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CENTRAL AFRICAN ECONOMIC AND MONETARY COMMUNITY (CEMAC)

STAFF REPORT ON COMMON POLICIES OF MEMBER COUNTRIES—INFORMATIONAL ANNEX

July 11, 2014

Prepared By

The African Department
(in consultation with other departments)

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RELATIONS OF CEMAC MEMBER COUNTRIES AND THE FUND AND MEMBERSHIP STATUS

Cameroon, Central African Republic (C.A.R.), Chad, Republic of Congo, and Gabon joined the IMF in 1963, and Equatorial Guinea joined in 1969. All CEMAC members accepted Article VIII of the IMF articles of agreement on June 1, 1996.

Relations of the CEMAC Member Countries and the Fund

Cameroon: The last financial arrangement, a Poverty Reduction and Growth Facility (PRGF) arrangement in an amount equivalent to SDR 18.6 (about US\$26.8), expired on January 31, 2009. The Executive Board approved on July 2, 2009 a SDR 92.9 (about US\$ 144.1) disbursement under the Rapid-Access Component of the Exogenous Shocks Facility. The 2013 Article IV consultation was concluded on June 30, 2014. Cameroon is on a 12-month consultation cycle.

C.A.R.: The Executive Board approved on May 14, 2014 financial assistance under the Rapid Credit Facility (RCF) in the amount equivalent to SDR 8.355 million (about US\$12.9 million) for the Central African Republic (C.A.R.) in support of the authorities' emergency economic recovery program. The Executive Board noted the authorities' cancellation of the Extended Credit Facility (ECF) arrangement for C.A.R. that was approved on June 25, 2012.

Chad: The last financial arrangement, a PRGF arrangement in an amount equivalent to SDR 25.2 (about US\$38.2), expired on May 31, 2008 with no review completed. After several failed attempts at establishing a positive track record of macroeconomic management, performance under an SMP covering the period June–December 2013 was assessed as satisfactory. That paved the way for discussions on a three-year financing arrangement under the Extended Credit Facility (ECF), which are currently at an advanced stage. The last Article IV consultation was concluded on February 21, 2014.

Republic of Congo: The Executive Board approved a three-year PRGF arrangement for Rep. of Congo in an amount equivalent to SDR 8.5 (about US\$12.5) on December 8, 2008. The country reached the Decision Point under the enhanced HIPC initiative on March 8, 2006 and the Completion Point on January 27, 2010. Following completion of the three-year Extended Credit Facility (ECF) arrangement in August 2011, Article IV consultations with Congo are now on a 12-month cycle. The last Article IV consultation was concluded on July 21, 2014.

Equatorial Guinea: The last financial arrangements, an Enhanced Structural Adjustment Facility arrangement in an amount equivalent to SDR 9.9 and a Structural Adjustment Facility in an amount equivalent to SDR 3.0, expired both on February 2, 1996. Equatorial Guinea is not expected to seek IMF financial assistance over the next few years. The country is not eligible for assistance under the HIPC initiative. The last Article IV consultation was concluded on, April 29, 2014. Equatorial Guinea is on a 12-month consultation cycle.

Gabon: The three-year Stand-By Arrangement in an amount equivalent to SDR 77.2 (about US\$117) expired on May 7, 2010, with only the first three reviews completed. Gabon is not eligible for assistance under the HIPC initiative. The last Article IV consultation was concluded on February 13, 2013. Gabon is on a 12-month consultation cycle.

Safeguards Assessments

The Bank of the Central African States (BEAC) is the regional central bank of the Central African Economic and Monetary Community (CEMAC). As with other regional central banks, the BEAC is subject to a safeguards assessment every four years. The 2013 assessment, completed in November, spanned a period of change at the BEAC and occurred against the backdrop of reforms initiated to address governance challenges and control failures that emerged in 2009. These events led to close engagement with the IMF through monitoring of safeguards “rolling measures” in the context of new program requests and reviews for CEMAC countries. The BEAC had also initiated an action plan to reform its governance, strengthen key safeguards, and build capacity. The 2013 assessment found that the BEAC has made some progress in reinforcing its safeguards framework, but risks remained elevated. Further actions are needed to fully restore sound governance and control, including through amendments to the BEAC charter and commitment to achieve implementation of the reform and modernization plan. Governance at the BEAC continues to be undermined by a legal framework that does not adequately protect institutional autonomy, and problematic partial adherence of several member states to the reserves pooling obligation that is fundamental to the operation of the currency union. The assessment also concluded that annual IMF staff visits to monitor priority recommendations and progress on the BEAC’s reform plan would continue as part of the safeguards “rolling measures” approach. Consistent with this approach, a safeguards staff visit to the BEAC was conducted in April 2014. Staff concluded that the BEAC has made good progress in implementing recommendations from the 2013 assessment and is advancing its reform plan to strengthen controls. That said, the BEAC continues to face challenges on institutional autonomy and broader governance reforms remain paramount in the medium-term. Staff will maintain close engagement with the BEAC to assess sustainability of the measures already in place, and implementation of the reforms going forward. Developments on implementation of these measures will allow staff to consider whether sufficient progress has been made to discontinue the annual monitoring of safeguards rolling measures and thereby revert to the four-year cycle of assessments for regional central banks.

Exchange System

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

Article IV Consultation

Following an Executive Board decision in January 2006, discussions with monetary unions have been formalized and are part of the Article IV consultations with member countries. The discussions reported here are thus in relation with Article IV consultations with the six CEMAC member countries. The Executive Board concluded the last discussion on common policies of CEMAC members on July 20, 2011. Such discussions are held on a 12-month cycle.

FSAP Participation and ROSCs

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

Technical Assistance to the Bank of the Central African States (2010–2014)

March 2014: MCM TA Financial Soundness Indicators

December 2013: MCM TA Sub-regional course on Macroeconomic management and Debt Issues

July 2013: MCM TA on prudential framework update.

May 2013: MCM TA on Central bank governance

March–April 2012: MCM advisory mission on central bank accounting, monetary operations, and stress testing.

March 2012: STA TA mission on development and improvement of monetary and financial statistics and financial soundness indicators.

Since October 2011: MCM resident advisor to the COBAC.

July 2011: MCM advisory mission on monetary policy design and implementation.

Since May 2011: MCM resident general advisor to the Governor of the BEAC on governance, accounting, and internal controls.

March, April, and May 2011: MCM TA missions on accounting, reserve management, and banking supervision.

March 2011: STA TA mission on development of monetary and financial database.

January 2011: MCM TA mission on discussing MCM advice in the areas of governance, internal audit and accounting, monetary policy and research, reserve management, and banking supervision.

November 2010: STA participation in the BEAC's workshop on the economic, monetary, and financial database.

October–November 2010: MCM TA mission on discussing TA program to strengthen the BEAC and the COBAC.

January 2010: STA participation in the BEAC's workshop on balance of payments statistics.