural resources with exclusive payment use of crypto-assets for transactions, to ensure compliance with the legal and regulatory regional frameworks. These institutions look forward to IMF technical assistance in developing a consistent and appropriate regulatory framework for a central bank digital currency and other digital payment mechanisms.

The CEMAC Commission is endeavoring to strengthen the credibility and enforceability of the regional surveillance framework. It has initiated a review of the 2023 regional surveillance reports from the early warning system. In collaboration with other regional institutions (BEAC, BDEAC, BVMAC, COBAC, and COSUMAF), the Commission plans to submit the draft new sanction mechanism for breaches of the convergence rules to the consideration of the regional Head of States Conference. The adoption of this mechanism and its entry into force remain crucial for strengthening the credibility and enforceability of the multilateral surveillance framework, especially as member states' compliance with the convergence criteria was mixed in 2022, despite favorable oil prices. The Commission is also contemplating the setup of a regional stabilization fund to be filled with oil revenue windfalls and will consult with other regional institutions to seek consensus on a draft concept note on the initiative. The Commission appreciated staff's recommendation to adopt a regional climate change adaptation strategy considering the region's vulnerability to climate-related shocks and natural disasters.

The regional authorities stress that greater collective action with member countries will be essential to advance the regional strategy in several key reform areas. In addition to efforts towards strengthening regional institutions capacity and fiscal performance, member countries' support will be essential in enhancing governance of state-owned banks, reducing sovereign risks to bank balance sheets, and expediting submission to the CEMAC Commission of comprehensive national strategies for the clearance of domestic arrears. The Commission is sustaining outreach to member countries, emphasizing the need to update the countries' triennial convergence plans, transpose regional tax and public financial management (PFM) directives in domestic legislations, and comply with regional macroeconomic convergence criteria.

III. Policy Assurances

The CEMAC authorities remain committed to the successful implementation of their regional economic strategy. They have reiterated their related policy commitments and assurances in a June 2024 Follow-up Note to the Letter of Support to the Recovery and Reform Programs Undertaken by the CEMAC Member Countries. The regional policies and reforms, enforcing compliance of public entities and the extractive sector with the FX regulations, progress in reforms implementation under ongoing Fund-supported programs, and timely budget support from development partners should all contribute to further NFA build-up by end-2024. Consequently, the regional policy assurance on the NFA target at end-June 2024 has been revised upward from EUR 4.3 billion to EUR 4.5 billion. In addition, considering the updated projections of a deterioration in the current account balance in 2024 linked to the expected decline in hydrocarbon export earnings, which will be partially offset by stronger FX repatriations with enhanced enforcement of related FX regulations, the NFA target for end-December 2024 is set at EUR 5.0 billion. The CEMAC authorities will pursue their close collaboration with Fund staff to ensure the success of the regional strategy.